

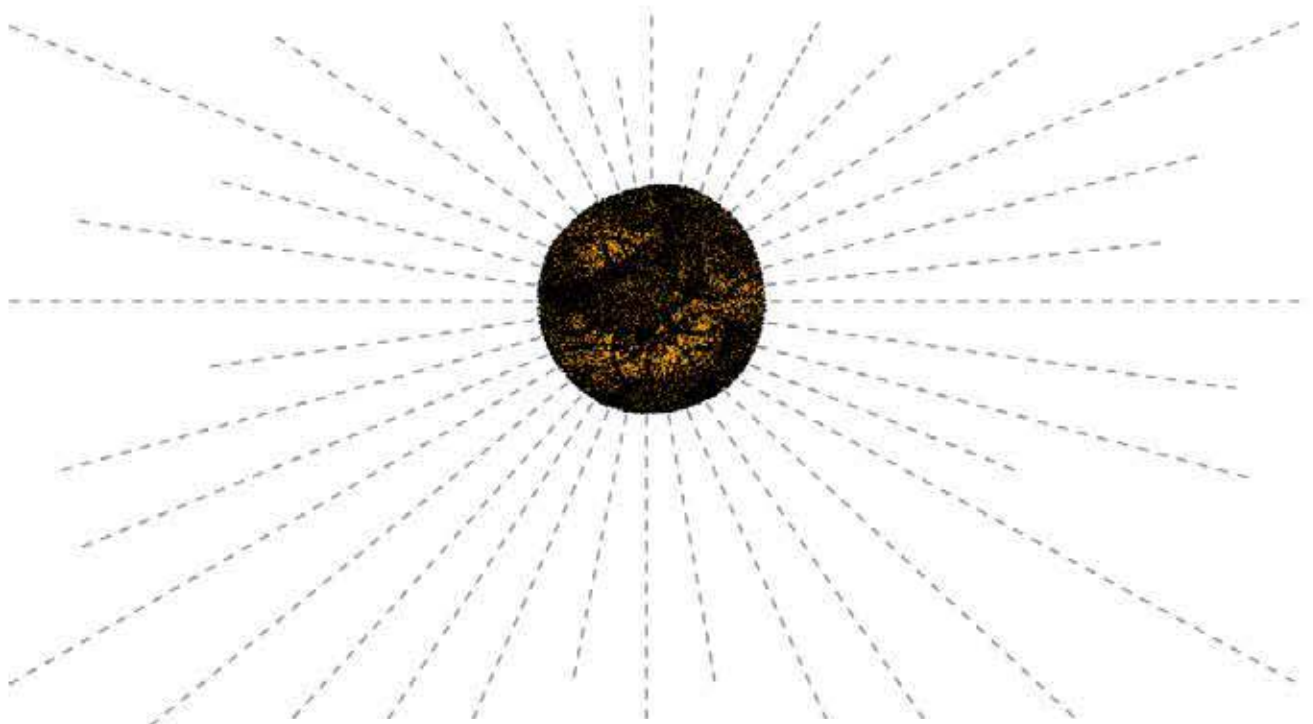
HNB  
ASSURANCE  
PLC



# A DEPENDABLE FORCE

INTEGRATED  
ANNUAL  
REPORT  
2023





# A DEPENDABLE FORCE

Even after the darkest nights, the sun continues to rise each day, radiating its energy to make our existence possible. It is a force that sustains life – powering the continuity of the planet. Here at HNB Assurance, we are an entity structured to add value to the lives of our stakeholders- protecting them from adversity and uncertainties, transforming ourselves into a force our nation can depend on.

When the people and communities we serve need stability, our Company's strengths have shined the brightest, radiating strength only we can deliver. Today, as one of the fastest-growing insurance providers in Sri Lanka, we take pride in delivering future-forward solutions with a team committed to keep us progressive and smart. This year, we pursued fresh ideas and embraced new perspectives, inspiring better results for us, and our stakeholders. As we open another chapter in our journey, we will continue to radiate hope and strength, keeping alive our spirit of caring.



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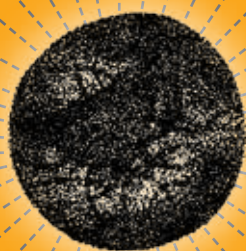
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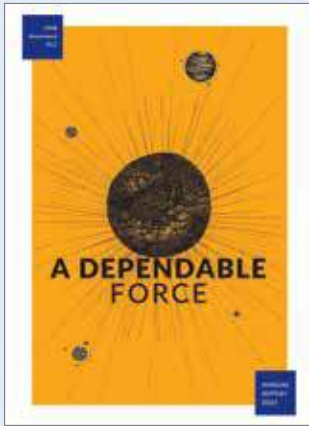
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## ABOUT THE REPORT



The Annual Report of HNB Assurance PLC delivers the story of sustainable value creation achieved by executing our integrated strategy.

This is our 12th report prepared in accordance with the International Integrated Reporting Framework (<IR> Framework) and 15th report complying with the requirements of the Global Reporting Initiatives Sustainability Reporting Standards (GRI Standards).

### 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 2023. This follows the most recent report for the year ended 31st December 2022, for which comparatives are given where applicable. The financial and non-financial reporting boundaries have been aligned to cover both entities of the Group. During this reporting period, no significant changes to the organisation structure, ownership took place.

### 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.

### ASSURANCE

External Assurance has been obtained from Messrs KPMG, the Independent Auditors of the Group on the Financial Statements with resulting notes and the integrated 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 the website of the Colombo Stock Exchange. As an eco-friendly practice we have printed only a limited number of copies.

Sinhala and Tamil translations of Chairperson's Message, Chief Executive Officer's Review and Financial Statements are available on request.



#### Print

Available on request



#### Online

Available in PDF format at [www.hnbassurance.com](http://www.hnbassurance.com)

### GUIDING FRAMEWORKS AND PRINCIPLES

#### Financial Reporting

- Companies Act No.7 of 2007
- Listing Rules of Colombo Stock Exchange
- Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS)
- Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL)
- Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments

#### Integrated Reporting

- International Integrated Reporting <IR> 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
  - Sustainable Accounting Standards by Sustainability Accounting Standards Board

#### Corporate Governance

- Code of Best Practices on Corporate Governance 2017 issued by CA Sri Lanka
- Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka
- Listing Rules of the Colombo Stock Exchange

## REPORTING PRINCIPLES

### • Strategic Focus and Future Orientation

This report aims to provide a clear understanding of how we execute our strategy to create value in the short, medium and long term.

### • Comparability

Performance of the current year is provided along with the performance of the previous year and industry benchmarks where relevant and applicable.

### • Clarity

Included in this report are both text and visual illustrations to enhance readability and understanding.

### • Reliability and Completeness

Information provided have been verified by the Board of Directors, Audit Committee, Other Board Sub-Committees and Group Executive Committee as applicable.

### • Accuracy and Consistency

Internal control mechanisms have facilitated the traceability and verifiability of the information provided in this report. Unless otherwise stated, all reporting concepts remain consistent with the most recent report.

### • Materiality


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.

## FORWARD LOOKING STATEMENTS

Included in this Integrated Annual Report are forward-looking statements to support evaluation of the Group's ability to create value in the future. It is important to note the relatively high levels of uncertainty associated with these statements as Sri Lanka navigates through the troubled times. Additionally, as highlighted in the Operating Environment, the doubts related to the global outlook has added to these uncertainties. Readers are cautioned to use the latest available information at the time of assessment and adjust their evaluations accordingly. All forward-looking statements are presented without recourse or liability to the Board or other preparers of the Annual Report, given the considerable uncertainty associated with them.


## ANY FEEDBACK TO,

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 Board Secretary,  
**HNB Assurance PLC,**  
 Legal and Company Secretarial Division,  
 Iceland Business Center,  
 No.30, Sri Uttarananda Mawatha,  
 Colombo 03, Sri Lanka.

## NAVIGATING THIS REPORT

### THE CAPITALS



Financial  
Capital



Human  
Capital



Manufactured  
Capital



Social and  
Relationship  
Capital



Intellectual  
Capital



Digital  
Capital



Natural  
Capital

### STRATEGIC PILLARS



Sales Force  
Expansion



Exceptional  
Customer  
Experience



Technological  
Transformation



Fund  
Management



Passionate  
Human Capital



A Remarkable  
Brand



Comprehensive  
Product Suite

### STAKEHOLDERS



Customers



Communities



Employees



Shareholders



Business  
Partners



Government  
& Regulator



# ENDURING FORCE

Established over two decades ago, HNB Assurance is an innovative insurance solutions provider, illuminating lives across the country especially during challenging times, where the Company demonstrated its enduring strength by consistently delivering reliable financial security and peace of mind to its policyholders.

## ABOUT HNB ASSURANCE GROUP

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## 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



## Values

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

Founded in 2001, HNB Assurance PLC (HNBA) operates as a provider of Life Insurance with a fully-owned subsidiary, HNB General Insurance Ltd. (HNBGI), providing General Insurance services. HNBA is a subsidiary of Hatton National Bank PLC, a publicly listed, domestically significant commercial bank and one of the largest private sector financial services Group in Sri Lanka.

HNBA provides an extensive range of insurance products, including individual life policies, corporate life policies, and takaful insurance. HNBA is navigating a growth plan to increase its market share to 10% by 2026, while HNBGI is gearing to move up to the fifth position by the same year, through customer-focused strategies, technology and a motivated team which will be a game changer for the Group. A sound track record of delivering value and upholding values allows us to move towards our goals with confidence.

# OUR JOURNEY TO 2023

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

**2003**

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

**2007**

**2015**

Our General Insurance business was transferred to HNBGI, while we increased our focus on the Life Insurance business as we segregated the businesses as per regulations.

**2013**

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

**2009**

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

**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.

**2001**

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





## 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.

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

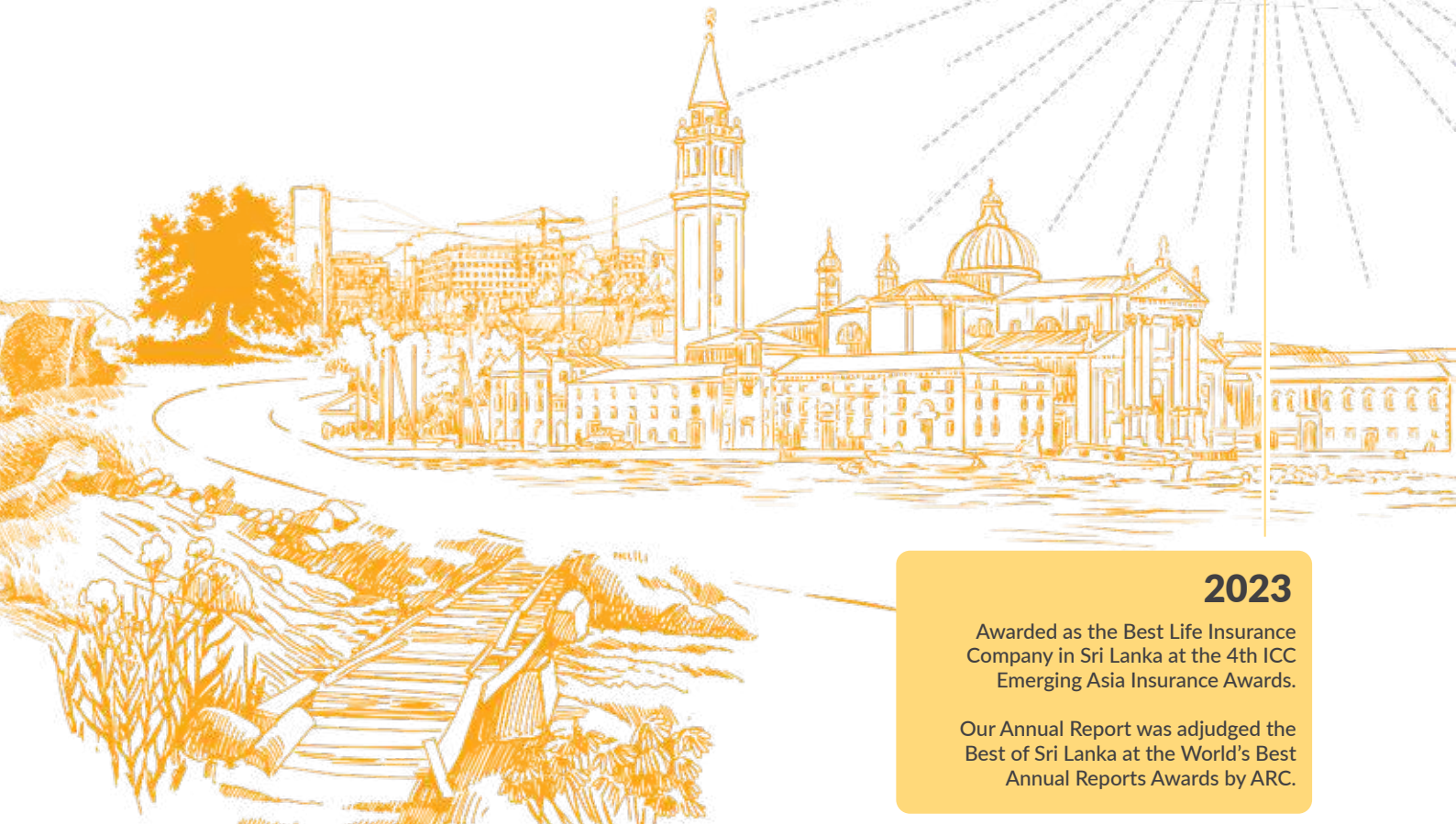
## 2021

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.

## 2022

## 2020

- HNB Assurance PLC and subsidiary HNB General Insurance Limited obtained the Great Place to Work® certification and were accredited among 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.

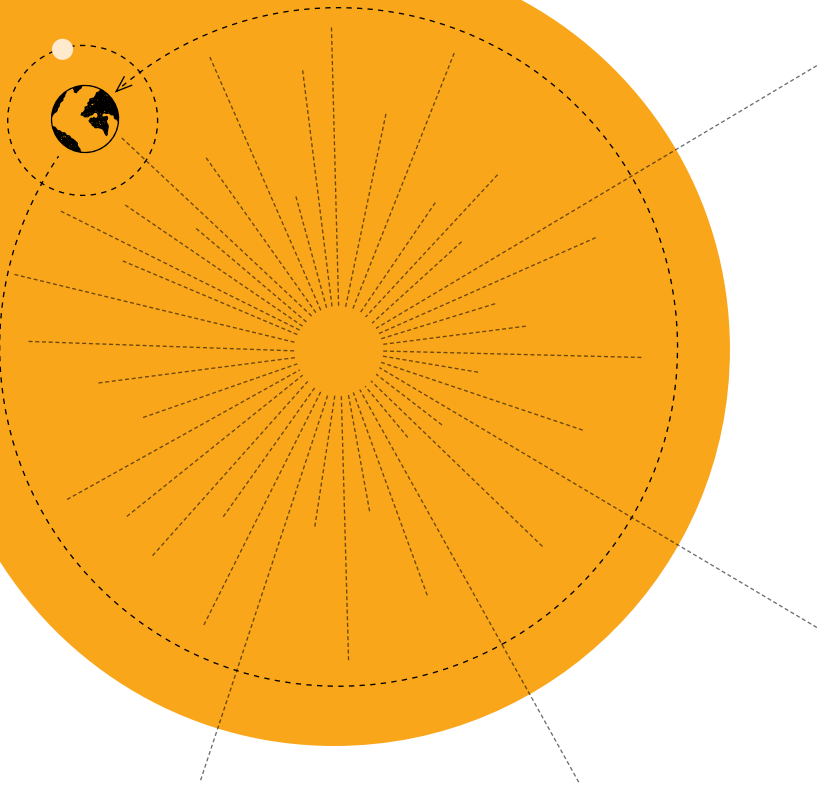


## 2023

Awarded as the Best Life Insurance Company in Sri Lanka at the 4th ICC Emerging Asia Insurance Awards.

Our Annual Report was adjudged the Best of Sri Lanka at the World's Best Annual Reports Awards by ARC.

# THE GROUP AT A GLANCE



## A- (Ika)

Insurer Financial Strength Rating

**FitchRatings**

Market capitalisation

**Rs. 8,490 Mn.**

**C | S | E**  
**COLOMBO STOCK EXCHANGE**  
*Creating Wealth and Value*



**MDRT®**

MDRT's Top 100 Global Companies

PBT  
**Rs. 2,511 Mn.**  
 5% ↑

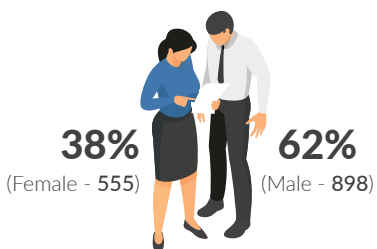
Our Reach

78 Branches

5,151 Advisors

248 Bancassurance Officers

**1,453**  
 Employees



Market Share

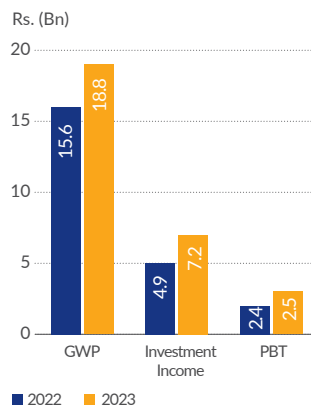


**7.2%**



**6.6%**

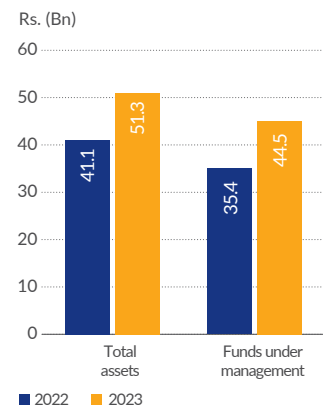
Performance



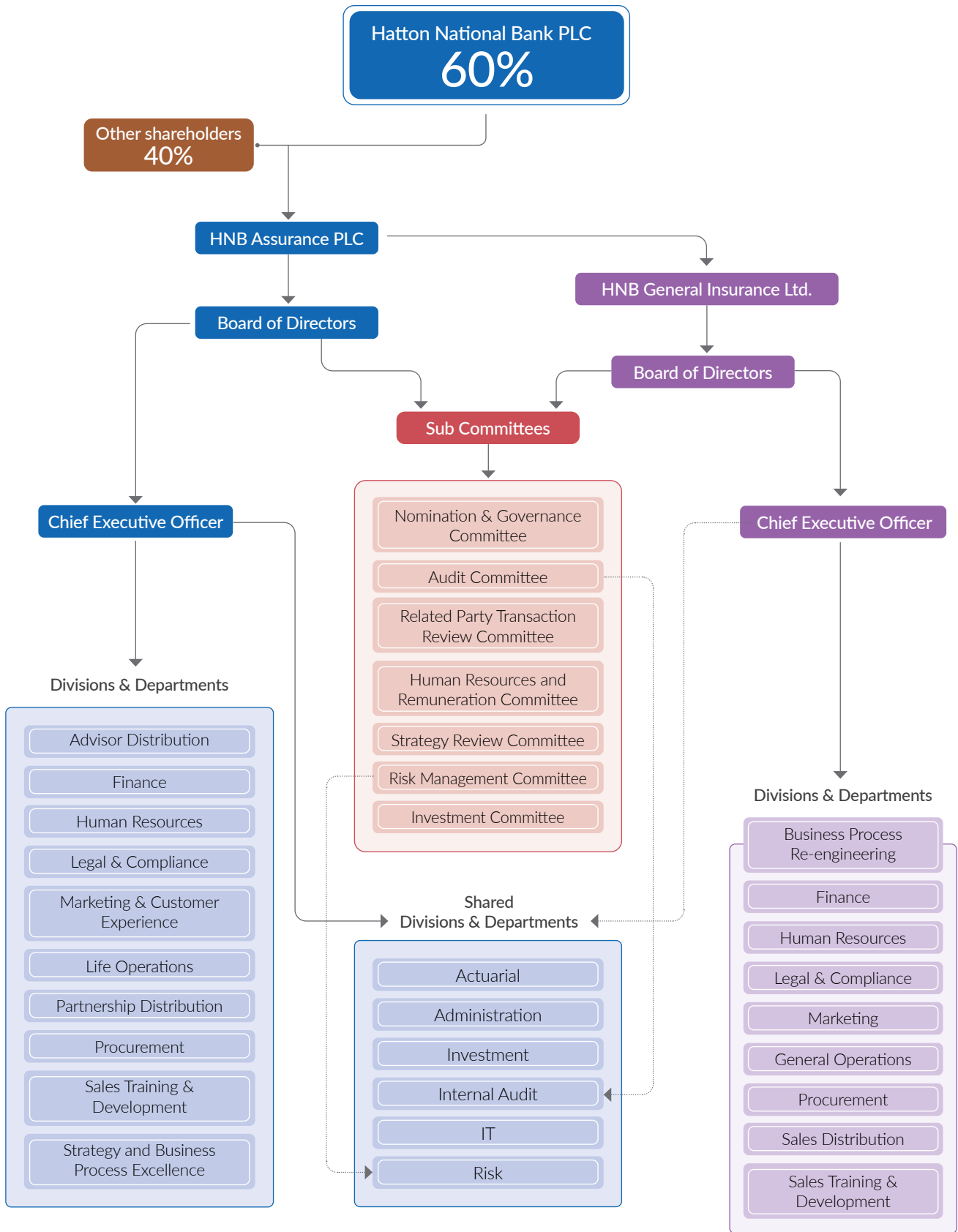
GWP

**Rs. 18,760 Mn.**  
 20% ↑

Stability



# ORGANISATION STRUCTURE



# GROUP PERFORMANCE HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

	Units	2023	2022	2021	Change 2023
<b>Financial Performance</b>					
Gross Written Premium (GWP)	Rs. Mn.	<b>18,760</b>	15,638	12,647	20%
Investment Income	Rs. Mn.	<b>7,236</b>	4,865	2,687	49%
Profit After Tax	Rs. Mn.	<b>1,765</b>	1,831	1,224	(4%)
Funds Under Management	Rs. Mn.	<b>44,507</b>	35,392	31,095	26%
Market Capitalisation	Rs. Mn.	<b>8,490</b>	6,435	7,260	32%
<b>Returns to Investors</b>					
Return on Equity	%	<b>20%</b>	23%	15%	(3%)
Earnings per Share	Rs.	<b>11.76</b>	12.20	8.16	(4%)
Dividends per Share	Rs.	<b>3.90</b>	3.65	3.20	7%
Market Price per Share	Rs.	<b>56.60</b>	42.90	48.40	32%
P/E Ratio	Times	<b>4.81</b>	3.52	5.93	37%
<b>Life Insurance</b>					
Market Share	%	<b>7.2%</b>	6.5%	5.7%	0.7%
Gross Written Premium (GWP)	Rs. Mn.	<b>10,923</b>	8,911	7,091	23%
Life Fund	Rs. Mn.	<b>30,676</b>	24,364	20,063	26%
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	<b>339%</b>	306%	277%	33%
New Policies	Count	<b>44,188</b>	39,934	34,357	11%
Branches	Count	<b>69</b>	64	62	8%
Lapse Ratio (1st Year)	%	<b>50%</b>	48%	43%	2%
Premium Persistency Ratio (1st Year)	%	<b>82%</b>	82%	81%	0%
Claim Ratio (with Maturities)	%	<b>26%</b>	26%	24%	0%
Claim Ratio (without Maturities)	%	<b>12%</b>	11%	10%	1%
Expense Ratio	%	<b>53%</b>	47%	42%	6%
<b>General Insurance</b>					
Market Share	%	<b>6.6%</b>	5.9%	5.5%	0.7%
Gross Written Premium (GWP)	Rs. Mn.	<b>8,036</b>	6,821	5,649	18%
General Fund	Rs. Mn.	<b>4,694</b>	4,182	3,736	12%
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	<b>208%</b>	239%	260%	(31%)
New Policies	Count	<b>72,029</b>	65,122	70,483	11%
Branches	Count	<b>57</b>	57	57	
Claim Ratio	%	<b>73%</b>	72%	63%	1%
Expense Ratio	%	<b>39%</b>	38%	37%	1%
Combine Ratio	%	<b>111%</b>	110%	100%	1%
<b>Distribution of Economic Value Added</b>					
Employees	Rs. Mn.	<b>2,475</b>	2,041	1,596	21%
Business Partners	Rs. Mn.	<b>2,283</b>	1,880	1,512	21%
Policyholders	Rs. Mn.	<b>6,333</b>	4,340	3,249	46%
Shareholders	Rs. Mn.	<b>585</b>	548	480	7%
Government	Rs. Mn.	<b>737</b>	288	73	156%
Communities	Rs. Mn.	<b>4</b>	4	3	0%
Retained In Business	Rs. Mn.	<b>1,529</b>	1,853	1,479	(17%)

## NON-FINANCIAL HIGHLIGHTS

	Units	2023	2022	2021	Change 2023
<b>Employees</b>					
Employees	Count	1,453	1,328	1,217	9%
GWP per Employee	Rs. Mn.	12.91	11.78	10.39	10%
Profit per Employee	Rs. Mn.	1.21	1.38	1.01	(12%)
Training hours per Employee	Hours	10.15	12.82	7.08	(22%)
Employee Turnover	%	23%	22%	17%	1%
<b>Business Partners</b>					
Advisors	Count	5,151	3,989	3,108	29%
Commissions Paid	Rs. Mn.	1,790	1,495	1,291	20%
Brokers	Count	67	65	62	3%
Assessors	Count	61	69	73	(12%)
Acquisition Cost as a % of GWP	%	12%	12%	12%	(0%)
<b>Customers</b>					
Claims and Benefits	Rs. Mn.	6,666	5,579	4,223	19%
% of Customer Complaints Settled	%	90%	90%	98%	0%
Bonus for Participatory Policyholders	Rs. Mn.	68	57	83	19%
Rate of Dividend for Universal Life Policyholders	%	9.0%	8.5%	7.0%	0.5%
<b>Community</b>					
Micro Insurance Policies	Count	8,005	4,583	3,160	75%
School Water Projects Completed During the Year	Count	4	4	0	0%
CSR Activities	Rs. Mn.	4	3	2	33%
Capital Expenditure	Rs. Mn.	424	236	194	80%
New Products	Count	3	1	1	200%
Investment in Digital Capital	Rs. Mn.	683	334	211	105%
<b>Environment</b>					
Fuel Consumption	Litres	1,065,567	858,664	633,975	24%
Electricity Consumption	Units	1,582,469	1,409,737	1,427,769	12%
Paper Recycled	kg	13,376	12,958	10,346	3%

### Distribution of Economic Value Added



Employees

**Rs. 2,475 Mn.**

Employees



Business Partners

**Rs. 2,283 Mn.**

Business Partners



Shareholders

**Rs. 585 Mn.**

Shareholders



Government & Regulator

**Rs. 737 Mn.**

Government



Communities

**Rs. 4 Mn.**

Communities

# OUR SUSTAINABILITY AGENDA

The industry is faced with unparalleled uncertainties driven by demographic shifts, social and economic disparities, the ramifications of climate change, and technological advancements. This has resulted in consumers, investors, and other stakeholders placing a higher value on entities that demonstrate a commitment to sustainability. HNBA has integrated sustainability into our business strategy not just as a responsible and ethical decision, but also as strategic imperative for ensuring long-term success in an evolving business landscape. Listed below are our efforts towards creating an equitable society and a more sustainable environment, aligned with the objectives outlined in the United Nations Sustainable Development Goals (SDGs).

**Protection**

- Over 500,000 Life Insurance policies.
- 124,141 General Insurance Motor covers.
- 701 ex-gratia claims paid.
- 8,005 Micro Insurance policies with one Group Micro Insurance policy.

**Health and Wellbeing**

- 13 Medical Insurance Riders offered.
- Medical claims settled Rs. 1,544 Million.
- Rs. 4 Mn. investment in CSR projects.

**Education and Sports**

- Maintenance of the music room and procurement and repair of essential musical instruments at The Ceylon School for Deaf and Blind in Ratmalana.
- Conducting staff training programmes covering 14,745 hours with an investment of Rs. 12.4 Mn. Trainings for Sales forces covering 105,475 training hours.
- Helping to enhance financial literacy through re-printing and distribution of "Financial Literacy" booklet written by Mr. Ravi Abey Suriya.

**Environment**

- Actively promoting Motor Insurance covers for hybrid vehicles. With hybrid vehicle policies of 11,912 and electric vehicle policies of 193.
- Seven electric bike policies, encouraging customers to reduce their carbon footprint.
- Clearing 15 hectares of invasive plants manually, in Lunugamwehera National Park.



# AWARDS AND ACCOLADES



**1**  
Best Life Insurance Company (Sri Lanka) Award at the 4th ICC Emerging Asia Insurance Awards organized by the Indian Chamber of Commerce

**2**  
Best of Sri Lanka at the 37th Annual International ARC Awards

**3**  
Silver Award Winner (Insurance Category) at CA Sri Lanka's TAGS Awards 2023

**4**  
The Organization with the Most Female-Friendly Innovation/Practice in the Sri Lankan Workplace Award at Women Friendly Workplace Awards 2023

**5**  
Insurance Distribution Initiative of the Year at Insurance Asia Awards 2023

**6**  
Dragons of Asia Bronze Award under the Best New Product Launch at Dragons of Asia 2023

**7**  
Best Digital Integrated Campaign Award by CMO Asia Awards

**8**  
Company With Great Managers Award by Colombo Leadership Academy

**9**  
The Best Life Bancassurance Provider Sri Lanka by Global Banking and Finance Review

**10**  
Silver Winner in the Life Insurance Category at Best Practiced Annual Report Awards & Integrated Reporting Awards by South Asian Federation of Accountants

**11**  
One of Sri Lanka's Most Outstanding Women-Friendly Workplaces Award at Women Friendly Workplace Awards 2023

**12**  
Best Life Insurance Company (Sri Lanka) Award at the 4th Emerging Asian Insurance Awards 2023 conducted by the Indian Chamber of Commerce

**13**  
Best General Bancassurance Provider Sri Lanka 2023 Awarded by Global Banking & Finance Review

**14**  
Most Customer Centric General Insurance Brand in Sri Lanka 2023 by Global Brands Magazine

**15**  
The National Bronze Award in the Extra-Large Service Sector category at the CNCI Achiever Awards 2023

The TOP 03 Most Loved General Insurance Brands in the Sri Lanka

# INDEPENDENT EXTERNAL ASSURANCE



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

**Tel** +94 - 11 542 6426  
**Fax** +94 - 11 244 5872  
+94 - 11 244 6058  
**Internet** [www.kpmg.com/lk](http://www.kpmg.com/lk)

## 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 31 December 2023 (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:

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

## 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 that causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2023, 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 Integrated 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;
- Processes 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.

## 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.

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

C. P. Jayatilake FCA  
Ms. S. Joseph FCA  
S. T. D. L. Perera FCA  
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

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

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R.Ziyad FCMA (UK), FTI



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 for professional Accountants issued by CA Sri Lanka (Code of Ethics).

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 Control (SLSQC) 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 Integrated 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 Integrated 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 Integrated 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 Integrated Report.
7. Reading the Integrated 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 15 February 2024 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

15 February 2024

ABOUT HNB ASSURANCE GROUP

# CHAIRPERSON'S MESSAGE



#### Dear Stakeholder,

I am pleased to report that HNB Assurance PLC recorded a consolidated Profit Before Tax of Rs. 2.5 Billion, an increase of 5% over the previous year despite significant challenges. The year 2023 marks the third consecutive year where both HNB Assurance (HNBA) and HNB General Insurance (HNBGI) together recorded Gross Written Premium growth rates over 20% and exceeded industry growth rates. Both companies are on track to achieving their medium-term goals with strong balance sheets supporting their growth.

#### PASSING THE BATON

I take this opportunity to review the progress made during my tenure, as a Director and Chairperson of HNBA and HNBGI, as I complete my mandatory period of nine years in 2024. Although a relatively new player, HNB Assurance consistently punched above its weight, carving a differentiated path with a focus on transparency and governance thus creating an inspiring workplace. This was combined with a prudent approach to risk management which included maintaining sufficient capital buffers.

The Life Insurance business has increased its market share from 5.2% in 2015 to 7.2% in 2023. The growth rate of General Insurance business, too, picked up pace as the market share moved up from 3.9% in 2015 to 6.6% in 2023. This was achieved in an overcrowded market with a few years lost to the COVID-19 pandemic and the financial crisis. HNBA grew its customer base from 250,000 to over 500,000 during this period, despite the challenges of the recent past. HNBGI has turned the corner from making a loss in 2015 to delivering consistent profitability. Both entities also underwent a transformation in technology during the past two years, shedding legacy systems in readiness for an increasingly digitalised market place.

As a subsidiary of a domestic systemically important bank and the legacy of the HNB brand, we have upheld the corporate values which were key to

## The year 2023 marks the third consecutive year where both HNB Assurance (HNBA) and HNB General Insurance (HNBGI) together recorded Gross Written Premium growth rates over 20% and exceeded industry growth rates.

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maintaining financial stability of the two institutions. Consequently, we maintained high standards of governance and continue to remain in the forefront of sustainability reporting in the industry.

The awards received for creating a great place to work, women empowerment, product range and branding and the impressive number of winners at the MDRT bear witness to our commitment to nurturing a culture of excellence in operations. In addition, the winning of multiple awards for financial reporting demonstrated our steadfast dedication to transparency and excellence in corporate communication. This further validates our commitment to delivering comprehensive and insightful information to our stakeholders. I am particularly pleased that both entities are on a positive growth trajectory to capture a greater share of the market supported by future ready technology. Most importantly, HNBA group performance is based on strong fundamentals and is poised to reach greater heights, adding value to shareholders and all stakeholders.

#### SRI LANKA'S ROAD TO RECOVERY

2023 was a year of recovery and Sri Lanka made headway in stabilising a number of key variables. Inflation was stabilised through policy interventions from 53.2% in January 2023 to 4.2% by December 2023 as the country shifted to a new base year for 2023. High interest rates were stabilised with the 364-day Treasury Bill rate declining from 29.27% in December 2022 to 12.93% by December 2023. The Rupee appreciated by 12.1% against the US Dollar as the exchange rate move from Rs.363.11 to Rs. 323.92 during the year with the uptick in remittances and tourism easing dollar liquidity. Remittances increased by 57.5% to US\$ 5,970 Million, overtaking

apparel exports (US\$ 4,879 Million) to become the highest source of foreign exchange earnings. Earnings from tourism increased by 82% to US\$ 2,068 Million as tourist arrivals doubled from the previous year. The trade balance narrowed marginally to US\$ 4,900 Million.

Completion of the domestic debt optimisation in June 2023 supported the upward revision of country's credit rating by both Fitch Ratings and S&P Global Ratings. The external debt restructuring is a key activity that needs to be completed in 2024. Tax revenues increased in 2023, improving Government finances. While the first two quarters recorded negative GDP growth, the third quarter recorded positive growth which needs to be reinforced by a stronger fourth quarter. While acknowledging the base effect, the positive movement is encouraging as we move into 2024 in a much stronger position.

The insurance sector in Sri Lanka recorded a 9% growth in gross premiums in 2023 compared with 2022. Life Insurance business increased by 12% and General Insurance business by 6% as awareness of the benefits of insurance increased, tempered by the decline in disposable income. Based on the data published by the insurance regulator as of the third quarter of 2023, Total assets of the sector also increased by 16%, supported by growth in Life Insurance business. Profitability of Life Insurance companies improved significantly for the period although the profitability of General Insurance companies declined despite improved investment income and management of cost of claims. Importantly, the Capital Adequacy Ratios of the sector improved. The sector has sovereign exposure of 44% of total assets stemming from the investment in Government Securities.

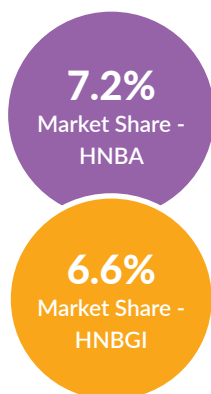
## CHAIRPERSON'S MESSAGE

### DELIVERING SUSTAINED VALUE

The Board is mindful of the need to deliver sustainable value to stakeholders. Our employee value proposition was strengthened in 2023 and we took great care to ensure their well-being as affirmed by the employee satisfaction scores. The Board continued to review the customer complaints and results of surveys to ensure that pain points were addressed swiftly wherever possible. A total of Rs. 6.4 Billion was paid out as benefits and claims while a further Rs. 6.3 Billion was appropriated to the Life Fund.

Our value proposition to our sales advisors and Bancassurance partners has been strengthened to cover many aspects such as training and provision of tools and technology. We continue to maintain active grievance mechanisms which are reviewed to ensure they are addressed and products are developed based on their feedback. The value delivered is evidenced by the exceptionally high number of MDRT winners which is one of the highest in the industry.

Value delivered to investors improved as the share price increased by 32% from Rs. 42.90 as at end 2022 to Rs. 56.60 at the close of 2023. Dividends proposed for 2023 amounted to Rs. 3.90 giving each shareholder a return of 41% based on the share price at the beginning of the year, well above benchmark interest rates.



**It has been a pleasure to serve as the Chairperson of HNB Assurance Group and I have no doubt that HNB Assurance and HNB General Insurance will continue to build on the strong foundation already in place and realise their aspirations in the near future.**

### GROWTH, STABILITY, AND PROFITABILITY

HNB Assurance Group recorded another successful year, through focused execution of strategy to deliver a Profit Before Tax of Rs. 2.5 Billion. HNBA recorded 14% growth in PBT to record Rs.2.3 Billion, accounting for 90% of Group PBT. HNBGI witnessed a halving of profits due to translation losses in Foreign Currency Investments, cost increases in Claims and Other Operating Expenses. Growth in Gross Written Premium was key to performance which was driven by sales force growth, focus on customer experience and technology transformation.

The products have become more sophisticated and more relevant. The SupremeHealth Unlimited is an example of a sophisticated product. Micro Insurance, E-Life and the Livestock and Crop Insurance products introduced widen the customer segments, ensuring that the company is more relevant to local communities. HNBGI focused on diversifying revenue reducing the concentration on Motor with positive results.

Credit ratings for both HNBA and HNBGI remain at the top of the industry with an A-(Ika) by Fitch Ratings, although they continue to be weighed down by the country risk rating. CAR improved during the year from 306% to 339% for HNBA and a decline from 239% to 208% to HNBGI reflecting the robust financial positions of two entities compared to the minimum ratio of 120%. Additionally, liquidity levels remained healthy in 2023, reflecting a prudent financial stance.

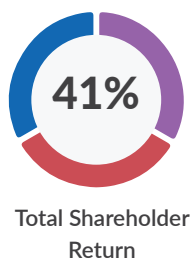
### GOVERNANCE AND LEADERSHIP

The composition of the HNBA Board changed during 2023 due to the untimely demise of Mr. Ravi Abeysuriya, resignations of four Directors and retirement of one Director. I wish to place on record my appreciation of the services rendered by the late Mr. Ravi Abeysuriya, who served as an Independent Director of HNBA for over five years, Dr. Sivakumar Selliah who retired after nine years of service as an Independent Director of HNBA and Mr. Dilshan Rodrigo for his dedication to HNBA over his 11-year tenor as a Director. I also wish to thank Dr. Prasad Samarasinghe, Mr. Richard Ebell and Ms. Chiranthi Cooray for the support rendered as Directors of HNBA and HNBGI. We welcomed on board Mr. L H A Lakshman Silva and Dr. Prasanna Sankalpa Gamwarige whose profiles are set out elsewhere in the report. The consistent availability of the majority of the Board, coupled with institutionalised governance mechanisms, ensures the continuity of Board culture and effectiveness.

The Board focused on IT Governance as digitalisation was a key priority. Ensuring that the projects are delivered on time meeting the functionality expected was a key agenda item as a result. The projects are progressing as planned and are expected to go live in 2024.

The Colombo Stock Exchange issued a new listing rule on Corporate Governance which requires amendments and enhancements to fully comply with the same. We have set up a road map to ensure compliance with the specified transition dates and expect to be fully

compliant by the third quarter of 2024. The Corporate Governance Report sets out the details in this regard. The Board also noted the issue of the new Code of Best Practice on Corporate Governance in December 2023 and will review the provisions with a view to complying with this voluntary code.



#### OUTLOOK

A fragile economic recovery in the 3rd quarter of 2023 supports a cautiously optimistic view for 2024. Tourism earnings are expected to strengthen further together with the remittances. With greater stability in inflation, interest rates and foreign exchange rates, we expect disposable incomes to stabilise. Downside risks remain, which include the possible delay in finalising the external debt restructure and elections, which may affect tourism.

HNB Assurance Group is committed to its course set out in the medium-term plan and is on track to deliver the strategic goals. The organisation culture, people, technology, processes and leadership will combine to drive growth and value creation of this Group to reach its lofty aspirations.

#### APPRECIATIONS

I wish to thank the two Boards for the insightful discussions and objective views proffered in shaping the strategic direction of the HNB Assurance Group and facilitating the Boards' effectiveness. The two teams of the Group led by the respective two Chief Executives, with their innovative approach and indomitable spirit, have worked hard against seemingly insurmountable odds to deliver the outstanding results, especially in the last three years, as set out in this

report. As the Chairperson of the Group, facilitating their efforts by working closely with them and providing the support they needed to gain the space and freedom to utilise their expertise was a stimulating experience indeed. I also appreciate our business partners, investors and the regulator for their valuable support throughout our journey. It has been a pleasure to serve as the Chairperson of HNB Assurance Group and I have no doubt that HNB Assurance and HNB General Insurance will continue to build on the strong foundation already in place and realise their aspirations in the near future. And that is something I will be watching closely.

**Rose Cooray**  
Chairperson

Colombo, Sri Lanka  
15th February 2024

# BOARD OF DIRECTORS



**ROSE COORAY**

Chairperson

Entity	HNBA & HNBGI
Status	NIND/NED
Appointment date-HNBA	6th July 2015
Appointment date-HNBGI	30th June 2015
Sub-Committees	<span style="color: red;">●</span> C <span style="color: purple;">●</span> M <span style="color: green;">●</span> M <span style="color: blue;">●</span> C



**DAMIEN FERNANDO**

Director

Entity	HNBA & HNBGI
Status	NIND/NED
Appointment date-HNBA	29th March 2019
Appointment date-HNBGI	29th March 2019
Sub-Committees	<span style="color: blue;">●</span> M <span style="color: orange;">●</span> M <span style="color: red;">●</span> M <span style="color: blue;">●</span> M



**STUART CHAPMAN**

Director

Entity	HNBA
Status	NIND/NED
Appointment date-HNBA	29th March 2019
Appointment date-HNBGI	NA
Sub-Committees	<span style="color: green;">●</span> C <span style="color: blue;">●</span> M



**ASHOKA GOONESEKERE**

Director

Entity	HNBA
Status	IND/NED
Appointment date-HNBA	31st December 2021
Appointment date-HNBGI	NA
Sub-Committees	<span style="color: blue;">●</span> C <span style="color: orange;">●</span> C <span style="color: purple;">●</span> M <span style="color: brown;">●</span> M



**LAKSHMAN SILVA**

Director

Entity	HNBA
Status	IND/NED
Appointment date-HNBA	1st January 2024
Appointment date-HNBGI	NA
Sub-Committees	<span style="color: brown;">●</span> C <span style="color: red;">●</span> M <span style="color: green;">●</span> M



**DR. SANKALPA GAMWARIGE**

Director

Entity	HNBA
Status	IND/NED
Appointment date-HNBA	1st January 2024
Appointment date-HNBGI	NA
Sub-Committees	<span style="color: purple;">●</span> C <span style="color: blue;">●</span> M <span style="color: orange;">●</span> M





**MARINA THARMARATNAM**

Director

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



**SANJAYA WIJEMANNE**

Director

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



**ARJUNA ABEYGUNASEKARA**

Director

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



**DINESH DHARMADASA**

Director

Entity	HNBGI
Status	IND/NED
Appointment date-HNBA	NA
Appointment date-HNBGI	17th February 2023
Sub-Committees	● M ● I



**YOGA GUNADASA**

Board Secretary HNBA & HNBGI/ Head of Legal & Compliance Officer HNBGI

Entity	HNBA & HNBGI
Appointment date-HNBA	1st June 2023
Appointment date-HNBGI	10th April 2023

- Audit Committee
- Human Resources and Remuneration Committee
- Related Party Transaction Review Committee

- Nomination and Governance Committee
- Investment Committee

- Risk Management Committee
- Strategy Review Committee

C - Chairperson/Chairman M - Member I - Invitee

## BOARD OF DIRECTORS

### 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 Chairperson on July 6, 2015, Mrs. Rose Cooray brings nearly 50 years of invaluable experience in the financial sector, having dedicated over 35 years of service to the Central Bank of Sri Lanka, where she retired as Deputy Governor.

Currently, Mrs. Cooray serves as the Chairperson of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, and HNB General Insurance Limited. Her impressive career also includes a nine-year tenure as a Director of Hatton National Bank PLC, concluding in 2019. During her directorship at HNB, she concurrently served as a Director of HNB Finance Limited and as the Chairperson of Sithma Development (Pvt) Limited.

During her period of service at the Central Bank, Mrs. Cooray served the Ministry of Finance and Planning for nearly six years as the Director General of Fiscal Policy and Economic Affairs. Her representation of the Government on various boards, including 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, and West Coast Power (Pvt) Ltd, highlights her extensive involvement in policymaking and implementation of development projects.

Her expertise in negotiating financial facilities with multilateral donors and bilateral trade agreements is noteworthy, reflecting her commitment to fostering financial growth. Beyond her executive roles, she has contributed to professional journals both locally and overseas, emphasising her dedication to knowledge dissemination.

### 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 in the United Kingdom. In 1992, He was awarded a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

He is a Director of Melstacorp PLC, Addison (Pvt) Ltd and HealthCey (Pvt) Ltd. He was the Executive Director of Sri Lanka Insurance Corporation Limited from 2003 to 2009. Additionally, he served as the Executive Director of the Lanka Hospital Corporation PLC from 2006 to 2009. Mr. Fernando has worked in the sectors of Food & Beverage, Manufacturing, Telecommunications, and Finance.

### STUART CHAPMAN

- ▶ *Non-Independent/Non-Executive Director- HNB Assurance PLC*
- ▶ MBA (University of Colombo)  
Dip in Marketing (CIM-UK)  
Certified Management Accountant (CMA-Australia)  
Dip.in Life Insurance Sales & Marketing (Life Underwriters Training Council -USA)  
Dip in Business Management (NIBM)

Mr. Chapman holds an MBA from the University of Colombo and a Diploma in Marketing from the Chartered Institute of Marketing, UK. Additionally, he possesses 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. His distinguished affiliations include being a Fellow Member of the Chartered Institute of Marketing, UK, and the Institute of Management, UK, as well as a Member of the Institute of Certified Management Accountants, Australia.

With over 40 years of managerial expertise in Sales, Marketing, and general management functions, Mr. Chapman has made significant contributions across

diverse industries such as Healthcare, FMCG, Consumer Durables, Insurance, Banking, and Telecommunications. His leadership extends beyond our organisation, as he serves as an Independent Non-Executive Director of Hemas Pharmaceuticals (Pvt) Limited and United Motors Lanka PLC.

Mr. Chapman's illustrious career includes a tenure as the former Managing Director of GlaxoSmithKline (GSK) Pharmaceuticals, where he also sat on the Boards of Glaxo Wellcome Ceylon Limited and SmithKline Beecham Pvt. Ltd. Prior roles encompassed leadership positions such as Managing Director of the Hemas Healthcare Sector, Marketing Director at Reckitt Benckiser, and Senior Brand Manager at Unilever. He has also held the positions of Managing Director/CEO at Lanka Orix Leasing Company and Director Life at Ceylinco Insurance. Notably, Mr. Chapman served as a former Director/CEO of Janashakthi Insurance PLC.

His contributions extend beyond corporate roles, as evidenced by his involvement in industry associations. Mr. Chapman has served as the Honorary President and a Founder Member of the Chartered Institute of Marketing Sri Lanka. He has held the position of President of the Sri Lanka Chamber of the Pharmaceutical Industry, the apex body for the pharmaceutical sector in Sri Lanka. Furthermore, he has served as 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 (University of Sri Jayewardenepura)

With a wealth of over 36 years of expertise in the banking industry, Mr. Ashoka Goonesekere brings a distinguished background in financial reporting, financial management, taxation, financial operations, and risk management. Holding an MBA from the University of Sri Jayewardenepura (PIM), he is a fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Cost and Management Accountants of Sri Lanka.

Ashoka has held pivotal roles in corporate management, serving as the Chief Financial Officer of Hatton National Bank PLC and as the Senior Vice President/Chief Financial Officer, as well as the Senior Vice President Integrated Risk Management/Chief Risk Officer at DFCC Bank PLC.

His extensive experience extends to board positions at Acuity Partners (Pvt) Ltd, Acuity Stock Brokers (Pvt) Ltd, Acuity Securities Ltd, and Sithma Development Ltd. Notably, he has contributed as a Board member to the Sri Lanka Accounting and Auditing Standards Monitoring Board, demonstrating his commitment to upholding industry standards. In addition to his board responsibilities, Ashoka has chaired and actively participated in various board sub-committees.

#### **LAKSHMAN SILVA**

- ▶ *Independent/Non-Executive Director - HNB Assurance PLC*
- ▶ MBA (PIM-University of Sri Jayewardenepura), BCom (Sp.) (University of Kelaniya)

Lakshman Silva embarked on his distinguished professional journey with the Department of Inland Revenue of Sri Lanka before joining the DFCC Banking Group in 1987. His commitment and expertise saw him seconded to the service of DFCC Vardhana Bank in 2003, where he assumed the pivotal role of Chief Operating Officer. His path within the organisation culminated in his appointment as the Chief Executive Officer/Executive Director in January 2010. Following this, he served as the Deputy Chief Executive Officer/Director of DFCC Bank PLC from October 2015 until his elevation to the position of Chief Executive Officer/Director in August 2017.

Until his retirement in December 2021, Mr. Silva held influential roles as the Chairman of DFCC Consulting (Pvt) Limited, Lanka Industrial Estates Limited, and Synapsys Limited—key subsidiary companies of DFCC Bank PLC. He also chaired Lanka Financial Services Bureau Limited and Sri Lanka Banks' Association (Guarantee) Limited. Additionally, he served as Chairman of Acuity Partners (Pvt) Limited, a significant joint venture company of DFCC Bank PLC, and held leadership positions in Lanka Ventures Limited, LVL Energy Fund PLC, and Director LankaClear (Pvt) Ltd.

Mr. Silva's commitment to the broader financial landscape is evident through his roles as a Board member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the Board of Management of the Sri Lanka Sustainable Energy Authority.

Currently, Mr. Silva contributes as an Independent Director at Seylan Bank PLC and Finetech Consultancy (Pvt) Ltd. Notably, he serves as the Chairman and Director of Panasian Power PLC and its Subsidiary Companies. His active engagement extends to being a member of the Stakeholder Engagement Committee of the Central Bank of Sri Lanka. A Past President of the Association of Professional Bankers of Sri Lanka, Mr. Silva is a distinguished alumnus of the University of Kelaniya, holding a BCom (Sp.), and the Postgraduate Institute of Management of the University of Sri Jayewardenepura, where he earned his MBA. He is also recognised as an Associate Member of the Association of Development Financial Institutions of Asia & Pacific (ADFIAP).

#### **DR. SANKALPA GAMWARIGE**

- ▶ *Independent/Non-Executive Director-HNB Assurance PLC*
- ▶ PhD, BSc in Electronics and Telecommunication Engineering (University of Moratuwa)

Dr. Sankalpa Gamwarige, a distinguished professional with a PhD and a BSc in Electronics and Telecommunication Engineering from the University of Moratuwa, serves as the Managing Director at Nagarro in Sri Lanka. With over two decades of expertise in Digital and Electronics Product Engineering, Dr. Gamwarige is a key member of the Global Leadership Team steering Nagarro SE, a renowned Digital Product Engineering Services company listed on the Frankfurt Stock Exchange.

His illustrious career includes leadership roles at Zone24x7 and significant contributions to Symbol Technologies, Interblocks, and Millennium IT. Dr. Gamwarige's contribution extends beyond corporate realms, as he has served on the boards and councils of prestigious organisations such as TRACE Sri Lanka,

National Innovation Agency, Sri Lanka Association for Software Services Companies (SLASSCOM), Sri Lanka Institute of Biotechnology (SLIBTEC) Private Limited, and the Faculty of Graduate Studies at the University of Moratuwa.

In addition to his leadership roles, Dr. Gamwarige has provided advisory expertise to the Export Development Board (EDB), National Science Foundation, and the Chamber of Commerce. His dedication to advancing technology is evident through numerous US Patents and peer-reviewed publications in Digital and Electronics Engineering.

#### **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.

## BOARD OF DIRECTORS

### 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, serving as the Deputy General Manager of Retail Banking Group at Hatton National Bank PLC, oversees a diverse portfolio that encompasses Personal Financial Services (Leasing, Pawning, Personal & Housing Loans), SME/Microfinance, Credit Cards, Sales & Business Development, Network Management, Deposit Mobilisation, Marketing Communications, Customer Service, Club & Priority Banking, Digital Banking, Inward Remittances & Exchange, House Relationships, and Bancassurance.

With a B.Sc. in Business & Finance from Mount Saint Mary's University, USA, Mr. Wijemanne brings a wealth of knowledge and expertise to his role. His career journey began with Ceylinco Securities & Financial Services, followed by joining HNB as a Management Trainee/Executive. Subsequently, he made significant contributions during his tenure at HSBC, holding various positions such as Vice President-Custody & Clearing, Head of Sales, Head of Branches (including Premier Banking), Branch Manager- Kollupitiya, and Branch Manager of the Premier Center.

Mr. Wijemanne further enriched his career at Standard Chartered Bank, where he assumed pivotal roles including Head of Retail Banking, General Manager - Premium Banking Branch Sales & Services, and General Manager- Wealth Management Value Center. In addition to his leadership at Hatton National Bank PLC, Mr. Wijemanne serves as a Director at Acuity Stockbrokers (Pvt) Ltd, Acuity Partners (Pvt) Ltd, and the National Advisory Board for Impact Investing (NABII) in Sri Lanka.

### ARJUNA ABEYGUNASEKARA

▶ *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 has over 25 years of experience in the banking sector with extensive experience in branch

banking and treasury management.

Currently serving as the Deputy General Manager – Treasury and Markets at Hatton National Bank PLC, his strategic vision has been pivotal in driving the bank's financial success and market resilience.

In addition to his role at Hatton National Bank PLC, Mr. Abeygunasekara holds the position of Non-Executive Director on the Board of Acuity Securities Ltd., contributing his wealth of experience to shape the strategic direction and governance of the company.

Mr. Abeygunasekara's academic achievements include a Bachelor of Science Degree from the University of Colombo and a Master of Business Administration Degree from the same institution. His professional qualifications include the ACI status, Chartered Global Management Accountant recognition, and membership as an Associate Member of Chartered Management Accountants UK, underscoring his dedication to the highest standards of professional integrity. In addition to his corporate roles, Mr. Abeygunasekara serves as a resource person at the Centre for Banking Studies of the Central Bank of Sri Lanka, contributing to the advancement of industry insights and practices.

### DINESH DHARMADASA

▶ *Independent / Non-Executive Director, HNB General Insurance Limited*

▶ Fellow member -Institute of Chartered Accountants of Sri Lanka

Fellow member-Chartered Institute of Management Accountants UK

Mr. Dinesh Dharmadasa, a seasoned finance professional and Fellow Member of the Institute of Chartered Accountants of Sri Lanka, brings extensive experience to his roles as an Independent/Non-Executive Director at HNB General Insurance Limited and also as an Independent /Non Executive Director at Ex-pack Corrugated Cartons PLC.

Having commenced his career at KPMG, Mr. Dharmadasa rose through the ranks at Ceylon Tobacco Ltd PLC (CTC), reaching the position of Director – Legal and External Affairs by 2005. His illustrious career at CTC, concluding in 2019,

included overseeing regulatory and legal affairs, trade, fiscal affairs, communications, CSR, and sustainable business initiatives.

Beyond his corporate achievements, Mr. Dharmadasa chaired the Industrial Association of Sri Lanka from 2016 to 2018, fostering strong relationships and formulating strategies for industrial growth. His board memberships at the Ceylon Chamber of Commerce and CIMA – Sri Lanka highlight his dedication to industry leadership.

### YOGA GUNADASA

▶ *Board Secretary HNB Assurance PLC and HNB General Insurance Limited/ Head of Legal & Compliance Officer -HNB General Insurance*

▶ LLB (Colombo), LLM (Colombo), Attorney-at -Law, Post Attorney Dip (International Trade Law) - Sri Lanka Law Collage

Dip (Human Resource Management) – London Business School (Sri Lanka)

Ms. Yoga has exhibited remarkable dedication and expertise, steadily ascending to the position of Head of Legal & Compliance Officer/Board Secretary. In this pivotal role, she is responsible for overseeing Legal, Corporate Secretarial, and Compliance operations, making substantial contributions to the Senior Management Team. Boasting over 18 years of professional experience, Ms. Yoga possesses a profound understanding of Corporate law, Intellectual Property, Insurance Law, Property Law, and civil litigation. Prior to her tenure at HNB Assurance PLC, Ms. Yoga held significant roles at Sri Lanka Insurance Corporation Limited, where she further honed her expertise. Additionally, she served as a legal researcher at Law & Society Trust, enriching her understanding of legal intricacies and societal dynamics.

Ms. Yoga is an Attorney-at-Law, holding a Bachelor's Degree in Law from the University of Colombo. Her academic prowess extends to a Master's Degree in Law, complemented by specialised diplomas in International Trade Law and Human Resource Management.

# CHIEF EXECUTIVE OFFICER'S REVIEW



## CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Stakeholder,

HNB Assurance PLC recorded another solid year with both Life and General Insurance outpacing industry growth in both segments. Life insurance outperformed the industry growth by nearly twofold, increasing its top line by an impressive 23% in 2023. This was supported by new business growth of 29% and a renewal growth of 17% despite the challenging environment. General Insurance also recorded a growth of 18%, which was also well above industry average, focusing on growth of non-motor business, successfully diversifying their revenues to reduce dependency on motor insurance. A dependable force underpins our performance as our employees, agency networks, business partners and our parent company combine with sound systems of governance and accountability to create a solid foundation for growth.

### PROGRESS ON STRATEGY

Simplifying and clearly communicating the separate medium-term strategies with clear quantified goals for Life and General Insurance ensured buy in and timely implementation of initiatives. Our aspirations are unchanged from 2022. Life aspires 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 fifth position in five years counting down to 2026, in a crowded market segment. Detailed plans were aligned to the current operating environment and our learnings from pursuing these strategies in 2022.

### LIFE INSURANCE

Sales force expansion and training were the main thrust of the Life Insurance strategy with ambitious targets set for the Advisor and Partnerships channels. We expanded our footprint to 69 branches island-wide and strengthened our advisor force to over 4,000 strong. This channel recorded 37% growth in new business as a result of these initiatives, a significant increase over prior years. We also

## Top line growth of HNBA Group was an impressive 20% as Gross Written Premiums increased to Rs.18.7 Billion, the highest recorded in the history of the Group.

introduced a franchise model that drives cost efficiencies and we expect to grow this concept in 2024.

We continued to expand the partnership channel, increasing the contribution from this channel by over 21%. The partnership with the HNBA Group's parent continues to thrive with targeted training, a differentiated career path and the recognition of achievements which serves to inspire others. Growth through other banks and non-banking financial institutions by marketing products that complement our business enables the Group to further expand our customer base.

Significant strides in technology transformation were made through the core system implementation during 2024. We are now introducing robotic process automation, set to expand with AI and unattended bots by 2026. This shift will replace routine tasks, fostering the migration of staff to more challenging roles and boosting satisfaction. A concurrent change management initiative supports this transformation, ensuring a seamless transition. Training for the new system will be provided to all staff. Sales, underwriting, claims, and servicing systems are gradually shifting to AI-supported platforms, enhancing efficiency. Notably, 95% of sales are automated by advisors, aligning with our commitment to a fair transition to technology.

Exceptional Customer Service is the third pillar connecting the sales force expansion and technological transformation which seeks to ringfence the customer through positive experiences. We continued to hone our strategy by developing the soft skills of the staff and incentivising them appropriately to enhance their

effectiveness and productivity. Tied closely to our branding strategy, this pillar is a vibrant and evolving one, which has been successful in supporting increased customer retention rates.

HNBA had 203 MDRT winners, which is not only the highest in the history of the Company, but also one of the highest in the industry, reflecting the ability of the advisors and the effectiveness of the training initiatives implemented. It was also great to be recognised as the leading Bancassurance Channel by the Global Banking & Finance Review (UK) for the third consecutive year.

### GENERAL INSURANCE

General Insurance focused on building competencies, technology transformation, delivering high quality products and services and building a sustainable future. We pursued our strategy of formulating innovative products to diversify business from its traditional core of motor. The 3 in 1 Motor product gained traction in the market, competing effectively with the sophisticated products of top tier players capture business in a market that has had little growth due to import restrictions. HNBGI was the first to introduce a parametric (crop and livestock) insurance product in the market and hope to grow this business in 2024. We also see potential for the Cyber Insurance product that was introduced during the recent years as the threats escalate globally for this risk that crosses borders in real time.

These strategies enabled HNBGI to diversify its business from its dependence on Motor Insurance, successfully growing other business lines to account for 18% of Gross Written Premiums. I am also pleased to observe the continuous improvement in both the Net Promoter Score and the Customer Satisfaction score, reflecting the effectiveness of

our strategies to enhance the customer experience in this extremely competitive market. The ranking of HNBGI as the Most Loved General Insurance Brand is testimony to our concern for the customer.

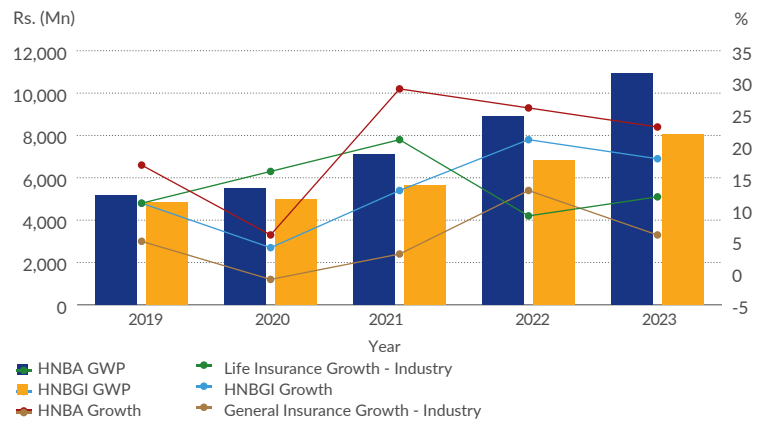
## PERFORMANCE

Top line growth of HNBA Group was an impressive 20% as Gross Written Premiums increased to Rs.18.8 Billion, the highest recorded in the history of the Group. This was supported by the expansion of the sales force, their capacity building and a comprehensive range of base products and riders that could be customised to meet varying needs of customers. The Group continued to maintain its prudent approach to reinsurance resulting in Premium Ceded to Reinsurers increasing by 35% to Rs. 2.9 Billion. Accordingly, Net Earned Premium increased by 20% to Rs.15.7 Billion, reflecting sustainable growth. Other Revenue increased by 46% to Rs.7.6 Billion, as a sound investment strategy optimised yields in a year of declining interest rates. This boosted Net Income to Rs.23.3 Billion, which increased by 27%, reflecting the steady focus on effective growth and investment strategy tempered by prudent reinsurance principles.

Total Benefits and Claims increased by 19% to Rs.6.7 Billion, largely driven by Maturity claims in the Life business and Motor in the General business while Expenses increased by 30% with significant investments made in IT and due to the effects of inflation.

Profit Before Tax increased by 5% to Rs.2.5 Billion, reflecting focused growth and an agile investment strategy moderated by the impact of low interest rates on the Life Fund. Taxation increased by 34% during the year as the effective rate of taxation increased from 24% in 2022 to 30% in 2023 due to increased taxation rates. Accordingly, Profit after tax decreased by 4% to Rs.1.8 Billion, which is largely due to the impact of taxation.

### GWP Vs Industrial analysis 5 Years



Ratings for both HNBA and HNBGI were affirmed at A- (Ika) by Fitch Ratings with a stable rating watch. It is noteworthy that the rating is among the highest for the insurance industry in the country. Sovereign exposure amounted to 49% of Total Assets at the close of the year for the Group. HNBA was recognised as the Best Life Insurance Company in Sri Lanka by the Indian Chamber of Commerce at the 4th Emerging Asia Awards 2023 and was listed among the top 100 companies in the world for MDRT. The Bancassurance channel was also recognised as the Best Bank Assurance Channel by Global Banking & Financial Review (UK).

## LIFE INSURANCE

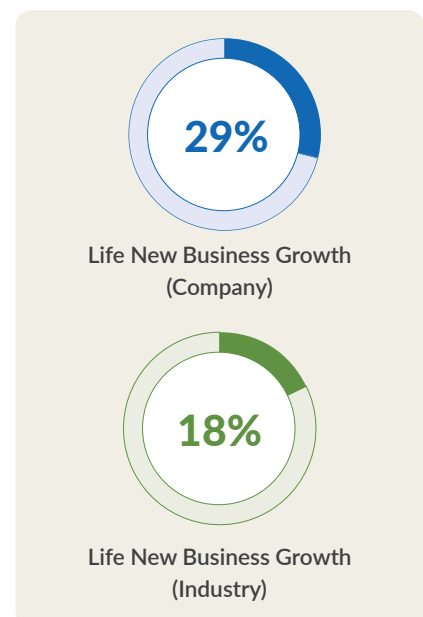
Life Insurance delivered strong GWP growth of 23% boosted by new business growth of 29%. Other revenue was enhanced through a 59% growth in investment income consequent to locking in investments at higher rates. Overall, the Life insurance business recorded Rs.2.3 Billion as Profit Before Tax, marking a 14% growth over the previous year. Profit After Taxation increased by 9% to Rs.1.6 Billion owing to the higher tax rate in 2023.

Total Assets increased by 28% to Rs.43 Billion boosted by an increase in financial investments of 29% which reached Rs.38.5 Billion. Financial Investments accounted for 89% of Total Assets with sovereign exposure accounting for 52%

of Total Assets. Insurance contract liabilities increased by 26% to Rs. 30.9 Billion, driven by strong business growth.

## GENERAL INSURANCE

General Insurance pursued its diversified growth strategy to deliver GWP growth of 18% to Rs. 8 Billion. Other Revenue decreased to Rs.1.1 Billion owing to the foreign exchange translation losses recorded on foreign currency investments. Net benefits and claims increase was curtailed to Rs.3.9 Billion with careful reinsurance and claims management. Other Operating Expenses were also managed at 18%. However, the



## CHIEF EXECUTIVE OFFICER'S REVIEW

combined impact resulted to a decrease in profits by 51% to Rs.242 Million. Taxation increased by 101% and thereby, Profit After Tax for HNBGI declined by 66% to Rs. 151 Million. Total Assets increased by 12% to Rs.9.5 Billion with Investments increasing by 11% to Rs.5.3 Billion. Sovereign exposure to Total Assets amounted to 29% for HNBGI.

### TEAM BUILDING

In a business where building trust is critical to sustainable growth, developing and retaining people of ability and skill is a strategic priority. Economic migration of professionals, skilled and unskilled workers was a key concern for businesses during the year as retention rates came under pressure. A fair number of people were promoted into new roles and considerable effort is being made to support them with targeted training.

Empowering female talent continued to be a focus as we recognised the potential to overcome talent shortage with improved retention of female employees. CIMA and Satyn Magazine recognised our efforts in this aspect for the second time as one of the Top 10 Women Friendly Workplaces in Sri Lanka. We introduced a Women Icon Award for the first time to inspire more women to progress in their careers. This was supported by the In.She programme where we selected ambassadors to inspire women. The In.she programme was recognised as the best initiative in the country by CIMA and Satyn Magazine.

HNBA was one of four companies that has part of an International Labour Organisation programme conducted through the Employers' Federation of Ceylon to train senior management during the year.

Training and development activities continued throughout the year to support performance and career progression. We also sought to engage our staff across diverse areas of interest from sports to music, engaging them for five months

**HNBA was recognised as the Best Life Insurance Company in Sri Lanka by the Indian Chamber of Commerce at the 4th Emerging Asia Awards 2023 and was listed among the top 100 companies in the world for MDRT.**

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which built up to a finale at the annual Staff Conference. Building team morale and nurturing a positive and open organisation culture has underpinned all initiatives in this key area.

### MANAGING RISK

Managing risk continues to gain focus as the operating environment continues to be challenging although significant progress has been made to stabilise key areas of concern, particularly market risk factors. Inflation, interest rates and exchange rates all stabilised during the year. The resolution of the domestic debt optimisation was a relief as it did not impact the portfolio. While the external debt restructuring is yet to be completed, the HNBA Group has no exposure to foreign currency denominated Government Securities. However, sovereign exposure of the financial sector is a concern as identified by the Central Bank of Sri Lanka in its Financial Stability Review 2023. People related risks are a concern as talent migration continued during the year. The decline in disposable income also poses a challenge as it can dampen demand for insurance products.

The HNBA Group maintains comfortable levels of capital and liquidity buffers with a Capital Adequacy Ratios of 339% for HNBA and 208% for HNBGI.

### COMMITTED TO ESG REPORTING

Our commitment to excellence in ESG reporting was recognised at an international level at the ARC Awards where the Annual Report for 2022 was adjudged as the Best in Sri Lanka and the Best Script in the Insurance Sector. At regional level, the report received the Silver award for the Insurance Sector

Best Practice Annual Report Awards at the South Asia Federation of Accountants while at the local level it was recognised with a Silver award for the Insurance Sector at the CA Sri Lanka TAGS awards.

### INCLUSIVE PRODUCTS

HNBA Group has covered over 500,000 lives with our products, providing safety nets for varied risks. Our integration deepened with the development of a Microinsurance product in 2022 which has gained significant traction with the SME sector.

In 2023 we launched the first Crop and Livestock Insurance product in the market and we will be monitoring the market response closely to assess performance and understand concerns of a new target market segment.

We also launched a new sales channel through the Agrarian Department to grow our presence in the microsegment. HNBA Officers will work with the Agrarian Department in five districts initially with the intention of rolling it out islandwide thereafter.

Extension of the family concept is another example of how HNBA uses inclusive principles to structure our products. The SupremeHealth Max Unlimited gained popularity in the market as it enables inclusion of spouse, children, parents and in-laws in one policy,

HNBA also introduced E-Life (Online Term Insurance Plan) which is a simple and easy to understand policy providing a cover of Rs.1 Million that can be purchased online for Rs.300 per month. The uptake on this product is encouraging for sole breadwinners of families.



## ENGAGING COMMUNITIES

We continued our strategic philanthropy initiatives to give back to the community with tree planting campaigns and our school water projects which are set out elsewhere in this report. HNBA remains committed to progressing on its ESG journey while adapting to new standards as we strive to build an organisation that is resilient and inclusive.

## THE ROAD AHEAD

We move into 2024 with the country's economy in a much better shape than it was going into 2023. However, risks are weighted to the downside as recovery is still fragile and 2024 is a year of key elections. Strong growth in tourism and remittances is expected to continue in 2024, boosting foreign exchange reserves which are now at 2.6 months of imports. It is important to stay the course on the IMF extended fund facility and finalise the external debt restructuring to stabilise growth. CBSL has forecast a growth of 3% in 2024 while the IMF maintains it at a more conservative 1.8%.

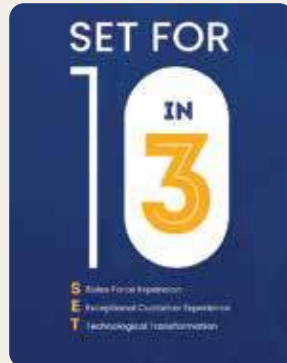
The increase in awareness of the benefits of insurance is a positive development, supporting higher levels of penetration which have been extremely low in Sri Lanka. The more inclusive approach adopted by HNBA to provide safety nets for the most vulnerable have had positive results. The growth of Advisor and Partnership channels has positioned the Group to continue to its planned growth trajectory, widening the customer segments with its inclusive approach.

HNBA Group continues focus on healthy long-term business and sound risk management. We will steer a course to increase market share by growing GWP, leveraging on the expansion and product strategies in place.

## APPRECIATIONS

It is my privilege to lead an inspiring and dynamic team who have delivered a strong performance under difficult market conditions and I take this opportunity to thank every one of them for their

### 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 **three years**.



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

contribution. I commend the leadership provided by Mr. Sithumina Jayasundara to HNBGI in navigating another challenging year.

I thank the Board for their wise counsel of the Board and acknowledge the invaluable contribution made by Mr. Ravi Abeyseriya who passed away during the year. I am deeply appreciative of the contribution made by the Chairperson who has steered the transformation of the HNBA Group during her tenure as she retires in 2024 with the Group in a strong position for growth.

I wish to thank the regulator, the IRCSL for the cooperation and support extended during the year. I thank our business partners including advisors, brokers, bancassurance officers, partners and reinsurers who have been part of our growth journey for their support. Further I especially thank the HNB Management for their unwavering support extended as the Parent to excel in 2023. We look forward to their continued support in the year ahead as we move to the next phase of growth.

**Lasitha Wimalaratne**  
Chief Executive Officer  
HNB Assurance PLC

Colombo, Sri Lanka  
15th February 2024

# GROUP EXECUTIVE COMMITTEE



**1. LASITHA WIMALARATNE**

Chief Executive Officer / Principal Officer -  
HNB Assurance PLC

**3. NILESH AMARASINGHE**

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

**5. DINESH UDAWATTA**

Chief Technical Officer / General Manager -  
HNB Assurance PLC

**7. SUNETH JAYAMANNE**

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

**11. DINESH YOGARATNAM**

Chief Marketing and Customer Experience Officer /  
General Manager - HNB Assurance PLC

**12. HARENDRA RAMASINGHE**

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

**13. SANESH FERNANDO**

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





**2. SITHUMINA JAYASUNDARA**

*Chief Executive Officer / Principal and Specified Officer - HNB General Insurance Limited*

**4. JUDE BENJAMIN**

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

**6. PUNSIRINI PERERA**

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

**8. LASANTHA DE ALWIS**

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

**9. SAMPATH WICKRAMARACHCHI**

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

**10. NALIN SUBASINGHE**

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

**14. DILSHAN PERERA**

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



## GROUP EXECUTIVE COMMITTEE

### LASITHA WIMALARATNE

- ▶ Chief Executive Officer / Principal Officer - HNB Assurance PLC
- ▶ MBA (UK), BA (Hons) (UK), FCII, ANZIIF (Fellow), ACIM, Chartered Insurer

Lasitha has over 26 years of experience with 23 years of experience in the field of Life Insurance inclusive of seven years of multinational experience at Avia and AIA groups with three 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 Vice President of the Insurance Association of Sri Lanka (IASL) and served as the President of the Sri Lanka Insurance Institute (SLII) for the period of 2019/2021. Further, he was 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).

### SITHUMINA JAYASUNDARA

- ▶ Chief Executive Officer / Principal Officer & Specified Officer - HNB General Insurance Limited
- ▶ MBA (UK), ACCII (UK), ANZIF (Snr Assoc), Chartered Insurer

Sithumina, a proud alumnus of St. Anthony's College, Kandy, boasts over 25 years of experience in the Sri Lankan insurance landscape. His journey began with leadership roles in Non-Life insurance at prestigious companies like Asian Alliance, MBSL, Janashakthi, and Eagle Insurance. He further broadened his expertise through international training programmes and conferences, specialising in Re-insurance.

In 2014, Sithumina joined HNB General Insurance Limited, quickly rising through the ranks. He was appointed to the Group Executive Committee in 2015 and subsequently took on the responsibilities of Chief Technical Officer, Specified Officer, Chief Operating Officer, and Principal Officer. Today, he serves as the Chief Executive Officer, guiding the company towards continued success.

Beyond his corporate achievements, Sithumina actively contributes to the industry's development. He was the Past President of the Sri Lanka Insurance Institute (SLII) and is a founding Council Member of The Association of Chartered Insurance Professionals (ACIP) in Sri Lanka. He also serves on the Insurance Association of Sri Lanka (IASL).

Sithumina's academic qualifications are equally impressive. He holds a Master's Degree in Business Administration from Cardiff Metropolitan University, UK, an Advanced Diploma in Insurance (ACII - UK) and is a Chartered Insurer. Additionally, he holds the Senior Associateship of the Australian and New Zealand Institute of Insurance and Finance.

### NILESH AMARASINGHE

- ▶ Chief Investment 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 specialising 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 Officer(CIO)/ GM. He also served as the Secretary to the Strategy Review Committee as the Chief Strategy Officer of the Company upto 2023. As the CIO, he is responsible for the performance of around Rs.45 Billion funds of the HNB Assurance Group. Nilesh, has been a member of the Executive Committee of the HNBA Group for more than 10 years,

### 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.

## 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 21 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. He is the specified officer of HNB Assurance PLC.

## PUNSIRINI PERERA

- ▶ Chief Financial Officer/General Manager - HNB Assurance PLC and HNB General Insurance Limited
- ▶ MBA (PIM-USJ), BBA in Finance (Colombo), 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.

## SUNETH JAYAMANNE

- ▶ Chief Information Officer/General Manager- HNB Assurance PLC and HNB General Insurance Limited
- ▶ B.Sc. (Eng.) (UoM), MBA (UK)

Suneth holds a Bachelor of Science in Computer Science & Engineering from the University of Moratuwa and an MBA from the University of West London. Currently, he is pursuing an MSc in Digital Transformation Leadership at London Metropolitan University. Suneth is a CIMA passed finalist and has completed the CIM Advance Certificate level. Additionally, he is an ISO 27001 Lead Auditor and ITIL certified. With over 22 years of experience in the IT industry, Suneth has worked with various organisations, starting his career at Zillione Systems Solutions (Pvt) Ltd and later serving as an IT consultant at Ernst & Young, reaching the position of Senior Manager. His extensive career at Ernst & Young involved participation in diverse IT projects across sectors such as Banking and Finance, Telecom, Stock Exchange, Airlines, Textile, Healthcare, and numerous e-Governance initiatives. Before joining HNBA in 2020, Suneth held the position of Head of IT at LOLC Technologies, overseeing operations in the Insurance, Leisure, and Healthcare sectors.

## 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. He counts over 22 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 Technical Advisory 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 organised by the Sri Lanka Insurance Institute.

## 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 Collage, 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 and foreign exposure through different training programmes 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 26 years and he has held several key positions in areas such as, Agency Development, Bancassurance, 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.

## 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

## GROUP EXECUTIVE COMMITTEE

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 over 19 years and brings a wealth of experience, including nearly 14 years serving as a key member of the C-suite in prominent insurance firms in Sri Lanka. He counts extensive actuarial, investment fund management & administration, strategy & planning, strategic finance, financial reporting, risk management, sales management, 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 organisation as the Deputy General Manager Actuarial and Risk Management and was 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 Investments 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 the Insurance Association of Sri Lanka (IASL).

### DINESH YOGARATNAM

- ▶ Chief Marketing & Customer Experience Officer/General Manager - HNB Assurance PLC
- ▶ Dip M, FCIM, 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 a Fellow of the Chartered Institute of Marketing UK. He 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 the CAM Foundation

He was the Chairman of the Marketing and Sales Forum of the Insurance Association of Sri Lanka (IASL).

### 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 coveted 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.

### SANESH FERNANDO

- ▶ Chief Business Officer / General Manager - Partnership Distribution- HNB Assurance PLC
- ▶ MBA(UK),MSc (Malaysia),PGD Mkt.(CIM .UK),PGD Mgmt.(UK), MCIM,MSLIM, MGAMA

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 enrolment programme from the Life Insurance Management Research Association (LIMRA), which is a well-regarded professional organisation 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), organised 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 Distribution 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), a Member of the Sri Lanka Institute of Marketing (MSLIM), and a Member of the GAMA Global (MGAMA).

## **DILSHAN PERERA**

- ▶ *Chief Transformation Officer/General Manager - HNB General Insurance Limited*
- ▶ MBA (PIM-SJP), B.B.Mgt.(Marketing) Spe.(Hons.) (Kelaniya), DipM, MCIM (UK), MSLIM

Dilshan re-joined HNB General Insurance in May 2023. He is an Old Boy of De Mazenod College, Kandana and graduated from the University of Kelaniya, Sri Lanka with a Bachelor of Business Management (Marketing) degree, and is also a member, and a Professional Postgraduate Diploma holder in Marketing from the Chartered Institute of Marketing - UK. He is also a member of the Sri Lanka Institute of Marketing and completed his MBA from PIM, University of Sri Jayawardanapura.

Dilshan is an experienced Senior Management Professional and an active proponent of making business more relevant to new consumers and is enthusiastic about the novel opportunities presented by digital technologies. He has over 20 years of experience in Strategic Management, Digital Transformation, Marketing and Brand Management, Sales Management, Digital Marketing, Product Management, Business Development and Customer Experience Management in Life Insurance, General Insurance, Telecommunications, Banking and Retail Business. Prior to joining HNBGI, he was functioning as the Head of InsurTech – Group Digital Services at Dialog Axiata PLC and joined Dialog as the Head of eTailing (Digital Retail) - Group Marketing. Before joining Dialog, he was the Co-Founder of InsureMe.lk (Sri Lanka's first insurance comparison digital platform) and Dilshan was the Head of Marketing at HNB Assurance PLC and HNB General Insurance Limited. He also worked in leading companies, namely DFCC Bank, Ceylinco Life and Cargills Ceylon, holding responsible senior positions in Management.

Dilshan also functions as a visiting lecturer at many higher educational institutes in Sri Lanka and has conducted many sessions for Masters/Postgraduate level students.

## SENIOR MANAGEMENT TEAM - HNBA



**MADHUBHASHINI BAKMEDENIYA**  
*Head of Legal & Compliance / Deputy General Manager*



**NIROSHA PERERA**  
*Head of Audit / Deputy General Manager*



**GEETHANI SARAM**  
*Head of Business Process Excellence & Strategy / Assistant General Manager*



**HIRAN FERNANDOPULLE**  
*Head - Life Distribution (SBU 1) / Assistant General Manager*



**NADARAJAH SUGUNAN**  
*Head - Life Distribution (SBU 3) / Assistant General Manager*



**SALINDA PERERA**  
*Head of Procurement / Assistant General Manager*



**SHIRAN FERNANDO**  
*Head - Sales Training & Development / Assistant General Manager*



**MAHENDRA WILEGODA**  
*Head of Operations / Assistant General Manager*



**NAVIN RUPASINGHE**  
*Head of Human Resources / Assistant General Manager*



**PRELAN REISS**  
*Head of Digital Support & Innovation / Assistant General Manager*



**SAMPATH KARUNARATHNE**  
*Head of Finance*



**AMALI RAJAPAKSHA**  
*Head of Risk Management*





**JAGATH GASPE**  
*Zonal Head - Central*



**SAMAN ASOKA**  
*SBU Head - Bancassurance*



**SEBESTIAN KATHIRESAN**  
*SBU Head*



**MANJULA ATTAPATTU**  
*SBU Head - Bancassurance*



**DEEPAL PUNCHIHEWA**  
*Acting SBU Head*



**SAMAN KUMARA**  
*Zonal Manager*

## SENIOR MANAGEMENT TEAM - HNBGI



**HIFLY HUZAIF**  
*Head - Corporate & Takaful/  
Deputy General Manager*



**ASANKA SENEVIRATNE**  
*Head - Broker Management/  
Deputy General Manager*



**RUKESH LOGANATHAN**  
*Head of Operations / Deputy  
General Manager*



**PRASANNA WIJESINGHE**  
*Head - Branch Network and  
HNB Bancassurance/Deputy  
General Manager*

## SENIOR MANAGEMENT TEAM - HNBGI



**NALAKA MADHURANGE**  
*Head – Sales Training & Development*



**YOGA GUNADASA**  
*Head of Legal/Company Secretary & Compliance Officer*



**RAVI RATHNAYAKA**  
*Head of IT*



**HAZANA CAFFOOR**  
*Head - Business Process Re-Engineering*



**ROSHAN KULARATHNE**  
*Head of Finance*



**RUWAN WEERASINGHE**  
*Head - Agency Channel*



**MALSHA MUNASINGHE**  
*Head of Human Resources*



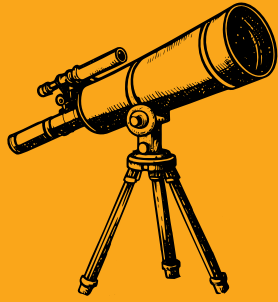
**GAYAN RANASINGHE**  
*Zonal Head - North Western*



**ANURUDDHA WICKREMASINGHE**  
*Zonal Head - Central*



**BAZLIN SALIH**  
*Head of Takaful (SBU 01)*



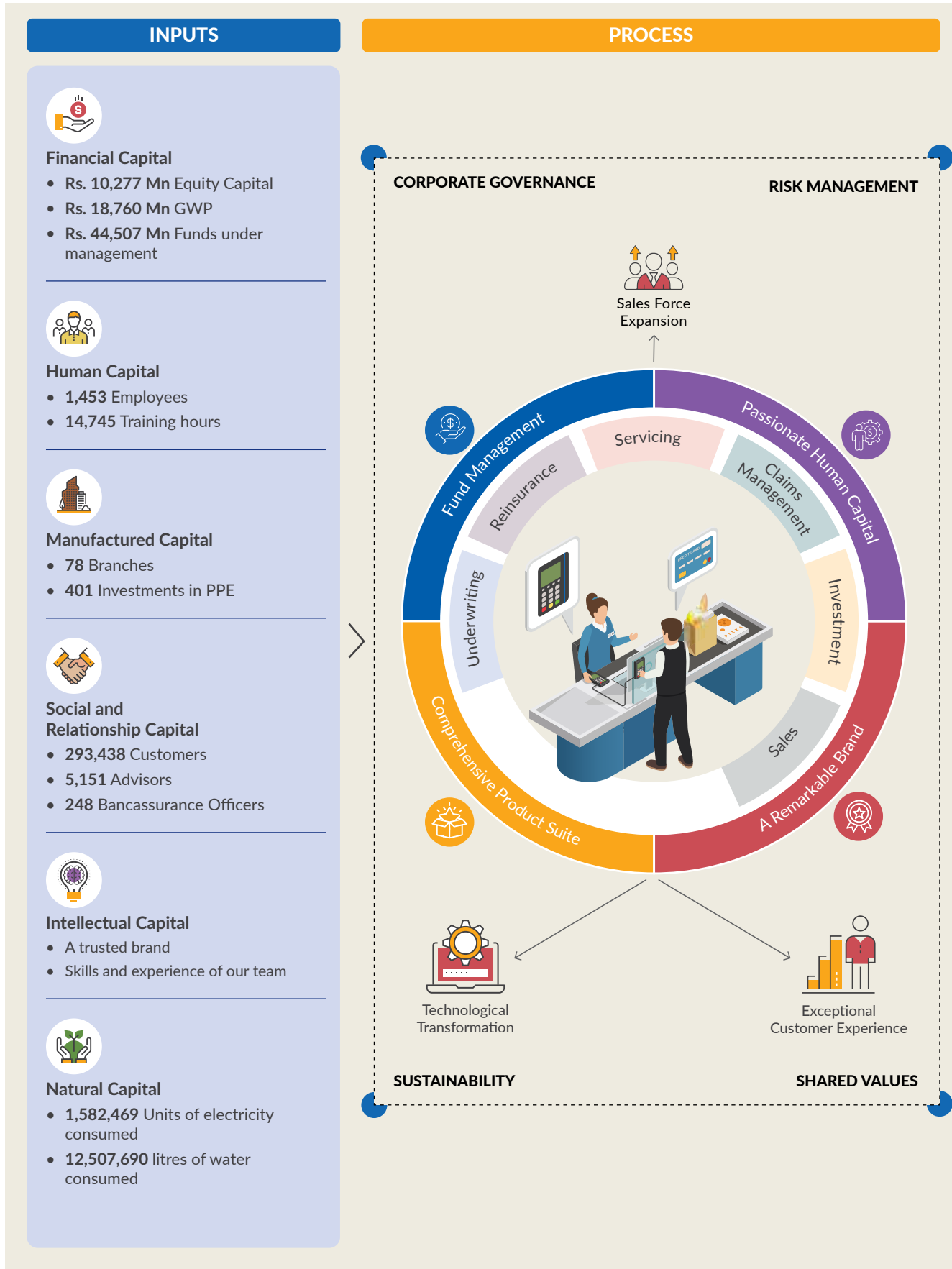
# VISIONARY FORCE

The HNBA Group's approach to value creation involves product innovation, leveraging technology, prioritizing customer needs, fostering enduring partnerships to nurture a collective vision for Sri Lanka's prosperous future.

## MANAGEMENT DISCUSSION & ANALYSIS

Value Creation **42** | Engaging with our Stakeholders **44** | Operating Environment **47** | Looking Ahead **54** | Determining Materiality **56**  
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General Insurance - Business Review **98** | Review of Capitals **101** | Financial Capital Review **103**

# VALUE CREATION



## OUTPUT

### Financial Capital

- 20% ROE
- 4% ROA
- 7% Dividend yield
- Rs. 7,236 Mn Investment Income

### Human Capital

- Total remuneration of Rs. 2,474.9 Mn
- 14,745 training hours
- 447 New Employment

### Social & Relationship Capital

- Rs. 1,790 Mn Commission
- 105,475 hours of training
- 203 MDRT winners
- 1,405 "P" category Advisors

### Intellectual Capital

- Brand Value of Rs. 592 Mn of HNBA
- Brand Value of Rs. 469 Mn of HNBGI
- Best Bancassurance provider in Sri Lanka
- Invested Rs. 24 Mn in Software

### Digital Capital

- 95% of new business coming through digital platforms

### Manufactured Capital

- A branch network of 78
- New Investment in PPE of Rs. 401 Mn

### Natural Capital

- 3% increase in paper recycling

## OUTCOMES



### Investors

- Rs.3.90 Dividend per Share
- Share Price Rs. 56.60



### Employees

- Competitive Remuneration
- Job Security
- Training and Development
- Fair and Inclusive Workplace
- A Safe workplace



### Business Partners

- Growth Opportunities
- Enhancing quality of life
- Financial Returns



### Customers

- 432,167 Policies
- Rs. 6,427 Mn Claims Paid
- Rs. 68 Mn Bonuses



### Government and Regulator

- Rs. 1,690 Mn Taxes paid



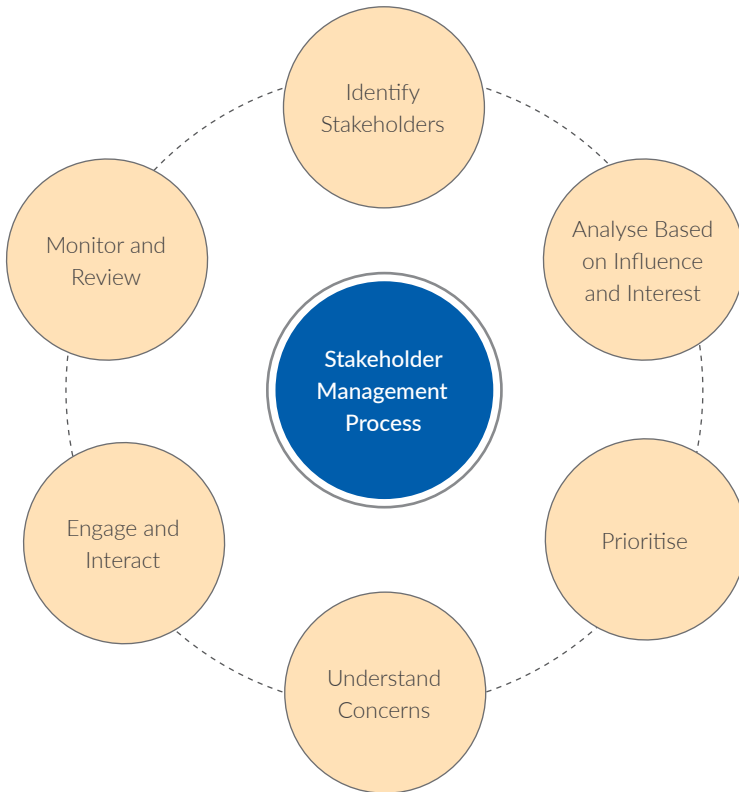
### Community

- CSR spend of Rs. 4 Mn
- New Job Opportunities



# ENGAGING WITH OUR STAKEHOLDERS

Effective stakeholder engagement is crucial for the success and sustainability of our business. Regular engagement provides us with insights into the expectations, concerns, and priorities of our stakeholders. Understanding these aspects is essential for aligning our business strategy with stakeholder expectations. Effective engagement also helps us identify potential risks early on, allowing us to proactively manage them. We engage with several categories of stakeholders, both internal and external, in order to understand and meet their needs. Our approach involves prioritising stakeholders based on their influence on our capacity to generate value.



Stakeholder Influence	High	Government Authorities Regulator <b>Keep Satisfied</b>	Customers Shareholders Employees <b>Key Players</b>
	Low	Community <b>Minimum Effort</b>	Business Partners <b>Keep Informed</b>
		Low	High

Stakeholder Interest



## Customers

- **148,047** Life Customers **145,391** General Customers
- Corporates and Individuals



## Shareholders

- **4,159** Total Shareholders
- **31** Non-Resident Shareholders  
**4,128** Resident Shareholders
- **100%** have Voting Rights



## Employees

- **825** HNB Assurance and **628** HNB General Insurance
- **555** female and **898** male
- **1,429** Permanent and **24** Contract



## Business Partners

- Advisors : Life Insurance **4,816** and General Insurance **335**
- Banking Partnerships: Hatton National Bank and Other Banks
- Reinsurers: Life **4** and General **16**
- Brokers: Life **16** and General **67**



## Community

- Our presence in all districts of the country through our branch network
- Provide employment to **6,815** individuals as employees, advisors and outsourced cadre during 2023
- **74** schools benefited from our water projects
- **15** hectares of land conserved through CSR projects



## Government and Regulators

- Regulated by the Insurance Regulatory Commission of Sri Lanka
- Department of Inland Revenue
- Other Government Authorities



	Customers	Shareholders	Employees
Engagement Mechanisms	<ul style="list-style-type: none"> <li>Meetings</li> <li>Island-wide branch network</li> <li>Advisor and bancassurance channels</li> <li>Print, digital and social media</li> <li>Call Centre</li> <li>Customer Relationship Management Centres</li> <li>Four digit hot-line</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meetings</li> <li>Annual and quarterly financial statements</li> <li>CSE disclosures</li> <li>Corporate website</li> <li>Access to Company Secretary to address their concerns</li> </ul>	<ul style="list-style-type: none"> <li>Training programmes</li> <li>Open-door policy</li> <li>Townhall meetings/staff conferences</li> <li>Staff appraisals</li> <li>Digital platforms</li> <li>CSR and welfare activities</li> <li>Celebrations for cultural and religious events</li> </ul>
Stakeholder Concerns	<ul style="list-style-type: none"> <li>Financial returns and protection</li> <li>Fair, convenient and fast claim settlement</li> <li>Competitive and attractive pricing</li> <li>Product solutions to suit their needs</li> <li>Exceptional customer service</li> <li>Accessibility</li> <li>Protection against financial loss and return on funds</li> </ul>	<ul style="list-style-type: none"> <li>Investment security</li> <li>Attractive returns on investment</li> <li>Sustainable growth in earnings</li> <li>Financial stability</li> <li>Transparency</li> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Competitive and attractive remuneration</li> <li>Career progression</li> <li>Job security</li> <li>Fair and safe work space</li> <li>Opportunities for skill development</li> </ul>
Our Approach	<ul style="list-style-type: none"> <li>Launching products that are relevant and attractive</li> <li>Continuous investments in technology</li> <li>Speedy settlement of claims</li> <li>Enhancing customer service</li> <li>Expanding our reach</li> </ul>	<ul style="list-style-type: none"> <li>Implementing a sound business strategy to achieve sustainable growth</li> <li>Comprehensive governance framework</li> <li>Effective risk management framework</li> </ul>	<ul style="list-style-type: none"> <li>Effective Human Resource management</li> <li>Good Governance</li> <li>Technological transformation to enhance engagement</li> <li>Sales force expansion</li> </ul>
KPIs	<ul style="list-style-type: none"> <li>New products / riders launched Life 3 (2022: 1)</li> <li>Customer complaints received: 429 (2022: 252)</li> <li>Customer complaints resolved 90% (2022: 90%)</li> <li>Claims settled within 3 days 89% (2022: 82%)</li> <li>Net promotor score 68% (2022:61%)</li> </ul>	<ul style="list-style-type: none"> <li>Return on Equity 20% (2022: 23%)</li> <li>Dividend per share of Rs. 3.90 (2022: Rs. 3.65)</li> <li>Insurer Financial Strength Rating A-(Ika) by Fitch Ratings</li> </ul>	<ul style="list-style-type: none"> <li>Promotions 171 (2022: 142)</li> <li>Among Sri Lanka's top 10 Women Friendly Workplaces by CIMA and Satyn magazine</li> <li>4 Welfare activities</li> <li>Number of training hours 14,745 (2022: 17,027)</li> </ul>
Capitals	<ul style="list-style-type: none"> <li>Social &amp; Relationship Capital</li> <li>Financial Capital</li> <li>Digital Capital</li> </ul>	<ul style="list-style-type: none"> <li>Financial Capital</li> <li>Social &amp; Relationship Capital</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital</li> <li>Financial Capital</li> <li>Social &amp; Relationship Capital</li> </ul>
SDG			

## ENGAGING WITH OUR STAKEHOLDERS

	 Business Partners	 Community	 Government and Regulators
Engagement Mechanisms	<ul style="list-style-type: none"> <li>• Training programmes</li> <li>• Annual conferences</li> <li>• Digital platforms</li> <li>• Meetings</li> <li>• Email and other forms of communication</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• CSR activities</li> <li>• Digital, print and social media</li> <li>• Marketing and promotional events</li> <li>• Branch-level activities</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Regulatory reporting disclosures</li> <li>• Responses to proposals/letters</li> <li>• Engagement with industry bodies</li> </ul>
Stakeholder Concerns	<ul style="list-style-type: none"> <li>• Competitive and timely payments</li> <li>• Opportunities for business growth</li> <li>• Training opportunities</li> <li>• Ease of doing business</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Sustainable business practices</li> <li>• Community development</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Good Governance</li> <li>• Timely submission of regulatory returns</li> </ul>
Our Approach	<ul style="list-style-type: none"> <li>• Sales force expansion</li> <li>• Technological transformation</li> <li>• Brand building</li> </ul>	<ul style="list-style-type: none"> <li>• Good governance</li> <li>• Implantation of sustainable business practices</li> <li>• CSR activities</li> <li>• Creating job opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payments and filing of returns</li> <li>• Good corporate governance</li> <li>• Effective Risk Management</li> <li>• Collaboration with industry bodies</li> </ul>
KPIs	<ul style="list-style-type: none"> <li>• Commission payments of Rs.1.8 Bn. (2022: Rs. 1.5 Bn.)</li> <li>• Total training hours of 105,475</li> <li>• MDRT winners 203 (2022: 194)</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of Micro Life product</li> <li>• CSR spent Rs. 3.7 Mn. (2022: Rs. 2.9 Mn)</li> <li>• Employment opportunities made for staff and advisors</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with IRCSL/ CSE requirements</li> <li>• Timely payment of taxes Rs. 1,690 Mn. (2022: Rs. 939 Mn.)</li> <li>• Products to support sustainable development</li> </ul>
Capitals	<ul style="list-style-type: none"> <li>• Social &amp; Relationship Capital</li> <li>• Digital Capital</li> <li>• Intellectual Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Social &amp; Relationship Capital</li> <li>• Human Capital</li> <li>• Natural Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Capital</li> <li>• Social &amp; Relationship Capital</li> </ul>
SDG			



# OPERATING ENVIRONMENT

## PESTEL IMPACT ANALYSIS

	Issue	Impact to the Group	Our Response	Related Risk
Political	<b>P-1</b> Government policies, regulations and political instability.	Challenges faced when forming strategic plans.	Embedding relevant strategies to address these impacts when forming corporate plans.	Sustainability Risk (Refer page 150) Insurance Risk (Refer page 151) Operational Risk (Refer page 160)
	<b>P-2</b> Influence of foreign powers on Country's political and Economic direction.	Effect on the performance due to fluctuating demand for insurance.	Considering external environment impacts for strategy formation.	Financial Capital Social & Relationship Capital
Economic	<b>E-1</b> Low rates of economic growth locally and globally.	Curtail in demand for insurance products due to low purchasing power.	Local and global economic impacts considered when establishing corporate strategies.	Operational Risk (Refer page 160) Sustainability Risk (Refer page 150)
	<b>E-2</b> Interest rate impact.	Impact on the investment portfolio and interest income. Comparatively low interest rates offered for fixed income instruments can make insurance products more attractive.	When formulating strategies, incorporated interest rate fluctuations to offer better returns to Shareholders and Policyholders.	Market Risk (Refer page 158) Financial Capital Social & Relationship Capital
	<b>E-3</b> Government tax policies on revenue, profits, and other related areas.	Higher tax rates lead to lower purchasing power leading to lower demand for insurance.	Considered Government Policies in strategy formulation which enhanced company performance.	Digital Capital
	<b>E-4</b> Import restrictions and currency fluctuations.	Effect on the outflows of the Company when undertaking foreign payments & Motor Insurance claim payments. Motor Insurance growth restricted due to import restrictions. Translation gains and losses due to Forex denominated Asset valuations affecting profitability.	Focused on strategic pricing of products while increased sales of Non-Motor Insurance. Liaised closely with our main banker HNB on forex settlements. Considered during strategy formulation, asset diversification, sensitivity analyses	
	<b>E-5</b> Reduced disposable income due to inflation	Purchasing power of customers will remain low due to the macro-economic environment, which will have impact on new business acquisition & policy retention.	Strategic pricing of products, without compromising profitability, to increase affordability.	
Social	<b>S-1</b> Increased awareness on importance of insurance	Demand for Life Insurance due to increased health concerns and higher life expectancy. Higher demand for health related insurance due to medical inflation and ageing population.	Capitalised on awareness on insurance and products through marketing strategies to attract customers to Group. Aggressive focus on products catering to needs of heightened market interest.	Sustainability Risk (Refer page 150) Insurance Risk (Refer page 151) Operational Risk (Refer page 160)
	<b>S-2</b> Increase in ageing population.	Demand for health, retirement and pension products.	Promoted our products related to health & retirement.	Social & Relationship Capital
	<b>S-3</b> Enhanced use of digital platforms.	Increase employee and customer engagement through digital platforms.	Developed online and mobile platforms to connect with customers while strengthening IT infrastructure.	Digital Capital Intellectual Capital
	<b>S-4</b> Increased use of social media platforms.	Opportunities for social media marketing and awareness building.	More focus given on social media advertising.	

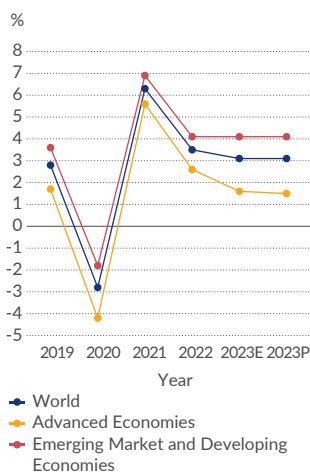
## OPERATING ENVIRONMENT

	Issue	Impact to the Group	Our Response	Related Risk
Social	<b>S-5</b> Urbanisation.	Higher Demand for insurance products.	Restructuring of our distribution network for better reach customers.	Sustainability Risk (Refer page 150)
	<b>S-6</b> 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. Introduction of sustainable products. Supporting bio-diversity as a CSR initiative	Insurance Risk (Refer pages 151)
	<b>S-7</b> Lower pool of talent due to migration.	Increase in staff turnover due to migration affecting talent retention and attraction.	Offering attractive rewards and benefits to reduce attrition of the sales force. Strengthening succession plans and documentation of tacit knowledge.	
	<b>S-8</b> 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	<b>T-1</b> IT is becoming a tool for competitive advantage.	Efficiency in maintaining employee and customer engagement with digital platforms.	Digitalisation of processes using latest technologies considering cost efficiency.	Cyber Risk (Refer page 160)
	<b>T-2</b> Cyber and information security threats.	Increased cyber security threats to data and information.	Investments made to address cyber security threats.	Technological Transformation
	<b>T-3</b> Use of virtual communication methods.	Increased efficiency in serving customers.	Promoted online platforms for transactions and awareness building activities.	Digital Capital Financial Capital Intellectual Capital
Environmental	<b>EN-1</b> Climate changes.	Increase in claim costs due to effects of global warming related climate change.	Evaluating and incorporating increased risk when underwriting insurance policies, use of risk management techniques such as flood mapping, etc.	
	<b>EN-2</b> Environmental pollution.	Concentrate more on development of sustainability practices within the Group and the society.	Adopt sustainable business practices across our value chain reducing the negative impact made on the natural environment.	
Legal	<b>L-1</b> Changing rules and guidelines in regulatory, compliance, accounting and taxation.	Significant investments to be made on compliance related to SLFRS 17 implementation, AML reporting and other compliance reportings.	Embedding compliance rules and guidelines when forming strategies of the Group. Major projects and investments underway/ planned to ensure compliance by relevant due dates.	Strategic Risk (Refer page 150)

## GLOBAL CONTEXT

The global economy showed resilience and continued its recovery amidst disruptions in food and energy markets caused by Russia's invasion of Ukraine and the unprecedented tightening of monetary conditions across the world to control record-high inflation. According to projections of International Monetary Fund (Source: IMF World Economic Outlook, January 2024), global growth will slow down to 3.1% in 2023 (2022: 3.5%), uneven across the world with growing divergencies. The slowdown is more pronounced in advanced economies than in emerging markets and developing economies. The growth in advanced economies is projected to slow down to 1.6%, compared to 2.6% in the previous year amidst brighter than expected US momentum but weaker than expected growth in the Euro area. The growth in emerging markets and developing economies were expected to slow down to 4.1% in 2023 mainly because of the property crisis in China.

World GDP Growth



Source : IMF World Economic Outlook, October 2023

Headline inflation is expected to steadily decline from its peak of 8.7% in 2022 to 6.8% in 2023 due to tightening of monetary policies but mainly as a result of declining international commodity prices. Core inflation is expected to decline more gradually, from 6.4% in 2022 to 6.3% in 2023.

Almost three-quarters of economies are expected to report lower headline inflation for 2023, but the pace of disinflation is higher in advanced economies due to stronger monetary policy frameworks and lower exposure to shocks in commodity prices and exchange rates.

Consumer Prices



Source : IMF World Economic Outlook, October 2023

## SRI LANKA

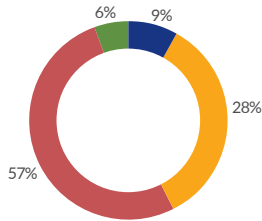
Despite a contraction of 7.8% in 2022, the Sri Lankan economy showed initial signs of stabilisation, in the first half of 2023 due to several critical reforms such as floating currency, monetary tightening and phasing out of monetary financing. Inflation came back to single-digit levels in July 2023 for the first time in 19 months. An improved trade balance, promising recovery of tourism and foreign remittances, continuing external debt service suspension and inflows from development partners resulted in better usable official reserves. The approval of the International Monetary Fund's extended Fund Facility (IMF-EFF) in March 2023 brought in confidence and Asian Development Bank and World Bank funds in the form of budgetary support contributed to the easing of liquidity conditions in the domestic foreign exchange market.

Economic contraction continued in 2023, due to prolonged effects of economic slowdown resulting from COVID-19, ongoing social, political, and economic uncertainties prevalent in 2022, as well as a reduction in aggregate demand due to high inflation and unprecedented monetary tightening in the preceding period, coupled with ongoing fiscal tightening measures.

- The economy grew by 1.6% in third quarter 2023, after recording contractions in 6 consecutive quarters.
- In March 2023, the IMF Executive Board approved a 48-month Extended Fund Facility (EFF) of approximately US\$3 Billion to support the Government's reform programme.
- After raising policy rates by a cumulative 950 basis points in 2022 to curb inflation, Central Bank of Sri Lanka (CBSL) began to loosen monetary policy amid decelerating inflation.

# OPERATING ENVIRONMENT

## GDP Composition



- Agriculture
- Industry
- Services
- Taxes less Subsidies on Products

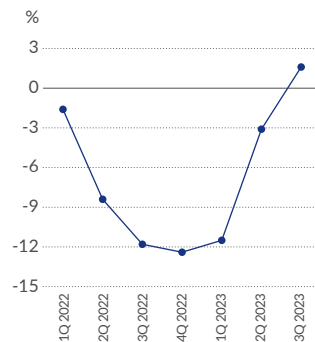
Source: CBSL

The economic downturn persisted into 2023. Following a 7.8% contraction in real Gross Domestic Product (GDP) in 2022, the first half of 2023 saw a further decline of 7.9% compared to the same period in 2022. Industrial activity took a substantial hit, recording a 18.3% decline in the first half of 2023. This downturn was attributed to contractions in construction and manufacturing, triggered by reduced private credit availability, shortages of inputs, and disruptions in the supply chain.

The services sector also experienced an overall contraction of 3.2% year-on-year in the first half of 2023. This was primarily driven by significant contractions in financial services, insurance, and real estate. However, this contraction was partially offset by growth in transportation, accommodation, food, and beverage services, owing to a revival in the tourism sector, easing of fuel shortages, and improved foreign exchange liquidity.

Despite the challenging economic landscape, there was a positive development in agriculture, which grew by 2.2% in the first half of 2023. This growth was facilitated by the easing of fertiliser shortages and favourable climatic conditions.

## GDP Growth



## GDP



Down by  
**7.9%** ↓

## Exports



Down by  
**9%** ↓

## Inflation



Up by  
**3.9%** ↑

## Exchange Rate



Appreciated by  
**12.14%** ↑

### Inflation

After reaching a peak of 69.8% year-on-year in September 2022, headline inflation, as measured by the Colombo Consumer Price Index (CCPI), began a moderation trend. It reached single digit levels in July 2023 (6.3%, y-o-y) for the first time in 19 months and further decelerated to 4.0% by December 2023. The reduction in inflation primarily reflects the favourable impact of the base effect and has also benefited from the phasing out of monetary financing, tighter monetary and fiscal policies, easing of supply-side disruptions, the moderation of global commodity prices, and appreciation of the rupee.

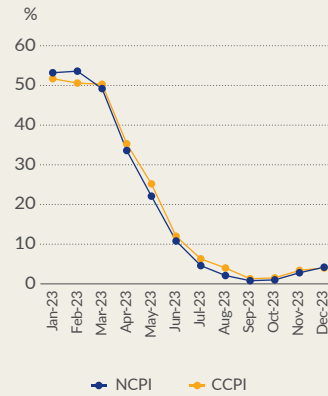
### Impact to HNBA

Negative impact on demand for insurance products due to lower disposable income

### Our Response

- Strategic pricing of policies
- Driving cost efficiencies to minimise the impact to profitability

#### Inflation



### Interest Rates

After raising policy rates by a cumulative 950 basis points in 2022 to curb inflation, CBSL began to loosen its monetary policy amid decelerating inflation. Policy Interest Rates were cut by 250 basis points in June 2023, further easing continued and by the end of 2023 Standing Deposit Facility rate was down to 9% and Standing Lending Facility rate to 10%. Market interest rates also adjusted downwards in response to the monetary policy easing. The Average Weighted Deposit Rate (AWDR) stood at 11.64% in December 2023, while the Average Weighted Lending Rate (AWLR) stood at 14.21%, recording a decline of 242 basis points and 449 basis points respectively. Despite this downward momentum, treasury bill yields, especially 91-day yield remained at an elevated level indicating anomalies in the interest rate structure.

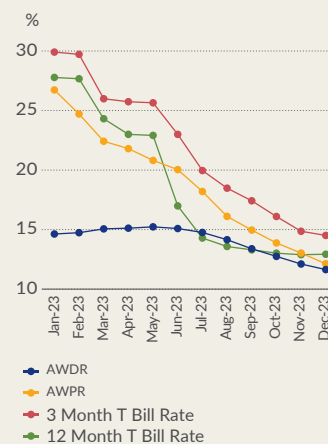
### Impact to HNBA

Impact to investment decisions and investment income. Impact on valuation of Life Fund liabilities and financial investments.

### Our Response

- Overweighting long-term investments
- Diversifying investment portfolios
- Explore alternative investment opportunities
- Valuation of Non-participating Life Fund liabilities done using a yield curve of a reference portfolio of assets in the company's portfolio

#### Interest Rate



## OPERATING ENVIRONMENT

### Exchange Rate and Reserves

Although they remain low, foreign reserves and liquidity improved due to an improved current account and inflows to the financial account. In the absence of large debt service payments, inflows from development partners, including, US\$330 Million from the IMF, US\$350 Million from the Asian Development Bank (ADB), and US\$250 Million from the World Bank, strengthened the financial account. After depreciating by 44.8% against the US Dollar in 2022, the LKR appreciated by 21.2% during the first half of 2023. Thereafter during mid-2023, significant Rupee depreciation pressures surfaced, primarily due to the augmented forex demand in relation to the SLDBs exchange with Treasury bonds under the Domestic Debt Optimisation (DDO). Furthermore, the relaxation of majority of the restrictions on imports, higher demand for forex for energy-related imports, and some reversals of foreign investments also contributed to the build-up of pressure on the exchange rate. By the close of 2023, USD exchange rate stood at Rs. 326.70, recording an appreciation of 12.1% for the year.

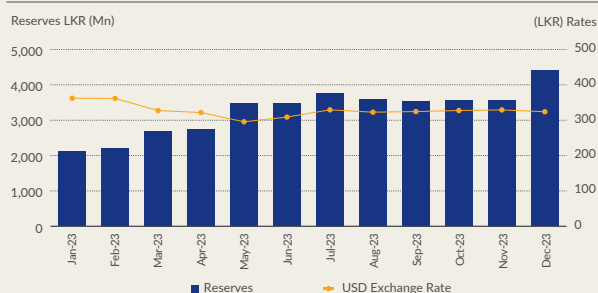
### Impact to HNBA

Foreign currency payments such as reinsurance and claim costs change with the LKR movement. Translation gains / losses arise as the Group's foreign currency denominated assets are revalued.

### Our Response

- Continuous monitoring on the pricing strategies and forex requirements
- Diversification of the investment portfolio

### Exchange Rate



### INDUSTRY OUTLOOK

The insurance industry in Sri Lanka consists of 29 companies, with 15 exclusively focusing on Long-term Insurance, 13 exclusively engaged in General Insurance, and one operating in both Long-term and General Insurance segments. In 2022, the insurance penetration rate, calculated as the percentage of total premiums relative to GDP, decreased to 1.1%, down from 1.3% in the previous year. This decline was attributed to a combination of sluggish growth in GWP and strong growth in GDP at market prices. Insurance density, which is the insurance premium per person, increased to Rs. 11,636 in 2022 from Rs. 10,540 the previous year.

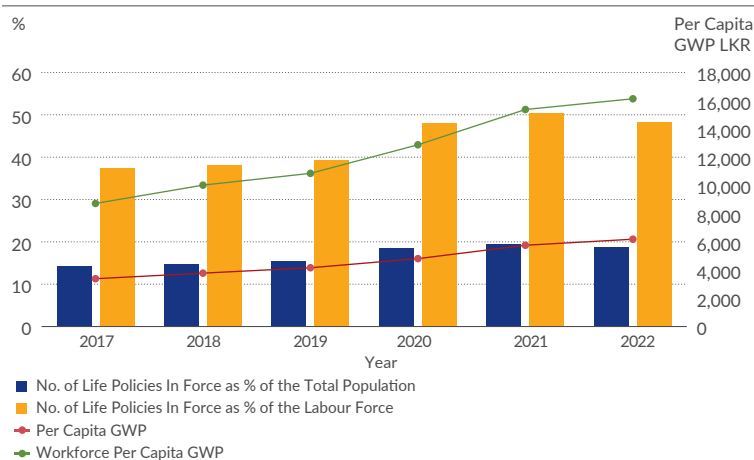
### LIFE INSURANCE INDUSTRY

The Life Insurance penetration rate in Sri Lanka stood at just 0.6%, significantly lower compared to international insurance markets. This discrepancy underscores a substantial untapped growth potential within the industry.

As illustrated in the accompanying graphs, it is evident that both the Per Capita GWP for Life Insurance and the volume of issued policies are experiencing an upward trajectory. This trend serves as a positive indicator for the insurance industry.

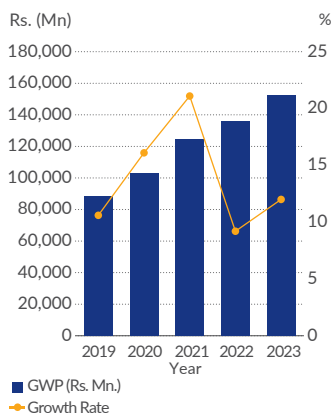
Sri Lanka grapples with a significant protection gap, necessitating a proactive approach. This entails initiatives like raising awareness about the advantages of insurance, improving the accessibility and affordability of insurance services, innovating product offerings, enhancing customer service through technological advancements, and other strategies aimed at narrowing the protection gap and augmenting insurance penetration levels.

### Per Capita GWP



Source: Statistical Review 2022 Insurance Regulatory Commission of Sri Lanka

### Life Insurance Industry GWP



Sources: Statistical Review 2022 Insurance Regulatory Commission of Sri Lanka  
Insurance Industry GWP for 2023 shared by the Insurance Association of Sri Lanka

In 2023, GWP growth of the Long-term Insurance industry accelerated to 12% compared to the moderate 9% of 2022 as the social and economic hurdles that prevailed throughout the year 2022 somewhat eased. Accordingly, the Life Insurance industry recorded Rs. 152.6 Billion as GWP for the year 2023. However, rising cost of living continued to directly impact disposable income of existing policyholders, which in turn wedged premium payments and discouraged potential policyholders from buying new policies. Despite, interest rates reducing, demand for loans and borrowings in the banking sector remained low, which adversely affected the demand for Decreasing Term Assurance.

By end 2022, the Long-Term Insurance sector held assets valued at Rs. 671.6 Billion, making it the primary contributor to the overall assets of the Insurance Industry. As of 30th September 2023, the asset base grew to Rs. 789.8 Billion depicting a growth rate of 20% compared to 30th September of the previous year. Investments in Government debt securities, corporate debts and term deposits accounted for over 50% of the asset base.

In 2022, the Life Insurance industry in Sri Lanka exhibited a dip in Profit Before Tax (PBT), with a de-growth of 9%,

resulting in a reported profit of Rs. 17.9 Billion. By the end of the 3rd quarter of 2023, the Life industry recorded a PBT of Rs. 19.6 Billion with a growth of 9% compared to the corresponding period in 2022.

### GENERAL INSURANCE INDUSTRY

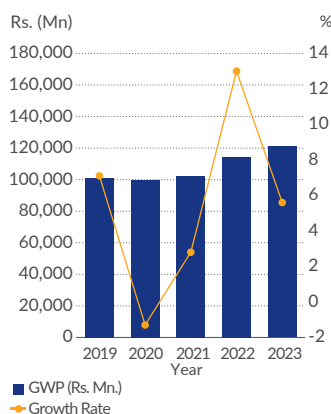
General Insurance Industry penetration dipped to 0.5% in 2022 from 0.6% the previous year.

The General Insurance industry recorded a GWP of Rs. 121 Billion in 2023.

GWP growth of the General Insurance Industry dropped to 6% in 2023, half the growth recorded the previous year. Continued restrictions on Motor vehicle imports impeded growth in Motor which stood at a mere 0.5%. Non-Motor GWP grew by 12%, driven by Medical and Miscellaneous classes.

By end 2022, the General Insurance sector held assets valued at Rs. 281.5 Billion. As of 30th September 2023, the asset base grew to Rs. 299.6 Billion, growing by 11% compared to the position as at 30th September of the previous year. Investments in Government debt securities, corporate debts and term deposits accounted for over 80% of the asset base.

### General Insurance Industry GWP



Sources: Statistical Review 2022 Insurance Regulatory Commission of Sri Lanka  
Insurance Industry GWP for 2023 shared by the Insurance Association of Sri Lanka

The local insurance sector is in the process of preparing for the implementation of SLFRS 17: Insurance Contracts, an impending change in accounting standards expected to exert a substantial influence on how the industry designs its products and carries out its operations. Significant investments are required on software solutions and procuring expertise. All multinational players have already adopted the standard while local players are at different stages of preparation to be ready for the standard coming to effect on 1st January 2026.

The General Insurance industry recorded a surge in profitability in 2022 exhibiting a Profit of Rs. 28 Billion and a growth of 43%, largely due to gains on foreign currency assets held. However nine months ended 30th September 2023 witnessed profitability decreasing by 20% to Rs. 16.8 Billion compared to the corresponding period of 2022. Reversal of the foreign currency gains recorded the previous year was a key factor in this dip in profitability.

Overall the outlook for the industry remains moderate due to the challenges posed by economic factors.

# LOOKING AHEAD

## Global Front

The global growth forecast stands at 3.1% for 2023, and projected to remain at 3.1% in 2024. Advanced economies are expected to grow at a rate of 1.6% in 2023 and 1.5% in 2024, while emerging markets and developing economies are projected to experience growth at 4.1% in both 2023 and 2024. The forecast for global inflation indicates a steady decline, from 6.8% in 2023 to 5.8% in 2024.



Source: IMF World Economic Outlook Update, January 2024

## OUTLOOK FOR SRI LANKA

### Sri Lanka, Showing Signs of Recovery

Following a 7.8% contraction in 2022, Sri Lankan economy is estimated to contract by 3.8% in 2023. However, economy started showing signs of recovery during the latter part of 2023 and is expected to record a moderate growth of 1.7% in 2024.

### Political Uncertainty

With both Presidential and Parliamentary Elections scheduled to take place in 2024, political instability is expected to persist.

### Monetary Policy

Currently, the monetary policy stance remains accommodative. Monetary policy has been loosened gradually since June 2023 as underlying inflationary pressures subsided. Market interest rates have continued to adjust downward, aligning with eased monetary policy and administrative measures aimed at reducing overall market lending interest rates. Additionally, yields on Government securities are on a declining trend, supported by a decrease in risk premia. However, there is additional room for market interest rates, particularly lending interest rates and yields on Government securities, to decrease in the upcoming period. This aligns with the reduction in policy interest rates implemented in the recent past.

### External Sector Expected to Remain Resilient

The deficit in the trade account in 2023 narrowed to the lowest since 2010 to US\$ 4,900 Million from US\$ 5,185 Million in 2022.

This, combined with a significant recovery in trade in services, particularly earnings from tourism, and the robust momentum of workers' remittances, is anticipated to lead to a surplus in the current account balance of the balance of payments for the year 2024.

The Sri Lanka rupee, having appreciated by approximately 12% against the US dollar in 2023, has continued to exhibit appreciation in the early part of 2024.

Despite the removal of certain import restrictions, the current account deficit is expected to narrow further, due to continued liquidity constraints, and remain benign thereafter with the recovery in tourism and remittances.

### Debt Restructuring

The Domestic Debt Restructuring was completed during the year without impacting the stability of the financial sector and the sovereign credit rating improved with this milestone to recovery. The external debt restructuring needs to be completed to further stabilise the economy.

### Increasing Tax Burden

Tax rates increased during the year as reflected in the performance of the Company. Taxation revenues of the Country increased by 56% to Rs.2,512 Billion while spending increased by 46% to Rs.4,293 Billion. The IMF recommendations include reinforcing revenue based fiscal consolidation supported by revenue administration reforms.

### Financial Sector

Financial institutions, which felt the adverse effects of the recent economic crisis, persisted in their operations amid challenging conditions. Some signs of improvement were observed during the year, particularly towards the end of the 3rd quarter of 2023. As the economy undergoes a monetary policy easing cycle and targeted stabilisation of domestic inflation at 5% in the medium term, it is expected to enhance the purchasing power of economic agents and improve their debt repayment capacities, however increasing tax burden remains a challenge. Additionally, the increased exposure to sovereign risk is a concern.



## **INSURANCE INDUSTRY**

Despite the challenging economic landscape, the substantially low insurance penetration level in Sri Lanka presents positive prospects for the industry. The majority of players in the highly-competitive insurance sector have made substantial investments in bolstering their digital capabilities and improving customer service efforts in order to boost their market share. Product innovation will be a key factor as the industry gradually abandons the one-size-fits-all approach in favour of more customised insurance solutions in the interests of business sustainability.

### **HNBA Group**

2024 is anticipated to be another challenging year as Sri Lanka navigates its way out of the financial crisis amid ongoing policy and political uncertainty. The shrinking disposable income resulting from the high cost of living and increased taxes will undoubtedly pose a threat. Additionally, managing talent amidst the ongoing brain drain will prove to be challenging. Despite these challenges the Group remains cautiously optimistic as we have an agile and well-thought-out business strategy in place to navigate the challenging times.

### **Life Insurance**

HNBA made significant headway towards our goal to secure 10% market share by 2026 and will continue in the vigor in the coming year. We transform to better customer service, efficiency in business operations and sustainable business practices.

### **General Insurance**

HNB General Insurance (HNBGI) is committed to advancing to the coveted fifth position in the General Insurance industry in Sri Lanka. The Company will persist in refining its value proposition by addressing the current needs of the industry. Digital transformation will play a pivotal role in the pursuit of these ambitions, and the necessary groundwork for this initiative has already been laid out.

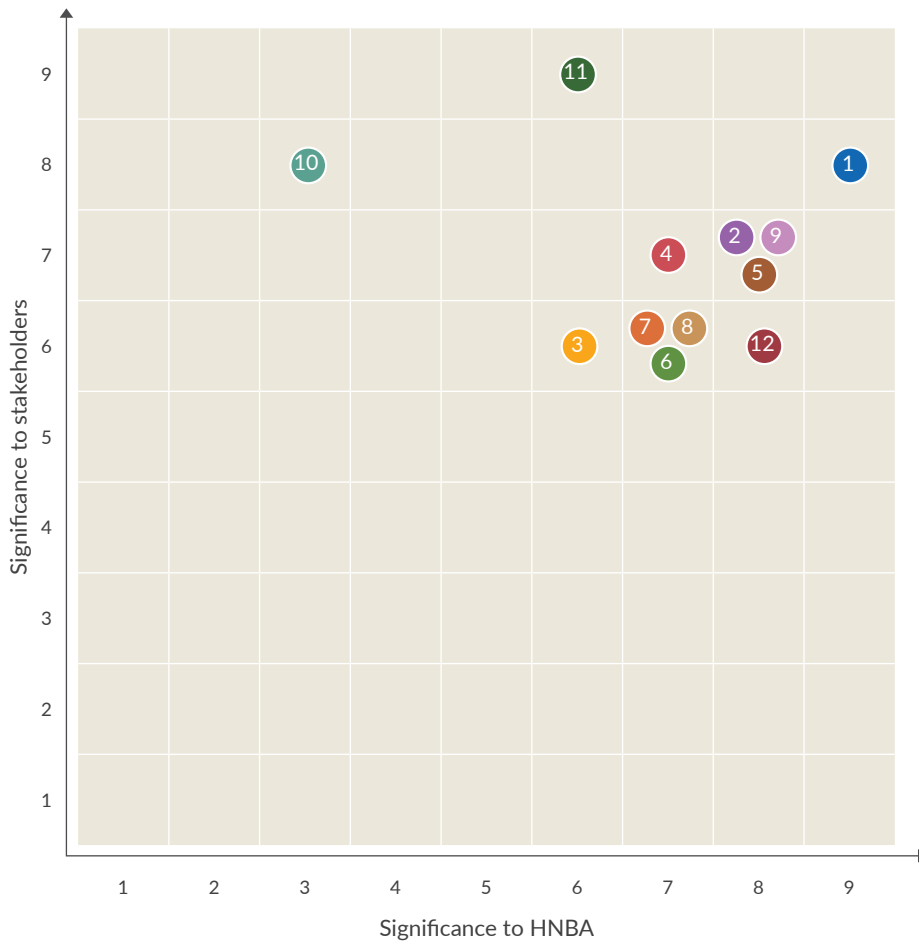
# DETERMINING MATERIALITY

The selection of material topics has been based on their potential impact on influencing value creation for our stakeholders. These topics are identified by considering stakeholder concerns, the dynamics within the operating environment, and HNBA's strategic priorities. To ensure alignment with established standards, we have correlated these selected topics with the Global Reporting Initiative (GRI) standards and the United Nations Sustainable Development Goals (SDGs). Notably, changes in the operating landscape have resulted in alterations in materiality compared to the previous year.

Outlined below is the process adopted for determining materiality:








- Identification of Issues: Issues are identified through stakeholder engagement processes, an assessment of opportunities and risks in the operating environment, and an understanding of HNBA's strategic direction.
- Assessment of Issues: These identified matters are then evaluated based on two primary criteria:
  1. Likelihood: The probability of an issue occurring or affecting HNBA.
  2. Potential Impact: The extent to which an issue might affect HNBA's operations and strategies.
- Prioritisation of Issues: A prioritised list is developed based on two factors:
  1. Influence on Stakeholder Decisions: The level of impact an issue has on stakeholder decisions and perceptions.
  2. Impact on HNBA's Strategy and Operations: How significantly an issue affects the organisation's strategic direction and day-to-day operations.

This meticulous process allows us to focus on the most pertinent and impactful issues, ensuring that our efforts and strategies align closely with stakeholder expectations and contribute meaningfully to HNBA's sustainable growth and development.



Material Topic		Importance to HNBA	How We Manage	Relevance to Capital	Corresponding GRI Topic
1	Financial Performance and Stability	Ensures business growth, stability and returns to shareholders	Refer Financial Capital Review on page 103	 Financial Capital	GRI 201: Economic Performance 2016
2	Managing Macro-economic Uncertainties	Implications of distressed external position, high inflation and exchange rate fluctuations which could have a significant impact on operations	Refer Risk Management on page 148	 Financial Capital	
3	Product Innovation	Importance in staying relevant in a highly competitive industry	Refer Comprehensive Product Suite on page 77	 Social and Relationship Capital	
4	Customer Experience	Importance in sustaining our market share and achieving business growth	Refer Exceptional Customer Experience on page 71	 Social and Relationship Capital   Digital Capital	
5	Talent Management	Attracting and retaining top talent is vital for our strategy execution while health and safety also considered as a priority	<p>We enhanced our digital capabilities while facilitating remote working for staff.</p> <p>Refer Human Resources on page 81</p>	 Human Capital	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 74	 Digital Capital	
7	Group Synergies and Relationship with Business Partners	Leveraging on the brand name, branch network of the parent and intermediaries to expand the reach	<p>We strive to leverage our parent company's (HNB) island-wide branch network by aggressively pursuing growth in our Bancassurance channel while continuing to build and maintain mutually beneficial partnerships with our other business partners.</p> <p>Refer Sales Force Expansion on page 64</p>	 Intellectual Capital	

## DETERMINING MATERIALITY

Material Topic	Importance to HNBA	How We Manage	Relevance to Capital	Corresponding GRI Topic
8 Responsible Business Practices	We carry out sustainable business practices to minimise any negative impact.	Enhancing our digital infrastructure to minimise our environmental footprint.  Refer Technological Transformation on page 74	 Digital Capital   Natural Capital	GRI 302: Energy 2016  GRI 306: Waste 2020
9 Corporate Governance	The Group applies a high regard for adhering to Corporate Governance requirements	Compliance with mandatory and voluntary corporate governance requirements	Corporate Governance Report	
10 Community Development	We make continuous investment in various community development initiatives	We strive to create value for our community through our CSR Initiatives.  Refer page on 93	 Natural Capital   Social and Relationship Capital	GRI 203: Indirect Economic Impacts 2016
11 Brand Presence	A strong brand presence will enable us to achieve our strategic objectives	Refer Remarkable Brand on page 92	 Intellectual Capital	
12 Service and Operational Excellence	We focus on delivering a superior service to our customers while managing our operations	Refer Exceptional Customer Experience on page 71, Business Reviews on pages 94 to 100	 Financial Capital   Social and Relationship Capital	

Material Matters – SWOT with Our Strategies				
Material Matters	Opportunities	Risks	Our Strategy	Strengths and Weaknesses
Financial Performance and Stability	<ul style="list-style-type: none"> <li>Under-penetrated insurance market.</li> <li>Increase in ageing population requiring long-term protection benefits.</li> <li>Increase in demand for Health insurance products due to increased awareness.</li> </ul>	<ul style="list-style-type: none"> <li>Low rates of economic growth locally and globally. <b>(PESTEL - E-1)</b></li> <li>Government policies and political instability. <b>(PESTEL – P-1)</b></li> <li>Interest rate impact. <b>(PESTEL – E-2)</b></li> <li>Government tax policies on revenue, profits, and other related areas. <b>(PESTEL – E-3)</b></li> <li>Reduced disposable income due to inflation. <b>(PESTEL – E-5)</b></li> <li>Refer Related Risks – Insurance Risk on page 151, refer Operational Risk on page 160, refer Sustainability Risk on page 150</li> </ul>	<ul style="list-style-type: none"> <li>Launching new products and expanding distribution network to capture new business – Comprehensive Product Suite (page 77) and Sales Force Expansion (page 64).</li> <li>Promote products related to Health &amp; Retirement – Exceptional Customer Experience (page 71) and A Remarkable Brand (page 92).</li> <li>Focus on strategic product pricing.</li> </ul>	<ul style="list-style-type: none"> <li>(S) A refined product range.</li> <li>(S) HNB Parent Brand and Network.</li> <li>(S) Extensive Point of Sale network.</li> <li>(S) Highly-rated Reinsurance panel.</li> <li>(W) High attrition in the sales force and Bancassurance officers.</li> </ul>
Managing Macro-economic Uncertainties	<ul style="list-style-type: none"> <li>Increased awareness of the importance of insurance.</li> <li>Opportunity to sell insurance products to Sri Lankan expats living overseas.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced disposable income due to inflation. <b>(PESTEL – E-5)</b></li> <li>Import restrictions and Currency depreciation. <b>(PESTEL – E-4)</b></li> <li>Government policies and Political instability. <b>(PESTEL – P-1)</b></li> <li>Low rates of economic growth locally and globally. <b>(PESTEL – E-1)</b></li> <li>Refer Related Risks – Insurance Risk on page 151, refer Operational Risk on page 160, refer Sustainability Risk on page 150</li> </ul>	<ul style="list-style-type: none"> <li>Increase awareness on insurance and products through marketing strategies - A Remarkable Brand (page 92)</li> <li>Coordinating closely with our main banker HNB on forex settlements – A Remarkable Brand (page 92).</li> <li>Considering Government policies when determining product pricing – A Comprehensive Product Suite (page 77)</li> </ul>	<ul style="list-style-type: none"> <li>(S) Strong Insurer Strength Rating by Fitch Ratings Lanka Ltd and healthy Capital Adequacy Ratios (CAR) showcasing financial strength and stability.</li> <li>(S) HNB Parent Brand and Network.</li> <li>(W) Lower usage of digital selling mechanisms.</li> </ul>
Product Innovation	<ul style="list-style-type: none"> <li>Under-penetrated insurance market.</li> <li>A higher propensity for people to transact on E-commerce platforms.</li> <li>Demand for foreign currency denominated products.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced disposable income due to inflation. <b>(PESTEL – E-5)</b></li> <li>Low rates of economic growth Locally and globally. <b>(PESTEL – E-1)</b></li> <li>Refer Related Risks – Insurance Risk on page 151, refer Operational Risk on page 160</li> </ul>	<ul style="list-style-type: none"> <li>Introducing new products or products with attractive features – A Comprehensive Product Suite (page 77).</li> <li>Digitalisation of processes using latest technologies – Technological Transformation (page 74).</li> <li>Introducing user-friendly online platforms to connect with customers locally and globally - Technological Transformation (page 74).</li> </ul>	<ul style="list-style-type: none"> <li>(S) Extensive Point of Sale (POS) network.</li> <li>(S) Strong reinsurance panel.</li> <li>(W) High dependency on manual processes.</li> </ul>

## DETERMINING MATERIALITY

Material Matters – SWOT with Our Strategies				
Material Matters	Opportunities	Risks	Our Strategy	Strengths and Weaknesses
Customer Experience	<ul style="list-style-type: none"> <li>A higher propensity for people to transact on E-commerce platforms.</li> <li>Technological advancements facilitating greater convenience and transactions speed to customers.</li> </ul>	<ul style="list-style-type: none"> <li>Cyber and information security threats. <b>(PESTEL – T-2)</b></li> <li>Refer Related Risks – Insurance Risk on page 151, refer Cyber Risk on page 160</li> </ul>	<ul style="list-style-type: none"> <li>Expand online platforms to connect with customers and to collect premiums – Exceptional Customer Experience (page 71).</li> <li>Investing in new Core Systems and other peripheral systems to digitise processes - Technological Transformation (page 74).</li> </ul>	<ul style="list-style-type: none"> <li>(S) Existing digitalised processes.</li> <li>(S) Equipped Call Centres</li> <li>(W) High dependency on manual processes in some areas of operations.</li> <li>(W) Low usage of digital selling mechanisms.</li> </ul>
Talent Management	<ul style="list-style-type: none"> <li>Banks and financial institutions seeking to expand income horizons.</li> <li>Under-penetrated insurance market enabling employment opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Lower pool of talent due to migration. <b>(PESTEL – S-7)</b></li> <li>Low rates of economic growth Locally and globally. <b>(PESTEL – E-1)</b></li> <li>Reduced disposable income due to inflation <b>(PESTEL – E- 5)</b></li> <li>Refer Related Risks – Operational Risk on page 160, refer Sustainability Risk on page 150</li> </ul>	<ul style="list-style-type: none"> <li>Offering attractive rewards and benefits to reduce attrition of the sales force – Sales Force Expansion (page 64).</li> <li>Motivating the sales force and training- Sales Force Expansion (page 64).</li> <li>Strengthening existing Bancassurance partnerships – Sales Force Expansion (page 64).</li> <li>Human resource attraction, training and retention – Passionate Human Capital (page 81).</li> </ul>	<ul style="list-style-type: none"> <li>(S) Best Bancassurance Channel in Sri Lanka.</li> <li>(S) Competent and friendly staff and sales force.</li> <li>(W) High turnover rates in the sales force and Bancassurance officers.</li> </ul>
Technological Transformation	<ul style="list-style-type: none"> <li>Tech-savvy new generations entering customer and labour market.</li> <li>Technological advancements facilitating greater convenience and transaction speed.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in cyber and information security threats. <b>(PESTEL – T-2)</b></li> <li>IT becoming a tool for competitive advantage <b>(PESTEL – T-1)</b></li> <li>Refer Related Risks – Cyber Risk on page 160</li> </ul>	<ul style="list-style-type: none"> <li>Investing in new Core Systems and other peripheral systems to digitise processes.</li> <li>Expand online platforms to connect with customers.</li> <li>Investments to address cyber security threats. - Technological Transformation (page 74).</li> </ul>	<ul style="list-style-type: none"> <li>(S) Existing digitalised processes.</li> <li>(W) High dependency on manual processes in some areas of operations.</li> </ul>
Group Synergies and Relationship with Business Partners	<ul style="list-style-type: none"> <li>Banks and financial institutions seeking to expand income horizons.</li> </ul>	<ul style="list-style-type: none"> <li>Competitive competitor landscape. <b>(PESTEL – S-8)</b></li> <li>Refer Related Risks – Insurance Risk on page 151, refer Operational Risk on page 160</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening existing Bancassurance partnerships and entering into new partnerships – Sales Force Expansion (page 64).</li> </ul>	<ul style="list-style-type: none"> <li>(S) HNB Parent Brand and Network.</li> <li>(S) Best Bancassurance Channel in Sri Lanka.</li> <li>(W) High turnover rates in the sales force and Bancassurance officers.</li> </ul>

Material Matters – SWOT with Our Strategies				
Material Matters	Opportunities	Risks	Our Strategy	Strengths and Weaknesses
Responsible Business Practices	<ul style="list-style-type: none"> <li>• Recognitions given for best sustainability practices by Governing Bodies.</li> <li>• Introduction of new sustainability requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Changing rules and guidelines in regulatory, compliance, Accounting, and taxation. <b>(PESTEL – L-1)</b></li> <li>• Refer Related Risks – Sustainability Risk on page 150, refer Strategic Risk on page 150</li> </ul>	<ul style="list-style-type: none"> <li>• Using the expertise of staff members to meet all regulatory requirements.</li> <li>• Strategic allocation of investment assets to maximise investment returns while maintaining healthy solvency levels.</li> <li>• Embedding sustainability requirements into business processes. - Fund Management (page 88)</li> </ul>	<ul style="list-style-type: none"> <li>• (S) Sound Governance Framework.</li> <li>• (W) Non-integrated systems and workflows.</li> </ul>
Corporate Governance	<ul style="list-style-type: none"> <li>• Higher public trust on well governed organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in Listing rules and other guidelines <b>(PESTEL – L -1)</b></li> <li>• Refer Related Risks – Sustainability Risk on page 150</li> </ul>	<ul style="list-style-type: none"> <li>• Revision of policies and procedures to adhere to changing requirements. – Corporate Governance (page 114).</li> </ul>	<ul style="list-style-type: none"> <li>• (S) Strong governance framework</li> </ul>
Community Development and Environment Stewardship	<ul style="list-style-type: none"> <li>• Purchasing power of community members will remain low due to the macro-economic environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policies and political instability. <b>(PESTEL – P-1)</b></li> <li>• Refer Related Risks – Operational Risk on page 160, Sustainability Risk on page 150</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous investment in CSR activities – Sustainability (page 93)</li> <li>• Helping communities face economic and health and safety risks.</li> <li>• Leverage on technology to minimise the impact on the environment. - Sales Force Expansion (page 64), Exceptional Customer Experience (page 71), Remarkable Brand (page 92)</li> </ul>	<ul style="list-style-type: none"> <li>• (S) consistent focus placed on the CSR activities.</li> </ul>
Brand Presence	<ul style="list-style-type: none"> <li>• Opportunity to sell insurance products to Sri Lankan expats living overseas.</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive competitor landscape. <b>(PESTEL – S-8)</b></li> <li>• Refer Related Risks – Insurance Risk on page 151, refer Operational Risk on page 160</li> </ul>	<ul style="list-style-type: none"> <li>• Increase new business using our brand and HNB brand – A Remarkable Brand (page 92).</li> </ul>	<ul style="list-style-type: none"> <li>• (S) HNB Brand, network, and financial strength</li> <li>• (S) Long-term tenure in insurance industry.</li> <li>• (S) Best Bancassurance Channel in Sri Lanka.</li> </ul>
Service and Operational Excellence	<ul style="list-style-type: none"> <li>• Increased awareness of the importance of insurance.</li> <li>• Tech-savvy new generations entering the market.</li> <li>• Prevailing market conditions for investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced use of digital platforms. <b>(PESTEL – S-3)</b></li> <li>• Increased awareness of the importance of insurance. <b>(PESTEL – S-1)</b></li> <li>• Interest rate impact. <b>(PESTEL – E-2)</b></li> <li>• Refer Related Risks – Insurance Risk on page 151, refer Operational Risk on page 160</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in new Core Systems and other peripheral systems to digitise processes. - Technological Transformation (page 74)</li> <li>• Expand online platforms to connect with customers. - Exceptional Customer Experience (page 71)</li> <li>• Superior service through Customer Relations Management Centre</li> </ul>	<ul style="list-style-type: none"> <li>• (S) Extensive Point of Sale (POS) network.</li> <li>• (s) Dedicated Customer Relations Management Centre</li> <li>• (s) Minimum lead time to implement new initiatives</li> </ul>

# ON TRACK TO DELIVER STRATEGY

We continue the strategic approach adopted last year in reporting performance vis-a-vis our Long-term goals. HNBA's integrated strategy first adopted for the year 2023 articulates our aspirations to become the fifth largest player with 10% market share. This is a quantum leap that we have planned and we are front loading the effort so that we inspire our teams to reach their lofty goals despite potential uncertainty.


















Two years into our strategy and we are pleased to note the progress made towards reaching our goal by 2026 with growth well above industry norms. Our key drivers of growth will be Sales Force Expansion, Exceptional Customer Service and Technological Transformation. Fund management plays a critical role preserving and enhancing value. Product development, Brand, Training and development and Human Resources are key enablers that turn the core gears. The peripheral arrows are the foundations and boundaries that the business operates within.

The remaining pages of this strategic report address specific strategies and how we contributed to a successful year by implementing this.





Foundations & Boundaries	
Corporate Governance	Pages 114 to 146
Risk Management	Pages 147 to 160
Sustainability	Throughout the Report
Shared Values	Throughout the Report

Focused Strategies	Resource Allocation	Reference
Sales Force Expansion	 Financial Capital  Manufactured Capital  Intellectual Capital  Human Capital  Social and Relationship Capital	Pages 64 to 70
Exceptional Customer Experience	 Financial Capital  Social and Relationship Capital  Intellectual Capital  Human Capital	Pages 71 to 73
Technological Transformation	 Financial Capital  Intellectual Capital  Human Capital  Social and Relationship Capital  Manufactured Capital  Digital Capital  Natural Capital	Pages 74 to 76
Comprehensive Product Suite	 Intellectual Capital  Human Capital  Financial Capital  Social and Relationship Capital  Natural Capital	Pages 77 to 80
A Remarkable Brand	 Financial Capital  Intellectual Capital  Social and Relationship Capital	Page 92
Passionate Human Capital	 Financial Capital  Intellectual Capital  Social and Relationship Capital  Human Capital	Pages 81 to 87
Fund Management	 Financial Capital	Pages 88 to 91

# SALES FORCE EXPANSION

As a Life Insurance company, building an effective sales force that is accredited by the regulator, knowledgeable about our products and able to understand and appreciate customer needs is a critical function. Focused strategy enabled HNBA to increase the salesforce and enhance their productivity.

## Key Highlights

- Advisor Channel New Business Premium grew by 37%
- Partnership Channel New Business Premium grew by 17%
- Network expanded to 69 branches and 83 Incubator branches
- Industry leader in Bancassurance
- 203 Advisors and Bancassurance officers joined the MDRT
- Partnership Channel launched Micro Life product to meet the needs of an underserved market segment.

## Plan for 2024

- Establishing a Non-Permanent Cadre Sales Management Unit for Advisor Channel
- Implementation of a new lead management system
- Expand virtual branch model while physical branches would transition from being a single stand-alone branch location to a more robust business hub.
- Introduce an SME unit targeting the Small and Medium-sized Enterprise (SME) market.
- Introduce a Policy Conversion Unit to optimising premium collection and policy retention

## Link to Capitals



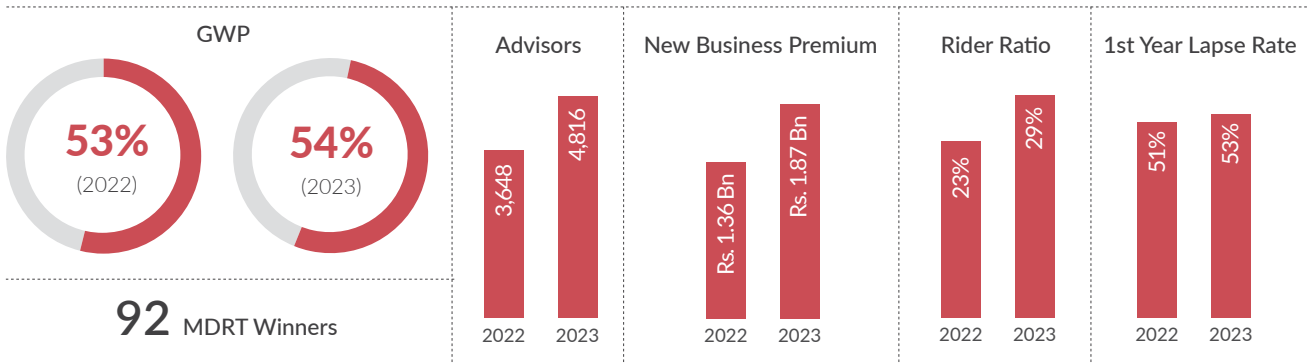
## Link to SDGs



### GROWING OUR ADVISOR DISTRIBUTION CHANNEL

Advisor, the traditional channel of insurance business, typically adopts a highly-customised approach which also supports market development. HNBA has grown the Advisor channel by 24% to 4,816 insurance advisors who are trained and supported to provide protection needs to their customers.





### DELIVERING VALUE TO ADVISORS

**Training for Life Technical Competency Certification**

**Structured Capacity Building Programme for Advisors**

**Commission Paid to Advisors**  
 2021: Rs. 482 Mn  
 2022: Rs. 593 Mn  
 2023: Rs. 734 Mn

**Technical Training Certification**

As we reflect on the challenges we faced, it is truly gratifying to acknowledge the collective efforts that led to our successful navigation through the year, marked by outstanding business growth in 2023. Every individual's contribution played a vital role in reaching our set goals, showcasing the remarkable capacity and potential of our team.

Despite the widespread overseas migration of potential talent pools, HNBA was able to increase its Advisor Sales force by 32% during the year. While this was a moderation in the pace of growth over the previous year's growth rate of 37%, there was a change in focus to significantly enhance the average policy value of the Advisors. Growth and capacity building initiatives related to this traditional channel were supported by 69 branches and 83 Incubator branches branch networks. This dual focus enabled us to record GWP growth of 24%, well above the industry growth of 12%. Importantly, growth is on track with our 5-year long term plan implemented in 2022 despite the country's economic woes.

### THE LIFE CYCLE OF AN INSURANCE AGENT

HNBA continues to invest in building the careers of our insurance advisors, providing them the necessary skills to perform better. It commences with the recruitment of candidates with potential who are trained to get through the Competency Technical Code examination conducted by the Insurance Regulatory Commission of Sri Lanka. Structured development programmes help them to realise their full potential as members of the exclusive Million Dollar Round Table (MDRT), the global benchmark for a high-achieving Insurance Agent.



The Branch Managers play a key role in managing the sales force which is 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. We continued to nurture a positive mindset and provide market analysis to improve lead conversion rates as we focused on productivity and efficiency this year. Bi weekly cutoff dates, digitalisation and performance analytics all served to inspire and motivate the Agents. New business premiums recorded 37% growth during the year from the Advisor channel reflecting the success of the strategies implemented.

**HNBA's proven track record for development of advisors has seen pass rates higher than the industry norm for Accreditation and the one of the highest numbers of MDRT winners, reflecting our commitment to effectively support our advisors.**

## SALES FORCE EXPANSION

### STRENGTHENING PARTNERSHIPS

The Partnerships channel comprises captive customer bases that can be converted with targeted products and campaigns. The subchannels include Bancassurance, Credit Life, Group Life and Micro Insurance, which have collectively demonstrated strong growth despite the economic challenges.



Growth of the Partnership channel has been underpinned by strong growth in the Bancassurance. HNBA is the undisputed industry leader in Bancassurance as affirmed by the accolades set out alongside.

GWP from Bancassurance grew by 21% to Rs. 5,016 Million as the skill development programmes supported an increase in the average ticket size by 25% from Rs.150,000/- to Rs.200,000/-. New Business Premiums grew by 17% while single premiums grew by 21%. Similarly, up take of riders also increased by 15%. However, lead conversion targets were difficult to achieve due to economic situation of the country. A notable success area was the 111 number of Bancassurance officers who join the Million Dollar Round Table (MDRT).

Alternative Channels, comprising, Group Life, Mortgage protection from brokers, other banks and financial institutions, recorded a stable year with GWP growth of 2% as loan disbursements were low. Group Life was done mainly through corporates and a health check up was introduced to this programme during the year. This enabled improved management of pricing, underwriting and risk profiles of customers.

HNB launched a new product, Micro Life, during the year to address the needs of this underserved market segment, providing much-needed safety nets. Promoted through HNB Microfinance, SANASA and cooperative networks, the new product has covered more

than 10,000 policyholders in the first year reflecting the latent demand for microinsurance products. With the product developed around principles of financial inclusion and providing safety nets, it proved fit for purpose with strong uptake from rural and less affluent customers who needed basic insurance such as life cover, critical illness and family income without additional benefits of value at maturity which made the product simpler to understand. Stripping the product down to basic insurance enabled offering the product at an affordable price of Rs.2,500/- per annum creating an effective safety net for the most vulnerable market segments.

The initial success of the product has been extremely encouraging and we have now signed an agreement with the Agrarian Department of the Ministry of Agriculture. Approximately 50 officers of the department will work with HNBA to increase awareness of the product and market the same. The product will be matched to the income patterns of the customer and will be customised further with the addition of normal insurance products to match the customer needs. Marketing communication is available in Sinhala, Tamil and English to ensure ready understanding of products by key stakeholders including regulators.

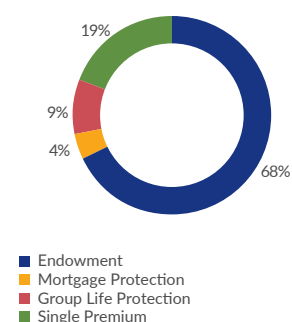
We continued to develop officers of HNBA's partner Institutions through the structured training curriculum developed in 2022, supporting achievement of targets. Goals set for each officer were supported with a detailed success plan as

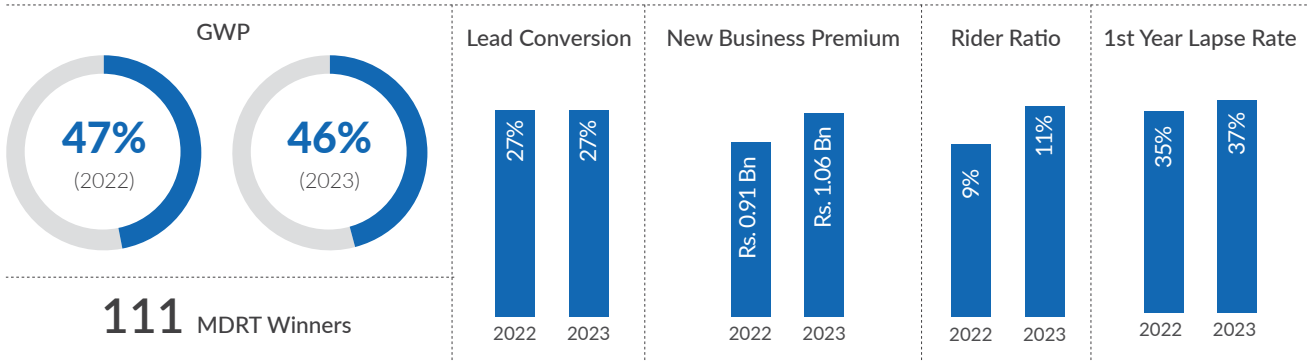
in 2022 which was supplemented with business activations to focus attention on specific segments. Further motivation was provided through competitions, Rewards Carnival and Bancassurance ranking models with clearly identified levels, encouraging officers to reach higher.

The results are testimony to the strategic thinking and understanding of stakeholder concerns as we recorded the highest number of MDRT winners in the history of the Group for the second consecutive year.



Partnership GWP Contribution





### 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 rates

**Partnership Awards 2023**

Rs. 5,000,000

### TRAINING & DEVELOPMENT OF SALES FORCE

This supporting strategy is key to the effectiveness and efficiency of the Sales Force which encompasses advisors, officers in partner institutions and our own sales teams. Implemented through a dedicated Training Division for Sales in Life Insurance, the capacity building initiative is anchored by a structured proprietary curriculum. Testimony to its effectiveness is the Group's creation of the second highest number of MDRT winners, well above its share of the market.

	2022 Actual	2023 Actual	2023 Target	2024 Target
Active Advisors	2,241	2,700	3,000	3,500
Performing Advisors	1,058	1,405	1,500	1,800
MDRT Achievers	194	203	250	300
Digital Training / LMS – User Engagement	6,748	8,723	-	-

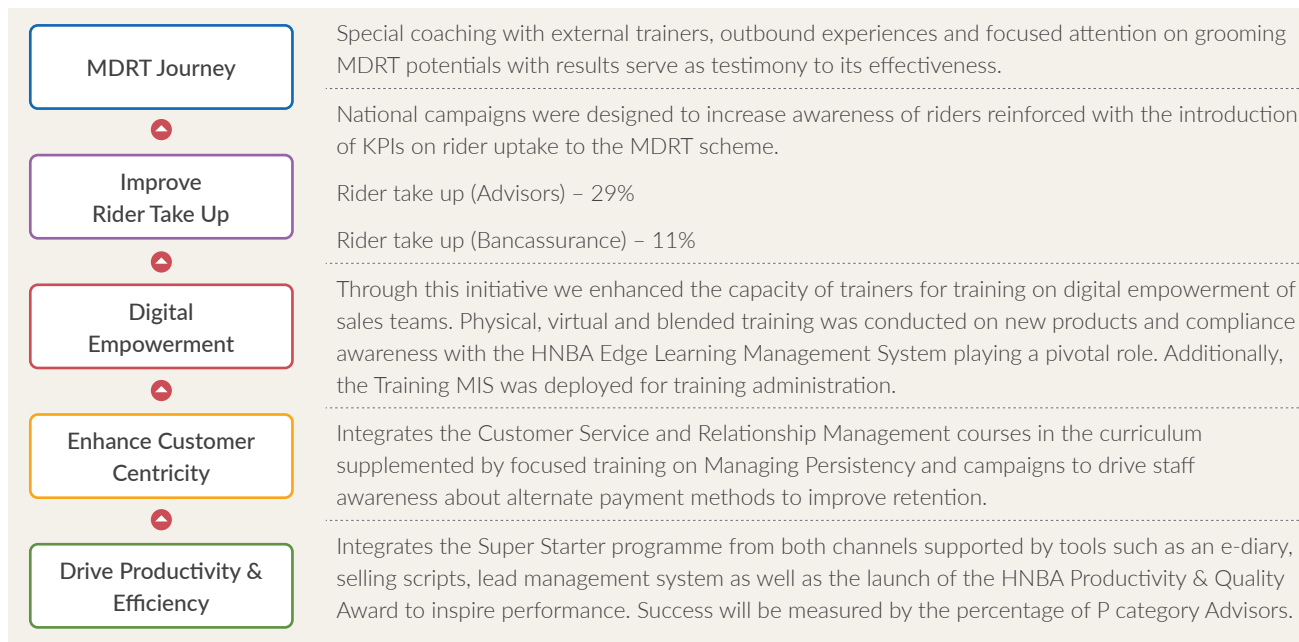
<p><b>Value to Advisors</b></p> <p><b>92</b> MDRT Winners</p> <p><b>93,552</b> Training Hours</p>	<p>Investment in Training</p> <p><b>Rs.19.3 Mn</b></p> <p>92% ↑</p> <p>Net Promoter Score</p> <p><b>62%</b></p>	<p><b>Value to Bancassurance Officers</b></p> <p><b>111</b> MDRT Winners</p> <p><b>11,923</b> Training Hours</p>
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## SALES FORCE EXPANSION

### Curriculum for Technical Training

In 2022, HNBA developed a curriculum for Technical Training as set out below. In 2023, HNBA continued its Advisor and Officer development programmes, supporting lifelong careers for the 1942 Advisors recruited during the year. The Officers and Advisors who obtained the required certification are encouraged to go through the self-paced development programme depicted above to unlock their potential.

With the curriculum and delivery of technical training institutionalised as the core offering for Sales Force Development, we looked at how we could enhance performance through a more nuanced, parallel path to hone the skills of the sales force from all channels.



This support strategy has been pivotal to the enhancing of the effectiveness of the sales force throughout all channels with recognition and rewards for outstanding performers. It has also served to differentiate the HNBA team in the field and drive GWP growth well above industry growth rates for the second consecutive year.

### WAY FORWARD

We will continue to expand the sales force while simultaneously driving productivity of the existing sales force to maintain growth rates which are well above industry norms. The strategy deployed in 2023 clearly supported not just increasing market share but clearly focused on growing the industry and increasing penetration into underserved segments through development of innovative products. We will continue to ensure that our sales force expansion is aligned to business growth across advisors and partnership channels, supporting scalability in targeted segments through captive customer bases. The agreement with the Agrarian Department is an example of this approach that is expected to yield high growth. Concepts such as family-based insurance and development of value propositions for SME customers together with our parent company are other areas identified for action in 2024.

## HNB GENERAL INSURANCE

At HNBGI, we prioritise fostering robust relationships with our business partners, recognising their integral role in our corporate success. This section outlines our commitment to strategic partner engagement, emphasising our efforts to support and empower our partners for mutual growth and success.

### New Sales Management Process

We are excited to announce the implementation of a dynamic new sales management process through our extensive branch network. This strategic initiative aims not only to elevate the knowledge of our sales team but also to enhance productivity and maximise their capacity. In doing so, we aspire to uplift the lifestyle of our dedicated sales force, creating a synergistic environment that fosters success.

### Commitment to Partner Growth

We remain steadfast in our commitment to prioritising the growth of our business partners. Our initiatives include offering monetary rewards, prestigious awards, and recognition for outstanding achievements. Additionally, significant investments are being made in comprehensive product training and development activities, ensuring our partners stay informed and equipped with the latest industry knowledge.

### Active Engagement Initiatives

Fellowship sessions are regularly organised to promote active engagement among our esteemed Advisors, Brokers, and HNB partners. These sessions not only strengthen collaboration but also contribute to a supportive environment conducive to achieving collective success.

### Progress and Achievements

**Advisor Recognition:** Exceptional growth and performance from our Advisor community have resulted in increased monetary rewards and recognition.

**Broker Impact:** Brokers continue to be a vital force in our General Insurance business, contributing significantly to our overall success.

**HNB Partnerships:** Our collaboration with Hatton National Bank PLC (HNB) partners has expanded, underscoring the effectiveness of our shared endeavours.

### Forward-Thinking Initiatives

Building upon our achievements, we are embarking on new initiatives to further fortify our partnerships.

**Enhanced Reward Programmes:** We are undergoing a comprehensive overhaul of our monetary rewards and recognition programmes to better align with the evolving dynamics of the insurance landscape.

**Innovative Training Modules:** Substantial investments are being made in cutting-edge training modules designed to equip our partners with the knowledge and skills necessary to thrive in an ever-changing market.

**Collaborative Workshops:** We are actively conducting workshops that encourage collaboration, aiming to foster stronger bonds among our business partners and facilitate the exchange of valuable knowledge.

### B2B Opportunities

This year, we are placing a heightened focus on exploring B2B opportunities to bring sustainability to our portfolio. By delving into new business-to-business avenues, we aim to diversify and strengthen our offerings, ensuring long-term viability and growth.

## SALES FORCE EXPANSION

Criteria	Advisors	Broker and Leasing	HNB and Bancassurance Direct
About	<ul style="list-style-type: none"> <li>330 qualified Advisors throughout the branch network</li> </ul>	<ul style="list-style-type: none"> <li>Island-wide coverage to provide service to Leasing &amp; Broker partners with a network of 55+ branches, over 100 Marketing Executives &amp; over 300 Advisor force.</li> </ul>	<ul style="list-style-type: none"> <li>80 HNBGI bancassurance officers widely spread around the HNB network of 254 branches working in lines of retails, corporate banking, SME, Micro and HNB Towers operations.</li> </ul>
Value Derived	<ul style="list-style-type: none"> <li>Rs. 854 Million GWP.</li> <li>16% growth on the channel YOY.</li> <li>11% contribution towards the topline of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Broker contribution has been Rs. 3.2 Billion to GWP 27% growth with a 40% contribution towards the topline of the Company.</li> <li>Leasing contribution has been Rs. 818 Million to GWP contributing to 10% of the overall company topline. However Leasing business has seen a 30% decline during the year due to restrictions on motor vehicle imports.</li> </ul>	<ul style="list-style-type: none"> <li>Rs. 1.5 Billion GWP for HNB and Rs. 112 Million GWP for Bancassurance Direct.</li> <li>10% growth on HNB and 16% on Bancassurance Direct.</li> <li>19% contribution to company topline from HNB and 1% from Bancassurance Direct</li> <li>Awarded Best General Insurance Bancassurance Provider in Sri Lanka by Global Banking and Finance Review Awards 2023.</li> </ul>
Initiatives for Expansion	<ul style="list-style-type: none"> <li>Current productivity of Advisor Channel to be increased from Rs. 189,000/- to Rs. 210,000/-</li> <li>To recruit Advisors from industry &amp; non-industry including the Government Sector</li> <li>Focusing on BOC businesses through Advisors</li> <li>Introduce Franchise Advisors Branch Network</li> <li>Special recruitment strategy for branch structure (5 X 1)</li> <li>Structured training and development programmes for sales network</li> </ul>	<ul style="list-style-type: none"> <li>Tie-ups with Leasing partners by offering bundled products.</li> <li>Develop claim visibility portal to partners in order to enhance service levels.</li> </ul>	<ul style="list-style-type: none"> <li>The current productivity of Bancassurance officers to be increased from Rs. 489,000/- to Rs. 600,000/-.</li> <li>Tap into the HNB database of settled lending facilities and competitor renewals via call center.</li> <li>New Bancassurance structure to provide a career path to bancassurance officers.</li> <li>Exclusive bundling tie-ups with HNB products to offer out-of-the-box solutions to clients and the bank.</li> <li>HNB vertical wise budgets driving a Rs. 250 Million fee income target.</li> </ul>



# EXCEPTIONAL CUSTOMER EXPERIENCE

This strategy enabled the Board and Senior Management to truly listen to the customers and understand the concerns of the largest stakeholder group for HNBA. It also enabled HNBA to differentiate itself in the market and move ahead to gain market share as stakeholder concerns were identified objectively and addressed effectively with strong decision useful information related to our customer experience.


**Key Highlights**

- A Dedicated Assurance Line, accessible by calling 1301, serves as a direct line providing access to our expert team.
- Introduced a separate pillar for quality evaluation. This allows us to continuously monitor and refine our service standards.
- Relocated our HNBA contact center to a new facility at Navam Mawatha, designed with ergonomics in mind to create a conducive environment for our teams to thrive.


**Plan for 2024**

- Recognising the diverse ways in which customers engage with our brand.
- Implementing a customer portal to view policy details, service requests and tracking claims.
- Expanding the data analytics function to bring more insights into the operation of the call centre


**Link to Capitals**




Human Capital



Financial Capital




Social and Relationship Capital



Intellectual Capital

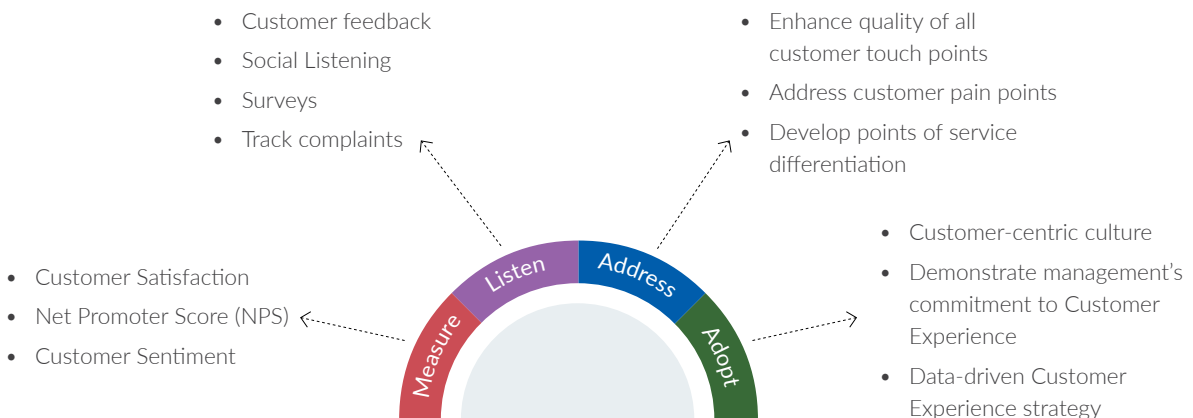
**Link to SDGs**



## TRANSPARENT AND FAIR ADVICE FOR CUSTOMERS

The Insurance business requires high levels of customer interaction as the product has to be customised to suit each individual customer's needs, aspirations, circumstances and capacity. Accordingly, the conversation needs to move from a mutual exchange of information about the products and the customer to a shared understanding and a building of trust. This is the foundation for the long-term relationship that ensues from a commitment to invest in Life Assurance which combines investment and risk mitigation options for customers.

Our sales teams are trained to provide positive experiences to the clients throughout this process and thereafter, supporting customer retention. The model below reflects the Group's approach to ensuring positive experiences for customers.



## EXCEPTIONAL CUSTOMER EXPERIENCE

Our sales teams are not just representatives, they are ambassadors of protection and trust. Armed with extensive training and expertise, they navigate the intricate terrain of insurance with finesse, ensuring that every interaction is instilled with empathy, transparency and expertise. From the initial consultation to ongoing support and beyond, our team serve as trusted allies on our clients' journey towards financial security.

At the core of our operational philosophy lies a comprehensive model designed to deliver unparalleled customer experiences. This model transcends mere transactions, encompassing every touchpoint in the customer journey.

To amplify our commitment to exceptional customer service, we have implemented a multifaceted approach that revolves around assistance through phone contact, proactive complaint management and dedicated relationship building.

Firstly, we have established a dedicated contact centre, a focal point for engaging with customers, understanding their needs and addressing their concerns promptly and effectively. By providing a direct line of communication, we ensure that every customer interaction is handled with care and diligence.

Our Dedicated Assurance Line, accessible by calling 1301, serves as a direct line providing access to our expert team. Whether it is clarifying policy details, addressing concerns, or offering personalised advice, our team ensures that every customer inquiry is handled with utmost professionalism.



To further elevate service quality, we have introduced a separate pillar for quality evaluation. This allows us to continuously monitor and refine our service standards, ensuring that every interaction leaves a positive impression on our valued policyholders.

Moreover, we have bolstered our analytical capabilities through the establishment of an analytics pillar. By harnessing data-driven insights, we empower our teams to make informed decisions that drive customer satisfaction and loyalty.

In line with our commitment to technological advancement, we've invested in refining our software capabilities. This not only streamlines our operations but also enhances our ability to meet customer needs efficiently.

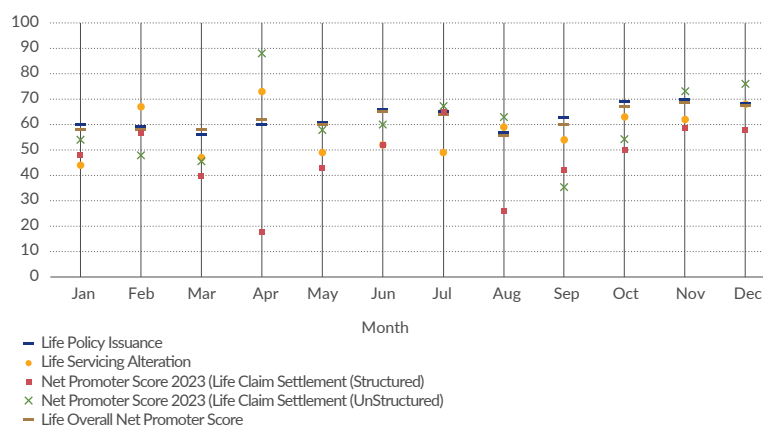
Furthermore, we've relocated our HNBA contact centre to a new facility at Navam Mawatha, designed with ergonomics in mind to create a conducive environment for our teams to thrive. Expanding on

our efforts, we've also augmented the HNBGI contact centre to ensure that our customers receive enhanced services and support.

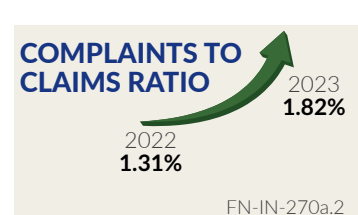
Automation plays a pivotal role in our strategy, enabling us to boost productivity, alleviate stress, and foster a collaborative team spirit. By automating routine tasks, we free up valuable time for our teams to focus on delivering personalised service and meaningful interactions.

One of the key enhancements we've implemented is the improved welcome call process, which serves as a vital touchpoint for monitoring customer experience and ensuring clarity regarding our products. Additionally, we regularly assess customer satisfaction levels and their likelihood of recommending our company at critical interactions or touchpoints such as policy issuance, claim settlement and after-sales services. This feedback enables us to continuously refine our approach and exceed customer expectations at every turn.

Net Promoter Score 2023



Life Insurance	2023	2022
Number of customer complaints received	389	218
Number of settlements - fully resolved	350	195
Investigations ongoing	39	23



## GENERAL INSURANCE

Ensuring customer satisfaction is a fundamental focus across all facets of our business, and our ultimate goal is to consistently provide an exceptional customer experience.

The customer experience department joined both the inbound and outbound call centre teams, leading to the formation of a combined division that underwent a name change to become the customer service and telemarketing division in order to build a customer centric culture. The Customer experience team is well trained to provide a one-stop solution for all Motor and Non-motor Insurance needs which our customers will feel a hassle-free process.

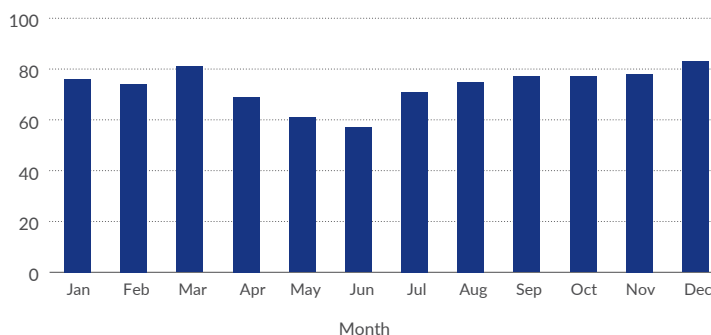
As a company, we actively strive to create a customer-centric culture within our organisation by conducting continuous training sessions, facilitating knowledge sharing initiatives and distributing relevant online content across various platforms. Our aim is to raise awareness and understanding among our team members. Additionally, organising various events and celebrating employee achievements not only creates a strong sense of team spirit, but also motivates and guides our workforce to deliver an unparalleled customer experience.

## DELIVERING STRATEGIC OUTCOMES LOOKING AHEAD

Looking ahead, we will remain persistent in delivering on our strategic goal of increasing our market share. To achieve this objective, we recognise the importance of continually refining and fortifying our operations.

Further, we will continue to leverage on data analytics, market research and customer feedback to gain invaluable insights into market dynamics, consumer preferences and emerging trends which will enable us to swiftly adapt to evolving market conditions and customer needs, positioning HNB Assurance as a frontrunner in the industry.

Overall Net Promoter Score-HNBGI 2023



General Insurance	2023	2022
Number of customer complaints received	40	34
Number of settlements - fully resolved as of	38	33
Investigations ongoing as of	2	1

Similar to the past few years, we will also continue to foster strategic partnerships and collaborations, which will be instrumental in expanding our market reach and penetration. By forging alliances with industry stakeholders, improving and expanding our distribution channels, and exploring new market segments, we can unlock untapped growth potential.

# TECHNOLOGICAL TRANSFORMATION

Technology transformation is a key pillar of the HNBA Group’s strategy to level up and connect its stakeholders to a shared digital future. The Group spent Rs. 683 Mn. on IT in 2023 and is committed for a further Rs. 1,277 Mn. in 2024 to deliver this pivotal strategy in both HNBA and HNBGI. The leadership of the Group has supported the investment with high levels of vigilance over its progress to ensure successful delivery of outcomes.

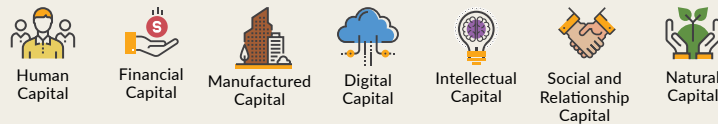
## Key Highlights

- The Group spent Rs. 683 Mn. in 2023
- Introduction of 'Digital Customer', aimed at enhancing customer experience.
- Implement Digital Agent (DA) empowering Advisors, Bancassurance Sales force, and other channels throughout the customer life cycle.
- Initiation of fully Integrated Core Insurance System HNBA and HNBGI
- Introducing in-house and third party systems aimed to minimise paper usage.

## Plan for 2024

- Committed to invest a further Rs.1,277 Mn. in 2024
- Implementing a customer mobile app connecting core systems
- Automating claims process and eliminate physical papers from claims process
- Enhancements to the peripheral systems and platforms to improve overall efficiency, better performance and security.
- Implementation of cashier-less operations
- Robotic Process Automation (RPA) roll outs.

## Link to Capitals



## Link to SDGs



## IT STRATEGY

The HNBA Group IT strategy is graphically set out below.

### Digital Customer

Enhancing customer experience (CX) blending with digital experience (DX).

### Digital Agent

Enhance effectiveness of Advisors and empower them to service customers throughout the lifecycle.

### Integrated Systems, Platforms & Governance

Deliver future-fit IT solutions that enable the HNBA Group to lead the industry as an innovative, responsive and dependable insurance partner.

### Business Strategies

The IT strategy seamlessly match and align with the overarching business strategy of the Group. This integration ensures a cohesive and synergistic approach, allowing the IT initiatives to directly contribute to and support the objectives of the organisation.

### People, Processes & Culture

Engage our people in the technology transformation process to realise its goals.

## DIGITAL CUSTOMER (DC)

HNBA recognises the importance of adapting to evolving customer expectations and technological advancements. While the organisation has successfully addressed customer needs through its products and services, the current dynamic environment demands a shift beyond traditional service delivery channels. To meet these challenges, HNBA has introduced the “Digital Customer” (DC) theme, aimed at enhancing customer experience by integrating digital advancements.

The key objectives of the DC initiative include empowering customers with digital tools for engagement anytime, anywhere, introducing diverse service

channels, promoting eco-friendly practices through paperless operations, enhancing efficiency in customer interactions and service delivery, fostering transparency, and catering to the entire customer life cycle through digital platforms. This strategic approach reflects HNBA's commitment to staying ahead in the digital era and meeting the expanding expectations of its customer base.

### **DIGITAL AGENT (DA)**

The Digital Agent (DA) initiative empowers Agents, Bancassurance Sales force, and other channels throughout the customer life cycle. Its objectives include facilitating quality sales by providing necessary product details and transparent platforms, simplifying advisors' tasks with lead management tools, diary facilities, and progress monitoring. Additionally, continuous training is offered through various digital platforms and materials, ensuring process efficiency in both sales and customer support. The DA initiative aims to enhance agent performance and maintain a customer-centric approach in a concise manner.

### **PEOPLE, PROCESS AND CULTURE**

The success of Digital Customer and Digital Agent concepts hinges on well-equipped servicing staff at HNBA. Therefore, the Digital Transformation journey plays a pivotal role in enhancing people, processes, culture, and change management. Initiatives include fostering a Lean Culture, establishing a Business Process Reengineering Unit, forming a CX Steering Committee, creating an R&D team, appointing Digital Transformation officers, and setting up a Digital COE (Center of Excellence). Proof of Concepts (POCs) and R&D on BI tools, AI tools, RPA tools, MIS, and visualisation tools are underway, aiming to seamlessly integrate with business processes. The plan also involves improving existing MIS, introducing BI tools and dashboards for transparency, decision support, and KPI/SLA monitoring.

### **INTEGRATED SYSTEMS AND TECHNOLOGY PLATFORMS**

In addition to the key focus areas mentioned earlier, the HNBA Group IT Strategy outlines a comprehensive roadmap for the future, emphasising three fundamental concepts that will serve as the cornerstone for their technological evolution. These guiding principles are designed to not only align with the dynamic landscape of the digital era but also to position HNBA Group as a leader in the industry.

Firstly, the strategy adopts a 'Cloud First' approach, recognising the transformative power of cloud computing. By prioritising cloud solutions, the organisation aims to enhance scalability, agility, and resource optimisation. This strategic shift towards the cloud will enable HNBA Group to leverage cutting-edge technologies, streamline operations, and foster innovation.

Secondly, the Group places a strong emphasis on being 'Mobile First,' acknowledging the pervasive influence of mobile devices in today's interconnected world. This approach involves designing and developing solutions with mobile platforms as the primary focus. By catering to the mobile-centric needs of users, HNBA Group aims to provide seamless and accessible experiences, ensuring that their services are readily available to a diverse and mobile-savvy audience.

Lastly, but of equal importance, is the commitment to 'Information Security First.' In an era where data breaches and cyber threats pose significant challenges, prioritising information security is non-negotiable. The Group recognises the paramount importance of safeguarding sensitive data and ensuring the integrity of their systems. By placing information security at the forefront, HNBA Group aims to build trust, protect customer data, and fortify its resilience against evolving cybersecurity threats.

Together, these three key concepts form the strategic pillars of HNBA Group's IT roadmap, paving the way for a future-ready and resilient technological infrastructure.

### **Key Digital Transformation Initiatives during 2023**

Key Digital Transformation Initiatives in 2023 marked significant strides for HNBA, with a primary focus on implementing a Fully Integrated Core Insurance System. This comprehensive system spans critical business modules, encompassing current and future product offerings. Embracing a Cloud-based infrastructure was pivotal to meet dynamic business demands and accommodate expansions. Its design, featuring a robust API platform, ensures seamless integration with third-party systems, providing a smooth and real-time user experience. The pilot phase of this transformative project was successfully launched in 2023, with plans to conclude the entire implementation by mid-2024.

Meanwhile, HNBGI embarked on a parallel journey, selecting a cutting-edge Fully Integrated Core Insurance System in 2023. This strategic move aimed at replacing their existing core system to deliver a modern digital experience to stakeholders. The project implementation commenced in December 2023, with the ambitious goal of completion by Q3 2024.

To foster operational efficiency and sustainability, a concerted effort was made towards paperless operations. Introducing a range of in-house and third-party systems aimed to minimise paper usage across external communications (Customers, Agents, Brokers, etc.) and internal processes (procurement, payments, IT services, HR functions, etc.).

Simultaneously, infrastructure and systems were introduced to promote online operations, empowering HNBA Group staff to execute the majority of their tasks from anywhere at any time. Initiatives such as work-from-home

# TECHNOLOGICAL TRANSFORMATION

facilities, online meeting platforms, eKYC services, Learning Management Systems (LMS), online sales platforms, and the expansion of payment and collection platforms were implemented.

Notably, compliance and regulatory requirements were diligently addressed in 2023. Highlights include the implementation of the GoML platform, the commencement of SLFRS 17, and the initiation of efforts towards the Personal Data Protection Act, showcasing the organisation’s commitment to staying abreast of evolving legal and regulatory landscapes.

## DIGITAL INVESTMENTS & 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 project, this committee also sets in place the digital governance structure for the Group, minimising cybersecurity threats. A fully fledged IT department comprising 40+ professionals manage the technological transformation of the Group, bringing in external expertise as deemed necessary.

A comprehensive suite of policies is in place as approved by the Board in 2022. The Board obtained the services of an external consultant to identify gaps as part of this exercise to ensure the adequacy of the same as well.

### ACTIVITY IN 2023

The Group’s IT Department had over 10 projects during the year and 7 projects are scheduled to commence in 2024 which are depicted as below.

#### HNBA IT PROJECT PIPELINE

2023
Some of the Critical Projects initiated during year: <ul style="list-style-type: none"> <li>• Core Insurance System implementation</li> <li>• Robotic Process Automation</li> <li>• Virtual Branch</li> <li>• Visualisation tools</li> <li>• Video Inspection/ eKYC</li> <li>• Paperless Claims Operations</li> <li>• Go Green Project</li> <li>• Enhancement to Sales Platforms</li> <li>• eDiary</li> <li>• LMS (Learning Management System)</li> <li>• Lead Management System</li> <li>• AML and GoML</li> </ul>
2024
Key Projects in the pipeline for commencement during the year <ul style="list-style-type: none"> <li>• Chatbot /Virtual Assistance</li> <li>• Artificial Intelligence</li> <li>• Cloud journey</li> <li>• Bring your own device</li> <li>• Customer Portal</li> <li>• Datawarehouse</li> <li>• SLFRS 17</li> </ul>

#### HNBGI IT PROJECT PIPELINE

2023
Some of the Critical Projects initiated during year: <ul style="list-style-type: none"> <li>• Core Insurance System</li> <li>• Health Insurance System</li> <li>• GoML</li> <li>• Claims and Salvage Management Systems Improvements</li> <li>• Online Quotation Platforms</li> <li>• Workflow Platforms for UW and Claims for both Motor and Non Motor Business Processes</li> <li>• E-Document Portal</li> </ul>
2024
Key Projects in the pipeline for commencement during the year <ul style="list-style-type: none"> <li>• Chatbot /Virtual Assistance</li> <li>• Artificial Intelligence</li> <li>• Cloud journey</li> <li>• Bring your own device</li> <li>• Customer Portal</li> <li>• Datawarehouse</li> <li>• RPA</li> <li>• SLFRS 17</li> </ul>



Sales generated through IT Platforms  
**90%**



Paperless Procurement Process  
**100%**



Paper Usage  
**5%↓**

# COMPREHENSIVE PRODUCT SUITE

A comprehensive suite of products that support further customisation is key to growth. The low penetration of Life Insurance and heightened economic uncertainty has created opportunities for growth in very specific customer segments. We continue to objectively assess customer needs to create products that are competitive, flexible and fit for purpose.


**Key Highlights**


- Comprehensive range of core products and accompanying riders
- International recognition for SupremeHealth Unlimited product
- Launch of Micro Insurance product for micro - entrepreneurs
- Introduction of eLife
- Collaborating with Agrarian Banks to cater the agriculture sector
- Launch of MotorGuard 3 in 1 which covers Motor, Home and Life Insurance in one policy


**Plan for 2024**


- Introduction of three products to cater the emerging needs of the market
- Revisiting our product portfolio to offer competitive, affordable and flexible products


**Link to Capitals**

  
**Financial Capital**


  
**Intellectual Capital**


  
**Social and Relationship Capital**


  
**Natural Capital**

  
**Human Capital**

**Link to SDGs**







## HNB ASSURANCE PRODUCT SUITE

Protection	Savings	Retirement	Education	Lifestyle Maintenance	Health
<b>Base Products</b>					
PrivilegedLife	PrivilegedLife	PrivilegedLife	PrivilegedLife	PrivilegedLife	
My Fund	My Fund	My Fund	My Fund	My Fund	
Ranmaga	Ranmaga	Ranmaga	Ranmaga	Ranmaga	
Smart 5	Smart 5	Smart 5	Smart 5	Smart 5	
Super 5	Super 5				
Studyguard	Base products are designed for optimal returns considering the age, lifestyle, income and aspirations of each customer.				
Araksha					
Safenet					
<b>Riders</b>					
Additional Life	Riders which enhance protection are added onto base products to create highly customised solutions for customers, based on a needs analysis.				SupremeHealth Max
Additional Death					Super CI
TPD					Hospital Cash
PPD					SupremeHealth
Funeral Expenses					Critical Illness
Monthly Income					Cancer Benefit
					Surgery Benefit

## COMPREHENSIVE PRODUCT SUITE

HNBA continues to develop competitive, flexible and affordable products balancing the risk, protection and savings aspirations to meet evolving needs of customers.

All products delivered by us carry comprehensive information which is required by the customers to make their purchasing decisions. Complete information is published on policy documents, brochures and on media advertisements. During the year no product was subjected to regulatory concerns and no fines were imposed on the Company on non-compliance of laws and regulations concerning product information and labelling.

### ACTIVITIES IN 2023

A comprehensive suite of base products and riders was in place at the beginning of the year and the focus was very much on selling the products in a responsible manner. Communication was key and activities centered around responsible marketing communications which included both printed and digital media as well as scripts for the sales force which were more for internal communications. The effectiveness of our campaigns was recognised with accolades as set out below.



SupremeHealth Unlimited wins Bronze Award at Dragons of Asia 2023 for its marketing communications campaign

“

These accolades validate our efforts towards being creative not only in our product offering but also in how we communicate our message to the public. I would like to extend my heartfelt gratitude to our internal teams and external partners who continue to explore novel approaches to engage with our customers, expressing our solutions in a manner that is not just informative but also captivating and creative.



Lasitha Wimalaratne,  
CEO, HNB Assurance PLC



SupremeHealth Unlimited wins Best Digital Integrated Campaign at the CMO Awards



## GENERAL INSURANCE

A comprehensive product suite has been developed at HNBGI, enabling it to compete effectively in the market. A notable success achieved during the year was the rebalancing of the business portfolio to contain motor business to 56% with other categories driving growth of GWP to 34%, well beyond the industry growth rate of 6%.

Motor	Fire	Engineering	Marine	Miscellaneous
MotorGuard MotorGuard Agro MotorGuard Xtra MotorGuard Pay As You Claim	Sesatha Business Premises Business Interruption Hoteliers Combined	Boiler Contractors Plan and Machinery Contractor All Risks Electronics Machinery Breakdown	Cargo Marine and Aviation Hull	My Home Private Dwelling House My Travel Travel Max Medical Group Title Insurance All Risk Cover

### ACTIVITIES IN 2023

HNBGI was able to compete with top insurers for sophisticated products such as Liability Insurance with its portfolio of innovative products. Launch of 3 in 1 MotorGuard enhanced the competitiveness of the product portfolio.



MotorGuard 3 in 1 - Covers Motor, Home and Life Insurance in one policy

The launch of Parametric Insurance (crop/livestock) expanded the product portfolio addressing a lacuna in the market. HNBGI is the first to market with this category of insurance policy and we believe it will gain traction in the market in 2024. Parametric Insurance, also known as Index-Based Insurance, is a non-traditional insurance product that offers pre-specified payouts based on a trigger event such as rainfall measurements or drought linked to a weather index.



**Our commitment remains steadfast to redefine insurance as a comprehensive solution that caters to our policyholders every need. The new 3in1 feature incorporated into our main Motor product, MotorGuard, embodies and amplifies this commitment, reshaping insurance protection into an all-encompassing shield that not only safeguards the vehicle but embraces every other important aspect of our policyholders' lives.**



**Sithumina Jayasundara**  
CEO, HNB General Insurance Ltd.

# OUR COMMITMENT TO DEVELOPING SUSTAINABLE PRODUCTS

## Micro Life

In 2023, HNBA introduced a microinsurance scheme in collaboration with our parent company, HNB Bank, as a value addition for micro-entrepreneurs who obtained credit facilities under the Micro and Agro credit schemes. Due to the substantial traction gained by this product, HNBA expanded the network to include Sanasa Development Bank and Cooperative Society.



8005 Policies  
Group Micro Policy

Rs. 613,145  
Claims Paid

## eLife

HNBA strengthened its online channel with the introduction of HNBA's 'eLife,' providing the utmost convenience for obtaining a Life Insurance policy entirely online. This platform not only offers the convenience of online transactions but also provides a comprehensive set of life cover benefits, akin to what a comprehensive life policy should include. This simple and easy to understand policy provides a cover of Rs. 1 Million that can be purchased online for Rs. 300 per month. The response to this product has been encouraging, particularly for sole breadwinners of families.



102  
Policies

## SupremeHealth Max Unlimited

A health insurance product with a flexible limit that can be extended to cover extended family as well. The SupremeHealth Max Unlimited gained popularity in the market as it enables inclusion of spouse, children, parents, and in-laws in one policy.



6,191  
Policies

Rs. 29.5 Mn.  
Claims Paid

## Collaboration with the Agrarian department

We also introduced a new comprehensive Life Insurance solution to the rural population, with a specific focus on the agriculture sector. To cater to this demographic, we have established strategic collaborations with Agrarian banks. This partnership allows us to reach farmers at their financial touchpoints and integrate insurance seamlessly into their lives.

We have allocated dedicated resources to the premises of Agrarian banks. This on-the-ground presence not only enhances accessibility but also serves as a direct representation of the HNB Assurance brand at the grassroots level. By establishing a physical presence in rural areas, we aim to build trust, engage with the local community, and create awareness about the importance of Life Insurance.

# PASSIONATE HUMAN CAPITAL

HNBA aspires to be a preferred employer with a team that is committed to the pursuit of excellence. This report sets out how we nurtured Human Capital to support business strategy during a challenging period for both employers and employees.

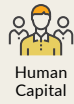
## Key Highlights

- Cadre increased by 125 to support the expansion of the Group.
- Salary adjustments were made to ease the impact of increased cost of living
- Paternal leave and adoption leave introduced
- New sexual harassment policy introduced

## Plan for 2024

- Create separate HR departments for HNBA and HNBGI for greater focus on individual business needs
- Transform HR function with automation
- Facilitate re-skilling and up-skilling by revisiting skill matrixes and trainings

## Link to Capitals



## Link to SDGs



**1,453**  
Employees

**10.15**

Training Hours per Employee



**38%**

(Female - 555)



**62%**

(Male - 898)



**447**

New Recruitments



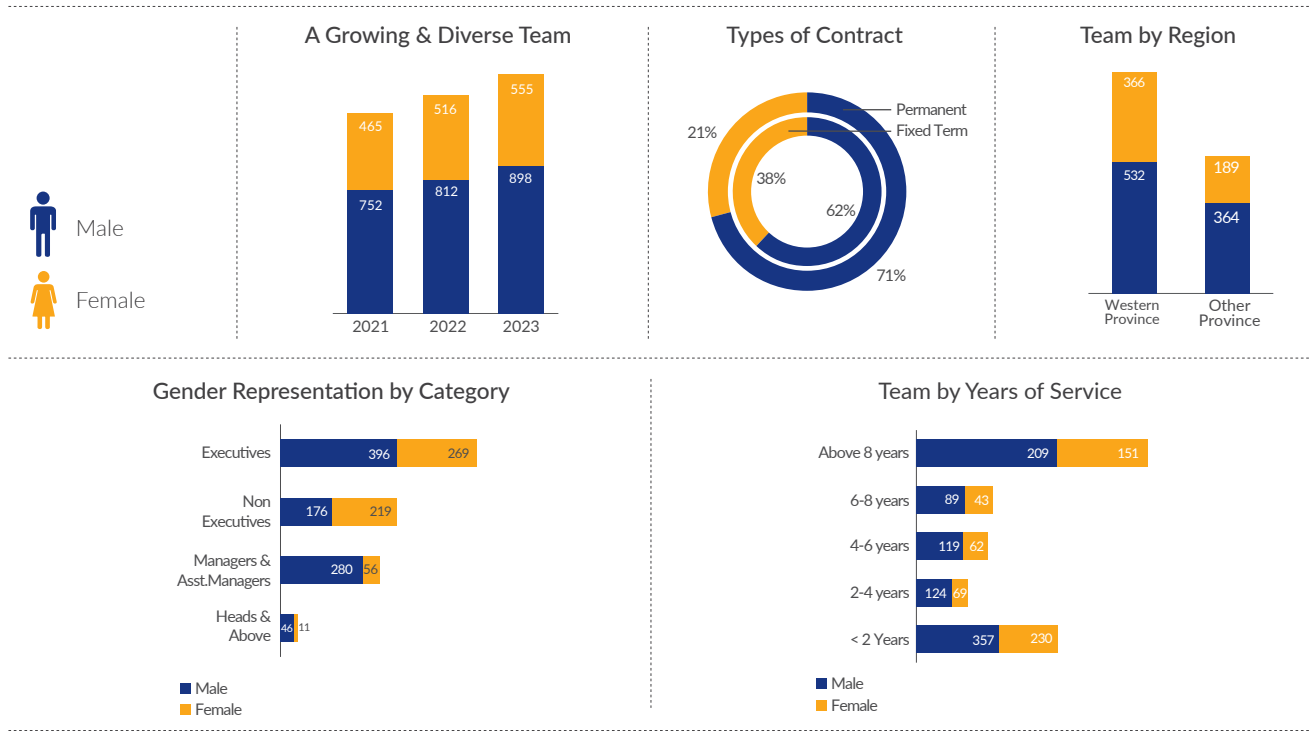
**14%**

Employees work from home

# PASSIONATE HUMAN CAPITAL

## HNBA GROUP TEAM PROFILE

A diverse team collaborate to drive the performance of HNBA Group and the charts below provide an overview of the team. The Group was in a growth phase but faced challenges in retaining employees due to macroeconomic factors which led to a brain drain during the year. Additionally, the demand for skilled employees from the Group are in demand in the market and this has contributed to movement of staff as well as other employers looked to fill open positions.



The above data is compiled by the Human Resource Department of HNBA based on head count as at 31st December 2023 relating to permanent staff who are full time employees. The Group does not have part-time employees.

In addition to its employees, employees of companies that provide janitorial services and security services work in the same premises. There were 211 employees of outsourced contractors engaged in providing agreed services at our premises at the close of the year.

HNBA employees do not belong to trade unions and therefore, there are no collective agreements.

### HR GOVERNANCE

The Human Resources and Remuneration Committee (HRRC) of the Board has oversight responsibility for management of Human Capital of the HNBA Group and reports to the Board on relevant matters. A Framework of Board approved policies seek to institutionalise corporate values and ethics. This provides a solid foundation to build a loyal and efficient team that upholds high standards of business conduct. HRRC meets quarterly and receives reports on recruitment, retention, training, promotions, attrition, engagement, performance management and key risks and challenges related to nurturing human capital.

Group HR policies are aligned to the following Sustainable Development Goals.



### KEY CHANGES TO HR GOVERNANCE IN 2023

- The Group human resources function was segregated to two HR teams for HNBA and HNBGI with effect from 1st January 2024 for greater focus on the two distinct features of businesses.

Accordingly, Heads of Human Resources for HNBA and HNBGI took up their respective roles for 2024.

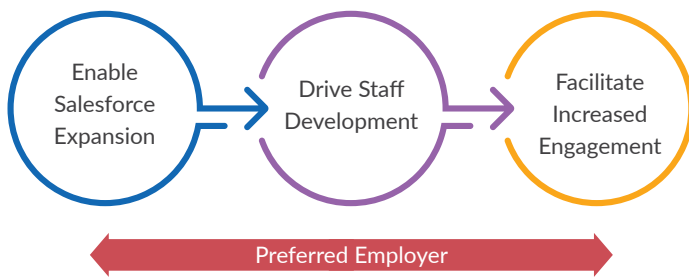
- The Prudent Conduct and Grievance Handling Policy was reviewed during the year and a new Grievance Handling Policy was introduced as a result of the review.
- Separate Sexual Harassment Policy was introduced mark Women’s Day, expanding provisions that were outlined in the previous Prudent Conduct and Grievance Handling Policy, reflecting the greater prominence to the subject.

### HR RELATED RISKS & OPPORTUNITIES

Risk/Opportunity	Mitigation	Impact	Likelihood
Losing top talent	Preferred employer strategies Employee engagement	High	High
Increased wage pressure	Salary adjustments done during the year to ease impact of increased cost of living	High	High
Dwindling talent pools for experienced professionals	Positioning of HNBA as a Preferred Employer and Training and Development	Medium	Medium
Automation	This is an opportunity that will make work more interesting and support progressive models of hybrid working which can be an advantage for early movers.	High	High

### HR STRATEGY & PERFORMANCE

HR plays a supportive role ensuring that the Group is able to attract, develop and retain people with the necessary skills, experience and attitudes to meet its strategic goals. Strategic imperatives for the HNBA Group in 2023 are set out below:



### PREFERRED EMPLOYER

As a financial services organisation, our team is a key differentiator in the market. Consequently, HNBA seeks to attract highly motivated individuals with the necessary skills, experience and other attributes. Being a preferred employer enhances our ability to attract and retain talent. Accordingly, our policies, processes and strategies are aligned to position HNBA as a preferred employer. Our efforts have been recognised by CIMA & Satyn Magazine who ranked HNBA as one of the Top 10 Women Friendly Workplaces in Sri Lanka.

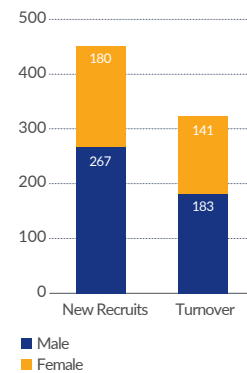
Key indicators of our status as a preferred employer include our ability to recruit employees for our business needs and the ability to retain high performers. External recognition also plays a supportive role.

### RECRUIT & RETAIN

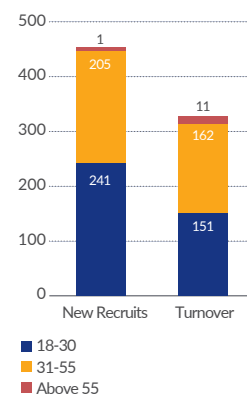
HNBA recruited 447 new employees during the year, 125 to support our expansions and remainder to fill positions falling vacant due to resignations. As an equal opportunity employer, our recruitment process is designed to select the best possible candidate through a series of assessments and interviews.

Talent retention was a key concern as the country’s economic woes resulted in economic migration of skilled professionals. Despite this, the Group maintained a retention rate of 77% with 32% employees having over 10 years of service.

New Recruits and Turnover by Gender

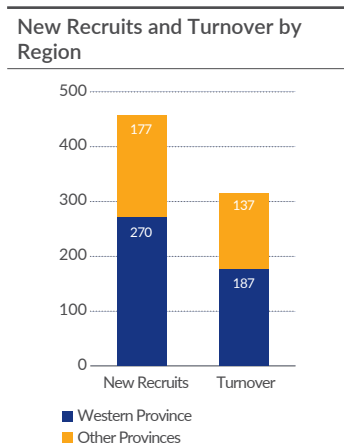


New Recruits and Turnover by Age



Promotions	Male	Female
2023	111	60
2022	93	51

## PASSIONATE HUMAN CAPITAL



### EMPLOYEE REMUNERATION & BENEFITS

Employee remuneration came under pressure during the year due to the higher cost of living and increased taxation. Accordingly, the Group made necessary adjustments to salaries supporting retention of employees, taking into account the decrease in real wages and the intense competition for talent.

The Group rewards scheme comprises 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 incentives and bonuses. Currently, around 50% of staff have the ability to increase their earnings through variable pay, supporting performance management.

Non-monetary benefits offered to full-time employees include:

- Recreation facilities
- Loan facilities at concessionary rates
- Donations on death of employees and their immediate family members
- Welfare events
- Non-monetary awards
- Medical benefits and Life and medical insurance
- Maternity Leave of 100 working days
- Paternity leave, Adoption leave
- Exam leave and exam fee reimbursements
- Accredited training partnerships for CA Sri Lanka and CIMA

The most valued non-monetary benefit provided to employees is the flexibility to work from home on agreed schedules capped at 50% of the days. This has been done with careful consideration of the roles, responsibilities and whether the job could be done remotely in an effective manner. Currently, this has been extended to around 30% of employees who also benefit from the savings in travel costs. It is noteworthy that this action also reduces the Scope 3 emissions of HNBA although the impact has not been measured as employee commute is one of the upstream sources of emissions according to the Greenhouse Gas Protocol, the standard for measuring emissions as per the IFRS S2: Climate Disclosures standard. Accordingly, 14% employees worked remotely during the reporting period.

### 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 2023 we worked with 211 (2022: 164) outsourced personnel.

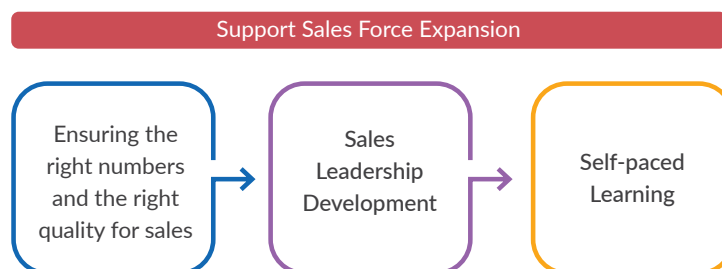
### GRIEVANCE HANDLING

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. The HR Division is responsible for resolving or escalating the same to the Senior Leadership Team and, when necessary, to the Board.

HNBA upholds high standards for accountability and integrity. Consequently, all employees are given sufficient notice of any significant operational changes. All grievances reported were addressed, solutions offered and where relevant brought to the notice of the senior management.

### SUPPORT SALES FORCE EXPANSION

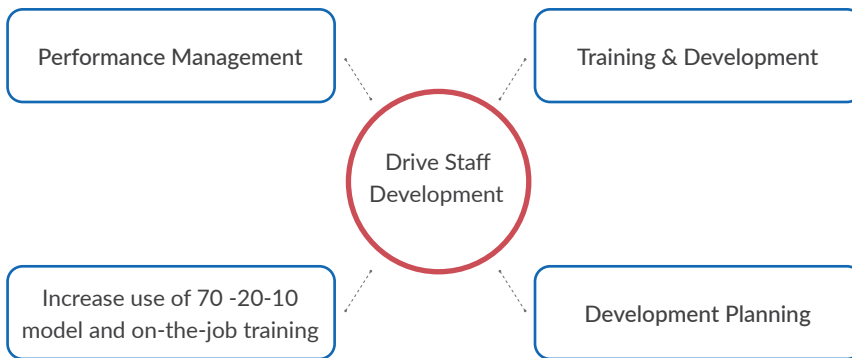
HNBA is on an aggressive trajectory of sales expansion with an acceleration across all sales channels. While it would have been easy to deliver quantity, ensuring quality was a key priority as HNBA operates in a business where trust is fundamental to the Long-term sustainability of the business. The values of the person making the sale are critical and HR worked with Sales leadership to ensure the cultural fitment of new entrants from day-one. Accordingly, the following initiatives were implemented to support the business needs of HNBA Group.



A dedicated Sales Business Partner was appointed supported by a sales recruitment team to ensure that these needs were fully supported. A 2-4-6 review was implemented for all sales managers recruited to ensure continuous review and feedback on performance, facilitating effective integration to organisation culture and performance management processes. Sales Leadership Development initiatives included preparation and implementation of a series of interventions including 360 degree reviews. HNBA also introduced a Training Passport to improve self-ownership of development and introduced online training interventions for sales staff.

## DRIVE STAFF DEVELOPMENT

Employee Development is a core function of the HR Department. Well-developed performance management system and training functions facilitate capacity building of employees, supporting their performance and career progression. The key initiatives implemented during the year are:



### PERFORMANCE MANAGEMENT

HNBA's Performance Management System facilitates a balanced assessment of employees encompassing both financial and value driven objectives. Achievements are rewarded with variable pay schemes and career progression opportunities. This is carried out by measuring both sustained and potential performance of employees using the Nine-Box Matrix and Assurance Behavioural Framework. HNBA has a well-defined succession plan in place to facilitate career progression.

Outstanding performers are recognised with Chairman's Excellence Awards at the Staff Conference 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

### TRAINING AND DEVELOPMENT

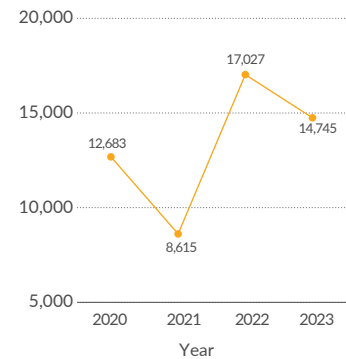
Training needs are identified both through the employee performance appraisals as well as through the strategic planning process. Both physical and virtual platforms are used to deliver training, considering the effectiveness and efficiency of delivery and the participant experience. All programmes support career aspirations and/or knowledge of regulatory matters and therefore, enhance employability of our team members.

The total investment in training and development for the year amounted to Rs. 12.4 Million, an increase of 127% over the previous year. The broad categories of programmes done are given below.

Type of programme	No. of programmes	No. of employees receiving training
Internal training courses	17	1,067
External training courses	56	530

	2023	2022
Total investment in training – Rs.Million	12.4	13
Total No. of training hours	14,745	17,027

Total Training Hours



### INTENSIFY THE USE OF THE 70-20-10 MODEL AND INCREASE THE USE OF PLANNED ON-THE-JOB TRAINING

Under this pillar, we conducted several initiatives such as job evaluation, rewriting job descriptions and developing skill matrices to establish competency levels. This supported mitigation of HR risks due to migration which was a key concern during the year.

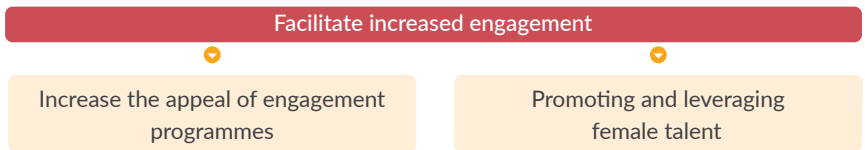
### DEVELOPMENT PLANNING

This strategy seeks to expand the management competencies of key talent and first time managers leading teams. Leaders were trained on development planning and setting development targets for talent. HR initiated one-on-one career and development discussions and also activated the online development planning module to enable focusing on key talent.

### FACILITATE INCREASED ENGAGEMENT

At the beginning of the year, Millennials made up the largest cohort accounting for 58% of the HNBA workforce although 39% of Managers are from Gen X. Also 43% of employees were females. The employee engagement plan was crafted taking these into consideration.

## PASSIONATE HUMAN CAPITAL



### INCREASE THE APPEAL OF ENGAGEMENT PROGRAMMES

HR collected feedback on existing programmes and crafted a new plan based on this. A cross-functional team was appointed to develop and deliver the programmes which have been enthusiastically received as set out below. The talent competition which was a highlight provided a platform for colleagues to cheer their team members, enhancing the team spirit while showcasing a different set of talents. Additionally, we implemented a key talent one-on-one programme with the CHRO and the CEO.



### PROMOTING AND LEVERAGING FEMALE TALENT

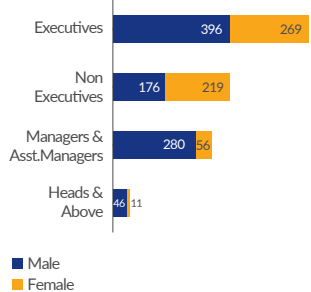
The “In She” programme launched last year for HNBA female talent was extended to encompass women in the insurance industry following its success with the Group. We also developed a focused programme for developing female talent. Remote working supported retention of female employees during the year as seen by the return to work rates.



Type of programme	2023	2022
Employees entitled to maternal leave	555	516
Employees on maternal leave	40	48
Employees who returned after maternal leave	26	48
Employees still in employment 12 months after returning on maternal leave	22	48

HNBA is an equal opportunity employer and this is reflected in its recruitment, in determining rewards structure, training and career progression opportunities. The 38% female talent in the team is clear evidence of this at a time when the female workforce participation in the country is only at 33%. Additionally, 17% of Assistant Manager and above grades are females. The ratio of basic salary between women and men at HNBA was 1:1. HNBA's sustained efforts in maintaining gender parity was recognised as a 'Top 10 Women Friendly Workplaces' in Sri Lanka by the Chartered Institute of Management Accountants and Satyn Magazine for the second consecutive year.

### Gender Representation by Category





## EMPLOYEES PER GENDER AND DEPARTMENT

	Female	Male	Total
Actuarial	4	6	10
Administration	4	12	16
CEO's Office	2	4	6
Distribution & Training	358	632	990
Finance	20	41	61
Human Resources	11	4	15
Internal Audit	1	2	3
Investment	3	3	6
IT	8	34	42
Legal & Compliance	5	5	10
Marketing & Customer Experience	28	38	66
Operations	103	107	210
Procurement	6	4	10
Risk and Control	1	3	4
Research, Development & BPR	1	3	4
<b>Grand Total</b>	<b>555</b>	<b>898</b>	<b>1,453</b>

## GENDER PARITY REPORTING

	Disclosure Requirement	Our Response	Page Reference
Enablers	Strategies and Goals for Gender Parity	The Company's strategy embraces diversity and inclusiveness of female talent in HNBA Group.	Page 82
	Diversity and Inclusion Policies	Our corporate culture promotes diversity and inclusiveness.	Page 83
	Gender Pay Equity Policy	Total Rewards Policy in place to ensure recognition of talent and contribution regardless of Gender.	Page 86
	Grievance Handling Mechanism for Sexual Harassment	A new sexual harassment policy was introduced during the year	Page 83
	Work Place Practices to Promote Gender Parity	Telecommuting policy and a conducive work environment	Page 84
Composition	Governing body	HNBA Group is chaired by Mrs.Rose Cooray and the Board	Page 82
	Senior Leadership	Gender analysis by employment category sets out the proportion of female employees.	Page 82
	Middle Management		
	Other Major Employment Categories		
	Recruitments	Refer gender analysis of recruits	Page 83
	Promotions	Refer gender analysis of promotions	Page 83
	Key Departments		Page 87
	Major Geographic Location		Page 84
	Proportion of Women at Work 12 Months After Maternity Leave		Page 86
Proportion of Women in IT, Engineering and Production Related Activities		Page 87	

# FUND MANAGEMENT

**With Funds Under Management (FUM) totaling Rs. 44.5 Billion, the investment strategy stands as a cornerstone for ensuring the financial stability and profitability of the Group.**

## Key Highlights

- Investment Income of the Group grew by 49%, reaching Rs. 7,236 for the year.
- The Group's Funds Under Management (FUM) stood at Rs. 44.5 Bn. with a growth of 28% during 2023.
- Life Fund accounted for 85% of the FUM of HNBA, while the remaining 15% of the FUM is attributable to Life Shareholder.
- 12% of the FUM of HNBGI is Invested in Foreign Currency denominated Deposits, where appreciation of the Rupee primarily led to the 10% decline of Investment Income for the year 2023.

## Plan for 2024

- Maximise Investment Returns of HNBA Group within an accepted risk return profile, while adhering to Regulatory Framework.
- Efficient Management of Liquidity and Asset Liability Management (ALM).
- Diversification of Investments while overweighting long term Fixed Income Investments while gradually increasing exposure to alternate Investments including Equity and Unit trusts.

## Link to Capitals



Financial Capital

## Link to SDGs



The effective management of investment funds demands a profound understanding of financial markets, coupled with a comprehensive grasp of the insurance industry. This ensures that asset allocations align with objectives, maturity profiles are synchronised, and returns are maximised. Investment strategies are subject to change based on prevailing market conditions, and the strategy employed for 2023 as illustrated below carefully considered uncertainties in key market variables, while adjusting risk appetites within selected asset classes.

### Investment Objectives

- Maximise Investment returns within an accepted risk return profile and the regulatory framework
- ALM & Liquidity Management • Asset allocation diversification

## UNIT TRUST

**Neutral.** Selected income and money market fund investments were considered based on risk/return profile.

## FOREX

**Neutral.** Given the uncertainty and the volatility in the forex market and considering broader market expectation of pressure on the LKR in the long run, portfolio diversification etc. we opted to maintain a neutral stance.

## EQUITY

**Underweighted.** Given the high risk-weighted returns in Fixed Income compared to risk-weighted returns on equity, which were insufficient to justify a significant increase in exposure. Therefore, the Company maintained an underweighted stance on equity investments.

## FIXED INCOME

**Selectively Overweighted.** Considering comparatively high yields and expecting yields to decline, we have overweighted long term investments in Government Securities and non-Government Securities Investments. However, despite the attractive yields, the Company was cognisant that a Domestic Debt Restructuring programme could not be ruled out. Given the risks in the market, it was prudent to be selective on Non-Government Securities as well. Non-Government security investments were made selectively maintaining an average credit rating of 'A' to improve the investment yield while remaining within the Company's risk appetite.

### Investment Income



**Rs. 6.4 Bn.**  
59% ↑



**Rs. 0.9 Bn.**  
(10%) ↓

### Funds Under Management



**Rs. 39 Bn.**  
28% ↑



**Rs. 5.5 Bn.**  
11% ↑

#### HNB ASSURANCE INVESTMENT INCOME

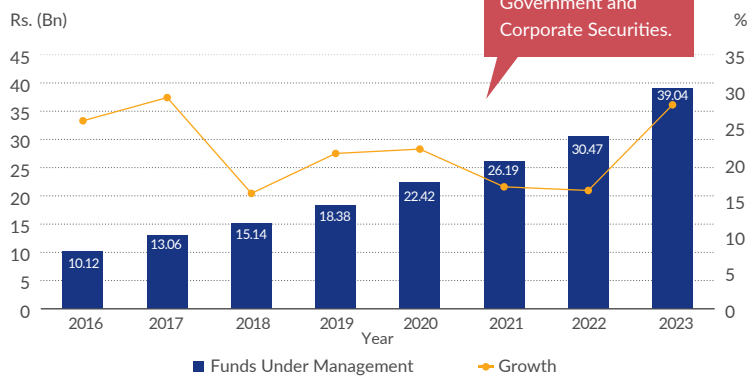
The Company's investment income reached Rs. 6.4 Billion with a 59% growth compared with four Billion recorded for 2022. During the year under review, the high interest rates that persisted during the initial two quarters of the year began to decline as a result of finalisation of Domestic Debt Optimisation (DDO), monetary policy easing, and other measures implemented by the CBSL. Consequently, interest rates stabilised, with the 364-day Treasury Bill rate decreasing from 29.27% in December 2022 to 12.93% by December 2023. The prudent investment strategies embraced by the management have reinforced the growth of investment income, demonstrating resilience amidst market fluctuations. This was particularly evident as the inconsistent interest rate structure, characterised by initially elevated yields in the Government securities market, gradually diminished, although not entirely. This shift was largely supported by factors such as the resolution of uncertainties following the DDO announcement, downward adjustments in policy rates, decreased inflation rates, and stabilised inflation expectations.

#### FUNDS UNDER MANAGEMENT

Total funds under management increased by 28% to Rs. 39 Billion in 2023 with the Life Fund accounting for 31% growth whilst providing 85% contribution to the total funds under management and the Life shareholders' fund accounted for 13% growth whilst providing 15% contribution to the total funds. The extraordinary growth in the Life fund was supported by 23% growth in GWP and 64% growth in the investment income for the year.

#### Funds Under Management-HNBA

**Rs. 39 Bn in 2023**



The insurance sector is vulnerable to market risk due to high share of investments in Government and Corporate Securities.

Our proactive asset management strategies empowered us to effectively navigate the market's high volatilities throughout the year, optimising financial returns from our funds under management.

Throughout the year, we implemented numerous new investment strategies with a heightened emphasis on investment risk management, particularly in response to IMF interventions and the Domestic Debt Optimisation (DDO) initiative. Consequently, exposure to certain asset classes was curtailed to mitigate potential risks. Additionally, management carefully tailored strategies to navigate the highly volatile interest rate environment, optimising the maturity mix of the portfolio.

As a result of these strategic decisions, the average duration of the portfolio increased over the year, while maintaining a high average portfolio blended credit quality above 'A-'. Supported by the high interest rates prevailed in the market, the Company's investment income soared by a remarkable 59% to Rs. 6,374 Million. Furthermore, the cumulative average yield of the fund experienced a substantial increase, rising to 20.1% from the 14.8% recorded in the previous year.

## FUND MANAGEMENT

The announcement of Domestic Debt Optimisation (DDO) in June 2023 specifically targeted Treasury bond holdings of pension funds and SLDBs, leaving the insurance sector unaffected. Given the sector's previous strain due to significant investments in Government securities, the exclusion from DDO proved advantageous, enabling the Company to capitalise on this benefit.

However, interest rate risk on the industry is high as the sector invested in interest bearing assets and insurers need to consider portfolio duration with careful and thorough analysis to minimise market losses.

The Company maintains a healthy maturity mix of assets and liabilities to manage liquidity through its structured ALM process. Accordingly, 73% of funds are invested in long-term instruments with over one-year maturity, while healthy liquidity positions were maintained with balance funds invested in instruments maturing within one year.

Government securities account for the bulk of the portfolio with Rs. 22.5 Billion as at the close of the year. During the year, investments in Term Deposits and Corporate Debt increased due to its attractive yield and comparatively lower risk attached to the instruments. As at the year end, Rs. 7.4 Billion and Rs. 8.0 Billion were invested in Term Deposits and Corporate Debt respectively.

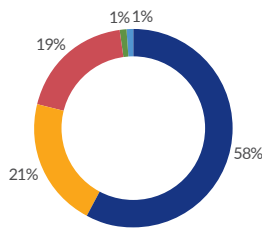
### HNB GENERAL INSURANCE

The General Insurance industry, due to its close correlation with economic activities, was profoundly affected by the succession of economic challenges. As the nation endeavoured to recover, the insurance sector faced numerous obstacles that hindered significant growth.

In 2023, HNBGI's investment income experienced a decline of 10%, reaching Rs. 862 Million compared to Rs. 960 Million recorded in 2022. This decrease was primarily attributed to the appreciation of the rupee by 12% against the US Dollar throughout the year, facilitated by increased remittances and a resurgence in tourism, which eased dollar liquidity. However, through strategic timing of investment decisions to capitalise on rising interest rates and the implementation of effective strategies, HNBGI successfully mitigated the impact of this decline. Adjusted for forex losses, Investment income increased by 40% to Rs. 943 Million in 2023.

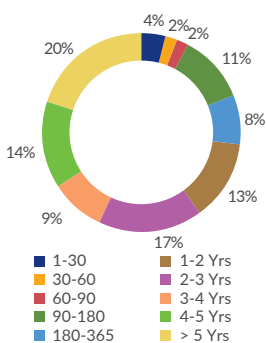
Total FUM of the HNBGI showed a growth of 11% with a FUM of Rs. 5.5 Billion by the year end 2023 in comparison to the Rs. 4.9 Billion recorded in 2022. The growth was primarily constrained by the high volume of claims within the insurance industry, driven by elevated prices.

#### Asset Allocation - HNBA



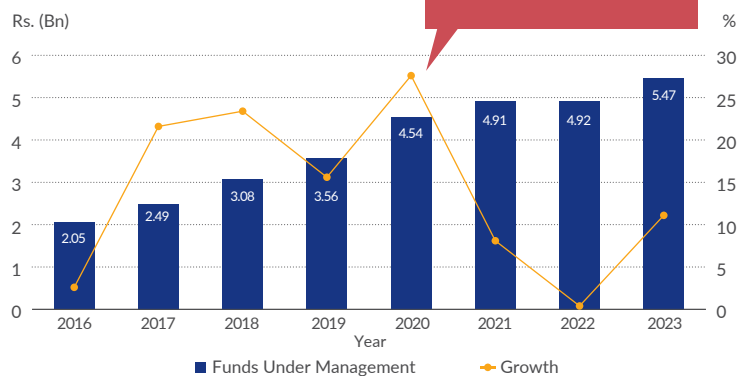
- Government Securities
- Corporate Debt
- Term Deposits
- Cash & Other Deposits
- Equity & Growth Funds

#### Maturity Mix - HNBA



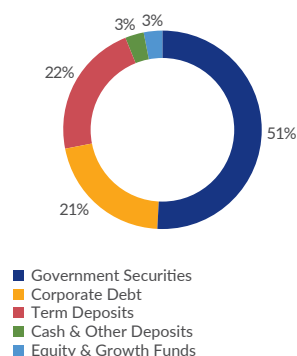
#### Funds Under Management - HNBGI

Rs. 5.5 Bn in 2023



## EFFECTIVE ASSET ALLOCATION

Asset Allocation - HNBGI



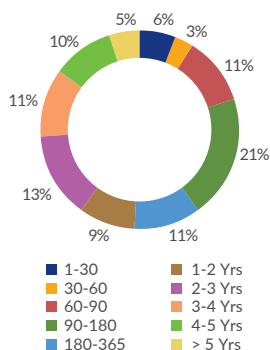
A greater share of the asset mix of the HNBGI is invested in Government Securities amounting to Rs. 2.8 Billion, which is 51.4% of the total portfolio as at close of the year.

At the year-end, the total investment in Term Deposits amounted to Rs. 1.2 Billion, constituting 22.4% of the total portfolio. A significant portion of these deposits, totaling Rs. 652 Million, or 12% of the total portfolio, were allocated to foreign currency deposits. However, due to currency appreciation, the value of these foreign currency-denominated investments decreased when converted back into the domestic currency. As a result, investment returns for the given time period were lower than anticipated.

Further, 4.1% of the total portfolio is invested in Sharia compliant Instruments which is maintained as a separate investment portfolio as per the Takaful Insurance rules.

According to HNBGI's ALM process, as of the year-end, 51.9% of investments had maturities of less than one year. This alignment was aimed at matching the majority of insurance business liabilities, which also fall within the less than one year timeframe, while also ensuring a robust liquidity position. The remaining funds were allocated to instruments with maturities exceeding one year to enhance investment income.

Maturity Mix- HNBGI



## GOVERNANCE AND OVERSIGHT

The Board of HNB Assurance has established an Investment Committee composed of seasoned professionals to assist in overseeing the financial investments of the Company, which represent the largest item on the balance sheet. The Investment Committee convenes at least quarterly to assess investment performance, provide guidance on investment strategy to management, evaluate market opportunities and risks associated with Company investments, and uphold the sustainability of investment decision-making processes. In addition, the committee is dedicated to upholding an efficient Corporate Governance Framework and implementing the necessary systems and structures to ensure the adoption of best practices in Corporate Governance and their effective execution.

# A REMARKABLE BRAND

Both HNB Assurance and HNB General Insurance rank among Sri Lanka's Top 100 Brands in the annual rankings carried out by Brand Finance. In 2023, both brands moved up 5 places in remarkable synchrony. Despite facing numerous macroeconomic challenges, both HNBA and HNBGI reached brand values of Rs. 592 Million and Rs. 469 Million, respectively. Bolstered by a strong connection to the ultimate parent company, HNB, an expansive island-wide footprint, customer-centric principles and a reputation for fair dealings, both companies radiate and set a supreme standard within the insurance landscape.


**Key Highlights**

- Both HNBA and HNBGI brands moved 5 places up within the top 100 brands ranked by LMD
- Extensive Above The Line (ATL) and Below The Line (BTL) advertising carried out
- Strong presence on social media for both HNBA and HNBGI
- 168 propaganda activations done island-wide


**Plan for 2024**

- Use of new technology for brand building activities
- Enhance visibility through ground activations, digital and print media advertising


**Link to Capitals**



Social and Relationship Capital




Intellectual Capital

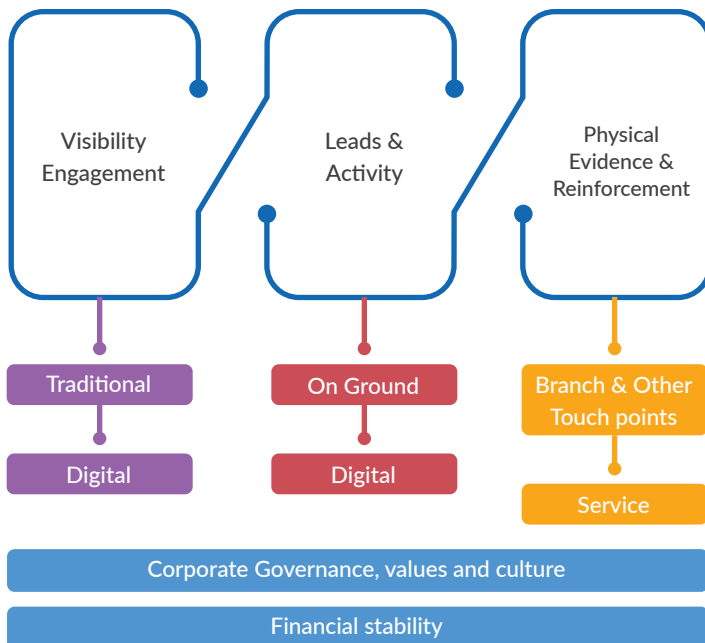


Financial Capital

**Link to SDGs**



## HNBA & HNBGI Brand Strategy



We are conscious that our brand and reputation are inextricably intertwined. The Board and the Senior Leadership are careful guardians of the two brands and have put in place policy frameworks that serve to nurture a culture aligned to the Group's corporate values. As we aspire to be the most trusted partner in meeting the insurance needs of customers, we are conscious of the need to uphold principles of transparency and accountability in every aspect of our business from how we communicate our products to how we report our performance or the way we uphold the rights of stakeholders.

Visibility of the brand also plays a key role in valuations and growth of the brand. Accordingly, significant investments were made in reinforcing the visibility and recognition of HNBA and HNBGI through ATL campaigns, Digital campaigns and other BTL deployments.

The brand of the parent company adds lustre to the HNBA brand as one of the largest private sector banks that is a domestically significant bank with a legacy of over 140 years. Prudent financial management is a critical factor and the ratings of A-(Ika) affirmed by Fitch Ratings for both HNBA and HNBGI is testimony to our commitment to ensuring financial stability. It is noteworthy that HNBGI was named one of the Most Loved general insurance brands by LMD in 2023, reflecting the success of our strategies.

# FULFILLING OUR SOCIAL RESPONSIBILITY

In the year 2023, we at HNB Assurance PLC once again demonstrated our commitment to corporate social responsibility (CSR), focusing on our ethos of protecting and enhancing the lives of individuals and communities. Our CSR initiatives are anchored on three fundamental pillars: Health Protection, Environment Protection, and Education Protection. During the year several projects were carried out across these three pillars, reflecting our holistic approach to CSR, emphasising not only on immediate benefits but also the long-term sustainability and well-being of the communities we serve. As we move forward, we remain committed to our role as a responsible corporate citizen, continually striving to make a positive difference in the lives of people and the environment.

## Health Protection



Projects highlighting our commitment to the overall health and wellbeing of our communities, and society at large. These initiatives can address various aspects of health, including physical, mental, and social wellbeing.

We took the initiative to provide access to clean drinking water to schools lacking access to such resources. Four schools were selected during the year, with each school receiving a Reverse Osmosis Water Cleaning System. The four schools selected were,

- Malwila Primary School
- Padiyathalawa Maha Vidyalaya
- Ambalayagama School
- Pelbendiyawa Maha Vidyalaya

Donations were made to Sri Sugathawansalankaramaya in Welikanda, St. Mathew's Church in Dematagoda, Grand Mohideen Jumma Mosque in Jaffna, and Inuvil Thirupathi Arulmiku Sri Venkadeshwarar Aalayam in Jaffna, showcasing our respect and support for spiritual and inter-communal well-being.



## Environmental Protection



Projects highlighting the importance of improving and preserving the environment with a focus on mitigating climate change, addressing resource depletion and confronting various environmental challenges.

This project focused on the removal of invasive plant species in the Lunugamwehera National Park, thereby facilitating the restoration of elephant habitats and contributing to the broader ecosystem's health. By clearing 15 hectares of invasive plants manually, without the use of machinery, we not only ensured an eco-friendly approach to habitat restoration but also supported the local economy by providing employment opportunities to rural communities. This initiative is expected to alleviate human-elephant conflicts by expanding natural habitats for wildlife.



## Education Protection



Projects demonstrating our commitment to supporting and improving educational opportunities for students and communities. Education is a critical factor in social development, and we aim to play a key role in promoting access to quality education.

Refurbishment and repair of the music room and procurement of essential musical instruments at The Ceylon School for Deaf and Blind in Ratmalana. This project was aimed at creating an inclusive environment leveraging on the role of arts in personal development of the students.



HNBA re-printed and distributed a booklet written by Mr. Ravi Abeysuriya on financial literacy. This was aimed at improving the financial literacy among individuals, especially middle to low income earning segments.

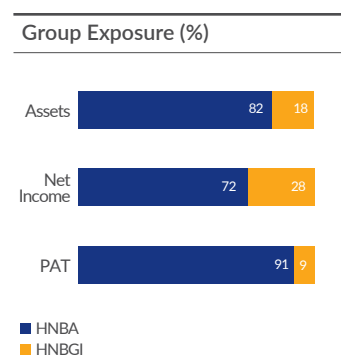


# LIFE INSURANCE - BUSINESS REVIEW



In 2023, HNB Assurance PLC (HNBA) sustained its growth trajectory with a remarkable Gross Written Premium (GWP) growth of 23%, positioning us favourably towards attaining our goal of securing a 10% market share by 2026. Despite the challenges in the operating environment, HNBA outperformed industry benchmarks. We remained dedicated to serving our diverse client base by offering innovative and timely product solutions. We were consistent in our efforts to grow our sales force and drive technological advancement with the aim of delivering exceptional customer experience.

Key Performance Indicators	2023	2022	2021	Change 2023
Gross Written Premium (Rs. Mn)	10,923	8,911	7,091	2,012
Profit After Tax (Rs. Mn)	1,613	1,484	1,000	129
Life Fund (Rs. Mn)	30,676	24,364	20,063	6,312
Claim Ratio (Without Maturities)	12%	11%	10%	1%
Expense Ratio	53%	47%	42%	6%
Premium Persistency (First Year)	82%	82%	81%	0%
Lapse Ratio (First Year)	50%	48%	43%	2%
Capital Adequacy Ratio (CAR)	339%	306%	277%	33%
Life Surplus (Rs. Mn)	1,315	1,280	980	35
ANBP (Rs. Mn)	3,955	2,890	1,801	1,065
Number of New Policies	44,188	39,934	34,357	4,254
Market Share	7.2%	6.5%	5.7%	0.7%



	GWP Growth	NBP Growth
HNBA	23%	29%
Industry	12%	18%

## STRATEGIC PRIORITIES FOR 2023

### Sales Force Expansion

- Expanded to 69 branches and 83 incubator branches
- Strengthened the Advisor channel by adding 1,068 Advisors

### Enhancing Customer Experience

- Revamped call centre with software upgrades and analytics capabilities
- Strengthened value proposition to top tier customers

### Technological Transformation

- Implementation of new Core System
- Commenced Robotic Process Automation

## Value Delivered

**Rs. 2,654 Mn.**  
Claims Paid

**Rs. 68 Mn.**  
Bonus

**Rs. 1,428 Mn.**  
Remuneration

**203**  
MDRT Winners

**9,887**  
Training hours



## REVIEW OF 2023

The results of meticulously executed and well-thought-out strategies became apparent as HNBA achieved a market share of 7.2% this year. This achievement positions the company firmly on the trajectory to realise its goal of securing a 10% market share within the next three years. In the face of a challenging and volatile operating environment, 2023 stands out as the third consecutive year where HNBA has achieved a growth rate exceeding 20%, surpassing industry benchmarks with confidence. As the volatility and uncertainty combined with rapidly-deteriorating disposable income drew attention to the most financially vulnerable segments, HNBA was successful in reaching them through strategic business partnerships to provide relief and to expand business opportunities. The Company also capitalised on the strength of our sales force and innovative product suite which addresses protection, risk management, retirement, savings, and endowment needs. This strategic approach enabled the Company to cater to potential customers effectively.

HNBA took the initiative to incorporate sustainability to our business model by providing novel insurance solutions to microsegments of society by introducing "Micro Life", a product offered along with micro loans disbursed by our parent, HNB Bank, and was later extended to other partnerships such as Sanasa Development Bank and Cooperative Bank. We also tied up with the Agrarian Department to provide a safety net for the most financially vulnerable.

### Protection

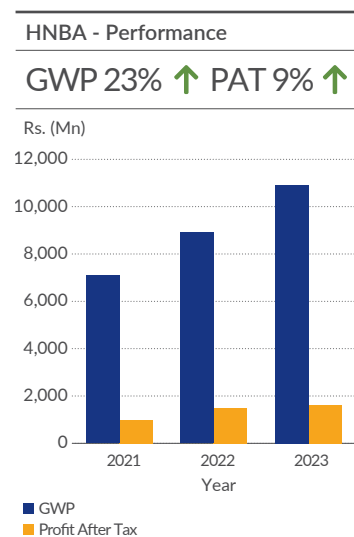
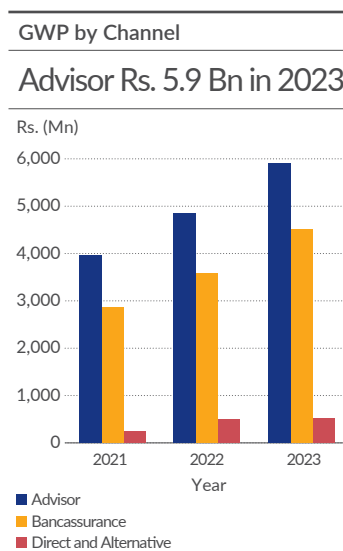
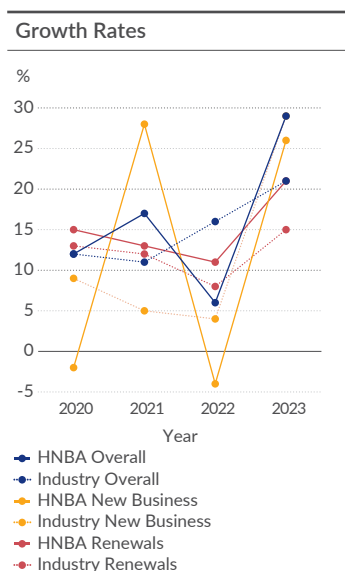
- Focus on products under protection category.
- SupremeHealth Unlimited, one of the most sought-after products in the market at present, with flexible limits and option to include extended family.
- Improve rider attachments.

### Persistency

- Lapses and persistency were affected due to high cost of living. Addressed this concern by strengthening engagement with customer base through revamped customer experience.
- Use of analytics to understand the reasons for lapses and taking steps to address them.

### Productivity

- Driving productivity to maintain profitability amidst rising operational costs.
- Re-engineering processes such as claims management, HR and Life servicing.
- Completed automation of most non-insurance work processes.



## LIFE INSURANCE - BUSINESS REVIEW

### DRIVING REVENUE GROWTH

HNBA achieved a Gross Written Premium (GWP) of Rs. 10,923 Million, marking a remarkable growth rate of 23%. This performance surpassed the industry's growth rate of 12%. The driving forces behind this success were our continuous efforts in expansion of the sales force, widening our reach by expanding our reach through physical and incubator branches, proactive pursuit of opportunities in the market combined with product innovation.

Despite the challenging macroeconomic conditions, premiums from New Business experienced a growth of 29%, reaching Rs.2,929 Million, while premiums from renewals grew by 17%, reaching Rs.5,840 Million. SupremeHealth Unlimited, introduced during the previous year solidified its position as one of the premier health insurance products in the market, significantly contributing to the growth in new businesses.

Notably, GWP from individual clients, constituting over 96% of the total GWP, grew by 24%, while premiums from corporate clients increased by 2%. The Advisor channel played a pivotal role in the growth of new business premiums, boasting a growth rate of 37%, while the Partnership channel increased new business premiums by 17%. This multifaceted growth strategy underscores HNBA's resilience and success in a challenging market environment.

The implementation of a sound investment strategy, guided by the expert advice of the Investment Committee, resulted in robust returns from interest-bearing securities. Interest income for the year increased by 59% to reach Rs. 6,307 Million. on the back of increased investments in government securities that yielded a higher return. The poor performance of the Colombo

bourse impacted return from equity investments even though the exposure was less than 1% of the total portfolio. Funds Under Management saw a 28% increase. Notably, Government securities contributed to 58% of the fixed income securities in the portfolio.

### MANAGING PROFITABILITY

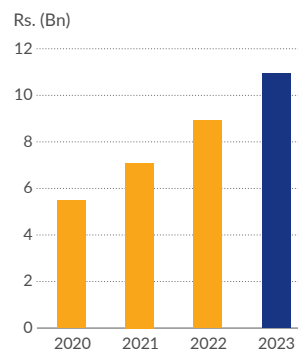
Inflationary pressures and the necessity to retain talent had an adverse effect on profitability during the year. Net benefit and claims increased by 19% to reach Rs.2,654 Million driven by a larger portfolio. Underwriting and Net Acquisition Costs grew by 26% to Rs. 1,807 Million due to 23% growth in GWP. Other Operating and Administrative expenses increased by 44% driven mainly by rising costs and the strategic decision to increase remuneration to compensate employees for higher taxation. The notable efforts to increase cost efficiency through automation and process re-engineering resulted in total cost savings of Rs. 36 Million during the year. Accordingly, HNBA delivered a Profit Before Tax of Rs. 2,269 Million, compared to Rs. 1,994 Million in 2022. Profit After Tax saw an increase of 9% to reach Rs. 1,613 Million, as tax expenses increased due to the applicable income tax rate increasing to 30% from the previously applicable 24%.

### GROWTH AND STABILITY

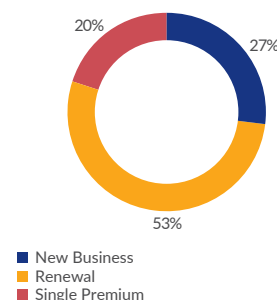
Total assets showed a growth of 28%, reaching Rs. 43,051 Million, primarily driven by the expansion in financial investments. The funding structure remained stable, maintaining an Equity to Total Assets ratio of 20%. Total Liabilities witnessed a 27% increase, totalling Rs. 34,263 Million, with the remarkable growth of 26% in Insurance Contract Liabilities, reflecting the commendable expansion of the business in a difficult operating landscape.

### Gross Written Premium

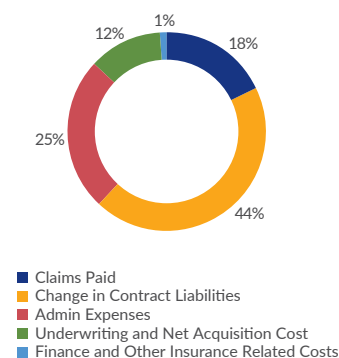
Rs. 10.9 Bn in 2023



### GWP Composition - 2023



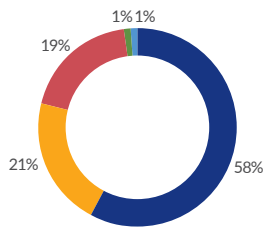
### Composition of Expenses



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### Asset Allocation - Life

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- Government Securities
- Corporate Debt
- Term Deposits
- Cash & Other Deposits
- Equity & Growth Funds

### PEOPLE, TECHNOLOGY, AND CULTURE

Our steadfast commitment to prioritising our people has been a fundamental strength, fostering a vibrant and high-energy culture that remained resilient even in the face of adverse conditions in the country. Retaining top talent continued to be a concern as Sri Lanka witnessed high level of economic migration. However, we have been attracting the necessary talent to fulfil our needs, owing to the strong perception of our brand as a preferred employer and our reinforced effort to increase engagement with our team. HNBA implemented essential salary adjustments to support employee retention, considering the decline in real wages and the heightened competition for talent. Our efforts to increase engagement with employees and business partners were evident as HNBA joined the prestigious ranks of MDRT's Top 100 Global Companies with 203 of its Insurance Advisors and Bancassurance officers becoming MDRT qualifiers.

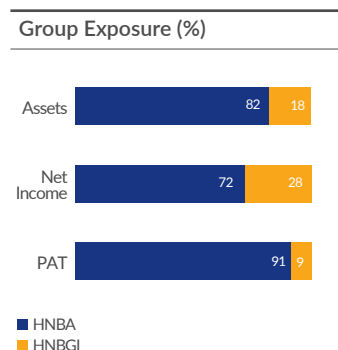
Our efforts in digitisation, which were accelerated at the onset of the pandemic, continued during the year as we are nearing the completion of implementing a new Core system. Further, other automation and Business Process Re-engineering initiatives have not only resulted in significant cost savings but have supported faster turnaround times. During 2023, sales generated on automated platform by the Advisor channel accounted for more than 95%.

# GENERAL INSURANCE - BUSINESS REVIEW



HNB General Insurance Limited (HNBGI) specialises in addressing Motor, Non-motor, and Takaful insurance needs. Over time, we have earned a reputation as a rapidly expanding and stable insurance provider, attributed to our innovative product range, collaborative partnerships, and a comprehensive omnichannel presence. These strengths are reinforced by our ongoing investments in technology, which we recognise as a key driver for sustainable growth.

Key Performance Indicators	Unit	2023	2022	2021	Change 2023
Gross Written Premium	Mn	8,036	6,821	5,649	1,215
Profit After Tax	Mn	151	450	338	(299)
General Insurance contract liabilities	Mn	4,694	4,182	3,736	512
Total Assets	Mn	9,573	8,549	7,569	1,024
Gross claim paid to customers	Mn	4,300	3,849	2,705	451
Motor Non motor Mix		56:44	62:38	68:32	-
Market Share		6.6%	5.9%	5.5%	0.7%
Claims Ratio		72%	72%	63%	(0%)
Expense Ratio		39%	38%	37%	1%
Combined Ratio		111%	110%	100%	1%
Capital Adequacy Ratio (CAR)		208%	239%	260%	(31%)



## STRATEGIC PRIORITIES FOR 2023

### Rescoping the playing field

- Differentiating of product offerings to better suit our products to meet customer requirements
- Strengthening engagement with customers to drive business growth and customer satisfaction

### Technology enablement

- Initiating a Rs.664 Million project to implement a new Core system
- Business and digital transformation to enhance profitability and competitiveness

### Building Competencies

- Recruiting a separate Head of HR for HNBGI
- Identifying talent requirement through gap analysis

## Value Delivered

**Rs. 717 Mn**  
Commission Expense

**Rs. 1,029 Mn**  
Remuneration and others

**Rs. 4.3 Bn**  
Claims Paid

**4,858**  
Training hours

## REVIEW OF 2023

In a year characterised by unprecedented uncertainties, we attained outstanding performance through the effective execution of our carefully-planned strategy. HNBGI concluded 2023 with a growth rate of 18%, consistently sustaining its momentum well above the industry average. Despite the persistent challenge posed by the continuation of import restrictions on motor vehicles, we effectively leveraged our strength in innovative product offerings. Our strategic focus on differentiating our products allowed us to explore and capitalise on new business opportunities.

HNB General Insurance intensified its efforts to improve engagement with its client base by revamping the call centre and ensuring the effective functioning of Relationship Managers. In 2023, the Company achieved an impressive Net Promoter Score (NPS) of 73%, indicating a high level of customer satisfaction. Furthermore, the customer retention rates for motor and non-motor policies stood at 81% and 86%, respectively, underscoring the success of these engagement initiatives.

### Protection

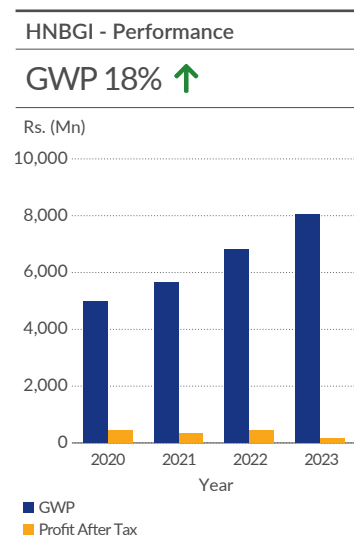
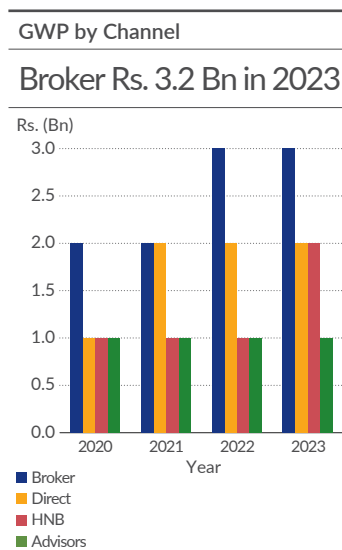
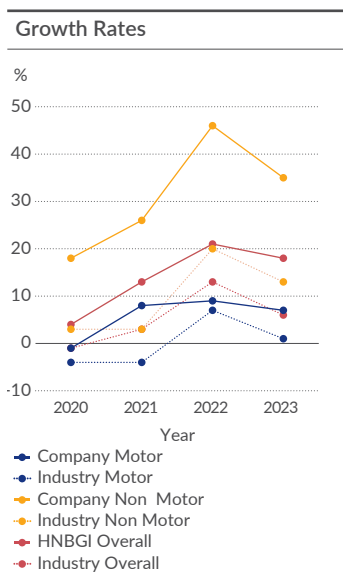
- Focus given to differentiating our products to gain competitive edge
- Offering complimentary products together as a bundled package
- Focus given not only to offer financial protection but delivering protection during emergencies.

### Persistency

- Revamped call centre to enhance customer engagement
- Customer retention ratio
  - Motor – 81%
  - Non Motor : 86%

### Productivity

- Automation and digitisation to improve efficiency
- Driving productivity to sustain profitability amid escalating operational costs.



## DRIVING REVENUE GROWTH

HNBGI outperformed industry growth, achieving a Gross Written Premium (GWP) of Rs. 8,036 Million, reflecting an impressive growth of 18%. This remarkable performance was propelled by a combination of product innovation and a proactive pursuit of opportunities.

In the Motor Insurance segment, which contributes 56% of the GWP, there

was a 7% growth, primarily driven by an increase in premium prices. This rise was attributed to the elevated value of vehicles resulting from continuation of import restrictions. On the Non-Motor front, Fire and Engineering experienced a notable 54% growth.

HNBGI maintained a Gross Retention Ratio of 82%, underscoring our heightened focus on customer

engagement and satisfaction. This comprehensive growth strategy and diversified product portfolio contributed to our strong performance in the market.

The Broker channel played a significant role, contributing 40% to the top line with a growth rate of 27%. Simultaneously, the Advisor channel witnessed a growth of 15%, making a contribution of 11%. The HNB channel achieved an impressive

## GENERAL INSURANCE - BUSINESS REVIEW

growth of 12%, leveraging Group synergies, and contributed Rs.1,771 Million to GWP. Additionally, the Direct channel made a substantial contribution of 23%. These diverse channels underscore the multifaceted approach employed by HNBGI to reach and serve a broad spectrum of customers.

Interest income for the year saw a growth of 37%, reaching Rs. 920 Million, driven by augmented investments in government securities that generated a higher return. The adoption of a robust investment strategy, guided by the expert counsel of the Investment Committee led to this growth.

### MANAGING PROFITABILITY

The impact of inflationary pressures coupled with the imperative to retain talent adversely affected profitability during the year. The significant initiatives to enhance cost efficiency through automation, digitisation and process re-engineering yielded cost savings during the year.

The claim ratio maintained at 72% even though the cost has been increased. Total claims paid during the year increased by 12% to reach Rs. 4,300 Million. Operating and administrative expenses experienced a growth of 18%, primarily propelled by escalating costs and a strategic decision to raise remuneration, compensating employees for higher taxation. HNBGI achieved a Profit Before Tax of Rs. 242 Million, against Rs. 496 Million in 2022. However, Profit After Tax witnessed a decrease of 66%, reaching Rs. 151 Million. This decline can be attributed to increased tax expenses, increase in claim cost, exchange loss due to LKR appreciation, increase in expense due to high inflation and increase in tax expense resulting from a rise in the applicable income tax rate to 30%, compared to the previously applicable rate of 24%.

### GROWTH AND STABILITY

Total assets demonstrated a notable growth of 12%, reaching Rs. 9,573 Million, primarily propelled by the expansion in financial investments. The funding structure maintained stability, with an Equity to Total Assets ratio of 28%. Meanwhile, Total Liabilities experienced a 10% increase, totalling Rs. 6,934 Million, with the growth of 12% in Insurance Contract Liabilities. This growth reflects the commendable expansion of the business despite the challenges posed by the difficult operating landscape.

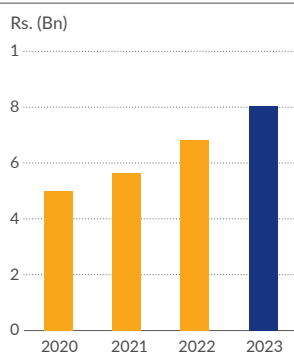
### PEOPLE, TECHNOLOGY, AND CULTURE

Our vibrant, eager-to-learn culture and high energy have been a driving force in maintaining our resilience amidst the challenging conditions in the country. HNBGI increased its efforts in team engagement to provide support to our team during difficult financial conditions and also implemented crucial salary adjustments to bolster employee retention, taking into account the decrease in real wages and the intensified competition for talent.

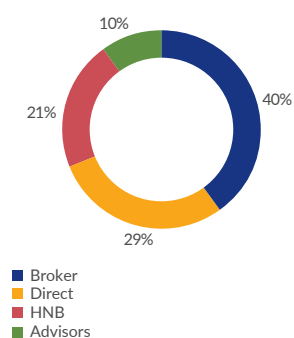
HNBGI reached a noteworthy milestone in the Company's digital transformation journey with the commencement of 'Project Phoenix.' This project is aimed at implementing a Core Insurance System, aiming to enhance efficiency, accuracy, and overall operational effectiveness.

#### Gross Written Premium

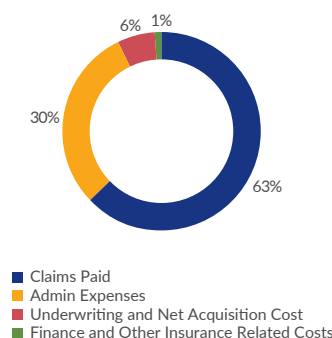
GWP Rs. 8 Bn in 2023



#### GWP Composition



#### Composition of Expenses



# REVIEW OF CAPITALS



Financial Capital

Augmenting our Financial Capital is crucial for driving business growth. A robust and stable capital position is vital to navigate the uncertainties in the operating environment. During the year, Group implemented several cost saving initiatives to maintain profitability.

KPIs	Unit	31.12.2023	31.12.2022	Growth
Shareholders' Funds	Rs. Mn.	10,277	7,798	32%
Financial Investments	Rs. Mn.	43,855	34,624	27%
Insurance Contact Liabilities - Life Fund	Rs. Mn.	30,946	24,583	26%
Insurance Contact Liabilities - General Insurance	Rs. Mn.	4,694	4,182	12%
Equity to Asset Ratio		19.5%	19.0%	0.5%
Market Capitalisation	Rs. Mn.	8,490	6,435	32%
P/E Ratio	times	4.81	3.52	37%
Return on Assets		3.8%	4.8%	(1%)

How we enhanced our Financial Capital in 2023,

- Driving business growth through market and product developments, sales force expansion.
- Innovative and novel product solutions to cater to evolving insurance needs.
- Leveraging on Group synergies to bring insurance solutions to micro segments.
- Aggressive investments in enhancing digital capabilities which resulted in significant cost savings.
- Prudent investments carried out under expert advice.



Human Capital

Retaining the necessary talent to reach our strategic ambitions became a challenge as Sri Lanka continues to witness high level of economic migration. We leveraged our reputation as a “preferred employer” to absorb the necessary skill sets and enhanced our value proposition to employees amidst difficult economic and financial conditions.

KPIs	Unit	31.12.2023	31.12.2022	Growth
Number of Employees		1,453	1,328	9%
Number of New Recruits		447	376	19%
Number of Promotions		171	144	19%
Employee Turnover		23%	22%	1%
Number of Training Programmes		131	156	(16%)
Total Training Hours	Hrs.	14,745	17,027	(13%)
GWP per Employee	Rs. Mn.	12.91	11.78	10%
Female Representation		38%	39%	(1%)

How we enhanced our Human Capital in 2023,

- Implementing necessary salary adjustments to compensate for the decline in real wages.
- Enhanced engagement with employees through multiple platforms.
- Revamped grievance handling procedure and introduction of sexual harassment policy.
- Providing continuous learning opportunities.
- Upgrading digital infrastructure for better engagement and operational efficiency.



Intellectual Capital



Digital Capital

Intangible assets comprising our culture, brand value, systems and processes and governance structure are key to our value creation process. Our Digital Capital plays a pivotal role in maintaining our competitive advantage while enabling us to maintain our profitability amidst challenging times. Improvements in the digital infrastructure have led to better engagement with our stakeholders while also having a positive impact on the customer experience offered by the Group.

KPIs	Unit	31.12.2023	31.12.2022	Growth
Brand value of HNBA	Rs. Mn.	592	790	(25%)
Brand value of HNBGI	Rs. Mn.	469	604	(22%)
Investment in Technology	Rs. Mn.	683	334	104%
Number of New Products/Riders		3	1	200%
Fitch Rating HNBA		A-[lka]	A-[lka]	
Fitch Rating HNBGI		A-[lka]	A-[lka]	

How we enhanced our intellectual and digital capital in 2023,

- Nearing the completion of implementation of the new Core System for Life Insurance and commenced the implementation of the same for General Insurance.
- Commenced robotic process automation.
- Processes re-engineered for claims management, Life servicing and HR related functions.
- Automation of majority of non-insurance work processes.

## REVIEW OF CAPITALS



### Social And Relationship Capital

The relationships we maintain with our business partners are vital for our business growth. Consequently, we strive to maintain mutually-beneficial relationships while engaging with them in an effective manner.

KPIs	Unit	31.12.2023	31.12.2022	Growth
Number of Policies		432,167	344,990	25%
Number of Advisors		5,151	3,983	29%
Number of Brokers		67	65	3%
Number of Assessors		61	69	(12%)
Commission Paid	Rs. Mn.	1,790	1,495	20%
Claims Paid	Rs. Mn.	6,666	5,579	19%
No. of Micro Insurance Policies		8,005	4,583	75%

How we enhanced our Social and Relationship Capital in 2023,

- Developed a monitoring system to identify productivity.
- Conducted programmes to increase motivation.
- Provided blended learning opportunities through virtual and physical training programmes.



### Manufactured Capital

Manufacturing Capital such as property, plant and equipment are key inputs in our value creation process. Our island-wide branch network gives us direct access to our customer base.

KPIs	Unit	31.12.2023	31.12.2022	Growth
Property, Plant and Equipment	Rs. Mn.	690	418	65%
Capital Expenditure	Rs. Mn.	424	236	80%
Number of Branches		78	67	16%

How we enhanced our Manufactured Capital 2023,

- Capital expenditure of Rs. 424 Mn.



### Natural Capital

As an environmentally-conscious organisation, we are committed to minimising the use of natural resources by embracing modern technology and driving efficiency. The substantial investments we have made in digitisation and automation will result in a significant reduction in the use of natural resources.

KPIs	Unit	31.12.2023	31.12.2022	Growth
Electricity Consumption	Units	1,582,469	1,409,737	12%
Water Consumption	Liters	12,509,609	11,572,247	8%
Paper Consumption	Kg	155,618	163,678	(5%)
Paper Recycled	Kg	13,376	12,958	3%
Solar Power	Units	13,783	13,020	6%

How we enhanced our Natural Capital in 2023,

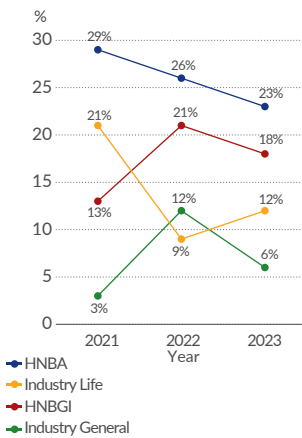
- Gradual transition to paper-less process through digitisation and automation.
- Minimising our carbon footprint through incubator branch concept



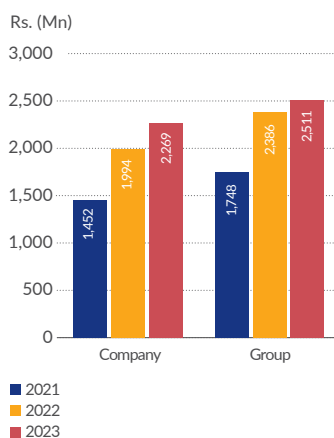
# FINANCIAL CAPITAL REVIEW

HNB Assurance Group continued the growth trajectory established in 2022 to record top line and earnings growth in a year marked by significant uncertainty. Growth and stability indicators remain above industry benchmarks reflecting the focused implementation of strategy and prudent management of resources.

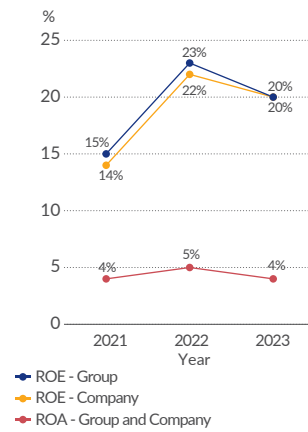
Premium Growth Rate



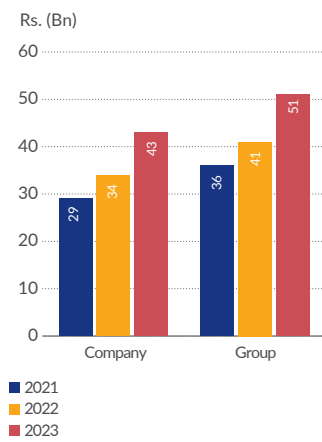
Profit Before Tax



Return on Equity & Return on Assets

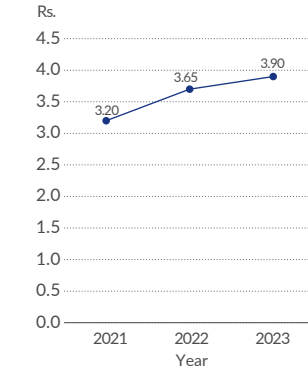


Total Assets

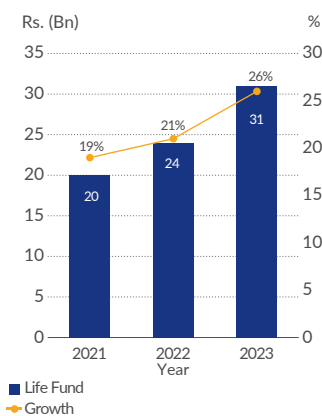


We continued to deliver superior returns to our shareholders and investors. Our premiums grew above the industry average and we continued to deliver consistent profitability from our business. Return on our equity was 20% while return on our assets remained consistent. Whilst improving our earnings, the Board has proposed a Dividend of Rs. 3.90 per share which marks a 7% growth. Our balance sheet remained solid, with steady growth in our assets, life fund and net assets. As dependable insurer, we continue to maintain strong solvency levels, with capital adequacy well above the regulatory requirements.

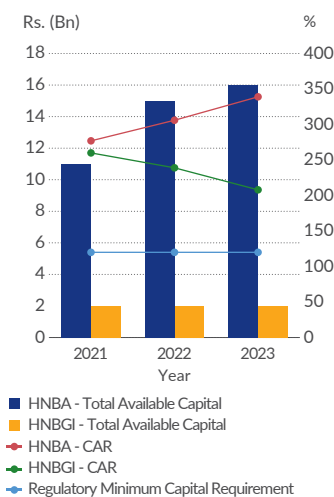
Dividend Per Share - HNBA



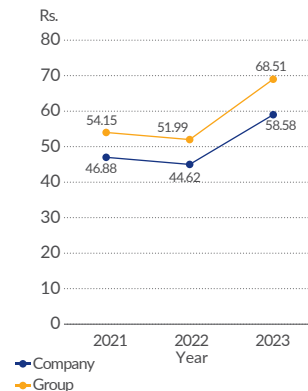
Life Fund



Capital Adequacy Ratio



Net Asset Value Per Share



## FINANCIAL CAPITAL REVIEW

### OUR APPROACH TO MANAGING FINANCIAL CAPITAL

As entities engaged in the business of providing financial security to individuals and businesses, it is vital that HNBA and HNBGI manage financial resources in a prudent manner, ensuring obligations are met as they arise. Additionally, both entities are required to meet liquidity and the regulatory capital requirements imposed by the regulator, the Insurance Regulatory Commission of Sri Lanka to facilitate financial stability of the sector. Consequently, the Board is assisted by the Audit Committee, Strategy Review Committee, Investment Committee and the Risk Management Committee in the management of Financial Capital. Their roles are:

<p><b>Audit Committee</b></p> <p>Reviews financial reporting processes, adequacy and effectiveness of internal controls, and obtains assurance on the reliability of financial statements</p>	<p><b>Strategy Review Committee</b></p> <p>Optimise returns to investors while driving sustainable growth of the business</p>
<p><b>Risk Management Committee</b></p> <p>Management of capital and liquidity and exposures to other risks</p>	<p><b>Investment Committee</b></p> <p>Reviews asset allocations and provides guidance on investment strategies</p>

The Board maintains overall responsibility for management of this vital capital. The Chief Financial Officer who reports to the Chief Executive Officer holds day-to-day responsibility for financial management and reporting and is a key member of the management team of the Group.

### THE INCOME STATEMENT

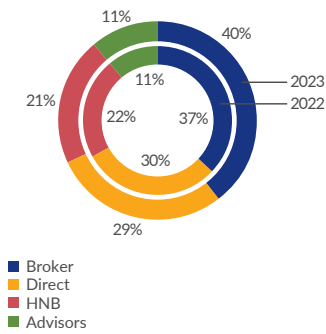
For the Year Ended 31st December,	Life		General		Group	
	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.
Gross Written Premium	10,923	8,911	8,036	6,821	18,760	15,638
Net Written Premium	10,331	8,438	5,706	5,129	15,838	13,473
Net Earned Premium	10,331	8,438	5,489	4,744	15,699	13,087
Total Other Revenue	6,486	4,097	1,111	1,209	7,566	5,174
Net Income	16,818	12,535	6,600	5,953	23,265	18,262
Total Benefits, Claims and Other Expenses	(14,549)	(10,542)	(6,358)	(5,457)	(20,753)	(15,876)
<b>Profit Before Taxation</b>	<b>2,269</b>	<b>1,994</b>	<b>242</b>	<b>496</b>	<b>2,512</b>	<b>2,386</b>
Income Tax Expense	(656)	(510)	(91)	(45)	(747)	(555)
<b>Profit for the Year</b>	<b>1,613</b>	<b>1,484</b>	<b>151</b>	<b>450</b>	<b>1,765</b>	<b>1,831</b>

### STRONG GROWTH AND PROFITABILITY

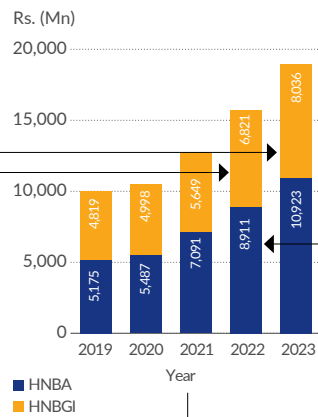
#### GROSS WRITTEN PREMIUM (GWP)

Gross Written Premiums maintained double digit growth as both HNBA and HNBGI pursued its quest to gain market share, to move up the industry rankings in the country's insurance sector. Life and General business delivered 23% and 18% growth respectively to record Group of Rs.18.8 Billion. Growth in GWP was supported by expansion of the sales force, institutional partnerships and expansion into Group Life Insurance. Life Insurance accounted for 58% of the total GWP of the Group while General Insurance accounted for the balance. Despite a notable decline in disposable income attributed to increased taxation and rising costs, which has eroded purchasing power, both the HNBA Group and the industry experienced a moderation in growth rates. It is noteworthy that the HNBA Group successfully sustained its growth momentum by achieving a 20% increase in GWP, reaching another milestone in its five-year-long-term goal.

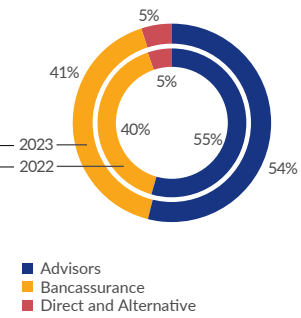
### Channel Distribution: General



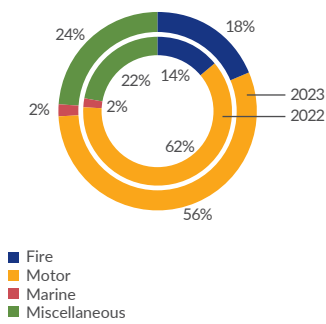
### Gross Written Premium



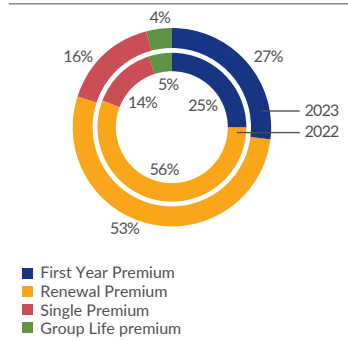
### Channel Distribution: Life



### Class Wise GWP - General

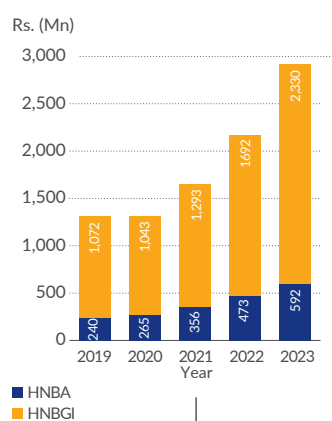


### Premium Category Wise GWP - Life



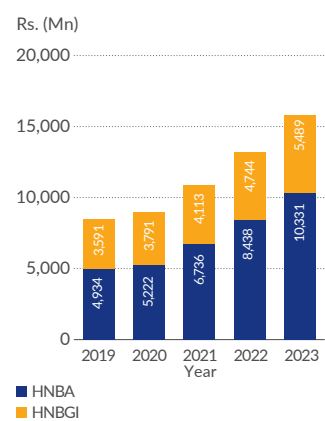
Reinsurance plays a vital role in managing risk of the insurance business. Premiums ceded to reinsurers increased by 25% for Life in line with topline growth and accounted for 20% of the Group's total premiums ceded to reinsurers. Meanwhile, in the General Insurance business, premiums ceded to reinsurers experienced a robust 38% growth, constituting 80% of the overall reinsurance premiums. The increase in Life was attributable to increased uptake of SupremeHealth Unlimited which attracts a High Net Worth base. Additionally, HNNGI witnessed an increase as they pursued diversification into Non-motor categories. Transfer to Unearned Premium Reserve saw a drop of 44% in HNNGI and 64% at Group level.

### Premium Ceded To Reinsurers



Consequently, Net Earned Premium for Life and General increased by 22% and 16% reflecting the changes in the product mix. NEP at the Group level saw an increase of 20% in line with the growth in GWP. Growth in NEP reflects our underwriting discipline, the ability to accurately assess and price risk and cost effectiveness of our reinsurance agreements.

### Net Earned Premium

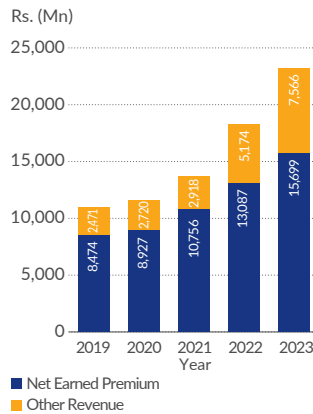


## FINANCIAL CAPITAL REVIEW

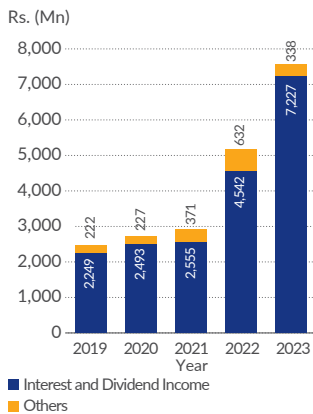
### NET INCOME (NI)

Net Income of the Group surpassed Rs. 23 Billion boosted the 20% growth in Net Earned Premium and the 46% increase in Other revenue. Other revenue accounted for 33% of Net Income in 2023 compared to 28% in 2022. The Group recorded Rs.7.6 Billion as Other Revenue with our Funds Under Management benefitting from high interest rates that prevailed in the first half of the year and business growth. The Life Insurance segment continued to be the dominant contributor accounting for 72% of Net Income and 86% of Total Other Revenue.

Analysis by Type of Revenue - Group



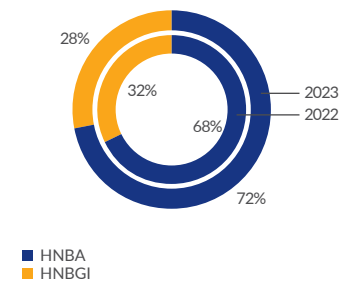
Other Revenue - Group



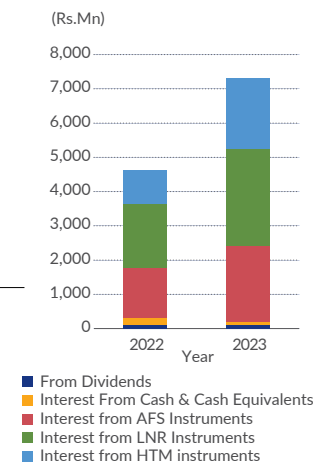
Rs. 6.3 Billion of Other Revenue in Life Insurance came from Interest Income from Financial Investments. This marked a 59% growth as the company capitalised by locking in investments at high interest rates. Fee and Commission income of Life amounting to Rs. 103 Million, recorded an 89% growth driven by profit commission received from reinsurers which underpins HNBA'S strong underwriting practices. Realised and fair value gains increased by 84%.

Other Revenue generated in General Insurance business was Rs. 1.1 Billion, which was a drop of 8% compared to last year. Although Interest income increased by 37% to reach Rs. 920 Million, this growth was marred by translation losses in foreign currency term deposit investments of Rs. 81 Million. This is due to the appreciation of the LKR against the USD in 2023, which is a stark contrast to the Rs. 237 Million gain on foreign currency deposits in 2022 due to the depreciation of LKR.

Analysis of Total Revenue by Segment



Interest & Dividend Income - Group



## BENEFITS, CLAIMS & OTHER EXPENSES

Total Benefits, Claims and Other Expenses increased by 31% to Rs. 20.75 Billion during the year. Other Operating and Administration Expenses grew by 34% and contributed 26% to the category reflecting the business growth and prevailing inflation of the country. Further, this growth in Other Operating and Administrative Expenses mirrors the investments directed towards the development of the business, IT and systems developments and our employee capital, with the expectation that these endeavours will yield positive results in the future.

21% growth in Underwriting and Net Acquisition Costs is indicative of business growth, with the primary component in this category being commissions paid to intermediaries for generating GWP. This is inline with the 20% growth in GWP.

Increase in Net Insurance Benefits and Claims can be attributed to several factors including rise in insurance claims (Life – 23%, General – 17%), Inflationary pressures leading to increased cost of repairs, medical treatments etc.

Net Benefits, Claims and Expenses	2023 Rs. Mn.	2022 Rs. Mn.	2021 Rs. Mn.	Growth 2023 (%)
Net Insurance Benefits and Claims	6,666	5,579	4,223	19
Change in Contract Liabilities - Life Fund	6,333	4,340	3,249	46
Other Operating and Administration Expenses	5,371	4,000	2,893	34
Underwriting and Net Acquisition Costs	2,200	1,822	1,456	21
Finance and Other Insurance Related Costs	184	134	104	37
<b>Total Benefits, Claims and Other Expenses</b>	<b>20,753</b>	<b>15,876</b>	<b>11,926</b>	<b>31</b>

## NET INSURANCE BENEFITS & CLAIMS

Net insurance benefits and claims increased due to both inflation and an increase in claims as set out below.

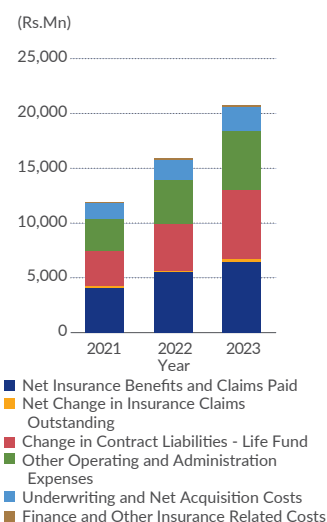
Life	2023 Rs. Mn.	2022 Rs. Mn.	2021 Rs. Mn.
Death & Other	152	140	105
Hospitalisation	347	152	113
Maturity	1,509	1,264	1,022
Surrender	656	601	392
Annuity	12	13	14
<b>Total</b>	<b>2,676</b>	<b>2,170</b>	<b>1,646</b>

Life claims increase is due to increased maturities and Hospitalisation by 19% and 128% respectively. While maturities were planned increases, the increase in medical claims was due to rising healthcare costs and the increased uptake of medical covers. A 9% increase in surrenders was also seen due to lower disposable income.

General	2023 Rs. Mn.	2022 Rs. Mn.	2021 Rs. Mn.
Motor	2,668	2,538	1,929
Fire	(7)	45	29
Marine	8	11	4
Miscellaneous	1,320	815	617
<b>Total</b>	<b>3,990</b>	<b>3,410</b>	<b>2,579</b>

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 medical.

## Net Benefits, Claims & Expenses - Group



The Change in Contract Liabilities Life fund increased by 46% to Rs. 6.3 Billion due to business growth and other macro economic factors considered by the actuary in valuing the Life Fund.

## Other Operation and Administration expenses

Other Operation and Administration expenses increased by 34% to Rs. 5.4 Billion as cost increased during the year with the impact of IT related expenses, staff costs due to salary revisions, increased energy costs and full effect of inflationary pressure on expenses. HNBA continued to pursue cost rationalisation initiatives by reducing consumption. Underwriting and net acquisition costs increased by 21% to Rs. 2.2 Billion in line with expansion of the sales force and partnerships. Life insurance incurred 17% of its GWP as Net Acquisition costs, due to 29% growth in New Business which has a higher cost of acquisition. General Insurance incurred 5% of GWP as acquisition cost, 1% lower than the previous year.

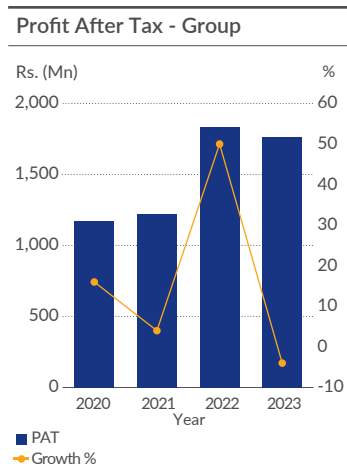
## FINANCIAL CAPITAL REVIEW

### PROFIT BEFORE TAX (PBT)

Profit Before Tax for the Group increased by 5% to Rs. 2.5 Billion supported by the strong performance of the Life insurance business which accounted for 90% of PBT. Life insurance PBT increased by 14% to Rs. 2.3 Billion (2022: Rs. 2 Billion) boosted by strong growth of GWP and investment income. This comprises Rs. 1.31 Billion of surplus transferred from the Life Fund to Shareholders (2022: Rs. 1.28 Billion) and Rs. 1 Billion PBT generated from Life Shareholders' fund (2022: Rs. 0.7 Billion). General Insurance recorded a halving of profits to Rs. 242 Million (2022: Rs. 496 Million) largely due to the 18% increase in revenue being insufficient to cushion the 17% increase in claims and the decrease in other revenue as explained above.

### PROFIT AFTER TAX (PAT)

Taxation in Life Insurance business increased by 29% with the full effect of the tax rate increase affecting profits in 2023, thereby dampening PAT growth to 9%. General Insurance business taxation increased by 101% as fair value losses are not allowed as a tax deduction resulting in the Profit After Tax reducing to Rs. 151 Million. Nevertheless the Group posted a PAT of Rs. 1.8 Billion, though 4% lower than the previous year owing to the factors described above.



### FINANCIAL POSITION

	Life		General		Group	
	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.	2023 Rs. Mn.	2022 Rs. Mn.
<b>Assets</b>						
Financial Investments	38,531	29,845	5,325	4,779	43,855	34,624
Cash and Cash Equivalents	666	725	457	308	1,123	1,033
Fixed and Intangible Assets	907	661	275	195	1,182	856
Other Assets & Receivables	2,947	2,488	3,516	3,267	5,103	4,583
<b>Total Assets</b>	<b>43,051</b>	<b>33,719</b>	<b>9,573</b>	<b>8,549</b>	<b>51,263</b>	<b>41,096</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>	<b>8,788</b>	<b>6,693</b>	<b>2,639</b>	<b>2,255</b>	<b>10,277</b>	<b>7,798</b>
<b>Liabilities</b>						
Contract Liabilities	30,946	24,583	4,694	4,182	35,640	28,764
Other Liabilities	3,317	2,443	2,240	2,112	5,346	4,534
<b>Total Liabilities</b>	<b>34,263</b>	<b>27,026</b>	<b>6,934</b>	<b>6,294</b>	<b>40,986</b>	<b>33,298</b>
<b>Total Equity and Liabilities</b>	<b>43,051</b>	<b>33,719</b>	<b>9,573</b>	<b>8,549</b>	<b>51,263</b>	<b>41,096</b>

### TOTAL ASSETS

The Group's Total Assets grew by 25%, reaching Rs. 51.3 Billion, as opposed to the Rs. 41.1 Billion reported in 2022. As depicted in this report, the Group consistently built its Total Asset base over the past five-year period, by growing its financial investments. As the predominant component, comprising 86% of the Group's assets, Financial Investments reached Rs. 43.9 Billion by end 2023 and demonstrated a noteworthy 27% growth. This substantial growth played a key role in enabling the Group to achieve a remarkable 59% increase in Interest and Dividend Income. The Group invested 424 Million, nearly doubling its investments made in property, plant and equipment and systems compared to the previous year. The Group also experienced a 10% increase in non-income generating assets comprising Reinsurance Receivables and Premium Receivables. Nevertheless, their composition has decreased compared to the preceding year.

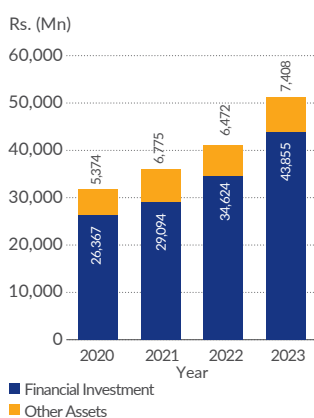
Group	2023 Rs. Mn.	2022 Rs. Mn.	2021 Rs. Mn.	2020 Rs. Mn.	2019 Rs. Mn.	Growth 2023
Financial Investments	43,855	34,624	29,094	26,367	21,202	27%
Cash and Cash Equivalents	1,123	1,033	2,113	711	866	9%
Fixed and Intangible Assets	1,182	856	741	633	558	38%
Other Assets & Receivables	5,103	4,583	3,921	4,030	3,999	11%
<b>Total Assets</b>	<b>51,263</b>	<b>41,096</b>	<b>35,869</b>	<b>31,741</b>	<b>26,625</b>	<b>25%</b>

## COMPOSITION OF ASSETS

Group	2023 %	2022 %	2021 %	2020 %	2019 %
Financial Investments	86	84	81	83	80
Cash and Cash Equivalents	2	3	6	2	3
Fixed and Intangible Assets	2	2	2	2	2
Other Assets & Receivables	10	11	11	13	15
<b>Total Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

A 28% growth was seen in the Total Assets of the Company, which increased to Rs. 43 Billion. Financial Investments accounted for 89% of Total Assets and marked a 29% growth compared to 2022 reaching Rs. 39 Billion. Cash and cash equivalent and fixed and intangible assets together comprised 4% of the Total Assets of the Company.

### Total Assets



## FINANCIAL ASSETS

The Group has invested around 31% of its Financial Investments in Available for Sale (AFS) financial assets by end 2023, which remains consistent over the past five years. Such investments comprised predominantly of Treasury bill and Bond investments (99%). As the Group continued to shift its investments to the long-term to capitalise on the higher interest rates which prevailed in 2022 and early 2023, financial investments in Loans and Receivable category reduced further from 43% in 2022 to 41% in 2023. Investments in Loans and

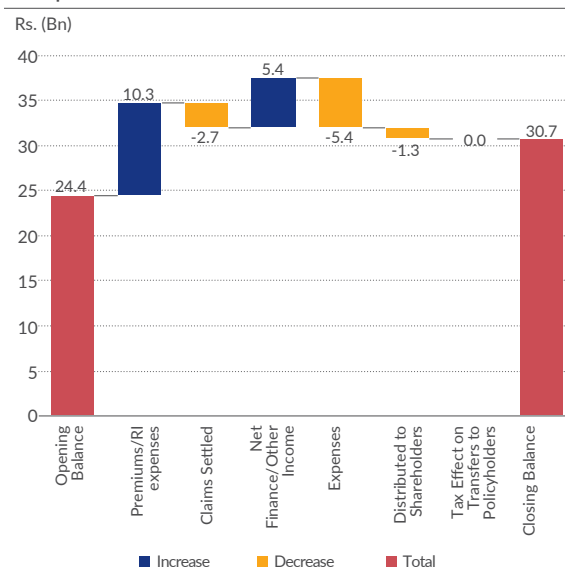
Receivable consisted of term deposits, debentures and investments in repos. With a reclassification done of a Rs 2.7 Billion portfolio of Treasury bonds of the Company from AFS category to Held to Maturity (HTM) category in 2022, HTM category investments contributed to 27% of financial investments. Fair Value Through Profit or Loss classified investments, comprising equity shares and unit trust investments remained at just 1% of financial assets.

## TOTAL LIABILITIES

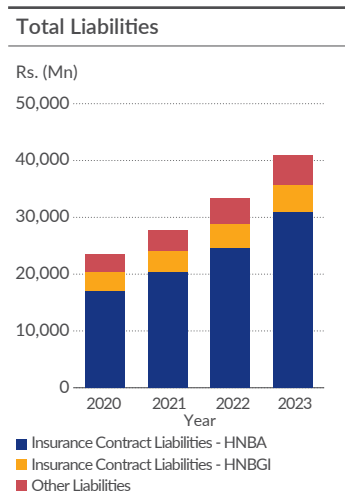
Group Total Liabilities increased by 23%, reaching Rs. 40.9 Billion, propelled by an expansion in Insurance Contract Liabilities. Insurance Contract Liabilities accounts for 87% of the Total Liabilities of the Group.

Specifically, the Life Assurance segment saw a 26% increase in Insurance Contract Liabilities, reaching Rs 30.9 Billion. Of this Rs. 30.6 Billion was from the Life Fund liability and the movement of the same is illustrated below. General Insurance segment experienced a 12% growth, reaching Rs 4.7 Billion. The Group oversees two main funds: the Life Insurance Fund and the General Insurance Fund. The Life Fund is further divided into three categories— Participatory, Non-Participatory, and Universal Life Fund in accordance with the guidelines set by the Insurance Regulatory Commission of Sri Lanka. The Life Insurance Fund was valued by the appointed Actuary as at 31st December 2023 and the valuation report is disclosed on page 204. Based on the valuation, Rs. 1.3 Billion was transferred to the Shareholders Fund as surplus at the year end. The IBNR/ IBNER liability of the General Insurance business was also valued by the appointed Actuary for the said business, and the subsidiary has ensured that adequate provisions are maintained. The valuation report is given on page 205.

### Composition & Movement of Life Fund



## FINANCIAL CAPITAL REVIEW



### CAPITAL STRUCTURE

Group Equity increased by Rs. 2.5 Billion during the year to Rs. 10.3 Billion, recording a growth of 32% compared to 2022. This boost in Group Equity is primarily attributed to the noteworthy rise in Retained Earnings, marking a 16% increase and totalling Rs. 9.0 Billion. The surge in Retained Earnings was significantly supported by the Surplus Transferred. Additionally, the Life Policyholders' Available for Sale Reserve Fund and Available for Sale reserves demonstrated improvement, increasing by Rs. 1.3 Billion. This was due to the reversal of fair value losses on Government securities classified as AFS due to the 550 basis point decrease in the interest rates by end 2023.

The Restricted Regulatory Reserve amounting to Rs. 381 Million is held within Group Equity, structured in the form of Term Deposits. In adherence to Direction 16 issued by the IRCSL, this reserve is mandated to be retained without any distribution among shareholders.

### CASHFLOW

Cashflow is key to ensuring sufficient liquidity and also understanding the flow of funds. The Group generated an Operating Cashflow of Rs. 1,669 Million, which is Rs. 272 Million lower than 2022, primarily due to cash outflows as income tax. Of this, the Group used Rs. 1,043 Million in investing activities and Rs. 743 Million in financing activities, the shortfall of Rs. Rs. 116 Million being utilised from opening cash and cash equivalents.

Rs. Mn.	2023	2022	Change
Net cash flow generated from operating activities	1,669	1,941	(272)
Net cash flow used in investing activities	1,043	2,532	(1,489)
Net cash used in financing activities	743	643	100
Cash and cash equivalents at the end of the year	652	768	(116)

### FINANCIAL STABILITY

#### CAPITAL ADEQUACY

Focus on maintaining strong capital buffers ensured that the Group maintained Capital Adequacy Ratios throughout the year, closing with 339% and 208% 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 well above minimum regulatory requirement of Rs. 500 Million.

Capital Adequacy Ratio (CAR)	HNBA		HNBGI	
	2023	2022	2023	2022
Total Available Capital (TAC) (Rs. Mn.)	16,163	14,514	2,092	1,947
Risk Based Capital Requirement (Rs. Mn.)	4,767	3,487	1,004	813
Risk Based Capital Adequacy Ratio	339%	306%	208%	239%
Regulatory Minimum CAR	120%	120%	120%	120%

#### APPROVED ASSETS

Both HNBA and HNBGI continuously met the requirements of the Determination 1 of IRCSL by maintaining approved assets over 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%.

### FINANCIAL RATIOS

#### Investor Ratio

Ratios - Group		2023	2022	2021	2020	2019
Return on Equity	%	20	23	15	16	16
Return on Assets	%	4	5	4	4	4
Net Assets Per Share	Rs.	68.51	51.99	54.15	54.63	44.76
Earnings Per Share	Rs.	11.76	12.20	8.16	7.83	6.73
Earnings Yield	%	21	28	18	13	15
Price Earnings Ratio	(times)	4.81	3.52	5.93	7.43	6.83
Price to Book Value	(times)	0.83	0.83	0.89	1.07	1.03



### **RETURN ON EQUITY (ROE)**

The Group recorded a Return on Equity of 20% (2022: 23%) despite a challenging year. Although there was a 4% decrease in Group PAT compared to 2022, the main reason for the lower ratio is the 32% increase in Equity as a result of gains through the statement of Other Comprehensive Income (OCI), predominantly the AFS gain of Rs. 1.3 Billion during the year. Despite the 9% increase in PAT of the Company, ROE decreased to 20% in 2023 compared to 22% in 2022. This too was due to the increase in Equity driven by the Rs. 1 Billion AFS gain through the OCI.

### **RETURN ON ASSETS (ROA)**

Group Return on Assets saw a slight decrease to 4% (2022:5%) while ROA was maintained at 4% at Company level (2022:4%).

### **NET ASSETS PER SHARE**

Group Net Assets per Share increased by 32% to Rs. 68.51 due to the increase in Total Equity stemming from the profitability as well as the gains of AFS assets. Net Assets per Share of the Company also increased to Rs. 58.58 marking a 31% rise.

### **EARNINGS PER SHARE (EPS)**

Earnings Per Share of the Group was Rs. 11.76 in 2023 (2022: 12.20). The 4% decline in EPS was due to the challenging year the subsidiary experienced. However, the Company EPS increased to Rs. 10.76 with the growth in profitability.

### **DIVIDEND PER SHARE**

First and final dividend of Rs. 3.90 (2022: Rs.3.65) was declared by the Board subject to the approval of the Shareholders at the forthcoming Annual General Meeting. The total dividend payout will be Rs. 585 Million.

### **EARNINGS YIELD**

The Group's Earnings Yield was 21% for 2023 compared to the 28% the previous year. This was due to both the slightly lower profits as well as the higher market price of our share HASU.

### **PRICE TO BOOK VALUE.**

The Price to Book value remained steady at 0.83 in 2023 (2022:0.83).

# EMPOWERING FORCE

HNB Assurance is committed to building sustainable value creation, presently and in the years ahead. The Board and Management team upholds high standards of governance through a purposeful governance structure, designed to ensure transparency, accountability, and ethical conduct in all operations, thereby fostering trust and confidence among stakeholders.

## GOVERNANCE AND LEADERSHIP

Strategic Leadership **113** | Corporate Governance **114** | Corporate Governance at HNB General Insurance Limited **144**  
Risk Management Review **147** | Investor Information **161** | Compliance Summary **169**

# STRATEGIC LEADERSHIP



## Dear stakeholder,

As our nation advances towards achieving financial stability and fostering collective prosperity, the importance of corporate governance becomes increasingly evident in guiding our journey ahead. The ongoing challenging operating context underscored the significance of institutions aligning their strategies with economic, environmental, and societal needs. In this context, prioritising stakeholder interests is essential. Corporate governance focuses on managing risks, transparency, and building relationships to enhance organisational value by balancing conflicting priorities.

Our Board is dedicated to maintaining exemplary governance standards with a well-suited structure and robust policies. Despite the impact of consecutive sovereign downgrades on the ratings of HNB Assurance and HNB General Insurance, it is encouraging to observe that the ratings of both companies reflect diminished near-term downside risks to our credit profiles. This positive shift is attributed to improved investment and liquidity risks, a stable financial performance outlook, and easing pressure on capital. Furthermore, we have continued to strengthen our risk management and internal control aspects by establishing an internal audit department which ensures a comprehensive control framework. The newly established audit department identifies key risk areas via performance indicators & Key Risk indicators and has

developed an agile Internal Audit plan for 2024. Further, the development of a Vision, Mission, Objectives & Strategies for Internal Audit Department is noteworthy to be mentioned. Through ERM (Enterprise Risk Management), we are better equipped to make informed decisions, mitigate potential risks, and seize opportunities that drive value for our stakeholders. Our dedicated risk management team continually monitors the evolving risk landscape, allowing us to adapt proactively and maintain our competitive edge. We believe that our comprehensive ERM strategy is a cornerstone of our ongoing success and a testament to our dedication to operational excellence and responsible governance.

As an insurer, we have a deep understanding of the far-reaching effects of climate change and social inequalities on our operations, which directly affect us financially. Achieving a higher penetration rate within the industry remains challenging, mainly due to the persistent inequalities, even though there's an urgent need to protect the most vulnerable with safety nets. During the year, we have continued to strengthen our Economic, Social and Governance (ESG) Reporting by integrating these principles into our value-creation processes. Furthermore, we acknowledge the new Corporate Governance Rule No. 9 by the Colombo Stock Exchange (CSE), which replaces sections 7.10 and 9 regarding related party transactions. We confirm full compliance with Rule No. 9 as of 31 December 2023 and commit to meeting transition provisions to adhere to the new regulations. A roadmap has been prepared to address identified areas requiring changes for full compliance with the new rules by the specified dates.

On behalf of the HNB Assurance PLC Board of Directors, I affirm that we consistently apply the principles of good Corporate Governance throughout the Group. The Corporate Governance Report provides a fair account of the Corporate Governance practices within the Group. Additionally, I am pleased to

confirm that the Group adheres to the relevant provisions of the Code of Best Practice of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Furthermore, I confirm that HNBA has a Code of Conduct and Ethics applicable to all employees, including those of its subsidiary HNBGI. This code is communicated during employee orientation and is accessible to all on the intranet. Moreover, employee performance appraisals include predetermined objectives related to upholding corporate values and adhering to the Code of Conduct and Ethics, which are discussed by line managers during appraisals. To the best of my knowledge, there were no violations of the Code of Business Conduct and Ethics.

As your Chairperson, I am committed to adapting the governance agenda to meet the evolving needs of our era. My commitment is to ensure it remains relevant and responsive to the concerns of the stakeholders, whilst fostering sustainable value creation for the future.

A handwritten signature in black ink, appearing to read 'Rose Cooray'.

**Rose Cooray**  
Chairperson

Colombo, Sri Lanka  
15th February 2024

# CORPORATE GOVERNANCE

Sound corporate governance continues to be the bedrock for the sustainable growth of the HNB Assurance Group. Building on the legacy of the parent HNB Group, structures, charters, policies and processes have been fine-tuned to suit the operations of the HNBA Group which is regulated by the Insurance Regulatory Commission of Sri Lanka. The HNBA Group also seeks to evolve with the operating environment and standards of best practice in corporate governance, to ensure that current topics are addressed in a timely manner.

## KEY HIGHLIGHTS 2023

### Shareholder Meetings

- The Annual General Meeting was held on 31st March 2023

### Board Appointments

- Mr. Dinesh Dharmadasa was appointed as an Independent Non-Executive Director with effect from 17th February 2023 to the Board of HNB General Insurance Limited
- Mr. Richard Ebell was appointed as an Independent Non-Executive Director with effect from 16th June 2023 to the Board of HNB Assurance PLC
- Dr. Prasanna Sankalpa Gamwarige was appointed as an Independent Non-Executive Director with effect from 01st January 2024 to the Board of HNB Assurance PLC
- Mr. Lokugan Hewage Ananda Lakshman Silva was appointed as an Independent Non-Executive Director with effect from 01st January 2024 to the Board of HNB Assurance PLC

### Board Resignations

- Mr. Faizal Salieh resigned with effect from 16th February 2023 from the Board of HNB General Insurance Limited as Independent Director
- Dr. T K D A P Samarasinghe resigned from the Board of both HNB Assurance PLC and its subsidiary with effect from 06th June 2023. He served in the capacity of an Alternative Director to Mr. L U D Fernando.
- Dr. Sivakumar Selliah retired with effect from 16th June 2023 on completion of 9 years as a Senior Independent Director from the Board of HNB Assurance PLC
- Mr. Ravi Abeysuriya demised on 25th October 2023 while serving as a Senior Independent Non-Executive Director of HNB Assurance PLC
- Mr. Dilshan Rodrigo resigned with effect from 11th December 2023 as a Non-Independent Director from the Board of HNB Assurance PLC
- Mr. Richard Ebell resigned with effect from 31st December 2023 as an Independent Director from the Board of HNB Assurance PLC
- Ms. Chiranthi Cooray resigned with effect from 24th January 2024 as a Non-Independent Director from the Board of HNB General Insurance Limited.

### Corporate Governance Initiatives

- The Board reviewed the Corporate Governance Listing Rules issued by the CSE to understand gaps and prepare a road map for compliance.
- Review of IFRS Sustainability Standards to prepare Road Map for implementations.

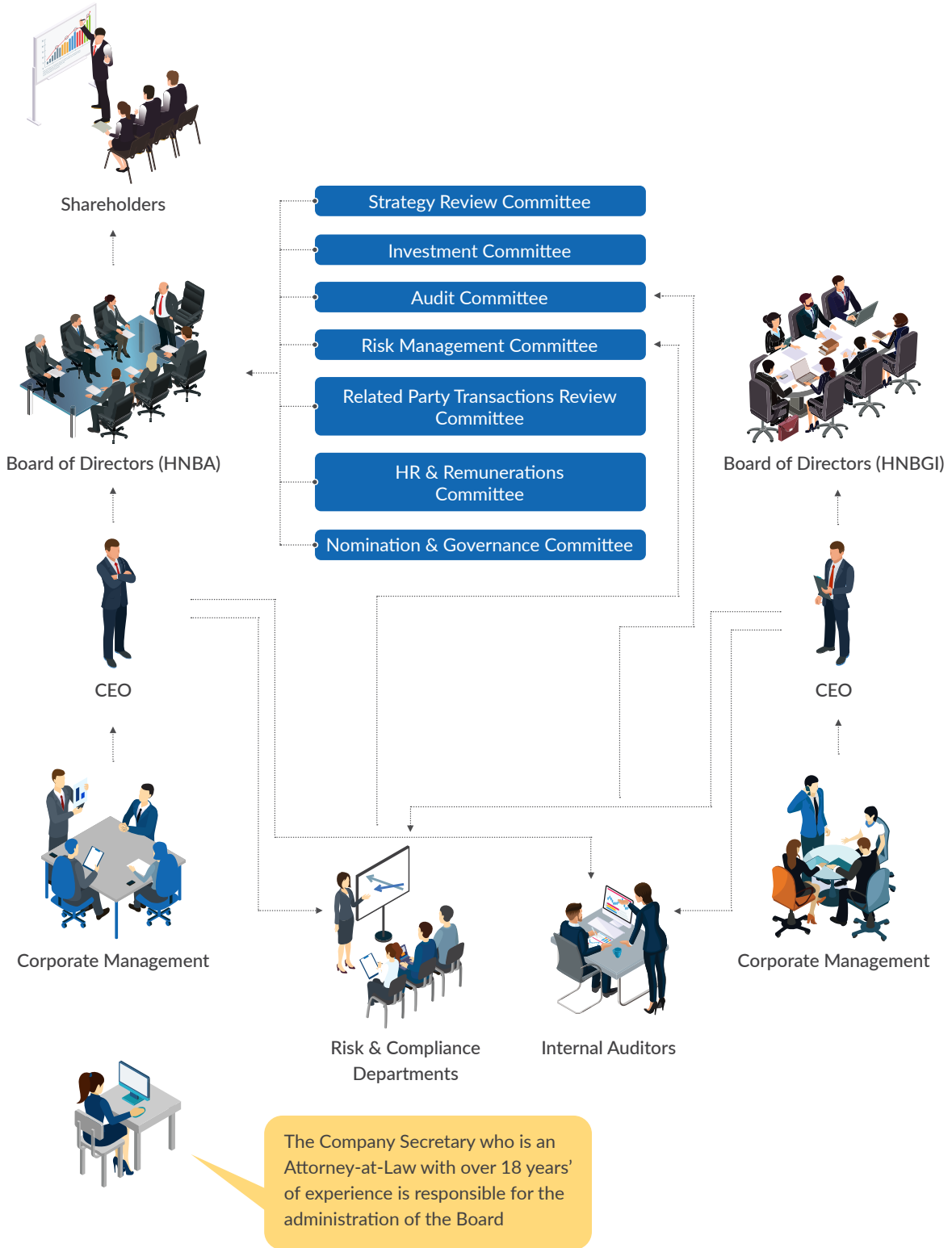
## HNB GENERAL INSURANCE LIMITED (HNBGI)

HNBGI functions separately in accordance with the Regulation of Insurance Industry Act, No.43 of 2000 (Amendment) and has its own Board. Two Directors from HNBA's Board including the Chairperson serve on the Board of HNBGI facilitating oversight of subsidiary operations. Additionally, HNB also has 02 Directors on the Board of HNBGI. Two Independent Non-Executive Directors facilitate Board balance in this Board which numbers six Directors.

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 key managerial personnel (KMPs) are responsible for matters specific to HNBGI. Supporting functions such as Finance, Actuarial, Investment, Risk and Internal Audit are common to both entities.

**GOVERNANCE STRUCTURE OF HNB ASSURANCE GROUP**



## CORPORATE GOVERNANCE

### Statement of Compliance

HNB Assurance PLC complies with Revised Section No.9.1.3 – Corporate Governance of the Listing Rules of the Colombo Stock Exchange (CSE) which was issued during the year, is set out in the Road Map to compliance on page 117. In addition, the Company substantially complies with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka, as evidenced on pages 127 to 139. Furthermore, the Company adheres to the Corporate Governance Framework for Insurers requirements of Direction No. 2 of 2022 (Revised) issued by IRCSL, detailed on pages 140 and 141.

Moreover, the 2023 integrated Annual Report incorporates the audited Financial Statements for the year ended 31 December 2023 on pages 210 to 346, while the Independent Auditors’ Report can be found on pages 206 to 209.

This report is prepared in accordance with the Integrated Reporting <IR> framework (www.theiirc.org) by the International Integrated Reporting Council’s (IIRC) and GRI Standards published by the Global Reporting Initiative.

The Board confirms that the Company has been compliant during the year under review with the relevant sections of the Companies Act No.07 of 2007 and has met all its statutory payment obligations to the Government and other regulatory bodies.

### A FRAMEWORK FOR COMPLIANCE

The governance framework of the Group is based on both regulatory requirements as well as voluntary standards as the Group seeks to go beyond compliance towards excellence in corporate governance.

Mandatory Compliance	Voluntary Compliance
<ul style="list-style-type: none"> <li>• Companies Act No.7 of 2007</li> <li>• Regulation of Insurance Industry Act No.43 of 2000 and subsequent amendments thereto</li> <li>• Sri Lanka Financial Reporting Standards</li> <li>• Articles of Association</li> <li>• Rules, regulations, determinations, directives and circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)</li> <li>• Code of Best Practice on Corporate Governance issued by CA Sri Lanka</li> <li>• Motor Traffic Act No.14 of 1951 and subsequent amendments thereto</li> <li>• Listing Rules of the Colombo Stock Exchange</li> <li>• Central Depository System Rules</li> <li>• Securities and Exchange Commission Rules</li> <li>• Inland Revenue Act No.24 of 2017 and subsequent amendment thereto</li> <li>• Personal Data Protection Act, No 09 of 2022</li> <li>• Anti Corruption Act No.9 of 2023</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Ethics</li> <li>• Global Reporting Initiative Sustainability Reporting Standards</li> <li>• International Integrated Reporting Framework</li> </ul>

CSE issued a new listing rule on Corporate Governance in September 2023

## ROAD MAP TO COMPLIANCE WITH CSE LISTING RULES ON CORPORATE GOVERNANCE

The Board of HNBA has reviewed the CSE Listing Rule No.9 on Corporate Governance issued during the year and identified areas where changes are necessary to fully comply with the new rules by the dates set out therein. A Road Map has been prepared accordingly as set out below.

Requirement	Plan for compliance	Target Date
Fit and proper criteria for Director and CEO	Already Implemented	1Q 2024
Composition of the Board and Board Sub-Committees	In the process of finalising	2Q 2024
Development of Policies	In the process of finalising	3Q 2024

## GOVERNANCE PIPELINE FOR FINANCIAL YEAR 2024

Policy	Description	Target date of implementation
Policy on the matters relating to the Board of Directors	Develop a policy on the matters relating to the Board of Directors	June 2024
Policy on Internal Code of Business Conduct and Ethics for all Directors and employees	Revising the Code of Business Conduct and Ethics to align with current developments in corporate disclosures in Sri Lanka.	July 2024
Policy on Corporate Disclosure	Develop and implement a Corporate Disclosure Policy that aligns with corporate disclosure requirements outlined in the Listing Rules of the CSE, Corporate Governance Code, IRCSL mandates, and any other relevant regulatory bodies	July 2024
Policy on Corporate Governance, nomination, and Re-election	Develop an internal Corporate Governance Policy	September 2024
Policy on Anti-bribery and Corruption	Develop an Anti-Corruption Policy in line with the Anti-Corruption Act No. 9 of 2023	July 2024
Policy on Whistleblowing	Implement the Whistleblowing Policy across the HNBA Group	September 2024
Policy on Environmental, Social and Governance Sustainability	Develop and implement an ESG Sustainability Policy	May 2024
Policy on Board Committees	Develop a Policy on Board Committees	June 2024
Policy on Remuneration	Develop a Policy on Remuneration	June 2024
Policy on Relations with Shareholders and Investors	Develop a Policy on Relations with Shareholders and Investors	June 2024

# CORPORATE GOVERNANCE

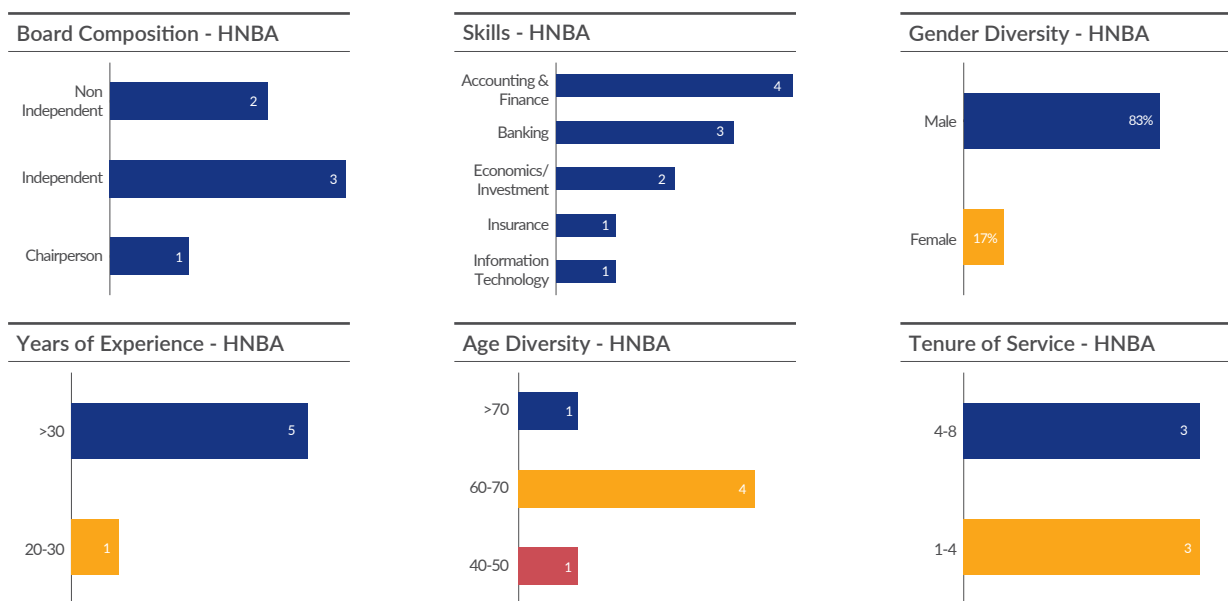
## AN EFFECTIVE BOARD STRUCTURE

The structure of the Board and its sub-committees is compliant with regulatory requirements as of the close of the year. During the year, the Nominations Committee was changed to the Nominations and Governance Committee and the Terms of Reference for the Committee will be amended accordingly to comply with the requirements of the Corporate Governance Listing Rule No.9. Other Committee Charters were also reviewed and aligned to conform with the new listing rules.

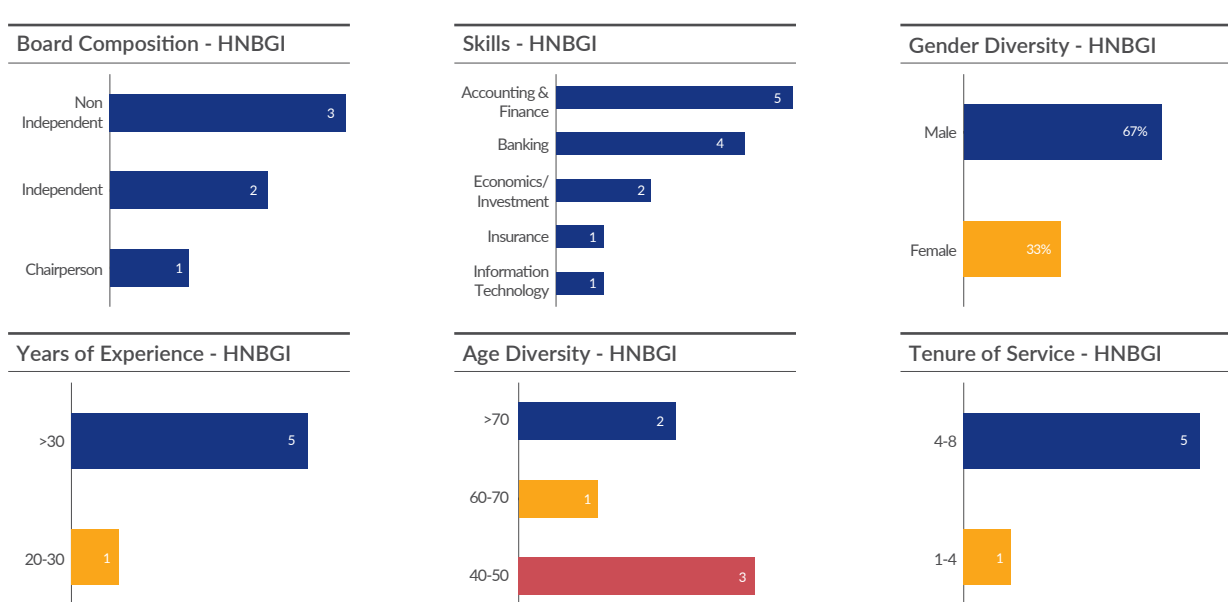
## BOARD COMPOSITION, DIVERSITY, AND SKILLS

The composition of the Board is critical to providing sound leadership to the HNBA Group. The Nominations and Governance Committee is charged with ensuring that the Board has an appropriate balance of skills, experience, perspectives and other attributes necessary to steer HNBA towards fulfilling its aspirations. The Board of HNB Assurance has six Non-Executive Directors including three who are independent facilitating objective oversight over performance. According to the Articles of Association of the Company, HNBA can have a maximum of 10 Directors at any given time.

### BOARD DIVERSITY OF HNBA



### BOARD DIVERSITY OF HNBGI





## A FRAMEWORK FOR GOVERNANCE

The Board approves Terms of Reference, Charters and policies which set out the responsibilities of key officials and the management approach for important issues. The key documents are summarised below:

### THE BOARD CHARTER

The Board Charter of HNB Assurance PLC establishes the distinct roles, responsibilities, and powers granted to both the board of directors and the management team. This document plays a significant role in delineating their respective contributions in shaping the Organisation's strategic direction, overseeing its operations, and maintaining effective control mechanisms.

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

### CODE OF CONDUCT AND ETHICS FOR DIRECTORS

The Directors are mandated to adhere to the HNBA Group Code of Conduct and Ethics for Directors. Additionally, all Directors, Senior Management, and other designated individuals with access to price-sensitive information must strictly comply with the Share Dealing Policy and Code.

HNBA Group Code of Conduct for Directors is summarised below.

Conflict of Interest	Directors should avoid conflicts of interest. Examples of 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 the business needs of the Company.
Reporting	Directors are expected to promote ethical behaviour 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

### Segregation of Key Roles

The roles of the Chairperson and the CEO are segregated to strengthen Board balance and uphold good corporate governance. This clear delineation of the roles creates a governance structure that fosters independent oversight, strategic guidance, and operational efficiency.

#### Role of the Chairperson

- Leading the Board and the Shareholders' meetings
- Ensuring effective management of the operations of the Board
- Ensuring the Board engages in timely and constructive discussions of all key and relevant issues
- Establishing effective communication channels with Shareholders and ensuring their views are effectively conveyed to the entire Board
- Ensuring adherence to good corporate practices

#### Role of the CEO

- 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 by 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 conducted effectively and seamlessly.

The key aspects of the role of the Board Secretary are:

- Supporting the Chairperson, the Board, and the Sub-Committees by ensuring a proper flow of information
- Ensuring policies and procedures are followed
- Providing necessary advice and assistance to the Board and Directors in respect of their duties.
- Facilitating effective operation of the Board and Board Sub-Committees
- Maintaining relationships between the Company, its Shareholders, and regulators, including assisting the Board in discharging its obligations to Shareholders

## BOARD SUB-COMMITTEES

The Company has established seven Board Sub-Committees to delegate specific functions, responsibilities, and powers, aimed at enhancing governance practices. The Sub-Committee Chairpersons bear the responsibility for ensuring the effective functioning of these committees and report their progress to the Board. The minutes of the sub-committee meetings are tabled at the subsequent Board meeting ensuring timely dissemination of information. Additionally, the Chairpersons of the sub-committees offer updates and clarifications on pertinent matters during the Board meetings.

During the year, the Audit Committee, Related Party Transactions Review Committee, Human Resources and Remuneration Committee, Strategy Review Committee, Investment Committee and the Risk Management Committee conducted self-evaluations to assess their performance. Detailed information regarding the composition of the Board sub-committees, their meetings, roles, and activities can be found in the respective Committee Reports.

Mandatory	
Sub-committee	Page No.
Nomination & Governance Committee	182
Audit Committee	174
Human Resources and Remunerations Committee	178
Related Party Transactions Review Committee	180
Voluntary	
Sub-committee	Page No.
Investment Committee	184
Risk Management Committee	186
Strategy Review Committee	188

## APPOINTMENT, RE-ELECTION, AND RESIGNATION

### APPOINTMENTS

At the Annual General Meeting, shareholders exercise their right to appoint Directors. The Notice of Meeting included in the Annual Report contains separate resolutions for the election or re-election of each Director. The Board of Directors recommend nominees to the Shareholders, based on the recommendations of the Nominations & Governance Committee who review the skills and experience required to support the strategic goals of the HNBA Group. The Nominations & Governance Committee review encompasses a review of the Fit & Proper Criteria and annual declarations are obtained from all directors to affirm compliance. All Directors are expected inform the Board Secretary and or the Chairperson if there is any change that would impact their fit and proper status.

According to Section 27 of the Articles of Association of HNBA, the Board has the authority to appoint individuals as directors to fill any casual vacancies resulting from a Director's resignation or to expand the size of the board. Directors appointed through this process hold their positions until the next Annual General Meeting, where they have the opportunity to present themselves for re-election. Appointments of Directors are notified to the CSE within 24 hours together with a brief profile/resume of the director.

### RE-ELECTION

Directors other than the Chairperson are required to retire by rotation and seek re-election at least once every three years. If a Director wishes to resign before the expiration of their appointed term, they are required to submit a written notice for acceptance by the Board including the reason for their decision to resign.

Accordingly, Mr. Ashoka Goonesekere, Mr. Lokugan Hewage Ananda Lakshman Silva and Dr. Prasanna Sankalpa Gamwarige retires at the Annual General Meeting to be held on the 02nd April 2024 as set out in the Notice of Meeting on Page 369.

### RESIGNATION

- Mr. M O F Salieh resigned from the Board of HNB General Insurance Limited with effect from 16th February 2023
- Dr. T K D A P Samarasinghe resigned from Board of both HNB Assurance PLC and its subsidiary with effect from 06th June 2023. He served in the capacity of an Alternate Director to Mr. L U D Fernando for both HNBA and HNBGI.
- Dr. Sivakumar Selliah retired with effect from 16th June 2023 on completion of 9 years as an Senior Independent Director from the Board of HNB Assurance PLC
- Mr. D P N Rodrigo resigned from the Board of HNB Assurance PLC with effect from 11th December 2023.
- Mr. R A Ebell resigned from the Board of HNB Assurance PLC with effect from 31st December 2023
- Ms. Chiranthi Cooray resigned from the Board of HNB General Insurance Limited with effect from 24th January 2024

The Board Secretary promptly communicates both appointments and resignations to the CSE ensuring swift dissemination of this information to the investing public.

The Nomination & Governance evaluates the combined skills and expertise of the Board and its committees to delineate a fitting candidate profile. Subsequently, potential candidates undergo a formal and transparent review process. The Committee then puts forth recommendations to the Board for the appointment of Directors, who conscientiously consider these suggestions when making new appointments. Notably, all new appointments undergo scrutiny and approval by the Insurance Regulatory Commission of Sri Lanka (IRCSL), in accordance with the Regulation of Insurance Industry Act. The Board, in turn, confirms the appointment only upon receipt of the necessary approval from the IRCSL.

## CORPORATE GOVERNANCE

### INDUCTION AND TRAINING

All Directors undergo a comprehensive one-day induction programme upon their initial appointment. This programme includes a discussion with the Chairperson, an introduction to the Senior Management of the Group, and an in-depth overview of industry regulations and strategy. To equip them with essential resources, each Director receives an induction pack encompassing vital documents such as the Articles of Association, the Code of Ethics for the Board, the Board Charter, Board sub-committee Charters, the Share Dealing Policy and Code, and the Regulation of Insurance Industry Act, among other relevant regulations.

Furthermore, Directors stay abreast of evolving regulations and industry trends through regular updates provided by the Senior Management. The Company actively fosters continuous learning for Directors, offering opportunities to enhance their knowledge and insights on Corporate Governance and matters related to directorship. Importantly, the Company bears the associated costs, underscoring its commitment to the ongoing professional development of its directors.

### BOARD MEETINGS AND INFORMATION

The Board convenes every month, adhering to agreed schedules for subcommittee meetings. Notably, the Audit Committee and the Risk Management Committee convene quarterly, while other sub-committees follow less frequent meeting cadences.

To ensure effective preparation and engagement, the agenda for Board meetings is meticulously crafted by the Board Secretary in consultation with the Chairperson. Similarly, secretaries of sub-committees collaborate with their respective Chairpersons in preparing agendas. To allow ample time for thorough preparation, Directors receive the agenda and relevant board papers at least one week before the meeting. This

proactive approach promotes informed deliberations and decision-making during the Board sessions.

Directors also benefit from direct access to Senior Management for clarifications both before and during the meetings.

Moreover, Directors are consistently kept abreast of crucial developments through presentations by Key Management Personnel, who provide insights into significant issues impacting HNBA's business. To enhance transparency, the Annual Report of the Board of Directors, specifically on page 194, provides a detailed record of Board and sub-committee meeting attendance, offering stakeholders insights into the governance processes of the Organisation.

A total of 14 Board meetings were held in 2023.

#### Sub-committee meetings held in 2023

Sub-committee	No. of Meeting
Nominations & Governance Committee	5
Audit Committee	8
HR and Remunerations Committee	2
Related Party Transactions Review Committee	4
Investment Committee	4
Risk Management Committee	6
Strategy Review Committee	6

### BOARD EVALUATION

Annually, the Board undertakes a thorough self-evaluation to assess its performance, utilising a comprehensive set of criteria. This evaluation encompasses the composition of the Board, the skills and experience of its members, the effectiveness of sub-committees, the conduct of meetings, and the quality of reports and materials submitted.

In the spirit of continuous improvement, responses from individual Board members are meticulously compiled by the Board Secretary. The findings were then presented for discussion during the Board's meeting on 15th February 2024, to enhance the overall effectiveness of the Board. Importantly, sub-committees, including the Audit, Related Party Transactions Review, Strategy Review Committee, Human Resources and Remuneration Committee, Investment Committee and Risk Management Committees, engage in similar self-evaluation processes. The outcomes of these evaluations are reviewed by the respective committees and subsequently presented to the Board, fostering a holistic approach to governance refinement.

### PERFORMANCE EVALUATION OF THE CEO

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

### REMUNERATION

HNBA has established a formal mechanism to determine remuneration that is clearly defined in the Group's remuneration policies. The overarching objective of these policies is to shape desirable behaviours, by aligning remuneration and rewards with corporate values and strategic goals.

The Chairperson of the Board serves as a member of the Human Resources and Remuneration Committee and plays a pivotal role in this process. The CEO attends meetings by invitation, reinforcing the commitment to alignment. The Charter of the Human Resources and Remuneration Committee empowers it to seek professional advice, both internally and externally, to ensure fair remuneration practices that balance stakeholder interests.

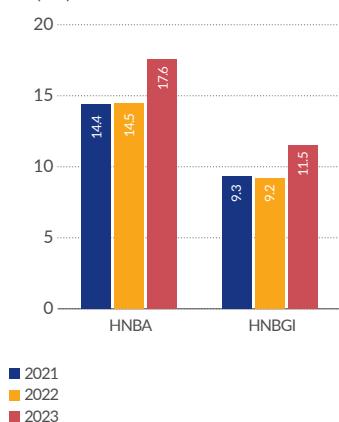
The Human Resources and Remuneration Committee, in collaboration with the Board, carries the responsibility of ensuring that remuneration packages for CEOs and KMPs are competitive enough to attract and retain skilled and experienced professionals. Accordingly, regular benchmarking against the market and periodic reviews of salary surveys are conducted to ensure alignment with market trends, business needs, and the overarching strategy of the HNB Group.

The performance-related components of the remuneration package for the CEO and other Executive employees are intricately tied to both corporate and individual performance. At the outset of each year, objectives are set to align the CEO's interests with those of the Company, and these objectives are cascaded down to KMPs.

The remuneration structures comprise both a fixed component and a variable component, the latter being contingent upon the achievement of pre-determined performance targets. It's noteworthy that performance-related remuneration schemes are not applied retrospectively, and the HNBA Group does not employ any long-term incentive schemes, including share option schemes.

#### Directors' Fees and Remuneration

Rs. (Mn)



## REMUNERATION OF NON-EXECUTIVE DIRECTORS

The determination of remuneration for Non-Executive Directors falls under the purview of the Human Resources and Remuneration Committee. These Directors are not eligible for participation in performance-based remuneration schemes; instead, their compensation is based on their attendance at meetings. The remuneration structure is carefully designed to consider the imperative of attracting individuals with talent, integrity, and ability, aligning with the prevailing market. It is important to note that Non-Executive Directors who serve as nominees of the Parent Company receive a nominal fee for their services. Further details on Directors' remuneration can be found on page 329.

## POLICY FRAMEWORK

The Board has instituted a robust policy framework to provide clear guidance to the management in overseeing the routine operations of the Group. These policies articulate the anticipated standards of conduct, processes, and procedures, and establish defined thresholds and boundaries where necessary.

The Group's policy framework is summarised below:

Governance and Conduct	Specific Matters	Performance and Talent Management
<ul style="list-style-type: none"> <li>Articles of Association</li> <li>Board Charters</li> <li>Board sub-committee Charters</li> <li>Code of Ethics for Directors</li> <li>Code of Business Conduct</li> <li>Integrity Reporting Policy</li> <li>Procedure Manuals</li> <li>Guidelines</li> <li>Circulars</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' Communication Policy</li> <li>Share Dealing Policy</li> <li>Risk Management Policy</li> <li>Compliance Policy</li> <li>Investment Policy</li> <li>Financial Authority Manual</li> <li>Procurement Policy</li> <li>IT Security Policy</li> <li>Anti-Money Laundering Policy</li> <li>Credit Policy</li> </ul>	<ul style="list-style-type: none"> <li>Total Reward Policy</li> <li>Performance Management Procedure</li> <li>Remuneration and Benefit Guideline</li> <li>Talent Calibration Guideline</li> <li>Education Reimbursement Procedure</li> <li>Overseas Training Procedure</li> <li>Telecommuting Policy</li> </ul>

## INTERNAL CONTROLS

The Board of Directors plays a crucial role in overseeing and assessing the internal controls of the Group. This oversight ensures the communication of accurate information, timely compliance with regulations, and protection of the Group's assets and reputation. To manage risks and controls effectively, the Group has adopted the Three Lines of Defence Model, which involves clear role segregation in three pillars. This model is discussed in more detail in the Risk Management Review.

The third pillar, encompassing Internal and External Audit, assures the Audit Committee regarding the effective operation of the first and second pillars—representing the key business functions and the risk management function, respectively. Additionally, the Board receives monthly financial and operational compliance statements from the CEO and relevant Key Management Personnel. These statements serve as a comprehensive checklist, ensuring regulatory and prudential matters are diligently addressed and contributing to robust governance oversight.

## CORPORATE GOVERNANCE

### INTERNAL AUDIT

The Internal Audit function ensures that policies, processes, and internal controls operate effectively and comply with relevant regulatory and policy frameworks. The Audit Committee oversees the internal audit's scope, ensuring it is comprehensive enough to provide the necessary assurance to the Board. This includes a thorough review of audit plans, findings, and progress reports during quarterly meetings.

To enhance objectivity, the internal audit is entrusted to Ernst & Young Chartered Accountants. The Audit Committee takes an additional step by meeting with Internal Auditors at least once a year, excluding Executives / Senior Management, providing a platform for Internal Auditors to express any concerns openly and without reservation. Further Company has setup In house Internal Audit Department during the year under the supervision of experienced senior officials to strengthen the Group Internal Audit function.

### EXTERNAL AUDIT

The External Auditors are appointed by shareholders based on the Board's recommendation. The Audit Committee actively participates in this process by recommending External Auditors to the Board, following established procedures for assessing the audit's effectiveness and the Auditors' independence. The External Auditors are not engaged in non-audit work unless pre-approved by the Audit Committee. Care is taken to ensure that tasks undertaken by External Auditors do not compromise their audit independence or create any perception thereof.

Details concerning fees paid to External Auditors are available on page 329. Additionally, the Audit Committee conducts a confidential "in-camera" meeting with External Auditors at least once a year, fostering open communication and further ensuring the integrity of the audit process.

### ORGANISATION CULTURE

The organisational culture plays an important role in Corporate Governance, as the behaviour of employees significantly influences the successful attainment of strategic goals. Various factors contribute to shaping a positive culture, including corporate values, the tone set by leadership, performance expectations, remuneration structures, and the work environment. The Board is committed to establishing the right tone at the top, promoting high standards of conduct, and ensuring that policies, codes, and controls remain relevant and purposeful.

Furthermore, the effective operation of performance management systems, robust training and development initiatives, well-established whistle-blowing and grievance mechanisms, open communication channels, prudent risk appetites, and a strong internal control framework all contribute to reinforcing the organisation's culture.

## IT GOVERNANCE

### IT GOVERNANCE POLICIES

Aligned with the HNB Group Information Security Policy, the Board has embraced a policy to guide management in addressing risks associated with information and cyber security. Additionally, the HNBA Group has formulated policies governing super user access management, internet usage, and work-from-home practices. These policies collectively reinforce and enhance the information security environment within the organisation.

### IT GOVERNANCE MONITORING

The Company conducted a comprehensive review of its processes to identify information and cyber security risks, which have been duly incorporated into the Company's risk register. The Board of Directors, CEO, IT Steering Committee, Executive Committee, and the Risk Management Committee plays key roles in overseeing these risks, both in terms of existing and proposed actions for mitigation. The Risk and Control Department actively monitors the implementation of relevant control measures.

To ensure compliance, the Information Security and the System Compliance Officer diligently oversees adherence to the Information Security policy.

Compliance Reports are regularly submitted to the Board Risk Management Committee meetings throughout 2023.

Moreover, an external firm specialising in IT security audits conducted a thorough review of the Company's information security environment, as overseen by the Board. The reports and related discussions were carefully reviewed by the Board and its Sub-Committees, shaping the IT roadmap to effectively address information security concerns.

## IT GOVERNANCE STRUCTURE

The Board holds overarching responsibility for IT Governance, with support from the Risk Management Committee. Reporting to the Group CEO, the Group Chief Information Officer (CIO) actively participates in the IT Steering Committee and the Executive Committee. These committees jointly oversee the execution of agreed IT projects and ensure the seamless operation of digital platforms.

To reinforce IT security, the Company has designated an IT Security Administrator, reporting to the CIO. This role focuses on identifying any non-compliance or risks within the IT Department. Additionally, the Risk and Control Department has appointed a qualified Information Technology professional to independently review IT security activities, providing an extra layer of scrutiny separate from Operations Management.



Board of Directors



Risk Management Committee



CEO



IT Steering Committee



Executive Committee



Chief Information Officer

## ACCOUNTABILITY

The Board holds a responsibility to shareholders, ensuring the Company's performance aligns with their interests and upholds their rights. Key considerations for this stakeholder involve providing a reasonable return on investment, satisfactory distribution of dividends, and maintaining timely communication.

To address these concerns, the Company has implemented a 'Shareholders' Communication Policy' that emphasises the timely dissemination of price sensitive information. This includes details about the financial performance, strategic goals and plans, material developments, governance, and the risk profile of the Company. This proactive approach enables shareholders to make well-informed decisions.

Communication with shareholders is facilitated through various channels, including timely filings with the CSE, the Company's website, press releases, quarterly and annual reports, as well as other printed and electronic media. Price-sensitive information is promptly communicated to the CSE for dissemination to the investing public through their website, ensuring transparency and adherence to regulatory standards.

## THE ANNUAL REPORT

The Annual Report stands as a pivotal communication tool to our shareholders, surpassing the minimum legal obligations. We meticulously craft it to offer a thorough review of our performance throughout the reporting year. Our commitment goes beyond, as we benchmark against international best practices in corporate reporting. We take pride in being pioneers in the early adoption of the Integrated Reporting Framework and the GRI Standards, positioning ourselves at the forefront of the evolving ESG (Environment, Social & Governance) Reporting landscape.

## CORPORATE GOVERNANCE

This dedication translates into an extensive reporting agenda, allowing us to communicate relevant variables that significantly influence our delivery of value to stakeholders. We aim to present this information in a structured manner, ensuring that Shareholders gain a comprehensive understanding of our impacts across the value chain, performance and contribution.

### SUBMISSION OF QUARTERLY RETURNS

The Company submitted its quarterly returns to the CSE as follows:

Quarter	Quarter Ending	Date of Submission to CSE
Q4	31st December 2022	20th February 2023
Q1	31st March 2023	04th May 2023
Q2	30th June 2023	04th August 2023
Q3	30th September 2023	02nd November 2023

### THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) stands out as the foremost Shareholder engagement event on our calendar, and we actively encourage robust Shareholder participation. We achieve this by employing advanced communication methods, ensuring early notification of the date, and providing comprehensive information in adherence to international best practices.

The statutory requirement of circulating the Notice of the Meetings 15 days in advance is strictly followed, and the meeting date is announced through the CSE 19 weeks before the event. To enhance transparency and engagement, the Chairperson ensures the attendance of all Chairs of Board sub-committees, enabling them to clarify matters related to their areas of oversight. Moreover, the presence of External Auditors adds a layer of expertise, allowing them to provide any necessary clarifications during the meeting.

### SUMMARISED MINUTES OF THE 21ST AGM HELD ON 31ST MARCH 2023

During the AGM, the Chairperson replied the queries raised by 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 in the AGM.

One of the shareholders, whilst commending outstanding business achievements, congratulated on the awards and accolades received by the Company. Moreover, he stated that HNB Assurance PLC had been recognised as the best workplace among Sri Lanka's top 50 Best Workplaces by 'Great Place to Work'. He also stated that the HNB General Insurance team has been recognised as the best insurance company claim management team, Sri Lanka 2022 by the Global Banking & Finance Review. Whilst highlighting the remarkable accomplishments, went on to mention that the profit of the Group had increased by Rs. 607 Mn. In addition he also raised his concerns on the current dividend rate and mentioned that he would expect a lucrative dividend rate in future with the growth of the business.

### RESPONSE

Responding to the concerns raised in relation to the current dividend rate, the Chairperson stated that the Company had progressively enhanced the dividends distributed to the shareholders during the past five years and the dividend this year recorded a growth of 14% compared to last year.

One of the shareholders, whilst congratulating on the outstanding business achievement, thanked the Board for having the AGM in physical form.

### RESPONSE

Responding to a query raised by a member pertaining to the future strategies of the Company towards business expansion, the Chairperson stated that HNBA has expanded its market share up to 6.5% whereas last year it was 5.7%.

Responding to a query raised by a member on future plans of both HNBA and HNBGI, the respective CEOs briefed the shareholders on their future goals whilst enumerating the strategies pertaining to inorganic growth and technical collaboration.



## 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 in 2017. The Board has noted the revision of this code in December 2023 and will seek to comply with the same in 2024.

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
<b>SECTION 1 - The Company</b>			
<b>A. Directors</b>			
<b>A1.</b>	<b>The Board</b>		
A. 1.1	Board Meetings	The Board meets monthly to discharge its responsibilities as described on page 122. Attendance at Board meetings and Board Committee meetings are given on page 194 of the Annual Report of the Board of Directors, Board Meetings and Information.	☑
A. 1.2	Role of the Board	Refer page 119.	☑
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 decisions taken by the Board are compliant with regulatory requirements.  The Board Charter allows 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 the 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.  The resignation of Board Secretary Ms. Sitari Jayasundara was recorded during the financial year (dated 31st May 2023) and Ms. Yoga Gunadasa was appointed as the Board secretary of HNB Assurance PLC with effect from 01st of June 2023.	☑
	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 judgment 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 familiarisation 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.	☑

## CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A. 1.8	Training of Directors	On appointment, Directors receive a Letter of Appointment outlining the terms of appointment, duties, responsibilities, and expected time commitments. Additionally, a formal induction programme is arranged for newly appointed Directors as soon as practicable which is coordinated by the Chairperson, CEO, and the Company Secretary.	✓
<b>A. 2</b>	<b>Chairman &amp; the Chief Executive Officer</b>		
A. 2.1	The decision to combine the posts of Chairman and CEO	There is a clear division of responsibilities at HNBA with a separation of the roles of the Chairman and CEO. The Role of the Chairperson and CEO is given on page 120.	✓
<b>A. 3</b>	<b>Chairman's Role</b>	Please refer to the Role of Chairperson on page 120 in the Corporate Governance Report.	✓
<b>A. 4</b>	<b>Financial Acumen</b>	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 03 are members of professional finance or accounting organisations.	✓
<b>A. 5</b>	<b>Board Balance</b>		
A. 5.1	Include Non-Executive Directors of sufficient calibre and number	All Directors are Non-Executive. The composition is given on page 118.	✓
A. 5.2	Three or two-thirds 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 half of the total Non-Executive Directors of the Company. The Company maintains the composition of Directors in accordance with Section 9.8.2(a) 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 that could or be perceived to materially interfere with the exercise of their unfettered and independent judgment.	✓
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	No Alternative Directors appointed, However previous alternative Director Dr. Prasad Samarasinghe resigned with effect from 06th June 2023	N/A
A. 5.7	Appoint a Senior Independent Director if the 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 not appointed a Senior Independent Director.  Additionally, the roles of the Chairperson and the CEO are segregated and the Chairperson is not immediately preceding the CEO.	✗

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A. 5.8	Senior Independent Director to be available for confidential discussions with Directors	Currently Senior Independent Director Position is vacant since 25th October 2023 due to demise of Mr. Ravindra Abeyesuriya who was appointed as a senior independent Director with effect from 16th June 2023.	✘
A. 5.9	Chairman meeting with the Non-Executive Directors	The Chairperson holds an exclusive meeting with Non-Executive Directors excluding the CEO, 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.	✔
<b>A. 6</b>	<b>Supply of Information</b>		
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.	✔
A. 6.2	Board papers are to be provided 7 days before the Board Meeting and the minutes provided after the meeting.	Board papers are provided one week before the Board meeting.	✔
<b>A. 7</b>	<b>Appointments to the Board</b>		
A. 7.1	Establish a Nomination Committee	The Board has established a Nomination & Governance Committee and their report is given on page 182.	✔
A. 7.2	Nominations Committee to assess the composition of the Board annually	The Nomination & Governance 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 118.	✔
A. 7.3	Disclosure of Appointment of a New Director	Upon the appointment of a new Director to the Board, the Company notifies the Colombo Stock Exchange with a brief resume of the Director.	✔
<b>A. 8</b>	<b>Re-Election</b>		
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, Mr. Ashoka Goonesekere retire by rotation at the Annual General Meeting to be held on 02nd of April 2024 as set out in the Notice of Meeting on page 369. 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.	✔

## CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A. 8.3	Resignation	A 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 resignation of Mr. Dilshan Rodrigo, Mr. Richard Annesley Ebell and Mr. Prasad Samarasinghe	☑
<b>A. 9</b>	<b>Appraisal of Board Performance</b>		
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 that 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		☑
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 the above disclosures and information on page 122.	☑
<b>A. 10</b>	<b>Disclosure of information in respect of Directors</b>		
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 26.	☑
<b>A. 11</b>	<b>Appraisal of CEO</b>		
A. 11.1	The setting of the annual targets and the appraisal of the CEO	The performance evaluation of the Chief Executive Officer is 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>B. Directors' Remuneration</b>			
<b>B. 1</b>	<b>Remuneration Procedure</b>		
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. Sankalpa Gamwarige 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 178 and 179.	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
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 remuneration.	✓
<b>B. 2</b>	<b>The Level &amp; Makeup of Remuneration</b>		
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, and attributes.	✓
B. 2.2	Executive Directors' compensation should be designed for 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 industry peers. The committee maintains a keen awareness of shifts in remuneration standards and consistently reviews reports from salary surveys.	✓
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 the 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 178 and 179.	✓
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.  Nominee Directors employed by HNB receive a nominal fee solely based on their attendance at meetings.	✓

## CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
<b>B. 3.</b>	<b>Disclosure of Remuneration</b>		
B. 3.1	Disclosure of Remuneration	<ul style="list-style-type: none"> <li>Report of the HR and Remuneration Committee on page 178 and 179.</li> <li>Notes 43 in the Financial Statements on page 329 provide information on the remuneration of the Board as a whole.</li> </ul>	☑
<b>C. Relations with Shareholders</b>			
<b>C. 1</b>	<b>Constructive use of the AGM and Conduct of General Meetings</b>		
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 of valid proxy appointments received for a General Meeting	<p>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.</p> <p>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.</p>	☑
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.	☑
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 a poll. In the absence of such intimation, all issues at the General Meeting will be passed by a show of hands.	☑
<b>C. 2</b>	<b>Communication with Shareholders</b>		
C. 2.1	Channel to reach all shareholders for timely dissemination of information	<p>HNBA has multiple channels of communication with shareholders which include the following:</p> <ul style="list-style-type: none"> <li>Notifying CSE promptly of price-sensitive information which is disseminated to the investing public including shareholders</li> <li>Press releases</li> <li>Website</li> </ul>	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
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 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, 23 notices were sent to the CSE for prompt disclosure of relevant matters which included appointment and resignation of Directors, dividends, quarterly financial statements, etc.	☑
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 5.	☑
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 addressing inquiries and concerns through the Company Secretary. The Company Secretary is responsible for handling these matters and, when necessary, elevates concerns to the Board for further attention.	☑
<b>C. 3</b>	<b>Major &amp; Material Transactions</b>		
C. 3.1 & C. 3.2	Disclosure of Major Transactions	<p>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> <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>	☑
<b>D. Accountability &amp; Audit</b>			
<b>D. 1</b>	<b>Financial &amp; Business Reporting</b>		
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.	☑

## CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D. 1.2	Board responsibility for fair reporting extends to interim and price-sensitive reports, regulatory reporting, and statutory information	The Board is assisted in the discharge of this duty by the Audit Committee which reviews the interim financial statements and routine regulatory reporting. The Board reviews other price-sensitive communications before release to ensure they present 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 191 to 199.</p> <ul style="list-style-type: none"> <li>• A declaration that the Company has not engaged in any activity which contravenes laws and regulations is given on page 197.</li> <li>• A declaration that the Directors have declared all material interests in contracts involving the Company is given on page 195.</li> <li>• A declaration that the Company has made all endeavours to ensure the equitable treatment of Shareholders is given on page 196.</li> <li>• Directors have complied with the best practices of Corporate Governance is given on page 197 and 198.</li> <li>• Property, Plant &amp; Equipment are reflected at fair value and, where they differ from fair value, adequate disclosures are made as given on page 193.</li> <li>• A 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 197.</li> <li>• A declaration that the business is a going concern is given on page 192.</li> </ul>	☑
D. 1.5	Statements by Directors and Auditors	Pages 201 and 202 contains the statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements. The Auditor's Report is provided on pages 206 to 209.	☑



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 &amp; Analysis is given on pages 41 to 111 of this Annual Report covering the Disclosure requirements under this code.</p> <ul style="list-style-type: none"> <li>• Business Model – pages 42 and 43</li> <li>• Industry Structure and Developments – pages 52 and 53</li> <li>• Opportunities and Threats – page 59 to 61</li> <li>• Risk Management – pages 147 to 160</li> <li>• Internal Control Systems and their Adequacy – pages 189 and 190</li> <li>• Governance – pages 113 to 146</li> <li>• Stakeholder Relationships - pages 41 to 111</li> <li>• Social and Environmental Protection Activities Carried Out by the Company – page 102</li> <li>• Financial Performance – pages 103 to 111</li> <li>• Investment in Physical and Intellectual Capital - page 101</li> <li>• Human Resource/Industrial Relations Activities Carried Out by the Company – pages 81 to 87</li> <li>• Prospects for the Future – page 101</li> </ul>	☑
D. 1.7	Summon EGM if net assets value falls below 50% of shareholders' funds	As capital adequacy is well above the regulatory requirements, the issue does not arise. The 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"> <li>• A Related Party Transactions Committee to review the related party transactions every quarter</li> <li>• Each related party submits a signed and dated declaration quarterly to provide information on related party transactions</li> <li>• The Company Secretary maintains a record of related party transactions which is summarised and presented to the Related Party Transactions Review Committee each quarter.</li> <li>• Note 50 of the Financial Statements on page 338 sets out the information on Related Party Transactions.</li> </ul>	☑

## CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
<b>D. 2 Risk Management &amp; Internal Control</b>			
D. 2.1	The Board should monitor risk management and internal control systems, 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 174 to 186. They are supported by the Internal Auditors and the Risk and Compliance Departments respectively who carry out their functions under the guidance of these two committees, reporting directly to them. The Committees 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 pages 189 and 190 provides further information in this regard.</p>	☑
D. 2.2	Directors to confirm the assessment of principal risks and provide information on the same	<p>This is provided in the Risk Management Committee Report.</p> <p>(Refer to pages 186 and 187 for further details)</p>	☑
D. 2.3	Internal Audit function	The Company's internal audit function is outsourced to Messrs Ernst & Young and during the year company has formulated in house Internal Audit Department as well. The Risk and Compliance Departments also conducts periodic verifications. (For further details, refer to the Board Statement of Internal Control on pages 189 and 190) .	☑
D. 2.4	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls	<p>The Audit Committee is responsible for ensuring 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 Departments. 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. The minutes of both the Audit Committee and the Risk Management Committee meetings are tabled at Board meetings for review.</p> <p>Extended Disclosure on the Internal Control Process of the Company Internal Controls at HNBA .</p> <p>(Refer to Report of the Audit Committee on pages 174 to 177 for further details).</p>	☑
D. 2.5	Statement of internal control	The Board's Statement on Internal Control is given on pages 189 and 190.	☑
<b>D. 3 Audit Committee</b>			
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.	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
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 174 to 177 provides further information regarding the same.	☑
D. 3.3	Disclosures	The Audit Committee Report on pages 174 to 177 provides the required information.	☑
<b>D. 4</b>	<b>Related Party Transactions Review Committee</b>		
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, Mr. Ashoka Goonesekere is a Non-Executive Independent Director.	☑
D. 4.3	Terms of Reference	The Related Party Transactions Review Committee Terms of Reference have been approved by the Board and address the matters set out in the Code.  Refer to the Annual Report of the Board of Directors on page 191 and the Report of the Related Party Transactions Review Committee on pages 180 and 181 for further information.	☑
<b>D. 5</b>	<b>Code of Business Conduct &amp; Ethics</b>		
D. 5.1	Board declaration for compliance with Code	HNB Assurance employs a Code of Business Conduct and Ethics for Directors to provide guidance in maintaining ethical business practices 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 180.	☑
D. 5.4	Chairman's statement	Refer to the Chairperson's Message on Corporate Governance on page 113 and The Annual Report of the Board of Directors on the affairs of the Company on pages 191 to 199.	☑

## CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
<b>D. 6</b>	<b>Corporate Governance disclosures</b>		
D. 6.1	Corporate Governance disclosures	The Corporate Governance Report on pages 114 to 139 complies with this requirement.	☑
<b>Section 2 - Shareholders</b>			
<b>E. Institutional Investors</b>			
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.	☑
<b>F. Other Investors</b>			
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 obtain independent annual advice regarding their investment.	☑
F.2	Encouraging shareholder participation and exercising their voting right	Refer Annual General Meeting section on page 126.	☑
<b>G. Internet of Things and cybersecurity</b>			
G.1	Internet of Things and Cybersecurity	Refer to IT Governance on page 125.	☑
G.2	Appoint a Chief Information Security Officer	A qualified Information Technology professional within the Risk and Control Department carries out the functions of the Chief Information Security Officer as 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.  Additionally, the IT Department has a dedicated IT Security Administrator who reports to the Head of IT on matters related to the security of the Group's information assets.	☑
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.	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
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 have discussed the IT roadmap to address IT security matters.</p>	☑
G.5	The process of identifying and managing cybersecurity risks	Refer to IT Governance on page 125.	☑
<b>H. Environment, Society &amp; Governance (ESG)</b>			
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"> <li>• Environmental Reporting <ul style="list-style-type: none"> <li>- Natural Capital Report on page 102</li> </ul> </li> <li>• Social Reporting <ul style="list-style-type: none"> <li>- Human Capital Report on page 81</li> <li>- Social &amp; Relationship Capital Report on page 102</li> </ul> </li> <li>• Governance <ul style="list-style-type: none"> <li>- Corporate Governance Report on page 114</li> </ul> </li> </ul> <p>Annual Report of the Board of Directors on page 191</p>	☑

☑ Complied    ☒ Not Complied    **N/A** Not Applicable

## CORPORATE GOVERNANCE

### COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In 2018, the Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced Direction Number 17, establishing a Corporate Governance framework for insurers. The rules, originally effective from 01 July 2019, underwent amendments in 2020 and 2022. The latest revision, Direction Number 2 of 2022, became effective from 25 February 2022 onwards.

The compliance status of HNB Assurance PLC with these regulations is detailed in the table below:

Requirement	Compliance Status	How We Comply
<b>Section A</b> 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 on pages 127 to 139.
<b>Section B(1)</b> 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.
<b>Section B(2)</b> 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 of the date of this report, no Director has served on the Board for more than nine years.
<b>Section B(2) (i)</b> Above 9 Year rule shall not be applicable to a 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.
<b>Section B(2) (ii)</b> Above 9 Year rule shall not apply to the 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.
<b>Section B(3) (i)</b> 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.
<b>Section B(3) (ii)</b> 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.
<b>Section B (4)</b> The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE.  (Listing Rule - Section 09, Corporate Governance is the New Requirement)	Compliant	The Company's compliance status with Section 09 of the Listing Rules is given on pages 142 and 143.
<b>Section B (5)</b> A person shall not hold offices as a Director of more than 20 companies/entities/institutions including 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 of the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities.

Requirement	Compliance Status	How We Comply
<p><b>Section B (6)</b>  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 to 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.</p> <p>(Listing Rule - Section 09, Corporate Governance is the New Requirement</p>	Compliant	The Company has disclosed the Compliance status with Section 09 of the Listing Rules on pages 142 and 143 of the Annual Report and it is published on the Company and CSE websites within the stipulated period.
<p><b>Section B (7)</b>  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</p>	Not Applicable	No such situation has arisen during the year.
<p><b>Section B (8) (a)</b>  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 the age of 75 years, a fresh resolution shall be passed with the certification from the company secretary shall be submitted to the IRCSL.</p>	Compliant	The Company has complied with this requirement on 03rd April 2023 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
<p><b>Section B (8) (b)</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 the relevant insurer and that such insurer complies with the provision of the Companies Act.</p>	Compliant	The Company has complied with this requirement on 03rd of April 2023 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 9

#### Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The Company has duly noted the issue of CSE Listing Rule 9 on Corporate Governance replacing Section 7.10 and Section 9: Related Party Transaction. HNBA is fully compliant with the Corporate Governance Rules No. 9 requirements as at 31st December 2023 and will continue to comply with the new rules by the target dates indicated as part of the transition provisions. 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
9.1.3	Statement of Compliance	All listed entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules in the Annual Report	Compliant	Please refer page 116 for the statement of compliance
9.2	Policies	Establish, maintain and provide on written request specified policies	Partially compliant	Will comply fully by 3Q 2024 as permitted by Rule 9.1.4
9.3	Board Committees	Board Committees to include at a minimum: Nominations & Governance Committee Remuneration Committee Audit Committee Related Party Transactions Review Committee	Compliant	The Nominations Committee was renamed as the Nominations & Governance Committee.  Disclosures required by 9.3.2 are set out in the respective Committee Reports from pages 174 to 183.  Action will be taken to change the Chairperson of Nomination & Governance Committee within the given time framework as per the Listing Rule to comply with requirement 9.3.3.
9.4.	Adherence to principles of democracy	9.4.1 Maintain records of all resolutions and information pertaining to its adoption  9.4.2 Policy for shareholder communication, contact person and process to inform directors of major issues/concerns of shareholders and comply with guideline for hybrid or virtual meetings	Compliant	Please refer Accountability on page 125.
9.5	Policy on matters relating to the Board	Listed entities to establish and maintain a formal policy governing matters relating to the Board	Partially Compliant	Action will be taken to finalise the respective policy within the time framework provided under the Listing Rule.
9.6	Chairperson & CEO	Chairperson should be a Non-Executive Director, and the positions of the Chairperson and CEO should not be held by one person unless a Senior Independent Director is appointed.	Compliant	Refer page 120 Segregation of Key Roles.  There is no requirement for a Senior Independent Director due to segregation of roles.
9.7	Fitness of Directors & CEOs	Take necessary steps to ensure that Directors and CEOs are, at all times, fit and proper persons in accordance with criteria set out in 9.7.3	Compliant	Please refer page 121.



Rule No.	Subject	Requirement	Compliance Status	Remarks
9.8	Board composition	Minimum of 5 Directors with at least 2 Independent Directors or 1/3rd whichever is higher in accordance with the criteria set out in 9.8.3 and submit a signed declaration annually. Impairment of independence to be notified via of Market Announcements.	Compliant	Please refer page 118 for Board composition  Independent Directors have submitted declarations during 2023
9.9	Alternate Directors	Criteria and circumstances for appointing Alternate Directors	Compliant	HNBA does not have any alternate directors at present. However Previous alternative Director Dr.Prasad Samarasinghe resigned with effect from 06th June 2023.
9.10.1	Disclosure relating to Directors	Disclose Policy on maximum number of directorships	Compliant	Please refer page 117 of Governance Pipeline
9.10.2		Market announcement to be made on appointment	Compliant	Accordingly, 23 Market Announcements/ notices have been sent to CSE relating to corporate disclosures.
9.10.3		Market announcement to be made on changes to composition of the Board Committees	Compliant	
9.10.4		Disclose information relating to Directors in Annual Report	Compliant	Please refer profiles of Directors of pages 24 to 26 and pages 191 to 199 on Annual Report of the Board of Directors.
9.11	Nominations and Governance Committee	Composition, functions and Annual Report disclosures	Compliant	Please refer Pages 182 and 183 for the report of the Nomination Committee
9.12	Remuneration Committee	Composition, functions and Annual Report disclosures	Compliant	Please refer pages 178 and 179 for the report of the Remuneration Committee
9.13	Audit Committee	Composition, functions and Annual Report disclosures	Compliant	Please refer pages 174 to 177 for the report of the Audit Committee
9.14	Related Party Transactions Review Committee	Composition, functions and Annual Report disclosures	Compliant	Please refer pages 180 and 181 for the report of the Related party Transaction Review Committee
9.16	Additional disclosures	Declaration by Board of Directors that: <ul style="list-style-type: none"> <li>All material interests in contracts have been declared and they have refrained from voting on matters they were materially interested in</li> <li>Conducted review of internal controls and obtained reasonable assurance of their effectiveness</li> <li>Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes</li> <li>Disclosure of relevant areas of any material non-compliance with law or regulations and any fines which are material</li> </ul>	Compliant	Please refer pages 191 to 199 of the Annual Report of the Board of Directors for the Declarations

# CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED

HNBGI adheres to industry best practices outlined in the Corporate Governance Codes issued by CA Sri Lanka, utilising them as a guiding framework for its corporate governance. The Corporate Governance Rules specified in the Listing Rules of the Colombo Stock Exchange (CSE) also play a crucial role in shaping HNBGI's corporate governance framework. Further elaboration on the Company's governance structure is provided in the subsequent section.

## CORPORATE GOVERNANCE AT HNBGI

HNBGI was formed in 2015 as a fully owned subsidiary of HNBA, originated from the transfer of the General insurance business formerly under HNBA. The Insurance Regulatory Commission of Sri Lanka (IRCSSL) introduced a Corporate Governance framework applicable to all insurers from 1 July 2019, with subsequent amendments to Direction Number 17 in 2020 and 2022. The most recent amendment, effective from 25 February 2022, is adhered to by HNBGI, with relevant disclosures outlined in the table on pages 145 and 146.

In addition, HNBGI aligns with Corporate Governance rules outlined in the Listing Rules and incorporates best practices outlined in the Corporate Governance Codes issued by CA Sri Lanka to shape its Corporate Governance Framework. A comprehensive overview of the Corporate Governance environment at HNBGI Limited is presented in the following section.

## THE BOARD AND THE DIRECTORS OF HNBGI

As of 31 December 2023, HNBGI comprises Seven Non-Executive Directors, two of whom are Independent. Details on the Board of Directors appear in section 5 of the Annual Report of the Board of Directors on the affairs of HNBA for the year ended 31 December 2023 on page 194.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODES

### Non-Executive Directors

As of 31 December 2023, all Directors of HNBGI held Non-Executive positions. Consequently, the Company fulfils the stipulated requirement regarding the minimum number of Non-Executive Directors, as mandated by the Corporate Governance Code.

### Independent Non-Executive Directors

Among the seven Non-Executive Directors at HNBGI in the year 2023, two held Independent Director positions.

## ROLES OF THE CHAIRPERSON AND THE CEO OF HNBGI

The roles of the Chairperson and the CEO at HNBGI are distinctly defined to maintain a balance of power and authority. Mrs. Rose Cooray served as the Chairperson, while Mr. Sithumina Jayasundra assumed the position of the CEO. This separation of functions ensures effective governance and leadership within the Organisation.

## BOARD FUNCTIONS

The Charter governing the Board of Directors at HNBA is equally applicable to the Board of Directors at HNBGI.

## BOARD MEETINGS

During the year 2023, 12 Board meetings were held and the attendance record of each Director at these Board meetings is given on page 194 of the HNBA Annual Report.

## BOARD SUB-COMMITTEES OF HNBGI

The Board sub-committees at HNBA assess the operations of HNBGI falling under their respective domains. The following HNBA Board sub-committees, namely the Audit Committee, Human Resources and Remuneration Committee, Nomination Committee, Related Party Transactions Review Committee, Risk Management Committee, Investment Committee, and Strategy Review Committee, review the operations of HNBGI. These committees include representatives from the HNBGI Board, ensuring that the interests and perspectives of HNBGI are thoroughly considered during their deliberations.

## External Audit

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

## Internal Audit

Messrs. Ernst & Young, serving as the Internal Auditors of the parent company, also extend their role to cover the internal auditing functions of HNBGI. Their audit plan, developed in collaboration with the Audit Committee, is designed to comprehensively address the operations of HNBGI. Adequate measures are implemented to ensure that the audit plan effectively encompasses the high-risk areas within HNBGI's operations.

## RISK MANAGEMENT OF HNBGI

The Risk Management function at HNBGI is overseen by the Risk Management Department of HNBA. Recognising the specificities of the business, HNBGI maintains a dedicated Risk Register, a clear Risk Appetite statement, and Key Risk Indicators.

To ensure adherence to applicable laws and regulations, a monthly compliance checklist is prepared for HNBGI. Operational Managers, responsible for compliance with pertinent rules and regulations, validate and sign off on this checklist. Subsequently, these checklists, along with confirmation from the Compliance Officer, are presented at meetings of the Audit Committee, Risk Management Committee, and Board for thorough review and discussion.

Please refer to the Risk Management Report of HNBA Group on page 147 for more details.

## CODES AND POLICIES

All policies that apply to HNBA are equally pertinent to HNBGI. Therefore, the Board sub-committees and the Internal Auditors oversee and ensure that HNBGI adheres to these applicable policies throughout its operations.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In 2018, IRCSL introduced Direction number 17, establishing a Corporate Governance framework for insurers. These regulations became effective (with an extended effective date) on July 1, 2019. Subsequent amendments to Direction number 17 were made by IRCSL in 2020 and 2022. The most recent revision, Direction number 2 of 2022 (Revised), took effect on February 25, 2022. The compliance status of HNB General Insurance Ltd. with these regulatory changes is detailed in the table below:

The compliance status of HNB General Insurance Limited with Corporate Governance Framework for Insurers

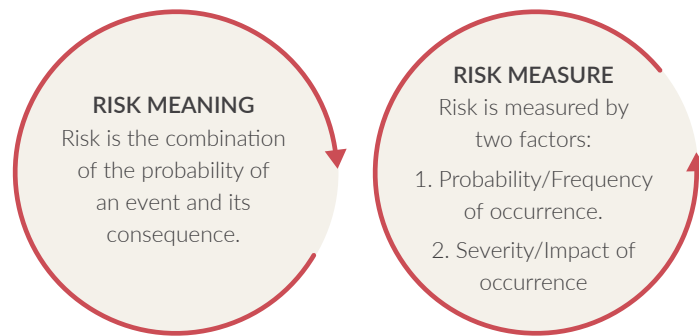
Requirement	Compliance Status	How We Comply
<b>Section A</b> Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017.	Compliant	HN CGI is not a listed entity, however, its Parent Company's (HNBA) status of compliance with the relevant Corporate Governance Code is given from pages 127 to 139
<b>Section B(1)</b> 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.
<b>Section B(2)</b> 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 of the date of this report, no Director has served on the Board for more than nine years.
<b>Section B(2) (i)</b> Above 9-year rule shall not be applicable to a 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.
<b>Section B(2) (ii)</b> Above 9-year rule shall not apply to the 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 has 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year.
<b>Section B(3) (i)</b> 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.
<b>Section B(3) (ii)</b> 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.
<b>Section(B) 4</b> The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE.  (Listing Rule - Section 09, Corporate Governance is the New Requirement)	Compliant	The Company's Parent Company (HNBA) compliance status with Section 09 of the Listing Rules is given on pages 142 and 143
<b>Section (B) 5</b> A person shall not hold offices as a Director of more than 20 companies/entities/institutions including 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 of the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities.

## CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED

Requirement	Compliance Status	How We Comply
<p><b>Section (B) 6</b></p> <p>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 to rectify 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.</p> <p>(Listing Rule - Section 09, Corporate Governance is the New Requirement)</p>	Compliant	The Company's Parent Company (HNBA) has disclosed the Compliance status with Section 09 of the Listing Rules on pages 142 and 143 of the Annual Report and It is published on the Company and CSE websites within the given period.
<p><b>Section (B) 7</b></p> <p>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.</p>	Not Applicable	No such situation has arisen during the year.
<p><b>Section (B) 8 (a)</b></p> <p>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 in the company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to the age of 75 years, a fresh resolution shall be passed with the certification from the company secretary shall be submitted to the IRCSL.</p>	Compliant	The Company has complied with this requirement on 28th June 2023 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.
<p><b>Section B (8) (b)</b></p> <p>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.</p>	Compliant	The Company has complied with this requirement on 28th June 2023 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 a systematic process that involves identifying, assessing, prioritising, and mitigating potential risks or uncertainties that could impact the achievement of an organisation's objectives. The primary goal of Risk Management is to minimise the negative impact of potential events and maximise opportunities. Effective risk management allows organisations to make informed decisions, allocate resources wisely, and enhance their ability to adapt to changing circumstances while safeguarding their interests.



Our approach to Risk Management defines the spectrum of risks we are willing to embrace, aligning them with anticipated gains and strategic goals, while also identifying and categorically avoiding risks we cannot tolerate. This structured framework facilitates informed decision-making based on risk assessment, establishing clear boundaries and controls to uphold our risk appetite and ensure that our exposure remains within acceptable limits.

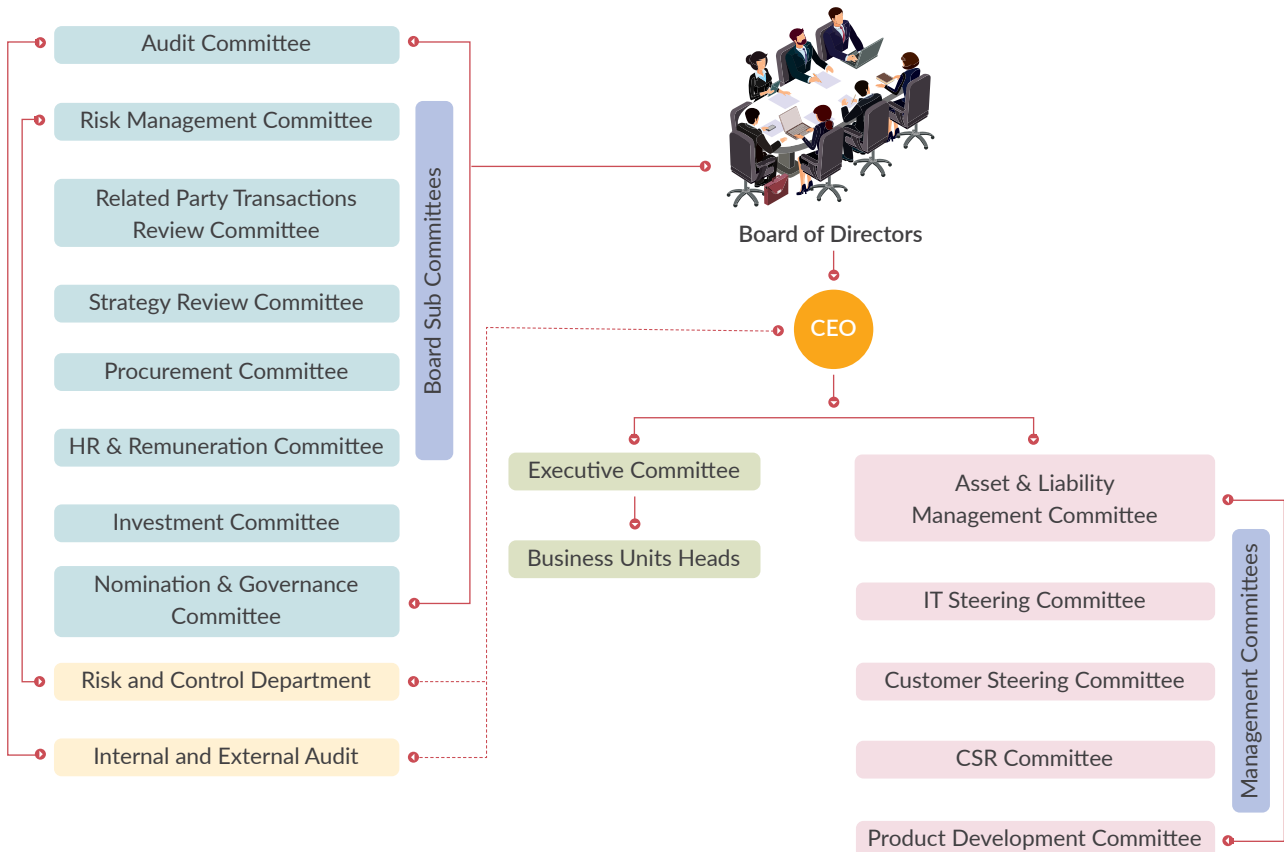
The organisation has established a Risk Management Framework with the following objectives.

- Evaluating the Company's risk profile which is the combined extent of risks assumed by the Company in its pursuit of profitable business endeavours.
- Risk Identification, assessment, response and mitigation planning, risk and control monitoring and reporting for the purpose of protecting the interests of key stakeholders.
- Improving the Company's capacity to recognise and seize opportunities that yield favourable risk-adjusted returns through the provision of clear, precise, and promptly delivered risk information.
- Embedding risk awareness culture and encourage risk-based decision making in key management.
- Constraining the Company's vulnerability to unfavourable results by implementing risk thresholds.
- Embedding risk awareness culture and encourage risk-based decision making in key management.
- Securing adherence to regulatory mandates.
- Minimising the Insurance Risk, Operation Risk, Investment Risk, Strategic Risk, Reputation Risk, etc.

# RISK MANAGEMENT REVIEW

## RISK GOVERNANCE FRAMEWORK

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:



### 1

#### First Line of Defence

- Functions overseeing and navigating potential risks within the business.
- Recognising potential risks and upholding efficient internal control measures.
- Implementing daily routines for managing and overseeing risk and control protocols.

### 2

#### Second Line of Defence

- Risk Management function that facilitates and monitors the implementation of effective risk management practices by business teams.
- Defining target risk exposure, reporting adequate risk-related information throughout the organisation.

### 3

#### Third Line of Defence

- The Board receives thorough assurance through internal and external audits, ensuring independence and objectivity.
- Recommends improvements and corrective actions where necessary.
- Ensure adequacy of risk controls and appropriate risk governance.

## MANAGING RISK

Effective risk management in the organisation is essential for making sound underwriting decisions, maintaining financial stability, complying with regulations, and safeguarding the company's reputation. The Risk Management model of the Company comprises a four-stage continuous cycle consisting of several stages that guide us through the process of identifying, assessing, treating, and monitoring risks. It helps us stay proactive, ensuring that we are well-prepared to address potential obstacles that may arise.

### RISK MANAGEMENT LIFE CYCLE



### RISK MANAGEMENT AT HNB ASSURANCE GROUP

**Analysing KPIs**

To proactively manage risks, enhance decision-making processes, and maintain a robust risk management framework in the dynamic and complex business environment KRIs are analysed in regular intervals. Underwriting Losses, Claims Frequency and Severity, Reserve Adequacy, Investment Portfolio Volatility, Regulatory Compliance Violations, Catastrophe Risk Exposure, Liquidity, Operational Incidents, Reinsurance Recovery, Customer Retention, etc. are considered as Key Risk Indicators. KRIs act as early warning signals, providing timely alerts to potential risks before they escalate into significant issues. This early detection allows organisations to take proactive measures to mitigate or manage the risks effectively.

**Risk Assessments**

Risk assessment is an iterative process that should be embedded into the organisation's overall risk management framework. Regularly updating and refining the risk assessment ensures that it remains relevant and effective in addressing the dynamic nature of risks.

Define Objectives → Identify Risks → Categorise Risks → Assess Probability → Assess Impact → Risk Scoring → Risk Mitigation Strategies → Evaluate Residual Risk → Monitoring and Review.

**Risk Matrix /Ratings**

		Impact					
		1	2	3	4	5	
		Negligible	Minor	Moderate	Significant	Severe	
Likelihood	5	Very Likely	5	10	15	20	25
	4	Likely	4	8	12	16	20
	3	Possible	3	6	9	12	15
	2	Unlikely	2	4	6	8	10
	1	Rare	1	2	3	4	5

Risk Level >=20	Extreme
Risk Level >=10 & <20	High
Risk Level >5 & <10	Medium
Risk Level <=5	Low

## RISK MANAGEMENT REVIEW

### Risk Register

The Risk and Control 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 the 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 Appetite Statements

Risk appetite is an integral part of the Risk Management Framework as it defines the tolerance levels for types of risks. The Board considers 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 Insurance, Credit, Market, Operational, Reputational and Strategic risks and sets out the appetite for each category of risks:

<p><b>Insurance Risk</b></p> <p>The risk associated with inaccuracies in estimating the best possible prediction or due to unpredictable variations in the frequency, magnitude, and timing of insurance obligations. This encompasses risks related to mortality, morbidity, and longevity, as well as challenges in predicting policyholder persistence and managing expenses.</p>	<p><b>Financial Risk</b></p> <p>Financial risk encompasses a broad range of exposures that could impact on a company's ability to meet its financial obligations or achieve its financial goals. These risks are inherent in the financial operations of insurance companies and can significantly affect profitability, solvency, and overall financial health. Key categories of financial risks are Market Risk, Credit Risk, Liquidity Risk, Investment Risk, etc. In managing financial risk, adopting a holistic approach to integrate risk management practices into all aspects of financial operations is essential.</p>	<p><b>Sustainability Risk</b></p> <p>Sustainability risks, particularly those associated with environmental, social, and governance (ESG) considerations, are gaining increasing significance within both life and general insurance sectors. The failure to address and mitigate climate change is widely recognised as the foremost long-term global risk confronting the world today. Within the insurance industry, the potential implications of climate change are extensive. Furthermore, there is a heightened risk of experiencing claims beyond expectations due to the increased likelihood of future weather-related catastrophes. The evolving landscape of sustainability risks underscores the need for the insurance sector to adapt and incorporate these considerations into their strategic planning, risk management, and operational frameworks. Sustainability could also be impacted by issues related to customer experience, reputation, corporate governance, data security and privacy.</p> <p>At HNBA/HNBGI we have included ESG into the Corporate Plan 2024 and monitoring sustainability risks is an ongoing process with commitment, collaboration across departments, and alignment with our organisation's overall strategy. Our plan is to regularly revisit and refine our approach to ensure that the organisation remains resilient in the face of evolving sustainability challenges.</p>
<p><b>Reputation Risk</b></p> <p>The risk of potential or actual damage to the Company's image, which may impair our profitability and/or business sustainability.</p>	<p><b>Strategic Risk</b></p> <p>The risks to our business plan due to changes in various factors such as macro-economic factors, government policies, regulatory environment and tax regime</p>	
<p><b>Operational Risk</b></p> <p>Operational risk refers to the potential loss or harm resulting from inadequate or failed internal processes, systems, people, or external events.</p>		



## 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 2023

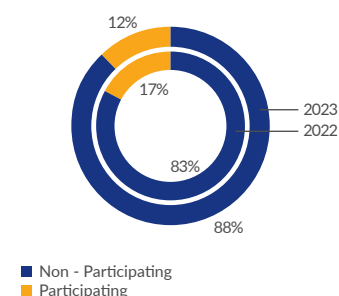
Rising inflation, taxation, political instability, high interest rate environment and the country's economic woes had a significant impact on disposable income and demand. According to the Global Risk Report - 2023 issued by World Economic Forum cost of living crisis is the main global risk. Difficulties were overcome with expansion and development of the sales force, exceptional customer experience and technological transformations.

#### 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 the 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 (%)



*Further details on Underwriting Risk Management are given in Note 4.2.2.1.2 on page 232.*

## RISK MANAGEMENT REVIEW

### 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 2023	Risk Mitigation	Risk Indicators			
<p>The downgrading of sovereign risk and resultant withdrawal of re-insurers from the market affected the industry and 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.</p> <p>Despite this, reinsurance risk is elevated due to increased sovereign risk.</p>	<ul style="list-style-type: none"> <li>• Strict adherence to reinsurers' guidelines and regulatory requirements.</li> <li>• Restructuring of reinsurance agreements with reinsurers regularly.</li> <li>• A very close and professional relationship is maintained with all reinsurers.</li> <li>• Only reinsurers with ratings above the regulatory requirements are used as reinsurers.</li> <li>• Frequent review of the outstanding Reinsurance receivables.</li> <li>• Changes to the ratings of reinsurance companies are continuously monitored.</li> </ul>	Reinsurer (Life)	Reinsurers Country of Origin	Credit Rating	Rating Agency
		Munich-Re	Germany	AA-	Fitch
		RGA	Dublin, Ireland	AA-	Standard & Poor's
		Munich-Re Retakaful	Malaysia (Retakaful branch)	AA-	Fitch
		Hannover Re	Germany	AA-	Standard & Poor's

[Further details on Reinsurance Risk Management are given in Note 4.2.2.1.3 on page 233.](#)

### Claim Risk

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

Developments in 2023	Risk Mitigation	Risk Indicators								
<p>In 2023 high medical inflation exerted pressure on the claims risk. Availability of medicine was a key concern during the year due to the foreign exchange constraints. Lifestyle is a key concern for increasing claims risk in Life Insurance because it directly influences an individual's health and longevity.</p>	<ul style="list-style-type: none"> <li>• An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year.</li> <li>• An in-house Actuarial Department monitors the Life Insurance business more closely and guides the Management to make more informed decisions.</li> <li>• Claims are reserved immediately at the intimation or on the availability of information on the death, injury or illness of an insured.</li> <li>• 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.</li> <li>• Independent investigators are used to investigate claims to ensure fraudulent claims are identified.</li> <li>• 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.</li> </ul>	Claim Ratio without Maturities (%)								
		<table border="1"> <caption>Claim Ratio without Maturities (%)</caption> <thead> <tr> <th>Year</th> <th>Claim Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>10</td> </tr> <tr> <td>2022</td> <td>11</td> </tr> <tr> <td>2023</td> <td>12</td> </tr> </tbody> </table>	Year	Claim Ratio (%)	2021	10	2022	11	2023	12
		Year	Claim Ratio (%)							
		2021	10							
		2022	11							
		2023	12							

[Further details on Claim Risk Management are given in Note 4.2.2.1.4 on page 233.](#)

**INSURANCE RISK**  
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 2023**

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

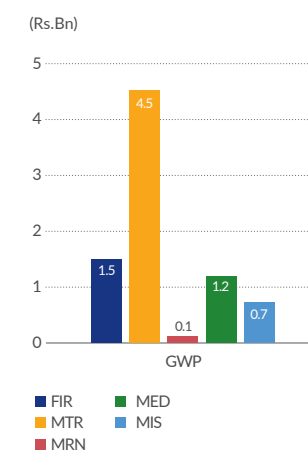
Increased interest in medical insurance supported growth in general insurance as costs of healthcare increased significantly during the year. A comprehensive suite of products and experienced sales force supported growth in 2023.

**Risk Mitigation**

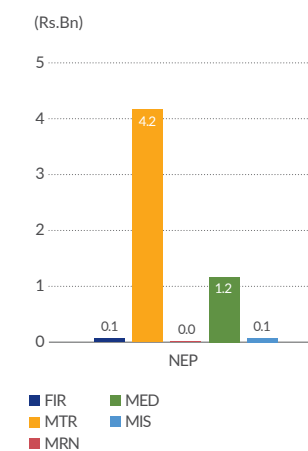
- Diversification across large portfolio of insurance contracts and geographical areas.
- Segregation of duties between sales and underwriting. The underwriting function is centralised at Head Office for both Motor and Non-Motor.
- Training and development of underwriting staff and distribution network 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.
- Staff incentive schemes consider both turnover and profitability.
- Average premium prices with that of the average claims cost and the claims frequency are monitored daily to identify any changes in the business on an ongoing basis.

**Risk Indicators**

**HNBGI GWP - Classwise**



**HNBGI NEP - Classwise**



*Further details on Underwriting Risk Management are given in Note 4.2.2.2.2 on page 234.*

## RISK MANAGEMENT REVIEW

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 2023	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"> <li>Motor claims engineering and motor claims processing functions have been segregated to ensure proper segregation of duties.</li> <li>The 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.</li> <li>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.</li> <li>All third-party claims are separately reviewed with the support of the Legal Department.</li> <li>Closed file reviews are carried out periodically to identify any control lapses.</li> <li>Independent investigators are used to investigate claims to ensure fraudulent claims are identified.</li> <li>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.</li> <li>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.</li> </ul>	<p><b>HNBGI Claims ratio</b></p> <p>(%)</p> <table border="1"> <caption>HNBGI Claims ratio (%)</caption> <thead> <tr> <th>Year</th> <th>Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>62</td> </tr> <tr> <td>2022</td> <td>71</td> </tr> <tr> <td>2023</td> <td>71</td> </tr> </tbody> </table>	Year	Ratio (%)	2021	62	2022	71	2023	71
Year	Ratio (%)									
2021	62									
2022	71									
2023	71									

*Further details on Claim Risk Management are given in Note 4.2.2.2.4 on page 235.*

## 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 2023

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.

### Risk Indicators

Reinsurer	Reinsurers Country of Origin	Credit Rating	Rating Agency
Best Meridian International Insurance Company SPC	Cayman Islands	a-	A M Best
General Insurance Corporation - India	India	bbb+	A M Best
MISR Insurance Company	Egypt	bbb	A M Best
The New India Assurance Co Ltd	India	bbb+	A M Best
New Reinsurance Company Ltd	Switzerland	aa	A M Best
National Insurance Trust Fund (NITF)	Sri Lanka (Gvt Entity)	-	-
Lancashire Syndicates Limited (9329 at Lloyds)	UK	a+	A M Best
Antares Syndicate (AUL 1274 at Lloyds)	UK	a+	A M Best
Fidelis Underwriting Limited (Navium Marine Limited)	UK	a+	A M Best
Ocean Underwriting Consortium 4872	UK	a+	A M Best

### 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 235.*

## RISK MANAGEMENT REVIEW

### 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 2023	Risk Mitigation	Risk Indicators									
<p>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.</p>	<ul style="list-style-type: none"> <li>Meticulous follow ups for premium outstanding.</li> <li>Periodic review policy cancellation and check the status of outstanding premium before settling claims.</li> <li>Periodic review of the premium receivables (RI) to provide adequate impairment provisions.</li> <li>Assessment of credit worthiness of reinsurers in selection and periodic review of their ratings.</li> <li>Review of outstanding balances monthly and ensure that all dues are collected or set-off against payables.</li> </ul>	<p><b>Credit Risk – Reinsurance Receivables - Group</b></p> <p>(Rs.Mn)</p> <table border="1"> <caption>Credit Risk – Reinsurance Receivables - Group (Rs.Mn)</caption> <thead> <tr> <th>Year</th> <th>Reinsurable on Outstanding Claims</th> <th>Reinsurable on Claims Settled</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>558</td> <td>486</td> </tr> <tr> <td>2023</td> <td>662</td> <td>667</td> </tr> </tbody> </table> <p> <span style="color: blue;">■</span> Reinsurance Receivable on Outstanding Claims  <span style="color: orange;">■</span> Reinsurance Receivable on Claims Settled                 </p>	Year	Reinsurable on Outstanding Claims	Reinsurable on Claims Settled	2022	558	486	2023	662	667
Year	Reinsurable on Outstanding Claims	Reinsurable on Claims Settled									
2022	558	486									
2023	662	667									

*Further details on Credit Risk Management are given in Note 4.2.3.3 on page 239.*

## 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 2023

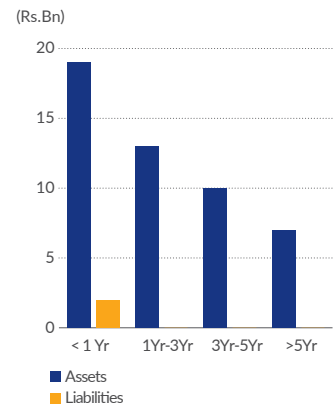
The Group has remained liquidity throughout the year with CAR well above regulatory requirements.

### Risk Mitigation

- 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.
- CAR is monitored by the Management and the Board periodically.

### Risk Indicators

#### Maturity Profile of Assets and Liabilities - Group



*Further details on Liquidity Risk Management are given in Note 4.2.3.4 on page 244.*

## Credit Risk (Financial Instruments)

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

### Developments in 2023

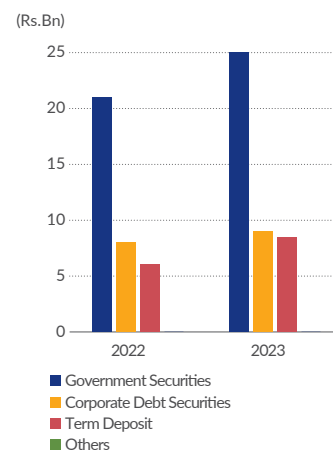
As stressed economic conditions continued, HNBA adopted a cautious approach to investments in financial instruments, only investing in Investment Grade rated entities/instruments. This risk is carefully monitored to optimise earnings while balancing the risks.

### Risk Mitigation

- Investments are only made with entities within the minimum Credit Rating limits in the Investment Policy.
- 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 Officer, 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.

### Risk Indicators

#### Concentrations of Credit Risk - Financial Instruments



*Further details on Credit Risk Management are given in Note 4.2.3.2 on page 238.*

## 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 2023

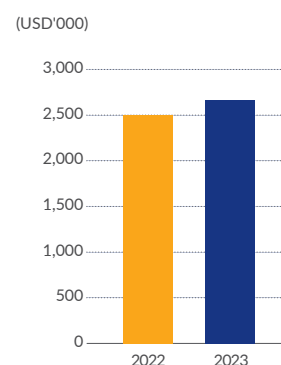
HNBA earns premiums in Sri Lankan rupees but needs to pay reinsurance premiums in foreign currency to its overseas reinsurers. HNBA was able to pay the reinsurance premiums despite the foreign currency liquidity crisis in the country.

#### 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



*Further details on Foreign Currency Liquidity Risk Management are given in Note 4.2.3.5 on page 248.*

### 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 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 2023

The sharp decrease in interest rates in 2023 resulted in higher asset values. However, the appreciation of currency is expected to impact dollar denominated investments although exposure is minimal. The performance of the Colombo Stock Exchange will also have limited impact on earnings due to minimal exposure to equity price risk.

#### Risk Indicators

Rs.Mn.	Interest Rate Risk		Equity Price Risk		Currency Risk	
	2022	2023	2022	2023	2022	2023
Assets	39,380	49,055	125	218	901	864
Liabilities	2,761	3,011	-	-	-	-

Sensitivity Rs.Mn.	2023							
	Yield Curve 100% bps		ASPI 10%		Exchange Rate 5%		Total	
	PBT	Equity	PBT	Equity	PBT	Equity	PBT	Equity
Increase/ Strengthening	-	(165)	12	10	43	30	55	(125)
Decrease/ Weakening	-	171	(12)	(10)	(43)	(30)	(55)	130

#### Risk Mitigation

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

*Further details on Market Risk Management are given in Note 4.2.3.5 on page 248.*



## 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 2023

Interest rates decreased sharply during the year.

### Risk Indicators

Exposure - 2023				Rs.Mn
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Assets	-	44,027	5,028	49,055
Liabilities	304	450	2,257	3,011
Sensitivity				
			Impact on PBT	Impact on Equity
100 bps Parallel Increase in All Yield Curves			-	(165)
100 bps Parallel Decrease in All Yield Curves			-	171

## 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 categories 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 are given in Note 4.2.3.5 on page 248.*

## Equity Risk

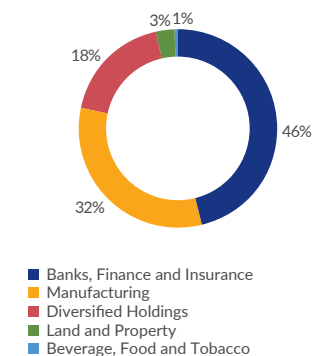
The risk of fluctuations in equity investments due to change in equity market prices

### Developments in 2023

The country's expected slow recovery from the economic crisis and steep decrease in interest rates weighed on the performance of the Colombo Stock Exchange with ASPI moving up.

- Total exposure to equity investments is made within the agreed target asset allocation and sectoral equity limits.
- Investments are mostly made in fundamentally sound stocks which are identified after an evaluation process by the investment management team.
- Equity portfolios are reviewed by the Investment Committee on a quarterly basis.
- Impact from market movements and sensitivity is monitored periodically and impact sensitivities are monitored.

### Equity Portfolio Diversification



*Further details on Equity Risk Management are given in Note 4.2.3.5 on page 248.*

## RISK MANAGEMENT REVIEW

### OPERATIONAL RISK

- Human Resource Risk
- Fraud Risk
- Cyber Security Risks

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.

HR Risk - Staff Turnover	
<i>Definition:</i> Increase in staff turnover and skilled employees move for high salaries/ migration.	
Developments in 2023	Mitigation
<p>Labour migration in the professional category has increased significantly and it became a trend in 2023. Professionals often migrated in search of better quality of life, career advancement, and higher income due to the economic conditions in Sri Lanka. The net migration rate for Sri Lanka in 2023 was 4.029 per 1000 population. In addition to that advances in technology and the ability to work remotely has influenced professionals to seek opportunities in different countries.</p>	<ul style="list-style-type: none"> <li>• Motivating employees through reward schemes and training.</li> <li>• Counselling employees as and when they need counselling.</li> <li>• Conduct exit interviews and periodically carrying out induction programmes.</li> <li>• Analysis of staff turnover is reviewed by the Management and the Board.</li> <li>• Employee surveys are carried out on a periodic basis.</li> <li>• Salary surveys are conducted periodically to ensure competitive salaries are given to the staff.</li> <li>• Recruited qualified and experienced professionals from the industry.</li> </ul>

Fraud Risk	
<i>Definition:</i> Fraud risk commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery, and extortion.	
Developments in 2023	Mitigation
<p>Fraud risk remained unchanged in 2023 too due to the economic condition of Sri Lanka. The annual inflation rate in Sri Lanka's Colombo accelerated for the third consecutive month to 4% in December 2023, from 3.4% in the previous month.</p>	<ul style="list-style-type: none"> <li>• Internal audits are regularly carried out in the areas which are susceptible to fraud.</li> <li>• The Risk and Control Department continuously monitored the areas which are more vulnerable to business.</li> <li>• Strengthen internal policies and procedures.</li> </ul>

Cyber Risk	
<i>Definition:</i> Cybersecurity risk refers to an organisation's vulnerability to losses due to a cyber-attack or data breach.	
Developments in 2023	Mitigation
<p>With the digital landscape constantly evolving, dealing with cyber risks and vulnerabilities is a new challenge. The Global Risk Report 2023 places "widespread cybercrimes and cyber insecurity" among the top 10 risks. The insurance sector frequently finds itself in the crosshairs, underscoring the need to comprehend the risk factors of cybersecurity for insurance companies.</p>	<ul style="list-style-type: none"> <li>• Upgrade hardware components, licensed software, apply latest technology when required and available.</li> <li>• Implement a quality assurance mechanism for third party and fourth party service acceptance.</li> <li>• Regular user access review and penetration tests.</li> <li>• Continuous awareness programmes.</li> <li>• Install firewalls and enhance network security.</li> <li>• Employ strong endpoint protection solutions.</li> <li>• Encrypt sensitive data.</li> </ul>

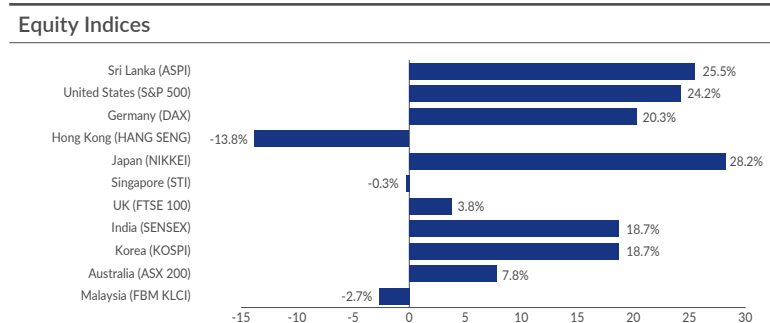
# INVESTOR INFORMATION

At HNBA, we consider it our top priority to inform our investors promptly and accurately so they may make well-informed decisions on the performance of the Company's listed shares.

## THE COLOMBO STOCK EXCHANGE PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2023

Throughout 2023, the stock market exhibited a gradual reduction in volatility. However, the year was marked by notable shifts in market sentiment, particularly with the Government's engagement with the IMF for assistance. Despite this, the persistent economic contraction had a dampening effect on the performance of listed companies, resulting in a sluggish upward trajectory of share prices. Moreover, the high yields in the Government securities market diverted investors' attention away from equities, while raised lending rates increased the cost of funding for investors, further delaying the upward movement of price indices.

## KEY EQUITY INDICES



Source: - Bloomberg

Investors maintained a preference for presumably risk-free instruments over equity amid ongoing economic uncertainty. However, the positive market momentum following the Domestic Debt Optimisation (DDO) announcement sparked higher return expectations in the share market from June to September 2023. Sub-indices, reflecting distinct economic sectors of listed companies, exhibited differing degrees of volatility. Notably, the banking and energy sectors demonstrated the highest levels of volatility, whereas sectors such as household and personal products, utilities, insurance, and healthcare equipment and services remained comparatively stable.

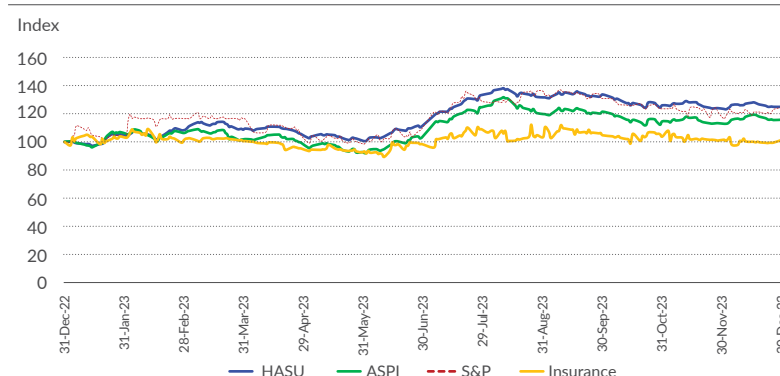
The Colombo bourse increased by 25.5% in 2023 due to favourable economic developments such as a decline in inflation levels and interest rates following the approval of the IMF programme. Additionally, the SP20 index recorded a solid increase of 16.42% over

the course of the year. However, foreign interest in the share market remained subdued due to unfavourable domestic macroeconomic conditions and tight global financial conditions.

## PERFORMANCE OF HNB ASSURANCE PLC (HASU)

During the year 2023, HASU remained an active stock, engaging significantly in market activity by trading on 241 out of 242 available market trading days. However, amidst the volatile conditions,

## HASU Performance Vs Market



**Rs. 4,248.93 Bn**

Market Capitalisation

(2022 - Rs. 3,847.15 Bn) +10% ↑

**Rs. 1.70 Bn**

Daily Average Turnover

(2022 - 2.97 Bn) -43% ↓

**Rs. 410.63 Bn**

Total Turnover

(2022 - Rs. 686.60 Bn) -40% ↓

**USD 18 Mn**

Net Foreign Inflow

(2022 - USD 182 Mn) -90% ↓

HASU experienced a decrease in liquidity, with 10.43 million shares traded in 2023, marking a 5.3% decline from the previous year. The share price surged by 31.9% to reach LKR 56.60, while the total turnover of traded shares also increased by 5.4% to reach LKR 551.20 million in 2023. HASU's share price fluctuated between its peak at LKR 59.00 and its lowest point at LKR 42.00 throughout the year, ultimately closing at LKR 56.60 on December 31, 2023, resulting in a market capitalisation of LKR 8.5 billion.

## STOCK EXCHANGE LISTING

Listed on the Main Board of CSE  
CSE Code:

**HASU.N0000**

## INVESTOR INFORMATION

### 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	Capitalisation of Reserves	1:6	6,250	406,250
2011	Rights Issue	1:7	6,250	390,625
2020	Subdivision	1:3	100,000	-
<b>Total</b>			<b>150,000</b>	<b>1,171,875</b>

### SHARE PERFORMANCE

	2023	2022	2021	2020	2019
<b>Market Capitalisation (Rs. Mn.)</b>					
HASU	8,490	6,435	7,260	8,730	6,900
CSE	4,248,935	3,847,153	5,489,168	2,960,650	2,851,310
<b>Market Price per share (Rs.) – Company</b>					
Highest	59.00	62.50	64.00	178*	143.90
Lowest	42.00	28.00	42.30	55.10	98.60
Year end (VWA)	56.60	42.90	48.40	58.20	138.00

\*The highest share price recorded is prior to the subdivision of shares, including share prices prior to 2020.

### SHARE TRADING

	2023	2022	2021	2020	2019
Number of Transactions	7,389	9,139	14,186	7,760	3,535
Number of Shares Traded	10,429,700	11,009,317	20,157,342	6,502,845	3,100,694
Value of Shares Traded (Rs.)	551,191,752	523,084,080	1,049,843,639	627,625,766	401,941,061

## SHARE PERFORMANCE RELATED RATIOS

	2023	2022	2021	2020	2019
Number of Shares in Issue (Mn.)	150.00	150.00	150.00	150.00	50.00
Basic Earnings per share (Rs.) – Group	11.76	12.20	8.16	7.83	6.73*
Basic Earnings per share (Rs.) – Company	10.76	9.89	6.67	4.83	5.51*
Net Asset Value per share (Rs.) – Group	68.51	51.99	54.15	54.63	134.29
Price to Book Value (Rs.)	0.83	0.83	0.89	1.07	1.03
Price to Earnings (Times)	4.81	3.52	5.93	7.43	6.83
Dividend Payout Ratio (%)	36	37	48	58	48
Dividend per share (Rs.)	3.90	3.65	3.20	2.80	8.00
Dividend Payment (Rs. Mn.)	585.00	547.50	480.00	420.00	400.00

\* Restated based on the post subdivision weighted average number of ordinary shares as at 31st December 2020.

The Company has not issued any debt securities. Accordingly, debt related ratios are not applicable to the Company.

## BASIC EARNINGS PER SHARE

Earnings per Share (EPS) indicates how much money a Company makes for each share of its stock. HASU (Company) recorded healthy and steady EPS of Rs. 10.76 in the year 2023, with a Year-on-Year increase of 9% (2022: Rs. 9.89), while the Group recorded an EPS of Rs. 11.76 in the year 2023 with a 4% decline (2022: Rs. 12.20).

## PRICE EARNINGS RATIO

Price earnings ratio has increased by 37% in 2023 against the previous year to 4.81 times from 3.52 times recorded in 2022, which shows the number of times to EPS required to cover the investment on HASU.

## SHAREHOLDING

There were 4,159 registered Shareholders as at 31st December 2023 (2022-4,490).

### a) Distribution and Composition of Shareholding

Distribution and composition of Shareholders as at 31st December 2023

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	1,919	617,377	0.41%	9	3,202	0.00%	1,928	620,579	0.41%
1,001-10,000 Shares	1,611	5,996,735	4.00%	8	24,923	0.02%	1,619	6,021,658	4.01%
10,001-100,000 Shares	536	13,746,934	9.16%	11	355,148	0.24%	547	14,102,082	9.40%
100,001-1,000,000 Shares	49	12,633,204	8.42%	3	866,133	0.58%	52	13,499,337	9.00%
Over-1,000,000 Shares	13	115,756,344	77.17%	-	-	-	13	115,756,344	77.17%
<b>Total</b>	<b>4,128</b>	<b>148,750,594</b>	<b>99.16%</b>	<b>31</b>	<b>1,249,406</b>	<b>0.84%</b>	<b>4,159</b>	<b>150,000,000</b>	<b>100.00%</b>

## INVESTOR INFORMATION

### b) Analysis of Shareholders

#### i) Resident/Non-Resident

	31st December 2023			31st December 2022		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of shares	%
Resident	4,128	148,750,594	99.17	4,462	148,762,854	99.18
Non-Resident	31	1,249,406	0.83	28	1,237,146	0.82
<b>Total</b>	<b>4,159</b>	<b>150,000,000</b>	<b>100.00</b>	<b>4,490</b>	<b>150,000,000</b>	<b>100.00</b>

#### ii) Individual /Institutional

	31st December 2023			31st December 2022		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of shares	%
Individual	4,002	29,598,123	19.73	4,322	31,095,619	20.73
Institutional	157	120,401,877	80.27	168	118,904,381	79.27
<b>Total</b>	<b>4,159</b>	<b>150,000,000</b>	<b>100.00</b>	<b>4,490</b>	<b>150,000,000</b>	<b>100.00</b>

### PUBLIC SHAREHOLDING

The details of the public shareholding as at 31st December are given below.

	2023		2022	
	Shareholders	% on Total No. of Shareholders	Shareholders	% on Total No. of Shareholders
Number of Shareholders	4,154	99.88	4,478	99.73

	2023		2022	
	Number of Shares	% on Total No. of Shares	Number of Shares	% on Total No. of Shares
Public Shareholding	59,827,378	39.88	53,001,838	35.33
Float Adjusted Market Capitalisation* (Rs.)	3,386,229,595		2,273,778,850	

The Company complies the minimum public Shareholding requirement under option 4 of section 7.13.1(a) of the Listing Rules.

\*Float Adjusted Market Capitalisation = Market Capitalisation x Public Holding Percentage

## TOP 20 SHAREHOLDERS

The 20 largest shareholders as at 31st December 2023 together with their shareholding as at 31st December 2022 are given below.

Name of the Shareholder	2023		2022	
	Shareholding	% on Issued Shares	Shareholding	% on Issued Shares
1. Hatton National Bank PLC A/C No. 1	89,979,000	59.99	89,979,000	59.99
2. Ceylon Guardian Investment Trust PLC A/C # 02	7,018,794	4.68	7,018,794	4.68
3. Employees Trust Fund Board	3,928,151	2.62	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	1,634,167	1.09
6. J B Cocoshell (Pvt) Ltd	1,554,598	1.04	*	*
7. Thread Capital (Pvt) Ltd	1,542,402	1.03	*	*
8. Mrs. A Kailasapillai	1,500,000	1.00	1,500,000	1.00
9. Mrs. A Selliah	1,500,000	1.00	1,500,000	1.00
10. Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
11. Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
12. Arunodhaya (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
13. Rubber Investment Trust Ltd A/C No 01	1,337,058	0.89	1,337,058	0.89
14. Andysel (Pvt) Ltd	750,000	0.50	750,000	0.50
15. Corporate Holdings (Pvt) Ltd A/C No.01	735,309	0.49	735,309	0.49
16. Mr. V Sharda	609,000	0.41	609,000	0.41
17. Dr. S Selliah	600,000	0.40	600,000	0.40
18. Corporate Holdings (Pvt) Ltd A/C No. 02	573,969	0.38	573,969	0.38
19. Suktam Holdings (Pvt) Ltd	526,302	0.35	526,302	0.35
20. Mr. A A A Rifkee	500,000	0.33	500,000	0.33
	120,050,924	80.03		
Other Shareholders	29,949,076	19.97		
<b>Total Shareholders</b>	<b>150,000,000</b>	<b>100</b>		

\*Not included in the top 20 shareholder list in year 2022

## 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 31st December 2023	No. of Shares 31st December 2022
Mrs. M A R C Cooray - Chairperson	112,624	112,624
Mr. D P N Rodrigo (Resigned w.e.f 11th December 2023)	N/A	540
Dr. S Selliah (Retired w.e.f 16th June 2023)	N/A	600,000
Mr. D R Abey Suriya (Demise on 25th October 2023)	N/A	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 (Resigned w.e.f 06th June 2023)	N/A	Nil
Mr. R A Ebell (Resigned w.e.f 31st December 2023)	80,000	N/A
Mr. Lasitha Wimalaratne (Chief Executive Officer)	Nil	Nil

## INVESTOR INFORMATION

### 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 2022 were submitted to the CSE on 10th March 2023. The Interim Financial Statements of the 4th Quarter, for the year/quarter ended 31st December 2022, was submitted to the CSE on 20th February 2023. The Audited Financial Statements for the year ended 31st December 2023 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	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 194.	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 215 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 2023 together with their shareholding as at 31st December 2022 is given on page 165.	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 2023 are given on page 164.	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 on page 165.	Complied
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 147 to 160.	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 Mn. Further details are given on Note 8.5 to the Financial Statements on pages 277 and 278.	Complied



Rule Number	Requirement	Details	Status
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Details on Company shares and share capital are given on page 162.	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 on page 163.	Complied
7.6 (xi)	Ratios and market price information.	Given on page 163.	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 274 to 279.	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 Section 09 of the Rules.	Disclosures pertaining to Corporate Governance practices in terms of Section 09 of the rules are given in the Corporate Governance Report on pages 142 and 143.	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 338 to 343.	Complied

## INVESTOR INFORMATION

### DISCLOSURES IN THE ANNUAL REPORT AS PER SECTION 9.14.8 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Number	Requirement	Details	Status
9.14.8 (1)	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 338 to 343.	Complied
9.14.8 (2)	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 343 under Note 50 to the Financial Statements.</p>	Complied
9.14.8 (3)	<p>Contain a report by the Related Party Transactions Review Committee, setting out The names of the Directors comprising the Committee;</p> <p>A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and communicated its comments/observations to the Board of Directors.</p> <p>The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</p>	Please refer the Related Party Transactions Review Committee Report on pages 180 and 181	Complied
9.14.8 (4)	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 196 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 192
Signed Consolidated Financial Statements of the Group for the accounting period completed	Section 168 (1) (b)	Please refer page 192
Auditors' Report on Consolidated Financial Statements of the Group	Section 168 (1) (c)	Please refer page 197
Changes in Accounting Policies made during the accounting period - Group and the Company	Section 168 (1) (d)	Please refer page 192
Particulars of entries in the Interests Register of the Company during the accounting period	Section 168 (1) (e)	Please refer page 195
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 196
Total amount of Donations made by the Company	Section 168 (1) (g)	Please refer page 198
Information on the Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Please refer page 194
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 197
Auditors' relationship or any interest with the Company and its subsidiary	Section 168 (1) (j)	Please refer page 197
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 199

## 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 128
	Board Balance	A.5.5	Please refer page 128
	Nomination Committee	A.7.1	Please refer page 129
	Appointment of New Directors	A.7.3	Please refer page 129
	Appraisal of Board Performance	A.9.4	Please refer page 130
	Board Related Disclosures	A.10.1	Please refer page 130
	Disclosure of Remuneration	B.3 and B.3.1	Please refer page 132
	Major and Material Transactions	C.3 and C.3.1	Please refer page 133
	Audit Committee	D.3.3	Please refer page 137
	Code of Business Conduct and Ethics	D.5.1 and D.5.4	Please refer page 137
	Communication with Shareholders	C.2.2, C.2.3, C.2.4, C.2.5, C.2.6, C.2.7	Please refer page 133
B. Remuneration Committee Report	Members of Remuneration Committee	B.1.3	Please refer page 130
C. Directors' Report	Directors' Report	D.1.4	Please refer page 134
D. Financial Statements	Financial Statements	D.1.5	Please refer page 134
	Related Party Transactions	D.1.8	Please refer page 135
E. Management Report	Management Report	D.1.6	Please refer page 135
F. Corporate Governance Report	Corporate Governance Report	D.6.1	Please refer page 138
G. Audit Committee Report	Audit Committee Report	D.3.2	Please refer page 137
H. Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report	D.4.3	Please refer page 137
I. Statement on Internal Control	Statement on Internal Control	D.1.5 and D.2.4	Please refer pages 134 to 136
J. Internet of Things and Cyber security	Disclose the process to identify and manage cyber security risks	G.5	Please refer page 139
K. Sustainability Reporting	Sustainability Reporting	H.1.1 to H.1.4	Please refer page 139

## COMPLIANCE SUMMARY

### REGULATORY REPORTS SUBMITTED TO IRCSL IN 2023

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 2022	20th March 2023	28th April 2023	30th April 2023
Annual Statutory Returns for the year ended 31st December 2022	29th April 2023	28th April 2023	30th April 2023
Circular 29 Auditor's Compliance Certificate	29th April 2023	28th April 2023	30th April 2023
Risk Assessment Report	28th April 2023	28th April 2023	30th April 2023
<b>Quarterly Returns and Compliance Certifications</b>			
31st December 2022 (4th Quarter)	30th January 2023	31st January 2023	30th January 2023
31st March 2023 (1st Quarter)	29th April 2023	29th April 2023	30th April 2023
30th June 2023 (2nd Quarter)	30th July 2023	30th July 2023	30th July 2023
30th September 2023 (3rd Quarter)	14th November 2023	15th November 2023	15th November 2023*
Statement of Reinsurance Arrangements	30th January 2023	31st January 2023	31st January 2023
Certified Copies of all Cover Notes in respect of Reinsurance Treaties	30th January 2023	15th March 2023	15th March 2023
Actuarial Report and Abstracts	29th April 2023	28th April 2023	30th April 2023
Management Letter issued by the External Auditors for year ended 31st December 2022	29th April 2023	28th April 2023	30th April 2023
Information on Complaints handling and related performance (bi-annual basis submission)	30th January 2023 28th July 2023	30th January 2023 27th July 2023	30th January 2023 30th July 2023

\* Note - Deadline of Q3 - 2023 Extended till 15th November 2023 by IRCSL

### REGULATORY RETURNS SUBMISSION AND PAYMENTS OF THE COMPANY/GROUP

Information	Frequency of Submission	Compliance Status
<b>Insurance Regulatory Commission of Sri Lanka (IRCSL)</b>		
Annual Fee	Annually	Complied
CESS Payment	Quarterly	Complied
<b>Colombo Stock Exchange (CSE)</b>		
Listing Fee	Annually	Complied
<b>Department of Inland Revenue</b>		
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
Withholding Tax (WHT) Payment	Monthly	Complied
<b>Central Bank of Sri Lanka (CBSL)</b>		
EPF Payment and Return	Monthly	Complied
<b>Employees' Trust Fund Board</b>		
ETF Payment and Return	Monthly	Complied
<b>Registrar General of Companies</b>		
Annual Accounts	Annually	Complied
Annual Returns	Annually	Complied
Change of Directors and Company Secretary (Form 20)	As required	Complied
<b>National Council for Road Safety</b>		
Contribution to Road Safety Fund Payment	Monthly	Complied
<b>Commissioner of Motor Traffic</b>		
Luxury and Semi Luxury Tax Payment	Monthly	Complied
<b>National Insurance Trust Fund (NITF)</b>		
Crop Insurance Levy	Quarterly	Complied

**DISCLOSURE REQUIREMENTS RELATING TO DIRECTORS AS PER SECTION 9.10.4 TO THE CORPORATE GOVERNANCE LISTING RULES OF THE COLOMBO STOCK EXCHANGE.**

Director Name	Current Directorships	Directorship held Companies	Whether the Company is Listed Entity
Mrs. Rose Cooray (Chairperson – HNBA & HNBGI)	Ceylon Guardian Investment Trust PLC	Non-Executive / Independent Director	Listed
	Ceylon Investment PLC	Non-Executive / Independent Director	Listed
Mr. Damien Fernando (HNBA & HNBGI)	Melstacorp PLC	Non Independent / Executive Director	Listed
	Addison (Pvt) Ltd	Director	Unlisted
	HealthCey (Pvt) Ltd	Director	Unlisted
Mr. Stuart Chapman (HNBA)	Hemas Pharmaceuticals (Pvt) Limited	Independent / Non- Executive Director	Listed
	United Motors Lanka PLC	Independent / Non- Executive Director	Listed
Mr. Ashoka Goonesekere (HNBA)		N/A	
Mr. Lakshman Silva (HNBA)	Seylan Bank PLC	Independent / Non- Executive Director	Listed
	Panasian Power PLC and its subsidiaries	Independent / Non-Executive Director	Listed
	Finetech Consultancy (Pvt) Ltd	Independent / Non- Executive Director	Unlisted
Dr. Sankalpa Gamwarige (HNBA)	Technologically Re-Awakening a Culture of Excellence (TRACE)	Non- Executive Director	Unlisted
Ms. Marina Tharmaratnam (HNBGI)		N/A	
Mr. Sanjaya Wijemanne (HNBGI)	Acuity Stockbrokers (Pvt) Ltd	Director	Unlisted
	Acuity Partners (Pvt) Ltd	Director	Unlisted
	National Advisory Board for Impact Investing (NABII)	Director	Unlisted
Mr. Arjuna Abeygunasekara (HNBGI)	Acuity Securities Ltd	Non- Executive Director	Unlisted
Mr. Dinesh Dharmadasa (HNBGI)	Ex-pack Corrugated Cartons PLC	Independent / Non- Executive Director	Listed

# FINANCIAL CALENDAR

## ➤ DIVIDEND

	2023 Achievement on	2024 Target Date
First and final dividend paid/payable	27th April 2023	On or before 26th April 2024

## ➤ ANNUAL REPORT AND ANNUAL GENERAL MEETING (AGM)

	2023 Achievement on	2024 Target Date
Annual Report and Accounts for the year signed/to be signed	15th February 2024	In February 2025
Annual General Meeting for the year to be held	02nd April 2024	In March 2025

## ➤ INTERIM FINANCIAL STATEMENTS SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2023 Achievement on	2024 Target Date
1st Quarter (ended 31st March)	04th May 2023	On or before 15th May 2024
2nd Quarter (ended 30th June)	04th August 2023	On or before 15th August 2024
3rd Quarter (ended 30th September)	02nd November 2023	On or before 15th November 2024
4th Quarter (ended 31st December)	19th February 2024	On or before 28th February 2025



# PROSPEROUS FORCE

HNB Assurance Group recorded a dynamic performance, delivering top line and bottom-line growth well above industry average; the company is driven to continue its ambitious plans to be a benchmark within the insurance industry.

## FINANCIAL STATEMENTS

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# AUDIT COMMITTEE REPORT

## Areas of Focus

- Financial reporting
- Internal Audit
- Internal controls
- Assurance

## Composition

**Mr. Ashoka Goonesekere**

- Chairman (IND/NED)

**Mr. Damien Fernando**

- Member (NIND/NED)

**Dr. Sankalpa Gamwarige\***

- Member (IND/NED)

**Mr. Richard Ebell\*\***

- Member (IND/NED)

**Dr. Sivakumar Selliah\*\*\***

- Member (Senior IND/NED)

**IND** - Independent Director

**NIND** - Non-Independent Director

**NED** - Non-Executive Director

\* Dr. Sankalpa Gamwarige was appointed to the Committee w.e.f. 01st January 2024.

\*\* Mr. Richard Ebell was appointed to the Committee w.e.f. 16th June 2023 and has resigned from the office w.e.f. 31st December 2023.

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

## Meetings & Attendance

The Committee held 8 Meetings during the year

**Mr. Ashoka Goonesekere**.....8/8

**Mr. Damien Fernando**.....8/8\*

**Dr. Sankalpa Gamwarige**.....N/A

**Mr. Richard Ebell**.....4/4

**Dr. Sivakumar Selliah** .....4/4

\* Four out of eight (4/8) meetings attended by Alternate Director, Dr. Prasad Samarasinghe. He has resigned from the office as Alternate Director to Mr. Fernando w.e.f. 06th June 2023.

“ An active and informed Audit Committee provides the ultimate independent and objective oversight of the corporate control environment, including focus on emerging trends and risks. ”

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 HNB General Insurance Limited.

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, Regulators, Actuaries etc., as necessary. Further, the Committee identifies the importance of keeping its knowledge up to date and members have attended internal and external presentations and seminars where required.

The Chairman and the members of the Committee were in regular contact with the Management of the Company, through numerous meetings and communications to oversee the audits and control aspects of various initiatives, the Company and its subsidiary undertook during the year.

### 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 Financial 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 Companies Act, No. 07 of 2007 Listing Rules, SEC Act and Company policies in the conduct of its business etc. It will also monitor compliance with applicable laws and regulations including but not limited to



### Attendees by Invitation

Mr. Dinesh Dharmadasa Director HNBGI, Chief Executive Officers, Chief Financial Officer, Chief Actuarial Officer and other Executive Committee Members attended meetings by invitation regularly.

### Secretary to the Committee

**Ms. Yoga Gunadasa** - Board Secretary (HNBA) & Head of Legal and Compliance Officer & Board Secretary (HNBGI)

### Expertise

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 24 to 26.

- Insurance Industry Act No 43 of 2000 and its subsequent amendments thereto.
- Rules, regulations and determination by the Insurance Regulatory Commission of Sri Lanka,
- Inland Revenue Act No 10 of 2006 and subsequent amendments thereto,
- Value Added Tax Act No 14 of 2002 and subsequent amendments thereto,
- Make recommendations to the Board on the appointment, re- appointment/removal of External and Internal Auditors, recommend 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 2023

#### 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 and regulatory capital.
- Outstanding tax assessments and actions initiated for resolution through regular reports submitted by the Chief Financial Officer.
- Review of discount rate structure for the year end valuation of policyholder liability 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.

CEO's and CFO's responsibilities including on entities operations and finances has been reported in page 203 of this Annual Report.

#### NEW ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

Accounting Standards Effective but deferred due to temporary Exemption-SLFRS 9: Financial Instruments.

## AUDIT COMMITTEE REPORT

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 2023.

### 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 1st January 2026. 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 were presented to the Committee in 2020.

During the year the Committee reviewed the evaluation of possible consultants and vendors for both consultation and technology solution for SLFRS 17 implementation of the Company and its subsidiary and obtained Board approval through recommending the selected consultants and vendors to the Board. Selected consultants/vendors were informed and agreements will be entered into with selected parties. The agreements are being reviewed giving due attention to timeline of the project with the participation of both parties. The company has allocated required resources to implement the project and continuous monitoring is being carried out as it is crucial to the success of the project. The Group will commence the project in 2024 to be inline with the new effective date of the standard of 1st January 2026.

### 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 2023, the Committee reviewed the annual internal audit plan and recommended improvements. Internal Auditors presented the issues and audit findings identified during internal 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.

Further, an Inhouse Internal Audit department was initiated during the year while continuing the service of Messrs. Ernst & Young as an outsourced party, with the view of strengthening Group's internal controls and best practices. The Committee reviewed the initial plan of the In house Internal Audit Department and recommended further improvements.

### 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, data protection, cyber security 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 which requires the Committee's attention are investigated and appropriate action are taken. The Committee continuously emphasises the importance of ethical values.

### 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. Further, the Company is in the process of evaluating and fulfilling all requirements emerging from revised Corporate Governance Section 09 of the Colombo Stock Exchange listing rules which is effective from year 2024.

### 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 2023 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 for the 5th year to the Board for the financial year ending 31st December 2024, subject to the approval of the Shareholders at the Annual General Meeting to be held on 02nd April 2024.

### 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, Compliance with all relevant requirements of the Companies Act, No. 07 of 2007, Listing Rules and SEC Act, 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  
15th February 2024

# HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

## Areas of Focus

- Enable Salesforce Expansion
- Drive Staff Development
- Facilitate Increased Engagement

## Composition

**Dr. Sankalpa Gamwarige\***

- Chairman (IND/NED)

**Mr. Ashoka Goonesekere**

- Member (IND/NED)

**Ms. Rose Cooray**

- Member (NIND/NED)

**Dr. Sivakumar Selliah\*\***

- Former Chairman (Senior IND/NED)

**Mr. Ravi Abeyesuriya\*\*\***

- Member (IND/NED)

**Mr. Richard Ebell\*\*\*\***

- Former Chairman (IND/NED)

**IND** - Independent Director

**NIND** - Non-Independent Director

**NED** - Non-Executive Director

\* Dr. Sankalpa Gamwarige was appointed to the Committee w.e.f 01st January 2024.

\*\* Dr. Sivakumar Selliah retired from the Board of Directors w.e.f 16th June 2023

\*\*\* Mr. Ravindra Abeyesuriya demise on 25th October 2023.

\*\*\*\* Mr. Richard Ebell resigned from the Board of Directors w.e.f 31st December 2023

Committee was reconstituted w.e.f 01st July 2023

## Meetings & Attendance

The Committee held 02 meetings during the year

<b>Dr. Sankalpa Gamwarige</b> .....	N/A
<b>Mr. Ashoka Goonesekere</b> .....	Nil
<b>Ms. Rose Cooray</b> .....	2/2
<b>Dr. Sivakumar Selliah</b> .....	2/2
<b>Mr. Ravi Abeyesuriya</b> .....	2/2

“ Competitive compensation, meaningful recognition, and employee development are crucial for attracting and retaining talent, fostering a positive work environment, and achieving sustainable growth. Furthermore, equipping employees with the right tools and fostering human-centric values are essential for building a progressive and sustainable organisation. ”

Dr. Sankalpa Gamwarige  
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.
- Recommend the level and structure of remuneration for key management personnel (Senior Management Team).
- 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 2023

We were proactive in addressing the challenges related to talent migration, talent development, pay structures, and overall employee experience. strategic focus on talent development, market-aligned pay structures, strategic recruitment, and positive employee experience helped retain existing talent and attract new, high-quality professionals. It clearly reflected our commitment to creating a workplace that values and invests in our employees.

## ENABLE SALESFORCE EXPANSION

With the steep acceleration in Bancassurance and Agency channels, it was essential to ensure that the right number of staff requirements were delivered with the right quality for sales. Much effort was put into working with sales leadership to ensure cultural fitment of new entrants from day-one. Key initiatives were executed for Sales leadership development and self-phased learning.

#### Attendees by Invitation

Mrs. Chiranthi Cooray - DGM  
Sustainability & Corporate  
Communication, Heads of HR and Chief  
Executive Officers attends meetings by  
invitations regularly

#### Secretary to the Committee

Ms. Yoga Gunadasa

#### Expertise

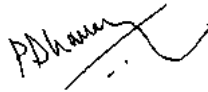
The Chairman and members of the  
Committee have extensive experience  
in diverse fields the details which can be  
found on pages 24 to 26.

#### DRIVE STAFF DEVELOPMENT

Proactive steps were taken to enhance job descriptions, skill matrices, and prioritise on-the-job training. This approach led to several benefits, including improved employee performance, skill development, and overall organisational efficiency. By focusing on these aspects, we were able to create a robust framework for employee development, leading to a more skilled and motivated workforce. By taking a holistic approach to leadership training, talent development, and HR-initiated discussions, our commitment to continuous learning and growth was further established.

#### FACILITATE INCREASED ENGAGEMENT

We put a significant focus on creating engagement programs that appeal to a wide range of employees, including different generations, and have shifted from a mass approach to a more targeted one, particularly for key talent. Additionally, the effort placed on the retention of female talent is a positive step toward fostering diversity and inclusion. Launch of In.She program was a key highlight.



**Dr. Sankalpa Gamwarige**

*Chairman Human Resources and Remuneration Committee*

Colombo, Sri Lanka  
15th February 2024

# RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

## Areas of Focus

- Compliance with Rules and Regulations
- Review of related party transactions
- Protecting shareholder interest

## Composition

**Mr. Ashoka Goonesekere**

- Chairman (IND/NED)

**Mr. Damien Fernando**

- Member (NIND/NED)

**Dr. Sankalpa Gamwarige\***

- Member (IND/NED)

**Mr. R A Ebell\*\***

- Member (IND/NED)

**Dr. S. Selliah\***

- Former Chairman (Senior IND/NED)

IND - Independent Director

NIND - Non-Independent Director

NED - Non-Executive Director

\* Dr. Sankalpa Gamwarige was appointed to the Committee w.e.f 01st January 2024

\*\* Mr. R A Ebell was appointed to the Committee w.e.f 16th June 2023 and resigned w.e.f 31st December 2023.

• Dr. Sivakumar Selliah retired w.e.f 16th June 2023

## Meetings & Attendance

The Committee held 04 meetings during the year

Mr. Ashoka Goonesekere.....	4/4
Mr. Damien Fernando* .....	4/4
Dr. Sankalpa Gamwarige .....	N/A
Mr. R A Ebell.....	2/2
Dr. Sivakumar Selliah.....	2/2

\* 2 meetings attended by alternate Director Dr. T K D A P Samarasinghe. Dr. Samarasinghe has resigned from his office as Alternate Director to Mr. Fernando w.e.f. 06th June 2023.

“ Operating as part of a Group, related party transactions are monitored closely to ensure that regulatory requirements are complied with ”

Ashoka Goonesekere

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 and in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC). 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 and rules set out in the Code of Best Practices on Related Party Transactions issued by the SEC.
- Review all proposed related party transactions in advance, subject to the exceptions given under Section 9.14.10 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 2023

### Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company and Subsidiary for the year 2023. 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 338 to 343 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.

### 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. Yoga Gunadasa** - Board Secretary (HNBA) & Head of Legal and Compliance Officer & Board Secretary (HNBGI)

### Expertise

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 24 to 26.

## POLICIES AND PROCEDURES

Chief Financial Officer is responsible for reporting the information set out under rule 30 of the Code of Best Practices on Related Party Transactions issued by the SEC / Section 3 of the clause 9.14.5 of the Listing Rules at the minimum 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 9.14.10 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 and in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC). An affirmative statement of compliance with the rules pertaining to related party transactions by the Board of Directors and KMPs are included on page 196 of this Annual Report.



**Ashoka Goonesekere**

*Chairman – Related Party Transaction Review Committee*

Colombo, Sri Lanka  
15th February 2024

# NOMINATION & GOVERNANCE 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)

### Mr. Damien Fernando\*\*\*

- Member (NIND/NED)

### Mr. Ravindra Abeyesuriya\*\*\*\*

- Member (Senior IND/NED)

### Mr. Ashoka Goonesekere\*\*\*\*\*

- Member (IND/NED)

IND - Independent Director

NIND - Non-Independent Director

NED - Non-Executive Director

\* Mr. Dilshan Rodrigo resigned from the Board of Directors w.e.f 11th December 2023

\*\* Dr. Sivakumar Selliah retired from the Board of Directors w.e.f 16th June 2023

\*\*\* Temporary member for the period between 16th June 2023 – 30th June 2023

\*\*\*\* Mr. Ravindra Abeyesuriya was appointed to the Committee as a member w.e.f 01st July 2023  
Mr. Ravindra Abeyesuriya demise on 25th October 2023.

\*\*\*\*\* Mr. Ashoka Goonesekere was appointed to the Committee as a member w.e.f 30th October 2023

## Meetings & Attendance

The Committee held 05 meetings during the year

Ms. Rose Cooray .....5/5

Mr. Dilshan Rodrigo.....5/5

Dr. Sivakumar Selliah .....2/2

Mr. Damien Fernando .....1/1

Mr. Ravindra Abeyesuriya ..... Nil

Mr. Ashoka Goonesekere .....2/2

“ 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 & Governance 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



### Attendees by Invitation

Chief Executive Officers

### Secretary to the Committee

Mrs. Yoga Gunadasa - 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 26.

### ACTIVITIES IN 2023

- Committee considered re-appointment of Directors retiring by rotation
- Appointment of Mr. Richard Ebell to the Board of HNB Assurance PLC
- Appointment of Mr. Dinesh Dharmadasa to the Board of HNB General Insurance Limited
- Appointment of Mr. Ravindra Abeysuriya as Senior Independent Director of HNB Assurance PLC
- Appointment of Mr. Lakshman Silva as Independent Director of HNB Assurance PLC
- Appointment of Dr. Sankalpa Gamwarige as 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 & Governance Committee  
Colombo, Sri Lanka

15th February 2024

# INVESTMENT COMMITTEE REPORT

## Areas of Focus

- Increasing investment returns through investment portfolio management strategies
- Strengthening the investment risk management strategies amid volatile market conditions

## Composition

**Mr. Lakshman Silva \***

- Chairman (IND/NED)

**Mr. Ashoka Goonesekere \*\***

- Member (IND/NED)

**Mr. Arjuna Abeygunasekara \*\*\***

- Member (NIND/NED)

**Dr. Sivakumar Selliah \*\*\*\***

- Member (Senior IND/NED)

**Mr. Ravi Abeysuriya\*\*\*\*\***

- Member (IND/NED)

IND - Independent Director

NIND - Non-Independent Director

NED - Non-Executive Director

\* Appointed w.e.f. 01st January 2024

\*\* Appointed to the committee w.e.f. 16th June 2023

\*\*\* Director of HNBGI

\*\*\*\* Retired from the Board of HNBA w.e.f. 16th June 2023

\*\*\*\*\*Deceased on 25th October 2023

## Meetings & Attendance

The Committee held 4 meetings during the year.

Mr. Lakshman Silva.....N/A

Mr. Arjuna Abeygunasekara .....3/4

Mr. Ashoka Goonesekere.....2/2

Dr. Sivakumar Selliah .....2/2

Mr. Ravi Abeysuriya.....3/3

## Attendees by Invitation

**Mr. Rajive Dissanayake** - Deputy General Manager - SME and Micro Finance - HNB, Chief Executive Officers, Chief Investment Officer, Chief Actuarial Officer and 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 26.

“ Amidst a year marked by dynamic market fluctuations, the Committee steadfastly offered guidance, illuminating pathways to optimise investment returns whilst judiciously managing risk in our pursuit of financial resilience ”

Lakshman Silva

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 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

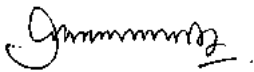
## ACTIVITIES IN 2023

- 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. An emphasis was placed on economic conditions including possible effects of a possible Domestic Debt Optimisation.
- 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 were reached, through close communication between the Committee and the top management.

#### CONCLUSION

In a year marked by dynamic market fluctuations, the Committee steadfastly offered guidance, illuminating pathways to optimise investment returns whilst judiciously managing risk in our pursuit of financial resilience. The Committee is satisfied with the performance of the Company and Subsidiary in navigating this volatile market by adeptly managing the investment portfolios. This performance was realised through strict adherence to the guidelines stipulated in the Investment Policy and compliance with statutory regulations.



**Lakshman Silva**

*Chairman, Investment Committee*

Colombo, Sri Lanka  
15th February 2024

# RISK MANAGEMENT COMMITTEE REPORT

## Areas of Focus

- Key Risk Indicators
- Risk Management Framework
- Macroeconomic Risks

## Composition

**Mr. Stuart Chapman\***  
– Chairman (NIND/NED)

**Ms. Rose Cooray**  
– Member (NIND/NED)

**Mr. Lakshman Silva\*\***  
– Member (IND/NED)

**Ms. Marina Tharmaratnam\*\*\***  
– Member (IND/NED)

**Mr. Dilshan Rodrigo\*\*\*\***  
– Former Chairman (NIND/NED)

IND - Independent Director

NIND - Non-Independent Director

NED - Non-Executive Director

\* Appointed as Chairman w.e.f 01st January 2024

\*\* Appointed as Member w.e.f 01st January 2024

\*\*\* Director of HNBGI

\*\*\*\* Resigned w.e.f 11th December 2023

## Meetings & Attendance

The Committee held 06 meetings during the year

Mr. Stuart Chapman .....6/6

Ms. Rose Cooray .....6/6

Ms. Marina Tharmaratnam .....5/6

Mr. Dilshan Rodrigo.....4/5

## 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

**Ms. Amali Rajapaksha** - Head of Risk Management

## Expertise

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 24 to 26.

“ The Committee continued to strengthen the group risk management framework and adopted a prudent approach to managing risks in the light of economic challenges. Nurturing an organisation-wide culture of risk awareness is a priority in driving sustainable business growth in both Life and General Insurance. ”

Stuart Chapman  
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.

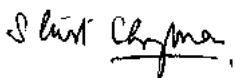
Moreover, the Committee has the authority to engage independent professional advisors on matters within its purview.

## 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.

## ACTIVITIES IN 2023

- 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, liquidity and digitalisation process 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 in 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. The committee also review the Money laundering and Counter Terrorist Finance risk.
- Discussed the investment strategy, reviewed the Asset and Liability Management Positions of the Group, and reviewed the Risk Based Capital.
- 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.
- Cybersecurity and other 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.



**Stuart Chapman**

*Chairman, Risk Management Committee*

Colombo, Sri Lanka  
15th February 2024

# STRATEGY REVIEW COMMITTEE REPORT

## Areas of Focus

- Key performance indicators
- Improving the Group level profitability
- Implementation of the corporate plan

## Composition

**Ms. Rose Cooray**  
- Chairperson (NIND/NED)

**Mr. Damien Fernando**  
- Member (NIND/NED)

**Mr. Stuart Chapman**  
- Member (NIND/NED)

**Ms. Marina Tharmaratnam\***  
- Member (IND/NED)

**Mr. Sanjaya Wijemanne\***  
- Member (NIND/NED)

**Mr. Dinesh Dharmadasa\* & †**  
- Member (IND/NED)

**Dr. Sivakumar Selliah\*\***  
- Member (Senior IND/NED)

IND - Independent Director

NIND - Non-Independent Director

NED - Non-Executive Director

\* Directors of HNBGI

\*\* Dr. Sivakumar Selliah retired from the Board of HNBA w.e.f. 16th June 2023

† Appointed on 17th February 2023

## Meetings & Attendance

The Committee held 06 meetings during the year.

Ms. Rose Cooray .....	6/6
Mr. Damien Fernando .....	3/6*
Mr. Stuart Chapman .....	6/6
Ms. Marina Tharmaratnam .....	5/6
Mr. Sanjaya Wijemanne.....	4/6
Mr. Dinesh Dharmadasa.....	5/5
Dr. Sivakumar Selliah .....	2/2

- Two (2) meetings attended by Alternate Director, Dr. Prasad Samarasinghe

## Attendees by Invitation

**Ms. Priyanka Wijayarathne** - Assistant General Manager -Strategy - HNB, Chief Executive Officers and the Executive Committee members of the Company attends meetings by invitation regularly

## Secretary to the Committee

**Ms. Geethani C Saram** - Head of Business Process Excellence & Strategy (Appointed w.e.f. 01st Jan 2024)

“ In the face of an extraordinary year fraught with unforeseen challenges, the Strategy Review Committee adeptly steered the Group through uncharted waters, successfully navigating uncertainties and driving the accomplishment of set targets ”

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 business growth and profitability and early arrest of any unhealthy developments concerning the businesses of both HNBA and HNBGI.

## ACTIVITIES IN 2023

- Reviewing achievement of KPIs containing materially significant short-term activities, change of processes etc.
- Interacting with identified KMPs responsible for implementation of each activity
- 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 and monitoring the implementation of the strategic plan developed for the next three years
- Monitoring progress of the Company performance in 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  
15th February 2024

# DIRECTOR'S 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, organisational, 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, however in the latter part of the year the Company has recruited a Head of Internal Audit as the need has been identified to establish an Internal audit function in-house in year 2024. 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 174 to 177.
- 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.

## DIRECTOR'S STATEMENT ON INTERNAL CONTROL

- 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 Head of Risk Management 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 Head of Risk Management 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.  
15th February 2024



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2023

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 2023 as set out in pages 210 to 346 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 15th February 2024 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 2023.

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 192
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 192
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 197
Section 168 (1) (d)	Accounting Policies of the Group and the Company and any changes therein.	Section 3.2 on page 192
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 195
Section 168 (1) (f)	Remuneration and other benefits paid to Directors during the accounting period.	Section 5.7 on page 196
Section 168 (1) (g)	Total amount of donations made by the Group during the accounting period.	Section 20 on page 198
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 194 Section 5.2 on page 195
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 197
Section 168 (1) (j)	Auditors' relationship or any interest with the Company and the subsidiary.	Section 8.2 on page 197
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board of Directors.	Section 24 on page 199
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 THE 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.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2023

## 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 the 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 27 to 31), and the Management Discussion and Analysis (pages 41 to 111). 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 categorised 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 9.14 and the recommended best practice. The detailed statement of Directors' Responsibility is included in pages 201 to 202 forms an integral part of this report.

The aforementioned Financial Statements for the year ended 31st December 2023 which appears on pages 210 to 346 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 Material Accounting Policies and Changes during the Year

The material accounting policies adopted in the preparation of the Financial Statements and changes to material accounting policies if any, in the preparation of the Financial Statements are described on page 218.

### 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 into 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.

### 3.4 Events Occurring after the Date of the Statement of Financial Position

Except for the post balance sheet events disclosed in Note 51 on page 343, 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 53 on the page 344. 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 (GWP)

Gross Written Premium of the Group for the year 2023 was Rs.18,760.3 Mn. (2022: Rs. 15,637.7 Mn) whilst the Company's Gross Written Premium for the year 2023 was Rs. 10,923.3 Mn (2022: Rs. 8,911.5 Mn). Note 32 to the Financial Statements in page 320 provides a segmental analysis of the Gross Written Premium.

### 4.2 Profits and Appropriations

The Profit After Tax of the Group for the year 2023 was Rs. 1,764.6 Mn (2022: Rs. 1,830.5 Mn) whilst the Company's Profit After Tax for the year 2023 was Rs. 1,613.3 Mn (2022: Rs. 1,483.6 Mn). The details of the appropriation of profit are given below.

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Profit Before Taxation	2,511,495	2,385,922	2,269,042	1,993,666
Income Tax Expenses	(746,846)	(555,398)	(655,723)	(510,046)
Profit for the Year	1,764,649	1,830,524	1,613,319	1,483,620
Unappropriated Profit Brought Forward	7,822,715	6,644,680	6,552,433	5,548,813
Surcharge Tax	-	(172,489)	-	-
Profit Available for Appropriation	9,587,364	8,302,715	8,165,752	7,032,433
Dividend Paid	(547,500)	(480,000)	(547,500)	(480,000)
Unappropriated Profit Carried Forward	9,039,864	7,822,715	7,618,252	6,552,433

### 4.3 Dividends on Ordinary Shares

Information on final dividend proposed by the Company is given in Note 48 on page 336 to the Financial Statements.

The Directors recommended a first and final dividend of Rs. 3.90 per share for the year under review to be approved by the Shareholders at the forthcoming Annual General Meeting to be held on 02nd April 2024. The final dividend will be paid on or before 26th April 2024 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 02nd of April 2024.

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. 585 Mn 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 2023 was Rs. 1,171,875,000 comprising 150,000,000 fully paid ordinary shares. (2022: 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 212 and 213.

### 4.6 Taxation

As per the prevailing tax rules of the country, the company and the subsidiary were taxed at the corporate tax rate of 30% (2022: up to September 24% and 30% thereafter). The tax position of the Company and its subsidiary is disclosed in Note 46 to the Financial Statements on page 331. As the Company has utilised total amount of brought forward tax losses against taxable income by end 2022 there are no tax losses or deferred tax assets recorded as at the reporting date. The Subsidiary Company, HNB General Insurance Limited recorded a Net Deferred Tax Asset amounted to Rs. 1.5 Mn (Deferred tax Asset of Rs. 99.4 Mn in 2022).

### 4.7 Capital Expenditure

The Company's and Group's capital expenditure on Property, Plant and Equipment and Intangible Assets amounted to Rs. 336.2 Mn and Rs. 424.2 Mn respectively (2022: Company Rs. 193.3 Mn and Group Rs. 236.4 Mn) and all other related information and movements have been disclosed in Note 8 on page 274 and Note 10 on page 282 to the Financial Statements.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2023

## 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. 38,530.6 Mn and Rs. 43,855.3 Mn respectively as at 31st December 2023 (2022 : Rs. 29,844.9 Mn and Rs. 34,624.1 Mn respectively). The details of the Financial Investments are given in Note 11 to the Financial Statements on pages 285 to 293.

## 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. 30,945.7 Mn (2022: Rs. 24,582.6 Mn) as at 31st December 2023, while Contract Liabilities for General Insurance constituted Rs. 4,694.3 Mn (2022: Rs. 4,181.6 Mn) as at 31st December 2023. These liabilities have been valued by the appointed Actuaries whose reports are disclosed on pages 204 and 205 respectively. The assumptions and methods used are given in the accounting policies in pages 305 to 310 of these Financial Statements. The Gratuity Liability of the Company and the Group stood at Rs. 192.1 Mn and Rs.333.9 Mn respectively

(2022: Rs. 142.7 Mn and Rs. 236.4 Mn 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. 407.2 Mn on Property Plant and Equipment and software (2022: Rs. 353.5 Mn) for the Group and Rs. 233.3 Mn on Property Plant and Equipment and software (2022 : Rs. 339.3 Mn) for the Company.

## 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 6 members each as of the signing date of this report. Information relating to the Directors of the Company is available in the Directors' profile on pages 24 to 26. 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 Insurance Regulatory Commission of Sri Lanka (IRCSL).

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 & Governance Committee	Investment Committee	Risk Management Committee	Strategy Review Committee
M A R C Cooray		06.07.2015	30.06.2015	14/14	12/12	-	2/2	-	5/5	-	6/6	6/6
D P N Rodrigo (Resigned w.e.f 11th December 2023)		01.07.2013	N/A	14/14	-	-	-	-	5/5	-	4/5	-
Dr. S Selliah* (Retired w.e.f 16th June 2023)		17.06.2014	N/A	8/8	-	4/4	2/2	2/2	2/2	2/2	-	2/2
D R Abeyhuriya* (Deceased on 25th October 2023)		01.01.2018	N/A	12/12	-	-	2/2	-	Nil	3/3	-	-
L U D Fernando**		29.03.2019	29.03.2019	13/14	12/12	8/8	-	4/4	1/1	-	-	3/6
S A Chapman		29.03.2019	N/A	14/14	-	-	-	-	-	-	6/6	6/6
A Goonesekere		31.12.2021	N/A	14/14	-	8/8	Nil	4/4	2/2	2/2	-	1/1
R A Ebell (Resigned w.e.f 31st December 2023)		16.06.2023	N/A	6/6	-	4/4	-	2/2	-	-	-	1/1
L H A L Silva		01.01.2024	N/A						N/A			
Dr. P S Gamwarige		01.01.2024	N/A						N/A			
M O F Salieh (Resigned w.e.f 16th February 2023)		N/A	22.09.2014	-	2/2	2/2	-	-	-	-	-	-
M A Tharmaratnam		N/A	01.09.2016	-	11/12	-	-	-	-	-	5/6	5/6
M S Wijemanne		N/A	29.03.2019	-	10/12	-	-	-	-	-	-	4/6
A V Abeygunasekara		N/A	29.03.2019	-	12/12	-	-	-	-	3/4	-	1/1
L C Cooray (Resigned w.e.f 24th January 2024)		N/A	17.03.2021	-	9/12	-	1/2	-	-	-	-	1/1
U K D Dharmadasa		N/A	17.02.2023	-	9/9	6/6	-	-	-	-	-	5/5

\* Senior Independent Director

\*\* Dr. T K D A P Samarasinghe has resigned from his office as Alternate Director to Mr. L U D Fernando of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 06th June 2023

• Include meetings attended by Alternate Directors

■ Independent

■ Non-Executive

## 5.2 New Appointments, Retirement , Resignations and Demise

Mr. U K D Dharmadasa was appointed to the Board of HNB General Insurance Limited in the capacity of a Director with effect from 17th February 2023.

Mr. R A Ebell was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 16th June 2023 and resigned with effect from 31st December 2023.

Mr. L H A L Silva was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 01st January 2024.

Dr. P S Gamwarige was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 01st January 2024.

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.

Dr. T K D A P Samarasinghe resigned from Board of both HNB Assurance PLC and its subsidiary with effect from 06th June 2023. He served in the capacity of an Alternate Director to Mr. L U D Fernando for both HNBA and HNBGI for over 3 years.

Mr. D P N Rodrigo resigned from the Board of HNB Assurance PLC in the capacity of a Director with effect from 11th December 2023 having served in the capacity of a Director for a period of 10 years.

Ms. L C Cooray resigned from the Board of HNB General Insurance Limited on 24th January 2024.

Dr. Sivakumar Selliah retired from the Board of HNB Assurance PLC with effect from 16th June 2023 having served in the capacity of a Director for a period of 9 years.

Mr. D R Abeysuriya deceased on 25th October 2023 while serving as a Senior Independent /Non-Executive Director of HNB Assurance PLC. Mr. Abeysuriya was the Chairman of the Investment Committee and held positions in Nominations Committee and Board Procurement Committee at the time of his demise.

There were no appointments, retirements or resignations to the Board of both HNBA and HNBGI during the reporting period other than those mentioned above.

## 5.3 Retirement and Re-election of Directors

In terms of Article 27(7), of the Articles of Association of the Company Mr. Ashoka Goonesekere is retiring by rotation at the AGM and being eligible, offer himself for re-election.

In terms of Article 27(2), of the Articles of Association of the Company Mr. Lokugan Hewage Ananda Lakshman Silva and Dr. Prasanna Sankalpa Gamwarige are retiring by rotation at the AGM and being eligible, offer them-self 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 174 to 188 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 200 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.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2023

The Directors' Interest in shares has not changed between 31st December 2023 and 15th February 2024, the date of this report.

Name of Director	No. of Shares held as at 31st December	
	2023	2022
M A R C Cooray - Chairperson	112,624	112,624
D P N Rodrigo*	N/A	540
D R Abey Suriya**	N/A	5,000
L U D Fernando	Nil	Nil
S A Chapman	500	500
A Goonesekere	Nil	Nil
Mr. R A Ebell***	80,000	N/A
Dr. S Selliah****	N/A	600,000
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)*****	N/A	Nil

\* Mr. D P N Rodrigo has resigned w.e.f. 11th December 2023.

\*\* Mr. D R Abey Suriya deceased on 25th October 2023.

\*\*\* Mr. R A Ebell was appointed on 16th June 2023 and resigned w.e.f 31st December 2023.

\*\*\*\* Dr. S Selliah retired w.e.f 16th June 2023.

\*\*\*\*\* Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando) resigned w.e.f 06th June 2023.

## 5.7 Directors' Remuneration

Director's remuneration including post employment is given in Note 43 on page 329 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 338 to the Financial Statements have complied with Colombo Stock Exchange CSE Listing Rule 9.14.8 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive. The Related Party Transactions Review Committee reviews all related party transactions recorded for the period and 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 9.14.8 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 94 to 100) 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 161 to 168. Ratios relating to Dividends, Net Assets, Market Price per Share are presented on Investor Information on page 363.

### 6.2 Distribution Schedule of Shareholding

The distribution and analysis of shareholding is given on page 161 of this Annual Report. As at 31st December 2023, HNB Assurance PLC had 4,159 registered Ordinary Shareholders (2022 – 4,490).

### 6.3 Substantial Shareholding

Hatton National Bank PLC holds 59.99% of the Ordinary Voting shares as at 31st December 2023. Information of the top 20 Shareholders and the percentage held by each Shareholder as at 31st December 2023 are presented on page 165 with comparable information as at 31st December 2022.

### 6.4 Employee Share Ownership/Option Plans

The Company does not have any employee share ownership/option plans.

### 6.5 Public Shareholding and Float Adjusted Market Capitalisation

The percentage of shares held by the public as at 31 December 2023 was 39.88% (31st December 2022 – 35.33%). The Float Adjusted market capitalisation of the company was Rs. 3,386 Mn as at 31st December 2023 (2022: Rs. 2,274 Mn) and the company met the minimum public shareholding under option 4 of the Section 7.13.1 (a) of the Listing Rules.

Further, details on shareholding and related information are presented on Investor Information on page 165.

## 7. EQUITABLE TREATMENT OF SHAREHOLDERS

All Shareholders irrespective of the number of shares owned by them are treated equally and the Company recognises 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.

## **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 21st 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 2023 and expressed their opinion which appears on pages 206 to 209 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 329 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 174 of this Annual Report.

### **8.3 Re-appointment of Auditor for the Financial Year 2024**

The retiring Auditors Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company and subsidiary. A resolution to re-appoint 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 02nd April 2024 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 169 to 171 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 53 on page 344 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 2023, HNBA recorded a CAR of 339% (2022: 306%) and HNBGI recorded a CAR of 208% (2022: 239%).

## **12. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS**

The Board of Directors believes 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 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 113 to 146, pages 189 to 190, pages 174 to 177 and pages 186 to 187 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 140 to 141. Further, the table from

# **ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2023**

pages 142 to 143 shows the manner in which the Company is in the process of complying with Section 9 of the amended Rules of CSE on Corporate Governance as applicable and Company's compliance on the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 127. The Corporate Governance Report is given from pages 113 to 146. Also, the Director's declare that;

- all applicable laws and regulations have been complied with by the Company, in conducting its business activities and they are aware of laws and regulations and changes particularly to Listing Rules and applicable capital market provisions
- 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,
- the Company has made all endeavours to ensure that all Shareholders have been treated equitably,
- the business is a going concern with supporting assumptions or qualifications as necessary,
- 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.
- they have made arrangements to take actions pertaining to disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the entity has operations.

## **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. WHISTLEBLOWING**

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 94 to 100.

## **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 94 to 100.

## **20. CORPORATE DONATIONS**

Total donations made by the Company during the year amounted to Rs. 750,000 (2022 - Rs. 580,571).

## **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 81 to 87 and on Human Resources and Remuneration Committee Report given on pages 178 to 179.

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 74 to 76.

## 23. ANNUAL GENERAL MEETING

The Twenty Second 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 02nd April 2024 at 10.00 in the forenoon. The Notice of the Annual General Meeting is on page 369 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,



Yoga Gunadasa  
*Board Secretary*



Ashoka Goonesekere  
*Director*



Rose Cooray  
*Chairperson*

Colombo, Sri Lanka  
15th February 2024

## 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 338 to 343 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 the Transactions	Insurance Segment	Group		Company	
				2023	2022	2023	2022
				Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Tiles PLC	Dr. S Selliah*	Insurance Premium	HNBGI	12,570	7,455	-	-
		Claims Incurred	HNBGI	1,251	1,061	-	-
Lanka Walltiles PLC	Dr. S Selliah*	Insurance Premium	HNBGI	1,377	4,665	-	-
		Claims Incurred	HNBGI	199	97	-	-
Swisstek (Ceylon) PLC	Dr. S Selliah*	Insurance Premium	HNBGI	2,190	1,978	-	-
		Claims Incurred	HNBGI	4,202	-	-	-
John Keells Holdings PLC	Mr. D A Cabraal**	Insurance Premium	HNBGI	26,686	20,584	-	-
		Claims Incurred	HNBGI	524	5,093	-	-
Asiri Hospital Holdings PLC	Dr. S Selliah*	Insurance Premium	HNBGI	244	244	-	-
		Claims Incurred	HNBGI	-	678	-	-
Asiri Surgical Hospital PLC	Dr. S Selliah*	Insurance Premium	HNBGI	-	26	-	-
		Claims Incurred	HNBGI	-	97	-	-
Tea Smallholder Factories PLC	Ms. A Goonatileke***	Insurance Premium	HNBGI	117	-	-	-
		Claims Incurred	HNBGI	67	69	-	-
Central Hospital (Pvt) Ltd	Dr. S Selliah*	Insurance Premium	HNBGI	-	51	-	-
		Claims Incurred	HNBGI	-	630	-	-
		Claims Incurred	HNBA	500	-	500	-
Lankapay (Pvt) Ltd	Mr. M S Wijemanne	Insurance Premium	HNBGI	37	2,530	-	-
HVA Foods PLC	Mr. D Cooray	Insurance Premium	HNBGI	336	-	-	-
Sunshine Consumer Lanka Ltd	Mr. D A Cabraal**	Insurance Premium	HNBGI	8,019	-	-	-
		Claims Incurred	HNBGI	1	-	-	-
Ex-pack Corrugated Cartons PLC	Mr. D Dharmadasa	Insurance Premium	HNBGI	180	-	-	-

\* Dr. S Selliah has retired from the Board of HNB Assurance PLC with effect from 16th June 2023.

\*\* Mr. D A Cabraal has retired from the Board of Hatton National Bank with effect from 01st April 2023.

\*\*\*Ms. A Goonatileke has resigned from the Board of Hatton National Bank with effect from 09th June 2023.

# 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 206 to 209. 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 2023, 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 2023.

## Compliance Report

In preparing the Financial Statements for the period ended 31st December 2023, 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 210 to 346.
- 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 2023, 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 174 to 177 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 189 to 190.

## STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

- 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 3.90 per share for this year, to be paid on or before 26th April 2024.
- 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 150 (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 15th February 2024.
- 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 2023. 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 206 to 209.

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,



**Yoga Gunadasa**  
*Board Secretary*

Colombo, Sri Lanka  
15th February 2024

# 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 2023 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 (CSE).
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.
- Section 09 on Corporate Governance issued by Colombo Stock Exchange as applicable
- Statement of Recommended Practice (SoRP) issued by CA Sri Lanka.
- Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka

The formats used in the preparation of the Financial Statements and disclosures made therein comply with the formats prescribed by the pertinent regulators and comply with the disclosure requirements of the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS). The accounting policies used in the preparation of the Financial Statements comply with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of 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 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, the associated uncertainties and the potential implication on the business environment 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 the Company/Group has taken proper and sufficient care in implementing a system of internal controls and accounting records, for safeguarding assets, ensuring smooth operations of the entity 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 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 recognised in weighing the assurance provided by any system of internal controls and accounting. We confirm, to the best of our knowledge that there were no significant deviations or weaknesses in the design or operation of the Internal Controls and any significant fraud that involves management or other employees.

The Audit Committee of the Company meets periodically with the Internal Auditors and External Auditors to review the audit plans 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.

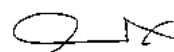
The Financial Statements of the Company/Group were audited by Messrs, KPMG, Chartered Accountants, Independent Auditors and their report is given on pages 206 to 209 of this Annual Report. Prior approval was obtained from the Audit Committee for the audit and non-audit services provided by them to ensure 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 Note 54 on page 346 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 2023 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  
15th February 2024

# REPORT OF THE LIFE ACTUARY



09 February 2024

To the shareholders of HNB Assurance PLC

## Actuarial Valuation of Long-Term Insurance Business as at 31 December 2023

In accordance with the engagement letter dated 20 May 2021, Willis Towers Watson India Private Limited ("WTW", "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 2023. 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 2023.
3. We have reviewed the long-term provisions, Capital Adequacy Ratio (CAR) and surplus figures for valuation as at 31 December 2023.
4. The total long-term insurance provisions maintained within the life fund (on Risk Based Capital Basis) for conventional business is LKR 22,465 million. The total available capital (TAC) on the regulatory basis is LKR 16,163 million.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 and its subsequent amendments is LKR 4,767 million, and the Company's CAR is 339%, compared to the regulatory minimum requirement of 120%.
6. The total surplus distributed to the shareholders for FY2023 is LKR 1,315 million and the surplus distributed to policyholders is LKR 68 million.
7. The tax payable on surplus distributed to policyholder amounted to LKR 20 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 2023 is in excess of the liabilities computed in the above-mentioned manner.

Abhishek Chadha, FIA, FIAI  
Director – Insurance Consulting and Technology, India  
WTW

Willis Towers Watson India Private Limited  
Registered Office:  
2nd Floor, Tower B  
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CIN: U67190HR1996PTC051336

# CERTIFICATION OF INCURRED BUT NOT REPORTED (IBNR) AND INCURRED BUT NOT ENOUGH REPORTED (IBNER) CLAIMS RESERVE



12 February 2024

To the shareholders of HNB General Insurance Limited

**HNB General Insurance Limited 31 December 2023 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 2023.

I hereby certify that the undiscounted Central Estimate of IBNR (inclusive of CHE) provision of LKR 356,108,833 is adequate in relation to the Claim Liability of HNB General Insurance Limited as at the 31 December 2023, 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 2023.

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 2,800,654,867 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of HNB General Insurance Limited as at 31 December 2023. 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**  
Director, P&C Insurance  
Willis Towers Watson India Private Limited

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# INDEPENDENT AUDITOR'S REPORT



KPMG  
(Chartered Accountants)  
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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 2023, 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 material accounting policies as set out on pages 210 to 346 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 2023, 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 for Professional Accountants issued by CA Sri Lanka ("Code of Ethics"), 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 305) and Note 26 (page 310) to these financial statements.

The Life Insurance Contract Liabilities and General Insurance Contract Liabilities as at 31 December 2023 amounted to Rs.31 Bn and Rs.4.7 Bn respectively, which represents 87% 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. All rights reserved.

C. P. Jayatilake FCA  
Ms. S. Joseph FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

T. J. S. Rajakarier FCA  
W. K. D. C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

W. W. J. C. Perera FCA  
S. T. D. L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R.W.M.O.W.D.B. Rathnadiwakara FCA

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





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>There is limited information available and a greater level of uncertainty inherent in assessing Group's estimations of claims which have been incurred by the reporting date but have not yet been reported.</p> <p>Judgment is required when considering the Group's application of historical experience of claims developments to determine current estimates. This includes the variability between the original estimation and the ultimate settlement of claims where there is a long-time delay between the claim being incurred and the ultimate settlement.</p> <p>Claims estimation uses an actuarial modelling process which involves complex and subjective actuarial methodologies, as well as judgements and assumptions about future events and developments, both within and external to, the Group. The key Actuarial assumptions that drive the claims reserving calculation include loss ratios, claim frequencies, average claim sizes, 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 line of business and allowance for future claim inflation.</p> <p>Changes in the methodologies, judgements and assumptions used to value the insurance contract liabilities, can lead to material impacts on the valuation of insurance contract liabilities.</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"> <li>• 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.</li> <li>• 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).</li> <li>• Reconciling the movements in insurance contract liabilities during the year with the movements in the financial results reported in separate funds.</li> <li>• We involved our actuarial specialist to assist us in assessing the key assumptions, including those for loss ratios, claim frequencies, average claim sizes, mortality, morbidity, persistency and expense assumptions, estimates of the frequency and severity of claims morbidity, persistency, 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"> <li>- Assessing the accuracy and completeness of data used for estimates;</li> <li>- Assessing the approach used by the management to derive key assumptions and reserving methodologies driving the value of the insurance liabilities by;</li> <li>- Comparing the Group's actuarial methodologies with the methodologies applied in the industry , prior periods and the requirements of the accounting standards;</li> <li>- Comparing the assumptions used by management to expectations based on, past experience, market observable data and our own industry knowledge and experience</li> <li>- Evaluating the level of prudence applied and compared this to prior periods;</li> <li>- Reviewing sensitivity analysis over key judgments and assumptions</li> <li>- Independently re-projected the reserve balances for certain classes of business.</li> <li>- 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.</li> </ul> </li> <li>• Assessing the adequacy of the Group's disclosure in relation to insurance liabilities obtained from our testing and against the requirements of the accounting standards.</li> </ul>

## 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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 'K. P. M. G.', written over a horizontal line.

**Chartered Accountants**  
*Colombo, Sri Lanka*

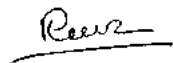
15 February 2024

## STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Page No.	Group		Company	
			2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Assets</b>						
Property, Plant and Equipment	8	274	689,549	418,258	480,796	260,442
Right of Use Assets	9	279	428,871	376,579	368,716	343,824
Intangible Assets	10	282	63,924	61,118	57,566	57,054
Deferred Tax Assets	46	331	1,528	99,430	-	-
Financial Investments	11	285	43,855,383	34,624,131	38,530,656	29,844,875
Investment in Subsidiary	12	294	-	-	1,150,000	1,150,000
Loans to Life Policyholders	13	295	441,923	420,914	441,923	420,914
Reinsurance Receivables	14	295	1,329,157	1,044,318	325,283	184,249
Premium Receivables	15	297	1,858,407	1,853,670	45,940	18,547
Other Assets	16	299	1,262,852	999,838	983,945	713,293
Insurance Contract - Deferred Expenses	17	301	208,471	163,995	-	-
Cash and Cash Equivalents	18	302	1,123,004	1,033,305	666,222	725,420
<b>Total Assets</b>			<b>51,263,069</b>	<b>41,095,556</b>	<b>43,051,047</b>	<b>33,718,618</b>
<b>Equity and Liabilities</b>						
<b>Equity Attributable to the Equity Holders</b>						
Stated Capital	19	302	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	20	303	9,039,864	7,822,715	7,618,252	6,552,433
Available For Sale Reserve	21	303	174,358	(322,296)	106,834	(138,616)
Other Reserve	22	303	(21,290)	22,358	(21,175)	3,972
Life Policyholders' Available For Sale Reserve Fund	23	303	(469,286)	(1,277,414)	(469,286)	(1,277,414)
Restricted Regulatory Reserve	24	304	381,156	381,156	381,156	381,156
<b>Equity Attributable to the Equity Holders</b>			<b>10,276,677</b>	<b>7,798,394</b>	<b>8,787,656</b>	<b>6,693,406</b>
Non-Controlling Interest			-	-	-	-
<b>Total Equity</b>			<b>10,276,677</b>	<b>7,798,394</b>	<b>8,787,656</b>	<b>6,693,406</b>
<b>Liabilities</b>						
Insurance Contract Liabilities - Life Insurance	25	305	30,945,715	24,582,641	30,945,715	24,582,641
Insurance Contract Liabilities - General Insurance	26	310	4,694,303	4,181,588	-	-
Employee Defined Benefit Liabilities	27	313	333,860	236,424	192,127	142,692
Current Tax Liabilities	28	316	530,009	253,810	453,230	209,338
Reinsurance Creditors	29	316	696,915	959,693	302,211	227,512
Lease Creditors	30	317	450,304	410,719	395,383	376,926
Other Liabilities	31	318	2,864,015	2,406,748	1,814,178	1,384,408
Bank Overdrafts	18	302	471,271	265,539	160,547	101,695
<b>Total Liabilities</b>			<b>40,986,392</b>	<b>33,297,162</b>	<b>34,263,391</b>	<b>27,025,212</b>
<b>Total Equity and Liabilities</b>			<b>51,263,069</b>	<b>41,095,556</b>	<b>43,051,047</b>	<b>33,718,618</b>

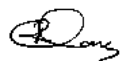
The Notes to the Financial Statements as set out on pages 215 to 346 form an integral part of these Financial Statements.

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

Colombo, Sri Lanka  
15th February 2024

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December,			Group		Company		Change	
			2023	2022	2023	2022	Group	Company
Note	Page No.	Rs.'000	Rs.'000	Rs.'000	Rs.'000	%	%	
Gross Written Premium	32	320	18,760,347	15,637,736	10,923,294	8,911,460	20	23
Premium Ceded to Reinsurers	33	322	(2,922,404)	(2,164,702)	(592,191)	(473,012)	35	25
<b>Net Written Premium</b>			15,837,943	13,473,034	10,331,103	8,438,448	18	22
Net Change in Reserves for Unearned Premium	34	322	(138,553)	(385,557)	-	-	(64)	-
<b>Net Earned Premium</b>	35	323	15,699,390	13,087,477	10,331,103	8,438,448	20	22
<b>Other Revenue</b>								
Interest and Dividend Income	36	323	7,227,168	4,541,682	6,306,764	3,972,636	59	59
Net Realised (Losses)/Gains	37	325	(57,224)	390,099	10,415	105,376	(115)	(90)
Net Fair Value Gains/(Losses)	38	326	65,944	(66,383)	57,107	(68,663)	199	183
Fee and Commission Income	39	326	317,623	272,223	102,709	54,394	17	89
Other Income	40	326	12,046	36,442	9,447	33,223	(67)	(72)
<b>Total Other Revenue</b>			7,565,557	5,174,063	6,486,442	4,096,966	46	58
<b>Net Income</b>			23,264,947	18,261,540	16,817,545	12,535,414	27	34
<b>Net Benefits, Claims and Expenses</b>								
Net Insurance Benefits and Claims Paid	41	327	(6,426,719)	(5,551,509)	(2,654,147)	(2,224,412)	16	19
Net Change in Insurance Claims Outstanding	42	328	(239,365)	(27,488)	(22,289)	54,885	771	(141)
Change in Contract Liabilities - Life Fund	25	305	(6,332,739)	(4,340,103)	(6,332,739)	(4,340,103)	46	46
Other Operating and Administration Expenses	43	329	(5,370,694)	(4,000,490)	(3,585,313)	(2,483,649)	34	44
Underwriting and Net Acquisition Costs	44	330	(2,200,123)	(1,821,540)	(1,806,519)	(1,437,045)	21	26
Finance and Other Insurance Related Costs			(183,812)	(134,488)	(147,496)	(111,424)	37	32
<b>Total Benefits, Claims and Other Expenses</b>			(20,753,452)	(15,875,618)	(14,548,503)	(10,541,748)	31	38
<b>Profit Before Taxation</b>	45	330	2,511,495	2,385,922	2,269,042	1,993,666	5	14
Income Tax Expense	46	331	(746,846)	(555,398)	(655,723)	(510,046)	34	29
<b>Profit for the Year</b>			1,764,649	1,830,524	1,613,319	1,483,620	(4)	9
<b>Other Comprehensive Income, Net of Related Tax, Items that are or may be reclassified to Profit or Loss</b>								
Net Change in Fair Value of Available For Sale								
Financial Assets			1,401,847	(1,647,992)	1,035,773	(1,386,078)	185	175
Realised Gains transferred to Income Statement	37	325	(38,955)	-	(31,744)	-	(100)	(100)
Amortisation of AFS reserve on reclassification	11	285	49,549	32,893	49,549	32,893	51	51
Net Change in fair value of Available For Sale								
Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund			(808,128)	1,210,123	(808,128)	1,210,123	(167)	(167)
Tax related on items that are or may be reclassified to profit or loss	46	331	(107,659)	78,671	-	-	(237)	-
<b>Items that will never be Reclassified to Profit or Loss</b>								
Actuarial (Losses)/Gains on Defined Benefit Plans	27	313	(63,303)	37,945	(25,147)	10,586	(267)	(338)
Tax related on items that will never be reclassified to profit or loss	46	331	19,655	(4,166)	-	-	572	-
<b>Total Other Comprehensive Income for the year, Net of Related Tax</b>			453,006	(292,526)	220,303	(132,476)	255	266
<b>Total Comprehensive Income for the Year</b>			2,217,655	1,537,998	1,833,622	1,351,144	44	36
<b>Profit attributable to:</b>								
Equity Holders of the Company			1,764,649	1,830,524	1,613,319	1,483,620	(4)	9
Non-Controlling Interest			-	-	-	-	-	-
<b>Profit for the Year</b>			1,764,649	1,830,524	1,613,319	1,483,620	(4)	9
<b>Total Comprehensive Income Attributable to :</b>								
Equity Holders of the Company			2,217,655	1,537,998	1,833,622	1,351,144	44	36
Non-Controlling Interest			-	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>			2,217,655	1,537,998	1,833,622	1,351,144	44	36
Basic and Diluted Earnings Per Share (Rs.)	47	325	11.76	12.20	10.76	9.89	(4)	9
Dividend Per Share (Rs.)	48	336	3.90	3.65				

The Notes to the Financial Statements as set out on pages 215 to 346 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policy holders' Available For Sale Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
<b>Balance as at 01st January 2022 (a)</b>		1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Surcharge Tax (b)	46.6	-	(172,489)	-	-	-	-	(172,489)
<b>Comprehensive Income for the Year</b>								
Profit for the Year (c)		-	1,830,524	-	-	-	-	1,830,524
<b>Other Comprehensive Income for the Year, Net of Related Tax</b>								
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
<b>Total Other Comprehensive Income for the Year (d)</b>		-	-	(326,305)	33,779	-	-	(292,526)
<b>Total Comprehensive Income for the Year (e = c+d)</b>		-	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 (f)	23	-	-	-	-	(1,210,123)	-	(1,210,123)
<b>Transactions with Owners Recorded Directly in Equity</b>								
<b>Distributions to Owners of the Parent</b>								
Final dividend 2021 (g)	48.4	-	(480,000)	-	-	-	-	(480,000)
<b>Balance as at 31st December 2022 (a+b+e+f+g)</b>		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,798,394
<b>Balance as at 01st January 2023 (h)</b>		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,798,394
<b>Comprehensive Income for the Year</b>								
Profit for the Year (i)	20	-	1,764,649	-	-	-	-	1,764,649
<b>Other Comprehensive Income for the Year, Net of Related Tax</b>								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,304,782	-	-	-	1,304,782
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(808,128)	-	-	-	(808,128)
Actuarial Losses on Defined Benefit Plans	22	-	-	-	(43,648)	-	-	(43,648)
<b>Total Other Comprehensive Income for the Year (j)</b>		-	-	496,654	(43,648)	-	-	453,006
<b>Total Comprehensive Income for the Year (k=i+j)</b>		-	1,764,649	496,654	(43,648)	-	-	2,217,655
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve Fund (l)	23	-	-	-	-	808,128	-	808,128
<b>Transactions with Owners Recorded Directly in Equity</b>								
<b>Distributions to Owners of the Parent</b>								
Final dividend 2022 (m)	48.4	-	(547,500)	-	-	-	-	(547,500)
<b>Balance as at 31st December 2023 (h+k+l+m)</b>		1,171,875	9,039,864	174,358	(21,290)	(469,286)	381,156	10,276,677

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2023. (2022 - 150 Million Ordinary Shares)

The Notes to the Financial Statements as set out on pages 215 to 346 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY - COMPANY

	Note	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policy holders' Available For Sale Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
<b>Balance as at 01st January 2022 (a)</b>		1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
<b>Comprehensive Income for the Year</b>								
Profit for the Year (b)	20	-	1,483,620	-	-	-	-	1,483,620
<b>Other Comprehensive Income for the Year, Net of Related Tax</b>								
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
<b>Total Other Comprehensive Income for the Year (c)</b>		-	-	(143,062)	10,586	-	-	(132,476)
<b>Total Comprehensive Income for the Year (d = b+c)</b>		-	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 (e)	23	-	-	-	-	(1,210,123)	-	(1,210,123)
<b>Transactions with Owners Recorded Directly in Equity</b>								
<b>Distributions to Owners of the Company</b>								
Final dividend 2021 (f)	48.4	-	(480,000)	-	-	-	-	(480,000)
<b>Balance as at 31st December 2022 (a+d+e+f)</b>		1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406
<b>Balance as at 01st January 2023 (g)</b>		1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406
<b>Comprehensive Income for the Year</b>								
Profit for the Year (h)	20	-	1,613,319	-	-	-	-	1,613,319
<b>Other Comprehensive Income for the Year, Net of Related Tax</b>								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,053,578	-	-	-	1,053,578
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(808,128)	-	-	-	(808,128)
Actuarial Losses on Defined Benefit Plans	22	-	-	-	(25,147)	-	-	(25,147)
<b>Total Other Comprehensive Income for the year (i)</b>		-	-	245,450	(25,147)	-	-	220,303
<b>Total Comprehensive Income for the Year (j = h+i)</b>		-	1,613,319	245,450	(25,147)	-	-	1,833,622
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (k)	23	-	-	-	-	808,128	-	808,128
<b>Transactions with Owners Recorded Directly in Equity</b>								
<b>Distributions to Owners of the Company</b>								
Final dividend 2022 (l)	48.4	-	(547,500)	-	-	-	-	(547,500)
<b>Balance as at 31st December 2023 (g+j+k+l)</b>		1,171,875	7,618,252	106,834	(21,175)	(469,286)	381,156	8,787,656

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2023. (2022 - 150 Million Ordinary Shares)

The Notes to the Financial Statements as set out on pages 215 to 346 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

For the Year Ended 31st December,		Group		Company			
		2023	2022	2023	2022		
Note	Page No.	Rs:'000	Rs:'000	Rs:'000	Rs:'000		
<b>Cash Flows from Operating Activities</b>							
Profit Before Taxation		2,511,495	2,385,922	2,269,042	1,993,666		
<b>Adjustments for:</b>							
Interest Income		36	323	(7,217,300)	(4,533,060)	(6,297,089)	(3,860,664)
Dividend Income		36	323	(9,868)	(8,622)	(9,675)	(111,972)
Amortisation of Intangible Assets		10	282	20,835	19,768	19,330	18,491
Depreciation of Property, Plant and Equipment		8	274	124,939	81,746	93,249	55,406
Net Depreciation of Right of Use Assets		9.2	281	168,463	141,151	156,215	132,586
Interest Expense of Lease Creditors		30	317	57,989	48,317	51,061	44,593
Provision for Employee Benefits		27.2	314	80,741	52,787	46,544	30,056
Net Realised Losses/(Gains)		37	325	57,224	(390,099)	(10,415)	(105,376)
Net Fair Value (Gains)/Losses		38	326	(65,944)	66,383	(57,107)	68,663
Gains on Disposal of Property, Plant and Equipment				(2,428)	(966)	(2,280)	(964)
Gains on Disposal of Right of Use Assets				(1,185)	(1,023)	-	(1,023)
				(4,275,039)	(2,137,696)	(3,741,125)	(1,736,538)
Net Change in Operating Assets		A		(596,933)	(839,876)	(460,762)	(101,192)
Net Change in Operating Liabilities		B		7,068,792	5,244,791	6,887,600	4,401,461
<b>Cash Flows from Operating Activities</b>				2,196,820	2,267,219	2,685,713	2,563,731
Gratuity Paid		27.2	314	(46,608)	(17,585)	(21,984)	(12,628)
Surcharge Tax Paid		46.6	335	-	(194,455)	-	(21,966)
Income Tax Paid		28	316	(476,948)	(113,892)	(432,160)	(64,079)
Capital Gain Tax Paid		28	316	(4,131)	-	-	-
<b>Net Cash Generated from Operating Activities (a)</b>				1,669,133	1,941,287	2,231,569	2,465,058
<b>Cash Flows from Investing Activities</b>							
Acquisition of Financial Investments		11.5 & 11.6	293	(81,861,946)	(275,166,012)	(63,752,128)	(226,927,326)
Proceeds from Maturity of Financial Investments		11.5 & 11.6	293	73,505,256	268,513,153	56,233,934	220,894,080
Proceeds from Sale of Financial Investments		11.5 & 11.6	293	2,573,787	317,672	1,730,628	-
Interest Received				5,192,018	4,046,819	4,521,880	3,399,666
Dividend Received				7,962	8,622	7,769	111,972
Acquisition of Intangible Assets		10	282	(23,641)	(17,706)	(19,842)	(17,706)
Acquisition of Property, Plant and Equipment		8	274	(400,564)	(218,654)	(316,334)	(175,547)
Proceeds from the Disposal of Property, Plant and Equipment				6,762	2,501	5,011	2,053
Advance Paid to Right of Use Assets		9.3	282	(42,255)	(18,342)	(30,050)	(17,262)
<b>Net Cash Used in Investing Activities (b)</b>				(1,042,621)	(2,531,947)	(1,619,132)	(2,730,070)
<b>Cash Flows from Financing Activities</b>							
Dividend Paid		48.4	336	(547,500)	(480,000)	(547,500)	(480,000)
Payment of Lease Liabilities		30	317	(195,045)	(162,654)	(182,987)	(153,830)
<b>Net Cash Used in Financing Activities (c)</b>				(742,545)	(642,654)	(730,487)	(633,830)
Net Decrease in Cash and Cash Equivalents (Net of Book OD) (a+b+c)				(116,033)	(1,233,314)	(118,050)	(898,842)
<b>Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)</b>				767,766	2,001,080	623,725	1,522,567
<b>Cash and Cash Equivalents at the End of the Year (Net of Book OD)</b>		18	302	651,733	767,766	505,675	623,725
<b>Notes to the Cash Flow Statement</b>							
<b>A. Change in Operating Assets</b>							
Increase in Deferred Expenses				(44,476)	(6,285)	-	-
Increase in Loans to Life Policyholders				(21,009)	(17,462)	(21,009)	(17,462)
(Increase)/Decrease in Reinsurance Receivables				(284,839)	27,888	(141,034)	132,760
Increase in Premium Receivables				(4,737)	(605,673)	(27,393)	(10,725)
Increase in Other Assets				(241,872)	(238,344)	(271,326)	(205,765)
<b>Net Change in Operating Assets</b>				(596,933)	(839,876)	(460,762)	(101,192)
<b>B. Change in Operating Liabilities</b>							
Increase in Other Liabilities				435,452	646,052	429,498	348,111
Increase in Insurance Contract Liabilities - (Before Tax) Life Insurance				6,383,403	4,278,892	6,383,403	4,278,892
Increase in Insurance Contract Liabilities - General Insurance				512,715	445,666	-	-
(Decrease)/Increase in Reinsurance Creditors				(262,778)	(125,819)	74,699	(225,542)
<b>Net Change in Operating Liabilities</b>				7,068,792	5,244,791	6,887,600	4,401,461

The Notes to the Financial Statements as set out on pages 215 to 346 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.

Corporate information of the Group is presented in pages 375 and 376 of this Annual Report.

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st December 2023, 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
<b>Parent</b>		
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.
<b>Subsidiary</b>		
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 2023 is 1,453 (2022 – 1,328) and the Company 825 (2022 – 718).

## 2. BASIS OF PREPARATION AND MATERIAL 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 (CA Sri Lanka) 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 (IRCSL), Statement of Recommended Practice (SoRP) issued by CA Sri Lanka and the Listing Rules of the Colombo Stock Exchange (CSE).

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 2026 or on adoption of SLFRS -17 Insurance Contracts, by exercising the temporary exemption provided to an insurer (Refer Note 3 of page 219).

Details of the Group’s material accounting policies followed during the year are given in Note 2.3.1 on page 218 .

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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	210
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	211
Statement of Changes in Equity – Group	Depicts all changes made to Shareholders' equity of the Group	212
Statement of Changes in Equity – Company	Depicts all changes made to Shareholders' equity of the Company	213
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	214
Notes to the Financial Statements	Comprising material accounting policies and other explanatory information	215 to 246

### 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 191 to 199, 201 to 202 and 210 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 2023 (including comparatives for 2022) were approved and authorised for issue by the Board of Directors on 15th February 2024.

### 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	289
	Financial instruments at Fair Value Through Profit or Loss	at Fair Value	11.4	291
	Free hold Land and Buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.	8	274
Liabilities	Insurance Contract Liabilities – Life Insurance	Actuarially determined values based on Actuarial Guidelines Issued by IRCSL	25	305
	Incurred But Not Reported/Incurred But Not Enough Reported Liability	Actuarially determined values based on Internationally Accepted Actuarial Policies and Methodologies	26	310
	Defined Benefit Obligations	Actuarially valued and recognised at Present Value of the Defined Benefit Obligation	27	313

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 337 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 348 to 355 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 2023 on the basis that it will continue to operate as a going concern as the Board of Directors is confident that the Group possesses sufficient resources to continue its operations into the foreseeable future. The basis of preparing the financial statements was based on directors' comprehensive assessment, which includes adherence to regulatory capital requirements, and anticipated funding requirements. The assessment took into consideration the current economic developments in order to make projection for the future based on uncertainties associated with the economic conditions and its potential impact on the economic and business environment in which the group operates.

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.

Based on the above assessment and taking into consideration the group's profitability, capital and liquidity, the Board of Directors are confident that the condition for the application of going concern principle for the preparation of the financial statements are met.

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 Lankan 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 Group are prepared for the twelve months period from 01st January to 31st December and the Company and subsidiary have a common financial year which ends on 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 No.
Classification of Financial Assets and Liabilities	7	271
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	305
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	305 & 310

**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 No.
Impairment of Non - Financial Assets	2.3.2	219
Fair Value of Financial Instruments with significant unobservable inputs	5	255
Impairment of AFS Financial Assets	7	271
Fair Value of free hold Land and Building	8	274
Useful lifetime of Property, Plant and Equipment	8	274
Recognition of Deferred Tax Asset	46	331
Valuation of insurance contract liabilities - Life Insurance	25	305
Liability Adequacy Test - Life Insurance	25.5	308
Modifications to the discount rate used for valuation of insurance contract liabilities	25.8	309
Valuation of insurance contract liabilities - General Insurance	26	310
Liability Adequacy Test - General Insurance	26.8	312
Valuation of Defined Benefit Liability - Gratuity	27	313
Current tax and related assets/liabilities	46	331
Provision for Liabilities and Contingencies	53	344

**2.3 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 56 on pages 215 to 346.**

### 2.3.1 Material Accounting Policies

Material 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 Material Accounting Policies is set out below; and the detailed explanations to each are set out in the respective notes to the Financial Statements. Refer note 3.1 for changes in material accounting policies.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and SLFRS Practice Statement 2) from 01st January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Refer note 3.1 for changes in material accounting policies.

Description	Note	Page No.
Accounting Policies Not Covered Under Individual Notes	2.3.2	219
New Accounting Standards Issued as at the Reporting Date	3	219
Financial Risk Management	4	226
Fair Value Measurement and Related Fair Value Disclosures	5	255
Segmental Reporting	6	263
Financial Assets and Financial Liabilities	7	271
Property, Plant and Equipment	8	274
Right of Use Assets	9	279
Intangible Assets	10	282
Financial Investments	11	285
Investment in Subsidiary	12	294
Loans to Life Policyholders	13	295
Reinsurance Receivables	14	295
Premium Receivables	15	297
Other Assets	16	299
Insurance Contract - Deferred Expenses	17	301
Cash and Cash Equivalents	18	302
Stated Capital	19	302
Insurance Contract Liabilities - Life Insurance	25	305
Insurance Contract Liabilities - General Insurance	26	310
Employee Benefit Liabilities	27	313
Current Tax Liabilities	28	316
Reinsurance Creditors	29	316
Lease Creditors	30	317
Other Liabilities	31	318
Gross Written Premium (GWP)	32	320
Premium Ceded to Reinsurers	33	322
Net Change in Reserves for Unearned Premium	34	322
Interest and Dividend Income	36	323
Net Realised (Losses)/Gains	37	325
Net Fair Value Gains/ (Losses)	38	326
Fee and Commission Income	39	326
Other Income	40	326
Net Insurance Benefits and Claims Paid	41	327
Net Change in Insurance Claims Outstanding	42	328
Other Operating and Administration Expenses	43	329
Staff Expenses	43.1	329
Underwriting and Net Acquisition Costs	44	330
Income Tax and Deferred Tax	46	331
Basic and Diluted Earnings Per Share	47	335
Dividend Per Share (DPS)	48	336
Events Occurring After the Reporting Date	51	343
Provisions for Liabilities and Contingencies	53	344

## 2.3.2 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.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate 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 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 recognised 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 214.

## 3. NEW ACCOUNTING STANDARDS ISSUED AS AT THE REPORTING DATE

### 3.1 Changes in Material Accounting Policies During the Year

#### 3.1.1 Deferred tax related to assets and liabilities arising from a single transaction

The Group adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 01st January 2023. 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. For leases, the Group is required to recognise the associated deferred tax assets and liabilities 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 Group applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The Group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under LKAS 12. There was also no impact on the opening retained earnings as at 01st January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised.

### 3.1.2 Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 01st January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 2.3.1 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

### 3.2 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 summarised below.

#### 3.2.1 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 became effective for annual periods beginning on or after 01st January 2018. Retrospective application is required, but comparative information is not compulsory.

#### 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 01st January 2026.

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 01st April 2016, or at a subsequent annual reporting date.

	Group		Company	
	2023	2022	2023	2022
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance contract liabilities - Life Insurance	30,945,715	24,582,641	30,945,715	24,582,641
Insurance contract liabilities - General Insurance	4,694,303	4,181,588	-	-
Reinsurance Creditors	696,915	959,693	302,211	227,512
<b>Liabilities Connected with insurance</b>	<b>36,336,933</b>	<b>29,723,922</b>	<b>31,247,926</b>	<b>24,810,153</b>
<b>Total Liabilities as per financial statements</b>	<b>40,986,392</b>	<b>33,297,162</b>	<b>34,263,391</b>	<b>27,025,212</b>
<b>Predominance Ratio</b>	<b>89%</b>	<b>89%</b>	<b>91%</b>	<b>92%</b>

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 01st January 2026.

### **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 2023, the Group had equity investments classified as Available For Sale with a fair value of Rs. 99 Mn. and Treasury bills Rs. 6.65 Bn. 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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The table below provides an initial assessment made by the Group on its portfolio of financial assets.

### Financial assets that meet the Solely Payment of Principal and Interest (SPPI) Test - Group

(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	198,429	198,429	Amortised Cost
Term Deposit	L & R	8,649,329	9,250,962	Amortised Cost
Debentures	L & R	9,186,556	9,548,730	Amortised Cost
Treasury Bonds	HTM	11,841,560	14,367,677	Amortised Cost

### All other Financial Assets - Group

(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	6,643,869	6,643,869	FVTOCI
Treasury Bills	AFS	6,650,216	6,650,216	FVTOCI
Equity Shares	AFS	98,945	98,945	FVTPL/FVTOCI
Equity Shares	FVTPL	118,854	118,854	FVTPL
Unit Trusts	FVTPL	467,625	467,625	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.

### 3.3 New Accounting Standards Issued But Not Effective as at the Reporting Date

#### 3.3.1 SLFRS 17 - Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 01st January 2026.

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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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.

#### 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 01st January 2026. Earlier application is permitted if Company applied SLFRS 9 'Financial instruments' on or before the date of initial application of SLFRS 17.

### 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 on actuarial and finance areas. 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.

### SLFRS 17 Implementation program

Implementation of SLFRS 17 requires high level of expertise in both Accounting and Actuarial ends as the new standard is complex and require a fundamental change in accounting and application of significant judgements and estimates. The impact of the Standard will be vital and will affect to the measurement of Insurance Contracts, timing of profit recognition and indicators used to evaluate business performance.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As implementation journey involves new investments in IT, Actuarial and Finance systems, Company initiated an implementation program for SLFRS 17 and SLFRS 09. This mainly includes preparing a strong governance structure for the project, setting accounting policies and creation of sound internal controls for effective implementation.

The Company has selected vendors for both Actuarial and Finance processes and in the process of kicking off the implementation journey to ensure the compliance with SLFRS 17 reporting requirements.

### 3.3.2 Classification of liabilities as current or non-current (Amendments to LKAS 1)

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants. Effective date is 01st January 2024. No material impact is expected on the Group's financial statements.

### 3.3.3 Lease liability in a sale and leased back (Amendment to SLFRS 16)

The amendments specifically affect seller-lessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as 'lease payments' were excluded. Effective date is 01st January 2024. No material impact is expected on the Group's financial statements.

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## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Overview

The Board has the responsibility for setting the risk appetite within which it expects management to operate. The Board Risk Committee assists the Board to discharge its risk management and compliance responsibilities, oversight of risk management, oversight of the implementation and operation of Group's risk management and governance framework. 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 186 to 187.

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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The Board of Directors approves the Group's risk management policies and any commercial, regulatory and organisational 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.

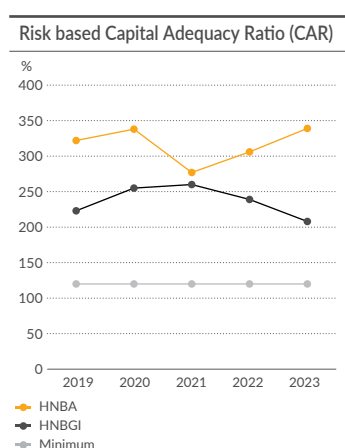
The Company and Subsidiary each maintained adequate Total Available Capital (TAC) levels to support the Risk-Based Capital Requirements (RCR) throughout the year thereby maintained Capital Adequacy Ratios (CAR) well above the regulatory minimum of 120% and regulatory intervention level of 160%.

The TAC and CAR of the Company (HNBA) and Subsidiary (HNBGI) as of 31st December 2023 and 2022 are as follows;

**Total Available Capital (TAC) and Risk-Based Capital Adequacy Ratio (CAR)**

	As at 31st December 2023				As at 31st December 2022			
	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	16,163,014	500,000	339	120	14,514,354	500,000	306	120
HNBGI	2,092,225	500,000	208	120	1,947,292	500,000	239	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 33% due to the Decrease of risk-free rates by 550 basis points and the narrowing of the asset-liability cashflows. To capitalise on higher market yields, the Management consciously overweighted 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 239% (2022) to 208% (2023) 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.



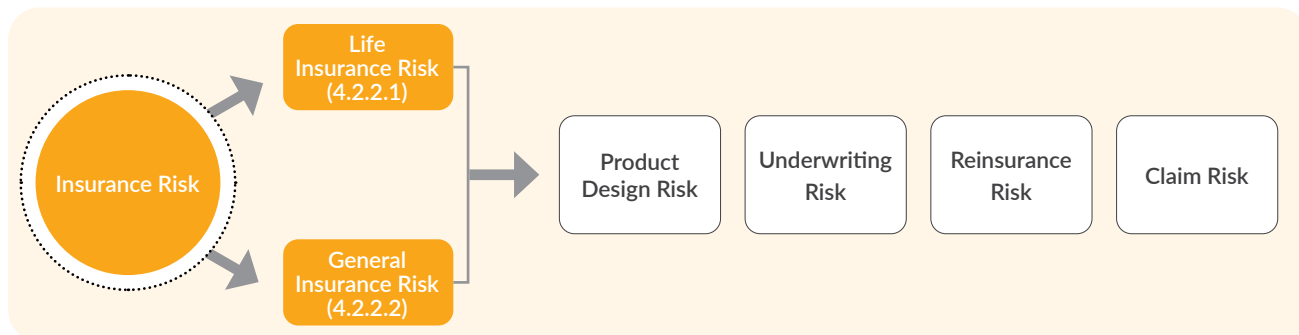
**4.2.2 Insurance Risk**

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.

# ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The following chart graphically presents all types of insurance risks considered in Risk Management;



### Risk Response Strategies

- 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 (IRC SL).

### 4.2.2.1 Life Insurance Risk

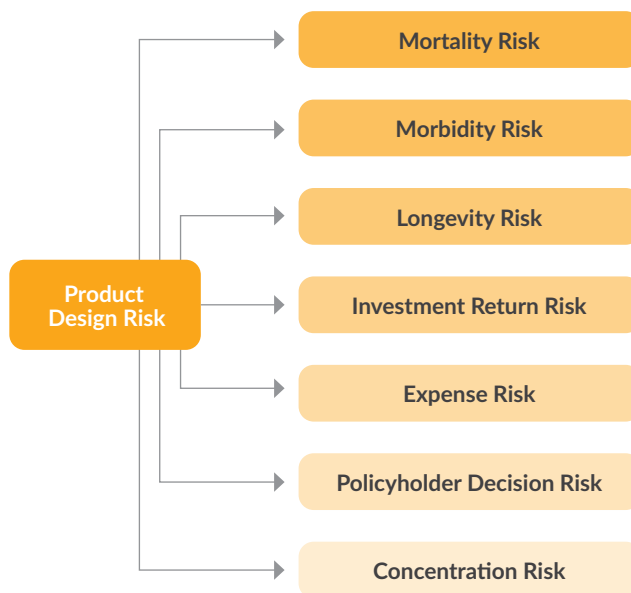
A life insurance contract is an agreement between the policyholder and Company where the Company agrees to compensate the policyholder or his/her beneficiaries in the event of a specified event occurring such as the policyholder's policy maturity, death, disability, illness etc., in exchange for a premium.

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;





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"> <li>• Use of latest mortality tables with adjustments to reflect the Company's mortality experience.</li> <li>• Underwriting limits are in place to enforce appropriate risk selection.</li> </ul>
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"> <li>• Reinsurance tables are used with adjustment to reflect Company experience.</li> <li>• Medical screening to ensure pricing takes account of current health conditions and family medical history, regular review of actual claims experience.</li> </ul>
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"> <li>• Terms and conditions in annuity product applications designed to address non-standard and unpredictable risk.</li> </ul>
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"> <li>• 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.</li> <li>• Discretion to declare bonus rates for participating policies.</li> <li>• Guaranteed dividend rates for universal life policies decided based on latest projected returns encompassing market interest rate expectations.</li> <li>• Annuity products structured by backing investments which are maintained for the agreed amount of business for the year.</li> <li>• Single premium products with guaranteed maturities are issued only with matching assets with similar or higher returns.</li> </ul>
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"> <li>• Annual expense studies are carried out to align expectation with actuals.</li> <li>• The management expense assumptions are developed as such that all management expenses are fully allocated to the policies.</li> </ul>
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"> <li>• Lapse and surrender rates are projected based on Company past experience.</li> <li>• Need analysis prior to sale of product to reduce lapse risk and introduction of convenient premium payment methods.</li> <li>• Charging surrender penalties to discourage surrenders.</li> </ul>
Claims management and provisioning	Once incident occurred, initial claims are managed with requisite degree of experience and competence with assistance of a loss adjustor or another party with specialist knowledge of specific incidents	<ul style="list-style-type: none"> <li>• Using actuarial valuation models , including risk margin to cover inherent uncertainty in the ultimate cost of the claims, aimed at ensuring adequate capital is allocated to settle claims that have occurred.</li> </ul>

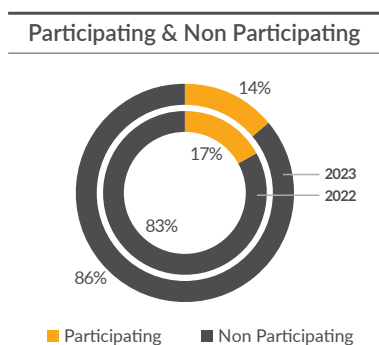
# ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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"> <li>Diversification across industry, sectors, geography.</li> <li>Maintain a predetermined product mix in line with the corporate strategy and reducing over reliance on one product.</li> <li>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.</li> <li>Reducing reliance on participating products and increasing non-participating type of products.</li> </ul>

### Overall risk mitigation approach in traditional life insurance

Product	Key Risk	Risk Mitigation
Traditional Participating	<b>Market risk:</b> Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
	<b>Policyholder behaviour risk:</b>	Surrender penalties
Non participating	<b>Market risk:</b> Insufficient fees to cover cost of guarantees and expenses Policyholder	Derivative hedging programme Surrender
	<b>Behaviour risk</b>	Penalties
Universal Life	<b>Interest rate risk:</b> Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows
	<b>Investment credit risk</b>	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	
		2023	2022
		%	%
Mortality	+ 10%	0.21	0.13
	- 10%	(0.20)	(0.22)
Discount rate	+ 50 basis points	(0.92)	(0.13)
	- 50 basis points	0.92	0.13
Expense	+ 10%	0.51	0.29
	- 10%	(0.63)	(0.37)

#### 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.

#### 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.

# ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

- Claims ratio is closely monitored and any significant change in current experience is brought to the Management attention, in order to take corrective actions.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- 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.

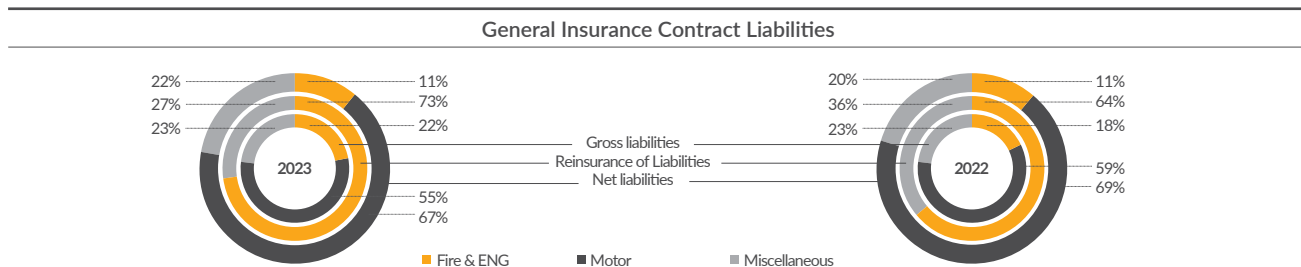
### 4.2.2.2.1 Product Design Risk

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:



### 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 specialisation.
- 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 - India	India	BBB+	A M Best
The New India Assurance Co Ltd	India	BBB+	A M Best
New Reinsurance Company Ltd	Switzerland	AA	A M Best
National Insurance Trust Fund (NITF)	Sri Lanka (Government Entity)	A+	Fitch Ratings
Lancashire Syndicates Limited (9329 at Lloyds)	UK	A+	A M Best
Antares Syndicate (AUL 1274 at Lloyds)	UK	A+	A M Best
Fidelis Underwriting Limited (Navium Marine Limited)	UK	A+	A M Best
Best Meridian International Insurance Company SPC	Cayman Islands	A-	A M Best
Ocean Underwriting Consortium 4872	UK	A+	A M Best
MISR Insurance Company	Egypt	BBB	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 Relations Management Centre (CRMC) 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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

- 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 Mn or three 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
<b>31st December 2023</b>	+/-10%	1,158,910	+/-115,891	+/-76,585	+/-76,585	-/+53,609
31st December 2022	+/-10%	1,006,371	+/-110,637	+/-61,674	+/-61,674	-/+43,172

### Claims Development Table

The following table shows the estimated gross claims liability for each successive accident year at each reporting date.

Accident Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2008	98,195	11,834	7,136	4,653	4,371	3,795	2,051	1,913	5,892	5,122	3,388	2,200	2,400	2,200	2,200
2009	115,384	7,119	3,013	1,379	1,021	4,133	2,697	1,385	8,964	6,464	74	869	570	70	166
2010	142,511	21,589	9,246	7,407	4,300	3,212	9,714	4,019	9,005	10,591	11,365	12,679	18,669	16,669	-
2011	204,088	19,098	3,835	2,883	1,709	3,922	2,126	3,771	4,161	2,796	4,705	10,671	17,886	-	-
2012	226,266	16,193	9,616	3,064	4,039	3,564	4,305	6,826	6,221	9,703	3,943	3,180	-	-	-
2013	207,137	11,033	3,533	1,695	1,902	2,542	3,395	7,100	3,166	2,877	2,200	-	-	-	-
2014	257,441	13,728	2,843	4,300	4,304	4,086	4,675	7,163	9,374	11,462	-	-	-	-	-
2015	391,429	25,658	8,656	8,472	9,798	9,713	20,350	26,864	29,087	-	-	-	-	-	-
2016	345,718	33,013	18,097	18,497	16,943	15,149	16,857	26,843	-	-	-	-	-	-	-
2017	497,786	21,311	12,211	9,922	14,261	17,092	23,308	-	-	-	-	-	-	-	-
2018	566,509	54,331	34,406	39,445	36,176	30,816	-	-	-	-	-	-	-	-	-
2019	703,681	69,245	49,716	44,063	40,355	-	-	-	-	-	-	-	-	-	-
2020	917,929	188,648	67,514	34,343	-	-	-	-	-	-	-	-	-	-	-
2021	906,381	239,535	51,802	-	-	-	-	-	-	-	-	-	-	-	-
2022	842,234	146,439	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2023</b>	<b>1,205,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table shows the estimated net claims liability (after considering reinsurance) for each successive accident year at each reporting date.

Accident Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2008	76,230	7,956	4,604	2,965	2,895	2,726	1,519	1,650	5,367	4,597	2,863	1,675	1,875	1,825	1,825
2009	78,801	3,636	2,576	1,379	1,021	4,133	2,697	1,385	8,964	6,464	74	869	570	70	166
2010	100,283	6,980	4,675	3,219	2,365	1,312	5,964	4,019	9,005	10,591	11,365	12,677	18,641	16,669	-
2011	170,450	7,258	3,422	2,661	1,494	3,622	1,826	3,408	3,798	2,433	4,335	10,286	14,319	-	-
2012	163,480	3,250	2,821	3,064	4,039	3,564	4,305	6,826	6,221	9,686	3,921	3,180	-	-	-
2013	163,203	5,303	3,529	1,695	1,902	2,542	3,395	7,100	3,154	2,862	2,200	-	-	-	-
2014	188,644	7,055	2,765	4,300	4,304	4,086	4,675	7,137	9,340	11,462	-	-	-	-	-
2015	324,314	9,962	8,599	8,472	9,798	9,713	20,315	26,820	29,087	-	-	-	-	-	-
2016	267,060	12,372	10,050	10,497	8,943	11,399	13,096	20,093	-	-	-	-	-	-	-
2017	351,723	9,785	11,017	8,835	13,404	16,233	21,698	-	-	-	-	-	-	-	-
2018	419,251	27,114	23,624	30,284	32,781	27,515	-	-	-	-	-	-	-	-	-
2019	468,169	37,746	38,317	38,629	35,310	-	-	-	-	-	-	-	-	-	-
2020	518,468	64,775	42,557	18,928	-	-	-	-	-	-	-	-	-	-	-
2021	552,850	73,231	38,536	-	-	-	-	-	-	-	-	-	-	-	-
2022	546,754	74,407	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2023</b>	<b>745,325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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		1,104,240	
Claim Handling Expenses (CHE)	+10	1,108,697	4,457
	-10	1,099,784	(4,457)
Development Pattern	Increase in runoff by 6 months	1,107,389	3,149
	Decrease in runoff by 6 months	1,099,514	(4,726)
Initial Expected Loss Ratio (IELR)	+10	1,116,446	12,206
	-10	1,092,034	(12,206)

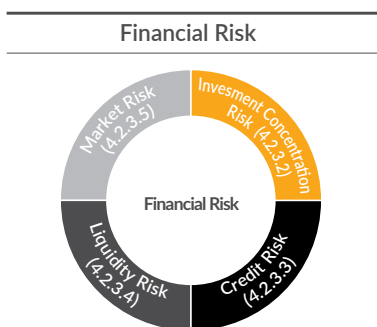
#### Impact on Premium Liabilities by change in key variables

Variable	Change in Variable %	Unexpired Risk Reserve (URR) inc Expense	Premium Liability	Change in Premium Liability
		Rs. '000	Rs. '000	Rs. '000
Original		2,250,307	2,800,655	
Claim Handling Expenses (CHE)	+10	2,263,870	2,800,655	-
	-10	2,236,744	2,800,655	-
Unexpired Risk Reserve (URR)	+10	2,472,537	2,800,655	-
	-10	2,028,077	2,800,655	-

### 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.



#### 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 Strategies

- 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.
- The Company continuously review and limits the maximum amount that can be invested with a single counterparty.



### Financial Instrument wise / Sector wise table

The following table shows the diversification of financial investments of the Group/ Company to minimise the investment concentration risk.

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Carrying Value Rs:'000	Carrying Value Rs:'000	Carrying Value Rs:'000	Carrying Value Rs:'000
<b>Government Securities</b>				
Repo	198,429	1,380,579	169,407	918,083
Treasury Bonds	18,485,429	12,776,665	16,878,361	11,836,715
Treasury Bills	6,650,216	6,812,578	5,475,764	5,788,385
<b>Total</b>	<b>25,334,074</b>	<b>20,969,822</b>	<b>22,523,532</b>	<b>18,543,183</b>
<b>Debentures</b>				
Banks, Finance and Insurance	9,008,927	7,098,070	7,864,830	6,209,033
Diversified Holdings	29,517	376,921	12,913	307,680
Telecommunications	148,112	148,112	148,112	148,112
<b>Total</b>	<b>9,186,556</b>	<b>7,623,103</b>	<b>8,025,855</b>	<b>6,664,825</b>
<b>Term Deposits</b>				
Banks	7,615,112	4,884,095	6,391,925	3,659,392
Finance	1,034,217	1,022,550	1,034,217	854,776
<b>Total</b>	<b>8,649,329</b>	<b>5,906,645</b>	<b>7,426,142</b>	<b>4,514,168</b>
<b>Equity Shares</b>				
Banks, Finance and Insurance	99,802	39,390	99,802	39,390
Diversified Holdings	39,639	22,230	39,639	22,230
Manufacturing	70,108	55,242	68,322	53,380
Beverage, Food and Tobacco	950	448	950	448
Land and Property	7,300	7,251	7,300	7,251
<b>Total</b>	<b>217,799</b>	<b>124,561</b>	<b>216,013</b>	<b>122,699</b>
<b>Units Trust-Unquoted</b>				
NDB Wealth Money Fund	126,963	-	86,004	-
JB Vantage Money Market Fund	83,788	-	83,788	-
Capital Alliance Investment Grade Fund	128,493	-	85,240	-
Senfn Money Market Fund	128,381	-	84,082	-
<b>Total</b>	<b>467,625</b>	<b>-</b>	<b>339,114</b>	<b>-</b>
<b>Total Financial Investments</b>	<b>43,855,383</b>	<b>34,624,131</b>	<b>38,530,656</b>	<b>29,844,875</b>

#### 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			
	2023		2022		2023		2022	
	Rs:'000	%	Rs:'000	%	Rs:'000	%	Rs:'000	%
Financial Investments	43,855,383	89.40	34,624,131	87.93	38,530,656	95.50	29,844,875	94.91
Loans to Life Policyholders	441,923	0.90	420,914	1.07	441,923	1.10	420,914	1.34
Reinsurance Receivables	1,329,157	2.71	1,044,318	2.65	325,283	0.81	184,249	0.59
Premium Receivables	1,858,407	3.79	1,853,670	4.71	45,940	0.11	18,547	0.06
Staff and Advisor Loans	405,153	0.83	382,147	0.97	236,627	0.59	229,037	0.73
Amounts due from Subsidiary	-	-	-	-	99,350	0.25	21,816	0.06
Co -Insurance Receivables	41,935	0.09	21,489	0.05	-	-	-	-
Cash and Cash Equivalents	1,123,004	2.29	1,033,305	2.62	666,222	1.64	725,420	2.31
<b>Total</b>	<b>49,054,962</b>	<b>100</b>	<b>39,379,974</b>	<b>100</b>	<b>40,346,001</b>	<b>100</b>	<b>31,444,858</b>	<b>100</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### Financial Investments

The counter-party 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			
	2023		2022		2023		2022	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>Medium &amp; Long Term Financial Instruments</b>								
Government Securities	25,334,074	58.04	20,969,822	60.41	22,523,532	58.79	18,543,183	62.02
Debentures	9,186,556	21.05	7,623,103	21.96	8,025,855	20.95	6,664,825	22.29
Unit Trusts	467,625	1.07	-	-	339,114	0.89	-	-
Term Deposit	8,649,329	19.82	5,906,645	17.02	7,426,142	19.37	4,514,168	15.10
<b>Total Credit Risk Exposure - Medium &amp; Long Term (a)</b>	<b>43,637,584</b>	<b>99.98</b>	<b>34,499,570</b>	<b>99.39</b>	<b>38,314,643</b>	<b>100</b>	<b>29,722,176</b>	<b>99.41</b>
Short Term Deposits (b)	10,200	0.02	213,143	0.61	-	-	178,132	0.59
<b>Total Credit Risk Exposure (a+b)</b>	<b>43,647,784</b>	<b>100</b>	<b>34,712,713</b>	<b>100</b>	<b>38,314,643</b>	<b>100</b>	<b>29,900,308</b>	<b>100</b>
<b>Credit Risk-Free Financial Instruments</b>								
Equity Shares	217,799		124,561		216,013		122,699	
<b>Total Credit Risk-Free Financial Instruments (c)</b>	<b>217,799</b>		<b>124,561</b>		<b>216,013</b>		<b>122,699</b>	
<b>Total Financial Instruments (a+c)</b>	<b>43,855,383</b>		<b>34,624,131</b>		<b>38,530,656</b>		<b>29,844,875</b>	

### Concentrations of Credit Risk - Financial Instruments & Short Term Deposits

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>Held to Maturity</b>								
Treasury Bonds	11,841,560	27.42	9,423,842	27.15	11,841,560	31.17	9,423,842	31.52
Treasury Bills	-		817,091	2.35	-	-	631,606	2.11
<b>Available For Sale</b>								
Treasury Bonds	6,643,869	15.39	3,352,823	9.66	5,036,801	13.26	2,412,873	8.07
Treasury Bills	6,650,216	15.40	5,995,487	17.27	5,475,764	14.42	5,156,779	17.25
<b>Fair Value Through Profit or Loss</b>								
Unit Trusts	467,625	1.07	-	-	339,114	0.89	-	-
<b>Loans and Receivables</b>								
Repo	198,429	0.46	1,380,579	3.98	169,407	0.45	918,083	3.07
Debentures								
AAA to AAA-	29,517	0.07	-	-	12,914	0.03	-	-
AA+ to AA-	-		376,922	1.09	-	-	307,680	1.03
A+ to A-	3,139,078	7.27	3,202,366	9.23	2,743,651	7.22	2,785,234	9.32
BBB+ to BBB-	6,017,961	13.94	4,043,815	11.65	5,269,290	13.87	3,571,911	11.95
BB+ to BB-	-		-	-	-	-	-	-
Term Deposits								
AAA to AAA-	1,316,752	3.05	-	-	1,199,966	3.16	-	-
A+ to A-	6,755,205	15.48	5,906,645	17.01	5,648,804	14.74	4,514,168	15.09
BBB+ to BBB-	577,372	1.34	-	-	577,372	1.52	-	-
Short Term Deposits	10,200	0.02	213,143	0.61	-	-	178,132	0.59
<b>Total</b>	<b>43,647,784</b>	<b>100</b>	<b>34,712,713</b>	<b>100</b>	<b>38,314,643</b>	<b>100</b>	<b>29,900,308</b>	<b>100</b>

### Risk Response Strategies

Specific actions undertaken by the Group to mitigate Credit Risk in financial investments are shown below.

#### During new Placements

- Adoption of a list of counter-parties approved by the Investment Committee, consisting of companies which, in the opinion of the Committee, carry minimal Credit Risk.
- Checking the creditworthiness 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 counter-parties 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.

- Maintaining a custodian arrangement with HNB for Listed Equity Investments and Government Securities.
- 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. 740 Mn (2022: Rs. 712 Mn).

#### Life Policyholder ageing table

For the Year Ended 31st December,	Group / Company	
	2023	2022
	Rs.'000	Rs.'000
Neither past due not impaired		
0 - 60 days	25,776	29,770
61 - 90 days	16,103	6,573
91 - 180 days	33,624	28,961
181 days +	366,420	355,610
<b>Total maximum exposure to credit risk</b>	<b>441,923</b>	<b>420,914</b>

#### Staff and Advisor Loans

The Group staff and advisor Loans 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. 73% of loans granted in 2023 includes collateral.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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			
	2023		2022		2023		2022	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Reinsurance Receivable on Outstanding Claims	662,395	50	558,116	53	99,177	30	70,801	38
Reinsurance Receivable on Claims Settled	666,762	50	486,202	47	226,106	70	113,448	62
<b>Total Exposure to Credit Risk</b>	<b>1,329,157</b>	<b>100</b>	<b>1,044,318</b>	<b>100</b>	<b>325,283</b>	<b>100</b>	<b>184,249</b>	<b>100</b>

#### Reinsurance Receivable Based on Credit Rating (on Claims Settled)

As at 31st December,	AA+ to AA-		A+ to A-		BBB+ to BBB-		Not rated		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>GROUP</b>										
<b>2023</b>	296,168	44	281,642	42	88,952	14	-	-	666,762	100
2022	201,388	41	156,312	32	128,502	27	-	-	486,202	100
<b>COMPANY</b>										
<b>2023</b>	226,106	100	-	-	-	-	-	-	226,106	100
2022	113,448	100	-	-	-	-	-	-	113,448	100

Below table depicts counter-party 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 crystallised yet.

However, the Subsidiary has not contracted any of 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)

As at 31st December,	AA+ to AA-		A+ to A-		BBB+ to BBB-		Not rated		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>COMPANY</b>										
<b>2023</b>	99,177	100	-	-	-	-	-	-	99,177	100
2022	70,801	100	-	-	-	-	-	-	70,801	100

#### Age Analysis of Reinsurance Receivable

As at 31st December,	< 30 days		31 to 60 days		61 to 90 days		91 to 180 days		>180 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>GROUP</b>												
<b>2023</b>	120,602	18	136,447	20	88,249	13	79,178	12	242,286	37	666,762	100
2022	72,626	15	98,440	20	63,453	13	172,749	36	78,934	16	486,202	100
<b>COMPANY</b>												
<b>2023</b>	43,812	19	59,606	26	31,424	14	37,936	17	53,328	24	226,106	100
2022	24,052	21	15,180	13	19,221	17	54,995	49	-	-	113,448	100

#### Risk Response Strategies

All reinsurers of the Company and 86% 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.

## Premium Receivable

The Group is exposed to credit risk where policyholder or intermediary does not settle the premium due.

### Age Analysis of Premium Receivable

As at 31st December,	< 30 days		31 to 60 days		>61 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>GROUP</b>								
2023	1,361,486	73	441,059	24	55,862	3	1,858,407	100
2022	1,314,563	71	445,523	24	93,584	5	1,853,670	100
<b>COMPANY</b>								
2023	42,482	93	1,991	4	1,467	3	45,940	100
2022	13,667	74	4,373	24	507	3	18,547	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 Policyholders (other than Group Life Policyholders, 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 Management Centre (CRMC) 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	Rating Agency	Group		Company	
			2023	2022	2023	2022
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	A	Fitch Rating	1,086,911	798,914	654,370	537,889
Commercial Bank of Ceylon PLC	A	Fitch Rating	9,030	8,079	5,095	3,513
Bank of Ceylon	A	Fitch Rating	1,023	1,091	929	1,032
National Savings Bank	AAA	LRA Rating	304	1,347	98	1,198
DFCC Bank PLC	A-	Fitch Rating	4,232	1,625	87	54
Pan Asia Banking Corporation PLC	BBB-	Fitch Rating	629	251	178	26
Sampath Bank PLC	A	Fitch Rating	1,756	1,890	887	1,553
HDFC Bank of Sri Lanka	BB+	Fitch Rating	5	1	-	-
LOLC Finance PLC	A	LRA Rating	22	24	15	16
People's Leasing & Finance PLC	A-	Fitch Rating	43	40	30	29
National Development Bank PLC	A-	Fitch Rating	10,276	87,352	-	52,264
Nations Trust Bank PLC	A-	Fitch Rating	1,228	1,978	-	-
HNB Finance PLC	BBB+	Fitch Rating	14	125,957	14	125,956
Peoples' Bank	A	Fitch Rating	559	-	559	-
Seylan Bank PLC	A-	Fitch Rating	178	313	-	-
Regional Development Bank	BBB+	Fitch Rating	1	-	-	-
Amana Bank PLC	BB+	Fitch Rating	2,027	1,721	-	-
<b>Total exposure to credit risk</b>			<b>1,118,238</b>	<b>1,030,583</b>	<b>662,262</b>	<b>723,530</b>
Cash in hand			4,766	2,722	3,960	1,890
<b>Cash and Cash Equivalents</b>			<b>1,123,004</b>	<b>1,033,305</b>	<b>666,222</b>	<b>725,420</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### Risk Response Strategies

The Group maintains savings and current accounts with banks and financial institutions with good credit ratings. As at 31st December 2023, 99.7% of cash was maintained with A- and above rated banks. (2022 : 99.8%, A-)

As at 31st December, Rating	Group				Company			
	2023		2022		2023		2022	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
AAA	304	-	1,347	0.1	98	-	1,198	0.2
A+	-	-	40	-	-	-	29	-
A	1,099,301	98.3	935,955	90.8	661,855	99.9	669,959	92.6
A-	15,957	1.4	91,268	8.9	117	-	52,318	7.2
BBB+	15	-	-	-	14	-	-	-
BB+	2,032	0.2	1,722	0.1	-	-	-	-
BBB-	629	0.1	251	0.1	178	0.1	26	-
<b>Total exposure to credit risk</b>	<b>1,118,238</b>	<b>100</b>	<b>1,030,583</b>	<b>100</b>	<b>662,262</b>	<b>100</b>	<b>723,530</b>	<b>100</b>
Cash In hand	4,766		2,722		3,960		1,890	
<b>Cash and Cash Equivalents</b>	<b>1,123,004</b>		<b>1,033,305</b>		<b>666,222</b>		<b>725,420</b>	

### 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 221.

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 summarises the maturity profile of the financial assets and liabilities of the Group and the Company based on remaining contractual obligations.

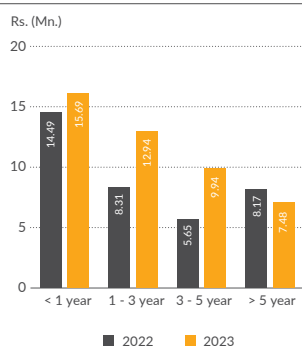
### Maturity Profile of Financial Assets and Financial Liabilities – Group

As at 31st December 2023,	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
<b>Assets</b>					
Financial Investments	43,855,383	13,607,395	12,940,249	9,964,427	7,343,312
Loans to Life Policyholders	441,923	-	-	-	441,923
Reinsurance Receivables	1,329,157	1,329,157	-	-	-
Premium Receivables	1,858,407	1,858,407	-	-	-
Staff and Advisor Loans	405,153	133,120	154,219	88,724	29,090
Co - Insurance Receivables	41,935	41,935	-	-	-
Cash and Cash Equivalents	1,123,004	1,123,004	-	-	-
<b>Total Financial Assets</b>	<b>49,054,962</b>	<b>18,093,018</b>	<b>13,094,468</b>	<b>10,053,151</b>	<b>7,814,325</b>
<b>Liabilities</b>					
Reinsurance Creditors	696,915	696,915	-	-	-
Lease Creditors	450,304	146,202	154,642	117,322	32,138
Other Liabilities	1,392,142	1,088,585	-	-	303,557
Bank Overdrafts	471,271	471,271	-	-	-
<b>Total Financial Liabilities</b>	<b>3,010,632</b>	<b>2,402,973</b>	<b>154,642</b>	<b>117,322</b>	<b>335,695</b>
<b>Total Excess Liquidity</b>	<b>46,044,330</b>	<b>15,690,045</b>	<b>12,939,826</b>	<b>9,935,829</b>	<b>7,478,630</b>

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
<b>Assets</b>					
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	-	-	-
<b>Total Financial Assets</b>	<b>39,379,974</b>	<b>16,753,383</b>	<b>8,473,828</b>	<b>5,729,784</b>	<b>8,422,979</b>
<b>Liabilities</b>					
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	-	-	-
<b>Total Financial Liabilities</b>	<b>2,760,554</b>	<b>2,265,497</b>	<b>159,897</b>	<b>78,029</b>	<b>257,131</b>
<b>Total Excess Liquidity</b>	<b>36,619,420</b>	<b>14,487,886</b>	<b>8,313,931</b>	<b>5,651,755</b>	<b>8,165,848</b>

The Group has no significant concentration of Liquidity risk during the reporting period.

#### Excess Liquidity - Group



## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

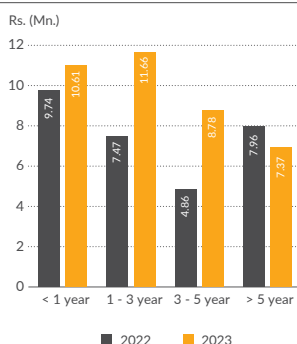
### Maturity Profile of Financial Assets and Financial Liabilities – Company

As at 31st December 2023,	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
<b>Assets</b>					
Financial Investments	38,530,656	10,788,119	11,701,723	8,823,568	7,217,246
Loans to Life Policyholders	441,923	-	-	-	441,923
Reinsurance Receivables	325,283	325,283	-	-	-
Premium Receivables	45,940	45,940	-	-	-
Staff and Advisor Loans	236,627	85,520	89,572	46,825	14,710
Amounts due from Related Parties- HNB General Insurance Limited	99,350	99,350	-	-	-
Cash and Cash Equivalents	666,222	666,222	-	-	-
<b>Total Financial Assets</b>	<b>40,346,001</b>	<b>12,010,434</b>	<b>11,791,295</b>	<b>8,870,393</b>	<b>7,673,879</b>
<b>Liabilities</b>					
Reinsurance Creditors	302,211	302,211	-	-	-
Lease Creditors	395,383	140,551	135,802	92,472	26,558
Other Liabilities	1,072,408	796,412	-	-	275,996
Bank Overdrafts	160,547	160,547	-	-	-
<b>Total Financial Liabilities</b>	<b>1,930,549</b>	<b>1,399,721</b>	<b>135,802</b>	<b>92,472</b>	<b>302,554</b>
<b>Total Excess Liquidity</b>	<b>38,415,452</b>	<b>10,610,713</b>	<b>11,655,493</b>	<b>8,777,921</b>	<b>7,371,325</b>

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
<b>Assets</b>					
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	229,037	79,405	83,300	52,485	13,847
Amounts due from Related Parties- HNB General Insurance Limited	21,816	21,816	-	-	-
Cash and Cash Equivalents	725,420	725,420	-	-	-
<b>Total Financial Assets</b>	<b>31,444,858</b>	<b>10,713,497</b>	<b>7,609,937</b>	<b>4,927,988</b>	<b>8,193,436</b>
<b>Liabilities</b>					
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	-	-	-
<b>Total Financial Liabilities</b>	<b>1,418,955</b>	<b>974,451</b>	<b>144,410</b>	<b>67,085</b>	<b>233,009</b>
<b>Total Excess Liquidity</b>	<b>30,025,903</b>	<b>9,739,046</b>	<b>7,465,527</b>	<b>4,860,903</b>	<b>7,960,427</b>

The Company has no significant concentration of Liquidity risk during the reporting period.

#### Excess Liquidity - Company





### 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;

As at 31st December,	Undiscounted Value - Lease Creditor					Total Rs.'000
	Carrying Value Rs.'000	Less Than One Year Rs.'000	One to Three Years Rs.'000	Three to Five Years Rs.'000	More than Five Years Rs.'000	
<b>GROUP</b>						
2023	450,304	169,519	217,161	141,166	34,097	561,943
2022	410,719	181,965	161,137	90,274	22,794	456,170
<b>COMPANY</b>						
2023	395,383	161,962	193,303	116,316	28,601	500,182
2022	376,926	172,154	141,680	78,193	21,923	413,950

The table below sets out the availability of the Group's financial assets to support future funding.

As at 31st December,	2023			2022		
	Restricted as collateral*	Available as collateral**	Total	Restricted as collateral*	Available as collateral**	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity	11,509,900	331,660	11,841,560	9,710,731	530,202	10,240,933
Loans and Receivables	12,192,234	5,842,080	18,034,314	8,745,580	6,164,747	14,910,327
Available for Sale	8,915,101	4,477,929	13,393,030	6,479,869	2,909,759	9,389,628
Fair Value Through Profit or Loss	456,182	130,297	586,479	81,381	1,862	83,243
Loans to Life Policyholders	441,923	-	441,923	420,914	-	420,914
Reinsurance Receivables	325,283	1,003,874	1,329,157	184,249	860,069	1,044,318
Premiums Receivables	45,940	1,812,467	1,858,407	18,547	1,835,123	1,853,670
Other Financial Assets	-	447,088	447,088	-	403,636	403,636
Cash and Cash Equivalents	562,991	560,013	1,123,004	669,980	363,325	1,033,305
<b>Total</b>	<b>34,449,554</b>	<b>14,605,408</b>	<b>49,054,962</b>	<b>26,311,251</b>	<b>13,068,723</b>	<b>39,379,974</b>

The table below sets out the availability of the Company's financial assets to support future funding.

As at 31st December,	2023			2022		
	Restricted as collateral*	Available as collateral**	Total	Restricted as collateral*	Available as collateral**	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity	11,509,900	331,660	11,841,560	9,710,731	344,717	10,055,448
Loans and Receivables	12,192,234	3,429,170	15,621,404	8,745,580	3,351,496	12,097,076
Available for Sale	8,915,101	1,696,409	10,611,510	6,479,869	1,131,101	7,610,970
Fair Value Through Profit or Loss	456,182	-	456,182	81,381	-	81,381
Loans to Life Policyholders	441,923	-	441,923	420,914	-	420,914
Reinsurance Receivables	325,283	-	325,283	184,249	-	184,249
Premiums Receivables	45,940	-	45,940	18,547	-	18,547
Other Financial Assets	-	335,977	335,977	-	250,853	250,853
Cash and Cash Equivalents	562,991	103,231	666,222	669,980	55,440	725,420
<b>Total</b>	<b>34,449,554</b>	<b>5,896,447</b>	<b>40,346,001</b>	<b>26,311,251</b>	<b>5,133,607</b>	<b>31,444,858</b>

\* Assets restricted as collateral represents the assets owned by the life policyholders of the Group/Company.

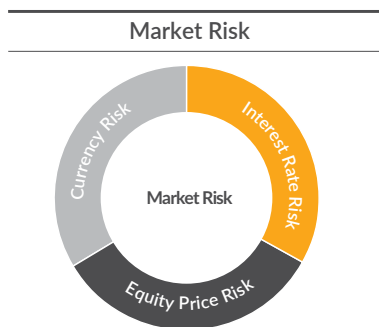
\*\* Financial assets available as collateral represents the assets owned by the shareholders of the Group/Company.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

There were Rs. 317 Mn and Rs. 3.7 Mn financial assets pledged as collateral by the Group and the Company during the year ended 31st December 2023 respectively (2022 -Rs. 262 Mn and Rs. 3.67 Mn by the Group and Company respectively).

### 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 non-compliance 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			
	2023		2022		2023		2022	
	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	-	(164,997)	-	(68,884)	-	(131,419)	-	(49,498)
100 bps parallel decrease in yield curve	-	170,700	-	71,058	-	136,109	-	51,050

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 2023,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
<b>Financial Assets</b>				
Financial Investments - Held to Maturity	-	11,841,560	-	11,841,560
Financial Investments - Loans & receivables	-	18,034,314	-	18,034,314
Financial Investments - Available for sale	-	13,294,085	98,945	13,393,030
Financial Investments - Fair value through profit or loss	-	-	586,479	586,479
Loans to Life Policyholders	-	441,923	-	441,923
Reinsurance Receivables	-	-	1,329,157	1,329,157
Premium Receivables	-	-	1,858,407	1,858,407
Staff and Advisor Loans	-	405,153	-	405,153
Co - Insurance Receivables	-	-	41,935	41,935
Cash and Cash Equivalents	-	10,200	1,112,804	1,123,004
<b>Total Financial Assets</b>	-	44,027,235	5,027,727	49,054,962
<b>Financial Liabilities</b>				
Reinsurance Creditors	-	-	696,915	696,915
Lease Creditors	-	450,304	-	450,304
Other Liabilities	303,557	-	1,088,585	1,392,142
Bank Overdrafts*	-	-	471,271	471,271
<b>Total Financial Liabilities</b>	303,557	450,304	2,256,771	3,010,632

#### 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
<b>Financial Assets</b>				
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
<b>Total Financial Assets</b>	-	35,515,774	3,864,200	39,379,974
<b>Financial Liabilities</b>				
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
<b>Total Financial Liabilities</b>	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.

The Group has no significant concentration of interest rate risk during the reporting period.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## Exposure to Interest Rate Risk - Company

As at 31st December 2023,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
<b>Financial Assets</b>				
Financial Investments - Held to Maturity	-	11,841,560	-	11,841,560
Financial Investments - Loans & receivables	-	15,621,404	-	15,621,404
Financial Investments - Available for sale	-	10,512,565	98,945	10,611,510
Financial Investments - Fair value through profit or loss	-	-	456,182	456,182
Loans to Life Policyholders	-	441,923	-	441,923
Reinsurance Receivables	-	-	325,283	325,283
Premium Receivables	-	-	45,940	45,940
Staff and Advisor Loans	-	236,627	-	236,627
Amounts due from Related Parties - HNB General Insurance Limited	-	-	99,350	99,350
Cash and Cash Equivalents	-	-	666,222	666,222
<b>Total Financial Assets</b>	-	38,654,079	1,681,922	40,346,001
<b>Financial Liabilities</b>				
Reinsurance Creditors	-	-	302,211	302,211
Lease Creditors	-	395,383	-	395,383
Other Liabilities	275,996	-	796,412	1,072,408
Bank Overdrafts*	-	160,547	-	160,547
<b>Total Financial Liabilities</b>	275,996	555,930	1,098,623	1,930,549
<b>As at 31st December 2022,</b>				
	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
<b>Financial Assets</b>				
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 Related Parties- HNB General Insurance Limited	-	-	21,816	21,816
Cash and Cash Equivalents	-	178,132	547,288	725,420
<b>Total Financial Assets</b>	-	30,550,259	894,599	31,444,858
<b>Financial Liabilities</b>				
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
<b>Total Financial Liabilities</b>	213,090	478,621	727,244	1,418,955

\* There is no actual obligation to the Bank and overdraft represents only a book OD.

The Company has no significant concentration of interest rate risk during the reporting period.

## 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 sectoral 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			
	2023		2022		2023		2022	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
<b>Industry</b>								
Banks, Finance and Insurance	99,802	45.82	39,390	31.62	99,802	46.20	39,390	32.10
Manufacturing	70,108	32.19	55,242	44.35	68,322	31.63	53,380	43.50
Diversified Holdings	39,639	18.20	22,230	17.85	39,639	18.35	22,230	18.12
Land and Property	7,300	3.35	7,251	5.82	7,300	3.38	7,251	5.91
Beverage, Food and Tobacco	950	0.44	448	0.36	950	0.44	448	0.37
<b>Total</b>	<b>217,799</b>	<b>100</b>	<b>124,561</b>	<b>100</b>	<b>216,013</b>	<b>100</b>	<b>122,699</b>	<b>100</b>

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 and OCI.

### Percentage Change in Benchmark Index (ASPI)

As at 31st December,	Group				Company			
	Impact on PBT		Impact on OCI		Impact on PBT		Impact on OCI	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
10 per cent increase in equity prices	11,885	8,324	9,894	4,132	11,707	8,138	9,894	4,132
10 per cent decrease in equity prices	(11,885)	(8,324)	(9,894)	(4,132)	(11,707)	(8,138)	(9,894)	(4,132)

The Group has no significant concentration of equity price risk during the reporting period.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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 the deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties and the Group continues to monitor its effects on financial statements under various stressed scenarios.

Further, the Sri Lankan Rupee has appreciated from Rs. 371.61 to Rs. 328.78 per USD as of 31st December 2023 in comparison to the country's dollar exchange rate in 2022.

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			
	2023		2022		2023		2022	
	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	2,668	864,432	2,499	900,703	664	215,116	585	210,957
	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000
5% strengthening of rupee	(43,354)	(30,348)	(45,035)	(31,525)	(10,756)	(7,529)	(10,548)	(7,383)
5% weakening of rupee	43,354	30,348	45,035	31,525	10,756	7,529	10,548	7,383
+/- % impact on Profit	1.73%	1.72%	1.89%	1.72%	0.47%	0.47%	0.53%	0.50%

Year end average rate 1\$ = Rs. 323.97 (2022: Rs. 360.40)

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 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			
		2023		2022		2023		2022	
		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	(43,354)	(30,348)	(45,035)	(31,525)	(10,756)	(7,529)	(10,548)	(7,383)
Yield curve	+100 basis points	-	(164,997)	-	(68,884)	-	(131,419)	-	(49,498)
ASPI	10% increase	11,885	8,320	8,324	5,827	11,707	8,195	8,138	5,697
<b>Total</b>		<b>55,239</b>	<b>(126,329)</b>	<b>(36,711)</b>	<b>(94,582)</b>	<b>22,463</b>	<b>(115,695)</b>	<b>(2,410)</b>	<b>(51,184)</b>
Exchange rate	5% weakening of rupee	43,354	30,348	45,035	31,525	10,756	7,529	10,548	7,383
Yield curve	-100 basis points	-	170,700	-	71,058	-	136,109	-	51,050
ASPI	10% decrease	(11,885)	(8,320)	(8,324)	(5,827)	(11,707)	(8,195)	(8,138)	(5,697)
<b>Total</b>		<b>(55,239)</b>	<b>132,032</b>	<b>36,711</b>	<b>96,756</b>	<b>(22,463)</b>	<b>120,385</b>	<b>2,410</b>	<b>52,736</b>

**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 non-linear. 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 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, Discount rate, 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
<b>Government Securities</b>		
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
<b>Investment in Shares</b>		
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
<b>Investment in Units</b>		
Unlisted Redeemable Units	Valued using the Published Net Asset Value of each Unit Trust Fund	Level 2
<b>Corporate Debt</b>		
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*
<b>Fixed and Term Deposits</b>		
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
<b>Other Financial Assets</b>		
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
<b>Non - Financial Assets</b>		
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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>				
Cash and Cash Equivalents	1,123,004	1,033,305	666,222	725,420
Term Deposits less than one year	1,208,992	2,456,193	234,682	1,266,157
Repos	198,429	1,380,579	169,407	918,083
Loans to Life Policyholders	441,923	420,914	441,923	420,914
Reinsurance Receivables	1,329,157	1,044,318	325,283	184,249
Premium Receivables	1,858,407	1,853,670	45,940	18,547
Amounts due from related parties	-	-	99,350	21,816
Co-Insurance Receivables	41,935	21,489	-	-
<b>Liabilities</b>				
Reinsurance Creditors	696,915	959,693	302,211	227,512
Lease Creditors	450,304	410,719	395,383	376,926
Other Liabilities	1,471,873	1,282,145	741,770	671,586
Bank Overdrafts	471,271	265,539	160,547	101,695

#### 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	2023					
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repos	11.2	-	198,429	-	-	198,429	198,429
Term Deposits	11.2.1	-	9,250,962	-	-	9,250,962	8,649,329
Debentures	11.2.2	-	9,548,730	-	-	9,548,730	9,186,556
Treasury Bonds	11.1 & 11.3	14,367,677	-	6,643,869	-	21,011,546	18,485,429
Equity Shares	11.3.1 & 11.4.1	-	-	98,945	118,854	217,799	217,799
Treasury Bills	11.1 & 11.3	-	-	6,650,216	-	6,650,216	6,650,216
Investment in Units	11.4.2	-	-	-	467,625	467,625	467,625
Loans to Life Policyholders	13	-	441,923	-	-	441,923	441,923
Reinsurance Receivables	14	-	1,329,157	-	-	1,329,157	1,329,157
Premium Receivables	15	-	1,858,407	-	-	1,858,407	1,858,407
Staff and Advisor Loans	16.2	-	405,153	-	-	405,153	405,153
Co - Insurance Receivable	16	-	41,935	-	-	41,935	41,935
Cash and Cash Equivalents	18.1	-	1,123,004	-	-	1,123,004	1,123,004
<b>Total Financial Assets</b>		<b>14,367,677</b>	<b>24,197,700</b>	<b>13,393,030</b>	<b>586,479</b>	<b>52,544,886</b>	<b>49,054,962</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 5.1.b Financial Liabilities

As at 31st December,	Note	2023		
		Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	696,915	696,915	696,915
Lease Creditors	30	450,304	450,304	450,304
Other Financial Liabilities	31	1,392,142	1,392,142	1,392,142
Bank Overdrafts	18.2	471,271	471,271	471,271
<b>Total Financial Liabilities</b>		<b>3,010,632</b>	<b>3,010,632</b>	<b>3,010,632</b>

### 5.1.c 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
Repos	11.2	-	1,380,579	-	-	1,380,579	1,380,579
Term Deposit	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
<b>Total Financial Assets</b>		<b>8,574,693</b>	<b>17,583,046</b>	<b>9,389,628</b>	<b>83,243</b>	<b>35,630,610</b>	<b>39,379,974</b>

### 5.1.d 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	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
<b>Total Financial Liabilities</b>		<b>2,760,554</b>	<b>2,760,554</b>	<b>2,760,554</b>

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,		2023					
		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
Repos	11.2	-	169,407	-	-	169,407	169,407
Term Deposit	11.2.1	-	7,991,737	-	-	7,991,737	7,426,142
Debentures	11.2.2	-	8,283,679	-	-	8,283,679	8,025,855
Treasury Bonds	11.1 & 11.3	14,367,677	-	5,036,801	-	19,404,478	16,878,361
Equity Shares	11.3.1 & 11.4.1	-	-	98,945	117,068	216,013	216,013
Treasury Bills	11.1 & 11.3	-	-	5,475,764	-	5,475,764	5,475,764
Investment in Units	11.4.2	-	-	-	339,114	339,114	339,114
Loans to Life Policyholders	13	-	441,923	-	-	441,923	441,923
Reinsurance Receivables	14	-	325,283	-	-	325,283	325,283
Premium Receivables	15	-	45,940	-	-	45,940	45,940
Staff and Advisor Loans	16.2	-	236,627	-	-	236,627	236,627
Amounts due from Related Parties- HNB General Insurance Limited	16	-	99,350	-	-	99,350	99,350
Cash and Cash Equivalents	18.1	-	666,222	-	-	666,222	666,222
<b>Total Financial Assets</b>		<b>14,367,677</b>	<b>18,260,168</b>	<b>10,611,510</b>	<b>456,182</b>	<b>43,695,537</b>	<b>40,346,001</b>

### 5.2.b Financial Liabilities

As at 31st December,		2023		
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000
Reinsurance Creditors	29	302,211	302,211	302,211
Lease Creditors	30	395,383	395,383	395,383
Other Financial Liabilities	31	1,072,408	1,072,408	1,072,408
Bank Overdrafts	18.2	160,547	160,547	160,547
<b>Total Financial Liabilities</b>		<b>1,930,549</b>	<b>1,930,549</b>	<b>1,930,549</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 5.2.c Financial Assets

As at 31st December,	2022						
		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
Repos	11.2	-	918,083	-	-	918,083	918,083
Term Deposit	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	-	725,420	-	-	725,420	725,420
<b>Total Financial Assets</b>		8,392,382	11,806,943	7,610,970	81,381	27,891,676	31,444,858

## 5.2.d Financial Liabilities

As at 31st December,	2022			
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	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
<b>Total Financial Liabilities</b>		1,418,955	1,418,955	1,418,955

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,		2023				2022			
		Fair Value Measurement Disclosed Using				Fair Value Measurement Disclosed Using			
Note	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	
<b>NON-FINANCIAL ASSETS</b>									
<b>Property, Plant and Equipment</b>									
Land and Building	8.1	-	-	66,831	66,831	-	-	67,611	67,611
<b>Total (a)</b>		-	-	66,831	66,831	-	-	67,611	67,611
<b>FINANCIAL ASSETS</b>									
<b>Fair Value Through Profit or Loss</b>									
Equity Shares	11.4.1	118,854	-	-	118,854	83,243	-	-	83,243
Investment in Units	11.4.2	-	467,625	-	467,625	-	-	-	-
<b>Total (b)</b>		118,854	467,625	-	586,479	83,243	-	-	83,243
<b>Available for Sale</b>									
Treasury Bonds	11.3	6,643,869	-	-	6,643,869	3,352,823	-	-	3,352,823
Treasury Bills	11.3	6,650,216	-	-	6,650,216	5,995,487	-	-	5,995,487
Equity Shares	11.3.1	98,945	-	-	98,945	41,318	-	-	41,318
<b>Total (c)</b>		13,393,030	-	-	13,393,030	9,389,628	-	-	9,389,628
<b>Total Assets measured at fair value (a+b+c)</b>		13,511,884	467,831	66,631	14,046,340	9,472,871	-	67,611	9,540,482

##### 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,		2023				2022					
		Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Note	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	
<b>Held To Maturity</b>											
Treasury Bonds	11.1	11,841,560	14,367,677	-	-	14,367,677	9,423,842	7,770,002	-	-	7,770,002
Treasury Bills	11.1	-	-	-	-	-	817,091	804,691	-	-	804,691
<b>Total (a)</b>		11,841,560	14,367,677	-	-	14,367,677	10,240,933	8,574,693	-	-	8,574,693
<b>Loans and Receivable</b>											
Term Deposits (More than one year)		7,440,337	-	8,041,970	-	8,041,970	3,450,452	-	3,231,550	-	3,231,550
Debentures	11.2.2	9,186,556	-	9,548,730	-	9,548,730	7,623,103	-	5,758,882	-	5,758,882
Staff and Advisor Loans	16.2	405,153	-	405,153	-	405,153	382,147	-	382,147	-	382,147
<b>Total (b)</b>		17,032,046	-	17,995,853	-	17,995,853	11,455,702	-	9,372,579	-	9,372,579
<b>Total fixed rate financial instruments (a+b)</b>		28,873,606	14,367,677	17,995,853	-	32,363,530	21,696,635	8,574,693	9,372,579	-	17,947,272

##### Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2023 (2022 - 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,	2023				2022				
	Note	Fair Value Measurement Disclosed Using			Total Fair Value	Fair Value Measurement Disclosed Using			Total Fair Value
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
<b>FINANCIAL ASSETS</b>									
<b>Fair Value Through Profit or Loss</b>									
Equity Shares	11.4.1	117,068	-	-	117,068	81,381	-	-	81,381
Investment in Units	11.4.2	-	339,114	-	339,114	-	-	-	-
<b>Total (a)</b>		117,068	339,114	-	456,182	81,381	-	-	81,381
<b>Available For Sale</b>									
Treasury Bonds	11.3	5,036,801	-	-	5,036,801	2,412,873	-	-	2,412,873
Treasury Bills	11.3	5,475,764	-	-	5,475,764	5,156,779	-	-	5,156,779
Equity Shares	11.3.1	98,945	-	-	98,945	41,318	-	-	41,318
<b>Total (b)</b>		10,611,510	-	-	10,611,510	7,610,970	-	-	7,610,970
<b>Total Assets measured at fair value (a+b)</b>		10,728,578	339,114	-	11,067,692	7,692,351	-	-	7,692,351

#### 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,	2023					2022				
	Note	Amortised Cost	Fair Value Measurement Disclosed Using		Total Fair Value	Amortised Cost	Fair Value Measurement Disclosed Using		Total Fair Value	
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)			Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
<b>Held To Maturity</b>										
Treasury Bonds	11.1	11,841,560	14,367,677	-	14,367,677	9,423,842	7,770,002	-	-	7,770,002
Treasury Bills	11.1	-	-	-	-	631,606	622,380	-	-	622,380
<b>Total (a)</b>		11,841,560	14,367,677	-	14,367,677	10,055,448	8,392,382	-	-	8,392,382
<b>Loans and Receivable</b>										
Term Deposits (More than one year)		7,191,460	-	7,757,055	7,757,055	3,248,011	-	3,028,252	-	3,028,252
Debentures	11.2.2	8,025,855	-	8,283,679	8,283,679	6,664,825	-	4,994,469	-	4,994,469
Staff and Advisor Loans	16.2	236,627	-	236,627	236,627	229,037	-	229,037	-	229,037
<b>Total (b)</b>		15,453,942	-	16,277,361	16,277,361	10,141,873	-	8,251,758	-	8,251,758
<b>Total fixed rate financial instruments (a+b)</b>		27,295,502	14,367,677	16,277,361	30,645,038	20,197,321	8,392,382	8,251,758	-	16,644,140



### Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2023 (2022 – 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 274.

### Transfer between Levels

There were no transfers between the levels in 2023 (2022: Nil)

### 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
	2023	2022			
	Rs.'000	Rs.'000			
Land and Buildings	66,831	67,611	Refer note 8.5 on page 227	Refer note 8.5 on page 227	Refer note 8.5 on page 227

\*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 - 2023

As at 31st December 2023,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>				
Property, Plant and Equipment	480,796	208,753	-	689,549
Right of Use Assets	368,716	60,155	-	428,871
Intangible Assets	57,566	6,358	-	63,924
Deferred Tax Assets	-	1,528	-	1,528
Financial Investments	38,530,656	5,324,727	-	43,855,383
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	441,923	-	-	441,923
Reinsurance Receivables	325,283	1,003,874	-	1,329,157
Premium Receivables	45,940	1,923,779	(111,312)	1,858,407
Other Assets	983,945	378,257	(99,350)	1,262,852
Insurance Contract - Deferred Expenses	-	208,471	-	208,471
Cash and Cash Equivalents	666,222	456,782	-	1,123,004
<b>Total Assets</b>	<b>43,051,047</b>	<b>9,572,684</b>	<b>(1,360,662)</b>	<b>51,263,069</b>
<b>Equity and Liabilities</b>				
<b>Equity Attributable to the Equity Holders</b>				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	7,618,252	1,421,612	-	9,039,864
Available For Sale Reserve	106,834	67,524	-	174,358
Other Reserve	(21,175)	(115)	-	(21,290)
Life Policyholders' Available For Sale Reserve Fund	(469,286)	-	-	(469,286)
Restricted Regulatory Reserve	381,156	-	-	381,156
<b>Equity Attributable to the Equity Holders</b>	<b>8,787,656</b>	<b>2,639,021</b>	<b>(1,150,000)</b>	<b>10,276,677</b>
Non-Controlling Interest	-	-	-	-
<b>Total Equity</b>	<b>8,787,656</b>	<b>2,639,021</b>	<b>(1,150,000)</b>	<b>10,276,677</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	30,945,715	-	-	30,945,715
Insurance Contract Liabilities - General Insurance	-	4,694,303	-	4,694,303
Employee Defined Benefit Liabilities	192,127	141,733	-	333,860
Current Tax Liabilities	453,230	76,779	-	530,009
Reinsurance Creditors	302,211	394,704	-	696,915
Lease Creditors	395,383	54,921	-	450,304
Other Liabilities	1,814,178	1,260,499	(210,662)	2,864,015
Bank Overdrafts	160,547	310,724	-	471,271
<b>Total Liabilities</b>	<b>34,263,391</b>	<b>6,933,663</b>	<b>(210,662)</b>	<b>40,986,392</b>
<b>Total Equity and Liabilities</b>	<b>43,051,047</b>	<b>9,572,684</b>	<b>(1,360,662)</b>	<b>51,263,069</b>

## 6.1.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2023,		Life Insurance	General Insurance	Total
	Note	Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1	316,334	84,230	400,564
Intangible Assets Additions	10.1	19,842	3,799	23,641
Right of Use Assets Additions	9.1	143,458	33,877	177,335

## 6.2 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
<b>Assets</b>				
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
<b>Total Assets</b>	<b>33,718,618</b>	<b>8,548,754</b>	<b>(1,171,816)</b>	<b>41,095,556</b>
<b>Equity and Liabilities</b>				
<b>Equity Attributable to the Equity Holders</b>				
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
<b>Equity Attributable to the Equity Holders</b>	<b>6,693,406</b>	<b>2,254,988</b>	<b>(1,150,000)</b>	<b>7,798,394</b>
Non-Controlling Interest	-	-	-	-
<b>Total Equity</b>	<b>6,693,406</b>	<b>2,254,988</b>	<b>(1,150,000)</b>	<b>7,798,394</b>
<b>Liabilities</b>				
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
<b>Total Liabilities</b>	<b>27,025,212</b>	<b>6,293,766</b>	<b>(21,816)</b>	<b>33,297,162</b>
<b>Total Equity and Liabilities</b>	<b>33,718,618</b>	<b>8,548,754</b>	<b>(1,171,816)</b>	<b>41,095,556</b>

### 6.2.1 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
Right of Use Assets Additions	9.1	98,042	7,041	105,083

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 6.3 Statement of Profit or Loss - Segmental Review - 2023

For the Year Ended 31st December 2023,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	10,923,294	8,036,270	(199,217)	18,760,347
Premium Ceded to Reinsurers	(592,191)	(2,330,213)	-	(2,922,404)
<b>Net Written Premium</b>	<b>10,331,103</b>	<b>5,706,057</b>	<b>(199,217)</b>	<b>15,837,943</b>
Net Change in Reserves for Unearned Premium	-	(216,566)	78,013	(138,553)
<b>Net Earned Premium</b>	<b>10,331,103</b>	<b>5,489,491</b>	<b>(121,204)</b>	<b>15,699,390</b>
<b>Other Revenue</b>				
Interest and Dividend Income	6,306,764	920,404	-	7,227,168
Net Realised Gains/(Losses)	10,415	(67,639)	-	(57,224)
Net Fair Value Gains	57,107	8,837	-	65,944
Fee and Commission Income	102,709	246,779	(31,865)	317,623
Other Income	9,447	2,599	-	12,046
<b>Total Other Revenue</b>	<b>6,486,442</b>	<b>1,110,980</b>	<b>(31,865)</b>	<b>7,565,557</b>
<b>Net Income</b>	<b>16,817,545</b>	<b>6,600,471</b>	<b>(153,069)</b>	<b>23,264,947</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims Paid	(2,654,147)	(3,773,038)	466	(6,426,719)
Net Change in Insurance Claims Outstanding	(22,289)	(217,076)	-	(239,365)
Change in Contract Liabilities - Life Fund	(6,332,739)	-	-	(6,332,739)
Other Operating and Administration Expenses	(3,585,313)	(1,921,648)	136,267	(5,370,694)
Underwriting and Net Acquisition Costs	(1,806,519)	(409,940)	16,336	(2,200,123)
Finance and Other Insurance Related Costs	(147,496)	(36,316)	-	(183,812)
<b>Total Benefits, Claims and other Expenses</b>	<b>(14,548,503)</b>	<b>(6,358,018)</b>	<b>153,069</b>	<b>(20,753,452)</b>
<b>Profit Before Taxation</b>	<b>2,269,042</b>	<b>242,453</b>	<b>-</b>	<b>2,511,495</b>
Income Tax Expense	(655,723)	(91,123)	-	(746,846)
<b>Profit for the Year</b>	<b>1,613,319</b>	<b>151,330</b>	<b>-</b>	<b>1,764,649</b>

## 6.3.1 Additional Information as per paragraph 23 of SLFRS 08 is as follows,

For the Year Ended 31st December 2023,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	46,396	152,821	199,217
External Customers GWP	32	10,876,898	7,883,449	18,760,347
Interest Income	36.1	6,297,089	920,211	7,217,300
Interest Expenses of Lease Creditors	30	51,061	6,928	57,989
Depreciation on Property, Plant and Equipment	8.1 & 8.2	93,249	31,690	124,939
Amortisation on Intangible Assets	10.1	19,330	1,505	20,835
Depreciation on Right of Use Assets	9.1.1 & 9.1.2	156,215	12,248	168,463

#### 6.4 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)
<b>Net Written Premium</b>	<b>8,438,448</b>	<b>5,129,321</b>	<b>(94,735)</b>	<b>13,473,034</b>
Net Change in Reserves for Unearned Premium	-	(385,557)	-	(385,557)
<b>Net Earned Premium</b>	<b>8,438,448</b>	<b>4,743,764</b>	<b>(94,735)</b>	<b>13,087,477</b>
<b>Other Revenue</b>				
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
<b>Total Other Revenue</b>	<b>4,096,966</b>	<b>1,208,991</b>	<b>(131,894)</b>	<b>5,174,063</b>
<b>Net Income</b>	<b>12,535,414</b>	<b>5,952,755</b>	<b>(226,629)</b>	<b>18,261,540</b>
<b>Net Benefits, Claims and Expenses</b>				
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)
<b>Total Benefits, Claims and other Expenses</b>	<b>(10,541,748)</b>	<b>(5,456,999)</b>	<b>123,129</b>	<b>(15,875,618)</b>
<b>Profit Before Taxation</b>	<b>1,993,666</b>	<b>495,756</b>	<b>(103,500)</b>	<b>2,385,922</b>
Income Tax Expense	(510,046)	(45,352)	-	(555,398)
<b>Profit for the Year</b>	<b>1,483,620</b>	<b>450,404</b>	<b>(103,500)</b>	<b>1,830,524</b>

#### 6.4.1 Additional Information as per paragraph 23 of SLFRS 08 is as follows,

For the year ended 31st December 2022,	Note	Life Insurance	General Insurance	Total
		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	672,397	4,533,061
Interest Expense of Lease Creditor	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

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 6.5 Statement of Cash Flows - Segmental Review - 2023

For the Year Ended 31st December 2023,		Life Insurance	General Insurance	Intersegment Adjustment	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cash Flows From Operating Activities</b>					
Profit Before Taxation		2,269,042	242,453	-	2,511,495
<b>Adjustments for:</b>					
Interest Income		(6,297,089)	(920,211)	-	(7,217,300)
Dividend Income		(9,675)	(193)	-	(9,868)
Amortisation of Intangible Assets		19,330	1,505	-	20,835
Depreciation of Property, Plant and Equipment		93,249	31,690	-	124,939
Net Depreciation of Right of Use Assets		156,215	12,248	-	168,463
Interest Expense of Lease Creditors		51,061	6,928	-	57,989
Provision for Employee Benefits		46,544	34,197	-	80,741
Net Realised (Gains)/Losses		(10,415)	67,639	-	57,224
Net Fair Value Gains		(57,107)	(8,837)	-	(65,944)
Gains on Disposal of Property, Plant and Equipment		(2,280)	(148)	-	(2,428)
Gains on Disposal of Right of Use Assets		-	(1,185)	-	(1,185)
		(3,741,125)	(533,914)	-	(4,275,039)
Net Change in Operating Assets	A	(460,762)	(346,833)	210,662	(596,933)
Net Change in Operating Liabilities	B	6,887,600	391,854	(210,662)	7,068,792
<b>Cash Flows from Operating Activities</b>		<b>2,685,713</b>	<b>(488,893)</b>	<b>-</b>	<b>2,196,820</b>
Gratuity Paid		(21,984)	(24,624)	-	(46,608)
Capital Gain Tax Paid		-	(4,131)	-	(4,131)
Income tax paid		(432,160)	(44,788)	-	(476,948)
<b>Net Cash Generated/ (Used) from/ in Operating Activities (a)</b>		<b>2,231,569</b>	<b>(562,436)</b>	<b>-</b>	<b>1,669,133</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of Financial Investments		(63,752,128)	(18,109,818)	-	(81,861,946)
Proceeds from Maturity of Financial Investments		56,233,934	17,271,322	-	73,505,256
Proceeds from Sale of Financial Investments		1,730,628	843,159	-	2,573,787
Interest Received		4,521,880	670,138	-	5,192,018
Dividend Received		7,769	193	-	7,962
Acquisition of Intangible Assets		(19,842)	(3,799)	-	(23,641)
Acquisition of Property, Plant and Equipment		(316,334)	(84,230)	-	(400,564)
Proceeds from the Disposal of Property, Plant and Equipment		5,011	1,751	-	6,762
Advance Paid to Right of Use Assets		(30,050)	(12,205)	-	(42,255)
<b>Net Cash (Used)/ Generated in/from Investing Activities (b)</b>		<b>(1,619,132)</b>	<b>576,511</b>	<b>-</b>	<b>(1,042,621)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(547,500)	-	-	(547,500)
Payment of Lease Liabilities		(182,987)	(12,058)	-	(195,045)
<b>Net Cash Used in Financing Activities (c)</b>		<b>(730,487)</b>	<b>(12,058)</b>	<b>-</b>	<b>(742,545)</b>
Net (Decrease)/Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)		(118,050)	2,017	-	(116,033)
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)		623,725	144,041	-	767,766
<b>Cash and Cash Equivalents at the End of the Year (Net of Book OD)</b>	18	<b>505,675</b>	<b>146,058</b>	<b>-</b>	<b>651,733</b>
<b>Notes to the Cash Flow Statement</b>					
<b>A. Change in Operating Assets</b>					
Increase in Deferred Expenses		-	(44,476)	-	(44,476)
Increase in Loans to Life Policyholders		(21,009)	-	-	(21,009)
Increase in Reinsurance Receivables		(141,034)	(143,805)	-	(284,839)
Increase in Premium Receivables		(27,393)	(88,656)	111,312	(4,737)
Increase in Other Assets		(271,326)	(69,896)	99,350	(241,872)
<b>Net Change in Operating Assets</b>		<b>(460,762)</b>	<b>(346,833)</b>	<b>210,662</b>	<b>(596,933)</b>
<b>B. Change in Operating Liabilities</b>					
Increase in Other Liabilities		429,498	216,616	(210,662)	435,452
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		6,383,403	-	-	6,383,403
Increase in Insurance Contract Liabilities - General Insurance		-	512,715	-	512,715
Increase/(Decrease) in Reinsurance Creditors		74,699	(337,477)	-	(262,778)
<b>Net Change in Operating Liabilities</b>		<b>6,887,600</b>	<b>391,854</b>	<b>(210,662)</b>	<b>7,068,792</b>

## 6.6 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
<b>Cash Flows From Operating Activities</b>					
Profit Before Taxation		1,993,666	495,756	(103,500)	2,385,922
<b>Adjustments for:</b>					
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
<b>Cash Flows from Operating Activities</b>		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)
<b>Net Cash Generated/ (Used) from/ in Operating Activities (a)</b>		2,465,058	(523,771)	-	1,941,287
<b>Cash Flows from Investing Activities</b>					
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)
<b>Net Cash (Used)/ Generated in/from Investing Activities (b)</b>		(2,730,070)	301,623	(103,500)	(2,531,947)
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(480,000)	(103,500)	103,500	(480,000)
Payment of Lease Liabilities		(153,830)	(8,824)	-	(162,654)
<b>Net Cash Used in Financing Activities (c)</b>		(633,830)	(112,324)	103,500	(642,654)
Net Decrease 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
<b>Cash and Cash Equivalents at the End of the Year (Net of Book OD)</b>	18	623,725	144,041	-	767,766
<b>A. Change in Operating Assets</b>					
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)
<b>Net Change in Operating Assets</b>		(101,192)	(760,500)	21,816	(839,876)
<b>B. Change in Operating Liabilities</b>					
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)
<b>Net Change in Operating Liabilities</b>		4,401,461	865,146	(21,816)	5,244,791

# 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

### ACCOUNTING POLICY

#### NON-DERIVATIVE FINANCIAL ASSETS

##### 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. Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the Income Statement.

##### 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 FVTPL 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 Asset 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"> <li>• 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</li> <li>• 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.</li> </ul>
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 till maturity 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) which is maintained 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			√	
Debentures	11.2			√	
Treasury Bills	11.1 & 11.3	√	√		
Equity Shares	11.3 & 11.4		√		√
Investment in Units	11.4				√
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 are 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, this 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 of 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 assets 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

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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.

Reclassification is at the election of the management and is determined on an instrument by instrument basis. Reclassification of each classes of financial assets are disclosed in respective sub notes.

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 financial liabilities at Fair Value Through Profit or Loss and other financial liabilities. Other 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 recognised 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 recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised 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 recognised 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 276 to 279. 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
<b>Cost</b>							
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)
<b>Balance as at 31st December 2022 (a)</b>	<b>68,639</b>	<b>409,949</b>	<b>19,910</b>	<b>89,803</b>	<b>90,981</b>	<b>173,094</b>	<b>852,376</b>
Balance as at 01st January 2023	68,639	409,949	19,910	89,803	90,981	173,094	852,376
Additions during the year	-	239,556	-	51,700	29,169	80,139	400,564
Disposals during the year	-	(29,207)	-	(7,841)	(2,468)	(6,129)	(45,645)
<b>Balance as at 31st December 2023 (b)</b>	<b>68,639</b>	<b>620,298</b>	<b>19,910</b>	<b>133,662</b>	<b>117,682</b>	<b>247,104</b>	<b>1,207,295</b>
<b>Accumulated Depreciation</b>							
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)
<b>Balance as at 31st December 2022 (c)</b>	<b>1,028</b>	<b>212,399</b>	<b>12,821</b>	<b>58,035</b>	<b>52,536</b>	<b>97,299</b>	<b>434,118</b>
Balance as at 01st January 2023	1,028	212,399	12,821	58,035	52,536	97,299	434,118
Depreciation for the year	780	66,982	4,110	13,649	7,745	31,673	124,939
Depreciation on disposals	-	(27,361)	-	(7,264)	(1,888)	(4,798)	(41,311)
<b>Balance as at 31st December 2023 (d)</b>	<b>1,808</b>	<b>252,020</b>	<b>16,931</b>	<b>64,420</b>	<b>58,393</b>	<b>124,174</b>	<b>517,746</b>
<b>Carrying Value as at 31st December 2022 (a-c)</b>	<b>67,611</b>	<b>197,550</b>	<b>7,089</b>	<b>31,768</b>	<b>38,445</b>	<b>75,795</b>	<b>418,258</b>
<b>Carrying Value as at 31st December 2023 (b-d)</b>	<b>66,831</b>	<b>368,278</b>	<b>2,979</b>	<b>69,242</b>	<b>59,289</b>	<b>122,930</b>	<b>689,549</b>

#### 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. 400.56 Mn (2022 - Rs. 218.65 Mn). Cash payments amounting to Rs. 400.56 Mn (2022 - Rs. 218.65 Mn) 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
<b>Cost</b>						
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)
<b>Balance as at 31st December 2022 (a)</b>	<b>290,983</b>	<b>14,765</b>	<b>72,299</b>	<b>63,484</b>	<b>137,168</b>	<b>578,699</b>
Balance as at 01st January 2023	290,983	14,765	72,299	63,484	137,168	578,699
Additions during the year	196,422	-	37,281	23,725	58,906	316,334
Disposals during the year	(21,506)	-	(5,839)	(1,832)	(3,342)	(32,519)
<b>Balance as at 31st December 2023 (b)</b>	<b>465,899</b>	<b>14,765</b>	<b>103,741</b>	<b>85,377</b>	<b>192,732</b>	<b>862,514</b>
<b>Accumulated Depreciation</b>						
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)
<b>Balance as at 31st December 2022 (c)</b>	<b>150,715</b>	<b>11,236</b>	<b>47,276</b>	<b>33,000</b>	<b>76,030</b>	<b>318,257</b>
Balance as at 01st January 2023	150,715	11,236	47,276	33,000	76,030	318,257
Depreciation for the year	48,488	2,825	10,839	5,806	25,291	93,249
Depreciation on Disposals	(19,910)	-	(5,497)	(1,262)	(3,119)	(29,788)
<b>Balance as at 31st December 2023 (d)</b>	<b>179,293</b>	<b>14,061</b>	<b>52,618</b>	<b>37,544</b>	<b>98,202</b>	<b>381,718</b>
<b>Carrying Value as at 31st December 2022 (a-c)</b>	<b>140,268</b>	<b>3,529</b>	<b>25,023</b>	<b>30,484</b>	<b>61,138</b>	<b>260,442</b>
<b>Carrying Value as at 31st December 2023 (b-d)</b>	<b>286,606</b>	<b>704</b>	<b>51,123</b>	<b>47,833</b>	<b>94,530</b>	<b>480,796</b>

### 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. 316.33 Mn (2022 - Rs. 175.55 Mn). Cash payments amounting to Rs. 316.33 Mn (2022 - Rs. 175.55 Mn) 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 337.

### 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	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
<b>Total Depreciation for 2022</b>	<b>28,878</b>	<b>2,828</b>	<b>6,043</b>	<b>3,664</b>	<b>13,993</b>	<b>55,406</b>
Amount Recognised in Company	38,685	1,642	10,116	5,578	23,023	79,044
Amount Transferred to HNB General Insurance Limited	9,803	1,183	723	228	2,268	14,205
<b>Total Depreciation for 2023</b>	<b>48,488</b>	<b>2,825</b>	<b>10,839</b>	<b>5,806</b>	<b>25,291</b>	<b>93,249</b>

### 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Equipment	115,833	113,757	87,776	89,107
Motor Vehicles	4,779	3,450	4,779	3,450
Office Equipment	41,566	41,736	34,529	34,769
Furniture and Fittings	30,710	27,781	19,086	18,219
Fixtures	72,375	68,799	57,714	54,806
<b>Total</b>	<b>265,263</b>	<b>255,523</b>	<b>203,884</b>	<b>200,351</b>

### 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. (2022 - 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. (2022 - 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 2023. 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. (2022 - 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. 4.3 Mn (2022 - Rs. 1.5 Mn). Cash amounting to Rs. 6.8 Mn (2022 - Rs. 2.5 Mn) 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 to the Financial Statements.

### **8.11 Revaluation Surplus Land and Building**

There was no revaluation reserve recognised, 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 & Equipment retired from active use**

There were no property plant and equipment which are retired from active use as at the reporting date (2022 - Nil)

### **8.13 Property, plant and equipment under construction**

There was no property, plant and equipment under construction as at the reporting date. (2022 - Nil).

### **8.14 Capitalisation of Borrowing Costs**

There were no capitalised borrowing costs relating to the acquisition of PPE during the year. (2022 - Nil)

### **8.15 Temporarily idle Property, Plant and Equipment**

There were no temporarily idle properties as at the year ended 31st December 2023. (2022 - 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. 57.6 Mn as at the reporting date. (2022 - Rs. 111.98 Mn)

### **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 on 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.

#### **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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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.

The Company does not foresee any indications of impairment of right of use assets and does not anticipate discontinuation of any right of use assets as at the year end.

#### 9.1.1 The movement of Right of Use Assets of the Group is as follows;

	2023			2022		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
<b>Cost</b>						
Balance as at 01st January	764,630	28,690	793,320	670,850	27,794	698,644
Additions during the Year	170,411	6,924	177,335	105,083	-	105,083
Day One Loss of Refundable Deposit on Fair Valuation	674	-	674	-	-	-
Increase to recognised assets	6,925	-	6,925	1,501	896	2,397
Advances Paid during the Year	42,255	-	42,255	18,342	-	18,342
Disposals during the Year	(52,045)	(3,586)	(55,631)	(31,146)	-	(31,146)
<b>Balance as at 31st December (a)</b>	<b>932,850</b>	<b>32,028</b>	<b>964,878</b>	<b>764,630</b>	<b>28,690</b>	<b>793,320</b>
<b>Accumulated Depreciation and Amortisation</b>						
Balance of as at 01st January	397,654	19,087	416,741	291,589	11,907	303,496
Depreciation for the Year	140,744	7,787	148,531	119,458	7,180	126,638
Day One Loss of Refundable Deposit on Fair Valuation	2,173	-	2,173	2,135	-	2,135
Amortisation of Rent Advance	17,759	-	17,759	12,378	-	12,378
Depreciation on Disposals	(45,611)	(3,586)	(49,197)	(27,906)	-	(27,906)
<b>Balance as at 31st December (b)</b>	<b>512,719</b>	<b>23,288</b>	<b>536,007</b>	<b>397,654</b>	<b>19,087</b>	<b>416,741</b>
<b>Carrying Value as at 31st December (a-b)</b>	<b>420,131</b>	<b>8,740</b>	<b>428,871</b>	<b>366,976</b>	<b>9,603</b>	<b>376,579</b>

**9.1.2 The movement of Right of Use Assets of the Company is as follows;**

	2023			2022		
	Property Motor Vehicles		Total	Property Motor Vehicles		Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>						
Balance as at 01st January	728,336	14,619	742,955	641,296	14,244	655,540
Additions during the Year	136,534	6,924	143,458	98,042	-	98,042
Day One Loss of Refundable Deposit on Fair Valuation	674	-	674	-	-	-
Increase to recognised assets	6,925	-	6,925	1,635	375	2,010
Advances Paid during the Year	30,050	-	30,050	17,262	-	17,262
Disposals during the Year	(38,570)	(3,586)	(42,156)	(29,899)	-	(29,899)
<b>Balance as at 31st December (a)</b>	<b>863,949</b>	<b>17,957</b>	<b>881,906</b>	<b>728,336</b>	<b>14,619</b>	<b>742,955</b>
<b>Accumulated Depreciation and Amortisation</b>						
Balance of as at 01st January	388,018	11,113	399,131	286,265	6,939	293,204
Depreciation for the Year	133,312	4,973	138,285	114,598	4,174	118,772
Day One Loss of Refundable Deposit on Fair Valuation	2,173	-	2,173	2,135	-	2,135
Amortisation of Rent Advance	15,757	-	15,757	11,679	-	11,679
Depreciation on Disposals	(38,570)	(3,586)	(42,156)	(26,659)	-	(26,659)
<b>Balance as at 31st December (b)</b>	<b>500,690</b>	<b>12,500</b>	<b>513,190</b>	<b>388,018</b>	<b>11,113</b>	<b>399,131</b>
<b>Carrying Value as at 31st December (a-b)</b>	<b>363,259</b>	<b>5,457</b>	<b>368,716</b>	<b>340,318</b>	<b>3,506</b>	<b>343,824</b>

**9.2 Amount Recognised in Profit or Loss**

For the year ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation for the Year	148,531	126,638	138,285	118,772
Day One Loss of Refundable Deposit on Fair Valuation	2,173	2,135	2,173	2,135
Amortisation of Rent Advance	17,759	12,378	15,757	11,679
<b>Net Depreciation</b>	<b>168,463</b>	<b>141,151</b>	<b>156,215</b>	<b>132,586</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 9.3 Amount recognised in Statement of Cash flows

For the year ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advance paid to Right of Use Asset	42,255	18,342	30,050	17,262
Payment of Lease Liabilities	195,045	162,654	182,987	153,830

### 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 337.

### 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term and Low Value Leases	9,861	5,152	5,346	2,806

### 9.7 Apportionment of Depreciation between the Company and the Subsidiary

For the year ended 31st December,	Company	
	2023	2022
	Rs.'000	Rs.'000
Amount Recognised in Company	101,315	80,264
Amount Transferred to HNB General Insurance Limited	54,900	52,322
<b>Total Depreciation under Right of Use Assets</b>	<b>156,215</b>	<b>132,586</b>

### 9.8 Lease Creditors

The Details of Lease Creditors in relation to Right of Use Assets are disclosed in Note 40 on page 326.

### 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. (2022 - 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.

### 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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 10.1 Movement of Intangible Assets

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Computer Software</b>				
<b>Cost</b>				
Balance as at 01st January	319,201	301,495	311,373	293,667
Acquisition/Capitalisation during the Year	23,641	17,706	19,842	17,706
<b>Balance as at 31st December (a)</b>	<b>342,842</b>	<b>319,201</b>	<b>331,215</b>	<b>311,373</b>
<b>Accumulated Amortisation</b>				
Balance as at 01st January	258,083	238,315	254,319	235,828
Amortisation for the Year	20,835	19,768	19,330	18,491
<b>Balance as at 31st December (b)</b>	<b>278,918</b>	<b>258,083</b>	<b>273,649</b>	<b>254,319</b>
<b>Carrying Value as at 31st December (a-b)</b>	<b>63,924</b>	<b>61,118</b>	<b>57,566</b>	<b>57,054</b>

## 10.2 Maturity Analysis

Maturity Analysis of Intangible Assets is given in Note 49 on page 337.

## 10.3 Apportionment of Amortisation between the Company and the Subsidiary

	Company	
	2023	2022
	Rs.'000	Rs.'000
For the year ended 31st December,		
Amount Recognised in Company	15,985	15,073
Amount Transferred to HNB General Insurance Limited	3,345	3,418
<b>Total Depreciation for the year</b>	<b>19,330</b>	<b>18,491</b>

## 10.4 Acquisition of Intangible Assets during the Year

During the financial year, the Group and Company has acquired/Capitalised Intangible Assets (Computer Software) to the aggregate value of Rs. 23.64 Mn and Rs. 19.84 Mn Respectively (2022 - Rs. 17.7 Mn). Cash payments of the Group and Company amounting to Rs. 23.64 Mn and Rs. 19.84 Mn (2022 - Rs. 17.7 Mn) 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. 218 Mn. (2022 - Rs. 199 Mn)

## 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. (2022 - 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. (2022 - 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. 349.6 Mn as at the reporting date. (2022 - Rs. 241.53 Mn)

## 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. (2022 - 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.

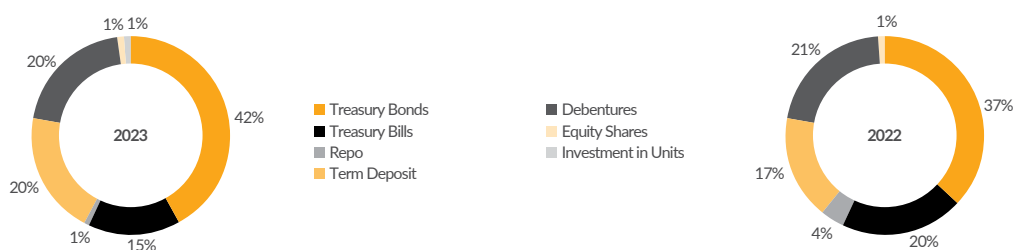
Please refer Note 7 of page 271 for Accounting Policy of Investments.

The risk management practices adopted by the Company and related risk management disclosures in relation to the investment portfolio are outlined in Note 4 to the financial statements.

The following table consists each class of financial investments together with their fair values and carrying values.

As at 31st December,	Note	Group				Company			
		2023		2022		2023		2022	
		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	11,841,560	14,367,677	10,240,933	8,574,693	11,841,560	14,367,677	10,055,448	8,392,382
Loans and Receivables	11.2	18,034,314	18,998,121	14,910,327	12,827,203	15,621,404	16,444,823	12,097,076	10,206,960
Available For Sale	11.3	13,393,030	13,393,030	9,389,628	9,389,628	10,611,510	10,611,510	7,610,970	7,610,970
Fair Value Through Profit or Loss	11.4	586,479	586,479	83,243	83,243	456,182	456,182	81,381	81,381
<b>Total Financial Investments</b>		<b>43,855,383</b>	<b>47,345,307</b>	<b>34,624,131</b>	<b>30,874,767</b>	<b>38,530,656</b>	<b>41,880,192</b>	<b>29,844,875</b>	<b>26,291,693</b>

#### Financial Investment Analysis Based on Asset Classes - Group



#### Financial Investment Analysis Based on Reporting Category - Group



### 11.1 HELD TO MATURITY (HTM)

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	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	11,841,560	14,367,677	9,423,842	7,770,002	11,841,560	14,367,677	9,423,842	7,770,002
Treasury Bills	-	-	817,091	804,691	-	-	631,606	622,380
<b>Total</b>	<b>11,841,560</b>	<b>14,367,677</b>	<b>10,240,933</b>	<b>8,574,693</b>	<b>11,841,560</b>	<b>14,367,677</b>	<b>10,055,448</b>	<b>8,392,382</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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

The Company reclassified part of its Treasury Bond portfolio from Available For Sale (AFS) financial asset category to Held to Maturity (HTM) category in 2022 due to change in intention of “holding or selling” to “hold until maturity” after assessing the projected business plans and the need for liquidity. Accordingly, after considering the business requirements and liability maturity mix, the Company has decided to reclassify a portfolio of Treasury Bond investments under Life Fund with specific criteria from AFS to HTM.

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 amortised cost and subsequently, HTM assets are measured at amortised 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 amortised to profit or loss over the remaining life of the asset using the EIR (Effective Interest Rate). Such amortisation has been recognised under Interest income line in the profit or loss.

The Financial effect on reclassification performed on 01st April 2022 is summarised in the table below;

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 01st April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds need to be reclassified	(2,659,168)	2,659,168
New Carrying Value of Treasury Bond Portfolio as at 01st April 2022	2,737,862	3,787,140
AFS Reserve to be amortised to P&L over the remaining life of assets as at 01st April 2022		(703,985)
Amortisation recognised during the year 2022		32,893
Amortisation recognised during the year 2023		49,549

Had these investments continue to be carried at available for sale, the fair value of the same as at 31st December 2023 would have amounted to Rs. 3,004 Mn and would have resulted in the recognition of a fair value gains of Rs. 1,179 Mn in other comprehensive income statement during the year.

On 01st July 2023, the Sri Lankan parliament approved the government’s policy Domestic Debt optimisation (DDO) strategy. Accordingly, only the local currency denominated treasury bills holding of the central bank of Sri Lanka and the treasury bonds holding of superannuation funds were subject to this DDO program, The said DDO program has been completed

as at reporting date, Accordingly the DDO has not restricted the government’s ability to continue to repay the principal + interest on local currency denominated treasury bills and bonds.

### Impairment of HTM Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

### Re-Classification of Financial Investments at HTM

During the year the Group has not re-classified any financial investment under this category.

### 11.2 Loans and Receivables (L&R)

As at 31st December,	Note	Group				Company			
		2023		2022		2023		2022	
		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*		198,429	198,429	1,380,579	1,380,579	169,407	169,407	918,083	918,083
Term Deposit	11.2.1	8,649,329	9,250,962	5,906,645	5,687,742	7,426,142	7,991,737	4,514,168	4,294,408
Debentures**	11.2.2	9,186,556	9,548,730	7,623,103	5,758,882	8,025,855	8,283,679	6,664,825	4,994,469
Total		18,034,314	18,998,121	14,910,327	12,827,203	15,621,404	16,444,823	12,097,076	10,206,960

\* The Company and subsidiary, 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 hold government securities as Collateral for Repos. The fair Value of such government securities are Rs. 242 Mn (2022 : 1,489 Mn).

\*\* Debentures - The Group classifies quoted Corporate Debt under Loans and Receivables category since there is no active market for these instruments even if such instruments are listed.

#### Impairment of L & R Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

#### Re-Classification of Financial Investments at L & R

During the year the Group has not re-classified any financial investment under this category.

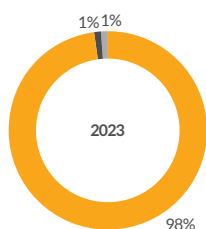
### 11.2.1 Term Deposits

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	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
<b>Licensed Commercial Banks</b>								
Term Deposits with Related Parties - Hatton National Bank PLC	2,792,690	2,919,780	2,127,570	2,010,635	2,421,241	2,548,331	1,629,825	1,512,891
Other Banks	3,505,670	3,817,818	2,756,525	2,687,909	2,770,718	3,046,828	2,029,567	1,960,093
<b>Total (a)</b>	<b>6,298,360</b>	<b>6,737,598</b>	<b>4,884,095</b>	<b>4,698,544</b>	<b>5,191,959</b>	<b>5,595,159</b>	<b>3,659,392</b>	<b>3,472,984</b>
<b>Licensed Specialised Banks</b>	1,316,752	1,430,841	-	-	1,199,966	1,314,055	-	-
<b>Total (b)</b>	<b>1,316,752</b>	<b>1,430,841</b>	<b>-</b>	<b>-</b>	<b>1,199,966</b>	<b>1,314,055</b>	<b>-</b>	<b>-</b>
<b>Licensed Finance Companies</b>	1,034,217	1,082,523	1,022,550	989,198	1,034,217	1,082,523	854,776	821,424
<b>Total (c)</b>	<b>1,034,217</b>	<b>1,082,523</b>	<b>1,022,550</b>	<b>989,198</b>	<b>1,034,217</b>	<b>1,082,523</b>	<b>854,776</b>	<b>821,424</b>
<b>Total Investment In Term Deposit (a+b+c)</b>	<b>8,649,329</b>	<b>9,250,962</b>	<b>5,906,645</b>	<b>5,687,742</b>	<b>7,426,142</b>	<b>7,991,737</b>	<b>4,514,168</b>	<b>4,294,408</b>

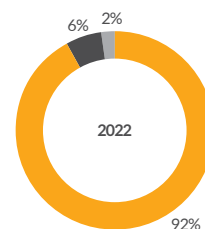
### 11.2.2 Debentures

As at 31st December,	Note	Group				Company			
		2023		2022		2023		2022	
		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	7,811,114	8,210,811	6,762,353	5,203,535	6,765,750	7,050,399	5,919,412	4,511,638
Debentures - Unquoted	11.2.2.b	1,375,442	1,337,919	860,750	555,347	1,260,105	1,233,280	745,413	482,831
<b>Total Investment In Debentures</b>		<b>9,186,556</b>	<b>9,548,730</b>	<b>7,623,103</b>	<b>5,758,882</b>	<b>8,025,855</b>	<b>8,283,679</b>	<b>6,664,825</b>	<b>4,994,469</b>

#### 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			
	2023		2022		2023		2022	
	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
<b>Banks, Finance and Insurance</b>								
Commercial Bank of Ceylon PLC	1,353,571	1,512,215	707,844	644,470	1,150,959	1,274,535	566,607	507,058
DFCC Bank PLC	973,835	935,085	1,198,566	881,156	973,835	935,085	1,154,728	838,820
Hatton National Bank PLC	214,981	184,522	242,285	145,488	214,981	184,522	242,285	145,488
National Development Bank PLC	809,771	760,871	829,939	567,596	689,970	647,942	710,288	484,177
Nations Trust Bank PLC	383,637	371,440	550,334	434,377	383,637	371,440	513,507	399,059
Sampath Bank PLC	1,437,119	1,765,686	519,790	477,362	1,193,876	1,467,699	463,945	427,992
Seylan Bank PLC	681,219	854,160	362,420	313,149	498,203	622,255	287,915	249,293
First Capital Holdings PLC	316,250	292,148	316,250	214,437	239,911	221,627	239,911	162,675
HNB Finance PLC	141,590	123,194	125,090	91,736	141,590	123,194	125,090	91,736
LOLC Finance PLC	277,611	260,823	277,612	186,602	215,922	202,863	215,920	145,135
LOLC Holdings PLC	731,189	698,658	731,189	535,079	641,190	611,453	641,190	467,033
People's Leasing & Finance PLC	296,164	268,713	359,452	261,969	244,103	220,939	285,686	205,357
Siyapatha Finance PLC	16,548	16,313	16,549	13,640	16,548	16,313	16,548	13,640
<b>Sector Total (a)</b>	<b>7,633,485</b>	<b>8,043,828</b>	<b>6,237,320</b>	<b>4,767,061</b>	<b>6,604,725</b>	<b>6,899,867</b>	<b>5,463,620</b>	<b>4,137,463</b>
<b>Diversified Holdings</b>								
Hayleys PLC	29,517	29,246	376,921	346,044	12,913	12,795	307,680	283,745
<b>Sector Total (b)</b>	<b>29,517</b>	<b>29,246</b>	<b>376,921</b>	<b>346,044</b>	<b>12,913</b>	<b>12,795</b>	<b>307,680</b>	<b>283,745</b>
<b>Telecommunications</b>								
Sri Lanka Telecom PLC	148,112	137,737	148,112	90,430	148,112	137,737	148,112	90,430
<b>Sector Total (c)</b>	<b>148,112</b>	<b>137,737</b>	<b>148,112</b>	<b>90,430</b>	<b>148,112</b>	<b>137,737</b>	<b>148,112</b>	<b>90,430</b>
<b>Total Investment In Quoted Debentures (a+b+c)</b>	<b>7,811,114</b>	<b>8,210,811</b>	<b>6,762,353</b>	<b>5,203,535</b>	<b>6,765,750</b>	<b>7,050,399</b>	<b>5,919,412</b>	<b>4,511,638</b>

### 11.2.2.b Debentures - Unquoted

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	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
<b>Banks, Finance and Insurance</b>								
DFCC Bank PLC	260,976	249,119	260,976	182,138	229,149	218,738	229,149	159,926
People's Bank	670,821	694,301	156,129	105,969	670,821	694,301	156,129	105,969
Nations Trust Bank PLC	443,645	394,499	443,645	267,240	360,135	320,241	360,135	216,936
<b>Total Investment In Unquoted Debentures</b>	<b>1,375,442</b>	<b>1,337,919</b>	<b>860,750</b>	<b>555,347</b>	<b>1,260,105</b>	<b>1,233,280</b>	<b>745,413</b>	<b>482,831</b>

### 11.3 Available For Sale (AFS)

As at 31st December,	Note	Group				Company			
		2023		2022		2023		2022	
		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		6,643,869	6,643,869	3,352,823	3,352,823	5,036,801	5,036,801	2,412,873	2,412,873
Treasury Bills		6,650,216	6,650,216	5,995,487	5,995,487	5,475,764	5,475,764	5,156,779	5,156,779
Equity Shares	11.3.1	98,945	98,945	41,318	41,318	98,945	98,945	41,318	41,318
<b>Total</b>		<b>13,393,030</b>	<b>13,393,030</b>	<b>9,389,628</b>	<b>9,389,628</b>	<b>10,611,510</b>	<b>10,611,510</b>	<b>7,610,970</b>	<b>7,610,970</b>

#### Impairment of Financial Investments at AFS

At the reporting date, there were no available for sale financial investments that were overdue and impaired. Group has recognised an impairment loss of Rs. 10.9 Mn for equity instruments in 2022. Refer Note 38 on page 326.

#### Re-Classification of Financial Investments at AFS

During the year the Group has not re-classified any financial investment under this category. (Refer Note 11.1.1 of page 286 for Reclassification of Treasury Bond Portfolio From AFS to HTM Category in 2022)

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 11.3.1 Equity Shares

As at 31st December,	Group					
	2023			2022		
	No. of Shares	Cost	Carrying Value/ Fair Value	No. of Shares	Cost	Carrying Value/ Fair Value
	Rs:'000	Rs:'000		Rs:'000	Rs:'000	
<b>Banks, Finance and Insurance</b>						
Seylan Bank PLC (Non-Voting)	352,310	13,708	12,507	326,156	13,154	5,284
Sampath Bank PLC	349,250	21,416	24,622	124,146	7,220	4,246
Central Finance Company PLC	142,285	17,090	14,976	142,285	17,090	8,893
<b>Sector Total (a)</b>			52,105			18,423
<b>Diversified Holdings</b>						
Hemas Holdings PLC	173,000	12,671	11,539	-	-	-
Melstacorp PLC	39,532	2,343	3,333	39,532	2,343	1,826
<b>Sector Total (b)</b>			14,872			1,826
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	78,102	886	3,593	71,002	886	2,343
Royal Ceramics Lanka PLC	400,000	4,854	10,560	400,000	4,854	11,320
Chevron Lubricants Lanka PLC	112,821	10,422	10,187	-	-	-
<b>Sector Total (c)</b>			24,340			13,663
<b>Beverage, Food and Tobacco</b>						
Distilleries Company of Sri Lanka PLC	11,713	-	328	11,713	-	155
<b>Sector Total (d)</b>			328			155
<b>Land and Property</b>						
Overseas Realty (Ceylon) PLC	486,679	12,453	7,300	486,679	12,453	7,251
<b>Sector Total (e)</b>			7,300			7,251
<b>Total Investment In Equity Shares (AFS) (a+b+c+d+e)</b>			98,945			41,318

As at 31st December,	Company					
	2023			2022		
	No. of Shares	Cost	Carrying Value/ Fair Value	No. of Shares	Cost	Carrying Value/ Fair Value
	Rs:'000	Rs:'000		Rs:'000	Rs:'000	
<b>Banks, Finance and Insurance</b>						
Seylan Bank PLC (Non-Voting)	352,310	13,708	12,507	326,156	13,154	5,284
Sampath Bank PLC	349,250	21,416	24,622	124,146	7,220	4,246
Central Finance Company PLC	142,285	17,090	14,976	142,285	17,090	8,893
<b>Sector Total (a)</b>			52,105			18,423
<b>Diversified Holdings</b>						
Hemas Holdings PLC	173,000	12,671	11,539	-	-	-
Melstacorp PLC	39,532	2,343	3,333	39,532	2,343	1,826
<b>Sector Total (b)</b>			14,872			1,826
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	78,102	886	3,593	71,002	886	2,343
Royal Ceramics Lanka PLC	400,000	4,854	10,560	400,000	4,854	11,320
Chevron Lubricants Lanka PLC	112,821	10,422	10,187	-	-	-
<b>Sector Total (c)</b>			24,340			13,663
<b>Beverage, Food and Tobacco</b>						
Distilleries Company of Sri Lanka PLC	11,713	-	328	11,713	-	155
<b>Sector Total (d)</b>			328			155
<b>Land and Property</b>						
Overseas Realty (Ceylon) PLC	486,679	12,453	7,300	486,679	12,453	7,251
<b>Sector Total (e)</b>			7,300			7,251
<b>Total Investment In Equity Shares (AFS) (a+b+c+d+e)</b>			98,945			41,318

## 11.4 Fair Value Through Profit or Loss (FVTPL)

As at 31st December,	Note	Group				Company			
		2023		2022		2023		2022	
		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	118,854	118,854	83,243	83,243	117,068	117,068	81,381	81,381
Investments in Units	11.4.2	467,625	467,625	-	-	339,114	339,114	-	-
<b>Total</b>		<b>586,479</b>	<b>586,479</b>	<b>83,243</b>	<b>83,243</b>	<b>456,182</b>	<b>456,182</b>	<b>81,381</b>	<b>81,381</b>

### 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					
	2023			2022		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
<b>Banks, Finance and Insurance</b>						
Sampath Bank PLC	198,701	12,716	14,008	193,902	12,527	6,631
Nations Trust Bank PLC	103,080	6,909	11,081	97,177	6,578	4,490
People's Leasing & Finance PLC	615,201	10,008	6,583	615,201	10,008	3,076
Seylan Bank PLC (Non Voting)	451,421	14,404	16,025	417,910	13,694	6,770
<b>Sector Total (a)</b>			<b>47,697</b>			<b>20,967</b>
<b>Diversified Holdings</b>						
John Keells Holdings PLC	29,670	3,679	5,667	29,670	3,679	4,013
Richard Pieris & Company PLC	312,851	4,351	6,413	312,851	4,351	7,540
Vallibel One PLC	209,638	4,000	8,050	209,638	4,000	6,310
Melstacorp PLC	55,000	3,260	4,637	55,000	3,260	2,541
<b>Sector Total (b)</b>			<b>24,767</b>			<b>20,404</b>
<b>Beverage Food and Tobacco</b>						
Distilleries Company of Sri Lanka PLC	22,222	-	622	22,222	-	293
<b>Sector Total (c)</b>			<b>622</b>			<b>293</b>
<b>Manufacturing</b>						
Royal Ceramics Lanka PLC	280,000	4,318	7,392	280,000	4,318	7,924
Dipped Products PLC	324,000	7,255	9,040	334,000	10,355	9,719
ACL Cables PLC	190,400	3,016	13,100	190,400	3,016	13,347
Tokyo Cement Company (Lanka) PLC	352,955	11,938	16,236	320,869	11,938	10,589
<b>Sector Total (d)</b>			<b>45,768</b>			<b>41,579</b>
<b>Total Investment In Equity Shares (FVTPL) (a+b+c+d)</b>			<b>118,854</b>			<b>83,243</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	Company					
	2023			2022		
	No. of Shares	Cost Rs:'000	Carrying Value/ Fair Value Rs:'000	No. of Shares	Cost Rs:'000	Carrying Value/ Fair Value Rs:'000
<b>Banks, Finance and Insurance</b>						
Sampath Bank PLC	198,701	12,716	14,008	193,902	12,527	6,631
Nations Trust Bank PLC	103,080	6,909	11,081	97,177	6,578	4,490
People's Leasing & Finance PLC	615,201	10,008	6,583	615,201	10,008	3,076
Seylan Bank PLC (Non Voting)	451,421	14,404	16,025	417,910	13,694	6,770
<b>Sector Total (a)</b>			47,697			20,967
<b>Diversified Holdings</b>						
John Keells Holdings PLC	29,670	3,679	5,667	29,670	3,679	4,013
Richard Pieris & Company PLC	312,851	4,351	6,413	312,851	4,351	7,540
Vallibel One PLC	209,638	4,000	8,050	209,638	4,000	6,310
Melstacorp PLC	55,000	3,260	4,637	55,000	3,260	2,541
<b>Sector Total (b)</b>			24,767			20,404
<b>Beverage Food and Tobacco</b>						
Distilleries Company of Sri Lanka PLC	22,222	-	622	22,222	-	293
<b>Sector Total (c)</b>			622			293
<b>Manufacturing</b>						
Royal Ceramics Lanka PLC	280,000	4,318	7,392	280,000	4,318	7,924
Dipped Products PLC	260,000	5,270	7,254	270,000	8,371	7,857
ACL Cables PLC	190,400	3,016	13,100	190,400	3,016	13,347
Tokyo Cement Company (Lanka) PLC	352,955	11,938	16,236	320,869	11,938	10,589
<b>Sector Total (d)</b>			43,982			39,717
<b>Total Investment In Equity Shares (FVTPL) (a+b+c+d)</b>			117,068			81,381

## 11.4.2 Investments in Units

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	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
<b>Unquoted</b>								
NDB Wealth Money Fund	4,006,651	126,963	-	-	2,714,077	86,004	-	-
JB Vantage Money Market Fund	1,942,552	83,788	-	-	1,942,552	83,788	-	-
Capital Alliance Investment Grade Fund	4,043,306	128,493	-	-	2,682,266	85,240	-	-
Senfin Money Market Fund	5,503,229	128,381	-	-	3,604,263	84,082	-	-
<b>Total Unquoted Units (FVTPL)</b>		467,625				339,114		

### 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 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 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)
<b>Total as at 31st December 2022</b>	<b>10,240,933</b>	<b>14,910,327</b>	<b>9,389,628</b>	<b>83,243</b>	<b>34,624,131</b>
As at 01st January 2023	10,240,933	14,910,327	9,389,628	83,243	34,624,131
Purchases	2,257,748	62,183,922	16,710,952	711,230	81,863,852
Maturities	(728,308)	(60,240,178)	(12,536,770)	-	(73,505,256)
Disposals	-	-	(2,294,734)	(279,053)	(2,573,787)
Fair Value Gains and Foreign Currency Translation Recorded in Profit or Loss	-	3,647	-	62,297	65,944
Amortisation Adjustment / Accrued Interest	71,187	1,281,654	722,107	-	2,074,948
Realised (Losses)/Gains Recorded in Profit or Loss	-	(105,058)	38,955	8,762	(57,341)
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	1,362,892	-	1,362,892
<b>Total as at 31st December 2023</b>	<b>11,841,560</b>	<b>18,034,314</b>	<b>13,393,030</b>	<b>586,479</b>	<b>43,855,383</b>

### 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 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 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)
<b>Total as at 31 December 2022</b>	<b>10,055,448</b>	<b>12,097,076</b>	<b>7,610,970</b>	<b>81,381</b>	<b>29,844,875</b>
As at 01st January 2023	10,055,448	12,097,076	7,610,970	81,381	29,844,875
Purchases	2,257,748	46,958,955	14,066,101	471,230	63,754,034
Maturities	(561,790)	(44,597,097)	(11,075,047)	-	(56,233,934)
Disposals	-	-	(1,578,133)	(152,495)	(1,730,628)
Fair Value Gains and Foreign Currency Translation Recorded in Profit or Loss	-	3,245	-	53,862	57,107
Amortisation Adjustment / Accrued Interest	90,154	1,182,758	551,846	-	1,824,758
Realised (Losses)/Gains Recorded in Profit or Loss	-	(23,533)	31,744	2,204	10,415
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	1,004,029	-	1,004,029
<b>Total as at 31st December 2023</b>	<b>11,841,560</b>	<b>15,621,404</b>	<b>10,611,510</b>	<b>456,182</b>	<b>38,530,656</b>

## 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 53 on page 344 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.

##### 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. 01st 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	2023			2022		
		No of Shares	Holding %	Cost	No of Shares	Holding %	Cost
				Rs.'000			Rs.'000
HNB General Insurance Limited	General Insurance Business	115,000,000	100%	1,150,000	115,000,000	100%	1,150,000
<b>Total Investment In Subsidiary</b>				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 2023. 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 271 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	
	2023	2022
	Rs.'000	Rs.'000
<b>Balance as at 01st January</b>	316,067	312,475
Loans Granted during the Year	126,948	127,860
Repayments during the year	(122,469)	(124,268)
<b>Balance as at 31st December</b>	320,546	316,067
Interest Receivable	121,377	104,847
<b>Total Loans to Life Policyholders</b>	441,923	420,914

### 13.1 Maturity Analysis

Maturity Analysis of Loans to Life Policyholders is given in Note 49 on page 337.

### 13.2 Collateral Details

The surrender value of the policies for which Policyholder Loans have been granted as at 31st December 2023 amounted to Rs. 740 Mn (2022 - Rs. 711.86 Mn).

### 13.3 Number of Policyholder Loans

Number of Policy Loans due as at 31st December 2023 was 2,897 (2022 - 3,121).

#### Loans to Life Policyholders



### 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 2023. 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 226.

## 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 271 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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Reinsurance Receivable on Outstanding Claims	14.3	662,395	558,116	99,177	70,801
Reinsurance Receivable on Settled Claims	14.4	666,762	486,202	226,106	113,448
<b>Total Reinsurance Receivables</b>		<b>1,329,157</b>	<b>1,044,318</b>	<b>325,283</b>	<b>184,249</b>

### 14.1 Maturity Analysis

Maturity Analysis of Reinsurance Receivable is given in Note 49 on page 337.

### 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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Up to 30 days	120,602	72,625	43,812	24,051
31 to 60 days	136,447	98,440	59,606	15,180
61 to 90 days	88,249	63,453	31,424	19,221
91 to 180 days	132,506	172,749	91,264	54,996
Over 181 days	188,958	78,935	-	-
<b>Total</b>	<b>666,762</b>	<b>486,202</b>	<b>226,106</b>	<b>113,448</b>

### 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 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

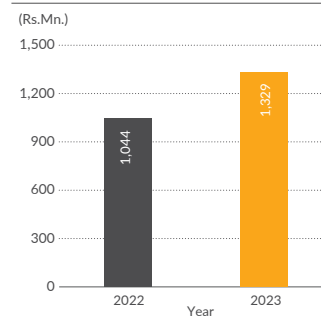
#### 14.6.1 Reinsurance Receivables Past Due but Not Impaired (On Settled Claims)

As at 31 December 2023, Reinsurance Receivables of the Group amounted to Rs. 74 Mn were past due but not impaired, Company Nil (2022 Group - Rs. 68 Mn, Company Nil). These relate to parties where there was no recent history of default.

### 14.7 Financial Risk Disclosure on Reinsurance Receivables

Refer Note 4 (Pages 226) for Group's exposure to credit risk of reinsurance receivables and risk management initiatives.

#### Reinsurance Receivables - Group



## 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 271 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	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Premium Receivable From;</b>					
<b>Life Insurance</b>					
Policyholders		41,259	22,119	41,259	22,119
Related Parties	15.1	8,028	312	8,028	312
Provision for Impairment loss on Premium Default		(3,347)	(3,884)	(3,347)	(3,884)
<b>Total Premium Receivable - Life Insurance</b>		<b>45,940</b>	<b>18,547</b>	<b>45,940</b>	<b>18,547</b>
<b>General Insurance</b>					
Policyholders		559,490	881,925	-	-
Related Parties	15.1	130,984	5,649	-	-
Agents, Brokers and Intermediaries		1,233,305	947,549	-	-
<b>Total Premium Receivable - General Insurance</b>		<b>1,923,779</b>	<b>1,835,123</b>	<b>-</b>	<b>-</b>
Adjustment for Intercompany Premium Receivables		(111,312)	-	-	-
<b>Total Premium Receivable</b>	15.2	<b>1,858,407</b>	<b>1,853,670</b>	<b>45,940</b>	<b>18,547</b>

### 15.1 Premium Receivable from Related Parties

As at 31st December,	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Life Insurance</b>				
HNB Finance PLC	8,028	-	8,028	-
Acuity Partners (Pvt) Ltd	-	312	-	312
<b>Total Premium Receivable from Related Parties - Life Insurance</b>	<b>8,028</b>	<b>312</b>	<b>8,028</b>	<b>312</b>
<b>General Insurance</b>				
HNB Assurance PLC	111,312	-	-	-
Halton National Bank PLC	175	1,066	-	-
HNB Finance PLC	18,295	3,185	-	-
Acuity Stockbrokers (Pvt) Ltd	458	366	-	-
Acuity Partners (Pvt) Ltd	241	526	-	-
Acuity Securities Ltd	503	506	-	-
<b>Total Premium Receivable from Related Parties - General Insurance</b>	<b>130,984</b>	<b>5,649</b>	<b>-</b>	<b>-</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 15.2 Age Analysis of Premium Receivables

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Life Insurance</b>				
Up to 30 days	42,482	13,667	42,482	13,667
31 to 60 days	1,991	4,373	1,991	4,373
61 to 90 days	1,467	507	1,467	507
<b>Total Premium Receivable - Life Insurance</b>	<b>45,940</b>	<b>18,547</b>	<b>45,940</b>	<b>18,547</b>
<b>General Insurance</b>				
Up to 30 days	1,406,007	1,300,897	-	-
31 to 60 days	463,375	441,178	-	-
61 to 90 days	36,590	83,226	-	-
91 to 120 days	17,807	9,822	-	-
<b>Total Premium Receivable - General Insurance</b>	<b>1,923,779</b>	<b>1,835,123</b>	<b>-</b>	<b>-</b>
Adjustment for Intercompany Premium Receivables	(111,312)	-	-	-
<b>Total Premium Receivables</b>	<b>1,858,407</b>	<b>1,853,670</b>	<b>45,940</b>	<b>18,547</b>

### 15.3 Maturity Analysis

Maturity Analysis of Premium Receivable is given in Note 49 on page 337.

### 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

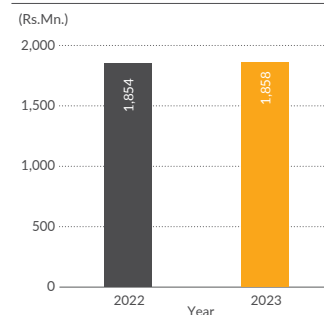
The Board of Directors has assessed potential impairment loss of Premium Receivable as at 31st December 2023. Based on the assessment, impairment loss of Rs. 3.3 Mn was recognised in the financial statements of the Company as at 31st December 2023 (2022 : Rs. 3.9 Mn) in respect of premium receivables.

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

Please refer Note 4 of Pages 226 for Group's exposure to credit risk of Premium Receivables and risk management initiatives.

#### Premium Receivables - Group



### 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 271 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	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Financial Assets</b>					
Staff and Advisor Loans	16.2	405,153	382,147	236,627	229,037
Amounts due from Related Parties- HNB General Insurance Limited		-	-	99,350	21,816
Co - Insurance Receivables		41,935	21,489	-	-
<b>Total Financial Assets (a)</b>		<b>447,088</b>	<b>403,636</b>	<b>335,977</b>	<b>250,853</b>
<b>Non-Financial Assets</b>					
Advance Payments		505,095	360,327	379,828	252,509
Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)	16.3	271,987	214,232	244,798	198,351
Inventories		6,212	7,017	2,300	2,608
Other Receivables		32,470	14,626	21,042	8,972
<b>Total Non-Financial Assets (b)</b>		<b>815,764</b>	<b>596,202</b>	<b>647,968</b>	<b>462,440</b>
<b>Total Other Assets (a+b)</b>		<b>1,262,852</b>	<b>999,838</b>	<b>983,945</b>	<b>713,293</b>

### 16.1 Maturity Analysis

Maturity Analysis of Other Assets is given in Note 49 on page 337.

#### Other Assets Composition - Group



#### Other Assets Composition - Company



## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 16.2 Staff and Advisor Loans

As at 31st December,	Note	Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff Loans	16.2.1	366,650	344,067	200,279	192,702
Advisor Loans	16.2.2	38,503	38,080	36,348	36,335
<b>Total</b>		<b>405,153</b>	<b>382,147</b>	<b>236,627</b>	<b>229,037</b>

## 16.2.1 Staff Loans

	Note	Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		333,203	287,439	186,695	143,941
Loans granted during the year		215,023	209,987	100,185	137,089
Loans Recovered during the year		(194,782)	(164,223)	(94,430)	(94,335)
		353,444	333,203	192,450	186,695
Allowance for Impairment Losses	16.2.1.b	(2,205)	(1,733)	(1,168)	(886)
Fair Value Adjustment on Staff Loan		15,411	12,597	8,997	6,893
<b>Balance as at 31st December</b>		<b>366,650</b>	<b>344,067</b>	<b>200,279</b>	<b>192,702</b>

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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(1,733)	(3,071)	(886)	(2,353)
(Allowance)/Reversal for Impairment Losses	(472)	1,338	(282)	1,467
<b>Balance as at 31st December</b>	<b>(2,205)</b>	<b>(1,733)</b>	<b>(1,168)</b>	<b>(886)</b>

## 16.2.2 Advisor Loans

	Note	Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		39,774	29,366	37,871	28,336
Loans granted during the year		62,681	65,617	59,160	62,684
Loans Recovered during the year		(63,054)	(55,209)	(59,885)	(53,149)
		39,401	39,774	37,146	37,871
Allowance for Impairment Losses	16.2.2.a	(689)	(730)	(655)	(697)
Fair Value Adjustment on Advisor Loan		(209)	(964)	(143)	(839)
<b>Balance as at 31st December</b>		<b>38,503</b>	<b>38,080</b>	<b>36,348</b>	<b>36,335</b>

## 16.2.2.a Allowance for Impairment Movement of Advisor Loans

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(730)	(703)	(697)	(670)
Reversal/(Allowance) for Impairment Losses	41	(27)	42	(27)
<b>Balance as at 31st December</b>	<b>(689)</b>	<b>(730)</b>	<b>(655)</b>	<b>(697)</b>

### 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 2023. 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 on Page 226 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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Withholding Tax Recoverable	271,987	214,232	244,798	198,351
<b>Balance as at 31st December</b>	<b>271,987</b>	<b>214,232</b>	<b>244,798</b>	<b>198,351</b>

## 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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Reserve for Net Deferred Acquisition Expenses</b>				
<b>Reserve for Deferred Acquisition Expenses</b>				
Balance as at 01st January	298,104	260,414	-	-
Increase in Deferred Acquisition Expenses	44.1	66,380	37,690	-
<b>Balance as at 31st December (a)</b>	<b>364,484</b>	<b>298,104</b>	<b>-</b>	<b>-</b>
<b>Reserve for Deferred Reinsurance Commission</b>				
Balance as at 01st January	(134,109)	(102,704)	-	-
Increase in Deferred Reinsurance Commission	44.1	(21,904)	(31,405)	-
<b>Balance as at 31st December (b)</b>	<b>(156,013)</b>	<b>(134,109)</b>	<b>-</b>	<b>-</b>
<b>Total Insurance Contract - Deferred Expenses (a+b)</b>	<b>208,471</b>	<b>163,995</b>	<b>-</b>	<b>-</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 17.1 Maturity Analysis

Maturity Analysis of Deferred Expenses is given in Note 49 on page 337.

### 17.2 Impairment of Deferred Expenses

The Board of Directors has assessed potential impairment loss of deferred expenses as at 31st December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date (2022 - Nil).

### 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>18.1 Cash and Cash Equivalents</b>				
Cash in Hand	4,766	2,722	3,960	1,890
Cash at Bank with Related Parties - Hatton National Bank PLC	1,086,911	798,915	654,370	537,890
Cash at Bank with Related Parties - HNB Finance PLC	14	88	14	88
Cash at Bank with Other Licensed Commercial Banks & Financial institutions	21,113	18,437	7,878	7,420
	1,112,804	820,162	666,222	547,288
<b>Short Term Deposits</b>				
Short term Deposits with Commercial Banks and Financial institutions	10,200	213,143	-	178,132
	10,200	213,143	-	178,132
<b>Total Cash and Cash Equivalents in Statement of Financial Position (a)</b>	<b>1,123,004</b>	<b>1,033,305</b>	<b>666,222</b>	<b>725,420</b>
<b>18.2 Bank Overdrafts</b>				
Bank Overdraft with Related Parties - Hatton National Bank PLC	(471,271)	(265,539)	(160,547)	(101,695)
<b>Total Bank Overdraft (b)</b>	<b>(471,271)</b>	<b>(265,539)</b>	<b>(160,547)</b>	<b>(101,695)</b>
<b>Total Cash and Cash Equivalents in Statement of Cash flows (a+b)</b>	<b>651,733</b>	<b>767,766</b>	<b>505,675</b>	<b>623,725</b>

### 18.3 Fair value measurement

The carrying amounts disclosed above reasonably approximates the fair values as at the reporting date.

### 18.4 Maturity Analysis

Maturity Analysis of Cash and Cash Equivalents is given in Note 49 on page 337.

### 18.5 Cash Pledged as Security for Liabilities

#### Company

The Company has obtained Bank Guarantee facilities from Hatton National Bank PLC for sum of Rs. 207.89 Mn (2022: Rs. 227.41 Mn), 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 53.1 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. 3.7 Mn (2022: Bid Bonds of Rs. 3.67 Mn) from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020060189.

### 18.6 Risk Management Initiatives Relating to Cash and Cash Equivalents

Please Refer Note 4 on page 226 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	
		2023	2022	2023	2022
		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	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		7,822,715	6,644,680	6,552,433	5,548,813
Surcharge tax	46.6	-	(172,489)	-	-
Profit for the Year		1,764,649	1,830,524	1,613,319	1,483,620
Dividend Paid to Equity Holders	48.4	(547,500)	(480,000)	(547,500)	(480,000)
<b>Balance as at 31st December</b>		<b>9,039,864</b>	<b>7,822,715</b>	<b>7,618,252</b>	<b>6,552,433</b>

## 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(322,296)	4,009	(138,616)	4,446
Other Comprehensive Income for the Year	1,304,782	(1,536,428)	1,053,578	(1,353,185)
Transferred to Life Policyholders Reserve Fund	(808,128)	1,210,123	(808,128)	1,210,123
<b>Balance as at 31st December</b>	<b>174,358</b>	<b>(322,296)</b>	<b>106,834</b>	<b>(138,616)</b>

## 22. OTHER RESERVE

### 22.1 Nature and Purpose of Reserve

Other Reserves comprises of the actuarial gains/losses arising from valuation of gratuity liability after related taxes as required by LKAS 19 - "Employee Benefits".

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	22,358	(11,421)	3,972	(6,614)
Actuarial (Losses)/Gains - Gratuity	(43,648)	33,779	(25,147)	10,586
<b>Balance as at 31st December</b>	<b>(21,290)</b>	<b>22,358</b>	<b>(21,175)</b>	<b>3,972</b>

## 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(1,277,414)	(67,291)	(1,277,414)	(67,291)
Other Comprehensive Income for the Year	808,128	(1,210,123)	808,128	(1,210,123)
<b>Balance as at 31st December</b>	<b>(469,286)</b>	<b>(1,277,414)</b>	<b>(469,286)</b>	<b>(1,277,414)</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 24. RESTRICTED REGULATORY RESERVE

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	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 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted in a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

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

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
<b>Surplus Created due to Change in Valuation Method- One-Off Surplus as at 01st January 2016 (a-b+c)</b>	-	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	
	2023	2022
	Rs:'000	Rs:'000
Term Deposits	381,169	388,291

### 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	305
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)	305
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)	304
4. One-Off surplus relating to participating and other than participating should be disclosed separately.	Complied (Note 24.1)	304
5. Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied (Note 24.2)	304

## 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

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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.

### 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.

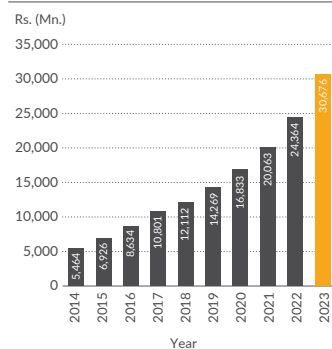
### DE-RECOGNITION

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.

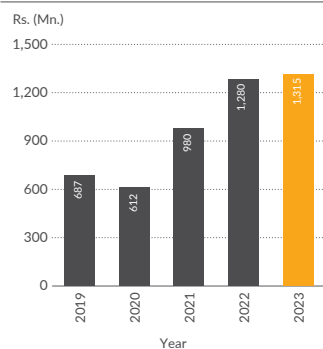
### LIABILITY ADEQUACY TEST (LAT)

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						
	Note	2023			2022		
		Participating Rs.'000	Non - Participating Rs.'000	Total Rs.'000	Participating Rs.'000	Non - Participating Rs.'000	Total Rs.'000
<b>Insurance Contract Liabilities</b>							
Life Insurance Fund	25.1	4,276,594	26,399,446	30,676,040	4,174,202	20,189,428	24,363,630
Claims Outstanding		10,542	259,133	269,675	18,122	200,889	219,011
<b>Total Insurance Contract Liabilities - Life Insurance</b>		<b>4,287,136</b>	<b>26,658,579</b>	<b>30,945,715</b>	<b>4,192,324</b>	<b>20,390,317</b>	<b>24,582,641</b>

### 25.1 Life Insurance Fund - Composition and Movement

Note	2023			2022		
	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
<b>Balance as at 01st January</b>	25,027,906	(664,276)	24,363,630	20,502,294	(439,759)	20,062,535
Premiums received/Reinsurance expenses	10,923,294	(592,191)	10,331,103	8,911,460	(473,012)	8,438,448
Liabilities released for payments on Death, Surrender and Other terminations in the year	(3,048,145)	371,709	(2,676,436)	(2,374,079)	204,552	(2,169,527)
Net Finance and Other Income	5,351,644	61,543	5,413,187	3,309,189	16,833	3,326,022
Expenses	(5,439,841)	19,726	(5,420,115)	(4,001,950)	27,110	(3,974,840)
<b>Increase in Life Insurance Fund Before Surplus Distribution to Shareholders</b>	<b>7,786,952</b>	<b>(139,213)</b>	<b>7,647,739</b>	<b>5,844,620</b>	<b>(224,517)</b>	<b>5,620,103</b>
Surplus Distributed to Shareholders*	(1,315,000)	-	(1,315,000)	(1,280,000)	-	(1,280,000)
<b>Increase in Life Insurance Fund</b>	<b>6,471,952</b>	<b>(139,213)</b>	<b>6,332,739</b>	<b>4,564,620</b>	<b>(224,517)</b>	<b>4,340,103</b>
Surcharge tax	46.6	-	-	(21,966)	-	(21,966)
Effect of Taxation on surplus/Bonus transferred to Policyholders	25.4	(20,329)	-	(20,329)	-	(17,042)
<b>Balance as at 31st December</b>	<b>31,479,529</b>	<b>(803,489)</b>	<b>30,676,040</b>	<b>25,027,906</b>	<b>(664,276)</b>	<b>24,363,630</b>

\* Company transferred Rs. 1,315 Mn in December 2023 (2022 : Rs. 1,100 Mn in September and Rs. 180 Mn in December) as surplus for the year from policyholder to shareholders fund.

#### Increase in Life Insurance Fund

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

As recommended by the Appointed Actuary a sum of Rs. 1,315 Mn (2022 - Rs. 1,280 Mn) has been transferred from the Life Insurance Fund to the Shareholders' Fund for the year 2023. Refer paragraph 6 of the Actuarial report provided in page 204.

### 25.2 Maturity Analysis

Maturity Analysis of Life Insurance Fund is given in Note 49 on page 337.

### 25.3 Valuation of Life Insurance Fund

The valuation of the Life Insurance fund as at 31st December 2023 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. According to the appointed Actuary's report, the reserve for the year amounted to Rs. 28,215 Mn (2022 - Rs. 22,695 Mn). In opinion of the appointed Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance fund.

### 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. Therefore, Company will be liable to tax at the rate of 30% on bonus/surplus transferred to policyholders for the

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

year 2023 (2022 - 30%). As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 67.76 Mn (2022 - Rs. 56.8 Mn) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 20.33 Mn (2022 - Rs. 17.04 Mn) 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 issued on 9th February 2024 provided in page 204.

### 25.5 Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Abhishek Chadha, FIA, FIAI on behalf of Willis Towers Watson India Private Limited, as at 31st December 2023 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods. 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 2023. No additional provision was required against the LAT as at 31st December 2023. Refer paragraph 8 of Actuarial Report provided by the Appointed Actuary for LAT in page 204.

### 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 2023. 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" using a discount rate	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	Discounting "Net Cash Flows" using a discount rate	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
<b>Economic Assumption</b>	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 25.8.
<b>Operating Assumptions</b>	
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 as per the Activity Based Costing study carried out.
Expense Inflation	This is derived based on the weighted salary increment experience and the NCPI 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 Accounting judgements, estimates and assumptions

### Discount rate

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

### Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Assumption	Basis of Estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity. The spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re) investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

### 25.9 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Contract Liability is provided in Note 4.

### 25.10 Solvency Margin

As per the Report of the Life Actuary, the Company's Capital Adequacy Ratio (CAR) is 339% (2022 - 306%), well above the minimum requirement of 120%. Please refer paragraph 5 of the Actuarial report provided in page 204.

## 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.

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.

#### 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.

The General Insurance reserves as shown in the Statement of Financial Position represents the following:

As at 31st December,	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Reserves for Net Unearned Premium	26.1	2,960,146	2,735,501	-	-
Reserves for Title Insurance	26.2	48,979	57,059	-	-
Reserves for Gross Outstanding Claims	26.3	1,685,178	1,389,028	-	-
<b>Total Insurance Contract Liabilities - General Insurance</b>		<b>4,694,303</b>	<b>4,181,588</b>	<b>-</b>	<b>-</b>

Maturity Analysis of General Insurance Fund is given in Note 49 on page 337.

### 26.1 Reserves for Net Unearned Premium

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Reserves for Unearned Premium</b>				
Balance as at 01st January	3,428,085	2,826,783	-	-
Increase in Reserve for Unearned Premium	524,888	601,302	-	-
<b>Balance as at 31st December (a)</b>	<b>3,952,973</b>	<b>3,428,085</b>	<b>-</b>	<b>-</b>
<b>Reserves for Unearned Reinsurance Premium</b>				
Balance as at 01st January	(692,584)	(483,311)	-	-
Increase in Reserve for Unearned Reinsurance Premium	(300,243)	(209,273)	-	-
<b>Balance as at 31st December (b)</b>	<b>(992,827)</b>	<b>(692,584)</b>	<b>-</b>	<b>-</b>
<b>Total Reserves for Net Unearned Premium (a+b)</b>	<b>2,960,146</b>	<b>2,735,501</b>	<b>-</b>	<b>-</b>

### 26.2 Reserves for Title Insurance

	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance as at 01st January (a)		57,059	63,531	-	-
Transfer to Title Insurance Reserve (b)		14,657	17,902	-	-
Recognition of Title Insurance Profit (c)	26.5	(22,737)	(24,374)	-	-
<b>Transfer from Title Insurance Reserves (d=b+c)</b>		<b>(8,080)</b>	<b>(6,472)</b>	<b>-</b>	<b>-</b>
<b>Total Reserves for Title Insurance as at 31st December (a+d)</b>		<b>48,979</b>	<b>57,059</b>	<b>-</b>	<b>-</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 26.3 Reserves for Gross Outstanding Claims

	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance as at 01st January		1,006,371	1,145,465	-	-
Claims Incurred during the Year		4,480,212	3,590,476	-	-
Claims Paid during the Year		(4,327,673)	(3,729,570)	-	-
<b>Balance as at 31st December (a)</b>		<b>1,158,910</b>	<b>1,006,371</b>	<b>-</b>	<b>-</b>
IBNR/IBNER balance as at 01st January		382,657	183,454	-	-
Increase in IBNR/IBNER		143,611	199,203	-	-
<b>IBNR/IBNER balance as at 31st December (b)</b>	26.7	<b>526,268</b>	<b>382,657</b>	<b>-</b>	<b>-</b>
<b>Total Reserves for Gross Outstanding Claims (a+b)</b>		<b>1,685,178</b>	<b>1,389,028</b>	<b>-</b>	<b>-</b>

## 26.4 Reconciliation between Insurance Contract Liabilities and Technical Reserve

As at 31st December,	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Insurance Contract Liabilities - General Insurance</b>		<b>4,694,303</b>	<b>4,181,588</b>	<b>-</b>	<b>-</b>
Reserve for Net Deferred Acquisition Expenses	17	(208,471)	(163,995)	-	-
Reinsurance on Claims Reserves		(393,060)	(389,633)	-	-
Reinsurance on Claims Reserves IBNR/IBNER		(170,159)	(97,682)	-	-
<b>Technical Reserves</b>		<b>3,922,613</b>	<b>3,530,278</b>	<b>-</b>	<b>-</b>

## 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. 22.74 Mn (2022 - Rs. 24.4 Mn) 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 2023 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 has ensured that adequate reserves are maintained by HNB General Insurance Ltd as at 31st December 2023. Refer page 205 for Actuarial Report provided by the Appointed Actuary.

## 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, FIAI, as at 31st December 2023 for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, HNB General Insurance Limited adequately satisfies the LAT as at 31st December 2023. No additional provision was required against the LAT as at 31st December 2023. Refer page 205 for Actuarial Report issued on 12th February 2024 by the Appointed Actuary for LAT.

## 26.9 Sensitivity Analysis

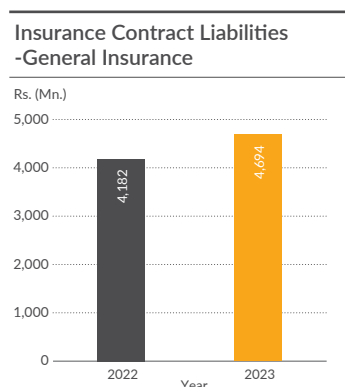
Sensitivity Analysis of General Insurance Contract Liability is provided in Note 4 on page 226.

## 26.10 Solvency Margin

As per the Report of the General Actuary, the subsidiary's Capital Adequacy Ratio (CAR) is 208% (2022 - 239%), well above the minimum requirement of 120%.

## 26.11 Key Assumptions

Details of key assumptions used are provided in Note 4 on page 226.



## 26.12 Maturity Analysis

Maturity Analysis of General Insurance Fund is given in Note 49 on page 337.

## 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 plan is curtailed the resulting change in benefits that relates to the past service or the gain or loss on curtailment is recognised immediately in the profit or loss. The Company recognises gain or loss on the settlement of a defined benefit 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	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present Value of Unfunded Obligation	27.2	333,860	236,424	192,127	142,692

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

## 27.2 Movement in the Present Value of the Employee Defined Benefit Liability

As at 31st December,	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance as at 01st January		236,424	239,167	142,692	137,328
Expenses Recognised in Profit or Loss during the year	27.2.1	80,741	52,787	46,544	30,056
Actuarial Losses/(Gains) recognised in Other Comprehensive Income during the Plan Year	27.2.2	63,303	(37,945)	25,147	(10,586)
		380,468	254,009	214,383	156,798
Payments during the Year		(46,608)	(17,585)	(21,984)	(12,628)
Adjustment due to transfer of employees from Subsidiary company		-	-	(272)	(1,478)
<b>Balance as at 31st December</b>		<b>333,860</b>	<b>236,424</b>	<b>192,127</b>	<b>142,692</b>

## 27.2.1 Expenses Recognised in Profit or Loss

As at 31st December,	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Current Service Cost	37,003	26,480	20,146	14,950
Interest on Obligation	43,738	26,307	26,398	15,106
<b>Total</b>	<b>80,741</b>	<b>52,787</b>	<b>46,544</b>	<b>30,056</b>

## 27.2.2 Actuarial Losses/(Gains) Recognised in Other Comprehensive Income

As at 31st December,	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Actuarial Losses due to Changes in demographic Assumptions	10,300	5,948	2,146	5,963
Actuarial Losses/(Gains) due to Changes in Financial Assumptions	26,748	(65,837)	5,591	(29,007)
Actuarial Losses due to Changes in Experience	26,255	21,944	17,410	12,458
<b>Actuarial Losses/(Gains) during the Plan Year</b>	<b>63,303</b>	<b>(37,945)</b>	<b>25,147</b>	<b>(10,586)</b>

As at 31st December 2023, 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.

## 27.3 Maturity Analysis of the Liability

As at 31st December,	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Within next 12 Months	6,653	696	1,871	-
Between 1 to 2 Years	4,522	6,400	814	1,347
Between 2 to 5 Years	59,636	25,890	41,166	19,655
Between 5 to 10 Years	247,765	119,388	132,992	79,704
Beyond 10 years	15,284	84,050	15,284	41,986
<b>Total</b>	<b>333,860</b>	<b>236,424</b>	<b>192,127</b>	<b>142,692</b>

## 27.4 Principal Assumptions Used

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assumptions</b>				
(a) Discount Rate*	12.50% - 13.00%	18.5%	13.00%	18.5%
(b) Future Salary Increase Rate	9.00% - 9.50%	12% - 14%	9.5%	14.0%
<b>Demographic Assumptions</b>				
(c) Staff Turnover Rate				
- Less than 5 years	21% - 36%	18% - 32%	36%	32%
- More than 5 years	9% - 10%	6% - 8%	9%	8%
(d) Expected future working lifetime	4.95 - 6.19 years	5.87 - 7.98 years	4.95 years	5.87 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Discount Rate</b>				
1% Increase in Discount Rate	(17,822)	(13,229)	(10,414)	(7,891)
1% Decrease in Discount Rate	19,842	14,749	11,606	8,784
<b>Salary Increment Rate</b>				
1% Increase in Salary	21,850	16,391	12,765	9,697
1% Decrease in Salary	(19,896)	(14,870)	(11,610)	(8,817)

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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 18.5% to 12.5%/13% during the year to reflect the increment in market interest rates and future salary increment rate has changed from 12%/14% to 9%/9.5% 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	
	2023	2022
	Rs.'000	Rs.'000
Amount Recognised in Company	43,073	27,120
Amount Transferred to HNB General Insurance Limited	3,471	2,936
<b>Total Provision for Employee Defined Benefit Liabilities</b>	<b>46,544</b>	<b>30,056</b>

### 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.

	Note	Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		253,810	62,168	209,338	19,871
Current Tax for the Year	46.1.a	763,993	288,436	679,821	236,503
Effect of Taxation on Surplus/Bonus Transferred to Policyholders	25.4	20,329	17,042	20,329	17,042
(Over)/Under Provision Pertaining to Previous Year	46.1.a	(27,045)	55	(24,098)	-
		1,011,088	367,702	885,390	273,417
Tax paid during the year		(481,079)	(113,892)	(432,160)	(64,079)
<b>Balance as at 31st December</b>		<b>530,009</b>	<b>253,810</b>	<b>453,230</b>	<b>209,338</b>

#### 28.1 Maturity Analysis

Maturity Analysis of Current Tax liability is given in Note 49 on page 337.

### 29. REINSURANCE CREDITORS

#### ACCOUNTING POLICY

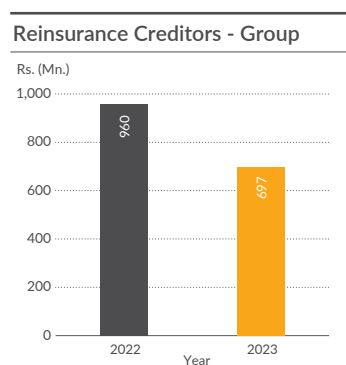
Reinsurance creditors are recognised as financial liabilities and categorised in the category of other financial liabilities. Please refer Note 7 of page 271 for Accounting policy of other financial liabilities.

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.

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	367,480	367,480	-	-
Foreign Reinsurers	329,435	592,213	302,211	227,512
<b>Total Reinsurance Creditors</b>	<b>696,915</b>	<b>959,693</b>	<b>302,211</b>	<b>227,512</b>

### 29.1 Maturity Analysis

Maturity Analysis of Reinsurance Creditors is given in Note 49 on page 337.



## 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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Group					
	2023			2022		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Balance as at 01st January	398,709	12,010	410,719	404,198	17,640	421,838
Additions during the Year	170,411	6,924	177,335	105,083	-	105,083
Increase to the recognised liability	6,925	-	6,925	1,501	896	2,398
Interest Expenses during the Year	55,915	2,074	57,989	46,044	2,273	48,317
Disposal of Lease Creditor upon termination of Contract	(7,619)	-	(7,619)	(4,263)	-	(4,263)
Rentals Paid during the Year	(184,348)	(10,697)	(195,045)	(153,854)	(8,800)	(162,654)
<b>Balance as at 31st December</b>	<b>439,993</b>	<b>10,311</b>	<b>450,304</b>	<b>398,709</b>	<b>12,010</b>	<b>410,719</b>

	Company					
	2023			2022		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Balance as at 01st January	372,354	4,572	376,926	382,128	8,246	390,374
Additions during the Year	136,534	6,924	143,458	98,042	-	98,042
Increase to the recognised liability	6,925	-	6,925	1,635	375	2,010
Interest Expenses during the Year	49,725	1,336	51,061	43,546	1,047	44,593
Disposal of Lease Creditor upon termination of Contract	-	-	-	(4,263)	-	(4,263)
Rentals Paid during the Year	(176,218)	(6,769)	(182,987)	(148,734)	(5,096)	(153,830)
<b>Balance as at 31st December</b>	<b>389,320</b>	<b>6,063</b>	<b>395,383</b>	<b>372,354</b>	<b>4,572</b>	<b>376,926</b>

**30.1 Maturity Analysis**

Maturity Analysis of Lease Creditors is given in Note 49 on page 337.

**31. OTHER LIABILITIES****ACCOUNTING POLICY****FINANCIAL LIABILITIES**

Please refer Note 7 of page 271 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	
		2023 Rs:'000	2022 Rs:'000	2023 Rs:'000	2022 Rs:'000
<b>Financial Liabilities</b>					
Payable to Policyholders		169,121	110,870	53,670	31,702
Acquisition Cost Payable		424,986	314,474	270,605	170,628
Advisor Terminal Benefit Payable	31.2	303,557	236,375	275,996	213,090
Amounts due to Related Parties	31.3	98,893	82,140	184,344	61,207
Co - Insurance Payable		74,809	68,562	-	-
Claims Payable		3,406	4,107	-	-
Staff Related Payables		317,370	308,075	287,793	236,195
<b>Total Financial Liabilities (a)</b>		<b>1,392,142</b>	<b>1,124,603</b>	<b>1,072,408</b>	<b>712,822</b>
<b>Non-Financial Liabilities</b>					
Accrued Expenses		127,402	146,810	12,865	7,232
Policyholders Advance Payments		297,668	299,445	297,668	299,445
Government Levies	31.4	218,219	172,353	66,530	36,999
Advance for Future Utilisation and Other Liabilities		828,584	663,537	364,707	327,910
<b>Total Non-Financial Liabilities (b)</b>		<b>1,471,873</b>	<b>1,282,145</b>	<b>741,770</b>	<b>671,586</b>
<b>Total Other Liabilities (a+b)</b>		<b>2,864,015</b>	<b>2,406,748</b>	<b>1,814,178</b>	<b>1,384,408</b>

### 31.1 Maturity Analysis

Maturity Analysis of Other Liabilities is given in Note 49 on page 337.

#### Other Liabilities Composition - Group



#### Other Liabilities Composition - Company



## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 31.2 Advisor Terminal Benefit Payable

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance	275,996	213,090	275,996	213,090
General Insurance	27,561	23,285	-	-
<b>Total</b>	<b>303,557</b>	<b>236,375</b>	<b>275,996</b>	<b>213,090</b>

### 31.3 Amounts due to Related Parties

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	93,071	72,218	72,567	55,253
HNB General Insurance Limited	-	-	111,312	-
HNB Finance PLC	5,822	9,922	465	5,954
<b>Total</b>	<b>98,893</b>	<b>82,140</b>	<b>184,344</b>	<b>61,207</b>

### 31.4 Government Levies

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stamp Duty Payable	2,908	2,573	513	431
Value Added Tax (VAT) Payable	102,087	89,492	4,347	1,268
Cess Payable	12,147	10,303	5,817	4,380
Crop Insurance	13,739	12,859	12,557	11,630
Pay As You Earn (PAYE)	19,376	2,530	13,875	1,918
Employee Provident Fund Payable	26,448	20,276	15,782	11,577
Employee Trust Fund Payable	3,967	3,041	2,367	1,736
Withholding Tax Payable	11,185	3,361	10,422	3,361
Contribution to Road Safety Fund Payable	209	185	-	-
SSCL Payable	25,691	26,900	850	698
Luxury Tax Payable to Department of Motor Traffic	462	833	-	-
<b>Total</b>	<b>218,219</b>	<b>172,353</b>	<b>66,530</b>	<b>36,999</b>

## 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 Group 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					
	2023			2022		
	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000
<b>Life Insurance</b>						
Renewal Premium	5,840,244	-	5,840,244	4,997,255	-	4,997,255
Single Premium	1,719,780	-	1,719,780	1,217,620	-	1,217,620
First Year Premium	2,929,460	-	2,929,460	2,269,345	-	2,269,345
Group Life Premium	-	433,810	433,810	-	427,240	427,240
Adjustment for Intercompany Premiums	-	(46,396)	(46,396)	-	(36,509)	(36,509)
<b>Gross Written Premium - Life Insurance (a)</b>			10,876,898			8,874,951
	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
<b>General Insurance</b>						
Fire	1,556,602	(67,993)	1,488,609	1,034,783	(69,641)	965,142
Motor	4,526,246	(6,260)	4,519,986	4,226,255	(8,399)	4,217,856
Marine	123,472	(317)	123,155	158,695	(399)	158,296
Miscellaneous	1,906,375	(1,855)	1,904,520	1,480,250	(533)	1,479,717
Adjustment for Intercompany Premiums	(152,821)	-	(152,821)	(58,226)	-	(58,226)
<b>Gross Written Premium - General Insurance (b)</b>			7,883,449			6,762,785
<b>Total Gross Written Premium (a+b)</b>			18,760,347			15,637,736

\* 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.

#### Gross Written Premium-Life Insurance



#### Gross Written Premium-General Insurance



## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December,	Company					
	2023			2022		
	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000
<b>Life Insurance</b>						
Renewal Premium	5,840,244	-	5,840,244	4,997,255	-	4,997,255
Single Premium	1,719,780	-	1,719,780	1,217,620	-	1,217,620
First Year Premium	2,929,460	-	2,929,460	2,269,345	-	2,269,345
Group Life Premium	-	433,810	433,810	-	427,240	427,240
<b>Total Gross Written Premium</b>			10,923,294			8,911,460

**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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Life Insurance</b>				
Individual Policies	345,211	242,771	345,211	242,771
Single Premium	179,607	55,473	179,607	55,473
Corporate Policies	67,373	174,768	67,373	174,768
<b>Total Life Insurance (a)</b>	592,191	473,012	592,191	473,012
<b>General Insurance</b>				
Fire	1,394,154	914,763	-	-
Motor	195,735	176,934	-	-
Marine	107,762	146,234	-	-
Miscellaneous	632,562	453,759	-	-
<b>Total General Insurance (b)</b>	2,330,213	1,691,690	-	-
<b>Total Premium Ceded to Reinsurers (a+b)</b>	2,922,404	2,164,702	592,191	473,012

**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	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>General Insurance</b>					
Change in Reserve for Unearned Premium	26.1	(524,888)	(601,302)	-	-
Change in Reserve for Unearned Reinsurers Premium	26.1	300,242	209,273	-	-
Transfer to Reserve for Title Insurance	26.2	8,080	6,472	-	-
Adjustment for Intercompany Unearned Premium		78,013	-	-	-
<b>Total Net Change in Reserves for Unearned Premium</b>		(138,553)	(385,557)	-	-

### 35. NET EARNED PREMIUM

For the Year Ended 31st December,	Group					
	2023			2022		
	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	10,923,294	8,036,270	18,959,564	8,911,460	6,821,011	15,732,471
Adjustment for Intercompany Premium	(46,396)	(152,821)	(199,217)	(36,509)	(58,226)	(94,735)
	10,876,898	7,883,449	18,760,347	8,874,951	6,762,785	15,637,736
Change in Reserve for Unearned Premium	-	(524,888)	(524,888)	-	(601,302)	(601,302)
Adjustment for Intercompany Unearned Premium			78,013			-
<b>Gross Earned Premium (a)</b>	10,876,898	7,358,561	18,313,472	8,874,951	6,161,483	15,036,434
Premium Ceded to Reinsurance	(592,191)	(2,330,213)	(2,922,404)	(473,012)	(1,691,690)	(2,164,702)
Change in Reserve for Unearned Reinsurance Premium	-	300,242	300,242	-	209,273	209,273
<b>Gross Reinsurance Premium (b)</b>	(592,191)	(2,029,971)	(2,622,162)	(473,012)	(1,482,417)	(1,955,429)
Transfer to Title Insurance Reserve (c)	-	8,080	8,080	-	6,472	6,472
<b>Total Net Earned Premium (a+b+c)</b>	10,284,707	5,336,670	15,699,390	8,401,939	4,685,538	13,087,477

For the Year Ended 31st December,	Company	
	2023	2022
	Rs.'000	Rs.'000
Gross Written Premium	10,923,294	8,911,460
Premium Ceded to Reinsurance	(592,191)	(473,012)
<b>Total Net Earned Premium</b>	10,331,103	8,438,448

### 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	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	36.1	7,217,300	4,533,060	6,297,089	3,860,664
Dividend Income	36.2	9,868	8,622	9,675	111,972
<b>Total Interest and Dividend Income</b>		7,227,168	4,541,682	6,306,764	3,972,636

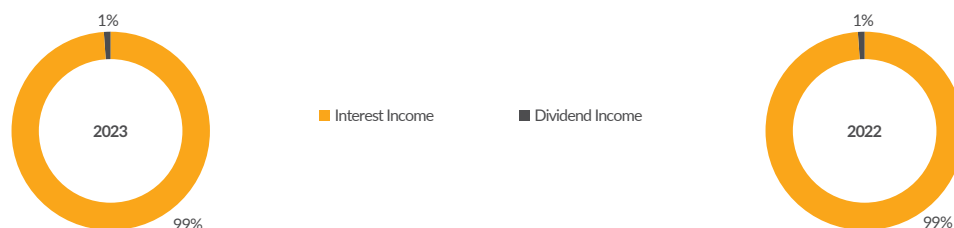
#### TEMPORARY EXEMPTION FROM SLFRS 9

As explained in page 220, 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. 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Held to Maturity</b>				
Treasury Bonds	1,988,187	884,963	1,988,187	884,963
Treasury Bills	90,427	88,783	68,394	69,816
<b>Total (a)</b>	<b>2,078,614</b>	<b>973,746</b>	<b>2,056,581</b>	<b>954,779</b>
<b>Loans and Receivables</b>				
Repurchase Agreements on Government Securities	108,389	500,176	84,660	427,366
Fixed Deposits	1,427,633	476,566	1,230,876	357,035
Debentures	1,165,744	811,634	999,940	716,174
Sri Lanka Development Bonds	-	5,668	-	2,008
Policy Loans	76,090	63,467	76,090	63,467
Staff and Advisor Loans	56,131	37,753	34,444	22,423
<b>Total (b)</b>	<b>2,833,987</b>	<b>1,895,264</b>	<b>2,426,010</b>	<b>1,588,473</b>
<b>Available For Sale</b>				
Treasury Bonds	683,902	581,023	476,975	462,630
Treasury Bills	1,526,322	850,468	1,286,595	696,511
<b>Total (c)</b>	<b>2,210,224</b>	<b>1,431,491</b>	<b>1,763,570</b>	<b>1,159,141</b>
<b>Cash and Cash Equivalents</b>				
Short Term Deposits	4,304	137,605	3,192	104,334
Savings Accounts	90,171	94,954	47,736	53,937
<b>Total (d)</b>	<b>94,475</b>	<b>232,559</b>	<b>50,928</b>	<b>158,271</b>
<b>Total Interest Income (a+b+c+d)</b>	<b>7,217,300</b>	<b>4,533,060</b>	<b>6,297,089</b>	<b>3,860,664</b>

## 36.2 Dividend Income

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Equity Shares	9,868	8,622	9,675	8,472
Dividend Income from Investments in Subsidiary	-	-	-	103,500
<b>Total Dividend Income</b>	<b>9,868</b>	<b>8,622</b>	<b>9,675</b>	<b>111,972</b>

## 37. NET REALISED (LOSSES)/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	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Available For Sale</b>				
<b>Realised Gains</b>				
Treasury Bills	38,955	-	31,744	-
<b>Total (a)</b>	<b>38,955</b>	<b>-</b>	<b>31,744</b>	<b>-</b>
<b>Fair Value Through Profit or Loss</b>				
<b>Realised Gains</b>				
Investment in Units	8,703	4,086	2,145	-
Equity Shares	59	-	59	-
<b>Total (b)</b>	<b>8,762</b>	<b>4,086</b>	<b>2,204</b>	<b>-</b>
<b>Loans and Receivables</b>				
<b>Realised (Losses)/Gains</b>				
Foreign Exchange - Sri Lanka Development Bonds	-	75,775	-	28,795
Foreign Exchange - Short Term Deposits	117	191,510	-	51,787
Foreign Exchange - Medium Term Deposits	(105,058)	118,728	(23,533)	24,794
<b>Total (c)</b>	<b>(104,941)</b>	<b>386,013</b>	<b>(23,533)</b>	<b>105,376</b>
<b>Total Net Realised (Losses)/ Gains (a+b+c)</b>	<b>(57,224)</b>	<b>390,099</b>	<b>10,415</b>	<b>105,376</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 38. NET FAIR VALUE GAINS/(LOSSES)

#### 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.

For the Year Ended 31st December,	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Fair Value Through Profit or Loss</b>					
<b>Unrealised Gains</b>					
Investment in Units		27,626	-	19,114	-
Equity Securities		34,748	-	34,748	-
<b>Total (a)</b>		62,374	-	53,862	-
<b>Unrealised Losses</b>					
Equity Securities		(77)	(60,362)	-	(58,980)
<b>Total (b)</b>		(77)	(60,362)	-	(58,980)
<b>Total (c = a+b)</b>		62,297	(60,362)	53,862	(58,980)
<b>Available For Sale</b>					
Impairment of Available For Sale Financial Assets	38.1	-	(10,964)	-	(10,964)
<b>Total (d)</b>		-	(10,964)	-	(10,964)
<b>Loans &amp; Receivables</b>					
<b>Unrealised Gains</b>					
Foreign Exchange - Medium Term Deposits		3,647	4,943	3,245	1,281
<b>Total (e)</b>		3,647	4,943	3,245	1,281
<b>Total Net Fair Value Gains/(Losses) (c+d+e)</b>		65,944	(66,383)	57,107	(68,663)

#### 38.1 Impairment of Equity Shares - Available For Sale

There is no impairment on equity shares for 2023. However, Company has experienced a significant and prolonged decline in market price than Cost of equity shares categorised under AFS category and an impairment loss was recognised in Profit or Loss for the financial year 2022.

### 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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit Commission from Reinsurers	105,696	55,335	61,543	16,833
Fund Management Fee	-	-	15,529	14,692
Policy and Related Fee	211,927	216,888	25,637	22,869
<b>Total Fee and Commission Income</b>	317,623	272,223	102,709	54,394

### 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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Gain on Disposal of Property, Plant and Equipment	2,428	750	2,280	964
Gain on Disposal of Right of Use Assets	1,185	1,023	-	1,023
Sundry Income	8,433	34,669	7,167	31,236
<b>Total Other Income</b>	12,046	36,442	9,447	33,223



#### 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.

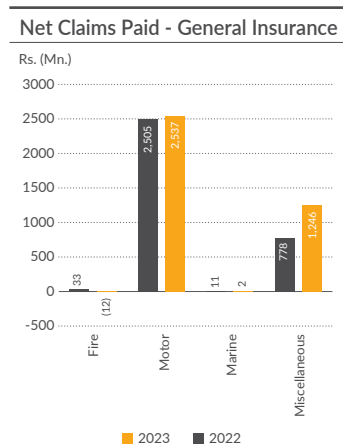
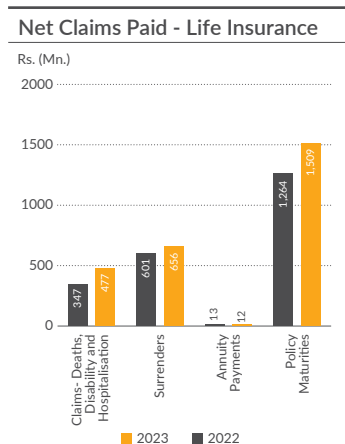
##### REINSURANCE ON CLAIMS

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					
	2023			2022		
	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
<b>Life Insurance</b>						
Claims - Deaths, Disability and Hospitalisation	820,010	(343,333)	476,677	557,805	(210,879)	346,926
Surrenders	656,397	-	656,397	600,536	-	600,536
Annuity Payments	12,472	-	12,472	12,769	-	12,769
Policy Maturities	1,508,601	-	1,508,601	1,264,181	-	1,264,181
<b>Net Life Insurance Claims (a)</b>			2,654,147			2,224,412
<b>General Insurance</b>						
Fire	449,393	(461,025)	(11,632)	324,990	(291,701)	33,289
Motor	2,537,409	(327)	2,537,082	2,526,433	(21,421)	2,505,012
Marine	18,973	(17,018)	1,955	36,490	(25,496)	10,994
Miscellaneous	1,321,898	(76,265)	1,245,633	841,655	(63,387)	778,268
<b>Net General Insurance Claims (b)</b>			3,773,038			3,327,563
Adjustments for Intercompany Claims (c)			(466)			(466)
<b>Total Net Insurance Benefits and Claims Paid (a+b+c)</b>			6,426,719			5,551,509

For the Year Ended 31st December,	Company					
	2023			2022		
	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
<b>Life Insurance</b>						
Claims - Deaths, Disability and Hospitalisation	820,010	(343,333)	476,677	557,805	(210,879)	346,926
Surrenders	656,397	-	656,397	600,536	-	600,536
Annuity Payments	12,472	-	12,472	12,769	-	12,769
Policy Maturities	1,508,601	-	1,508,601	1,264,181	-	1,264,181
<b>Total Net Insurance Benefits and Claims Paid</b>			2,654,147			2,224,412

## 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Gross Change in Insurance Claims Outstanding</b>				
<b>Life Insurance (a)</b>	50,664	(61,212)	50,664	(61,212)
<b>General Insurance</b>				
Fire	33,010	68,625	-	-
Motor	119,582	35,294	-	-
Marine	41,542	(4,216)	-	-
Miscellaneous	102,015	(39,592)	-	-
<b>Total General Insurance (b)</b>	296,149	60,111	-	-
<b>Total Gross Change in Insurance Claims Outstanding (c = a+b)</b>	346,813	(1,101)	50,664	(61,212)
<b>Gross Change in Reinsurance Recoverable on Claims Outstanding</b>				
<b>Life Insurance (d)</b>	(28,375)	6,327	(28,375)	6,327
<b>General Insurance</b>				
Fire	(28,296)	(56,422)	-	-
Motor	11,532	(2,533)	-	-
Marine	(35,069)	4,618	-	-
Miscellaneous	(27,240)	76,599	-	-
<b>Total General Insurance (e)</b>	(79,073)	22,262	-	-
<b>Total Gross Change in Reinsurance Recoverable on Claims Outstanding (f = d+e)</b>	(107,448)	28,589	(28,375)	6,327
<b>Total Net Change in Insurance Claims Outstanding (c+f)</b>	239,365	27,488	22,289	(54,885)

### 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	
		2023	2022	2023	2022
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Directors' Fees	43	29,220	23,805	17,648	14,557
Staff Expenses	43.1	2,445,642	2,016,850	1,428,237	1,082,592
Administration and Establishment Expenses		1,266,052	707,416	901,486	517,515
Selling Expenses		1,296,639	997,509	1,028,985	721,211
Amortisation of Intangible Assets		20,835	19,768	15,985	15,073
Depreciation of Property, Plant and Equipment		124,939	81,746	79,044	44,287
Net Depreciation of Right of Use Assets		168,463	141,151	101,315	80,264
Auditor's Fees and Expenses	43.2	7,635	7,140	4,750	4,825
Legal Fees		10,519	4,524	7,113	2,744
Donations		750	581	750	581
<b>Total Other Operating and Administration Expenses</b>		<b>5,370,694</b>	<b>4,000,490</b>	<b>3,585,313</b>	<b>2,483,649</b>

#### 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.

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Staff Salaries	1,539,368	1,179,309	841,794	598,445
Defined Contribution Plan Costs - EPF 12%	184,741	141,517	101,032	71,813
Defined Contribution Plan Costs - ETF 3%	46,181	35,379	25,254	17,953
Defined Benefit Plan Costs - Employee Benefits	80,741	52,787	43,072	27,120
Other Staff Costs	594,611	607,858	417,085	367,261
<b>Total</b>	<b>2,445,642</b>	<b>2,016,850</b>	<b>1,428,237</b>	<b>1,082,592</b>

#### 43.2 Auditor's Fees and Expenses

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Audit Fees and Expenses	5,010	4,910	3,000	3,185
Audit Related Fees	1,565	1,230	690	640
Non Audit Fees	1,060	1,000	1,060	1,000
<b>Total</b>	<b>7,635</b>	<b>7,140</b>	<b>4,750</b>	<b>4,825</b>

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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	
		2023	2022	2023	2022
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Underwriting and Acquisition Costs		2,645,974	2,153,863	1,826,246	1,464,155
Reinsurance Commission		(401,375)	(326,038)	(19,727)	(27,110)
Increase in Deferred Acquisition Expenses	44.1	(44,476)	(6,285)	-	-
<b>Total Underwriting and Net Acquisition Costs</b>		<b>2,200,123</b>	<b>1,821,540</b>	<b>1,806,519</b>	<b>1,437,045</b>

#### 44.1 Increase in Net Deferred Acquisition Expenses

For the Year Ended 31st December,		Group		Company	
		2023	2022	2023	2022
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Decrease in Deferred Reinsurance Commission		21,904	31,405	-	-
Increase in Acquisition Cost		(66,380)	(37,690)	-	-
<b>Total Increase in Net Deferred Acquisition Expenses</b>		<b>(44,476)</b>	<b>(6,285)</b>	<b>-</b>	<b>-</b>

### 45. PROFIT BEFORE TAX

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities.

Profit before tax is stated after charging all expenses including the following:

For the Year Ended 31st December,	Note	Group		Company	
		2023	2022	2023	2022
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Director fee	43	29,220	23,805	17,648	14,557
Auditors Fees					
Audit Fees and Expenses	43.2	5,010	4,910	3,000	3,185
Audit Related Fees	43.2	1,565	1,230	690	640
Non Audit Fees	43.2	1,060	1,000	1,060	1,000
Legal Fees	43	10,519	4,524	7,113	2,744
Amortisation of Intangible Assets	10	20,835	19,768	15,985	15,073
Depreciation of Property, Plant and Equipment	8 & 43	124,939	81,746	79,044	44,287
Net Depreciation of Right of Use Assets	9 & 43	168,463	141,151	101,315	80,264
Defined Contribution Plan					
EPF	43.1	184,741	141,517	101,032	71,813
ETF	43.1	46,181	35,379	25,254	17,953
Defined Benefit Plan Costs - Employee Benefits	27 & 43	80,741	52,787	43,072	27,120
Other Staff Expenses		2,133,980	1,787,167	1,258,880	965,706

## 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 01st 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 335.

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.

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 assets 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 recognising 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.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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 01st 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 01st January 2020, WHT scheme was abolished and same was reintroduced with effect from 01st October 2022 with an increased rate of 15%.

### WITHHOLDING TAX ON SERVICES

In terms of section 84, 84A and 85 of Inland Revenue Act, No. 24 of 2017 and the amendments there of, with effect from 01st January 2023, Company deduct WHT on respective payments at the relevant WHT rates.

### 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 01st 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 01st April 2020 became 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 01st April 2020. This was applicable only to the prior year. Details of Surcharge tax is disclosed in Note 46.6 on page 335.

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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Income Tax</b>				
Income Tax on Current Year's Profits	763,993	288,436	679,821	236,503
(Over)/Under Provision of Current Taxes in Respect of Prior Years	(27,045)	55	(24,098)	-
<b>Total Income Tax (a)</b>	<b>736,948</b>	<b>288,491</b>	<b>655,723</b>	<b>236,503</b>
<b>Deferred Tax</b>				
Reversal of Deferred Tax Asset	46.2.a	5,256	265,698	-
Origination of Deferred Tax Liability	46.2.b	4,642	1,209	-
<b>Deferred Taxation (b)</b>		<b>9,898</b>	<b>-</b>	<b>273,543</b>
<b>Total Tax Expense (a+b)</b>	<b>746,846</b>	<b>555,398</b>	<b>655,723</b>	<b>510,046</b>

#### 46.1.b Tax Recognised in Other Comprehensive Income

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Deferred Tax</b>				
Deferred tax on Available For Sale Financial Assets	(107,659)	78,671	-	-
Deferred tax on Actuarial Losses/(Gains) on Defined Benefit Plans	19,655	(4,166)	-	-
<b>(Reversal)/Origination of Deferred Tax Assets</b>	<b>(88,004)</b>	<b>74,505</b>	<b>-</b>	<b>-</b>

#### 46.2 Deferred Taxation

As at 31st December,	Note	Group		Company	
		2023	2022	2023	2022
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Deferred Tax Asset	46.2.a	42,520	106,840	-	-
Deferred Tax Liability	46.2.b	(40,922)	(7,410)	-	-
<b>Net Deferred Tax Asset</b>		<b>1,528</b>	<b>99,430</b>	<b>-</b>	<b>-</b>

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	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Deferred tax asset as of 01st January (a)	106,840	298,033	-	273,543
Amount reversed during the year in profit or loss	(5,256)	(272,964)	-	(273,543)
Effect of change in tax rates	-	7,266	-	-
Total amount reversed during the year in profit or loss (b)	(5,256)	(265,698)	-	(273,543)
Amount (reversed)/originated during the year - recognised in other comprehensive income (c)	(59,064)	74,505	-	-
<b>Deferred Tax Asset as of 31st December (a+b+c)</b>	<b>42,520</b>	<b>106,840</b>	<b>-</b>	<b>-</b>

#### 46.2.b Deferred Tax Liabilities

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Deferred tax liability as of 01st January (a)	7,410	6,201	-	-
Amount originated/(reversed) during the year in profit or loss	4,642	(272)	-	-
Effect of change in tax rates	-	1,481	-	-
Total amount originated during the year in profit or loss (b)	4,642	1,209	-	-
Amount originated during the year - recognised in other comprehensive income (c)	28,940	-	-	-
<b>Deferred tax liability as of 31st December (a+b+c)</b>	<b>40,992</b>	<b>7,410</b>	<b>-</b>	<b>-</b>

## 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			
	2023		2022		2023		2022	
	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
<b>Deferred Tax Assets</b>								
Employee Benefits	141,733	42,520	93,732	28,120	-	-	-	-
AFS Assets	-	-	262,400	78,720	-	-	-	-
<b>Total Deferred Tax Assets</b>	<b>141,733</b>	<b>42,520</b>	<b>356,132</b>	<b>106,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Liability</b>								
Property, Plant & Equipment	33,979	10,193	24,397	7,319	-	-	-	-
AFS Assets	96,463	28,939	-	-	-	-	-	-
Right of Use Asset	6,199	1,860	303	91	-	-	-	-
<b>Total Deferred Tax Liability</b>	<b>136,641</b>	<b>40,992</b>	<b>24,700</b>	<b>7,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Deferred Tax Asset</b>	<b>-</b>	<b>1,528</b>	<b>-</b>	<b>99,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

As per Section 67 of Inland Revenue Act, No. 24 of 2017 which was effective from 01st 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 Mn 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 01st 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 of Rs. 656 Mn for the year 2023 since brought forward tax losses are not available for recoverability.

The Subsidiary Company, HNB General Insurance Limited recorded a Net Deferred Tax Asset amounted to Rs. 1.5 Mn (2022 - Rs. 99.4 Mn). The Group does not have unrecognised Deferred Tax Asset/Liability as at the 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. Accordingly, tax liability of the Company and subsidiary was calculated and accounted at 30% for the year of assessment 2023/24. However, the Group/ Company has computed current tax payable on a pro rata basis for year of assessment 2022/23 since rate increase was at the mid year.

**46.4 Reconciliation of Effective Tax rate**

A reconciliation between tax expense and the product of accounting profit is given as below,

For the Year Ended 31st December,	Effective Tax Rate %	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit for the year		1,764,649	1,830,524	1,613,319	1,483,620
Income Tax Expenses		761,047	288,491	679,821	236,503
Deferred Taxation		9,897	266,907	-	273,543
<b>Profit Before Tax</b>		<b>2,535,593</b>	<b>2,385,922</b>	<b>2,293,140</b>	<b>1,993,666</b>
At the Statutory Income Tax Rate of 24% - 2022	0%	-	286,311	-	239,240
At the Statutory Income Tax Rate of 30%	30%	760,678	357,888	687,942	299,050
Intercompany Dividend	0%	-	27,945	-	-
Over Provision of Current Taxes in Respect of Prior Years	-1%	(27,045)	41	(24,098)	(14)
Income Exempt from Tax	0%	(107)	(106,821)	-	(4,555)
Aggregate Allowable Expenses	-1%	(34,535)	(10,068)	(8,121)	-
Aggregate Disallowed Expenses	1%	37,957	6,749	-	(23,664)
Utilisation of Previous Tax Losses	0%	-	(273,554)	-	(273,554)
Reversal of Deferred Tax Assets	0%	9,898	266,907	-	273,543
<b>Income Tax Expenses</b>	<b>29%</b>	<b>746,846</b>	<b>555,398</b>	<b>655,723</b>	<b>510,046</b>



## 46.5 Tax Loss Analysis

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	-	1,139,763	-	1,139,763
Prior Year Adjustments	-	46	-	46
Tax Losses Utilised Against Taxable Income during the Year	-	(1,139,809)	-	(1,139,809)
<b>Balance as at 31st December</b>	-	-	-	-

As at 31st December 2023 Company and Subsidiary does not have any brought forward tax losses. Hence there is no any tax utilisations during the year.

## 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 Instalment - paid on 20th April 2022 (Rs. '000)	2nd Instalment - paid on 20th July 2022 (Rs. '000)
HNBA	21,966	10,983	10,983
HNBGI	172,489	86,244	86,244
<b>Total</b>	<b>194,455</b>	<b>97,227</b>	<b>97,227</b>

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 01st April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the statement of Changes in Equity on 01st 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 policyholders (Participating policies).

## 47.1 Basic Earnings Per Share (EPS)

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
<b>Amounts Used as the Numerator:</b>				
Net Profit Attributable to Ordinary Shareholders (Rs.'000)	1,764,649	1,830,524	1,613,319	1,483,620
<b>Number of Ordinary Shares used as the Denominator:</b>				
Weighted Average No. of Ordinary Shares as at 31st December ('000)	150,000	150,000	150,000	150,000
<b>Basic Earnings Per Share (Rs.)</b>	<b>11.76</b>	<b>12.20</b>	<b>10.76</b>	<b>9.89</b>

## 46.6.1 Adjustment made to opening retained earnings

	(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 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 earnings	(172,489)	-
Comparable profit for the year 2020	5,668,543	4,968,314

## 47. BASIC AND DILUTED EARNINGS PER SHARE

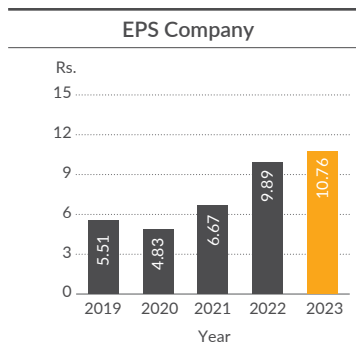
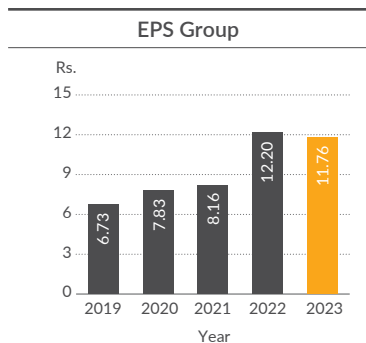
### ACCOUNTING POLICY

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	
	2023	2022
	Rs:'000	Rs:'000
Proposed Dividend per Share - First and Final (Rs.)	3.90	3.65
<b>Total</b>	<b>3.90</b>	<b>3.65</b>

#### 48.1 Proposed Dividend

For the Year Ended 31st December,	Group / Company	
	2023	2022
	Rs:'000	Rs:'000
Dividends to Shareholders	585,000	547,500
<b>Total</b>	<b>585,000</b>	<b>547,500</b>

#### 48.2 PROPOSED DIVIDEND

The Board of Directors has recommended a payment of Rs. 3.90 per share as a first and final dividend on 15th February 2024 for the year ended 31st December 2023 (2022 - first and final dividend Rs. 3.65 per share) which is subject to the approval of the shareholders at the Annual General Meeting to be held on 2nd April 2024.

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 2023.

#### 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 2023. A Statement of Solvency completed and duly signed by the Directors on 15th February 2024 has been audited by M/S KPMG Sri Lanka.

#### 48.4 Dividend Paid during the Year

For the Year Ended 31st December,	Group / Company	
	2023	2022
	Rs:'000	Rs:'000
First and Final Dividend for 2022: Rs. 3.65 per share (First and final Dividend for 2021: Rs. 3.20 per Share)	547,500	480,000
	<b>547,500</b>	<b>480,000</b>

#### 49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at 31st December,	Group					
	2023			2022		
	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
<b>Assets</b>						
Property, Plant and Equipment	689,549	-	689,549	418,258	-	418,258
Right of Use Assets	428,871	142,878	285,993	376,579	-	376,579
Intangible Assets	63,924	-	63,924	61,118	-	61,118
Deferred Tax Assets	1,528	1,528	-	99,430	-	99,430
Financial Investments	43,855,383	13,607,396	30,247,987	34,624,131	12,682,704	21,941,427
Loans to Life Policyholders	441,923	-	441,923	420,914	-	420,914
Reinsurance Receivables	1,329,157	1,329,157	-	1,044,318	1,044,318	-
Premium Receivables	1,858,407	1,858,407	-	1,853,670	1,853,670	-
Other Assets	1,262,852	674,502	588,350	999,838	501,584	498,254
Insurance Contract - Deferred Expenses	208,471	208,471	-	163,995	163,995	-
Cash and Cash Equivalents	1,123,004	1,123,004	-	1,033,305	1,033,305	-
<b>Total assets</b>	<b>51,263,069</b>	<b>18,945,343</b>	<b>32,317,726</b>	<b>41,095,556</b>	<b>17,279,576</b>	<b>23,815,980</b>
<b>Liabilities</b>						
Insurance Contract Liabilities - Life Insurance	30,945,715	269,676	30,676,039	24,582,641	219,011	24,363,630
Insurance Contract Liabilities - General Insurance	4,694,303	4,645,324	48,979	4,181,588	4,124,530	57,058
Employee Defined Benefit Liabilities	333,860	6,653	327,207	236,424	-	236,424
Current Tax Liabilities	530,009	530,009	-	253,810	253,810	-
Reinsurance Creditors	696,915	696,915	-	959,693	959,693	-
Lease Creditors	450,304	146,202	304,102	410,719	150,383	260,336
Other Liabilities	2,864,015	2,864,015	-	2,406,748	2,406,748	-
Bank Overdrafts	471,271	471,271	-	265,539	265,539	-
<b>Total Liabilities</b>	<b>40,986,392</b>	<b>9,630,065</b>	<b>31,356,327</b>	<b>33,297,162</b>	<b>8,379,714</b>	<b>24,917,448</b>
<b>Company</b>						
As at 31st December,	2023			2022		
	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
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Assets</b>						
Property, Plant and Equipment	480,796	-	480,796	260,442	-	260,442
Right of Use Assets	368,716	142,878	225,838	343,824	-	343,824
Intangible Assets	57,566	-	57,566	57,054	-	57,054
Financial Investments	38,530,656	10,788,119	27,742,537	29,844,875	9,684,060	20,160,815
Investment in Subsidiary	1,150,000	-	1,150,000	1,150,000	-	1,150,000
Loans to Life Policyholders	441,923	-	441,923	420,914	-	420,914
Reinsurance Receivables	325,283	325,283	-	184,249	184,249	-
Premium Receivables	45,940	45,940	-	18,547	18,547	-
Other Assets	983,945	548,517	435,428	713,293	329,957	383,336
Cash and Cash Equivalents	666,222	666,222	-	725,420	725,420	-
<b>Total assets</b>	<b>43,051,047</b>	<b>12,516,959</b>	<b>30,534,088</b>	<b>33,718,618</b>	<b>10,942,233</b>	<b>22,776,385</b>
<b>Liabilities</b>						
Insurance Contract Liabilities - Life Insurance	30,945,715	269,676	30,676,039	24,582,641	219,011	24,363,630
Employee Defined Benefit Liabilities	192,127	1,871	190,256	142,692	-	142,692
Current Tax Liabilities	453,230	453,230	-	209,338	209,338	-
Reinsurance Creditors	302,211	302,211	-	227,512	227,512	-
Lease Creditors	395,383	140,551	254,832	376,926	145,510	231,416
Other Liabilities	1,814,178	1,814,178	-	1,384,408	1,384,408	-
Bank Overdrafts	160,547	160,547	-	101,695	101,695	-
<b>Total Liabilities</b>	<b>34,263,391</b>	<b>3,142,264</b>	<b>31,121,127</b>	<b>27,025,212</b>	<b>2,287,474</b>	<b>24,737,738</b>

## 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 9.14.8 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Transactions</b>				
Insurance Premium	224,650	158,399	31,414	31,131
Claims Incurred	93,148	35,261	52,106	11,050
Investment Income	537,757	332,814	456,193	229,939
Administration Expenses	591,593	512,113	450,318	379,208
Rent	10,352	9,687	7,018	6,395
Other Operational Expenses	12,905	10,782	8,978	6,666
Dividends Paid	328,423	287,933	328,423	287,933

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Outstanding Balances</b>				
Investments (Includes Deposits and Debentures)	3,017,870	2,369,855	2,636,221	1,872,110
Cash at Bank Balances	625,665	533,376	503,848	436,195
Insurance Premium Receivable	175	1,066	-	-
Administration Expenses Payable	92,914	72,076	72,467	55,163
Rent and Other Operational Expenses Payable	157	141	100	90

#### 50.1.2 Transaction and Outstanding Balances with the Subsidiary Company - HNB General Insurance Limited

For the Year Ended 31st December,	2023	2022
	Rs.'000	Rs.'000
<b>Transactions</b>		
Insurance Premium	46,396	36,509
Insurance Expenses	152,821	58,226
Claims Received	466	466
Claims Paid	5,400	18,200
Administrations Expenses Reimbursement		
- Reimbursement expenses relating to employees	112,430	113,869
- Other reimbursement expenses	271,345	221,965
Fund Management Fee Income	15,529	14,691
Profit Commission Expenses	16,336	13,487
Dividend Received	-	103,500
<b>Outstanding Balances</b>		
Receivable from HNB General Insurance Ltd	99,350	21,816
Payable to HNB General Insurance Ltd	111,312	-

### 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Transactions</b>				
Insurance Premium	50,112	15,471	-	-

#### b) HNB Finance PLC

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Transactions</b>				
Insurance Premium	175,379	163,124	132,569	141,941
Claims Incurred	14,999	1,040	11,012	-
Administration Expenses	26,636	15,376	11,015	5,970
Interest Income	18,307	31,794	18,307	31,794

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Outstanding Balances</b>				
Insurance Premium Receivable	26,323	3,185	8,028	-
Investment in Term Deposits	-	125,868	-	125,868
Investment in Debentures	158,181	126,048	158,181	126,048
Cash and Bank Balances	14	88	14	88
Administration Expenses Payable	5,822	9,922	465	5,954

#### c) Acuity Partners (Pvt) Ltd

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Transactions</b>				
Insurance Premium	1,647	1,137	928	312
Claims Incurred	250	478	-	-

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Outstanding Balances</b>				
Insurance Premium Receivable	241	526	-	312

#### d) Acuity Stockbrokers (Pvt) Ltd

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Transactions</b>				
Insurance Premium	4,473	4,358	-	-
Claims Incurred	720	238	-	-

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Outstanding Balances</b>				
Insurance Premium Receivable	458	366	-	-

## e) Acuity Securities Ltd

For the Year Ended 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Transactions</b>				
Insurance Premium	5,255	3,134	-	-
Claims Incurred	1,132	827	-	-
Investment Income from REPO	81,606	209,946	62,481	179,434
Custodian Fee	-	185	-	152

As at 31st December,	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Outstanding Balances</b>				
Insurance Premium Receivable	503	506	-	-
Investment in REPO	-	1,380,579	-	918,083

## 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 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 Officers, and the Chief Financial Officer are also considered as related parties 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,

## 50.2.1 Key Management Personnel Compensation

For the Year Ended 31st December,	2023	2022
	Rs.'000	Rs.'000
Directors Fee	29,220	23,805
Short -Term Employee Benefits	82,028	54,979
Post - Employment Benefits	9,189	6,051
Outstanding Loan Balance Granted to KMPs (Other than Directors)	1,583	2,583

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 ex - gratia payments were made to Directors during the year. No loans have been granted to the Directors of the Group.

### 50.2.2 Other Transactions with Key Management Personnel

For the Year Ended 31st December,	2023	2022
	Rs:'000	Rs:'000
Insurance Premium - Life Insurance	1,068	826
Insurance Premium - General Insurance	1,953	2,053
Claims Paid - General Insurance	466	2,961

### 50.2.3 Appointments, Resignations and Retirements of the Board of Directors during the year 2023

Name of the Director	Company	Nature of the directorship	Effective Date
<b>Appointments</b>			
Mr. Dinesh Dharmadasa	HNB General Insurance Limited	Independent Non-Executive Director	17th February 2023
Mr. Richard Annesley Ebell	HNB Assurance PLC	Independent Non-Executive Director	16th June 2023
<b>Resignations</b>			
Dr. Thalpwila Kankanange Don Aruna Prasad Samarasinghe	HNB Assurance PLC and HNB General Insurance Limited	Alternate Director to Mr. L. U. D. Fernando	06th June 2023
Mr. M O F Salieh	HNB General Insurance Limited	Non Independent Non-Executive Director	16th February 2023.
Mr. Dilshan Peter Niros Rodrigo	HNB Assurance PLC	Non-Independent Non-Executive Director	11th December 2023
Mr. Richard Annesley Ebell	HNB Assurance PLC	Independent Non-Executive Director	31st December 2023
<b>Retirements</b>			
Dr. Sivakumar Selliah	HNB Assurance PLC	Independent Non-Executive Director	16th June 2023

Mr. Darshan Ravindra Abey Suriya who served as the Senior Independent/Non-Executive Director of HNB Assurance PLC deceased on 25th October 2023.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 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.

Control, Joint Control or Significant Influence by Key Management Personnel	Name of the Company	Nature of Transactions	Group		Company	
			2023	2022	2023	2022
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dr. S Selliah*	Arunodhaya Industries (Pvt) Ltd	Insurance Premium	186	202	-	-
		Claims Incurred	-	771	-	-
	Andysel (Pvt) Ltd	Insurance Premium	149	149	-	-
	Arunodhaya Investments (Pvt) Ltd	Insurance Premium	230	235	-	-
Mr. S A Chapman	Hemas Pharmaceuticals (Pvt) Ltd	Insurance Premium	38,313	28,836	1,559	-
		Claims Incurred	31,852	22,937	1,500	-
Mr. P R Saldin	CIC Holding PLC	Insurance Premium	20	-	-	-
Mr. D A Cabraal**	Healthguard Pharmacy Ltd	Insurance Premium	6,702	-	-	-
	Lina Manufacturing (Pvt) Ltd	Insurance Premium	6,354	-	-	-
	Lina Spiro (Pvt) Ltd	Insurance Premium	1,310	-	-	-
	Sunshine Healthcare Lanka Ltd	Insurance Premium	12,674	-	-	-
		Claims Incurred	76	-	-	-
	Sunshine Holdings PLC	Insurance Premium	155	-	-	-
	Management Systems (Pvt) Ltd	Insurance Premium	15	-	-	-
Mr. W M M D Rathnayake	Hsenid Business Solutions (Pvt) Ltd	Insurance Premium	987	-	-	-
Mr. K Gunawardena	LOLC General Insurance PLC	Insurance Premium	(59)	-	-	-
Mr. V Govindasamy***	Ceylon Chamber of Commerce	Insurance Premium	743	-	-	-
		Claims Incurred	638	-	-	-

\*Dr. S Selliah has retired from the Board of HNB Assurance PLC with effect from 16th June 2023.

\*\*Mr. D A Cabraal has retired from the Board of Hatton National Bank with effect from 01st April 2023.

\*\*\*Mr. Visvanathamoorthy Govindasamy has resigned from the Board of Hatton National Bank with effect from 27th October 2023.

### 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 2023 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 2023, 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 9.14.8(2) of the listing rules - "Related Party Transactions". All the transactions are carried out under the normal course of business at prevailing market prices.



Name of the Company / Entity	Government and Government Related Financial Institutes	Nature of Transactions	Group		Company	
			2023	2022	2023	2022
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government of Sri Lanka	Government Related Entity	Investment balances as at 31st December	25,334,074	20,969,822	23,523,532	18,543,183
		Investment Income	4,397,226	2,911,081	3,904,811	2,543,294
Bank of Ceylon	Government Related Entity	Investment Income	-	10,325	-	6,886
National Development Bank PLC	Government Related Entity	Investment balances as at 31st December	1,697,554	1,693,748	1,416,898	1,309,172
		Investment Income	256,841	203,684	202,931	164,320
People's Bank	Government Related Entity	Investment balances as at 31st December	670,821	156,129	670,821	156,129
		Investment Income	28,942	67,381	28,942	60,651
National Savings Bank	Government Related Entity	Investment balances as at 31st December	1,316,752	-	1,199,966	-
		Investment Income	156,752	33,301	139,966	20,462
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 2023 and 2022 are as follows:

For the year ended 31st December,	Group/Company	
	2023	2022
	Rs.'000	Rs.'000
<b>Transactions</b>		
Premium Income from Government Related Entities	105,243	97,613
Claims Paid to Government Related Entities	3,088	764
Reinsurance Premium Net of Commission to Government Related Entities	934,940	645,223
Taxes Paid	1,689,882	939,332
Regulatory Charges	468,320	230,452
Utility Expenses	98,027	77,340
Media Expenses	1,201	687

## 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. 3.90 per share as first and final dividend on 15th February 2024 for the year ended 31st December 2023. The proposed dividend is subject to the approval of shareholders at the Annual General Meeting and to be paid on or before 26th April 2024.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 51.2 Subsequent Changes in Directorships

#### Appointments

Name of the Director	Company	Nature of the Directorship	Effective Date
Mr. Lokugan Hewage Ananda Lakshman Silva	HNB Assurance PLC	Independent Non-Executive Director	01st January 2024
Dr. Prasanna Sankalpa Gamwarige	HNB Assurance PLC	Independent Non-Executive Director	01st January 2024

#### Resignations

Name of the Director	Company	Nature of the Directorship	Effective Date
Ms. Chiranthi Cooray	HNB General Insurance Limited	Non-Independent Non-Executive Director	24th January 2024

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. 407.16 Mn for the purchase of computer hardware, software and other equipment (2022 - Rs. 353.52 Mn for the purchase of computer hardware, software and other 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. 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.

#### 53.1 Contingencies

##### 53.1.1 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, 2018/2019 and 2019/2020. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. Subsidiary Company HNB General Insurance Limited also received Income Tax Assessments for the taxable periods 2018/2019 and 2019/2020.

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

Year of Assessment	Date of Assessment/ Intimation	Status of Assessment	Measurement of Contingent Impact to the Company	Total Additional Liability (Rs. Mn)
<b>HNB Assurance PLC</b>				
2011/2012	2014.11.20	Pending decision from Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Mn	-
2012/2013	2015.11.30	Pending decision from Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Mn	-
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
2017/2018	2020.05.19	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	434
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	536
2019/2020	2022.05.23	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	279
<b>Total - HNB Assurance PLC</b>				<b>1,549</b>
<b>HNB General Insurance Limited</b>				
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	138
2019/2020	2023.05.26	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	151
<b>Total - HNB General Insurance Limited</b>				<b>289</b>
<b>Total - Group</b>				<b>1,838*</b>

\*includes penalty of Rs. 243 Mn.

Assessments raised on the Company for 2013/2014 and 2016/2017 (with tax in dispute and penalty totalling to Rs. 132 Mn and Rs. 290 Mn respectively) were determined by TAC in favour of the Company by the allowing appeal, annulling the assessment and setting aside the determination of CGIR.

### 53.1.2 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 periods 01.01.2018 to 31.12.2018 and 01.01.2019 to 31.12.2019. Company and Subsidiary have duly appealed for all assessments as the Group's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

## ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs. Mn)	Penalty (Rs. Mn)	Total (Rs. Mn)
<b>HNB Assurance PLC</b>						
2014.01.01-2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT	21.06	10.53	31.59
2017.01.01-2017.12.31	2022.01.18	Pending decision from Commissioner General of Inland Revenue	VAT	42.56	21.28	63.84
2018.01.01-2018.12.31	2022.01.21	Pending decision from Commissioner General of Inland Revenue	VAT	65.91	32.95	98.86
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
<b>Total - HNB Assurance PLC</b>				192.01	96.00	288.01
<b>HNB General Insurance Limited</b>						
2018.01.01-2018.12.31	2022.04.26	Pending decision from Commissioner General of Inland Revenue	VAT	10.41	5.20	15.61
2019.01.01-2019.12.31	2022.12.20	Pending decision from Commissioner General of Inland Revenue	VAT	11.37	5.70	17.07
<b>Total - HNB General Insurance Limited</b>				21.78	10.90	32.68
<b>Total - Group</b>				213.79	106.90	320.69

NBT is not applicable for above cases. Assessments raised on the Company for 2015 and 2016 (with tax in dispute and penalty totalling to Rs. 34.77 Mn and Rs. 43.30 Mn respectively) were determined by TAC in favour of the Company allowing appeal, annulling the assessment and setting aside the determination of CGIR.

### 53.1.3 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. In addition, Company is in the process of settling few VAT assessments together with Company's tax Consultants. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 6.24 Mn. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 389.97 Mn on VAT returns filed and the subsidiary has duly appealed against the assessments.

### 53.1.4 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 subsidiary's Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of

Appeal with the consultation of Tax Consultant and Company's Lawyers and the case is yet to be determined by the Court. Total tax in dispute and penalty for the Assessment on Value Added Tax (VAT) on Reinsurance Claims amounts to Rs. 21.99 Mn.

Management and the Company's/Subsidiary's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company's/Subsidiary's having to settle any of above tax assessments detailed under Note 53.1.1 to 53.1.4 is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

## 54. 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.

## 55. 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.

## 56. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for these Financial Statements. Please refer to pages 201 to 202 of the Statement of Directors' Responsibility for Financial Reporting.



# INTUITIVE FORCE

This section relates to further insightful corporate information, giving rise to a thriving HNB Assurance era, positively impacting generations to come.

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## STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND - SUPPLEMENTAL

As at 31st December,			2023	2022
	Note	Page. No	Rs.'000	Rs.'000
<b>Assets</b>				
Financial Investments	A	349	32,756,305	24,774,852
Loans to Life Policyholders	B	352	441,923	420,914
Reinsurance Receivables	C	352	325,283	184,249
Premium Receivables	15	297	45,940	18,547
Other Assets	D	353	135,566	97,128
Cash and Cash Equivalents	E	353	562,991	579,191
<b>Total Assets</b>			<b>34,268,008</b>	<b>26,074,881</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Life Policyholders' Available For Sale Reserve Fund	23	303	(469,286)	(1,277,414)
<b>Total Equity</b>			<b>(469,286)</b>	<b>(1,277,414)</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	25	305	30,945,715	24,582,641
Reinsurance Creditors	F	353	302,211	227,512
Other Liabilities	G	353	825,060	673,264
Bank Overdrafts	E	353	157,130	98,994
Payable to Life Shareholders			2,507,178	1,769,884
<b>Total Liabilities</b>			<b>34,737,294</b>	<b>27,352,295</b>
<b>Total Equity and Liabilities</b>			<b>34,268,008</b>	<b>26,074,881</b>

# NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

The table below shows the carrying values of these Financial Instruments together with their fair values.

As at 31st December,	Note	2023		2022	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity	A.1	11,509,900	13,977,875	9,710,731	8,093,037
Loans and Receivables	A.2	11,875,123	12,544,263	8,502,870	6,949,240
Available For Sale	A.3	8,915,100	8,915,100	6,479,870	6,479,870
Fair Value Through Profit or Loss	A.4	456,182	456,182	81,381	81,381
<b>Total Financial Investments</b>		<b>32,756,305</b>	<b>35,893,420</b>	<b>24,774,852</b>	<b>21,603,528</b>

As at 31st December,	Note	2023		2022	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>A.1 Held to Maturity</b>					
Treasury Bonds		11,509,900	13,977,875	9,100,508	7,492,280
Treasury Bills		-	-	610,223	600,757
<b>Total</b>		<b>11,509,900</b>	<b>13,977,875</b>	<b>9,710,731</b>	<b>8,093,037</b>
<b>A.2 Loans and Receivables</b>					
Repo		117,367	117,367	160,872	160,872
Term Deposit	A.5	5,109,941	5,523,842	2,615,656	2,468,490
Debentures	A.6	6,647,815	6,903,054	5,726,342	4,319,878
<b>Total</b>		<b>11,875,123</b>	<b>12,544,263</b>	<b>8,502,870</b>	<b>6,949,240</b>
<b>A.3 Available for Sale</b>					
Treasury Bonds		4,173,654	4,173,654	1,904,552	1,904,552
Treasury Bills		4,642,502	4,642,502	4,534,000	4,534,000
Equity Shares	A.7	98,944	98,944	41,318	41,318
<b>Total</b>		<b>8,915,100</b>	<b>8,915,100</b>	<b>6,479,870</b>	<b>6,479,870</b>
<b>A.4 Fair Value Through Profit or Loss</b>					
Investment in Units	A.8	339,114	339,114	-	-
Equity Shares	A.9	117,068	117,068	81,381	81,381
<b>Total</b>		<b>456,182</b>	<b>456,182</b>	<b>81,381</b>	<b>81,381</b>

## NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

As at 31st December,		2023		2022	
		Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Note					
<b>A.5 Term Deposits</b>					
<b>Term Deposits with,</b>					
Licensed Commercial Banks	A.5.1.	3,153,843	3,413,270	1,967,529	1,853,714
Licensed Specialised Banks		1,142,387	1,252,500	-	-
Licensed Finance Companies		813,711	858,072	648,127	614,776
<b>Total</b>		<b>5,109,941</b>	<b>5,523,842</b>	<b>2,615,656</b>	<b>2,468,490</b>

### A.5.1. Licensed Commercial Banks

As at 31st December,		2023		2022	
Note		Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Term Deposits with Related Parties - Hatton National Bank PLC		1,485,050	1,562,749	857,000	805,976
Other Banks		1,668,793	1,850,521	1,110,529	1,047,738
<b>Total</b>		<b>3,153,843</b>	<b>3,413,270</b>	<b>1,967,529</b>	<b>1,853,714</b>

As at 31st December,		2023		2022	
Note		Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
<b>A.6. Debentures</b>					
Debentures - Quoted	A.6.1	5,608,747	5,887,124	5,099,027	3,911,835
Debentures - Unquoted	A.6.2	1,039,068	1,015,930	627,315	408,043
<b>Total</b>		<b>6,647,815</b>	<b>6,903,054</b>	<b>5,726,342</b>	<b>4,319,878</b>

As at 31st December,		2023		2022	
		Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
<b>A.6.1 Debentures - Quoted</b>					
Commercial Bank of Ceylon PLC		950,055	1,077,223	566,607	507,058
DFCC Bank PLC		761,851	732,986	912,189	651,989
Hatton National Bank PLC		167,890	144,938	191,688	117,355
First Capital Holdings PLC		191,621	177,018	191,621	129,931
HNB Finance PLC		113,272	98,555	100,072	73,389
LOLC Finance PLC		164,511	154,562	164,511	110,579
LOLC Holdings PLC		533,925	509,823	533,925	390,095
National Development Bank PLC		628,366	589,510	648,773	440,539
Nations Trust Bank PLC		282,681	273,490	391,367	306,032
People's Leasing & Finance PLC		202,925	183,581	244,679	178,091
Sampath Bank PLC		950,633	1,169,712	408,099	378,622
Seylan Bank PLC		483,445	608,881	273,156	240,340
Siyapatha Finance PLC		16,548	16,313	16,548	13,640
Hayleys PLC		12,913	12,795	307,680	283,745
Sri Lanka Telecom PLC		148,112	137,737	148,112	90,430
<b>Total Investment in Quoted Debentures</b>		<b>5,608,747</b>	<b>5,887,124</b>	<b>5,099,027</b>	<b>3,911,835</b>
<b>A.6.2 Debentures - Unquoted</b>					
DFCC Bank PLC		190,958	182,282	190,959	133,272
Nations Trust Bank PLC		280,227	249,184	280,227	168,802
People's Bank		567,883	584,463	156,129	105,969
<b>Total Investment in Unquoted Debentures</b>		<b>1,039,068</b>	<b>1,015,930</b>	<b>627,315</b>	<b>408,043</b>



As at 31st December,	2023			2022		
	No. of Shares	Cost	Carrying Value/Fair Value	No. of Shares	Cost	Carrying Value/Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
<b>A.7 Equity Shares - Available For Sale</b>						
<b>Banks, Finance and Insurance</b>						
Seylan Bank PLC - (Non-Voting)	352,310	13,708	12,507	326,156	13,154	5,284
Sampath Bank PLC	349,250	21,416	24,622	124,146	7,220	4,246
Central Finance Company PLC	142,285	17,090	14,975	142,285	17,090	8,893
<b>Sector Total (a)</b>			52,105			18,423
<b>Diversified Holdings</b>						
Melstacorp PLC	39,532	2,343	3,333	39,532	2,343	1,826
Hemas Holdings PLC	173,000	12,671	11,539	-	-	-
<b>Sector Total (b)</b>			14,872			1,826
<b>Manufacturing</b>						
Tokyo Cement Company (Lanka) PLC	78,102	886	3,593	71,002	886	2,343
Royal Ceramics Lanka PLC	400,000	4,854	10,560	400,000	4,854	11,320
Chevron Lubricants Lanka PLC	112,821	10,422	10,188	-	-	-
<b>Sector Total (c)</b>			24,340			13,663
<b>Beverage, Food and Tobacco</b>						
Distilleries Company of Sri Lanka PLC	11,713	-	327	11,713	-	155
<b>Sector Total (d)</b>			327			155
<b>Land and Property</b>						
Overseas Realty (Ceylon) PLC	486,679	12,453	7,300	486,679	12,453	7,251
<b>Sector Total (e)</b>			7,300			7,251
<b>Total Investment in Quoted Shares (a+b+c+d+e)</b>			98,944			41,318

As at 31st December,	2023		2022	
	No. of Units	Carrying Value/Fair Value	No. of Units	Carrying Value/Fair Value
		Rs.'000		Rs.'000
<b>A.8 Investment in Units - Fair Value Through Profit or Loss</b>				
<b>Unquoted</b>				
NDB Wealth Money Fund	2,714,077	86,004	-	-
JB Vantage Money Market Fund	1,942,552	83,788	-	-
Capital Alliance Investment Grade Fund	2,682,266	85,240	-	-
Senfin Money Market Fund	3,604,263	84,082	-	-
<b>Total Investment in Unquoted Units</b>		339,114		-

## NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

As at 31st December,	2023			2022		
	No. of Shares	Cost Rs:'000	Carrying Value/Fair Value Rs:'000	No. of Shares	Cost Rs:'000	Carrying Value/Fair Value Rs:'000
<b>A.9 Equity Shares - Fair Value Through Profit or Loss</b>						
<b>Banks, Finance and Insurance</b>						
Sampath Bank PLC	198,701	12,716	14,008	193,902	12,527	6,631
Nations Trust Bank PLC	103,080	6,909	11,081	97,177	6,578	4,490
Peoples' Leasing & Finance PLC	615,201	10,008	6,583	615,201	10,008	3,076
Seylan Bank PLC - (Non Voting)	451,421	14,404	16,025	417,910	13,694	6,770
<b>Sector Total (a)</b>			47,698			20,967
<b>Diversified Holdings</b>						
John Keells Holdings PLC	29,670	3,679	5,667	29,670	3,679	4,013
Richard Pieris and Company PLC	312,851	4,351	6,413	312,851	4,351	7,540
Vallibel One PLC	209,638	4,000	8,050	209,638	4,000	6,310
Melstacorp PLC	55,000	3,260	4,637	55,000	3,260	2,541
<b>Sector Total (b)</b>			24,767			20,404
<b>Beverage Food and Tobacco</b>						
Distilleries Company of Sri Lanka PLC	22,222	-	622	22,222	-	293
<b>Sector Total (c)</b>			622			293
<b>Manufacturing</b>						
Royal Ceramics Lanka PLC	280,000	4,318	7,392	280,000	4,318	7,924
ACL Cables PLC	190,400	3,016	13,100	190,400	3,016	13,347
Tokyo Cement Company (Lanka) PLC	352,955	11,938	16,236	320,869	11,938	10,589
Dipped Products PLC	260,000	5,270	7,254	270,000	8,371	7,857
<b>Sector Total (d)</b>			43,981			39,717
<b>Total Investment in Quoted Shares (a+b+c+d)</b>			117,068			81,381

	Note	2023	2022
		Rs:'000	Rs:'000
<b>B. LOANS TO LIFE POLICYHOLDERS</b>			
Balance as at 01st January		316,067	312,475
Loans Granted during the Year		126,948	127,860
Repayments during the year		(122,469)	(124,268)
		320,546	316,067
Interest Receivable		121,377	104,847
<b>Balance as at 31st December</b>		441,923	420,914

As at 31st December,		2023	2022
		Rs:'000	Rs:'000
<b>C. REINSURANCE RECEIVABLES</b>			
Reinsurance Receivable on Outstanding Claims		99,177	70,801
Reinsurance Receivable on Settled Claims	C.1	226,106	113,448
<b>Total Reinsurance Receivable</b>		325,283	184,249

### C.1 Reinsurance Receivable on Settled Claims

The Age Analysis of the Reinsurance Receivable on Settled Claims is as Follows:

As at 31st December,	2023	2022
	Rs.'000	Rs.'000
Up to 30 days	43,812	24,051
31 to 60 days	59,606	15,180
61 to 90 days	31,424	19,221
91 to 180 days	91,264	54,996
<b>Total Reinsurance Receivable on Settled Claims</b>	<b>226,106</b>	<b>113,448</b>
<b>D. OTHER ASSETS</b>		
Withholding Tax Recoverable from the Commissioner General of Inland Revenue (CGIR)	118,385	83,607
Other Receivables	17,181	13,521
<b>Total Other Assets</b>	<b>135,566</b>	<b>97,128</b>
<b>E. CASH AND CASH EQUIVALENTS</b>		
Cash in Hand	3,781	1,726
Cash at Bank with Licensed Commercial Banks	7,879	7,421
Cash at Bank with Related Parties	551,331	391,912
	562,991	401,059
Short - Term Deposits with Licensed Commercial Banks	-	178,132
<b>Cash and Cash Equivalents</b>	<b>562,991</b>	<b>579,191</b>
Bank Overdrafts	(157,130)	(98,994)
<b>Total Cash and Cash Equivalents</b>	<b>405,861</b>	<b>480,197</b>
<b>F. REINSURANCE CREDITORS</b>		
Foreign Reinsurer	302,211	227,512
<b>G. OTHER LIABILITIES</b>		
Policyholders Advance Payments	297,668	299,445
Acquisition Cost Payable	229,716	161,732
Taxes & Government Levies	27,354	21,422
Others	270,322	190,665
<b>Total Other Liabilities</b>	<b>825,060</b>	<b>673,264</b>

# INSURANCE REVENUE ACCOUNT

For the Year Ended 31st December,	2023	2022
	Rs.'000	Rs.'000
<b>Life Insurance</b>		
Gross Written Premium	10,923,294	8,911,460
Premium Ceded to Reinsurers	(592,191)	(473,012)
<b>Net Written/Earned Premium</b>	10,331,103	8,438,448
Net Benefits Expense	(2,676,436)	(2,169,527)
Underwriting and Net Acquisition Cost	(1,806,519)	(1,437,045)
Expenses Attributable to Policyholders	(3,700,774)	(2,577,858)
Fees and Commission Income	87,179	39,703
<b>Underwriting Surplus</b>	2,234,553	2,293,721
Change in contract Liabilities - Life Fund	(6,332,739)	(4,340,103)
Interest and Dividend Income	5,348,630	3,258,266
Net Realised Gains	3,684	105,376
Net Fair Value Gain	57,107	(68,663)
Other Income	3,765	31,403
<b>Surplus from Life Insurance Business</b>	1,315,000	1,280,000
<b>Shareholder Fund</b>		
Expenses not attributable to Policyholders	(32,034)	(17,575)
<b>Total other Revenue from Shareholder Fund</b>	986,076	731,241
<b>Profit Before Taxation (a)</b>	2,269,042	1,993,666
<b>General Insurance</b>		
Gross Written Premium	8,036,270	6,821,011
Premium Ceded to Reinsurers	(2,330,213)	(1,691,690)
<b>Net Written Premium</b>	5,706,057	5,129,321
Net Change in Reserves for Unearned Premium	(216,566)	(385,557)
<b>Net Earned Premium</b>	5,489,491	4,743,764
Net Claims Incurred	(3,990,114)	(3,409,936)
Net Commission	(836,064)	(703,197)
(Increase)/Decrease in Deferred Acquisition Expenses	44,476	6,285
Expenses	(1,576,316)	(1,350,151)
Fees and Commission Income	246,779	246,007
<b>Underwriting Deficit</b>	(621,748)	(467,228)
Interest and Dividend Income	920,404	672,546
Net Realised Gains	(67,639)	284,723
Net Fair Value Gain	8,837	2,280
Other Income	2,599	3,435
<b>Operating Profit from General Insurance Business (b)</b>	242,453	495,756
<b>Reconciliation of Statement of Income and Insurance Revenue Accounts</b>		
Profit from Life Insurance Business (a)	2,269,042	1,993,666
Operating Profit from the Subsidiary (b)	242,453	495,756
<b>Profit Before Taxation</b>	2,511,495	2,489,422
<b>Consolidated adjustments</b>		
Dividend received from subsidiary	-	(103,500)
Realised Gains on sale of AFS investments	-	-
	2,511,495	2,385,922
Income Tax Expense	(746,846)	(555,398)
<b>Profit for the Year</b>	1,764,649	1,830,524

# TAKAFUL BUSINESS ANALYSIS - PROFITABILITY

For the Year Ended 31st December,	Family-Takaful	
	2023	2022
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	2,725	5,957
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(4,192)	(3,948)
<b>Net Earned Contribution (Premium)</b>	<b>(1,467)</b>	<b>2,009</b>
Other Income	5,592	3,532
<b>Net Income</b>	<b>4,125</b>	<b>5,541</b>
Total Benefits, Loss (Claims) and Other Expenses	(371)	(813)
<b>Transfer to Family Takaful Fund</b>	<b>3,754</b>	<b>4,728</b>

For the Year Ended 31st December,	Non Life-Takaful	
	2023	2022
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	396,401	394,315
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(93,845)	(89,630)
Unearned Takaful Contribution (Premium)	(10,965)	6,257
<b>Net Earned Contribution (Premium)</b>	<b>291,591</b>	<b>310,942</b>
Other Income	49,276	43,772
<b>Net Income</b>	<b>340,867</b>	<b>354,714</b>
Total Benefits, Loss (Claims) and Other Expenses	(330,569)	(397,894)
<b>Profit for the Year</b>	<b>10,298</b>	<b>(43,180)</b>

\* 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 356 and 357 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 31<sup>st</sup> December 2023. 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 31<sup>st</sup> December 2023, 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 FAROOK  
 Chairman  
 Shari'ah Supervisory Board

  
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 ASH – SHEIKH MURSHID MULAFFAR  
 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 31<sup>st</sup> December 2023. 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 31<sup>st</sup> December 2023, 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 FAROOK  
Chairman  
Shari'ah Supervisory Board



ASH – SHEIKH MURSHID MULAFFAR  
Member  
Shari'ah Supervisory Board



ASH – SHEIKH HUZAIFA HUSSAIN  
Member  
Shari'ah Supervisory Board

## QUARTERLY ANALYSIS 2023 AND 2022 - 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	5,493,350	4,271,818	3,613,763	3,192,621	4,586,095	3,846,838	5,067,139	4,326,459	18,760,347	15,637,736
Premium Ceded to Reinsurers	(999,201)	(574,886)	(593,781)	(494,410)	(645,612)	(422,376)	(683,810)	(673,030)	(2,922,404)	(2,164,702)
<b>Net Written Premium</b>	<b>4,494,149</b>	<b>3,696,932</b>	<b>3,019,982</b>	<b>2,698,211</b>	<b>3,940,483</b>	<b>3,424,462</b>	<b>4,383,329</b>	<b>3,653,429</b>	<b>15,837,943</b>	<b>13,473,034</b>
Net Change in Reserves for Unearned Premium	(473,557)	(375,473)	441,954	264,453	(16,781)	(37,992)	(90,169)	(236,545)	(138,553)	(385,557)
<b>Net Earned Premium (a)</b>	<b>4,020,592</b>	<b>3,321,459</b>	<b>3,461,936</b>	<b>2,962,664</b>	<b>3,923,702</b>	<b>3,386,470</b>	<b>4,293,160</b>	<b>3,416,884</b>	<b>15,699,390</b>	<b>13,087,477</b>
<b>Other Revenue</b>										
Interest and Dividend Income	1,771,337	767,018	1,789,680	1,016,834	1,815,792	1,215,218	1,850,359	1,542,612	7,227,168	4,541,682
Net Realised Gains	1,999	2,268	(44,568)	335,574	(13,152)	23,175	(1,503)	29,082	(57,224)	390,099
Net Fair Value Gains/(Losses)	(68,192)	169,167	(1,694)	(210,111)	101,282	30,711	34,548	(56,150)	65,944	(66,383)
Fee and Commission Income	118,885	62,182	35,935	76,900	47,078	73,848	115,725	59,293	317,623	272,223
Other Income	1,416	3,864	5,416	(1,972)	3,664	15,312	1,550	19,238	12,046	36,442
<b>Total Other Revenue (b)</b>	<b>1,825,445</b>	<b>1,004,499</b>	<b>1,784,769</b>	<b>1,217,225</b>	<b>1,954,664</b>	<b>1,358,264</b>	<b>2,000,679</b>	<b>1,594,075</b>	<b>7,565,557</b>	<b>5,174,063</b>
<b>Net Income (c=a+b)</b>	<b>5,846,037</b>	<b>4,325,958</b>	<b>5,246,705</b>	<b>4,179,889</b>	<b>5,878,366</b>	<b>4,744,734</b>	<b>6,293,839</b>	<b>5,010,959</b>	<b>23,264,947</b>	<b>18,261,540</b>
<b>Net Benefits, Claims and Expenses</b>										
Net Insurance Benefits and Claims	(1,651,836)	(1,356,348)	(1,551,068)	(1,338,968)	(1,845,930)	(1,336,205)	(1,617,250)	(1,547,476)	(6,666,084)	(5,578,997)
Change in Contract Liabilities - Life Fund	(2,266,253)	(1,416,615)	(1,602,854)	(1,167,900)	(1,842,679)	(438,835)	(620,953)	(1,316,753)	(6,332,739)	(4,340,103)
Other Operating and Administration Expenses	(1,108,141)	(828,942)	(1,288,064)	(916,939)	(1,314,208)	(1,108,835)	(1,660,281)	(1,145,774)	(5,370,694)	(4,000,490)
Underwriting and Net Acquisition Costs	(485,009)	(436,225)	(457,370)	(386,631)	(576,156)	(474,987)	(681,588)	(523,697)	(2,200,123)	(1,821,540)
Finance & Other Insurance Related Costs	(15,410)	(29,525)	(32,518)	(34,831)	(66,905)	(28,801)	(68,979)	(41,331)	(183,812)	(134,488)
<b>Total Benefits, Claims and other Expenses (d)</b>	<b>(5,526,649)</b>	<b>(4,067,655)</b>	<b>(4,931,874)</b>	<b>(3,845,269)</b>	<b>(5,645,878)</b>	<b>(3,387,663)</b>	<b>(4,649,051)</b>	<b>(4,575,031)</b>	<b>(20,753,452)</b>	<b>(15,875,618)</b>
<b>Profit Before Taxation (c+d)</b>	<b>319,388</b>	<b>258,303</b>	<b>314,831</b>	<b>334,620</b>	<b>232,488</b>	<b>1,357,071</b>	<b>1,644,788</b>	<b>435,928</b>	<b>2,511,495</b>	<b>2,385,922</b>
Income Tax Expense	(117,231)	(22,831)	(102,364)	(81,674)	(63,309)	(320,092)	(463,942)	(130,801)	(746,846)	(555,398)
<b>Profit for the Period</b>	<b>202,157</b>	<b>235,472</b>	<b>212,467</b>	<b>252,946</b>	<b>169,179</b>	<b>1,036,979</b>	<b>1,180,846</b>	<b>305,127</b>	<b>1,764,649</b>	<b>1,830,524</b>

Note 1: To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2022 annual report, and the comparative figures published in first, second, third and fourth quarters of 2023 have been reclassified where necessary.



# QUARTERLY ANALYSIS 2023 AND 2022 - 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	2,914,607	2,349,600	2,246,052	1,924,712	2,692,497	2,322,907	3,070,138	2,314,241	10,923,294	8,911,460
Premium Ceded to Reinsurers	(136,017)	(110,307)	(144,371)	(119,393)	(150,294)	(118,907)	(161,509)	(124,405)	(592,191)	(473,012)
<b>Net Earned Premium(a)</b>	<b>2,778,590</b>	<b>2,239,293</b>	<b>2,101,681</b>	<b>1,805,319</b>	<b>2,542,203</b>	<b>2,204,000</b>	<b>2,908,629</b>	<b>2,189,836</b>	<b>10,331,103</b>	<b>8,438,448</b>
<b>Other Revenue</b>										
Interest and Dividend Income	1,544,022	662,605	1,555,659	959,396	1,577,510	1,021,175	1,629,573	1,329,460	6,306,764	3,972,636
Net Realised Gains	876	-	(5,082)	80,129	(3,382)	15,357	18,003	9,890	10,415	105,376
Net Fair Value Gains/(Losses)	(889)	9,837	(397)	(72,256)	50,034	31,844	8,359	(38,088)	57,107	(68,663)
Fee and Commission Income	69,747	23,605	9,422	8,484	10,226	10,996	13,314	11,309	102,709	54,394
Other Income	137	250	5,901	373	1,985	15,002	1,424	17,598	9,447	33,223
<b>Total Other Revenue (b)</b>	<b>1,613,893</b>	<b>696,297</b>	<b>1,565,503</b>	<b>976,126</b>	<b>1,636,373</b>	<b>1,094,374</b>	<b>1,670,673</b>	<b>1,330,169</b>	<b>6,486,442</b>	<b>4,096,966</b>
<b>Net Income (c=a+b)</b>	<b>4,392,483</b>	<b>2,935,590</b>	<b>3,667,184</b>	<b>2,781,445</b>	<b>4,178,576</b>	<b>3,298,374</b>	<b>4,579,302</b>	<b>3,520,005</b>	<b>16,817,545</b>	<b>12,535,414</b>
<b>Net Benefits, Claims and Expenses</b>										
Net Insurance Benefits and Claims	(720,073)	(526,733)	(594,929)	(559,167)	(725,501)	(497,220)	(635,933)	(586,407)	(2,676,436)	(2,169,527)
Change in Contract Liabilities - Life Fund	(2,266,253)	(1,416,615)	(1,602,854)	(1,167,900)	(1,842,679)	(438,835)	(620,953)	(1,316,753)	(6,332,739)	(4,340,103)
Other Operating and Administration Expenses	(723,389)	(503,223)	(846,373)	(523,359)	(856,454)	(705,377)	(1,159,097)	(751,690)	(3,585,313)	(2,483,649)
Underwriting and Net Acquisition Costs	(384,051)	(346,557)	(360,153)	(275,113)	(484,460)	(385,372)	(577,855)	(430,003)	(1,806,519)	(1,437,045)
Finance & Other Insurance Related Costs	(25,315)	(25,495)	(28,149)	(26,332)	(39,556)	(27,154)	(54,476)	(32,443)	(147,496)	(111,424)
<b>Total Benefits, Claims and other Expenses(d)</b>	<b>(4,119,081)</b>	<b>(2,818,623)</b>	<b>(3,432,458)</b>	<b>(2,551,871)</b>	<b>(3,948,650)</b>	<b>(2,053,958)</b>	<b>(3,048,314)</b>	<b>(3,117,296)</b>	<b>(14,548,503)</b>	<b>(10,541,748)</b>
<b>Profit Before Taxation (c+d)</b>	<b>273,402</b>	<b>116,967</b>	<b>234,726</b>	<b>229,574</b>	<b>229,926</b>	<b>1,244,416</b>	<b>1,530,988</b>	<b>402,709</b>	<b>2,269,042</b>	<b>1,993,666</b>
Income Tax Expense	(80,551)	(27,603)	(69,886)	(54,537)	(68,136)	(297,509)	(437,150)	(130,397)	(655,723)	(510,046)
<b>Profit for the Period</b>	<b>192,851</b>	<b>89,364</b>	<b>164,840</b>	<b>175,037</b>	<b>161,790</b>	<b>946,907</b>	<b>1,093,838</b>	<b>272,312</b>	<b>1,613,319</b>	<b>1,483,620</b>

Note 1: To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2022 annual report, and the comparative figures published in first, second, third and fourth quarters of 2023 have been reclassified where necessary.

# DECADE AT A GLANCE

## HNB ASSURANCE PLC - GROUP

### Statement of Financial Position

As at 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>										
Property, Plant and Equipment	689,549	418,258	282,884	169,788	162,371	151,559	169,620	161,362	136,279	133,942
Right of use Assets	428,871	376,579	395,148	394,437	343,737	-	-	-	-	-
Intangible Assets	63,924	61,118	63,180	68,858	51,787	61,087	57,841	60,882	45,185	51,622
Deferred Tax Assets	1,528	99,430	291,832	738,721	1,009,711	1,304,882	64,098	52,922	49,394	-
Financial Investments	43,855,383	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
Loans to Life Policyholders	441,923	420,914	403,452	379,736	325,307	243,113	162,285	120,441	91,992	71,082
Reinsurance Receivables	1,329,157	1,044,318	1,072,206	771,776	645,411	415,773	569,778	494,726	141,354	162,260
Premium Receivables	1,858,407	1,853,670	1,247,997	1,111,594	946,650	798,213	786,319	623,294	345,916	364,051
Other Assets	1,262,852	999,838	747,946	864,414	933,633	823,101	1,036,846	770,674	625,985	683,149
Insurance Contract - Deferred Expenses	208,471	163,995	157,710	163,619	138,622	140,486	105,287	74,951	65,935	52,072
Cash and Cash Equivalents	1,123,004	1,033,305	2,112,745	711,111	865,843	761,871	641,950	625,527	386,929	173,245
<b>Total Assets</b>	<b>51,263,069</b>	<b>41,095,556</b>	<b>35,869,185</b>	<b>31,740,662</b>	<b>26,625,146</b>	<b>22,279,216</b>	<b>18,648,934</b>	<b>14,529,354</b>	<b>11,640,580</b>	<b>9,969,318</b>
<b>Equity and Liabilities</b>										
<b>Equity</b>										
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	9,039,864	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
Available for Sale Reserve	174,358	(322,296)	4,009	93,754	24,801	(8,025)	30,685	(7,152)	(4,748)	3,590
Other Reserves	(21,290)	22,358	(11,421)	(51,520)	(6,525)	(4,406)	(10,760)	1,790	(1,093)	1,177
Life Policyholders' AFS Reserve Fund	(469,286)	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)	(56,350)	40,748
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	381,156	-	-	-	-
<b>Total Equity</b>	<b>10,276,677</b>	<b>7,798,394</b>	<b>8,123,008</b>	<b>8,194,230</b>	<b>6,714,344</b>	<b>5,744,314</b>	<b>3,796,499</b>	<b>2,697,057</b>	<b>2,283,946</b>	<b>2,413,936</b>
<b>Liabilities</b>										
Insurance Contract Liabilities - Life	30,945,715	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
Insurance Contract Liabilities - General	4,694,303	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
Employee Defined Benefit Liabilities	333,860	236,424	239,167	254,438	167,118	140,356	126,083	90,433	81,001	71,493
Current Tax Liabilities	530,009	253,810	62,168	151,093	112,031	22,541	34,598	3,300	-	12,012
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-	8,845
Reinsurance Creditors	696,915	959,693	1,085,512	700,105	540,652	369,853	353,042	287,895	131,905	110,778
Lease Creditor	450,304	410,719	421,838	393,145	350,089	-	-	-	-	-
Other Liabilities	2,864,015	2,406,748	1,747,148	1,550,108	1,274,326	1,092,809	896,288	781,246	590,383	510,468
Bank Overdraft	471,271	265,539	111,665	124,305	130,636	122,776	141,660	-	-	-
<b>Total Liabilities</b>	<b>40,986,392</b>	<b>33,297,162</b>	<b>27,746,177</b>	<b>23,546,432</b>	<b>19,910,802</b>	<b>16,534,902</b>	<b>14,852,435</b>	<b>11,832,297</b>	<b>9,356,634</b>	<b>7,555,382</b>
<b>Total Equity and Liabilities</b>	<b>51,263,069</b>	<b>41,095,556</b>	<b>35,869,185</b>	<b>31,740,662</b>	<b>26,625,146</b>	<b>22,279,216</b>	<b>18,648,934</b>	<b>14,529,354</b>	<b>11,640,580</b>	<b>9,969,318</b>

### Statement of Profit or Loss

For the year ended 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	18,760,347	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
Net Earned Premium	15,699,390	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
Income from Investments and Other Income	7,565,557	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
Net Claims and Benefits	(6,666,084)	(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)
Change in Contract Liabilities - Life Fund	(6,332,739)	(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)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	-	381,156	-	-	-	-
Underwriting and Net Acquisition Costs	(2,200,123)	(1,821,540)	(1,456,258)	(1,235,446)	(1,288,068)	(1,125,418)	(1,028,872)	(922,886)	(699,679)	(474,826)
Expenses	(5,554,506)	(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)
<b>Profit Before Taxation</b>	<b>2,511,495</b>	<b>2,385,922</b>	<b>1,748,378</b>	<b>1,630,496</b>	<b>1,404,891</b>	<b>1,580,654</b>	<b>927,027</b>	<b>705,521</b>	<b>169,773</b>	<b>438,583</b>
Income Tax (Expenses)/Reversal	(746,846)	(555,398)	(524,730)	(455,273)	(394,663)	1,124,656	(17,275)	(58,108)	27,571	(20,857)
<b>Profit for the Year</b>	<b>1,764,649</b>	<b>1,830,524</b>	<b>1,223,648</b>	<b>1,175,223</b>	<b>1,010,228</b>	<b>2,705,310</b>	<b>909,752</b>	<b>647,413</b>	<b>197,344</b>	<b>417,726</b>
Basic and Diluted Earnings per Share (Rs.)	11.76	12.20	8.16	7.83	20.20	54.11	18.20	12.95	3.95	8.35
Basic and Diluted Earnings per Share (Rs.) - Adjusted for Subdivision	11.76	12.20	8.16	7.83	6.73	18.04	6.07	4.32	1.32	2.78
Dividend per Share (Rs.)	3.90*	3.65*	3.20*	2.80*	8.00	7.00	6.00	5.00	2.00	3.75

\* Dividend per share presents after the subdivision.

## HNB ASSURANCE PLC/LIFE INSURANCE - COMPANY

### Statement of Financial Position

As at 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>										
Property, Plant and Equipment	480,796	260,442	141,390	116,740	111,202	104,487	119,078	112,151	94,107	-
Right of use Assets	368,716	343,824	362,336	380,105	325,572	-	-	-	-	-
Intangible Assets	57,566	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	38,530,656	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
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	1,150,000	-
Loans to Life Policyholders	441,923	420,914	403,452	379,736	325,307	243,113	162,285	120,441	91,992	71,082
Reinsurance Receivables	325,283	184,249	317,009	172,699	144,715	75,926	65,010	54,814	34,269	23,446
Premium Receivables	45,940	18,547	7,822	4,988	9,458	8,046	7,488	6,805	5,592	6,943
Other Assets	983,945	713,293	507,528	582,321	625,499	575,154	764,256	575,676	493,571	195,023
Cash & Cash Equivalents	666,222	725,420	1,575,931	393,522	632,712	502,561	352,307	476,572	258,222	88,482
<b>Total Assets</b>	<b>43,051,047</b>	<b>33,718,618</b>	<b>29,463,952</b>	<b>26,042,871</b>	<b>22,152,378</b>	<b>18,678,274</b>	<b>15,419,280</b>	<b>12,199,937</b>	<b>10,022,563</b>	<b>5,930,809</b>
<b>Equity and Liabilities</b>										
<b>Equity</b>										
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	-
Retained Earnings	7,618,252	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	106,834	(138,616)	4,446	15,626	9,881	1,451	17,415	(1,465)	53	-
Other Reserves	(21,175)	3,972	(6,614)	(33,916)	(6,514)	(4,395)	(9,884)	(1,886)	(2,039)	(18,780)
Life Policyholders' AFS Reserve Fund	(469,286)	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)	(56,350)	40,748
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	381,156	-	-	-	-
<b>Total Equity</b>	<b>8,787,656</b>	<b>6,693,406</b>	<b>7,032,385</b>	<b>7,260,988</b>	<b>6,277,995</b>	<b>5,515,880</b>	<b>3,776,279</b>	<b>2,875,329</b>	<b>2,511,345</b>	<b>21,968</b>
<b>Liabilities</b>										
Insurance Contract Liabilities - Life	30,945,715	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
Employee Defined Benefit Liabilities	192,127	142,692	137,328	150,729	100,076	84,840	73,875	50,883	44,008	31,508
Current Tax Liabilities	453,230	209,338	19,871	12,301	16,175	14,708	-	-	-	-
Reinsurance Creditors	302,211	227,512	453,054	290,916	125,151	116,268	90,650	39,395	37,547	30,921
Lease Creditor	395,383	376,926	390,374	377,746	334,832	-	-	-	-	-
Other Liabilities	1,814,178	1,384,408	1,034,819	832,198	802,565	642,470	529,862	486,474	422,583	283,764
Bank Overdraft	160,547	101,695	53,364	53,904	31,050	42,636	32,756	-	-	-
<b>Total Liabilities</b>	<b>34,263,391</b>	<b>27,025,212</b>	<b>22,431,567</b>	<b>18,781,883</b>	<b>15,874,383</b>	<b>13,162,394</b>	<b>11,643,001</b>	<b>9,324,608</b>	<b>7,511,218</b>	<b>5,908,841</b>
<b>Total Equity and Liabilities</b>	<b>43,051,047</b>	<b>33,718,618</b>	<b>29,463,952</b>	<b>26,042,871</b>	<b>22,152,378</b>	<b>18,678,274</b>	<b>15,419,280</b>	<b>12,199,937</b>	<b>10,022,563</b>	<b>5,930,809</b>

### Statement of Profit or Loss

For the year ended 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	10,923,294	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
Net Earned Premium	10,331,103	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
Income from Investments and Other Income	6,486,442	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
Net Claims and Benefits	(2,676,436)	(2,169,527)	(1,646,088)	(1,494,181)	(1,338,015)	(1,066,574)	(575,551)	(401,677)	(280,495)	(412,383)
Change in Contract Liabilities - Life Fund	(6,332,739)	(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)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	-	381,156	-	-	-	-
Underwriting and Net Acquisition Costs	(1,806,519)	(1,437,045)	(1,098,207)	(888,527)	(959,550)	(847,968)	(822,715)	(748,051)	(544,673)	(386,651)
Expenses	(3,732,809)	(2,595,073)	(1,780,575)	(1,487,585)	(1,415,514)	(1,403,129)	(1,049,158)	(911,979)	(719,583)	(703,519)
<b>Profit Before Taxation</b>	<b>2,269,042</b>	<b>1,993,666</b>	<b>1,452,211</b>	<b>999,363</b>	<b>1,106,535</b>	<b>1,297,848</b>	<b>725,665</b>	<b>656,642</b>	<b>457,028</b>	<b>228,022</b>
Income Tax (Expenses)/Reversal	(655,723)	(510,046)	(451,712)	(275,418)	(279,826)	1,177,367	-	(56,512)	(29,383)	-
<b>Profit for the Year</b>	<b>1,613,319</b>	<b>1,483,620</b>	<b>1,000,499</b>	<b>723,945</b>	<b>826,709</b>	<b>2,475,215</b>	<b>725,665</b>	<b>600,130</b>	<b>427,645</b>	<b>228,022</b>

## DECADE AT A GLANCE

### HNB GENERAL INSURANCE LTD./GENERAL INSURANCE - SUBSIDIARY

#### Statement of Financial Position

As at 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>										
Property, Plant and Equipment	208,753	157,816	141,494	53,048	51,169	47,072	50,542	49,211	42,172	133,942
Right of use Assets	60,155	32,755	32,812	14,332	18,165	-	-	-	-	-
Intangible Assets	6,358	4,064	5,341	6,618	1,957	2,305	-	-	-	51,622
Deferred Tax Assets	1,528	99,430	18,289	13,466	9,038	24,383	64,098	52,922	49,394	-
Financial Investments	5,324,727	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
Reinsurance Receivables	1,003,874	860,069	755,197	599,077	500,696	339,847	504,768	439,912	107,085	138,814
Premium Receivables	1,923,779	1,835,123	1,240,175	1,106,606	937,192	790,167	778,831	616,489	340,324	357,108
Other Assets	378,257	308,361	253,966	289,379	329,478	270,915	278,711	208,118	141,431	488,126
Insurance Contract - Deferred Expenses	208,471	163,995	157,710	163,619	138,622	140,486	105,287	74,951	65,935	52,072
Cash and Cash Equivalents	456,782	307,885	536,814	317,589	233,131	259,310	289,643	148,955	128,707	84,763
<b>Total Assets</b>	<b>9,572,684</b>	<b>8,548,754</b>	<b>7,568,781</b>	<b>6,855,077</b>	<b>5,644,112</b>	<b>4,773,910</b>	<b>4,385,775</b>	<b>3,492,537</b>	<b>2,777,034</b>	<b>4,038,509</b>
<b>Equity and Liabilities</b>										
<b>Equity</b>										
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	1,150,000	1,171,875
Retained Earnings	1,421,612	1,270,282	1,095,867	872,718	421,440	240,876	10,781	(173,306)	(220,589)	1,196,546
Available for Sale Reserve	67,524	(183,680)	(437)	78,128	14,920	(12,431)	10,315	(8,642)	(7,756)	3,590
Other Reserves	(115)	18,386	(4,807)	(17,604)	(11)	(11)	(876)	3,676	946	19,957
<b>Total Equity</b>	<b>2,639,021</b>	<b>2,254,988</b>	<b>2,240,623</b>	<b>2,083,242</b>	<b>1,586,349</b>	<b>1,378,434</b>	<b>1,170,220</b>	<b>971,728</b>	<b>922,601</b>	<b>2,391,968</b>
<b>Liabilities</b>										
Insurance Contract Liabilities - General	4,694,303	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
Employee Defined Benefits Liabilities	141,733	93,732	101,839	103,709	67,042	55,516	52,208	39,550	36,993	39,985
Current Tax Liabilities	76,779	44,472	42,297	138,792	95,856	7,833	34,598	3,300	-	12,012
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-	8,845
Reinsurance Creditors	394,704	732,181	632,458	409,189	415,501	253,585	262,392	248,500	94,358	79,857
Lease Creditor	54,921	33,793	31,464	15,399	15,257	-	-	-	-	-
Other Liabilities	1,260,499	1,044,156	725,877	725,196	493,105	473,307	372,547	307,892	176,817	226,704
Bank Overdraft	310,724	163,844	58,301	70,401	99,586	80,140	108,904	-	-	-
<b>Total Liabilities</b>	<b>6,933,663</b>	<b>6,293,766</b>	<b>5,328,158</b>	<b>4,771,835</b>	<b>4,057,763</b>	<b>3,395,476</b>	<b>3,215,555</b>	<b>2,520,809</b>	<b>1,854,433</b>	<b>1,646,541</b>
<b>Total Equity and Liabilities</b>	<b>9,572,684</b>	<b>8,548,754</b>	<b>7,568,781</b>	<b>6,855,077</b>	<b>5,644,112</b>	<b>4,773,910</b>	<b>4,385,775</b>	<b>3,492,537</b>	<b>2,777,034</b>	<b>4,038,509</b>

#### Statement of Profit or Loss

For the year ended 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	8,036,270	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
Net Earned Premium	5,489,491	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
Income from Investments and Other Income	1,110,980	1,208,991	575,720	527,667	490,799	459,800	360,174	273,805	279,041	450,289
Net Claims and Benefits	(3,990,114)	(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)
Underwriting and Net Acquisition Costs	(409,940)	(397,982)	(376,716)	(366,529)	(344,496)	(289,873)	(214,898)	(177,847)	(160,979)	(88,175)
Expenses	(1,957,964)	(1,649,081)	(1,322,084)	(1,256,160)	(1,099,080)	(996,277)	(891,272)	(742,272)	(649,446)	(630,535)
<b>Profit/(Loss) Before Taxation</b>	<b>242,453</b>	<b>495,756</b>	<b>411,167</b>	<b>631,133</b>	<b>354,826</b>	<b>282,806</b>	<b>201,362</b>	<b>48,879</b>	<b>(284,300)</b>	<b>200,964</b>
Income Tax (Expenses)/Reversal	(91,123)	(45,352)	(73,018)	(179,855)	(105,262)	(52,711)	(17,275)	(1,596)	56,954	(19,267)
<b>Profit for the Year</b>	<b>151,330</b>	<b>450,404</b>	<b>338,149</b>	<b>451,278</b>	<b>249,564</b>	<b>230,095</b>	<b>184,087</b>	<b>47,283</b>	<b>(227,346)</b>	<b>181,697</b>

## HNB ASSURANCE PLC - GROUP

### Statement of Cash Flows

As at 31st December,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Profit Before Tax</b>	2,511,495	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521	169,773	438,583
Net Adjustments and net change in Operating Assets and Liabilities	(842,362)	(444,635)	1,393,116	728,895	255,026	(61,603)	582,782	586,677	999,997	348,864
<b>Net Cash Generated from Operating Activities</b>	<b>1,669,133</b>	<b>1,941,287</b>	<b>3,141,494</b>	<b>2,359,391</b>	<b>1,659,917</b>	<b>1,519,051</b>	<b>1,509,809</b>	<b>1,292,198</b>	<b>1,169,770</b>	<b>787,447</b>
Net Cash Used in Investing Activities	(1,042,621)	(2,531,947)	(1,176,385)	(2,046,474)	(965,285)	(1,080,246)	(1,385,046)	(953,600)	(767,836)	(595,289)
Net Cash Used in Financing Activities	(742,545)	(642,654)	(550,835)	(461,318)	(598,520)	(300,000)	(250,000)	(100,000)	(188,250)	(163,000)
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b>(116,033)</b>	<b>(1,233,314)</b>	<b>1,414,274</b>	<b>(148,401)</b>	<b>96,112</b>	<b>138,805</b>	<b>(125,237)</b>	<b>238,598</b>	<b>213,684</b>	<b>29,158</b>
Cash and Cash Equivalents at the beginning of the Year	767,766	2,001,080	586,806	735,207	639,095	500,290	625,527	386,929	173,245	144,087
<b>Cash and Cash Equivalents at the end of the Year</b>	<b>651,733</b>	<b>767,766</b>	<b>2,001,080</b>	<b>586,806</b>	<b>735,207</b>	<b>639,095</b>	<b>500,290</b>	<b>625,527</b>	<b>386,929</b>	<b>173,245</b>

### Investor Information

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Return on Equity	19.53%	22.99%	15.00%	15.77%	16.22%	56.71%	24.09%	24.00%	8.64%	17.30%
Market Price per Share as at 31st Dec (VWA) (Rs.)	56.60*	42.90*	48.40*	58.20*	138.00	132.00	72.50	58.80	74.60	83.50
Price Earning Ratio (Times)	4.81	3.52	5.93	7.43	6.83	2.44	3.98	4.54	18.89	9.99
Earnings Yield	20.79%	28.45%	16.85%	13.45%	14.64%	40.99%	25.10%	22.02%	5.29%	10.00%
Dividend Yield	6.89%	8.51%	6.61%	4.81%	5.80%	5.30%	8.28%	8.50%	2.68%	4.49%
Market Capitalisation (Rs. Mn)	8,490	6,435	7,260	8,730	6,900	6,600	3,625	2,940	3,730	4,175

### Employee Information

Number of Employees	1,453	1,328	1,217	1,145	1,076	992	947	903	836	829
GWP per Employee (Rs. Mn)	12.91	11.78	10.39	9.08	9.24	8.80	8.26	7.37	6.52	5.63
Net Profit per Employee (Rs. '000)	1,214.49	1,378.41	1,005.46	1,026.40	938.87	2,727.13	960.67	716.96	236.06	503.90

### Life Insurance Operation

Net Claims Ratio (With Maturity)	26%	26%	24%	29%	27%	25%	15%	12%	10%	19%
Expense Ratio	53%	47%	42%	45%	49%	49%	49%	48%	46%	48%
Combined Ratio	79%	73%	66%	74%	76%	74%	64%	60%	56%	67%

### General Insurance Operation

Net Claims Ratio	73%	72%	63%	55%	64%	66%	64%	69%	88%	72%
Expense Ratio	39%	38%	37%	39%	37%	36%	38%	38%	35%	38%
Combined Ratio	111%	110%	100%	94%	101%	102%	102%	107%	123%	110%

\* Market price per share presented after subdivision

# GLOSSARY

## Acquisition Expenses

All direct and indirect expenses primarily related to acquiring new insurance contracts or renewing of the existing insurance contracts. Eg: Commission

## 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 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.

## Beneficiary

An individual or entity named by the policyholder to receive the death benefit upon the insured person's demise.

## Claims

A formal request made by a policyholder to an Insurance company for coverage or compensation for a loss or damage covered by the insurance Policy.

## Claims Incurred

The total value of insurance claims that an insurance company expects to pay out during a specific period.

## Claims Incurred But Not Reported (IBNR)

An estimate used in insurance accounting to represent claims that have occurred but have not yet been reported to the insurance company by policyholders or claimants.

## 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 the deduction of any premium expenses ceded to reinsurers.

## Policy Loan

A loan granted by the insurer to the 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 insurance policies.

## Reinsurance Commission

Commission/discount obtained in respect of reinsurance premium expense to reinsurers.

## Surrender

Termination of an insurance policy by the insured before the expiry of its term.

## Unearned Premium

The portion of insurance premiums that have been collected by an insurance company but have not yet been "earned" by providing coverage for the corresponding period.

## 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

$$\text{Net Claims Ratio} = \frac{\text{Net Claims Incurred} \times 100}{\text{Net Earned Premium}}$$

$$\text{Expense Ratio} = \frac{\text{Net Expense Incurred} \times 100}{\text{Net Earned Premium}}$$

$$\text{Combined Ratio} = \frac{(\text{Net Incurred Claims \& Expenses}) \times 100}{\text{Net Earned Premium}}$$

# GRI CONTENT INDEX

## STATEMENT OF USE

HNB Assurance PLC has reported in accordance with the GRI Standards for the period 1st January 2023 to 31st December 2023.

## GRI 1 USED

GRI 1 : Foundation 2021

GRI Standard/other source	Disclosure	Location
<b>General Disclosures</b>		
GRI 2: General Disclosures 2021	2-1 Organisational details	375-376
	2-2 Entities included in the organisation's sustainability reporting	4
	2-3 Reporting period, frequency and contact point	4-5
	2-4 Restatements of information	201-203
	2-5 External assurance	16-17, 206-209
	2-6 Activities, value chain and other business relationships	42-43
	2-7 Employees	81-87
	2-8 Workers who are not employees	82
	2-9 Governance structure and composition	115
	2-10 Nomination and selection of the highest governance body	121-122
	2-11 Chair of the highest governance body	113
	2-12 Role of the highest governance body in overseeing the management of impacts	119-120
	2-13 Delegation of responsibility for managing impacts	119-121
	2-14 Role of the highest governance body in sustainability reporting	201-202
	2-15 Conflicts of interest	119
	2-16 Communication of critical concerns	119
	2-17 Collective knowledge of the highest governance body	24-26
	2-18 Evaluation of the performance of the highest governance body	122
	2-19 Remuneration policies	122-123
	2-20 Process to determine remuneration	122-123
	2-21 Annual total compensation ratio	123
	2-22 Statement on sustainable development strategy	62
	2-23 Policy commitments	117
	2-24 Embedding policy commitments	117
	2-25 Processes to remediate negative impacts	84
	2-26 Mechanisms for seeking advice and raising concerns	119
	2-27 Compliance with laws and regulations	4
	2-28 Membership associations	4,116
	2-29 Approach to stakeholder engagement	44-46
	2-30 Collective bargaining agreements	82
<b>Material Topics</b>		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	56
	3-2 List of material topics	57-58
<b>Economic Performance</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	103-111
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	84, 313-314

# GRI CONTENT INDEX

GRI Standard/other source	Disclosure	Location
<b>Indirect Economic Impacts</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	58
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	93
<b>Tax</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	108
GRI 207: Tax 2019	207-1 Approach to tax	108, 331-335
	207-2 Tax governance, control, and risk management	331-335
	207-3 Stakeholder engagement and management of concerns related to tax	46
<b>Energy</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	102
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	102
	302-4 Reduction of energy consumption	102
<b>Water and effluents</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	102
GRI 303: Water and Effluents 2018	303-5 Water consumption	102
<b>Biodiversity</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	50
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	50
<b>Effluents and Waste</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	58
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	76
<b>Employment</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	81-87
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	83-84
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	84
G401-2	401-3 Parental leave	86
<b>Training and Education</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	81-87
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	13, 85
G404-2	404-2 Programs for upgrading employee skills and transition assistance programs	85
G404-3	404-3 Percentage of employees receiving regular performance and career development reviews	85
<b>Diversity and Equal Opportunity</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	81-87
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	81-87, 118
	405-2 Ratio of basic salary and remuneration of women to men	86
<b>Non-discrimination</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	81-87
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	84
<b>Customer Health and Safety</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	71-73
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	78
<b>Marketing and Labelling</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	71-73
GRI 417: Marketing and Labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	78
<b>Customer Privacy</b>		
GRI 3: Material Topics 2021	3-3 Management of material topics	71-73
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	71-73



# 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				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 53 page 344).
		Complaints-to-claims ratio	Quantitative	Rate	FN-IN270a.2	Refer Customer Experience (page 71).
		Customer retention rate	Quantitative	Rate	FN-IN270a.3	Refer Customer Experience (page 71).
		Description of approach to informing customers about products	Discussion and Analysis	N/A	FN-IN270a.	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-IN410a.1	Refer Financial Investment 11.2.1 (page 287) to 11.4.1 (page 291)
		Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	Discussion and Analysis	N/A	FN-IN410a.2	Refer Fund Management (page 88).
3	Policies Designed to Incentivise Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	Quantitative	Reporting currency	FN-IN410b.1	Not available at present.
		Discussion of products and/or product features that incentivise health, safety, and/or environmentally responsible actions and/or behaviours	Discussion and Analysis	N/A	FN-IN410b.2	The Super CI cover 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-IN450a.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-IN450a.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 firmlevel risks and capital adequacy	Discussion and Analysis	N/A	FN-IN450a.3	Not available at present.

## SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

No	Topic	Accounting metric	Category	Unit of measure	Code	Group
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-IN550a.1	Not applicable.
		Total fair value of securities lending collateral assets	Quantitative	Reporting currency	FN-IN550a.2	Refer Financial Investment 11.2 (page 286)
		Description of approach to managing capital and liquidity related risks associated with systemic non-insurance activities	Discussion and Analysis	N/A	FN-IN550a.3	Refer Fund Management (page 88)

### 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 320)

# NOTICE OF MEETING

Notice is hereby given that the Twenty Second (22nd) Annual General Meeting of HNB Assurance PLC is convened on Tuesday the Second (02nd) day of April 2024, 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 2023, the Auditors' Report thereon.
- ii. To declare a first and final dividend of Rs.3.90 per share for the year 2023, to the shareholders as recommended by the Directors.
- iii. To re-elect Mr. Lokugan Hewage Ananda Lakshman Silva, who retires at the Annual General Meeting, as a Director of the Company in terms of Article 27(2) of the Articles of Association of the Company.
- iv. To re-elect Dr. Prasanna Sankalpa Gamwarige, who retires at the Annual General Meeting, as a Director of the Company in terms of Article 27(2) of the Articles of Association of the Company.
- v. To re-elect Mr. Prawira Rimoe Saldin, who retires at the Annual General Meeting, as a Director of the Company in terms of Article 27(2) of the Articles of Association of the Company.
- vi. To re-elect Mr. Ashoka Goonesekere, 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.
- vii. To re-appoint Mrs. Mirihana Arachchige Rose Chandralatha Cooray who retires at the Annual General Meeting, having attained the age of 74 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".

- viii. 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.
- ix. To authorise the Directors to determine payments for the year 2024 for charitable and other purposes.

By Order of the Board  
**HNB ASSURANCE PLC**



**K. Y. S. GUNADASA**  
*Board Secretary*

Colombo, Sri Lanka.  
15th February 2024

## 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 Lintotage Udaya Damien Fernando, or failing him Stuart Anthony Chapman, or failing him Ashoka Goonesekere, or failing him Lokugan Hewage Ananda Lakshman Silva, or failing him Prasanna Sankalpa Gamwarige, or failing him Prawira Rimoe Saldin, 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 Second (22nd) Annual General Meeting of the Company to be convened on Tuesday the Second (02nd) day of April 2024 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.3.90 per share	In favour	
	Against	
To re-elect Mr. Lokugan Hewage Ananda Lakshman Silva, as a Director of the Company	In favour	
	Against	
To re-elect Dr. Prasanna Sankalpa Gamwarige, as a Director of the Company	In favour	
	Against	
To re-elect Mr. Prawira Rimoe Saldin, as a Director of the Company	In favour	
	Against	
To re-elect Mr. Ashoka Goonesekere, 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..... day .....2024

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

## FORM OF PROXY

### 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.

# STAKEHOLDER FEEDBACK FORM

To request information or submit a comment / query to the company, please complete the following and return this page to,

**Board Secretary**

HNB Assurance PLC,  
Legal and Company Secretarial Division  
Iceland Business Center  
No.30, Sri Uttarananda Mawatha,  
Colombo 03,  
Sri Lanka.  
Fax: 0112337423  
E-mail: board.secretariat@hnbassurance.com

Name:

Permanent Mailing Address:

Contact Numbers (Tel) : .....  
Country Code Area Code Number

(Fax) : .....  
Country Code Area Code Number

E-mail : .....

Name of Company : .....  
(If Applicable)

Designation : .....  
(If Applicable)

Company Address : .....  
(If Applicable)

Comments/Queries:.....  
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# 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	+9411 4793700	+9411 4676700
E-mail	info@hnbassurance.com	info@hnbgeneral.com
Web	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 (HNBA/HNBGI)
Damien Fernando	Non-Independent/Non-Executive Director (HNBA/HNBGI)
Stuart Chapman	Non-Independent/Non-Executive Director (HNBA)
Ashoka Goonesekere	Independent/Non-Executive Director (HNBA)
Lakshman Silva	Independent/Non-Executive Director (HNBA)
Dr. Sankalpa Gamwarige	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)
Dinesh Dharmadasa	Independent /Non-Executive Director (HNBGI)

## EXECUTIVE COMMITTEE

Lasitha Wimalaratne	Chief Executive Officer (HNBA)
Sithumina Jayasundara	Chief Executive Officer (HNBGI)
Nilesh Amarasinghe	Chief Investment Officer (HNBA/HNBGI)
Jude Benjamin	Chief Business Officer -Personal Lines and Branch Network (HNBGI)
Dinesh Udawatta	Chief Technical Officer (HNBA)
Punsirini Perera	Chief Financial Officer (HNBA/HNBGI)
Suneth Jayamanne	Chief Information Officer (HNBA/HNBGI)
Lasantha De Alwis	Chief Technical Officer (HNBGI)
Sampath Wickramarachchi	Chief Business Officer - Corporate & Branch Network (HNBGI)
Nalin Subasinghe	Chief Actuarial Officer (HNBA/HNBGI)
Dinesh Yogaratnam	Chief Marketing & Customer Experience Officer (HNBA)
Harendra Ramasinghe	Chief Business Officer - Advisor Distribution Channel (HNBA)
Sanesh Fernando	Chief Business Officer - Partnerships Distribution (HNBA)
Dilshan Perera	Chief Transformation Officer – (HNBGI)

## CORPORATE INFORMATION

### PRINCIPAL OFFICERS

HNB Assurance PLC	Lasitha Wimalaratne
HNB General Insurance Limited	Sithumina Jayasundara

### SPECIFIED OFFICERS

HNB Assurance PLC	Dinesh Udawatte
HNB General Insurance Limited	Sithumina Jayasundara

### COMPANY SECRETARY

Yoga Gunadasa

### CREDIT RATING (FITCH) - HNBA & HNBGI

Insurer Financial Strength Rating A-(Ika) stable outlook.

### REGISTRARS

Central Depository Systems (Pvt) Limited  
Ground Floor,  
M & M Centre 341/5, Kotte Road, Rajagiriya,  
Sri Lanka.

### BANKERS

Hatton National Bank PLC  
Commercial Bank of Ceylon PLC  
Sampath Bank PLC  
Bank of Ceylon  
People's Bank  
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

### 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 and Young Consulting Services (Pvt) Ltd,  
Rotunda Towers, No. 109, Galle Road,  
Colombo 03, Sri Lanka.

### REINSURANCE PANEL

#### Life Insurance

Munich Re  
RGA  
Hannover Re

#### General Insurance

Best Meridian International Insurance Company SPC  
New Reinsurance Company Ltd  
Lancashire Syndicates Limited (9329 at Lloyds)  
Antares Syndicate 1274 (AUL 1274 at Lloyds)  
Ocean Underwriting Consortium 4872  
Fidelis Underwriting Limited (Navium Marine Limited)  
National Insurance Trust Fund (NITF)  
General Insurance Corporation - India  
MISR Insurance Company  
The New India Assurance Co Ltd (IIO - Gift City Office)

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No.30, Iceland Business Centre,  
Sri Uttarananda Mawatha,  
Colombo 03, Sri Lanka.



[www.hnbassurance.com](http://www.hnbassurance.com)