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A LEGACY OF

20 Years 

H N B A S S U R A N C E P L C
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH SEPTEMBER 2022

Statement of Financial Position


As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th Sep 2022	31st Dec 2021	30th Sep 2022	31st Dec 2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, Plant and Equipment		367,752	282,884	210,986	141,390
Right of Use Assets		406,372	395,148	371,507	362,336
Intangible Assets		59,794	63,180	55,409	57,839
Deferred Tax Assets		47,896	291,832	-	273,543
Financial Investments	3	32,516,155	29,094,085	27,700,528	24,667,102
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		410,121	403,452	410,121	403,452
Reinsurance Receivables		1,236,605	1,072,206	219,202	317,009
Premium Receivables		1,355,738	1,247,997	58,993	7,822
Other Assets		1,000,067	747,946	702,556	507,528
Insurance Contract - Deferred Expenses		165,460	157,710	-	-
Cash and Cash Equivalents		1,533,310	2,112,745	1,064,111	1,575,931
Total Assets		39,099,270	35,869,185	31,943,413	29,463,952
Equity and Liabilities					
Equity Attributable to the Equity Holders					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		7,517,588	6,644,680	6,280,121	5,548,813
Available for Sale Reserve		(366,201)	4,009	(135,849)	4,446
Other Reserve		(11,421)	(11,421)	(6,614)	(6,614)
Life Policyholders' Available for Sale Reserve Fund	5	(1,268,433)	(67,291)	(1,268,433)	(67,291)
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		7,424,564	8,123,008	6,422,256	7,032,385
Non-Controlling Interest		-	-	-	-
Total Equity		7,424,564	8,123,008	6,422,256	7,032,385
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	23,297,701	20,342,757	23,297,701	20,342,757
Insurance Contract Liabilities - General Insurance	8	4,175,561	3,735,922	-	-
Employee Defined Benefit Liabilities		277,777	239,167	160,468	137,328
Current Tax Liabilities		129,227	62,168	84,002	19,871
Reinsurance Creditors		819,106	1,085,512	260,038	453,054
Lease Creditors		437,849	421,838	402,880	390,374
Other Liabilities		2,245,715	1,747,148	1,181,738	1,034,819
Bank Overdrafts		291,770	111,665	134,330	53,364
Total Liabilities		31,674,706	27,746,177	25,521,157	22,431,567
Total Equity and Liabilities		39,099,270	35,869,185	31,943,413	29,463,952

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

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


Punsirini Perera
 Chief Financial Officer

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


Rose Cooray
 Chairperson

Colombo, Sri Lanka
 10th November 2022


Ashoka Goonesekere
 Director

Statement of Profit or Loss and Other Comprehensive Income

Group				Group		Company		Change		
(Audited)	Year Ended	For the Nine Months Ended 30th September,		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company	
31 st Dec 2021	Rs. '000	2022	2021	2022	2021	2022	2021	%	%	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
12,646,947	Gross Written Premium	9	11,311,277	8,960,358	6,597,219	4,993,503	26	32		
(1,648,861)	Premium Ceded to Reinsurers		(1,491,672)	(1,173,900)	(348,607)	(256,631)	27	36		
10,998,086	Net Written Premium		9,819,605	7,786,458	6,248,612	4,736,872	26	32		
(242,252)	Net Change in Reserves for Unearned Premium				-	-	139	-		
10,755,834	Net Earned Premium		9,670,593	7,724,166	6,248,612	4,736,872	25	32		
Other Revenue										
2,555,274	Interest and Dividend Income	10	2,999,070	1,881,096	2,643,176	1,729,883	59	53		
52,921	Net Realised Gains		361,017	19,717	95,486	16,905	1,731	465		
79,128	Net Fair Value (Losses)/Gains		(10,233)	77,277	(30,575)	50,584	(113)	(160)		
225,738	Fee and Commission Income		212,930	162,376	43,085	68,849	31	(37)		
13,334	Other Income		17,204	12,225	15,625	2,213	41	606		
2,926,395	Total Other Revenue		3,579,988	2,152,691	2,766,797	1,868,434	66	48		
13,682,229	Net Income		13,250,581	9,876,857	9,015,409	6,605,306	34	36		
Net Benefits, Claims and Expenses										
(4,223,290)	Net Insurance Benefits and Claims		(4,031,521)	(2,935,903)	(1,583,120)	(1,188,563)	37	33		
(3,249,356)	Change in Contract Liabilities - Life Fund		(3,023,350)	(3,056,156)	(3,023,350)	(3,056,156)	(1)	(1)		
(2,892,824)	Other Operating and Administration Expenses		(2,854,716)	(2,060,767)	(1,731,959)	(1,172,278)	39	48		
(1,456,258)	Underwriting and Net Acquisition Costs		(1,297,843)	(1,006,342)	(1,007,042)	(734,789)	29	37		
(112,123)	Finance and Other Insurance Related Costs		(93,157)	(86,283)	(78,981)	(61,549)	8	28		
(11,933,851)	Total Benefits, Claims and Other Expenses		(11,300,587)	(9,145,451)	(7,424,452)	(6,213,335)	24	19		
1,748,378	Profit Before Taxation		1,949,994	731,406	1,590,957	391,971	167	306		
(524,730)	Income Tax Expense	11	(424,597)	(266,309)	(379,649)	(184,120)	59	106		
1,223,648	Profit for the Period	12	1,525,397	465,097	1,211,308	207,851	228	483		
Other Comprehensive Income, Net of Related Tax										
Items that are or may be reclassified to profit or loss										
(914,208)	- Net Change in fair value of Available For Sale Financial Assets		(1,618,386)	(673,721)	(1,362,925)	(607,692)	140	124		
(9,490)	- Realised Gains transferred to Income Statement		-	(5,874)	-	(5,874)	100	100		
-	- Amortisation of AFS reserve on reclassification		21,488	-	21,488	-	100	100		
-	- Net Change in fair value of Available For Sale Financial Assets									
825,224	- transferred to Life Policyholders' Available For Sale Reserve Fund		1,201,142	604,562	1,201,142	604,562	99	99		
8,729	- Related Tax	11	25,546	13,626	-	-	87	-		
Items that will never be reclassified to profit or loss										
44,140	- Actuarial Gains on Defined Benefit Plans		-	-	-	-	-	-		
(4,041)	- Related Tax	11	-	-	-	-	-	-		
(49,646)	Total Other Comprehensive Income for the Period, Net of Related Tax		(370,210)	(61,407)	(140,295)	(9,004)	503	1,458		
1,174,002	Total Comprehensive Income for the Period		1,155,187	403,690	1,071,013	198,847	186	439		
Profit Attributable to:										
1,223,648	Equity Holders of the Company		1,525,397	465,097	1,211,308	207,851	228	483		
-	Non-Controlling Interest		-	-	-	-	-	-		
Total Comprehensive Income Attributable to:										
1,174,002	Equity Holders of the Company		1,155,187	403,690	1,071,013	198,847	186	439		
-	Non-Controlling Interest		-	-	-	-	-	-		
8.16	Basic and Diluted Earnings Per Share (Rs.)	13	10.17	3.10	8.08	1.39	228	483		

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

Statement of Changes in Equity - Group

For the Period Ended 30th September,

	Stated Capital	Retained Earnings	Available For Sale Reserve	Other Reserve	Policyholders' Fund	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2021	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period-Unaudited	-	465,097	-	-	-	-	465,097
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(665,969)	-	-	-	(665,969)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	604,562	-	-	-	604,562
Total Other Comprehensive Income for the Period	-	-	(61,407)	-	-	-	(61,407)
Total Comprehensive Income for the Period	-	465,097	(61,407)	-	-	-	403,690
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(604,562)	-	(604,562)
Distributions to owners of the Parent							
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Final dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Unaudited balance as at 30th September 2021	1,171,875	5,885,129	32,347	(51,520)	153,371	381,156	7,575,358
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	758,551	-	-	-	-	758,551
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(249,000)	-	-	-	(249,000)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	220,662	-	-	-	220,662
Actuarial Gains on Defined Benefit Plans	-	-	-	40,089	-	-	40,089
Total Other Comprehensive Income for the Period	-	-	(28,338)	40,089	-	-	11,751
Total Comprehensive Income for the Period	-	758,551	(28,338)	40,089	-	-	770,312
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(220,662)	-	(220,662)
- transferred from Available For Sale Reserve	-	-	4,009	(11,421)	(67,291)	381,156	8,123,008
Audited balance as at 31st December 2021	1,171,875	6,844,680	4,009	(11,421)	6,844,680	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
Surcharge Tax	(Note 16)	(172,489)	-	-	-	-	(172,489)
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	1,525,397	-	-	-	-	1,525,397
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,571,352)	-	-	-	(1,571,352)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	1,201,142	-	-	-	1,201,142
Total Other Comprehensive Income for the Period	-	-	(370,210)	-	-	-	(370,210)
Total Comprehensive Income for the Period	-	1,525,397	(370,210)	-	-	-	1,155,187
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(1,201,142)	-	(1,201,142)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Distributions to owners of the Parent							
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Dividend to equity holders for 2021	-	(460,000)	-	-	-	-	(460,000)
Unaudited balance as at 30th September 2022	1,171,875	7,517,588	(965,201)	(11,421)	(1,268,433)	381,156	7,429,584

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

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

Statement of Changes in Equity - Company

For the Period Ended 30th September 2022,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2021	1,171,875	4,968,314	15,626	(33,916)	757,933	381,156	7,260,968
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	207,851	-	-	-	-	207,851
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(613,566)	-	-	-	(613,566)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	604,562	-	-	-	604,562
Total Other Comprehensive Income for the Period	-	-	(9,004)	-	-	-	(9,004)
Total Comprehensive Income for the Period	-	207,851	-	-	-	-	198,847
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(604,562)	-	(604,562)
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	(420,000)	-	-	-	-	(420,000)
Final dividend to equity holders for 2020	-	(4,756,165)	-	-	-	-	(4,756,165)
Unaudited balance as at 30th September 2021	1,171,875	4,756,165	6,622	(33,916)	153,371	381,156	6,455,273
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	792,648	-	-	-	-	792,648
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(222,838)	-	-	-	(222,838)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	220,682	-	-	-	220,682
Actual Gains on Defined Benefit Plans	-	-	-	27,302	-	-	27,302
Total Other Comprehensive Income for the Period	-	-	(2,176)	27,302	-	-	25,126
Total Comprehensive Income for the Period	-	792,648	(2,176)	27,302	-	-	817,774
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(220,682)	-	(220,682)
Audited balance as at 31st December 2021	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,365
Balance as at 01st January 2022	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,365
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	1,211,308	-	-	-	-	1,211,308
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,341,437)	-	-	-	(1,341,437)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	1,201,142	-	-	-	1,201,142
Total Other Comprehensive Income for the Period	-	-	(140,295)	-	-	-	(140,295)
Total Comprehensive Income for the Period	-	1,211,308	(140,295)	-	-	-	1,071,013
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(1,201,142)	-	(1,201,142)
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	(480,000)	-	-	-	-	(480,000)
Dividend to equity holders for 2021	-	(6,280,121)	-	-	-	-	(6,280,121)
Unaudited balance as at 30th September 2022	1,171,875	6,280,121	(135,849)	(6,614)	(1,268,433)	381,156	6,422,256

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

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

Statement of Cash Flows

<i>For the Period Ended 30th September,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	Note	2022	2021	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities				
Profit Before Taxation	1,949,994	731,406	1,590,957	391,971
<i>Adjustments for:</i>				
Interest Income	10 (2,991,494)	(1,873,657)	(2,532,170)	(1,607,546)
Dividend Income	10 (7,576)	(7,439)	(111,006)	(122,337)
Amortisation of Intangible Assets	14,828	16,812	13,872	15,857
Depreciation of Property, Plant and Equipment	58,796	44,788	39,465	30,992
Net Depreciation of Right of Use Assets	107,050	98,082	100,799	91,952
Interest Expense of Lease Creditors	37,072	37,271	34,325	35,163
Provision for Employee Benefits	51,617	43,828	32,868	25,379
Net Realised Gains	(361,017)	(19,717)	(95,486)	(16,905)
Net Fair Value Losses/(Gains)	10,233	(77,277)	30,575	(50,584)
(Gains)/Losses on Disposal of Property, Plant and Equipment	(838)	21	(793)	83
Gains on Disposal of Right of Use Asset	(1,023)	(294)	(1,023)	(294)
	(1,132,358)	(1,006,176)	(897,617)	(1,206,269)
Net Change in Operating Assets	A (525,132)	(120,480)	(155,061)	(94,662)
Net Change in Operating Liabilities	B 3,615,291	3,736,268	2,910,942	3,314,435
Cash Flows from Operating Activities	1,957,801	2,609,612	1,858,264	2,013,504
Gratuity Paid	(13,007)	(11,219)	(9,728)	(9,213)
Surcharge Tax paid	(194,455)	-	(21,966)	-
Income Tax Paid	(68,185)	(140,570)	(22,103)	-
Net Cash Generated from Operating Activities	1,682,154	2,457,823	1,804,467	2,004,291
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(227,413,564)	(144,034,024)	(188,094,376)	(111,116,985)
Proceeds from Maturity of Financial Investments	222,336,722	140,073,801	183,740,293	107,804,519
Proceeds from Sale of Financial Investments	317,670	492,972	-	369,678
Interest Received	3,082,481	1,844,895	2,576,300	1,534,570
Dividend Received	7,576	7,439	111,006	122,337
Acquisition of Intangible Assets	(11,442)	(16,650)	(11,442)	(16,650)
Acquisition of Property, Plant and Equipment	(143,969)	(150,261)	(109,325)	(55,276)
Proceeds from the Disposal of Property, Plant and Equipment	1,144	1,083	1,057	713
Advance Paid to Right of Use Asset	(18,342)	(10,482)	(17,262)	(9,492)
Net Cash Used in Investing Activities	(1,841,724)	(1,791,227)	(1,803,749)	(1,366,586)
Cash Flows from Financing Activities				
Dividend Paid	(480,000)	(420,000)	(480,000)	(420,000)
Payment of Lease Liabilities	(119,970)	(110,842)	(113,504)	(103,284)
Net Cash Used in Financing Activities	(599,970)	(530,842)	(593,504)	(523,284)
Net (Decrease)/Increase in Cash and Cash Equivalents (Net of Book OD)	(759,540)	135,754	(592,786)	114,421
Cash and Cash Equivalents at the beginning of the Period (Net of Book OD)	2,001,080	586,806	1,522,567	339,618
Cash and Cash Equivalents at the end of the Period (Net of Book OD)	1,241,540	722,560	929,781	454,039

Notes to the Statement of Cash Flows

<i>For the Period Ended 30th September,</i>	Group		Company	
	Unaudited 2022	Unaudited 2021	Unaudited 2022	Unaudited 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Change in Operating Assets				
(Increase)/Decrease in Deferred Expenses	(7,750)	10,792	-	-
Increase in Loans to Life Policyholders	(6,669)	(18,934)	(6,669)	(18,934)
(Increase)/Decrease in Reinsurance Receivables	(164,399)	(298,471)	97,807	(119,954)
(Increase)/Decrease in Premium Receivables	(107,741)	59,382	(51,171)	(22,120)
(Increase)/Decrease in Other Assets	(238,573)	126,751	(195,028)	66,346
Net Change in Operating Assets	(525,132)	(120,480)	(155,061)	(94,662)
B. Change in Operating Liabilities				
Increase/(Decrease) in Other Liabilities	401,017	(42,038)	62,917	32,805
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	3,041,041	3,092,944	3,041,041	3,092,944
Increase in Insurance Contract Liabilities - General Insurance	439,639	248,858	-	-
(Decrease)/Increase in Reinsurance Creditors	(266,406)	436,504	(193,016)	188,686
Net Change in Operating Liabilities	3,615,291	3,736,268	2,910,942	3,314,435
C. Cash and Cash Equivalents at the end of the Period				
Cash in Hand and at Bank	1,533,310	892,692	1,064,111	527,128
Bank Overdrafts	(291,770)	(170,132)	(134,330)	(73,089)
Cash and Cash Equivalents (Net of Book OD)	1,241,540	722,560	929,781	454,039

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

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

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		2022	2021	2022	2021	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
<i>For the Three months ended 30th September,</i>							
Gross Written Premium	9	3,846,838	3,256,275	2,322,907	1,874,952	18	24
Premium Ceded to Reinsurers		(422,376)	(380,317)	(118,907)	(89,927)	11	32
Net Written Premium		3,424,462	2,875,958	2,204,000	1,785,025	19	23
Net Change in Reserves for Unearned Premium		(37,992)	(108,053)	-	-	(65)	-
Net Earned Premium		3,386,470	2,767,905	2,204,000	1,785,025	22	23
Other Revenue							
Interest and Dividend Income	10	1,215,218	645,176	1,021,175	554,941	88	84
Net Realised Gains		23,175	11,618	15,357	9,333	100	100
Net Fair Value Gains		30,711	10,930	31,844	7,057	181	351
Fee and Commission Income		73,848	37,783	10,996	7,832	95	40
Other Income		15,312	1,171	15,002	(79)	1,208	(19,090)
Total Other Revenue		1,358,264	706,678	1,094,374	579,084	92	89
Net Income		4,744,734	3,474,583	3,298,374	2,364,109	37	40
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,337,435)	(1,032,080)	(497,220)	(463,281)	30	7
Change in Contract Liabilities - Life Fund		(438,835)	(1,094,139)	(438,835)	(1,094,139)	(60)	(60)
Other Operating and Administration Expenses		(1,107,605)	(747,066)	(705,377)	(436,414)	48	62
Underwriting and Net Acquisition Costs		(474,987)	(344,862)	(385,372)	(259,572)	38	48
Finance and Other Insurance Related Costs		(28,801)	(27,487)	(27,154)	(19,911)	5	36
Total Benefits, Claims and Other Expenses		(3,387,663)	(3,245,634)	(2,053,958)	(2,273,317)	4	(10)
Profit Before Taxation		1,357,071	228,949	1,244,416	90,792	493	1,271
Income Tax Expense	11	(320,092)	(48,874)	(297,509)	(21,312)	555	1,296
Profit for the Period	12	1,036,979	180,075	946,907	69,480	476	1,263
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale Financial Assets		(218,131)	(459,027)	(142,384)	(416,627)	(52)	(66)
- Realised Gains transferred to Income Statement		-	-	-	-	-	-
- Amortisation of AFS reserve on reclassification		11,025	-	11,025	-	100	100
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		49,589	411,681	49,589	411,681	(88)	(88)
- Related Tax	11	7,575	4,240	-	-	79	-
Total Other Comprehensive Income for the Period, Net of Related tax		(149,942)	(43,106)	(81,770)	(4,946)	248	1,553
Total Comprehensive Income for the Period		887,037	136,969	865,137	64,534	548	1,241
Profit Attributable to:							
Equity Holders of the Company		1,036,979	180,075	946,907	69,480	476	1,263
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		887,037	136,969	865,137	64,534	548	1,241
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	6.91	1.20	6.31	0.46	476	1,263

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

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th September 2022		31st December 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	210,986	156,766	141,390	141,494
Right of Use Assets	371,507	34,865	362,336	32,812
Intangible Assets	55,409	4,385	57,839	5,341
Deferred Tax Assets	-	47,896	273,543	18,289
Financial Investments	27,700,528	4,815,627	24,667,102	4,426,983
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	410,121	-	403,452	-
Reinsurance Receivables	219,202	1,017,403	317,009	755,197
Premium Receivables	58,993	1,296,745	7,822	1,240,175
Other Assets	702,556	321,515	507,528	253,966
Insurance Contract - Deferred Expenses	-	165,460	-	157,710
Cash and Cash Equivalents	1,064,111	469,199	1,575,931	536,814
Total Assets	31,943,413	8,329,861	29,463,952	7,568,781
Liabilities				
Insurance Contract Liabilities - Life Insurance	23,297,701	-	20,342,757	-
Insurance Contract Liabilities - General Insurance	-	4,175,561	-	3,735,922
Employee Defined Benefit Liabilities	160,468	117,309	137,328	101,839
Current Tax Liabilities	84,002	45,225	19,871	42,297
Reinsurance Creditors	260,038	559,068	453,054	632,458
Lease Creditors	402,880	34,969	390,374	31,464
Other Liabilities	1,181,738	1,087,981	1,034,819	725,877
Bank Overdrafts	134,330	157,440	53,364	58,301
Total Liabilities	25,521,157	6,177,553	22,431,567	5,328,158

Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	30th September 2022		30th September 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	6,597,219	4,791,650	4,993,503	4,042,466
Premium Ceded to Reinsurers	(348,607)	(1,143,065)	(256,631)	(917,269)
Net Written Premium	6,248,612	3,648,585	4,736,872	3,125,197
Net Change in Reserves for Unearned Premium	-	(149,012)	-	(62,292)
Net Earned Premium	6,248,612	3,499,573	4,736,872	3,062,905
Other Revenue				
Interest and Dividend Income	2,643,176	459,394	1,729,883	266,213
Net Realised Gains	95,486	265,531	16,905	2,812
Net Fair Value (Losses)/ Gains	(30,575)	20,342	50,584	26,693
Fee and Commission Income	43,085	190,478	68,849	118,548
Other Income	15,625	1,795	2,213	10,012
Total Other Revenue	2,766,797	937,540	1,868,434	424,278
Net Income	9,015,409	4,437,113	6,605,306	3,487,183
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,583,120)	(2,448,672)	(1,188,563)	(1,748,841)
Change in Contract Liabilities - Life Fund	(3,023,350)	-	(3,056,156)	-
Other Operating and Administration Expenses	(1,731,959)	(1,211,439)	(1,172,278)	(973,004)
Underwriting and Net Acquisition Cost	(1,007,042)	(300,289)	(734,789)	(286,169)
Finance and Other Insurance Related Costs	(78,981)	(14,176)	(61,549)	(24,734)
Total Benefits, Claims and other Expenses	(7,424,452)	(3,974,576)	(6,213,335)	(3,032,748)
Profit Before Taxation	1,590,957	462,537	391,971	454,435
Income Tax Expense	(379,649)	(44,948)	(184,120)	(82,189)
Profit for the Period	1,211,308	417,589	207,851	372,246

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

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

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

b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 10th November 2022.

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

2 BASIS OF PREPARATION

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

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

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

2 a) Temporary Exemption for Application of SLFRS 09

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

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

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 30th Sep 2022	Audited 31st Dec 2021	Unaudited 30th Sep 2022	Audited 31st Dec 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	8,149,874	313,465	7,974,167	313,465
Loans and Receivables	13,111,749	20,246,541	10,397,902	16,953,973
Available for Sale Financial Assets	11,141,649	8,198,911	9,218,328	7,261,326
Financial Assets at Fair Value Through Profit or Loss	112,883	335,168	110,131	138,338
Total Financial Investments	32,516,155	29,094,085	27,700,528	24,667,102

3.1 Reclassification of Treasury Bond Portfolio From AFS to HTM Category

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

Description	Available For Sale (AFS) - Life Fund Rs. ('000)	Held to Maturity (HTM) - Life Fund Rs. ('000)
Carrying Value of Treasury Bonds Portfolio as at 01st April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds need to be reclassified	(2,659,168)	2,659,168
New Carrying Value of Treasury Bonds Portfolio as at 01st April 2022	2,737,862	3,787,140
AFS Reserve to be amortized to P&L over the remaining life of assets		(703,985)
Amortization recognized during the quarter		21,488

4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

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

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

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

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

6 RESTRICTED REGULATORY RESERVE

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

6a) Nature and Purpose of Reserve

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

Surplus created due to Change in Valuation Method

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

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

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

6c) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th September 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 / Carrying Value 30th Sep 2022 (Rs. '000)
As at,	
Term Deposits	383,149

6d) Distribution of One-off Surplus

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

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,		Group		Company	
		Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Life Insurance Fund	(Note 7a)	23,063,919	20,062,535	23,063,919	20,062,535
Claims Outstanding		233,782	280,222	233,782	280,222
Total Insurance Contract Liabilities		23,297,701	20,342,757	23,297,701	20,342,757

Notes to the Condensed Consolidated Interim Financial Statements

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
The Movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the Period	20,062,535	16,833,050	20,062,535	16,833,050
Surcharge Tax (Note 16)	(21,966)	-	(21,966)	-
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	4,123,350	4,229,356	4,123,350	4,229,356
Surplus Distributed to Shareholders	(1,100,000)	(980,000)	(1,100,000)	(980,000)
Increase in Life Insurance Fund	3,023,350	20,082,406	3,023,350	20,082,406
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(19,871)	-	(19,871)
Balance as at the end of the Period	23,063,919	20,062,535	23,063,919	20,062,535

7b) Valuation of the Life Insurance Contract Liabilities for the period ended 30th September 2022 was carried out by the Consultant Actuary, Mr. Abhishek Chadha, FIA, for and on behalf of Willis Towers Watson India Private Limited and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial Statements in line with the Actuarial Valuation. The Group has recognised a profit of Rs. 1,100 Million for the period ended 30th September 2022 (30th September 2021 - Nil) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary.

7c) 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 30th September 2022 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods. According to the Consultant Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 30th September 2022. No additional provision was required against the LAT as at 30th September 2022.

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Reserves for Net Unearned Premium	2,494,792	2,343,472	-	-
Reserves for Title Insurance	61,223	63,531	-	-
Reserves for Gross Outstanding Claims	1,619,546	1,328,919	-	-
Total Insurance Contract Liabilities	4,175,561	3,735,922	-	-

8a) Valuation of the IBNR/IBNER was carried by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 30th June 2022 for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary performs the valuation on semi-annual basis. Company's Chief Actuarial Officer has carried out the IBNR/IBNER valuation as at 30th September 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 is performed semi-annually. As at 30th June 2022, LAT was performed by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, HNB General Insurance Ltd adequately satisfies the LAT requirement. Further, Management is confident that no additional provision is required for LAT as at 30th September 2022.

Notes to the Condensed Consolidated Interim Financial Statements

9 GROSS WRITTEN PREMIUM

Group		Group		Company	
		Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
Audited 31st Dec 2021 Rs. '000	<i>For the Nine Months Ended,</i>				
Life Insurance					
6,962,285	Individual Policies	6,268,832	4,899,245	6,268,832	4,899,245
129,185	Corporate Policies	328,387	94,258	328,387	94,258
(54,769)	Adjustment for Inter Company Premiums	(30,169)	(38,538)	-	-
<u>7,036,701</u>	Gross Written Premium - Life Insurance	<u>6,567,050</u>	4,954,965	<u>6,597,219</u>	4,993,503
General Insurance					
759,119	Fire	703,571	574,810	-	-
3,865,286	Motor	3,150,356	2,828,348	-	-
81,874	Marine	83,577	42,704	-	-
942,299	Miscellaneous	854,146	596,604	-	-
(38,332)	Adjustment for Inter Company Premiums	(47,423)	(37,073)	-	-
<u>5,610,246</u>	Gross Written Premium - General Insurance	<u>4,744,227</u>	4,005,393	-	-
<u>12,646,947</u>	Total Gross Written Premium	<u>11,311,277</u>	8,960,358	<u>6,597,219</u>	4,993,503

Group		Group		Company	
		Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
<i>For the Three Months Ended,</i>					
Life Insurance					
	Individual Policies	2,167,036	1,846,946	2,167,036	1,846,946
	Corporate Policies	155,871	28,006	155,871	28,006
	Adjustment for Inter Company Premiums	(8,017)	(12,678)	-	-
	Gross Written Premium - Life Insurance	<u>2,314,890</u>	1,862,274	<u>2,322,907</u>	1,874,952
General Insurance					
	Fire	168,465	170,118	-	-
	Motor	1,175,660	1,094,466	-	-
	Marine	35,127	16,951	-	-
	Miscellaneous	153,863	115,942	-	-
	Adjustment for Inter Company Premiums	(1,167)	(3,476)	-	-
	Gross Written Premium - General Insurance	<u>1,531,948</u>	1,394,001	-	-
	Total Gross Written Premium	<u>3,846,838</u>	3,256,275	<u>2,322,907</u>	1,874,952

10 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
		Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
Audited 31st Dec 2021 Rs. '000	<i>For the Nine Months Ended,</i>				
2,545,483	Interest Income	2,991,494	1,873,657	2,532,170	1,607,546
9,791	Dividend Income	7,576	7,439	111,006	122,337
<u>2,555,274</u>	Total	<u>2,999,070</u>	1,881,096	<u>2,643,176</u>	1,729,883

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
	Interest Income	1,214,442	643,286	1,020,399
Dividend Income	776	1,890	776	1,889
Total	1,215,218	645,176	1,021,175	554,941

11 INCOME TAX EXPENSE

<i>For the Nine Months Ended,</i>	Group		Company	
	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
	(99,902) Income Tax Charge	(155,116)	(83,304)	(106,106)
26,750 Over/(Under) Provision of Income Taxes in respect of prior Period	-	-	-	-
(451,578) Deferred Income Tax - Recognised through Profit or Loss	(269,481)	(183,005)	(273,543)	(184,120)
(524,730) Total Tax charge in Profit or Loss	(424,597)	(266,309)	(379,649)	(184,120)
Deferred tax related to items charged or credited directly to other comprehensive income				
Deferred tax on net change in debt instruments				
8,729 categorised under Available for Sale	25,546	13,626	-	-
(4,041) Deferred tax on actuarial gain/(loss) on defined benefit plans	-	-	-	-
4,688 Total Tax charge in Other Comprehensive Income	25,546	13,626	-	-

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
	Income Tax Charge	(129,932)	(28,553)	(106,106)
Deferred Income Tax - Recognised through Profit or Loss	(190,160)	(20,321)	(191,403)	(21,312)
Total Tax charge in Profit or Loss	(320,092)	(48,874)	(297,509)	(21,312)
Deferred tax on net change in debt instruments				
categorised under Available for Sale	7,575	4,240	-	-
Total Tax charge in Other Comprehensive Income	7,575	4,240	-	-

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.

Proposed Changes to Income Tax Rates

The Government has published a Bill on 11th October 2022 to amend the Inland Revenue Act, No 24 of 2017 as amended by the Inland Revenue (Amendment) Act, No 10 of 2021 in order to implement the recent tax proposals made by the Government.

As per the proposed Bill income tax rates applicable to Company and Subsidiary will be increased from 24% to 30% with effect from 01st October 2022. The proposed changes are yet to be formally approved and enacted by the Parliament. However, once formal amendments are made to the Act, the new income tax rate of 30% will be applicable to Company/Subsidiary

Recoverability of Deferred Tax Assets

As per Section 67 of Inland Revenue Act No. 24 of 2017 which came in to effect on 1st April 2018, the Company was eligible to claim its brought forward tax losses against its taxable income within a period of 6 years commencing 1st April 2018. Accordingly a Deferred tax asset of Rs. 1,454.5 Million was recognised during the year of 2018 arising from brought forward tax losses as at 31st March 2018 after assessing the availability of future taxable profits. However, as at 30th September 2022, company utilised total

Notes to the Condensed Consolidated Interim Financial Statements

amount of brought forward tax losses against taxable income and there are no tax losses or deferred tax assets recorded as at the reporting date. Further, Company has charged an income tax expense for the period since brought forward tax losses are not available for recoverability. Accordingly Company has charged Rs. 379.54 Million as total tax expense comprising Rs. 273 Million of deferred tax reversal and Rs. 106 Million as current tax expenses.

12 PROFIT FOR THE PERIOD

Audited 31st Dec 2021 Rs. '000	<i>For the Nine Months Ended,</i>	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
Company - HNB Assurance PLC			
980,000	Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	1,100,000	-
472,211	Profit from Life Shareholders' Fund	490,957	391,971
(451,712)	Income Tax and Deferred Tax Expense	(379,649)	(184,120)
1,000,499	Profit for the Period	1,211,308	207,851
Subsidiary - HNB General Insurance Ltd			
411,167	Profit Before Tax	462,537	454,435
(73,018)	Income Tax and Deferred Tax Expense	(44,948)	(82,189)
338,149	Profit for the Period	417,589	372,246
(115,000)	Elimination of Intercompany Dividend	(103,500)	(115,000)
<u>1,223,648</u>	Profit for the Period - Group	<u>1,525,397</u>	<u>465,097</u>

For the Three Months Ended,

<i>For the Three Months Ended,</i>	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
Company - HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	1,100,000	-
Profit from Life Shareholders' Fund	144,416	90,792
Income Tax and Deferred Tax Expense	(297,509)	(21,312)
Profit for the Period	946,907	69,480
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	112,656	138,156
Income Tax and Deferred Tax Expense	(22,584)	(27,561)
Profit for the Period	90,072	110,595
Elimination of Intercompany Dividend	-	-
Profit for the Period - Group	<u>1,036,979</u>	<u>180,075</u>

13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

Group Audited 31st Dec 2021	<i>For the Nine Months Ended,</i>	Group		Company	
		Unaudited 30th Sep 2022	Unaudited 30th Sep 2021	Unaudited 30th Sep 2022	Unaudited 30th Sep 2021
1,223,648	Profit for the Period (Rs. '000)	1,525,397	465,097	1,211,308	207,851
150,000	Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
<u>8.16</u>	Basic and Diluted Earnings Per Share (Rs.)	<u>10.17</u>	<u>3.10</u>	<u>8.08</u>	<u>1.39</u>

Notes to the Condensed Consolidated Interim Financial Statements

	Group		Company	
	Unaudited 30th Sep 2022	Unaudited 30th Sep 2021	Unaudited 30th Sep 2022	Unaudited 30th Sep 2021
<i>For the Three Months Ended,</i>				
Profit for the Period (Rs. '000)	1,036,979	180,075	946,907	69,480
Weighted average number of shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	6.91	1.20	6.31	0.46

14 RELATED PARTY DISCLOSURES

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

Transactions	Group		Company	
	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
<i>For the Nine Months Ended,</i>				
Insurance Premium	100,383	52,073	31,131	-
Claims Incurred	20,889	10,866	500	-
Investment Income	227,027	63,625	153,211	46,569
Administration Expenses	357,462	256,142	259,143	177,657
Rent and Other Operational Expenses	14,052	11,151	8,448	6,853
Dividend Paid	287,933	251,941	287,933	251,941

Outstanding Balances	Group		Company	
	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
<i>As at,</i>				
Investments Balance (Includes Deposits and Debentures)	1,141,050	1,008,586	623,928	650,501
Cash at Bank Balances	264,585	448,493	168,170	279,857
Premium Receivable	165	65	-	-
Administration Expenses Payable	56,120	64,422	36,667	49,278
Rent and Other Operational Expenses Payable	485	433	324	245

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

Transactions	Unaudited	Unaudited
	30th Sep 2022 Rs. '000	30th Sep 2021 Rs. '000
<i>For the Nine Months Ended,</i>		
Insurance Premium	30,169	38,538
Insurance Expenses	47,423	37,073
Claims Received	271	1,501
Claims Paid	15,200	5,000
Reimbursement Expenses Relating to Employees	78,891	69,306
Other Reimbursement Expenses	161,877	135,434
Fund Management Fee	11,145	10,405
Profit Commission Expense	9,488	14,616
Dividend Received	103,500	115,000
<i>Outstanding Balances</i>	Unaudited	Unaudited
<i>As at,</i>	30th Sep 2022 Rs. '000	31st Dec 2021 Rs. '000
Receivable from HNB General Insurance Ltd	24,004	13,548

Notes to the Condensed Consolidated Interim Financial Statements

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

Name of the Company	Transactions	Group		Company	
		Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
<i>For the Nine Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	15,471	10,998	-	-
HNB Finance PLC	Insurance Premium	76,965	10,058	58,995	-
	Claims Incurred	645	876	-	-
	Administration Expenses	6,137	4,279	47	51
	Interest Income	24,010	17,967	24,010	17,967
Name of the Company	Outstanding Balances	Group		Company	
As at,		Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
HNB Finance PLC	Investment in Term Deposits	134,594	175,434	134,594	175,434
	Investment in Debentures	137,432	125,090	137,432	125,090
	Cash at Bank Balances	87	139	87	139
	Premium Receivable	46,758	9,506	45,053	-
	Administration Expenses Payable	1,508	2,192	13	26

14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
<i>For the Nine Months Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	579	490	-	(3)
	Claims incurred	378	2,466	-	2,000
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	4,011	2,442	-	-
	Claims incurred	56	345	-	-
Acuity Securities Ltd	Insurance Premium	2,697	464	-	-
	Claims incurred	2,675	413	-	-
	Custodian Fee	185	348	152	277
	Investment Income from REPO	135,799	96,236	119,367	75,988
Name of the Company	Outstanding Balances	Group		Company	
As at,		Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 30th Sep 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Acuity Partners (Pvt) Ltd	Premium Receivable	45	307	-	-
	Premium Receivable	3,926	188	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	-	284	-	-
Acuity Securities Ltd	Investment In REPO	1,666,155	2,718,453	1,150,307	2,296,523

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

Transactions	Unaudited 30th Sep 2022 Rs. '000	Unaudited 30th Sep 2021 Rs. '000
<i>For the Nine Months Ended,</i>		
Director Fee	18,280	17,745
Short-term and Post Employment Benefits	48,248	54,823
Insurance Premium	3,186	2,428
Claims Paid including Maturities	1,961	-

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

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 30th September 2022. The deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The Sri Lankan Rupee (LKR) has depreciated notably against USD, bringing the exchange rate to Rs. 359.16 per USD as at 30th September 2022. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties and the Group continues to monitor its effects on financial statements under various stressed scenarios.

Country continues to experience an escalation in the inflation. Interest rates also have increased significantly in the recent past and if inflation continues to increase, it may cause interest rates to move upwards. The Group and Company, being in the Insurance sector, will have a positive impact from investments while inflation will have a negative impact on our expenses.

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

16 Surcharge Tax

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

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

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

17 EVENTS OCCURRING AFTER THE REPORTING DATE

Retirement from the Board of Directors

Mrs. Siromi Noelle Wickramasinghe, a Non Independent / Non Executive Director of HNB Assurance PLC has retired from being a Director of HNB Assurance PLC w.e.f. 02nd October 2022.

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

Notes to the Condensed Consolidated Interim Financial Statements

18 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 206.15 Million for purchase of computer software and other equipment (2021 - Rs. 49.1 Million for the purchase of computer software, computer hardware and other equipment).

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

19 CONTINGENCIES

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

Notes to the Condensed Consolidated Interim Financial Statements

19b)) The Company received five Notices of Assessment on VAT and NBT on Financial Services for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015, 01.01.2016 to 31.12.2016, 01.01.2017 to 31.12.2017 and 01.01.2018 to 31.12.2018. Further, subsidiary Company HNB General Insurance Limited also received a Notice of Assessment for the taxable period 01.01.2018 to 31.12.2018. Company and Subsidiary have duly appealed for all assessments as the Group's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs.Mn)	Penalty (Rs.Mn)	Total (Rs.Mn)
HNB Assurance PLC						
2014.01.01-2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT NBT	21.06 N/A	10.53 N/A	31.59 N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT NBT	17.55 2.83	12.98 1.41	30.53 4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT NBT	24.86 4.01	12.43 2.00	37.29 6.01
2017.01.01-2017.12.31	2022.01.18	Pending decision from Commissioner General of Inland Revenue	VAT NBT	42.56 N/A	21.28 N/A	63.84 N/A
2018.01.01-2018.12.31	2022.01.21	Pending decision from Commissioner General of Inland Revenue	VAT NBT	65.91 N/A	32.95 N/A	98.86 N/A
Total - HNB Assurance PLC				178.78	93.58	272.36
HNB General Insurance Limited						
2018.01.01-2018.12.31	2022.04.26	Pending decision from Commissioner General of Inland Revenue	VAT NBT	10.41 N/A	5.20 N/A	15.61 N/A
Total - HNB General Insurance Limited				10.41	5.20	15.61
Total - Group				189.19	98.78	287.97

19c) The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, and 2018/2019. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. Subsidiary Company HNB General Insurance Limited also received a Notice of Assessment for the taxable period 01.01.2018 to 31.12.2018 for which the subsidiary Company duly appealed in consultation with its tax Consultant. However, the management and the Company's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

19d) The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, Company has not received any communication from IRD yet. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 457.68 Million on VAT returns filed and the subsidiary has duly appealed against the assessments. As an outflow of resources is not expected, no provision is made in the Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder

	30th September 2022	
	Shareholding	% on Issued Shares
01 Hatton National Bank Plc A/C No 1	89,979,000	59.99
02 Ceylon Guardian Investment Trust Plc A/C # 02	7,018,794	4.68
03 Employees Trust Fund Board	3,942,964	2.63
04 Ceylon Investment Plc A/C # 02	1,712,174	1.14
05 Mr. M.F. Hashim	1,634,167	1.09
06 Mrs. A. Kailasapillai	1,500,000	1.00
07 Mrs. A. Selliah	1,500,000	1.00
08 Arunodhaya Investments (Private) Limited	1,350,000	0.90
09 Arunodhaya Industries (Private) Limited	1,350,000	0.90
10 Arunodhaya (Private) Limited	1,350,000	0.90
11 Rubber Investment Trust Ltd A/C No 01	1,337,058	0.89
12 Andysel Private Limited	750,000	0.50
13 Corporate Holdings (Private)Limited A/C No.01	735,309	0.49
14 Seylan Bank Plc/Janashakthi Capital Limited	627,841	0.42
15 Mr. V. Sharda	609,000	0.41
16 Dr. S. Selliah	600,000	0.40
17 Corporate Holdings(Pvt)Ltd A/C No.02	573,969	0.38
18 Suktam Holdings (Pvt) Ltd	526,302	0.35
19 Guardian Fund Management Limited/The Aitken Spence And Associated Companies Executive Staff Provident Fund	510,000	0.34
20 Mr. A.A.A. Rifkee	500,000	0.33
20 Commercial Bank Of Ceylon Plc/Janashakthi Capital Limited	500,000	0.33

Public Shareholding

	30th Sep 2022
* Float Adjusted Market Capitalisation (Rs.)	2,095,065,245
Percentage of Shares held by the Public	35.270%
Number of Public Shareholders	4,524

The Company complies the minimum public Shareholding requirement under option 5 of section 7.14.1 (a) of the Listing Rules.

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

Share Information (Contd.)

Shareholdings of Directors and Chief Executive Officer

Name	No. of Shares 30th Sep 2022
Mrs. M A R C Cooray	112,624
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe*	96,150
Dr. S Selliah	600,000
Mr. D R Abeysuriya	5,000
Mr. L U D Fernando	Nil
Mr. S A Chapman	500
Mr. A 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

*Mrs. S N Wickramasinghe retired with effect from 02nd October 2022.

Number of Shares

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

Share Performance

	Rs.
Net Asset Value Per Share as at 30th September 2022 - Group	49.50
Net Asset Value Per Share as at 30th September 2022 - Company	42.82
Net Asset Value Per Share as at 30th September 2022 without Restricted Regulatory Reserve - Group	46.96
Net Asset Value Per Share as at 30th September 2022 without Restricted Regulatory Reserve - Company	40.27
Highest Price Per Share for the Interim Period	42.80
Lowest Price Per Share for the Interim Period	31.50
Last Traded Price Per Share as at 30th September 2022	39.60