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A LEGACY OF

20 Years 

H N B ASSURANCE PLC
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30th June 2022

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th June 2022	31st Dec 2021	30th June 2022	31st Dec 2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, Plant and Equipment		338,813	282,884	176,555	141,390
Right of Use Assets		392,747	395,148	361,184	362,336
Intangible Assets		62,396	63,180	57,689	57,839
Deferred Tax Assets		230,482	291,832	191,403	273,543
Financial Investments	3	31,915,877	29,094,085	26,876,547	24,667,102
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		408,109	403,452	408,109	403,452
Reinsurance Receivables		1,295,984	1,072,206	362,529	317,009
Premium Receivables		1,153,089	1,247,997	20,652	7,822
Other Assets		828,240	747,946	606,349	507,528
Insurance Contract - Deferred Expenses		158,065	157,710	-	-
Cash and Cash Equivalents		1,052,724	2,112,745	544,384	1,575,931
Total Assets		37,836,526	35,869,185	30,755,401	29,463,952
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		6,480,609	6,644,680	5,333,214	5,548,813
Available for Sale Reserve		(216,259)	4,009	(54,079)	4,446
Other Reserve		(11,421)	(11,421)	(6,614)	(6,614)
Life Policyholders' Available for Sale Reserve Fund	5	(1,218,844)	(67,291)	(1,218,844)	(67,291)
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		6,587,116	8,123,008	5,606,708	7,032,385
Non-Controlling Interest		-	-	-	-
Total Equity		6,587,116	8,123,008	5,606,708	7,032,385
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	22,895,264	20,342,757	22,895,264	20,342,757
Insurance Contract Liabilities - General Insurance	8	4,072,869	3,735,922	-	-
Employee Defined Benefit Liabilities		265,706	239,167	153,380	137,328
Current Tax Liabilities		25,128	62,168	-	19,871
Reinsurance Creditors		1,364,572	1,085,512	534,698	453,054
Lease Creditors		427,969	421,838	396,121	390,374
Other Liabilities		2,022,720	1,747,148	1,034,555	1,034,819
Bank Overdrafts		175,182	111,665	134,675	53,364
Total Liabilities		31,249,410	27,746,177	25,148,693	22,431,567
Total Equity and Liabilities		37,836,526	35,869,185	30,755,401	29,463,952

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
29th July 2022



Ashoka Goonesekere
Director

Statement of Profit or Loss and Other Comprehensive Income

Group				Group		Company		Change	
(Audited)	Year Ended	For the Six Months Ended 30th June,		Unaudited	Unaudited	Unaudited	Unaudited		
31 st Dec 2021	Rs. '000	2022	2021	2022	2021	2022	2021	Group	Company
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%		
12,646,947		7,464,439	5,704,083	4,274,312	3,118,551	31	37		
(1,648,861)		(1,069,296)	(793,583)	(229,700)	(166,704)	35	38		
10,998,086		6,395,143	4,910,500	4,044,612	2,951,847	30	37		
(242,252)		(111,020)	45,761	-	-	(343)	-		
10,755,834		6,284,123	4,956,261	4,044,612	2,951,847	27	37		
Other Revenue									
2,555,274		1,783,852	1,235,920	1,622,001	1,174,942	44	38		
52,921		337,842	8,099	80,129	7,572	4,071	958		
79,128		(40,944)	66,347	(62,419)	43,527	(162)	(243)		
225,738		139,082	124,593	32,089	61,017	12	(47)		
13,334		1,892	4,473	623	2,292	(58)	(73)		
2,926,395		2,221,724	1,439,432	1,672,423	1,289,350	54	30		
13,682,229		8,505,847	6,395,693	5,717,035	4,241,197	33	35		
Net Benefits, Claims and Expenses									
(4,223,290)		(2,695,316)	(1,903,823)	(1,085,900)	(725,282)	42	50		
(3,249,356)		(2,584,515)	(1,962,017)	(2,584,515)	(1,962,017)	32	32		
(2,892,824)		(1,745,881)	(1,313,701)	(1,026,582)	(735,864)	33	40		
(1,456,258)		(822,856)	(661,480)	(621,670)	(475,217)	24	31		
(112,123)		(64,356)	(52,215)	(51,827)	(41,638)	23	24		
(11,933,851)		(7,912,924)	(5,893,236)	(5,370,494)	(3,940,018)	34	36		
1,748,378		592,923	502,457	346,541	301,179	18	15		
(524,730)		(104,505)	(217,435)	(82,140)	(162,808)	(52)	(50)		
1,223,648		488,418	285,022	264,401	138,371	71	91		
Other Comprehensive Income, Net of Related Tax									
Items that are or may be reclassified to profit or loss									
(914,208)		(1,400,255)	(214,694)	(1,220,541)	(191,065)	552	539		
(9,490)		-	(5,874)	-	(5,874)	100	100		
-		10,463	-	10,463	-	100	100		
825,224		1,151,553	192,881	1,151,553	192,881	497	497		
8,729		17,971	9,386	-	-	91	-		
Items that will never be reclassified to profit or loss									
44,140		-	-	-	-	-	-		
(4,041)		-	-	-	-	-	-		
(49,646)		(220,268)	(18,301)	(58,525)	(4,058)	1,104	1,342		
1,174,002		268,150	266,721	205,876	134,313	1	53		
Profit Attributable to:									
1,223,648		488,418	285,022	264,401	138,371	71	91		
-		-	-	-	-	-	-		
1,174,002		268,150	266,721	205,876	134,313	1	53		
-		-	-	-	-	-	-		
8.16		3.26	1.90	1.76	0.92	71	91		

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

Statement of Changes in Equity - Group

For the Period Ended 30th June,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2021	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Period	-	285,022	-	-	-	-	285,022
Profit for the Period-Unaudited	-	285,022	-	-	-	-	285,022
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(211,182)	-	-	-	(211,182)
Net Change in fair value of Available For Sale Financial Assets	-	-	(211,182)	-	-	-	(211,182)
Net Change in fair value of Available For Sale Financial Assets	-	-	(211,182)	-	-	-	(211,182)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(18,301)	-	-	-	(18,301)
Total Other Comprehensive Income for the Period	-	-	(18,301)	-	-	-	(18,301)
Total Comprehensive Income for the Period	-	285,022	(18,301)	-	-	-	266,721
Net Change in fair value of Available For Sale Financial Assets	-	-	(18,301)	-	-	-	(18,301)
- transferred from Available For Sale Reserve	-	-	(18,301)	-	-	-	(18,301)
Transactions with owners recorded directly in equity	-	-	-	-	(192,881)	-	(192,881)
Distributions to owners of the Parent	-	-	-	-	(192,881)	-	(192,881)
Final dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Unaudited balance as at 30th June 2021	1,171,875	5,706,054	75,453	(51,520)	565,052	381,156	7,948,070
Comprehensive Income for the Period	-	938,626	-	-	-	-	938,626
Profit for the Period-Unaudited	-	938,626	-	-	-	-	938,626
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(703,787)	-	-	-	(703,787)
Net Change in fair value of Available For Sale Financial Assets	-	-	(703,787)	-	-	-	(703,787)
Net Change in fair value of Available For Sale Financial Assets	-	-	(703,787)	-	-	-	(703,787)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(703,787)	-	-	-	(703,787)
Actual Gains on Defined Benefit Plans	-	-	632,343	40,089	-	-	632,343
Net Change in fair value of Available For Sale Reserve	-	-	632,343	40,089	-	-	632,343
Total Other Comprehensive Income for the Period	-	-	(71,444)	40,089	-	-	(31,355)
Total Comprehensive Income for the Period	-	938,626	(71,444)	40,089	-	-	907,281
Net Change in fair value of Available For Sale Financial Assets	-	-	(71,444)	40,089	-	-	(31,355)
- transferred from Available For Sale Reserve	-	-	(71,444)	40,089	-	-	(31,355)
Audited balance as at 31st December 2021	1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Balance as at 01st January 2022	1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Surcharge Tax (Note 16)	-	(172,489)	-	-	-	-	(172,489)
Comprehensive Income for the Period	-	488,418	-	-	-	-	488,418
Profit for the Period-Unaudited	-	488,418	-	-	-	-	488,418
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(1,371,821)	-	-	-	(1,371,821)
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,371,821)	-	-	-	(1,371,821)
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,371,821)	-	-	-	(1,371,821)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(1,371,821)	-	-	-	(1,371,821)
Total Other Comprehensive Income for the Period	-	-	(1,371,821)	-	-	-	(1,371,821)
Total Comprehensive Income for the Period	-	488,418	(220,268)	-	-	-	268,150
Net Change in fair value of Available For Sale Financial Assets	-	-	(220,268)	-	-	-	(220,268)
- transferred from Available For Sale Reserve	-	-	(220,268)	-	-	-	(220,268)
Transactions with owners recorded directly in equity	-	-	-	-	(1,151,553)	-	(1,151,553)
Distributions to owners of the Parent	-	-	-	-	(1,151,553)	-	(1,151,553)
Dividend to equity holders for 2021	-	(480,000)	-	-	-	-	(480,000)
Unaudited balance as at 30th June 2022	1,171,875	6,480,609	(216,259)	(11,421)	1,218,844	381,156	6,887,116

Stated Capital represents 150 Million Ordinary Shares as at 30th June 2022 (2021 - 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 30th June,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2021	1,171,875	4,868,314	15,626	(33,916)	757,933	381,156	7,260,968
Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	138,371	-	-	-	-	138,371
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(196,939)	-	-	-	(196,939)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	192,881	-	-	-	192,881
Total Other Comprehensive Income for the Period	-	-	(4,058)	-	-	-	(4,058)
Total Other Comprehensive Income for the Period	-	138,371	(4,058)	-	-	-	134,313
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(192,881)	-	(192,881)
Distributions to owners of the Company							
Final dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Unaudited balance as at 30th June 2021	1,171,875	4,666,685	11,568	(33,916)	555,062	381,156	6,722,420
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	862,128	-	-	-	-	862,128
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(639,465)	-	-	-	(639,465)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	632,343	-	-	-	632,343
Actual Gains on Defined Benefit Plans	-	-	-	27,302	-	-	27,302
Total Other Comprehensive Income for the Period	-	-	(7,122)	27,302	-	-	20,180
Total Other Comprehensive Income for the Period	-	862,128	(7,122)	27,302	-	-	882,308
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(62,343)	-	(62,343)
Audited balance as at 31st December 2021	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
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	-	264,401	-	-	-	-	264,401
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,210,078)	-	-	-	(1,210,078)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	1,151,553	-	-	-	1,151,553
Total Other Comprehensive Income for the Period	-	-	(58,525)	-	-	-	(58,525)
Total Other Comprehensive Income for the Period	-	264,401	(58,525)	-	-	-	205,876
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(1,151,553)	-	(1,151,553)
Distributions to owners of the Company							
Dividend to equity holders for 2021	-	(480,000)	-	-	-	-	(480,000)
Unaudited balance as at 30th June 2022	1,171,875	5,333,214	(54,079)	(6,614)	(1,218,844)	381,156	5,806,708

Stated Capital represents 150 Million Ordinary Shares as at 30th June 2022 (2021 - 150 Million).

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

Statement of Cash Flows

<i>For the Period Ended 30th June,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	Note	2022	2021	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities				
Profit Before Taxation	592,923	502,457	346,541	301,179
<i>Adjustments for:</i>				
Interest Income	10 (1,777,052)	(1,230,370)	(1,511,771)	(1,054,494)
Dividend Income	10 (6,800)	(5,550)	(110,230)	(120,448)
Amortisation of Intangible Assets	9,810	10,955	9,176	10,322
Depreciation of Property, Plant and Equipment	37,638	29,010	25,201	20,149
Net Depreciation of Right of Use Assets	68,122	64,973	64,012	60,881
Interest Expense of Lease Creditors	23,663	25,102	21,838	23,690
Provision for Employee Benefits	34,058	28,196	21,559	16,696
Net Realised Gains	(337,842)	(8,099)	(80,129)	(7,572)
Net Fair Value (Losses)/ Gains	40,944	(66,347)	62,419	(43,527)
Gains on Disposal of Property, Plant and Equipment	(457)	(133)	(412)	(117)
Gains on Disposal of Right of Use Asset	-	(294)	-	(294)
	(1,314,993)	(650,100)	(1,151,796)	(793,535)
Net Change in Operating Assets	A (200,577)	(340,432)	(161,787)	(455,053)
Net Change in Operating Liabilities	B 3,355,278	2,219,639	2,644,870	2,010,285
Cash Flows from Operating Activities	1,839,708	1,229,107	1,331,287	761,697
Cash Flows from Investing Activities				
Gratuity Paid	(7,519)	(8,924)	(5,507)	(7,861)
Surcharge Tax paid	(97,227)	-	(10,983)	-
Income Tax Paid	(62,224)	(51,516)	(19,871)	-
Net Cash Generated from Operating Activities	1,672,738	1,168,667	1,294,926	753,836
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(173,664,398)	(85,720,644)	(142,706,382)	(66,521,341)
Proceeds from Maturity of Financial Investments	169,160,457	83,407,812	139,138,063	64,818,314
Proceeds from Sale of Financial Investments	317,670	270,723	-	209,715
Interest Received	2,048,636	1,385,410	1,678,277	1,149,277
Dividend Received	6,750	5,350	110,190	120,286
Acquisition of Intangible Assets	(9,026)	(6,453)	(9,026)	(6,453)
Acquisition of Property, Plant and Equipment	(93,912)	(56,353)	(60,656)	(36,879)
Proceeds from the Disposal of Property, Plant and Equipment	803	839	702	714
Advance Paid to Right of Use asset	(6,150)	(6,162)	(6,150)	(5,172)
Net Cash Used in Investing Activities	(2,239,170)	(719,478)	(1,854,982)	(271,539)
Cash Flows from Financing Activities				
Dividend Paid	(480,000)	(420,000)	(480,000)	(420,000)
Payment of Lease Liabilities	(77,106)	(60,208)	(72,802)	(55,128)
Net Cash Used in Financing Activities	(557,106)	(480,208)	(552,802)	(475,128)
Net (Decrease)/Increase in Cash and Cash Equivalents				
Cash and Cash Equivalents at the beginning of the Period	(1,123,538)	(31,019)	(1,112,858)	7,169
Cash and Cash Equivalents at the end of the Period	2,001,080	586,806	1,522,567	339,618
	C 877,542	555,787	409,709	346,787

Notes to the Statement of Cash Flows

<i>For the Period Ended 30th June,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Change in Operating Assets				
(Increase)/Decrease in Deferred Expenses	(355)	28,893	-	-
Increase in Loans to Life Policyholders	(4,657)	(9,851)	(4,657)	(9,851)
Increase in Reinsurance Receivables	(223,778)	(95,872)	(45,520)	(63,069)
Decrease/(Increase) in Premium Receivables	94,908	134,214	(12,830)	(11,749)
Increase in Other Assets	(66,695)	(397,816)	(98,780)	(370,384)
Net Change in Operating Assets	(200,577)	(340,432)	(161,787)	(455,053)
B. Change in Operating Liabilities				
Increase/(Decrease) in Other Liabilities	164,798	(147,778)	(11,247)	(104,934)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	2,574,473	2,007,382	2,574,473	2,007,382
Increase in Insurance Contract Liabilities - General Insurance	336,947	11,896	-	-
Increase in Reinsurance Creditors	279,060	348,139	81,644	107,837
Net Change in Operating Liabilities	3,355,278	2,219,639	2,644,870	2,010,285
C. Cash and Cash Equivalents at the end of the Period				
Cash in Hand and at Bank	1,052,724	795,166	544,384	452,520
Bank Overdrafts	(175,182)	(239,379)	(134,675)	(105,733)
Cash and Cash Equivalents	877,542	555,787	409,709	346,787

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

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

Statement of Profit or Loss and Other Comprehensive Income

For the Three months ended 30th June,	Note	Group		Company		Change	
		2022	2021	2022	2021	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
Gross Written Premium	9	3,192,621	2,481,127	1,924,712	1,451,921	29	33
Premium Ceded to Reinsurers		(494,410)	(365,948)	(119,393)	(87,324)	35	37
Net Written Premium		2,698,211	2,115,179	1,805,319	1,364,597	28	32
Net Change in Reserves for Unearned Premium		264,453	288,197	-	-	(8)	-
Net Earned Premium		2,962,664	2,403,376	1,805,319	1,364,597	23	32
Other Revenue							
Interest and Dividend Income	10	1,016,834	620,215	959,396	647,229	64	48
Net Realised Gains		335,574	-	80,129	-	100	100
Net Fair Value (Losses)/Gains		(210,111)	18,580	(72,256)	14,185	(1,231)	(609)
Fee and Commission Income		76,900	30,511	8,484	6,961	152	22
Other Income		(1,972)	(66)	373	2,107	2,888	(82)
Total Other Revenue		1,217,225	669,240	976,126	670,482	82	46
Net Income		4,179,889	3,072,616	2,781,445	2,035,079	36	37
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,338,968)	(878,704)	(559,167)	(305,349)	52	83
Change in Contract Liabilities - Life Fund		(1,167,900)	(926,933)	(1,167,900)	(926,933)	26	26
Other Operating and Administration Expenses		(916,939)	(676,491)	(523,359)	(371,175)	36	41
Underwriting and Net Acquisition Costs		(386,631)	(298,322)	(275,113)	(206,510)	30	33
Finance and Other Insurance Related Costs		(34,831)	(21,325)	(26,332)	(20,454)	63	29
Total Benefits, Claims and Other Expenses		(3,845,269)	(2,801,775)	(2,551,871)	(1,830,421)	37	39
Profit Before Taxation		334,620	270,841	229,574	204,658	24	12
Income Tax Expense	11	(81,674)	(82,464)	(54,537)	(36,764)	(1)	48
Profit for the Period	12	252,946	188,377	175,037	167,894	34	4
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale Financial Assets		(384,857)	(42,155)	(296,431)	(35,875)	813	726
- Realised Gains transferred to Income Statement		-	-	-	-	-	-
- Amortisation of AFS reserve on reclassification		10,463	-	10,463	-	100	100
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		257,213	34,223	257,213	34,223	652	652
- Related Tax	11	8,842	628	-	-	1,308	-
Total Other Comprehensive Income for the Period, Net of Related tax		(108,339)	(7,304)	(28,755)	(1,652)	1,383	1,641
Total Comprehensive Income for the Period		144,607	181,073	146,282	166,242	(20)	(12)
Profit Attributable to:							
Equity Holders of the Company		252,946	188,377	175,037	167,894	34	4
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		144,607	181,073	146,282	166,242	(20)	(12)
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	1.69	1.26	1.17	1.12	34	4

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

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th June 2022		31st December 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	176,555	162,258	141,390	141,494
Right of Use Assets	361,184	31,563	362,336	32,812
Intangible Assets	57,689	4,707	57,839	5,341
Deferred Tax Assets	191,403	39,079	273,543	18,289
Financial Investments	26,876,547	5,039,330	24,667,102	4,426,983
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	408,109	-	403,452	-
Reinsurance Receivables	362,529	933,455	317,009	755,197
Premium Receivables	20,652	1,132,437	7,822	1,240,175
Other Assets	606,349	246,807	507,528	253,966
Insurance Contract - Deferred Expenses	-	158,065	-	157,710
Cash and Cash Equivalents	544,384	508,340	1,575,931	536,814
Total Assets	30,755,401	8,256,041	29,463,952	7,568,781
Liabilities				
Insurance Contract Liabilities - Life Insurance	22,895,264	-	20,342,757	-
Insurance Contract Liabilities - General Insurance	-	4,072,869	-	3,735,922
Employee Defined Benefit Liabilities	153,380	112,326	137,328	101,839
Current Tax Liabilities	-	25,128	19,871	42,297
Reinsurance Creditors	534,698	829,874	453,054	632,458
Lease Creditors	396,121	31,848	390,374	31,464
Other Liabilities	1,034,555	1,013,081	1,034,819	725,877
Bank Overdrafts	134,675	40,507	53,364	58,301
Total Liabilities	25,148,693	6,125,633	22,431,567	5,328,158

Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	30th June 2022		30th June 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	4,274,312	3,258,535	3,118,551	2,644,989
Premium Ceded to Reinsurers	(229,700)	(839,596)	(166,704)	(626,879)
Net Written Premium	4,044,612	2,418,939	2,951,847	2,018,110
Net Change in Reserves for Unearned Premium	-	(111,020)	-	45,761
Net Earned Premium	4,044,612	2,307,919	2,951,847	2,063,871
Other Revenue				
Interest and Dividend Income	1,622,001	265,351	1,174,942	175,978
Net Realised Gains	80,129	257,713	7,572	527
Net Fair Value (Losses)/ Gains	(62,419)	21,475	43,527	22,820
Fee and Commission Income	32,089	120,440	61,017	80,033
Other Income	623	1,269	2,292	2,181
Total Other Revenue	1,672,423	666,248	1,289,350	281,539
Net Income	5,717,035	2,974,167	4,241,197	2,345,410
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,085,900)	(1,609,687)	(725,282)	(1,180,042)
Change in Contract Liabilities - Life Fund	(2,584,515)	-	(1,962,017)	-
Other Operating and Administration Expenses	(1,026,582)	(794,870)	(735,864)	(642,640)
Underwriting and Net Acquisition Cost	(621,670)	(207,199)	(475,217)	(195,873)
Finance and Other Insurance Related Costs	(51,827)	(12,529)	(41,638)	(10,577)
Total Benefits, Claims and other Expenses	(5,370,494)	(2,624,285)	(3,940,018)	(2,029,132)
Profit Before Taxation	346,541	349,882	301,179	316,278
Income Tax Expense	(82,140)	(22,365)	(162,808)	(54,627)
Profit for the Period	264,401	327,517	138,371	261,651

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

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

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

b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 29th July 2022.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 30th June 2022 are provisional and unaudited.

2 BASIS OF PREPARATION

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

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2021 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

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

2 a) Temporary Exemption for Application of SLFRS 09

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

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

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30th June 2022	31st Dec 2021	30th June 2022	31st Dec 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	7,510,992	313,465	7,387,787	313,465
Loans and Receivables	17,420,787	20,246,541	14,276,708	16,953,973
Available for Sale Financial Assets	6,918,178	8,198,911	5,147,758	7,261,326
Financial Assets at Fair Value Through Profit or Loss	65,920	335,168	64,294	138,338
Total Financial Investments	31,915,877	29,094,085	26,876,547	24,667,102

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 1 April 2022, 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 Treasury Bonds 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 ended 30th June 2022		10,464

4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

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

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

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

- 5a) Unrealised gains and losses of Available For Sale Financial Assets of Life Insurance are included under Life Policyholders' Available For Sale Reserve Fund in Equity.

6 RESTRICTED REGULATORY RESERVE

As at,	Group		Company	
	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Balance at the end of the Period	(Note 6b)	381,156	381,156	381,156

6a) Nature and Purpose of Reserve

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

Surplus created due to Change in Valuation Method

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

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

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

6c) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th June 2022

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

Asset Category As at,	Fair Value / Carrying Value 30th June 2022 (Rs. '000)
Term Deposits	390,391

6d) 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,		Group		Company	
		Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Life Insurance Fund	(Note 7a)	22,625,084	20,062,535	22,625,084	20,062,535
Claims Outstanding		270,180	280,222	270,180	280,222
Total Insurance Contract Liabilities		22,895,264	20,342,757	22,895,264	20,342,757

Notes to the Condensed Consolidated Interim Financial Statements

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
The Movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the Period	20,062,535	16,833,050	20,062,535	16,833,050
Surcharge Tax (Note 16)	(21,966)	-	(21,966)	-
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	2,584,515	4,229,356	2,584,515	4,229,356
Surplus Distributed to Shareholders	-	(980,000)	-	(980,000)
Increase in Life Insurance Fund	2,584,515	20,082,406	2,584,515	20,082,406
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(19,871)	-	(19,871)
Balance as at the end of the Period	22,625,084	20,062,535	22,625,084	20,062,535

7b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance Contract Liability was carried out internally by the Chief Actuarial Officer, as at 30th June 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. Accordingly, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 30th June 2022. No additional provision was required against the LAT as at 30th June 2022.

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Reserves for Net Unearned Premium	2,454,087	2,343,472	-	-
Reserves for Title Insurance	63,935	63,531	-	-
Reserves for Gross Outstanding Claims	1,554,847	1,328,919	-	-
Total Insurance Contract Liabilities	4,072,869	3,735,922	-	-

8a) Valuation of the IBNR/IBNER was carried by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 30th June 2022 for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary performs the valuation on semiannual basis and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

8b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 30th June 2022 for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Appointed Actuary's report, HNB General Insurance Ltd adequately satisfies the LAT as at 30th June 2022. No additional provision is required against LAT as at 30th June 2022.

Notes to the Condensed Consolidated Interim Financial Statements

9 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2021 Rs. '000	<i>For the Six Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Life Insurance					
6,962,285	Individual Policies	4,101,796	3,052,299	4,101,796	3,052,299
129,185	Corporate Policies	172,516	66,252	172,516	66,252
(54,769)	Adjustment for Inter Company Premiums	(22,152)	(25,860)	-	-
<u>7,036,701</u>	Gross Written Premium - Life Insurance	<u>4,252,160</u>	3,092,691	<u>4,274,312</u>	3,118,551
General Insurance					
759,119	Fire	535,106	404,692	-	-
3,865,286	Motor	1,974,696	1,733,882	-	-
81,874	Marine	48,450	25,753	-	-
942,299	Miscellaneous	700,283	480,662	-	-
(38,332)	Adjustment for Inter Company Premiums	(46,256)	(33,597)	-	-
<u>5,610,246</u>	Gross Written Premium - General Insurance	<u>3,212,279</u>	2,611,392	-	-
<u>12,646,947</u>	Total Gross Written Premium	<u>7,464,439</u>	5,704,083	<u>4,274,312</u>	3,118,551

Group		Group		Company	
<i>For the Three Months Ended,</i>		Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Life Insurance					
	Individual Policies	1,885,493	1,412,437	1,885,493	1,412,437
	Corporate Policies	39,219	39,484	39,219	39,484
	Adjustment for Inter Company Premiums	(11,614)	(13,265)	-	-
	Gross Written Premium - Life Insurance	<u>1,913,098</u>	1,438,656	<u>1,924,712</u>	1,451,921
General Insurance					
	Fire	241,373	187,102	-	-
	Motor	814,981	709,256	-	-
	Marine	44,694	14,175	-	-
	Miscellaneous	181,697	134,637	-	-
	Adjustment for Inter Company Premiums	(3,222)	(2,699)	-	-
	Gross Written Premium - General Insurance	<u>1,279,523</u>	1,042,471	-	-
	Total Gross Written Premium	<u>3,192,621</u>	2,481,127	<u>1,924,712</u>	1,451,921

10 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited 31st Dec 2021 Rs. '000	<i>For the Six Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
2,545,483	Interest Income	1,777,052	1,230,370	1,511,771	1,054,494
9,791	Dividend Income	6,800	5,550	110,230	120,448
<u>2,555,274</u>	Total	<u>1,783,852</u>	1,235,920	<u>1,622,001</u>	1,174,942

Notes to the Condensed Consolidated Interim Financial Statements

	Group		Company	
	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
<i>For the Three Months Ended,</i>				
Interest Income	1,013,441	617,429	852,545	529,482
Dividend Income	3,393	2,786	106,851	117,747
Total	1,016,834	620,215	959,396	647,229

11 INCOME TAX EXPENSE

	Group		Company	
	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000
<i>For the Six Months Ended,</i>				
(99,902) Income Tax Charge		(25,184)	(54,751)	-
26,750 Over/(Under) Provision of Income Taxes in respect of prior Period		-	-	-
(451,578) Deferred Income Tax - Recognised through Profit or Loss		(79,321)	(162,684)	(82,140)
(524,730) Total Tax charge in Profit or Loss		(104,505)	(217,435)	(82,140)
Deferred tax related to items charged or credited directly to other comprehensive income				
Deferred tax on net change in debt instruments				
8,729 categorised under Available for Sale		17,971	9,386	-
(4,041) Deferred tax on actuarial gain/(loss) on defined benefit plans		-	-	-
4,688 Total Tax charge in Other Comprehensive Income		17,971	9,386	-

	Group		Company	
	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
<i>For the Three Months Ended,</i>				
Income Tax Charge	(25,184)	(47,158)	-	-
Deferred Income Tax - Recognised through Profit or Loss	(56,490)	(35,306)	(54,537)	(36,764)
Total Tax charge in Profit or Loss	(81,674)	(82,464)	(54,537)	(36,764)
Deferred tax on net change in debt instruments				
categorised under Available for Sale	8,842	628	-	-
Total Tax charge in Other Comprehensive Income	8,842	628	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 24% of its taxable profits in accordance with the Inland Revenue (Amendment) Act, No. 10 of 2021.

12 PROFIT FOR THE PERIOD

	Audited 31st Dec 2021 Rs. '000	<i>For the Six Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
	Company - HNB Assurance PLC			
980,000 Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund			-	-
472,211 Profit from Life Shareholders' Fund			346,541	301,179
(451,712) Reversal of Deferred Tax Asset			(82,140)	(162,808)
1,000,499 Profit for the Period			264,401	138,371
Subsidiary - HNB General Insurance Ltd				
411,167 Profit Before Tax			349,882	316,278
(73,018) Income Tax and Deferred Tax Expense			(22,365)	(54,627)
338,149 Profit for the Period			327,517	261,651
(115,000) Elimination of Intercompany Dividend			(103,500)	(115,000)
1,223,648 Profit for the Period - Group			488,418	285,022

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Company - HNB Assurance PLC		
Profit from Life Shareholders' Fund	229,574	204,658
Reversal of Deferred Tax Asset	(54,537)	(36,764)
Profit for the Period	175,037	167,894
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	208,546	181,183
Income Tax and Deferred Tax Expense	(27,137)	(45,700)
Profit for the Period	181,409	135,483
Elimination of Intercompany Dividend	(103,500)	(115,000)
Profit for the Period - Group	252,946	188,377

13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

Group	Group		Company	
Audited 31st Dec 2021	Unaudited 30th June 2022	Unaudited 30th June 2021	Unaudited 30th June 2022	Unaudited 30th June 2021
<i>For the Six Months Ended,</i>				
1,223,648 Profit for the Period (Rs. '000)	488,418	285,022	264,401	138,371
150,000 Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
8.16 Basic and Diluted Earnings Per Share (Rs.)	3.26	1.90	1.76	0.92

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th June 2022	Unaudited 30th June 2021	Unaudited 30th June 2022	Unaudited 30th June 2021
Profit for the Period (Rs. '000)	252,946	188,377	175,037	167,894
Weighted average number of shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	1.69	1.26	1.17	1.12

14 RELATED PARTY DISCLOSURES

14a) Transactions and Outstanding Balances with the Parent and Ultimate Controlling Party - Hatton National Bank PLC

Transactions	Group		Company	
<i>For the Six Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Insurance Premium	100,408	52,043	31,131	-
Claims Incurred	16,020	7,795	500	-
Investment Income	159,126	42,842	113,930	31,841
Administration Expenses	218,947	154,056	153,743	102,485
Rent and Other Operational Expenses	9,075	7,463	5,509	4,684
Dividend Paid	287,933	251,941	287,933	251,941

Notes to the Condensed Consolidated Interim Financial Statements

Outstanding Balances <i>As at,</i>	Group		Company	
	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Investments Balance (Includes Deposits and Debentures)	3,153,509	1,008,586	2,195,326	650,501
Cash at Bank Balances	465,330	448,493	181,455	279,857
Premium Receivable	168	65	-	-
Administration Expenses Payable	39,992	64,422	25,677	49,278
Rent and Other Operational Expenses Payable	909	433	262	245

14b) Transactions and Outstanding Balances with the Subsidiary Company - HNB General Insurance Ltd.

Transactions <i>For the Six Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Insurance Premium	22,152	25,860
Insurance Expenses	46,256	33,597
Claims Received	271	1,501
Claims Paid	9,000	3,200
Reimbursement Expenses Relating to Employees	52,595	46,419
Other Reimbursement Expenses	108,662	95,329
Fund Management Fee	7,434	6,847
Profit Commission Expense	6,013	9,610
Dividend Received	103,500	115,000
Outstanding Balances <i>As at,</i>	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Receivable from HNB General Insurance Ltd	24,916	13,548

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

Name of the Company <i>For the Six Months Ended,</i>	Transactions	Group		Company	
		Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	15,471	11,346	-	-
HNB Finance PLC	Insurance Premium	30,641	9,770	13,942	-
	Claims Incurred	378	868	-	-
	Administration Expenses	5,201	3,337	34	35
	Interest Income	16,738	11,914	16,738	11,914

Name of the Company <i>As at,</i>	Outstanding Balances	Group		Company	
		Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
HNB Finance PLC	Investment in Term Deposits	131,482	175,434	131,482	175,434
	Investment in Debentures	133,273	125,090	133,273	125,090
	Cash at Bank Balances	45	139	45	139
	Premium Receivable	1,807	9,506	-	-
	Administration Expenses Payable	624	2,192	5	26

Notes to the Condensed Consolidated Interim Financial Statements

14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
<i>For the Six Months Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	540	470	-	-
	Claims incurred	378	2,250	-	2,000
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	717	501	-	-
	Claims incurred	56	316	-	-
Acuity Securities Ltd	Insurance Premium	2,727	481	-	-
	Claims incurred	286	413	-	-
	Custodian Fee	184	236	152	187
	Investment Income from REPO	94,635	67,842	81,031	52,734

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th June 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	556	307	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	665	188	-	-
Acuity Securities Ltd	Premium Receivable	530	284	-	-
	Investment In REPO	709,014	2,718,453	709,014	2,296,523

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

Transactions <i>For the Six Months Ended,</i>	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2021 Rs. '000
Director Fees	12,500	11,845
Short-term and Post Employment Benefits	35,493	39,555
Insurance Premium	1,624	1,674
Claims Paid including Maturities	371	-

Appointment of Chief Executive Officers

Mr. Lasitha Wimalaratne was appointed as the Chief Executive Officer of HNB Assurance PLC w.e.f. 01st January 2022.

Mr. Sithumina Jayasundara was appointed as the Chief Executive Officer of HNB General Insurance Limited w.e.f. 01st January 2022.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2021 except for the above changes.

15 Related Implications of Covid -19, Increasing Foreign Exchange, Interest and Inflation Rates

As of the reporting date effect of COVID-19 continues to affect businesses both locally and globally. The Group has implemented a work from home concept and necessary technological support and infrastructure to ensure business continuity.

The Group continue to follow the health and safety guidelines issued by the Government of Sri Lanka and the management and the Board monitors the effects of the pandemic and its potential impact.

Sri Lanka has been facing a foreign exchange crisis due to the adverse economic impacts of the Covid-19 pandemic and it has grown from acute to severely acute during the financial period ended 30th June 2022. The deterioration of foreign reserves is putting pressure on exchange rates to depreciate in the market. Sri Lankan Rupee (LKR) has depreciated notably against USD, bringing the exchange rate to Rs. 355.76 per USD as at 30th June 2022. The direct exposure to

Notes to the Condensed Consolidated Interim Financial Statements

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.

Sri Lanka's annual inflation scaled to 58.9% in June of 2022 and will continue to increase further. As a response to the prevailing economic crisis and inflation, the Central Bank of Sri Lanka (CBSL), has implemented a tightening Monetary Policy while increasing policy rates. Yields on Government securities have also increased notably to reflect market conditions in view of the higher financing requirement of the Government. Whilst inflation will cause interest rates to move upwards, the Group being in the Insurance sector will gain benefits from investment income while experiencing a negative impact due to fluctuation in market value of financial assets and expenses. Subsequent to memorandum issued by the Ministry of Finance on 12th April 2022, Fitch Ratings has downgraded Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'C' from 'CC'.

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 - due 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 (Par).

17 EVENTS OCCURRING AFTER THE REPORTING DATE

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

Notes to the Condensed Consolidated Interim Financial Statements

18 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 283.87 Million for HNBA Core System implementation, purchase of computer software and other equipment (2021 – Rs. 49.1 Million for the purchase of computer software, computer hardware 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

- 19a) The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with Company's Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the case is yet to be determined by the Court. As the Company is of the strong view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliance and therefore, the probability of the Company having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 21.99 Million.

Notes to the Condensed Consolidated Interim Financial Statements

19b) The Company received five Notices of Assessment on VAT and NBT on Financial Services for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015, 01.01.2016 to 31.12.2016, 01.01.2017 to 31.12.2017 and 01.01.2018 to 31.12.2018. Further, subsidiary Company HNB General Insurance Limited also received a Notice of Assessment for the taxable period 01.01.2018 to 31.12.2018. 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
Total - HNB Assurance PLC				178.78	93.58	272.36
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
Total - HNB General Insurance Limited				10.41	5.20	15.61
Total - Group				189.19	98.78	287.97

19c) 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. However, the management and the Company's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

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	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.29	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Received the determination from IRD and Company is in the process of filing an appeal with the Tax Appeals Commission. Intention letter preferring an appeal is already sent	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

19d) 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. 457.68 Million on VAT returns filed and the subsidiary has duly appealed against the assessments. As an outflow of resources is not expected, no provision is made in the Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder

	30th June 2022	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No 1	89,979,000	59.99
02 Ceylon Guardian Investment Trust PLC A/c No # 2	6,945,224	4.63
03 Employees Trust Fund Board	3,942,964	2.63
04 Ceylon Investment PLC A/c No # 2	1,712,174	1.14
05 Mr. M. F. Hashim	1,634,167	1.09
06 Mrs. A. Selliah	1,500,000	1.00
07 Mrs. A. Kailasapillai	1,500,000	1.00
08 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90
09 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90
10 Arunodhaya (Pvt) Ltd	1,350,000	0.90
11 Rubber Investment Trust Ltd A/c No 1	1,337,058	0.89
12 Andysel (Pvt) Ltd	750,000	0.50
13 Corporate Holdings (Pvt) Ltd. A/c No.1	735,309	0.49
14 Seylan Bank PLC/Janashakthi Capital Limited	627,841	0.42
15 Mr. V. Sharda	609,000	0.41
16 Dr. S. Selliah	600,000	0.40
17 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
18 Suktam Holdings (Pvt) Ltd	526,302	0.35
19 Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund	510,000	0.34
20 Mr. A.A.A. Rifkee	500,000	0.33
20 Commercial Bank of Ceylon PLC/Janashakthi Capital Limited	500,000	0.33

Public Shareholding

	30th June 2022
* Float Adjusted Market Capitalisation (Rs.)	1,745,887,704
Percentage of Shares held by the Public	35.270%
Number of Public Shareholders	4,576

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

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

Share Information (Contd.)

Shareholdings of Directors and Chief Executive Officer

Name	No. of Shares 30th June 2022
Mrs. M A R C Cooray	112,624
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe	96,150
Dr. S Selliah	600,000
Mr. D R Abeysuriya	5,000
Mr. L U D Fernando	Nil
Mr. S A Chapman	500
Mr. A Goonsekere	Nil
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil
Mr. P H L N Wimalaratne (Chief Executive Officer)*	Nil

* Mr. P H L N Wimalaratne was appointed as the Chief Executive Officer of HNB Assurance PLC w.e.f. 01st January 2022.

Number of Shares

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

Share Performance

	Rs.
Net Asset Value Per Share as at 30th June 2022 - Group	43.91
Net Asset Value Per Share as at 30th June 2022 - Company	37.38
Net Asset Value Per Share as at 30th June 2022 without Restricted Regulatory Reserve - Group	41.37
Net Asset Value Per Share as at 30th June 2022 without Restricted Regulatory Reserve - Company	34.84
Highest Price Per Share for the Interim Period	41.00
Lowest Price Per Share for the Interim Period	28.00
Last Traded Price Per Share as at 30th June 2022	33.00