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HNB ASSURANCE PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2023

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2023 Rs. '000	31st Dec 2022 Rs. '000	31st Mar 2023 Rs. '000	31st Dec 2022 Rs. '000
Assets					
Property, Plant and Equipment		477,238	418,258	306,292	260,442
Right of Use Assets		364,812	376,579	322,876	343,824
Intangible Assets		59,443	61,118	55,694	57,054
Deferred Tax Assets		86,501	99,430	-	-
Financial Investments	3	37,157,449	34,624,131	32,352,761	29,844,875
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		422,206	420,914	422,206	420,914
Reinsurance Receivables		1,210,762	1,044,318	258,297	184,249
Premium Receivables		2,784,636	1,853,670	85,986	18,547
Other Assets		1,071,116	999,838	833,666	713,293
Insurance Contract - Deferred Expenses		165,149	163,995	-	-
Cash and Cash Equivalents		899,062	1,033,305	430,400	725,420
Total Assets		44,698,374	41,095,556	36,218,178	33,718,618
Equity and Liabilities					
Equity Attributable to the Equity Holders					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		7,477,372	7,822,715	6,197,784	6,552,433
Available for Sale Reserve		(269,151)	(322,296)	(114,062)	(138,616)
Other Reserve		22,358	22,358	3,972	3,972
Life Policyholders' Available for Sale Reserve Fund	5	(1,173,936)	(1,277,414)	(1,173,936)	(1,277,414)
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		7,609,674	7,798,394	6,466,789	6,693,406
Non-Controlling Interest		-	-	-	-
Total Equity		7,609,674	7,798,394	6,466,789	6,693,406
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	26,869,861	24,582,641	26,869,861	24,582,641
Insurance Contract Liabilities - General Insurance	8	4,698,221	4,181,588	-	-
Employee Defined Benefit Liabilities		251,688	236,424	157,604	142,692
Current Tax Liabilities		255,339	253,810	195,635	209,338
Reinsurance Creditors		1,283,673	959,693	250,175	227,512
Lease Creditors		417,635	410,719	376,641	376,926
Other Liabilities		3,049,025	2,406,748	1,781,723	1,384,408
Bank Overdrafts		263,258	265,539	119,750	101,695
Total Liabilities		37,088,700	33,297,162	29,751,389	27,025,212
Total Equity and Liabilities		44,698,374	41,095,556	36,218,178	33,718,618

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

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



Punsirini Perera
Chief Financial Officer

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



Rose Cooray
Chairperson

Colombo, Sri Lanka
28th April 2023



Ashoka Goonesekere
Director

Statement of Profit or Loss and Other Comprehensive Income

Group				Group		Company		Change	
(Audited)	Year Ended	For the Period Ended 31st March,		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
31 st Dec 2022	Rs. '000	Note	2023	2022	2023	2022	Rs. '000	%	%
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
15,637,736	Gross Written Premium	9	5,493,350	4,271,818	2,914,607	2,349,600		30	24
(2,164,702)	Premium Ceded to Reinsurers		(999,201)	(574,886)	(136,017)	(110,307)		74	23
13,473,034	Net Written Premium		4,494,149	3,696,932	2,778,590	2,239,293		23	24
(385,557)	Net Change in Reserves for Unearned Premium		(473,557)	(375,473)	-	-		26	-
13,087,477	Net Earned Premium		4,020,592	3,321,459	2,778,590	2,239,293		23	24
	Other Revenue								
4,541,682	Interest and Dividend Income	10	1,771,337	767,018	1,544,022	662,605		131	133
390,099	Net Realised Gains		1,999	2,268	876	-		(12)	100
(66,383)	Net Fair Value (Losses)/Gains		(68,192)	169,167	(889)	9,837		(140)	(109)
272,223	Fee and Commission Income		118,885	62,182	69,747	23,605		91	195
36,442	Other Income		1,416	3,864	137	250		(63)	(45)
5,174,063	Total Other Revenue		1,825,445	1,004,499	1,613,893	696,297		82	132
18,261,540	Net Income		5,846,037	4,325,958	4,392,483	2,935,590		36	50
	Net Benefits, Claims and Expenses								
(5,578,997)	Net Insurance Benefits and Claims		(1,651,836)	(1,356,348)	(720,073)	(526,733)		22	37
(4,340,103)	Change in Contract Liabilities - Life Fund		(2,266,253)	(1,416,615)	(2,266,253)	(1,416,615)		60	60
(4,000,490)	Other Operating and Administration Expenses		(1,108,141)	(828,942)	(723,389)	(503,223)		40	44
(1,821,540)	Underwriting and Net Acquisition Costs		(485,009)	(436,225)	(384,051)	(346,557)		11	11
(134,488)	Finance and Other Insurance Related Costs		(15,410)	(29,525)	(25,315)	(25,495)		(48)	(1)
(15,875,618)	Total Benefits, Claims and Other Expenses		(5,526,649)	(4,067,655)	(4,119,081)	(2,818,623)		37	46
2,385,922	Profit Before Taxation		319,388	258,303	273,402	116,967		24	134
(555,398)	Income Tax Expense	11	(117,231)	(22,831)	(80,551)	(27,603)		413	192
1,830,524	Profit for the Period	12	202,157	235,472	192,851	89,364		(14)	116
	Other Comprehensive Income, Net of Related Tax								
	Items that are or may be reclassified to profit or loss								
(1,647,992)	Net Change in fair value of Available For Sale Financial Assets		157,144	(1,015,398)	116,300	(924,110)		(115)	(113)
-	Realised Gains transferred to Income Statement		-	-	-	-		-	-
32,893	Amortisation of AFS reserve on reclassification		11,732	-	11,732	-		100	100
	Net Change in fair value of Available For Sale Financial Assets								
1,210,123	- transferred to Life Policyholders' Available For Sale Reserve Fund		(103,478)	894,340	(103,478)	894,340		(112)	(112)
78,671	Related Tax	11	(12,253)	9,129	-	-		(234)	-
	Items that will never be reclassified to profit or loss								
37,945	- Actuarial Gains on Defined Benefit Plans		-	-	-	-		-	-
(4,166)	- Related Tax	11	-	-	-	-		-	-
(292,526)	Total Other Comprehensive Income for the Year, Net of Related Tax		53,145	(111,929)	24,554	(29,770)		(147)	(182)
1,537,998	Total Comprehensive Income for the Period		255,302	123,543	217,405	59,594		107	265
	Profit Attributable to:								
1,830,524	Equity Holders of the Company		202,157	235,472	192,851	89,364		(14)	116
-	Non-Controlling Interest		-	-	-	-		-	-
	Total Comprehensive Income Attributable to:								
1,537,998	Equity Holders of the Company		255,302	123,543	217,405	59,594		107	265
-	Non-Controlling Interest		-	-	-	-		-	-
12.20	Basic and Diluted Earnings Per Share (Rs.)	13	1.35	1.57	1.29	0.60		(14)	116

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

Statement of Changes in Equity - Group

For the Period Ended 31st March,

	Note	State Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life Policyholders A/R Reserve Fund	Restricted Regulatory Reserve	Total Equity
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2022		1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,006
Comprehensive Income for the Period		-	-	-	-	-	-	-
Profit for the Period - Unaudited		-	235,472	-	-	-	-	235,472
Other Comprehensive Income for the Period, Net of Related Tax		-	-	(1,006,269)	-	-	-	(1,006,269)
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	894,340	-	-	-	894,340
Total Other Comprehensive Income for the Period		-	-	(111,929)	-	-	-	(111,929)
Total Comprehensive Income for the Period		-	235,472	(111,929)	-	-	-	123,543
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
- transferred from Available For Sale Reserve		-	-	-	-	(694,340)	-	(694,340)
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-
Distributions to owners of the Parent		-	(480,000)	-	-	-	-	(480,000)
Final dividend to equity holders for 2021		-	6,400,152	(107,920)	(11,421)	(961,631)	381,156	6,872,211
Unaudited balance as at 31st March 2022		1,171,875	6,400,152	(107,920)	(11,421)	(961,631)	381,156	6,872,211
Surcharge Tax	16	-	(172,489)	-	-	-	-	(172,489)
Comprehensive Income for the Period		-	1,595,032	-	-	-	-	1,595,032
Profit for the Period-Unaudited		-	-	-	-	-	-	-
Other Comprehensive Income for the Period, Net of Related Tax		-	-	(500,159)	-	-	-	(500,159)
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	315,783	-	-	-	315,783
Actuarial Gains on Defined Benefit Plans		-	-	-	33,779	-	-	33,779
Total Other Comprehensive Income for the Period		-	-	(214,376)	33,779	-	-	(180,597)
Total Comprehensive Income for the Period		-	1,595,032	(214,376)	33,779	-	-	1,414,454
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	(315,783)	-	(315,783)
- transferred from Available For Sale Reserve		-	-	-	-	(1,277,414)	381,156	(902,041)
Audited balance as at 31st December 2022		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,996,394
Balance as at 01st January 2023		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,996,394
Comprehensive Income for the Period		-	202,157	-	-	-	-	202,157
Profit for the Period - Unaudited		-	202,157	-	-	-	-	202,157
Other Comprehensive Income for the Period, Net of Related Tax		-	-	156,623	-	-	-	156,623
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	(103,478)	-	-	-	(103,478)
Total Other Comprehensive Income for the Period		-	-	53,145	-	-	-	53,145
Total Comprehensive Income for the Period		-	202,157	53,145	-	-	-	255,302
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
- transferred from Available For Sale Reserve		-	-	-	-	103,478	-	103,478
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-
Distributions to owners of the Parent		-	(647,500)	-	-	-	-	(647,500)
Dividend to equity holders for 2022		-	7,477,372	(269,151)	22,358	(1,173,936)	381,156	7,609,674
Unaudited balance as at 31st March 2023		1,171,875	7,477,372	(269,151)	22,358	(1,173,936)	381,156	7,609,674

Stated Capital represents 150 Million Ordinary Shares as at 31st March 2023 (2022 - 150 Million).

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

Statement of Changes in Equity - Company

For the Period Ended 31st March,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Policyholders' ARS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2022	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
Comprehensive Income for the Period							
Profit for the Period - Unaudited		89,364					89,364
Other Comprehensive Income for the Period, Net of Related Tax							
- Net Change in fair value of Available For Sale Financial Assets			(824,110)				(824,110)
- Net Change in fair value of Available For Sale Financial Assets							
- transferred to Life Policyholders' Available For Sale Reserve Fund			894,340				894,340
Total Other Comprehensive Income for the Period			(28,770)				(28,770)
Total Comprehensive Income for the Period		89,364	(28,770)				59,594
- Net Change in fair value of Available For Sale Financial Assets							
- transferred from Available For Sale Reserve					(894,340)		(894,340)
Transactions with owners recorded directly in equity							
Distributions to owners of the Company		(480,000)					(480,000)
Final dividend to equity holders for 2021		5,155,177	(25,324)	(6,614)	(961,631)	381,156	5,177,659
Unaudited balance as at 31st March 2022	1,171,875	5,155,177	(25,324)	(6,614)	(961,631)	381,156	5,177,659
Comprehensive Income for the Period							
Profit for the Period - Unaudited		1,394,256					1,394,256
Other Comprehensive Income for the Period, Net of Related Tax							
- Net Change in fair value of Available For Sale Financial Assets			(429,075)				(429,075)
- Net Change in fair value of Available For Sale Financial Assets							
- transferred to Life Policyholders' Available For Sale Reserve Fund			315,783				315,783
- Actuarial Gains on Defined Benefit Plans				10,586			10,586
Total Other Comprehensive Income for the Period			(113,292)	10,586			(102,706)
Total Comprehensive Income for the Period		1,394,256	(113,292)	10,586			1,291,550
- Net Change in fair value of Available For Sale Financial Assets							
- transferred from Available For Sale Reserve					(315,783)		(315,783)
Audited balance as at 31st December 2022	1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406
Balance as at 01st January 2023	1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406
Comprehensive Income for the Period							
Profit for the Period - Unaudited		192,851					192,851
Other Comprehensive Income for the Period, Net of Related Tax							
- Net Change in fair value of Available For Sale Financial Assets			128,032				128,032
- Net Change in fair value of Available For Sale Financial Assets							
- transferred to Life Policyholders' Available For Sale Reserve Fund			(103,478)				(103,478)
Total Other Comprehensive Income for the Period			24,554				24,554
Total Comprehensive Income for the Period		192,851	24,554				217,405
- Net Change in fair value of Available For Sale Financial Assets							
- transferred from Available For Sale Reserve					103,478		103,478
Transactions with owners recorded directly in equity							
Distributions to owners of the Company		(547,500)					(547,500)
Dividend to equity holders for 2022		6,197,784	(14,082)	3,972	(1,173,936)	381,156	6,466,789
Unaudited balance as at 31st March 2023	1,171,875	6,197,784	(14,082)	3,972	(1,173,936)	381,156	6,466,789

Stated Capital represents 150 Million Ordinary Shares as at 31st March 2023 (2022 - 150 Million).

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

Statement of Cash Flows

<i>For the Period Ended 31st March,</i>	Group		Company		
	Unaudited 2023	Unaudited 2022	Unaudited 2023	Unaudited 2022	
	Note	Rs. '000	Rs. '000	Rs. '000	
Cash Flows From Operating Activities					
Profit Before Taxation		319,388	258,303	273,402	116,967
<i>Adjustments for:</i>					
Interest Income	10	(1,767,624)	(763,610)	(1,540,406)	(659,226)
Dividend Income	10	(3,713)	(3,408)	(3,616)	(3,379)
Amortisation of Intangible Assets		5,187	5,199	4,872	4,884
Depreciation of Property, Plant and Equipment		24,854	16,989	17,842	11,396
Net Depreciation of Right of Use Assets		40,950	33,696	38,450	31,685
Interest Expense of Lease Creditors		13,466	11,775	12,224	10,877
Provision for Employee Benefits		22,631	16,758	16,382	10,509
Net Realised Gains		(1,999)	(2,268)	(876)	-
Net Fair Value Losses/(Gains)		68,192	(169,167)	889	(9,837)
Gains on Disposal of Property, Plant and Equipment		(200)	(219)	(85)	(181)
		(1,278,868)	(595,952)	(1,180,922)	(486,305)
Net Change in Operating Assets	A	(1,148,385)	(477,237)	(262,219)	(165,861)
Net Change in Operating Liabilities	B	3,200,794	2,263,460	2,159,698	1,526,597
Cash Flows from Operating Activities		773,541	1,190,271	716,557	874,431
Gratuity Paid		(7,367)	(2,616)	(1,470)	(1,203)
Income Tax Paid		(115,028)	(38,738)	(94,255)	(9,935)
Net Cash Generated from Operating Activities		651,146	1,148,917	620,832	863,293
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(31,225,424)	(65,384,581)	(23,677,931)	(54,411,488)
Proceeds from Maturity of Financial Investments		28,920,498	63,162,100	21,630,111	52,478,698
Proceeds from Sale of Financial Investments		628,929	231,002	290,856	-
Interest Received		1,012,988	921,013	917,504	734,084
Dividend Received		2,780	1,777	2,683	1,748
Acquisition of Intangible Assets		(3,512)	(367)	(3,512)	(367)
Acquisition of Property, Plant and Equipment		(85,169)	(15,162)	(63,692)	(11,182)
Proceeds from the Disposal of Property, Plant and Equipment		1,535	546	85	466
Advance Paid to Right of Use asset		(6,060)	(2,550)	(2,648)	(2,550)
Net Cash Used in Investing Activities		(753,435)	(1,086,222)	(906,544)	(1,210,591)
Cash Flows from Financing Activities					
Payment of Lease Liabilities		(29,673)	(38,222)	(27,363)	(36,024)
Net Cash Used in Financing Activities		(29,673)	(38,222)	(27,363)	(36,024)
Net (Decrease)/Increase in Cash and Cash Equivalents (Net of Book OD)		(131,962)	24,473	(313,075)	(383,322)
Cash and Cash Equivalents at the beginning of the Period (Net of Book OD)		767,766	2,001,080	623,725	1,522,567
Cash and Cash Equivalents at the end of the Period (Net of Book OD)	C	635,804	2,025,553	310,650	1,139,245

Notes to the Statement of Cash Flows

<i>For the Period Ended 31st March,</i>	Group		Company	
	Unaudited 2023	Unaudited 2022	Unaudited 2023	Unaudited 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
Increase in Deferred Expenses	(1,154)	(21,974)	-	-
Increase in Loans to Life Policyholders	(1,292)	(604)	(1,292)	(604)
Increase in Reinsurance Receivables	(166,444)	(91,382)	(74,048)	(28,724)
Increase in Premium Receivables	(930,966)	(382,554)	(67,439)	(79,674)
(Increase)/Decrease in Other Assets	(48,529)	19,277	(119,440)	(56,859)
Net Change in Operating Assets	(1,148,385)	(477,237)	(262,219)	(165,861)
B. Change in Operating Liabilities				
Increase/(Decrease) in Other Liabilities	72,961	93,103	(150,185)	9,041
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	2,287,220	1,429,703	2,287,220	1,429,703
Increase in Insurance Contract Liabilities - General Insurance	516,633	498,815	-	-
Increase in Reinsurance Creditors	323,980	241,839	22,663	87,853
Net Change in Operating Liabilities	3,200,794	2,263,460	2,159,698	1,526,597
C. Cash and Cash Equivalents at the end of the Period				
Cash in Hand and at Bank	899,062	2,195,322	430,400	1,209,232
Bank Overdrafts	(263,258)	(169,769)	(119,750)	(69,987)
Cash and Cash Equivalents (Net of Book OD)	635,804	2,025,553	310,650	1,139,245

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

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

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st March 2023		31st December 2022	
	Life Insurance	General Insurance	Life Insurance	General Insurance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Property, Plant and Equipment	306,292	170,946	260,442	157,816
Right of Use Assets	322,876	41,936	343,824	32,755
Intangible Assets	55,694	3,749	57,054	4,064
Deferred Tax Assets	-	86,501	-	99,430
Financial Investments	32,352,761	4,804,688	29,844,875	4,779,256
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	422,206	-	420,914	-
Reinsurance Receivables	258,297	952,465	184,249	860,069
Premium Receivables	85,986	2,698,650	18,547	1,835,123
Other Assets	833,666	312,504	713,293	308,361
Insurance Contract - Deferred Expenses	-	165,149	-	163,995
Cash and Cash Equivalents	430,400	468,662	725,420	307,885
Total Assets	36,218,178	9,705,250	33,718,618	8,548,754
Liabilities				
Insurance Contract Liabilities - Life Insurance	26,869,861	-	24,582,641	-
Insurance Contract Liabilities - General Insurance	-	4,698,221	-	4,181,588
Employee Defined Benefit Liabilities	157,604	94,084	142,692	93,732
Current Tax Liabilities	195,635	59,704	209,338	44,472
Reinsurance Creditors	250,175	1,033,498	227,512	732,181
Lease Creditors	376,641	40,994	376,926	33,793
Other Liabilities	1,781,723	1,342,356	1,384,408	1,044,156
Bank Overdrafts	119,750	143,508	101,695	163,844
Total Liabilities	29,751,389	7,412,365	27,025,212	6,293,766

Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	31st March 2023		31st March 2022	
	Life Insurance	General Insurance	Life Insurance	General Insurance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	2,914,607	2,645,208	2,349,600	1,975,790
Premium Ceded to Reinsurers	(136,017)	(863,184)	(110,307)	(464,579)
Net Written Premium	2,778,590	1,782,024	2,239,293	1,511,211
Net Change in Reserves for Unearned Premium	-	(473,557)	-	(375,473)
Net Earned Premium	2,778,590	1,308,467	2,239,293	1,135,738
Other Revenue				
Interest and Dividend Income	1,544,022	227,315	662,605	104,413
Net Realised Gains	876	1,123	-	2,268
Net Fair Value (Losses)/ Gains	(889)	(67,303)	9,837	159,330
Fee and Commission Income	69,747	49,375	23,605	46,429
Other Income	137	1,279	250	3,614
Total Other Revenue	1,613,893	211,789	696,297	316,054
Net Income	4,392,483	1,520,256	2,935,590	1,451,792
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(720,073)	(931,763)	(526,733)	(829,886)
Change in Contract Liabilities - Life Fund	(2,266,253)	-	(1,416,615)	-
Other Operating and Administration Expenses	(723,389)	(454,736)	(503,223)	(382,653)
Underwriting and Net Acquisition Cost	(384,051)	(97,676)	(346,557)	(93,887)
Finance and Other Insurance Related Costs	(25,315)	9,905	(25,495)	(4,030)
Total Benefits, Claims and other Expenses	(4,119,081)	(1,474,270)	(2,818,623)	(1,310,456)
Profit Before Taxation	273,402	45,986	116,967	141,336
Income Tax Expense	(80,551)	(36,680)	(27,603)	4,772
Profit for the Period	192,851	9,306	89,364	146,108

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

1.1 Reporting Entity

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

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

1.2 Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 28th April 2023.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 31st March 2023 are provisional and unaudited.

2 BASIS OF PREPARATION

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

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

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

2.1 Temporary Exemption for Application of SLFRS 09

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

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

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Mar 2023	31st Dec 2022	31st Mar 2023	31st Dec 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	10,763,263	10,240,933	10,567,086	10,055,448
Loans and Receivables	17,308,580	14,910,327	14,286,501	12,097,076
Available for Sale Financial Assets	8,943,695	9,389,628	7,399,456	7,610,970
Financial Assets at Fair Value Through Profit or Loss	141,911	83,243	99,718	81,381
Total Financial Investments	37,157,449	34,624,131	32,352,761	29,844,875

3.1 Reclassification of Treasury Bond Portfolio From AFS to HTM Category

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

Description	Available For Sale (AFS) - Life Fund Rs. ('000)	Held to Maturity (HTM) - Life Fund Rs. ('000)
Carrying Value of Treasury Bonds Portfolio as at 01st April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds need to be reclassified	(2,659,168)	2,659,168
New Carrying Value of TB Portfolio as at 01st April 2022	2,737,862	3,787,140
AFS Reserve to be amortized to P&L over the remaining life of assets		(703,985)
Amortization recognized during the Period		11,732

4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

Intercompany transactions, balances and unrealised gains on transactions between group companies and unrealised losses are eliminated. Amounts reported by subsidiary companies are adjusted to conform with the Group's accounting policies where necessary.

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

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

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

6 RESTRICTED REGULATORY RESERVE

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2023	31st Dec 2022	31st Mar 2023	31st Dec 2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the end of the Period	6.2	381,156	381,156	381,156	381,156

6.1 Nature and Purpose of Reserve

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

Surplus created due to Change in Valuation Method

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

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

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

6.3 Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st March 2023

Based on the Direction issued by IRCSL following Instruments have been marked to support the Restricted Regulatory Reserve of the Company.

Asset Category	Fair Value / Carrying Value 31st Mar 2023 (Rs. '000)
As at,	
Term Deposits	384,320

6.4 Distribution of One-off Surplus

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

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Note	Group		Company	
		Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Life Insurance Fund	7.1	26,629,883	24,363,630	26,629,883	24,363,630
Claims Outstanding		239,978	219,011	239,978	219,011
Total Insurance Contract Liabilities		26,869,861	24,582,641	26,869,861	24,582,641

Notes to the Condensed Consolidated Interim Financial Statements

7.1 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Note	Group		Company	
		Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
The Movement in the Life Insurance Fund is as follows:					
Balance as at the beginning of the Period		24,363,630	20,062,535	24,363,630	20,062,535
Surcharge Tax	16	-	(21,966)	-	(21,966)
Change in Contract Liabilities Life Fund					
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders		2,266,253	5,620,103	2,266,253	5,620,103
Surplus Distributed to Shareholders		-	(1,280,000)	-	(1,280,000)
Increase in Life Insurance Fund		2,266,253	4,340,103	2,266,253	4,340,103
Effect of Taxation on surplus/Bonus transferred to Policyholders		-	(17,042)	-	(17,042)
Balance as at the end of the Period		26,629,883	24,363,630	26,629,883	24,363,630

7.2 Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Abhishek Chadha, FIA, on behalf of Willis Towers Watson India Private Limited, as at 31st December 2022 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Appointed Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2022. No additional provision was required against the LAT as at 31st March 2023.

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Reserves for Net Unearned Premium	3,213,241	2,735,501	-	-
Reserves for Title Insurance	52,876	57,059	-	-
Reserves for Gross Outstanding Claims	1,432,104	1,389,028	-	-
Total Insurance Contract Liabilities	4,698,221	4,181,588	-	-

8.1 Valuation of the IBNR/IBNER was carried by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2022 for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary performs the valuation on semi-annual basis. Company's Chief Actuarial Officer has carried out the IBNR/IBNER valuation as at 31st March 2023 and ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

8.2 Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability is performed semi-annually. As at 31st December 2022, LAT was performed by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, 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 Ltd adequately satisfies the LAT requirement as at 31st December 2022. No additional provision is required against LAT as at 31st March 2023.

Notes to the Condensed Consolidated Interim Financial Statements

9 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited For the Year Ended 31st Dec 2022 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
Life Insurance					
8,484,220	Individual Policies	2,760,439	2,216,303	2,760,439	2,216,303
427,240	Corporate Policies	154,168	133,297	154,168	133,297
(36,509)	Adjustment for Inter Company Premiums	(13,871)	(10,538)	-	-
<u>8,874,951</u>	Gross Written Premium - Life Insurance	<u>2,900,736</u>	<u>2,339,062</u>	<u>2,914,607</u>	<u>2,349,600</u>
General Insurance					
965,140	Fire	561,408	293,733	-	-
4,217,856	Motor	1,235,432	1,159,715	-	-
158,297	Marine	36,624	3,756	-	-
1,479,718	Miscellaneous	811,744	518,586	-	-
(58,226)	Adjustment for Inter Company Premiums	(52,594)	(43,034)	-	-
<u>6,762,785</u>	Gross Written Premium - General Insurance	<u>2,592,614</u>	<u>1,932,756</u>	<u>-</u>	<u>-</u>
<u>15,637,736</u>	Total Gross Written Premium	<u>5,493,350</u>	<u>4,271,818</u>	<u>2,914,607</u>	<u>2,349,600</u>

10 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited For the Year Ended 31st Dec 2022 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
4,533,060	Interest Income	1,767,624	763,610	1,540,406	659,226
8,622	Dividend Income	3,713	3,408	3,616	3,379
<u>4,541,682</u>	Total	<u>1,771,337</u>	<u>767,018</u>	<u>1,544,022</u>	<u>662,605</u>

11 INCOME TAX EXPENSE

Group		Group		Company	
Audited For the Year Ended 31st Dec 2022 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
(288,436)	Income Tax Charge	(116,556)	-	(80,551)	-
(55)	Under Provision of Income Taxes in respect of prior Period	-	-	-	-
(266,907)	Deferred Income Tax - Recognised through Profit or Loss	(675)	(22,831)	-	(27,603)
<u>(555,398)</u>	Total Tax charge in Profit or Loss	<u>(117,231)</u>	<u>(22,831)</u>	<u>(80,551)</u>	<u>(27,603)</u>
Deferred tax related to items charged or credited					
Deferred tax on net change in debt instruments					
78,671	categorised under Available for Sale	(12,253)	9,129	-	-
(4,166)	Deferred tax on actuarial gain/(loss) on defined benefit plans	-	-	-	-
<u>74,505</u>	Total Tax charge in Other Comprehensive Income	<u>(12,253)</u>	<u>9,129</u>	<u>-</u>	<u>-</u>

Notes to the Condensed Consolidated Interim Financial Statements

Income Tax Rates

As per the Inland Revenue (Amendment) Act No 45 of 2022 (certified on 19th December 2022) income tax rates applicable to Company and Subsidiary increased from 24% to 30% with effect from 01st October 2022. Accordingly, tax liability of the Company and subsidiary was calculated and accounted at the rate of 30% for the period ended 31st March 2023.

Recoverability of Deferred Tax Assets

As per Section 67 of Inland Revenue Act No. 24 of 2017 which came into effect on 1st April 2018, the Company was eligible to claim its brought forward tax losses against its taxable income within a period of 6 years commencing 1st April 2018. Accordingly, a Deferred tax asset of Rs.1,454.5 Million was recognised during the year of 2018 arising from brought forward tax losses as at 31st March 2018 after assessing the availability of future taxable profits. However, as at 31st December 2022, company utilised total amount of brought forward tax losses against taxable income. Further, Company has charged an income tax expense of Rs. 81 Million for the period since brought forward tax losses are not available for recoverability.

12 PROFIT FOR THE PERIOD

Audited For the Year Ended 31st Dec 2022 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
Company - HNB Assurance PLC			
1,280,000	Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
713,666	Profit from Life Shareholders' Fund	273,402	116,967
(510,046)	Income Tax Expense	(80,551)	(27,603)
1,483,620	Profit for the Period	192,851	89,364
Subsidiary - HNB General Insurance Ltd			
495,756	Profit Before Tax	45,986	141,336
(45,352)	Income Tax Expense	(36,680)	4,772
450,404	Profit for the Period	9,306	146,108
(103,500)	Elimination of Intercompany Dividend	-	-
<u>1,830,524</u>	Profit for the Period - Group	<u>202,157</u>	<u>235,472</u>

13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

Group Audited 31st Dec 2022	For the Three Months Ended,	Group		Company	
		Unaudited 31st Mar 2023	Unaudited 31st Mar 2022	Unaudited 31st Mar 2023	Unaudited 31st Mar 2022
1,830,524	Profit for the Year/Period (Rs. '000)	202,157	235,472	192,851	89,364
150,000	Weighted average number of shares ('000)	150,000	150,000	150,000	150,000
<u>12.20</u>	Basic and Diluted Earnings Per Share (Rs.)	<u>1.35</u>	<u>1.57</u>	<u>1.29</u>	<u>0.60</u>

Notes to the Condensed Consolidated Interim Financial Statements

14 RELATED PARTY DISCLOSURES

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

Transactions	Group		Company	
	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
<i>For the Three Months Ended,</i>				
Insurance Premium	118,464	56,371	-	-
Claims Incurred	25,592	932	14,850	-
Investment Income	131,542	64,566	104,151	50,208
Administration Expenses	126,127	119,800	93,108	87,946
Rent and Other Operational Expenses	5,587	4,488	3,832	2,793
Outstanding Balances				
As at,	Group		Company	
	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Investment Balance (Include Deposits & Debentures)	2,813,293	2,369,855	2,365,386	1,872,110
Cash at Bank Balances	614,157	533,376	302,805	436,195
Premium Receivable	160,889	1,066	-	-
Administration Expenses Payable	55,902	72,076	35,218	55,163
Rent and Other Operational Expenses Payable	398	141	259	90
Dividend Payable	328,423	287,933	328,423	287,933

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

Transactions	Unaudited	Unaudited
	31st Mar 2023 Rs. '000	31st Mar 2022 Rs. '000
<i>For the Three Months Ended,</i>		
Insurance Premium	13,871	10,538
Insurance Expenses	52,594	43,034
Claims Received	43	271
Claims Paid	4,000	7,800
Reimbursement Expenses Relating to Employees	33,875	26,462
Other Reimbursement Expenses	66,689	46,377
Fund Management Fee	3,519	3,633
Profit Commission Expense	3,282	4,219
Outstanding Balances		
<i>As at,</i>	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Premium Payable to HNB General Insurance Ltd	11,452	-
Receivable from HNB General Insurance Ltd	75,054	21,816

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

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	50,112	15,471	-	-
HNB Finance PLC	Insurance Premium	80,289	8,588	56,954	-
	Claims Incurred	1,675	177	-	-
	Administration Expenses	10,245	2,518	4,273	13
	Interest Income	5,871	8,964	5,871	8,964

Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
<i>As at,</i>					
Sithma Development (Pvt) Ltd	Premium Receivable	64,831	-	-	-
HNB Finance PLC	Investment in Term Deposits	-	125,868	-	125,868
	Investment in Debentures	129,159	125,090	129,159	125,090
	Cash at Bank Balances	96	88	96	88
	Premium Receivable	27,834	3,185	11,775	-
	Administration Expenses Payable	5,149	9,922	1,780	5,954

14.4 Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
<i>For the Year Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	312	11	306	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	68	148	-	-
	Claims incurred	80	-	-	-
Acuity Securities Ltd	Insurance Premium	31	2,239	-	-
	Claims incurred	211	111	-	-
	Custodian Fee	-	260	-	212
	Investment Income from REPO	46,285	38,785	36,391	30,216

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 31st Mar 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	35	526	-	312
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	14	366	-	-
Acuity Securities Ltd	Premium Receivable	49	506	-	-
	Investment In REPO	1,948,553	1,380,579	1,489,249	918,083

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

Transactions <i>For the Period Ended,</i>	Unaudited 31st Mar 2023 Rs. '000	Unaudited 31st Mar 2022 Rs. '000
Director Fee	6,879	6,340
Short-term and Post Employment Benefits	34,780	22,902
Insurance Premium	1,298	1,226
Claims Paid including Maturities	54	185

Appointment of the Board of Directors

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

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

15 RELATED IMPLICATIONS OF FOREIGN EXCHANGE, INTEREST AND INFLATION RATES

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

Notes to the Condensed Consolidated Interim Financial Statements

to monitor its effects on financial statements under various stressed scenarios.

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

However, Sri Lanka was able to reach a preliminary agreement with the International Monetary Fund (IMF) for an Extended Fund Facility. The Fund Facility is intended to restore macroeconomic stability and debt sustainability, to unlock the growth potential in the economy. However, Sri Lanka is still in the process of analysing the impact of these structural reforms including debt restructuring and impact of the same is uncertain.

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

16 SURCHARGE TAX

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

17 EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent Tax Assessments

Subsequent to the reporting date, HNB Assurance PLC has received determination from Tax Appeals Commission on the Income Tax assessment for the year 2012/13.

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

18 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 231 Million as at 31st March 2023 for purchase of computer software and other equipment (As at 31st December 2022 – Rs. 353.52 Million for the purchase of computer hardware, software and Other equipment).

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

19 CONTINGENCIES

19.1 Income Tax

The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, and 2018/2019. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. Subsidiary Company HNB General Insurance Limited also received a Notice of Assessment for the taxable period 01.01.2018 to 31.12.2018 for which the subsidiary Company duly appealed in consultation with its tax Consultant.

Notes to the Condensed Consolidated Interim Financial Statements

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

Year of Assessment	Date of Assessment/ Intimation	Status of Assessment	Contingent impact to the company	Total Additional Liability (Rs. Million)
HNB Assurance PLC				
2011/2012	2014.11.20	Pending decision from Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	2015.11.30	The Company is in the process of filing an appeal against the determination in the Court of Appeal.	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.29	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	434
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	536
Total - HNB Assurance PLC				1,692
HNB General Insurance Limited				
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	138
Total - HNB General Insurance Limited				138
Total for Group				1,830

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19.2 VAT & NBT on Financial Services

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

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs. Mn)	Penalty (Rs. Mn)	Total (Rs. Mn)
HNB Assurance PLC						
2014.01.01-2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT NBT	21.06 N/A	10.53 N/A	31.59 N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT NBT	17.55 2.83	12.98 1.41	30.53 4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT NBT	24.86 4.01	12.43 2.00	37.29 6.01
2017.01.01-2017.12.31	2022.01.18	Pending decision from Commissioner General of Inland Revenue	VAT NBT	42.56 N/A	21.28 N/A	63.84 N/A
2018.01.01-2018.12.31	2022.01.21	Pending decision from Commissioner General of Inland Revenue	VAT NBT	65.91 N/A	32.95 N/A	98.86 N/A
2019.01.01-2019.12.31	2022.10.31	Pending decision from Commissioner General of Inland Revenue	VAT NBT	62.48 N/A	31.24 N/A	93.72 N/A
Total - HNB Assurance PLC				241.26	124.82	366.08
HNB General Insurance Limited						
2018.01.01-2018.12.31	2022.04.26	Pending decision from Commissioner General of Inland Revenue	VAT NBT	10.41 N/A	5.20 N/A	15.61 N/A
2019.01.01-2019.12.31	2022.12.20	Pending decision from Commissioner General of Inland Revenue	VAT NBT	11.37 N/A	5.7 N/A	17.07 N/A
Total - HNB General Insurance Limited				21.78	10.90	32.68
Total - Group				263.04	135.72	398.76

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19.3 Value Added Tax

The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, Company has not received any communication from IRD yet. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 477.23 Million on VAT returns filed and the subsidiary has duly appealed against the assessments.

19.4 Value Added Tax (VAT) On Reinsurance

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

Management and the Company's/Subsidiary's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company's/Subsidiary's having to settle any of above tax assessments detailed under Note 19.1 to 19.4 is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder	31st March 2023		31st December 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	3,942,964	2.63	3,942,964	2.63
4 Ceylon Investment Plc A/C # 02	1,712,174	1.14	1,712,174	1.14
5 Mr.M.F.Hashim	1,634,167	1.09	1,634,167	1.09
6 Mrs.A.Kailasapillai	1,500,000	1.00	1,500,000	1.00
7 Mrs.A.Selliah	1,500,000	1.00	1,500,000	1.00
8 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
9 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
10 Arunodhaya (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
11 Rubber Investment Trust Ltd A/C No 01	1,337,058	0.89	1,337,058	0.89
12 Andysel (Pvt) Ltd	750,000	0.50	750,000	0.50
13 Corporate Holdings (Pvt) Ltd A/C No.01	735,309	0.49	735,309	0.49
14 Merchant Bank Of Sri Lanka & Finance PLC/S.A.A. Hasitha	719,059	0.48	-	-
15 Mr.V.Sharda	609,000	0.41	609,000	0.41
16 Dr.S.Selliah	600,000	0.40	600,000	0.40
17 Corporate Holdings (Pvt) Ltd A/C No.02	573,969	0.38	573,969	0.38
18 Suktam Holdings (Pvt) Ltd	526,302	0.35	526,302	0.35
19 Mr.A.A.A.Rifkee	500,000	0.33	500,000	0.33
20 Buildmart Lanka (Pvt) Ltd	500,000	0.33	500,000	0.33

Public Shareholding

	31st March 2023	31st December 2022
* Float Adjusted Market Capitalisation (Rs.)	2,642,400,808	2,273,778,850
Percentage of Shares held by the Public	35.303%	35.335%
Number of Public Shareholders	4,426	4,478

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

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

Share Information (Contd.)

Shareholdings of Directors and Chief Executive Officer

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

Number of Shares

No. of shares representing the Stated Capital	150,000,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

As at,	31st Mar 2023 Rs.	31st Dec 2022 Rs.
Net Asset Value Per Share - Group	50.73	51.99
Net Asset Value Per Share - Company	43.11	44.62
Net Asset Value Per Share without Restricted Regulatory Reserve - Group	48.19	49.45
Net Asset Value Per Share without Restricted Regulatory Reserve - Company	40.57	42.80

Reduction in Net Asset Value Per Share is due to the Dividend declaration for the financial year 2022.

For the three months ended 31st March,	2023 Rs.	2022 Rs.
Highest Price Per Share	53.80	62.50
Lowest Price Per Share	42.50	42.20
Last Traded Price Per Share	49.90	43.30