

STRUCTURED TO THRIVE

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A LEGACY OF

20 Years 

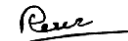
H N B ASSURANCE PLC  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2022

# Statement of Financial Position

| As at,  | Note | Group                     |                           | Company                   |                           |
|---|------|---------------------------|---------------------------|---------------------------|---------------------------|
|   |      | Unaudited                 | Audited                   | Unaudited                 | Audited                   |
|   |      | 31st Mar 2022<br>Rs. '000 | 31st Dec 2021<br>Rs. '000 | 31st Mar 2022<br>Rs. '000 | 31st Dec 2021<br>Rs. '000 |
| <b>Assets</b>                                       |      |                           |                           |                           |                           |
| Property, Plant and Equipment                       |      | 280,730                   | 282,884                   | 140,891                   | 141,390                   |
| Right of Use Assets                                 |      | 377,136                   | 395,148                   | 343,513                   | 362,336                   |
| Intangible Assets                                   |      | 58,348                    | 63,180                    | 53,322                    | 57,839                    |
| Deferred Tax Assets                                 |      | 278,130                   | 291,832                   | 245,940                   | 273,543                   |
| Financial Investments                               | 3    | 30,084,199                | 29,094,085                | 25,610,761                | 24,667,102                |
| Investment in Subsidiary                            |      | -                         | -                         | 1,150,000                 | 1,150,000                 |
| Loans to Life Policyholders                         |      | 404,056                   | 403,452                   | 404,056                   | 403,452                   |
| Reinsurance Receivables                             |      | 1,163,588                 | 1,072,206                 | 345,733                   | 317,009                   |
| Premium Receivables                                 |      | 1,630,551                 | 1,247,997                 | 87,496                    | 7,822                     |
| Other Assets  |      | 743,848                   | 747,946                   | 566,018                   | 507,528                   |
| Insurance Contract - Deferred Expenses              |      | 179,684                   | 157,710                   | -                         | -                         |
| Cash and Cash Equivalents                           |      | 2,195,322                 | 2,112,745                 | 1,209,232                 | 1,575,931                 |
| <b>Total Assets</b>                                 |      | <b>37,395,592</b>         | <b>35,869,185</b>         | <b>30,156,962</b>         | <b>29,463,952</b>         |
| <b>Equity and Liabilities</b>                       |      |                           |                           |                           |                           |
| <b>Equity Attributable to the Equity Holders</b>    |      |                           |                           |                           |                           |
| Stated Capital                                      |      | 1,171,875                 | 1,171,875                 | 1,171,875                 | 1,171,875                 |
| Retained Earnings                                   |      | 6,400,152                 | 6,644,680                 | 5,158,177                 | 5,548,813                 |
| Available for Sale Reserve                          |      | (107,920)                 | 4,009                     | (25,324)                  | 4,446                     |
| Other Reserve                                       |      | (11,421)                  | (11,421)                  | (6,614)                   | (6,614)                   |
| Life Policyholders' Available for Sale Reserve Fund | 5    | (961,631)                 | (67,291)                  | (961,631)                 | (67,291)                  |
| Restricted Regulatory Reserve                       | 6    | 381,156                   | 381,156                   | 381,156                   | 381,156                   |
| <b>Equity Attributable to the Equity Holders</b>    |      | <b>6,872,211</b>          | <b>8,123,008</b>          | <b>5,717,639</b>          | <b>7,032,385</b>          |
| Non-Controlling Interest                            |      | -                         | -                         | -                         | -                         |
| <b>Total Equity</b>                                 |      | <b>6,872,211</b>          | <b>8,123,008</b>          | <b>5,717,639</b>          | <b>7,032,385</b>          |
| <b>Liabilities</b>                                  |      |                           |                           |                           |                           |
| Insurance Contract Liabilities - Life Insurance     | 7    | 21,772,460                | 20,342,757                | 21,772,460                | 20,342,757                |
| Insurance Contract Liabilities - General Insurance  | 8    | 4,234,737                 | 3,735,922                 | -                         | -                         |
| Employee Defined Benefit Liabilities                |      | 253,310                   | 239,167                   | 146,634                   | 137,328                   |
| Current Tax Liabilities                             |      | 23,430                    | 62,168                    | 9,936                     | 19,871                    |
| Reinsurance Creditors                               |      | 1,327,351                 | 1,085,512                 | 540,907                   | 453,054                   |
| Lease Creditors                                     |      | 408,525                   | 421,838                   | 375,539                   | 390,374                   |
| Other Liabilities                                   |      | 2,333,799                 | 1,747,148                 | 1,523,860                 | 1,034,819                 |
| Bank Overdrafts                                     |      | 169,769                   | 111,665                   | 69,987                    | 53,364                    |
| <b>Total Liabilities</b>                            |      | <b>30,523,381</b>         | <b>27,746,177</b>         | <b>24,439,323</b>         | <b>22,431,567</b>         |
| <b>Total Equity and Liabilities</b>                 |      | <b>37,395,592</b>         | <b>35,869,185</b>         | <b>30,156,962</b>         | <b>29,463,952</b>         |

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 April 2022



**Ashoka Goonesekere**  
Director

## Statement of Profit or Loss and Other Comprehensive Income

| Group  |            |                                       |             | Group       |             | Company   |           | Change |         |  |
|--|------------|---------------------------------------|-------------|-------------|-------------|-----------|-----------|--------|---------|--|
| (Audited)  | Year Ended | For the Three Month Ended 31st March, |             | Unaudited   | Unaudited   | Unaudited | Unaudited | Group  | Company |  |
| 31 <sup>st</sup> Dec 2021                                      | Rs. '000   | 2022                                  | 2021        | 2022        | 2021        | 2022      | 2021      | %      | %       |  |
| Rs. '000   | Note       | Rs. '000                              | Rs. '000    | Rs. '000    | Rs. '000    | Rs. '000  | Rs. '000  | %      | %       |  |
| 12,646,947   |            | 4,271,818                             | 3,222,956   | 2,349,600   | 1,666,630   | 33        | 41        |        |         |  |
| (1,648,861)  |            | (574,886)                             | (427,635)   | (110,307)   | (79,380)    | 34        | 39        |        |         |  |
| 10,998,086   |            | 3,696,932                             | 2,795,321   | 2,239,293   | 1,587,250   | 32        | 41        |        |         |  |
| (242,252)  |            | (375,473)                             | (242,436)   | -           | -           | 55        | -         |        |         |  |
| 10,755,834   |            | 3,321,459                             | 2,552,885   | 2,239,293   | 1,587,250   | 30        | 41        |        |         |  |
| <b>Other Revenue</b>   |            |                                       |             |             |             |           |           |        |         |  |
| 2,555,274  |            | 767,018                               | 615,705     | 662,605     | 527,713     | 25        | 26        |        |         |  |
| 52,921   |            | 2,268                                 | 8,099       | -           | 7,572       | (72)      | (100)     |        |         |  |
| 79,128   |            | 169,167                               | 47,767      | 9,837       | 29,342      | 254       | (66)      |        |         |  |
| 225,738  |            | 62,182                                | 94,082      | 23,605      | 54,056      | (34)      | (56)      |        |         |  |
| 13,334   |            | 3,864                                 | 4,539       | 250         | 185         | (15)      | 35        |        |         |  |
| 2,926,395  |            | 1,004,499                             | 770,192     | 696,297     | 618,868     | 30        | 13        |        |         |  |
| 13,682,229   |            | 4,325,958                             | 3,323,077   | 2,935,590   | 2,206,118   | 30        | 33        |        |         |  |
| <b>Net Benefits, Claims and Expenses</b>                       |            |                                       |             |             |             |           |           |        |         |  |
| (4,223,290)  |            | (1,356,348)                           | (1,025,119) | (526,733)   | (419,933)   | 32        | 25        |        |         |  |
| (3,249,356)  |            | (1,416,615)                           | (1,035,084) | (1,416,615) | (1,035,084) | 37        | 37        |        |         |  |
| (2,892,824)  |            | (828,942)                             | (637,210)   | (503,223)   | (364,689)   | 30        | 38        |        |         |  |
| (1,456,258)  |            | (436,225)                             | (363,158)   | (346,557)   | (268,707)   | 20        | 29        |        |         |  |
| (112,123)  |            | (29,525)                              | (30,890)    | (25,495)    | (21,184)    | (4)       | 20        |        |         |  |
| (11,933,851)   |            | (4,067,655)                           | (3,091,461) | (2,818,623) | (2,109,597) | 32        | 34        |        |         |  |
| 1,748,378  |            | 258,303                               | 231,616     | 116,967     | 96,521      | 12        | 21        |        |         |  |
| (524,730)  |            | (22,831)                              | (134,971)   | (27,603)    | (126,044)   | (83)      | (78)      |        |         |  |
| 1,223,648  |            | 235,472                               | 96,645      | 89,364      | (29,523)    | 144       | 403       |        |         |  |
| <b>Other Comprehensive Income, Net of Related Tax</b>          |            |                                       |             |             |             |           |           |        |         |  |
| <b>Items that are or may be reclassified to profit or loss</b> |            |                                       |             |             |             |           |           |        |         |  |
| (914,208)  |            | (1,015,398)                           | (172,539)   | (924,110)   | (155,190)   | 489       | 495       |        |         |  |
| (9,490)  |            | -                                     | (5,874)     | -           | (5,874)     | 100       | 100       |        |         |  |
| 825,224  |            | 894,340                               | 158,658     | 894,340     | 158,658     | 464       | 464       |        |         |  |
| 8,729  |            | 9,129                                 | 8,758       | -           | -           | 4         | -         |        |         |  |
| <b>Items that will never be reclassified to profit or loss</b> |            |                                       |             |             |             |           |           |        |         |  |
| 44,140   |            | -                                     | -           | -           | -           | -         | -         |        |         |  |
| (4,041)  |            | -                                     | -           | -           | -           | -         | -         |        |         |  |
| (49,646)   |            | (111,929)                             | (10,997)    | (29,770)    | (2,406)     | 918       | 1,137     |        |         |  |
| 1,174,002  |            | 123,543                               | 85,648      | 59,594      | (31,929)    | 44        | 287       |        |         |  |
| <b>Profit Attributable to:</b>                                 |            |                                       |             |             |             |           |           |        |         |  |
| 1,223,648  |            | 235,472                               | 96,645      | 89,364      | (29,523)    | 144       | 403       |        |         |  |
| -  |            | -                                     | -           | -           | -           | -         | -         |        |         |  |
| <b>Total Comprehensive Income Attributable to:</b>             |            |                                       |             |             |             |           |           |        |         |  |
| 1,174,002  |            | 123,543                               | 85,648      | 59,594      | (31,929)    | 44        | 287       |        |         |  |
| -  |            | -                                     | -           | -           | -           | -         | -         |        |         |  |
| 8.16   |            | 1.57                                  | 0.64        | 0.60        | (0.20)      | 144       | 403       |        |         |  |

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,

|  | Stated Capital | Retained Earnings | Available for Sale Reserve | Other Reserve | Life Policyholders' AFS Reserve | Restricted Regulatory Reserve | Total Equity |
|--|----------------|-------------------|----------------------------|---------------|---------------------------------|-------------------------------|--------------|
|  | Rs. '000       | Rs. '000          | Rs. '000                   | Rs. '000      | Rs. '000                        | Rs. '000                      | Rs. '000     |
| <b>Balance as at 01st January 2021</b>                               | 1,171,875      | 5,841,032         | 93,754                     | (51,520)      | 757,933                         | 381,156                       | 8,194,230    |
| <b>Comprehensive Income for the Period</b>                           | -              | -                 | -                          | -             | -                               | -                             | -            |
| Profit for the Period - Unaudited                                    | -              | 96,645            | -                          | -             | -                               | -                             | 96,645       |
| <b>Other Comprehensive Income for the Period, Net of Related Tax</b> | -              | -                 | (169,655)                  | -             | -                               | -                             | (169,655)    |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | (169,655)                  | -             | -                               | -                             | (169,655)    |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | -                          | -             | -                               | -                             | -            |
| - transferred to Life Policyholders' Available For Sale Reserve Fund | -              | -                 | 159,658                    | -             | -                               | -                             | 159,658      |
| Total Other Comprehensive Income for the Period                      | -              | -                 | (10,997)                   | -             | -                               | -                             | (10,997)     |
| <b>Total Comprehensive Income for the Period</b>                     | -              | 96,645            | (10,997)                   | -             | -                               | -                             | 85,648       |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | -                          | -             | (158,658)                       | -                             | (158,658)    |
| - transferred from Available For Sale Reserve                        | -              | (420,000)         | -                          | -             | -                               | -                             | (420,000)    |
| Final dividend to equity holders for 2020                            | -              | 5,517,677         | -                          | -             | -                               | -                             | 5,517,677    |
| <b>Unaudited balance as at 31st March 2021</b>                       | 1,171,875      | 5,517,677         | 82,757                     | (51,520)      | 599,275                         | 381,156                       | 7,701,220    |
| <b>Comprehensive Income for the Period</b>                           | -              | -                 | -                          | -             | -                               | -                             | -            |
| Profit for the Period - Unaudited                                    | -              | 1,127,003         | -                          | -             | -                               | -                             | 1,127,003    |
| <b>Other Comprehensive Income for the Period, Net of Related Tax</b> | -              | -                 | (745,314)                  | -             | -                               | -                             | (745,314)    |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | (745,314)                  | -             | -                               | -                             | (745,314)    |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | -                          | -             | -                               | -                             | -            |
| - Itemised to Life Policyholders' Available For Sale Reserve Fund    | -              | -                 | 666,566                    | -             | -                               | -                             | 666,566      |
| Actuarial Gains on Defined Benefit Plans                             | -              | -                 | -                          | 40,089        | -                               | -                             | 40,089       |
| Total Other Comprehensive Income for the Period                      | -              | -                 | (78,748)                   | 40,089        | -                               | -                             | (38,659)     |
| <b>Total Comprehensive Income for the Period</b>                     | -              | 1,127,003         | (78,748)                   | 40,089        | -                               | -                             | 1,088,354    |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | -                          | -             | (666,566)                       | -                             | (666,566)    |
| - transferred from Available For Sale Reserve                        | -              | -                 | -                          | -             | -                               | -                             | -            |
| <b>Transactions with owners recorded directly in equity</b>          | -              | -                 | -                          | -             | -                               | -                             | -            |
| <b>Distributions to owners of the Parent</b>                         | -              | -                 | -                          | -             | -                               | -                             | -            |
| Audited balance as at 31st December 2021                             | 1,171,875      | 6,844,680         | 4,009                      | (11,421)      | (67,291)                        | 381,156                       | 8,123,008    |
| Balance as at 01st January 2022                                      | 1,171,875      | 6,844,680         | 4,009                      | (11,421)      | (67,291)                        | 381,156                       | 8,123,008    |
| <b>Comprehensive Income for the Period</b>                           | -              | -                 | -                          | -             | -                               | -                             | -            |
| Profit for the Period-Unaudited                                      | -              | 235,472           | -                          | -             | -                               | -                             | 235,472      |
| <b>Other Comprehensive Income for the Period, Net of Related Tax</b> | -              | -                 | (1,006,269)                | -             | -                               | -                             | (1,006,269)  |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | (1,006,269)                | -             | -                               | -                             | (1,006,269)  |
| 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)    |
| <b>Total Comprehensive Income for the Period</b>                     | -              | 235,472           | (111,929)                  | -             | -                               | -                             | 123,543      |
| Net Change in fair value of Available For Sale Financial Assets      | -              | -                 | -                          | -             | (894,340)                       | -                             | (894,340)    |
| - transferred from Available For Sale Reserve                        | -              | -                 | -                          | -             | -                               | -                             | -            |
| <b>Transactions with owners recorded directly in equity</b>          | -              | -                 | -                          | -             | -                               | -                             | -            |
| Distributions to owners of the Parent                                | -              | (480,000)         | -                          | -             | -                               | -                             | (480,000)    |
| Dividend to equity holders for 2021                                  | -              | 6,400,152         | -                          | -             | -                               | -                             | 6,400,152    |
| <b>Unaudited balance as at 31st March 2022</b>                       | 1,171,875      | 6,400,152         | (107,920)                  | (11,421)      | (961,631)                       | 381,156                       | 6,872,211    |

Stated Capital represents 150 Million Ordinary Shares as at 31st March 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 31st March,

|  | Stated<br>Capital<br>Rs. '000 | Retained<br>Earnings<br>Rs. '000 | Available<br>for Sale<br>Reserve<br>Rs. '000 | Other<br>Reserve<br>Rs. '000 | Policyholders'<br>AFS Reserve<br>Rs. '000 | Restricted<br>Regulatory<br>Reserve<br>Rs. '000 | Total<br>Equity<br>Rs. '000 |
|--|-------------------------------|----------------------------------|--|------------------------------|---|---|-----------------------------|
| Balance as at 01st January 2021                                      | 1,171,875                     | 4,868,314                        | 15,626                                       | (33,916)                     | 757,933                                   | 381,156   | 7,261,988                   |
| <b>Comprehensive Income for the Period</b>                           |                               |                                  |  |                              |   |   |                             |
| Profit for the Period - Unaudited                                    | -                             | (29,523)                         | -  | -                            | -   | -   | (29,523)                    |
| <b>Other Comprehensive Income for the Period, Net of Related Tax</b> |                               |                                  |  |                              |   |   |                             |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | (161,064)                                    | -                            | -   | -   | (161,064)                   |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | (161,064)                                    | -                            | -   | -   | (161,064)                   |
| - transferred to Life Policyholders' Available For Sale Reserve Fund | -                             | -                                | 158,658                                      | -                            | -   | -   | 158,658                     |
| - transferred to Life Policyholders' Available For Sale Reserve Fund | -                             | -                                | (2,406)                                      | -                            | -   | -   | (2,406)                     |
| Total Other Comprehensive Income for the Period                      | -                             | (29,523)                         | (2,406)                                      | -                            | -   | -   | (31,929)                    |
| Total Comprehensive Income for the Period                            | -                             | -                                | -  | -                            | -   | -   | -                           |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | -  | -                            | (158,658)                                 | -   | (158,658)                   |
| - transferred from Available For Sale Reserve                        | -                             | (420,000)                        | -  | -                            | -   | -   | (420,000)                   |
| Final dividend to equity holders for 2020                            | -                             | -                                | -  | -                            | -   | -   | -                           |
| <b>Unaudited balance as at 31st March 2021</b>                       | <b>1,171,875</b>              | <b>4,518,791</b>                 | <b>13,220</b>                                | <b>(33,916)</b>              | <b>599,275</b>                            | <b>381,156</b>                                  | <b>6,650,401</b>            |
| <b>Comprehensive Income for the Period</b>                           |                               |                                  |  |                              |   |   |                             |
| Profit for the Period-Unaudited                                      | -                             | 1,030,022                        | -  | -                            | -   | -   | 1,030,022                   |
| <b>Other Comprehensive Income for the Period, Net of Related Tax</b> |                               |                                  |  |                              |   |   |                             |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | (675,340)                                    | -                            | -   | -   | (675,340)                   |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | (675,340)                                    | -                            | -   | -   | (675,340)                   |
| - transferred to Life Policyholders' Available For Sale Reserve Fund | -                             | -                                | 666,586                                      | -                            | -   | -   | 666,586                     |
| Actuarial Gains on Defined Benefit Plans                             | -                             | -                                | -  | 27,302                       | -   | -   | 27,302                      |
| Total Other Comprehensive Income for the Period                      | -                             | -                                | (6,774)                                      | 27,302                       | -   | -   | 18,528                      |
| Total Comprehensive Income for the Period                            | -                             | 1,030,022                        | (8,774)                                      | 27,302                       | -   | -   | 1,048,550                   |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | -  | -                            | (666,566)                                 | -   | (666,566)                   |
| - transferred from Available For Sale Reserve                        | -                             | -                                | -  | -                            | -   | -   | -                           |
| <b>Transactions with owners recorded directly in equity</b>          |                               |                                  |  |                              |   |   |                             |
| Distributions to owners of the Company                               | -                             | -                                | -  | -                            | -   | -   | -                           |
| <b>Audited balance as at 31st December 2021</b>                      | <b>1,171,875</b>              | <b>5,548,813</b>                 | <b>4,446</b>                                 | <b>(6,614)</b>               | <b>(67,291)</b>                           | <b>381,156</b>                                  | <b>7,032,385</b>            |
| Balance as at 01st January 2022                                      | 1,171,875                     | 5,548,813                        | 4,446  | (6,614)                      | (67,291)                                  | 381,156   | 7,032,385                   |
| <b>Comprehensive Income for the Period</b>                           |                               |                                  |  |                              |   |   |                             |
| Profit for the Period-Unaudited                                      | -                             | 89,364                           | -  | -                            | -   | -   | 89,364                      |
| <b>Other Comprehensive Income for the Period, Net of Related Tax</b> |                               |                                  |  |                              |   |   |                             |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | (924,110)                                    | -                            | -   | -   | (924,110)                   |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | (924,110)                                    | -                            | -   | -   | (924,110)                   |
| - transferred to Life Policyholders' Available For Sale Reserve Fund | -                             | -                                | 894,340                                      | -                            | -   | -   | 894,340                     |
| - transferred to Life Policyholders' Available For Sale Reserve Fund | -                             | -                                | (29,770)                                     | -                            | -   | -   | (29,770)                    |
| Total Other Comprehensive Income for the Period                      | -                             | -                                | (29,770)                                     | -                            | -   | -   | (29,770)                    |
| Total Comprehensive Income for the Period                            | -                             | 89,364                           | (29,770)                                     | -                            | -   | -   | 59,594                      |
| Net Change in fair value of Available For Sale Financial Assets      | -                             | -                                | -  | -                            | (894,340)                                 | -   | (894,340)                   |
| - transferred from Available For Sale Reserve                        | -                             | -                                | -  | -                            | -   | -   | -                           |
| <b>Transactions with owners recorded directly in equity</b>          |                               |                                  |  |                              |   |   |                             |
| Distributions to owners of the Company                               | -                             | (480,000)                        | -  | -                            | -   | -   | (480,000)                   |
| Dividend to equity holders for 2021                                  | -                             | -                                | -  | -                            | -   | -   | -                           |
| <b>Unaudited balance as at 31st March 2022</b>                       | <b>1,171,875</b>              | <b>5,158,177</b>                 | <b>(25,324)</b>                              | <b>(6,614)</b>               | <b>(961,631)</b>                          | <b>381,156</b>                                  | <b>5,177,639</b>            |

Stated Capital represents 150 Million Ordinary Shares as at 31st March 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 31st March,</i>                     | Group |                    | Company           |                    |                   |
|---|-------|--------------------|-------------------|--------------------|-------------------|
|   |       | Unaudited<br>2022  | Unaudited<br>2021 | Unaudited<br>2022  | Unaudited<br>2021 |
|   | Note  | Rs. '000           | Rs. '000          | Rs. '000           | Rs. '000          |
| <b>Cash Flows From Operating Activities</b>                 |       |                    |                   |                    |                   |
| Profit Before Taxation                                      |       | 258,303            | 231,616           | 116,967            | 96,521            |
| <i>Adjustments for:</i>                                     |       |                    |                   |                    |                   |
| Interest Income   | 10    | (763,610)          | (612,941)         | (659,226)          | (525,013)         |
| Dividend Income   | 10    | (3,408)            | (2,764)           | (3,379)            | (2,700)           |
| Amortisation of Intangible Assets                           |       | 5,199              | 5,325             | 4,884              | 5,010             |
| Depreciation of Property, Plant and Equipment               |       | 16,989             | 13,919            | 11,396             | 9,769             |
| Net Depreciation of Right of Use Assets                     |       | 33,696             | 32,262            | 31,685             | 30,205            |
| Interest Expense of Lease Creditors                         |       | 11,775             | 12,448            | 10,877             | 11,753            |
| Provision for Employee Benefits                             |       | 16,758             | 14,032            | 10,509             | 8,282             |
| Net Realised Gains  |       | (2,268)            | (8,099)           | -                  | (7,572)           |
| Net Fair Value Gains  |       | (169,167)          | (47,767)          | (9,837)            | (29,342)          |
| Gains on Disposal of Property, Plant and Equipment          |       | (219)              | (65)              | (181)              | (74)              |
|   |       | (595,952)          | (362,034)         | (486,305)          | (403,161)         |
| Net Change in Operating Assets                              | A     | (477,237)          | (182,461)         | (165,861)          | (26,139)          |
| Net Change in Operating Liabilities                         | B     | 2,263,460          | 1,328,923         | 1,526,597          | 1,013,032         |
| <b>Cash Flows from Operating Activities</b>                 |       | <b>1,190,271</b>   | <b>784,428</b>    | <b>874,431</b>     | <b>583,732</b>    |
| Gratuity Paid   |       | (2,616)            | (6,018)           | (1,203)            | (5,519)           |
| Income Tax Paid   |       | (38,738)           | (25,758)          | (9,935)            | -                 |
| <b>Net Cash Generated from Operating Activities</b>         |       | <b>1,148,917</b>   | <b>752,652</b>    | <b>863,293</b>     | <b>578,213</b>    |
| <b>Cash Flows from Investing Activities</b>                 |       |                    |                   |                    |                   |
| Acquisition of Financial Investments                        |       | (65,384,581)       | (43,050,496)      | (54,411,488)       | (32,878,293)      |
| Proceeds from Maturity of Financial Investments             |       | 63,162,100         | 42,031,610        | 52,478,698         | 32,098,965        |
| Proceeds from Sale of Financial Investments                 |       | 231,002            | 270,723           | -                  | 209,715           |
| Interest Received   |       | 921,013            | 666,971           | 734,084            | 564,171           |
| Dividend Received   |       | 1,777              | 1,889             | 1,748              | 1,825             |
| Acquisition of Intangible Assets                            |       | (367)              | (1,830)           | (367)              | (1,830)           |
| Acquisition of Property, Plant and Equipment                |       | (15,162)           | (26,150)          | (11,182)           | (16,337)          |
| Proceeds from the Disposal of Property, Plant and Equipment |       | 546                | 771               | 466                | 671               |
| Advance Paid to Right of Use Asset                          |       | (2,550)            | (3,522)           | (2,550)            | (3,522)           |
| <b>Net Cash Used in Investing Activities</b>                |       | <b>(1,086,222)</b> | <b>(110,034)</b>  | <b>(1,210,591)</b> | <b>(24,635)</b>   |
| <b>Cash Flows from Financing Activities</b>                 |       |                    |                   |                    |                   |
| Payment of Lease Liabilities                                |       | (38,222)           | (24,691)          | (36,024)           | (22,182)          |
| <b>Net Cash Used in Financing Activities</b>                |       | <b>(38,222)</b>    | <b>(24,691)</b>   | <b>(36,024)</b>    | <b>(22,182)</b>   |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b> |       | <b>24,473</b>      | <b>617,927</b>    | <b>(383,322)</b>   | <b>531,396</b>    |
| Cash and Cash Equivalents at the beginning of the Period    |       | 2,001,080          | 586,806           | 1,522,567          | 339,618           |
| <b>Cash and Cash Equivalents at the end of the Period</b>   | C     | <b>2,025,553</b>   | <b>1,204,733</b>  | <b>1,139,245</b>   | <b>871,014</b>    |

## Notes to the Statement of Cash Flows

| <i>For the Period Ended 31st March,</i>                                  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Unaudited<br>2022 | Unaudited<br>2021 | Unaudited<br>2022 | Unaudited<br>2021 |
|  | Rs. '000          | Rs. '000          | Rs. '000          | Rs. '000          |
| <b>A. Change in Operating Assets</b>                                     |                   |                   |                   |                   |
| (Increase)/Decrease in Deferred Expenses                                 | (21,974)          | 2,674             | -                 | -                 |
| Increase in Loans to Life Policyholders                                  | (604)             | (9,740)           | (604)             | (9,740)           |
| Increase in Reinsurance Receivables                                      | (91,382)          | (29,194)          | (28,724)          | (24,026)          |
| Increase in Premium Receivables  | (382,554)         | (199,387)         | (79,674)          | (9,202)           |
| Decrease/(Increase) in Other Assets                                      | 19,277            | 53,186            | (56,859)          | 16,829            |
| <b>Net Change in Operating Assets</b>                                    | <b>(477,237)</b>  | <b>(182,461)</b>  | <b>(165,861)</b>  | <b>(26,139)</b>   |
| <b>B. Change in Operating Liabilities</b>                                |                   |                   |                   |                   |
| Increase/(Decrease) in Other Liabilities                                 | 93,103            | (123,237)         | 9,041             | (77,776)          |
| Increase in Insurance Contract Liabilities (before tax) - Life Insurance | 1,429,703         | 1,062,028         | 1,429,703         | 1,062,028         |
| Increase in Insurance Contract Liabilities - General Insurance           | 498,815           | 216,325           | -                 | -                 |
| Increase in Reinsurance Creditors  | 241,839           | 173,807           | 87,853            | 28,780            |
| <b>Net Change in Operating Liabilities</b>                               | <b>2,263,460</b>  | <b>1,328,923</b>  | <b>1,526,597</b>  | <b>1,013,032</b>  |
| <b>C. Cash and Cash Equivalents at the end of the Period</b>             |                   |                   |                   |                   |
| Cash in Hand and at Bank   | 2,195,322         | 1,284,908         | 1,209,232         | 923,770           |
| Bank Overdrafts  | (169,769)         | (80,175)          | (69,987)          | (52,756)          |
| <b>Cash and Cash Equivalents</b>   | <b>2,025,553</b>  | <b>1,204,733</b>  | <b>1,139,245</b>  | <b>871,014</b>    |

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 2022            |                               | 31st December 2021         |                               |
|  | Life Insurance<br>Rs. '000 | General Insurance<br>Rs. '000 | Life Insurance<br>Rs. '000 | General Insurance<br>Rs. '000 |
| <b>Assets</b>                                      |                            |                               |                            |                               |
| Property, Plant and Equipment                      | 140,891                    | 139,839                       | 141,390                    | 141,494                       |
| Right of Use Assets                                | 343,513                    | 33,623                        | 362,336                    | 32,812                        |
| Intangible Assets                                  | 53,322                     | 5,026                         | 57,839                     | 5,341                         |
| Deferred Tax Assets                                | 245,940                    | 32,190                        | 273,543                    | 18,289                        |
| Financial Investments                              | 25,610,761                 | 4,473,438                     | 24,667,102                 | 4,426,983                     |
| Investment in Subsidiary                           | 1,150,000                  | -                             | 1,150,000                  | -                             |
| Loans to Life Policyholders                        | 404,056                    | -                             | 403,452                    | -                             |
| Reinsurance Receivables                            | 345,733                    | 817,855                       | 317,009                    | 755,197                       |
| Premium Receivables                                | 87,496                     | 1,543,055                     | 7,822                      | 1,240,175                     |
| Other Assets                                       | 566,018                    | 222,854                       | 507,528                    | 253,966                       |
| Insurance Contract - Deferred Expenses             | -                          | 179,684                       | -                          | 157,710                       |
| Cash and Cash Equivalents                          | 1,209,232                  | 986,090                       | 1,575,931                  | 536,814                       |
| <b>Total Assets</b>                                | <b>30,156,962</b>          | <b>8,433,654</b>              | <b>29,463,952</b>          | <b>7,568,781</b>              |
| <b>Liabilities</b>                                 |                            |                               |                            |                               |
| Insurance Contract Liabilities - Life Insurance    | 21,772,460                 | -                             | 20,342,757                 | -                             |
| Insurance Contract Liabilities - General Insurance | -                          | 4,234,737                     | -                          | 3,735,922                     |
| Employee Defined Benefit Liabilities               | 146,634                    | 106,676                       | 137,328                    | 101,839                       |
| Current Tax Liabilities                            | 9,936                      | 13,494                        | 19,871                     | 42,297                        |
| Reinsurance Creditors                              | 540,907                    | 786,444                       | 453,054                    | 632,458                       |
| Lease Creditors                                    | 375,539                    | 32,986                        | 390,374                    | 31,464                        |
| Other Liabilities                                  | 1,523,860                  | 854,963                       | 1,034,819                  | 725,877                       |
| Bank Overdrafts                                    | 69,987                     | 99,782                        | 53,364                     | 58,301                        |
| <b>Total Liabilities</b>                           | <b>24,439,323</b>          | <b>6,129,082</b>              | <b>22,431,567</b>          | <b>5,328,158</b>              |

## Operating Segment Information - Profitability

| For the Period Ended,                            | Unaudited                  |                               | Unaudited                  |                               |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
|  | 31st March 2022            |                               | 31st March 2021            |                               |
|  | Life Insurance<br>Rs. '000 | General Insurance<br>Rs. '000 | Life Insurance<br>Rs. '000 | General Insurance<br>Rs. '000 |
| Gross Written Premium                            | 2,349,600                  | 1,975,790                     | 1,666,630                  | 1,599,819                     |
| Premium Ceded to Reinsurers                      | (110,307)                  | (464,579)                     | (79,380)                   | (348,255)                     |
| <b>Net Written Premium</b>                       | <b>2,239,293</b>           | <b>1,511,211</b>              | <b>1,587,250</b>           | <b>1,251,564</b>              |
| Net Change in Reserves for Unearned Premium      | -                          | (375,473)                     | -                          | (242,436)                     |
| <b>Net Earned Premium</b>                        | <b>2,239,293</b>           | <b>1,135,738</b>              | <b>1,587,250</b>           | <b>1,009,128</b>              |
| <b>Other Revenue</b>                             |                            |                               |                            |                               |
| Interest and Dividend Income                     | 662,605                    | 104,413                       | 527,713                    | 87,992                        |
| Net Realised Gains                               | -                          | 2,268                         | 7,572                      | 527                           |
| Net Fair Value Gains                             | 9,837                      | 159,330                       | 29,342                     | 18,425                        |
| Fee and Commission Income                        | 23,605                     | 46,429                        | 54,056                     | 48,093                        |
| Other Income                                     | 250                        | 3,614                         | 185                        | 4,354                         |
| <b>Total Other Revenue</b>                       | <b>696,297</b>             | <b>316,054</b>                | <b>618,868</b>             | <b>159,391</b>                |
| <b>Net Income</b>                                | <b>2,935,590</b>           | <b>1,451,792</b>              | <b>2,206,118</b>           | <b>1,168,519</b>              |
| <b>Net Benefits, Claims and Expenses</b>         |                            |                               |                            |                               |
| Net Insurance Benefits and Claims                | (526,733)                  | (829,886)                     | (419,933)                  | (605,738)                     |
| Change in Contract Liabilities - Life Fund       | (1,416,615)                | -                             | (1,035,084)                | -                             |
| Other Operating and Administration Expenses      | (503,223)                  | (382,653)                     | (364,689)                  | (318,814)                     |
| Underwriting and Net Acquisition Cost            | (346,557)                  | (93,887)                      | (268,707)                  | (99,166)                      |
| Finance and Other Insurance Related Costs        | (25,495)                   | (4,030)                       | (21,184)                   | (9,706)                       |
| <b>Total Benefits, Claims and other Expenses</b> | <b>(2,818,623)</b>         | <b>(1,310,456)</b>            | <b>(2,109,597)</b>         | <b>(1,033,424)</b>            |
| <b>Profit Before Taxation</b>                    | <b>116,967</b>             | <b>141,336</b>                | <b>96,521</b>              | <b>135,095</b>                |
| Income Tax Expense                               | (27,603)                   | 4,772                         | (126,044)                  | (8,927)                       |
| <b>Profit for the Period</b>                     | <b>89,364</b>              | <b>146,108</b>                | <b>(29,523)</b>            | <b>126,168</b>                |



# Notes to the Condensed Consolidated Interim Financial Statements

## 1 CORPORATE INFORMATION

### a). Reporting Entity

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

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

### b). Approval of Financial Statements

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

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 31st March 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 2023.

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

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

## 3 FINANCIAL INVESTMENTS

| As at,  | Group             |                   | Company           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Unaudited         | Audited           | Unaudited         | Audited           |
|   | 31st Mar 2022     | 31st Dec 2021     | 31st Mar 2022     | 31st Dec 2021     |
|   | Rs. '000          | Rs. '000          | Rs. '000          | Rs. '000          |
| Held to Maturity Financial Assets                     | 1,277,008         | 313,465           | 1,277,008         | 313,465           |
| Loans and Receivables                                 | 21,593,643        | 20,246,541        | 18,199,812        | 16,953,973        |
| Available for Sale Financial Assets                   | 7,036,232         | 8,198,911         | 6,045,236         | 7,261,326         |
| Financial Assets at Fair Value Through Profit or Loss | 177,316           | 335,168           | 88,705            | 138,338           |
| <b>Total Financial Investments</b>                    | <b>30,084,199</b> | <b>29,094,085</b> | <b>25,610,761</b> | <b>24,667,102</b> |

## 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.

## Notes to the Condensed Consolidated Interim Financial Statements

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<br>31st Mar 2022 | Audited<br>31st Dec 2021 | Unaudited<br>31st Mar 2022 | Audited<br>31st Dec 2021 |
|                                  |           | Rs. '000                   | Rs. '000                 | Rs. '000                   | Rs. '000                 |
| Balance at the end of the Period | (Note 6b) | <b>381,156</b>             | 381,156                  | <b>381,156</b>             | 381,156                  |

#### 6a) Nature and Purpose of Reserve

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

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

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

#### Surplus created due to Change in Valuation Method

| Description   |       | Participating<br>Fund<br>Rs. '000 | Non<br>Participating<br>Fund<br>Rs. '000 | Total<br>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

## Notes to the Condensed Consolidated Interim Financial Statements

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 31st March 2022

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 /<br>Carrying Value<br>31st Mar 2022<br>(Rs. '000) |
|----------------|---|
| As at,         |   |
| Term Deposits  | 388,148   |

### 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<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
| Life Insurance Fund                         | (Note 7a) 21,479,150                   | 20,062,535                           | 21,479,150                             | 20,062,535                           |
| Claims Outstanding                          | 293,310                                | 280,222                              | 293,310                                | 280,222                              |
| <b>Total Insurance Contract Liabilities</b> | <b>21,772,460</b>                      | <b>20,342,757</b>                    | <b>21,772,460</b>                      | <b>20,342,757</b>                    |

### 7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

| As at,  | Group                                  |                                      | Company                                |                                      |
|---|--|--------------------------------------|--|--------------------------------------|
|   | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
| <b>The Movement in the Life Insurance Fund is as follows:</b>               |  |                                      |  |                                      |
| Balance as at the beginning of the Period                                   | 20,062,535                             | 16,833,050                           | 20,062,535                             | 16,833,050                           |
| <b>Change in Contract Liabilities Life Fund</b>                             |  |                                      |  |                                      |
| Increase in Life Insurance Fund Before Surplus Distribution to Shareholders | 1,416,615                              | 4,229,356                            | 1,416,615                              | 4,229,356                            |
| Surplus Distributed to Shareholders   | -                                      | (980,000)                            | -                                      | (980,000)                            |
| Increase in Life Insurance Fund   | 1,416,615                              | 20,082,406                           | 1,416,615                              | 20,082,406                           |
| Effect of Taxation on surplus/Bonus transferred to Policyholders            | -                                      | (19,871)                             | -                                      | (19,871)                             |
| <b>Balance as at the end of the Period</b>                                  | <b>21,479,150</b>                      | <b>20,062,535</b>                    | <b>21,479,150</b>                      | <b>20,062,535</b>                    |

### 7b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance Contract Liability was carried out by Mr. Abhishek Chadha, FIA, on behalf of Willis Towers Watson India Private Limited, as at 31st December 2021 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 Consultant 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 2021. No additional provision was required against the LAT as at 31st March 2022.

## Notes to the Condensed Consolidated Interim Financial Statements

### 8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

| As at,                                      | Group                                  |                                      | Company                                |                                      |
|---|--|--------------------------------------|--|--------------------------------------|
|   | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
| Reserves for Net Unearned Premium           | 2,717,348                              | 2,343,472                            | -                                      | -                                    |
| Reserves for Title Insurance                | 65,127                                 | 63,531                               | -                                      | -                                    |
| Reserves for Gross Outstanding Claims       | 1,452,262                              | 1,328,919                            | -                                      | -                                    |
| <b>Total Insurance Contract Liabilities</b> | <b>4,234,737</b>                       | <b>3,735,922</b>                     | <b>-</b>                               | <b>-</b>                             |

8a) Valuation of the IBNR/IBNER was carried by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2021 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 2022 and 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 31st December 2021 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 31st December 2021. No additional provision is required against LAT as at 31st March 2022.

### 9 GROSS WRITTEN PREMIUM

| Group                    | Audited<br>31st Dec 2021<br>Rs. '000 | <i>For the Three Months Ended,</i>        | Group                                  |  | Company                                |  |
|--------------------------|--------------------------------------|---|--|--|--|--|
|                          |                                      |   | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
| <b>Life Insurance</b>    |                                      |   |  |  |  |  |
| 6,962,285                |                                      | Individual Policies                       | 2,216,303                              | 1,631,616                              | 2,216,303                              | 1,631,616                              |
| 129,185                  |                                      | Corporate Policies                        | 133,297                                | 35,015                                 | 133,297                                | 35,015                                 |
| (54,769)                 |                                      | Adjustment for Inter Company Premiums     | (10,538)                               | (12,595)                               | -                                      | -                                      |
| <u>7,036,701</u>         |                                      | Gross Written Premium - Life Insurance    | <u>2,339,062</u>                       | <u>1,654,035</u>                       | <u>2,349,600</u>                       | <u>1,666,630</u>                       |
| <b>General Insurance</b> |                                      |   |  |  |  |  |
| 759,119                  |                                      | Fire                                      | 293,733                                | 217,590                                | -                                      | -                                      |
| 3,865,286                |                                      | Motor                                     | 1,159,715                              | 1,024,626                              | -                                      | -                                      |
| 81,874                   |                                      | Marine                                    | 3,756                                  | 11,578                                 | -                                      | -                                      |
| 942,299                  |                                      | Miscellaneous                             | 518,586                                | 346,025                                | -                                      | -                                      |
| (38,332)                 |                                      | Adjustment for Inter Company Premiums     | (43,034)                               | (30,898)                               | -                                      | -                                      |
| <u>5,610,246</u>         |                                      | Gross Written Premium - General Insurance | <u>1,932,756</u>                       | <u>1,568,921</u>                       | <u>-</u>                               | <u>-</u>                               |
| <u>12,646,947</u>        |                                      | <b>Total Gross Written Premium</b>        | <u>4,271,818</u>                       | <u>3,222,956</u>                       | <u>2,349,600</u>                       | <u>1,666,630</u>                       |

### 10 INTEREST AND DIVIDEND INCOME

| Group            | Audited<br>31st Dec 2021<br>Rs. '000 | <i>For the Three Months Ended,</i> | Group                                  |  | Company                                |  |
|------------------|--------------------------------------|------------------------------------|--|--|--|--|
|                  |                                      |                                    | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
| 2,545,483        |                                      | Interest Income                    | 763,610                                | 612,941                                | 659,226                                | 525,013                                |
| 9,791            |                                      | Dividend Income                    | 3,408                                  | 2,764                                  | 3,379                                  | 2,700                                  |
| <u>2,555,274</u> |                                      | <b>Total</b>                       | <u>767,018</u>                         | <u>615,705</u>                         | <u>662,605</u>                         | <u>527,713</u>                         |

## Notes to the Condensed Consolidated Interim Financial Statements

### 11 INCOME TAX EXPENSE

| Group   |   | Group                                  |  | Company                                |  |
|---|---|--|--|--|--|
| Audited<br>31st Dec 2021<br>Rs. '000  | <i>For the Three Months Ended,</i>                                | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
| (99,902)  | Income Tax Charge   | -                                      | (7,593)                                | -                                      | -                                      |
| 26,750  | Over/(Under) Provision of Income Taxes in respect of prior Period | -                                      | -                                      | -                                      | -                                      |
| (451,578)   | Deferred Income Tax - Recognised through Profit or Loss           | <b>(22,831)</b>                        | (127,378)                              | <b>(27,603)</b>                        | (126,044)                              |
| (524,730)   | <b>Total Tax charge in Profit or Loss</b>                         | <b>(22,831)</b>                        | (134,971)                              | <b>(27,603)</b>                        | (126,044)                              |
| <b>Deferred tax related to items charged or credited directly to other comprehensive income</b> |   |  |  |  |  |
| Deferred tax on net change in debt instruments categorised under Available for Sale             |   |  |  |  |  |
| 8,729   |   | <b>9,129</b>                           | 8,758                                  | -                                      | -                                      |
| (4,041)   | Deferred tax on actuarial gain on defined benefit plans           | -                                      | -                                      | -                                      | -                                      |
| 4,688   | <b>Total Tax charge in Other Comprehensive Income</b>             | <b>9,129</b>                           | 8,758                                  | -                                      | -                                      |

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<br>31st Dec 2021<br>Rs. '000          | <i>For the Three Months Ended,</i>                                      | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
|---|---|--|--|
| <b>Company - HNB Assurance PLC</b>            |   |  |  |
| 980,000                                       | Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund | -                                      | -                                      |
| 472,211                                       | Profit from Life Shareholders' Fund                                     | <b>116,967</b>                         | 96,521                                 |
| (451,712)                                     | Reversal of Deferred Tax Asset  | <b>(27,603)</b>                        | (126,044)                              |
| 1,000,499                                     | <b>Profit for the Period</b>  | <b>89,364</b>                          | (29,523)                               |
| <b>Subsidiary - HNB General Insurance Ltd</b> |   |  |  |
| 411,167                                       | Profit Before Tax   | <b>141,336</b>                         | 135,095                                |
| (73,018)                                      | Income Tax and Deferred Tax Expense                                     | <b>4,772</b>                           | (8,927)                                |
| 338,149                                       | <b>Profit for the Period</b>  | <b>146,108</b>                         | 126,168                                |
| (115,000)                                     | Elimination of Intercompany Dividend                                    | -                                      | -                                      |
| 1,223,648                                     | <b>Profit for the Period - Group</b>                                    | <b>235,472</b>                         | 96,645                                 |

### 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<br>31st Dec 2021 | <i>For the Three Months Ended,</i>                | Unaudited<br>31st Mar 2022 | Unaudited<br>31st Mar 2021 | Unaudited<br>31st Mar 2022 | Unaudited<br>31st Mar 2021 |
| 1,223,648                | Profit for the Period (Rs. '000)                  | <b>235,472</b>             | 96,645                     | <b>89,364</b>              | (29,523)                   |
| 150,000                  | Weighted average number of ordinary shares ('000) | <b>150,000</b>             | 150,000                    | <b>150,000</b>             | 150,000                    |
| 8.16                     | Basic and Diluted Earnings Per Share (Rs.)        | <b>1.57</b>                | 0.64                       | <b>0.60</b>                | (0.20)                     |

## Notes to the Condensed Consolidated Interim Financial Statements

### 14 RELATED PARTY DISCLOSURES

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

| Transactions<br><i>For the Three Months Ended,</i> | Group                                  |  | Company                                |  |
|--|--|--|--|--|
|  | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
|  | Insurance Premium                      | 56,371                                 | 45,783                                 | -                                      |
| Claims Incurred                                    | 932                                    | 4,720                                  | -                                      | -                                      |
| Investment Income                                  | 64,566                                 | 23,481                                 | 50,208                                 | 18,017                                 |
| Administration Expenses                            | 119,800                                | 84,939                                 | 87,946                                 | 59,116                                 |
| Rent and other Operational Expenses                | 4,488                                  | 2,563                                  | 2,793                                  | 1,662                                  |

| Outstanding Balances<br><i>As at,</i>       | Group   |                                      | Company                                |                                      |
|---|---|--------------------------------------|--|--------------------------------------|
|   | Unaudited<br>31st Mar 2022<br>Rs. '000                        | Audited<br>31st Dec 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
|   | Investments Balance (Includes Deposits, Repos and Debentures) | 4,392,324                            | 1,008,586                              | 3,007,190                            |
| Cash at Bank Balances                       | 459,050   | 448,493                              | 250,472                                | 279,857                              |
| Premium Receivable                          | 68,669  | 65                                   | -                                      | -                                    |
| Administration Expenses Payable             | 48,223  | 64,422                               | 28,171                                 | 49,278                               |
| Rent and Other Operational Expenses Payable | 265   | 433                                  | 167                                    | 245                                  |
| Dividend Payable                            | 287,933   | -                                    | 287,933                                | -                                    |

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

| Transactions<br><i>For the Three Months Ended,</i> | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
|--|--|--|
| Insurance Premium                                  | 10,538                                 | 12,595                                 |
| Insurance Expenses                                 | 43,034                                 | 30,898                                 |
| Claims Received                                    | 271                                    | 552                                    |
| Claims Paid  | 7,800                                  | 1,400                                  |
| Reimbursement Expenses Relating to Employees       | 26,462                                 | 23,464                                 |
| Other Reimbursement Expenses                       | 46,377                                 | 45,054                                 |
| Fund Management Fee                                | 3,633                                  | 3,352                                  |
| Profit Commission Expense                          | 4,219                                  | 4,715                                  |

| Outstanding Balances<br><i>As at,</i>     | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
|---|--|--------------------------------------|
| Receivable from HNB General Insurance Ltd | 45,024                                 | 13,548                               |

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

| Name of the Company          | Transactions            | Group                                  |  | Company                                |  |
|------------------------------|-------------------------|--|--|--|--|
|                              |                         | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
|                              |                         | <i>For the Three Months Ended,</i>     |  |  |  |
| Sithma Development (Pvt) Ltd | Insurance Premium       | 15,471                                 | 7,124                                  | -                                      | -                                      |
| HNB Finance PLC              | Insurance Premium       | 8,588                                  | 7,301                                  | -                                      | -                                      |
|                              | Claims Incurred         | 177                                    | 861                                    | -                                      | -                                      |
|                              | Administration Expenses | 2,518                                  | 1,232                                  | 13                                     | 9                                      |
|                              | Interest Income         | 8,964                                  | 5,924                                  | 8,964                                  | 5,924                                  |

## Notes to the Condensed Consolidated Interim Financial Statements

| Name of the Company | Outstanding Balances            | Group                                  |                                      | Company                                |                                      |
|---------------------|---------------------------------|--|--------------------------------------|--|--------------------------------------|
|                     |                                 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
| <i>As at,</i>       |                                 |  |                                      |  |                                      |
| HNB Finance PLC     | Investment in Term Deposits     | 179,078                                | 175,434                              | 179,078                                | 175,434                              |
|                     | Investment in Debentures        | 129,159                                | 125,090                              | 129,159                                | 125,090                              |
|                     | Cash at Bank Balances           | 476                                    | 139                                  | 476                                    | 139                                  |
|                     | Premium Receivable              | 12,597                                 | 9,506                                | -                                      | -                                    |
|                     | Administration Expenses Payable | 2,060                                  | 2,192                                | -                                      | 26                                   |

### 14d) Transactions and Outstanding Balances with other Related Entities

| Name of the Company                | Transactions                | Group                                  |  | Company                                |  |
|------------------------------------|-----------------------------|--|--|--|--|
|                                    |                             | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
| <i>For the Three Months Ended,</i> |                             |  |  |  |  |
| Acuity Partners (Pvt) Ltd          | Insurance Premium           | 11                                     | 38                                     | -                                      | -                                      |
|                                    | Claims incurred             | -                                      | 2,022                                  | -                                      | 2,000                                  |
| Acuity Stockbrokers (Pvt) Ltd      | Insurance Premium           | 148                                    | 20                                     | -                                      | -                                      |
|                                    | Claims incurred             | -                                      | 278                                    | -                                      | -                                      |
| Acuity Securities Ltd              | Insurance Premium           | 2,239                                  | (1)                                    | -                                      | -                                      |
|                                    | Claims incurred             | 111                                    | 163                                    | -                                      | -                                      |
|                                    | Custodian Fee               | 260                                    | 113                                    | 212                                    | 90                                     |
|                                    | Investment Income from REPO | 38,785                                 | 33,087                                 | 30,216                                 | 23,828                                 |

| Name of the Company           | Outstanding Balances | Group                                  |                                      | Company                                |                                      |
|-------------------------------|----------------------|--|--------------------------------------|--|--------------------------------------|
|                               |                      | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 | Unaudited<br>31st Mar 2022<br>Rs. '000 | Audited<br>31st Dec 2021<br>Rs. '000 |
| <i>As at,</i>                 |                      |  |                                      |  |                                      |
| Acuity Partners (Pvt) Ltd     | Premium Receivable   | -                                      | 307                                  | -                                      | -                                    |
| Acuity Stockbrokers (Pvt) Ltd | Premium Receivable   | 44                                     | 188                                  | -                                      | -                                    |
| Acuity Securities Ltd         | Premium Receivable   | 16                                     | 284                                  | -                                      | -                                    |
|                               | Investment In REPO   | 2,023,669                              | 2,718,453                            | 1,643,796                              | 2,296,523                            |

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

| Transactions                            | Unaudited<br>31st Mar 2022<br>Rs. '000 | Unaudited<br>31st Mar 2021<br>Rs. '000 |
|---|--|--|
| <i>For the Three Months Ended,</i>      |  |  |
| Director Fee                            | 6,340                                  | 5,925                                  |
| Short-term and Post Employment Benefits | 22,902                                 | 25,667                                 |
| Insurance Premium                       | 1,226                                  | 1,087                                  |
| Claims Paid including Maturities        | 185                                    | -                                      |

#### 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.

## Notes to the Condensed Consolidated Interim Financial Statements

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

As of the reporting date the 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 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 31st March 2022. The deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The Sri Lankan Rupee (LKR) has depreciated notably against USD, bringing the exchange rate to the highest ever, Rs. 298.99 per USD as at 31st March 2022. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties, the Group continues to monitor its effects on financial statements under various stressed scenarios.

Sri Lanka's annual inflation scaled to 21.50% in March 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 to 14.50%. 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 EVENTS OCCURRING AFTER THE REPORTING DATE

#### 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.



## Notes to the Condensed Consolidated Interim Financial Statements

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<br>Tax Liability<br>(Rs. Mn) | 1st Installment -<br>paid on<br>20th April 2022<br>(Rs. Mn) | 2nd Installment -<br>On or before<br>20th July 2022<br>(Rs. Mn) |
|---------------------------|--|---|---|
| HNB Assurance PLC         | 22                                     | 11  | 11  |
| HNB General Insurance Ltd | 172                                    | 86  | 86  |
| <b>Total</b>              | <b>194</b>                             | <b>97</b>   | <b>97</b>   |

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. Such adjustment will be incorporated in the Financial Statements for the next reporting period.

### Impairment of Sri Lanka Development Bonds (SLDB)

As at reporting date, the Group has investments in foreign currency denominated Sri Lanka Development Bonds (SLDB) amounting to Rs. 147.68 Mn classified under Loans and Advances category. The Ministry of Finance issued a memorandum on 12th April 2022 stating that the Sri Lankan Government will suspend normal debt servicing of all Affected Debts (as defined in the memorandum), for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment program supported by the IMF. However, the Government's proposed plan on repayment of SLDBs was not clear as of the date of authorization of the financial statements. Since the Group applies incurred loss model for impairment under LKAS 39 and there were no losses incurred as 31st March 2022, the Group has not made any adjustments for impairment losses in these Condensed Consolidated Interim Financial Statements.

### Subsequent Tax Assessments

Subsequent to the reporting date HNB General Insurance Ltd has received three VAT assessments for the period 01.04.2019 to 31.12.2019 amounting to Rs. 44.58 million including penalties.

Other than mentioned above there have been no material events that occurred after the reporting date that require adjustments or disclosure in these Condensed Consolidated Interim Financial Statements.

## 17 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 9.7 Million for purchase of computer software (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.

## 18 CONTINGENCIES

- 18a)** The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with 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

## Notes to the Condensed Consolidated Interim Financial Statements

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.

- 18b) 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. The Company has duly appealed for all five assessments as the Company's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. As an outflow of resources is not expected, no provision is made in the Financial Statements. 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) |
| 2014.01.01-2014.12.31 | 2018.07.10         | Pending decision from Tax Appeals Commission                 | VAT      | 21.06   | 10.53           | 31.59         |
|                       |                    |  | NBT      | N/A   | N/A             | N/A           |
| 2015.01.01-2015.12.31 | 2019.04.08         | Pending decision from Tax Appeals Commission                 | VAT      | 17.55   | 12.98           | 30.53         |
|                       |                    |  | NBT      | 2.83  | 1.41            | 4.24          |
| 2016.01.01-2016.12.31 | 2019.04.08         | Pending decision from Tax Appeals Commission                 | VAT      | 24.86   | 12.43           | 37.29         |
|                       |                    |  | NBT      | 4.01  | 2.00            | 6.01          |
| 2017.01.01-2017.12.31 | 2022.01.18         | Pending decision from Commissioner General of Inland Revenue | VAT      | 42.56   | 21.28           | 63.84         |
|                       |                    |  | NBT      | N/A   | N/A             | N/A           |
| 2018.01.01-2018.12.31 | 2022.01.21         | Pending decision from Commissioner General of Inland Revenue | VAT      | 65.91   | 32.95           | 98.86         |
|                       |                    |  | NBT      | N/A   | N/A             | N/A           |
| <b>Total</b>          |                    |  |          | <b>178.78</b>                                   | <b>93.58</b>    | <b>272.36</b> |

## Notes to the Condensed Consolidated Interim Financial Statements

18c) The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. However, the management and the Company's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax 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.

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

| Year of Assessment | Date of Assessment/ Intimation | Status of Assessment   | Contingent impact to the company   | Total Additional Liability (Rs. Million) |
|--------------------|--------------------------------|--|--|--|
| 2011/2012          | 2014.11.20                     | Tax Appeals Commission has given their Determination and Company is in the process of filing a case in Court of Appeal | Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million | -  |
| 2012/2013          | 2015.11.30                     | Pending decision from Tax Appeals Commission   | Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million | -  |
| 2013/2014          | 2016.05.30                     | Pending decision from Tax Appeals Commission   | An additional Tax Liability will arise   | 132                                      |
| 2014/2015          | 2017.05.30                     | Pending decision from Tax Appeals Commission   | An additional Tax Liability will arise   | 136                                      |
| 2015/2016          | 2018.05.31                     | Pending decision from Commissioner General of Inland Revenue   | An additional Tax Liability will arise   | 164                                      |
| 2016/2017          | 2019.01.29                     | Pending decision from Tax Appeals Commission   | An additional Tax Liability will arise   | 290                                      |
| 2017/2018          | 2020.05.19                     | Pending decision from Commissioner General of Inland Revenue   | An additional Tax Liability will arise   | 434                                      |
| <b>Total</b>       |                                |  |  | <b>1,156</b>                             |

18d) The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, 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. 143.25 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

|  | 31st March 2022 |                    |
|--|-----------------|--------------------|
|  | Shareholding    | % on Issued Shares |
| 1 Hatton National Bank PLC A/c No 1                            | 89,979,000      | 59.99              |
| 2 Ceylon Guardian Investment Trust PLC A/c No # 2              | 6,945,224       | 4.63               |
| 3 Employees Trust Fund Board                                   | 3,942,964       | 2.63               |
| 4 Ceylon Investment PLC A/c No # 2                             | 1,712,174       | 1.14               |
| 5 Mr. M. F. Hashim   | 1,581,400       | 1.05               |
| 6 Mrs. A. Kailasapillai  | 1,500,000       | 1.00               |
| 7 Mrs. A. Selliah  | 1,500,000       | 1.00               |
| 8 Arunodhaya Industries (Pvt) Ltd                              | 1,350,000       | 0.90               |
| 9 Arunodhaya Investments (Pvt) Ltd                             | 1,350,000       | 0.90               |
| 10 Arunodhaya (Pvt) Ltd  | 1,350,000       | 0.90               |
| 11 Seylan Bank PLC/Janashakthi Capital Limited                 | 1,117,002       | 0.74               |
| 12 Commercial Bank Of Ceylon PLC/Ayenka Holdings (Pvt) Limited | 1,020,786       | 0.68               |
| 13 Andysel (Pvt) Ltd   | 750,000         | 0.50               |
| 14 Corporate Holdings (Pvt) Ltd. A/c No.1                      | 735,309         | 0.49               |
| 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 Mr. A.A.A. Rifkee   | 500,000         | 0.33               |
| 20 Commercial Bank Of Ceylon PLC/Janashakthi Capital Limited   | 500,000         | 0.33               |

### Public Shareholding

**31st March 2022**

|  |               |
|--|---------------|
| * Float Adjusted Market Capitalisation (Rs.) | 2,292,197,084 |
| Percentage of Shares held by the Public      | 35.292%       |
| Number of Public Shareholders                | 4,585         |

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<br>31st Mar 2022 |
|---|--------------------------------|
| Mrs. M A R C Cooray   | 94,235                         |
| Mr. D P N Rodrigo   | 540                            |
| Mrs. S N Wickramasinghe   | 82,650                         |
| Dr. S Selliah   | 600,000                        |
| Mr. D R Abeysuriya  | 5,000                          |
| Mr. L U D Fernando  | Nil                            |
| Mr. S A Chapman   | 500                            |
| Mr. A Goonesekere   | 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 31st March 2022 - Group   | 45.81 |
| Net Asset Value Per Share as at 31st March 2022 - Company                                       | 38.12 |
| Net Asset Value Per Share as at 31st March 2022 without Restricted Regulatory Reserve - Group   | 43.27 |
| Net Asset Value Per Share as at 31st March 2022 without Restricted Regulatory Reserve - Company | 35.58 |
| Highest Price Per Share for the Interim Period  | 62.50 |
| Lowest Price Per Share for the Interim Period   | 42.20 |
| Last Traded Price Per Share as at 31st March 2022   | 43.30 |