

Through Every

LENS



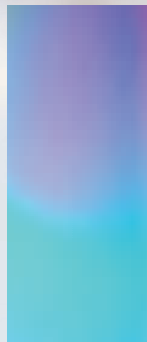
Through Every

LENS

In a world shaped by diverse experiences and perspectives, it's important to view life through various lenses. That's why at HNB Assurance, we are structured to add value to the lives of our stakeholders, even going beyond the traditional scope of business. By understanding and addressing the unique needs of our society, we not only provide stability, but actively invest in initiatives that support environmental sustainability and social welfare.

As one of the fastest-growing insurance providers in Sri Lanka, this year we expanded our product offerings to include comprehensive protection and livelihood cover, giving everyone the opportunity to thrive. A host of meaningful projects kept our social and environmental commitment strong, improving lives across the nation. With fresh ideas and new perspectives, we will continue to deliver better results, bracing for the challenges of today and tomorrow.

Because through every lens,
we see the potential for a more bountiful future.



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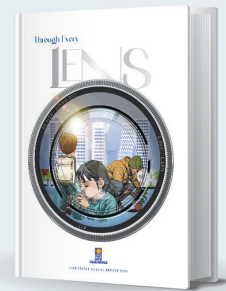
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ABOUT THE REPORT

We present our 13th Integrated Annual Report, showcasing the execution of our integrated strategy focused on sustainable value creation. This report is prepared in accordance with the International Integrated Reporting Framework (<IR> Framework) and meets the requirements of the Global Reporting Initiatives Sustainability Reporting Standards (GRI Standards).



SCOPE AND BOUNDARY

This report covers both the financial and non-financial performance of HNB Assurance PLC and its wholly-owned subsidiary, HNB General Insurance Limited, for the financial year ending 31st December 2024. It follows the previous report for the year ended 31st December 2023, with comparative data provided where relevant.

During this reporting period, no significant changes to the organisation structure or ownership took place. Further, there were no changes in reporting or restatement to the previously reported information.

REPORTING FRAMEWORKS AND PRINCIPLES

Financial Reporting

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

Integrated Reporting

- International Integrated Reporting <IR> Framework

Sustainability Reporting

- Global Reporting Initiative Sustainability Reporting Standards
- Sustainable Development Goals (SDGs) of United Nations
- Sustainable Accounting Standards by Sustainability Accounting Standards Board
- Sustainability Guide of Colombo Stock Exchange
- Gender Parity Reporting issued by CA Sri Lanka
- Sri Lanka Sustainability Disclosure Standards
 - We are currently assessing the criteria of SLFRS S1 and SLFRS S2 standards, aiming for a comprehensive alignment to adhere to them in our reporting by 2025

Corporate Governance

- Code of Best Practices on Corporate Governance 2023 issued by CA Sri Lanka
- Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka
- Listing Rules of the Colombo Stock Exchange (CSE)

ASSURANCE

External Assurance has been obtained from Messrs KPMG, the Independent Auditors of the Group on the Financial Statements with resulting notes and the Integrated Report.

TARGETED READERS AND AVAILABLE MEDIUMS

This report is primarily designed to provide comprehensive information to our shareholders, while also addressing the interests of other key stakeholders, including regulators, employees, customers, business partners, and the broader community, with a focus on our value creation processes.

This Report is available in multiple mediums and formats to meet communications requirements of our diverse stakeholder groups. Online Version of the Annual Report is available on Company Website and CSE and as one of our eco-friendly practices we have printed only a limited number of copies. Sinhala and Tamil Translations of Chairman's Message, Chief Executive Officer's Review and Financial Statements are available on request.



Print - Available on request



Online - Available in PDF format at www.hnbassurance.com



GUIDING PRINCIPLES

Strategic Focus and Future Orientation

The objective of this report is to provide transparent insights into how we execute our strategy to create value over the short, medium, and long term.

Connectivity of information

This report provides a comprehensive overview of the interconnections, dependencies, and relationships among the key factors that drive and influence our value creation process.

Stakeholder relationships

This report provides insight into the nature and quality of our relationships with the key stakeholders.

Materiality

Included in this report is a list of material factors that impact the sustainable value creation process, along with an explanation of the method used to determine materiality.

Conciseness

The use of both text and visual illustrations in this report aims to improve readability and comprehension.

Reliability and Completeness

The information provided has been verified by the Board of Directors, Audit Committee, Other Board Sub-Committees and Executive Committee as applicable.

Consistency and Comparability

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

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements based on our current perceptions, opinions, and views based on both external and internal information. These statements aim to assess the Group's potential for future value creation. However, these statements are subject to inherent uncertainties, as they pertain to future events, outcomes, and impacts beyond our control, which can only be confirmed in hindsight. These uncertainties could affect the process of value creation. We advise users to consider the impact of these uncertainties on our forward-looking statements, given the fluid nature of the markets and the extreme volatility of key economic indicators. Users are encouraged to form their own judgments using the latest information available at the time of assessment. It is important to note that all forward-looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report, considering the uncertainties mentioned above.

Forward any feedback to,

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Board Secretary
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NAVIGATING OUR REPORT

CAPITALS



Financial Capital



Human Capital



Manufactured Capital



Social and Relationship Capital



Intellectual Capital



Natural Capital



Digital Capital

STAKEHOLDERS



Customers



Communities



Employees



Shareholders



Business Partners



Government & Regulator

STRATEGIC PILLARS



Sales Force Expansion



Exceptional Customer Experience



Technological Transformation



Fund Management



Passionate Human Capital



Remarkable Brand



Comprehensive Product Suite





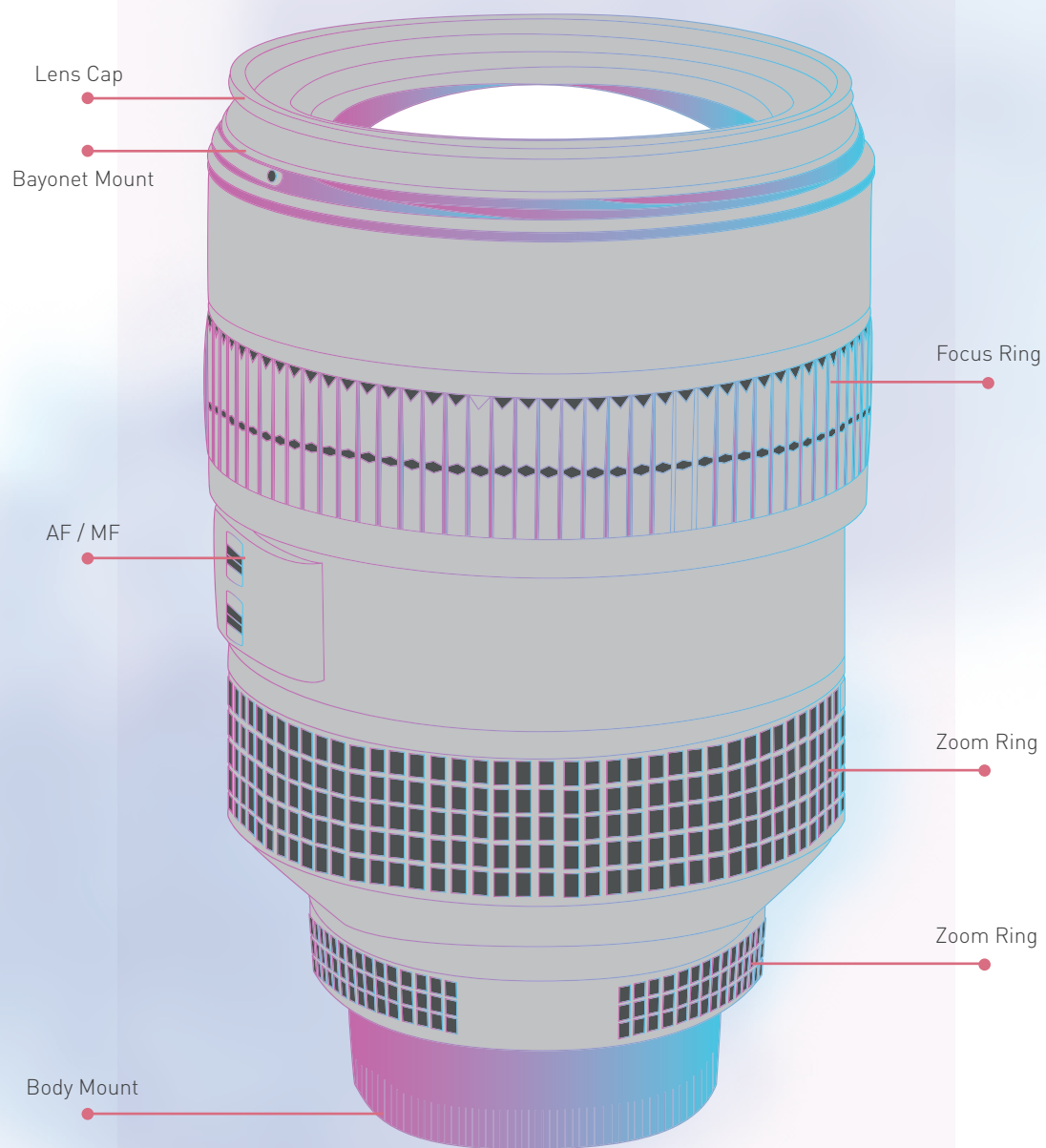
Through All Things

At HNB Assurance, we appreciate that life is made up of surprises, and go the extra mile to ensure that we are ready to face them all. Our every decision and operation is enshrined in our objective to better the lives of all Sri Lankans, and to be the hand of guidance and protection in an ever-changing world.



ABOUT HNB ASSURANCE GROUP

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VISION

To be Sri Lanka's most admired and trusted partner in meeting insurance needs professionally with a spirit of caring



PURPOSE

Strengthening every step of your life



MISSION

Working together with a passion for excellence and a team spirit none can match, to provide innovative, customised solutions, exploring opportunities beyond conventional boundaries



VALUES

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

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

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





OUR JOURNEY TO 2024

2001

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

2003

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

2007

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

2009

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

2011

Adjudged the Joint Winner of the Bronze award for Overall Excellence in Annual Financial Reporting.

We made a successful Rights Issue of 6.25 Million shares to meet future regulatory requirements.

2013

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



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

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





2015

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

2017

Another unique feat to add to our hallmark of fame: Gold Award for 'Takaful Window / Unit of the Year' for HNB General Insurance Takaful unit at the Islamic Finance Forum of South Asia.

2020

HNB Assurance PLC and subsidiary HNB General Insurance Limited obtained the Great Place to Work® certification and were accredited among the Top 40 Great Places to Work in Sri Lanka.

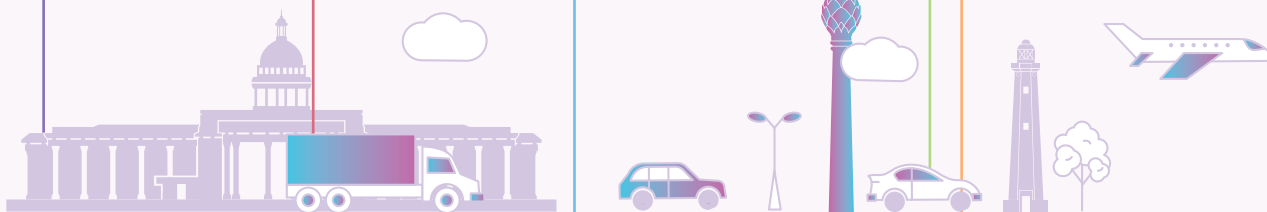
We made a sub-division of our ordinary shares on 1:3 basis, increasing the ordinary shares in issue from 50,000,000 to 150,000,000 with no increase in the stated capital.

2021

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

2022

HNB Assurance PLC debuted at the "70 Best Workplaces in Asia™ 2022" listing becoming the only insurance company in Sri Lanka to have received this recognition.

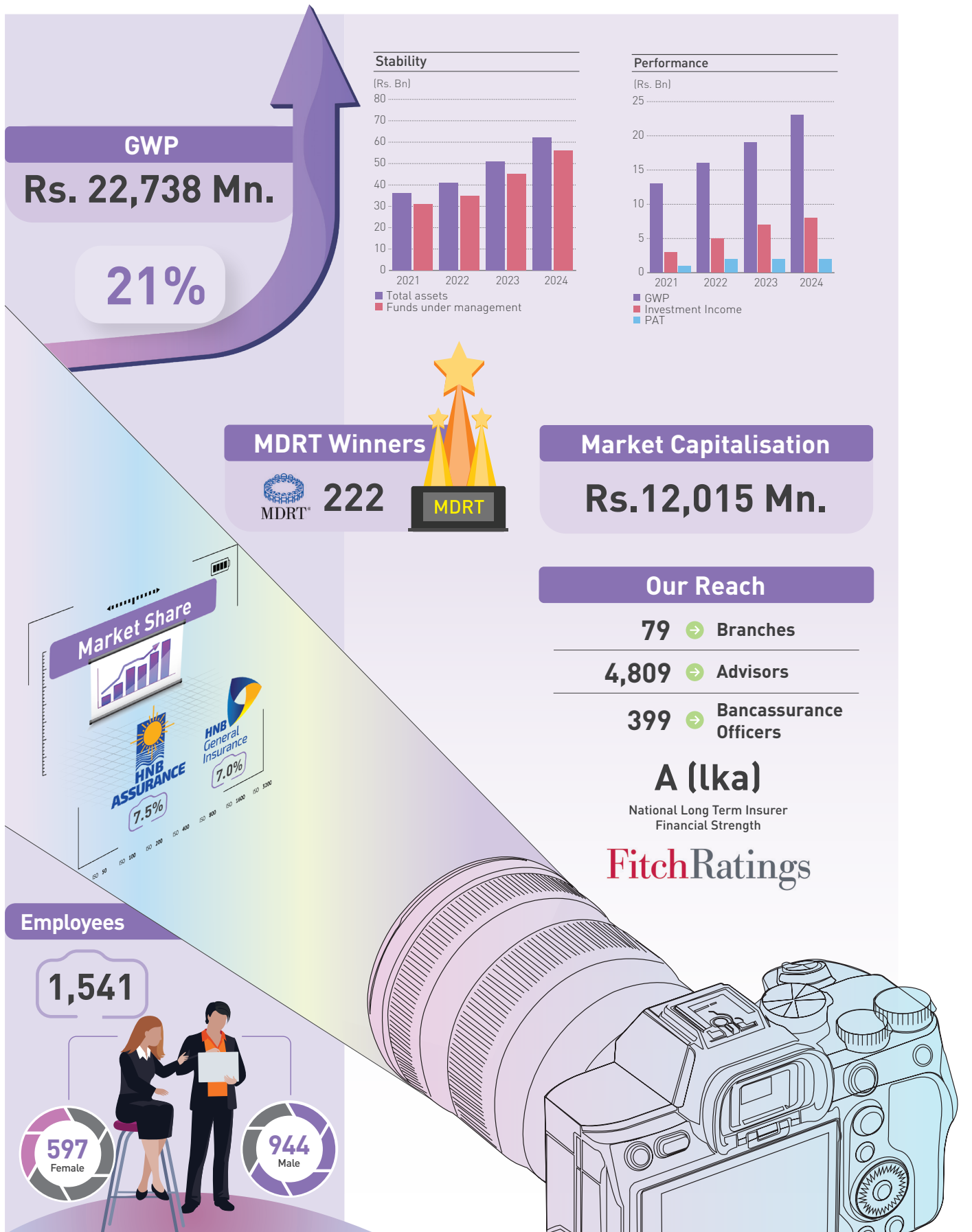


From winning top awards for our people, training, brand and quality excellence to investing in cutting-edge systems, 2024 was a year of unprecedented growth for HNB Assurance, raising the bar higher than ever before.



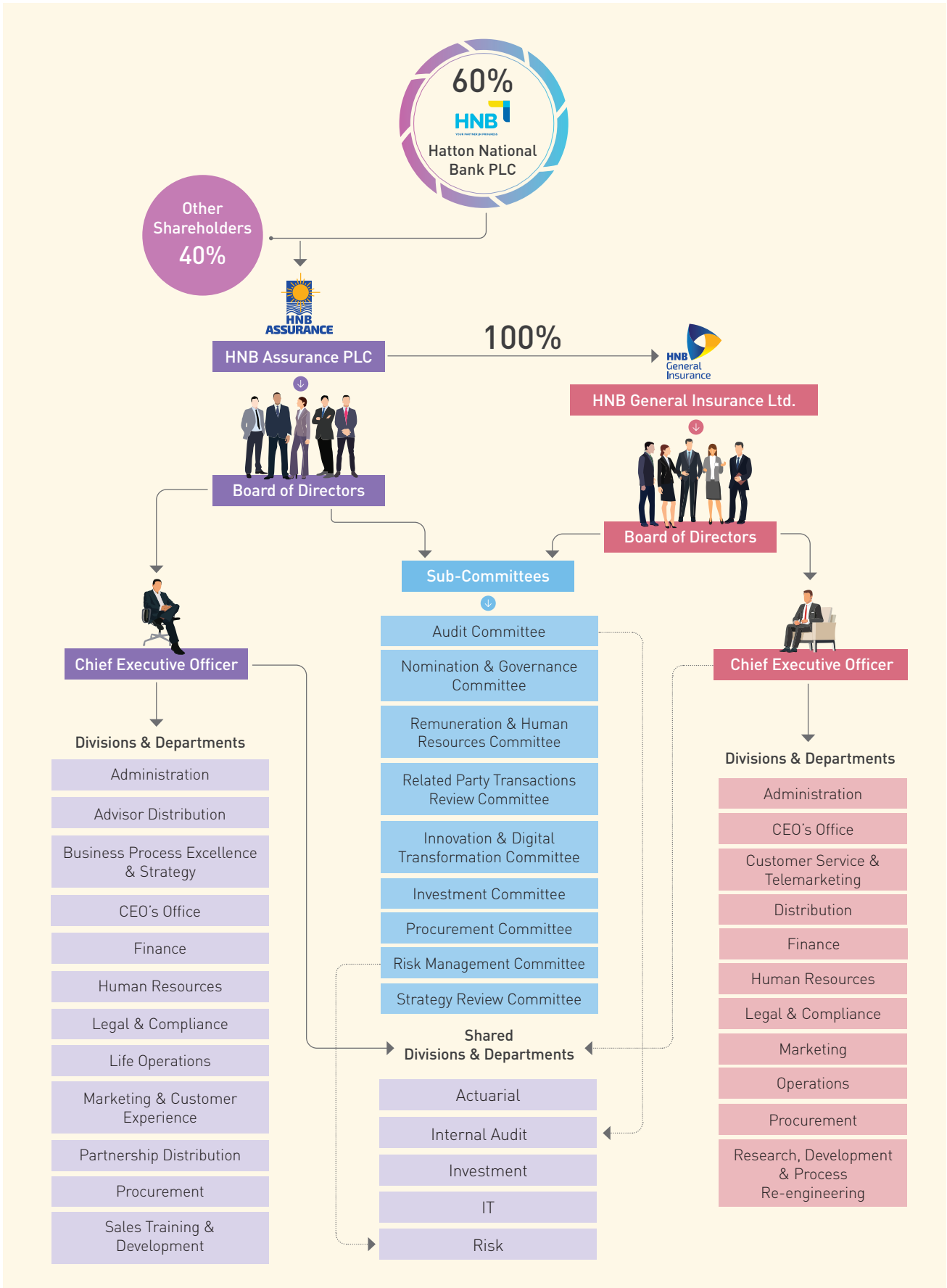


THE GROUP AT A GLANCE





ORGANISATION STRUCTURE





GROUP PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Units	2024	2023	2022	Change 2024
Financial Performance					
Gross Written Premium (GWP)	Rs. Mn.	22,738	18,760	15,638	21%
Investment Income	Rs. Mn.	7,727	7,236	4,865	7%
Profit After Tax	Rs. Mn.	1,897	1,765	1,831	7%
Funds Under Management	Rs. Mn.	55,288	44,507	35,392	24%
Market Capitalisation	Rs. Mn.	12,015	8,490	6,435	42%
Returns to Investors					
Return on Equity	%	17%	20%	23%	(3%)
Earnings per Share	Rs.	12.65	11.76	12.2	7%
Dividends per Share	Rs.	3.90	3.90	3.65	0%
Market Price per Share	Rs.	80.10	56.60	42.90	42%
P/E Ratio	Times	6.33	4.81	3.52	32%
Life Insurance					
Market Share	%	7.5%	7.2%	6.5%	0.3%
Gross Written Premium (GWP)	Rs. Mn.	13,710	10,923	8,911	26%
Life Fund	Rs. Mn.	38,337	30,676	24,364	25%
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	379%	339%	306%	40%
New Policies	Count	59,154	44,188	39,934	34%
Branches	Count	70	69	64	1%
Lapse Ratio (1st Year)	%	42%	50%	48%	(8%)
Premium Persistency Ratio (1st Year)	%	80%	82%	82%	(2%)
Claim Ratio (with maturities)	%	23%	26%	26%	(3%)
Claim Ratio (without maturities)	%	10%	12%	11%	(2%)
Expense Ratio	%	54%	53%	47%	1%
General Insurance					
Market Share	%	7.0%	6.6%	5.9%	0.4%
Gross Written Premium (GWP)	Rs. Mn.	9,122	8,036	6,821	14%
General Technical Reserve	Rs. Mn.	4,507	4,694	4,182	(4%)
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	219%	208%	239%	11%
New Policies	Count	91,329	72,029	65,122	27%
Branches	Count	57	57	57	0%
Claim Ratio	%	67%	73%	72%	(5%)
Expense Ratio	%	41%	39%	38%	2%
Combined Ratio	%	108%	111%	110%	(3%)
Distribution of Economic Value Added					
Employees	Rs. Mn.	2,937	2,475	2,041	19%
Business Partners	Rs. Mn.	2,940	2,283	1,880	29%
Policyholders	Rs. Mn.	7,680	6,333	4,340	21%
Shareholders	Rs. Mn.	585	585	548	0%
Government	Rs. Mn.	835	737	288	13%
Communities	Rs. Mn.	6	4	4	43%
Retained in Business	Rs. Mn.	1,914	1,529	1,853	25%



NON-FINANCIAL HIGHLIGHTS

	Units	2024	2023	2022	Change 2024
Human Capital					
Employees					
Employees	Count	1,541	1,453	1,328	6%
GWP per Employee	Rs. Mn.	14.76	12.91	11.78	14%
Profit per Employee	Rs. Mn.	1.23	1.21	1.38	1%
Training hours per Employee	Hours	17.39	10.15	12.82	71%
Employee Turnover	%	24%	23%	22%	1%
Business Partners					
Advisors	Count	4,809	5,151	3,989	(7%)
Commissions Paid	Rs. Mn.	2,287	1,790	1,495	28%
Brokers	Count	70	67	65	4%
Assessors	Count	54	61	69	(11%)
Acquisition cost as a % of GWP	%	12%	12%	12%	[0%]
Customers					
Claims and Benefits	Rs. Mn.	6,711	6,666	5,579	1%
% of Customer Complaints Settled	%	97%	90%	90%	7%
Bonus for Participatory Policyholders	Rs. Mn.	62	68	57	(9%)
Rate of Dividend for Non-participatory Policyholders	%	8.0%	9.0%	8.5%	(1%)
Community					
Micro Insurance Policies	Count	24,803	8,005	4,583	210%
School Water Projects Completed During the Year	Count	4	4	4	0%
Investment in CSR Activities	Rs. Mn.	6	4	3	59%
Shareholder Value					
Capital Expenditure	Rs. Mn.	382	424	236	(10%)
New Products	Count	3	3	1	0%
Investment in Digital Capital	Rs. Mn.	763	683	334	12%
Environment					
Fuel Consumption	Liters	1,513,327	1,247,980	858,664	21%
Electricity Consumption	Units	2,041,445	1,582,469	1,409,737	29%
Paper Recycled	kg	5,003	13,376	12,958	(63%)
GHG Emission	tCO2e	5,315	N/A	N/A	-



OUR COMMITMENT TOWARDS A SUSTAINABLE FUTURE

We have embedded sustainability into our business strategy, not merely as a responsible and ethical decision but as a strategic imperative for achieving long-term success in a rapidly evolving business landscape. As the world faces the impacts of climate change, demographic shifts, social and economic inequalities, and rapid technological advancements, industry stakeholders increasingly emphasise the corporate responsibility to adopt sustainable practices. This growing awareness reinforces our commitment to sustainable business practices as a critical driver for creating enduring value for our stakeholders.

Listed below are our efforts towards creating an equitable society and a more sustainable environment, aligned with the objectives outlined in the United Nations Sustainable Development Goals (UNSDGs).

More information about our sustainability efforts is given under the 'Fulfilling our Social Responsibility' section on page 93 of this report.



Over **550,000** Life Insurance policies.

145,470 General Insurance Motor covers.

614 ex-gratia claims paid.

24,803 Micro Insurance policies with one Group Micro Insurance policy.



Offered **11** medical insurance riders.

Settled medical claims totalling **Rs. 1,778 million**.

Invested **Rs. 6 million** in CSR projects.

Installed **78** water purification systems since the project's inceptions.



Organised **5** regional health camps.

Refurbished, donated equipment and stationary to a deserving school.

Conducted **4** workshops and seminars to improve financial literacy within the community.



Provided **9,630** hybrid vehicle policies and **269** electric vehicle policies.

Cleared **30** hectares of the Lunugamvehera National Park.





AWARDS AND ACCOLADES



HNBA Group

1. SLITAD People Development Awards 2023/24 – Silver Award Winner (Sri Lanka Institute of Training & Development) - HNBA
2. The Only A Rated Life Insurance Company in Sri Lanka Rated 'A (lka)' by Fitch Ratings Lanka
3. Our Annual Report themed 'A Dependable Force' bagged the Gold Award under the Insurance: Life & Health Category at the 2024 International ARC Awards, NY.
4. Dragons of Sri Lanka 2024 - Best Small Awareness Campaign
5. Dragons of Sri Lanka 2024 - Best Brand Building and/or Awareness Campaign
6. SLIM National Sales Awards:
 - National Sales Manager category – Silver Award
 - Territory Manager category – Gold Award
 - Territory Manager category – Merit Award
7. Great Place to Work 2023/24
8. HNB Assurance secured a prestigious Gold Award at the International Convention on Quality Control Circles. (ICQCC)
9. Most Outstanding Mom-Inclusive Workplace – HNB Assurance
10. Best Life Bancassurance Provider 2024 - Awarded by Global Banking and Finance Review
11. National Business Excellence Award 2024 – Runner-up in the General Insurance category
12. Best General Bancassurance Provider Sri Lanka 2024 – Awarded by Global Banking & Finance Review
13. Companies with Great Managers (Colombo Leadership Academy 2023)
14. AICPA & CIMA Women-Friendly Workplace Award 2024
15. Gold Award (National Convention on Quality and Productivity 2024)
16. HNB Assurance 'Sinha Rave' AR filter game was shortlisted at Mob-Ex Awards 2024 as a finalist under the Best Use of Interactive Media / AR & VR category
17. SLITAD People Development Awards 2023/24 - HNBGI
18. Takaful Window / Unit of the Year 2023/2024 – Awarded by Sri Lanka Islamic Banking & Finance Industry Awards
19. "Dola Duka Delivery" campaign was shortlisted as a finalist at the Drum Awards for Marketing in the APAC region. Going head-to-head with global brands, this recognition certainly underlines our commitment to innovative marketing and the impactful solutions we bring to our customers



INDEPENDENT EXTERNAL ASSURANCE



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INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF HNB ASSURANCE PLC

We have been engaged by the Directors of HNB Assurance PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31st December 2024 (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

BASIS FOR CONCLUSION

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

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

OUR CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

Limited Assurance Integrated Report

Based on the evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements that causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2024, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

BOARD OF DIRECTORS AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors and Management are responsible for:

- Determining that the criteria is appropriate to meet the needs of intended users, being the Company's members and any other intended users.
- Preparing and presenting of the Integrated Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice

- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company's Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information;
- Design and implementation of internal controls that the Company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Processes to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the Integrated Report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.
- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

OUR RESPONSIBILITY

Our responsibility is to perform an external assurance engagement in relation to the Integrated Report and to

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Ms. P.M.K. Sumanasekara FCA

T. J. S. Rejakerier FCA
W. K. D. C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D Corea Dharmaratne



issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

The firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

LIMITED ASSURANCE ON THE INTEGRATED REPORT

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders,

how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.

3. Reviewing the description of the Company's strategy and how the Company creates value in the Integrated Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Integrated Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.
6. Reviewing Board minutes to ensure consistency with the content of the Integrated Report.
7. Reading the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated 18 February 2025 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

LIMITATIONS OF OUR REVIEW

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

Chartered Accountants

Colombo
18th February 2025



CHAIRMAN'S MESSAGE



Stuart Chapman
Chairman

HNBA Group's Gross Written Premium (GWP) grew by 21% to Rs. 22.7 billion, from Rs. 18.8 billion the previous year driven by the collective efforts of our exceptional team, the trust our customers have placed in us, and our ability to adapt to the dynamic business landscape. The Group recorded a consolidated Profit After Tax exceeding Rs. 1.8 billion with a 7% growth compared to the previous year.

As we reflect on FY 2024 and envision the future, I am extremely proud of HNB Assurance (HNBA) PLC's continued progress and unflinching resilience.

Sri Lanka's economic landscape shifted from crisis to recovery in 2024, driven by reforms and international support, leading to an upgrade in the country's credit rating. Navigating these evolving conditions with strategic foresight and resilience, we have not only sustained our solid financial performance but have solidified our position as the sole

Fitch 'A' rated life insurance provider in Sri Lanka, a testament to our robust business model amidst significant economic headwinds. Complementing this strength, HNB General Insurance (HNBGI) is one of the few 'A' rated General Insurance companies in Sri Lanka. Moreover, in the year under review, HNBA Group's Gross Written Premium (GWP) grew by 21% to Rs. 22.7 billion, from Rs. 18.8 billion the previous year driven by the collective efforts of our exceptional team, the

trust our customers have placed in us, and our ability to adapt to the dynamic business landscape. The Group recorded a consolidated Profit After Tax exceeding Rs. 1.8 billion with a 7% growth compared to the previous year. Our core purpose is to provide comprehensive and accessible insurance solutions to all Sri Lankans, regardless of their location, and while insurance penetration in Sri Lanka is low, we view this as a significant opportunity to positively impact countless lives across the island.



AN ORGANISATION OF REPUTE

As a life insurance provider, we offer more than just policies; we provide enduring assurances, often spanning decades, to be a steadfast presence for our customers during their most critical moments. Therefore, trust is not merely a component of our business, it is the bedrock upon which we are built. This trust is deeply embedded within our organisational culture, shaping every action we take, from designing customer-centric products and ensuring fair pricing, maintaining integrity in claims settlements, to upholding the highest standards of employee conduct, providing full transparency in financial reporting and in interactions with all our stakeholders. This is the very essence of how we operate. Moreover, as a subsidiary of a domestic systemically important bank benefiting from the legacy of the Hatton National Bank brand, we uphold the highest corporate values, enabling us to pursue sustainable growth and maintain the financial stability. Consequently, we maintain rigorous governance standards and continue to be a strong advocate in making positive economic, social and environmental impacts. These combined aspects set us apart and establishes our reputation as a beacon of reliability, a distinction we embrace with pride.

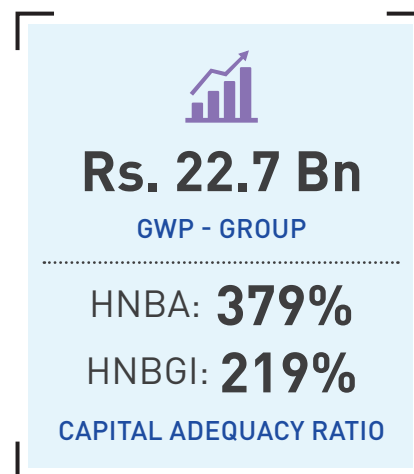
We are deeply honoured to have received numerous awards and accolades throughout the year, a testament to our collective efforts and commitment to excellence. These recognitions include being recognised as a great place to work, a leading women-friendly workplace, and having a substantial number of MDRT qualifiers. We are also proud to note that both HNB Assurance and HNB General Insurance were named as the best bancassurance providers in the Life and General Insurance categories respectively in 2024, by Global Banking and Finance Review. We also witnessed our former Chairperson, Ms. Rose Cooray, inducted into the Hall of Fame at the Great Manager Awards organised by the Colombo Leadership Academy. These achievements underscore our dedication to creating

a thriving and inclusive workplace, delivering outstanding results, and supporting exceptional leaders.

NAVIGATING A COMPLEX OPERATING ENVIRONMENT

In 2024, we faced a complex operating environment marked by pressured consumer spending, disposable incomes and low private sector credit growth impacting our ability to drive top-line growth. The persistent low-interest rate environment also presented a unique challenge, impacting investment income across our life and general insurance businesses and resulting in considerable downward pressure on our overall earnings. While these external factors created significant challenges, relative stability in exchange rates positively affected our expense base and reduced exchange losses, particularly in our general insurance operations. Despite these headwinds, we outpaced the industry in life insurance premium growth, observed a resilience in our customer base, demonstrating their understanding of the value of insurance protection, and allowing us to maintain improved persistency rates and increase our average case size.

Our general insurance business also navigated a complex landscape. The continued restrictions on motor vehicle imports and escalating healthcare costs presented unique challenges. Despite these constraints, our motor insurance portfolio grew by a commendable 6%, highlighting the strength of this segment. We further enhanced our overall performance through strategic expansion in our non-motor segments, which have consistently proven to be both more profitable and cost-effective. Consequently, our non-motor and non-medical portfolios continue to hold market-leading positions. Our property segment maintained a strong presence, and our corporate business, remained robust. Looking ahead, we expect a strong upturn in our corporate business in 2025. Moreover, we have established partnerships with many of the top 100 corporates, to provide a unique value proposition to our customers by



the combined strength of our life and general insurance solutions.

DELIVERING VALUE TO STAKEHOLDERS

Our ability to honour our commitments rests firmly on the shoulders of our dedicated employees, who embody our purpose with passion every day. We empower them to serve our customers with excellence by providing continuous, targeted training, the appropriate resources, fair compensation, and a collaborative, supportive work environment. We recognise that our people – their commitment, skills, and dedication – are the driving force behind our success and the positive impact we create in the communities we serve.

While our foundation is built on trust and reliability, we are equally committed to driving dynamic innovation. We continuously challenge traditional practices within the insurance industry, exploring groundbreaking ways to deliver enhanced solutions, new products, and more cost-effective options for our customers. Innovation fuels our continuous improvement and our pursuit of better ways to serve those we protect. To transform these innovative ideas into reality, we made substantial investments, to modernise our core systems, embrace innovative technologies such as artificial intelligence (AI), and transition to SLFRS 17 accounting standard. These investments are catalysts for operational efficiency, unleash our creativity in



CHAIRMAN'S MESSAGE

product design, and empower us to develop innovative solutions that positively disrupt the insurance market for the benefit of our customers.

Moreover, we believe that our role as a responsible corporate entity extends far beyond profitability. We are deeply committed to ensuring every Sri Lankan, irrespective of income, location, or demographic, has access to reliable and comprehensive insurance protection. This commitment drives us to innovate and develop a diverse range of products and services that address the unique needs of all segments of society, ensuring that financial security is within reach for every member of our community. We continue to be focused on providing solutions that are both socially impactful and financially viable.

We deeply value our shareholders as integral partners who have placed their enduring trust in our long-term vision and demonstrated execution capabilities. We acknowledge our responsibility to consistently generate attractive and sustainable returns and remain steadfastly focused on enhancing shareholder value. This commitment is underpinned by the highest standards of corporate governance, integrity, and financial responsibility. In FY 2024, we augmented value for our investors. Our share price increased by 42%, from Rs. 56.60 at the close of 2023 to Rs. 80.10 at the end of 2024. Furthermore, we are delighted to propose a dividend for 2024 Rs. 3.90 per share, providing a total shareholder return of 48%.

CONSISTENT PERFORMANCE

We are proud to report another year of exceptional performance, achieving growth significantly above the industry average, a remarkable trend we have consistently sustained since 2022. This success is driven by the dedicated efforts of our sales force across our Advisor Distribution, and Partnership channels, supported by our entire team. Our financial strategy prioritises consistent and stable growth over short-term gains, an ethos that has enabled us to demonstrate resilience in even the most challenging market conditions in Sri

While our foundation is built on trust and reliability, we are equally committed to driving dynamic innovation. We continuously challenge traditional practices within the insurance industry, exploring groundbreaking ways to deliver enhanced solutions, new products, and more cost-effective options for our customers. Innovation fuels our continuous improvement and our pursuit of better ways to serve those we protect.

Lanka. Over the past four years, we have achieved substantial average growth and maintained an impressive 22% growth as a group, further highlighting our commitment to sustainable business practices. This is evidenced by our impressive YoY share price growth of 42% and the strength of our life fund, which increased by 25% to reach Rs. 38.3 billion as of 31 December 2024, a testament to the enduring trust our customers place in us. Furthermore, HNBA and HNBGI have successfully attained a Capital Adequacy Ratio of 379% and 219% respectively, well above the regulatory requirement of 120%. These achievements highlight our proficiency in navigating the challenges posed by the economic crisis and political uncertainty, proving our capacity to thrive even during periods of adversity. A more detailed account of our financial performance is found in Financial Capital on page 124.

SETTING THE BENCHMARK FOR GOVERNANCE AND INTEGRITY

We maintain a steadfast commitment to robust corporate governance, which is fundamental to building trust and fostering strong, enduring relationships with our stakeholders. This commitment transcends mere regulatory compliance; we proactively embed ethical practices into all facets of our operations. Our strong governance frameworks proved invaluable in navigating the complexities of the operating environment. The Board actively monitored emerging macroeconomic, regulatory, political, and social developments to understand

their impact on the Group's financial performance, enabling us to develop appropriate responses that protect stakeholder interests. Our aim is not simply to comply, but to exceed requirements and operate as a model for ethical and transparent business practices.

Accordingly, we have adhered to the requirements of the changes in the Listing Rules on corporate governance that came into effect in October 2024, including reconstitution of committees and appointment of Directors as needed. We appointed Mr. Ashoka Goonesekere as the Senior Independent Director of the Company and Mr. Dinesh Dharmadasa as Senior Independent Director of HNB General Insurance. Further, we reconstituted Nomination and Governance Committee and appointed Mr. Lakshman Silva, Independent Director, to chair the same to ensure comprehensive compliance. Moreover, we have developed the necessary policies complying to the listing requirements. Furthermore, we are committed to integrating ESG requirements into our operations. Our commitment to integrity and ethical business practices is underscored by the steps taken to comply with the Anti Corruption Act. To ensure readiness for adherence to Data Protection Act which will come into effect in March 2025, we have proactively sought third-party expertise and established dedicated steering committees to oversee implementation. We are among the first companies to initiate a structured



compliance programme, demonstrating our ongoing commitment to upholding the highest governance standards and protecting our customers.

CLOSING REMARKS AND APPRECIATION

Looking ahead, we are optimistic about the future of our life and general insurance businesses, as positive economic indicators offer a promising outlook. We are confident in a successful 2025, strengthened by our focus on our core business, our commitment to innovation, and our dedication to delivering sustainable value to our stakeholders.

I extend my deepest gratitude to our former Chairperson, Ms. Rose Cooray, whose visionary leadership and commitment were fundamental to our achievements.

In closing, I wish to express my sincere appreciation to both Boards for their invaluable insights and objective perspectives, which have been instrumental in shaping the strategic direction and effectiveness of the HNB Assurance Group. The two dedicated teams, led by their respective Chief Executives, have displayed an innovative approach and indomitable spirit, working tirelessly against significant challenges to deliver outstanding results. Finally, I wish to acknowledge the support of our parent, Hatton National Bank, our valued business partners, investors, and regulators for their continued support. I am confident that HNB Assurance and HNB General Insurance will continue to build on a strong foundation and achieve greater success in the future, delivering increased value to all our stakeholders.

Stuart Chapman
Chairman

Colombo, Sri Lanka
18th February 2025



BOARD OF DIRECTORS



STUART CHAPMAN

Chairman

Entity	HNBA & HNBGI
Status	NIND/NED
Appointment Date as Director	29th March 2019
Appointment Date as Chairman	24th May 2024
Sub-Committees	● M ● M ● M ● C



ASHOKA GOONESEKERE

Director

Entity	HNBA
Status	SIND/NED
Appointment Date-HNBA	31st December 2021
Appointment Date-HNBGI	NA
Sub-Committees	● C ● C ● M ● M ● M



DAMIEN FERNANDO

Director

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



LAKSHMAN SILVA

Director

Entity	HNBA
Status	IND/NED
Appointment Date-HNBA	01st January 2024
Appointment Date-HNBGI	NA
Sub-Committees	● C ● C ● C ● C



DR. SANKALPA GAMWARIGE

Director

Entity	HNBA
Status	IND/NED
Appointment Date-HNBA	01st January 2024
Appointment Date-HNBGI	NA
Sub-Committees	● C ● M ● M ● C



RIMOE SALDIN

Director

Entity	HNBA
Status	NIND/NED
Appointment Date-HNBA	19th February 2024
Appointment Date-HNBGI	NA
Sub-Committees	● M ● M



PROF. ANANDA JAYAWARDANE

Director

Entity	HNBA
Status	NIND/NED
Appointment Date-HNBA	09th August 2024
Appointment Date-HNBGI	NA
Sub-Committees	● M ● M ● M



DINESH DHARMADASA

Director

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



SANJAYA WIJEMANNE

Director

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



ARJUNA ABEYGUNASEKARA

Director

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



PARAMADAYALANIE ABEYGUNAWARDENA

Director

Entity	HNBGI
Status	IND/NED
Appointment Date-HNBA	NA
Appointment Date-HNBGI	01st April 2024
Sub-Committees	● I ● M ● M

- Audit Committee
- Nomination and Governance Committee
- Remuneration & Human Resources Committee

- Related Party Transactions Review Committee
- Investment Committee
- Risk Management Committee

- Strategy Review Committee
- Procurement Committee
- Innovation and Digital Transformation Committee

C - Chairperson/Chairman M - Member I - Invitee



BOARD OF DIRECTORS



MADHUBHASHINI BAKMEDENIYA

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

Entity	HNBA
Appointment Date-HNBA	01st June 2024
Appointment Date-HNBGI	N/A



YOGA GUNADASA

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

Entity	HNBGI
Resignation Date-HNBA	31st May 2024
Appointment Date-HNBGI	10th April 2023

STUART CHAPMAN

Chairman / Non-Independent / Non-Executive Director - HNB Assurance PLC and HNB General Insurance Limited

MBA (University of Colombo), Dip in Marketing (CIM-UK), Certified Management Accountant (CMA-Australia), Dip.in Life Insurance Sales & Marketing (Life Underwriters Training Council -USA), Dip in Business Management (NIBM)



Mr. Chapman holds an MBA from the University of Colombo and a Diploma in Marketing from the Chartered Institute of Marketing, UK. Additionally, he possesses a Diploma in Life Insurance Sales and Marketing from the Life Underwriters Training Council, USA, and a Diploma in Business Management from the National Institute of Business Management, Sri Lanka. His distinguished affiliations include being a Fellow Member of the Chartered Institute of Marketing, UK, and the Institute of Management, UK, as well as a Member of the Institute of Certified Management Accountants, Australia.

With over 44 years of managerial expertise in Sales, Marketing, and General Management functions, Mr. Chapman has made significant contributions across diverse industries such as Healthcare, FMCG, Consumer Durables, Insurance, Banking, and Telecommunications. His leadership extends beyond our organisation, as he serves as an Independent Non-Executive Director of Hemas Pharmaceuticals (Pvt) Limited and United Motors Lanka PLC.

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



Notably, Mr. Chapman served as a former Director/CEO of Janashakthi Insurance PLC.

His contributions extend beyond corporate roles, as evidenced by his involvement in industry associations. Mr. Chapman has served as the Honorary President and a Founder Member of the Chartered Institute of Marketing Sri Lanka. He has held the position of President of the Sri Lanka Chamber of the Pharmaceutical Industry, the apex body for the pharmaceutical sector in Sri Lanka. Furthermore, he has served as Co-Chairman of the Pharmaceutical & Cosmetics Steering Committee of the Ceylon Chamber of Commerce.

ASHOKA GOONESEKERE

Senior Independent / Non-Executive Director - HNB Assurance PLC

FCA, FCMA, MBA (University of Sri Jayewardenepura)



With a wealth of over 36 years of expertise in the banking industry, Mr. Ashoka Goonesekere brings a distinguished background in financial reporting, financial management, taxation, financial operations, and risk management. Holding an MBA from the University of Sri Jayewardenepura (PIM), he is a Fellow Member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Cost and Management Accountants of Sri Lanka. Ashoka has held pivotal roles in corporate management, serving as the Chief Financial Officer of Hatton National Bank PLC and as the Senior Vice President / Chief Financial Officer, as well as the Senior Vice President Integrated Risk Management / Chief Risk Officer at DFCC Bank PLC.

His extensive experience extends to Board positions at Acuity Partners (Pvt) Ltd, Acuity Stock Brokers (Pvt) Ltd, Acuity Securities Ltd, and Sithma Development Ltd. Notably, he has contributed as a Board member to the Sri Lanka Accounting and Auditing Standards Monitoring Board,

demonstrating his commitment to upholding industry standards. In addition to his Board responsibilities, Ashoka has chaired and actively participated in various Board sub-committees.

DAMIEN FERNANDO

Non-Independent / Non-Executive Director - HNB Assurance PLC and HNB General Insurance Limited

MBA (University of Sri Jayewardenepura), FCMA (UK)



Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants in the United Kingdom. In 1992, He was awarded a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is a Director of Melstacorp PLC, Addison (Pvt) Ltd and HealthCey (Pvt) Ltd. He was the Executive Director of Sri Lanka Insurance Corporation Limited from 2003 to 2009. Additionally, he served as the Executive Director of the Lanka Hospital Corporation PLC from 2006 to 2009. Mr. Fernando has worked in the sectors of Food & Beverage, Manufacturing, Telecommunications, and Finance.

LAKSHMAN SILVA

Independent / Non-Executive Director - HNB Assurance PLC

MBA (PIM-University of Sri Jayewardenepura), BCom (Sp.) (University of Kelaniya)



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

of DFCC Bank PLC from October 2015 until his elevation to the position of Chief Executive Officer/Director in August 2017.

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

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

Currently, Mr. Silva contributes as an Independent Director at Seylan Bank PLC, Melstacorp PLC, Distilleries Lanka PLC, Fintech Consultancy (Pvt) Ltd & as Chairman LankaPay.

Notably, he serves as the Chairman and Director of Panasian Power PLC and its subsidiary companies. His active engagement extends to being a member of the Stakeholder Engagement Committee of the Central Bank of Sri Lanka.

A Past President of the Association of Professional Bankers of Sri Lanka, Mr. Silva is a distinguished alumnus of the University of Kelaniya, holding a BCom (Sp.), and the Postgraduate Institute of Management of the University of Sri Jayewardenepura, where he earned his MBA. He is also recognised as an Associate Member of the Association of Development Financial Institutions of Asia & Pacific (ADFIAP).



BOARD OF DIRECTORS

DR. SANKALPA GAMWARIGE

Independent / Non-Executive Director
- HNB Assurance PLC

PhD, BSc in Electronics and Telecommunication Engineering (University of Moratuwa)



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

His illustrious career includes leadership roles at Zone24x7 and significant contributions to Symbol Technologies, Interblocks, and MillenniumIT. Dr. Gamwarige's contribution extends beyond corporate realms, as he has served on the Boards and councils of prestigious organisations such as TRACE Sri Lanka, National Innovation Agency, Sri Lanka Association for Software Services Companies (SLASSCOM), Sri Lanka Institute of Biotechnology (SLIBTEC) Private Limited, and the Faculty of Graduate Studies at the University of Moratuwa.

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

RIMOE SALDIN

Non-Independent / Non-Executive Director
- HNB Assurance PLC

FCA (Sri Lanka), ACA (Eng&Wales UK), FCMA(UK), CMA (Australia)



Rimoe Saldin is a Fellow of the Institute of Chartered Accountants of Sri Lanka and an Associate of Institute of Chartered Accountants of England and Wales. He is also a Fellow of the Chartered Institute of Management Accountants in UK and a Certified Management Accountant, Australia. He is an alumnus of the Asian Institute of Management Manila. He has over 30 years of top management level experience in the areas of Finance, Human Resource Development, General Management and Operations as well as Chief Executive Officer.

He is currently employed as Director of Paints & General Industries Limited and Director/Chief Executive Officer of Polypak Secco Limited. He is also the Chairman of Chemanex PLC and serves as a Director of CIC Holdings PLC. He also serves on the Board of Directors of Akzo Nobel Paints Lanka (Private) Limited, Link Natural Products (Private) Limited, CIC Agri Businesses (Pvt) Ltd and a number of companies in the CIC Group. He is the Chairman of CISCO Speciality Packaging (Private) Limited. He also serves in the Board of Directors of Hatton National Bank PLC and also is Chairman of Sithma Development (Private) Limited and serves as a Trustee of the HNB Sustainability Foundation.

Previously Mr. Saldin served as the Commercial Director and Group Finance Director of CIC Holdings PLC for the period 1995-2005. He was the Country Controller & Group Finance Director for Shell Sri Lanka for the period 2005-2010 and also the Group Chief Operating Officer, Browns Group of Companies PLC and the Managing Director of Browns Investments PLC from 2010-2014.

PROF. ANANDA JAYAWARDANE

Non-Independent / Non-Executive Director
- HNB Assurance PLC

BSc Eng Hons (Moratuwa), MSc (Loughborough, UK), PhD (Loughborough, UK), MSSE (SL), FNASSL, FIPM (SL), CEng, FIE(SL), Int.PEng (SL), M (SLAAS), GSLID



Professor Ananda Jayawardane is currently a Senior Professor in Civil Engineering at the University of Moratuwa and a member of governing boards of several other public and private sector organisations. He completed his term as the Chairman of the Commercial Bank of Ceylon PLC in April 2024 after serving nine years in its Director Board. He is also a past Vice-Chancellor of the University of Moratuwa, a past Chairman of the Committee of Vice-Chancellors and a past Director General of the National Science Foundation.

He has extensive experience and expertise in corporate governance in public institutions & private corporates, banking, finance, strategy, education leadership, institution building, policy making in education, science & technology and teaching in subject areas of planning, project management, technology management, technology transfer and negotiation.

He is a Chartered Engineer, an International Professional Engineer, a Fellow of the Institution of Engineers, Sri Lanka, a Fellow of the Institute of Project Managers, Sri Lanka, a Fellow of the National Academy of Sciences of Sri Lanka, a Life Member of Sri Lanka Association for Advancement of Science, a Graduate Member of the Sri Lanka Institute of Directors and a Member of the Society of Structural Engineers Sri Lanka. He is also the past NDB Bank Endowed Professor in Entrepreneurship at the University of Moratuwa and a Past President of the Institution of Engineers, Sri Lanka.



He has also served as a member of the University Grants Commission, a member of the Governing Councils/ Director Boards of Sierra Cables PLC, National Science Foundation, Institute for Construction Training and Development, State Engineering Corporation, Postgraduate Institute of Management, Miloda Academy of Financial Studies, the Open University of Sri Lanka, Construction Industry Development Authority, Engineering Council of Sri Lanka and Green Building Council of Sri Lanka.

He has co-authored several textbooks and has published and presented over 85 research papers both locally and internationally and delivered convocation addresses and keynotes in many occasions. He has received several awards for his research publications. He is also the recipient of the National Achiever's Award - 2013 under the category of Engineering by Lions Clubs International - District 306A1, the IESL President's Award - 2012 and the Asia's Education Excellence Award - 2016 for outstanding contribution to education, Sri Lanka Education Leadership Award - 2017 for education leadership, Sri Lanka Education Leadership Award - 2018 for outstanding contribution to education presented by World Education Congress and CMO Asia and "Eminence in Engineering" award - the highest, most prestigious lifetime award given by the IESL for eminence in practice of engineering - 2018.

DINESH DHARMADASA

Senior Independent / Non-Executive Director - HNB General Insurance Limited

Fellow member - Institute of Chartered Accountants of Sri Lanka

Fellow member - Chartered Institute of Management Accountants UK



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

Insurance Limited and also as an Independent/Non-Executive Director at Ex-pack Corrugated Cartons PLC.

Having commenced his career at KPMG, Mr. Dharmadasa rose through the ranks at Ceylon Tobacco Ltd PLC (CTC), reaching the position of Director - Legal and External Affairs by 2005. His illustrious career at CTC, concluding in 2019, included overseeing regulatory and legal affairs, trade, fiscal affairs, communications, CSR, and sustainable business initiatives.

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

SANJAYA WIJEMANNE

Non-Independent / Non-Executive Director - HNB General Insurance Limited

B.Sc. in Business and Finance (Mount Saint Mary's University- USA)



Mr Sanjaya Wijemanne serving as the Chief Operating Officer at Hatton National Bank PLC, oversees a diverse portfolio that encompasses Wholesale Banking, SME/Microfinance, Retail Banking, Islamic Banking, Trade, Transaction Banking, Network and Channel Management, Custody, Client Service, Digital Banking and Marketing.

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

Branch Manager - Kollupitiya, and Branch Manager of the Premier Center.

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

ARJUNA ABEYGUNASEKARA

Non-Independent / Non-Executive Director - HNB General Insurance Limited

MBA (University of Colombo), B.Sc. (University of Colombo), ACMA (UK), CGMA, ACI



Mr. Arjuna Abeygunasekara has over 25 years of experience in the banking sector with extensive experience in branch banking and treasury management. Currently serving as the Deputy General Manager - Treasury and Markets at Hatton National Bank PLC, his strategic vision has been pivotal in driving the bank's financial success and market resilience.

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

Mr. Abeygunasekara's academic achievements include a Bachelor of Science Degree from the University of Colombo and a Master of Business Administration Degree from the same institution. His professional qualifications include the ACI status, Chartered Global Management Accountant recognition, and membership as an Associate Member



BOARD OF DIRECTORS

of Chartered Management Accountants UK, underscoring his dedication to the highest standards of professional integrity.

In addition to his corporate roles, Mr. Abeygunasekara serves as a resource person at the Centre for Banking Studies of the Central Bank of Sri Lanka, contributing to the advancement of industry insights and practices.

PARAMADAYALANIE ABEYGUNAWARDENA

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

Chartered Insurance Practitioner - Associate Member of the Chartered Insurance Institute UK (ACII), Professional Certified Coach (PCC) – International Coaching Federation USA, MBA (International) Edith Cowan University, Australia, MSc in Business Psychology, Herriot Watt University, UK



Paramadayalanie has over 30 years of experience at senior management level working at different corporate entities. At her last posting as the Chief Operating Officer at Janashakthi Insurance Company she headed the General Insurance operations of the Company which included Head Office as well as branches giving leadership to over 800 team members.

During her 23 long years at Janashakthi Insurance Company she had headed both Life and General Insurance operations and had been responsible in developing new products and aligning systems and procedures to service all such products. She is a Reinsurance specialist and take pride in strategically planning and implementing best Reinsurance program for the Company. She is also a sought-after Management Consultant by Insurance companies for their strategic decisions.

As a professional who is passionate about people development, she facilitated staff engagement and leadership transformation aligning potential with performance. Her strong people handling skills facilitated her

to successfully execute two mergers at her last workplace one being a state organisation namely National Insurance Corporation and the other a multinational namely AIA General Insurance. She was the Gold Award recipient of the Banking and Insurance Sector at the 6th Professional and Career Women Awards in 2016 awarded by Women in Management (WIM) in Sri Lanka in association with IFC.

She is the current President of International Coaching Federation – Colombo Chapter and was a Past President of the Association of Chartered Insurance Professionals (ACIP) of Sri Lanka during 2018/2019 period.

She is currently serving as a Management Consultant and an Executive Coach for leading companies in Sri Lanka.

MADHUBHASHINI BAKMEDENIYA

Board Secretary / Head of Legal & Compliance Officer / DGM - HNB Assurance PLC

MBA PIM - University of Sri Jayewardenepura, Attorney-at-Law, Dip in HRM



Madhubhashini was called to the Bar in December 1998 after successfully completing studies at the Law College of Sri Lanka. She worked as a junior Attorney-at-Law for Mr. W. Dayaratne P.C. She holds a Master of Business Administration Degree from Postgraduate Institute of Management (PIM) and holder of Diploma in Human Resources Management at IPM.

She is the Head of Legal and Compliance Officer/Deputy General Manager at HNB Assurance PLC with proven leadership skills counting over 24 years of experience as a corporate lawyer in the insurance industry out of which 16 years in management positions.

Ms. Bakmedeniya was the AGM – Legal (Head of Legal) of the Sri Lanka Insurance Corporation Ltd for five years before joining HNB Assurance PLC.

YOGA GUNADASA

Board Secretary HNBGI / Head of Legal & Compliance Officer / AGM - HNBGI

LLB (Colombo), LLM (Colombo), Attorney-at-Law, Post Attorney Dip (International Trade Law), Dip (Human Resource Management), DIP (Applied Company Secretarial Practices)



Yoga Gunadasa is an Attorney-at-law of the Supreme Court of Sri Lanka and holds Bachelor's Degree in Law from University of Colombo, Master's Degree in Law from University of Colombo, Post Attorney Diploma in International Trade Law from Advanced Legal Studies Unit of Sri Lanka Law College, Diploma in Applied Company Secretarial Practices conducted by the Institute of Chartered Corporate Secretaries of Sri Lanka and Diploma in Human Resource Management.

Ms. Gunadasa joined HNB Assurance PLC, parent organisation of HNB General Insurance Ltd in year 2007 and currently heads the overall Legal, Corporate Secretarial and Compliance operation of HNB General Insurance Limited in the capacity of Head of Legal & Compliance Officer/Board Secretary and is a member of the Senior Management Team. She has over 16 years of professional experience in the fields of Corporate Law, Intellectual Property, Insurance Law, Property Law, Labour Law and is experienced in all Civil Litigation.

Prior to joining HNB Assurance PLC, Ms. Gunadasa had served in Sri Lanka Insurance Corporation Limited and had worked as a legal researcher at Law & Society Trust, an organisation engaged in legal research.



CHIEF EXECUTIVE OFFICER'S REVIEW



Lasitha Wimalaratne
Chief Executive Officer

Delivering another year of exceptional performance, securing 7.5% market share, we moved another step closer to achieve our ambitious goal of securing a 10% market share by 2026. Our success was underpinned by meticulously planned and effectively executed strategies, reflecting our commitment to sustainable growth in a highly competitive landscape.

I am pleased to report on a year of exceptional progress, marked by significant top-line growth. We are resolutely on track to achieve our strategic goal of capturing a significant market share in Life and General businesses by the end of next year, a target aligned with our five-year medium-term plan launched three years ago. Our Life business surpassed its planned growth achieving a remarkable 26%, well above the market average,

and maintaining a 26% average growth over the last 4 years. This strong growth momentum positions us well to reach our market share objective by 2026. The Group recorded a Profit After Tax of Rs. 1,897 million with a 7% growth and delivered an ROE of 17%.

These results are a testament to the dedication and capabilities of our talented team, which has also earned our organisation recognition as a Great

Place to Work, and as one of the top women-friendly workplaces in the country, further solidifying our position as a leader in the corporate world. Our success is reinforced by the upgrade of our Insurer Financial Strength ratings to 'A' (Ika) by Fitch Ratings Lanka. HNB Assurance is the only 'A' rated life insurance company in Sri Lanka and HNBGI is amongst the few General insurance companies in the country with an 'A' rating.



CHIEF EXECUTIVE OFFICER'S REVIEW

NAVIGATING A DYNAMIC LANDSCAPE

In 2024, the operating environment presented both persistent challenges and opportunities. As a year marked by two elections, continued low disposable incomes and low-interest rates, all of which had its effect on our Life insurance business. These were tempered by slowly stabilising economic variables which supported overall sentiments. The General Insurance (GI) sector continued to face challenges related to import restrictions on new vehicles, impacting the motor segment, and rising healthcare costs, which affected the margins in our health portfolios. Moreover, both sectors experienced elevated expenses due to fluctuations in utility costs. From a regulatory perspective, the implementation of SLFRS 17 posed a significant challenge for the industry; however, we are well on track to meet the deadline, having engaged industry-leading consultants. While political stability had improved towards the latter part of the year, it is important to note that the overall economic environment remains challenging for both Life and General insurance businesses.

STRATEGIC GROWTH AND TRANSFORMATION

In response to the dynamic market conditions, we pursued strategic initiatives across both Life and General Insurance businesses to maintain our strong performance. This includes a stringent focus on quality recruitment, developing flexible, tailored products to meet customer needs, and integrating technology into our operations. We have also leveraged technology to serve customers remotely, including Sri Lankans working abroad. Moreover, we focused on retaining key talent, particularly within our sales force, by investing in their well-being and development. Our enhanced customer service levels have contributed to our success. These combined initiatives drove our performance to exceed market averages for Life and General Insurance (GI) businesses in the year under review.

Our five-year strategic plan is built on three key pillars: growth through the expansion of our sales force across agency and partnership channels; enhanced customer experience; and technological transformation. A significant investment which includes both our core back-end systems and SLFRS implementation positions us to deliver on our objectives. Our Life system is now live, and the GI system is scheduled to go live within the next few months. In addition to this, we are introducing AI to streamline underwriting and claims processing. We are making significant progress towards becoming a paperless operation, automating processes to reduce costs and improve turnaround times.

LIFE INSURANCE

Delivering another year of exceptional performance, securing 7.5% market share, we moved another step closer to achieve our ambitious goal of securing a 10% market share by 2026. Our success was underpinned by meticulously planned and effectively executed strategies, reflecting our commitment to sustainable growth in a highly competitive landscape.

A core element of our strategy was prioritising distinctive, value-driven products for a broader customer base, rather than pursuing high volumes at lower price points. This approach allowed us to effectively address the diverse needs of customers from varied financial backgrounds, promoting inclusivity while ensuring our offerings are both valuable and competitive.

Moreover, recognising the importance of a strong and stable sales force, we enhanced our efforts to improve advisor retention by introducing a structured career path with clearly defined progression opportunities. This initiative focused on addressing the challenge of high turnover rates and building mutually beneficial relationships with our advisors. Furthermore, we maintained our strategic focus on the SME sector, aiming to support financially vulnerable segments of the population.



Our 'Micro Life' product, gained significant traction in 2024. To capitalise on this opportunity, we broadened our partner network by collaborating with the Industrial Development Board (IDB) to offer customised insurance solutions to SME enterprises and large corporates, while also strengthening our existing relationship with Hatton National Bank.

Additionally, we launched an innovative Group Health Product in addition to our health rider option in our life insurance policies. This new offer has garnered significant interest and is strategically positioned to drive future business growth and contribute positively to our bottom line in the coming years.

GENERAL INSURANCE

Sri Lanka's general insurance industry continues to be significantly influenced by the macroeconomic environment, facing persistent headwinds from events such as the 2019 Easter Bombings, the pandemic and the economic crisis. The lackluster performance of motor insurance segment in the country was evident due to restricted vehicle imports and decreased consumer spending. Despite these challenges, HNBGI has strategically outperformed the industry, driven by its innovative technology strategy to enhance operational efficiency and customer service, and a targeted approach to proactively identify and address specific customer pain points.



The Company accelerated its progress towards becoming a leading general insurer, achieving a market share of 7% by the end of FY 2024. Key initiatives included a comprehensive customer loyalty programme and the launch of a new four-digit hotline to improve accessibility and customer service.

Moreover, the dedication and expertise of the HNBGI team, as well as a strategic focus on technological transformation were instrumental in driving growth. The Company invested in a world-class Core Insurance System and became the first local general insurance company to implement WTW's ResQ Financial Reporter (FR) to ensure SLFRS 17 compliance. These advancements, along with incorporating AI, machine learning, and robotics into our operations, aim to enhance customer experiences, unlock new market opportunities, and achieve sustainable growth, while maintaining operational efficiency.

SOLID PERFORMANCE

HNBA Group achieved strong overall growth in FY 2024. Gross Written Premium (GWP) increased by 26% in the Life segment, surpassing the industry average of 20%. This includes a 27% growth in Endowment New Business and 20% growth in Renewals. The General Insurance (GI) division recorded a 14% increase in GWP with a 24% growth in Non-Motor and a 6% growth in Motor. Collectively, the Group achieved 21% growth. In terms of capital adequacy, both HNBA and HNBGI exceeded regulatory requirements. HNBA's capital adequacy ratio is 379%, and the HNBGI's was 219%, both well above the mandated 120%.

Turning to Claims, the Group has honoured our commitment to pay Rs. 6,783 million. This also includes claims paid outside of policy conditions under certain justified circumstances to ensure customer satisfaction.

LIFE INSURANCE

Despite macroeconomic challenges, HNBA demonstrated strong growth. GWP from individual and corporate clients grew by 26% and 20% respectively. The Partnership Channel

Delivering another year of exceptional performance, securing 7.5% market share, we moved another step closer to achieve our ambitious goal of securing a 10% market share by 2026. Our success was underpinned by meticulously planned and effectively executed strategies, reflecting our commitment to sustainable growth in a highly competitive landscape.

drove new business premiums with a 38% growth, and the Advisor Distribution Channel contributed 21% growth. A proactive investment strategy resulted in 8% growth in investment income, reaching Rs. 6,914 million, while Funds Under Management increased by 26%.

HNBA's net benefits and claims paid rose to Rs. 2,995 million. Increased underwriting and net acquisition costs, reached Rs. 2,466 million. Despite higher operating expenses, largely due to investments in IT related software and infrastructure, HNBA achieved a Profit Before Tax of Rs. 2,358 million and a Profit After Tax of Rs. 1,657 million, showing a 3% growth for the year. The growth was supported by increase in investment income of the shareholders funds as well as the surplus from the Life insurance business although lower interest rates exerted pressure on the life business.

Total assets grew by 24%, to reach Rs. 53,404 million, primarily due to increased financial investments. Total Life insurance contract liabilities grew by 25% to Rs. 38,648 million after the surplus transfer to shareholders of Rs. 1,350 million as recommended by the appointed Actuary at the year-end.

GENERAL INSURANCE

The non-motor segment recorded a 24% growth driven by strong performance in Marine, Fire and Engineering insurance, which grew by 166% and 27% respectively. Despite the vehicle import restrictions, the Company achieved a 6% growth in Motor insurance, and a 21%

growth in the Medical insurance line demonstrating the effectiveness of its efforts to expand into new markets and new segments.

HNBGI's multi-channel strategy proved highly effective, with strong contributions from the Broker Channel (19% growth), Agency Channel (34% growth), and HNB Channel (6% growth), and a notable contribution from the other channels of 28%. These diverse channels have enabled HNBGI to reach a wide spectrum of customers effectively.

HNBGI's total claims decreased by 7% to Rs. 3,704 million, with total costs rising by 11% to Rs. 2,627 million due to acquisition costs, IT related costs and staff costs. Despite these challenges, HNBGI achieved impressive bottom-line growth, with a Profit After Tax of Rs. 240 million, reflecting an increase of 59%. This achievement is despite pressure from lowering interest rates, effect of exchange fluctuations and significantly higher reinsurance outgo. The higher reinsurance cost was due to cessation of 100% Strike-Riot and Civil Commotion & Terrorism (SRCC & TC) premiums of the Motor segment to the National Insurance Trust fund as per regulations.

Total Assets grew by 7% to Rs. 10,229 million, driven primarily by financial investments. General Insurance Contract liabilities decreased by 4% to Rs. 4,507 million largely due to the high cessation of SRCC & TC premiums.



CHIEF EXECUTIVE OFFICER'S REVIEW

NEW PRODUCTS AND CUSTOMER-CENTRIC SOLUTIONS

In our commitment to providing flexible, customer-centric solutions, we have continually upgraded our products to maintain our competitive edge. Accordingly, we expanded our offerings to include health insurance solutions through our Life business for corporate clients and continued to provide health insurance as a rider to individuals. We have also responded to market demand by introducing products tailored for Sri Lankan expatriates. Recognising the growing needs of the senior segment, we are developing annuity-based pension products. Similarly, our General Insurance division has innovated with new offerings such as sustainable energy solutions including solar and cyber security products. Furthermore, we have created specific product propositions for the SME and micro-segments, including collaborating with HNB.

OUR PEOPLE-FIRST APPROACH

We remain committed to nurturing a supportive and engaging work environment, recognising that our employees are our greatest asset. In response to increasing talent mobility, we strengthened our employee value proposition through comprehensive benefit schemes, transparent career progression pathways, and robust HR processes. By prioritising the well-being of our staff and maintaining full support throughout challenging periods, such

as the COVID-19 recession, we have fostered exceptional employee loyalty. The effectiveness of these initiatives is underscored by a significant 5% increase in our Great Place to Work survey results, with a remarkable 92% of our team getting positive work experience.

Moreover, we continued to invest in our employees' professional development through promotion opportunities and both local and overseas training programmes. To promote a collaborative and inclusive culture, our HR department and welfare committee drove comprehensive engagement activities. We are particularly proud of our 'In She' programme, which supports the career advancement of women and has earned us recognition as a Top 10 women-friendly workplace and one of the most mom-friendly workplaces. Additionally, our commitment to flexible work arrangements, including remote work options, enhanced maternity and paternity leaves, care giver leave and diverse grievance reporting channels, reflects our dedication to a supportive and equitable workplace.

STRENGTHENING OUR RISK MANAGEMENT FRAMEWORK

We have significantly strengthened our risk management capabilities by implementing a robust enterprise risk management framework. Moreover, we have developed comprehensive risk policies and revamped our risk reporting



A (lka)

National Long Term Insurer
Financial Strength

FitchRatings

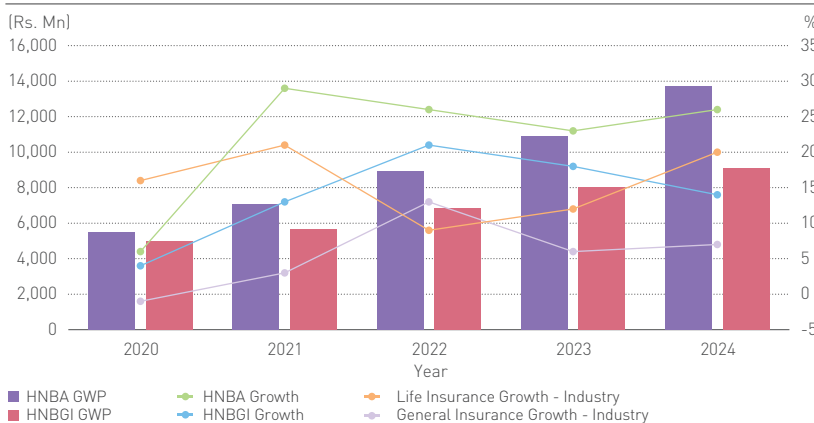
Only Fitch A rated Life
Insurance Company

processes to ensure transparency. Board Risk Committee meets regularly to review the Group's progress on risk management initiatives. In addition, we have established an internal audit division headed by an experienced Deputy General Manager, transitioning from an outsourced model. We believe that this in-house capability is essential to ensure consistent oversight. Finally, compliance remains a key priority. We are closely collaborating with the Insurance Regulatory Commission of Sri Lanka (IRCSL) to ensure full compliance across all aspects of our business. This commitment is underscored by the fact that we have not had a single compliance breach.

ESG EXCELLENCE

Our commitment to strong Environmental, Social, and Governance (ESG) practices is reflected in our annual report which has been recognised through prestigious awards. We were honoured with a Gold Award at the ARC Awards in New York for our PDF version of the life and health segment. We are deeply committed to integrating sustainability principles into our operational practices, strengthening governance and compliance to meet

5 Years Company GWP Vs Industry Analysis





the required standards, enhancing compliance, and monitoring our emissions. To support this commitment, we have allocated resources to further improve our ESG framework. Recognising the growing importance of ESG in the corporate sector, we are actively aligning our operations with upcoming standards and integrating all our CSR activities with our sustainability strategy.

DRIVING POSITIVE CHANGE THROUGH CSR

Our commitment to corporate social responsibility is exemplified through our flagship “Clean Water” project, which provides access to clean water for students, particularly in the North, East, and North Central regions. To date, we have implemented over 75 water projects in schools, benefitting an estimated 750,000 individuals. Furthermore, we are engaged in biodiversity conservation through our project in Lunugamvehera, which involves the manual removal of invasive plant species across 30 hectares. This effort is also creating employment opportunities for local communities and contributes to the restoration of the region’s natural habitat and balancing the elephant-human conflict. Beyond these key initiatives, we are committed to enhancing financial literacy through targeted training programmes and supporting community well-being through health camps. Both

companies promote sustainability by being almost paperless and promoting renewable energy through HNBGI’s involvement in wind and solar power protection, where we are one of the few insurance companies actively engaged in this practice. We are also empowering the community through education.

WAY FORWARD

We are focused on achieving our objective of securing a 10% market share by the end of 2026, guided by our medium-term strategy. We recognise the need for strong foundations and therefore we have invested in transforming our business through digital innovation, core systems and SLFRS 17 compliance. These investments will enhance both our internal operations and customer experience. Our strategic vision is to establish both Life and General Insurance companies as market leaders, by differentiating ourselves through service excellence and innovation. We will continue to empower our teams and focus on product innovation and employee career pathways. This progress will be underpinned by the strong growth that we have demonstrated in the past few years, and in particular the transformation across technology, customer experience, product innovation and employee happiness.

A NOTE OF APPRECIATION

I would like to extend my sincere gratitude to all those whose contributions have been vital to our success this year. Firstly, I thank our dedicated teams across both HNB Assurance and HNB General Insurance. Their commitment and hard work have been instrumental to our achievements. I also express my sincere thanks to both Boards for their guidance, with the active leadership of our Chairman; Mr. Stuart Chapman.

On a special note, I wish to thank Ms. Rose Cooray, our former Chairperson who steered both HNB Assurance and HNB General Insurance for 9 years, driving us to greater heights. Also to Mr. Damith Pallewatte, the new Managing Director of our parent and banking partner HNB and the entire senior management of the HNB. Furthermore, I wish to thank Mr. Jonathan Alles, former Managing Director of HNB for the support given to the HNBA Group over the years. I recognise and thank our reinsurers, brokers, all business partners, suppliers, and the CEO of HNB General Insurance, Mr. Sithumina Jayasundara, for their invaluable support. Finally, I would like to thank the Chairman, Director General, and staff of the IRCSL and other regulators and all the industry CEOs with whom we enjoy a healthy relationship through the Insurance Association of Sri Lanka (IASL), for their support of our business and the industry.

Lasitha Wimalaratne
Chief Executive Officer
HNB Assurance PLC

Colombo, Sri Lanka
18th February 2025



GROUP EXECUTIVE COMMITTEE



LASITHA WIMALARATNE

Chief Executive Officer / Principal Officer -
HNB Assurance PLC



SITHUMINA JAYASUNDARA

Chief Executive Officer / Principal & Specified
Officer - HNB General Insurance Limited



NILESH AMARASINGHE

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



DINESH UDAWATTA

Chief Technical Officer / Specified Officer /
General Manager - HNB Assurance PLC



PUNSIRINI PERERA

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



SUNETH JAYAMANNE

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



LASANTHA DE ALWIS

Chief Technical Officer / General Manager -
HNB General Insurance Limited



SAMPATH WICKRAMARACHCHI

Chief Business Officer / General Manager -
HNB General Insurance Limited



NALIN SUBASINGHE

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



DINESH YOGARATNAM

Chief Marketing & Customer Experience Officer / General Manager – HNB Assurance PLC



HARINDRA RAMASINGHE

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



SANESH FERNANDO

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



DILSHAN PERERA

Chief Transformation Officer / General Manager - HNB General Insurance Limited

LASITHA WIMALARATNE

Chief Executive Officer / Principal Officer - HNB Assurance PLC

MBA (UK), BA (Hons) (UK), FCII, ANZIIF (Fellow), ACIM, Chartered Insurer



Lasitha has overall over 27 years of career experience with 24 years in the field of Life Insurance inclusive of 7 years of multinational experience at Aviva and AIA groups and 3 years of retail Sales and Marketing exposure in London. Prior to joining HNB Assurance PLC he functioned as the General Manager - Life Operations and Specified Officer at Softlogic Life Insurance PLC. Lasitha Joined HNB Assurance PLC in 2019 and served in the capacity of Chief Operating Officer and Principal Officer prior to being appointed as the Chief Executive Officer of HNB Assurance PLC. Lasitha holds a Master of Business Administration Degree (MBA) from the University of Wales, UK and a B. A. (Hons) Degree in Business Studies from the University of Sunderland, UK. He is a Chartered Insurer and a Fellow Member of the Chartered Insurance Institute (FCII). Lasitha is also a Fellow of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and an Associate Member of the Chartered Institute of Marketing, UK (ACIM).

Lasitha functions as the Vice President of the Insurance Association of Sri Lanka (IASL) and served as the President of the Sri Lanka Insurance Institute (SLII) for the period of 2019/2021. Further, he was the Founder Secretary General of the Chartered Insurance Professionals (ACIP) and served as a Council Member until March 2021. Lasitha also was a Board Director of Biodiversity Sri Lanka (BSL) from 2022 to 2024.



GROUP EXECUTIVE COMMITTEE

SITHUMINA JAYASUNDARA

Chief Executive Officer / Principal & Specified Officer - HNB General Insurance Limited

MBA (UK), ACCII (UK), ANZIF (Snr Assoc), Chartered Insurer



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

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

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

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

NILESH AMARASINGHE

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

B.Sc. Econ & Mgt Hons (LSE), MBus. (Fin) (UTS)



Nilesh counts close to two decades of extensive experience in Capital Markets specialising in fund management, macroeconomic analysis and strategy formulation, investment strategy etc. Having joined HNBA as a Management Trainee, Nilesh served HNBA in the managerial level and as the Head of Investment prior to assuming the role as the Chief Investment Officer / General Manager. He also served as the Secretary to the Strategy Review Committee as the Chief Strategy Officer of the Company upto 2023. As the CIO, he is responsible for managing a fund in excess of Rs. 55 Bn of the HNB Assurance Group. Nilesh has been a member of the Executive Committees of the HNB Assurance and HNB General Insurance for more than 10 years.

DINESH UDAWATTA

Chief Technical Officer / Specified Officer / General Manager - HNB Assurance PLC

B.Sc. (Statistics) Hons (Colombo), FIII (India), MBA (Colombo), ANZIIF (Fellow) CIP (Australia), ACII (UK), Chartered Insurer.



Dinesh joined HNB Assurance in 2003. Currently, he is serving as the Chief Technical Officer for Life Insurance. Having joined in 2003 as an Actuarial Executive, Dinesh developed his technical competencies in Life Insurance. He acquired professional qualifications from three well-known insurance institutes and developed his career as a life technical person. He served as Head of Operations - Life Insurance for two years prior to being promoted as CTO. He counts over 22 years of experience in the Life Insurance industry. He has undergone extensive training both locally and overseas including at Munich Re, Munich, Germany, FALIA and OLIS Japan. He is also the Specified Officer of HNB Assurance PLC.

PUNSIRINI PERERA

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

FCMA (UK), CGMA, BBA in Finance (Colombo), MBA (PIM-USJ)



Punsirini Joined HNB Assurance PLC as a Management Trainee in 2009 and advanced progressively in responsible positions where she has played a key role in the Finance Division. She was promoted as a Senior Manager - Finance in 2017 and functioned as the Head of Finance prior to being promoted as Chief Financial Officer in 2020. She counts over 17 years of experience in the Finance field.

SUNETH JAYAMANNE

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

B.Sc. (Eng.) (UoM), MBA (UK), MSc (UK)



Suneth holds a Bachelor of Science in Computer Science & Engineering from the University of Moratuwa, an MBA from the University of West London, and a Master of Science in Digital Transformation from the London Metropolitan University. He is currently pursuing an MSc in Data Science at Curtin University. Suneth is a CIMA finalist and has completed the CIM Advanced Certificate level. Additionally, he is an ISO 27001 Lead Auditor and is ITIL certified. With over 24 years of experience in the IT industry, he began his career at Zillione Systems Solutions (Pvt) Ltd, and later served as an IT consultant at Ernst & Young, eventually reaching the position of Senior Manager. His career at Ernst & Young involved participation in various IT projects across sectors such as Banking and Finance, Telecom, Stock Exchange, Airlines, Textile, Healthcare, and several e-Governance initiatives. Before joining HNBA in 2020, Suneth was the Head of IT at LOLC Technologies, overseeing operations in the Insurance, Leisure, and Healthcare sectors.



LASANTHA DE ALWIS

Chief Technical Officer / General Manager - HNB General Insurance Limited

BSc - Special (Hons) University of Sri Jayewardenepura, ACII (UK)



Lasantha joined to HNBGI on 1st December 2020. Before joining HNBGI, he held the position as the Chief Executive Officer of Sanasa General Insurance Co. Ltd. He counts over 22 years of experience in the General Insurance industry. He has rendered his service to HNB Assurance PLC as a Senior Executive Officer in 2002 and was later promoted to the post of Assistant Manager. He is an active member of the General Insurance Forum and Technical Advisory Committee of SRCC & TC Fund and he is a member of The Association of Chartered Insurance Professionals (ACIP) in Sri Lanka. Further, he is a lecturer at the Sri Lanka Insurance Institute.

SAMPATH WICKRAMARACHCHI

Chief Business Officer / General Manager - HNB General Insurance Limited

MBA (Asia-e University of Malaysia)
Postgraduate Advanced Professional Diploma in Management from University of Sunderland, UK



A distinguished alumnus of Wesley College, Colombo, and Cavendish College, London. Sampath holds an MBA from Asia e University, Malaysia, as well as a Postgraduate Advanced Professional Diploma in Management from the University of Sunderland, UK. His pursuit of excellence has been further enriched through local and international training programs at renowned institutions, including the National Insurance Academy (India), Sri Lanka Institute of Marketing, and the National Institute of Business Management (Sri Lanka).

He brings over 27 years of invaluable expertise in the insurance industry, with a distinguished career marked by leadership in key areas such as

Agency Development, Bancassurance, Corporate Sales, and National Sales Distribution. Having started his career at Eagle Insurance PLC, then he moved to Aviva NDB Insurance PLC and joined Asian Alliance Insurance PLC and subsequently joined HNB General Insurance Limited.

NALIN SUBASINGHE

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

B.Sc. in Mathematics Special (Colombo),
M.Sc. in Actuarial Management (UK)



Nalin holds a Bachelor of Science (Hons) Degree in Financial Mathematics from the University of Colombo and a Master of Science Degree in Actuarial Management from the Heriot-Watt University, Edinburgh, United Kingdom. Nalin is currently reading for Fellowship from the Institute & Faculty of Actuaries, United Kingdom. Nalin's professional career in the Insurance industry spans over 20 years and brings a wealth of experience, including nearly 15 years serving as a key member of the C-suite in prominent insurance firms in Sri Lanka. He counts extensive actuarial, investment fund management & administration, strategy & planning, strategic finance, financial reporting, risk management, sales management, bancassurance deals and overall insurance business experience and has held several senior positions in leading entities. Having started his professional career at Sri Lanka Insurance Corporation - SLIC in 2004, Nalin served the organisation as the Deputy General Manager Actuarial and Risk Management and was incharge of both Life and General insurance actuarial functions. Apart from his core responsibilities, he also acted as Head of Investment for a year where he managed an investment asset portfolio of over Rs. 150 Billion. He was the Nominee Director of SLIC for Capital Alliance Investments Limited and Ceylon Asset Management where he acted as Chairman of the latter. Prior to his current appointment, he held the

position of Chief Actuarial Officer at Union Assurance PLC (Vice President- John Keells Holdings PLC) and is the former Chairman of Actuarial Subcommittee of the Insurance Association of Sri Lanka (IASL). Currently he is the Vice-President of Actuarial Association of Sri Lanka (AASL).

DINESH YOGARATNAM

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

Dip M, FCIM, Chartered Marketer, MBA (USQ)



Dinesh took over as Head of Marketing of HNB Assurance PLC and its wholly owned subsidiary HNB General Insurance Limited in 2016 and was subsequently promoted as General Manager / Chief Marketing and Customer Experience Officer of HNB Assurance PLC. His career spans over 25 years in Financial Services, IT and Hospitality. Prior to joining HNB Assurance he headed the marketing function for Leasing, Factoring and SME Banking in a private commercial bank. An old boy of S. Thomas' College, Mount Lavinia, he is a Chartered Marketer and a Fellow of the Chartered Institute of Marketing UK. He holds an MBA from University of Southern Queensland, a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, and a Diploma in Digital Marketing from the CAM Foundation. He was the Chairman of the Marketing and Sales Forum of the Insurance Association of Sri Lanka (IASL).

HARINDRA RAMASINGHE

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

B.Sc. (Business Management) & MBA - University of Kelaniya



Harindra Ramasinghe is an innovative and dynamic professional with over 26 years of experience in sales, sales management, distribution management, and strategy development and implementation.



GROUP EXECUTIVE COMMITTEE

He began his professional career at Eagle Insurance in 1996 and has since held several key positions in distribution management. Throughout his tenure at HNB Assurance PLC, he has received numerous prestigious awards in various management categories, reflecting his excellence and contributions to the industry.

At the international level, Harendra is the first Sri Lankan to receive the GAMA (USA) Master Firm Award. Nationally, he was recognised as the Gold Category National Winner at the SLIM NASCO Insurance Industry Awards (2012/2013), demonstrating his innovation, exceptional contributions, and achievements in business development and distribution management.

Academically, he holds a B.Sc. in Business Management and an MBA from the University of Kelaniya. He is also currently reading for his Ph.D. at PSB University.

Harindra started his professional career as a Business Development Associate at AIA Insurance before joining HNB Assurance PLC as a Marketing Executive in 2003. His dedication and expertise have led to steady career progression, culminating in his promotion to SBU Head in 2018. He later served as Head of Distribution before being appointed as Chief Business Officer - Advisor Distribution Channel in 2021.

SANESH FERNANDO

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

MBA (UK), MSc (Malaysia), PGD Mkt. (CIM, UK), PGD Mgmt. (UK), MCIM, MSLIM, MGAMA



Sanesh has over 18 years of experience in Sales and Marketing, starting as a Propagandist and rising to become a high-performing Sales and Marketing strategist. He was the Sri Lankan representative for the open enrolment programme from the Life Insurance Management Research Association (LIMRA), which is a well-regarded professional organisation in the

insurance industry. In recognition of his achievements, he reached a significant milestone in 2024 by becoming the first-ever recipient from Sri Lanka of the prestigious GAMA Global Master Multiline Award, marking an exceptional contribution to the industry. Sanesh was awarded the Head of the Year - Insurance Partnership Business 2021 by the Global Banking and Finance Review. He also won the Bronze Award for the National Sales Manager Category from the National Sales Congress (NASCO), organised by the Sri Lanka Institute of Marketing (SLIM). Sanesh joined HNB Assurance PLC in 2012 as an Assistant Manager - Bancassurance and was promoted to Chief Business Officer / General Manager - Partnership Distribution in 2022. Sanesh holds an MBA from the University of Sunderland - UK, an MSc in Strategic Marketing from AeU - Malaysia, a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, and a Postgraduate Diploma in Strategic Management from the University of Sunderland - UK. He is also a Member of the Chartered Institute of Marketing, UK (MCIM), a Member of the Sri Lanka Institute of Marketing (MSLIM), and a Member of the GAMA Global (MGAMA).

DILSHAN PERERA

Chief Transformation Officer / General Manager - HNB General Insurance Limited

MBA (PIM-SJP), B.B.Mgt. (Marketing) Spe. (Hons.) (Kelaniya), DipM, MCIM (UK), MSLIM



Dilshan re-joined HNB General Insurance in May 2023. He is an old boy of De Mazenod College, Kandana and graduated from the University of Kelaniya, Sri Lanka with a Bachelor of Business Management (Special) in Marketing. He is also a member and Professional Postgraduate Diploma holder in Marketing from the Chartered Institute of Marketing, UK. Additionally, he is a member of the Sri Lanka Institute of Marketing and completed his MBA at PIM, University of Sri Jayewardenepura. Dilshan is an experienced Senior Management

Professional and an active proponent of making business more relevant to new consumers. He is enthusiastic about the novel opportunities presented by digital technologies. With over 20 years of experience in Strategic Management, Digital Transformation, Marketing and Brand Management, Sales Management, Digital Marketing, Product Management, Business Development and Customer Experience Management, he has worked across industries such as Life Insurance, General Insurance, Telecommunications, Banking and Retail. Before joining HNBGI, Dilshan was the Head of InsurTech - Group Digital Services at Dialog Axiata PLC where he also served as the Head of eTailing (Digital Retail) - Group Marketing. Prior to Dialog, he co-founded InsureMe.lk which is Sri Lanka's first insurance comparison digital platform. Dilshan was the Head of Marketing at HNB Assurance PLC and HNB General Insurance Limited and has also held senior positions at leading companies such as DFCC Bank, Ceylinco Life and Cargills Ceylon. In addition to his professional career, Dilshan is a visiting lecturer at several higher educational institutes in Sri Lanka and has conducted numerous sessions for Masters/Postgraduate students. He has also contributed to many professional and recognised awarding bodies as a valued member of the judging panel including the SLIM Brand Excellence Awards.



SENIOR MANAGEMENT TEAM - HNBA



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



NIROSHA PERERA
*Head of Audit / Deputy General
Manager*



SHIRAN FERNANDO
*Head of Sales Training &
Development / Deputy General
Manager*



MAHENDRA WILEGODA
*Head of Operations / Deputy
General Manager*



HIRAN FERNANDOPULLE
*Head - Life Distribution / Deputy
General Manager*



NADARAJAH SUGUNAN
*Head - Life Distribution / Deputy
General Manager*



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



SALINDA PERERA
*Head of Procurement / Assistant
General Manager*



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



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



ANURANGA PERERA
*Head of Finance / Assistant
General Manager*



JAGATH GASPE
*Head - Life Distribution /
Assistant General Manager*



SEBASTIAN KATHIRESAN
*Head - Agency Distribution /
Assistant General Manager*



SAMPATH KARUNARATNE
Head of Finance



AMALI RAJAPAKSHA
Head of Risk Management



KAMINI GUNAWARDENE
Head of Marketing & CSR



SENIOR MANAGEMENT TEAM - HNBA



H D PRAKASH
Head of Customer Experience



DEEPAL PUNCHIHEWA
Head - Agency Distribution



SAMAN KUMARA
Head - Life Distribution



HEMANTHA LIYANAGE
Zonal Head - Life Distribution



SENIOR MANAGEMENT TEAM - HNBGI



HIFLY HUZAIR
Head - Corporate & Takaful /
Deputy General Manager



ASANKA SENEVIRATNE
Head - Broker Management /
Deputy General Manager



RUKESH LOGANATHAN
Head of Operations / Deputy
General Manager



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



YOGA GUNADASA
Head of Legal / Board Secretary
& Compliance Officer / Assistant
General Manager



ROSHAN KULARATHNE
Head of Finance / Assistant
General Manager



AJANTHA AMARASINGHE
Assistant General Manager -
Broker Servicing



RAVI RATHNAYAKA
Head of IT



HAZANA CAFFOOR
Head - Business Process
Re-Engineering



RUWAN WEERASINGHE
Head - Agency Channel



MALSHA MUNASINGHE
Head of Human Resources



BAZLIN SALIH
Head of Takaful (SBU I)



GAYAN RANASINGHE
Zonal Head - North Western



**ANURUDDHA
WICKREMASINGHE**
Zonal Head - Central



NALAKA MADHURANGE
Head - Sales Training &
Development





Through and Through

Preserving life is a multifaceted effort, and we at HNB Assurance know that all-encompassing protection is key to securing a prosperous future. Our environment and those who occupy it must be taken care of, which is why our protection extends from our households to all habitats.

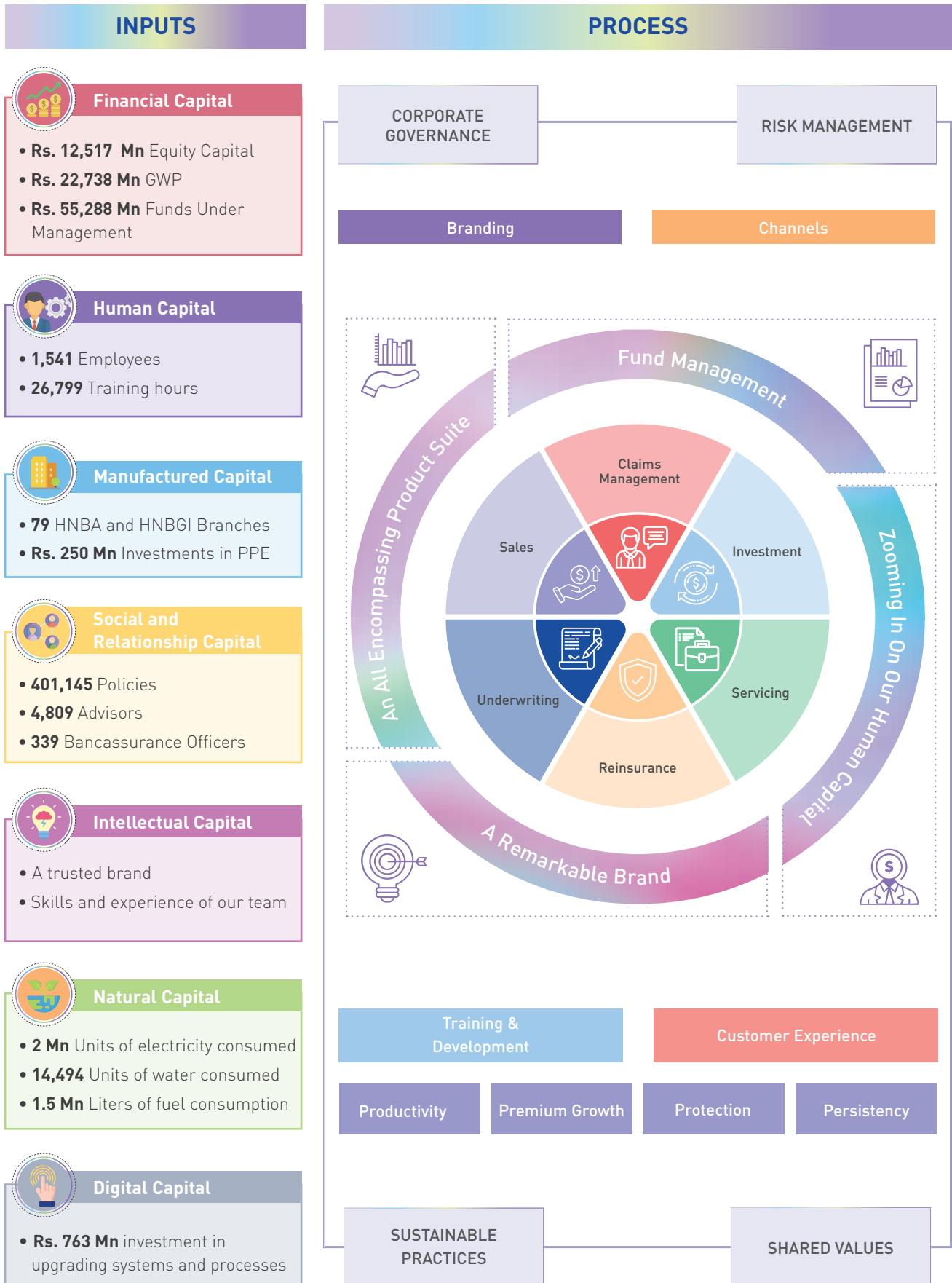


MANAGEMENT DISCUSSION & ANALYSIS

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VALUE CREATION





OUTPUTS



Financial Capital

- 17% ROE
- 3% ROA
- 5% Dividend yield
- Rs. 7,727 Mn Investment income



Human Capital

- Rs. 2,937 Mn Total remuneration
- 454 New recruits
- Rs. 25.1 Mn investment in training



Manufactured Capital

- 01 New branch



Social and Relationship Capital

- Rs. 2,287 Mn Commission
- 222 MDRT winners
- 2,365 Performing Advisors



Intellectual Capital

- Best Bancassurance provider in Sri Lanka
- Recognised as a Company with Great Managers



Natural Capital

- Savings from paper recycling :
- 85 fully grown trees
 - 8,780 liters of Fuel
 - 20,012 kWh of electricity
 - 158,995 liters of water
 - 15 cubic meters of landfill
 - Reduced Co2 emissions by 5,003 kg of carbon equivalent
 - 30ha of land conserved in a National park



Digital Capital

- 99% of new business generated through digital platforms

OUTCOME



Shareholders

- Rs. 3.90 Dividend per Share
- Share Price Rs. 80.10



Employees

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



Business Partners

- Growth Opportunities
- Enhancing Quality of Life
- Financial Returns



Customers

- 401,145 Policies
- Rs. 6,783 Mn Claims Paid
- Rs. 62 Mn Bonuses



Government and Regulator

- Rs. 1,781 Mn Taxes paid



Community

- Rs. 6 Mn CSR Spend
- New Job Opportunities





ENGAGING WITH OUR STAKEHOLDERS

In a dynamic and unpredictable operating environment, maintaining continuous engagement with key stakeholders is essential to achieving our strategic objectives and aligning with stakeholder expectations. Effective engagement provides insights into their priorities, enabling us to strategically adjust our approach. Additionally, this ongoing engagement allows HNBA to anticipate potential market risks and opportunities, positioning us to act proactively and strategically.

We actively engage with a range of internal and external stakeholder groups to understand and address their needs effectively. Our approach focuses on prioritising stakeholders according to their influence on our ability to create value.

01

Identify stakeholders and analyse them using the stakeholder map

02

Use the stakeholder map to develop an engagement plan and assign accountabilities

03

Set up an action plan

04

Provide regular feedback and updates

Shareholders

- 3,896 Total shareholders
- 26 Non-Resident Shareholders
- 3,870 Resident Shareholders
- 100% have Voting Rights

Customers

- 401,145 Total Policies

Business Partners

- 4,809 Advisors
- 70 Brokers
- 18 Banking partners
- 17 Reinsurers

Government & Regulators

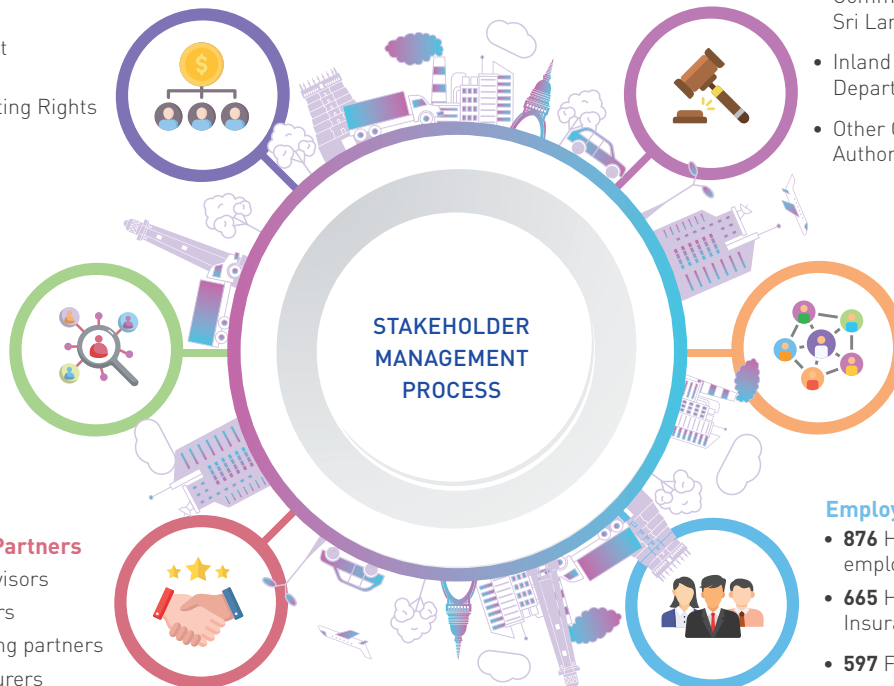
- Insurance Regulatory Commission of Sri Lanka
- Inland Revenue Department
- Other Government Authorities

Community

- 169 outsourced indirect employment
- Beneficiaries of CSR initiatives

Employees

- 876 HNB Assurance employees
- 665 HNB General Insurance employees
- 597 Female
- 944 Male





Customers

Stakeholder Concerns

- Financial returns and protection
- Fair, convenient and fast claim settlement
- Competitive and attractive pricing
- Product solutions to suit their needs
- Exceptional customer service
- Accessibility

Our Approach

- Launching products that are relevant and attractive
- Continuous investments in technology
- Enhancing customer service
- Expanding our reach
- Continuous training provided for frontline employees
- Speedy settlements of claims

KPIs

- 03 new products
- 506 customer complaints received
- Customer complaints resolved 97%
- Claims settled within 3 days; HNB Assurance 95% and HNB General Insurance 94%
- Net Promotor score; HNB Assurance 64 and HNB General Insurance 77

Engagement Mechanisms

- Meetings
- Four digit hotline
- Island wide branch network
- Agency and bancassurance channels
- Print, digital and social media
- Call Centre
- Customer Relationship Management Centre
- Corporate website



Community

Stakeholder Concerns

- Transparency
- Sustainable business practices
- Community development

Our Approach

- Good governance
- Implantation of sustainable business practices
- CSR activities
- Creating job opportunities

KPIs

- Rs. 6 Mn spent on CSR
- Employment opportunities made for staff and advisors

Engagement Mechanisms

- Corporate website
- CSR activities
- Digital, print and social media
- Marketing and promotional events
- Branch-level activities



Shareholders

Stakeholder Concerns

- Attractive return on investments
- Investment security
- Sustainable growth in earnings
- Financial stability
- Transparency
- Regulatory compliance

Our Approach

- Planning and executing a sound business strategy to achieve sustainable growth
- Comprehensive governance framework
- Effective risk management framework

KPIs

- Return on Equity 17%
- Dividend per share of Rs. 3.90 (2023: Rs. 3.90)
- Insurer Financial Strength Rating A (Ika) by Fitch Ratings

Engagement Mechanisms

- Annual General Meeting
- Annual and quarterly financial statements
- CSE disclosures
- Corporate website
- Access to Company Secretary to address their concerns
- Direct meetings





ENGAGING WITH OUR STAKEHOLDERS



Business Partners

Stakeholder Concerns

- Competitive, fair and timely payments
- Opportunities for business growth
- Training opportunities
- Convenience of doing business

KPIs

- Commission payments of Rs.2,287 Mn (2023:Rs.1,790 Mn)
- Total training hours of 105,452
- 222 MDRT winners (2023:203)

Our Approach

- Sales force expansion
- Use of technology to improve engagement and enhance efficiency of operations
- Brand building

Engagement Mechanisms

- Training programs
- Annual Conferences
- Digital platforms
- Meetings
- Email and other forms of communication



Employees

Stakeholder Concerns

- Competitive and attractive remuneration
- Career progression
- Job security
- Fair and safe workplace
- Opportunities for skill development
- Good work-life balance

KPIs

- 194 promotions
- 26,799 training hours
- 07 welfare activities
- Employee turnover of 24%
- Great Place to Work accreditation

Our Approach

- A sound framework for HR management
- Good Governance
- Continuous training opportunities
- Technological transformation to encourage engagement and employee efficiency

Engagement Mechanisms

- Training programs
- Open-door policy
- Townhall meetings/staff conferences
- Staff appraisals
- Digital platforms
- CSR and welfare activities
- Celebrations for cultural and religious events



Government and Regulators

Stakeholder Concerns

- Regulatory compliance
- Good Governance
- Timely returns

KPIs

- Timely tax payments of Rs. 1,781 Mn
- Zero fines paid
- Compliance with IRCSL/CSE requirements
- Products to support sustainable developments

Our Approach

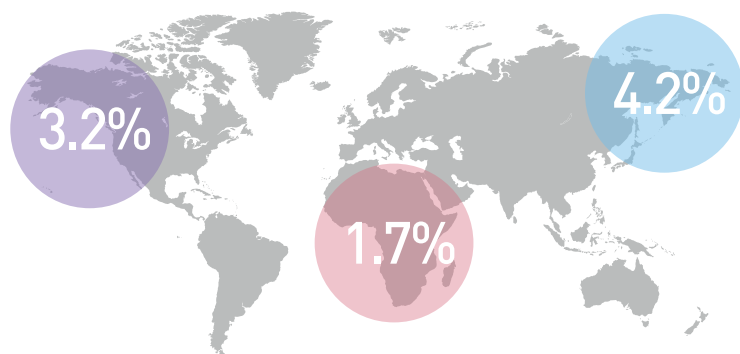
- Timely payments and filing of returns
- Good corporate governance
- Effective Risk Management
- Collaboration with industry bodies

Engagement Mechanisms

- Meetings
- Regulatory reporting disclosures
- Direct communications
- Responses to proposals/letters
- Engagement with industry bodies



OPERATING ENVIRONMENT



Global Context

The global economy demonstrated resilience, navigating a disinflationary phase driven by the sharp and coordinated tightening of monetary policies worldwide. The economy showed signs of stabilisation with the global growth remaining stable at 3.2% for 2024, modest compared to historical standards. The growth in advanced economies is expected to be at 1.7% while the growth projection for emerging markets and developing economies is estimated at 4.2%, for 2024.

Economic activity in major economies has become better aligned with their potential, contributing to a gradual stabilisation of inflation rates across countries. However, the global disinflationary momentum slowed during the first half of 2024. While goods prices have stabilised, with some even showing declines, inflation in the services sector remains elevated in many nations. This persistent services inflation is partly attributed to rapid wage increases, as wages continue to recover from the inflationary surge experienced during 2021–2022.

Despite ongoing geopolitical tensions, the global trade volume as a share of world GDP has remained stable. However, there are emerging signs of geoeconomic fragmentation. Trade patterns are increasingly shifting toward transactions within geopolitical blocs rather than between them, indicating a gradual restructuring of global trade dynamics.

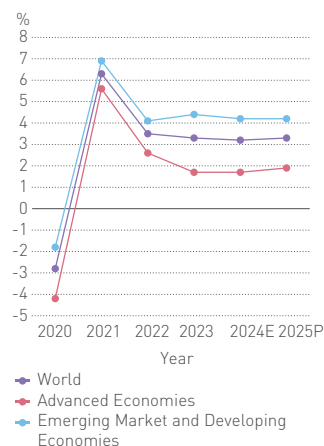
SRI LANKA

Sri Lanka's economic performance in 2024 reflected a rebound from previous crises, supported by international financial assistance and structural reforms. The economy demonstrated significant signs of recovery and stabilisation following the severe financial crisis of 2022.

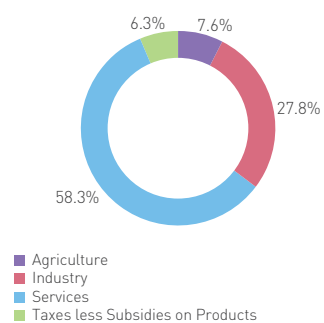
In December 2024, Moody's upgraded Sri Lanka's long-term foreign currency issuer rating to 'Caa1' from 'Ca' with a stable outlook, following the approval of a \$12.55 billion debt overhaul by the country's creditors. This reflects improvements in Sri Lanka's credit profile, including reduced external vulnerability and government liquidity risk.

The economy grew by 5% during the first half of 2024, marking a decisive turnaround following six consecutive quarters as the economy began to expand from the third quarter of 2023. The Industry sector reported a robust growth of 11.4% with the recovery in the construction sector, supported by the clearing of government arrears and the resumption of project financing. The services sector grew by 2.6% during the first half of 2024, bolstered by the strong performance of tourism-related sectors such as accommodation, food and beverage services, and transport. Agricultural growth remained subdued at 1.4%, reflecting the adverse impacts of localised weather disruptions, pest infestations, and diseases.

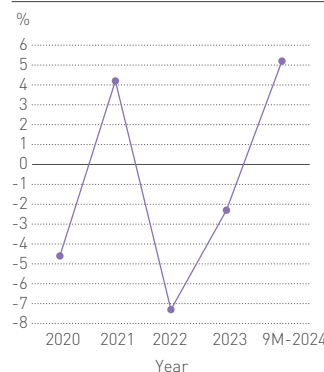
World GDP Growth



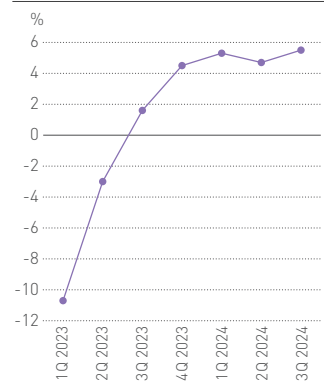
GDP Composition (9M - 2024)



Annual GDP Growth Rate



GDP Growth





OPERATING ENVIRONMENT

INFLATION

Headline inflation remained low in the first eight months of 2024. Despite an increase in the first two months of the year due to the impact of agricultural disruptions and new tax measures, inflation remained in single digits throughout the year, falling to -1.7% by the end of the year. Low inflation was mainly driven by downward adjustments in utility prices (including petroleum, electricity and water), and supported by moderating global commodity prices, an appreciating Rupee, improved supply conditions, subdued demand, and the phasing out of monetary financing.

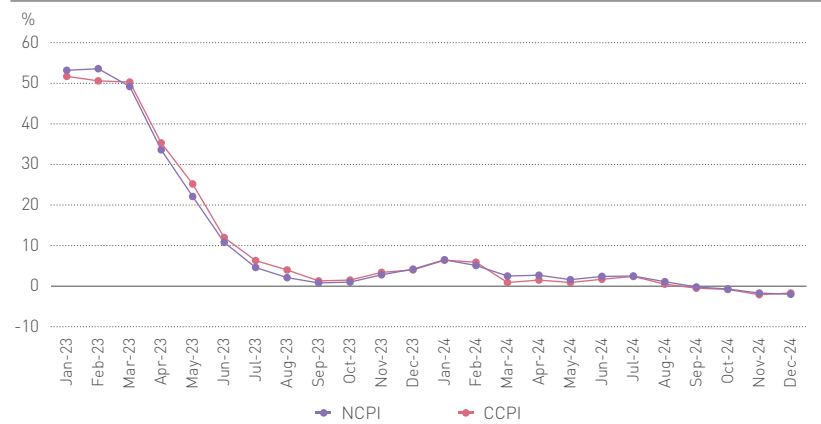
INTEREST RATES

In 2024, the Central Bank of Sri Lanka (CBSL) maintained an accommodative monetary policy stance as inflation remained well below target levels, enabling cumulative policy rate cuts of 800 basis points since May 2023. The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced to 7.5% and 8.5%, respectively, with Overnight Policy Rate (OPR) at 8.0%, with cuts in March, July and November. These reductions led to lower commercial bank lending and deposit rates, along with a nearly 1,000 basis-point drop in 91-day Treasury Bill rates. Monetary conditions improved further due to the completion of domestic debt restructuring in September 2023 and reduced government borrowing needs driven by fiscal consolidation, fostering a favourable environment for economic recovery.

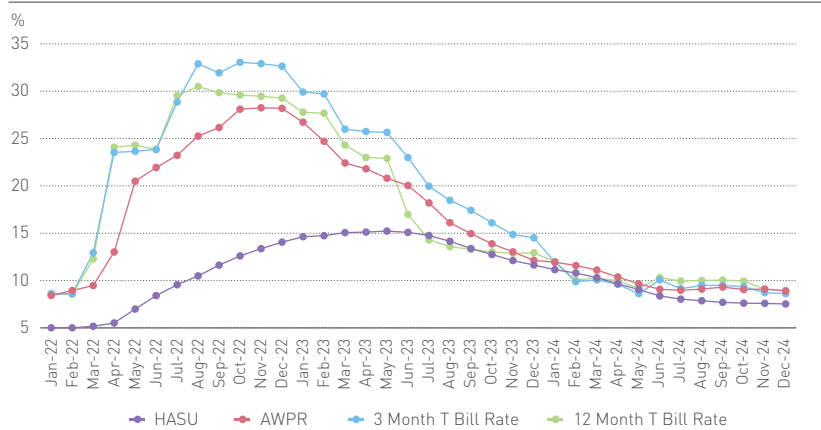
FOREIGN RESERVES AND EXCHANGE RATE

Inflows on the financial account, amid continued debt service suspension, strengthened foreign reserves. Inflows from development partners, including the International Monetary Fund (IMF) and Asian Development Bank (ADB), contributed to a balance of payment surplus in the first half of 2024. Further, inflows from tourism and remittances buoyed the current account. The trade deficit increased to 24% during the year 2024 as imports recovered faster than

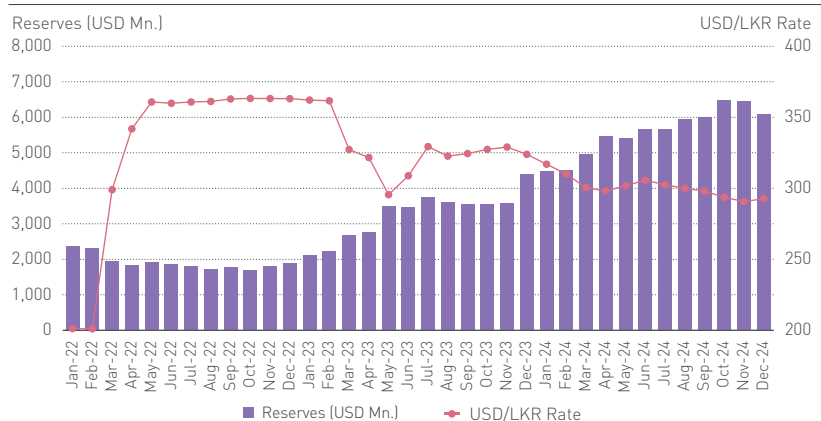
Inflation



Interest Rate



Exchange Rate & Reserves



exports. Despite a decline in garment exports (amid weak global demand), exports increased by 7% over the year. This was primarily driven by a spike in bunkering and aviation fuel exports as marine vessels are taking longer routes to avoid possible attacks in the Red Sea. On the other hand, imports increased by 12%, as all import restrictions (except on vehicles) were lifted, and improved economic activity led to an increase in imports of intermediate goods (primarily chemicals, plastics and base metals) and investment goods (primarily machinery and equipment). By the end of 2024, USD exchange rate stood at Rs. 292.5, recording a Rupee appreciation of 10.7% for the year.



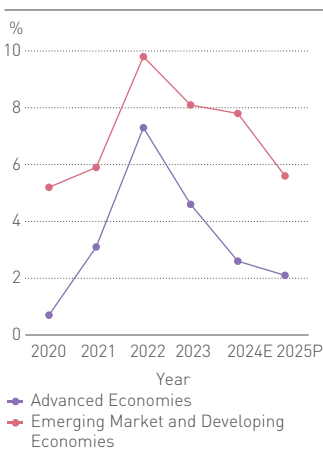
INSURANCE INDUSTRY

The insurance industry plays an important role in the country's financial sector, providing risk management and financial security solutions for both individuals and corporates. The industry has 29 licensed insurance companies regulated by the Insurance Regulatory Commission of Sri Lanka (IRC SL). These include 15 companies dedicated to Long-term Insurance, 13 focused exclusively on General Insurance, and one offering both Long-term and General Insurance products.

Sri Lanka's insurance industry is marked by fierce competition, a growing focus on innovative product offerings, and deeper penetration into underserved segments, including small and medium enterprises (SMEs) and rural areas. Despite facing economic volatility and evolving regulatory frameworks, the industry has demonstrated resilience by embracing digital transformation, enhancing customer experiences, and broadening its reach to promote greater financial inclusion across the country. Insurance penetration as measured by annualised GWP as a percentage of gross domestic product marginally improved to 1.1% at end of the first half of 2024 compared to 1% at the end Q2 of 2023

The insurance sector demonstrated notable growth of 17% in GWP during first Nine months of 2024 compared to the corresponding period of 2023, while the assets of the industry grew by 6% during the same period. The industry

Consumer Prices



showed significant exposure to the sovereign as Government securities continued to dominate the investment portfolios of both subsectors. As a result, the liquidity level of the insurance sector remained at a healthy level.

LIFE INSURANCE

Life insurance penetration in Sri Lanka remains relatively low at 0.6% at the end of 2023 compared to global and regional benchmarks. This low penetration is attributed to factors such as limited awareness about life insurance, affordability challenges, cultural attitudes toward insurance, and a significant portion of the population being uninsured or underinsured.

To address these challenges, life insurers in Sri Lanka have been actively working to enhance market penetration by introducing affordable and tailored products, leveraging digital platforms

to improve accessibility, and focusing on underserved segments such as rural communities and small and medium enterprises (SMEs). As a result, microinsurance and affordable policy options have gained significant traction.

By end 2024, the life insurance industry in Sri Lanka experienced a premium growth of 20% to reach Rs.183 billion as the economy started showing signs of stabilisation and recovery. This growth was recorded amidst rising living costs and subdued disposable income levels, limiting the growth of premium volumes and policy uptake in some segments.

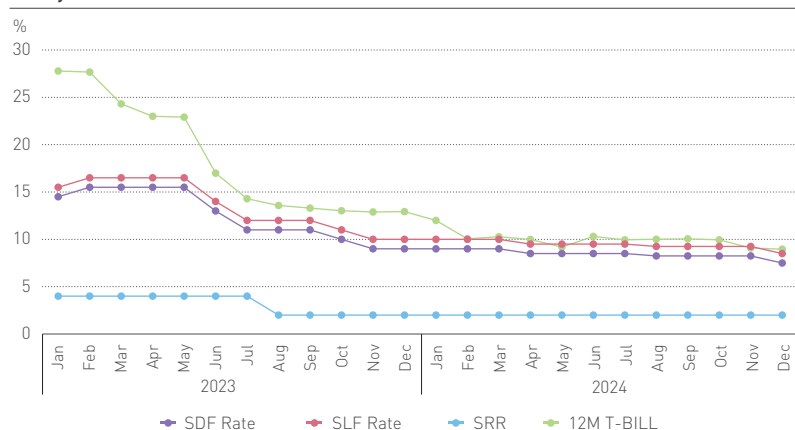
Total assets held by the life insurance sector reached Rs. 873 billion by the end of the third quarter of 2024, recording a growth of 11%. The industry recorded a profit before tax of Rs. 18.3 billion for the period, in comparison to Rs. 19.6 billion recorded in the previous year.

GENERAL INSURANCE

Penetration of general insurance remained unchanged at 0.5% at the end of 2023, compared to the previous year, highlighting underutilisation of insurance products among individuals and businesses. To address this, insurers are focusing on raising awareness, digital innovation, customised product offerings, and expanding outreach to rural and SME markets to boost penetration rates. These efforts aim to enhance financial inclusivity and resilience within Sri Lanka's general insurance landscape.

In year 2024, Sri Lanka's general insurance industry saw a premium growth of 7%, reaching Rs. 131 billion. During the first three quarters of assets of general insurance subsector contracted by 7% to reach Rs. 279 billion. The industry recorded a profit before tax of Rs. 15 billion for the period, in comparison to Rs. 16.8 billion recorded in the previous year.

Policy Rates





LOOKING AHEAD

GLOBAL OUTLOOK

Global growth is forecasted at 3.3% for 2025 and 2026. Advanced economies are expected to grow at 1.9% in 2025 and 1.8% in 2026, while emerging markets will see growth rates of 4.2% and 4.3% respectively. Global inflation should drop to 4.2% in 2025 and 3.5% in 2026. Energy commodity prices are set to fall in 2025, driven by weak Chinese demand and strong non-OPEC+ supply, but nonfuel commodity prices are expected to rise by 2.5% due to adverse weather. Central Banks' monetary policy rates will decline at different speeds, reflecting varying economic growth and inflation outlooks.

SRI LANKA

Sri Lanka's economy saw significant stabilisation in 2024, with the Central Bank projecting a 5.0% growth rate driven by the industrial and tourism sectors, supported by structural reforms. In 2025, the World Bank expects a moderate growth rate of 3.5%, reflecting the aftermath of the previous economic crisis. Inflation eased significantly, with a 2% year-on-year decline in December 2024, and the Central Bank targets 5% inflation by mid-2025. Key to this recovery was restructuring \$25 billion in debt and a \$2.9 billion IMF program. The Central Bank's 8% Overnight Policy Rate aims to encourage private sector credit growth, improve monetary policy forecasting, strengthen reserves etc.

Foreign investments, including a \$3.7 billion oil refinery project with Sinopec, aim to diversify energy sources and reduce oil dependency. The successful restructuring of external debt and the IMF - Extended Fund Facility (EFF) program have boosted investor confidence and ensured external sector stability. Sri Lanka recorded a current account surplus for two consecutive years, 2023 and 2024, but a deficit is expected in 2025 as economic activity picks up and vehicle import restrictions are relaxed. The external current account will be supported by services trade and workers' remittances, which are expected to reach historically high levels. The IMF-EFF program will continue to be crucial for long-term stability, ensuring the implementation of reforms and promoting overall macroeconomic stability. The Central

Bank remains committed to maintaining a market-determined, flexible exchange rate to buffer against external shocks.

FINANCIAL SECTOR

The financial sector outlook for 2025 is optimistic due to economic recovery and structural reforms, supported by successful debt restructuring and an ongoing IMF program. Investor confidence and market sentiment have improved, but challenges remain, particularly high Non-Performing Loans within the banking sector.

INSURANCE INDUSTRY

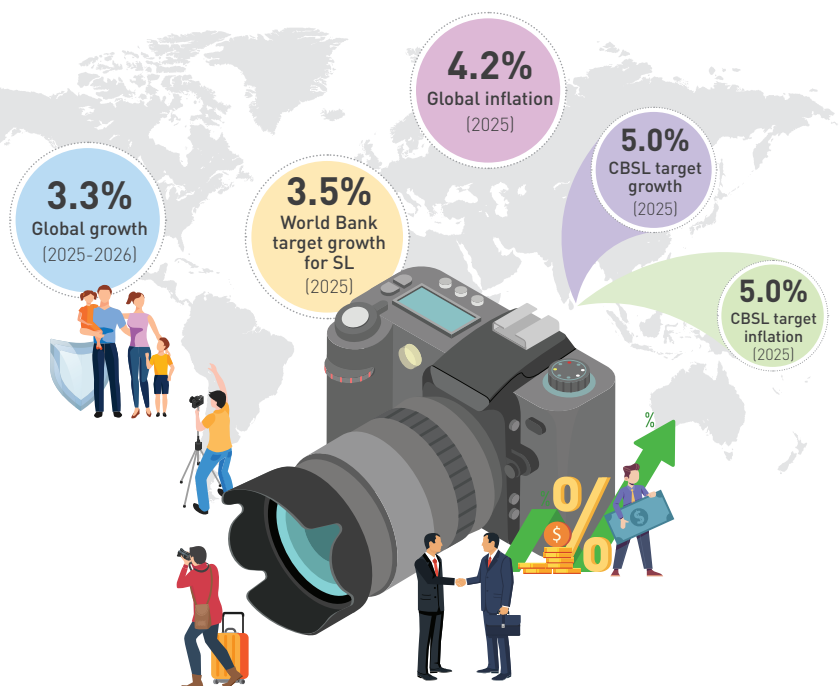
The outlook for Sri Lanka's insurance industry in 2025 is positive due to economic stabilisation and recovery. Growth is expected in both life and general insurance sectors, driven by rising disposable incomes and financial protection awareness. Structural reforms, including SLFRS 17, will enhance transparency and build confidence. The life insurance segment will benefit from increased demand for health and retirement products, while the general insurance sector, especially motor and health lines, will grow with the lifting of import restrictions and digital advancements. Challenges include inflation, lower disposable income, high reinsurance costs, and technological investments. Overall, the industry is

poised for gradual growth through digital transformation, product diversification, and expanded insurance penetration. Innovation, customer-centric solutions, and risk management will be crucial for navigating the evolving market landscape.

HNBA GROUP
















We have strategically invested in digital innovation, core systems, and SLFRS 17 compliance to enhance operational efficiency, streamline internal processes, and improve customer experiences. By integrating AI into operations, the Group aims to better understand and respond to customer needs, allowing for the creation of personalised products and services. This innovation is expected to foster stronger customer relationships and build greater trust in the brand.

Moreover, HNBA Group is focused on expanding and continually upskilling its sales teams to meet evolving market demands and provide exceptional client service. These efforts align with the Group's strategic vision of establishing its Life and General Insurance segments as market leaders through service excellence, innovation, and a customer-centric approach. The ultimate goal is to drive sustainable growth, strengthen the competitive edge, and create long-term value for stakeholders.





INTEGRATED SWOT-PESTEL STRATEGIC OUTLOOK

Factor	Influence	Impact	Mapped SWOT Category	Impact to the Group	Strategic Pillars
Political Factors					
A stable government providing the impetus for a sustainable growth.	Positive	Moderate	Opportunity	Opportunities for greater penetration in to the life and general insurance market segments.	 Sales Force Expansion
New government policies may bring changes in taxes, relief measures, and digital transformation.	Positive	Moderate	Opportunity	Create new market opportunities for digital services, insurance offerings, and financial inclusion.	  Sales Force Expansion Technological Transformation
Increased geopolitical uncertainty due to sabre rattling by key economies across the globe.	Negative	Moderate	Threat	Uncertainty in the geopolitical environment affects HNBA's long-term strategic planning.	 Sales Force Expansion
Economic Factors					
Moderate economic growth for 2025, driven by consumption, business confidence, economic reforms, and recovery in critical sectors.	Positive	Moderate	Opportunity	Economic recovery can boost demand for insurance, particularly in health, life, and general insurance products.	  Sales Force Expansion Comprehensive Product Suite
Decreasing interest rates will stimulate credit growth but reduce investment income.	Positive (Business) / Negative (Investment Income)	High	Opportunity (Business), Threat (Investment Income)	Credit growth could benefit HNBA's insurance business, but lower investment returns could affect overall profitability.	  Sales Force Expansion Fund Management
Prevailing low inflation will stabilise prices and enhance consumer purchasing power.	Positive	Moderate	Opportunity	Increased consumer purchasing power may lead to greater insurance uptake and policy retention.	  Sales Force Expansion Exceptional Customer Experience
Stable exchange rates supported by remittances and tourism earnings.	Positive	Moderate	Opportunity	Stability in foreign exchange rates supports HNBA's operations and profitability.	 Fund Management
IMF program and debt restructuring likely to continue, leading to further credit rating upgrade.	Positive	Moderate	Opportunity	Sri Lanka's improved financial standing could increase investor confidence and economic stability, benefiting HNBA.	  Sales Force Expansion Exceptional Customer Experience
Social Factors					
Increased demand for financial security and protection, driven by recent economic fluctuations.	Positive	Moderate	Opportunity	Growing demand for insurance products can enhance market penetration for the Group.	  Sales Force Expansion Comprehensive Product Suite



LOOKING AHEAD

Factor	Influence	Impact	Mapped SWOT Category	Impact to the Group	Strategic Pillars
Increased life expectancy driving demand for health and retirement plans.	Positive	Moderate	Opportunity	This presents a significant market for long-term health and retirement insurance products.	 Sales Force Expansion  Comprehensive Product Suite
Increased propensity to use e-commerce platforms opens opportunities for driving digital sales and non-cash premium payments.	Positive	Moderate	Opportunity	Leveraging e-commerce and digital payments can increase HNBA's digital sales and streamline premium collections.	 Exceptional Customer Experience  Technological Transformation
Increased usage of social media provides opportunities for brand awareness through digital marketing.	Positive	Moderate	Opportunity	Social media offers an affordable and impactful channel for increasing brand awareness and customer engagement.	 Remarkable Brand
Increasing emphasis on sustainability and good governance among consumers.	Positive	Moderate	Opportunity	Consumers' focus on sustainability and ethical practices may help HNBA attract new customers by prioritising ESG practices.	 Comprehensive Product Suite  Corporate Governance
Migration of skilled individuals and talent shortages in the industry could affect recruitment and retention.	Negative	High	Threat	High turnover and loss of talent could disrupt operations and increase cost.	 Passionate Human Capital
Technological Factors					
Active exploration of AI and Robotic Process Automation (RPA) to improve process efficiency and productivity.	Positive	Moderate	Opportunity	AI and RPA can streamline operations, reduce costs, and improve customer experience, driving efficiency at HNBA.	 Exceptional Customer Experience  Technological Transformation
Availability of digital platforms and payments offers the opportunity to drive digital policy sales and non-cash premium payments.	Positive	Low	Opportunity	The shift towards digital transactions presents an opportunity for HNBA to innovate and simplify policy selling.	 Exceptional Customer Experience  Technological Transformation
Increased use of virtual communication tools offering efficiency gains and cost savings.	Positive	Moderate	Opportunity	Virtual communication tools help optimise employee productivity and enhance collaboration.	 Technological Transformation  Passionate Human Capital
Technological advancements allow HNBA to gather larger data pools for customer insights and product customisation.	Positive	Moderate	Opportunity	This provides the opportunity for better decision making and insight driven product augmentation.	 Technological Transformation  Exceptional Customer Experience  Comprehensive Product Suite

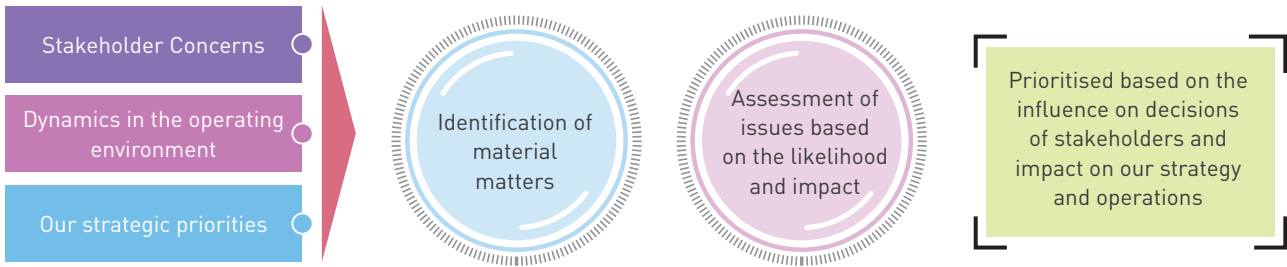


Factor	Influence	Impact	Mapped SWOT Category	Impact to the Group	Strategic Pillars
Rising cybersecurity risks and data breaches.	Negative	Low	Threat	Cybersecurity vulnerabilities could lead to reputational damage and financial losses if data breaches occur.	 Technological Transformation  Risk Management
Environmental Factors					
Increasingly unpredictable weather patterns may affect certain industries (e.g., agriculture, energy generation).	Neutral	Moderate	Threat	Potential environmental disruptions could lead to high claims cost to the Group.	 Exceptional Customer Experience  Comprehensive Product Suite
Growing environmental pollution affects public health, leading to higher medical claims.	Negative	Moderate	Threat	Rising pollution levels may increase the number of health-related insurance claims, impacting profitability.	 Exceptional Customer Experience
Legal Factors					
Stringent regulatory frameworks set by IRCSL to enhance public confidence.	Positive	High	Opportunity	Greater Opportunity for business expansion due to Enhanced public confidence.	 Sales Force Expansion  Corporate Governance
SLFRS 17 adoption will significantly impact the insurance industry's reporting practices.	Positive	High	Opportunity	Enhanced investor and customer confidence in the industry and the brand, enabled by greater uniformity, comparability and transparency in reporting.	 Sales Force Expansion  Corporate Governance  Technological Transformation
New Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations.	Neutral	High	Threat	The regulatory requirements on AML and CFT are crucial for maintaining operational integrity but add to operational challenges.	 Corporate Governance  Risk Management
Implementation of new Anti-Corruption Act.	Neutral	High	Opportunity	Enhanced business opportunity by way of product uptake based on product features and cost.	 Corporate Governance  Risk Management
Implementation of new Data Protection Act.	Neutral	High	Opportunity	Implementation of new Data Protection Act gives greater customer confidence in lodging their personal information with the Group.	 Technological Transformation  Corporate Governance  Risk Management

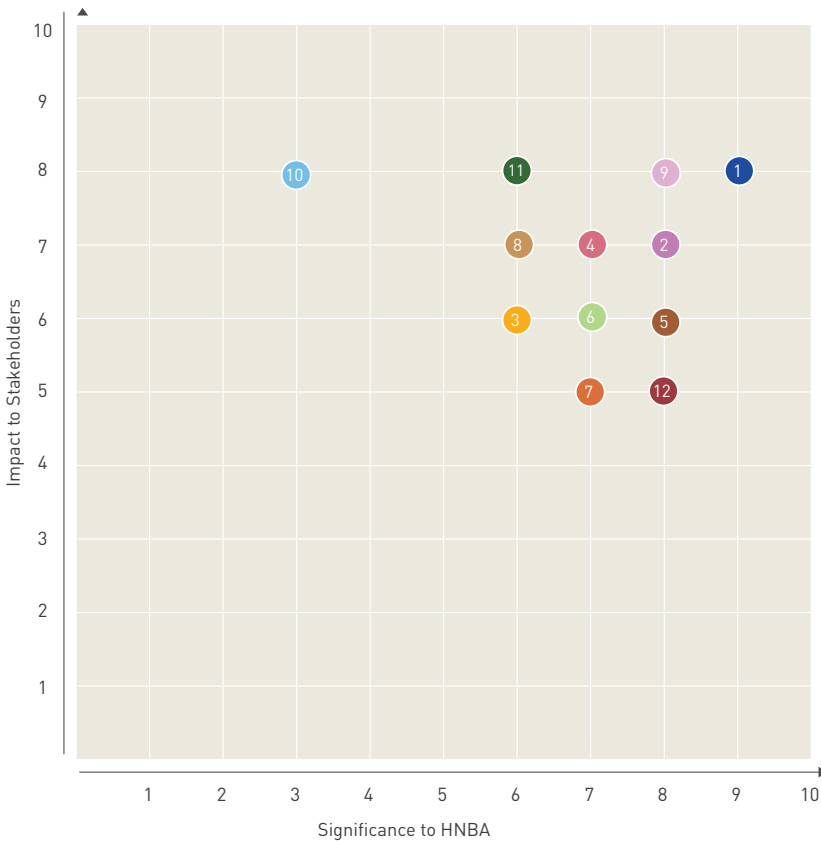
DETERMINING MATERIALITY

The identification of material topics is driven by their potential to influence value creation for our stakeholders. These topics are carefully selected by evaluating stakeholder concerns, the dynamics of the operating environment, and HNBA's strategic priorities. To ensure consistency with global best practices, the selected topics are aligned with the Global Reporting Initiative (GRI) standards and the United Nations Sustainable Development Goals (SDGs). This approach ensures our focus remains relevant and impactful.

Below is a graphical illustration of how we determine our material matters.



OUR MATERIAL TOPICS





Material Topic	Impact on our operations	Our Strategy	Relevance to Capital	Corresponding GRI Topic
1 Financial performance and stability	Ensures sustainable business growth, operational stability, and consistent returns to shareholders.	Refer Financial Capital on page 124		GRI 201: Economic Performance 2016
2 Managing macro-economic uncertainties	Low interest regime having a significant impact on operations	Refer Risk Management on page 172		
3 Product Innovation	Ensures continued relevance and competitiveness in a rapidly evolving and highly competitive industry.	Refer Comprehensive Product Suite on page 86		
4 Customer Experience	Crucial for maintaining and growing our market share and driving sustainable business growth.	Refer Exceptional Customer Experience in page 76		
5 Talent Management	A competent team is vital for effective strategy execution	Refer Passionate Human Capital on page 99		GRI 401: Employment 2016
6 Technological Transformation	Technology is pivotal in driving operational efficiencies and elevating the customer experience, enabling us to remain competitive and responsive in a dynamic market.	Refer Technological Transformation on page 80		
7 Group Synergies and relationships with business partners	Leveraging the strength of the brand, extensive branch network of the parent company, and intermediaries to broaden our market reach and accessibility.	We capitalise on HNB's branch presence through aggressive growth in our Bancassurance channel and strive to maintain mutually beneficial relationships.		Refer Sales Force Expansion on page 64
8 Responsible and ethical business practices	Ensures trust, transparency, and long-term sustainability in all our operations.	Making significant investments in technology to reduce our environmental footprint and promote sustainable business practices	 	GRI 302: Energy 2016 GRI 306: Waste 2020 Refer Technological Transformation on page 80
9 Corporate Governance	Upholding good governance ensures accountability, transparency, and ethical decision-making, fostering trust and sustainable growth.	Refer Corporate Governance on page 137		
10 Community Development	Promoting community development through initiatives that empower individuals, enhance livelihoods, and contribute to the overall well-being of society.	Refer Our Commitment to Corporate Social Responsibility on page 93	 	GRI 203: Indirect Economic Impacts 2016
11 Brand Presence	A strong brand presence is essential for achieving our strategic objectives, enhancing market recognition, and building customer loyalty.	Refer A Remarkable Brand on Page 83		
12 Service and operational excellence	Delivering service and operational excellence to ensure efficiency, customer satisfaction, and a competitive edge in the market.	Refer Exceptional Customer Experience on Page 76	 	





DELIVERING OUR STRATEGY

Our corporate strategy is anchored by four domains within the life insurance sector. These strategic pillars – premium growth, persistency management, protection insurance penetration, and productivity improvement – guide our short- and medium-term initiatives, aligning with our core values and business strategy to achieve our vision and mission for HNBA. At the core of this strategy lies a commitment to sustained and stable long-term profitability, guided by our organisational culture, risk management, and a governance framework.

We continued our strategic approach, building upon the 2022 “10 in 5” framework. This corporate milestone outlines our ambitious goal of becoming the fifth-largest player in the life insurance market, achieving a 10%

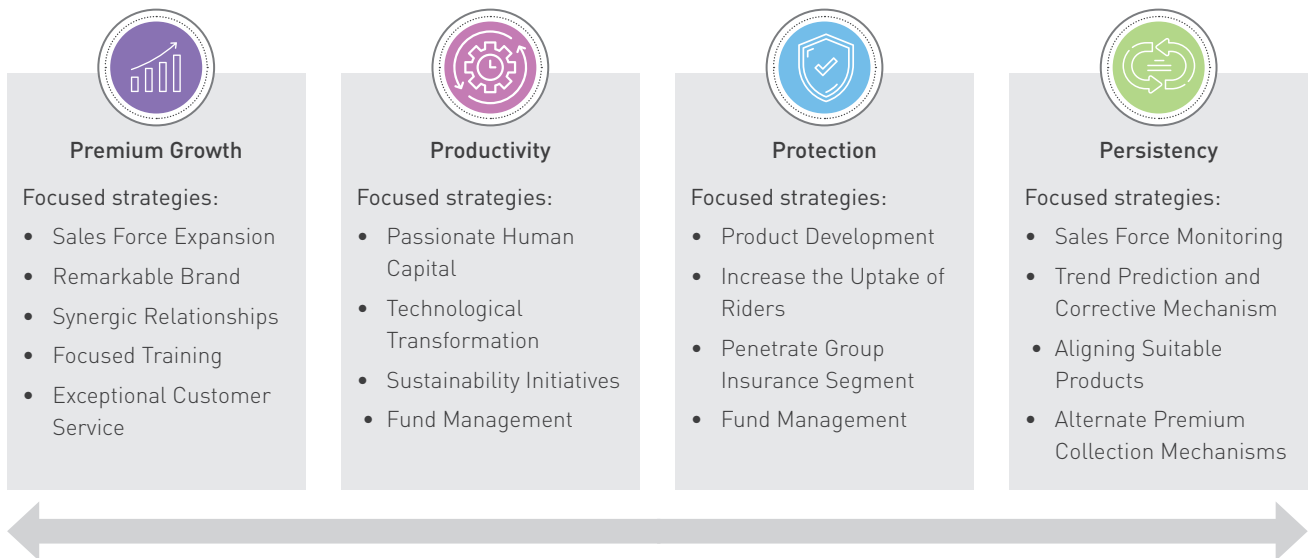
market share by 2026. This bold ambition requires a focused effort, inspiring our teams to reach their ambitious goals, even amidst potential uncertainty.

Despite recent challenges, we remain committed to serving society with resilience, and empathy, harnessing innovations for augmenting customer convenience. We are prepared to address evolving societal needs within the dynamic economic landscape. Three years into our strategic plan, we are pleased with the progress made toward our 2026 goals. This success is fuelled by our focused strategies: Sales Force Expansion, Exceptional Customer Service, and Technological Transformation. While expanding our physical and virtual presence, building strategic partnerships, and leveraging technology and human capital to surpass





































customer expectations, we engage in robust fund management critical for preserving and enhancing organisational value. Product development, brand building, training and development, and effective utilisation of human resources are key enablers that power our strategy. Our core values guide these efforts and we operate within our established boundaries. While making a conscious effort to contribute to the society through our core activities, we strive to contribute to the protection of the planet via sustainable corporate practices.

The following sections of this report delve into specific strategies and highlight our contributions to a successful year, showcasing the implementation of our strategic vision.

STRATEGY














Focused Strategies	Resources Allocated	Page Reference
 Sales Force Expansion	    	Pages 64 to 75
 Exceptional Customer Experience	   	Pages 76 to 79
 Technological Transformation	      	Pages 80 to 82
 Comprehensive Product Suite	    	Pages 86 to 90
 Remarkable Brand	  	Pages 83 to 85
 Passionate Human Capital	   	Pages 99 to 111
 Fund Management		Pages 96 to 98



Foundations & Boundaries	
Corporate Governance	Page 137 to 171
Risk Management	Page 172 to 186
Sustainability	Throughout the Report
Shared Values	Throughout the Report



DELIVERING OUR STRATEGY

Strategic pillar	Objectives	KPIs	Focused strategies
Premium growth	<p>Our strategy, aligned with our corporate mission, aims to achieve a 10% market share by 2026 through the "SET for 10 in 5" framework, focusing on:</p> <ul style="list-style-type: none"> • S - Sales force expansion • E - Exceptional customer experience • T - Technological transformation 	<ul style="list-style-type: none"> • Gross Written Premium (GWP), measured by: <ul style="list-style-type: none"> - Company-wide GWP - Channel-specific GWP • New Business Premium • Channel-specific KPIs: 	<ul style="list-style-type: none">  Remarkable Brand  A Focus on Customer Experience  Sales Force Expansion
Productivity	<p>People, processes, and projects operate in a synergistic relationship, with each component essential to the performance and advancement of the whole.</p>	<ul style="list-style-type: none"> • New Business and Gross Written Premium (NBP, GWP) • Monthly Converted First Premium (MCFP) • People Development and Skill Enhancement • Organisational Culture & Governance • Service Efficiency & Responsiveness • Strategic Initiatives & Sustainability • Strategic Projects & Innovation • Advisor Performance & Activity • Lead Management & Conversion • Customer Engagement and activity • Investment Income and Yield 	<ul style="list-style-type: none">  Passionate Human Capital  Technological Transformation  Fund Management
Protection	<p>Offer competitive, flexible, and affordable insurance products.</p>	<ul style="list-style-type: none"> • Bancassurance Business Performance <ul style="list-style-type: none"> - Bancassurance Channel Performance - SME (Small and Medium Enterprise) Unit Performance - Group Life Insurance Performance: - Broker Insurance Performance • Retail Business Restructuring & Alignment with HNB • Customer Advisory & Product Innovation <ul style="list-style-type: none"> - Customer Advisory Services - Product Strategy Effectiveness - Product Development Pipeline & Innovation - Annuity Product Performance • Product Optimisation 	<ul style="list-style-type: none">  Comprehensive Product Suite
Persistence	<p>Enhance policy and premium persistency.</p>	<ul style="list-style-type: none"> • Lapse reduction • Improve persistency • Rider Ratio • Lapse Ratios • Premium Persistency Ratios 	<ul style="list-style-type: none">  Sales Force Expansion  Exceptional Customer Experience



	Material topics	Key initiatives	Targets
			Short term
	<ul style="list-style-type: none"> Brand presence Technological transformation Talent management Customer experience Service and operational excellence Product innovation Financial performance and stability 	<ul style="list-style-type: none"> Expanding the productive sales force and enhancing channel productivity. Brand Strategy: Increased visibility, lead generation, and improved physical evidence and services. <ul style="list-style-type: none"> Enhanced brand positioning. Increased digital media usage. On-ground activations. Improved customer touchpoints. Customer Experience Strategy: Listen: Gathering customer feedback, social listening, surveys, and complaints management. Address: Improving quality touchpoints, addressing pain points, and service differentiation. Adopt: Implementing a customer-centric culture and data-driven strategy. Measure: Tracking customer satisfaction, Net Promoter Scores (NPS), and customer sentiment. 	<p>21% GWP growth</p> <p>23% NBP growth</p>
	<ul style="list-style-type: none"> Technological transformation Talent management Customer experience Service and operational excellence Corporate Governance 	<ul style="list-style-type: none"> Advisor Performance Enhancement <ul style="list-style-type: none"> Implement programmes to enhance advisor skills and productivity. Provide targeted training and development opportunities. Lead Management & Generation <ul style="list-style-type: none"> Implement a new lead management system. Enhance lead generation activities through various channels. Advisor Support & Empowerment <ul style="list-style-type: none"> Implement a system for providing real-time information to advisors. Develop tools and resources for efficient client management. Branch Transformation <ul style="list-style-type: none"> Implement a branch transformation strategy. Develop a ranking model to assess branch performance. Optimise asset allocation strategy and maturity mix strategy based on macroeconomic and other expectations to maximise investment returns within the Risk appetite. 	<p>Increase call centre efficiency</p> <p>Improve social media following and reach</p>
	<ul style="list-style-type: none"> Customer experience Service and operational excellence Group synergies and relationships with business partners Financial performance and stability 	<ul style="list-style-type: none"> Establish a centralised command centre for portfolio management and monitoring. Implement a system for feedback on Direct-to-Agent (DTA) activities and product performance. Develop and launch products specifically designed for UAE-based Sri Lankan expatriates. Integrated Sales Training & Alignment to ensure consistent messaging and effective execution. Develop a product strategy & market positioning 	<p>Introduce two new products</p> <p>Increase Rider ratio to 25%</p>
	<ul style="list-style-type: none"> Service and operational excellence Financial performance and stability 	<ul style="list-style-type: none"> Implement data analytics processes to gain deeper insights into customer behaviour. Policy Retention & Portfolio Health <ul style="list-style-type: none"> Closely monitor premium persistency rates. Track and analyse lapse ratios. Develop strategies to improve policy retention 	<p>Improve First year Lapse ratio to 42%</p> <p>Improve 1st year Premium Persistency ratio to 85%</p>

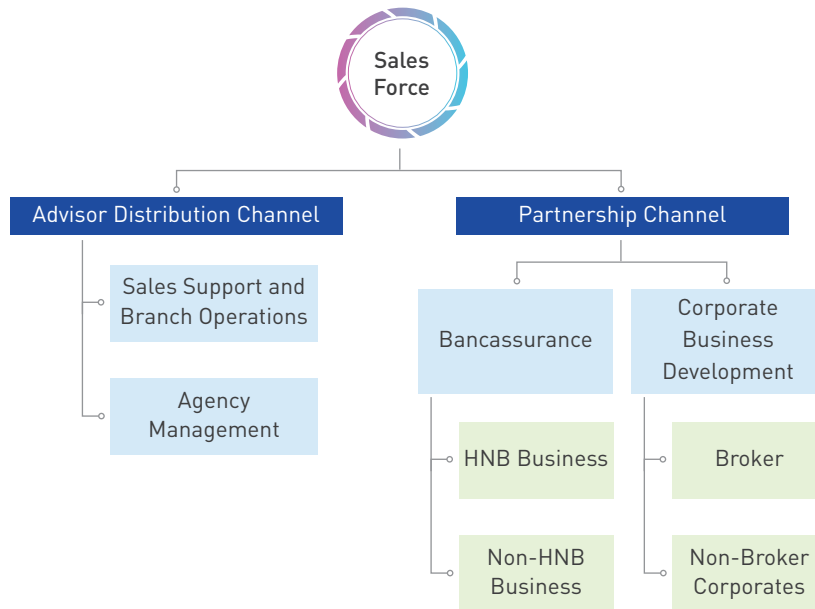


SALES FORCE EXPANSION

Building a highly productive, regulator-accredited sales force is critical for a life insurance company. HNBA's focused strategy achieved significant growth in sales force size and productivity.

Value Creation Highlights	
26% growth in the Company GWP	
28% increase in commissions to advisors	
Rs. 9.9 Mn. investment in training	
Material Topics	Stakeholder Impact
<ul style="list-style-type: none"> Group Synergies and Relationships with Business Partners Service and Operational Excellence Talent Management 	<ul style="list-style-type: none"> Human Capital Financial Capital Manufactured Capital Social and Relationship Capital Intellectual Capital
SDG Impact	

STRUCTURE OF THE HNBA SALES FORCE



ADVISOR DISTRIBUTION CHANNEL

The Advisor Distribution Channel is a cornerstone of insurance sales and adopts a customised approach to drive market growth. We expanded this channel by reaching 4,431 trained and supported advisors who efficiently meet customer protection needs.

DELIVERING VALUE TO ADVISORS IN 2024



New Business Premium (NBP) Growth

21%
YoY ↑



Gross Written Premium (GWP) Growth

21%
YoY ↑



Avg. case Size growth

37%
YoY ↑



MDRT Achievers

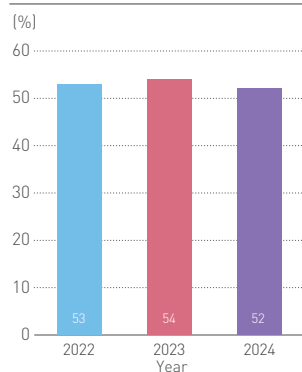
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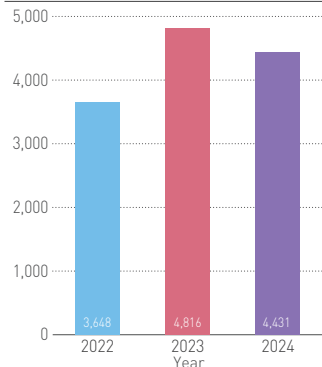


OUR PERFORMANCE

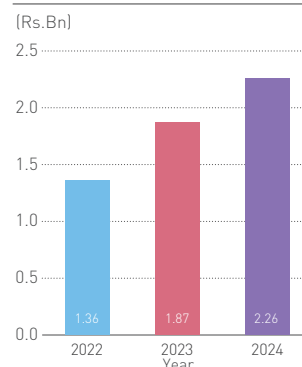
Advisor GWP Contribution



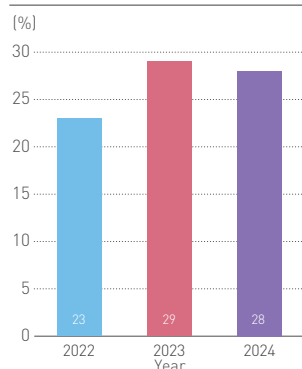
No. of Advisors



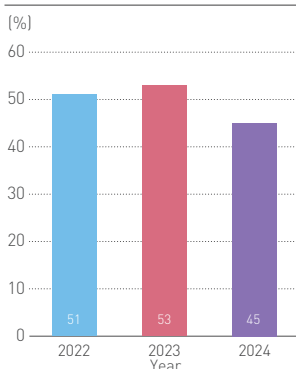
Advisor NBP



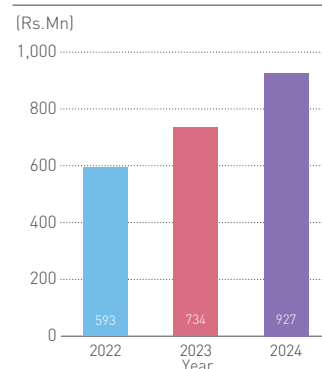
Advisor Rider Ratio



Advisor Lapse Ratio



Commission Paid to Advisors



Supported by a network of 70 branches and 132 incubator branches, targeted growth and capacity-building initiatives resulted in a 21% increase in GWP, exceeding the industry average of 20%. This growth remains aligned with our 5-year strategic plan implemented in 2022, demonstrating resilience despite challenging economic conditions.

Key initiatives implemented to improve advisor recruitment, retention, and performance:

- A structured career path was introduced to address previously low advisor retention rates due to inconsistent income streams during the initial phase of employment. This programme has significantly impacted business development by increasing the retention of newly recruited freelance advisors as evidenced by the retention rate of 95%. Previously, approximately 65-75% of new advisors left the Company shortly after joining.

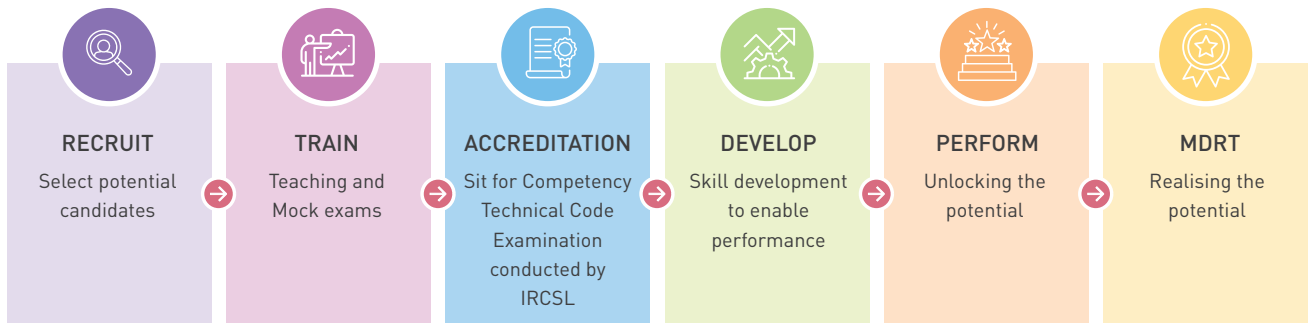
- A formal career progression framework was implemented in 2023 and continued in 2024. This extends from advisor to SBU head, boosting morale and motivation among both advisors and leaders.
- The ongoing MDRT benefit scheme rewards high-performing advisors. The introduction of the Diamond Club and MDs Club further incentivised and recognised exceptional achievement.

THE ADVISOR LIFECYCLE

We continued to develop the careers of our insurance advisors. Accordingly, we recruit promising candidates and provide comprehensive training to complete the Competency Technical Code examination of the Insurance Regulatory Commission of Sri Lanka. Structured development programmes then support advisors in reaching their full potential, including achieving MDRT status - a global standard of excellence for insurance professionals.

Branch Managers continued to be instrumental in driving sales force performance, securing market share, and exceeding industry growth targets. Branch-specific targets, tailored to individual capacity and market potential, were implemented. Market analysis and a focus on productivity and efficiency, supported by bi-weekly cutoff dates, digital tools, and performance analytics, fostered a positive work environment and improved lead conversion. These strategies contributed to a 21% increase in New Business Premiums from the Advisor Distribution Channel in 2024.

SALES FORCE EXPANSION



KEY CHALLENGES AND MITIGATION STRATEGIES

Key challenges

- Competitors aggressively recruiting our advisors by offering significantly higher compensation packages, impacting morale and retention.
- The current economic climate and emigration have led to a decrease in our customer base and an increase in lapsed policies, particularly among middle- and upper-income clients.
- Government healthcare challenges have resulted in increased reliance on private health insurance, leading to higher claim ratios and subsequently, increased premiums. This creates additional pressure on policyholders and the Company.

Mitigating strategies

- Providing enhanced training and education in partnerships with the University of Colombo to offer diploma and MBA programmes to high-performing advisors. This investment provides advisors with valuable skills and career progression opportunities, fostering loyalty and satisfaction.
- The number of international travel opportunities offered to advisors increased from 110 in 2023 to 144 in 2024, providing valuable exposure and recognition of their contributions.
- Strengthening relationships with our advisors through team building, engagement, and providing additional non-monetary benefits to counteract competitive pressures.
- Implemented several initiatives to improve advisor well-being and address concerns, including holding regular meetings and gatherings to foster stronger relationships and facilitate communication.
- Implemented new programmes such as the Family income support benefit to support advisor well-being.
- Assigned dedicated personnel to collect and address advisor feedback and grievances at zonal and branch levels to proactively address issues and improve advisor satisfaction during the year.



FUTURE FOCUS

Our key priorities for 2025 are focused on advisor and sales management team retention and productivity improvement:

- Empowering Distribution Management by enhancing the capabilities of our distribution management team through targeted training and increased autonomy to maximise their potential and overall output.
- Given the competitive landscape and aggressive recruitment tactics of competitors, we will implement strategies to retain high-performing advisors.
- To counter the impact of inflation and rising costs, we will focus on improving the productivity of our sales and sales management teams. This entails managing expense ratios, lapse ratios, and rider take-up rates.
- We aim to achieve a minimum of 20-25% business growth to maintain momentum, incentivise our sales team, and support further development and retention efforts. This growth, coupled with increased productivity and efficiency, will be central to our success in 2025.
- Open 3-4 additional branches in 2025. This expansion will also necessitate the recruitment of approximately 12-15 new management personnel.

PARTNERSHIPS

For the fourth consecutive year, Global Banking and Finance Review (UK) has recognised HNBA as the leading Bancassurance channel in the industry. This achievement reflects our significant market share and successful activations. Furthermore, we provide substantial value to our partner banks through fee income, targeting Rs. 600 million this year.

BANCASSURANCE CHANNEL

Our Bancassurance operations are divided into HNB and non-HNB partnerships.

Under the HNB Partnership, we offer all the endowment products, loan protection, key man insurance and micro insurance targeting each segment of the bank, while introducing package products.

Under the non-HNB partnerships, we are working with banks, gradually expanding our offerings. Our focus was on developing business in decreasing term policies (DTPs), loan protection cover, and micro-insurance. This expansion involved building relationships and addressing the existing long-term partnerships these banks have with other insurance providers for endowment products. Going forward, we see an opportunity to grow within this space.

Moreover, we engage with micro-businesses, particularly SANASA and cooperative societies, through on-the-ground activations, branch-level communication, and seasonal offers.

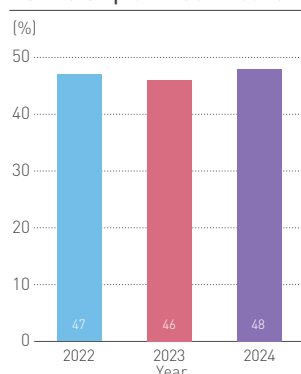
ALTERNATE CHANNEL

Our Alternate Channel focuses on cooperative business development, primarily facilitating group policies for a diverse range of corporate clients, from top-tier to mid-market companies. Corporate business is highly competitive, demanding excellent service and pricing. Despite this, we have maintained a high renewal rate (over 90%) compared to last year, largely due to the quality of our service. While some clients switched to in-house insurance programmes, our retention rate reflects our strong service and competitive pricing. We are committed to providing exceptional service and appropriate pricing across our extensive network.

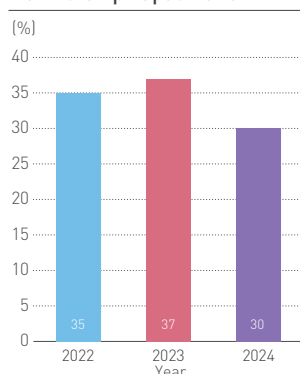
We continued to strengthen relationships through initiatives such as complimentary health clinics, premium discounts based on health monitoring, and seasonal offers. We also collaborated with financial institutions that do not currently offer life insurance, focusing on group life and surgical insurance. Moreover, we expanded into the UAE market, starting in Dubai by leveraging HNB remittance customers. Our tele-sales unit sold over 300 policies via the Elite Life platform since January 2024.

PARTNERSHIP CHANNEL PERFORMANCE

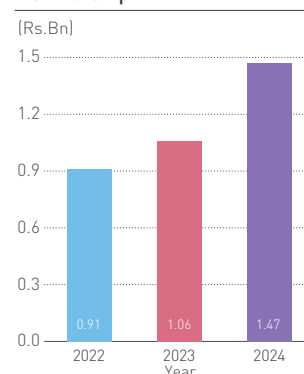
Partnership GWP Contribution



Partnership Lapse Ratio



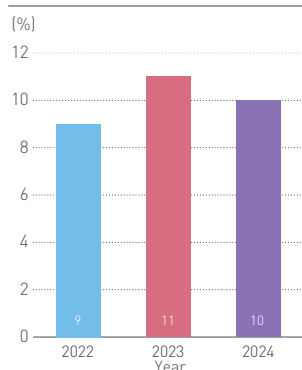
Partnership NBP



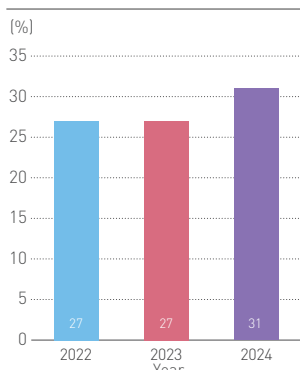


SALES FORCE EXPANSION

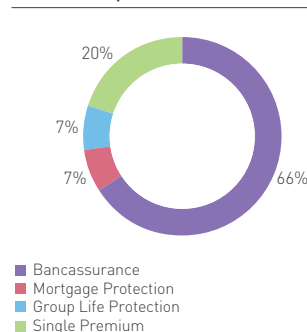
Partnership - Rider Ratio



Leads Conversion



Partnership GWP Contribution



HNB RETAIL BUSINESS PERFORMANCE

The HNB retail business demonstrates strong growth across multiple segments. New business contributions grew by 38% YoY, while overall Gross Written Premium (GWP) from the HNB front recorded a growth of 28%. The MRP and DTPA business recorded a growth of 112%, fuelled by the recent resurgence in lending activity after a slow start in 2023. However, it is important to note that this growth reflects a higher volume of smaller transactions rather than a substantial increase in average transaction value. Micro-business and Group Life segments also performed well, exhibiting 112% and 33% growth, respectively. Our alternative channels displayed exceptional performance with a 64% increase, contributing to the overall partnership channel's 31% growth.

We achieved a growth rate of 29% in 2024. This was due to the following initiatives implemented:

- 1. Restructured distribution:** Realigned our sales structure for improved efficiency by appointing 10 regional partnership heads.
- 2. New internal programmes:** Launched two programmes: "Bank We" and "Insurance for You," a bank staff awareness programme, to increase product knowledge among bank employees, from front-line staff to managers. This ensured consistent promotion of insurance products to bank customers.

- 3. Targeted monthly campaigns:** Ran ongoing, targeted monthly campaigns addressing specific business needs.

Moreover, in the year under review, we focused on growth within the SME segment by partnering with the HNB SME team and the Industrial Development Board to reach this target audience. Our focus was on two main insurance solutions:

- **Key Person Insurance:** Protecting businesses from the loss of key personnel.
- **Group Life Insurance:** Providing coverage for employees of businesses (e.g., providing a flat-rate cover for a company's 15 employees).

By collaborating with the Industrial Development Board, we conducted awareness programmes on financial planning and various insurance solutions, including health insurance. Additionally, we continued our micro-business development initiatives, which commenced in 2023, to further expand our reach.

NEW PRODUCT LAUNCHES AND PARTNERSHIPS

The reporting year experienced significant advancements in product development and strategic partnerships. Bundled products with HNB were introduced including Lease Guard for leasing customers, standing order cover for minor accounts, and an integrated cover within the HNB Adhistana product to cater to expats globally. Furthermore,

we have forged new partnerships with key players such as the Industrial Development Board (IDB) and several additional banks during the year.

FUTURE FOCUS

Our strategic priorities for the coming year include:

- Endowment Business Expansion by establishing a new, highly profitable endowment product line.
- Staff Development by launching the "LIFE Campus" training programme, partnering with the Sri Lanka Institute of Marketing (SLIM), the Colombo University, and the University of Wayamba to enhance employee knowledge and skills.
- Expand our reach in the SME sector, leveraging existing projects and focusing on both established and micro-segments.
- Agrarian Business Development will be a new initiative, launched in partnership with the Agrarian Development Board, offering specialised products for farmers with significant growth potential. We are currently recruiting dedicated personnel for this segment and anticipate significant returns in the coming year.

SALES TRAINING AND DEVELOPMENT INITIATIVES

The robust training programme, delivered by our dedicated Life Insurance Sales Training Division and based on a proprietary curriculum, continues to be crucial to the effectiveness of our sales force (advisors, partner institution officers, and internal sales teams). This initiative's success is evidenced by the Company achieving a high number of MDRT winners, significantly exceeding our market share.

	2023 Actual	2024 Actual	2024 Target	2025 Target
Advisors	4,816	4,431	3,500	3,500
Performing Advisors	2,168	2,365	2,500	3,000
MDRT Achievers	203	222	250	275
Digital Training / LMS – User Engagement	8,723	14,878	-	-



Value to Advisors

87

MDRT Winners

94,276

Training Hours



Investment in Training

Rs. 9.9 Mn.

Net Promoter Score

64



Value to Bancassurance Officers

135

MDRT Winners

11,176

Training Hours

Moreover, to recognise outstanding performance and boost morale, we held two award ceremonies in 2024. Over 20 bank employees were sent on an overseas trip as part of our annual gala awards. Additionally, for the first time, we held an international award ceremony in Bangkok for over 100 of our sales staff, providing unique industry exposure and motivation.





SALES FORCE EXPANSION

TRAINING AND DEVELOPMENT STRATEGY

The sales training and development strategy supports both advisor and partnership channels. Our strategy aligns with corporate objectives and key value drivers, focusing on developing Million Dollar Round Table (MDRT) top achievers. We continued to enhance advisor competencies through sales force training, supporting improved performance, income, and professionalism.



This training action plan comprised seven key strategies:

Key Training Priorities	Key Actions
Recruitment and Retention	<ul style="list-style-type: none"> The new lead management system which was developed during the year will launch in January 2025. The system will benefit advisors and Bancassurance officers across both channels. A referral programme, including a successful second-quarter competition, was launched to incentivise referrals from both channels. Moreover, training modules focused on effective prospecting techniques, distinguishing between warm leads and cold leads. The referral programme, particularly successful in generating leads from existing customers, also included a recognition programme for participating customers.
Enhance Customer Experience	<ul style="list-style-type: none"> A new training series on customer service, relationship management, and compliance (including anti-money laundering and KYC regulations) was delivered to all stakeholders, including field management. A new sales folder (both physical and digital) was introduced, providing a standardised sales process and guidelines for advisors and bancassurance officers. A two-day, role-play-based training programme accompanied the launch, certifying participants as Certified Sales Professionals upon successful completion. This ensures consistent messaging and professional sales practices, minimising customer misunderstandings and improving sales effectiveness. In addition, we collaborated with Mobitel to provide training on M-Cash for cashless premium collection and launched awareness programmes promoting this platform. This initiative supports our move toward a fully cashless premium collection system.
Empower Digital Learning	<ul style="list-style-type: none"> A new Training Management System (TMS) was formulated replacing manual processes (attendance tracking, etc.). While the TMS was completed in 2024, the integration with the core system is planned for January 2025.



Key Training Priorities	Key Actions
Productivity and Efficiency	<ul style="list-style-type: none"> • To improve productivity and efficiency, a digital e-diary was introduced replacing manual diaries. • To address underperformance, a “Back-to-Track” training programme was implemented for both advisors and partnership officers falling below performance ranking thresholds. This initiative contributed to increased advisor and officer performance. • The “Super Starter” programme for new advisors was redesigned and relaunched, providing a more effective three-to six-month onboarding experience. Successful completion results in certification and a recognition ceremony in Colombo. This revised programme significantly increased the number of successful new advisors. • To improve training attendance, particularly among new advisors, a physical “learning passport” was introduced to track training completion. Managers sign off on completed training, improving accountability and engagement.
Business Retention	<ul style="list-style-type: none"> • A competency-based training path was introduced for experienced advisors, providing targeted development opportunities based on individual skill needs. This structured approach ensures continuous professional development and skill enhancement. • The learning experience was redesigned for our bancassurance partners, creating a dedicated Partnership Learning Academy offering standardised training and certification. Recognising the distinct needs of this expanding channel, we also launched a specialised “Life Campus” programme. This replaced our previous combined training approach for advisors and partners, providing focused training tailored to the unique aspects of the bancassurance partnership business. <p>Regular training sessions were conducted leveraging both internal and external resources, to address evolving skill needs. Our internal training team, led by the DGM Training and comprising ten trainers, addressed daily training requirements.</p>
Protection Selling (IFRS 17 Compliance):	<ul style="list-style-type: none"> • In preparation for the implementation of IFRS 17 next year, which will increase the emphasis on protection selling, we undertook several initiatives to improve rider sales and advisor knowledge: • Numerous training activities and awareness programmes were conducted to promote best practices in selling riders. • The Learning Management System (LMS) was utilised to conduct quizzes to enhance advisor technical competency and knowledge of protection products. • Rider sales were incorporated into the MDRT achievement scheme, incentivising top performers to sell investment-linked riders.
MDRT Development	<ul style="list-style-type: none"> • With a corporate goal of 250 MDRT achievers (compared to 203 last year), we launched a prestigious new initiative: a customised diploma programme in partnership with the University of Colombo for our top 50 advisors. This programme, based on their specific competencies, is currently underway and provides a pathway to a degree or MBA. Our MDRT progress this year is significantly ahead of last year’s performance. • Moreover, we have supported 80 team members in achieving MDRT status through specialised internal and external training programmes.



SALES FORCE EXPANSION

HNB GENERAL INSURANCE

At HNBGI, strong business partnerships are fundamental to our success. This section details our commitment to strategic engagement, supporting and empowering our partners for mutual growth.

Sales Management Process

Our sales force consists of two main categories: permanent and freelance. The permanent sales force is managed hierarchically, from Channel/Unit to Zonal, Cluster and Branch Managers. Under this management structure, at the branch, channel, and departmental levels, we also employ freelance salespeople. These freelance employees are further divided into full-time and part-time roles.

This year, we focused on incorporating a larger freelance component due to its cost-effectiveness and improved performance monitoring. This strategy reduces infrastructure requirements as freelance salespeople often work independently, managing themselves through internal team leaders and group structures. This self-management system developed over the years.

Both permanent and freelance sales forces have structured performance monitoring, compensation (salary, perks, commissions, and retainers), career paths, and designation systems, each with its own formula. We maintain a structured system with annual award ceremonies and competitions for both groups to recognise achievements. The freelance sales force comprises 378 individuals as of 31st December 2024.

The implementation of a new sales management process across our branch network has enhanced the knowledge and skills of our sales team, leading to increased productivity and improved performance. The goal is to create a supportive and collaborative environment that benefits both our sales force and the Company.

In particular, our recruitment strategy differs for permanent and freelance staff. For permanent positions, we follow a pre-approved annual recruitment plan. Any deviation from this plan requires separate approval from the Management. Freelance recruitment, however, is more flexible, allowing for recruitment as needed. To date this year, we have recruited 110 freelance staff.

Commitment to Partner Growth

We have implemented a robust career development programme for our sales staff, including training, motivational programmes, and one-on-one coaching to ensure adherence to sales procedures and processes. Furthermore, we provide individualised career development plans and continuous support through coaching and knowledge enhancement, focusing on product knowledge and sales techniques.

Our commitment to partner growth involves mutually beneficial agreements tailored to both our needs and our partners' business activities. This includes reciprocal business arrangements. For example, we partner with leasing companies, referring customers to them while they, in turn, refer customers to us. This win-win approach extends to other sectors.

We actively support our broker partners by offering comprehensive training and development opportunities for their employees. These initiatives include on-the-job training and knowledge-sharing sessions led by our technical experts. By fostering strong relationships and enhancing loyalty towards HNBGI, these programs benefit both brokers and their teams while simultaneously refining the training capabilities of our own employees. Structured in alignment with our annual plan, the training content is continuously adapted to address evolving industry needs.



Active Engagement Initiatives

To foster engagement and maintain our competitive edge, we conduct regular broker visits, meetings and gatherings, both internally and externally. Internal events celebrate employee achievements and milestones, while external events often include competitions (e.g., between brokers or leasing companies). Winning teams or individuals are rewarded with outings, lunches, and knowledge-sharing sessions combined with product presentations or business discussions. These activities demonstrate our appreciation for our partners while simultaneously reinforcing business relationships and generating mutual benefits.

B2B Opportunities

We collaborate with our banking and other business partners to offer bundled products, combining their offerings with our insurance solutions. This approach is primarily used in sales promotions with our banking partners. While we frequently offer bundled products from our partners, reciprocal bundling from our insurance products is less common due to market dynamics. We nevertheless continue to explore such B2B reciprocal opportunities with our partners.

Progress and Achievements

We expanded our bancassurance partnerships beyond HNB to include several banks. Similarly, we have increased our broker network by engaging brokers outside Colombo. Our leasing company partnerships are also expanding, gradually onboarding new companies and developing our portfolio in this sector.

Business Development Associates (formerly known as Advisors): Key achievements in the advisor segment include recruiting 106 new Business Development Associates this year and streamlining the freelance portfolio. We've improved advisor profitability by focusing on high-value business, resulting in increased commissions and overall productivity. A granular analysis identified and addressed performance barriers, leading to clearer guidelines and a structured career progression framework for team leaders. This framework defines clear criteria for advancement, motivating advisors to achieve higher levels and ensuring consistent performance.

We are confident that the Takaful Unit will continue to thrive and play a significant role in meeting the growing demand for Shariah-compliant insurance solutions in the market.

Broker channel: Our broker channel has demonstrated exceptional performance, achieving a remarkable 19% growth in 2024. This consistent upward trajectory reflects the strength of our partnerships, the effectiveness of our strategic initiatives, and the trust placed in us by our broker network. This success stems from a revised selection criteria and a sharpened focus on profitable business. We have shifted away from less lucrative classes of business to ensure a healthy bottom line, not just top-line growth. Our improved reputation within the broker community is a key contributor, with HNBGI now being a preferred choice amongst brokers due to the hard work of our broker relations team and our consistently strong relationships. Brokers no longer need to chase us for quotes; we have proactively sought out for our responsiveness and service.

HNB Partnerships: We have expanded our product offerings to HNB customers, notably introducing an individual surgical policy not readily available elsewhere. This complements our existing corporate offerings. We promoted these products through competitions and catered to requests from HNB and HNB Finance, provided they met our risk selection criteria.

SALES FORCE EXPANSION

FORWARD-THINKING INITIATIVES

Our forward-thinking initiatives include a significant expansion beyond HNB channels, through partnerships with other banks and companies. This diversification will continue next year, with a broader range of channels and a refined approach to in-house business and group partnerships. Further initiatives focus on a customer-centric approach, considering not only the end client, but also brokers and internal staff. This granular, holistic strategy aims to enhance satisfaction across all stakeholders – client, brokers, and internal teams – by ensuring timely, efficient service and mutual benefit.



	Advisors and permanent cadre sales force	Broker and Leasing	HNB and Bancassurance Direct
About	<ul style="list-style-type: none"> 378 qualified Business Development Associates (BDAs) across the branch network. 136 Marketing Executives (MEs) permanent cadre sales force. 	<ul style="list-style-type: none"> Offering island-wide coverage to our Leasing & Broker partners, supported by a dedicated network of over 57 branches and a strong team comprising more than 136 Marketing Executives and 364 Business Development Associates. 	<ul style="list-style-type: none"> HNBGI leverages 88 bancassurance officers across HNB's 254 branches to serve retail, corporate banking, SME, microfinance, and HNB Towers operations.
Value Derived	<ul style="list-style-type: none"> Our freelance sales force delivered Rs. 1,143 million in GWP, marking a 34% YoY growth and contributing 9% to the top line. Their agility and market reach continue to drive business expansion. Our permanent cadre sales force generated Rs. 1,215 million in GWP, contributing 13% to the top line. 	<ul style="list-style-type: none"> Broker contribution was Rs. 3,839 Mn, to GWP, representing a 19% growth and a 42% contribution to topline revenue. Leasing contribution was Rs. 1,183 Mn. to GWP representing 25% growth and a 13% contribution to the Company's topline revenue. Leasing business has grown despite the restriction on imports of motor vehicles. 	<ul style="list-style-type: none"> HNB generated Rs. 1,616.14 Mn. in GWP, representing 6% growth and contributing 18% to the Company's topline, while Bancassurance Direct contributed Rs. 125 Mn. to GWP, achieving 11% growth and a 1% topline contribution. Awarded Best General Insurance Provider in Sri Lanka by Global Banking & Finance Review in 2023 and 2024.



	Advisors and permanent cadre sales force	Broker and Leasing	HNB and Bancassurance Direct
Initiatives for Expansion	<ul style="list-style-type: none">• Expand our sales force by recruiting 110 skilled and motivated agents, a key initiative to drive business growth and increase market penetration.• Introduce the concept of Franchise Development Office.• Implement a special recruitment strategy for branch structure.• Structure training and development programmes for sales network• Implement a user-friendly agent portal to integrate technology into operations, provide seamless communication, improve efficiency, and real-time access to essential resources, leading to enhanced overall agent experience.	<ul style="list-style-type: none">• Form tie-ups with leasing partners by offering bundled products.• Develop Non-HNB Partnerships.• Develop the Agri Business with Bank Partners.• Drive non-captive business within the leasing companies.	<ul style="list-style-type: none">• Tap into the HNB database of settled lending facilities and competitor renewals via the call centre.• New bancassurance structure to provide a career path to bancassurance officers.• Exclusive bundling tie-ups with HNB products to offer out-of-the-box solutions to clients and the bank.








A FOCUS ON CUSTOMER EXPERIENCE

This strategy enabled the Board and senior management to directly address expectations of our largest stakeholder group - our customers. By objectively identifying and effectively addressing these concerns, we differentiated ourselves in the market, gaining market share and providing valuable insights into customer experience.

Moreover, this involved enhancing employee skills and optimising all customer touchpoints. Furthermore, we continued to nurture ongoing engagement throughout the customer journey and build a resilient and responsive customer contact centre.



Value Creation highlights	
Internal	External
<ul style="list-style-type: none"> Contact centre real time monitoring Contact centre call quality evaluations & call coaching sessions Established an in-house training pillar Leadership development Streamlined the process of the Complaints Management Unit 	<ul style="list-style-type: none"> Sending out welcome & birthday gifts to high-end customers Regular paymaster callout Survey on branch visiting customers Survey on loyalty customer base
Material Topics	Stakeholder Impact
<ul style="list-style-type: none"> Product Innovation Customer Experience Technological Transformation Brand Presence Service and Operational Excellence 	<ul style="list-style-type: none">  Human Capital  Financial Capital  Social and Relationship Capital  Intellectual Capital
SDG Impact	
	

BUILDING TRUST AND LONG-TERM RELATIONSHIPS

The insurance business demands high levels of customer interaction because products must be tailored to individual needs, aspirations, and financial capacity. Our approach moves beyond simple product information exchange; we foster shared understanding and build trust, laying the foundation for long-term relationships built on the investment and risk mitigation inherent in life assurance.

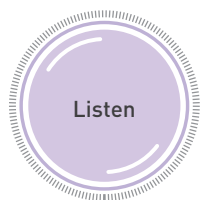
Our sales teams are trained to deliver positive experiences throughout the customer journey and beyond, driving retention. They act as ambassadors of protection and trust, combining extensive training with empathy, transparency, and expertise. From the initial consultation to ongoing support, our teams serve as trusted advisors, guiding clients toward financial security, resulting in a customer retention ratio of 58% in 2024.

During the reporting period, there were no complaints regarding breaches of customer privacy or losses of customer data.



OUR CUSTOMER SERVICE STRATEGY

Our customer service strategy revolves around exceptional customer service at every touchpoint. This is built on four pillars:



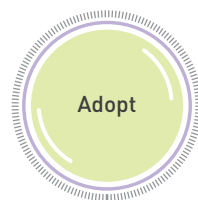
Understand customer requirements through:

- Customer feedback
- Social listening
- Surveys
- Track complaints



Address those requirements by:

- Enhancing the quality of all customer touchpoints
- Addressing all customer pain points
- Developing points of service differentiation



Foster a Company-wide customer-centric culture by:

- Staff embodying the commitment to exceptional service
- Staff actions reflecting the customer promise
- Measuring the behavioural change through ongoing training and feedback



Monitor performance using:

- Net Promoter Score (NPS)
- Customer satisfaction (C-SAT) surveys
- Complaint management data

INITIATIVES IMPLEMENTED TO ENHANCE CUSTOMER SATISFACTION

We carefully analyse the impact of our initiatives, ensuring they achieve their objectives. The following initiatives were implemented in 2024.

- Reduced paperwork significantly by streamlining onboarding and encouraging cashless transactions through partnerships with various banks, service providers, and telecommunication companies. This has offered customers greater convenience and ease of use.
- Our enhanced "Prime Circle" programme provides personalised engagement for high-net-worth customers, strengthening loyalty and fostering a sense of value. This programme was expanded to encompass a broader customer base. We also proactively engaged customers who consistently pay their premiums on time, thanking them for their loyalty and gathering feedback.
- We contacted customers whose policies are nearing lapse, highlighting the importance of

maintaining coverage and the potential financial consequences of lapse. This serves as valuable customer service and underscores our commitment to their well-being.

- Thorough welcome calls were conducted to ensure customers fully understand their policy coverage, exclusions, and benefits. This aimed to mitigate post-purchase dissonance and build confidence in their purchase decision. Insurance policies are complex, and clarifying these aspects upfront is vital to customer satisfaction and minimising future issues.
- The Customer Experience Department improved call center efficiency through real-time monitoring, proactive solutions, and effective staff management. By prioritising active listening, empathy, and continuous training, we've enhanced team performance. Technology has boosted efficacy, enabling prompt, personalised responses and driving continuous improvements to exceed customer expectations.

- Optimised and enhanced the operational efficiency of the Complaints Management Unit by implementing streamlined processes and ensuring timely resolution of customer complaints, concerns and inquiries.





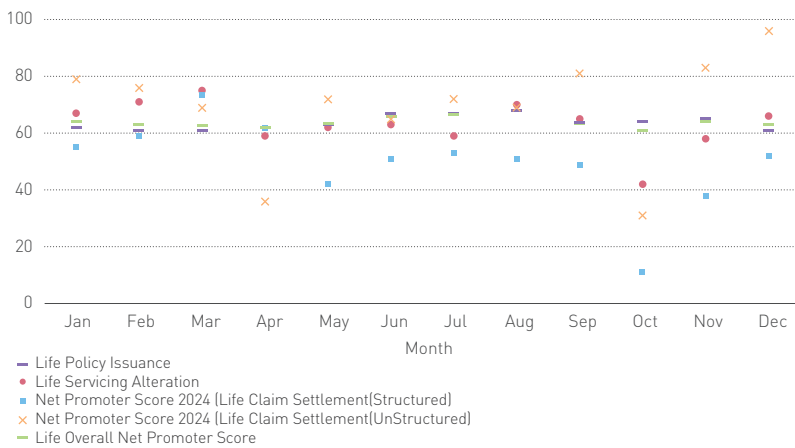
A FOCUS ON CUSTOMER EXPERIENCE

Contact Centre

We improved Contact Centre efficiency through real-time agent performance monitoring, ongoing quality assurance, and tracking metrics such as call handling times and abandonment rates. This ensures continuous improvement across all aspects of our customer service.

Life Insurance	2024	2023	2022
Number of customer complaints received	485	389	218
Number of settlements – fully resolved	470	350	195
Investigations ongoing	15	39	23

Net Promoter Score 2024



Complaint Management efficiency

97%

(No. of complaints fully resolved as a % of Total customer complaints)



Net Promoter Score

64



Complaints to Claims Ratio

0.26%

YoY ↑
(2023: 0.12%)

FUTURE FOCUS

At HNBA, our new core system, currently being rolled out, will further enhance service delivery across all touchpoints, supporting a greater range of online interactions and customisation. Moreover, we are focused on tailoring our solutions to meet the needs of diverse customer segments, considering generational preferences and evolving digital habits.



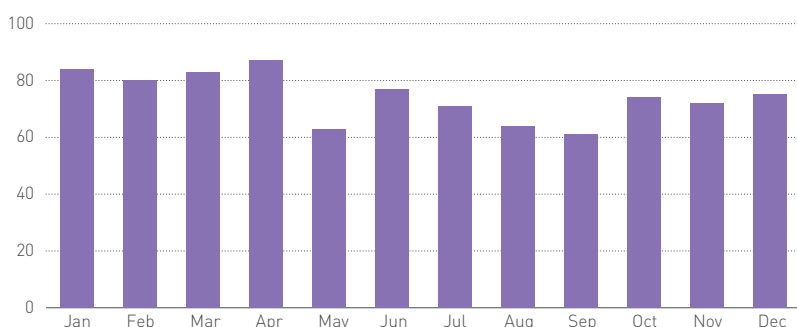
GENERAL INSURANCE

In 2024, we maintained our commitment to exceptional customer experiences across all business areas, prioritising customer satisfaction. The following initiatives, focused on simplification and process re-engineering, were implemented to drive continuous improvement:

- Hotline simplification by introducing a four-digit hotline (1303) to improve accessibility and easy recall. Further enhancements to customer experience are planned.
- Call handling restructuring to optimise call handling and response times.
- A mystery calling programme, involving all staff levels (including the CEO), assessed and improved call handling and information accuracy. A standardised ringing tone was implemented to enhance brand identity across all HNBGI contact points.
- Continuous improvement by identifying gaps from mystery calls leading to targeted training programmes to continually elevate customer service.
- Introduced a comprehensive health monitoring app to promote employee well-being and foster a healthier workplace environment.

The outcome of these initiatives was reflected in our Net Promoter Scores.

Overall Net Promoter Score - HNBGI 2024



General Insurance	2024	2023	2022
Number of customer complaints received	21	40	34
Number of settlements - fully resolved	21	38	33
Investigations ongoing	0	2	1



Complaints to Claims Ratio

0.01%

YoY ↓

(2023: 0.03%)

FUTURE FOCUS

In 2024, HNB General Insurance Limited demonstrated a strong commitment to innovation and customer-centric solutions, by launching several initiatives aimed at enhancing convenience, engagement, and operational efficiency.

The introduction of user-friendly payment options, including QR payments and LankaPay Link, has simplified transactions and provided customers with seamless payment experiences. These digital payment solutions not only improve accessibility and security but also align with the latest financial trends, ensuring a hassle-free process for our clients. To further strengthen customer loyalty, we revamped our Prime Circle membership program by implementing a reward points system. This enhancement allows members to earn points on transactions that can be redeemed for exclusive benefits and discounts. By enriching the Prime Circle program, we aim to foster long-term relationships with our customers and enhance the value we provide to our policyholders.

Additionally, significant strides were made in enhancing our Know Your Customer (KYC) process through the implementation of an advanced Customer Relationship Management (CRM) system. This platform streamlines data management, improves service efficiency, and ensures compliance with regulatory standards. By leveraging automation and customer insights, we are better equipped to deliver personalised services and strengthen customer engagement. These initiatives reflect HNB General Insurance's ongoing efforts to drive digital transformation and improve customer satisfaction while reinforcing our position as a leader in the insurance industry through innovative service delivery. As we look forward to 2025, we remain committed to creating value for our stakeholders and maintaining our strong financial performance.

DIGITAL TRANSFORMATION

Digital transformation is a strategic priority for the HNBA Group, enabling enhanced connectivity with stakeholders and facilitating a shared digital future. Our commitment is evidenced by a substantial investment in information technology, totalling Rs. 250 million in 2024 and projected at Rs. 234 million in 2025 across HNBA and HNBGI. The Group's leadership oversees the implementation and ensures the achievement of strategic objectives.

Value Creation highlights	
<ul style="list-style-type: none"> Implemented a data lake to support data analytics Implemented the Core Insurance System at HNBA Automated over 175 workflows Relaunched the Channel portal and online sales portal Strengthened information security 	
Material Topics	Stakeholder Impact
<ul style="list-style-type: none"> Technological transformation Product innovation 	<ul style="list-style-type: none"> Human Capital Financial Capital Manufactured Capital Social and Relationship Capital Intellectual Capital Natural Capital Digital Capital
SDG Impact	

Digital Customer

We recognise the need to adapt to evolving customer expectations and technological advancements. While our existing products and services meet customer needs, the dynamic market demands a shift to more modern digital service delivery. Our "Digital Customer" (DC) initiative addresses this by enhancing customer experience through digital tools and channels. Key objectives include anytime/anywhere customer engagement, diverse service channels, eco-friendly paperless operations, increased efficiency, enhanced transparency, and comprehensive lifecycle support through digital platforms. This demonstrates our commitment to digital leadership and meeting evolving customer demands.

Digital Agent

The Digital Agent (DA) initiative empowers advisors, bancassurance sales teams, and other channels to provide comprehensive customer lifecycle support. Key features include enhanced sales tools (product details, transparent platforms, lead management), streamlined advisor workflows (diary, progress tracking), and continuous digital sales and customer support training. The DA initiative aims to boost advisors' performance while maintaining a strong customer focus.

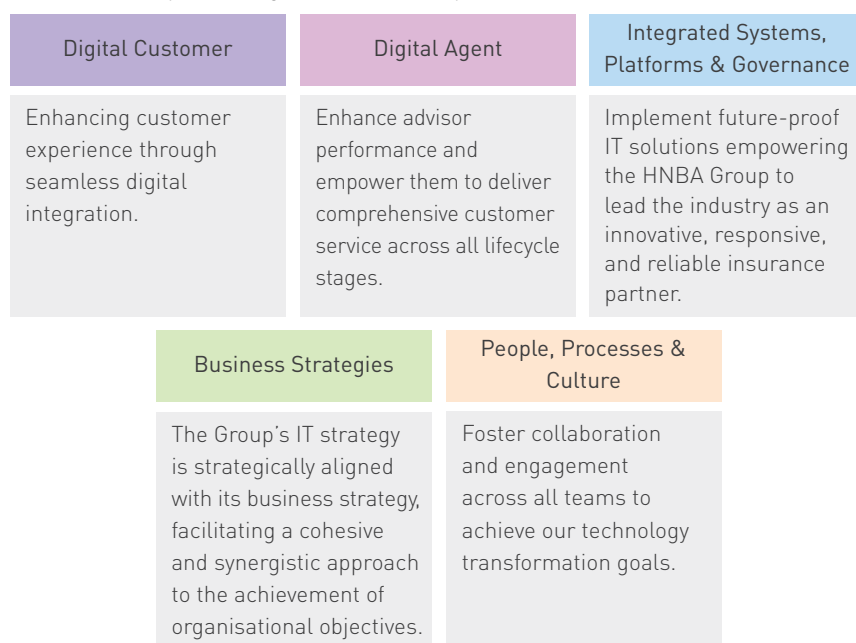
People, Processes and, Culture

To ensure the success of our digital customer and agent initiatives, we continued to focus on enhancing our people, processes, and culture. Key initiatives include establishing a Lean culture, strengthening the Business Process Reengineering Unit and a Customer Experience Steering Committee, strengthening the R&D team and a Digital Center of Excellence (COE).

The data visualisation initiative was launched to provide management and key stakeholders with accessible data through reports and dashboards, supporting data-driven decision-making. This initiative is ongoing, with plans to expand the number of dashboards and reports.

INFORMATION TECHNOLOGY (IT) STRATEGY

The HNBA Group IT strategy is based on five pillars as illustrated below





Concurrently, a data lake was implemented to support future initiatives in data analytics, machine learning, and predictive modelling, with significant projects planned for 2025.

Integrated Systems and Technology platforms

Building on previous initiatives, HNBA Group's IT strategy prioritises a cloud-first, mobile-first, and information security-first approach. This three-pillar strategy ensures a future-ready and resilient technological infrastructure, positioning HNBA Group for industry leadership in the evolving digital landscape.

- The cloud-first strategy is progressing well. Critical core systems are now cloud-based, and all new digital transformation projects are cloud-native. This improves availability, reliability, and security.
- Under the 'Mobile first' strategy, a mobile app and customer portal are under development (planned launch in early 2025). We have integrated multiple online payment gateways, providing real-time premium payment updates and e-receipts, reducing paperwork. Real-time claim payments are also now available, significantly reducing processing time. The integration of EDI platforms with banks allows the near real-time premium updates.
- Strengthening information security. Given the rapid expansion and digital transformation, information security continued to be top priority. The key initiatives include:
 - Secure Operating Center (SOC) implementation
 - Data classification and Data Leakage Prevention (DLP) systems
 - Mobile Device Management (MDM)
 - Continuous security posture monitoring and policy updates

Robotic Process Automation IFRS 17 System

HNBGI Core System

HNBA Channel Portal & Sales Platform

HNBA Core System

Data Lake Lead Management System

Cloud AI powered Chatbot AI

Data Classification & Data Lost Prevention (DLP) System

Security Operations Center (SOC)

HNBA Customer Portal

Payment Platform Enhancements

Mobile Device Management System (MDM)

- Regular user security training and phishing simulations. While ISO 27001 certification is not yet in place, our policies and procedures align closely with best practices and external audits. Certification is planned to follow the completion of major ongoing projects.
- Extensive improvements have been made across multiple departments using workflow systems. This has reduced paper usage by approximately 95%, with over 300 workflows automated.
- Robotic Process Automation (RPA) was launched, initially focusing on IT tasks such as user account management (creation, termination, modification, password resets). These processes are now fully automated, eliminating manual intervention. Furthermore, we have initiated an RPA project for finance, automating bank reconciliation for 40 bank accounts. While these are our initial live deployments, numerous additional RPA projects are planned for 2025.
- SLFRS 17 implementation is a significant undertaking, involving close collaboration between the IT, finance, and actuarial teams. The IT team is responsible for establishing the necessary infrastructure and ensuring seamless data transfer from existing systems to the SLFRS 17 engine. The actuarial and finance teams handle the calculations and financial modelling. Moreover, the IT team uses a data warehouse, along with AI and machine learning, to prepare and deliver the required data to the SLFRS 17 environment.

KEY DIGITAL TRANSFORMATION INITIATIVES IN 2024

- Our digital strategy remained consistent with the previous year, anchored by the five-pillar framework. The following initiatives represent significant progress toward our strategic goals, streamlining processes and enhancing efficiency in 2024.
- Core Insurance System was implemented in HNBA (live in April 2024) and is nearing completion in HNBGI (go-live January 2025). This project significantly advances all five strategic pillars.
- Customer Portal remained under development, targeting a go-live in early 2025, directly supporting the digital customer pillar.
- Channel Portal and online Sales Platform were re-launched in April 2024, enabling over 98% of HNB Assurance life proposals to be processed digitally. This initiative has significantly contributed to reducing paperwork.



DIGITAL TRANSFORMATION

DIGITAL INVESTMENTS AND GOVERNANCE

HNBA and HNBGI have established a Board Innovation and Digital Committee to oversee the digital transformation. This committee monitors key projects, establishes digital governance, and oversees mitigation of cybersecurity risks. A dedicated IT division comprising 40+ professionals, supplemented by external expertise as needed, manages the Group's technological transformation.

In 2024, our total IT investment, encompassing both capital and operational expenditures, amounted to Rs. 763 million.

ACTIVITY IN 2024

IT PROJECT PIPELINE

2024

- HNBA Core System – Group LIFE module Implementation – **Completed**
- HNBA Core System – DTA module Implementation – **Completed**
- HNBA Core System – Individual LIFE module Implementation – **Completed**
- HNBA Channel Portal and Sales Platform – **Completed**
- Robotic Process Automation (RPA) – **Completed**
- Data Lake Implementation – **Completed**
- Lead Management System – **Completed**
- Data Classification and Data Lost Prevention (DLP) System Implementation – **Completed**
- Mobile Device Management System (MDM) Implementation – **Completed**
- Payment Platform Enhancements – **Completed**
- HNBA Core System – Data Migration – **Commenced**
- HNBA Customer Portal/ Mobile App Implementation – **Commenced**
- HNBGI Core System – Implementation – **Commenced**
- IFRS 17 System – Implementation – **Commenced**
- AI Journey – **Commenced**
- AI powered Chatbot Journey – **Commenced**
- Security Operations Center (SOC) Implementation – **Commenced**
- Cloud Journey – Continues with OCI and Azure for Core Systems and IFRS 17

2025

- **Completion** of HNBGI Core System Implementation
- **Completion** of HNBGI Workflow Systems Implementation
- **Completion** of HNBGI Portals Implementation
- **Completion** of HNBA Data Migration
- **Completion** of HNBA Customer Portal/ Mobile App Implementation
- **Completion** of CRM Implementation
- **Continuation** of SLFRS 17 Project Implementation
- **Continuation** of RPA Journey
- **Continuation** of Cloud First Journey
- **Continuation** of AI Journey
- **Continuation** of AI powered Chat Bot Implementation
- **Commencement** of Big Data and Machine Learning (ML) Journey





FUTURE FOCUS

Our 2024 focus was primarily on core system implementation. However, we also initiated several AI, RPA, chatbot, and data-related projects, which were originally scheduled for 2025. Therefore, 2025 will concentrate on further digital transformation leveraging AI, data analytics, RPA, and chatbots. With the core systems now stable, our IT investments in 2025 will be heavily focused on these technological advancements.



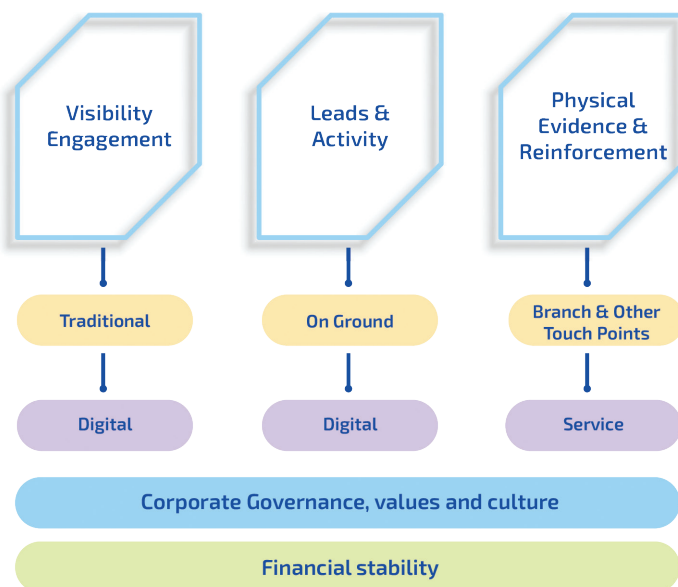
A REMARKABLE BRAND

HNBA and HNBGI continue to remain dominant brands in the insurance landscape with both companies demonstrating strong market leadership, leveraging their parent company's reputation and a customer-focused strategy.

Value Creation highlights	
<ul style="list-style-type: none"> Two bronze awards at the Dragon of Sri Lanka Awards Increased social media presence 	
Material Topics	Stakeholder Impact
<ul style="list-style-type: none"> Brand presence 	 Financial Capital  Social and Relationship Capital  Intellectual Capital
SDG Impact	
	

We understand that our brand and reputation are inextricably intertwined. As stewards of the two brands, the Board and the Senior Leadership have put in place policy frameworks to nurture a corporate culture aligned with the Group's values. Accordingly, we uphold principles of transparency and accountability across all our operations - from product communication and performance reporting to the protection of stakeholder rights. This commitment underpins our ambition to be the most trusted provider of insurance solutions.

OUR BRAND STRATEGY



FOCUS ON RESPONSIBLE MARKETING

Our marketing campaigns were recognised with prestigious international awards, including the Drum, Mob-Ex, and Dragon Awards. This success reflects our commitment to transparent, informative marketing practices that empower customers to make informed decisions.

HNBA's three-pillar strategy aims to establish the company as the leading life insurance provider. The "Visibility" pillar leverages strategic marketing, public relations, and targeted digital engagement to cultivate brand awareness and trust. During the year under review, significant investments in ATL, digital, and BTL campaigns, contributed to enhanced brand equity and growth of HNBA and HNBGI.

At HNBA and HNBGI, we have embraced digital platforms to strengthen our communication and ensure that our messaging reaches the right audiences. By adopting modern digital / AI tools, we have been able to expand our reach and make our brand messages more visible and accessible. As more people turn to digital channels for information and services, we have embraced online platforms and social media to deliver clear, consistent and impactful messages. This approach has allowed us to enhance brand awareness, build trust and effectively share our value proposition with diverse audiences.

Simultaneously, "Physical Evidence & Services" enhances the brand experience through modernised branch designs, technologically advanced customer service, and an informed website for enhanced user experience. These initiatives, working in concert, create a seamless and positive customer journey, fostering lasting relationships.

Moreover, the strong brand of our parent company, a major private sector bank with a 140-year history, complements HNBA's brand strength. Our commitment to financial stability is reflected in Fitch's A(lka) rating for both HNBA and HNBGI.





A REMARKABLE BRAND

LEVERAGING ON OUR HERITAGE

Our marketing strategy focuses on establishing HNBA as a trusted partner. Leveraging the inherent trust associated with the HNB brand name, we employ a multi-faceted approach:



Local Branch Activation

Our Propaganda Team works with branches to create localised visibility and generate leads, using a lead management system to improve tracking and efficiency. This extends the reach of our branches and increases foot traffic.

Digital Engagement

Target younger demographics (Gen Z and Millennials) through innovative digital campaigns.

- Virtual Village Sponsorship (2024): A unique engagement with the gaming community, leveraging the broad reach of online gaming streams and content sharing.
- Targeted Video Content: Produced engaging video content for key occasions such as Independence Day and Mother's Day, generating significant brand visibility and recall. This approach capitalises on the growing popularity of video consumption.
- Women's Day Campaign (2024): Liyaharasara is a dedicated campaign that is conducted in view of International Women's Day, this two-month campaign is designed to provide added benefits to women and policies that include women, offering a free life cover of up to LKR 1 million along with enhanced maternity and hospitalisation benefits and a free personal accident cover. Beyond financial security, the initiative also empowers women through island-wide activations, including entrepreneurship workshops that equip them with skills to thrive.
- Award-Winning Campaigns: We received two bronze awards at the Dragons of Sri Lanka Awards for our "Dola Duka" campaign (targeting pregnant mothers) and Independence Day Campaign which carried a powerful message to the public. In addition, we were shortlisted as finalists for our AR filter Campaign and Dola Duka Campaign by Mobex and the Drum Awards, which recognise marketing efforts of companies in the South Asian and South East Asian Region.

AI-Driven Optimisation

Integrating artificial intelligence to enhance marketing efficiency. This includes:

- **Predictive AI for Targeting:** Improving the efficiency of our marketing spend through more precise targeting.
- **AI-Powered Content Creation:** Exploring AI-generated content to create personalised messages and remarketing opportunities, potentially at lower costs.
- **Robotic Process Automation (RPA):** Automating manual tasks in the call centre and reporting processes to increase efficiency.

Public Relations & Brand Visibility

Utilise PR strategies across print and digital media, tailoring messaging for specific segments. We have also expanded our out-of-home advertising presence (both traditional and digital).

Search Engine Optimisation (SEO)

We focus on optimising our online presence to be readily visible when customers search for relevant information, a key strategy for capturing customer intent. AI-driven testing helps refine our SEO strategy.



2024 SOCIAL MEDIA FOOTPRINT - HNBA



HNBA FUTURE FOCUS

Digital First: Enhance digital engagement by leveraging AI-driven content development to better engage potential customers across online platforms, ensuring seamless access to products and their information.

Engaging Content & Thought Leadership:

Position HNBA as an industry leader using its expertise employees and employee value proposition for content creation.

Personalised & Data-Driven Marketing:

Utilise advanced analytics and behavioural data to craft personalised campaigns, refining communication for different customer segments to drive engagement and retention.

Sustainability & Social Impact:

Strengthen CSR-aligned brand initiatives by integrating sustainability into marketing narratives, showcasing commitments to environmental conservation, community well-being and financial inclusion.

HNBGI BRAND

HNBGI is evolving its brand identity to become a more aspirational lifestyle brand. This transformation encompasses:

Consistent Brand Experience:

Implementing unified brand guidelines across all touchpoints to ensure a cohesive and recognisable identity.

Elevated Customer Engagement: Leveraging digital-first strategies and innovative content to foster trust and strengthen customer relationships.

Personalised Customer Journeys: Integrating AI-driven tools and advanced analytics to deliver tailored experiences and seamless interactions.

Strategic Brand Positioning: Positioning HNBGI as a forward-thinking, customer-centric brand through initiatives focused on sustainability, community support, and customer empowerment.

HNBGI FUTURE FOCUS

Looking ahead, HNBGI is focused on becoming the most customer-centric general insurance provider in Sri Lanka by 2027. This vision will be achieved through four strategic pillars:

Accelerated Growth: Expanding our reach and impact across diverse customer segments with targeted strategies.

Unparalleled Customer Experience: Delivering exceptional, personalised service at every interaction.

Pioneering Innovation: Continuously introducing cutting-edge solutions to anticipate and meet evolving customer needs.

Sustainable Value Creation: Ensuring long-term benefits for all stakeholders through responsible and impactful practices that drive enduring value.



AN ALL ENCOMPASSING PRODUCT SUITE

A comprehensive and customisable product suite is essential for growth. The low life insurance penetration rate in Sri Lanka and economic uncertainty presents opportunities within specific customer segments. In this context, we continued to assess customer needs to develop competitive, flexible, and relevant products.

Likewise, Sri Lanka's general insurance sector has a significant growth opportunity driven by an evolving risk landscape. With increasing climate-related events and heightened awareness of financial protection needs, a comprehensive and customisable product suite is essential.

We have capitalised on this opportunity by prioritising customer insights into developing innovative, flexible, and relevant products. These tailored solutions address diverse market segments and emerging risks, ensuring sustainable growth and enhanced customer value.

Moreover, we developed products tailored to align with customers' evolving needs, seamlessly integrating risk mitigation, comprehensive protection, and financial growth aspirations.

During the year, no product was subjected to regulatory concerns and no fines were imposed on the Company on non-compliance of laws and regulations concerning product information and labelling.



Value Creation Highlights	
<ul style="list-style-type: none"> Rs. 763 Mn. invested in technological transformation Comprehensive and customisable product suite Addressing evolving risks Customer-centric approach Sustainable growth initiatives Technological advancement Commitment to stakeholders Driving awareness and accessibility 	
Material Topics	Stakeholder Impact
<ul style="list-style-type: none"> Product innovation Technological Transformation 	<ul style="list-style-type: none"> Human Capital Financial Capital Social and Relationship Capital Intellectual Capital Natural Capital
SDG Impact	

HNBA PRODUCT MIX

We continued to develop relevant and fit-for-purpose products balancing the risk, protection, and savings aspirations to meet customers' evolving needs.

Protection	Savings	Retirement	Lifestyle Maintenance	Education	Health
PrivilegedLife	PrivilegedLife	PrivilegedLife	PrivilegedLife	PrivilegedLife	
My Fund	My Fund	My Fund	My Fund	My Fund	
Ranmaga	Ranmaga	Ranmaga	Ranmaga	Ranmaga	
Smart 5	Smart 5	Smart 5	Smart 5	Smart 5	
Super 5	Super 5				
Studyguard	Base products are designed for optimal returns considering the age, lifestyle, income, and aspirations of each customer.				
Araksha					
Safenet					Safenet
Rider					
Additional Life	Riders which enhance protection are added onto base products to create highly customised solutions for customers, based on a needs analysis				SupremeHealth Max
Accidental Death					Super CI
Total Permanent Disability					Hospitalisation Death Benefit
Partial Permanent Disability					Supreme Health Unlimited
Funeral Expenses					Critical Illness
Monthly Income					Cancer Benefit
					Surgery Benefit



We maintain a constant focus on adapting and enhancing our customer-centric insurance solutions, carefully balancing risk, protection and savings to meet evolving expectations, regulatory requirements, and market trends. Furthermore, our engaging and creative communication strategies ensure our message is both informative and captivating, resonating with our customers.



Lasitha Wimalaratne
CEO
HNB Assurance PLC





AN ALL ENCOMPASSING PRODUCT SUITE

NEW PRODUCT DEVELOPMENT STRATEGY - HNBA

To strengthen our product development process, we strive to build a sustainable, long-term portfolio aligned with our corporate objectives and KPIs. This includes ongoing product monitoring to mitigate margin fluctuations caused by economic and other market shifts which can impact both customer expectations and our organisation's financial targets. The strategy emphasises a diversified product portfolio, strategically distributed across channels balancing risk management, protection, and savings features.

Product	Features
Group Health Product	This optional rider, added annually to group life policies, provides group medical reimbursement benefits to employee/employer groups (minimum 30 members) with mandatory group life insurance.
Privileged Life	A comprehensive, flexible plan offering health, savings, and retirement benefits, including emergency withdrawals and customisable rider options.
My Fund	This plan provides for retirement savings through regular contributions, supplemented by annual dividends and optional additional investments, resulting in a lump-sum payout at maturity.
Ranmaga 2	This life insurance policy offers high coverage with customisable riders, a savings component, and flexible premiums. Coverage increases annually by 05%, with a lump-sum payout at maturity (10, 15, 20, or 25 years) and continued, amount equal to the basic sum assured for 10 years thereafter. Annual dividends are added to the savings component.
Safenet Dengue Insurance Plan	This plan offers financial protection against the risk of dengue fever, covering both hospitalisation and death benefits.
Super Five Series 47	This is a single premium investment policy which has a fixed term of three years.

In 2024, we continued to deliver customer-centric insurance solutions, enhancing our product offerings to meet evolving customer expectations, regulatory requirements, and market trends while maintaining a balance between risk protection and savings.

• Expansion of Digital Accessibility

To improve customer experience, Rs. 763 million was invested in a streamlined digital system designed to facilitate seamless customer connections and enhance both product delivery and customer engagement.

• Strengthened Partnerships

To meet the specific needs of mortgage and financial services customers, we partnered with banks and other institutions to offer tailored products such as Decreasing Term Assurance (DTA).

• Innovative Collaborations

Our innovative approach to product design is highlighted by a unique collaboration with a leading domestic solar installation services provider, providing a comprehensive solution that integrates insurance, banking, and renewable energy.



HNBGI PRODUCT MIX

We developed products tailored to align with customers' evolving needs, seamlessly integrating risk mitigation, comprehensive protection, and financial growth aspirations.

Motor	Fire & Engineering	Miscellaneous
Motor Guard	Fire Dwelling House	Aviation Insurance
Motor Guard Extra	Fire Business Premise	Bankers Indemnity
Motor - Takaful	Business Interruption	All Risks
As-Salam Motor	Boiler & Pressure Vessel Insurance	Travel Insurance
Motor Third Party	Contractor's All Risks	Tour Operator
	Contractor's Plant & Machinery	Burglary
Medical	Machinery Breakdown	Directors' & Officers' Liability
Corporate Medical	Erection All Risks	Workmen's Compensation
My Health - Individual	Electronic Equipment	Fidelity Guarantee
		Money
Marine		Neon Signs
Marine Cargo		Personal Accident
Goods In Transit		Plate Glass
Marine Liability		Professional Indemnity
		Product Liability
		Legal Liability

HNBGI LOYALTY REWARDS

INTRODUCING HNBGI LOYALTY REWARDS
Enjoy exclusive discounts and deals tailored just for HNB General Insurance customers, at various top merchants.

HOTEL DISCOUNTS TRAVEL DEALS VEHICLE SERVICE PERKS
MOBILE ACCESSORY SAVINGS OPTICAL OFFERS

For more details visit
www.hnbgeneral.com

Call **1303**

Logos of partner merchants: CARs, THE BLUE, Dank Resorts, VISION, BAY, DAVRAY AUTOMOBILE, Ideal First Choice, Hotel Tops, UNIVERSAL, GUNNARA, neevana, HYBRID HOB, Jetwing.



We are driving growth by delivering personalised solutions and seamless experiences through customer-centric innovation. By leveraging technology and data insights, we aim to improve our offerings continuously whilst ensuring long-term resilience and creating sustainable value for our customers, stakeholders, and society.



Sithumina Jayasundara
CEO
HNB General Insurance Ltd.



AN ALL ENCOMPASSING PRODUCT SUITE

NEW PRODUCT DEVELOPMENT STRATEGY – HNBGI

The new product development strategy of HNBGI focuses on driving growth, enhancing customer experience, fostering continuous innovation, and ensuring sustainable value creation. By leveraging customer insights and market research, the company aims to identify untapped opportunities and create tailored solutions that address specific needs. Customer-centricity is at the heart of this strategy, with an emphasis on delivering seamless experiences, personalised interactions, and proactive support throughout the customer journey. Innovation will focus on simplifying processes and improving accessibility, ensuring products remain practical and relevant to diverse customer segments. Additionally, this comprehensive approach ensures not only market competitiveness but also long-term value creation for customers, stakeholders, and society.

Product	Features
Crop Insurance	This policy provides financial protection against a shortfall in crop yield due to specified perils such as Flood, Inundation, Excess Water, Drought, Dry Spells, Natural Perils like storms or hail, damage caused by Wild Animals, and losses from Pests and Diseases. It ensures that farmers are safeguarded from financial losses arising from these risks during the crop’s lifecycle, from sowing to harvesting.
Livestock Insurance	This policy provides financial protection against the loss or damage to livestock due to specified incidents, including Death or Injury caused by Accidents, Diseases, Natural Perils such as storms, floods, or lightning, Theft, and Attacks by Wild Animals. It ensures that livestock owners are safeguarded from financial losses arising from these risks, offering security for their valuable assets and livelihood.

FUTURE FOCUS

Strategic objectives of HNBA for the ensuing period include the sustained growth of top and bottom lines; improvements in policy persistency and the range of protection products offered; full alignment of the product portfolio with SLFRS 17 requirements; and the enhancement of customer experience through the digitalisation of back-end operational processes.

The strategic focus for HNBGI is on driving growth through innovation, enhancing customer experience with personalised solutions, and fostering sustainable value creation. By integrating technology and data insights, the goal is to deliver continuous improvements while aligning business growth with long-term resilience and meaningful impacts.

OUR COMMITMENT TO DEVELOPING SUSTAINABLE PRODUCTS

We continued to enhance our reach and access to Life and Health insurance through new products and strategic partnerships.



Value Creation highlights

- Launched a group health product
- Expanded the eLife insurance policy
- 5,936 new SupremeHealth policies

Material Topics

- Product innovation
- Customer experience

Stakeholder Impact

- Human Capital
- Financial Capital
- Social and Relationship Capital
- Intellectual Capital
- Natural Capital

SDG Impact



Micro Life

In 2024, HNBA, in collaboration with HNB, provided a valuable new microinsurance scheme to micro-entrepreneurs using Micro and Agro credit facilities. This successful programme expanded its reach to include HNB Finance, Sanasa Development Bank and Cooperative Society.

	Group	Individual
No. of Policies	2	26,483
No. of Claims	244	13
Claim Amount (Rs. Mn.)	30	6

eLife

HNBA strengthened its online channel with the innovative 'eLife' life insurance policy, allowing customers to purchase Rs. 1 million coverage entirely online for just Rs. 300 per month. The policy's ease of use and comprehensive benefits have garnered a satisfactory response, particularly among sole breadwinners.

OUR COMMITMENT TO DEVELOPING SUSTAINABLE PRODUCTS

SupremeHealth Max / SupremeHealth Unlimited

This is a popular health insurance plan offering flexible coverage and the ability to include your entire family - spouse, children, parents, and in-laws-under a single policy.

	SupremeHealth Max	SupremeHealth Unlimited
No. of active Policies as at 31.12.2024	3,002	7,128
No. of lives covered as at 31.12.2024	5,319	12,778
No. of Claims during the year 2024	742	1,456
Claim Amount during the year 2024 (Rs. Mn.)	75	159

Collaboration with the Department of Agrarian Development

Partnering with Department of Agrarian Development, HNBA has brought a comprehensive life insurance solution to the rural agricultural sector. This strategic collaboration enables us to reach farmers directly at their local societies, making insurance more accessible and integrating it seamlessly into their financial lives. Our dedicated on-site presence further strengthens this accessibility and builds trust within the community.

	Group	Individual
No. of Policies	59	129
No. of Claims	3	-
Claim Amount (Rs. Mn.)	0.6	-



FUTURE FOCUS

We are dedicated to creating sustainable insurance solutions that foster long-term financial stability and social well-being. By embedding sustainability into our products and collaborations, we strive to generate enduring value for our policyholders, communities, and stakeholders.



FULFILLING OUR SOCIAL RESPONSIBILITY

Sustainability is not merely an ethical consideration but a core strategic priority essential for our long-term business success. In a world experiencing rapid transformations – from climate change impacts and demographic shifts to deepening inequality and accelerating technological innovations – sustainable practices have become crucial. We have strategically integrated these practices into our business model, recognising them as a vital component for achieving sustained success and creating lasting value for all stakeholders. This commitment strengthens our position to navigate the evolving global context and drive enduring positive impact.

These efforts primarily rooted in our business are carried out under three pillars - Health Protection, Environmental Protection, and Education Protection, each representing a focused commitment to addressing critical social and environmental challenges. These initiatives are not isolated acts of corporate goodwill, they are intricately connected to our core business strategy, reinforcing our role as a purpose-driven insurer. By promoting health through clean water projects and community wellness programmes, we contribute to healthier lives while reducing health risks. Our environmental efforts, such as biodiversity conservation and habitat



restoration, align with our values of protection, as a business rooted in protection. As we not only safeguard our people and community but also extend this commitment to nature. This holistic approach reinforces our dedication to climate risk mitigation, ensuring a sustainable future for all.

Similarly, our commitment to education extends beyond philanthropy, fostering informed and empowered communities that form the foundation of a stable and growing customer base. These interconnected efforts not only address pressing societal issues but also strengthen our business and create shared value. By embedding sustainability into our business model, we position ourselves to meet the evolving needs of our customers and ensure a thriving, sustainable future for all.

OUR SUSTAINABILITY ROADMAP IS ANCHORED IN THREE KEY PILLARS:

Environmental Stewardship

We are committed to responsible and sustainable resource utilisation, encompassing both simple daily practices such as recycling and reusing, and more impactful initiatives, including ecosystem restoration, to promote long-term environmental stewardship.

Social Responsibility

Our social responsibility strategy encompasses a commitment to ethical business practices, community engagement, and initiatives designed to foster a more inclusive and equitable society, while contributing to the betterment of the communities we serve.

Governance and Ethics

We have embedded integrity, transparency, and accountability into every aspect of our operations and practices, not just compliance requirements but to ensure the long-term sustainability of our business.

Value Creation Highlights

- Rs. 6 Mn. investment in community social responsibility (CSR)
- Installed 4 water purification systems in schools in Anuradhapura & Polonnaruwa
- Removed invasive plant species in the Lunugamvehera National Park by clearing 30 hectares. (Partnered with Biodiversity Sri Lanka)
- Supported the empowerment of individuals with Intellectual Disabilities (Partnered with Shiranee Joseph de Saram Foundation)

Material Topics

- Community Development

Stakeholder Impact



Government & Regulator



Employees



Communities



FULFILLING OUR SOCIAL RESPONSIBILITY

The following are some of the initiatives implemented under our ESG framework, aligned with the objectives of the United Nations Sustainable Development Goals (SDGs).

Environmental Stewardship



- Promoted Motor Insurance covers for hybrid vehicles securing 9,630 hybrid vehicle policies and 269 electric vehicle policies
- Engaged in reducing our carbon footprint by:
 - Minimising travel by driving technological advancements in both client engagement and policy processing
 - Using digital platforms for business processing and training and development activities
 - Encouraging customers to use digital platforms when transacting.
 - Gradually moving towards a paper-less environment
- Commenced monitoring our carbon footprint in collaboration with Climate Smart Initiatives (Pvt) Ltd. This is also the first step in getting ready for Sustainability disclosure reporting.
- Partnered with Biodiversity Sri Lanka to clear an additional 15 hectares of invasive plants manually, in the Lunugamvehera National Park to provide a safe environment for wildlife and to preserve biodiversity.



Social Responsibility



- As a leading life insurer in Sri Lanka, we have extended coverage to over 500,000 individuals, offering a diverse array of products to meet a wide range of needs. While our reach encompasses the mass, mass-affluent, and affluent markets, our mission is deeply rooted in our commitment to the most vulnerable populations. We address the needs of those at the base of the economic pyramid through specialised microinsurance solutions that offer crucial financial security and support during unforeseen hardships.
- Providing direct and indirect employment opportunities HNBA not only directly employs individuals within its permanent workforce but also supports a broad network of insurance advisors, providing them with sustainable livelihood opportunities.
- Recognising the importance of inclusivity, we are dedicated to being an equal-opportunity employer and addressing gender representation at all levels, especially within our senior management. Our "In.She" programme, launched to accelerate this progress, has been widely recognised and celebrated by professional institutions.

Social Responsibility

- We empowered underprivileged students by improving educational infrastructure and providing essential resources to support their academic journey.
- Organised workshops and seminars to improve financial literacy within the community to emphasise the importance of financial independence.
- Carried out Grade 5 scholarship and preschool programs at selected schools island-wide.
- Installed water purification systems in schools lacking access to clean water, providing safe drinking water to four schools.
- Organised regional health camps in collaboration with medical practitioners to provide free medical consultations and advice to communities surrounding our branch locations.
- To promote the benefits of an active lifestyle, we organised health camps and workout sessions led by professional physical trainers.
- Supported employment opportunities for individuals with intellectual disabilities in collaboration with the Shiranee Joseph de Saram Foundation. Accordingly, we provided financial support to find job placements and provide training for individuals with special needs.



Governance and Ethics



- With a focus on transparency and ethical business conduct, our governance structure is designed to enhance leadership capabilities, streamline decision-making processes, and drive operational effectiveness, prioritising long-term sustainable growth. This framework is designed to ensure a responsible balance of interests among all stakeholders, including shareholders, management, customers, and employees. Furthermore, we are committed to regularly assessing the efficacy of our policies, with an emphasis on establishing strong internal controls and accountability measures to maintain compliance with regulations, industry standards, and Company policies.

FUTURE FOCUS

As we move forward, Environmental Stewardship, Social Responsibility, and Governance & Ethics will be integral to every aspect of our business. Our future initiatives will be carefully designed and implemented to align with these focus areas, demonstrating our dedication to operating responsibly, protecting the environment, and upholding the highest ethical standards.



FUND MANAGEMENT

With Total Group Assets Under Management (AUM) reaching Rs. 55 billion with a 24% growth in 2024, the investment strategy remains a cornerstone of the Group's financial stability and profitability. This impressive growth highlights the success of our disciplined approach to business, financial and asset management and reaffirms our commitment to delivering sustainable value for stakeholders.




Value Creation highlights

- 26% YoY growth of AUM of HNBA
- 13% YoY growth in AUM of HNBGI

Material Topics


Stakeholder Impact

- Financial performance and stability
- Managing macro-economic uncertainties



Financial Capital

SDG Impact



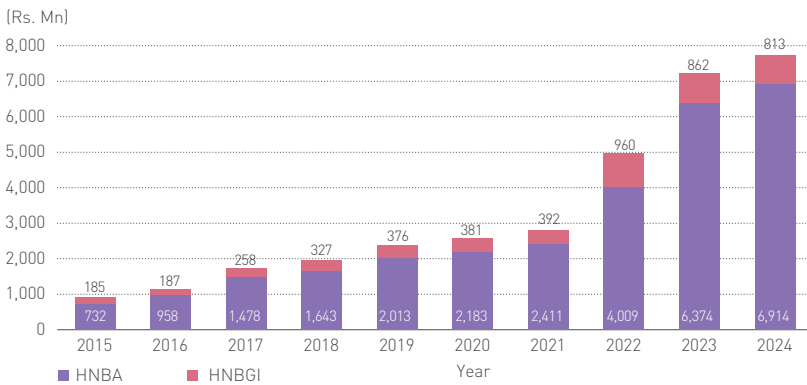
8 RECENT WORK AND ECONOMIC GROWTH

The effective management of investment funds requires a profound understanding of financial markets combined with a comprehensive knowledge of the insurance industry. This ensures that asset allocations align with strategic objectives, maturity profiles are synchronised, and returns are optimised.

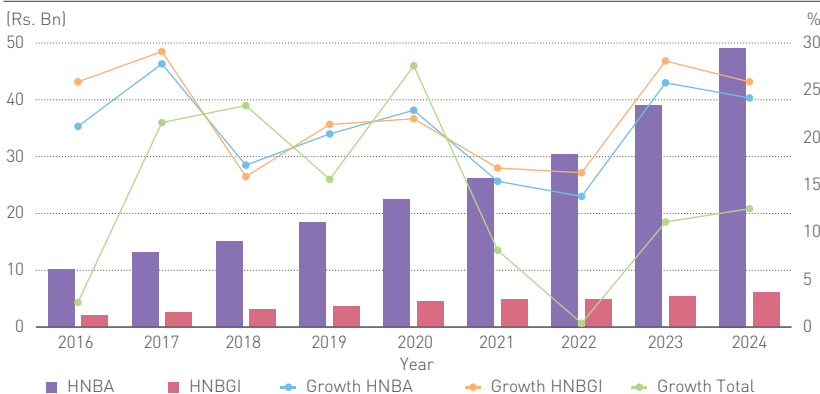
The investment objectives focus on maximising returns within an accepted risk-return profile and regulatory framework, ensuring effective Asset-Liability Management (ALM), liquidity management, and diversified asset allocation.

In a year marked by shifting economic and political landscapes, our funds were carefully managed to optimise returns while maintaining a balanced approach to risk and return. Investment strategies remained aligned with prevailing market conditions, with the 2024 approach focusing on addressing uncertainties in key market variables while maintaining consistent risk appetites across asset classes.

Investment Income (Group)



Funds Under Management

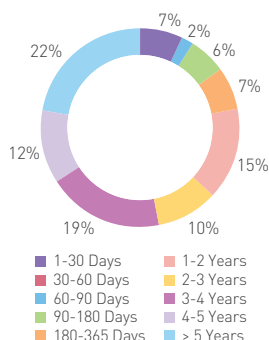


INVESTMENT PERFORMANCE - HNBA

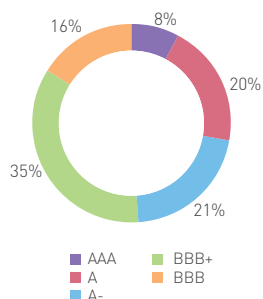
2024 witnessed a significant decline in interest rates compared to 2022 and 2023, continuing a trend that began in mid-2023. In particular, the one-year Treasury bill rate fell from approximately 12.9% at the end of 2023 to 8.9% by year-end 2024, and long-term bond yields experienced a similar parallel downward shift. Accordingly, the Company's investment strategy emphasised a long-term focus, prioritising high-quality assets and a diversified approach



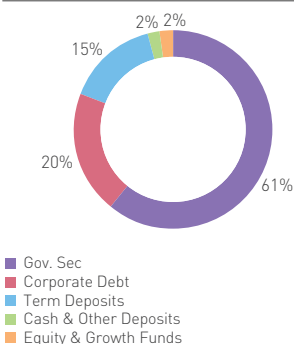
Maturity Mix- HNBA



Asset Quality - HNBA



Asset Allocation - HNBA



to generate sustainable returns. In 2024, the Company achieved another outstanding year in terms of investment income, delivering a solid return of 17%, despite significant reductions in market interest rates compared to the previous year. The Company also earned Rs. 6.9 billion in investment income, reflecting an 8% growth compared to the previous year. This underscores how the prudent investment strategies embraced by management have reinforced the growth of investment income, demonstrating resilience amidst market fluctuations.

The investment portfolio of HNBA is strategically diversified, with 55% allocated to Treasury Bonds, 20% to Debentures, and 15% to Term Deposits, while prioritising long-term investments. A further 8% is allocated to short-term instruments, including Treasury Bills, Repos, and Unit Trusts, enhancing liquidity and further diversifying the portfolio. Furthermore, we increased our exposure to equity investments to 2% of the Life fund to capitalise on potential returns, considering the anticipated economic recovery and other favourable factors. As a result, the Company's portfolio return outperformed the benchmark returns during the year.

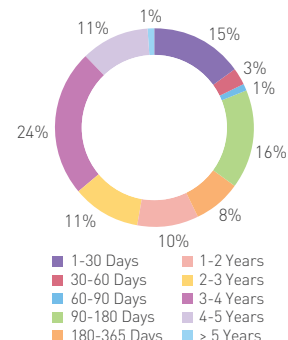
Considering the total of 78% of these investments are strategically held for over one year, helping to minimise the asset-liability gap, maintain a healthy Capital Adequacy Ratio, and generate more sustainable returns. As a result of these strategic decisions, the average duration of the portfolio increased over the year, while maintaining a high average portfolio blended credit quality above 'A-'.

Total Assets under management of HNBA increased by 26% to Rs. 49 billion in 2024, with the Life Fund growing by 20%, representing 81% of the total funds under management. The Life Shareholders' Fund also grew by 58%, contributing 19% to the total funds. The extraordinary growth in the Life Fund was supported by the increase in GWP, a positive impact on AFS Reserves, and growth in investment income for the year.

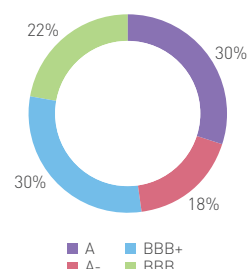
INVESTMENT PERFORMANCE - HNBGI

The General Insurance industry, closely tied to economic activities, was significantly impacted by a series of economic challenges. As the nation worked towards recovery, the insurance sector faced numerous obstacles, including regulatory changes that hindered substantial growth in terms of Assets Under Management. Additionally, due to the nature of the business and Asset Liability Management, a larger portion of investments was allocated to

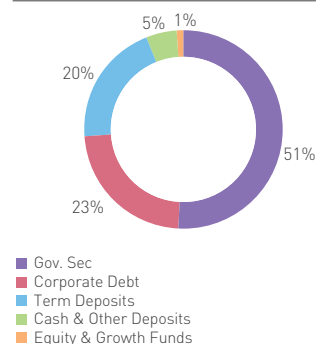
Maturity Mix- HNBGI



Asset Quality - HNBGI



Asset Allocation - HNBGI



short-term instruments, which posed a challenge to investment returns, particularly in a declining interest rate environment.

In 2024, HNBGI delivered a substantial return, compared to market returns with a total return of 15%. The Company earned Rs. 813 million in investment income, reflecting a 6% decline compared to the previous year, primarily due to a decrease in interest rates and the impact of currency appreciation.



FUND MANAGEMENT

However, by strategically timing investment decisions and implementing other effective strategies, HNBGI successfully mitigated these impacts.

HNBGI also maintained a well-diversified portfolio mix, with 38% invested in Treasury Bonds, 23% in Debentures, and 20% in Term Deposits at year-end, fostering stability and consistent returns. The remaining portion was allocated to Treasury Bills, repurchase agreements, and Unit Trust investments to ensure liquidity and enhance risk diversification.

The total AUM of HNBGI grew by 13% to Rs. 6.2 billion by the end of 2024, compared to Rs. 5.4 billion in 2023. This growth was primarily constrained by the high volume of claims within the insurance industry, driven by rising prices and the impacts of regulatory changes.

GOVERNANCE AND OVERSIGHT

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

FUTURE FOCUS

Looking ahead to 2025, our investment strategy is guided by expectations of continuing macroeconomic stability assuming no major environmental or global disruptions, while the government operates within the IMF program. We anticipate interest rates to stabilise with minor volatilities, influenced by steady macroeconomic background with positive fiscal operations. The exchange rate is expected to remain stable with manageable slight depreciation. However, expected credit growth together with the relaxation of vehicle import restrictions, may pose some pressure on interest rates and exchange rates towards the second half.

Our focus on fixed income investments will continue to secure stable returns with maturity mix and asset allocation strategies within our risk parameters, while we cautiously increase our equity exposure to capitalise on potential growth opportunities. HNBA's strategy will follow an asset-liability management approach with a long-term focus, while HNBGI will maintain comparatively a more short-medium term approach aligned with the nature of its business. This balanced strategy aims to deliver sustainable value while effectively managing risks including solvency.

ZOOMING IN ON OUR HUMAN CAPITAL

This report details how we nurture our human capital to support our business strategy.





Value Creation Highlights

- Employee Value Proposition (EVP) implementation
- Employee Net Promoter Score (eNPS) identification
- 70/30 Performance Mechanism
- Single Parent Policy and Health and Safety Policy implementation
- HR processes through automation
- Elevate, Future Leads and Insure Pro training programs for interns and staff development


Material Topics


Stakeholder Impact


- Talent Management


 Human Capital
 Financial Capital
 Social and Relationship Capital
 Intellectual Capital

SDG Impact

 4 QUALITY EDUCATION

 5 GENDER EQUALITY

 8 DECENT WORK AND ECONOMIC GROWTH

 10 REDUCED INEQUALITIES



HR STRATEGY

Our HR strategy is built upon the fundamental belief that people are the driving force behind organisational success. By focusing on three key pillars: talent optimisation, performance enhancement, and cost optimisation, we aim to empower our employees to make a significant contribution to both revenue growth and profitability. This strategy ensures the long-term sustainability and success of our organisation by fostering a high performing, engaged, and cost-effective workforce.

HR Strategy		
Talent Optimisation	Performance Enhancement	Cost Optimisation
<ul style="list-style-type: none"> Attract and retain top talent by developing a compelling Employee Value Proposition (EVP) and becoming the Employer of Choice. Invest in employee development by targeting training programmes to address tech disruption and business transformation. Promote diversity and inclusion by creating an equitable and inclusive environment. Leverage data-driven decisions by leveraging HR analytics to make informed talent decisions. 	<ul style="list-style-type: none"> Enhance employee engagement by focusing on both hygiene (fair compensation) and motivational (career growth) factors. Optimise operational efficiency by streamlining processes, automate tasks, and rationalise workforce. Implement performance-based pay by rewarding high performers and encouraging excellence. 	<ul style="list-style-type: none"> Reduce staff costs by reviewing compensation packages and exploring flexible work arrangements. Minimise recruitment and turnover costs by focusing on quality recruitment to reduce training expenses and improve productivity. Leverage technology by automating tasks and streamlining processes to increase efficiency.
Strategic Objectives		
Increase productivity	Reduce turnover	Enhance innovation
	Improve financial performance	Strengthen the employer brand

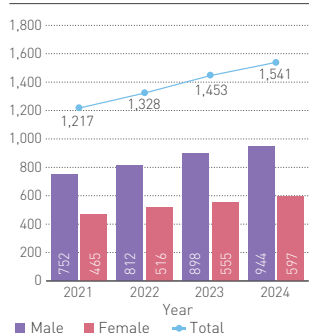
ZOOMING IN ON OUR HUMAN CAPITAL

HNBA GROUP TEAM PROFILE

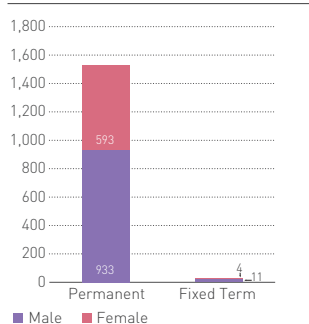
HNBA Group is comprised of 1,541 individuals who are a key source of competitive strength. The Group continued to face challenges in retaining employees due to macroeconomic factors which led to a brain drain during the year. Additionally, the demand for skilled employees from the Group is in demand in the market, contributing to the movement of staff. The profile of our team is presented below.

PASSIONATE HUMAN CAPITAL

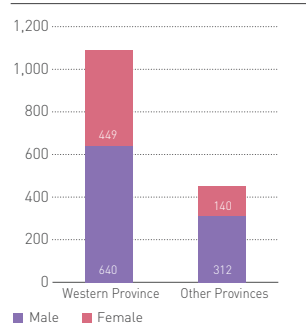
Employees by Gender



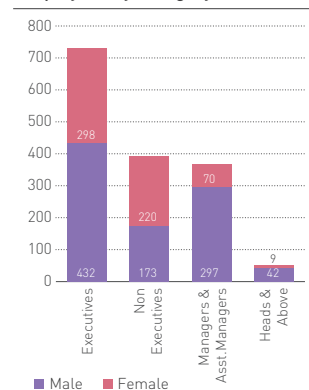
Employees by Contract



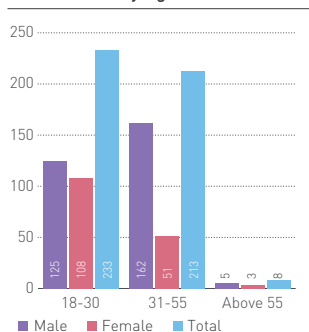
Employees by Region



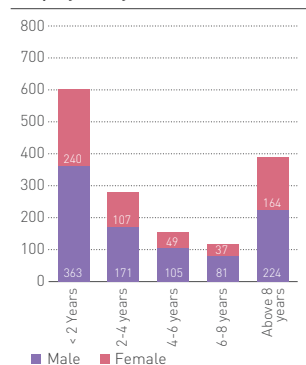
Employees by Category



Recruitment by Age



Employees by Years of Service



The above data is compiled by the Human Resource Department of HNBA and HNBGI based on head count as of 31st December 2024 relating to permanent staff who are full-time employees. The Group does not have part-time employees.

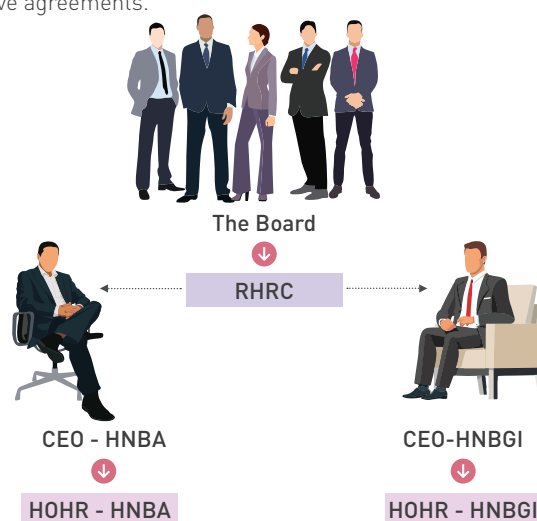
In addition, HNBA and HNBGI outsources janitorial and security services in the premises we occupy. Moreover, HNBA and HNBGI employees do not belong to trade unions and therefore, there are no collective agreements.

HR GOVERNANCE

The Board's Remuneration and Human Resources Committee (RHRC) oversees HNBA Group's human capital management, reporting directly to the Board. A revised governance framework includes direct reporting from both company CEOs to the RHRC. Board-approved policies institutionalise corporate values and ethics, providing a foundation for a high-performing, ethical workforce. The RHRC meets quarterly to review key HR metrics such as recruitment, retention, training, promotions, attrition, engagement and performance management, along with associated risks and challenges. Group HR policies align with the Sustainable Development Goals.

KEY CHANGES TO HR GOVERNANCE IN 2024

A single Chief Human Resources Officer (CHRO) served both HNBA and HNBGI until December 31st, 2023. Effective 1st January 2024, separate Heads of HR were appointed for both companies, with both Heads of HR reporting to the CEOs of their respective companies.



There were no cases of child/ forced labour or reported incidents of discrimination during the year.



STRENGTHENING HR GOVERNANCE

We foster a dynamic work environment through robust hybrid and remote work policies. These policies emphasise clear communication standards, effective virtual collaboration, and equitable access to opportunities regardless of location. Our talent mobility programmes support employee movement across departments and regions, ensuring fairness, inclusivity, and consistent career development pathways.

Moreover, to address the complexities of a dynamic legal landscape, we maintain rigorous compliance with evolving labour laws, particularly concerning remote work regulations, independent contractor classification, and the rights of all workers. This approach ensures we remain compliant as our organisation expands its footprint.

HR RELATED RISKS AND OPPORTUNITIES

Risk/Opportunity	Mitigant	Impact	Likelihood
Risk: High employee turnover	<p>Conducting a salary survey to ensure compensation remains competitive with industry standards.</p> <p>Implementing retention programs, career development plans, and improving employee engagement initiatives.</p> <p>Conducting stay interviews to identify pain points</p>	High – Increased turnover leading to high recruitment costs, loss of talent, and decreased productivity.	Medium to High – Dependent on employee satisfaction and market conditions
Risk: Ineffective Talent Acquisition	Upgrading recruitment processes with AI-powered tools for faster, more accurate candidate screening and implementing structured onboarding programmes.	Medium – Poor hiring decisions can affect team dynamics and productivity.	Medium – Recruitment could be impacted by external talent shortages.
Risk: Non-compliance with Labour Laws	<p>Conducting regular audits of policies to ensure compliance with national and international labour laws.</p> <p>Providing regular training on legal updates.</p>	High – Legal penalties, reputational damage, and risk of employee lawsuits.	Low to Medium – Laws are changing but compliance can be managed through training and audits.
Risk: Lack of Diversity and Inclusion (DEI)	Continuing with DEI action plans, bias reduction strategies in hiring, and implementing diversity training programmes.	High – Lack of diversity can impact team innovation and company reputation.	Medium – Ongoing but slow progress in some areas.
Risk: Cybersecurity Threats on Employee Data	Strengthening data security measures and educating employees on safe data practices. Implementing secure HRIS systems with encryption and regular audits.	High – Data breaches can lead to legal liabilities, loss of trust, and reputational damage.	Medium – Risk remains, especially with the increasing use of digital tools.
Opportunity: Strengthening Employer Value Proposition (EVP)	Launching and promoting the “Challenging You to Grow” Employer Value Proposition (EVP) during staff conferences and on social media.	High – A strong EVP enhances the Company’s attractiveness to top talent and boosts employee morale.	High – Increased focus on employer branding and candidate engagement.



ZOOMING IN ON OUR HUMAN CAPITAL

Risk/Opportunity	Mitigant	Impact	Likelihood
Opportunity: Use of AI and Automation in HR Processes	Conducting a pilot programme for AI in recruitment and performance management, followed by scaling. Ensuring ethical AI implementation and transparency.	Medium – Improved efficiency, reduced biases in hiring, and better talent management.	Medium – Implementation may face resistance or technological challenges.
Opportunity: Flexible Work Arrangements	Establishing clear hybrid and remote work policies, providing necessary tools and resources, and measuring employee satisfaction with work flexibility.	High – Increased employee satisfaction and retention, as well as attracting top candidates.	High – Demand for flexible work continues to rise.
Opportunity: Succession Planning for Key Roles	Developing internal talent pools and leadership development programmes to ensure business continuity.	High – Helps in retaining and developing key talent, reducing the impact of turnover at senior levels.	Medium – Dependent on organisational focus and resources allocated to talent development.

STRENGTHENING HNBA'S POSITION AS A PREFERRED EMPLOYER

As a financial services organisation, our team is a key differentiator in the market. Therefore, we seek to attract highly motivated individuals with the necessary skills, experience and other attributes. Being a preferred employer enhances our ability to attract and retain talent. Accordingly, our policies, processes and strategies are aligned to position HNBA as a preferred employer. Key indicators of our status as a preferred employer include our ability to recruit employees for our business needs and the ability to retain high performers. External recognition also plays a supportive role.

In 2024, we significantly strengthened our employer brand through strategic initiatives designed to attract and retain top talent. A revamped, fast-track recruitment process, incorporating psychological assessments for a more holistic approach, improved both efficiency and candidate experience. A new employee welcome pack enhanced onboarding, while a strong commitment to Diversity, Equity, and Inclusion (DEI) permeated all recruitment and operational processes. These efforts resulted in exceptional employee engagement, reflected in a 92% positive "Great Place to Work" survey response

and an Employee Net Promoter Score (eNPS) of 38%, exceeding industry benchmarks. A robust calendar of employee events further fostered collaboration and morale. This commitment to a positive and inclusive work environment culminated in HNBA receiving the Silver Award for People Development, solidifying its position as a leading employer.

In particular, in 2024, we launched our "Challenging You to Grow" Employer Value Proposition (EVP) at the annual Staff Conference. This initiative highlights our commitment to employee development and growth, showcasing internal career development opportunities and leadership pathways. The initial year focuses on internal awareness, with plans to leverage the EVP to attract top talent and build a strong pipeline of future candidates.

Moreover, we focused on leveraging automation and AI to enhance HR processes in 2024 and beyond. The initial focus was on strategic planning and exploration for AI integration in recruitment, employee engagement, and learning and development, aiming to improve efficiency and decision-making. This includes exploring the development of AI-powered platforms to create a seamless employee experience.



92%

"Great Place to Work" score



38

Net Promoter Score - exceeding industry benchmark



Commitment to Diversity, Equity, and Inclusion



Enhance HR processes through automation and AI

Recruitment and Retention

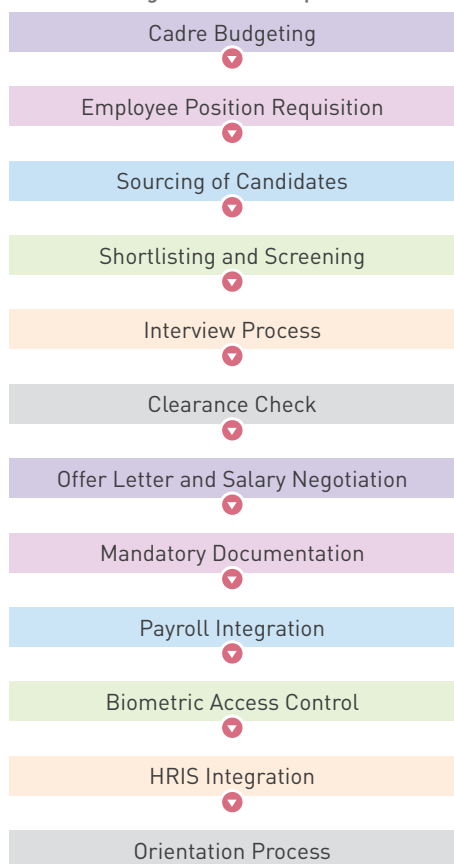
Our commitment to growth and talent development has driven significant progress this year. We welcomed 454 new employees, reflecting our strategic aspirations for expansion. These additions, combined with gains in productivity through digitalisation and employee development, position us for continued success.

As an equal-opportunity employer, we focus on attracting and retaining top talent. Our recruitment process, featuring a series of assessments and interviews, ensures we select the best possible candidates. This dedication to talent acquisition is evident in our retention rate of 75%, with 19% of our employees having over 10 years of dedicated service.

Furthermore, by partnering closely with businesses and understanding their specific needs, we swiftly filled vacancies. This proactive approach has significantly reduced delays in critical business lines, directly impacting operational efficiency and ensuring smooth workflow.

Moreover, 194 employees were granted promotions in 2024.

Our multi-stage recruitment process



194
Promotions



454
New Recruits



19%

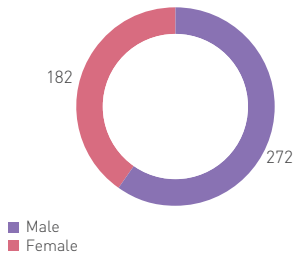
Employees with Over
10 Years of Service



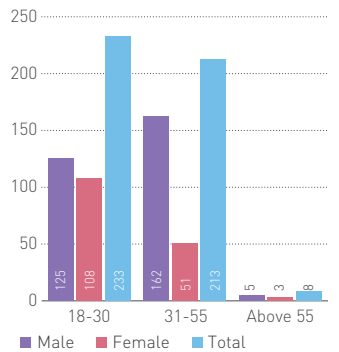


ZOOMING IN ON OUR HUMAN CAPITAL

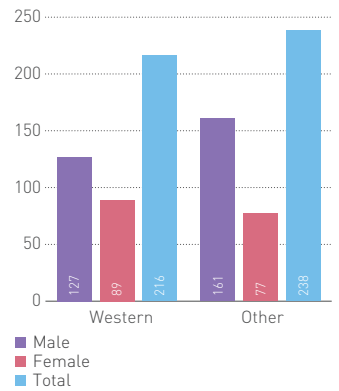
Recruitment by Gender



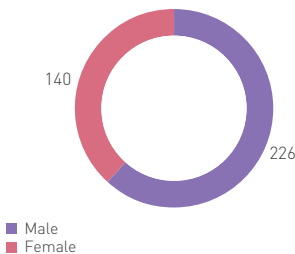
Recruitment by Age



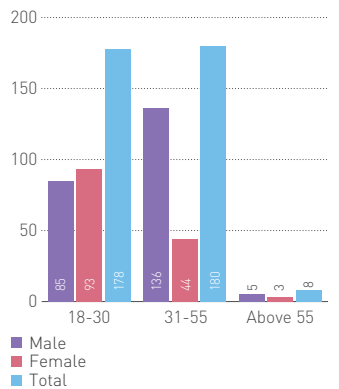
Recruitment by Region



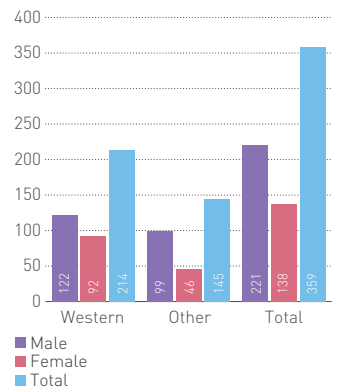
Turnover by Gender



Turnover by Age



Turnover by Region



Employee Remuneration & Benefits

The Group's compensation scheme includes fixed pay (base salary, allowances, and statutory pension contributions), variable pay (incentives and bonuses), benefits, and investment in training and development.

Approximately 75% of staff have access to variable pay, which is directly linked to performance management. A salary structure review is underway, including market data surveys to benchmark compensation and inform adjustments. The goal is to ensure competitive and industry-standard pay, with implementation planned for the near future.

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

- Recreation facilities
- Loan facilities at concessionary rates
- Donations on death of employees and their immediate family members

- Welfare events
- Non-monetary awards
- Medical benefits and Life and medical insurance
- Maternity Leave of 100 working days
- Paternity leave, Adoption leave
- Exam leave and exam fee reimbursements
- Accredited training partnerships for CA Sri Lanka and CIMA (UK)

Flexible work-from-home arrangements continued to be a valued non-monetary benefit, offered to approximately 33% of employees whose roles allow for effective remote work as per the departmental request. This benefit, carefully assessed for role suitability, reduces employee commute costs and contributes to lower Scope 3 emissions for HNBA (though the precise reduction remains unquantified). During the reporting period, 15% of employees worked remotely. Employee commute is

considered an upstream emission source under the Greenhouse Gas Protocol, the standard for measuring emissions as per the SLFRS S2: Climate Disclosures standard.

Outsourced Staff

We employ outsourced staff through reputable agencies, with contracts ensuring compliance with all relevant regulations regarding remuneration for personnel working on HNBA projects and premises. In 2024, 169 outsourced personnel were employed (2023: 211).

To enhance staffing flexibility, quality, and cost-effectiveness, we are reviewing current outsourcing partnerships and exploring new ones to ensure alignment is with industry best practices. We will continuously evaluate our approach for ongoing improvement.

Grievance Handling

We adopt a formal, clearly communicated grievance procedure accessible to all employees. Employees



are encouraged to address workplace concerns with their line managers; unresolved issues are escalated by HR to senior leadership, and if necessary, the Board. Moreover, we maintain high standards of accountability and integrity, including providing timely notification of significant operational changes to all employees.

We continually review our industrial relations (IR) practices to improve grievance handling. New guidelines and best practices will expedite resolutions and increase transparency, fostering a more positive work environment and strengthening employee trust in HR.

All reported grievances were addressed, with solutions offered and appropriate matters brought to senior management's attention.

Performance Management

Our performance management system fosters holistic employee growth by balancing financial and value-driven objectives. During the reporting year, we implemented a new 70/30 performance review mechanism. This approach is focused on continuous development (70%) alongside performance evaluation and goal setting (30%), fostering employee growth while maintaining alignment with organisational objectives. Moreover, a clearly defined succession plan further supports individual development and organisational growth.

High achievers are celebrated through prestigious awards, such as the Chairman's Awards, the Sales Personnel through the Annual Sales Convention, and the Bancassurance team through the Annual Bancassurance Awards. These accolades not only acknowledge exceptional contributions but also inspire a culture of high performance and continuous improvement.

1,171 employees underwent regular performance appraisals during the year.

TRAINING AND DEVELOPMENT

We focus on human capital as a key driver of success. Accordingly, employee development is fostered through a comprehensive performance management system and targeted training initiatives, empowering employees to excel and advance their careers. Moreover, our commitment to continuous learning is underscored by an HR governance structure emphasising ongoing skill development.

We provide comprehensive learning and development (L&D) programmes aligned with business objectives, focusing on in-demand skills like digital transformation and leadership. Proactive upskilling and reskilling initiatives equip our employees with the competencies needed to thrive in evolving roles and adapt to rapid technological advancements.

The key HR focus initiatives in 2024 include:

- **Future-Proofing Talent:** Sharpened our training focus on developing future-ready talent by identifying emerging trends and equipping employees with the skills to thrive in a dynamic landscape. This includes a strong emphasis on digital transformation.
- **Developing Future Leaders:** This includes nurturing young talent and building a robust pipeline of skilled leaders. We achieve this through targeted development opportunities designed to empower the next generation of leaders.
- **Advancing Women in Leadership:** Increasing gender diversity in leadership through supportive environments and mentorship programmes designed to empower women in management.

Key training programmes conducted in 2024

Programme	Details
Future Leads Management Development Programme	Equip newly promoted managers with essential skills through insightful sessions and engaging activities led by senior executives, including Chief Officers and Heads of Divisions. This investment in leadership development will drive innovation, enhance performance, and secure the Company's future success.
Sharpening Minds, Strengthening Leadership: Critical Thinking and Problem-Solving Skills Training	Conducted by an experienced trainer, this programme used real-world case studies and interactive exercises to enhance decision-making and analytical abilities of leaders. This initiative not only improved individual skills but also fostered collaboration and innovation, positioning the Company for future success.
ELEVATE: 2024 Branch Management & Operation Development Workshop and Bancassurance Excellence Day	These workshops provided professional development opportunities for over 500 employees in the Bancassurance and Agency channels, focusing on key areas such as enhancing professional image through sessions on personal grooming, hygiene, dress code, and etiquette.



ZOOMING IN ON OUR HUMAN CAPITAL

Programme	Details
Regulatory Compliance	In-depth training on Anti-Money Laundering regulations and IRCSL rules was provided to ensure adherence to industry standards and mitigate risk.
Cybersecurity Awareness	To safeguard sensitive information, employees were educated in cybersecurity essentials, equipping them to identify and respond to potential threats.
Project Phoenix Training (HNBGI core system)	HNBGI implemented continuous training and engagement programmes for Project Phoenix, creating a dedicated workspace to emphasise the team's role in shaping the Organisation's technological future. Moreover, effective people management practices are continuously developed in collaboration with HR and senior management.



Rs. 25 Mn.

Investment in Training in 2024

17 Hours

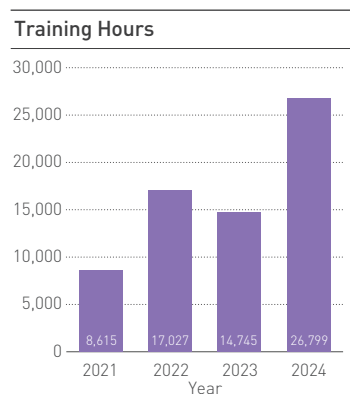
Training Hours per Employee

82%

Increase in Total Training Hours, YoY

The total investment in training and development for the year amounted to Rs. 25.15 Million, an increase of 102% over the previous year.

The training strategy of the sales force is detailed on page 64 under the Sales Force Expansion section.



	2024	2023
Total investment in training - Rs. Mn.	25.1	12.4
Total No. of training hours	26,799	14,745
No. of trainings Programmes	223	73

Type of programme	Number of programmes
Internal training courses	80
External training courses	143

Looking ahead to 2025, we will further enhance our human capital management strategy by implementing a behavioural assessment tool. This will provide deeper insights into individual strengths and development areas, enabling more targeted coaching and mentoring. This commitment to employee development and a supportive work environment underscores our investment in our most valuable asset: our people. This proactive approach to human capital management will drive continued success and growth.

EMPLOYEE WELL-BEING

Recognising the importance of employee well-being, we addressed mental health, work-life balance, and burnout prevention in 2024. This included implementing mental health resources, stress management programmes, and counselling services. With the increase in hybrid and remote work, we also focused on providing employees with the flexibility to effectively manage their professional and personal lives. Furthermore, proactive measures were integrated into HR policies to prevent burnout, such as managing workload, ensuring adequate time off, and fostering a healthy work environment.

EMPLOYEE ENGAGEMENT

We maintain an annual calendar of inclusive employee engagement activities designed to boost motivation and retention. In 2024, this included a diverse programme of cultural events, recreational activities, and wellness initiatives fostering a strong sense of community and belonging. The programme included cultural celebrations such as Avurudhu Uthsawaya, Ifthar, Vesak, recognition events such as Mother's/Father's Day, Talent Show, and fun activities such as movie nights, open mic nights, TikTok competitions, Kahoot quizzes and online wellness sessions. The Annual Staff

Conference further aligned employees with the Company vision.

In 2024, we enhanced employee engagement programmes by emphasising inclusivity, cultural diversity, and alignment with its DEI framework. This involved celebrating cultural and religious milestones, ensuring gender equity in participation, promoting employee well-being through wellness initiatives, and leveraging digital platforms for accessibility. Furthermore, soliciting employee feedback ensured programmes resonated with the diverse workforce, fostering a stronger sense of belonging, higher morale, and improved organisational cohesion.





ZOOMING IN ON OUR HUMAN CAPITAL



DIVERSITY AND INCLUSION

Diversity, Equity, and Inclusion (DEI) was a key priority for our organisation in 2024. Initial steps have been taken to implement more inclusive hiring practices and address pay equity, with ongoing work focused on comprehensive DEI programme development and rollout across all organisational levels. This includes efforts to mitigate bias in recruitment processes, such as reviewing recruitment technology and proactively increasing diversity in senior leadership.

PROMOTING AND LEVERAGING FEMALE TALENT

Our commitment to equal opportunity employment is evident in our recruitment practices, compensation structure, training programmes, and career development opportunities. With 39% female representation - significantly exceeding the national average of 29.6% as of Q1 2024. We maintain a 1:1 ratio of basic salaries between men and women.

THE IN.SHE PROGRAMME

In.She, HNB Assurance Group's flagship initiative launched in 2022, empowers women through mentorship, career development, and leadership training, fostering an inclusive corporate environment. Beyond career

advancement, In.She prioritises women's well-being by supporting working mothers, advocating for family-friendly policies, and reinforcing a zero-tolerance policy against sexual harassment. The initiative's impact extends beyond the Company through partnerships with community organisations, promoting health and wellness causes, and providing personal safety education. In.She's efforts have earned numerous accolades, recognising HNB Assurance's commitment to gender inclusivity and women empowerment, both within the Company and in the wider community.

• In.She Women Icon Award

For the second consecutive year, In.She proudly hosted the Women Icon Award, recognising the most outstanding female employee through a rigorous and comprehensive interview process. This award celebrates exceptional women who have demonstrated leadership, dedication, and excellence in their roles, highlighting their significant contributions to the organisation and beyond.

• Recognising Working Mothers

Honouring outstanding working mothers within the organisation who excel in their careers while balancing family responsibilities. Special awards and appreciation events highlighted their dedication and resilience by partnering with Parenthood Global.

• Equitable Workplace Policies

In collaboration both HR divisions introduced the Maternity Leave enhancement, Paternity Leave, Caregiver Leave (Paid), and Single Parent Support Policy, designed to provide additional support and flexibility for single parents navigating both professional and personal responsibilities.

• Revolutionising Women's Well-being

In collaboration with Hemas Consumer – Her Foundation, HNB Assurance has taken a significant step in promoting women's health and well-being by providing sanitary napkins to the staff at our head office. This initiative marks the first step in our ongoing commitment to supporting women's health, ensuring that all employees have access to essential hygiene products.



- **Promoting a Healthy Lifestyle**

In.She organised self-care awareness sessions, and medical camps, offering vital services such as breast cancer testing and awareness in partnership with Lanka Hospital and Indira Cancer Trust.

Additionally, Vision Care offered eye testing services, providing essential vision screenings to ensure that employees maintain optimal eye health and have access to necessary corrective measures.

- **Selfcare Day & Healthy food stalls**

Conducted insightful Wellness Session focused on promoting healthy lifestyles, stress management, and maintaining mental and physical balance.

Facilitating organic food stalls offering nutritious and balanced meals to encourage healthier eating habits among employees.

- **Mindfulness, Stress Management, and Meditation Programmes**

In.She offers a range of Mindfulness, Stress Management, and Meditation programmes, available both physically and virtually. These programmes are designed to help staff manage work-related stress, enhance focus, and promote mental clarity.

- **Confidential Counselling Support for Employees**

Provides confidential counselling support to staff who are navigating difficult times. This service ensures that employees have access to professional guidance in a private and supportive environment, helping them cope with personal or emotional challenges while maintaining their well-being.

- **Empowering Staff & Entrepreneurs**

Mid-Year and Year-End Pop-Up Sales, providing a platform for both staff members and external entrepreneurs to showcase their talents, grow their businesses, and enhance their earnings.

- **Auto Maintenance Workshop**

Expanding our platform for empowering women, our in-house vehicle maintenance workshop was extended to the Rotaract Club of the Faculty of Management and Finance at the University of Colombo. Conducted in collaboration with experts from our motor engineering team, this initiative equipped women with essential auto maintenance skills, promoting independence for women drivers.

- **Women's Day Celebration**

In celebration of Women's Day, all female staff received a half-day leave and a gift voucher to spend as they wished. Along with a token of appreciation for all women.

- **Community Support**

In.She, proudly partnered with the National Cancer Control Programme under the Ministry of Health to participate in the National Breast Cancer Awareness Walk. This collaboration underscores our commitment to demonstrating support for women and raising awareness about breast cancer in society. Further, in collaboration with Indira Cancer Trust distributed dry ration packs to families with cancer patients.

- **Wings of Support**

Over 100 women at the Welikada Prison received essential care packs, showcasing our commitment to empowering women in challenging circumstances.

- **Partnership with Husma Foundation – Supporting Pediatric Cancer Patients**

The In.She team, in partnership with the Husma Foundation, made a heartfelt contribution to support pediatric patients at the National Cancer Hospital. This collaboration aims to provide essential care and resources to young cancer patients, offering them hope and encouragement in their battle against the disease.

	2024
Employees entitled to maternal leave	597
Employees on maternal leave	33
Employees who returned after maternal leave	27
Employees still in employment 12 months after maternity leave	27

In recognition of our efforts, we received the following accolades:

- The Most Outstanding Mom-inclusive workplace at the Mom Leaders Conference 2024.
- One of Sri Lanka's Most Outstanding Women-friendly Workplaces at the Women Friendly Workplace Award 2024.



ZOOMING IN ON OUR HUMAN CAPITAL

GENDER PARITY REPORTING

	Disclosure Requirement	Our Response	Page Reference
Enablers	Strategies and Goals for Gender Parity	The Company's strategy embraces diversity and inclusiveness as reflected by 39% of female talent in HNBA Group.	108
	Diversity and Inclusion Policies	Our corporate culture promotes diversity and inclusiveness.	108
	Gender Pay Equity Policy	Total Rewards Policy in place to ensure recognition of talent and contribution.	108
	Grievance Handling Mechanism for Sexual Harassment	A policy against Sexual harassment is in place.	104
	Work Place Practices to Promote Gender Parity	The company has adopted a policy that ensures no gender discrimination in its recruitment and promotion processes.	108
Composition	Governing Body	The Boards of Directors of the HNBA and HNBGI is chaired by Mr. Stuart Chapman.	100
	Senior Leadership	Gender analysis by employment category sets out the proportion of female employees.	100
	Middle Management		
	Other Major Employment Categories		
	Recruitments	Refer gender analysis of recruits.	104
	Promotions		103
	Key Departments		111
	Major Geographic Location		100
	Proportion of Women at Work 12 Months After Maternity Leave		109
	Proportion of Women in IT, Engineering and Production Related Activities		111



GENDER PARITY REPORTING

Programme	Male(Nos.)	Female (Nos.)	Total (Nos.)
Actuarial	06	05	11
Administration	10	04	14
Business Process Excellence & Strategy	00	03	03
CEO's Office	04	02	06
Customer Experience	30	26	56
Distribution & Training	662	387	1,049
Finance	43	20	63
Human Resources	07	10	17
Internal Audit	02	03	05
Investment	04	01	05
IT	38	10	48
Legal & Compliance	05	06	11
Marketing	09	03	12
Operations	116	108	224
Procurement	03	04	07
Risk and Control	02	04	06
Research, Development & Process Re-engineering	03	01	04
Grand Total	944	597	1,541

our Employee Value Proposition (EVP). This includes leveraging data-driven HR analytics to inform people-related decisions, optimise talent management, and improve organisational efficiency. Investing in technology to streamline HR processes, automate tasks, and enhance the employee experience will further support our digital transformation. We aim to maintain a Customer Satisfaction Index (CSI) of 80%.

- **HNBGI focus areas:**

To enhance employee well-being and engagement, HNBGI will conduct a market salary survey to review compensation and benefits, participate in the "Great Place to Work" and "Women Friendly Workplace" awards, and align HR strategies with key business objectives using an HR Business Partner model. Furthermore, all Company policies and procedures will be reviewed and revised to promote work-life balance, reduce workplace stress, and prevent burnout.

FUTURE FOCUS

We will leverage strategic HR initiatives to achieve sustainable growth and profitability. By investing in talent, optimising operations, and embracing digital transformation, we aim to cultivate a high-performing, engaged, and diverse workforce driving long-term organisational success. Our commitment to DE&I, operational efficiency, and a strong EVP will position us for continued leadership in the insurance industry. In this context we will focus on the following areas:

- **Talent management:**

We will continue to invest in employee training and development, attracting and retaining top talent through competitive compensation and benefits, implementing a robust performance management system with a new rating mechanism, and offering flexible work arrangements to improve work-life balance and reduce costs.

- **Diversity, Equity, and Inclusion (DE&I):**

To nurture a diverse and inclusive workplace, we will implement and promote policies ensuring equal opportunities, celebrate diverse perspectives, and foster a culture where every employee feels valued and empowered.

- **Operational efficiency and cost optimisation:**

We will streamline operations by identifying and eliminating redundant roles, restructuring teams for improved efficiency, and leveraging data analytics to identify cost-saving measures. Regular compensation structure reviews will ensure competitiveness while maintaining fiscal responsibility.

- **Digital transformation and market disruption:**

We are committed to becoming the Employer of Choice in the insurance industry by strengthening



LIFE INSURANCE - BUSINESS REVIEW



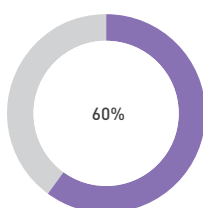
Lasitha Wimalaratne
Chief Executive Officer / Principal Officer
- HNB Assurance PLC

On Track to Achieve 10% Market share by 2026

We further solidified our journey toward achieving our goal of securing a 10% market share by 2026 with yet another year of outstanding performance. In 2024, we maintained our strong growth momentum, achieving an impressive 26% growth in Gross Written Premiums (GWP). Notably, this achievement was realised despite significant challenges in the operating environment, reflecting our resilience and strategic focus.

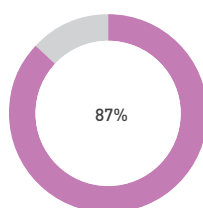
CONTRIBUTION TO THE GROUP

GWP



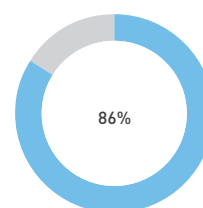
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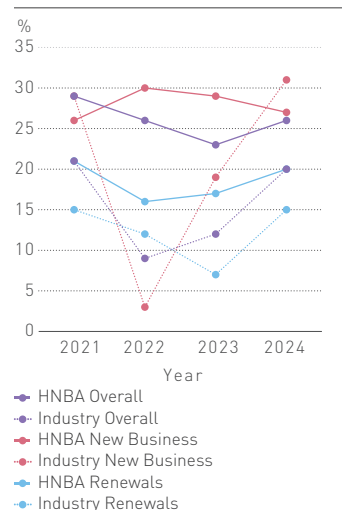


Strategic Pillar	Highlights for 2024
Sales force expansion	<ul style="list-style-type: none"> Implementation of a formal career progression framework to address the high retention rate. This resulted in retention rate improving to 58% from previous year's 50% Strengthened the agency channel by adding 1,653 new agents
Exceptional customer service	<ul style="list-style-type: none"> Streamlining customer onboarding process to improve efficiency Revamped the "Prime Circle" programme to enhance personalised engagement with our top tier customers Improved service standards for better customer experience
Technological transformations	<ul style="list-style-type: none"> The implementation of the new Core System has reached its final phase, with the project successfully going live in April 2024

HIGHLIGHTS

	2024	2023	Change
Gross Written Premium (Rs. Mn)	13,710	10,923	26%
Profit After Tax (Rs. Mn)	1,657	1,613	3%
Life Fund (Rs. Mn)	38,337	30,676	25%
Claim Ratio Without Maturities	10%	12%	2%
Expense Ratio	54%	53%	1%
Premium Persistency (First Year)	80%	82%	(2%)
Lapse Ratio (First Year)	42%	50%	(8%)
Capital Adequacy Ratio (CAR)	379%	339%	40%
Life Surplus (Rs. Mn)	1,350	1,315	3%
Annualised New Business Premium (Rs. Mn)	4,652	3,955	18%
Number of New Policies	59,154	44,188	34%
Market Share	7.5%	7.2%	0.3%

GWP Growth Rates



FOCUS ON THE 4 P'S

HNBA's strategy is built around four key pillars that represent the core elements of the life insurance sector. These pillars are supported by clearly defined short- and medium-term initiatives designed to achieve our strategic objectives effectively.



Protection

- Launch of Migrant Worker Insurance scheme
- Focus given to delivering distinctive insurance products at competitive prices to a broad customer base, while maintaining a balanced approach that avoids solely focusing on being the lowest-cost insurer or prioritising policy volume over quality and sustainability.



Premium Growth

- Agency Channel recording a GWP of Rs. 7,120Mn and Partnership channel Rs.6,589 Mn
- Establishment of a Single Premium Development Unit to expand our market presence and revenue streams
- A strong focus placed on the SME sector, supported by a specialised product portfolio.



Persistency

- Lapse ratio coming down to 42% from previous year's 50%.
- Use of analytics to understand customer behaviour to offer more accurate risk assessment and personalised products/services
- Focus given to enhancing engagement with the customer base and encouraging them to revive their policy



Productivity

- Driving business process transformation through systematic evaluation of workflows to enhance efficiency and ensure effective service delivery
- Re-engineering our internal and external service delivery processes to optimise efficiency, improve customer satisfaction, and enhance overall operational effectiveness.



LIFE INSURANCE - BUSINESS REVIEW

HIGHLIGHTS OF 2024



HNB Assurance received the Great Place To Work® certification and was placed amongst the Top 70 employers in Asia

HNBA launched an innovative Group Health Product as a rider in addition to its life insurance policies. This new offering has gained significant interest and is anticipated to play a key role in driving business growth while having a positive impact on our bottom line in the years ahead.



REVIEW OF THE YEAR

HNBA has strategically positioned itself to achieve its goal of securing a 10% market share by 2026, delivering another year of remarkable performance. The Company recorded an impressive GWP growth of 26%, exceeding 20% growth for 4th consecutive year and outperforming the industry growth of 20%. This success was driven by meticulously planned and effectively executed strategies, reflecting HNBA's unwavering focus on sustainable growth in a very competitive landscape.

HNBA adopted a strategic approach centered on offering distinctive products to a broader customer base at competitive prices, rather than prioritising high volumes at lower price points. This strategy enabled us to address the diverse needs of customers from varied financial backgrounds, ensuring inclusivity while maintaining value-driven offerings.

The Company enhanced its efforts to bolster the sales force and address the ongoing challenge of high turnover rates. As part of this initiative, a structured career path with clearly defined progression opportunities was introduced, aimed at improving advisor retention and fostering mutually beneficial relationships.

We maintained our focus on the SME sector, aiming not only to expand our business but also to support the most financially vulnerable segments of the population. The 'Micro Life' product, introduced in the previous year, gained significant traction in 2024. To capitalise on this opportunity, we expanded our partner network beyond HNB Bank, enabling us to broaden our reach and strengthen our presence in this critical segment. HNBA also partnered with the Industrial Development Board (IDB), to offer customised insurance solutions to SME enterprises and large corporates that are registered with the IDB.

Value Delivered
59,154
New Policies
Rs.3,391 Mn
Claims Paid
Rs. 62 Mn
Bonus to Participating Policyholders
64
NPS
1
New Product
Rs.1,749 Mn
Remuneration
222
MDRT Winners
16,098
Staff Training Hours
Rs. 6 Mn
CSR Spend





MAINTAINING OUR GROWTH MOMENTUM

The results of our strategic initiatives and proactive approach in identifying market opportunities were evident as HNBA sustained its growth momentum, achieving a GWP growth of 26%, continuing to outperform the industry. This growth was achieved through our dynamic pursuit of market opportunities combined with the development of innovative products.

Despite facing challenging macroeconomic conditions, New Business premiums achieved a growth of 27%, totalling Rs. 3,727 million. Similarly, renewal premiums increased by 20%, reaching Rs. 7,007 million, reflecting the strength and adaptability of our strategic initiatives taken to enhance customer engagement.

Overall, Endowment business increased by 22% while Single Premiums marked a 38% growth.

GWP from individual clients which contributed to 96% of the total GWP reported a growth of 26% to Rs.13,187 million. GWP from corporate clients grew by 20% to reach Rs. 523 million.

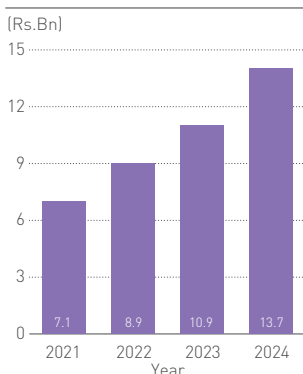
This was supported by the new corporate health product introduced.

Reduction of lapses was a focal point in 2024, where Company rolled out strategies such as strengthening of policy conservation unit, recruitment of identified staff for renewal collection and focus on high value business where tendency for lapses are low.

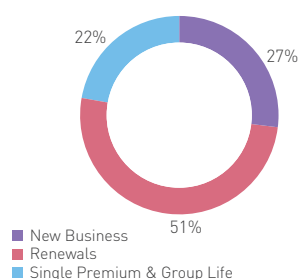
To improve protection and improve profitability of the life business, targets were given to increase rider ratios and a new health rider was also introduced. Lapses reduced to 42% from 50% the previous year while rider ratios was slightly lower at 21% compared to the 23% in 2023.

The partnership channel was instrumental in driving the growth of new business premiums, achieving a remarkable increase of 38%, and the Agency channel also saw a growth of 21% in new business premiums.

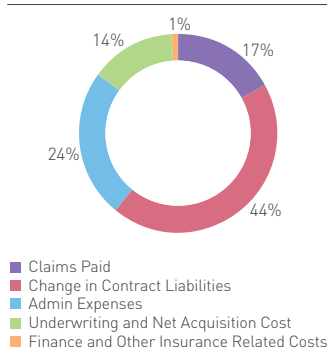
Gross Written Premium



GWP Composition



Net Claims, Benefits and Expenses



HNBA recorded robust growth in investment income due to our sound and proactive investment strategy. The investment portfolio is comprised of over 96% fixed income investments, including 61% in government securities, with 78% allocated to long-term instruments. Despite a substantial decline in interest rates in 2024 compared to the highs of 2023, HNBA achieved above-market returns. This success can be attributed to a strategic focus on long-term, high-yield investments during 2023 and early 2024, which anticipated the rate decline. The approach was designed to secure high

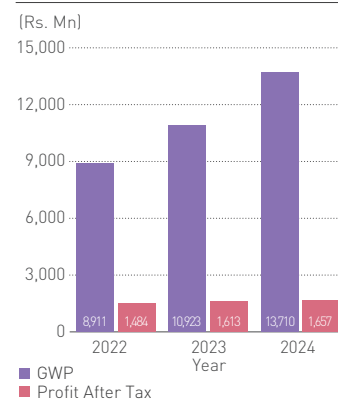
yields and generate capital gains as interest rates decreased. As a result, investment income experienced a growth of 8%, reaching Rs. 6,914 million, while Funds Under Management saw a 26% increase.

NAVIGATING CHALLENGES TO SUSTAIN PROFITABILITY

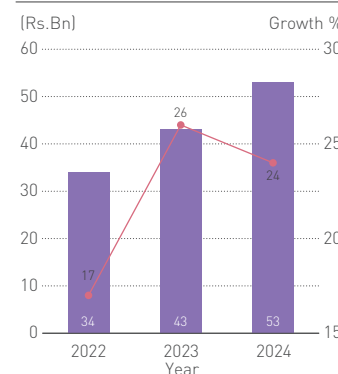
Despite strong premium growth, maintaining profitability proved challenging amidst high operating costs and lower interest rates. HNBA adopted various measures to enhance cost efficiency, including the integration of new technology, automation, and process re-engineering. Overhead costs were further reduced by offering flexible working arrangements tailored to employees' roles.

Net benefits and claims rose by 12%, reaching Rs. 3,007 million, driven by maturities. Underwriting and net acquisition costs increased by 30% to Rs. 2,466 million, reflecting the 26% growth in GWP. Other operating and administrative expenses grew

Performance



Assets Growth





LIFE INSURANCE - BUSINESS REVIEW

by 21%, primarily owing to significant investments in IT and staff cost aimed at retaining. Accordingly, HNBA achieved a Profit Before Tax of Rs. 2,358 million, compared to Rs. 2,269 million in 2023. Profit After Tax for the year amounted to Rs. 1,657 million, reflecting a growth of 3%.

GROWTH AND STABILITY

Total assets grew by 24%, reaching Rs. 53,404 million, largely attributed to the increase in financial investments. Total liabilities rose by 24%, amounting to Rs. 42,595 million, driven by a notable 24% growth in Insurance Contract Liabilities, underscoring the business's significant expansion despite a challenging operating environment. Total Equity increase by 23% to Rs. 10,810 million.

HNBA continued to maintain its Capital Adequacy Ratio at, 379%, well above the requirement level of 120%.

PEOPLE AND CULTURE

We strive to foster a vibrant and energetic work culture by cultivating mutually beneficial relationships. While high staff turnover remained a challenge, HNBA's reputation as a preferred employer allowed us to attract the required talent. To further enhance our recruitment process, we integrated psychological assessments, offering a more holistic approach that improved efficiency and the overall candidate experience. Additionally, we introduced the "Challenging You to Grow" initiative, underscoring our dedication to employee development by highlighting internal career growth opportunities and leadership pathways.

We enhanced employee engagement through a range of welfare programs aimed at motivating our team. Recognising the critical importance of employee well-being, we prioritised addressing mental health, work-life balance, and burnout prevention. These efforts included introducing mental health resources, stress management initiatives, and counselling services to support our employees holistically.

TECHNOLOGICAL TRANSFORMATION

We recognise the pivotal role of technology in this dynamic industry and have made substantial investments to position our business at the forefront of modern innovation. In April 2024, we implemented the new Core Insurance System, which has led to significant enhancements in operational efficiency and seamless integration across business functions. Development of a new Customer Portal is underway, with a targeted launch in early 2025. Additionally, the Channel Portal was launched in April 2024, enabling over 98% of HNB Assurance life proposals to be processed digitally, thereby drastically reducing paperwork. We also introduced Robotic Process Automation (RPA), initially focusing on IT operations such as user account management and next finance bank reconciliations. We believe that use of technology to drive transformation would be vital for the life insurance business in the future as well.



GENERAL INSURANCE - BUSINESS REVIEW



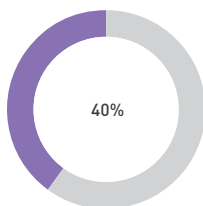
Sithumina Jayasundara
Chief Executive Officer / Principal Officer &
Specified Officer - HNB General Insurance Limited

Well poised to be within the Top 5 by 2026

Committed to addressing a diverse range of needs, from motor and non-motor insurance to Takaful solutions, HNB General Insurance has established itself as a reliable partner for individuals and businesses across the island. HNBGI's remarkable performance reflects its thoughtful strategic planning and resilience, reinforcing its progress towards becoming one of the top five general insurance providers in Sri Lanka.

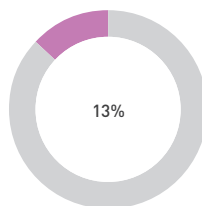
CONTRIBUTION TO THE GROUP

GWP



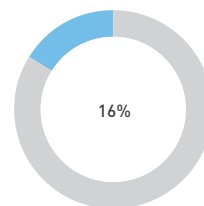
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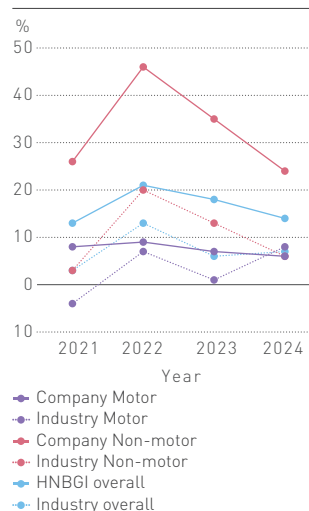
GENERAL INSURANCE - BUSINESS REVIEW

Strategic Pillar	Highlights for 2024
Distribution Redefined	<ul style="list-style-type: none"> Strategic collaborations with financial institutions during the year. Distribution expansions through developing outfitted business units. Established new partnership with banks to offer bancassurance services.
Speed to Market	<ul style="list-style-type: none"> Leveraging advanced analytics and technology to expedite the underwriting process. Introducing new crop insurance projects addressing the specific needs of farmers and agricultural businesses.
Customer Experience	<ul style="list-style-type: none"> Launch of a new comprehensive customer loyalty program. Introduction on the new 4-digit customer hotline.
Digital Transformation	<ul style="list-style-type: none"> Commencing Project Phoenix, core system project implementation. Company to implement WTW's ResQ Financial Reporter (FR), an efficient flexible framework to generate SLFRS17 financial statements and the supporting disclosure requirements
Competencies	<ul style="list-style-type: none"> Providing a structured career path with clearly defined progression opportunities for the sales force

HIGHLIGHTS

	2024	2023	Change
Gross Written Premium (Rs. Mn)	9,122	8,036	14%
Profit After Tax (Rs. Mn)	240	151	59%
General insurance contract liabilities (Rs. Mn)	4,507	4,694	(4%)
Total Assets (Rs. Mn)	10,229	9,573	7%
Gross claims paid to customers (Rs. Mn)	4,245	4,328	(2%)
Motor, Non-motor mix	52:48	56:44	(4):4
Market share	7.0%	6.6%	0.4%
Claims ratio	67%	72%	(5%)
Expense ratio	41%	39%	2%
Combined ratio	108%	111%	(3%)
Capital Adequacy Ratio	219%	208%	11%

GWP Growth Rates



KEY FOCUS AREAS

Protection

- Launch of Migrant Worker Insurance scheme
- Providing surgical covers for individual policy holders
- Offering parametric coverage for agricultural risks. Providing financial relief by linking payouts to measurable deviations in weather patterns, such as excessive rainfall or drought

Premium Growth

- A GWP growth of 14% with Non-Motor GWP growth of 24%
- Initiating new strategic partnerships to expand our reach

Persistency

- Introduction on the new 4-digit customer hotline
- Introduction of HNBGI customer loyalty program with 20 strategic partnerships
- Renewal retention ratio- Motor - 77% Non-Motor - 82%

Productivity

- Digital medical claims management system that enables customers to submit claim details through the online portal, reducing processing time and cost.
- Implementation of Lean Six Sigma principles to optimise processes, reduce waste, and enhance efficiency while maintaining quality, supporting its growth objectives.



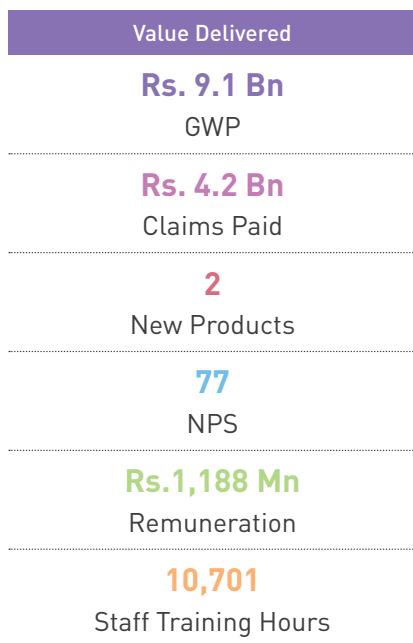
REVIEW OF 2024

Sri Lanka's general insurance industry remains closely tied to the macroeconomic environment, and faced challenges from external events like the 2019 Easter Bombings, the pandemic and the economic crisis. Restricted vehicle imports and reduced consumer spending have restricted motor insurance growth. Despite these challenges, HNBGI has surpassed industry growth, driven by its technology strategy to enhance efficiency and customer service, along with a targeted approach to identifying and addressing customer pain points.

HNBGI's aspiration to become one of top five leading general insurance providers in the country is rapidly materialising, as the Company achieved a market share of 7% by year-end. This success stems from our dedication to setting industry trends through a robust technology strategy aimed at enhancing customer experiences, unlocking new market opportunities, and delivering innovative insurance solutions tailored to the evolving needs of our customers.

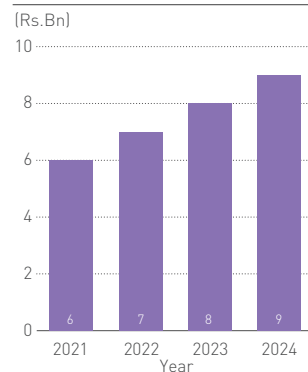
HNBGI intensified its efforts to enhance customer experiences by launching a customer loyalty program. This initiative was implemented in collaboration with various partner businesses, offering loyal customers an array of products and services provided by these partners as a token of appreciation for their continued loyalty.

Our commitment to delivering convenience and enhanced accessibility to our customers was strengthened with the launch of a new 4-digit hotline. This initiative streamlines communication, reducing lengthy wait times and simplifying complex procedures. Whether it involves filing a claim, updating a policy, or seeking information, the hotline ensures a faster, more efficient, and seamless customer experience while providing HNBGI with valuable customer insights.

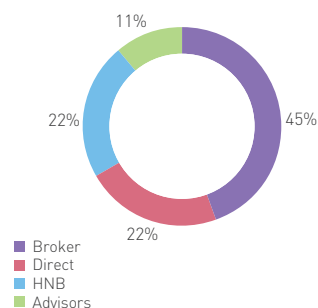


MAINTAINING OUR GROWTH MOMENTUM

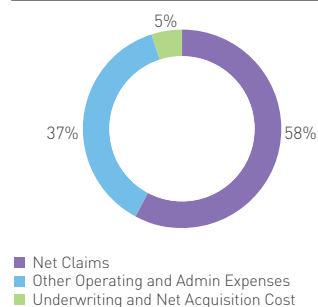
Gross Written Premium



GWP Composition



Net Claims and Expenses





GENERAL INSURANCE - BUSINESS REVIEW

HNBGI sustained its impressive growth trajectory with a GWP growth of 14%, significantly outperforming the industry. The Company's strategic focus on reducing the reliance on motor insurance delivered remarkable results, with the Motor: Non-Motor ratio decreasing to 52:48 in 2024 from 56:44 the previous year. Further, Non-Motor segment achieved a 24% growth. Robust performance was seen in marine, fire and engineering insurance products, which grew by 166%, 35% and 6%, respectively, underscoring HNBGI's relentless efforts to capture untapped market segments. The medical insurance line recorded a growth of 21%, while motor insurance saw a growth of 6%, despite the ongoing vehicle imports restrictions.

The Broker channel played a pivotal role in HNBGI's success, contributing 42% to the top line with a growth rate of 19%. The Agency channel also witnessed robust growth of 34%, contributing 13% to the overall performance. Leveraging Group synergies, the HNB channel achieved an impressive growth of 7%, contributing Rs. 1,890 million to the GWP. Additionally, the other channels including banking, finance and direct made a significant contribution of 25%. These diverse channels highlight HNBGI's multifaceted approach to reaching and serving a wide spectrum of customers effectively.

HNBGI achieved a Motor and Non-Motor Renewal Retention Ratios of 77% and 82% respectively, reflecting our commitment to customer centricity. This dedication was further underscored by attaining a Net Promoter Score of 77%, showcasing the trust and satisfaction of our valued customers.

Investment income for the year, reached Rs. 813 million, driven by increased investments in government securities, debentures, term deposits and other sources of investments yielding higher returns. This success stemmed from a robust investment strategy that prioritised long-term, high-yield investments during 2023 and early 2024, anticipating a decline in interest rates.

The strategy was designed to lock in favourable yields and generate capital gains as rates fell.

NAVIGATING CHALLENGES TO SUSTAIN PROFITABILITY

We enhanced profitability by making substantial investments in technology, which boosted efficiency and productivity. Upgraded claims management and underwriting systems delivered considerable cost savings during the year.

Net Claims Incurred during the year reduced by 7% to Rs.3,704 million, despite the due to weeding out unprofitable accounts and effective claims management strategies. Other operating and administrative costs rose by 21% to reach Rs. 2,319 Mn, driven by the IT related costs.

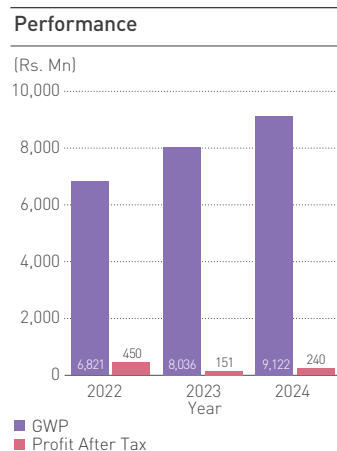
Amidst the unprecedented challenges faced by the general insurance industry, HNBGI delivered an impressive bottom-line growth of 59%, achieving a profit after tax of Rs. 240 million. This performance highlights the Company's resilience and the effectiveness of its agile and timely business strategy.

GROWTH AND STABILITY

Total assets grew by 7%, reaching Rs. 10,229 million. Financial investments, which contributed to 57% of total assets increased by 9% while premium receivables, attributing to 20% of total assets increased by 8% with the growth of the business. Total Liabilities increased by 6%, totalling Rs. 7,372 million, due to increase of other liabilities Insurance as Contract Liabilities marked a degrowth of 4%.

PEOPLE, CULTURE, AND TECHNOLOGY

We attribute our success to the dedication and expertise of our talented team, whose efforts have enabled HNBGI to not only overcome unprecedented challenges but also deliver exceptional results. We remain focused on cultivating a dynamic and high-performance work environment, which serves to inspire and motivate our employees, driving the continued success and growth of the Company.



Driving technological transformation has remained a cornerstone of our business philosophy. HNBGI has been at the forefront of technological innovation in the industry, executing a strategy aimed at enhancing customer experiences, unlocking new market opportunities, and creating innovative insurance solutions that meet the evolving needs of the economy. By incorporating AI, machine learning, and robotics into our operations, we aim to achieve sustainable growth without substantially increasing operational costs.

Project Phoenix, a strategic initiative in partnership with Azentio Software, was launched during the year to implement an outstanding Core Insurance System with a substantial investment. This upgrade is set to enhance the Company's competitiveness, operational efficiency, accuracy, and agility, positioning HNBGI for greater success in the evolving insurance landscape.

Further, HNBGI achieved a significant milestone in its journey towards compliance with the Sri Lanka Financial Reporting Standard (SLFRS) 17 by becoming the first local general insurance company to implement WTW's ResQ Financial Reporter (FR). This advancement strengthens the Company's financial reporting capabilities, ensuring greater transparency, accuracy, and adherence to international standards and regulatory requirements.

REVIEW OF CAPITALS



Financial Capital

We have consistently demonstrated strong financial performance while maintaining a stable and resilient balance sheet. This success has been driven by prudent financial planning and disciplined management practices, even in the face of significant uncertainties and challenges in the operating environment. Our commitment to financial stability has enabled us to navigate volatile conditions effectively, ensuring sustainable growth and long-term value creation for all stakeholders.

Enhancing Financial capital in 2024

- Driving business growth with customised product offerings and sales force expansion.
- Continued investments in technology resulting in significant operational efficiencies and enhanced customer experience
- Prudent investments carried out under expert advice.
- Leveraging Group synergies to bring insurance solutions to micro segments.

KPIs		2024	2023	% Change
Shareholders' Funds	Rs. Mn.	12,517	10,277	22%
Financial Investments	Rs. Mn.	54,305	43,855	24%
Insurance Contact Liabilities - Life Fund	Rs. Mn.	38,648	30,946	25%
Insurance Contact Liabilities – General Insurance	Rs. Mn.	4,507	4,694	(4%)
Return on Equity	%	17	20	(3%)
Market Capitalisation	Rs. Mn.	12,015	8,490	42%
P/E Ratio	Times	6.33	4.81	32%
Return on Assets	%	3.3	3.8	(0.5%)



Human Capital

Our team is a cornerstone of our value creation process, playing a critical role in driving our success. We are deeply committed to investing in the development of our talent pool, fostering a dynamic, highly skilled, and energetic workforce. This emphasis on nurturing and empowering our team translates directly into the exceptional services we deliver to our customers, enhancing their experience and satisfaction. In turn, this dedication to talent development has a positive and measurable impact on the growth and sustainability of our business.

Enhancing Human capital in 2024

- Revamping and fast tracking the recruitment process
- Launching our “Challenging You to Grow” Employer Value Proposition (EVP) at the annual Staff Conference.
- Focused on leveraging automation and AI to enhance HR processes
- Enhanced engagement with employees through multiple platforms

KPIs		2024	2023	% Change
Number of Employees		1,541	1,453	6%
Number of New Recruits		455	447	2%
Number of Promotions		194	171	13%
Employee Turnover	%	24	23	1%
Number of Training Programs		233	131	78%
Total Training Hours	Hrs	26,799	14,745	82%
GWP per Employee	Rs. Mn.	14.76	12.91	14%
Female Representation	%	39	38	1%

REVIEW OF CAPITALS



Manufactured Capital

Manufacturing capital, including property, plant, and equipment, plays a vital role in our value creation process. Our extensive island-wide branch network serves as a cornerstone of this capital, providing us with direct access to our customer base. This infrastructure not only enhances our ability to serve customers efficiently but also supports the seamless delivery of our offerings. By strategically leveraging our physical assets and expanding our footprint, we ensure a strong connection with our clientele while fostering long-term business growth and operational excellence.

Enhancing Manufactured capital in 2024

- Total capital expenditure of Rs. 382 Mn
- Rs.193 Mn spent on relocations/renovations

KPIs		2024	2023	% Change
Property, plant and equipment	Rs. Mn.	770	690	12%
Capital Expenditure	Rs. Mn.	382	424	(10%)
Number of branches		79	78	1%



Digital Capital

Our digital capital is a cornerstone of our competitive edge. Investments in enhancing our digital infrastructure have significantly improved our ability to engage with stakeholders, fostering stronger relationships and streamlined communication. These advancements have also elevated the customer experience offered by the Group, ensuring greater convenience, efficiency, and satisfaction. By leveraging digital innovation, we are well-positioned to adapt to market dynamics, drive operational excellence, and deliver value to all our stakeholders.



Intellectual Capital

Enhancing digital/intellectual capital in 2024

- Completion of implementation of the new Core system for Life Insurance and commenced the implementation of a core system for General Insurance
- Relunched the Channel portal and online sales portal
- Only 'A' rated Life Insurance company in Sri Lanka
- Implemented a data lake to support data analytics

KPIs		2024	2023	% Change
Investment in technology	Rs. Mn.	763	683	12%
Number of new products/riders		3	3	0%
Fitch rating HNBA		A(lka)	A-(lka)	
Fitch rating HNBGI		A(lka)	A-(lka)	



Social and Relationship Capital

The relationships we cultivate with our business partners are essential to driving our business growth and success. Recognising their importance, we place great emphasis on fostering mutually beneficial partnerships built on trust and collaboration. We actively engage with our partners in an effective and transparent manner, ensuring alignment of goals and shared value creation. These strong, enduring relationships enable us to enhance operational efficiency, expand our market reach, and deliver greater value to all stakeholders.

Enhancing social and relationship capital in 2024

- Implementation of a formal career progression framework to address the high retention rate of sales force
- Revamped the "Prime Circle" programme to enhance personalised engagement with our top tier customers
- Streamlining the customer onboarding process to improve efficiency
- Rs.6 Mn spent on CSR initiatives
- Produced 222 MDRT winners

KPIs		2024	2023	% Change
Number of policies		401,145	432,167	(8%)
Number of advisors		4,809	5,151	(7%)
Number of brokers		70	67	4%
Number of assessors		54	61	(11%)
Commission paid	Rs. Mn.	2,287	1,790	28%
Net Claims paid	Rs. Mn.	6,783	6,427	6%
Number of micro insurance policies		24,803	8,005	210%



Natural Capital

As a responsible organisation, we are dedicated to reducing our dependence on natural resources by adopting advanced technologies, improving efficiency as well as through CSR initiatives directed towards environment conservation. Our significant investments in digital transformation and automation support this goal, allowing us to optimise processes and lower resource usage. These efforts align with our commitment to sustainability, reinforcing our role as an organisation that values environmental conservation while fostering long-term growth.

Enhancing natural capital in 2024

- Continued transition to paper-less process through digitisation and automation
- Minimising our carbon footprint through incubator branch concept
- Cleared 30 ha of land of invasive plants in Lunugamwehera National Park
- Providing insurance covers for renewable energy projects and electric and hybrid vehicles

KPIs		2024	2023	% Change
Electricity consumption	Units	2,041,445	1,582,469	29%
Water consumption	Liters	14,494,390	12,509,609	16%
Paper recycled	Kg	5,003	13,376	(63%)
Solar power generated	units	14,449	13,783	5%
GHG emissions	tCO2e	5,315	N/A	N/A



FINANCIAL CAPITAL REVIEW

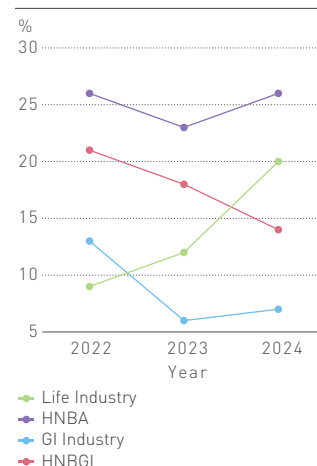
The Group demonstrated sustained growth momentum, achieving a notable 21% increase in top-line performance, exceeding industry benchmarks across both Life and General Insurance sectors. Supported by a strong balance sheet and significant advancements in technology, this achievement reinforces our strategic progression toward establishing ourselves as a leading insurance provider in Sri Lanka.

- Group GWP growth of 21%, with life insurance achieving a growth of 26% strongly supported by a 14% GWP growth from General
- Interest and dividend income growth of 5%, despite the decline in interest rates
- Profit after Tax growth of 7%
- Group's Total Assets reached Rs.62 billion

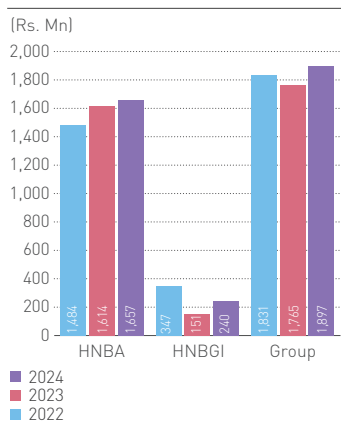
GROUP HIGHLIGHTS

Rs. Mn.	2024	2023	Growth
Gross Written Premium	22,738	18,760	21%
Net Earned Premium	18,352	15,699	17%
Other Revenue	8,174	7,566	8%
Net Income	26,525	23,265	14%
Net Insurance Benefits and Claims Incurred	(6,711)	(6,666)	1%
Other Operating and Administration Expenses	(6,430)	(5,284)	22%
Profit Before Tax	2,713	2,511	8%
Profit After Tax	1,897	1,765	7%
Financial Investments	54,305	43,855	24%
Total Assets	62,449	51,263	22%
Total Equity	12,517	10,277	22%
Insurance Contract Liabilities - Life Insurance	38,648	30,946	25%
Insurance Contract Liabilities - General Insurance	4,507	4,694	(4%)
Total Liabilities	49,932	40,986	22%

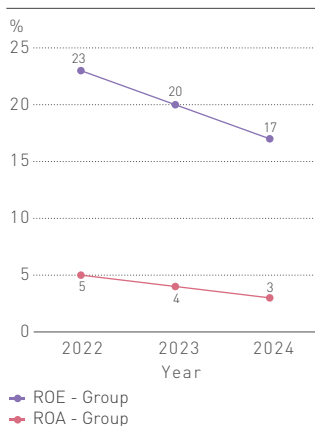
Premium Growth



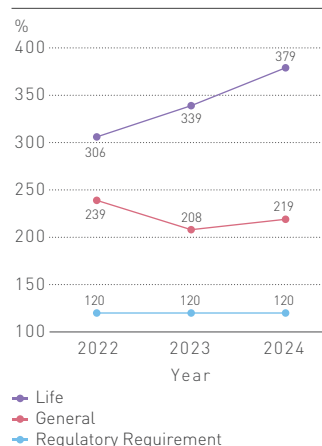
Profit After Tax



Return on Equity & Return on Assets



Capital Adequacy





MANAGING OUR FINANCIAL CAPITAL

As entities committed to providing financial security to individuals and businesses, HNBA and HNBGI prioritise prudent financial resource management to ensure obligations are met as they arise. Both entities also adhere to liquidity and regulatory capital requirements set by the Insurance Regulatory Commission of Sri Lanka, supporting the sector's financial stability. To oversee the effective management of financial capital, the Board is supported by the Audit Committee, Strategy Review Committee, Investment Committee, and Risk Management Committee. The Board holds ultimate responsibility for managing financial capital, while the Chief Financial Officer, reporting directly to the Chief Executive Officer, oversees daily financial management and reporting. As a key member of the Group's management team, the CFO plays a critical role in ensuring sound financial governance and operational efficiency.

Responsibilities of the Board Committees are as follows,

Audit Committee

Reviews financial reporting processes, adequacy and the effectiveness of the internal controls, and obtains assurance on the reliability of the financial statements

Strategy Review Committee

Optimise returns to investors while driving sustainable growth of the business

Risk Management Committee

Oversight of capital and liquidity exposures to other risks

Investment Committee

Reviews asset allocations and provides guidelines on investment strategies

THE INCOME STATEMENT

Rs.Mn.	Life		General		Group	
	2024	2023	2024	2023	2024	2023
Gross Written Premium	13,710	10,923	9,122	8,036	22,738	18,760
Net Written Premium	12,935	10,331	5,311	5,706	18,152	15,838
Net Earned Premium	12,935	10,331	5,510	5,489	18,352	15,699
Total Other Revenue	7,031	6,486	1,176	1,111	8,174	7,566
Net Income	19,966	16,818	6,686	6,600	26,525	23,265
Total Benefits, Claims and Other Expenses	(17,607)	(14,549)	(6,332)	(6,358)	(23,813)	(20,753)
Profit Before Taxation	2,358	2,269	354	242	2,713	2,512
Income Tax Expenses	(701)	(656)	(114)	(91)	(816)	(747)
Profit for the Year	1,657	1,613	240	151	1,897	1,765



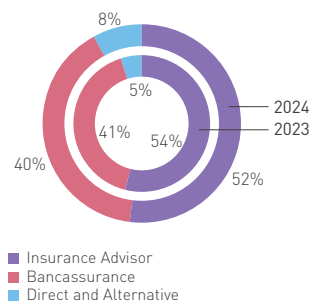
FINANCIAL CAPITAL REVIEW

MAINTAINING STRONG GROWTH MOMENTUM AMIDST MACROECONOMIC UNCERTAINTIES

Gross Written Premium (GWP)

The Group demonstrated exceptional performance with Gross Written Premiums (GWP) surpassing 20% growth, for the fourth consecutive year, underpinned by HNBA and HNBGI's strategic initiatives to enhance market share and strengthen our rankings within Sri Lanka's insurance sector. Total GWP reached Rs. 22 billion, with HNBA and HNBGI achieving robust growth rates of 26% and 14%, respectively. Life Insurance contributed 60% to the Group's total GWP, with General Insurance accounting for the remaining 40%. The Endowment segment, which constitutes 78% of HNBA's GWP with Rs. 10,734 million, recorded a growth of 22%, while single premium products demonstrated 38% growth with a GWP of Rs. 2,976 million, supported by notable progress in Super 5 investment product line along with Group Life and MRP. Within General Insurance, the motor segment, the largest contributor at 52% of GWP, achieved a moderate growth of 6%, despite the continuation of the motor vehicle import restrictions.

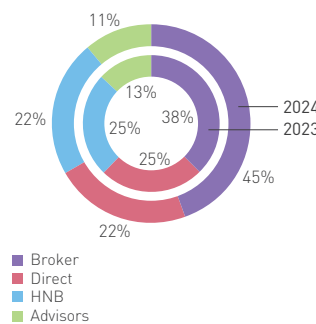
Channel Distribution: Life



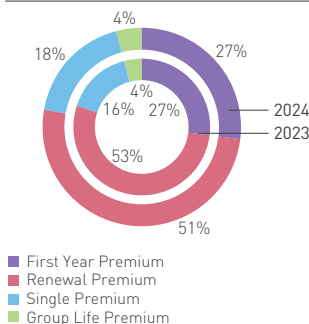
Meanwhile, the Non-Motor segment delivered a remarkable GWP growth of 24%, with HNBGI Non-Motor segment outperforming the industry by achieving four times the industry growth. Fire, Medical and Marine class performance contributed to this.

Reinsurance is integral to effective risk management in the insurance business. The Group's total premiums ceded to reinsurers grew by 57%, reaching Rs. 4.6 billion. This growth was predominantly driven by the General Insurance segment, which accounted for 83% of the total ceded premiums. Premiums ceded to reinsurers increased by 31% in the Life Insurance segment, aligning with topline growth and representing 17% of the Group's total ceded premiums. In the General Insurance segment, reinsurance premiums grew significantly by 64%, primarily driven by regulatory changes, which mandated full Motor SRCC & TC premium remittance to the National Insurance Trust Fund (NITF). Additionally, HNBGI's strategic diversification into Non-Motor segments contributed to the substantial growth in reinsurance premiums.

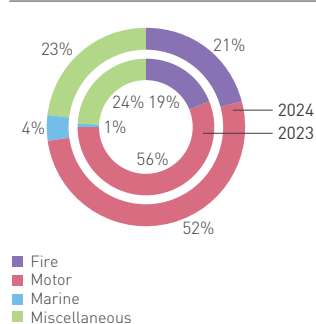
Channel Distribution: General



Category-wise GWP: Life

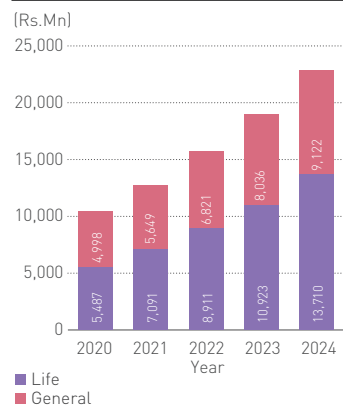


Category-wise GWP: General

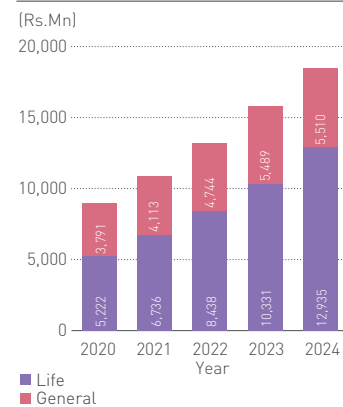


Net Earned Premium (NEP) for Life Insurance recorded a growth of 25%, aligning with the increase in GWP. In contrast, NEP for General Insurance saw a modest 1% increase, despite strong GWP growth, due to regulatory requirements mandating the remittance of 100% Motor SRCC & TC premiums. As a result, the Group's total NEP reached Rs. 18.4 billion, reflecting an overall growth of 17%.

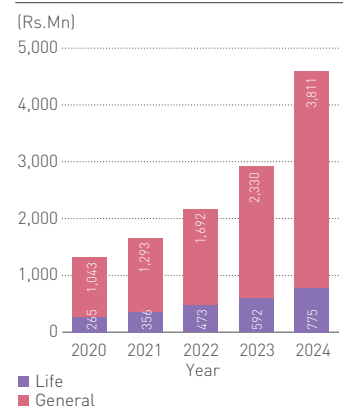
Gross Written Premium



Net Earned Premium



Premium Ceded To Reinsurers





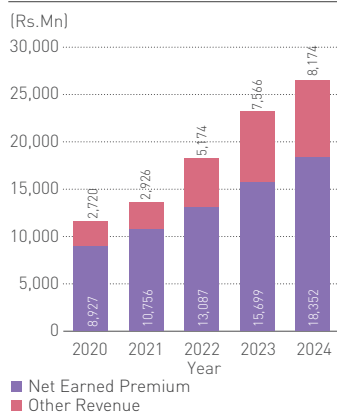
NET INCOME (NI)

The Group's Net Income reached Rs. 26.5 billion, supported by a 17% growth in Net Earned Premium (NEP) and an 8% increase in Other Revenue. Other Revenue accounted for 31% of Net Income in 2024, compared to 33% in the previous year, totalling Rs. 8.2 billion. This performance was achieved despite a low-interest-rate environment, due to the Group's prudent investment strategies. The Life Insurance segment continued to dominate, contributing 75% of Net Income and 86% of Total Other Revenue.

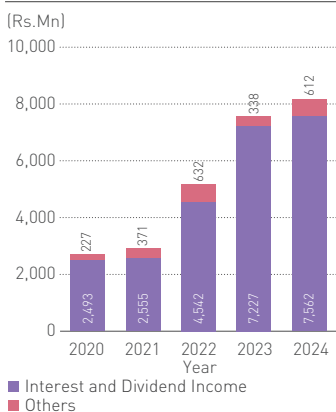
The Life Insurance segment reported Rs. 6.8 billion from Interest Income on Financial Investments, marking a 8% growth. This achievement stems from a strategic emphasis on long-term, high-yield investments during 2023 and early 2024, effectively anticipating a decline in interest rates. The strategy aimed to secure elevated yields while generating capital gains as rates fell. Further, the Company recognised Rs. 108 million as gains from equity and unit trust investments despite having just 2% as the funds under management invested in such instruments. Fee and Commission Income for Life Insurance reached Rs. 94 million, reflecting a decline of 9% owing to the lower profit commission received from reinsurers compared to 2023.

The General Insurance business generated Rs. 1.2 billion in Other Revenue, reflecting a modest growth of 6% compared to the previous year. Interest Income came down by 17% to reach Rs.764 million, with the fall in interest rates. GI segment continued to incur translation losses in foreign currency term deposit investments as the Rupee further strengthened in 2024. Total Forex loss amounted to Rs.61 million in 2024, compared to the loss of Rs.81 million reported in 2023. Nevertheless, GI capitalised on the falling interest rates by realising gains on treasury securities of Rs. 98 million.

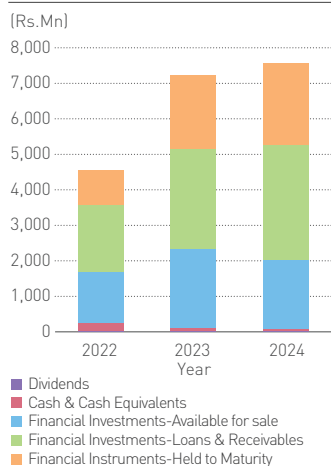
Revenue by Type - Group



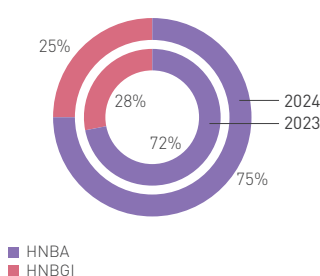
Other Revenue - Group



Interest & Dividend Income



Analysis of Net Income by Segment

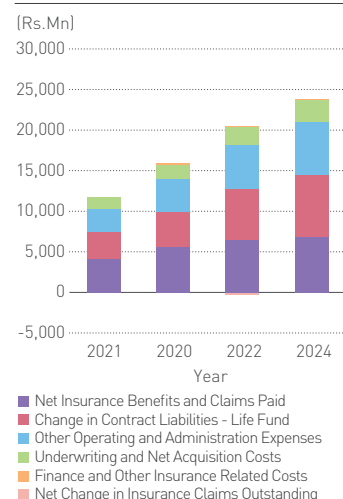


BENEFITS, CLAIMS AND OTHER EXPENSES

Total Benefits, Claims, and Other Expenses increased by 15% to Rs. 23.8 billion during the year.

The 1% increase in Net Insurance Benefits and Claims Incurred is due to the increase in Net Benefits of Life Insurance. Life claims increased by 13%, driven by 11% increase in maturities and 29% increase in Death, Hospitalisation and Others. While the growth in maturities was anticipated, the rise in medical claims was due to escalating healthcare costs and a higher demand for medical coverage.

Net Benefits, Claims & Expenses



It is noteworthy that General segment marked a decrease of 7% in Net Claims Incurred. This is due to the success of the subsidiary's conscious effort to weed out unprofitable accounts and focus on profitable business, particularly in Motor and Medical business. The claims ratio for the motor segment improved to 61%, compared to 64% in the previous period and overall claims ratio decreased to 67% from 73% in 2023.



FINANCIAL CAPITAL REVIEW

Net Benefits, Claims and Expenses - Rs. Mn.	2024	2023	% Change
Net Insurance Benefits and Claims Incurred	6,711	6,666	1%
Change in Contract Liabilities - Life Fund	7,680	6,333	21%
Other Operating and Administration Expenses	6,430	5,284	22%
Underwriting and Net Acquisition Costs	2,749	2,286	20%
Finance and Other Insurance Related Costs	242	184	32%
Total Benefits, Claims and Other Expenses	23,813	20,753	15%

NET INSURANCE BENEFITS AND CLAIMS PAID

Life Insurance - Rs. Mn.	2024	2023	% Change
Death, Hospitalisation and Other	614	477	29%
Maturity	1,679	1,509	11%
Surrender	689	656	5%
Annuity	13	12	4%
Total	2,995	2,654	13%

General Insurance - Rs. Mn.	2024	2023	% Change
Motor	2,424	2,537	(4%)
Fire	40	(11)	441%
Marine	20	2	908%
Medical	1,283	1,228	4%
Miscellaneous	21	17	24%
Total	3,788	3,773	1%

EXPENSES

Other Operating and Administrative Expenses rose by 22% to Rs. 6.4 billion, driven by elevated costs and strategic investments in business development, IT infrastructure, system upgrades, and consultancy services related to SLFRS 17 compliance. However, cost escalation was effectively managed through various measures implemented by the Group. These included process re-engineering, automation, digitisation of manual processes, and maintaining flexible work-from-home arrangements for staff, based on their roles.

Underwriting and net acquisition costs rose by 20% to Rs. 2.7 billion. This reflects the 21% growth in GWP and

aligns with the expansion of the sales force and strategic partnerships. In Life Insurance, Net Acquisition Costs accounted for 18% of GWP, driven by a 27% growth in New Business, which typically incurs higher acquisition costs. Meanwhile, General Insurance recorded acquisition costs at 3% of GWP, reflecting a 27% decrease compared to the previous year.

PROFIT BEFORE TAX

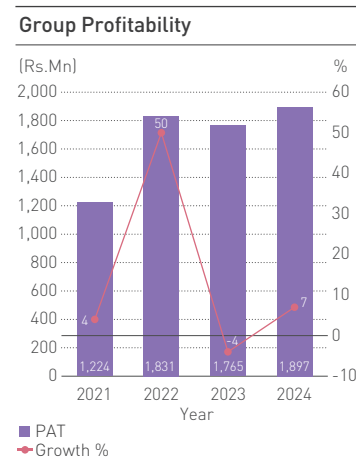
Profit Before Tax (PBT) increased by 8%, reaching Rs. 2,713 million, with both segments contributing to this growth. The Life Insurance segment, which accounted for 87% of the Group's profit, reported a PBT of Rs. 2,358 million, reflecting a growth of 4%. This growth was primarily

driven by increases in both Gross Written Premium (GWP) and investment income. The Life Insurance PBT includes Rs. 1,350 million of surplus transferred from the Life Fund to shareholders (2023: Rs. 1,315 million). Profit of the Company was moderated due to higher costs incurred on IT investments as well as business expansion related costs. The falling interest rates also had its effect.

The General Insurance segment achieved a PBT of Rs. 354 million, recording robust growth of 46%, despite facing challenges such as regulatory requirements mandating 100% Motor SRCC & TC remittance and foreign exchange losses due to the strengthening of the LKR. Key to this was lowering of claims ratio through underwriting profitable business, effective claims management strategies and investment strategies executed at the right time.

PROFIT AFTER TAX

The applicable tax rates for both segments remained unchanged during the year. The Group reported a Profit After Tax (PAT) of Rs. 1.9 billion, reflecting a 7% growth compared to the previous year. The Life Insurance segment achieved a PAT growth of 3%, with Rs. 1.7 billion, supported by strong business performance. Meanwhile, the General Insurance segment delivered a PAT of Rs. 240 million, demonstrating a robust growth of 59%, further contributing to the Group's overall profitability.



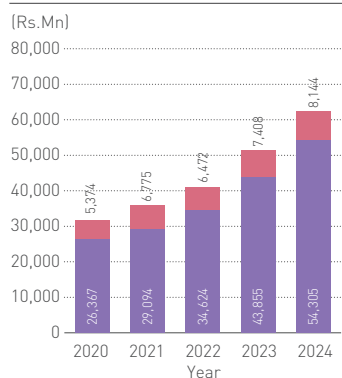


FINANCIAL POSITION

Rs.Mn.	Life		General		Group	
	2024	2023	2024	2023	2024	2023
Assets						
Financial Investments	48,486	38,531	5,818	5,325	54,305	43,855
Cash and Cash Equivalents	841	666	561	457	1,402	1,123
Fixed and Intangible Assets	1,124	907	292	275	1,416	1,182
Other Assets and Receivables	2,953	2,947	3,557	3,516	5,326	5,103
Total Assets	53,404	43,051	10,229	9,573	62,449	51,263
Equity and Liabilities						
Equity	10,809	8,788	2,858	2,639	12,517	10,277
Liabilities						
Contract Liabilities	38,648	30,946	4,507	4,694	43,155	35,640
Other Liabilities	3,947	3,317	2,864	2,240	6,778	5,346
Total Liabilities	42,595	34,263	7,371	6,934	49,932	40,986
Total Equity and Liabilities	53,404	43,051	10,229	9,573	62,449	51,263

TOTAL ASSETS

Total Assets



■ Financial Investments
■ Other Assets

The Group's Total Assets grew by 22% to reach Rs. 62.5 billion, demonstrating consistent growth over recent years. This growth was primarily driven by financial investments, which constituted 87% of the Group's Total Assets by the end of 2024. Financial Investments increased by 24% to Rs. 54.3 billion, driven by increased business cashflows and 5% rise in Interest and Dividend Income despite the low-interest-rate environment. Intangible Assets surged by 157% to Rs. 164 million, reflecting the capitalisation of the new Core system

and other system upgrades. Total investments made in property, plant and equipment and by the Group amounted to Rs. 250 million, compared to Rs. 401 million in the previous year. Premium receivables increased with the growth of business.

Rs. Mn.	2024	2023	2022	2021	2020	Growth in 2024
Financial Investments	54,305	43,855	34,624	29,094	26,367	24%
Cash and Cash Equivalents	1,402	1,123	1,033	2,113	711	25%
Fixed and Intangible Assets	1,416	1,182	856	741	633	20%
Other Assets & Receivables	5,326	5,103	4,583	3,921	4,030	4%
Total Assets	62,449	51,263	41,096	35,869	31,741	22%

COMPOSITION OF ASSETS

%	2024	2023	2022	2021	2020
Financial Investments	87	86	84	81	83
Cash and Cash Equivalents	2	2	3	6	2
Fixed and Intangible Assets	2	2	2	2	2
Other Assets & Receivables	9	10	11	11	13
Total Assets	100	100	100	100	100

The Company's Total Assets grew by 24%, reaching Rs. 53 billion in 2024. Financial Investments, which represented 91% of Total Assets, increased by 26% compared to 2023, amounting to Rs. 48 billion. Cash and cash equivalents, along with fixed assets, intangible assets and right of use assets collectively accounted for 4% of the Company's Total Assets.



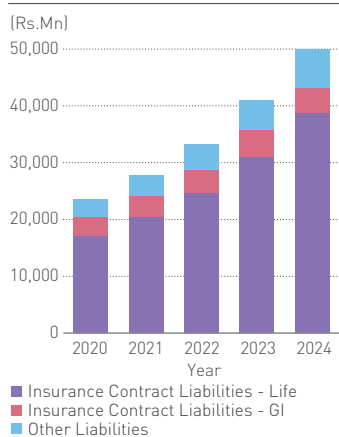
FINANCIAL CAPITAL REVIEW

TOTAL LIABILITIES

The Group's Total Liabilities grew by 22%, reaching Rs. 49.9 billion, driven primarily by an increase in Insurance Contract Liabilities. Insurance Contract Liabilities accounted for 86% of the Group's total liabilities, reflecting the business growth.

The Life Insurance segment recorded a 25% increase in Insurance Contract Liabilities, amounting to Rs. 38.6 billion in line with the growth in GWP. Increase in Life Fund, which constitute 99% of Life contract liabilities, shows the stability of the life business. The Life Insurance Fund is further categorised into Participatory, Non-Participatory, and Universal Life Fund, in compliance with guidelines set by the Insurance Regulatory Commission of Sri Lanka. Meanwhile, the Insurance Contract Liabilities of General Insurance segment decreased to Rs. 4.5 billion. (2023: Rs. 4.7 billion).

Total Liabilities



CAPITAL STRUCTURE

Group Equity increased by Rs. 2.2 billion during the year to Rs. 12.5 billion, recording a growth of 22%. This was driven by 15% increase in Retained Earnings and supported by the significant improvement in the Life Policyholders' Available for Sale Reserve Fund and Available for Sale reserves, which was due to increase in unrealised gains of Available for Sale Financial Investments consequent to falling in Interest Rates.

The Restricted Regulatory Reserve, amounting to Rs. 381 million, is held within the Group's Equity and is invested in Term Deposits. In compliance with Direction 16 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), this reserve is required to be retained and can only be distributed to shareholders after stipulated conditions of the IRCSL are met.

CASH FLOW

Cashflow Management is critical to maintaining adequate liquidity and requires understanding the movement of funds. The Group generated an Operating Cashflow of Rs. 3.2 billion, which represents an increase of 94% compared to 2023.

Rs. Mn.	2024	2023	% Change
Net cash flow generated from operating activities	3,124	1,611	94%
Net cash flow used in investing activities	2,076	1,043	99%
Net cash used in financing activities	717	685	5%
Cash and cash equivalents at the end of the year	983	652	51%

FINANCIAL STABILITY

Capital Adequacy

The Group's commitment to maintaining strong capital buffers ensured robust Capital Adequacy Ratios (CAR) throughout the year. The Life Insurance segment closed the year with a CAR of 379%, while the General Insurance segment achieved 219%, both significantly exceeding the regulatory requirement of 120% and the regulatory intervention level of 160% throughout the year.

Regular stress testing is conducted to ensure sustained capital adequacy under various scenarios, reinforcing the Group's financial stability. Additionally, both companies maintained Total Available Capital levels well above the minimum regulatory requirement of Rs. 500 million, further highlighting the Group's prudent capital management and resilience.

Capital Adequacy Ratio (CAR)	HNBA		HNBGI	
	2024	2023	2024	2023
Total Available Capital (TAC) (Rs. Mn.)	21,310	16,163	2,460	2,092
Risk Based Capital Requirement (Rs. Mn.)	5,616	4,767	1,124	1,004
Risk Based Capital Adequacy Ratio	379%	339%	219%	208%
Regulatory Minimum CAR	120%	120%	120%	120%



APPROVED ASSETS

Both HNBA and HNBGI continuously complied with the requirements of Determination 1 issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL). This was achieved by maintaining approved assets exceeding 100% of the Long-Term Insurance Fund and Technical Reserves for their respective business segments. These efforts align with the stipulated 100% requirement, underscoring the Group's commitment to regulatory compliance and financial soundness.

FINANCIAL RATIOS

Ratios (Group)		2024	2023	2022	2021	2020
Return on Equity	%	16.64	19.53	22.99	15.00	15.77
Return on Assets	%	3	4	5	4	4
Net Assets per Share	Rs.	83.45	68.51	51.99	54.15	54.63
Earnings per Share	Rs.	12.65	11.76	12.20	8.16	7.83
Earnings Yield	%	16	21	28	17	13
Price Earnings Ratio	times	6.33	4.81	3.52	5.93	7.43
Price to Book Value	times	0.96	0.83	0.83	0.89	1.07

Details of financial ratios can be found on page 187 of the Investor Information section.





Through to Greatness

In every individual lies the potential for greatness, and every individual deserves the support that produces a realisation of that potential. At HNB Assurance, we look beyond the ordinary and see what is extraordinary in every circumstance, and take charge in ensuring extraordinary futures.



GOVERNANCE AND LEADERSHIP

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GOVERNANCE LEADERSHIP



In today's dynamic environment, effective corporate governance is paramount to guiding future success. We believe institutions must align their strategies with economic, environmental, and societal needs, prioritising stakeholder interests. Therefore, our Board is committed to upholding exemplary governance standards through risk management, transparency, relationship building, and a well-defined structure with robust policies. The Group is committed to continuous evolution, adapting to the evolving operating environment, and incorporating best practices in corporate governance to ensure that current topics are addressed timely and effectively.

COMMITMENT TO EXCELLENCE AND ETHICAL STANDARDS

We strive to be a benchmark company for our regulators and peers, and we take pride in being a case study for others to understand how to grow successfully while adhering to the highest standards of governance. We are recognised for our integrity, ethical standards, and consistent performance. Our management team and Board of Directors are united in their commitment to these high standards. Accordingly, we proactively embed ethical practices into all facets of our operations, and we understand that strong governance frameworks are invaluable in navigating the complexities of the operating environment. Our aim is not simply to comply, but to exceed requirements and operate as a model for ethical

and transparent business practices. Our strong governance frameworks proved invaluable in this regard. The Board monitored emerging macroeconomic, regulatory, political, and social developments to understand their impact on the Group's financial performance, enabling appropriate responses that protect stakeholder interests.

BOARD STRUCTURE AND COMMITTEES

We have an exceptional Board, with members bringing expertise from diverse areas. Recognising the importance of digital transformation, we added digital expertise to the Board in 2024 and established a Board Committee in December 2024 with focus on Digital and Innovation. In the area of sustainability, our goal is to reach the top 100 in sustainability performance. Sustainability is currently handled at management level and will have increased board focus with the assessment results of the Company's sustainability readiness, which will be available in due course. A management-level committee has been established to ensure compliance with all regulations and requirements for the 2025 financial year.

Beyond the four statutory committees (Related Party Transactions Review, Remuneration & Human Resources, Nomination and Governance, and Audit), we also maintain a Risk Committee, a Strategy Committee, an Investment Committee, a Procurement Committee and a Innovation & Digital Transformation Committee. The Remuneration Committee has the added responsibility of oversight on Human Resource matters. This robust committee structure results in significant Board involvement and a strong system of checks and balances. The goal is to help management deliver results, overcome challenges, and enhance shareholder value. The Board structure and its sub-committees are compliant with all relevant regulatory requirements and the Code of Best Practices on corporate governance. The Terms of Reference of the Nomination and Governance Committee were

updated to align with the requirements of Corporate Governance, Listing Rule No. 9. Additionally, all other Committee Charters have been reviewed and adjusted to ensure conformity with the new listing rules.

RISK MANAGEMENT, COMPLIANCE, AND ESG

Despite significant economic headwinds we have not only sustained our solid financial performance but have solidified our position as the sole Fitch 'A' rated life insurance provider in Sri Lanka, a testament to our robust business model. Complementing this strength, HNB General Insurance (HNBGI) is one of the few 'A' rated General Insurance companies in Sri Lanka. This positive development is attributed to improved investment and liquidity risk management, and a stable financial performance outlook. To further bolster our risk management and internal controls, we established an Internal Audit Department. This department ensures a comprehensive control framework, identifying key risk areas through performance indicators and Key Risk Indicators. Importantly, we have implemented measures to ensure the independence of our internal audit function.

Our dedicated risk management team continuously monitors the evolving risk landscape, enabling us to adapt proactively and maintain our competitive edge. We believe our comprehensive ERM strategy is a cornerstone of our ongoing success and demonstrates our dedication to operational excellence and responsible governance. As an insurer, we understand the far-reaching financial effects of climate change and social inequalities on our operations. There is an urgent need to protect the most vulnerable with safety nets, and our Company is committed to this cause. However, achieving higher penetration rates remain a challenge due to persistent inequalities. During the year, we strengthened our Economic, Social, and Governance (ESG) reporting by integrating these principles into our value-creation processes.



We also confirm full compliance with the Colombo Stock Exchange (CSE) Corporate Governance Listing Rule No. 9, effective December 31, 2024, which replaces Sections 7.10 and 9 regarding related party transactions.

COMPLIANCE WITH NEW REGULATIONS

Accordingly, we ensured the timely implementation of new corporate governance rules that came into effect in October 2024, including the setting up of committees. We have appointed independent and senior independent Directors to our Boards to ensure comprehensive compliance. Moreover, we have developed the necessary policies and are fully compliant with all listing requirements. Our commitment to integrity and ethical business practices is underscored by our compliance with the Anti-Corruption Act. We maintain robust policies, procedures & controls which are reviewed by the Audit Committee and the Related Party Transactions Review Committee and ensure the integrity of our financial reporting. In preparation for the implementation of the Data Protection Act in March 2025, a significant industry-wide undertaking - we have proactively engaged a third-party specialist to manage the project and established dedicated steering committees to oversee implementation. We are among the first companies to initiate a structured compliance programme, demonstrating our ongoing commitment to upholding the highest standards of governance to protect all our stakeholders including customers and shareholders.

CONCLUSION

We maintain a steadfast commitment to robust corporate governance, which is fundamental to building trust and fostering strong, enduring relationships with our stakeholders. This commitment transcends mere regulatory compliance; we proactively embed ethical practices into all facets of our operations

On behalf of the HNB Assurance PLC Board of Directors, I affirm our consistent application of good corporate governance principles throughout the Group. Our Corporate Governance Report provides a fair account of these practices. We also adhere to the relevant provisions of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Finally, I confirm that HNBA has a Code of Business Conduct applicable to all employees, including those of its subsidiary HNBGI. This code is communicated during employee orientation, accessible on our intranet, and integrated into employee performance appraisals to reinforce corporate values. To the best of my knowledge, there were no violations of the Code of Business Conduct in 2024.

Looking ahead, we are committed to proactively adapting our governance agenda to meet the evolving requirements. Our priority is ensuring our governance remains relevant, responsive to stakeholder concerns, and fosters sustainable value creation for the future.

Stuart Chapman
Chairman

Colombo, Sri Lanka
18th February 2025



SENIOR INDEPENDENT DIRECTOR'S STATEMENT



In accordance with Section A.5.7 of the 2023 Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, The Board of HNBA has appointed me as the Senior Independent Director (SID) of the Company, effective from 28 June 2024. This appointment reflects our unwavering commitment to upholding the highest standards of corporate governance, as the Chairman of the Board is not an Independent Director. It reinforces our dedication to safeguarding shareholder interests. My profile is provided on page 27 of this report.

The role of the SID complements the leadership of the Chairman by providing an additional layer of governance oversight. While the Chairman steers the Board's strategic direction, my role as SID focuses on strengthening governance through the promotion of transparency, accountability, and robust decision-making processes.

ACTIVITIES DURING THE YEAR

In my capacity as SID, I have been in regular consultation with the Chairman on governance-related matters and acting as an intermediary to facilitate confidential discussions among Directors when necessary.

During the year under review, a meeting with Independent/Non-Executive Directors was convened in compliance with the Code of Best Practice on Corporate Governance. Another meeting was convened on 17

February 2025 with the Non-Executive Directors to appraise the performance of the Board Chairman. These sessions provided a platform for candid discussions on governance issues, the outcomes of which were subsequently communicated to the Chairman.

I firmly believe that HNBA would continue to operate in alignment with the best interests of all stakeholders, guided by strong governance principles as outlined in the Code of Best Practices by CA Sri Lanka and Section 9 of the Listing Rules. This dedication to governance excellence positions the Company for sustained success and growth in the years ahead.

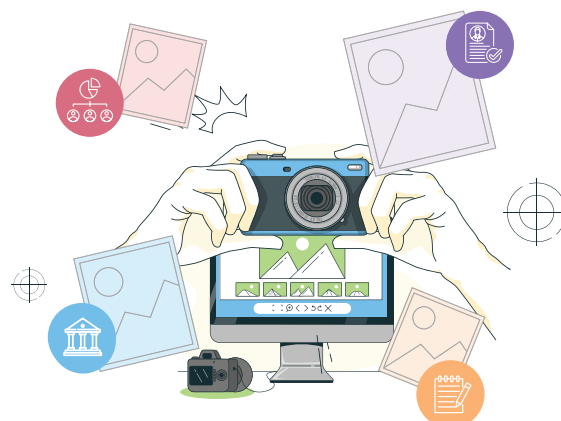
Ashoka Goonesekere
Senior Independent Director

Colombo, Sri Lanka
18th February 2025



CORPORATE GOVERNANCE

Sound corporate governance remains a cornerstone of the HNB Assurance Group's continued commitment to sustainable growth. Building upon the legacy of the parent HNB Group, the HNBA Group has fine-tuned its structures, charters, policies, and processes to align with the specific requirements of the insurance sector, which is regulated by the Insurance Regulatory Commission of Sri Lanka. The Group is committed to continuous evolution, adapting to the evolving operating environment and incorporating best practices in corporate governance to ensure that current topics are addressed timely and effectively.



KEY HIGHLIGHTS 2024



BOARD APPOINTMENTS

Mr. Lokugan Hewage Ananda Lakshman Silva was appointed as an Independent Non-Executive Director with effect from 01st January 2024 to the Board of HNB Assurance PLC.

Dr. Prasanna Sankalpa Gamwarige was appointed as an Independent Non-Executive Director with effect from 01st January 2024 to the Board of HNB Assurance PLC.

Mr. Prawira Rimoe Saldin was appointed as a Non-Independent Non-Executive Director with effect from 19th February 2024 to the Board of HNB Assurance PLC.

Ms. Paramadayalanie Abeygunawardena was appointed as an Independent Non-Executive Director with effect from 01st April 2024 to the Board of HNB General Insurance Limited.

Mr. Stuart Anthony Chapman was appointed as the Chairman with effect from 24th May 2024 to the Boards of HNB Assurance PLC and HNB General Insurance Limited.

Prof. Ananda Kithsiri Wijenayaka Jayawardane was appointed as a Non-Independent Non-Executive Director with effect from 09th August 2024.



SHAREHOLDER MEETINGS

The Annual General Meeting was held on 02nd April 2024.



CORPORATE GOVERNANCE INITIATIVES

The Board reviewed the CSE Corporate Governance Listing Rules, identified gaps, and successfully implemented the necessary changes to ensure compliance.

Reviews of IFRS sustainability standards to prepare Roadmap for Implementation.



BOARD RESIGNATIONS

Ms. Lorainne Chiranthi Cooray resigned with effect from 24th January 2024 as a Non-Independent Director from the Board of HNB General Insurance Limited.

Ms. Marina Anneliese Tharmaratnam retired with effect from 31st March 2024 as an Independent Director from the Board of HNB General Insurance Limited.

Ms. Mirihana Arachchige Rose Chandralatha Cooray retired with effect from 23rd May 2024 as a Chairperson from the Board of HNB Assurance PLC and HNB General Insurance Limited.

HNB GENERAL INSURANCE LIMITED (HNBGI)

HNBGI operates as a separate entity, adhering to the amended Insurance Regulatory Act No. 43 of 2000 as amended and governed by its own Board of Directors. The Board comprises four nominee Directors from HNB, two of whom represent the HNBA Board, including the Chairman, thereby ensuring oversight of subsidiary operations. Two independent non-executive directors further contribute to Board balance, bringing the total number of Directors to six.

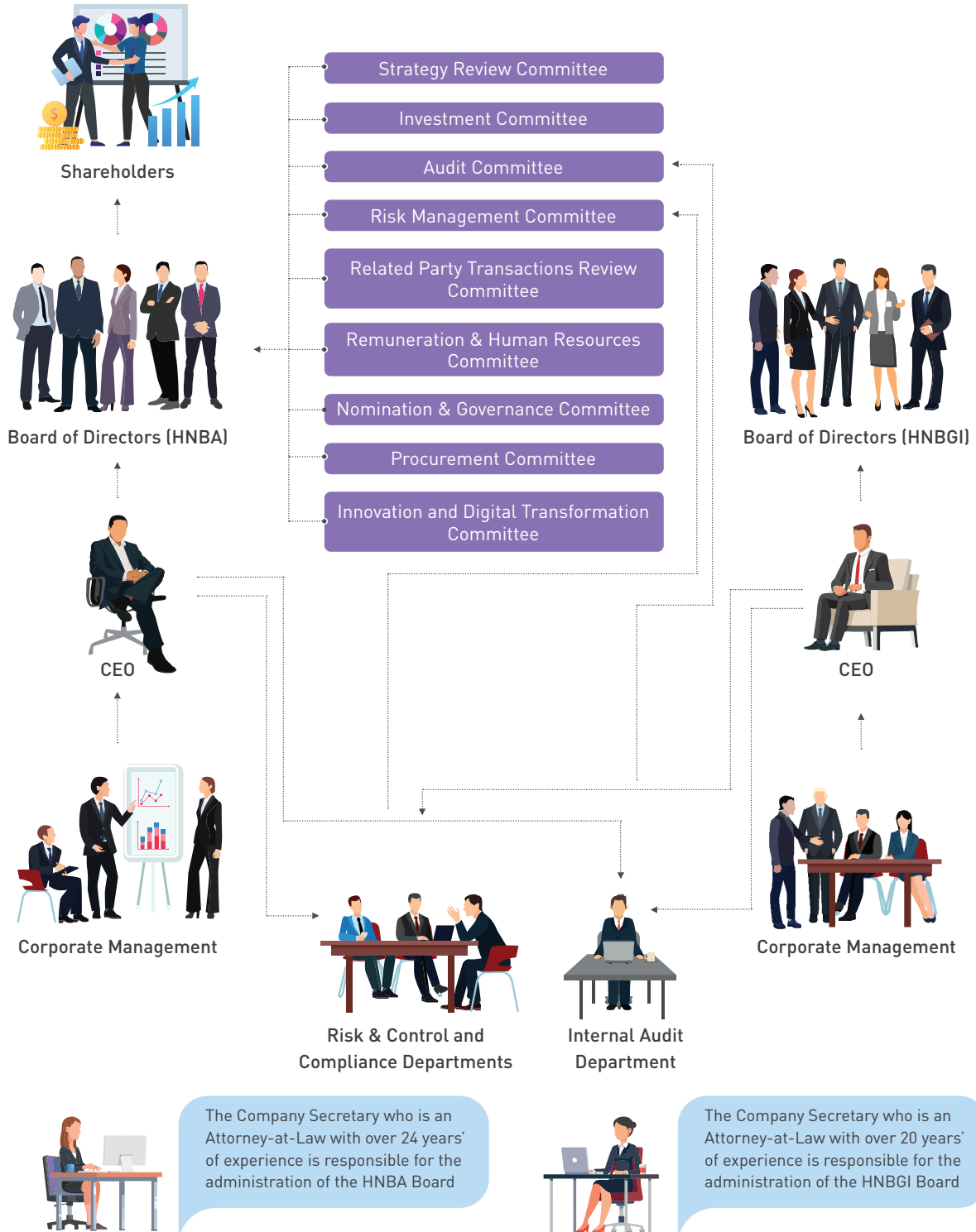
The HNBA Board Sub-Committees oversee relevant functions of HNBGI in accordance with the provisions in the CSE Continued Listing Rules.

HNBGI has a dedicated CEO who also serves as the Principal Officer of the Company. Dedicated Key Managerial Personnel (KMPs) are responsible for matters specific to HNBGI. Supporting functions such as Actuarial, Investment, Risk and Control, and Internal Audit are shared between both entities.



CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE OF HNB ASSURANCE GROUP



Statement of Compliance

HNB Assurance PLC compliance with Section No.9.1.3 of the Listing Rules of the Colombo Stock Exchange (CSE) which was issued during the year of 2023. In addition, the Company substantially complies with the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, as evidenced on pages 151 to 163. Furthermore, the Company adheres to the Corporate Governance Framework for Insurers requirements of Direction No. 2 of 2022 (Revised) issued by IRCSL, detailed on pages 164 and 165.

Moreover, the 2024 integrated annual report incorporates the audited Financial Statements for the year ended 31 December 2024 on pages 235 to 375, while the Independent Auditors' Report can be found on pages 231 to 234.

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

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

A FRAMEWORK FOR COMPLIANCE

The governance framework of the Group is based on compliance with both mandatory and voluntary standards. The Group aims for excellence in governance beyond mere adherence. This commitment is reflected in the requirements outlined below.



Mandatory Compliance

- Companies Act No.7 of 2007
- Regulation of Insurance Industry Act No.43 of 2000 and subsequent amendments thereto
- Sri Lanka Financial Reporting Standards
- Articles of Association
- Rules, regulations, determinations, directives and circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Motor Traffic Act No.14 of 1951 and subsequent amendments thereto
- Listing Rules of the Colombo Stock Exchange
- Central Depository System Rules
- Securities and Exchange Commission Rules
- Inland Revenue Act No.24 of 2017 and subsequent amendment thereto
- Personal Data Protection Act No. 09 of 2022
- Anti-Corruption Act No. 09 of 2023
- The Shop and office employees Act No 19 of 1954 and subsequent amendments thereto

Voluntary Compliance

- Code of Business conduct
- Global Reporting Initiative Sustainability Reporting Standards
- International Integrated Reporting Framework
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka






CORPORATE GOVERNANCE

IFRS 17 IMPLEMENTATION JOURNEY

Sri Lanka's insurance sector has faced unprecedented challenges in the aftermath of the pandemic, exacerbated by an economic and foreign currency crisis. This challenging backdrop has impacted the implementation of IFRS 17 for Insurance Contracts.

The Insurance Association of Sri Lanka (IASL) secured a one-year deferment of the implementation date to January 1, 2026.

This necessitates HNBA to be fully prepared for the completion of its SLFRS 17 project implementation within the first quarter of 2025. The table below outlines the key challenges and practical considerations associated with this implementation journey:

	Phase 5: Go Live	Jan 2026 Onwards Go live
	Phase 4: Comparative and Dry Run	Mar '25 – Dec '25 Comparative Disclosure Requirements Parallel run Review of mock financial statements Opening SLRFS 17 Balance Sheet & Audit procedures Opening SLRFS 17 Balance in the System Solution
	Phase 3: Solution designing and implementation	Sept '23 – Aug '25 Completion of implementations with selected vendors Data collection (Product Papers, Expense Studies, etc.) Drafting Position Papers Internal awareness of Position Papers/ Regular discussion with consultant Document Accounting Policy Choices/ Management Judgements/ Options Training sessions conducted by consultants Position Papers Conclusion Stakeholder communication Transition calculations completion System designing System implementation UAT system
	Phase 2: Calling RFP and Vendor Selection	Dec '22 – Aug '23 Participation in vendor demos Discussions with shortlisted consultants (Advisory and Technical Solutions) Obtaining relevant approval for the selected consultants and vendors
	Phase 1: Gap Report	November 2022 Formation of a project team Designing the governance structure Selection of consultants for Phase 1 Completion of the Gap Assessment Obtaining Gap Report findings



AN EFFECTIVE BOARD

The Structure

The Board structure and its sub-committees were fully compliant with regulatory requirements as of the year-end. During the year 2024, Nomination & Governance committee was reconstituted and terms of reference were updated to align with the Corporate Governance Listing Rule No. 9.

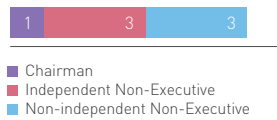
BOARD COMPOSITION, DIVERSITY, AND SKILLS

A diverse Board, encompassing a range of skills, experience, perspectives, and backgrounds, is crucial for effective governance and sound decision-making within HNB Assurance PLC. Such diversity fosters better risk management and ensures a comprehensive understanding of the implications for the business and its stakeholders.

The Nomination & Governance Committee plays a vital role in identifying qualified candidates who possess specialised knowledge and align with the Organisation’s needs. As of 31 December 2024, HNB Assurance’s Board comprises seven Non-Executive Directors. This structure focuses on independent oversight, with three independent Directors further reinforcing accountability and unbiased decision-making. This composition ensures that the Board can confidently contribute to informed decisions, reflecting the diverse needs and interests of the organisation and its stakeholders. The profiles of the Directors together with their current appointments are given on page 24 and 25.

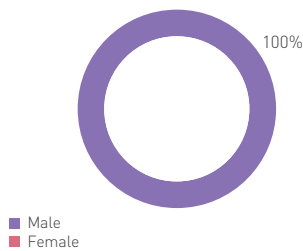
BOARD DIVERSITY OF HNBA

Board Composition - HNBA



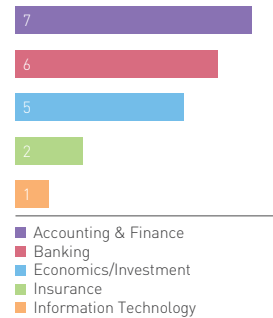
- Chairman
- Independent Non-Executive
- Non-independent Non-Executive

Gender Diversity - HNBA



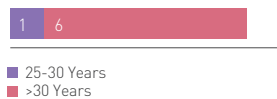
- Male
- Female

Skills - HNBA



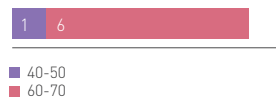
- Accounting & Finance
- Banking
- Economics/Investment
- Insurance
- Information Technology

Years of Experience - HNBA



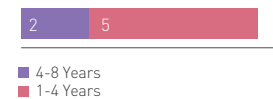
- 25-30 Years
- >30 Years

Age Diversity - HNBA



- 40-50
- 60-70

Tenure of Service - HNBA



- 4-8 Years
- 1-4 Years



CORPORATE GOVERNANCE

BOARD DIVERSITY OF HNBGI

Board Composition - HNBGI



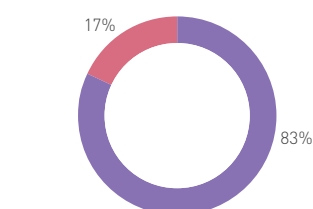
- Chairman
- Independent Non-Executive
- Non-independent Non-Executive

Years of Experience - HNBGI



- 25-30 Years
- >30 Years

Gender Diversity - HNBGI



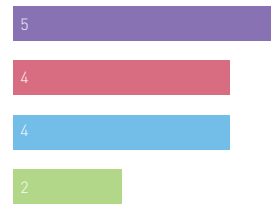
- Male
- Female

Age Diversity - HNBGI



- 50-60
- 60-70

Skills - HNBGI



- Accounting & Finance
- Banking
- Economics/Investment
- Insurance

Tenure of Service - HNBGI



- 4-8 Years
- 1-4 Years

A FRAMEWORK FOR GOVERNANCE

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

THE BOARD CHARTER

The Board Charter of HNB Assurance PLC provides a clear framework, outlining the specific roles, responsibilities, and authorities vested in both the Board of Directors and the management team. This document serves as a vital guide, ensuring a clear division of responsibilities and promoting effective governance. It establishes a clear path for the Board's strategic guidance, oversight of operations, and implementation of robust control mechanisms.

The Board

- Role of the Board
- Board composition and Board proceedings
- Diversity of the Board
- Appointment of new Directors
- Contribution to the corporate strategy
- Performance monitoring
- Self-evaluation
- Orientation for new Directors
- Obligations towards its shareholders, employees, and other stakeholders
- Compliance with laws, rules, directions, and regulations

The Directors

- Duties of Directors
- Dealings with shares of HNB Assurance PLC
- Information to Directors
- Confidentiality of non-public information
- Independent advice at the expense of the Company
- Other Board appointments

Other Matters

- Duties and responsibilities of the Chairman
- Duties and responsibilities of the Chief Executive Officer & Senior Management
- Committees of the Board
- Role of the Secretary to the Board



CODE OF CONDUCT AND ETHICS FOR DIRECTORS

To promote a culture of integrity and safeguards against any potential conflicts of interest or misuse of privileged information, HNB Assurance has implemented a framework encompassing the HNBA Group Code of Conduct and Ethics for Directors and the Share Dealing Policy and Code. To ensure ethical conduct and transparency, the Directors are mandated to adhere to the Code of Conduct and Ethics, while all Directors, Senior Management, and individuals with access to price-sensitive information are required to strictly comply with the Share Dealing Policy and Code.

HNBA Group Code of Conduct for Directors is summarised below,

Conflict of Interest	Directors should avoid conflicts of interest. Examples for conflicts of interest are provided in the Code.
Corporate Opportunities	Directors are prohibited from taking for themselves or their own Company or other companies with which they have a fiduciary relationship, any opportunities arising as a result of the Director holding a directorship in the Company, unless such opportunities are fully disclosed by the interested Director and approved by the disinterested Directors.
Protection and use of assets	All Directors must protect the Company's assets and ensure their efficient use for the business needs of the Company.
Reporting	Directors are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules, and regulations and report instances of illegal or unethical behaviour.
Enforcement	The Board (or the members of the Board who are not conflicted) will review and investigate any allegation of a breach of this policy by a Director, with or without the participation of any Director who may be the subject of such a report.
Confidentiality	Directors must maintain the confidentiality of non-public proprietary information entrusted to them by the Company or its customers or other parties with whom the Company does business, except when such disclosure is authorised or legally required. This principle applies to all communications, whether oral, written, or electronic.
Dealings with third parties	Only the persons named in the Code are authorised to deal with third parties on behalf of the Company. Compliance with Laws and Regulations and Fair Dealing - Directors are expected to carry out their responsibilities in compliance with all laws, rules, and regulations applicable to the Company and with the highest standards of business ethics.
Compliance and fair dealing	Directors are expected to carry out their responsibilities in compliance with all laws, rules, and regulations applicable to the Company and with the highest standards of business ethics.



CORPORATE GOVERNANCE

SEGREGATION OF KEY ROLES

To promote effective governance and ensure a healthy balance of power, HNB Assurance PLC maintains a clear separation between the roles of the Chairman and the Chief Executive Officer (CEO). This distinction fosters independent oversight, strategic guidance, and operational efficiency, promoting accountability and transparency, and strengthening the overall governance framework.

Role of the Chairman

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



Role of the CEO

- Developing, recommending, and implementing the Company's policies and strategies that reflect the long-term objectives and priorities approved by the Board
- Assuming full accountability to the Board for all aspects of the Company's operations and performance
- Maintaining a continuous dialogue with the Chairman and other Directors
- Representing the Company and managing the Company's day-to-day business
- Monitoring operational and financial results by closely following plans and budgets
- Establishing adequate operational, planning, and financial control systems



Role of the Board Secretary

The Board Secretary plays a key role in ensuring the functions of the Board are conducted effectively and seamlessly. The key aspects of the role of the Board Secretary are:

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



BOARD SUB-COMMITTEES

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

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

Mandatory		Voluntary	
Sub-committee	Page No.	Sub-committee	Page No.
Nomination & Governance Committee	206	Investment Committee	208
Audit Committee	198	Risk Management Committee	210
Remuneration & Human Resources Committee	202	Strategy Review Committee	212
Related Party Transactions Review Committee	204		



APPOINTMENT, RE-ELECTION, AND RESIGNATION

Appointments

Shareholders play a pivotal role in the governance of HNB Assurance by exercising their right to appoint Directors at the Annual General Meeting. The Notice of Meeting, included in the Annual Report, presents separate resolutions for the election or re-election of each Director. The Board of Directors recommends nominees to the Shareholders, guided by the recommendations of the Nomination & Governance Committee, who carefully assess the skills and experience required to align with the strategic objectives of the HNBA Group. This process includes a review of the Fit & Proper Criteria, and annual declarations are obtained from all Directors to confirm their continued compliance. Directors are expected to inform the Board Secretary or the Chairman of any changes that may affect their fit and proper status.

In accordance with Section 27 of the Articles of Association, the Board has the authority to appoint individuals as Directors to fill any casual vacancies arising from a Director's resignation or to expand the size of the Board. Directors appointed through this process serve until the next Annual General Meeting, where they can seek re-election. All appointments of Directors are notified to the Colombo Stock Exchange (CSE) within 24 hours, accompanied by a brief profile or resume of the Director.

Re-election

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

Prof. Ananda Kithsiri Wijenayaka Jayawardane and Dr. Prasanna Sankalpa Gamwarige retire and re-elect at the Annual General Meeting to be held on

the 28th March 2025 as set out in the Notice of Meeting on page 399 and 400.

Resignation

- Ms. Chiranthi Cooray resigned from the Board of HNB General Insurance Limited with effect from 24th January 2024.
- Ms. Marina Anneliese Tharmaratnam retired from the Board of HNB General Insurance Limited with effect from 31st March 2024.
- Ms. Rose Chandralatha Cooray retired with effect from 23rd May 2024 as a Chairperson from the Board of both HNB Assurance PLC & HNB General Insurance Limited.

To ensure transparency and timely information flow to the investing public, the Board Secretary promptly communicates both appointments and resignations of Directors to the Colombo Stock Exchange (CSE). This ensures swift dissemination of crucial governance-related information.

The Nomination & Governance Committee plays a crucial role in identifying suitable candidates for Board positions. They meticulously evaluate the combined skills and expertise of the existing Board and its committees to establish a comprehensive candidate profile. Potential candidates then undergo a formal and transparent review process, ensuring a thorough evaluation of their qualifications and suitability. The Committee then presents its recommendations to the Board for the appointment of Directors, who carefully consider these suggestions when making new appointments. Furthermore, all new appointments are subject to scrutiny and approval by the Insurance Regulatory Commission of Sri Lanka (IRCSL) in accordance with the Regulation of Insurance Industry Act. The Board only confirms the appointment once the necessary approval is received from IRCSL, ensuring compliance with all regulatory requirements.

INDUCTION AND TRAINING

Upon initial appointment, all Directors participate in a comprehensive one-day

induction programme designed to equip them with the necessary knowledge and resources. This programme includes a discussion with the Chairman, an introduction to the Senior Management of the Group, and an in-depth overview of industry regulations and the Company's strategic direction. Each Director receives an induction pack containing essential documents, such as the Articles of Association, the Code of Ethics for the Board, the Board Charter, Board Sub-Committee Charters, the Share Dealing Policy, the Regulation of Insurance Industry Act, and other relevant regulations.

Furthermore, to foster continuous learning and keep Directors informed of evolving regulations and industry trends, Senior Management provides regular updates. The Company promotes professional development, offering Directors opportunities to enhance their knowledge and insights on Corporate Governance and matters related to directorship. The Company's commitment to the ongoing professional development of its Director is underscored by its willingness to bear the associated costs.

BOARD MEETINGS AND INFORMATION

The Board convenes on a monthly basis, adhering to established schedules for subcommittee meetings. The Audit Committee and the Risk Management Committee meet quarterly, while other subcommittees convene as and when required.

To ensure effective preparation and engagement, the Board Secretary, in close collaboration with the Chairman, meticulously crafts agendas for all Board meetings, allowing Directors ample time for thorough preparation. Agendas and supporting documents are distributed to Directors at least one week prior to the meeting, fostering well-informed deliberations. This proactive approach extends to sub-committees, where secretaries collaborate with their respective Chairmen to prepare agendas.

To further facilitate informed decision-making, Directors have direct access



CORPORATE GOVERNANCE

to Senior Management for pre-meeting clarifications and ongoing support during the sessions.

Moreover, transparency and accountability are paramount at HNBA. Key Management Personnel provide regular updates to the Board through presentations, offering insights into significant business developments and challenges. Additionally, the Annual Report of the Board of Directors, specifically on page 219, details Board and sub-committee meeting attendance, providing stakeholders with a transparent view of the organisation's governance processes.

A total of 13 Board meetings were held in 2024.

Sub-committee meetings held in 2024

Sub-committee	Number of meetings
Nomination & Governance Committee	07
Audit Committee	08
Remuneration & Human Resources Committee	03
Related Party Transactions Review Committee	04
Investment Committee	04
Risk Management Committee	05
Strategy Review Committee	04
Procurement Committee	03

BOARD EVALUATION

HNBA's Board of Directors is committed to continuous improvement and undertakes an annual self-evaluation to assess its performance. This comprehensive assessment encompasses the Board's composition, the skills and experience of its members, the effectiveness of sub-committees, the conduct of meetings, and the quality of submitted reports and materials.

In the spirit of continuous improvement, the Board Secretary compiles

individual Board member feedback. This information was presented for discussion during a dedicated Board meeting, held on 17th February 2025 to enhance the overall effectiveness of the Board.

Sub-committees, including Audit, Related Party Transactions Review, and Risk Management Committees, also participate in robust self-evaluations, following similar procedures. The outcomes of these evaluations are reviewed internally by the respective committees and subsequently presented to the Board, promoting a comprehensive approach to governance refinement.

PERFORMANCE EVALUATION OF THE CEO

The Board, in consultation with the CEO, sets ambitious yet achievable financial and non-financial targets. To ensure alignment between strategy and performance, these targets align with the short, medium, and long-term objectives of HNBA. Moreover, these targets serve as benchmarks for evaluating the CEO's performance at the end of each year. The variable component of the CEO's remuneration is directly linked to the achievement of these predetermined targets, incentivising performance and accountability.

REMUNERATION

HNBA has established a formal mechanism to determine remuneration, outlined in the Group's clearly defined remuneration policies. These policies aim to shape desirable behaviours by aligning remuneration and rewards with the organisation's core values and strategic goals.

The Remuneration & Human Resources Committee, which includes the Chairman of the Board, plays a pivotal role in this process. The CEO participates in committee meetings by invitation, reinforcing the commitment to transparency and alignment.

The Committee's Charter empowers it to seek both internal and external professional advice, ensuring the implementation of fair remuneration practices that balance the interests of all stakeholders.

The Remuneration & Human Resources Committee, in collaboration with the Board, is responsible for ensuring that remuneration packages for the CEO and Key Management Personnel (KMPs) are competitive, attracting and retaining skilled and experienced professionals.

To maintain market alignment, regular benchmarking against industry standards and periodic reviews of salary surveys are conducted, ensuring remuneration remains consistent with current trends, business needs, and the overall strategy of the HNB Group.

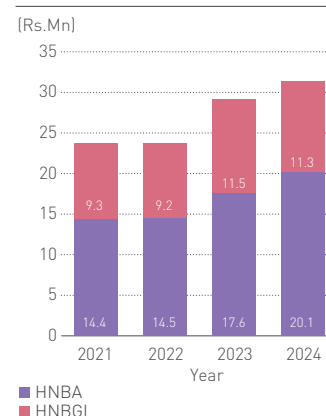
Performance-related components of the remuneration package for the CEO and other Executive employees are intricately tied to both corporate and individual performance. Each year, clear objectives are established to align the CEO's interests with those of the Company, and these are cascaded down to KMPs.

Remuneration structures consist of both a fixed component and a variable component, the latter contingent upon the achievement of pre-determined performance targets. It is important to note that performance-related remuneration schemes are not applied retrospectively, and the HNBA Group does not utilise any long-term incentive schemes, including share option schemes.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Recognising the critical role of Non-Executive Directors, the Remuneration & Human Resources Committee establishes their remuneration.

Directors' Fees and Remuneration





Their compensation is based on meeting attendance and designed to attract individuals with exceptional talent, integrity, and experience, reflecting market standards. While not eligible for performance-based bonuses, Non-Executive Directors nominated by the Parent Company receive a nominal fee. More detailed information regarding Directors' remuneration is provided on page 361.

POLICY FRAMEWORK

The Board has established a comprehensive policy framework to guide management in overseeing the Group's operations, promoting a culture of high standards. These policies articulate expected conduct, processes, and procedures, setting clear boundaries and thresholds for decision-making.

The Group's policy framework is summarised below:

Governance and Conduct

- Articles of Association
- Board Charters
- Board sub-committee Charters
- Code of Ethics for Directors
- Code of Business Conduct
- Whistle Blowing Policy
- Procedure Manuals
- Guidelines
- Circulars

Specific Matters

- Shareholders' Communication Policy
- Share Dealing Policy
- Risk Management Policy
- Compliance Policy
- Investment Policy
- Financial Authority Manual
- Procurement Policy
- IT Security Policy
- Anti-Money Laundering Policy
- Credit Policy

Performance and Talent Management

- Total Reward Policy
- Performance Management Procedure
- Remuneration and Benefit Guideline
- Talent Calibration Guideline
- Education Reimbursement Procedure
- Overseas Training Procedure
- Telecommuting Policy

INTERNAL CONTROLS

The Board of Directors plays a critical role in overseeing and assessing the Group's internal controls. This oversight is essential for ensuring accurate information, timely compliance with regulations, and the protection of the Group's assets and reputation. To effectively manage risks and controls, the Group has adopted the Three Lines of Defence Model. This model promotes clear role segregation across three key pillars:

- 1. Key Business Functions:** These functions are responsible for implementing and monitoring controls related to their specific areas of operation.
- 2. Risk Management Function:** This function is responsible for developing and maintaining the overall risk management framework, providing guidance and support to the business functions.

- 3. Internal and External Audit:** The third pillar encompasses Internal and External Audit functions, which provide independent assurance to the Audit Committee regarding the effective operation of the first and second pillars.

The Risk Management Review provides a more detailed explanation of this model.

Furthermore, the Board receives monthly financial and operational compliance statements from the CEO and relevant Key Management Personnel. These statements serve as a comprehensive checklist, ensuring that regulatory and prudential matters are diligently addressed, contributing to robust governance oversight.

INTERNAL AUDIT

The Internal Audit function plays a vital role in ensuring the effectiveness and compliance of policies, processes, and internal controls within the Group. This function operates in accordance with relevant regulatory and policy frameworks. The Audit Committee

oversees the scope of the internal audit, ensuring its comprehensiveness and ability to provide the necessary assurance to the Board. This oversight includes thorough reviews of audit plans, findings, and progress reports during quarterly meetings.

To enhance objectivity, the internal audit function has been established and a team is now in place. This year whilst some audits were outsourced, all other audits were conducted by the in-house team. The Audit Committee further reinforces this commitment to transparency by meeting with Internal Auditors at least once a year, excluding Executives/Senior Management. This dedicated meeting provides a platform for Internal Auditors to openly express any concerns without reservation.

Furthermore, the Group's in-house Internal Audit Department overseen by Head of Audit with relevant experience has continued to strengthen the internal audit function, enhancing the Group's commitment to rigorous internal controls and independent assurance.

CORPORATE GOVERNANCE

EXTERNAL AUDIT

Shareholders appoint the External Auditors based on the Board’s recommendation. The Audit Committee plays a vital role in this process, recommending external auditors to the Board, following established procedures to ensure both the effectiveness of the audit and the independence of the auditors. The Audit Committee carefully scrutinises any non-audit work undertaken by the external auditors, approving only after a thorough review to ensure that such work does not compromise their audit independence or create any perception of bias.

To foster open communication and further reinforce the integrity of the audit process, the Audit Committee conducts a confidential “in-camera” meeting with the External Auditors at least once a year. Details concerning fees paid to External Auditors can be found on page 361.

ORGANISATION CULTURE

A positive organisational culture is fundamental to good Corporate Governance, as employee behaviour directly impacts the achievement of strategic goals. Factors shaping a positive culture include clearly defined corporate values, a leadership tone that promotes integrity and accountability, well-defined performance expectations, remuneration structures that incentivise desired behaviours, and a supportive work environment. The Board is committed to setting the right tone at the top, promoting high standards of conduct, and ensuring that policies, codes, and controls remain relevant and purposeful.

Further reinforcing this culture are effective performance management systems, robust training and development initiatives, well-established whistleblowing and grievance mechanisms, open communication channels, a prudent risk appetite, and a strong internal control framework. These elements collectively foster ethical behaviour, accountability, and a shared commitment to achieving strategic goals.

IT GOVERNANCE

IT Governance Policies

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

IT Governance Monitoring

The Company conducted a comprehensive review of its processes to identify information and cyber security risks, which were subsequently incorporated into the Company’s risk register. The Board of Directors, CEO, CIO, IT Steering Committee, Executive Committee, and the Risk Management Committee all play crucial roles in overseeing these risks, both in terms of existing and proposed mitigation actions. The Risk and Control Department actively monitors the implementation of relevant control measures.

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

Compliance Reports are regularly submitted to the Board’s Risk Management Committee meetings throughout 2024.

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

IT Governance Structure

The Board of Directors holds ultimate responsibility for IT Governance, supported by the Risk Management Committee. Reporting to the Group CEO, the Group Chief Information Officer (CIO) actively participates in both the IT Steering Committee and the Executive Committee. These committees jointly oversee the execution of agreed-upon IT projects and ensure the seamless operation of digital platforms.

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



ACCOUNTABILITY

The Board is dedicated to ensuring the Company's performance aligns with the interests of Shareholders, upholding their rights and promoting long-term value creation. This commitment manifests in delivering a reasonable return on investment, a satisfactory dividend distribution policy, and maintaining open and transparent communication. To fulfil this responsibility, the Company has implemented a 'Shareholders' Communication Policy' focusing on timely dissemination of price-sensitive information. This includes details regarding financial performance, strategic goals and plans, material developments, governance practices, and risk profile. This proactive approach ensures Shareholders have access to the information they need to make well-informed decisions. Price-sensitive information is promptly communicated to the CSE for dissemination to the investing public, ensuring transparency and adherence to regulatory standards.

Shareholder communication is facilitated through various channels as given below:

SHAREHOLDER COMMUNICATION CHANNELS

- Timely filings with the CSE
- HNBA website
- Press releases
- Quarterly and annual reports
- Other printed and electronic media



THE ANNUAL REPORT

Our Annual Report serves as a cornerstone of communication with our Shareholders, exceeding minimum legal requirements. We meticulously craft it to provide a comprehensive review of our performance throughout the reporting year, striving for excellence in corporate reporting. We are committed to embracing international best practices, leading the way in the early adoption of the Integrated Reporting Framework and GRI Standards. This positions us at the forefront of the evolving ESG (Environment, Social & Governance) Reporting landscape. This dedication translates into an extensive reporting agenda, allowing us to communicate the key factors that drive value creation for all stakeholders. We strive to present this information in a structured manner, ensuring Shareholders gain a comprehensive understanding of our impacts across the value chain, our performance, and our contributions to a sustainable future.

SUBMISSION OF QUARTERLY RETURNS

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

Quarter	Quarter Ending	Date of Submission to CSE
Q4 2023	31st December 2023	19th February 2024
Q1 2024	31st March 2024	06th May 2024
Q2 2024	30th June 2024	05th August 2024
Q3 2024	30th September 2024	04th November 2024

THE ANNUAL GENERAL MEETING

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

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

SUMMARISED MINUTES OF THE 22ND AGM HELD ON 02ND APRIL 2024

During the AGM, the Chairperson (Ms. Rose Cooray) replied to the queries raised by the shareholders. The questions/concerns so raised and the comprehensive answers for the same are given below for the benefit of all shareholders particularly for those shareholders who were unable participating the AGM.

One of the shareholders congratulated the management on their outstanding achievements, including a Rs. 5 billion net income and multiple awards, while expressing satisfaction with the Company's performance. While acknowledging the increased dividend rate he suggested considering a rate around 4%. He appreciated the contributions of former Directors and welcomed the new Directors, praising the CEOs for their dedication during challenges.



CORPORATE GOVERNANCE

Response

The Chairperson clarified that the dividend rate has progressively increased since 2015 and aligns with the Company's policy.

A shareholder highlighted a decline in PAT compared to last year, but noted a 26% increase in funds under management and a 32% rise in market capitalisation. He appreciated the dividend increase to Rs. 3.90 despite the EPS being Rs. 11.76 and enquired about the payout ratio. He supported the branch expansion strategy and found the increased expense ratio understandable given current economic conditions. Commending the Company's CSR activities, he requested the introduction of a medical insurance scheme for senior citizens to boost business volume.

Response

The Chairperson assured that the medical insurance suggestion would be reviewed by management.

She explained the rationale behind the Rs. 3.90 dividend, citing major investments in IFRS and system implementation, and addressed the PAT decline. She emphasised the Company's commitment to shareholders and its intention to maintain this approach moving forward.

A shareholder commended HNBGI's market share growth and suggested targeting Sri Lanka Insurance to expand further.

He also enquired about reinsurance receivables, settled claims, and the handling of high-value policies and claims.

Responses

The Chairperson assured that the Company is continuously evaluating opportunities with all insurers.

CEO Mr. Wimalaratne clarified that not all claims are reinsured and explained the mechanisms for reinsurance. He also provided details on reinsurance recoveries for high-value policies.

One of the shareholders enquired of the "change in contractual liabilities" section of the income statement and asked about the impact of lower interest rates on the Company's operations.

Response

CFO Ms. Perera explained the "change in contractual liabilities," detailing its relation to life business operations, including the life fund, investment income, actuarial valuation, liability provisions, and profit declarations. Regarding lower interest rates, she highlighted both positive and negative effects and assured that the Company is effectively managing the situation to safeguard stakeholders' interests.

A shareholder congratulated and thanked the Chairperson, Board of Directors, and operational team for their remarkable achievements. He also suggested considering a bonus issue.

Response

The Chairperson acknowledged the suggestion regarding a bonus issue and stated that the Company would consider it going forward.



COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The table below summarises HNBA Group's compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023.

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
Section 1	The Company		
A	Directors		
A.1	The Board		
A. 1.1	Board Meetings	The Board meets monthly to discharge its responsibilities as described on page 145. Attendance at Board meetings and Board Committee meetings are given on page 219 of the Annual Report of the Board of Directors, Board Meetings, and Information.	☑
1.2	Role of the Board	Refer page 142	☑
A. 1.3	Compliance with laws and access to independent professional advice	<p>The Board has set in place a sound organisation structure, policy framework, and internal controls to facilitate regulatory compliance and also ensure decisions taken by the Board are compliant with regulatory requirements.</p> <p>The Board Charter allows Directors to seek independent professional advice from external parties, when necessary, at the Company's expense.</p>	☑
A 1.4	Access to advice from the Company Secretary	<p>The Directors have access to the advice and services of the Company Secretary who plays a key role in facilitating the conduct of Board and General Meetings and ensuring the requirements of the Companies Act No.7 of 2007 and the Listing Rules of the CSE are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.</p> <p>The Resignation of Board Secretary Ms. Yoga Gunadasa was recorded during the financial year (dated 31st May 2024) and Ms. Madhubhashini Bakmedeniya was appointed as the Board Secretary of HNB Assurance PLC with effect from 01st of June 2024.</p>	☑
	Indemnifying the Board, Directors, and key management personnel	As a subsidiary of HNB Group, HNBA and HNBGI Board Directors and Key Management Personnel are covered under Directors and Officers Liability Cover obtained by HNB.	☑
A 1.5	Independent judgment of the Directors	Directors of HNBA exercise independent judgment on all matters set before the Board without bias.	☑
A 1.6	Dedicating adequate time and effort	<p>Directors devote sufficient time to the affairs of the Company to discharge their duties effectively.</p> <p>Board papers are circulated at least one week before the meeting providing sufficient time for familiarisation with matters included in the agenda and to call for any further information.</p>	☑
A.1.7	Calls for resolutions	One-third of the Directors may call for a resolution to be presented to the Board in the best interests of the Company.	☑
A 1.8	Training of Directors	On appointment, Directors receive a Letter of Appointment outlining the terms of appointment, duties, responsibilities, and expected time commitments. Additionally, a formal induction programme is arranged for newly-appointed Directors as soon as practicable which is coordinated by the Chairman, CEO, and the Company Secretary.	☑



CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.2 Chairman & the Chief Executive Officer			
A. 2.1	The decision to combine the posts of Chairman and CEO	There is a clear division of responsibilities at HNBA with a separation of the roles of the Chairman and CEO. The role of the Chairman and CEO is given on page 144.	✓
A. 3	Chairman's Role	Please refer to the Role of Chairman on page 144 in the Corporate Governance Report.	✓
A. 4	Financial Acumen	As HNBA is a financial services company, financial acumen is a prerequisite for all Directors. All Directors have a sound knowledge of finance ensuring sufficiency of financial acumen as given in their Board profiles while 4 members of professional finance or accounting organisations.	✓
A.5 Board Balance			
A.5.1	Include Non-Executive Directors of sufficient calibre and number	All Directors are Non-Executive. The composition is given on page 141.	✓
A.5.2	Three or two-thirds of Non-Executive Directors appointed to the Board, whichever is higher should be 'Independent Non-Executive Directors'	The Company has three Independent Non-Executive Directors, which constitute one-third of the total Non-Executive Directors of the Company. The Company maintains the composition of Directors in accordance with Section 9.8.2(a) of the Listing Rules and the requirements of the Company's Articles of Association.	Compliance is not feasible due to the provisions outlined in the company's Articles of Association.
A.5.3	Independence criteria	All three Independent Directors are independent of management and free of any business or other relationship that could or be perceived to materially interfere with the exercise of their unfettered and independent judgment.	✓
A.5.4	Annual Declaration by Non-Executive Directors	Each Non-Executive Director submits a signed declaration annually concerning his independence/non-independence against specified criteria which is in line with Schedule K of the Code.	✓
A.5.5	Annual determination of independence of Directors by the Board	The Board has reviewed the declarations referred to in A.5.4 above and ascertained that three Directors are independent following the criteria set out in Section 5.5 of the Code.	✓
A.5.6	Alternate Director to a Non-Executive Director	No alternative Directors have been appointed.	N/A
A.5.7	Appoint a Senior Independent Director if the Chairman and CEO are the same or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO	As the Chairman of the Board is a Non-Independent Non-Executive Director, the Company has appointed a Senior Independent Director. Additionally, the roles of the Chairman and the CEO are segregated and the Chairman is not immediately preceding the CEO.	✓
A.5.8	Senior Independent Director to be available for confidential discussions with directors	Mr. Ashoka Goonesekere was appointed as the Senior Independent Director in June 2024. Please refer the report of the Senior Independent Director given on page 136 for further details.	✓
A.5.9	Chairman meeting with the Non-Executive Directors	The Chairman holds an exclusive meeting with Non-Executive Directors excluding the CEO, at least once a year.	✓



Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.5.10	Recording concerns	Where applicable, any conflict/concerns that cannot be unanimously resolved are recorded in the Board Minutes.	☑
A.6.	Supply of Information		
A.6.1	The obligation of the Management to provide appropriate and timely information	All Board members receive information regarding the operations and performance of the Group monthly.	☑
A.6.2	Board papers are to be provided 7 days before the Board Meeting and the minutes provided after the meeting.	Board papers are provided one week before the Board meeting.	☑
A.7	Appointments to the Board		
A.7.1	Establish a Nomination Committee	The Board has established a Nomination & Governance Committee, and their report is given on pages 206 and 207.	☑
A.7.2	Nomination Committee to assess the composition of the Board annually	The Nomination & Governance Committee assesses the composition of the Board annually and makes recommendations to the Board on necessary changes. The Board was expanded in line with the same as set out on Changes to Board Composition on page 141.	☑
A.7.3	Succession Planning for CEO and all KMPs	A succession plan is being developed for the CEO and all Key Management Personnel (KMPs) as part of our strategic leadership planning.	☑
A.7.4	Disclosure of Appointment of a New Director	Upon the appointment of a new Director to the Board, the Company notifies the Colombo Stock Exchange with a brief resume of the Director.	☑
A.7.5	Identification of the Chairman, Committee members, and the functions of the Board Nomination & Governance Committee	Refer the Report of the Board Nomination & Governance Committee on pages 206 to 207.	☑
A.7.6	Terms of Reference of the Committee		☑
A.8	Re-Election		
A.8.1	Non-Executive Directors should be appointed for a specified term and subject to re-election and their appointment is not automatic.	Directors other than the Chairman and the Nominee Directors, are required to retire by rotation and seek re-election at least once every three years. Accordingly, Dr. Prasanna Sankalpa Gamwarige retire by rotation at the Annual general Meeting to be held on 28th March 2025 as set out in the Notice of Meeting on pages 399 and 400. Additionally, appointments of Directors appointed after the AGM are valid only until the next AGM at which they can offer themselves for re-election.	☑
A.8.2	Re-election	All Directors who are retiring by rotation in terms of the Articles of Association of the Company submit themselves for re-election /re-appointment by the shareholders of the Company at the forthcoming Annual General Meeting of the Company. Only one Director retires this year and his resume is given on page 27.	☑



CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.8.3	Resignation	A Director resigning from his or her position as a Director is expected to provide a written communication to the Board formally along with reasons for such resignation. Upon acceptance of the resignation by the Board, the CSE is informed promptly of the resignation and the reason. No Directors resigned from the Board of HNBA during 2024.	✓
A.9	Appraisal of Board Performance		
A.9.1	Have in place a formal process for reviewing the performance of the Board and its sub-committees	The Board conducted a self-evaluation of its performance, using a checklist that covered a range of areas including, but not limited to the composition of the Board, skills, and experience of the members, adequacy of Sub-Committees, proceedings of meetings, and quality of reports and materials submitted. Responses were compiled by the Board Secretary for discussion by the Board. The objective of this evaluation is to improve the performance of the Board to enable the achievement of the Company's objectives.	✓
A.9.2	Appraisals of the Board and the sub-committees		✓
A.9.3	Have a process to review the participation, contribution, and engagement of each Director	The Nomination & Governance Committee reviews the participation, contribution, and engagement of each Director before recommending for re-election.	✓
A.9.4	State the evaluation process in the Annual Report	Complied with the above disclosures and information on page 146.	✓
A.10	Disclosure of information in respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 26 to 30.	✓
A.11	Appraisal of CEO		
A.11.1	The setting of the annual targets and the appraisal of the CEO	The performance evaluation of the Chief Executive Officer is carried out by the Chairman, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of each financial year.	✓
A.11.2	The performance of the CEO should be evaluated by the Board.		✓
B	Directors' Remuneration		
B.1	Remuneration Procedure	Refer to the Report of the Remuneration & Human Resources Committee on pages 202 to 203.	✓
B.2	Remuneration Committee		
B.2.1	Establishment of the Remuneration Committee	The Board has established an Remuneration & Human Resources Committee.	✓
B.2.2	Composition of Remuneration Committee	The Remuneration & Human Resources Committee comprises Non-Executive Directors of whom the majority are independent. The Chairman is Dr. Sankalpa Gamwarige who is an Independent Director.	✓
B.2.3	Consultation with the Chairman and the CEO	The Remuneration & Human Resources Committee determines the CEO's remuneration. The Committee consults the CEO on proposals regarding Executive remuneration. No Director participates in determining his/her remuneration.	✓



Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
B.2.4	The level and makeup of the remuneration should be sufficient to attract, motivate, and retain Executive Directors of the required quality	The Remuneration & Human Resources Committee is responsible for determining remuneration policy including that of the CEO and the Key Management Personnel. Remuneration packages are structured to attract, retain, and motivate them, taking into consideration their roles and responsibilities, skills, experience, and attributes.	✓
B.2.5	Executive Directors' compensation should be designed for the long-term success of the company	Currently, there are no Executive Directors on the Board.	✓
B.2.6	Remuneration Committee to judge where to position remuneration relative to other companies	The Remuneration & Human Resources Committee compares the remuneration levels of the Company with industry peers. The committee maintains a keen awareness of shifts in remuneration standards and consistently reviews reports from salary surveys.	✓
B.2.7	Remuneration Committee to be sensitive to employment and remuneration conditions within the Group	The Remuneration & Human Resources Committee considers the remuneration levels of the HNB Group when deciding the remuneration levels for the HNBA Group.	✓
B.2.8	Performance-based remuneration	Performance-based remuneration of employees, including the CEO, is directly linked to the achievement of agreed targets and goals by the Company and the individual.	✓
B.2.9	Executive share options	The Company has no share option available to its Directors.	N/A
B.2.10	Designing schemes of performance-based remuneration	Refer to the Report of the Remuneration & Human Resources Committee on pages 202 and 203.	✓
B.2.11 & B.2.12	Early Termination of Directors	As the Board is comprised solely of Non-Executive Directors, there are no provisions for compensation for early termination of contracts. The Remuneration & Human Resources Committee will determine the remuneration of the CEO in the event of early termination regarding the contract of employment.	✓
B.2.13	Determination of the remuneration of the Non-Executive Directors	The Board determines the fees and expenses payable to Non-Executive Directors as per the Articles of Association of the Company. Directors' fees comprise a fixed fee and exclude any variable component.	✓
B.2.14	Levels of Remuneration for Non-Executive Directors	All Non-Executive Directors other than Nominee Directors who are employees of HNB are remunerated in line with market practices. Nominee Directors employed by HNB receive a nominal fee solely based on their attendance at meetings.	✓
B.2.15	Names of Directors to be given in the Annual Report	Names of the members of the Remuneration & Human Resources Committee are given in the Report of the Remuneration & Human Resources Committee on page 202 and 203.	✓
B.2.16	Terms and references	Terms of Reference are placed. Refer report of the Remuneration & Human Resources Committee on pages 202 and 203.	✓



CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
B.3. Disclosure of Remuneration			
B.3.1	Disclosure of Remuneration	<ul style="list-style-type: none"> Report of the Remuneration & Human Resources Committee on pages 202 and 203. Note 43 in the financial statements on page 361 provide information on the remuneration of the Board as a whole. 	✓
B.3.2	Senior management and their remuneration	There were 14 key management personnel who directly report to the CEO during the year. Refer Note 50.2.1 for the aggregate remuneration.	✓
C. Relations with Shareholders			
C.1 Constructive use of the AGM and Conduct of General Meetings			
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting, and the Annual Report are circulated to shareholders within the stipulated time in the Articles of Association and the Code.	✓
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are proposed for substantially separate issues to provide shareholders the opportunity to deal with each significant matter separately. The proxy form reflects this.	✓
C.1.3	Accurate recording and counting of valid proxy appointments received for a General Meeting	<p>All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken by a show of hands.</p> <p>In the event the appropriate number of shareholders give their intimation in writing and request for a poll, the procedure involved in voting would be circulated. In the absence of such intimation, all issues at the AGM will be passed by a show of hands.</p>	✓
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	✓
C.1.5	Summary of Notice of General Meetings and Procedures Governing Voting at General Meetings	The procedures involved in voting will be circulated if the appropriate number of shareholders give their intimation in writing and request a poll. In the absence of such intimation, all issues at the General Meeting will be passed by a show of hands.	✓
C.2 Communication with Shareholders			
C.2.1	Channel to reach all shareholders for timely dissemination of information	<p>HNBA has multiple channels of communication with shareholders which include the following:</p> <ul style="list-style-type: none"> Notifying CSE promptly of price-sensitive information which is disseminated to the investing public including shareholders Press releases Website 	✓
C.2.2	Disclose policy and methodology for communication with shareholders	A Shareholders' Communication Policy is adopted by the Company with the determination of ensuring that ready, equal, and timely access to balanced and understandable information about the Company's financial performance, strategic goals and plans, material developments, governance, and risk profile, etc., are Company's shareholders and the investment community at large. The objective is to enable shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company.	✓



Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
C.2.3	Disclose how the policy is implemented	The CEO is responsible for administering the policy and obtains the support of the Company Secretary in the implementation of the same. Accordingly, 21 notices were sent to the CSE for prompt disclosure of relevant matters which included appointment and resignation of Directors, dividends, quarterly financial statements, etc.	✓
C.2.4 & C.2.6	Contact person for Shareholder communications	The Company Secretary is the designated person for shareholder communication and the contact information is provided on page 5.	✓
C.2.5	The process to make Directors aware of shareholder concerns	Matters raised by shareholders at the Annual General Meeting are minuted and the Company Secretary communicates shareholders concerns raised during the year to the Board.	✓
C.2.7	Formulate and disclose the process for responding to shareholder matters	The Company encourages effective communication with the shareholders addressing inquiries and concerns through the Company Secretary. The Company Secretary is responsible for handling these matters and, when necessary, elevates concerns to the Board for further attention.	✓
C.3	Major & Material Transactions		
C.3.1 & C.3.3	Disclosure of Major Transactions	<p>During the financial year, there were no major transactions which materially altered the Company's net asset base or the consolidated Group's net assets base.</p> <p>In the unlikely event that the net assets of the Company fall below half of the shareholders' funds, the shareholders of the Company would be notified, and an Extraordinary General Meeting would be called to propose the way forward in terms of the necessary statutory and regulatory requirements.</p>	✓
D	Accountability & Audit		
D.1	Financial & Business Reporting		
D.1.1	Present a fair and balanced annual report prepared following the laws and regulations with an explanation of deviations.	HNBA continues to strive for high standards of corporate reporting, going beyond compliance with regulatory requirements to adopt international best practices in reporting.	✓
D.1.2	Board responsibility for fair reporting extends to interim and price-sensitive reports, regulatory reporting, and statutory information	The Board is assisted in the discharge of this duty by the Audit Committee which reviews the interim financial statements and routine regulatory reporting. The Board reviews other price-sensitive communications before release to ensure they present a balanced view of the relevant matter.	✓
D.1.3	Board to obtain declarations from CEO and CFO regarding financial statements, financial records, effective operation of systems of internal controls, and risk management.	The Audit Committee and Board obtain declarations from the CEO and CFO on the proper maintenance of financial records, the true and fair view of the financial statements, and the effective operation of systems of internal control and risk management.	✓



CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.1.4	Declarations by Directors	<p>The following information has been declared in the Annual Report of the Board of Directors from pages 216 to 223.</p> <ul style="list-style-type: none"> • A declaration that the Company has not engaged in any activity which contravenes laws and regulations is given on page 222. • A declaration that the Directors have declared all material interests in contracts involving the Company is given on page 220. • A declaration that the Company has made all endeavours to ensure the equitable treatment of Shareholders is given on page 221. • Directors have complied with the best practices of Corporate Governance given on page 222. • Property, Plant & Equipment are reflected at fair value and, where they differ from fair value, adequate disclosures are made as given on page 218. • A declaration that the Directors have conducted a review of the internal controls covering financial, operational, and compliance controls and risk management is given on page 222. • A declaration that the business is going concern is given on page 217. 	<p style="text-align: right;">✔</p>
D.1.5	Statements by Directors and Auditors	<p>Pages 226 and 227 contains the statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements. The Auditor's Report is provided on pages 231 to 234.</p>	<p style="text-align: right;">✔</p>
D.1.6	Annual Report should include Management Discussion & Analysis	<p>The Management Discussion & Analysis is given on pages 45 to 131 of this Annual Report covering the Disclosure requirements under this code.</p> <ul style="list-style-type: none"> • Business Model – pages 46 and 47 • Industry Structure and Developments – pages 51 to 53 • Opportunities and Threats – page 57 • Risk Management – pages 172 to 186 • Internal Control Systems and their Adequacy – pages 214 and 215 • Governance – pages 134 to 171 • Stakeholder Relationships - pages 45 to 131 • Social and Environmental Protection Activities conducted by the Company – page 16. • Financial Performance – pages 124 to 131. • Investment in Physical and Intellectual Capital - page 121. • Human Resource/Industrial Relations Activities Carried Out by the Company – pages 99 to 111 • Prospects for the Future – page 121 to 123 	<p style="text-align: right;">✔</p>



Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.1.7	Summon EGM if net assets value falls below 50% of shareholders' funds	As capital adequacy is well above the regulatory requirements, the issue does not arise. The provision to call for an EGM in the event net assets fall below 50% is embedded in the Articles of Association.	✓
D.1.8	Adequate and accurate disclosure of related party transactions	<p>HNBA has in place the following mechanisms to facilitate disclosures of related party transactions:</p> <ul style="list-style-type: none"> • A Related Party Transactions Review Committee to review the related party transactions every quarter • Each related party submits a signed and dated declaration quarterly to provide information on related party transactions • The Company Secretary maintains a record of related party transactions which is summarised and presented to the Related Party Transactions Review Committee each quarter. • Note 50 of the financial statements on page 369 sets out the information on Related Party Transactions. 	✓
D.2 Risk Management & Internal Control			
D.2.1 & D.2.2	The Board should monitor risk management and internal control systems, carry out a review of their effectiveness and report on the same in the Annual Report	<p>The Board is assisted in this duty by the Audit Committee and the Risk Management Committee whose reports are given on pages 198 to 211. They are supported by the Internal Audit Department and the Risk & Control Department, which respectively conduct their functions under the guidance of these two committees and reporting directly to them. The Committees are provided with regular reports on related matters to facilitate the assessment of the effectiveness of the internal controls and risk management systems.</p> <p>The Board Statement of Internal Control on pages 214 and 215 provides further information in this regard.</p>	✓
D.2.1.1 to D.2.1.8	Risk Committee Reporting and Compliance	This is provided in the Risk Management Committee Report. <i>(Refer to pages 210 and 211 for further details)</i>	✓
D.2.2.2	Internal Audit function	The Company's internal audit function is outsourced to Messrs Ernst & Young and Company has formulated in-house Internal Audit Department as well. The Risk & Control and Compliance Departments also conduct periodic verifications. (For further details, refer to the Board Statement of Internal Control on pages 214 and 215)	✓



CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.2.2.3	Audit Committee to conduct reviews of the process and effectiveness of risk management and internal controls	<p>The Audit Committee is responsible for ensuring the Company has an effective internal control system. It reviews the effectiveness of the internal control system through the Internal Audit Department, as well as the Risk & Control and Compliance Departments. The minutes of the Risk Management Committee meetings are tabled at the Audit Committee meetings for review since the Audit Committee carries the responsibility for the Company's Risk Management practices. The minutes of both the Audit Committee and the Risk Management Committee meetings are tabled at Board meetings for review.</p> <p>Extended Disclosure on the Internal Control Process of the Company Internal Controls at HNBA</p> <p><i>[Refer to Report of the Audit Committee on pages 198 to 201 for further details]</i></p>	✓
D.2.2.4	Statement of internal control	The Board's Statement on Internal Control is given on pages 214 and 215.	✓
D.3	Audit Committee		
D.3.1	Establish an Audit Committee of at least three Non-Executive Directors	The Audit Committee comprises three Non-Executive Directors of whom two are independent. Two members of the Audit Committee are professional accountants with recent and relevant experience in financial reporting and control.	✓
D.3.2	Terms of Reference for Audit Committee	<p>The Board has approved the Terms of Reference for the Audit Committee which is in line with that specimen set out in Schedule M of the Code.</p> <p>The Audit Committee Report on pages 198 to 201 provides further information regarding the same.</p>	✓
D.3.3	Disclosures	The Audit Committee Report on pages 198 to 201 provides the required information.	✓
D.4	Risk Committee		
D.4.1	Establish a Risk Committee	The Board has established a Risk Management Committee comprising Five Non-Executive Directors of whom two are Independent. The Chairman, Mr. Lakshman Silva is a Non-Executive Independent Director.	✓
D.4.2	Terms of Reference for Risk Committee	<p>The Board has approved the Terms of Reference for the Risk Management Committee which is in line with that specimen set out in Schedule K of the Code.</p> <p>The Risk Management Committee Report on pages 210 and 211 provides further information regarding the same.</p>	✓
D.4.3 to D.4.5	Disclosure Requirement	The Risk Management Committee Report on pages 210 and 211 provides the required information.	✓



Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.5 Related Party Transactions Review Committee			
D.5.1	Definition	Related party transactions are defined in accordance with LKAS 24	☑
D.5.2	Establish a Related Party Transactions Review Committee	The Board has established a Related Party Transactions Review Committee comprising three Non-Executive Directors of whom two are Independent. The Chairman, Mr. Ashoka Goonesekere is a Non-Executive Senior Independent Director.	☑
D.5.3	Terms of Reference	The Related Party Transactions Review Committee Terms of Reference have been approved by the Board and address the matters set out in the Code. Refer to the Annual Report of the Board of Directors on page 216 and the Report of the Related Party Transactions Review Committee on pages 204 and 205 for further information.	☑
D.6 Code of Business Conduct & Ethics			
D.6.1	Board declaration for compliance with Code	HNB Assurance employs a Code of Business Conduct and Ethics for Directors to provide guidance in maintaining ethical business practices and conduct at all times. Further, the Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without exception. The Code of Business Conduct and Ethics is intended to encourage accountability and openness and is in line with Schedule N of the Code	☑
D.6.2	Price sensitive information	Material and price-sensitive information is promptly disclosed to the CSE by the Company Secretaries.	☑
D.6.3	Monitor Share purchase by Directors/ KMPs	Refer to the Related Party Transactions Committee Report on pages 204 and 205.	☑
D.6.4	Whistleblower Complaint Procedure	A Whistleblower policy has been in place to deal with complaints received from internal stakeholders.	☑
D.6.5 & D.6.6	Training and Reporting	Induction Training covers the Code of Business Conduct and Compliances status will be reported to the Board	☑
D.6.7	Chairman's Statement	Refer to the Chairman's Message on Corporate Governance on page 134 and The Annual Report of the Board of Directors on the affairs of the Company on pages 216 to 223.	☑
D.7 Corporate Governance disclosures			
D.7.1	Corporate Governance disclosures	The Corporate Governance Report on pages 137 and 163 complies with this requirement.	☑



CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
Section 2 Shareholders			
E. Institutional Investors			
E.1.1	Shareholder voting	HNBA conducts regular discussions with Institutional Investors. The annual report provides a balanced review of the Group's performance supporting analysis and objective decision-making. Shareholders are provided an opportunity to comment, discuss, and seek clarifications on any relevant issue with the Chairman and Board at the AGM, on conclusion on formal proceedings, or by prior appointment.	✓
E.2	Evaluation of Governance Disclosures	Institutional investors are provided with sufficient information to deliberate on matters related to the structure and composition of the Board, facilitating the evaluation of the same.	✓
F. Other Investors			
F.1	Investing and divesting decision	HNBA provides sufficient relevant and material financial and non-financial material in its annual report to facilitate meaningful analysis and obtain independent annual advice regarding their investment.	✓
F.2.	Encouraging shareholder participation and exercising their voting right	Refer Annual General Meeting section on page 149.	✓
G. Internet of Things and Cybersecurity			
G.1	Internet of Things and Cybersecurity	Refer to IT Governance on page 148.	✓
G.2	Appoint a Chief Information Security Officer	The IT Department has a dedicated IT Security Administrator who reports to the Chief Information Officer on matters related to the security of the Group's information assets. In addition, the Group is planning to appoint a qualified Information Technology professional to assume the role of Chief Information Security Officer, overseeing the implementation of cybersecurity and data protection policies in alignment with the Group's strategic objectives.	✓
G.3	Cyber risk management to be a regular item on the Board agenda	The Board reviews cyber risk regularly and they are assisted in this by the Board Risk Management Committee.	✓
G.4	Independent periodic review and assurance	The Board also reviewed the Company's information security environment through an external firm specialising in IT security audits. During the year, the Board and the Board Sub-Committees have reviewed the reports relating to information security and have discussed the IT roadmap to address IT security matters.	✓
G.5	The process of identifying and managing cybersecurity risks	Refer to IT Governance on page 148.	✓



Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
H. Sustainability: ESG Risk and Opportunities			
H.1, H.2, H.3, H.4 & H.5	Environment, Social, and Governance (ESG) Reporting	<p>The Annual Report provides information that enables investors and other stakeholders to assess how ESG risks and opportunities are identified, managed, measured, and reported.</p> <p>These details are outlined in the following sections of the Annual Report.</p> <ul style="list-style-type: none"> • Environmental Reporting <ul style="list-style-type: none"> - Natural Capital Report on page 123. • Social Reporting <ul style="list-style-type: none"> - Human Capital Report on page 99. - Social & Relationship Capital Report on page 123. • Governance <ul style="list-style-type: none"> - Corporate Governance Report on page 137. • Annual Report of the Board of Directors on page 216. <p>The Annual Report has been prepared following the GRI Standards, the Integrated Reporting Framework, and the Code of Best Practice on Corporate Governance which facilitates voluntary reporting of ESG matters</p>	<p>☑</p>
I. Special Consideration for Listed Entities			
I.1	Establishment and Maintenance of Policies	<p>Governance-related policies are maintained by the Company, and summaries of these policies are hosted on the Company's website. A list of these policies is provided below</p> <ul style="list-style-type: none"> • Matters relating to the Board of Directors • Board Committees • Corporate Governance, Nominations and Re-election • Remuneration • Internal Code of Business conduct and ethics for all Directors • Risk Management and Internal Controls • Shareholder Communication • Environmental, Social, and Governance Sustainability • Control and Management of Company Assets and Shareholder Investments • Corporate Disclosures • Whistleblowing • Anti-Bribery and Corruption 	<p>☑</p>
I.2	Policy on Matters Relating to the Board of Directors	The Company has established and maintains a formal policy governing matters related to the Board of Directors	<p>☑</p>

☑ Complied ☒ Not Complied N/A Not Applicable



CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

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

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

Requirement	Compliance Status	How We Comply
Section A Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017. <i>(amended as the Code of Best Practice on Corporate Governance 2023)</i>	Compliant	The Company's status of compliance with the relevant Corporate Governance Code is given on pages 151 to 163.
Section B (1) The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka
Section B (2) The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	As of the date of this report, no Director has served on the Board for more than nine years.
Section B (2) (i) The above 9-year rule shall not be applicable to a major Shareholder Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Not Applicable	No such situation has arisen during the year.
Section B (2) (ii) The above 9-year rule shall not apply to the Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and has 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year.
Section B (3) (i) The age of a person who serves as a Director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years.
Section B (3) (ii) Notwithstanding above, Person who serves as a Director and is over 75 years of age or above as at 01st July 2019, such Director may continue to serve as a Director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	Not Applicable	No such situation has arisen during the year.
Section B (4) The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE. <i>(Listing Rule - Section 09, Corporate Governance is the New Requirement)</i>	Compliant	The Company's compliance status with Section 09 of the Listing Rules is given on pages 166 to 168.



Requirement	Compliance Status	How We Comply
<p>Section B (5) A person shall not hold offices as a Director of more than 20 companies/entities/institutions including subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act No.15 of 1995.</p>	Compliant	As of the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities.
<p>Section B (6) The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange. If the Company is unable to confirm compliance, disclose the reasons for its non-compliance and the action that will be taken to rectify the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company.</p> <p><i>(Listing Rule - Section 09, Corporate Governance is the New Requirement)</i></p>	Compliant	The Company has disclosed the Compliance status with Section 09 of the Listing Rules on pages 166 to 168 of the Annual Report and it is published on the Company and CSE websites within the stipulated period.
<p>Section B (7) The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months.</p>	Not Applicable	No such situation has arisen during the year.
<p>Section (B) 8 (a) The Insurer should provide a certification from the company secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been approved by passing the resolution at the general meeting. Close relatives of the Director concerned and common Directors holding an ownership stake in the company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to the age of 75 years, a fresh resolution shall be passed with the certification from the company secretary shall be submitted to the IRCSL.</p>	Compliant	The Company has complied with this requirement on 03rd April 2024 while providing a certification from the Company Secretary to the IRCSL, that continuation of Directors beyond the age of 70 years, have been approved by passing the resolution at the general meeting.
<p>Section B 8 (b) The Insurer shall provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association of the relevant insurer and that such insurer complies with the provision of the Companies Act.</p>	Compliant	The Company has complied with this requirement on 03rd April 2024 by providing a written confirmation from Company Secretary to the IRCSL, that the continuation of Directors who beyond the age of 70 years, is not prohibited by the Articles of the Associations.



CORPORATE GOVERNANCE

COMPLIANCE WITH LISTING RULES SECTION 9

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The Company is fully compliant with the Corporate Governance Rules as per Rule No.9 of the Listing Rules of CSE. The following table has been published in accordance with the requirement to disclose the level of compliance with such rules.

Rule No.	Subject	Requirement	Compliance Status	Remarks
9.1.3	Statement of Compliance	All listed entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules in the Annual Report	Compliant	Please refer page 139 for the statement of compliance
9.2	Policies	Establish, maintain, and provide on written request specified policies	Compliant	The Company has implemented the required policies in accordance with Section 09 of the listing rules and has published them, along with their summaries, on the Company's website.
9.3.1 – 9.3.2	Board Committees	Board Committees to include at a minimum: a. Nomination & Governance Committee b. Remuneration Committee c. Audit Committee d. Related Party Transactions Review Committee	Compliant	The Company has already established the mandatory committees in accordance with the listing requirements. The composition, responsibilities, and disclosure required in the committees are set out in the Committee reports from pages 198 to 213.
9.3.3		Chairman of Board Committees	Compliant	The Chairman of Board Committees is not the Chairman of the Board.
9.4.1	Adherence to principles of democracy	Maintain records of all resolutions and information pertaining to its adoption	Compliant	Please refer to Accountability on page 149.
9.4.2		Policy for shareholder communication, contact person and process to inform directors of major issues/concerns of shareholders and comply with guideline for hybrid or virtual meetings	Compliant	
9.5	Policy on matters relating to the Board	Listed entities to establish and maintain a formal policy governing matters relating to the Board	Compliant	The Company maintains a Policy on Matters relating to the Board of Directors
9.6	Chairperson & CEO	Chairperson should be a Non-Executive Director, and the positions should not be held by one person unless a Senior Independent Director is appointed.	Compliant	Refer page 144 Segregation of Key Roles. There is no requirement for a Senior Independent Director due to the segregation of roles. However, in compliance with the CA Sri Lanka Code of Best Practices on Corporate Governance, Mr. Ashoka Goonesekere has been appointed as the Senior Independent Director.



Rule No.	Subject	Requirement	Compliance Status	Remarks
9.7.1	Fitness of Directors & CEOs	Take necessary steps to ensure that Directors and CEOs are, at all times, fit and proper persons in accordance with criteria set out in 9.7.3	Compliant	The Company ensures that the Directors and CEO at all times fulfil the fit and proper assessment criteria set out in the Listing Rules.
9.7.4		Annual Declaration	Compliant	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year.
9.7.5		Disclosures in the Annual Report	Compliant	Please refer page 145
9.8.1 – 9.8.2	Board composition	Minimum of 5 directors with at least 2 independent directors or 1/3rd whichever is higher in accordance with the criteria set out in 9.8.3	Compliant	Please refer page 141 for the Board composition
9.8.5		Independent Director shall submit a signed declaration annually and Impairment of independence to be notified via of Market Announcements.	Compliant	Independent Directors have submitted declarations during 2024
9.9	Alternate Directors	Criteria and circumstances for appointing Alternate Directors	Not Applicable	HNBA does not have any Alternate Directors at present.
9.10.1	Disclosure relating to Directors	Disclose Policy on maximum number of directorships	Compliant	A Director may hold up to 20 directorships in listed companies, as per IRCSL Direction No. 02 of 2022 on Corporate Governance for Insurers.
9.10.2		Market announcement to be made on appointment	Compliant	Accordingly, 21 Market Announcements/ notices have been sent to CSE relating to corporate disclosures.
9.10.3		Market announcement to be made on changes to composition of the Board Committees	Compliant	
9.10.4		Disclose information relating to Directors in Annual Report	Compliant	Please refer profiles of Directors of pages 26 to 30 and pages 216 to 223 on the Annual Report of the Board of Directors.
9.11.1 – 9.11.5	Nomination and Governance Committee	Composition and Functions of the Committee	Compliant	Please refer pages 206 and 207 for the report of the Nomination and Governance Committee
9.11.6		Annual Report Disclosures	Compliant	
9.12.1 – 9.12.7	Remuneration Committee	Composition and functions of the Committee	Compliant	Please refer pages 202 and 203 for the report of the Remuneration & Human Resources Committee
9.12.8		Annual Report Disclosures	Compliant	
9.13.1 – 9.13.4	Audit Committee	Composition and functions of the Committee	Compliant	Please refer pages 198 to 201 for the report of the Audit Committee
9.13.5		Annual Report Disclosures	Compliant	



CORPORATE GOVERNANCE

Rule No.	Subject	Requirement	Compliance Status	Remarks
9.14.1 – 9.14.3	Related Party Transactions Review Committee	Composition and functions of the Committee	Compliant	Please refer pages 204 and 205 for the report of the Related Party Transactions Review Committee
9.14.4		Committee Meetings	Compliant	The Related Party Transactions Review Committee convened 04 times during the year.
9.14.7 – 9.14.8		Disclosures	Compliant	Please refer pages 204 and 205 for the report of the Related Party Transactions Review Committee
9.16	Additional disclosures	Declaration by Board of Directors that: i. All material interests in contracts have been declared and they have refrained from voting on matters they were materially interested in ii. Conducted review of internal controls and obtained reasonable assurance of their effectiveness iii. Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes iv. Disclosure of relevant areas of any material non- compliance with law or regulations and any fines which are material	Compliant	Please refer pages 216 to 223 of the Annual Report of the Board of Directors for the Declarations



CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED

HNBGI's corporate governance framework is guided by industry best practices outlined in the Corporate Governance Codes issued by CA Sri Lanka. The Company also adheres to the Corporate Governance Rules specified in the Listing Rules of the Colombo Stock Exchange (CSE), ensuring a robust and comprehensive governance structure. Further details regarding the Company's governance structure are provided in the subsequent section.

CORPORATE GOVERNANCE AT HNBGI

Established in 2015 as a fully-owned subsidiary of HNBA, HNBGI originated from the transfer of the General insurance business previously under HNBA. The Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced a Corporate Governance framework for all insurers in July 2019, with subsequent amendments to Direction Number 17 in 2020 and 2022. HNBGI adheres to the most recent amendment, effective from February 25, 2022, with relevant disclosures outlined in the table on pages 170 and 171.

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

The Board and the Directors of HNBGI

As of 31 December 2024, HNBGI comprises six Non-Executive Directors, two of whom are Independent.

Details on the Board of Directors appear in Section 5 of the Annual Report of the Board of Directors on the affairs of HNBA for the year ended 31 December 2024 on page 219.

Compliance with Corporate Governance Codes

Non-Executive Directors

As of 31 December 2024, all Directors of HNBGI held non-executive positions. Consequently, the Company fulfils the stipulated requirement regarding the

minimum number of Non-Executive Directors, as mandated by the Corporate Governance Code.

Independent Non-Executive Directors

Among the six Non-Executive Directors at HNBGI in the year 2024, two held Independent Director positions.

Roles of the Chairman and the CEO of HNBGI

The roles of the Chairman and the CEO at HNBGI are distinctly defined to maintain a balance of power and authority. Mr. Stuart Chapman served as the Chairman, while Mr. Sithumina Jayasundara assumed the position of the CEO. This separation of functions ensures effective governance and leadership within the Organisation.

Board Functions

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

Board Meetings

During the year 2024, 12 Board meetings were held and the attendance record of each Director at these Board meetings is given on page 219 of the HNBA Annual Report.

Board sub-committees of HNBGI

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

External Audit

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

Internal Audit

To enhance objectivity, the internal audit function has been established and a team is now in place. This year whilst some audits were outsourced, all other audits were conducted by the in-house team.

The Audit Committee oversees the scope of the internal audit, ensuring its comprehensiveness and ability to provide the necessary assurance to the Board. The oversight includes thorough reviews of audit plans, findings and progress reports during Quarterly meetings.

RISK MANAGEMENT AND COMPLIANCE OF HNBGI

HNBGI's Risk Management function is overseen by the Risk and Control Department of HNBA, considering the specificities of the insurance business. HNBGI maintains a dedicated Risk Register, a clear Risk Appetite statement, and Key Risk Indicators.

To ensure compliance with applicable laws and regulations, HNBGI's Compliance Department prepares a monthly compliance checklist for HNBGI. Operational Managers, responsible for compliance with relevant rules and regulations, validate and sign off on this checklist. These checklists, along with confirmation from the Compliance Officer, are then presented at meetings of the Audit Committee, Risk Management Committee, and the Board for thorough review and discussion.

For more detailed information, please refer to the Risk Management Report of the HNBA Group on pages 210 and 211.

CODES AND POLICIES

All policies that apply to HNBA are equally pertinent to HNBGI. Therefore, the Board sub-committees and the Internal Auditors oversee and ensure that HNBGI adheres to these applicable policies throughout its operations.



CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED

COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In 2018, IRCSL introduced Direction number 17, establishing a Corporate Governance framework for insurers. These regulations became effective (with an extended effective date) on July 1, 2019. Subsequent amendments to Direction number 17 were made by IRCSL in 2020 and 2022. The most recent revision, Direction number 2 of 2022 (Revised), took effect on February 25, 2022. The compliance status of HNB General Insurance Ltd. with these regulatory changes is detailed in the table below:

The compliance status of HNB General Insurance Limited with Corporate Governance Framework for Insurers.

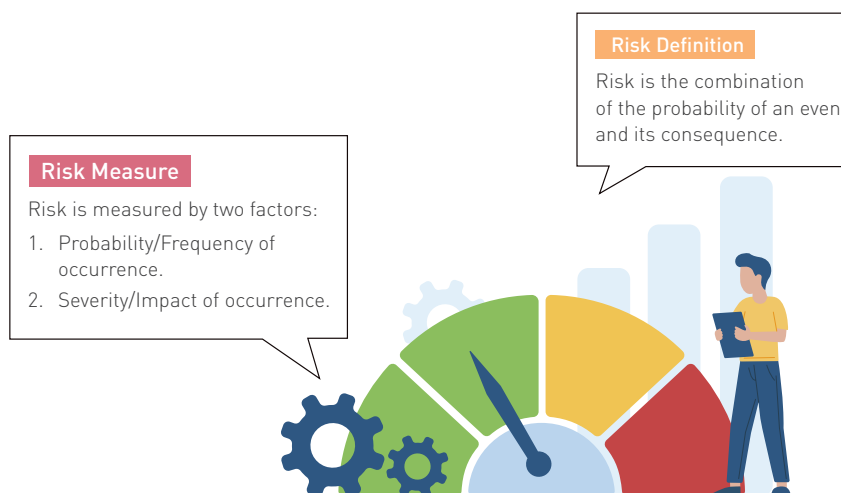
Requirement	Compliance Status	How We Comply
Section A Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017.	Compliant	HNBGI is not a listed entity. However, its Parent Company's (HNBA) status of compliance with the relevant Corporate Governance Code is given from pages 151 to 163.
Section B(1) The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka.
Section B(2) The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	As of the date of this report, no Director has served on the Board for more than nine years.
Section B(2) (i) The above 9-year rule shall not apply to a major Shareholder Director representing a major corporate shareholder and /or corporate groups with majority shareholding i.e., more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Not Applicable	No such situation has arisen during the year.
Section B(2) (ii) The above 9-year rule shall not apply to the Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and has 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year.
Section B(3) (i) The age of a person who serves as a Director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years.
Section B(3) (ii) Notwithstanding above, Person who serves as a director and is over 75 years of age or above as of 01st July 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	Not Applicable	No such situation has arisen during the year.



Requirement	Compliance Status	How We Comply
<p>Section (B) 4 The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE. (Listing Rule - Section 09, Corporate Governance is the New Requirement).</p>	Compliant	The Company's Parent Company (HNBA) compliance status with Section 09 of the Listing Rules is given on pages 166 and 168.
<p>Section (B) 5 A person shall not hold offices as a Director of more than 20 companies/entities/institutions including subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act No.15 of 1995.</p>	Compliant	As of the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities.
<p>Section (B) 6 The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange. If the Company is unable to confirm compliance, disclose the reasons for its non-compliance and the action that will be taken to rectify the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company. (Listing Rule - Section 09, Corporate Governance is the New Requirement).</p>	Compliant	The Company's Parent Company (HNBA) has disclosed the Compliance status with Section 09 of the Listing Rules on pages 166 to 168 of the Annual Report and it is published on the Company and CSE websites within the given period.
<p>Section (B) 7 The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months.</p>	Not Applicable	No such situation has arisen during the year.
<p>Section (B) 8 (a) The Insurer should provide a certification from the company secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been approved by passing the resolution at the general meeting. Close relatives of the Director concerned and common Directors holding an ownership stake in the Company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to the age of 75 years, a fresh resolution shall be passed with the certification from the company secretary shall be submitted to the IRCSL.</p>	Not Applicable	No such situation has arisen during the year.
<p>Section B (8) (b) The insurer shall provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years is not prohibited by the Articles of Association of the relevant insurer and that such insurer complies with the provision of the Companies Act.</p>	Not Applicable	No such situation has arisen during the year.

RISK MANAGEMENT REVIEW

Risk Management is a systematic process that involves identifying, assessing, prioritising, and mitigating potential risks or uncertainties that could impact the achievement of an organisation's objectives. The primary goal of Risk Management is to minimise the negative impact of potential events and maximise opportunities. Effective risk management allows organisations to make informed decisions, allocate resources prudently, and enhance their ability to adapt to changing circumstances while safeguarding their interests.



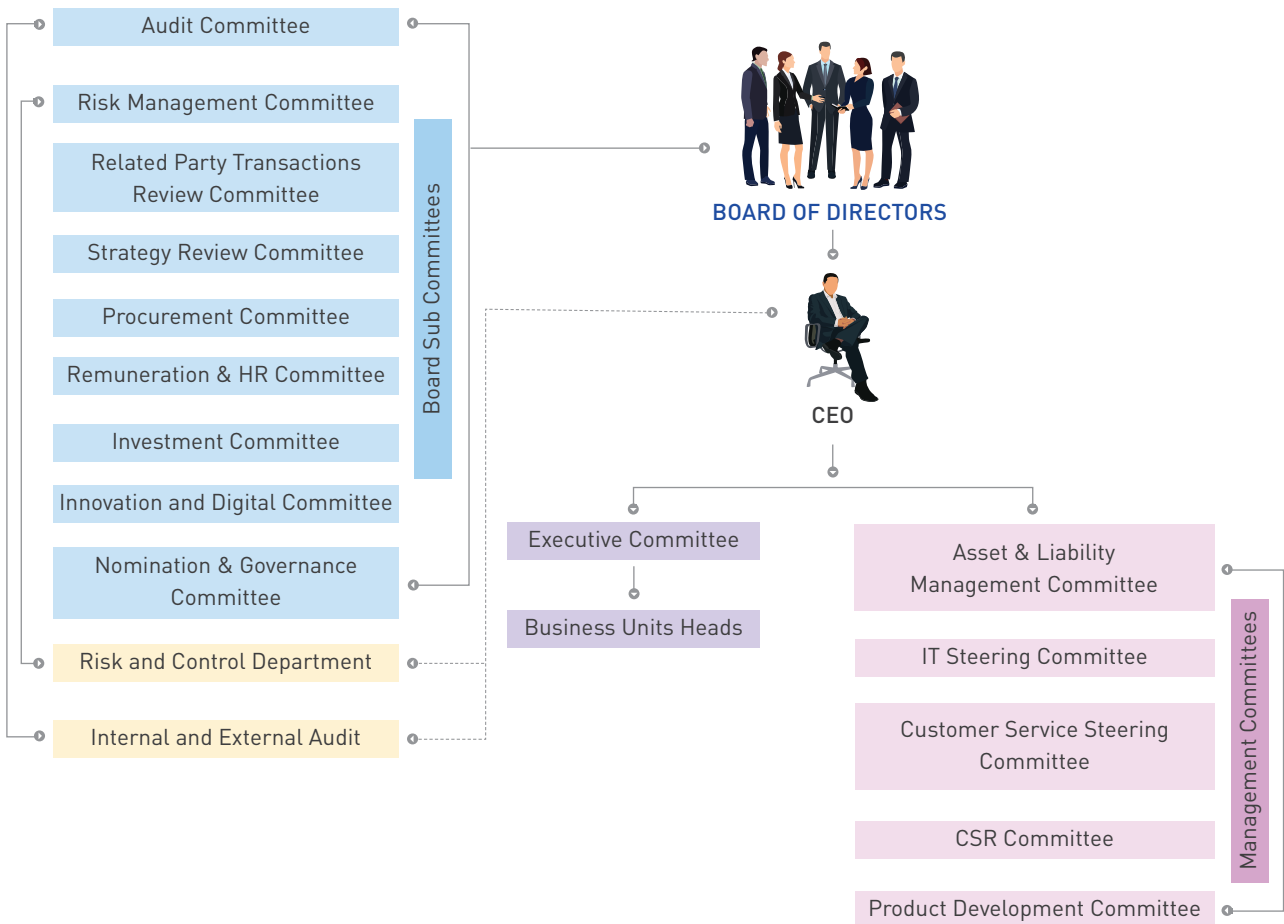
Our approach to Risk Management defines the spectrum of risks we are willing to embrace, aligning them with anticipated gains and strategic goals, while also identifying and categorically avoiding risks we cannot tolerate. This structured framework facilitates informed decision-making based on risk assessment, establishing clear boundaries and controls to uphold our risk appetite and ensure that our exposure remains within acceptable limits.

The organisation has established a Risk Management Framework with the following objectives.

- Evaluating HNBA's risk profile which is the combined extent of risks assumed by the Company in its pursuit of profitable business endeavours.
- Risk identification, assessment, response and mitigation planning, risk and control monitoring, and reporting to protect the interests of key stakeholders.
- Improving the Company's capacity to recognise and seize opportunities that yield favourable risk-adjusted returns through the provision of clear, precise, and prompt risk information.
- Embedding a risk awareness culture and encouraging risk-based decision-making in key management.
- Minimising the Company's vulnerability to unfavourable impacts by implementing risk thresholds.
- Compliance with regulatory mandates.
- Minimising the insurance risk, operation risk, investment risk, strategic risk, and reputation risk etc.

RISK GOVERNANCE FRAMEWORK

HNBA Group has adopted the Three Lines of Defence model to governance of risk and the roles and responsibilities for Risk Management within the Group as graphically set out below:



1st First Line of Defence

- Functions overseeing and navigating potential risks within the business.
- Recognising potential risks and upholding efficient internal control measures.
- Implementing daily routines for managing and overseeing risk and control protocols.

2nd Line of Defence

- Risk Management function that facilitates and monitors the implementation of effective risk management practices by business teams.
- Defining target risk exposure, reporting adequate risk-related information throughout the organisation.

3rd Line of Defence

- The Board receives thorough assurance through internal and external audits, ensuring independence and objectivity.
- Recommending improvements and corrective actions where necessary.
- Ensuring adequacy of risk controls and appropriate risk governance.

RISK MANAGEMENT REVIEW

MANAGING RISK

Effective risk management in the organisation is essential for making sound underwriting decisions, maintaining financial stability, complying with regulations, and safeguarding the Company's reputation. The Risk Management model of the Company comprises a four-stage continuous cycle consisting of several stages that guide us through the process of identifying, assessing, treating, and monitoring risks. It helps us stay proactive, ensuring we are well-prepared to address potential obstacles that may arise.

RISK MANAGEMENT LIFE CYCLE



Risk Identification

The process of discovering, recognising, and documenting the risk an organisation faces is the first of four processes that operate within the risk management life cycle.

Risk Assessment

Risk assessment is identifying and evaluating risk and its potential effects. Several techniques are used to assess this.

Risk Responses and Mitigation

Risk response focuses on the correct way to respond to risk. There are four commonly accepted options for risk response: Risk Acceptance, Risk Mitigation, Risk Sharing and Risk Avoidance.

Risk & Control Monitoring and Review

Reporting risk is the process of communicating real-time risk and performance data to different stakeholders. Monitoring risk is a continuous activity that results in creating risk awareness across the organisation.

RISK MANAGEMENT AT HNB ASSURANCE GROUP

Analysing KRIs

To proactively manage risks, enhance decision-making processes, and maintain a robust risk management framework in the dynamic and complex business environment Key Risk Indicators (KRIs) are analysed in regular intervals. Underwriting Losses, Claims Frequency and Severity, Reserve Adequacy, Investment Portfolio Volatility, Regulatory Compliance Violations, Catastrophe Risk Exposure, Liquidity, Operational Incidents, Reinsurance Recovery, and Customer Retention, are considered as KRIs. These act as early warning signals, providing timely alerts to potential risks before they escalate into significant issues. This early detection allows the organisation to take proactive measures to mitigate or manage the risks effectively.

Risk Assessments

Risk assessment is an iterative process embedded into the organisation's overall risk management framework. Regularly updating and refining the risk assessment ensures to remain relevant and effective in addressing the dynamic nature of risks.

Define Objectives > Identify Risks > Categorise Risks > Assess Probability > Assess Impact > Risk Scoring > Risk Mitigation Strategies > Evaluate Residual Risk > Monitoring and Review.

Risk Register

The Risk and Control Department maintains a Risk Register which is tabled at the Executive Committee, the Board Risk Management Committee, and the Board as a regular agenda item. It identifies the material risks faced by the Group/Company with regard to the core and supporting activities of the business.

The Risk Register plays a critical role in our Risk Management Strategy, enabling the conduct of qualitative and quantitative risk analysis, design of appropriate risk responses to monitor, and manage the risks.



Risk Appetite Statements

Risk appetite is an integral part of the Risk Management Framework as it defines the tolerance levels for types of risks. The Board considers the strategic business goals, the operating environment, stakeholder expectations, regulatory requirements, and the risk profile of the Group in determining the risk thresholds.

The Board and the Risk Management Committee monitor compliance with the risk tolerance limits to ensure that the risk profile of the Group is maintained at an acceptable level.

The Risk Appetite Statement identifies the Insurance, Credit, Market, Operational, Reputational and Strategic risks and sets out the appetite for each risk category.

<p>Insurance Risk</p> <p>The risk arises from inaccuracies in estimating optimal predictions or unforeseen variations in the frequency, magnitude, and timing of insurance obligations. This includes risks related to mortality, morbidity, and longevity, as well as difficulties in forecasting policyholder behaviour, such as persistence and effectively managing associated expenses.</p>	<p>Financial Risk</p> <p>Financial risk refers to a wide range of exposures that can affect a company's ability to fulfil its financial obligations or achieve its financial objectives. These risks are inherent to the financial operations of insurance companies and have the potential to significantly impact profitability, solvency, and overall financial health. Key categories of financial risk include Market Risk, Credit Risk, Liquidity Risk, and Investment Risk. Effective management of financial risk necessitates a comprehensive approach, integrating risk management practices into every aspect of financial operations to ensure resilience and stability.</p>	<p>Sustainability Risk</p> <p>Sustainability risks, particularly those linked to Environmental, Social, and Governance (ESG) considerations, are becoming increasingly critical in life and general insurance sectors. Climate change, widely regarded as the foremost long-term global risk, poses significant challenges for the insurance industry, including the growing likelihood of weather-related catastrophes leading to claims that exceed expectations. These risks highlight the necessity for the insurance sector to adapt by incorporating sustainability considerations into strategic planning, risk management, and operational frameworks. Beyond climate change, sustainability is also influenced by factors such as customer experience, corporate reputation, governance practices, data security and privacy.</p> <p>At HNBA/HNBGI, we have integrated ESG considerations into the Corporate Plan 2024, reflecting our commitment to proactively addressing sustainability risks. Monitoring these risks is an ongoing process, requiring collaboration across departments and alignment with the organisation's overall strategy. Our approach includes regularly revisiting and refining our sustainability strategies to ensure resilience and adaptability in the face of evolving challenges.</p>
<p>Reputation Risk</p> <p>The risk of potential or actual damage to the Company's image, which may impair its profitability and/or business sustainability.</p>	<p>Strategic Risk</p> <p>The risks to our business plan due to changes in various factors such as macro-economic factors, government policies, regulatory environment and tax regime.</p>	
<p>Operational Risk</p> <p>Operational risk refers to the potential loss or harm resulting from inadequate or failed internal processes, systems, people, or external events.</p>		

RISK MANAGEMENT REVIEW

INSURANCE RISK

Life Insurance Business

- Underwriting Risk
- Reinsurance Risk
- Claims Risk

Insurance risk is the likelihood of a claim incident occurring as well as the more general exposure relating to the acquisition and persistency of insurance business. Key risk drivers of the Life Insurance business are mortality rates, longevity, lapse rates, discount rates, distribution expenses and management expenses.

Underwriting Risk

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. It can include underestimated liabilities arising from unpaid business written in previous years and underpriced policies in current use.

Developments in 2024

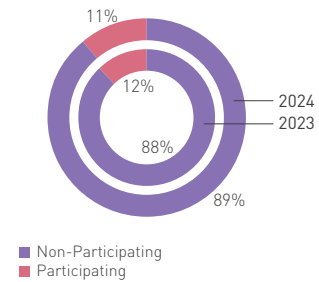
Rising inflation, taxation, political instability, high interest rates, and the country's economic challenges have significantly impacted disposable income and demand. However, these difficulties were addressed through the expansion and development of the sales force, the provision of exceptional customer experiences, and strategic technological transformations.

Risk Mitigation

- Diversification across a large portfolio of insurance contracts and geographical areas.
 - Segregation of duties between underwriting and sales, with underwriting centralised at the Head Office.
 - Underwriting limits are explicitly defined in the Manual of Financial Authority.
 - Optimal collaboration with our Consultant Actuary and Reinsurer to determine product terms and conditions, guaranteeing that pricing accurately reflects the risks covered.
 - Medical reports are sourced from registered laboratories, with regular reviews by the management to maintain service quality.
 - Underwriting is conducted in strict adherence to guidelines set by the reinsurers.
 - Focused training is provided to Insurance Advisors in Sinhala, Tamil, and English on proper selling techniques.
 - A 'Customer Needs Analysis' form is utilised to identify customer requirements and recommend the most suitable policies.

Risk Indicators

Par/ Non-Par Contribution



Further details on Underwriting Risk Management are given in Note 4.2.2.1.2 on page 260.



Reinsurance Risk

Refers to retention of risks beyond the Company's net retention capacity without having adequate reinsurance and the inability of reinsurers to meet their commitments due to insufficient financial strength.

Developments in 2024

The downgrading of sovereign risk and resultant withdrawal of re-insurers from the market affected the industry and there was difficulty in remitting reinsurance premiums due to the paucity of foreign exchange.

However, HNBA was not affected as its main reinsurers Munich-Re continued to operate in the market and HNBA was also able to remit its reinsurance premiums.

Despite this, reinsurance risk is elevated due to increased sovereign risk.

Risk Mitigation

- Strict adherence to reinsurers' guidelines and regulatory requirements.
- Regular restructuring of reinsurance agreements with reinsurers.
- Maintaining a close and professional relationship with all reinsurers.
- Engaging only with reinsurers whose ratings exceed regulatory requirements.
- Reviewing outstanding reinsurance receivables frequently.
- Continuous monitoring of changes in the ratings of reinsurance companies.

Risk Indicators

Reinsurer (Life)	Reinsurers Country of Origin	Credit Rating	Rating Agency
Munich-Re	Germany	AA-	Fitch
RGA	Dublin, Ireland	AA-	Standard & Poor's
Munich-Re Retakaful	Malaysia (Retakaful branch)	AA-	Fitch
Hannover Re	Germany	AA-	Standard & Poor's

Further details on Reinsurance Risk Management are given in Note 4.2.2.1.3 on page 261.

Claim Risk

Claim Risk refers to the risk of over or under payment of claims, the risk of not meeting the service standards set for claims payment process and claims cost exceeding the budgeted levels.

Developments in 2024

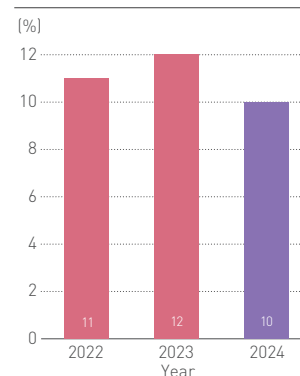
In 2024, high medical inflation exerted pressure on the claims risk. The availability of medicine was a key concern during the year due to the foreign exchange constraints. Lifestyle is a key concern for increasing claims risk in Life Insurance because it directly influences an individual's health and longevity.

Risk Mitigation

- An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year.
 - The in-house Actuarial Department closely monitors the Life Insurance business and guides management toward informed decision-making.
 - Claims are reserved immediately upon notification or receipt of information regarding death, injury, or illness of an insured.
 - Service standards for claim processing times are established and monitored by the management and the Board Risk Management Committee.
- Independent investigators are engaged to examine claims, ensuring the identification of potential fraudulent claims.
- Financial authority limits are defined based on claim limits, with the highest authority vested in the claims panel, which oversees decisions on significant, complex claims and appeals.

Risk Indicators

Claim Ratio without Maturities



Further details on Claim Risk Management are given in Note 4.2.2.1.4 on page 262.



RISK MANAGEMENT REVIEW

INSURANCE RISK

General Insurance

HNBGI primarily issues Motor, Fire, Engineering, Marine, Medical, Title, Workmen Compensation and Miscellaneous Insurance contracts. General Insurance contracts of the subsidiary are predominantly issued for one year. Exceptions include Marine Insurance contracts where the coverage period is less than one year, and Title Insurance and certain Fire and Engineering contracts which may be issued for a period exceeding a year.

Underwriting Risk

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. Underwriting risk could also arise due to a lack of understanding regarding changes in the environment such as the effect of climate change.

Developments in 2024

Restriction in vehicle imports and trade flows resulted in subdued demand for general insurance as Motor Insurance is the largest category in General Insurance.

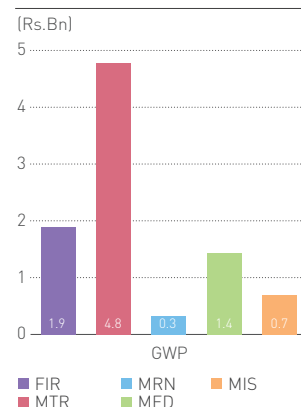
Increased interest in Medical Insurance supported growth in general insurance as the cost of healthcare increased significantly during the year. A comprehensive suite of products and experienced sales force enabled to drive growth in 2024.

Risk Mitigation

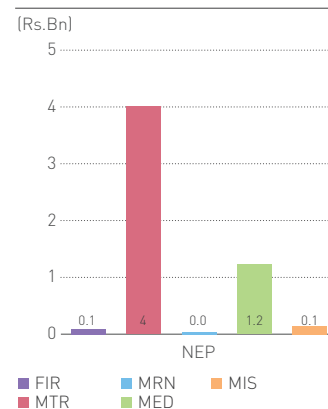
- Diversification across a large portfolio of insurance contracts and geographical areas.
- Sales and underwriting responsibilities are clearly separated, with all underwriting functions for both motor and non-motor managed centrally at the Head Office.
- Training and development programmes for underwriting staff and the distribution network team are facilitated through the General Insurance Academy, aimed at enhancing their technical knowledge and expertise.
- Careful selection and implementation of underwriting strategies to diversify risk by type and level of insured benefits.
- Maintenance of statistical databases on all customer profiles and regular review of loss-making customers.
- Strict control over the issuance of cover notes and limiting these to the 60-day validity period.
- The Manual of Financial Authority is available to guide underwriting limits.
- Carrying out risk surveys and portfolio reviews.
- A risk-based pricing mechanism has been implemented for motor insurance underwriting to ensure premiums align with the risk profile of each policy.
- Minimum premium levels have been established for specific vehicle categories.
- Staff incentive schemes are designed to account for both turnover and profitability.
- Average premium prices, the average claims cost, and the claims frequency are monitored daily to identify any changes in the business on an ongoing basis.

Risk Indicators

HNBGI GWP - Class-wise



HNBGI NEP - Class-wise



Further details on Underwriting Risk Management are given in Note 4.2.2.2.2 on page 263.



Claim Risk

Claim Risk refers to the risk of over or under payment of claims, risk of not meeting the service standards set for claims payment process, and claims cost exceeding the budgeted levels.

Developments in 2024

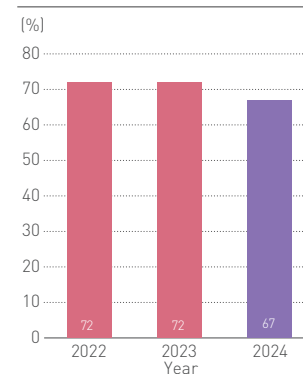
Claims risk was significantly impacted by the increasing cost of spare parts and repairs due to the devaluation of the rupee and the upward trend in inflation. The increased market value of vehicles due to the inability to import vehicles supported increased premiums, offsetting the higher cost of claims to a certain extent.

Risk Mitigation

- Motor claims engineering and motor claims processing functions have been segregated to ensure proper segregation of duties.
- The average size of the outstanding claims and a trend analysis on the claims outstanding amount are carried out to check any unusual movements in claims reserving.
- A qualified independent actuary is engaged semi-annually to assess the adequacy of reserves for Incurred But Not Reported (IBNR) and Incurred but Not Enough Reported (IBNER) claims.
- All third-party claims are reviewed separately by the Legal Department.
- Periodic closed file reviews are conducted to identify potential control lapses.
- Independent investigators are employed to examine claims and detect fraudulent claims.
- The number of on-site assessments for low-value motor claims is increased to enhance service quality and reduce administrative costs in the claims process.
- Financial authority limits are defined based on claim limits, with the maximum authority delegated to the claims panel responsible for decisions on significant or complex claims and appeals.

Risk Indicators

HNBGI Claims ratio



Further details on Claim Risk Management are given in Note 4.2.2.2.4 on page 264.



RISK MANAGEMENT REVIEW

Reinsurance Risk

Underwriting risk arises when premiums collected from policyholders are insufficient to cover claims should the insured event occur. This risk can be further exacerbated by a lack of understanding regarding environmental changes, such as the impact of climate change, which can affect the likelihood and severity of claims. It also refers to retention of risks beyond the Company's net retention capacity without having adequate reinsurance and the inability of reinsurers to meet their commitments due to insufficient financial strength.

Developments in 2024

Limitations in remitting foreign exchange and the withdrawal of reinsurers from the country necessitated a detailed review of reinsurance strategies during the year. However, we continue to maintain prudent levels of reinsurance in line with the Group Risk Appetite.

Risk Indicators

Reinsurer	Reinsurers Country of Origin	Credit Rating	Rating Agency
Arch Reinsurance Ltd	Bermuda	aa-	A M Best
The New India Assurance Co Ltd (IIO -Gift City Office)	India	bbb+	A M Best
New Reinsurance Company Ltd	Switzerland	aa	A M Best
National Insurance Trust Fund (NITF)	Sri Lanka (Government Entity)	bbb	Fitch Ratings
Lancashire Syndicates Limited (9329 at Lloyds)	UK	a+	A M Best
Antares Syndicate 1274 (AUL 1274 at Lloyds)	UK	a+	A M Best
Fidelis Underwriting Limited (Navium Marine Limited)	UK	a-	S&P
Best Meridian International Insurance Company SPC (Leader)	Cayman Islands	a-	A M Best
Ocean Consortium 4872	UK	a+	A M Best
MISR Insurance Company	Egypt	bbb	A M Best
The Asian Reinsurance Corporation	Thailand	bbb-	AM Best
Petro Vietnam Insurance Corporation (PVI)	Vietnam	a-	AM Best
PT Asuransi Tugu Pratama Indonesia	Indonesia	a-	AM Best
Hannover Ruck SE	Germany	aa	AM Best

Risk Mitigation

- Outstanding reinsurance receivables are reviewed frequently.
- A close and professional relationship is maintained with all reinsurers and reinsurance brokers.
- Confirmed reinsurance is secured before issuing the cover, except for certain selected classes written on a net basis.
- Only a globally trusted and stable portfolio of reinsurance companies is utilised.
- Changes in the ratings of reinsurance companies are continuously monitored.

Further details on Reinsurance Risk Management are given in Note 4.2.2.2.3 on page 263.

FINANCIAL RISKS

HNBA is exposed to financial risk from its portfolio of investments in financial instruments which are subject to credit risk, market risk and liquidity risk. The stability of the economy, fiscal and monetary policy, stability of the financial system, and vibrancy of capital markets impact the risk ratings. Appropriate policies and procedures have been established to manage these financial risks.

Credit Risk (Insurance Receivable and RI Receivable)

Uncertainty of the debtors' ability to meet obligations due to the Company.

Developments in 2024

Credit risk continues to remain at elevated levels due to stressful economic conditions. HNBA has increased monitoring of credit and supported debt collection through the call centre.

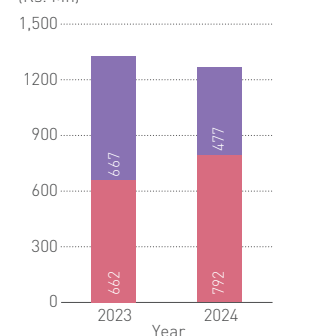
Risk Mitigation

- Premium outstanding is followed up meticulously.
- Policy cancellations are periodically reviewed, and the status of outstanding premiums is checked before settling claims.
- Premium receivables (RI) are periodically reviewed to ensure adequate impairment provisions are made.
- The creditworthiness of reinsurers is assessed during selection and their ratings are periodically reviewed.
- Outstanding balances are reviewed monthly to ensure that all dues are collected or set off against payables.

Risk Indicators

Credit Risk – Reinsurance Receivables - Group

(Rs. Mn)



■ Reinsurance Receivable on Claims Settled
■ Reinsurance Receivable on Outstanding Claims

Further details on Credit Risk Management are given in Note 4.2.3.3 on page 267.

Liquidity Risk

The inability of the Company to meet contractual obligations such as claim settlements and payments to reinsurers and other creditors due to the insufficient availability of cash and other liquid investments.

Developments in 2024

The Group has remained liquidity throughout the year with Capital Adequacy Ratio (CAR) well above regulatory requirements.

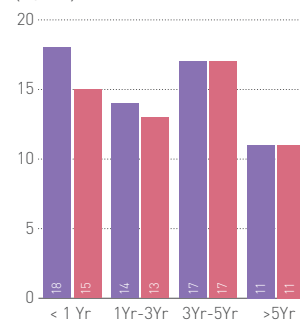
Risk Mitigation

- The Group adheres to the Asset and Liability Management (ALM) guidelines outlined in the Group Investment Policy, which is regularly reviewed by the Investment Committee.
- Guidelines are established for asset allocations, portfolio limit structures, and maturity profiles to ensure sufficient funding is available to meet insurance and investment contract obligations.
- The maturity mix of the investment portfolio is reviewed regularly by the management and the Investment Committee.
- The CAR is monitored periodically by the management and the Board.

Risk Indicators

Maturity Profile of Assets and Liabilities - Group

(Rs. Bn)



■ Assets
■ Liabilities

Further details on Liquidity Risk Management are given in Note 4.2.3.4 on page 272.



RISK MANAGEMENT REVIEW

Credit Risk (Financial Instruments)

The risk of a loss due to counterparty's failure to meet its contractual obligations.

Developments in 2024

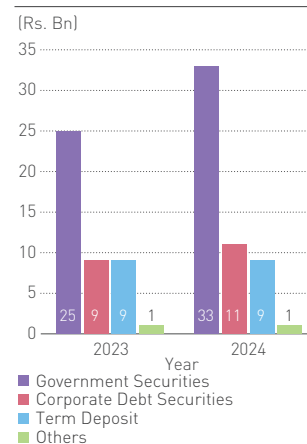
As stressed economic conditions continued, HNBA adopted a cautious approach to investments in financial instruments, by investing only in Investment Grade rated entities/instruments. This risk was carefully monitored to optimise earnings while balancing risks.

Risk Mitigation

- Investments are made only with entities that meet the minimum credit rating requirements outlined in the Investment Policy.
- Investments in entities outside these limits are conducted only with explicit approval from the Investment Committee.
- All investments in Corporate Debt Instruments, whether rated or not, are done after carrying out a detailed evaluation by the investment management team, who recommends investments for approval by the Chief Investment Officer, CEO or the Investment Committee according to the limits of authority pertaining to investments.
- Single party exposure limits are determined based on credit ratings and regulatory requirements and are closely monitored at various levels.
- Master Repo Agreements are signed with all primary dealers to ensure zero default risk for Government Securities purchased through them in the event of their bankruptcy.
- Custodian arrangements for Government Securities are maintained with Hatton National Bank PLC.

Risk Indicators

Concentrations of Credit Risk - Financial Instruments



Further details on Credit Risk Management are given in Note 4.2.3.3 on page 267.

Foreign Currency Liquidity Risk

The inability of the Company to meet foreign currency contractual obligations such as claim settlements and payments to reinsurers and other creditors due to the insufficient availability of foreign currency.

Developments in 2024

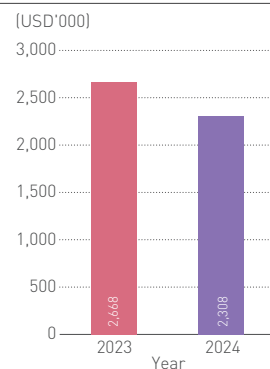
HNBA earns premiums in Sri Lankan rupees but needs to pay reinsurance premiums in foreign currency to its overseas reinsurers. HNBA was able to pay the reinsurance premiums despite the foreign currency liquidity crisis in 2022.

Risk Mitigation

- The Group has successfully made all necessary payments up to the date of the report.
- Foreign exchange requirements are planned by holding early discussions with bankers.
- As part of the HNB Group, HNBA benefits from the expertise of one of the largest banks in the country.

Risk Indicators

Foreign Currency Liquidity - Assets



Further details on Market Risk Management are given in Note 4.2.3.5 on page 276.



Market Risk

Market risk is the volatility in the fair value of a financial instrument's future cash flows due to shifts in market prices. Market risk comprises interest rate risk, equity price risk and currency risk. As exposure to currency risk is minimal, this has not been elaborated further, except for the sensitivity disclosed below.

Developments in 2024

The slight decrease in interest rates in 2024 resulted in higher asset values. However, the appreciation of the currency is expected to impact dollar denominated investments although our exposure is minimal. Moreover, the performance of the Colombo Stock Exchange will have limited impact on earnings due to minimal exposure to equity price risk.

Risk Indicators

Rs.Mn.	Interest Rate Risk		Equity Price Risk		Currency Risk	
Exposure	2023	2024	2023	2024	2023	2024
Assets	49,055	60,098	218	834	864	676
Liabilities	3,011	3,737				-

Sensitivity Rs Mn	Yield Curve 100% bps		ASPI 10%		Exchange rate 5%		Total	
	PBT	Equity	PBT	Equity	PBT	Equity	PBT	Equity
Increase/ Strengthening	-	(432)	15	68	(34)	(24)	(18)	(388)
Decrease/ Weakening	-	452	(15)	(68)	34	24	18	408

Risk Mitigation

- ALM guidelines are reviewed regularly by the Investment Committee.
- Continuous monitoring of macroeconomic changes by the Investment Committee and Risk Committee.

Further details on Market Risk Management are given in Note 4.2.3.5 on page 276.

RISK MANAGEMENT REVIEW

Interest Rate Risk

The risk of fluctuations in the fair value or future cashflows of investments due to a change in market interest rates. This may result in underachievement of investment income, a fall in fund value and an inability to meet solvency standards as a result of a fall in bond prices due to a rise in interest rates.

Developments in 2024

Interest rates decreased slightly during the year.

Risk Indicators

Exposure 2024				Rs Mn
	Variable Interest Rate	Fixed Interest Rate	No Interest bearing	Total
Assets	-	54,331	5,767	60,098
Liabilities	329	561	2,847	3,737

Sensitivity	Impact on PBT	Impact on Equity
100 bps Parallel Increase in All Yield Curves	-	(432)
100 bps Parallel Decrease in All Yield Curves	-	452

Risk Mitigation

- The Group adheres to the Asset and Liability Management (ALM) guidelines outlined in the Group Investment Policy.
- Macroeconomic indicators and their impact on the Group's Investment Portfolio are closely monitored regularly by the Management, Investment Committee, and the Risk Management Committee.
- Adjustments to asset allocation and maturity mix of investments are made periodically as necessary.
- Investments are classified into different categories, as required by SLFRS/LKAS standards, based on both the intention and ability of the Company to hold such investments.

Further details on Interest Rate Risk Management are given in Note 4.2.3.5 (a) on page 276.

Equity Risk

The risk of fluctuations in equity investments due to change in equity market prices

Developments in 2024

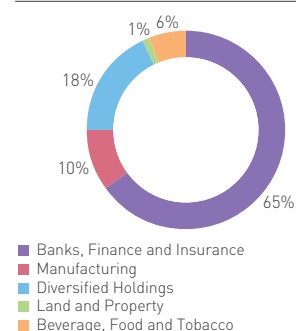
The country's expected slow recovery from the economic crisis and steep decrease in interest rates weighed on the performance of the Colombo Stock Exchange with ASPI moving up.

Risk Mitigation

- Total exposure to equity investments is maintained within the agreed target asset allocation and sectoral equity limits.
- Investments are primarily made in fundamentally sound stocks, identified through an evaluation process conducted by the investment management team.
- Equity portfolios are reviewed quarterly by the Investment Committee.
- The impact of market movements and sensitivity is periodically monitored, while tracking impact sensitivities.

Risk Indicators

Equity Portfolio Diversification



Further details on Equity Risk Management are given in Note 4.2.3.5 (b) on page 279.

OPERATIONAL RISK

- Human Resource Risk
- Fraud Risk
- Cyber Security Risks

Operational risk is the possibility of incurring losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes fraud, business interruptions, inaccurate processing of transactions, and non-compliance with regulations.

HR Risk - Staff Turnover

Definition: Increased staff turnover, particularly the loss of skilled employees due to higher salaries or migration.

Developments in 2024

Labour migration in the professional category has increased significantly. Professionals often migrated in search of better quality of life, career advancement, and higher income due to the economic conditions in Sri Lanka. The net migration rate for Sri Lanka in 2024 was 3.077 per 1000 population, a 1.29% decline from 2023. In addition, advances in technology and the ability to work remotely have influenced professionals to seek opportunities in different countries.

Risk Mitigation

- Employees are motivated through reward schemes and ongoing training.
- Counselling support is provided to employees as needed.
- Exit interviews are conducted, and induction programmes are periodically carried out.
- Staff turnover analysis is regularly reviewed by the Management and the Board.
- Employee surveys are conducted periodically to gather feedback.
- Periodic salary surveys are performed to ensure competitive compensation for staff.
- Qualified and experienced professionals are recruited from the industry.

Fraud Risk

Definition: Fraud risk commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery, and extortion.

Developments in 2024

Fraud risk remained unchanged in 2024 due to the economic condition of Sri Lanka. The core inflation rate in Sri Lanka decreased slightly from 3.00 to 2.70 in November 2024.

Risk Mitigation

- Internal audits are regularly carried out in areas which are susceptible to fraud.
- The Risk and Control Department continuously monitors areas that are most vulnerable to business risks.
- Internal policies and procedures are strengthened to enhance the overall risk management.



RISK MANAGEMENT REVIEW

Cyber Risk

Definition: Cybersecurity risk refers to an organisation's vulnerability to losses due to a cyber-attack or data breach.

Developments in 2024

With the digital landscape constantly evolving, dealing with cyber risks and vulnerabilities is a new challenge. The Global Risk Report 2024 places "Navigating the growing threat of cyber insecurity" among the top 10 risks. The insurance sector frequently finds itself in the crosshairs, underscoring the need to comprehend the risk factors of cybersecurity for insurance companies.

Risk Mitigation

- Hardware components and licensed software are upgraded, and the latest technology is applied when required and available.
- A quality assurance mechanism is implemented for the acceptance of third-party and fourth-party services.
- Regular user access reviews and penetration tests are conducted to ensure system security.
- Continuous awareness programs are carried out to promote security best practices.
- Strong endpoint protection solutions are employed to safeguard against threats.
- Sensitive data is encrypted to ensure privacy and security



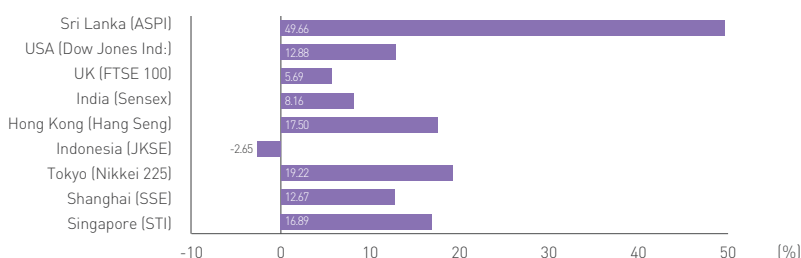
INVESTOR INFORMATION

At HNBA, we consider it our top priority to provide our investors with prompt and accurate information, enabling them to make well-informed decisions regarding the performance of the Company's listed shares.

THE COLOMBO STOCK EXCHANGE PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2024

The Colombo Stock Exchange (CSE) exhibited a dynamic performance throughout 2024, marked by periods of both volatility and strong growth. During the first half of the year, the market sent mixed signals primarily due to policy uncertainties linked to the impending election cycle scheduled for the last quarter. However, the conclusion of the elections brought about enhanced political and social stability, significantly boosting investor confidence. This shift, coupled with completion of the Debt restructuring, declining interest rates, deflationary trends, and disciplined monetary and fiscal policies aligned with IMF program, propelled the All Share Price Index (ASPI) beyond the 15,000 mark. By the end of 2024, the ASPI had surged by an impressive 49.66% compared to the previous year, underscoring the market's robust recovery.

Key Equity Indices



Source : Bloomberg

Sector-wise, the banking and finance sectors were at the forefront of this growth, benefiting from improved profitability and renewed trust in the financial system. The consumer goods sector also experienced a resurgence as inflation eased and domestic demand strengthened. Additionally, the energy and other similar sectors recorded notable gains due to increased stability in power generation and oil imports. These developments contributed to broad-based market growth, even amidst ongoing global concerns such as inflationary pressures and currency volatility.

Looking ahead, maintaining lower interest rates will be crucial to support credit growth and achieve the projected GDP growth targets for 2025 and beyond. A lower interest rate environment is likely to further enhance equity market performance as investors shift preference from fixed-income

securities to equities. The reduction in political uncertainties, alongside improved investor confidence, a strong macroeconomic environment, has firmly positioned the CSE on a positive trajectory. Credit rating upgrades, a stable exchange rate, and an investor-friendly environment will also drive the market positively. These factors collectively signal a promising outlook for Sri Lanka's equity market in the coming years.

Rs. 5,695.56 Bn
CSE Market Capitalisation
(2023: Rs. 4,248.93 Bn)
+34%

Rs. 2.24 Bn
CSE Daily Average Turnover
(2023: Rs.1.70 Bn)
+32%

Rs. 537.64 Bn
CSE Total Turnover
(2023: Rs. 410.63 Bn)
+31%

USD 33 Mn
CSE Net Foreign Inflow
(2023: USD 18 Mn)
+83%

PERFORMANCE OF HNB ASSURANCE PLC (HASU)

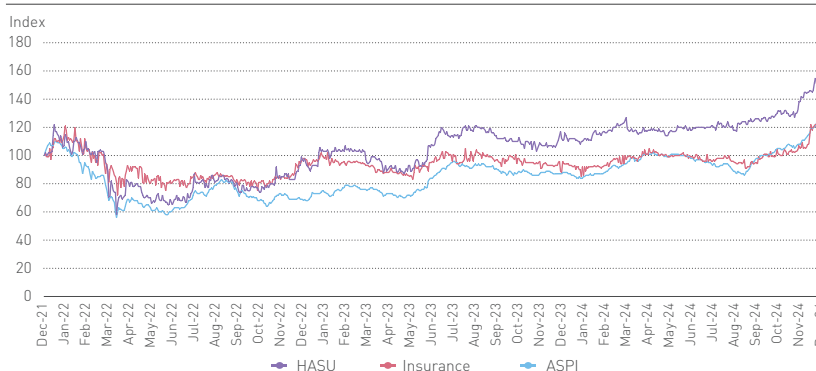
In 2024, HASU remained an actively traded stock, engaging significantly in market activity on 239 out of 240 available trading days.

During the year, a total of 6.04 million shares were traded, and the share price surged by 42%, reaching LKR 80.10 at year-end, following a 32% increase in 2023. Amidst volatile market conditions, HASU's share price fluctuated between a peak of LKR 82.00 and a low of LKR 52.10, ultimately closing at LKR 80.10 on 31st December 2024. This resulted in a market capitalisation of LKR 12.02 billion

STOCK EXCHANGE LISTING

Listed on the Main Board of CSE Code:
HASU.N0000

HASU Performance Vs Market





INVESTOR INFORMATION

STATED CAPITAL

The number of shares representing the Company's Stated Capital is given below.

Stated Capital	Number of Shares	Class of Shares	Voting Rights
Rs. 1,171,875,000	150,000,000	Ordinary Shares	One Vote per Ordinary Share

MOVEMENT IN SHARE CAPITAL

Year	Detail	Basis	No. of Shares (000')	Share Capital (Rs.000')
2002	Prior to Public Issue	-	25,000	250,000
2003	Public Issue	-	-	-
2007	Bonus Issue	1:2	12,500	125,000
2011	Capitalisation of Reserves	1:6	6,250	406,250
2011	Rights Issue	1:7	6,250	390,625
2020	Subdivision	1:3	100,000	-
Total			150,000	1,171,875

SHARE PERFORMANCE

	2024	2023	2022	2021	2020
Market Capitalisation (Rs. Mn.)					
HASU	12,015	8,490	6,435	7,260	8,730
CSE	5,695,560	4,248,935	3,847,153	5,489,168	2,960,650
Market Price per share (Rs.) – Company					
Highest	82.00	59.00	62.50	64.00	178.00*
Lowest	52.10	42.00	28.00	42.30	55.10
Year-end (VWA)	80.10	56.60	42.90	48.40	58.20

*The highest share price recorded is prior to the subdivision of shares, including share prices prior to 2020.

SHARE TRADING

	2024	2023	2022	2021	2020
Number of Transactions	4,787	7,389	9,139	14,186	7,760
Number of Shares Traded	6,044,851	10,429,700	11,009,317	20,157,342	6,502,845
Value of Shares Traded (Rs.)	372,282,994	551,191,752	523,084,080	1,049,843,639	627,625,766

SHARE PERFORMANCE RELATED RATIOS

	2024	2023	2022	2021	2020
Number of Shares in Issue (Mn.)	150.00	150.00	150.00	150.00	150.00
Basic Earnings per share (Rs.) – Group	12.65	11.76	12.20	8.16	7.83
Basic Earnings per share (Rs.) – Company	11.04	10.76	9.89	6.67	4.83
Net Asset Value per share (Rs.) – Group	83.45	68.51	51.99	54.15	54.63
Price to Book Value (Rs.)	0.96	0.83	0.83	0.89	1.07
Price to Earnings (Times)	6.33	4.81	3.52	5.93	7.43
Dividend Payout Ratio (%)	35	36	37	48	58
Dividend per share (Rs.)	3.90	3.90	3.65	3.20	2.80
Dividend Payment (Rs. Mn.)	585.00	585.00	547.50	480.00	420.00

The Company has not issued any debt securities. Accordingly, debt related ratios are not applicable to the Company.

BASIC EARNINGS PER SHARE

Earnings per Share (EPS) indicates how much money a Company makes for each share of its stock. HASU (Company) recorded healthy and steady EPS of Rs. 11.04 in the year 2024, with a Year-on-Year increase of 3% (2023: Rs. 10.76), while the Group recorded an EPS of Rs. 12.65 in the year 2024 with a 7% increase (2023: Rs. 11.76).



PRICE EARNINGS RATIO

Price earnings ratio has increased by 32% in 2024 against the previous year to 6.33 times from 4.81 times recorded in 2023, which shows the number of times to EPS required to cover the investment on HASU.

SHAREHOLDING

There were 3,896 registered Shareholders as at 31st December 2024 (2023 - 4,159).

a) Distribution and Composition of Shareholding

Distribution and composition of Shareholders as at 31st December 2024

Shareholding	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of shares	No. of Shareholders	No. of shares	% on Total No. of shares	No. of Shareholders	No. of shares	% on Total No. of shares
1-1,000 Shares	1,825	551,658	0.37%	7	1,827	0.00%	1,832	553,485	0.37%
1,001-10,000 Shares	1,477	5,460,234	3.64%	9	28,020	0.02%	1,486	5,488,254	3.66%
10,001-100,000 Shares	506	13,176,920	8.78%	6	224,648	0.15%	512	13,401,568	8.93%
100,001-1,000,000 Shares	49	12,828,012	8.55%	3	400,849	0.27%	52	13,228,861	8.82%
Over-1,000,000 Shares	13	115,968,832	77.31%	1	1,359,000	0.91%	14	117,327,832	78.22%
Total	3,870	147,985,656	98.66%	26	2,014,344	1.34%	3,896	150,000,000	100.00%

b) Analysis of Shareholders

i. Resident/Non-Resident

	31st December 2024			31st December 2023		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	3,870	147,985,656	98.66	4,128	148,750,594	99.17
Non-Resident	26	2,014,344	1.34	31	1,249,406	0.83
Total	3,896	150,000,000	100.00	4,159	150,000,000	100.00

ii. Individual /Institutional

	31st December 2024			31st December 2023		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	3,763	29,426,337	19.62	4,002	29,598,123	19.73
Institutional	133	120,573,663	80.38	157	120,401,877	80.27
Total	3,896	150,000,000	100.00	4,159	150,000,000	100.00

PUBLIC SHAREHOLDING

The details of the public shareholding as at 31st December are given below.

	2024		2023	
	Shareholders	% on Total No. of Shareholders	% on Total No. of Shareholders	No. of Shares
Number of Shareholders	3,893	99.92	4,154	99.88

	2024		2023	
	Shareholders	% on Total No. of Shareholders	% on Total No. of Shareholders	No. of Shares
Public Shareholding	60,020,002	40.01	59,827,378	39.88
Float Adjusted Market Capitalisation* [Rs.]	4,807,602,160		3,386,229,594	

The Company complies with the minimum public Shareholding requirement under option 4 of section 7.14.1 (a) of the Listing Rules.

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



INVESTOR INFORMATION

TOP 20 SHAREHOLDERS

The 20 largest Shareholders as at 31st December 2024 together with their shareholding as at 31st December 2023 are given below

	2024		2023	
	Shareholding	% on Issued Shares	Shareholding	% on Issued Shares
1. Hatton National Bank PLC A/C No 1	89,979,000	59.99	89,979,000	59.99
2. Ceylon Guardian Investment Trust PLC A/C # 02	7,018,794	4.68	7,018,794	4.68
3. Employees Trust Fund Board	3,539,125	2.36	3,928,151	2.62
4. J.B. Cocoshell (Pvt) Ltd	2,054,172	1.37	1,554,598	1.04
5. Ceylon Investment PLC A/C # 02	1,712,174	1.14	1,712,174	1.14
6. Thread Capital (Private) Limited	1,644,342	1.10	1,542,402	1.03
7. Mr. M.F. Hashim	1,634,167	1.09	1,634,167	1.09
8. Mrs. A. Selliah	1,500,000	1.00	1,500,000	1.00
9. Mrs. A. Kailasapillai	1,500,000	1.00	1,500,000	1.00
10. Mr. V. Sharda	1,359,000	0.91	609,000	0.41
11. Arunodhaya Investments (Private) Limited	1,350,000	0.90	1,350,000	0.90
12. Arunodhaya Industries (Private) Limited	1,350,000	0.90	1,350,000	0.90
13. Arunodhaya (Private) Limited	1,350,000	0.90	1,350,000	0.90
14. Rubber Investment Trust Ltd A/C No 01	1,337,058	0.89	1,337,058	0.89
15. Andysel Private Limited	750,000	0.50	750,000	0.50
16. Corporate Holdings (Private)Limited A/C No.01	735,309	0.49	735,309	0.49
17. Alliance Finance Company PLC	615,333	0.41	*	*
18. Dr. S. Selliah	600,000	0.40	600,000	0.40
19. Seylan Bank PLC/G.A Bhanuka Harischandra	596,442	0.40	*	*
20. Corporate Holdings (Pvt)Ltd A/C No.02	573,969	0.38	573,969	0.38
	121,198,885	80.81		
Other Shareholders	28,801,115	19.19		
Total Shareholders	150,000,000	100		

*Not included in the top 20 shareholder list in year 2023

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

The details of the Directors' and Chief Executive Officer's shareholding at the beginning and at the end of the year are given below.

Name of Director	No. of Shares held as at 31st December	
	2024	2023
Mr. S A Chapman - Chairman	500	500
Ms. M A R C Cooray - Former Chairperson*	N/A	112,624
Mr. A Goonesekere	Nil	Nil
Mr. L U D Fernando	Nil	Nil
Mr. L H A L Silva	Nil	Nil
Dr. P S Gamwarige	Nil	Nil
Mr. P R Saldin	Nil	Nil
Prof. A K W Jayawardane	Nil	Nil
Mr. R A Ebell**	N/A	80,000
Mr. Lasitha Wimalaratne - Chief Executive Officer	Nil	Nil

* Ms. M A R C Cooray has retired w.e.f. 23rd May 2024

** Mr. R A Ebell has resigned w.e.f. 31st December 2023



COMPLIANCE WITH DISCLOSURE REQUIREMENTS AS PER THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE (CSE) SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

As required by the Listing Rules, the Audited Financial Statements for the year ended 31st December 2023 were submitted to the CSE on 11th March 2024. The Interim Financial Statements of the 4th Quarter, for the year/quarter ended 31st December 2023, was submitted to the CSE on 19th February 2024. The Audited Financial Statements for the year ended 31st December 2024 will be submitted to the CSE within three months of the reporting date in line with the requirements of the CSE.

DISCLOSURES IN THE ANNUAL REPORT AS PER SECTION 7.6 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Number	Requirement	Details	Status
7.6 (i)	Names of persons who during the financial year were Directors of the Entity.	The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 219.	Complied
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein.	The principal activities of the Company and its subsidiary during the year are given in the Annual Report of the Board of Directors and Note 1.3 in Accounting Policies on page 241 respectively.	Complied
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	The 20 largest Shareholders as at 31st December 2024 together with their shareholding as at 31st December 2023 is given on page 190.	Complied
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public Shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	The details of the public shareholding and float adjusted market capitalisation as at 31st December 2024 are given on page 189.	Complied
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.	Shareholding of Directors and Chief Executive Officer is given on page 190.	Complied
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	Information pertaining to material foreseeable risk factors is given on the Risk Management Report from pages 172 to 186.	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	The Company did not encounter any material issues pertaining to employees and industrial relations during the year.	Complied
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Our fully owned subsidiary, HNB General Insurance, owns land and a building that has a cost of Rs. 68.6 Mn and a value of Rs. 82 Mn as at 31st December 2024. Further details are provided in Note 8.5 to the Financial Statements on pages 306 and 307.	Complied
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Details on Company shares and share capital are given on page 188.	Complied
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories.	Distribution schedule of the number of holders and percentage holding is given on page 189.	Complied
7.6 (xi)	Ratios and market price information.	Given on page 188.	Complied
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	The Company uses the cost method as the accounting policy for maintaining records of Property, Plant and Equipment and the market value of such assets is considered not materially different to the book value. Details relating to the changes in the Company's fixed assets are given on Note 8 to the Financial Statements on pages 302 to 308.	Complied



INVESTOR INFORMATION

Rule Number	Requirement	Details	Status
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities.	The Company did not raise funds to increase its Stated Capital during the year.	Complied
7.6 (xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	There are no 'Employee Share Option Schemes' or 'Employee Share Purchase Schemes' in the Company.	Complied
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 09 of the Rules.	Disclosures pertaining to Corporate Governance practices in terms of Section 09 of the rules are given in the Corporate Governance Report on pages 166 and 168.	Complied
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.	There were no individual transactions exceeding the limit of 10% of the Equity or 5% of the total assets during the year with any related party of the Company. However, all related party transactions at aggregate level have been disclosed under Note 50 to the Financial Statements on pages 369 to 373.	Complied
DISCLOSURE IN THE ANNUAL REPORT AS PER SECTION 9.14.8 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE			
Rule Number	Requirement	Details	Status
9.14.8 (1)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements	There were no non-recurrent related party transactions exceeding the aggregate limit of 10% of the Equity or 5% of the Total Assets. All related party transactions at aggregate level have been disclosed under Note 50 to the Financial Statements on pages 369 to 373.	Complied
9.14.8 (2)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year	There were no recurrent related party transactions exceeding the aggregate limit of 10% of the Gross Written Premium. The Government of Sri Lanka and its related entities, where the aggregate amount of transactions have exceeded 10% of the Company's Gross Written Premium. Government of Sri Lanka has considered as a related entity of the Company considering the significant influence it has on the ultimate parent company, Hatton National Bank PLC. The terms and conditions of transactions carried out with the Government of Sri Lanka and its related entities were similar to those applicable to the general public. Details of transactions with the Government of Sri Lanka and its related entities are given on page 373 under Note 50 to the Financial Statements.	Complied
9.14.8 (3)	Contain a report by the Related Party Transactions Review Committee, setting out the names of the Directors comprising the Committee; A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and communicated its comments/ observations to the Board of Directors. The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.	Please refer the Related Party Transactions Review Committee Report on pages 204 and 205	Complied
9.14.8 (4)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Please refer page 221 for the confirmation by the Directors on compliance with the rules pertaining to Related Party Transactions	Complied



COMPLIANCE SUMMARY

ANNUAL REPORT DISCLOSURE REQUIREMENTS AS PER THE COMPANIES ACT, NO. 07 OF 2007

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Relevant section in this Annual Report
Nature of the business of the Company and its subsidiary	Section 168 (1) (a)	Please refer page 217
Signed Consolidated Financial Statements of the Group for the accounting period completed	Section 168 (1) (b)	Please refer page 217
Auditors' Report on Consolidated Financial Statements of the Group	Section 168 (1) (c)	Please refer page 221
Changes in Accounting Policies made during the accounting period - Group and the Company	Section 168 (1) (d)	Please refer page 217
Particulars of entries in the Interests Register of the Company during the accounting period	Section 168 (1) (e)	Please refer page 220
Remuneration and other Benefits paid to the Directors of the Company and its subsidiary during the accounting period	Section 168 (1) (f)	Please refer page 221
Total amount of Donations made by the Company	Section 168 (1) (g)	Please refer page 223
Information on the Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Please refer page 219
Amounts payable to the Auditor as audit fees and fees for other services rendered to the Company and its subsidiary during the accounting period as a separate disclosure	Section 168 (1) (i)	Please refer page 221
Auditors' relationship or any interest with the Company and its subsidiary	Section 168 (1) (j)	Please refer page 221
Annual Report of the Board signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Please refer page 223

DISCLOSURE REQUIREMENTS AS PER SCHEDULE - P OF THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Subject	Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Relevant section in this Annual Report
A. Annual Report	Chairman and CEO	A.2.1 and A.5.7	Please refer page 152
	Board Balance	A.5.5	Please refer page 152
	Appointment of New Directors	A.7.4	Please refer page 153
	Appraisal of Board Performance	A.9.4	Please refer page 154
	Board Related Disclosures	A.10.1	Please refer page 154
	Disclosure of Remuneration	B.3 and B.3.1	Please refer page 156
	Major and Material Transactions	C.3 , C.3.1 and C.3.3	Please refer page 157
	Risk Management & Internal Control	D.1.5, D.2.1.7, D.2.2.1, D.4.5	Please refer page 159 and 160
	Audit Committee	D.3.3	Please refer page 160
	Code of Business Conduct and Ethics	D.6.1, D.6.4 and D.6.7	Please refer page 161
	Communication with Shareholders	C.2.2, C.2.3,C.2.4,C.2.5, C.2.6,C.2.7	Please refer page 156
	Sustainability: ESG Disclosures	H.5, H.5.2, H.5.3	Please refer page 163
B. Remuneration Committee Report	Members of Remuneration Committee	B.3.1	Please refer page 154
C. Directors' Report	Directors' Report	D.1.4	Please refer page 158
D. Financial Statements	Financial Statements	D.1.5	Please refer page 158
	Related Party Transactions	D.1.8	Please refer page 159
E. Management Report	Management Report	D.1.6	Please refer page 158
F. Corporate Governance Report	Corporate Governance Report	D.7.1	Please refer page 161
G. Audit Committee Report	Audit Committee Report	D.4.5, D.3.3	Please refer page 160
H. Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report	D.5.3	Please refer page 161
I. Statement on Internal Control	Statement on Internal Control	Schedule I	Please refer pages 158 and 160



COMPLIANCE SUMMARY

REGULATORY REPORTS SUBMITTED TO IRCSL IN 2024

Submissions to IRCSL	Date of Submission		Deadline set by IRCSL
	HNB Assurance PLC	HNB General Insurance Limited	
Annual Audited Financial Statement for the year ended 31st December 2023	19th March 2024	30th April 2024	30th April 2024
Annual Statutory Returns for the year ended 31st December 2023	30th April 2024	30th April 2024	30th April 2024
Circular 29 Auditor's Compliance Certificate	30th April 2024	30th April 2024	30th April 2024
Risk Assessment Report	30th April 2024	30th April 2024	30th April 2024
Quarterly Returns and Compliance Certifications			
31st December 2023 (4th Quarter)	30th January 2024	30th January 2024	30th January 2024
31st March 2024 (1st Quarter)	30th April 2024	30th April 2024	30th April 2024
30th June 2024 (2nd Quarter)	30th July 2024	30th July 2024	30th July 2024
30th September 2024 (3rd Quarter)	30th October 2024	30th October 2024	30th October 2024
Statement of Reinsurance Arrangements	30th January 2024	31st January 2024	31st January 2024
Certified Copies of all Cover Notes in respect of Reinsurance Treaties	30th January 2024	15th March 2024	15th March 2024
Actuarial Report and Abstracts	30th April 2024	30th April 2024	30th April 2024
Management Letter issued by the External Auditors for year ended 31st December 2023	30th April 2024	30th April 2024	30th April 2024
Information on Complaints handling and related performance (bi-annual basis submission)	30th January 2024	29th January 2024	30th January 2024
	30th July 2024	29th July 2024	30th July 2024

REGULATORY RETURNS SUBMISSION AND PAYMENTS OF THE COMPANY/GROUP

Information	Frequency of Submission	Compliance Status
Insurance Regulatory Commission of Sri Lanka (IRCSL)		
Annual Fee	Annually	Complied
CESS Payment	Quarterly	Complied
Colombo Stock Exchange (CSE)		
Listing Fee	Annually	Complied
Department of Inland Revenue		
Income Tax Payment	Quarterly	Complied
Income Tax Return	Annually	Complied
PAYE Tax Payment	Monthly	Complied
PAYE Tax Return	Annually	Complied
Value Added Tax (VAT) Payment	Monthly	Complied
Value Added Tax (VAT) Return	Quarterly	Complied
Stamp Duty Payment and Return	Quarterly	Complied
Social Security Contribution Levy Payment	Monthly	Complied
Social Security Contribution Levy Return	Quarterly	Complied
With Holding Tax (WHT) Payment	Monthly	Complied
Central Bank of Sri Lanka (CBSL)		
EPF Payment and Return	Monthly	Complied
Employees' Trust Fund Board		
ETF Payment and Return	Monthly	Complied
Registrar General of Companies		
Annual Accounts	Annually	Complied
Annual Returns	Annually	Complied
Change of Directors and Company Secretary (Form 20)	As required	Complied
National Council for Road Safety		
Contribution to Road Safety Fund Payment	Monthly	Complied
Commissioner of Motor Traffic		
Luxury and Semi Luxury Tax Payment	Monthly	Complied
National Insurance Trust Fund (NITF)		
Crop Insurance Levy	Quarterly	Complied



FINANCIAL CALENDAR

DIVIDEND

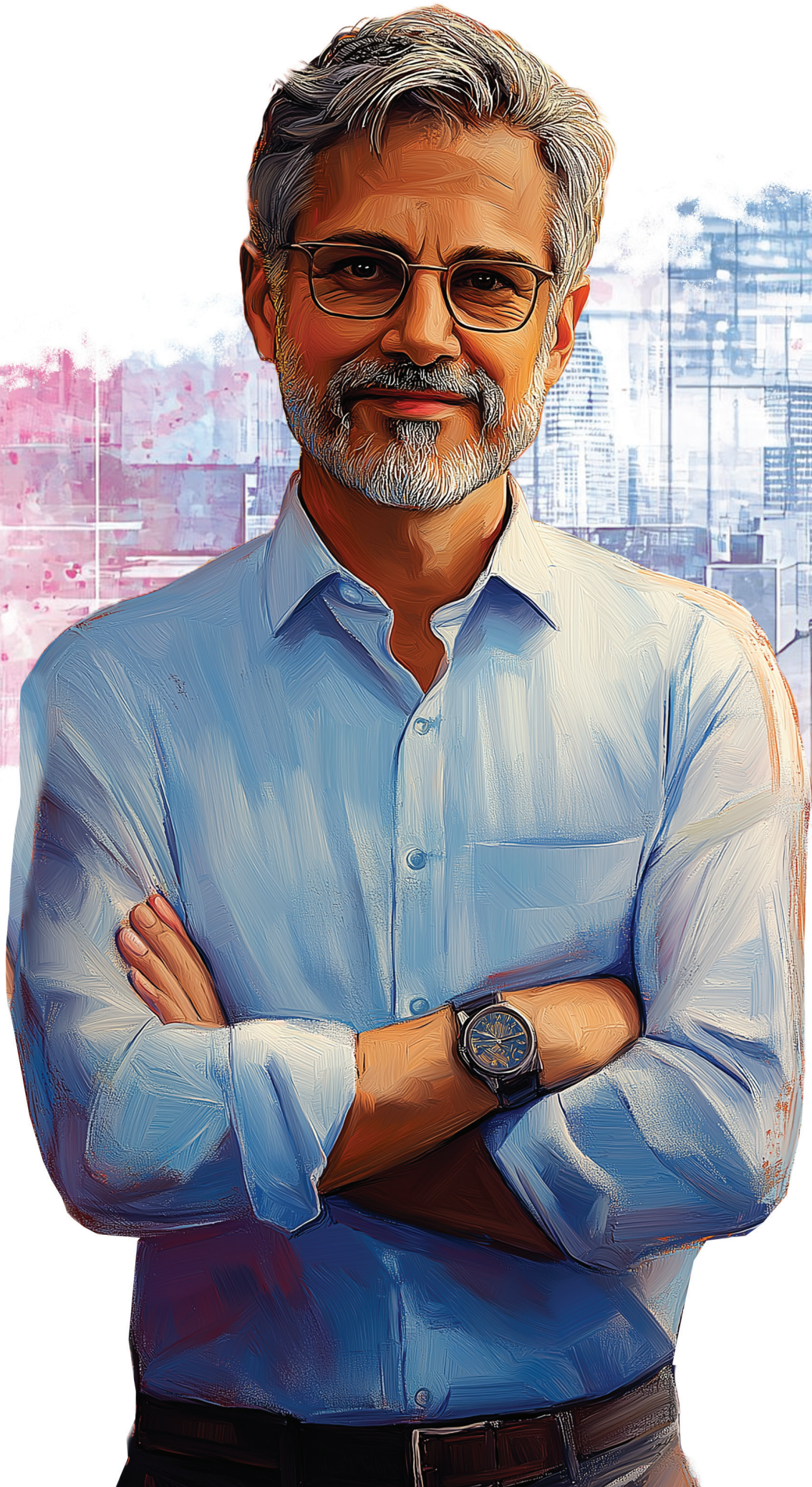
	2024 Achievement on	2025 Target Date
First and final dividend paid/payable	26th April 2024	On or before 23rd April 2025

ANNUAL REPORT AND ANNUAL GENERAL MEETING (AGM)

	2024 Achievement on	2025 Target Date
Annual Report and Accounts for the year signed/to be signed	18th February 2025	In February 2026
Annual General Meeting for the year to be held	28th March 2025	In March 2026

INTERIM FINANCIAL STATEMENTS SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2024 Achievement on	2025 Target Date
1st Quarter (ended 31st March)	6th May 2024	On or before 15th May 2025
2nd Quarter (ended 30th June)	5th August 2024	On or before 15th August 2025
3rd Quarter (ended 30th September)	4th November 2024	On or before 15th November 2025
4th Quarter (ended 31st December)	19th February 2025	On or before 28th February 2026





Through to the Top

Ensuring financial stability for our customers is our core imperative, and we fulfil our objective by diligently investing our time and effort into prescribing success to those who trust us with their lives. Their prosperity directly ensures our own, and their success ensures ours.



FINANCIAL STATEMENTS

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AUDIT COMMITTEE REPORT

AREAS OF FOCUS

- Financial Reporting
- Internal Audit
- Internal Controls
- Assurance

COMPOSITION

Mr. Ashoka Goonesekere
- Chairman (SIND)

Mr. Damien Fernando
- Member (NIND)

Dr. Sankalpa Gamwarige
- Member (IND)

SIND - Senior Independent Director

IND - Independent Director

NIND - Non-Independent Director

All directors are Non-Executive Directors

MEETINGS & ATTENDANCE

The Committee held 8 Meetings during the year

Mr. Ashoka Goonesekere 8/8

Mr. Damien Fernando 6/8

Dr. Sankalpa Gamwarige 8/8

ATTENDEES BY INVITATION

Mr. Dinesh Dharmadasa – Senior Independent Director HNBGI, Chief Executive Officer – HNBA, Chief Executive Officer – HNBGI, Chief Financial Officer, Chief Actuarial Officer, and other Executive Committee Members of HNBA and HNBGI attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Madhubhashini Bakmedeniya – Board Secretary & Head of Legal and Compliance Officer of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 26 to 30.



The Audit Committee is not merely a compliance mechanism but a strategic ally in the pursuit of excellence, ensuring the Organisation actions align with its vision and values.

Ashoka Goonesekere
Chairman, Audit Committee



CHARTER OF THE COMMITTEE

The Audit Committee ('the Committee') is tasked with assisting the Board in exercising structured, systematic oversight over financial reporting, internal audit, internal controls and external audits of the Company and its fully owned subsidiary HNB General Insurance Limited.

The Charter of the Audit Committee, approved by the Board, clearly defines the Terms of Reference of the Committee. It is reviewed annually to ensure that new developments relating to the Committee's functions are addressed and the most recent review was approved by the Board.

The Committee is empowered to carry out any investigations it deems necessary and has unrestricted access to information, cooperation from management and employees to obtain relevant information considered necessary in the discharge of its duties and responsibilities. It also has the authority to seek external professional advice on matters within their purview and meet with Management, Auditors, Regulators, Actuaries etc., as necessary. Further, the Committee identifies the importance of keeping its knowledge up to date and members have attended internal and external presentations and seminars as required.

The Chairman and the members of the Committee were in regular contact with the management, through numerous meetings and communications to oversee the audits and control aspects of various initiatives, the Company and its subsidiary undertook during the year.

Key responsibilities of the Committee are given below:

- Monitor and review the financial reporting processes in place to provide accurate, appropriate and timely information to the Board, Regulatory Authorities, Shareholders and other Stakeholders.
- Obtain and review assurance received from the CEO and CFO, as relevant that the financial records have been properly maintained, and that financial statements give a true and fair view of the Company's and Group's operations and finances.
- Review the integrity of the Company/Group's Financial Statements including Annual Reports and Interim Financial Statements in consultation with External Auditors where applicable and ensure these are prepared in accordance with Sri Lanka Accounting Standards (LKAS), Sri Lanka Financial Reporting Standards (SLFRS) and applicable laws and regulations and recommend the same to the Board of Directors.
- Liaise with the Board Risk Management Committee and the management to evaluate the adequacy, efficiency and effectiveness of Risk Management framework of the Group to mitigate the risks associated with financial reporting.



- Liaise with the Related Party Transactions Review Committee to ensure that the Group's related party transactions are carried out as per the requirements set out in the Listing Rules and ensure proper disclosures are made in financial statements.
- Review the adequacy, design and effective operation of internal control systems.
- Obtain and review assurance received from CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.
- Ensure that the Group adopts and adheres to the high standards of Corporate Governance and Companies Act, No. 07 of 2007 Listing Rules, SEC Act and Company policies in the conduct of its business etc. It will also monitor compliance with applicable laws and regulations including but not limited to
 - Insurance Industry Act No 43 of 2000,
 - Rules, regulations and determination by the Insurance Regulatory Commission of Sri Lanka,
 - Inland Revenue Act No 10 of 2006 and subsequent amendments thereto,
 - Value Added Tax Act No 14 of 2002 and subsequent amendments thereto,
- Make recommendations on the appointment, re-appointment, removal of External and Internal Auditors, including their remuneration, terms of engagement, scope of the audit by assessing qualifications, expertise, resources and independence.
- Evaluate the Company's ability to continue as a going concern for the foreseeable future.
- Consistency of the adopted accounting policies and methods, and their compliance with the accounting standards (SLFRS/ LKAS).
- Significant accounting and reporting issues.
- Disclosure requirements with applicable laws and regulations.
- Going Concern assumption. The assessment took into consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on the financial statements and regulatory capital.
- Outstanding tax assessments and actions initiated for resolution through regular reports submitted by the Chief Financial Officer.
- Discussed the effectiveness of the whistleblowing mechanism and reviewed follow up action.
- Discussed the matters communicated by the External Auditors and directed for corrective actions
- CEO's and CFO's responsibilities including entities operations and finances has been reported in page 228 of this Annual Report.

New Accounting Standards and Amendments to Existing Standards

Accounting Standards Effective but deferred due to temporary Exemption SLFRS 9: Financial Instruments.

SLFRS 9: Financial Instruments came into effect with effect from 01st January 2018. However, as the predominant activity of the Company and subsidiary is issuing insurance contracts within the scope of SLFRS 4: Insurance Contracts, the Group is allowed to apply LKAS 39: Financial Instruments recognition and measurement until SLFRS 17 Insurance Contracts is adopted upon its mandatory effective date. As such, the Group continued to apply LKAS 39 during the financial year ending 31st December 2024.

Readiness for SLFRS 17: Insurance Contracts

SLFRS 17 establishes the principles for recognition, measurement, presentation and disclosure of Insurance Contracts within the scope of the standard which corresponds to IFRS 17 is expected to come into effect on 01st January 2026. The Company and the subsidiary have implemented a clear plan for the implementation of the standard and a summary of the steps taken is given below from the inception.

- Detailed gap analysis carried out and key findings presented to the Committee in 2020.
- Established a Project Steering Committee chaired by the Chief Executive Officers of the Company and subsidiary and comprising Accounting, Actuarial, IT and Operations teams.
- Commenced implementation phase of the standard in 2023, with evaluation and selection of consultants and Vendors for the project.

ACTIVITIES IN 2024

Financial Reporting

The Committee reviewed the Interim Financial Statements, Annual Financial Statements of the Company, the Group, the subsidiary in consultation with the External Auditors and the Management and recommended the same for the approval of the Board prior to publication.

In reviewing the Financial Statements, special emphasis was given on the following aspects;

- Adequacy and effectiveness of the internal control systems, financial reporting systems and processes in place to ensure accuracy and reliability of information in the financial statements.
- Acceptability of the accounting principles and reasonableness of significant judgements.
- Ensure the impact of new accounting standards and developments in the financial reporting framework (Sri Lanka Accounting Standards – SLFRS/ LKAS) and disclosures in the Financial Statements.



AUDIT COMMITTEE REPORT

- In 2024, an initial impact study for year 2023 was made assuming SLFRS 17 is operational was conducted to gain an initial understanding.
- Drafting of technical position papers through discussions with selected Actuarial and Accounting consultants, installation of technological tools and data requirements and mapping commenced in 2024.
- Balance technical papers, financial disclosure requirements and parallel run are planned for 2025.
- Progress of project in-line with effective implementation date of 01 January 2026 is monitored by the Committee and at Board level regularly.

Risks and Internal Controls

The following measures were taken to monitor and evaluate the effectiveness of the internal control environment of the Company/ Group;

- Liaising with the Board Risk Management Committee by reviewing of minutes tabled at the Audit Committee meetings.
- Reviewed reports on internal control and risk management practices of the Company/Group, produced by Internal and External Auditors together with the responses from the management.
- Review of related party transactions through the Related Party Transactions Review Committee.

Internal Audit

The Committee is responsible for making recommendations to the Board on appointment, rotation and discharge of the Group's Internal Auditors and reviewing of scope, annual audit plan and approval of same. The Committee also ensures that the Internal Auditors have access to the information required.

The internal audit function of the Group is performed with a hybrid model where an Inhouse Internal Audit department was initiated during the year 2023 while continuing the service of Messrs. Ernst & Young as an outsourced party, with the view of strengthening Group's internal controls and best practices. During the year ended 31st December 2024, Messrs. Ernst & Young completed the branch audits where all other internal audit functions of the Group were performed internally. Further, the Committee reviewed the annual internal audit plan and recommended improvements. Internal Auditors presented the issues and audit findings identified during internal audits covering the operations of the Company and subsidiary which were reviewed by the Committee. Management responses to recommendations were also monitored by the Committee and the internal audit reports were made available to the External Auditors. Internal Audit examines and evaluates business and operational activities in order to provide an independent assurance to the Board of Directors on the Company's and its subsidiary's internal controls.

Compliance with Laws and Regulations

The Audit Committee reviewed the Company/ Group compliance with laws and regulations through the following measures:

- Review of checklists signed off by the Management of the Company and its subsidiary monthly to ensure compliance with all applicable compliance submissions relating to the Department of Inland Revenue, Insurance Regulatory Commission of Sri Lanka and other submissions required to fulfil under Labour regulations etc.
- Reviewed Quarterly and Annual Returns submitted to the Insurance Regulatory Commission of Sri Lanka on a timely basis.
- Obtaining reports from the External Auditors on the factual findings on compliance with Circular 29 and specified areas of Determination 14 and filing the same with the regulator.

IT Risk and Control Assessment

Messrs. KPMG performed a review on the general and application controls of the IT function during the year, as a part of their external audit process. The Internal Auditors also carried out an assessment of the General IT control aspect as a part of their internal audit work.

The Committee reviewed the Risk Committee minutes including observations made by the Auditors on IT related areas, data protection, cyber security and monitored the implementation of actions agreed by the Management.

Fraud Risk

The Committee monitored the necessary measures taken by the Management to mitigate fraud risk of the Company/ Group and no major material fraudulent activities were reported during the year.

The Committee ensures exercise of following policies and practices.

- Risk and Control Department, Compliance Department, Internal Auditors and External Auditors review the processes of the Company and subsidiary continuously to identify and mitigate the risk of fraud.
- The Whistleblowing Policy which enables employees to raise concerns on fraudulent activities,

Ethics and Good Governance

The Group has a Whistleblowing Policy in place which guarantees confidentiality of whistleblowers. The policy gives the nominated officers to whom any suspected wrongdoings can be reported. All concerns relating to ethics and good governance which require the Committee's attention are investigated and appropriate actions are taken. The Committee continuously emphasises the importance of ethical values.



Corporate Governance

The Committee is confident that the Company is complying with relevant rules on Corporate Governance under the Listing Rules of the Colombo Stock Exchange. In addition, the Company is compliant with the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. Further, the Company has adopted revised Corporate Governance Section 09 of the Colombo Stock Exchange listing rules which is effective from year 2024.

Evaluation of the Committee

The Committee carried out a self-evaluation based on a checklist approved by the Committee. The ultimate objective of the evaluation of the Committee is to improve the effectiveness of its activities and enhance its support to the management and the Board of Directors. Summarised results of the evaluations were tabled to the Board of Directors.

External Audit

The Committee reviewed the plan, scope and the methodology presented by the External Auditors Messrs. KPMG, Chartered Accountants. Discussions were also held between the Committee, the management, and the External Auditors regarding the coordination of the audit effort to ensure that the External Auditors have access to required information.

Key Audit Matters were discussed with the External Auditors with due consideration placed on judgements, assumptions and measures taken by the Company, subsidiary and Auditors to ensure reasonability.

The Committee reviewed the Report of the Auditors and Management Letter in consultation with the External Auditors and the Management to monitor the implementation of the prescribed corrective actions.

The Committee met the External Auditors without the presence of the management to discuss potential areas of concern regarding the conduct of the audit and any matters arising from the same.

The Committee also reviewed all fees to the statutory auditors for the audits for the year 2024 and recommended the same for the approval of the Board of Directors.

Re-Appointment of the External Auditors

The Committee evaluated the performance of the External Auditors, Messrs. KPMG Sri Lanka, Chartered Accountants, during the year. The Audit Partner was engaged with the external audit for the Fifth consecutive year. The Committee recommended their re-appointment for the Sixth year to the Board for the financial year ending 31st December 2025, subject to the approval of the Shareholders at the Annual General Meeting to be held on 28th March 2025.

Independence of External Auditors

The Audit Committee reviewed the independence and objectivity of the External Auditor and the effectiveness of the audit process. The Committee received a declaration, as required under the Companies Act, No. 07 of 2007, from Messrs. KPMG, confirming the absence of any relationship with the Company/ Group which may have a bearing on their Independence.

Non-audit services provided by the External Auditors are segregated between assignments that require an independent view and other advisory services, and such was reviewed by the Audit Committee during the year. The Committee ensured services obtained from the External Auditor was reviewed in perspective of objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties. During the year a policy was developed to guide the non-audit services obtained through the External Auditors. The External Auditors were only engaged with assignments that required an independent view to prevent a conflict of interest for External Auditors. Accordingly, as far as the Audit Committee is aware, Auditors do not have any relationship (other than that of Auditors) with the Company.

Reports of the External Actuaries

Wills Towers Watson (WTW) India Pvt Ltd is the appointed external Actuaries of the Company and the subsidiary. The external actuaries have provided the Committee with written representations summarising the observations and comments with regard to the work performed and have been invited to make presentations to the Audit Committee annually.

CONCLUSION

The Committee, along with the Management, reviewed the system of Internal Controls in the Group and actions were taken to improve the same. The Committee is satisfied with the implementation of the Group's internal controls, Compliance with all relevant requirements of the Companies Act, No. 07 of 2007, Listing Rules and SEC Act, and Risk Management Framework and that the Group's assets are adequately safeguarded. The Group's Internal and External Auditors have been effective and independent throughout the year.

The Committee is also satisfied that the application of appropriate accounting policies provides reasonable assurance that the Financial Statements of the Group are true and fair.

Ashoka Goonesekere
Chairman, Audit Committee

Colombo, Sri Lanka
18th February 2025



REMUNERATION AND HUMAN RESOURCES COMMITTEE REPORT

AREAS OF FOCUS

- Strengthen Salesforce Growth & Capability.
- Enhance Employee Development & Career Progression.
- Foster a Culture of Engagement & Inclusion

COMPOSITION

Dr. Sankalpa Gamwarige

– Chairman (IND)

Mr. Stuart Chapman *

– Member (NIND)

Mr. Ashoka Goonesekere

– Member (SIND)

Ms. Rose Cooray**

– Former Chairperson (NIND)

SIND – Senior Independent Director

IND – Independent Director

NIND – Non-Independent Director

All directors are Non-Executive Directors

* Mr. Stuart Chapman was appointed to the committee w.e.f. 25th June 2024

** Ms. Rose Cooray retired from the Board w.e.f. 23rd May 2024

MEETINGS & ATTENDANCE

The Committee held 3 meetings during the year.

Dr. Sankalpa Gamwarige	3/3
Mr. Stuart Chapman.....	1/1
Mr. Ashoka Goonesekere	3/3
Ms. Rose Cooray	2/2

ATTENDEES BY INVITATION

Ms. Paramadayalanie

Abeygunawardena - Director of HNBGI

SECRETARY TO THE COMMITTEE

Ms. Madhubhashini Bakmedeniya

Board Secretary & Head of Legal and Compliance Officer of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 26 to 30.



To create a great employee experience in a tech-driven world, we need to understand what our people and business need. This understanding helps us build a culture of growth and success during technological changes.

Dr. Sankalpa Gamwarige

Chairman, Remuneration & Human Resources Committee



CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Remuneration & Human Resources Committee Charter, which is reviewed annually. The Charter defines the objectives, duties and responsibilities, composition, etc., of the Committee. The Remuneration & Human Resources Committee Charter outlines the company's strategic intent in adopting HR practices that provide the employees with quality service while creating a platform that would enable each one to offer their services with trust and confidence to attain Company goals while fulfilling individual aspirations.

Key responsibilities of the Committee are given below:

- Recommending policy for remuneration of Non-Executive Directors, the Chairman, & the CEO.
- Recommend the level and structure of remuneration for key management personnel (Senior Management Team).
- Recommend increments and bonuses payable based on recommendations submitted by the CEO.
- Provide direction in developing HR policies and strategies.
- Direct the Human Capital strategy of the Company.
- Guide, influence and shape the HR strategies and policies of the Company.

ACTIVITIES IN 2024

Our HR strategy centers on the belief that people drive organisational success. Through three core pillars—talent optimisation, performance enhancement, and cost optimisation—the strategy aimed to empower employees to contribute significantly to both revenue growth and profitability, ensuring the organisation's long-term sustainability by fostering a high-performing, engaged, and cost-effective workforce. A significant achievement this year was the successful implementation of digitalisation and system migrations, coupled with comprehensive training programs. This initiative empowered our talent to adapt to new methodologies and leverage their skills in utilising these advanced systems, directly contributing to the organisation's overall strategic objectives

- **HNBA's POSITION AS A PREFERRED EMPLOYER** - HNBA aims to be a preferred employer to attract and retain top talent, recognising its team as a key differentiator. In 2024, we strengthened our employer brand through initiatives such as enhanced onboarding, and a focus on DEI. These efforts resulted in high employee engagement, exceeding industry benchmarks in surveys and eNPS scores. The launch of the "Challenging You to Grow" Employer Value Proposition



(EVP) further emphasised their commitment to employee development and career growth, contributing to HNBA receiving the Silver Award for People Development.

- **FOCUS ON EMPLOYEE WELL BEING** - In 2024, HNBA prioritised employee well-being by addressing mental health, work-life balance, and burnout prevention. Implementation of mental health resources, stress management programs, and counselling services, while also focusing on providing flexibility for hybrid and remote workers were some of the key initiatives. Proactive measures such as workload management and ensuring adequate time off were integrated into HR policies to further prevent burnout and foster a healthy work environment.
- **FACILITATE CONTINUOUS DEVELOPMENT**- We prioritise human capital development through a comprehensive performance management system and targeted training initiatives. Our HR governance structure emphasises continuous skill development, aligning Learning and Development (L&D) policies with current and future business needs. This includes proactive upskilling and reskilling programs focused on in-demand skills such as digital transformation and leadership, ensuring employees can adapt to technological advancements and evolving roles.

Dr. Sankalpa Gamwarige

*Chairman, Remuneration & Human Resources
Committee*

Colombo, Sri Lanka
18th February 2025



RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

AREAS OF FOCUS

- Compliance with Rules and Regulations.
- Review of Related Party Transactions.
- Protecting Shareholder Interest.

COMPOSITION

Mr. Ashoka Goonesekere
– Chairman (SIND)

Mr. Damien Fernando
– Member (NIND)

Dr. Sankalpa Gamwarige
– Member (IND)

SIND – Senior Independent Director
IND – Independent Director
NIND – Non-Independent Director

All directors are Non-Executive Directors

MEETINGS & ATTENDANCE

The Committee held 4 meetings during the year.

Mr. Ashoka Goonesekere 4/4
Mr. Damien Fernando 4/4
Dr. Sankalpa Gamwarige 4/4

ATTENDEES BY INVITATION

Chief Executive Officer of HNBA & HNBGI, Chief Financial Officer, Head of Finance HNBA and Head of Finance and Support Services HNBGI attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Madhubhashini Bakmedeniya
Board Secretary & Head of Legal and Compliance Officer of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 26 to 30.



As a Group, all related party transactions are monitored to comply with regulatory and governance requirements.

Ashoka Goonesekere
Chairman, Related Party Transaction Review Committee



CHARTER OF THE COMMITTEE

The purpose of the Committee is to conduct an appropriate review of all related party transactions of HNBA and its fully owned subsidiary, HNBGI and to ensure that the Group/ Company complies with the rules set out in Section 09 of the Listing Rules and in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC). The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent Directors, Key Management Personnel (KMP) or substantial shareholders from taking advantage of their positions.

Key responsibilities of the Committee are given below:

- Developing and formulating guidelines to ensure that the Company complies with the rules listed in Section 09 of the Listing Rules and rules set out in the Code of Best Practices on Related Party Transactions issued by the SEC and Sri Lanka Accounting Standards: LKAS 24- Related Party Transactions.
- Review all proposed related party transactions in advance, subject to the exceptions given under Section 9.14.10 of the Listing Rules.
- Perform other activities relating to the Charter as requested by the Board.
- Regularly report to the Board on the Committee's activities.
- Ensure that they have access to enough knowledge/expertise to assess proposed Related Party Transactions and where necessary obtain appropriate professional and expert advice from an appropriately qualified person.
- Share information with the Audit Committee as and when necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

ACTIVITIES IN 2024

Review of Related Party Transactions

The Committee met quarterly and reviewed all related party transactions of the Company and Subsidiary for the year 2024. All related party transactions entered into during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company / Group.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally transacted with the public.

All details of such related party transactions entered into during the year, are given in Note 50 to the Financial Statements on pages 369 to 373 of this Annual Report.



The Committee reviewed and recommended the Related Party Transactions Policy of the Company, establishing a framework for identifying, evaluating, approving, and disclosing such transactions to ensure transparency and regulatory compliance. The Policy was approved by the Board of Directors.

The minutes of the Committee meetings were recorded at Board meetings of HNBA and HNBGI for the review of the Board of Directors.

POLICIES AND PROCEDURES

Chief Financial Officer is responsible for reporting the information set out under rule 30 of the Code of Best Practices on Related Party Transactions issued by the SEC / Section 3 of the clause 9.14.5 of the Listing Rules at the minimum with regard to each related party transaction proposed to be entered into by the Company and Subsidiary with the exception of information listed in the Section 9.14.10 of the Listing Rules for the Committee to review and to grant approval or disapproval.

All the transactions with related parties that are entered with, are in terms with Sri Lanka Accounting Standard LKAS 24. Moreover, on a quarterly basis, the Chief Financial Officer is required to report the approved related party transactions actually entered into by the Company and Subsidiary for Committee's consideration.

CONCLUSION

During the year under review, the Company complied with the related party transactions rules set out in Section 9 of the Listing rules and in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC). An affirmative statement of compliance with the rules pertaining to related party transactions by the Board of Directors and KMPs is included on page 221 of this Annual Report.

Ashoka Goonesekere

Chairman, Related Party Transaction Review Committee

Colombo, Sri Lanka
18th February 2025



NOMINATION & GOVERNANCE COMMITTEE REPORT

AREAS OF FOCUS

- Board and Board Sub-committee composition, skills, expertise, and attributes.
- Corporate Governance.

COMPOSITION

Mr. Lakshman Silva *
– Chairman (IND)

Mr. Stuart Chapman **
– Member (NIND)

Mr. Ashoka Goonesekere **
– Member (SIND)

Mr. Damien Fernando ***
– Member (NIND)

Ms. Rose Cooray ****
– Former Chairperson (NIND)

SIND – Senior Independent Director

IND – Independent Director

NIND – Non-Independent Director

All directors are Non-Executive Directors

* Appointed w.e.f. 1st January 2024 and appointed as a Chairman w.e.f 1st June 2024

** Appointed w.e.f. 1st June 2024

*** Appointed w.e.f 1st January 2024

**** Retired from the Board of Directors w.e.f 23rd May 2024

MEETINGS & ATTENDANCE

The Committee held 7 meetings during the year.

Mr. Lakshman Silva.....	6/6
Mr. Stuart Chapman.....	3/3
Mr. Ashoka Goonesekere	4/4
Mr. Damien Fernando	5/6
Ms. Rose Cooray	4/4

ATTENDEES BY INVITATION

Chief Executive Officers of HNBA and HNBGI.

SECRETARY TO THE COMMITTEE

Ms. Madhubhashini Bakmedeniya
Board Secretary & Head of Legal and Compliance Officer of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 26 to 30



The Nomination & Governance Committee plays a pivotal role in shaping the Board's Composition, a fundamental determinant of effective leadership in a company operating within this highly regulated sector.

Lakshman Silva
Chairman, Nomination & Governance Committee



CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Nomination & Governance Committee Charter. The purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/appointment of new Directors, re-appointment of current Directors, selection and appointment of the Chief Executive Officer.

Key responsibilities of the Committee are given below:

- Exercise general oversight with respect to corporate governance of the HNBA Group.
- Implement approved procedure in selecting and appointing Directors/CEO.
- Assess performance and contributions made by Directors towards the overall discharge of responsibilities of the Board and make a recommendation on the re-election of current Directors to the Board of Directors.
- To determine qualifications, experience and key attributes required for eligibility to be considered for appointment of the CEO.
- To consider and recommend from time to time the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.
- To regularly review the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.
- Periodically appraise the framework for assessment of Board performance and the Board self-evaluation discussion.

ACTIVITIES IN 2024

- The Nomination & Governance Committee has implemented the necessary measures to comply with the new regulations introduced by the Colombo Stock Exchange (CSE) in 2024 and has ensured that the Sub-Committees are constituted in accordance with the regulations within the stipulated timeframe.
- The Committee reviews the directives issued by the Insurance Regulatory Commission of Sri Lanka and ensures full compliance with all regulatory requirements.
- Committee considered re-appointment of Directors retiring by rotation.
- Appointment of Mr. Lakshman Silva to the Board of HNB Assurance PLC.
- Appointment of Dr. Sankalpa Gamwarige to the Board of HNB Assurance PLC.
- Appointment of Mr. Rimoe Saldin to the Board of HNB Assurance PLC.



- Appointment of Ms. Paramadayalanie Abeygunawardena to the Board of HNB General Insurance Limited.
- Appointment of Professor Ananda Jayawardane to the Board of HNB Assurance PLC.
- Appointment of Mr. Ashoka Goonesekere as Senior Independent Director of HNB Assurance PLC.
- Appointment of Mr. Dinesh Dharmadasa as Senior Independent Director of HNB General Insurance Limited.
- Re-structuring of Board sub-committees.

DISCLOSURES

- The company has an established policy and procedure in place for the nomination of Directors to the Board.
- Independent Directors retire by rotation and are required to seek re-election at regular intervals, ensuring this occurs at least once every three years.
- The HNBA Board comprises diverse Directors whose expertise drives the company's objectives. Director profiles are on pages 26 to 30 of the Annual Report.
- All Non-Executive Directors have provided signed declarations confirming their independent or non-independent status.
- The performance of the CEO is evaluated annually against the financial and non-financial objectives set out for achieving the company's short, medium, and long-term goals.
- All Independent Directors held a meeting, chaired by the Senior Independent Director, to discuss the company-related matters and concerns.
- All Directors undergo an induction program upon appointment, covering industry regulations and the company's business strategy.

CONCLUSION

The Committee is satisfied that the combined knowledge and experience of the Board match the demands facing the Group.

Lakshman Silva

Chairman, Nomination & Governance Committee

Colombo, Sri Lanka
18th February 2025



INVESTMENT COMMITTEE REPORT

AREAS OF FOCUS

- Increasing investment returns through investment portfolio management strategies.
- Strengthening the investment risk management strategies and monitoring compliance.

COMPOSITION

Mr. Lakshman Silva

– Chairman (IND)

Mr. Ashoka Goonesekere

– Member (SIND)

Mr. Arjuna Abeygunasekara

– Member (NIND-HNBGI)

SIND – Senior Independent Director

IND – Independent Director

NIND – Non-Independent Director

All directors are Non-Executive Directors

MEETINGS & ATTENDANCE

The Committee held 4 meetings during the year.

Mr. Lakshman Silva 4/4

Mr. Ashoka Goonesekere 4/4

Mr. Arjuna Abeygunasekara 4/4

ATTENDEES BY INVITATION

Mr. Rajive Dissanayake - Deputy General Manager - SME and Micro Finance – HNB PLC, Chief Executive Officers of HNBA & HNBGI, Chief Investment Officer, Chief Actuarial Officer and Management of the Investment front office and back office attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Punsirini Perera

– Chief Financial Officer

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 26 to 30.



Amid a year of shifting economic and political landscapes, the Committee diligently navigated complex market conditions, offering strategic direction to maximise returns while maintaining a balanced approach to risk control in our pursuit of enduring financial strength, stability and sustainability.

Lakshman Silva

Chairman, Investment Committee



CHARTER OF THE COMMITTEE

The Investment Committee (the Committee) is responsible for assisting the Board in reviewing the investment policies, strategies, and performance of the Investment portfolios of the Company and its subsidiary.

AUTHORITY

As per the Charter of the Investment Committee in furtherance of its duties, the Committee is authorised to have direct access to, and receive regular reports from the Management, and to request any additional information relating to its responsibilities. The Committee is also empowered to review and amend policies and programs falling under its purview and recommend them to the Board for adoption.

Key responsibilities of the Committee are given below:

- Developing and formulating guidelines for the management of the investment portfolios of the Company and its Subsidiary.
- Reviewing and advising on the strategies to be followed by the investment function, after evaluating the Macro environment and investment portfolios.
- Monitoring compliance of the investment function with applicable laws and regulations and the Investment Policy of the Group.
- Providing recommendations on any changes to the Investment Policy deemed by the Committee to be necessary to the Board for approval.
- Evaluating and granting approval for any investment activity which requires specific approval of the Committee as per the Investment Policy.
- Evaluating the performance of the existing investments, through a periodic comparison of actual returns with expected returns.
- Regularly reporting to the Board on the Committee's activities.
- Reviewing and assessing the adequacy of the Committee Charter periodically and recommending any proposed changes to the Board for approval.
- Performing other activities under the Committee Charter, as requested by the Board.

ACTIVITIES IN 2024

- The Committee reviewed information presented by the Management at its meetings, on macro-economic conditions and external environment and provided guidance on investment strategies to be followed.



- The performance of investment portfolios of the Company and its Subsidiary was evaluated each quarter and the guidance given where necessary.
- The Company's and Subsidiary's compliance requirements of the Investment Policy, statutory rules and regulations were monitored by receipt and review of quarterly compliance reports from the Management.
- Risk factors relating to the investment function, Liquidity Management and Asset and Liability Management (ALM) positions were also evaluated.
- The Committee reviewed the subsequent changes proposed to the Investment Policy of the Company and its Subsidiary, considering economic and regulatory changes, and the growth of the investment portfolios of the Company/ Subsidiary and made recommendations to the Board where relevant.
- At the invitation of the Investment Committee a Guest Speaker with vast experience and knowledge in Finance and Economy was invited to share his experience and knowledge with the members of the Investment Committee to facilitate the future planning and outlooks of the investments of the company.
- In addition to scheduled meetings, the Committee also maintained constant dialogue with the management throughout the year and discussed matters as and when they arose. Any issue that needed the attention of the Investment Committee was promptly attended to and resolved through close communication between the Committee and the top management.

CONCLUSION

Amid a year of shifting economic and political landscapes, the Committee diligently navigated complex market conditions, offering strategic direction to maximise returns while maintaining a balanced approach to risk control in our pursuit of enduring financial strength, stability and sustainability. The Committee believes that the Company and its Subsidiary delivered an impressive performance by effectively managing investment portfolios to achieve returns well above the set targets, within the risk appetite, while adhering to the guidelines outlined in the Investment Policy and ensuring compliance with statutory regulations.

Lakshman Silva
Chairman, Investment Committee

Colombo, Sri Lanka
18th February 2025



RISK MANAGEMENT COMMITTEE REPORT

AREAS OF FOCUS

- Key Risk Indicators.
- Risk Management Framework.
- Macroeconomic Risks.

COMPOSITION

Mr. Lakshman Silva *
– Chairman (IND)

Mr. Stuart Chapman
– Member (NIND)

Mr. Rimoe Saldin **
– Member (NIND)

Prof. Ananda Jayawardane ***
– Member (NIND)

Ms. Paramadayanie
Abeygunawardena ****
– Member (IND-HNBGI)

Ms. Rose Cooray *****
– Former Chairperson (NIND)

Ms. Marina Tharmarathnam *****
– Member (IND-HNBGI)

IND – Independent Director
NIND – Non-Independent Director

All directors are Non-Executive
Directors

* Appointed as Chairman w.e.f.
30th October 2024

** Appointed w.e.f. 25th June 2024

*** Appointed w.e.f. 30th October
2024

**** Appointed w.e.f. 24th April 2024

***** Retired from the boards of
HNBA and HNBGI w.e.f. 23rd
May 2024

***** Retired w.e.f. 31st March 2024

MEETINGS & ATTENDANCE

The Committee held 5 meetings
during the year.

Mr. Lakshman Silva..... 5/5

Mr. Stuart Chapman..... 5/5

Mr. Rimoe Saldin..... 3/3

Prof. Ananda Jayawardane 1/1

Ms. Paramadayanie
Abeygunawardena 4/4

Ms. Rose Cooray 2/2

Ms. Marina Tharmarathnam1/1



The Committee continued to strengthen the Group Risk Management Framework and adopted a prudent approach to managing risks in light of economic challenges. Nurturing an organisation-wide culture of risk awareness remains a priority in driving sustainable business growth in both Life and General Insurance.

Lakshman Silva
Chairman, Risk Management Committee



CHARTER OF THE COMMITTEE

The Risk Management Committee assists the Board in fulfilling its responsibility with respect to the oversight of the Risk Management Framework, including significant policies and practices used in managing risks of the Company and its fully owned subsidiary, HNBGI.

The terms of reference of the Committee are defined in the Risk Management Committee Charter which is approved by the Board and reviewed annually.

Key responsibilities of the Committee are given below

The Committee has been empowered to have direct access to and receive regular reports from the Management. To discharge its duties and responsibilities effectively and efficiently, the Committee is authorised to request and receive any information from the management relating to its responsibilities.

Moreover, the Committee has the authority to engage independent professional advisors on matters within its purview

Key responsibilities of the Committee are given below:

- Ensure an annual review of the organisation’s risk policies and frameworks, assessing their adequacy, relevance, and alignment with the Company’s strategic objectives.
- Oversee and evaluate the Company’s risk management processes, including the adequacy of the control environment, risk exposure management, assessment methodologies, response strategies, and stress-testing practices.
- Assess performance and contributions made by Directors towards the overall discharge of responsibilities of the Board and make a recommendation on the re-election of current Directors to the Board of Directors.
- Collaborate with Management to define, approve, and communicate the Company’s risk appetite and tolerance levels, while monitoring ongoing and potential exposures across various risk categories.
- Ensure adherence to all relevant laws, regulations, and industry standards.
- Review loss incident reports and provide guidance on mitigating similar risks in the future; while taking prompt corrective action to address risks exceeding prudent levels.



ATTENDEES BY INVITATION

Mr. Ruwan Manatunga - Chief Risk Officer-HNB PLC, Chief Executive Officers, Chief Financial Officer & other members of the Executive Committee attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Amali Rajapaksha
Head of Risk Management

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 26 to 30.

- Overseeing the processes to ensure that the Organisation's internal controls and risk management are adequate to meet the requirements of relevant standards.
- Oversee the development, implementation, and periodic updates of Business Continuity Management plans to ensure preparedness for emergencies and enhance organisational resilience.

ACTIVITIES IN 2024

- The Committee reviewed the Risk Management and Internal Control Policy, along with the development, implementation, and maintenance of the Group's overall Risk Management Framework and its Risk Appetite Statements, to ensure alignment with emerging regulatory requirements, governance standards, and industry best practices.
- The Committee reviewed the Group's risk response strategies related to business continuity planning, cash flow and liquidity management, human resource management, and the digitalisation process during meetings, ensuring that the business reacts effectively and in a timely manner to changes in the macroeconomic environment.
- Emerging and key risks faced by the Group were discussed in detail by the Committee, which provided guidance on mitigating actions.
- The Committee also reviewed the Group's compliance with all applicable laws and regulations through review of compliance checklists prepared and presented by the Management and reviewed the Anti Bribery and Corruption Policy. The Committee also review the Money Laundering and Counter Terrorist Finance risk.
- The Committee reviewed the Group's readiness for the implementation of compliance with the Personal Data Protection Act and IFRS 17.
- Discussed the investment strategy, reviewed the Group's Asset and Liability Management positions, and reviewed the Risk-Based Capital.
- The Committee reviewed the Key Risk Indicators (KRIs) against internal tolerance levels covering credit, reinsurance, market, operational and strategic risks facing the Group and management actions taken to address internal breaches.
- Cybersecurity and other IT risks related issues of the Group and the steps taken by the Management to strengthen the IT security environment of the Company were also discussed and guidance offered.
- The Committee reviewed the reported loss incidents of the Group and recommended mitigation actions.
- The minutes of all meetings held were tabled at the Audit Committee meetings to permit the Audit Committee to carry out its statutory, regulatory, and other responsibilities as well as at the Board meetings of HNBA and HNBGI to update and inform the other members of the Board on the proceedings.

Lakshman Silva
Chairman, Risk Management Committee

Colombo, Sri Lanka
18th February 2025



STRATEGY REVIEW COMMITTEE REPORT

AREAS OF FOCUS

- Key Performance Indicators.
- Improving the Group level profitability.
- Implementing the corporate plan.

COMPOSITION

Mr. Stuart Chapman *

– Chairman (NIND)

Mr. Damien Fernando

– Member (NIND)

Mr. Rimoe Saldin **

– Member (NIND)

Prof. Ananda Jayawardane ***

– Member (NIND)

Mr. Dinesh Dharmadasa

– Member (SIND-HNBGI)

Mr. Sanjaya Wijemanne

– Member (NIND-HNBGI)

Ms. Paramadayalanie

Abeygunawardena ****

– Member (IND-HNBGI)

Ms. Rose Cooray *****

– Former Chairperson (NIND)

Ms. Marina Tharmaratnam *****

– Member (IND-HNBGI)

SIND – Senior Independent Director

IND – Independent Director

NIND – Non-Independent Director

All directors are Non-Executive Directors

* Appointed on 24th May 2024

** Appointed on 19th February 2024

*** Appointed on 9th August 2024

**** Appointed on 1st April 2024

***** Retired from the boards of HNBA and HNBGI w.e.f. 23rd May 2024

***** Retired from the board of HNBGI w.e.f. 31st March 2024



In the face of a very challenging year, the Strategy Review Committee adeptly steered the Group through a turbulent external environment, and fluctuating market dynamics, successfully navigating uncertainties, embracing technological milestones and driving the accomplishment of set targets

Stuart Chapman

Chairman, Strategy Review Committee



CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Strategy Review Committee Charter, which is reviewed periodically.

The Strategy Review Committee's main purposes involve closely reviewing and monitoring the implementation of the Group/Company's three-year strategic plan, keeping the Board informed about the progress of such implementations, and making timely recommendations deemed necessary to ensure the business growth and profitability of both HNBA and HNBGI.

AUTHORITY

The Committee has been empowered to have direct access to and receive regular reports from the Management enabling it to discharge its duties and responsibilities effectively and efficiently.

Moreover, the Committee has the authority to engage independent professional advisors on matters within its purview.

Key responsibilities of the Committee are given below:

- The Committee approves and amends programs under its purview and educates the Board on such proceedings.
- Review and make recommendations to the Board on any amendments deemed necessary from time to time on Company Strategy including assessing and reporting on the impacts of Micro / Macro environmental challenges and their business impact.
- Provide strategic inputs to develop, review, monitor, and amend the Strategic plan for HNBA and HNBGI.
- Also, the Committee authorises research and investigations into any matter within its scope of responsibilities in consultation with the Board. It could engage independent professional advisors, consultants, or legal counsel as appropriate.
- In furtherance of its duties, the Committee shall have direct access to and receive regular reports from management and shall be provided with any information it requests relating to its responsibilities.



MEETINGS & ATTENDANCE

The Committee held 4 meetings during the year.

Mr. Stuart Chapman.....	4/4
Mr. Damien Fernando	2/4
Mr. Rimoe Saldin.....	3/3
Prof. Ananda Jayawardane	2/2
Mr. Dinesh Dharmadasa	4/4
Mr. Sanjaya Wijemanne.....	1/4
Ms. Paramadayalanie Abeygunawardana	3/3
Ms. Rose Cooray	1/1
Ms. Marina Tharmaratnam.....	1/1

ATTENDEES BY INVITATION

Ms. Priyanka Wijayaratne, Assistant General Manager -Strategy—HNB PLC, the Chief Executive Officers, and the Executive Committee members of the Company attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Geethani C Saram
Head of Business Process Excellence & Strategy

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 26 to 30.

ACTIVITIES IN 2024

- The Strategy Review Committee Charter was revised to strengthen its scope, which includes reviewing progress against the Strategic Plan and achievement of KPIs – short, medium and long term, process changes, Human Resource challenges, technological enhancements, sustainability, and other relevant initiatives, and making recommendations to the Board from time to time.
- Developed a Ranking Model for Agency and Partnership Sales Channels based on channel key KPIs to assess the branch performance and grading, which would be used for aligning the annual reward schemes.
- Recommended developing an analysis of Lead Conversion highlighting the potential of the HNB portfolio in collaboration with Munich-Re.
- Reviewed the HNBA Marketing strategy through an overview of the current media landscape, a review of the company's ongoing marketing efforts, and a detailed outline of plans for future initiatives.
- Reviewed premium payment and penetration of alternate collection methods, insights on current trends in premium collection, associated costs, and recommendations for establishing new premium collection channels, and proposed strategies to transition away from cash-based collection methods.
- Reviewed HNBGI Lease Conversion trajectory and highlighted the capturable insurance segments within the bank's customer base. Identifying sales opportunities and proposing strategies to enhance insurance revenue streams.
- Reviewed the projection of the Monthly Claim Ratio -HNBGI Highlighted the impact of 100% adjustment of SRCC and the projection of the motor claims ratio.
- Reviewed Industry Information, competitive position, and achievement of KPIs of HNBA & HNB GI and updated the Board regularly regarding the implementation and achievement of annual targets.

Stuart Chapman

Chairman, Strategy Review Committee

Colombo, Sri Lanka
18th February 2025



DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement is presented as required by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

RESPONSIBILITY

The Board of Directors ("Board") is responsible for ensuring the adequacy and effectiveness of the internal control and risk management mechanism in place at HNB Assurance PLC, ("the Company"). The Company has in place a comprehensive system of internal controls, covering risk management and financial, organisational, operational and compliance controls. However, as with the inherent limitations of any system, such systems of internal control are designed to manage, rather than to eliminate risks that may impede the achievement of the Company's objectives. In this light, the system of internal controls can only provide reasonable, but not absolute, assurance against material misstatement of financial information and records, or against financial loss or fraud.

The Board has established an on-going process for identifying, evaluating, and managing the significant risks faced by the Company, and mitigates such risks by enhancing the system of internal control over financial reporting as and when there are changes to the operations and business environment including compliance with regulatory guidelines. This process is put in place for the year and is periodically reviewed by the Board through its Audit and Risk Management Committees, supported by the Internal Auditors.

The Board, with the assistance of its Sub Committees, reviewed deficiencies identified in internal controls during the year and has taken appropriate actions to improve the control environment. The Management assists the Board in implementing the policies and procedures on risk and control by identifying and assessing the risks faced by the Company, and in the design, operation, and monitoring of suitable internal controls to mitigate these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting policies, principles, and regulatory requirements.

PROCESS OF REVIEWING THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The key features of the process that has been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting are as follows.

- Various Committees are established by the Board to assist the Board in ensuring the effectiveness of the Company's and its fully owned subsidiary HNBGI's daily operations, and that they are in accordance with the corporate objectives, strategies, annual budget, approved policies, and business direction.
- The Company established an Internal Audit Department in-house for the year 2024. However, certain Internal Audits for year 2024 were outsourced to Messrs. Ernst & Young depending on the skills and the feasibility needs. The Internal Audit Division of the Company checks for compliance with policies and procedures and assesses the effectiveness of the internal control systems on an ongoing basis and highlights significant findings in respect of instances of non-compliance. Audits are carried out to ensure coverage on all departments and branches in accordance with the annual audit plan approved by the Audit Committee (AC). The frequency of audits and coverage is determined by the level of risk assessed. The annual audit plan is reviewed periodically by the AC and the plan is aligned to suit the changes in the risk profile of the Company and its subsidiary. Findings from the Internal Audit are submitted to the AC for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by the Internal Auditors, the External Auditors, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems of the Company and its subsidiary and follows up on corrective action taken. They also review the internal audit functions with particular emphasis on the scope and quality of internal audits. Since adoption of new Sri Lanka Accounting Standards (SLFRSs and LKASs), progressive improvements in processes to comply with the new requirements of recognition, measurement, classification and disclosures are being made. The Committee reviews the assessments carried out by the Internal Auditors on General IT control aspects as part of internal audit work and the review performed by the External Auditors on the General and Application controls of the IT function. The minutes of the Audit Committee meetings are tabled at Board meetings for the information of the Board. Further details of the activities undertaken by the Audit Committee of the Company/ Group are set out in the Report of the Audit Committee on pages 198 to 201.
- A Risk Management Committee has been established to assist the Board to oversee the risk management framework of the Company and its subsidiary. The Management has prepared a Risk Register identifying all



key risks faced by the Company and its subsidiary, as well as existing and proposed controls to mitigate such identified risks. This Risk Register is shared with the Internal Auditors focusing on the significant risks faced by the Company.

- Key Risk Indicators (KRIs) have been identified for all major operations of the Company and its subsidiary and a KRI report is prepared monthly. A summary of the KRI report is included in the Risk Dashboard and presented to the Risk Management Committee. Furthermore, the key risks are discussed at Board level.
- A Compliance Checklist covering all applicable laws and regulations is signed off by the Management monthly and is tabled at Audit Committee meetings. Compliance reports prepared by the Head of Compliance are also presented to the Audit Committee, Risk Management Committee and the Investment Committee on a regular basis. A monthly report to the Board is submitted by the Head of Compliance on the Company's and the subsidiary's compliance with applicable laws and regulations.
- Procedure checklists have been prepared to cover Life Insurance Operations, Finance and IT related activities and the operations of the Company's fully owned subsidiary HNBGI, covering key control aspects.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting. The preparation of Financial Statements for external purposes was done in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No. 07 of 2007, Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange.

Ashoka Goonesekere
Chairman, Audit Committee

Stuart Chapman
Chairman

Colombo, Sri Lanka
18th February 2025



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2024

Annual Report of the Board of Directors on the Affairs of the Company and Statement of Compliance of the Contents of the Annual Report as Required by Section 168 of the Companies Act, No. 07 of 2007 as amended.

1. PREFACE

The Board of Directors ('the Board') of HNB Assurance PLC ('HNBA' or 'the Company') is pleased to present the Annual Report together with the Audited Financial Statements of the Company, consolidated Financial Statements of the Group for the financial year ended 31st December 2024 as set out in pages 235 to 375 and the Auditors' Report on the Financial Statements.

This report covers statutory requirements and directions of the Companies Act, No. 07 of 2007 as amended, Regulation

of Insurance. Industry Act, No. 43 of 2000 as amended, the Listing Rules of the Colombo Stock Exchange (CSE), rules and regulations of the Insurance Regulatory Commission of Sri Lanka (IRCSL) and is guided by the recommended best practices on Corporate Governance.

The Annual Report was reviewed and approved by the Board of Directors of the Company on 18th February 2025 and appropriate number of copies will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as specified and stipulated.

As required by the Section 168 of the Companies Act, No. 07 of 2007 as amended, the following information is disclosed in this report prepared for the year ended 31st December 2024.

Reference to the Companies Act	Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference from the Annual Report of the Board of Directors
Section 168 (1) (a) (i)	The nature of the business of the Company or any of its subsidiaries.	Section 2.3 on page 217
Section 168 (1) (b)	Financial Statements for the accounting period are completed and signed in accordance with Section 151, and any Group Financial Statements for the accounting period completed and signed in accordance with Section 152.	Section 3.1 on page 217
Section 168 (1) (c)	Auditor's appointment and Auditors' Report on the Financial Statements of the Group and the Company.	Section 8.1 on page 221
Section 168 (1) (d)	Accounting Policies of the Group and the Company and any changes therein.	Section 3.2 on page 217
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company and its subsidiary during the accounting period.	Section 5.6 on page 220
Section 168 (1) (f)	Remuneration and other benefits paid to Directors during the accounting period.	Section 5.7 on page 221
Section 168 (1) (g)	Total amount of donations made by the Group during the accounting period.	Section 20 on page 223
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company and the subsidiary as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company and the subsidiary during the accounting period.	Section 5.1 on page 219 Section 5.2 on page 220
Section 168 (1) (i)	Disclosure on amounts payable to the Auditors as audit fees and fees for other services rendered during the accounting period by the Company and the subsidiary	Section 8.2 on page 221
Section 168 (1) (j)	Auditors' relationship or any interest with the Company and the subsidiary.	Section 8.2 on page 221
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board of Directors.	Section 24 on page 223
Section 168 (2)	A company that is required to include Group Financial Statements in its annual report shall include those in relation to its subsidiaries, the information specified in paragraphs (b) to (j) of subsection (1).	All requirements in relation to the subsidiary operations have also been covered under relevant sections
Section 168 (3)	The Annual Report of a company need not comply with of paragraph (a) and paragraphs (d) to (j) of subsection (1), if all Shareholders agree in writing that it need not do so. Any such agreement shall be noted in the Annual Report.	Not Applicable. The Company complies with paragraph (a) and (d) to (j) of subsection (1)



2. REVIEW OF THE BUSINESS

2.1 Formation

The Company was incorporated on 23rd August 2001 as a limited liability company under the Companies Act, No. 17 of 1982, and reregistered on 09th August 2007 as per the requirements of the Companies Act, No. 07 of 2007 as amended and bears the Company Registration Number PQ 108 In November 2003, ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE). The Company is registered under the Regulation of Insurance Industry Act, No. 43 of 2000 as amended to operate as a Life Insurance company and also owns a fully owned subsidiary, HNB General Insurance Limited ("HNBGI"), which is a licensed General Insurance company registered under the same Act. The ultimate parent of the Company is Hatton National Bank PLC, a Licensed Commercial Bank which owns 59.99% of the voting rights of the Company. The registered office of the Company is located at No. 479, T B Jaya Mawatha, Colombo 10.

2.2 Corporate Vision, Mission and Values

The vision, mission and the values of the Company are given on page 9 of this report. The Directors and employees of the Company and the Group practices high standards of ethical behaviour in carrying out the business in line with the vision and mission set.

2.3 Principal Business activities of the Company and the Group Companies

The principal activity of the Company is Life Insurance business and HNB General Insurance Limited carries out General Insurance business. No significant change took place in the principal business activities of both entities. Both companies also provide Takaful Insurance products within the framework of main business activities. These Takaful business operations are structured as 'Window Units' and considered a part of the Company's/Group's operations for both financial and regulatory reporting purposes.

2.4 Review of Business and Future Developments

An overview of the business performance and the future developments of the Company and the Group are discussed and presented in the Chairman's Message, Chief Executive Officer's review (pages 20 to 23 and 31 to 35), and the Management Discussion and Analysis (pages 45 to 131). These reports together with Audited Financial Statements reflect the state of affairs of the Company and the Group.

2.5 Value Creation Process

This Report illustrates the efforts that the company has undertaken to create value to all its stakeholders which is depicted in the value creation model on page 46. Significant impacts are identified that could affect the value creation process and has been categorised as risks and opportunities. The Board has developed required strategies to mitigate these risks and gain from opportunities through the company's annual strategic plan.

3. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

3.1 Directors' Responsibility for Financial Reporting

As per Section 150 (1) of the Companies Act, No. 07 of 2007 as amended, the Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and the Group and these Financial Statements give a true and fair view of the state of affairs of the Company and Group in compliance with Sections 151, 152, 153 (1) and 153 (2) of the Companies Act, No. 07 of 2007 as amended.

Accordingly, the Financial Statements of Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and also comply with requirements of the Companies Act, No. 07 of 2007 as amended, Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Rules and Regulations of the Insurance Regulatory Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9.14 and the recommended best practice. The detailed statement of Directors' Responsibility is included in pages 226 to 227 forms an integral part of this report.

The Financial Statements for the year ended 31st December 2024, as presented on pages 235 to 375, have been duly signed by the Chief Financial Officer and two Directors of the Company, in accordance with Section 168 (1) (b). These statements constitute an integral component of the Annual Report of the Board of Directors.

3.2 Material Accounting Policies and Changes during the Year

The material accounting policies adopted in the preparation of the Financial Statements and changes to material accounting policies if any, in the preparation of the Financial Statements are described on page 241.

3.3 Going Concern

The Directors after having made necessary assessment of the Company's and its subsidiary's ability to continue as a going concern declare that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on the financial statements and business operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's and its subsidiary's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared for the Company and its subsidiary on going concern basis.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2024

3.4 Events Occurring after the Date of the Statement of Financial Position

Except for the post balance sheet events disclosed in Note 51 on page 374, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

3.5 Contingencies

All contingencies to the Group and the Company were disclosed in the Note 53 on the page 374. In the opinion of the Directors, and in consultation with the Company Lawyers and Tax Consultants, litigations currently pending against the Group and the Company, would not have a material impact on the reported financial results. All pending litigations for claims have been evaluated and adequate provisions have been made in the Financial Statements where necessary.

4. FINANCIAL RESULTS AND APPROPRIATIONS

4.1 Gross Written Premium (GWP)

Gross Written Premium of the Group for the year 2024 was Rs.22,737.9 Mn. (2023: Rs. 18,760.3 Mn) whilst the Company's Gross Written Premium for the year 2024 was Rs. 13,709.7 Mn (2023: Rs. 10,923.3 Mn). Note 32 to the Financial Statements in page 352 provides a segmental analysis of the Gross Written Premium.

4.2 Profits and Appropriations

The Profit After Tax of the Group for the year 2024 was Rs. 1,896.9Mn (2023: Rs. 1,764.6 Mn) whilst the Company's Profit After Tax for the year 2024 was Rs. 1,656.7 Mn (2023: Rs. 1,613.3 Mn). The details of the appropriation of profit are given below.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Before Taxation	2,712,921	2,511,495	2,358,470	2,269,042
Income Tax Expenses	(816,060)	(746,846)	(701,759)	(655,723)
Profit for the Year	1,896,861	1,764,649	1,656,711	1,613,319
Unappropriated Profit Brought Forward	9,039,864	7,822,715	7,618,252	6,552,433
Profit Available for Appropriation	10,936,725	9,587,364	9,274,963	8,165,752
Dividend Paid	(585,000)	(547,500)	(585,000)	(547,500)
Unappropriated Profit Carried Forward	10,351,725	9,039,864	8,689,963	7,618,252

4.3 Dividends on Ordinary Shares

Information on the final dividend proposed by the Company is given in Note 48 on page 367 to the Financial Statements.

The Directors recommended a first and final dividend of Rs.3.90 per share for the year under review to be approved by the Shareholders at the forthcoming Annual General Meeting to be held on 28th March 2025. The final dividend will be paid on or before 23rd April 2025 to holders of issued and paid-up ordinary shares of the Company, whose names remain in the share registry as at the close of business on the 28th March 2025.

As required by Section 56 (3) of the Companies Act, No. 7 of 2007 as amended, the Board of Directors have confirmed that the Company satisfies the solvency test immediately after the distribution of the final dividend of Rs. 585 Mn and Statement of Solvency prepared by the Board was audited by External Auditors Messrs. KPMG in terms of Section 56 (2) of the Companies Act, No. 07 of 2007 as amended.

4.4 Stated Capital

The Stated Capital of the Company as at 31st December 2024 was Rs. 1,171,875,000 comprising 150,000,000 fully paid ordinary shares. (2023: Stated Capital - Rs. 1,171,875,000, No. of Shares -150,000,000).

4.5 Reserves

Transfers to/from Reserves of the Group/Company are shown in the Statement of Changes in Equity appearing on pages 238 and 239.

4.6 Taxation

As per the prevailing tax rules of the country, the company and the subsidiary were taxed at the corporate tax rate of 30% (2023: 30%). The tax position of the Company and its subsidiary is disclosed in Note 46 to the Financial Statements on page 363. As the Company has utilised total amount of brought forward tax losses against taxable income by end 2022 there are no tax losses or deferred tax assets recorded as at the reporting date. The Subsidiary Company, HNB General Insurance Limited recorded a Net Deferred Tax Asset amounted to Rs. 14.8 Mn (Deferred tax Asset of Rs. 1.5 Mn in 2023).

4.7 Capital Expenditure

The Company's and Group's capital expenditure on Property, Plant and Equipment and Intangible Assets amounted to Rs.332.2 Mn and Rs. 382.1 Mn respectively (2023: Company Rs. 336.2 Mn and Group Rs. 424.2 Mn) and all other related information and movements have been disclosed in Note 8 on page 303 and Note 10 on page 312 to the Financial Statements.



At the year end, there were no capital expenditure approved by the Board and contracted, for which no provision has been made in the Financial Statements other than Rs. 465.5 Mn on Property Plant and Equipment and software (2023: Rs. 407.2 Mn) for the Group and Rs. 293.2 Mn on Property Plant and Equipment and software (2023 : Rs. 233.3 Mn) for the Company.

4.8 Financial Investments

The Financial Investments held by the Company and the Group mainly comprises of Financial Instruments. Financial Investments of the Company and Group amounted to Rs. 48,486.3 Mn and Rs. 54,304.8 Mn respectively as at 31st December 2024 (2023 : Rs. 38,530.6 Mn and Rs. 43,855.3 Mn respectively). The details of the Financial Investments are given in Note 11 to the Financial Statements on pages 314 to 323.

4.9 Provisions, Liabilities and Commitments

The Directors have taken all reasonable steps to ensure that adequate provisions were made for all known liabilities, and commitments. Contract Liabilities for Life Insurance stood at Rs. 38,647.5 Mn (2023: Rs. 30,945.7 Mn) as at 31st December 2024, while Contract Liabilities for General Insurance constituted Rs. 4,507.0 Mn (2023: Rs. 4,694.3 Mn) as at 31st

December 2024. These liabilities have been valued by the appointed Actuaries whose reports are disclosed on pages 229 and 230 respectively. The assumptions and methods used are given in the accounting policies in pages 337 to 342 of these Financial Statements. The Gratuity Liability of the Company and the Group stood at Rs. 279.9 Mn and Rs.477.3 Mn respectively (2023: Rs. 192.1 Mn and Rs.333.9 Mn respectively), and is certified by an External Actuary.

5. THE BOARD OF DIRECTORS

5.1 Information on Directors of the Company and the Group and Directors Meetings

The Board of Directors of HNBA consist of 7 members, and HNBGI has 6 members as of the signing date of this report. Information relating to the Directors of the Company is available in the Directors' profile on pages 26 to 30. The Board is made up of experienced professionals from diverse backgrounds, experience, expertise, and age, contributing varied perspectives to boardroom deliberations. Directors are appointed through a formal and transparent process, assessed for their independence and approved by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

The names, appointment dates and meeting attendance of Directors of Company and the subsidiary are given below.

	Board Status	Appointment to HNBA Board	Appointment to HNBGI Board	HNBA Board	HNBGI Board	Audit Committee	Remuneration & Human Resources	Related Party Transaction Review Committee	Nomination & Governance Committee	Investment Committee	Risk Management Committee	Strategy Review Committee	Procurement Committee
S A Chapman – Chairman		29.03.2019	24.05.2024	13/13	6/6		1/1		3/3		5/5	4/4	
M A R C Cooray <i>(Retired w.e.f. 23rd May 2024)</i>		06.07.2015	30.06.2015	7/7	5/6		2/2		4/4		2/2	1/1	
A Goonesekere *	■	31.12.2021	N/A	13/13		8/8	3/3	4/4	4/4	4/4			
L U D Fernando	■	29.03.2019	29.03.2019	10/13	10/12	6/8		4/4	5/6			2/4	2/3
L H A L Silva	■	01.01.2024	N/A	13/13					6/6	4/4	5/5		3/3
Dr. P S Gamwarige	■	01.01.2024	N/A	13/13		8/8	3/3	4/4					
P R Saldin	■	19.02.2024	N/A	10/10							3/3	3/3	
Prof. A K W Jayawardane	■	09.08.2024	N/A	4/4							1/1	2/2	
U K D Dharmadasa *	■	N/A	17.02.2023		11/12	7/8						4/4	2/3
M A Tharmaratnam <i>(Retired w.e.f. 31st March 2024)</i>	■	N/A	01.09.2016		3/3						1/1	1/1	
M S Wijemanne	■	N/A	29.03.2019		9/12							1/4	
A V Abeygunasekara	■	N/A	29.03.2019		10/12					4/4			
L C Cooray <i>(Resigned w.e.f. 24th January 2024)</i>	■	N/A	17.03.2021		1/1								
P Abeygunawardana	■	N/A	01.04.2024		9/9						4/4	3/3	

* Senior Independent Director

■ Independent ■ Non-Executive



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2024

5.2 New Appointments, Retirement and Resignations

Mr. L H A L Silva was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 01st January 2024.

Mr. P S Gamwarige was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 01st January 2024.

Mr. P R Saldin was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 19th February 2024.

Mr. S A Chapman was appointed as a Chairman of the Board of HNB Assurance PLC with effect from 24th May 2024.

Prof. A K W Jayawardane was appointed to the Board of HNB Assurance PLC in the capacity of a Director with effect from 09th August 2024.

Ms. P Abeygunawardena was appointed to the Board of HNB General Insurance Limited in the capacity of a Director with effect from 01st April 2024.

Mr. S A Chapman was appointed to the board of HNB General Insurance Limited as a Chairman with effect from 24th May 2024.

Ms. L C Cooray resigned from the Board of HNB General Insurance Limited on 24th January 2024.

Ms. Marina Tharmaratnam retired from the Board of HNB General Insurance Limited on 31st March 2024.

Ms. Rose Cooray retired from the Boards of both HNB Assurance PLC and HNB General Insurance Limited with effect from 23rd May 2024 having served in the capacity of the Chairperson.

There were no appointments, retirements or resignations to the Board of both HNBA and HNBGI during the reporting period other than those mentioned above.

5.3 Retirement and Re-election of Directors

In terms of Article 27(7), of the Articles of Association of the Company Dr. Prasanna Sankalpa Gamwarige is retiring by rotation and being eligible, offer himself for re-election. In terms of Article 27(2), of the Articles of Association of the Company Prof. Ananda Jayawardane is retiring at the AGM and being eligible, offer him-self for re-election.

5.4 Appraisal of Board Performance

Performance of the Board of Directors was reviewed through a self-assessment questionnaire and the responses were shared among all Board members. Suggestions to further improve the performance of the Board that arose from these self-assessment questionnaires were discussed in detail and adopted as appropriate. The Secretary to the Board and the Management continuously follow up on the progress of implementing such agreed actions.

5.5 Board and Sub-Committees

Nine Board sub-committees have been appointed by the Board to support the Board in ensuring that the Company and the Group carry out its activities with the highest ethical standards and in the best interest of all its stakeholders at all times. Further, a sub-committee was formed on 1st January 2025 to oversee the Innovation and Digital transformation aspects of the company. The Terms of Reference of these sub-committees follow the recommendations made by various regulatory bodies, including but not limited to the Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission, the Colombo Stock Exchange and the Institute of Chartered Accountants of Sri Lanka. The reports of all statutory committees and reports of identified voluntary committees are given on pages 198 to 213 in the Annual Report. Committee mandates are reviewed regularly. The composition and meeting attendance by members for the above sub-committee meetings are given in Note 5.1.

5.6 Interest Register and Interest in Contracts or Proposed Contracts

As per requirements of the Companies Act, No. 07 of 2007 as amended, an Interest Register is maintained by the Company. Directors have made declarations of their interests in other companies conforming to Sections 192 (1) and 192 (2) of the Companies Act, No. 07 of 2007 as amended and they are recorded in the Directors' Interest Register.

The Interest Register is available at the registered office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act, No. 07 of 2007 as amended.

Directors also refrained from voting on any contract or matter in which they have a material interest as a practice of good governance. Particulars of the Directors' Interests in Contracts are given on page 224 of the Annual Report and Note 50 to the Financial Statements presents complete disclosure on related party transactions, which forms an integral part of the Annual Report of the Board of Directors.

The Directors' Interest in shares has not changed between 31st December 2024 and 18th February 2025, the date of this report.

Name of Director	No. of Shares held as at 31st December	
	2024	2023
Mr. S A Chapman	500	500
Ms. M A R C Cooray *	N/A	112,624
Mr. A Goonesekere	Nil	Nil
Mr. L U D Fernando	Nil	Nil
Mr. L H A L Silva	Nil	Nil
Dr. P S Gamwarige	Nil	Nil
Mr. P R Saldin	Nil	Nil
Prof. A K W Jayawardane	Nil	Nil
Mr. R A Ebell**	N/A	80,000

* Ms. M A R C Cooray has retired w.e.f. 23rd May 2024

** Mr. R A Ebell has resigned w.e.f. 31st December 2023.



5.7 Directors' Remuneration

Directors' remuneration including post-employment is given in Note 43 on page 360 to the Financial Statements. Further, Directors are not entitled to obtain any loan from the Company.

5.8 Related Party Transactions

The Company's transactions with related parties, given in Note 50 on page 369 to the Financial Statements have complied with Colombo Stock Exchange CSE Listing Rule 9.14.8 and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive. The Related Party Transactions Review Committee reviews all related party transactions recorded for the period and no related party transaction exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure to CSE and a separate disclosure in the Annual Report as per Section 9.14.8 of the Listing Rules. The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures'. All transactions that are entered during the period are on arm's length basis and are in compliance with transfer pricing regulations.

5.9 Future Development

Future developments are discussed in the Chairman's message (pages 20 to 23), Business line review (pages 112 to 120) of this Report.

6. SHARE INFORMATION

6.1 Information on Earnings, Dividends, Net Assets and Market Value

Information related to earnings, dividends, net assets, market price per share, and share trading as per the CSE Listing Rules are given on pages 187 to 192. Ratios relating to Dividends, Net Assets, Market Price per Share are presented on Investor Information on page 188.

6.2 Distribution Schedule of Shareholding

The distribution and analysis of shareholding is given on page 187 of this Annual Report. As at 31st December 2024, HNB Assurance PLC had 3,896 registered Ordinary Shareholders (2023 – 4,159).

6.3 Substantial Shareholding

Hatton National Bank PLC holds 59.99% of the Ordinary Voting shares as at 31st December 2024. Information of the top 20 Shareholders and the percentage held by each Shareholder as at 31st December 2024 are presented on page 190 with comparable information as at 31st December 2023.

6.4 Employee Share Ownership/Option Plans

The Company does not have any employee share ownership/option plans.

6.5 Public Shareholding and Float Adjusted Market Capitalisation

The percentage of shares held by the public as at 31st December 2024 was 40.01% (31st December 2023 – 39.88%). The Float Adjusted market capitalisation of the company was Rs. 4,808 Mn as at 31st December 2024 (2023: Rs. 3,386 Mn) and the company met the minimum public shareholding under option 4 of the Section 7.13.1 (a) of the Listing Rules.

Further, details on shareholding and related information are presented on Investor Information on page 190.

7. EQUITABLE TREATMENT OF SHAREHOLDERS

All Shareholders irrespective of the number of shares owned by them are treated equally and the Company recognises the right of all Shareholders to obtain information. Further establishing this principle, the Chairman's Message, the Chief Executive Officer's Review, the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity are available in Sinhala and Tamil languages to our Shareholders on request. This is also made available through our Company website.

8. INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

8.1 Auditors' Appointment and Audit Report

The Company's Independent External Auditors, Messrs. KPMG, Chartered Accountants, who were appointed by a resolution passed at the 22nd Annual General Meeting, have carried out an audit on the Financial Statements of the Company and the Consolidated Financial Statements of the Group for the year ended 31st December 2024 and expressed their opinion which appears on pages 231 to 234 of this Annual Report.

8.2 Auditors Remuneration and Relationship

The details of their remuneration in respect of audit fees and audit related fees are given in Note 43.2 on page 361 to the Financial Statements as required by Section 168 (1) (i) of the Companies Act, No. 07 of 2007 as amended. As far as the Directors are aware, the Auditors do not have any relationship with the Company, and the subsidiary which would impair the Auditors' independence within the means of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report, thus comply with the Section 168 (1) (j) of the Companies Act, No. 07 of 2007 as amended.

Report of the Audit Committee provides more information on appointment of Auditors, Independence of Auditors and the provision of non-audit services which are available on the page 198 of this Annual Report.



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8.3 Re-appointment of Auditor for the Financial Year 2025

The retiring Auditors Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company and subsidiary. A resolution to re-appoint Messrs. KPMG as Auditors and granting authority to the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting of the Company to be held on 28th March 2025 for Shareholder approval.

9. COMPLIANCE WITH LAWS AND REGULATIONS

The Directors, to the best of their knowledge the Group/ Company has not acted in contravention of any rule or regulation of the country. The Group has submitted all statutory returns and other required details to the relevant authorities on or before the due dates. This is further presented in the Compliance Summary pages from 193 to 194 of this Annual Report.

10. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and related institutions, the IRCSL, and relating to the employees, by the Company and its subsidiary, have been made on time or where relevant provided for, except as specified in Note 53 on page 374 to the Financial Statements, covering contingent liabilities.

11. RISK BASED CAPITAL (RBC) COMPLIANCE

The Company and its subsidiary have complied with the requirements of the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. Total Available Capital (TAC) and Risk based Capital Adequacy Ratio (CAR) of HNBA and HNBGI were maintained in excess of the minimum requirements as prescribed by the IRCSL throughout the year. At the end of the financial year 2024, HNBA recorded a CAR of 379% (2023: 339%) and HNBGI recorded a CAR of 219% (2023: 208%).

12. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Board of Directors believes that strong internal controls are an essential part of management of the business and is committed to maintaining financial, operational and risk management controls over all its activities. The ultimate responsibility of Company's/Group's system of internal controls and risk management is vested with the Board of Directors.

Therefore, the Board continuously monitors all business aspects through the Risk Management Committee and the Audit Committee along with the reports of the Internal Auditors to ensure the adequacy and effectiveness of internal controls of the Group, compliance with laws and regulations and established policies adopted by the Group. Further details of these aspects are discussed in the Corporate Governance

Report, Directors' Statement of Internal Control, Audit Committee Report and Risk Management Committee Report available on pages 134 to 171, pages 214 to 215, pages 198 to 201 and pages 210 to 211 respectively.

13. CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures required to ensuring best practices in Corporate Governance and their effective implementation.

The Company's compliance with relevant sections of Corporate Governance framework issued by IRCSL in the year 2018 as amended is given on pages 164 to 165. Further, the table from pages 166 to 168 shows the manner in which the Company is in the process of complying with Section 9 of the amended Rules of CSE on Corporate Governance as applicable and Company's compliance on the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 151. The Corporate Governance Report is given from pages 134 to 171. Also, the Directors declare that;

- all applicable laws and regulations have been complied with by the Company, in conducting its business activities and they are aware of laws and regulations and changes particularly to Listing Rules and applicable capital market provisions
- the Directors have disclosed all material interests in contracts involving the Company and have refrained from voting on matters in which they were materially interested,
- the Company has made all endeavours to ensure that all Shareholders have been treated equitably,
- the business is a going concern with supporting assumptions or qualifications as necessary,
- a review of internal controls, covering financial, operational and compliance controls, and risk management, has been conducted, and a reasonable assurance of their effectiveness and successful adherence has been obtained.
- they have made arrangements to take actions pertaining to disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the entity has operations.

14. CODE OF CONDUCT AND ETHICS

All employees of the Company/subsidiary are governed by a Code of Business Conduct and are expected to abide by the Code without any exceptions. During the year no major violations of the Code was reported, except for few insignificant operational level incidents over which appropriate and prompt actions were taken by the management. The Board of Directors is also governed by a Code of Conduct and Ethics and during the year no violations of the Code were reported.



15. WHISTLEBLOWING

A Whistle Blowing Policy is in place and has been communicated to all employees of the Company/subsidiary. It encourages to bring to the attention of the Management or the Board any possible risks faced by the Company/subsidiary at the earliest. During the year no major concerns were raised through the Policy.

16. INTEGRATED CORPORATE REPORTING

The Company has prepared this Integrated Annual Report in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Independent Limited Assurance Report provided by Messrs. KPMG on the Integrated Annual Report is given on pages 18 to 19.

17. SUSTAINABILITY

The Company/Group is conscious of the importance of assessing business performance through financial as well as social and environmental aspects. Accordingly, sustainability aspects have been considered when formulating business strategies and details of which are presented on pages 46 to 47.

18. ENVIRONMENT PROTECTION

To the best knowledge of the Board, the Company and subsidiary have complied with the relevant environmental laws and regulations and the Company and subsidiary have not engaged in any activity that is harmful or hazardous to the environment. Specific measures taken to protect the environment are found in the Management Discussion and Analysis on pages 93 to 95.

19. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a socially responsible corporate citizen, the Company carries out a range of CSR activities. The details of CSR activities are given under Management Discussion and Analysis on pages 93 to 95.

20. CORPORATE DONATIONS

Total donations made by the Company during the year amounted to Rs. 682,159 (2023 - Rs. 750,000).

21. HUMAN RESOURCES

The Company and Group ensure that effective human resource practices and policies exist, and these are continuously reviewed and improved to enhance workforce efficiency, effectiveness and productivity. These practices and policies are applied for all employees of the Group/Company irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Details of the Company and Group human resources are given in the Management Discussion and Analysis on pages 99 to 111 and on Human Resources and Remuneration Committee Report given on pages 202 to 203.

No material issues were identified during the year relating to employees and industrial relations of the entity.

22. TECHNOLOGY

The Company/Group has accelerated its digitalisation journey focusing on technological advancements to support the business strategy of the Group. The Company and subsidiary invested in digitalisation of processes to increase the efficiencies and deliver superior products and services to customers. Most significant of which include investment in two new core systems for the Company and the subsidiary and investing in technology solutions for the SLFRS 17 implementation. Key achievements for the year are detailed in the pages 80 to 82.

23. ANNUAL GENERAL MEETING

The Twenty Third Annual General Meeting of the Company will be held at the Auditorium on Level 22 of "HNB Towers", at No. 479, T B Jayah Mawatha, Colombo 10, on 28th March 2025 at 10.00 in the forenoon. The Notice of the Annual General Meeting is on Pages 399 to 400 of the Annual Report.

24. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

Board of Directors does hereby acknowledge the contents of this Annual Report as required by Section 168 (1) (k) of the Companies Act, No. 07 of 2007 as amended.

By order of the Board,

Madhubhashini Bakmedeniya
Board Secretary

Ashoka Goonesekere
Senior Independent Director

Stuart Chapman
Chairman

Colombo, Sri Lanka
18th February 2025



DIRECTORS' INTEREST IN CONTRACTS WITH THE GROUP/COMPANY

In compliance with the disclosure requirements of Section 168 (e) of the Companies Act No 07 of 2007 as amended, Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed as follows, where the Chairman or a Director of the Company is the Chairman or a Director of such entities.

All Directors of the Company have disclosed their interest in other companies to the Board and such interest are recorded in the Directors interest register confirming to Section 192 (1) and 192 (2) of the Companies Act No 07 of 2007 as amended.

These entities have been categorised as listed, unlisted or foreign, and the Director's role as Executive or Non-Executive is also disclosed as per the requirements of Rule 9.10.4(e) of the CSE Listing Rules.

Summary of Directorships in other Companies

Director Name	Company	Listed	Unlisted	Total
Mr. S A Chapman	Chairman - HNBA and HNBGI	1	2*	3
Mr. A Goonesekere	Senior Independent Director - HNBA	4	-	4
Mr. L U D Fernando	Director - HNBA and HNBGI	1	9*	10
Mr. L H A Lakshman Silva	Director - HNBA	4	12	16
Dr. P Sankalpa Gamwarige	Director - HNBA	-	2	2
Mr. P R Saldin	Director - HNBA	3	8	11
Prof. A K W Jayawardane	Director - HNBA	1	5	6
Mr. D Dharmadasa	Senior Independent Director - HNBGI	1	1*	2
Mr. M S Wijemanne	Director - HNBGI	-	4*	4
Mr. A V Abeygunasekara	Director - HNBGI	-	2*	2
Ms. P Abegunawardena	Director - HNBGI	-	3*	3

* including HNBGI

Directorships in Listed Companies

No	Position	Company	Capacity
Mr. S A Chapman			
01	D	United Motors Lanka PLC	NED
Mr. A Goonesekere			
01	D	Pan Asia Banking Corporation PLC	NED
02	D	PMF Finance PLC	NED
03	D	Distilleries Company of Sri Lanka PLC	NED
04	D	Melstacorp PLC	NED
Mr. L U D Fernando			
01	D	Melstacorp PLC	NED
Mr. L H A Lakshman Silva			
01	C	Panasian Power PLC	NED
02	D	Seylan Bank PLC	NED
03	D	Distilleries Company of Sri Lanka PLC	NED
04	D	Melstacorp PLC	NED
Mr. P R Saldin			
01	C	Chemanex PLC	NED
02	D	CIC Holdings PLC	NED
03	D	Hatton National Bank PLC	NED
Prof. A K W Jayawardane			
01	D	Sierra Cables PLC	NED
Mr. D Dharmadasa			
01	D	Ex-Pack Corrugated Cartons PLC	NED



Directorships in Unlisted Companies

No	Position	Company
Mr. S A Chapman		
01	D	HNB General Insurance Ltd
02	D	Hemas Pharmaceuticals (Pvt) Ltd
Mr. L U D Fernando		
01	D	HNB General Insurance Ltd
02	D	DCSL Breweries Lanka Ltd
03	D	Melsta Logistics Pvt Ltd
04	D	DCSL Group Marketing Pvt Ltd
05	D	Melsta Tower Pvt Ltd
06	D	Melsta Pharmaceuticals Pvt Ltd
07	D	Melsta Helthcare Pvt Ltd
08	D	Melsta Laboratories Pvt Ltd
09	D	Melsta House Pvt Ltd
Mr. L H A Lakshman Silva		
01	D	Manelwala Hydro Power PVT LTD
02	D	Padiyapelella Hydropower LTD
03	D	Panasian Investments PVT LTD
04	D	Lower Kothmaleoya Power two PVT LTD
05	D	Powergen One PVT LTD
06	D	Eco Green Solar Solutions PVT LTD
07	D	Panthree Solaro Energy PVT LTD
08	D	Solar Power Generation Matara PVT LTD
09	D	Panasian Power Zambia Limited
10	D	Panasian Solar PVT LTD
11	D	Fintech Consultancy PVT LTD
12	C	Lanka Clear (Pvt) Ltd
Dr. P Sankalpa Gamwarige		
01	D	Technologically Re-Awakening a Culture of Excellence
02	D	Nagarro in Sri Lanka
Mr. P R Saldin		
01	C	Sithma Development PVT LTD
02	D	CIC Agri Business (Pvt) Ltd
03	D	Polypack Seco Ltd
04	D	Paints & General Industries Ltd
05	D	Polytex Properties & Investments Ltd
06	D	Link Natural Products (Pvt) Ltd
07	C	CISCO Speciality Packaging (Pvt) Ltd
08	D	Akzo Nobel Paints Lanka (Pvt) Ltd
Prof. A K W Jayawardane		
01	M	University Grants Commission
02	M	National Institute of Education
03	D	Mother Lanka Foundation
04	M	National Academy of Sciences SL
05	M	Sir Arthur C Clarke Institute for Modern Technologies
Mr. D Dharmadasa		
01	D	HNB General Insurance Ltd
Mr. M S Wijemanne		
01	D	HNB General Insurance Ltd
02	D	HNB Stockbrokers (Pvt) Ltd
03	D	HNB Investment Bank (Pvt) Ltd
04	D	Fintech Forum (Guarantee) LTD
Mr. A V Abeygunasekara		
01	D	HNB General Insurance Ltd
02	D	HNB Securities Ltd
Ms. P Abegunawardena		
01	D	HNB General Insurance Ltd
02	D	Fortitude Executive Coaching (Pvt) Ltd
03	D	Black Board Digital solutions (Pvt) Ltd

C – Chairman
D – Director

NED - Non-Executive Director
ED – Executive Director

M - Member

Related party disclosures as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures' are detailed in Note 50 to the Financial Statements on pages 369 to 373 of this Annual Report.



STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Board of Directors in relation to the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 as amended, is given in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Independent Auditors' Report given on pages 231 to 234. As per the provisions of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act, No. 7 of 2007 as amended, the Directors are required to prepare and present Financial Statements for each financial year for the Company and the Group which give a true and fair view of the state of affairs of the Company as at the reporting date and of the profit or loss for the year and place the same before the Annual General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31st December 2024, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto.

The Board of Directors also confirms that the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary give a true and fair view of;

- The state of affairs of the Company and the Group as at the date of the Statement of Financial Position; and
- The Financial Performance of the Company and the Group for the financial year ended 31st December 2024.

Compliance Report

In preparing the Financial Statements for the period ended 31st December 2024, the Directors also confirm that,

- a) Appropriate accounting policies have been selected and applied in a consistent manner when preparing the Financial Statements/Consolidated Financial Statements appearing on pages 236 to 375.
- b) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained in the Financial Statements/Consolidated Financial Statements and accompanying Notes.
- c) The Financial Statements/Consolidated Financial Statements for the year ended 31st December 2024, prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the applicable regulatory requirements including,

- Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
 - Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.
 - Companies Act, No. 07 of 2007 as amended.
 - Regulation of Insurance Industry Act, No. 43, of 2000 and subsequent amendments thereto.
 - Listing Rules of the Colombo Stock Exchange.
 - Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.
 - Statement of Recommended Practice (SoRP).
- d) As required by the Section 148 (1) of the Companies Act, the Company and the Group keep accounting records which correctly record and explain the Company's/ Group's transactions and enable the financial position of the Company/ Group to be determined with reasonable accuracy at any time while enabling the preparation of the Financial Statements in accordance with the Companies Act, No. 07 of 2007 as amended and ensuring that these statements can be readily and properly audited.
 - e) Appropriate steps have been taken to ensure that the Company/ Group maintains proper books of accounts and the financial reporting system is reviewed through the Audit Committee. The report of the Audit Committee is given on pages 198 to 201 of this Annual Report. Financial records of the Company/Group have been reviewed by the Board at their regular meetings and the Interim Financial Statements of the Company/Group have been reviewed and recommended by the Audit Committee and have then been approved by the Board of Directors prior to release to the Shareholders and Public.
 - f) The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
 - g) Steps have been taken to establish and maintain a system of internal controls to provide reasonable assurance of the reliability of financial reporting, effectiveness and efficiency of the operations, safeguarding of the assets of the Company/ Group, compliance with applicable laws and regulations, and prevention and detection of fraud and other irregularities. Directors' Statement on Internal Control is given on pages 214 to 215.



- h) The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments including taxes and duties due to all relevant regulatory and statutory authorities which were payable by the Company/Group as at the reporting date have been paid or where relevant provided for.
- i) As required by the Section 56 (2) of the Companies Act, No. 07 of 2007 as amended, the Board of Directors based on the information available is satisfied that the Company will immediately after the distribution of dividends satisfy the solvency test, in accordance with the Section 57 of the Companies Act, No. 07 of 2007 as amended, and has obtained a certificate from the External Auditors, prior to declaring a first and final dividend of Rs 3.90 per share for this year, to be paid on or before 23rd April 2025.
- j) As required by the Sections 166 (1) and 167 (1) of the Companies Act, No. 07 of 2007 as amended and Rule 7.5 (a) and (b) on Continuing Listing Requirements of the Colombo Stock Exchange, the Board of Directors have prepared this Annual Report in time and will ensure that a copy thereof is sent to every Shareholder of the Company, who have expressed desire to receive a hard copy or to other Shareholders an online link containing the Annual Report within the stipulated period of time.
- k) The Board of Directors after considering the financial position, operating conditions, regulatory environment and other factors required to be addressed, have established that it has reasonable expectations that the Company and the Group have adequate resources to continue in operation to justify applying the 'Going Concern' basis in preparation of these Financial Statements/Consolidated Financial Statements. The Directors are also required to take into consideration the implications of the current economic conditions on the Group's business, operations and financial performance this year as well.
- l) As required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act, No. 07 of 2007 as amended, Chief Financial Officer has certified that the Financial Statements of the Company/ Group are in compliance with the requirements of the Companies Act, No. 07 of 2007 as amended. Further, as required by the Sections 150 (1) (c) and 150 (1) (c) of the Companies Act, No. 07 of 2007 as amended and other regulatory requirements the Financial Statements of the Company/Group have been signed by two Directors of the Company on 18th February 2025.
- m) The Consolidated Financial Statements of the Group and the Financial Statements of the Company have been provided to the Company's External Auditors, Messrs. KPMG, who were appointed in terms of the Section 158 of the Companies Act, No. 07 of 2007 as amended and in accordance with a resolution passed at the last Annual General Meeting held on 02nd April 2024. The External Auditors have been provided with every opportunity to carry out whatever reviews and sample checks on the system of internal controls they may consider appropriate and necessary to express their independent audit opinion on the Financial Statements of the Company and the Consolidated Financial Statements of the Group. The Financial Statements thus made available to them by the Board of Directors along with all the financial records, related data and minutes of Shareholders' and Directors' meetings have been examined by the External Auditors who have expressed their opinion which is given on pages 231 to 234.

Accordingly, the Directors, to the best of their knowledge and belief, are in the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,

Madhubhashini Bakmedeniya
Board Secretary

Colombo, Sri Lanka
18th February 2025



CEO'S AND CFO'S RESPONSIBILITY STATEMENT

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary as at 31st December 2024 are prepared and presented in compliance with the requirements of the following;

- Legal and Regulatory Acts:
 - Companies Act, No. 07 of 2007 as amended.
 - The Regulation of Insurance Industry Act, No. 43 of 2000 (including subsequent amendments).
- Accounting Standards:
 - Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
 - Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.
- Corporate Governance and Related Frameworks:
 - Listing Rules of the Colombo Stock Exchange (CSE).
 - Code of Best Practice on Corporate Governance issued by CA Sri Lanka.
 - Section 09 on Corporate Governance issued by the Colombo Stock Exchange.
 - Statement of Recommended Practice (SoRP) issued by CA Sri Lanka.
 - Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made therein comply with the formats prescribed by the pertinent regulators and comply with the disclosure requirements of the Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRS/LKAS). The accounting policies used in the preparation of the Financial Statements comply with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Significant Accounting Policies and Estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the External Auditors of the Group. Comparative information has been reclassified wherever necessary to comply with the current year's presentation.

We accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to these Financial Statements were made on a prudent and reasonable basis taking into consideration the potential implications of the unstable economic environment prevailing in the Country, the associated uncertainties and the potential implication on the business environment to ensure that the Financial Statements reflect in a true and fair manner, the form and substance of transactions as well as to ascertain that the state of affairs of the Company/ Group is reasonably presented. Based on the above and taking into account the Group's solvency and its ability to access the liquidity mechanisms, the Group estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met.

We also confirm that the Company/Group has taken proper and sufficient care in implementing a system of internal controls and accounting records, for safeguarding assets, ensuring smooth operations of the entity and for preventing and detecting frauds, as well as other irregularities, which are reviewed, evaluated and updated on an on-going basis. The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting. We confirm, to the best of our knowledge, that there were no significant deviations or weaknesses in the design or operation of the Internal Controls and any significant fraud that involves management or other employees.

The Audit Committee of the Company meets periodically with both Internal and External Auditors to review the audit plans and the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

The Financial Statements of the Company/Group were audited by Messrs, KPMG, Chartered Accountants, Independent Auditors and their report is given on pages 231 to 234 of this Annual Report. Prior approval was obtained from the Audit Committee for the audit and non-audit services provided by them to ensure the provision of such services does not impair the objectivity of the Independent Auditors.

We confirm that to the best of our knowledge;

- The Company and the Group have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group/ Company other than those disclosed in Note 54 on page 375 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group/ Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company/ Group as at 31st December 2024 have been paid, or where relevant accrued.
- The Company has complied with all relevant legal and regulatory provisions of the Regulation of Insurance Industry Act.

Punsirini Perera
Chief Financial Officer

Lasitha Wimalaratne
Chief Executive Officer

Colombo, Sri Lanka
18th February 2025



REPORT OF THE LIFE ACTUARY



HNB Assurance PLC
2nd, 3rd, 4th Floors,
Iceland Business Centre,
No. 30, Sri Uttarananda Mawatha,
Colombo 03, Sri Lanka

10 February 2025

To the shareholders of HNB Assurance PLC

Actuarial Valuation of Long-Term Insurance Business as at 31 December 2024

In accordance with the engagement letter dated 29 May 2024, Willis Towers Watson India Private Limited ("WTW", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of HNB Assurance Plc's Long-Term Insurance Business as at 31 December 2024. We hereby certify that:

1. Proper records have been maintained by the Company which are appropriate for the purpose of actuarial valuation of liabilities of the Long-Term Insurance Fund.
2. Adequate and proper reserves have been held for all liabilities in respect of the Long-Term Insurance Fund, considering all current and contingent liabilities as at 31 December 2024.
3. We have reviewed the long-term provisions, Capital Adequacy Ratio (CAR) and surplus figures for valuation as at 31 December 2024.
4. The total long-term insurance provisions maintained within the life fund (on Risk Based Capital Basis) for conventional business is LKR 28,088 million. The total available capital (TAC) on the regulatory basis is LKR 21,310 million.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 and its subsequent amendments is LKR 5,616 million, and the Company's CAR is 379%, compared to the regulatory minimum requirement of 120%.
6. The total surplus distributed to the shareholders for FY2023 is LKR 1,350 million and the surplus distributed to policyholders is LKR 62 million.
7. The tax payable on surplus distributed to policyholder amounted to LKR 19 million. This is determined based on 30% tax on surplus distributed to policyholders.
8. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of HNB Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability stated above. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL [the Solvency Margin (Risk Based Capital) Rules 2015]. Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of HNB Assurance Plc as per the audited accounts of the Company for the year ended 31 December 2024 is in excess of the liabilities computed in the above-mentioned manner.

Abhishek Chadha, FIA, FIAI
Director – Insurance Consulting and Technology, India
WTW

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CERTIFICATION OF INCURRED BUT NOT REPORTED (IBNR) AND INCURRED BUT NOT ENOUGH REPORTED (IBNER) CLAIMS RESERVE



11 February 2025

To the shareholders of HNB General Insurance Limited

HNB General Insurance Limited 31 December 2024 IBNR and LAT Certification

In accordance with the engagement letter dated 29 May 2024, Willis Towers Watson India Private Limited has provided actuarial services relating to the role of Appointed Actuary as at 31 December 2024.

I hereby certify that the undiscounted Central Estimate of IBNR (inclusive of CHE) provision of LKR 392,112,522 is adequate in relation to the Claim Liability of HNB General Insurance Limited as at the 31 December 2024, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2024.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision net of DAC of LKR 2,776,268,311 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of HNB General Insurance Limited as at 31 December 2024. As such, there is no premium deficiency to be recognized by the Company.

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the above Company, and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonability of the data.

Sipika Tandon Mathur, FIAI
Director, P&C Insurance
Willis Towers Watson India Private Limited

Willis Towers Watson India Private Limited
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INDEPENDENT AUDITOR'S REPORT



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

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TO THE SHAREHOLDERS OF HNB ASSURANCE PLC

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of HNB Assurance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2024, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies as set out on pages 236 to 375 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INSURANCE CONTRACT LIABILITIES

Refer to Note 25 (page 337) and Note 26 (page 342) to these financial statements.

The Life Insurance Contract Liabilities and General Insurance Contract Liabilities as at 31 December 2024 amounted to Rs. 38.6 Bn and Rs. 4.5 Bn respectively, which represents 86% of the total liabilities of the Group.

Risks Description	Our responses - Our audit procedures included:
The valuation of these liabilities involves significant judgement and requires a number of key assumptions to be made that involves significant estimation uncertainty. This has been compounded by the uncertainties associated with the prevailing economic conditions and the impact these could have on various actuarial assumptions. The accuracy and completeness of the data used in calculating insurance liabilities or forming judgments over key assumptions, would have material impact on the valuation of insurance contract liabilities.	<ul style="list-style-type: none"> Evaluating the governance around the Group's reserving process including the scrutiny applied by the Group level actuarial reviews. Evaluating the design of the Group's key controls over the claims reserving process and assessing whether a sample of these controls operated effectively throughout the year. Assessing the competence, capabilities and objectivity of the independent appointed actuaries of the Group and the Group's staff involved in the valuation process of policyholders' liability.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

W.W.J.C. Perera FCA
G.A.U. Karunaratne F
R.H. Rajan FCA
A.M.R.P. Alahakoon A

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyard FCA
K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D Corea Dharmaratne

INDEPENDENT AUDITOR'S REPORT



Risks Description	Our responses - Our audit procedures included:
<p>The valuation of insurance contract liabilities depends on the accuracy of data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims.</p>	<ul style="list-style-type: none"> Assessing the key controls adopted (including IT related controls) by the Group in providing accurate and complete data to the independent appointed actuary for the purpose of valuations.
<p>There is limited information available and a greater level of uncertainty inherent in assessing Group's estimations of claims which have been incurred by the reporting date but have not yet been reported.</p>	<ul style="list-style-type: none"> Assessing the Group's methodology for calculating the insurance contract liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015).
<p>Judgment is required when considering the Group's application of historical experience of claims developments to determine current estimates. This includes the variability between the original estimation and the ultimate settlement of claims where there is a long-time delay between the claim being incurred and the ultimate settlement.</p>	<ul style="list-style-type: none"> Reconciling the movements in insurance contract liabilities during the year with the movements in the financial results reported in separate funds.
<p>Claims estimation uses an actuarial modelling process which involves complex and subjective actuarial methodologies, as well as judgements and assumptions about future events and developments, both within and external to, the Group. The key Actuarial assumptions that drive the claims reserving calculation include loss ratios, claim frequencies, average claim sizes, mortality, morbidity, persistency and expense assumptions, estimates of the frequency and severity of claims, investment return and where appropriate the discount rates for longer tail classes of business by line of business and allowance for future claim inflation.</p>	<ul style="list-style-type: none"> We involved our actuarial specialist to assist us in assessing the key assumptions, including those for loss ratios, claim frequencies, average claim sizes, mortality, morbidity, persistency and expense assumptions, estimates of the frequency and severity of claims morbidity, persistency, investment return and discount rates as well as the provision for adverse deviation by performing the following audit procedures: <ul style="list-style-type: none"> Assessing the accuracy and completeness of data used for estimates; Assessing the approach used by the management to derive key assumptions and reserving methodologies driving the value of the insurance liabilities by; Comparing the Group's actuarial methodologies with the methodologies applied in the industry, prior periods and the requirements of the accounting standards; Comparing the assumptions used by management to expectations based on, past experience, market observable data and our own industry knowledge and experience
<p>Changes in the methodologies, judgements and assumptions used to value the insurance contract liabilities, can lead to material impacts on the valuation of insurance contract liabilities.</p>	<ul style="list-style-type: none"> Evaluating the level of prudence applied and compared this to prior periods;
<p>The appropriate margin added to the actuarial best estimate of insurance contract liabilities, to provide for the risk of adverse development in the claims involves judgment made by the management, based on the perceived uncertainty and potential for volatility in the underlying claim. As such it is subjective estimate.</p>	<ul style="list-style-type: none"> Reviewing sensitivity analysis over key judgments and assumptions Independently re-projected the reserve balances for certain classes of business.
<p>As a result of the above factors, insurance contract liabilities have been identified as a key audit matter.</p>	<ul style="list-style-type: none"> Evaluating the Group's calculation of the liability adequacy test and assessed the related results in order to ascertain whether the insurance contract liabilities used for the in-force business are adequate in the context of a valuation on the current best estimate assumptions. Assessing the adequacy of the Group's disclosure in relation to insurance liabilities obtained from our testing and against the requirements of the accounting standards.



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITOR'S REPORT



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report FCA 2294.

Chartered Accountants

Colombo, Sri Lanka
18 February 2025



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STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Page No.	GROUP		COMPANY	
			2024	2023	2024	2023
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Property, Plant and Equipment	8	303	769,638	689,549	541,118	480,796
Right of Use Assets	9	309	482,551	428,871	427,016	368,716
Intangible Assets	10	312	164,019	63,924	155,588	57,566
Deferred Tax Assets	46	363	14,783	1,528	-	-
Financial Investments	11	314	54,304,798	43,855,383	48,486,327	38,530,656
Investment in Subsidiary	12	324	-	-	1,150,000	1,150,000
Loans to Life Policyholders	13	325	459,395	441,923	459,395	441,923
Reinsurance Receivables	14	326	1,268,504	1,329,157	238,175	325,283
Premium Receivables	15	327	2,272,135	1,858,407	198,723	45,940
Other Assets	16	329	1,277,749	1,262,852	906,713	983,945
Insurance Contract - Deferred Expenses	17	332	33,468	208,471	-	-
Cash and Cash Equivalents	18	333	1,402,419	1,123,004	841,377	666,222
Total Assets			62,449,459	51,263,069	53,404,432	43,051,047
Equity and Liabilities						
Equity Attributable to the Equity Holders						
Stated Capital	19	334	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	20	334	10,351,725	9,039,864	8,689,963	7,618,252
Available For Sale Reserve	21	335	279,432	174,358	211,076	106,834
Other Reserve	22	335	(104,708)	(21,290)	(82,179)	(21,175)
Life Policyholders' Available For Sale Reserve Fund	23	335	437,695	(469,286)	437,695	(469,286)
Restricted Regulatory Reserve	24	335	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders			12,517,175	10,276,677	10,809,586	8,787,656
Non-Controlling Interest			-	-	-	-
Total Equity			12,517,175	10,276,677	10,809,586	8,787,656
Liabilities						
Insurance Contract Liabilities - Life Insurance	25	337	38,647,547	30,945,715	38,647,547	30,945,715
Insurance Contract Liabilities - General Insurance	26	342	4,507,058	4,694,303	-	-
Employee Defined Benefit Liabilities	27	345	477,315	333,860	279,864	192,127
Current Tax Liabilities	28	348	559,876	530,009	479,148	453,230
Reinsurance Creditors	29	348	1,000,350	696,915	214,999	302,211
Lease Creditors	30	349	560,905	450,304	503,233	395,383
Other Liabilities	31	350	3,760,247	2,864,015	2,276,075	1,814,178
Bank Overdrafts	18	333	418,986	471,271	193,980	160,547
Total Liabilities			49,932,284	40,986,392	42,594,846	34,263,391
Total Equity and Liabilities			62,449,459	51,263,069	53,404,432	43,051,047

The Notes to the Financial Statements as set out on pages 241 to 375 form an integral part of these Financial Statements.

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

Punsirini Perera
Chief Financial Officer

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

Stuart Chapman
Chairman

Colombo, Sri Lanka
18th February 2025

Ashoka Goonesekere
Senior Independent Director



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December,			GROUP		COMPANY		CHANGE	
			2024	2023	2024	2023	Group	Company
	Note	Page No.	Rs.'000	Rs.'000	Rs.'000	Rs.'000	%	%
Gross Written Premium	32	352	22,737,994	18,760,347	13,709,655	10,923,294	21	26
Premium Ceded to Reinsurers	33	354	(4,585,634)	(2,922,404)	(775,049)	(592,191)	57	31
Net Written Premium			18,152,360	15,837,943	12,934,606	10,331,103	15	25
Net Change in Reserves for Unearned Premium	34	354	199,390	(138,553)	-	-	244	-
Net Earned Premium	35	355	18,351,750	15,699,390	12,934,606	10,331,103	17	25
Other Revenue								
Interest and Dividend Income	36	355	7,561,878	7,227,168	6,797,948	6,306,764	5	8
Net Realised Gains/(Losses)	37	357	100,442	(57,224)	40,028	10,415	276	284
Net Fair Value Gains	38	358	64,853	65,944	76,025	57,107	(2)	33
Fee and Commission Income	39	358	421,785	317,623	93,815	102,709	33	(9)
Other Income	40	358	24,723	12,046	23,514	9,447	105	149
Total Other Revenue			8,173,681	7,565,557	7,031,330	6,486,442	8	8
Net Income			26,525,431	23,264,947	19,965,936	16,817,545	14	19
Net Benefits, Claims and Expenses								
Net Insurance Benefits and Claims Paid	41	359	(6,783,148)	(6,426,719)	(2,995,104)	(2,654,147)	6	13
Net Change in Insurance Claims Outstanding	42	360	71,922	(239,365)	(12,121)	(22,289)	130	(46)
Change in Contract Liabilities - Life Fund	25	337	(7,679,932)	(6,332,739)	(7,679,932)	(6,332,739)	21	21
Other Operating and Administration Expenses	43	360	(6,429,682)	(5,284,451)	(4,221,465)	(3,499,070)	22	21
Underwriting and Net Acquisition Costs	44	362	(2,749,433)	(2,286,366)	(2,466,158)	(1,892,762)	20	30
Finance and Other Insurance Related Costs			(242,237)	(183,812)	(232,686)	(147,496)	32	58
Total Benefits, Claims and Other Expenses			(23,812,510)	(20,753,452)	(17,607,466)	(14,548,503)	15	21
Profit Before Taxation			2,712,921	2,511,495	2,358,470	2,269,042	8	4
Income Tax Expense	46	363	(816,060)	(746,846)	(701,759)	(655,723)	9	7
Profit for the Year			1,896,861	1,764,649	1,656,711	1,613,319	7	3
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			1,087,198	1,401,847	987,778	1,035,773	(22)	(5)
- Realised Gains transferred to Income Statement	37	357	(131,952)	(38,955)	(33,720)	(31,744)	239	6
- Amortisation of AFS reserve on reclassification	11	314	57,165	49,549	57,165	49,549	15	15
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	23	335	(906,981)	(808,128)	(906,981)	(808,128)	12	12
- Tax related on items that are or may be reclassified to profit or loss	46	363	(356)	(107,659)	-	-	(100)	-
Items that will never be reclassified to profit or loss								
- Actuarial Losses on Defined Benefit Plans	27	345	(94,430)	(63,303)	(61,004)	(25,147)	49	143
- Gains on Land and Building Revaluation	8	303	15,976	-	-	-	100	-
- Tax related on items that will never be reclassified to profit or loss	46	363	(4,964)	19,655	-	-	(125)	-
Total Other Comprehensive Income for the year, Net of Related Tax			21,656	453,006	43,238	220,303	(95)	(80)
Total Comprehensive Income for the Year			1,918,517	2,217,655	1,699,949	1,833,622	(13)	(7)
Profit attributable to :								
Equity Holders of the Company			1,896,861	1,764,649	1,656,711	1,613,319	7	3
Non-Controlling Interest			-	-	-	-	-	-
Profit for the Year			1,896,861	1,764,649	1,656,711	1,613,319	7	3
Total Comprehensive Income Attributable to :								
Equity Holders of the Company			1,918,517	2,217,655	1,699,949	1,833,622	(13)	(7)
Non-Controlling Interest			-	-	-	-	-	-
Total Comprehensive Income for the year			1,918,517	2,217,655	1,699,949	1,833,622	(13)	(7)
Basic and Diluted Earnings Per Share (Rs.)	47	366	12.65	11.76	11.04	10.76	7	3
Dividend Per Share (Rs.)	48	367	3.90	3.90				

The Notes to the Financial Statements as set out on pages 241 to 375 form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN EQUITY

- GROUP

	Note	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policy holders' Available For Sale Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2023 (a)		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,798,394
Comprehensive Income for the Year								
Profit for the Year (b)	20	-	1,764,649	-	-	-	-	1,764,649
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,304,782	-	-	-	1,304,782
Net Change in Fair Value of Available for Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(808,128)	-	-	-	(808,128)
Actuarial Losses on Defined Benefit Plans	22	-	-	-	(43,648)	-	-	(43,648)
Total Other Comprehensive Income for the Year (c)		-	-	496,654	(43,648)	-	-	453,006
Total Comprehensive Income for the Year (d = b+c)		-	1,764,649	496,654	(43,648)	-	-	2,217,655
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (e)	23	-	-	-	-	808,128	-	808,128
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Parent								
Final dividend 2022 (f)	48.4	-	(547,500)	-	-	-	-	(547,500)
Balance as at 31st December 2023 (a+d+e+f)		1,171,875	9,039,864	174,358	(21,290)	(469,286)	381,156	10,276,677
Balance as at 01st January 2024 (g)		1,171,875	9,039,864	174,358	(21,290)	(469,286)	381,156	10,276,677
Comprehensive Income for the Year								
Profit for the Year (h)	20	-	1,896,861	-	-	-	-	1,896,861
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,012,055	-	-	-	1,012,055
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(906,981)	-	-	-	(906,981)
Actuarial Losses on Defined Benefit Plans	22	-	-	-	(95,849)	-	-	(95,849)
Gains on Land and Building Revaluation	-	-	-	-	12,431	-	-	12,431
Total Other Comprehensive Income for the Year (i)		-	-	105,074	(83,418)	-	-	21,656
Total Comprehensive Income for the Year (j= h+i)		-	1,896,861	105,074	(83,418)	-	-	1,918,517
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (k)	23	-	-	-	-	906,981	-	906,981
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Company								
Final dividend 2023 (l)	48.4	-	(585,000)	-	-	-	-	(585,000)
Balance as at 31st December 2024 (g+j+k+l)		1,171,875	10,351,725	279,432	(104,708)	437,695	381,156	12,517,175

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2024. (2023 - 150 Million Ordinary Shares)

The Notes to the Financial Statements as set out on pages 241 to 375 form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN EQUITY

- COMPANY

	Note	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policy holders' Available For Sale Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2023 (a)		1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406
Comprehensive Income for the Year								
Profit for the Year (b)	20	-	1,613,319	-	-	-	-	1,613,319
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,053,578	-	-	-	1,053,578
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(808,128)	-	-	-	(808,128)
Actuarial Losses on Defined Benefit Plans	22	-	-	-	(25,147)	-	-	(25,147)
Total Other Comprehensive Income for the Year (c)		-	-	245,450	(25,147)	-	-	220,303
Total Comprehensive Income for the Year (d = b+c)		-	1,613,319	245,450	(25,147)	-	-	1,833,622
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (e)	23	-	-	-	-	808,128	-	808,128
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Company								
Final dividend 2022 (f)	48.4	-	(547,500)	-	-	-	-	(547,500)
Balance as at 31st December 2023 (a+d+e+f)		1,171,875	7,618,252	106,834	(21,175)	(469,286)	381,156	8,787,656
Balance as at 01st January 2024 (g)		1,171,875	7,618,252	106,834	(21,175)	(469,286)	381,156	8,787,656
Comprehensive Income for the Year								
Profit for the Year (h)	20	-	1,656,711	-	-	-	-	1,656,711
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,011,223	-	-	-	1,011,223
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(906,981)	-	-	-	(906,981)
Actuarial Losses on Defined Benefit Plans	22	-	-	-	(61,004)	-	-	(61,004)
Total Other Comprehensive Income for the year (i)		-	-	104,242	(61,004)	-	-	43,238
Total Comprehensive Income for the Year (j = h+i)		-	1,656,711	104,242	(61,004)	-	-	1,699,949
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (k)	23	-	-	-	-	906,981	-	906,981
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Company								
Final dividend 2023 (l)	48.4	-	(585,000)	-	-	-	-	(585,000)
Balance as at 31st December 2024 (g+j+k+l)		1,171,875	8,689,963	211,076	(82,179)	437,695	381,156	10,809,586

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2024. (2023 - 150 Million Ordinary Shares)

The Notes to the Financial Statements as set out on pages 241 to 375 form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS

For the Year Ended 31st December,	Page Note No.		GROUP		COMPANY	
			2024	2023	2024	2023
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows From Operating Activities						
Profit Before Taxation			2,712,921	2,511,495	2,358,470	2,269,042
Adjustments for:						
Interest Income	36	355	(7,538,650)	(7,217,300)	(6,774,752)	(6,297,089)
Dividend Income	36	355	(23,228)	(9,868)	(23,196)	(9,675)
Amortisation of Intangible Assets	10	312	31,341	20,835	29,175	19,330
Depreciation of Property, Plant and Equipment	8	303	180,203	124,939	138,610	93,249
Net Depreciation of Right of Use Assets	9	309	206,802	168,463	191,459	156,215
Interest Expense of Lease Creditors	30	349	103,893	57,989	94,773	51,061
Provision for Employee Benefits	27.2	346	83,927	80,741	47,602	46,544
Net Realised (Gains)/Losses	37	357	(100,442)	57,224	(40,028)	(10,415)
Net Fair Value Gains	38	358	(64,853)	(65,944)	(76,025)	(57,107)
Loss on Intangible assets	43	360	237	-	168	-
Gains on Disposal of Property, Plant and Equipment	40	358	(18,837)	(2,428)	(18,867)	(2,280)
Gains on Disposal of Right of Use Assets	40	358	-	(1,185)	-	-
			(4,426,686)	(4,275,039)	(4,072,611)	(3,741,125)
Net Change in Operating Assets	A		(365,682)	(596,933)	(149,899)	(460,762)
Net Change in Operating Liabilities	B		8,732,928	7,068,792	8,093,485	6,887,600
Cash Flows from Operating Activities						
			3,940,560	2,196,820	3,870,975	2,685,713
Gratuity Paid	27.2	346	(34,902)	(46,608)	(19,163)	(21,984)
Income Tax Paid	28	348	(645,779)	(476,948)	(559,812)	(432,160)
Capital Gain Tax Paid	28	348	(31,653)	(4,131)	-	-
Payment of Lease Interest			(103,893)	(57,989)	(94,773)	(51,061)
Net Cash Generated From Operating Activities (a)						
			3,124,333	1,611,144	3,197,227	2,180,508
Cash Flows from Investing Activities						
Acquisition of Financial Investments			(112,872,788)	(81,861,946)	(80,274,019)	(63,752,128)
Proceeds from Maturity of Financial Investments	11.5 & 11.6	323	101,464,772	73,505,256	70,491,008	56,233,934
Proceeds from Sale of Financial Investments	11.5 & 11.6	323	2,414,778	2,573,787	1,321,315	1,730,628
Interest Received			7,262,912	5,192,018	6,410,785	4,521,880
Dividend Received			20,496	7,962	20,464	7,769
Acquisition of Intangible Assets	10	312	(131,673)	(23,641)	(127,365)	(19,842)
Acquisition of Property, Plant and Equipment	8	303	(250,381)	(400,564)	(204,870)	(316,334)
Proceeds from the Disposal of Property, Plant and Equipment			24,901	6,762	24,805	5,011
Advance Paid to Right of Use Assets	9.3	311	(8,635)	(42,255)	(6,235)	(30,050)
Net Cash Used in Investing Activities (b)						
			(2,075,618)	(1,042,621)	(2,344,112)	(1,619,132)
Cash Flows from Financing Activities						
Dividend Paid	48.4	367	(585,000)	(547,500)	(585,000)	(547,500)
Payment of Lease Capital	30	349	(132,015)	(137,056)	(126,393)	(131,926)
Net Cash Used in Financing Activities (c)						
			(717,015)	(684,556)	(711,393)	(679,426)
Net Decrease in Cash and Cash Equivalents (Net of Book OD) (a+b+c)			331,700	(116,033)	141,722	(118,050)
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)			651,733	767,766	505,675	623,725
Cash and Cash Equivalents at the End of the Year (Net of Book OD)						
	18	333	983,433	651,733	647,397	505,675
Notes to the Cash Flow Statement						
A. Change in Operating Assets						
Decrease/(Increase) in Deferred Expenses			175,003	(44,476)	-	-
Increase in Loans to Life Policyholders			(17,472)	(21,009)	(17,472)	(21,009)
Decrease/(Increase) in Reinsurance Receivables			60,653	(284,839)	87,108	(141,034)
Increase in Premium Receivables			(413,728)	(4,737)	(152,783)	(27,393)
Increase in Other Assets			(170,138)	(241,872)	(66,752)	(271,326)
Net Change in Operating Assets						
			(365,682)	(596,933)	(149,899)	(460,762)
B. Change in Operating Liabilities						
Increase in Other Liabilities			896,232	435,452	460,191	429,498
Increase in Insurance Contract Liabilities (before tax) - Life Insurance			7,720,506	6,383,403	7,720,506	6,383,403
(Decrease)/Increase in Insurance Contract Liabilities - General Insurance			(187,245)	512,715	-	-
Increase/(Decrease) in Reinsurance Creditors			303,435	(262,778)	(87,212)	74,699
Net Change in Operating Liabilities						
			8,732,928	7,068,792	8,093,485	6,887,600

The Notes to the Financial Statements as set out on pages 241 to 375 form an integral part of these Financial Statements.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

HNB Assurance PLC (“the Company”) is a public limited liability Company incorporated on 23rd August 2001 under the Companies Act, No. 17 of 1982 with limited liability and domiciled in Sri Lanka. The Company was re-registered under the Companies Act, No. 07 of 2007 on 13th December 2007.

The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03.

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE) and the Company is a licensed insurance company registered and regulated under the Insurance Industry Act, No. 43 of 2000 and amendments thereto.

Corporate information of the Group is presented in pages 405 and 406 of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st December 2024, comprise “the Company” which refers to HNB Assurance PLC as the holding Company and “the Group” referring to HNB Assurance PLC and its fully owned subsidiary HNB General Insurance Limited.

1.3 Principal Activities and Nature of Operations

There were no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year under review. The principal business activities, nature of operations of the Company and its subsidiary are as follows;

Entity	Principal Business Activities	Description
Parent		
HNB Assurance PLC	Life Insurance	HNB Assurance PLC provides Life Insurance solutions for both individual and corporate customers. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration in exchange for premium payments made by the insured.
Subsidiary		
HNB General Insurance Limited (100% owned subsidiary)	General Insurance	HNB General Insurance Limited provides General Insurance solutions for both individual and corporate customers. Insurance other than ‘Life Insurance’ falls under the category of General Insurance; Fire, Motor, Marine and Miscellaneous insurance are the main categories under General Insurance.

1.4 Parent Entity and Ultimate Parent Entity

The Group’s holding/parent entity is HNB Assurance PLC. In the opinion of the Board of Directors, the Group’s ultimate parent undertaking and controlling party is Hatton National Bank PLC which is a licensed commercial bank incorporated in Sri Lanka. The Financial Statements of the Parent and the ultimate parent of the Group are available for public use.

1.5 Number of Employees

The staff strength of the Group as at 31st December 2024 is 1,541 (2023 – 1,453) and the Company 876 (2023 – 825).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

2.1 Basis of Preparation

2.1.1 Statement of Compliance

These Financial Statements of the Group and the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) set out by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Group has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

The Group has opted to defer full application of SLFRS 9 – Financial Instruments, until the earlier of 2026 or on adoption of SLFRS -17 Insurance Contracts, by exercising the temporary exemption provided to an insurer (Refer Note 3 of page 245).



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The Financial Statements include the following components:

Component	Description	Page No.
Statement of Financial Position	Provides information on the financial position of the Group and the Company as at the year end	236
Statement of Profit or Loss and Other Comprehensive Income	Provides information on the financial performance of the Group and the Company for the year under review	237
Statement of Changes in Equity – Group	Depicts all changes made to Shareholders' equity of the Group	238
Statement of Changes in Equity – Company	Depicts all changes made to Shareholders' equity of the Company	239
Statement of Cash Flows	Provides information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows	240
Notes to the Financial Statements	Comprising significant accounting policies and other explanatory information	241-375

2.1.2 Responsibility for Financial Statements

The Board of Directors is responsible for the presentation and preparation of these Financial Statements as per the provisions of the Companies Act, No. 07 of 2007, the Sri Lanka Accounting Standards, Regulation of Insurance Industry Act, No. 43 of 2000 and the Listing Rules of Colombo Stock Exchange.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility for Financial Reporting' and the certification of the Statement of Financial Position appearing on pages 216 to 223, 226 to 227 and 236 respectively.

2.1.3 Approval of Financial Statements by the Board of Directors

The Consolidated Financial Statements of the Company and its Subsidiary (collectively the Group) for the year ended 31st December 2024 (including comparatives for 2023) were approved and authorised for issue by the Board of Directors on 18th February 2025.

2.1.4 Basis of Measurement

These Financial Statements have been prepared on an accrual basis and under the historical cost convention except for the following material items, which are measured on an alternative basis in the Statement of Financial Position.

Category	Item	Basis of Measurement	Note	Page No.
Assets	Financial instruments at Available For Sale	at Fair Value	11.3	319
	Financial instruments at Fair Value Through Profit or Loss	at Fair Value	11.4	320
	Free hold Land and Buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.	8	303
Liabilities	Insurance Contract Liabilities – Life Insurance	Actuarially determined values based on Actuarial Guidelines Issued by IRCSL	25	337
	Incurred But Not Reported/Incurred But Not Enough Reported Liability	Actuarially determined values based on Internationally Accepted Actuarial Policies and Methodologies	26	342
	Defined Benefit Obligations	Actuarially valued and recognised at Present Value of the Defined Benefit Obligation	27	345

The Group and the Company present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery of settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in Note 49 on page 368 of this Financial Statements. No adjustments have been made for inflationary factors affecting these Financial Statements.

2.1.5 Presentation

These financial statements have also been presented in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, rules and regulations of

the Insurance Regulatory Commission of Sri Lanka (IRCSL), Statement of Recommended Practice (SoRP) issued by CA Sri Lanka and the Listing Rules of the Colombo Stock Exchange (CSE).

2.1.6 Supplementary Statements – Statement of Financial Position of the Life Insurance Fund

Supplementary Statement of Financial Position of the Life Insurance Fund together with the notes are disclosed in pages 378 to 382 continuing the past practice which was a requirement of the Statement of Recommended Practice (SoRP) for Insurance Contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka.



2.1.7 Going Concern

The Group/Company has prepared these financial statements for the year ended 31st December 2024 on the basis that it will continue to operate as a going concern as the Board of Directors is confident that the Group possesses sufficient resources to continue its operations into the foreseeable future. The basis of preparing the financial statements was based on directors' comprehensive assessment, which includes adherence to regulatory capital requirements, and anticipated funding requirements. The assessment took into consideration the uncertainties associated with the current economic developments in order to make projection for the future based on uncertainties associated with the economic conditions and its potential impact on the economic and business environment in which the group operates.

In determining the above significant management judgements, estimates and assumptions, the Group has taken into consideration the existing and anticipated impact of the uncertainties associated with the prevailing macroeconomic conditions in the country.

Based on the above assessment and taking into consideration the Group's profitability, capital and liquidity, the Board of Directors are confident that the condition for the application of going concern principle for the preparation of the financial statements are met.

The Board is not aware of any material uncertainties that may cast significant doubt on the Group/Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group/Company. Therefore, the financial statements continued to be prepared on the going concern basis.

2.1.8 Functional and Presentation Currency

The Financial Statements of the Group/Company are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the Group/Company operates and is also the Functional Currency. There was no change in the Group/Company's Presentation and Functional Currency during the year under review.

2.1.9 Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs.'000) except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements".

2.1.10 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 01 - 'Presentation of Financial Statements' and subsequent amendments.

Notes to these Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.1.11 Comparative Information

These Financial Statements provide comparative information in respect of the previous financial year. The presentation and classification of assets and liabilities in the Financial Statements of the previous financial year have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.12 Financial Period

The Financial Statements of the Group are prepared for the twelve months period from 01st January to 31st December and the Company and subsidiary have a common financial year which ends on 31st December.

2.2 Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Judgements and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant and reasonable when consolidated financial statements are prepared. Hence, actual results may differ from these estimates.

Sri Lanka is recovering from the adverse economic conditions prevailed in collaboration with the International Monetary Fund. The Sri Lankan government is in the process of addressing the economic challenges to protect the local economy and livelihoods. Uncertainties associated with the prevailing economic conditions have increased the estimation uncertainty in the preparation of these financial statements.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

Management reviews, on a regular basis, the Group's accounting policies, assumptions and estimates in order to ensure the consolidated financial statements are presented fairly and in accordance with SLFRs/LKASs. Revisions to accounting estimates are recognised prospectively.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.2.1 Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgement	Note	Page No.
Classification of Financial Assets and Liabilities	7	299
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	25	337
Measurement of insurance and reinsurance contracts : determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract	25 & 26	337 & 342

2.2.2 Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimate	Note	Page No.
Impairment of Non - Financial Assets	2.3.2	245
Fair Value of Financial Instruments with significant unobservable inputs	5	283
Impairment of AFS financial Assets	7	299
Fair Value of free hold land and building	8	303
Useful lifetime of Property, Plant and Equipment	8	303
Recognition of Deferred Tax Asset	46	363
Valuation of insurance contract liabilities – Life Insurance	25	337
Liability Adequacy Test – Life Insurance	25.5	340
Modifications to the discount rate used for valuation of insurance contract liabilities	25.8	341
Valuation of insurance contract liabilities – General Insurance	26	342
Liability Adequacy Test – General Insurance	26.8	344
Valuation of Defined Benefit Liability – Gratuity	27	345
Current tax and related assets/liabilities	46	363
Provision for Liabilities and Contingencies	53	374

2.3 Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparation and presentation of Financial Statements as set out in Note 2 to 56 on pages 241 to 375.

2.3.1 Material Accounting Policies

Material Accounting policies adopted by the Group have been applied consistently for all financial periods presented in the Financial Statements of the Group unless otherwise stated. An index to the Material Accounting Policies is set out below; and the detailed explanations to each are set out in the respective notes to the Financial Statements.

Description	Note	Page No.
Material accounting Policies Not Covered Under Individual Notes	2.3.2	245
New Accounting Standards Issued but not yet Adopted as at the Reporting Date	3	245
Financial Risk Management	4	253
Fair Value Measurement and Related Fair Value Disclosures	5	283
Segmental Reporting	6	291
Financial Assets and Financial Liabilities	7	299
Property, Plant and Equipment	8	303
Right of Use Assets	9	309
Intangible Assets	10	312
Financial Investments	11	314
Investment in Subsidiary	12	324
Loans to Life Policyholders	13	325
Reinsurance Receivables	14	326
Premium Receivables	15	327
Other Assets	16	329
Insurance Contract – Deferred Expenses	17	332
Cash and Cash Equivalents	18	333
Stated Capital	19	334
Insurance Contract Liabilities – Life Insurance	25	337
Insurance Contract Liabilities – General Insurance	26	342
Employee Benefits Liabilities	27	345
Current Tax Liabilities	28	348
Reinsurance Creditors	29	348
Lease Creditors	30	349
Other Liabilities	31	350
Gross Written Premium (GWP)	32	352
Premium Ceded to Reinsurers	33	354
Net Change in Reserves for Unearned Premium	34	354
Interest and Dividend Income	36	355
Net Realised Gains/(Losses)	37	357
Net Fair Value Gains	38	358
Fee and Commission Income	39	358
Other Income	40	358
Net Insurance Benefits and Claims Paid	41	359
Net Change in Insurance Claims Outstanding	42	360
Other Operating and Administration Expenses	43	360
Staff Expenses	43.1	361
Underwriting and Net Acquisition Costs	44	362
Income tax expense	46	363
Basic and Diluted Earnings Per Share	47	366
Dividend Per Share (DPS)	48	367
Events Occurring After the Reporting Date	51	374
Provisions for Liabilities and Contingencies	53	374



2.3.2 Material Accounting Policies Not Covered Under Individual Notes

a) Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated to the functional currency of the Group companies, which is Sri Lankan Rupees, at exchange rates at the dates the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in Profit or Loss. However, foreign currency differences arising from the translation of Available For Sale equity instruments are recognised in Other Comprehensive Income.

b) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is re-estimated and adjusted in profit or loss.

This requires the estimation of the 'value in use' of such individual assets or the cash-generating units. Estimating 'value in use' requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in Profit or Loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

c) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS 7 – "Statement of Cash Flows".

Interest and dividend received are classified as investing cash flows and dividend paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows. Cash and Cash Equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flows, cash and cash equivalents are presented net of bank overdrafts (Note 18).

The Statement of Cash Flows is given on page 240.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED AS AT THE REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on future Financial Statements as summarised below.

3.1 Lack of Ex-changeability (Amendments to LKAS 21)

The amendments provide guidance on how an entity should evaluate the ex-changeability of a currency and establish a spot exchange rate in cases where ex-changeability is absent. They also mandate disclosures that help users of financial statements comprehend the effects of a currency's non-exchangeability. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

3.2 SLFRS 9 – Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 – Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

- Classification and Measurement
- Impairment
- Hedge Accounting

SLFRS 9 became effective for annual periods beginning on or after 01st January 2018. Retrospective application is required, but comparative information is not compulsory.

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 – Financial

Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2026.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as Fair Value Through Profit or Loss and;
- its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

	GROUP		COMPANY	
	2024	2023	2024	2023
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance contract liabilities - Life Insurance	38,647,547	30,945,715	38,647,547	30,945,715
Insurance contract liabilities - General Insurance	4,507,058	4,694,303	-	-
Reinsurance Creditors	1,000,350	696,915	214,999	302,211
Liabilities Connected with insurance	44,154,955	36,336,933	38,862,546	31,247,926
Total Liabilities as per financial statements	49,932,284	40,986,392	42,594,846	34,263,391
Predominance Ratio	88%	89%	91%	91%

Having considered the above criteria, since HNB Assurance PLC and HNB General Insurance Limited are predominantly connected with Insurance activities, and do not engage in a significant activity unconnected with insurance, both companies may continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2026.

Summary of the Requirements of Classification and Measurement of Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 contains three principal classification categories for financial assets measured at:

- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

As at 31st December 2024, the Group had equity investments classified as Available For Sale with a fair value of Rs. 680 Mn. and Treasury bills Rs. 1.25 Bn. Under SLFRS 9, the Group will reclassify equity investments as measured at FVTPL and treasury bills as measured at Amortised Cost. Consequently, all fair value gains and losses on disposal of equity instruments will be reported in Profit or Loss.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in Profit or Loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability weighted basis.



The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and;
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

Disclosure to Provide Comparability

The Group will make an assessment of the objective of the business model when a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The table below provides an initial assessment made by the Group on its portfolio of financial assets.

Financial assets that meet the Solely Payment of Principal and Interest (SPPI) Test - Group

(excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	Carrying Value under LKAS 39 (Rs.'000)	Fair Value (Rs.'000)	Classification under SLFRS 9
REPO	L & R	2,377,544	2,377,544	Amortised Cost
Term Deposit	L & R	8,698,721	9,216,845	Amortised Cost
Debentures	L & R	11,328,148	12,414,451	Amortised Cost
Treasury Bonds	HTM	13,429,892	16,725,737	Amortised Cost

All other Financial Assets - Group

(that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	Carrying Value under LKAS 39 (Rs.'000)	Fair Value (Rs.'000)	Classification under SLFRS 9
Treasury Bonds	AFS	16,093,397	16,093,397	FVTOCI
Treasury Bills	AFS	1,249,953	1,249,953	FVTOCI
Equity Shares	AFS	679,584	679,584	FVTPL/FVTOCI
Equity Shares	FVTPL	154,544	154,544	FVTPL
Unit Trusts	FVTPL	293,015	293,015	FVTPL

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as Available For Sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance.
- The majority of the equity investment securities that are classified as Available For Sale under LKAS 39 will be classified under FVTPL and measured at fair value under SLFRS 9. However, some of the equity investment securities are held for Long-Term strategic purposes and may be designated as FVTOCI on initial recognition and measured at fair value.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 will be applied retrospectively, except as described below.

The comparative period will be restated. In accordance with SLFRS 9's transition requirements, SLFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2026. However, the Group will elect to apply the classification overlay in SLFRS 17 to financial assets derecognised in 2024 to present comparative information as if the classification and measurement (including impairment) requirements of SLFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of SLFRS 9.

The following assessments have to be made on the basis of the facts and circumstances that exist at 1 January 2026:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

If a financial asset has low credit risk at 1 January 2026, then the Group will determine that the credit risk on the asset has not increased significantly since initial recognition.

3.3 SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 01st January 2026.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose as provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
- b) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
- c) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

Recognition

Currently, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") until those costs were included in profit or loss and OCI. Under SLFRS 17, only insurance acquisition cash flows that arises before the recognition of the related insurance contracts are recognised as a separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

- a) the beginning of the coverage period;
- b) the date when the first payment from a policyholder becomes due; and
- c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)



Building Block Approach (General Measurement Model) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

- a) the amount of fulfilment cash flows ("FCF"), which comprise:
 - I. estimates of future cash flows;
 - II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
 - III. a risk adjustment for non-financial risk
- b) the contractual service margin (CSM).

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

Discount Rates

The discount rates applied to the estimate of cash flows shall:

- a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and
- c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

Risk Adjustment for Non-financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

Contractual Service Margin (CSM)

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) the initial recognition of an amount for the FCF;
- b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and
- c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- a) the liability for remaining coverage comprising:
 - I. the FCF related to future services and;
 - II. the CSM of the group at that date;
- b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
- b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Modification and De-Recognition

Modification of an Insurance Contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

- a) if, had the modified terms been included at contract's inception, this would have led to:
 - I. exclusion from the Standard's scope;
 - II. unbundling of different embedded derivatives;
 - III. redefinition of the contract boundary; or
 - IV. the reallocation to a different group of contracts; or
- b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
- c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-Recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

- a) insurance contracts issued that are assets;
- b) insurance contracts issued that are liabilities;
- c) reinsurance contracts held that are assets; and
- d) reinsurance contracts held that are liabilities

Recognition and Presentation in the Statement(s) of Financial Performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

- a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

Insurance Finance Income or Expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [SLFRS 17:87]

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of changes in assumptions that relate to financial risk; but
- c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income (OCI).

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct participating insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.



Disclosures

An entity shall disclose qualitative and quantitative information about:

- a) the amounts recognised in its Financial Statements that arise from insurance contracts;
- b) the significant judgements, and changes in those judgements, made when applying SLFRS 17; and
- c) the nature and extent of the risks that arise from insurance contracts.

Effective Date

SLFRS 17 is effective for annual reporting periods beginning on or after 01st January 2026. Earlier application is permitted if Company applied SLFRS 9 'Financial instruments' on or before the date of initial application of SLFRS 17.

Transition

An entity shall apply the Standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Modified Retrospective Approach

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Contracts without direct participation features

If any modification is used to determine the CSM on initial recognition, then the amount of the CSM recognised in profit or loss before 1 January 2025, will be determined by comparing the coverage units provided before 1 January 2025 and the remaining coverage units at 1 January 2025.

For all Life savings contracts measured under the modified retrospective approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2025 will be determined to be zero.

Direct participating contracts

If the calculation results in a CSM, then the Group will measure the CSM at 1 January 2025 by deducting the CSM related to services provided before 1 January 2025. The CSM related to services provided before 1 January 2025 will be determined by comparing the coverage units on initial recognition and the remaining coverage units at 1 January 2025.

If the calculation results in a loss component, then the Group will adjust the loss component to zero and increase the liability for remaining coverage excluding the loss component by the same amount at 1 January 2025.

Reinsurance of onerous underlying contracts

For groups of reinsurance contracts covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Group will establish a loss- recovery component at 1 January 2025. For some groups of contracts measured under the modified retrospective approach, the Group will determine the loss- recovery component with reference to the amount of the loss component that relates to the underlying contracts at 1 January 2025.

Insurance acquisition cash flows

Under the modified retrospective approach, the Group will identify any insurance acquisition cash flows arising before 1 January 2025 that do not relate to contracts that ceased to exist before that date. These cash flows will be allocated, using systematic and rational methods, to:

Groups of contracts recognised at 1 January 2025 (which will adjust the CSM of those groups if they are measured using the modified retrospective approach); and

Groups of contracts expected to be recognised after 1 January 2025 (which will be recognised as assets for insurance acquisition cash flows).

In some cases, the Group does not have reasonable and supportable information to identify the relevant insurance acquisition cash flows. The adjustments to the CSM of groups of contracts recognised at 1 January 2025 and the assets for insurance acquisition cash flows for expected future groups will be determined to be zero.

Fair Value Approach

Under the fair value approach, an entity determines the CSM or the loss component at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition entity has a choice need for annual groups.

The Group will measure the fair value of the contracts as the sum of

- (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique;
- (b) an additional margin, determined using a confidence level technique.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts will not be considered in determining the fair value of those contracts if they are outside the contract boundary. The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows.

Differences in the Group's approach to measuring fair value from the IFRS 17 requirements for measuring fulfilment cash flows will give rise to a CSM at 1 January 2025. In particular, in measuring fair value the Group will include a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts. In determining this margin, the Group will consider certain costs that are not directly attributable to fulfilling the contracts (e.g. general overheads) and certain risks that were not reflected in the fulfilment cash flows (e.g. general operational risk), among other factors that a market participant would consider.

For all contracts measured under the fair value approach, the Group will use reasonable and supportable information available at 1 January 2025 to determine:

- How to identify groups of contracts;
- Whether a contract meets the definition of a direct participating contract;
- How to identify discretionary cash flows for contracts without direct participation features; and
- Whether an investment contract meets the definition of an investment contract with DPF.

For all contracts measured under the fair value approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2025 will be determined to be zero.

For groups of reinsurance contracts covering onerous underlying contracts, the Group will establish a loss-recovery component at 1 January 2025. The Group will determine the loss-recovery component with reference to the amount of the loss component that relates to the underlying contracts at 1 January 2025.

Insurance acquisition cash flows

The Group will measure an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at 1 January 2025 for the rights to obtain:

Recoveries of insurance acquisition cash flows from premiums of contracts issued before 1 January 2025 but not yet recognised at that date, and renewals of such contracts;

Renewals of contracts recognised at 1 January 2025; and

Other future contracts after 1 January 2025 without paying again insurance acquisition cash flows that it has already paid.

At the date of initial application of the Standard, those entities already applying SLFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard.

Entities can choose not to restate SLFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of SLFRS 9.

The Group completed the gap assessment for SLFRS 17 in consultation with external consultants on actuarial and finance areas. The Group has initiated a road map to implement SLFRS 17 and SLFRS 9. This will involve setting of accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing and implementing appropriate actuarial and finance system changes.

SLFRS 17 Implementation program

Implementation of SLFRS 17 requires high level of expertise in both Accounting and Actuarial ends as the new standard is complex and require a fundamental change in accounting and application of significant judgements and estimates. The impact of the Standard will be vital and will affect to the measurement of Insurance Contracts, timing of profit recognition and indicators used to evaluate business performance.

As implementation journey involves new investments in IT, Actuarial and Finance systems, Company initiated an implementation program for SLFRS 17 and SLFRS 09. This mainly includes preparing a strong governance structure for the project, setting accounting policies and creation of sound internal controls for effective implementation.



The group is in the process of implementing SLFRS 17 and SLFRS 9 in consultation with selected external consultants on actuarial and finance areas to ensure the compliance with SLFRS 17 reporting requirements. This involves setting of accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing and implementing appropriate actuarial and finance system changes.

3.4 SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information and SLFRS S2 Climate-related Disclosures

SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

SLFRS S2 Climate - related Disclosures requires an entity to disclose information about its climate-related risks and

opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

These standards will become effective for the Company from 1st January 2025. No financial impact is expected on the Company except for additional disclosures.

4. FINANCIAL RISK MANAGEMENT

4.1 Overview

As discussed under Risk Management Review risk is inherent in the Group's activities, and efforts are made to manage it through continuous identification, measurement, and monitoring. Risk limits and controls are implemented to mitigate potential consequences arising from the volatile and dynamic nature of both the internal and external environment. A robust financial risk management framework, a key component of the Group's overall Risk Management Framework, ensures that the Group's financial risk activities are governed by appropriate policies and procedures, while also proactively identifying potential risks.

Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

The main types of risks to which the Group/Company is exposed and related policies/ processes for measuring and managing such risks are given below.

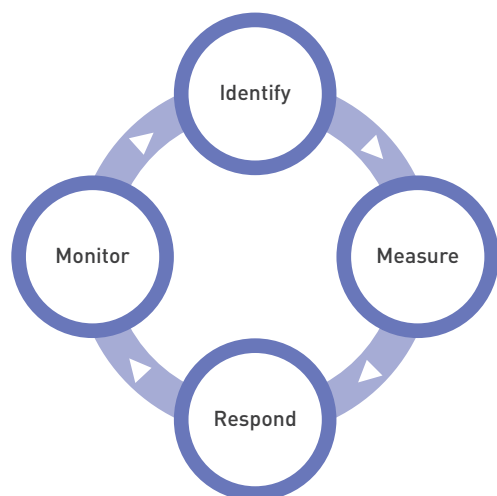
Type of Risk	Note	Page No.
Life Insurance		
Insurance Risk	4.2.2.1	258
Product Design Risk	4.2.2.1.1	258
Underwriting Risk	4.2.2.1.2	260
Reinsurance Risk	4.2.2.1.3	261
Claims Risk	4.2.2.1.4	262
General Insurance		
Insurance Risk	4.2.2.2	262
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Financial Risk		
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Capital management Framework	4.2.4	281
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Risk Management Framework

The Company/Group has a Risk Management Framework (RMF) designed to identify, measure, respond to, and monitor risks.

The primary role of RMF is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. It is also intended to protect the interests of policyholders and other key stakeholders. An effective RMF is the key to avoid the financial and reputational damage that arises from inadequate or ineffective controls in the business.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS



The primary responsibility of establishment and oversight of the RMF lies with the Board of Directors of the Company.

The Board of Directors oversees the RMF, delegating its authority to the Risk Management Committee, which reviews the framework, policies, and processes. An Asset and Liability Management Committee (ALMC) monitors the Company's asset, liability, and liquidity positions. The RMF and associated policies are regularly reviewed to adapt to market changes. The Board approves the Group's risk management policies, ensuring they align with corporate goals and regulatory requirements. For more details refer Risk Committee Report in page 210 to 211.

Risk Management Process



The Risk Management Framework (RMF) is to protect the Group's shareholders by mitigating risks that could disrupt the company's ability to achieve sustainable financial performance. This includes preventing situations where the company might miss key opportunities for growth or face unexpected setbacks that could impact its financial health. Additionally, the RMF is designed to protect the interests of policyholders, investors, and other key stakeholders by ensuring that the company operates in a way that is both financially sound and compliant with regulations. Below is a breakdown of how our RMF addresses the objectives of various stakeholders

For shareholders - Ensure sustainable growth in financial performance

The RMF ensures that the company remains on track for long-term, sustainable financial growth by identifying and addressing risks that could impede profitability or value creation. This includes mitigating operational, market, and financial risks to maximise shareholder value.

For Policyholders - Provide assurance that the Company will always be there for them

The framework aims to provide policyholders with peace of mind, assuring them that the company is stable, reliable, and capable of fulfilling its obligations in the future. Risk management ensures that the company can continue to offer its products and services even in the face of unforeseen challenges.

For Investors - Provide assurance for the long term value of their investment

The RMF provides investors with confidence that the company's risk exposure is being effectively managed, which in turn supports the long-term growth and stability of their investments. It seeks to protect the company's reputation and operational capacity, which directly impacts the value of their investments over time.



For Regulators - Ensure the compliance in regulations to enhance public trust in the industry

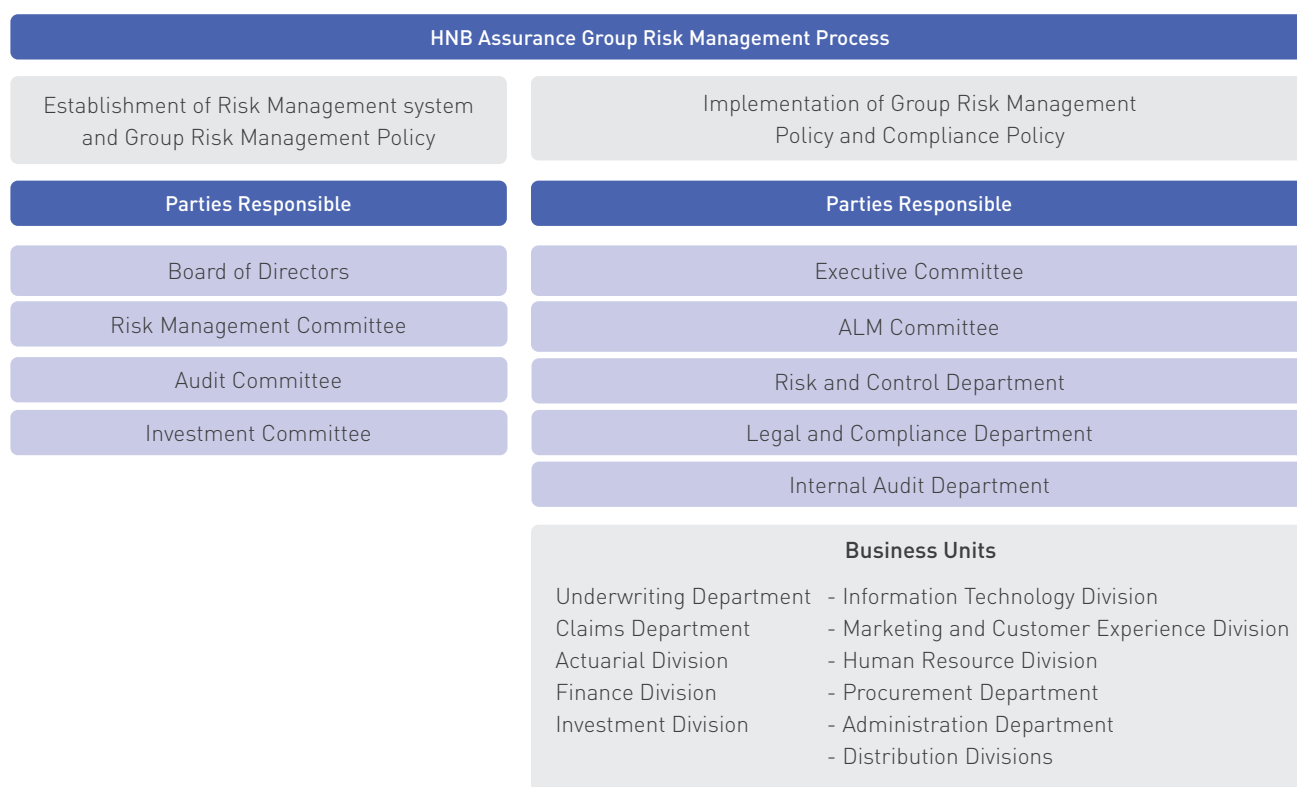
The RMF ensures that the company adheres to all relevant regulations and standards, fostering a culture of compliance. By doing so, the company helps to maintain public trust in the financial and insurance industries, demonstrating that it operates transparently, ethically, and responsibly within the legal framework.

Risk Management Framework

The Board of Directors approves the Group's risk management policies and any commercial, regulatory and organisational

requirements of such policies. These policies are defined based on the Group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The following diagram depicts the accountable and responsible parties for the Group's established risk management process which underlines the principal risk management and control responsibilities.





ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Objectives of Risk Management

The major Risk Management objectives of the Group are to;

- Enhance value creation and stability of the Group by establishing an optimal risk-return profile which avoids losses greater than expected.
- Allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.
- Maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- Maintain strong credit ratings and healthy capital adequacy ratios in order to support business objectives and maximise shareholder value.
- Support decision-making processes by providing consistent, reliable and timely risk information.

Regulatory Framework

Insurance Regulatory Commission of Sri Lanka (IRCSL) protects Policyholders rights through supervision of both life and general insurance companies in line with the requirements of the Regulation of Insurance Industry Act No 43 of 2000 (RII Act) and subsequent amendments thereto. During the financial year the Company and the Subsidiary maintained appropriate levels of solvency and admissible assets as per the Risk-Based Capital Rules (RBC) issued by the IRCSL and in compliance with Section 26 of the RII Act and approved assets complying to Section 25 of the RII Act and Determination 1 issued by the IRCSL, to meet unforeseeable events.

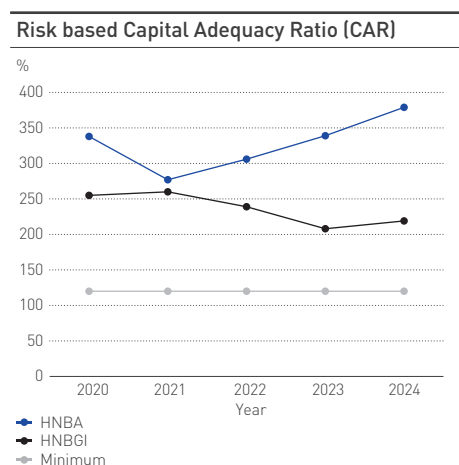
The Company and Subsidiary each maintained adequate Total Available Capital (TAC) levels to support the Risk-Based Capital Requirements (RCR) throughout the year thereby maintained Capital Adequacy Ratios (CAR) well above the regulatory minimum of 120% and regulatory intervention level of 160%.

The TAC and CAR of the Company (HNBA) and Subsidiary (HNBGI) as of 31st December 2024 and 2023 are as follows;

Total Available Capital (TAC) and Risk-Based Capital Adequacy Ratio (CAR)

	As at 31st December 2024				As at 31st December 2023			
	Total Available Capital (TAC)	Regulatory Minimum Capital Requirement	Risk-Based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR Ratio	Total Available Capital (TAC)	Regulatory Minimum Capital Requirement	Risk-based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR Ratio
	Rs.'000	Rs.'000	%	%	Rs.'000	Rs.'000	%	%
HNBA	21,309,811	500,000	379	120	16,163,014	500,000	339	120
HNBGI	2,460,391	500,000	219	120	2,092,225	500,000	208	120

The chart below shows Company (HNBA) and subsidiary (HNBGI) Risk based Capital Adequacy Ratio (CAR) through the past five years.



The Company's CAR increased by 40% due to a 150 basis point decrease in risk-free rates and the narrowing of asset-liability cashflows. The Management decided to overweight long-term investments to capitalise on higher market yields, aiming to improve investment income and profitability. The Company monitors the impact of external factors on its CAR and takes appropriate actions accordingly.

HNBGI's CAR has increased by 11% mainly due to the significant improvement in retained earnings and revaluation reserve made during the year. Further, Liability risk charge has substantially been reduced as a result of careful underwriting practices and product repricing. Managing reinsurance receivables and timely collection has also led to increase the company CAR position.

Further, the operations of the Company and the subsidiary are in compliance with requirements of other regulators such as Colombo Stock Exchange (CSE), Securities and Exchange Commission of Sri Lanka (SEC), Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (IRD), etc. Both companies are also regulated by the Companies Act No. 07 of 2007.

4.2 Organisation Risk

4.2.1 Introduction and Overview

As a Group providing insurance services, both HNB Assurance PLC and HNB General Insurance Ltd, are exposed to Insurance, Financial and Operational Risks. The following chart graphically presents all types of risks that the Group considers in Risk Management.

Organisation Risk



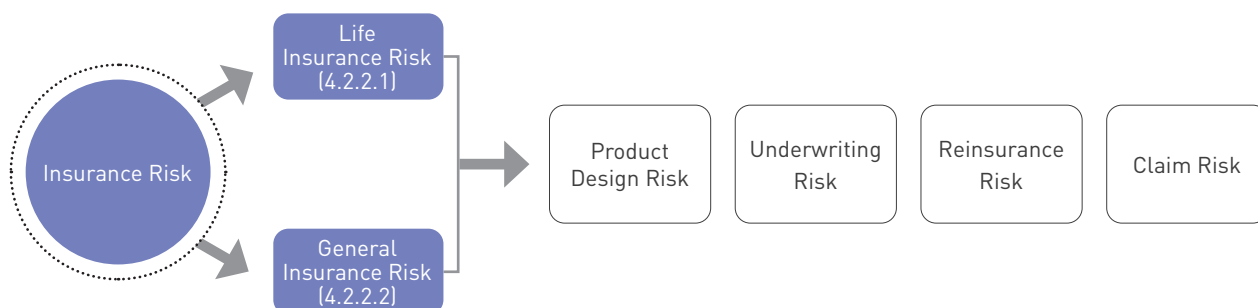
4.2.2 Insurance Risk

The primary risk faced by the Group is insurance risk, which arises due to the insurance contracts undertaken from customers. Insurance risk is the uncertainty relating to the occurrence, magnitude and timing of insurance liabilities. Insurance liabilities are claims and benefit payments.

Possibility that actual experience of claims/benefits differ from expectations gives rise to risk.

The objective of the Group is to ensure that at a given time sufficient reserves are held to cover all reported and expected future liabilities.

The following chart graphically presents all types of insurance risks considered in Risk Management;



Risk Response Strategies

- Diversification across a large portfolio of insurance contracts and geographical areas.
- Risk variability through careful selection and implementation of underwriting guidelines.
- Use of reinsurance arrangements - proportional and non-proportional basis.
- Ensure compliance requirements imposed by the regulator (IRCSL).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

4.2.2.1 Life Insurance Risk

A life insurance contract is an agreement between the policyholder and Company where the Company agrees to compensate the policyholder or his/her beneficiaries in the event of a specified event occurring such the policyholder's policy maturity, death, disability, illness etc., in exchange for a premium.

The Company issues life Insurance contracts, which include term assurance, endowment plans, annuity plans and Group Life plans. Endowment and term assurance are conventional regular or single premium products, where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. Regular endowment products acquire a surrender value upon completion of three years.

The Company offers two single premium annuity products. The first product being "myfreedom", offers a pre-determined annuity amount for a specified time period, whilst the second product; namely "mypension", offers a fixed monthly annuity for the entire lifetime of the policyholder. Both these products offer a life cover along with its annuity pay-out as part of its product feature. The Company also issues single premium investment policies with a guaranteed maturity benefit.

4.2.2.1.1 Product Design Risk

Product design risk occurs when life insurance products become unprofitable due to the futuristic assumptions and judgments used in designing the product being inappropriate;



The main risks relating to assumptions used in product design are detailed below;

Risk	Description	Assumptions and Risk Response Strategies
Mortality Risk	Mortality assumption relates to the occurrence of death of policyholder. Mortality risk arises due to policyholder death experience being different than expected resulting in loss to the Company.	<ul style="list-style-type: none"> • Use of latest mortality tables with adjustments to reflect the Company's mortality experience. • Underwriting limits are in place to enforce appropriate risk selection.
Morbidity Risk	Morbidity assumption relates to the occurrence of accidents and sickness of the insured and the risk arises due to policyholder health experience being different than expected resulting in loss to the Company.	<ul style="list-style-type: none"> • Reinsurance tables are used with adjustment to reflect Company experience. • Medical screening to ensure pricing takes account of current health conditions and family medical history, regular review of actual claims experience.
Longevity Risk	Longevity assumption relates to lifetime of an annuity policyholder. The risk arises due to the annuitant living longer than expected causing a loss to the Company.	<ul style="list-style-type: none"> • Terms and conditions in annuity product applications designed to address non-standard and unpredictable risk.



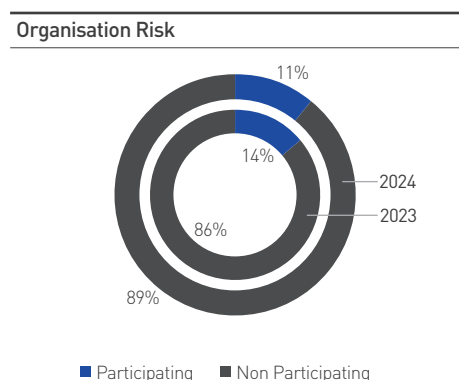
Risk	Description	Assumptions and Risk Response Strategies
Investment Return Risk	Investment returns projections are derived from current and projected market rates on current and projected investments held to support liabilities. Risk of loss arising from actual returns being different than expected is the investment return risk.	<ul style="list-style-type: none"> • The weighted average rate of return is derived based on a model portfolio, consistent with the long term investment strategy of the Company, which is assumed to back liabilities. • Discretion to declare bonus rates for participating policies. • Guaranteed dividend rates for universal life policies decided based on latest projected returns encompassing market interest rate expectations. • Annuity products structured by backing investments which are maintained for the agreed amount of business for the year. • Single premium products with guaranteed maturities are issued only with matching assets with similar or higher returns.
Expense Risk	Expense assumptions are the expected cost of acquisition and maintaining policies. Expense risk is the loss arising from expense experience being different than expected	<ul style="list-style-type: none"> • Annual expense studies are carried out to align expectation with actuals. • The management expense assumptions are developed as such that all management expenses are fully allocated to the policies.
Policyholder Decision Risk	Policyholders have the discretion to stop payment of premiums resulting in policy lapses or to surrender policies prior to maturity. Policyholder decision risk is the loss arising due to policyholder experiences (lapses and surrenders) being different than expected.	<ul style="list-style-type: none"> • Lapse and surrender rates are projected based on Company past experience. • Need analysis prior to sale of product to reduce lapse risk and introduction of convenient premium payment methods. • Charging surrender penalties to discourage surrenders.
Claims management and provisioning	Once incident occurred, initial claims are managed with requisite degree of experience and competence with assistance of a loss adjustor or another party with specialist knowledge of specific incidents	<ul style="list-style-type: none"> • Using actuarial valuation models , including risk margin to cover inherent uncertainty in the ultimate cost of the claims, aimed at ensuring adequate capital is allocated to settle claims that have occurred.
Concentration Risk	Concentration risk refers to losses that may arise due to over dependence on a product, product type or geographical area.	<ul style="list-style-type: none"> • Diversification across industry, sectors, geography. • Maintain a predetermined product mix in line with the corporate strategy and reducing over reliance on one product. • Limiting exposure on any single life by way of retention limits agreed with the reinsurers and by having a catastrophic treaty in place to address risks such as natural disasters. • Reducing reliance on participating products and increasing non-participating type of products.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Overall risk mitigation approach in traditional life insurance

Product	Key Risk	Risk Mitigation
Traditional Participating	Market risk: Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
	Policyholder behaviour risk:	Surrender penalties
Non participating	Market risk: Insufficient fees to cover cost of guarantees and expenses Policyholder	Derivative hedging programme Surrender
	Behaviour risk	Penalties
Universal Life	Interest rate risk: Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows
	Investment credit risk	Investing in investment grade assets

The following graph shows the concentration of the Participating and Non-Participating funds position of the Company.



Sensitivities

The following analysis provides the sensitivity of the life insurance liability due to possible movements in key assumptions with all other assumptions held constant, and shows the impact on gross liabilities.

Sensitivity of the Value of Insurance Liabilities

As at 31st December,	Change in assumptions	Impact on Gross Liabilities	
		2024	2023
		%	%
Mortality	+ 10%	0.23	0.21
	- 10%	-0.23	-0.20
Discount rate	+ 50 basis points	-1.06	-0.92
	- 50 basis points	1.03	0.92
Expense	+ 10%	0.71	0.51
	- 10%	-0.67	-0.63

4.2.2.1.2 Underwriting Risk

Premiums received from policyholders being insufficient to cover claims due to inaccurate assessment when issuing the policy. This can give rise to losses for the Company which is underwriting risk.

Risk Response Strategies

- Underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits.
- Maximum input is obtained from the Appointed Actuary and Reinsurers in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- An in-house Actuarial Division reviews the Life Insurance business closely and guides the management to take more informed pricing decisions.
- Customers are required to submit medical reports from registered laboratories and strict adherence to auto underwriting limits.
- Focused training programs are organised for Insurance Advisors on proper selling in Sinhala, Tamil and English regularly.
- A customer need analysis form is used to identify customers' requirements and sell the most appropriate policy.
- Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured amount.



- Continuous training and development of staff on underwriting policy and practices.
- Strict adherence to underwriting manual and ISO 9001:2015 certification for new business.
- In addition to the need analysis form, a detailed quotation, which is signed by both client and the salesperson, is obtained to avoid any misunderstanding in terms and conditions.
- Subject to the "Sum at Risk" value, financial stability of the client is verified by obtaining completed financial questionnaires, salary slips or audited accounts.

4.2.2.1.3 Reinsurance Risk

Although reinsurance is used as a risk transfer strategy, it also gives rise to certain risks for the Company. These include legal risk, liquidity risk, counterparty risk, residual insurance risk and operational risk.

Legal Risk arises when the terms of the reinsurance contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced.

Liquidity Risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

Counterparty Risk arises due to failure of reinsurers to meet their obligations to company due to insufficient financial strength or potential refusal of the reinsurer to honour its obligations towards the ceding insurer.

Residual Insurance Risk arises when insurer retains a higher risk than expected as a result of discrepancies between reinsurance needs and the actual coverage provided in the contract to policyholder.

Insufficient capacity of insurer to maintain records and collect receivables could lead to Operational Risk.

Risk Response Strategies

- Strict adherence to reinsurer's guidelines and limits which are set in line with the requirements of the regulator and opting for facultative covers for risk beyond treaty levels
- Restructuring of reinsurance agreements with reinsurance parties regularly
- Continue and maintain a close and professional relationship with all reinsurers and reinsurance brokers
- Frequent review of the outstanding Reinsurance Receivables.
- Minimise risk of reinsurer insolvency by selection of reinsurers with ratings of AA- and above and monitor changes to the ratings of reinsurance companies continuously.

The following table shows the credit ratings of the reinsurance companies with whom the Company has reinsurance arrangements at the end of the reporting period.

Reinsurer	Country of Origin	Rating	Rating Agency
Munich-Re	Germany	AA-	Fitch Rating
Munich-Re Retakaful	Malaysia (Retakaful branch)	AA-	Fitch Rating
Hannover Re	Germany	AA-	Standard & Poor
RGA	Ireland	AA-	Standard & Poor



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

4.2.2.1.4 Claims Risk

The risk arising due to experiencing higher level of claims cost than expected at product development and pricing resulting in losses to the Company.

Risk Response Strategies

- In-house Actuarial Department reviews reserving in the Life Insurance business more closely and guide the Management to take more informed decisions.
- The support of the reinsurers is obtained on reserving such claim liability and the share of reinsurers.
- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- Financial authority limits are set based on the claim limits where the maximum limit is with the Claims Panel which is involved in taking decisions on significant/problematic claims and appeals made in respect of claims.
- Claims ratio is closely monitored and any significant change in current experience is brought to the Management attention, in order to take corrective actions.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- All suspicious claims are investigated with the support of expert third-party investigators.

4.2.2.2 General Insurance Risk

General Insurance contracts are offered by the fully owned subsidiary of the Company, HNB General Insurance Ltd (HNBGI). A General insurance contract is an agreement between the policyholder and the insurer where the insurer

agrees to compensate the policyholder in the event of a specified unforeseen event which adversely affects the policyholder occurs, in exchange for a premium.

HNBGI primarily issues Motor, Fire, Engineering, Marine, Medical, Title, Workmen Compensation and Miscellaneous insurance contracts. General Insurance contracts of the subsidiary are predominantly issued for a one-year period. The exceptions are; Marine insurance contracts where coverage period is less than one year, Title insurance and certain Fire and Engineering contracts which may be issued for a period exceeding a year.

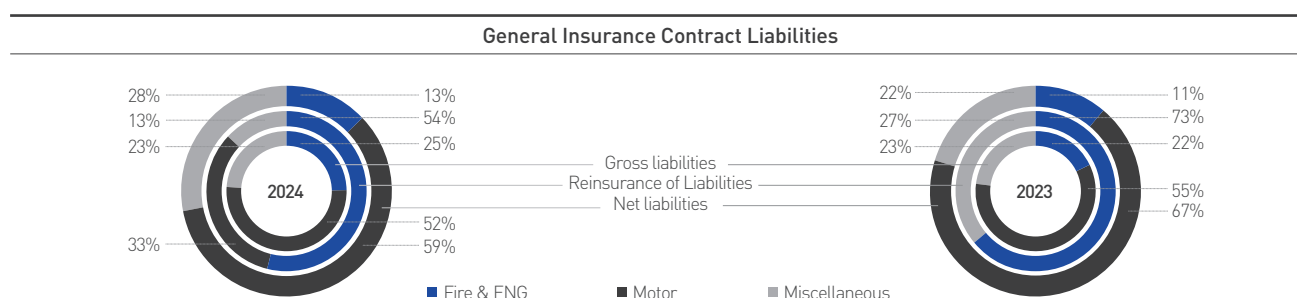
4.2.2.2.1 Product Design Risk

Risk of General Insurance product pricing being inadequate due to outdated/ inaccurate assumptions on effects of climate change, natural disasters, terrorist activities, behavioural trends of people due to changing life styles, epidemics and medical science/ technology improvements in the case of medical insurance, the steady escalation of costs due to currency rate changes and inflation in respect of spare parts in the Motor industry etc. resulting in losses.

Risk Response Strategies

- Diversification across a large portfolio of insurance contracts and geographical areas and increasing the number of policies issued to spread risk.
- Considering adequate reinsurance arrangements in pricing.
- Monitoring external factors such as floods, terrorist activities, political climate and economic factors and updating pricing accordingly.

The graph below depicts the concentration of General Insurance contract liabilities by type of contract:





4.2.2.2.2 Underwriting Risk

This risk arises due to insufficiency of premiums received from policyholder to cover claims if the insured event or contingency occurs.

Risk Response Strategies

- Careful selection and implementation of underwriting strategies designed to ensure risks are diversified in terms of type of risk and level of insured benefits.
- Training and development of underwriting staff and distribution network team including through “ General Insurance Academy”, an internal training and development school, set up targeting the improvement of technical knowledge.
- Statistical databases maintained on all customer profiles and loss-making customers strategically reviewed.
- Strict controls are maintained on the issuance of temporary cover notes and limiting such notes to 60 days validity period.
- Daily monitoring of Motor average premium based on risk appetite.
- Centralised underwriting of Motor and Non-Motor policies to ensure control and specialisation.
- Internal flood mapping and alignment with the past catastrophe incidents considered in underwriting.
- Both the underwriters and the distribution managers are assigned Key Performance Indicators on both top-line and profitability, ensuring alignment of HNBGI objectives.
- Motor Insurance pricing determined based on a risk-based pricing grid.
- Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured and risk.

4.2.2.2.3 Reinsurance Risk

Reinsurance risk arises due to retention of risks beyond HNBGI’s net retention capacity without having adequate reinsurance and/ or the inability of reinsurers to meet their commitments due to insufficient financial strength, inability to meet obligations on time.

Reinsurance recoveries on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims

emanating from Policyholders rests with HNBGI. Default of reinsurers does not negate the obligation and in that respect HNBGI carries a credit risk up to the extent ceded to each reinsurer.

HNBGI reinsurance placement is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. All reinsurance contracts are reviewed annually and renewed based on careful selection of reinsurers. All General Insurance reinsurance contracts are with companies holding credit ratings above the minimum stipulated by the Insurance Regulatory Commission of Sri Lanka.

Risk Response Strategies

- Adequate reinsurance arrangements have been placed within the guidelines of the IRCSL and are continuously reviewed for the adequacy of covers in light of catastrophic/ extreme events.
- Majority of proportional reinsurance is quota-share reinsurance to reduce the overall exposure of the subsidiary to most of the classes of business. Non- proportional reinsurance used as primarily excess-of-loss reinsurance designed to mitigate the subsidiary’s net exposure to catastrophe losses. Retention limits for these arrangements differ by product line and territory.
- Strict controls to ensure that no insurance cover is issued without a proper reinsurance arrangement backing the cover.
- Limiting reinsurer panel to globally trusted and stable portfolio of reinsurance companies with high ratings by Standard & Poors, AM Best or Fitch with the exception of reinsurance placed with National Insurance Trust Fund (NITF), a reinsurer operating under Government of Sri Lanka.
- Periodic review of the credit rating and ensuring all reinsurers maintain the rating throughout the year.
- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- Clearly defined financial authority for reinsurance arrangements.

Reinsurance Credit Rating

The following table shows the credit ratings of the reinsurance companies with whom the subsidiary has arrangements at end of the reporting period.



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Reinsurer	Country of Origin	Rating	Rating Agency
Arch Reinsurance Ltd	Bermuda	AA-	A M Best
The New India Assurance Co Ltd	India	BBB+	A M Best
New Reinsurance Company Ltd	Switzerland	AA	A M Best
National Insurance Trust Fund (NITF)	Sri Lanka (Government Entity)	BBB	Fitch Ratings
Lancashire Syndicates Limited (9329 at Lloyds)	UK	A+	A M Best
Antares Syndicate (AUL 1274 at Lloyds)	UK	A+	A M Best
Fidelis Underwriting Limited (Navium Marine Limited)	UK	A-	S&P
Best Meridian International Insurance Company SPC	Cayman Islands	A-	A M Best
Ocean Underwriting Consortium 4872	UK	A+	A M Best
MISR Insurance Company	Egypt	BBB	A M Best
The Asian Reinsurance Corporation	Thailand	BBB-	A M Best
Petro Vietnam Insurance Corporation (PVI)	Vietnam	A-	A M Best
PT Asuransi Tugu Pratama Indonesia	Indonesia	A-	A M Best
Hannover Ruck SE	Germany	AA	A M Best

4.2.2.2.4 Claims Risk

This is the risk of actual claim experience differing from expectation resulting in losses for the company.

Risk Response Strategies

- Claim intimation is carried out through a 24-hour fully fledged Customer Relations Management Centre (CRMC) to reduce time lag.
- Assessments are carried out by an independent expert panel of assessors/ loss adjustors working throughout the Island on a 24-hour basis.
- Claims are assessed immediately upon intimation and reserved accordingly.
- Comprehensive estimation of costs and high-quality service to customers granted through garages located island-wide.
- Significant outstanding claims are subjected to monthly reviews by the management.
- Service of a qualified Actuary is obtained quarterly to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims.
- All third-party claim intimations are separately reviewed with the support of the Legal Division.
- Claim payment exceeding the claim reserves by Rs. 1 Mn or three times of the reserves amount is monitored at the Board level.

- Adequate claim reserves are maintained according to the agreed methodology adopted by the Company.
- Claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure.
- Financial authority limits are set for claim limit giving the maximum limit to the Claims Panel which is involved in taking decisions on significant/ problematic claims and appeals made in respect of claims.

Valuation of Liabilities in General Insurance

The principal assumption underlying the liability estimates is that HNBGI's future claims development may follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are also used to assess the extent to which liabilities may arise in the future, but exclude one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions, and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and Government legislation affect the estimates.

The following analysis is performed for possible movements in Claims Outstanding with all other assumptions held constant, showing the impact on gross and net liabilities, Profit Before Tax and Equity. It should be noted that movements in these assumptions are non-linear.



Sensitivity of Claims Outstanding

As at,	Change in Assumptions	Reported Claim Outstanding Rs. '000	Impact on Gross Liabilities Rs. '000	Impact on Net Liabilities Rs. '000	Impact on Profit Before Tax Rs. '000	Impact on Equity (After Tax) Rs. '000
31st December 2024	+/-10%	1,128,373	+/-112,837	+/-64,089	+/-64,089	-/+44,862
31st December 2023	+/-10%	1,158,910	+/-115,891	+/-76,585	+/-76,585	-/+53,609

Claims Development Table

The following table shows the estimated gross claims liability for each successive accident year at each reporting date.

Accident Year	0 Rs. '000	1 Rs. '000	2 Rs. '000	3 Rs. '000	4 Rs. '000	5 Rs. '000	6 Rs. '000	7 Rs. '000	8 Rs. '000	9 Rs. '000	10 Rs. '000	11 Rs. '000	12 Rs. '000	13 Rs. '000	14 Rs. '000
2009	115,384	7,119	3,013	1,379	1,021	4,133	2,697	1,385	8,964	6,464	74	869	570	70	166
2010	142,511	21,589	9,246	7,407	4,300	3,212	9,714	4,019	9,005	10,591	11,365	12,679	18,669	16,669	10,429
2011	204,088	19,098	3,835	2,883	1,709	3,922	2,126	3,771	4,161	2,796	4,705	10,671	17,886	33,847	-
2012	226,266	16,193	9,616	3,064	4,039	3,564	4,305	6,826	6,221	9,703	3,943	3,180	3,000	-	-
2013	207,137	11,033	3,533	1,695	1,902	2,542	3,395	7,100	3,166	2,877	2,200	4,029	-	-	-
2014	257,441	13,728	2,843	4,300	4,304	4,086	4,675	7,163	9,374	11,462	7,702	-	-	-	-
2015	391,429	25,658	8,656	8,472	9,798	9,713	20,350	26,864	29,087	25,187	-	-	-	-	-
2016	345,718	33,013	18,097	18,497	16,943	15,149	16,857	26,843	46,295	-	-	-	-	-	-
2017	497,786	21,311	12,211	9,922	14,261	17,092	23,308	25,767	-	-	-	-	-	-	-
2018	566,509	54,331	34,406	39,445	36,176	30,816	35,975	-	-	-	-	-	-	-	-
2019	703,681	69,245	49,716	44,063	40,355	34,087	-	-	-	-	-	-	-	-	-
2020	917,929	188,648	67,514	34,343	36,819	-	-	-	-	-	-	-	-	-	-
2021	906,381	239,535	51,802	40,558	-	-	-	-	-	-	-	-	-	-	-
2022	842,234	146,439	73,194	-	-	-	-	-	-	-	-	-	-	-	-
2023	1,205,277	215,265	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	1,060,617	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The following table shows the estimated net claims liability (after considering reinsurance) for each successive accident year at each reporting date.

Accident Year	0 Rs. '000	1 Rs. '000	2 Rs. '000	3 Rs. '000	4 Rs. '000	5 Rs. '000	6 Rs. '000	7 Rs. '000	8 Rs. '000	9 Rs. '000	10 Rs. '000	11 Rs. '000	12 Rs. '000	13 Rs. '000	14 Rs. '000
2009	78,801	3,636	2,576	1,379	1,021	4,133	2,697	1,385	8,964	6,464	74	869	570	70	166
2010	100,283	6,980	4,675	3,219	2,365	1,312	5,964	4,019	9,005	10,591	11,365	12,677	18,641	16,669	10,429
2011	170,450	7,258	3,422	2,661	1,494	3,622	1,826	3,408	3,798	2,433	4,335	10,286	14,319	22,397	-
2012	163,480	3,250	2,821	3,064	4,039	3,564	4,305	6,826	6,221	9,686	3,921	3,180	3,000	-	-
2013	163,203	5,303	3,529	1,695	1,902	2,542	3,395	7,100	3,154	2,862	2,200	4,029	-	-	-
2014	188,644	7,055	2,765	4,300	4,304	4,086	4,675	7,137	9,340	11,462	7,702	-	-	-	-
2015	324,314	9,962	8,599	8,472	9,798	9,713	20,315	26,820	29,087	25,187	-	-	-	-	-
2016	267,060	12,372	10,050	10,497	8,943	11,399	13,096	20,093	27,545	-	-	-	-	-	-
2017	351,723	9,785	11,017	8,835	13,404	16,233	21,698	23,744	-	-	-	-	-	-	-
2018	419,251	27,114	23,624	30,284	32,781	27,515	32,624	-	-	-	-	-	-	-	-
2019	468,169	37,746	38,317	38,629	35,310	29,542	-	-	-	-	-	-	-	-	-
2020	518,468	64,775	42,557	18,928	26,242	-	-	-	-	-	-	-	-	-	-
2021	552,850	73,231	38,536	38,182	-	-	-	-	-	-	-	-	-	-	-
2022	546,754	74,407	52,379	-	-	-	-	-	-	-	-	-	-	-	-
2023	745,325	98,049	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	573,699	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Sensitivities

The following analysis provides a Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse/ deviation.

Impact on Claim Liabilities by change in key variables

Variable	Change in Variable %	Central Estimate of Claim Liability (CL) after CHE	Change in Central Estimate of Claim Liability (CL) after CHE
		Rs. '000	Rs. '000
Original		1,019,299	
Claim Handling Expenses (CHE)	10	1,023,668	4,369
	-10	1,014,930	(4,369)
Development Pattern	Increase in runoff by 6 months	1,022,393	3,094
	Decrease in runoff by 6 months	1,014,762	(4,537)
Initial Expected Loss Ratio (IELR)	10	1,039,427	20,128
	-10	999,171	(20,128)

Impact on Premium Liabilities by change in key variables

Variable	Change in Variable %	Unexpired Risk Reserve (URR) inc Expense	Premium Liability	Change in Premium Liability
		Rs. '000	Rs. '000	Rs. '000
Original		1,991,221		
Claim Handling Expenses (CHE)	+10	2,003,377	2,776,268	-
	-10	1,979,064	2,776,268	-
Unexpired Risk Reserve (URR)	+10	2,187,566	2,776,268	-
	-10	1,794,875	2,776,268	-

4.2.3 Financial Risk

4.2.3.1 Introduction

The Group is exposed to different types of financial risks as a result of investing in financial instruments. The Group's Senior Management has established appropriate policies and procedures to identify financial risks, measure and manage in accordance with the Group's policies and risk objectives. Following are the primary risks the Group is exposed to.

Financial Risk



4.2.3.2 Investment Concentration Risk

Investment concentration risk arises by investing heavily in any one industry, one segment, one geographical area or one security. It can also be defined as the lower degree of diversification in an investment portfolio.

Risk Response Strategies

- Investment Committee develops and formulates guidelines for the management of the investment portfolios of the Company and subsidiary.
- Robust monitoring process by Investment Committee to ensure the compliance of investments with available laws and regulations.
- Continuous review of asset allocation limits by Compliance Division and ALM Committee.
- The Company continuously review and limits the maximum amount that can be invested with a single counterparty.



Financial Instrument wise / Sector wise table

The following table shows the diversification of financial investments of the Group/ Company to minimise the investment concentration risk.

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Carrying Value Rs.'000	Carrying Value Rs.'000	Carrying Value Rs.'000	Carrying Value Rs.'000
Government Securities				
Repo	2,377,544	198,429	2,058,751	169,407
Treasury Bonds	29,523,289	18,485,429	27,174,522	16,878,361
Treasury Bills	1,249,953	6,650,216	809,842	5,475,764
Total Government Securities	33,150,786	25,334,074	30,043,115	22,523,532
Debentures				
Banks, Finance and Insurance	10,423,268	9,008,927	9,104,989	7,864,830
Diversified Holdings	756,717	29,517	642,301	12,913
Telecommunications	148,163	148,112	148,162	148,112
Total Debentures	11,328,148	9,186,556	9,895,452	8,025,855
Term Deposits				
Banks	5,764,534	7,615,112	4,911,726	6,391,925
Finance	2,934,187	1,034,217	2,552,980	1,034,217
Total Term Deposits	8,698,721	8,649,329	7,464,706	7,426,142
Equity Shares				
Banks, Finance and Insurance	541,389	99,802	541,389	99,802
Diversified Holdings	150,960	39,639	150,960	39,639
Manufacturing	83,115	70,108	83,115	68,322
Beverage, Food and Tobacco	46,740	950	46,740	950
Land and Property	11,924	7,300	11,924	7,300
Total Equity Shares	834,128	217,799	834,128	216,013
Units Trust				
NDB Wealth Money Plus Fund	-	126,963	-	86,004
JB Vantage Money Market Fund	89,662	83,788	89,662	83,788
Capital Alliance Investment Grade Fund	203,353	128,493	159,264	85,240
Senfin Money Market Fund	-	128,381	-	84,082
Total Units Trust	293,015	467,625	248,926	339,114
Total Financial Investments	54,304,798	43,855,383	48,486,327	38,530,656

4.2.3.3 Credit Risk

Credit risk of the Group arises from the possibility of financial loss to the Group by a counter party's failure to discharge its contractual obligations to a financial instrument.

Risk Exposure

The following table shows the maximum risk positions of assets, which are generally subject to credit risk. The maximum risk exposure of following financial assets are equal to their carrying amounts.

Concentrations of Credit Risk - Financial Assets

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Financial Investments	54,304,798	90.36	43,855,383	89.40	48,486,327	96.06	38,530,656	95.50
Loans to Life Policyholders	459,395	0.76	441,923	0.90	459,395	0.91	441,923	1.10
Reinsurance Receivables	1,268,504	2.11	1,329,157	2.71	238,175	0.47	325,283	0.81
Premium Receivables	2,272,135	3.78	1,858,407	3.79	198,723	0.39	45,940	0.11
Staff and Advisor Loans	367,358	0.61	405,153	0.83	224,329	0.44	236,627	0.59
Amounts due from Subsidiary	-	-	-	-	25,874	0.05	99,350	0.25
Co -Insurance Receivables	23,078	0.04	41,935	0.09	-	-	-	-
Cash and Cash Equivalents	1,402,419	2.34	1,123,004	2.28	841,377	1.68	666,222	1.64
Total	60,097,687	100.00	49,054,962	100.00	50,474,200	100.00	40,346,001	100.00



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Financial Investments

The counter-party failing to fulfil the obligation to repay the principal and interest of a financial instrument expose the Group to credit risk.

The credit exposure of financial investments including short term deposits is given below.

Concentrations of Credit Risk - Financial Instruments

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Medium & Long Term Financial Instruments								
Government Securities	33,150,786	62.00	25,334,074	58.04	30,043,115	63.05	22,523,532	58.79
Corporate Debt Securities	11,328,148	21.19	9,186,556	21.05	9,895,452	20.77	8,025,855	20.95
Unit Trusts	293,015	0.55	467,625	1.07	248,926	0.52	339,114	0.89
Term Deposit	8,698,721	16.26	8,649,329	19.82	7,464,706	15.66	7,426,142	19.37
Total Credit Risk Exposure - Medium & Long Term Financial Instruments (a)	53,470,670	100.00	43,637,584	99.98	47,652,199	100.00	38,314,643	100.00
Short Term Deposits (b)	-	-	10,200	0.02	-	-	-	-
Total Credit Risk Exposure (a+b)	53,470,670	100.00	43,647,784	100	47,652,199	100.00	38,314,643	100
Credit Risk-Free Financial Instruments								
Equity	834,128		217,799		834,128		216,013	
Total Credit Risk-Free Financial Instruments (c)	834,128		217,799		834,128		216,013	
Total Financial Instruments (a+c)	54,304,798		43,855,383		48,486,327		38,530,656	

Concentrations of Credit Risk - Financial Instruments & Short Term Deposits

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Held to Maturity								
Treasury Bonds	13,429,892	25.12	11,841,560	27.42	13,429,892	28.18	11,841,560	31.17
Available For Sale								
Treasury Bonds	16,093,397	30.10	6,643,869	15.39	13,744,630	28.84	5,036,801	13.26
Treasury Bills	1,249,953	2.34	6,650,216	15.40	809,842	1.70	5,475,764	14.42
Fair Value Through Profit or Loss								
Unit Trusts	293,015	0.55	467,625	1.07	248,926	0.52	339,114	0.89
Loans and Receivables								
Repo	2,377,544	4.45	198,429	0.46	2,058,751	4.32	169,407	0.45
Debentures								
AAA to AAA-	-	-	29,517	0.07	-	-	12,914	0.03
A+ to A-	2,640,326	4.94	3,139,078	7.27	2,322,795	4.87	2,743,651	7.22
BBB+ to BBB-	8,687,822	16.25	6,017,961	13.03	7,572,657	15.89	5,269,290	13.87
Term Deposits								
AAA to AAA-	1,424,760	2.66	1,316,752	3.05	1,424,760	2.99	1,199,966	3.16
A+ to A-	5,606,840	10.47	6,755,205	15.48	4,647,402	9.75	5,648,804	14.01
BBB+ to BBB-	1,667,121	3.12	577,372	1.34	1,392,544	2.94	577,372	1.52
Short Term Deposits	-	-	10,200	0.02	-	-	-	-
Total	53,470,670	100	43,647,784	100	47,652,199	100	38,314,643	100



Risk Response Strategies

Specific actions undertaken by the Group to mitigate Credit Risk in financial investments are shown below.

During new Placements

- Adoption of a list of counter-parties approved by the Investment Committee, consisting of companies which, in the opinion of the Committee, carry minimal Credit Risk.
- Checking the creditworthiness of potential investees, mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.
- Obtaining explicit approval of the Investment Committee for any investments in an entity not included in the Committee approved list.
- Deciding on single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Conducting a detailed analysis of individual counter-parties for each corporate debt investment before taking the investment decision.
- The Group invested in Repos with primary dealers by obtaining Government Securities as collateral with a sufficient haircut. All our investments in Repos are on DVP/RVP basis (Delivery vs. Payment and Receive vs. Payment).
- Established guidelines regarding the acceptability of collateral and valuation parameters with regards to Repo investments were followed. The management monitors the market value of the collateral, requests for additional collateral when needed and performs an impairment valuation when applicable.
- Adhering to the guidelines on selection of Primary dealers with regard to Government security investments and strict adherence to IRCSL rules and guidelines.
- Preparation of checklist to ensure adherence to the Company investment policy and other regulatory requirements.
- Adhering to approved financial authority limits set by Investment Committee and the Board for all investment related activities.

Investment Operation and Monitoring

- Signing Master Repurchase Agreements (MRA) with all primary dealers the Group works with in order to ensure zero level of default risk for lending under repo transactions, in the event of their bankruptcy. MRAs provide the facility to the investor or investee to recover the money due by selling the collateral securities in the secondary market in the event of a default by either party.

- Maintaining a custodian arrangement with HNB for Listed Equity Investments and Government Securities.
- Obtaining specialist advice from legal experts on any issues related to investment activities.

The Group regularly reviews the policies and procedures in respect of managing the Credit Risk in investments and no significant changes were made during the year.

Loans to Life Policyholders

Life policyholders failing to repay policy loans granted gives rise to credit risk for the Company.

Risk Response Strategies

The value of each loan granted to a Life Policyholder including interest receivable, is limited to the surrender value of the insurance policy and if the loan and interest amount exceeds the surrender value, policy is foreclosed.

The surrender value of policies for which loans were granted amounted to Rs. 789 Mn (2023: Rs. 740 Mn).

Life Policyholder ageing table

For the Year Ended 31st December,	GROUP / COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Neither past due not impaired		
0 - 60 days	23,923	25,776
61 - 90 days	15,864	16,103
91 - 180 days	39,824	33,624
181 days +	379,784	366,420
Total maximum exposure to credit risk	459,395	441,923

Staff and Advisor Loans

The Group staff and advisor Loans include vehicle and emergency loans. The risk of non-repayment of such loans gives rise to credit risk.

Risk Response Strategies

Group has established an effective Credit Policy which evaluates Staff and Advisor credit worthiness before granting loans.

All loans are fair valued and tested for impairment on a periodic basis. The Group obtains collateral in the form of mortgage over the vehicle for all vehicle loans to staff and advisor. An approved policy is followed when granting loans and valuation certificates of vehicles are obtained from a reputed valuer prior to grant. 64% of loans granted in 2024 includes collateral.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Reinsurance Receivables

Reinsurance receivables comprise reinsurance receivable from claim outstanding and settled claims amounts. Following table provides information regarding the Credit Risk exposure on Reinsurance Receivables of the Group and the Company.

Credit Risk - Reinsurance Receivables

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Reinsurance Receivable on Outstanding Claims	791,951	62	662,395	50	127,630	54	99,177	30
Reinsurance Receivable on Claims Settled	476,553	38	666,762	50	110,545	46	226,106	70
Total Exposure to Credit Risk	1,268,504	100	1,329,157	100	238,175	100	325,283	100

Reinsurance Receivable Based on Credit Rating (on Claims Settled)

As at 31st December,	AA+ to AA-		A+ to A-		BBB+ to BBB-		BB+ to BB-		B+ to B-		Not rated		Total
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000
GROUP													
2024	110,545	23	198,561	42	-	-	-	-	167,447	35	-	-	476,553
2023	296,168	44	281,642	42	-	-	-	-	88,952	13	-	-	666,762
COMPANY													
2024	110,545	100	-	-	-	-	-	-	-	-	-	-	110,545
2023	226,106	100	-	-	-	-	-	-	-	-	-	-	226,106

Below table depicts counter-party credit rating relating to Reinsurance Receivables on Claims Outstanding of the Company and does not cover Reinsurance Receivables on Claims Outstanding and on IBNR/IBNER of the Subsidiary as the latter have not been crystallised yet.

However, the Subsidiary has not contracted any of the counter parties for Claims Outstanding and on IBNR/IBNER other than those used for Reinsurance Receivables on Claim Settled. Accordingly the credit ratings are covered.

Reinsurance Receivable Based on Credit Rating (on Outstanding Claims)

As at 31st December,	AA+ to AA-		A+ to A-		BBB+ to BBB-		BB+ to BB-		B+ to B-		Not rated		Total
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000
GROUP													
2024	127,630	16	351,311	44	204,904	26	21,490	3	86,616	11	-	-	791,951
2023	99,177	15	310,552	47	178,204	27	10,336	2	64,126	10	-	-	662,395
COMPANY													
2024	127,630	100	-	-	-	-	-	-	-	-	-	-	127,630
2023	99,177	100	-	-	-	-	-	-	-	-	-	-	99,177

Age Analysis of Reinsurance Receivable (On Claims Settled)

As at 31st December,	< 30 days		31 to 60 days		61 to 90 days		91 to 180 days		>180 days		Total		
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	
GROUP													
2024	70,756	15	149,820	31	79,025	17	78,179	16	98,773	21	476,553	100	
2023	120,602	18	136,447	20	88,249	13	79,178	12	242,286	37	666,762	100	
COMPANY													
2024	35,088	32	37,468	34	37,989	34	-	-	-	-	110,545	100	
2023	43,812	19	59,606	26	31,424	14	37,936	17	53,328	24	226,106	100	

Risk Response Strategies

- All reinsurers of the Company and 65% of reinsurers of the Group, are rated A- and above. However, reinsurance is placed according to the directions given by Board of Directors and IRCSL guidelines.
- Long outstandings are monitored and collected or set off against payables to the same counter party.
- Management assesses the credit worthiness of reinsurers on a regular basis and align the reinsurance strategy accordingly.



Premium Receivable

The Group is exposed to credit risk where policyholder or intermediary does not settle the premium due.

Age Analysis of Premium Receivable

As at 31st December,	< 30 days		31 to 60 days		>61 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
GROUP								
2024	1,658,129	73	516,982	23	97,024	4	2,272,135	100
2023	1,361,486	73	441,059	24	55,862	3	1,858,407	100
COMPANY								
2024	154,104	78	16,311	8	28,308	14	198,723	100
2023	42,482	93	1,991	4	1,467	3	45,940	100

Risk Response Strategies

Specific actions undertaken by the Group to mitigate Credit Risk in premium receivable are shown below.

- Strict implementation of Premium Payment Warranty (PPW), ensuring that all General Insurance policies with payments outstanding for more than 60 days are cancelled.
- 30 days grace period has been offered to Life Policyholders (other than Group Life Policyholders, to whom 90 days grace period has been offered) to settle due premiums.
- Conducting follow-up meetings on debt collection on a monthly basis.
- Using the latest technology (e.g.: mobile text messages) to inform customers on premium reminders and cancellation notices.

- Follow up with the customer by contacting from our Customer Relations Management Centre (CRMC) on long outstanding balances.
- Processing claims only for the premium settled policies.

Group regularly reviews the policies and procedures in respect of managing the premium receivables and no significant changes were made during the year.

The Group has no significant concentration of credit risk during the reporting period.

Cash and Cash Equivalents

Credit risk relating to cash can arise in the event of the bank/ financial institution faces an inability to repay the amounts in credit to the Group.

Given below is the list of banks and financial institutions the Group maintains current/savings accounts with, and their respective credit ratings.

Cash and Cash Equivalent Balances with respective credit ratings

As at 31st December,	Rating	Rating Agency	GROUP		COMPANY	
			2024	2023	2024	2023
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	A	Fitch Rating	1,358,238	1,086,911	814,870	654,370
Commercial Bank of Ceylon PLC	A	Fitch Rating	15,699	9,030	7,606	5,095
Bank of Ceylon	A	Fitch Rating	1,490	1,023	1,198	929
National Savings Bank	AAA	LRA Rating	222	304	211	98
DFCC Bank PLC	A-	Fitch Rating	3,085	4,232	513	87
Pan Asia Banking Corporation PLC	BBB-	Fitch Rating	785	629	25	178
Sampath Bank PLC	A	Fitch Rating	1,906	1,756	1,148	887
HDFC Bank of Sri Lanka	BB+	Fitch Rating	5	5	-	-
LOLC Finance PLC	A	LRA Rating	22	22	15	15
People's Leasing & Finance PLC	A-	Fitch Rating	12	43	-	30
National Development Bank PLC	A-	Fitch Rating	175	10,276	100	-
Nations Trust Bank PLC	A-	Fitch Rating	1,319	1,228	100	-
HNB Finance PLC	BBB+	Fitch Rating	50	14	50	14
Peoples' Bank	A	Fitch Rating	121	559	121	559
Seylan Bank PLC	A-	Fitch Rating	63	178	-	-
Regional Development Bank	BBB+	Fitch Rating	143	1	-	-
State Mortgage & Investment Bank	A	Fitch Rating	171	-	171	-
Cargills Bank PLC	A	Fitch Rating	1,716	-	1,716	-
Sanasa Development Bank	BB+	Fitch-Rating	9,522	-	9,523	-
Union Bank of Colombo PLC	BBB-	Fitch Rating	7	-	-	-
Amana Bank PLC	BBB-	Fitch Rating	2,726	2,027	-	-
Total exposure to credit risk			1,397,477	1,118,238	837,367	662,262
Cash in hand			4,942	4,766	4,010	3,960
Cash and Cash Equivalents			1,402,419	1,123,004	841,377	666,222



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Risk Response Strategies

The Group maintains savings and current accounts with banks and financial institutions with good credit ratings. As at 31st December 2024, 99.0% of cash was maintained with A- and above rated banks. (2023 : 99.7%, A-)

As at 31st December, Rating	GROUP				COMPANY			
	2024		2023		2024		2023	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
AAA	222	0.0	304	0.0	211	-	98	-
A	1,379,362	98.7	1,099,301	98.3	826,846	99.9	661,855	99.9
A-	4,655	0.3	15,957	1.4	713	-	117	-
BBB+	193	0.0	15	0.0	50	-	14	-
BB+	9,527	0.7	2,032	0.2	9,522	-	-	-
BBB-	3,518	0.3	629	0.1	25	0.1	178	0.1
Total exposure to credit risk	1,397,477	100	1,118,238	100	837,367	100	662,262	100
Cash In hand	4,942		4,766		4,010		3,960	
Cash and Cash Equivalents	1,402,419		1,123,004		841,377		666,222	

Assessment of Impairment Losses

The Group assesses all financial investments for impairment at each reporting date and adequate provisions are made where relevant. Accounting policy relating to impairment is given on page 246.

The Group has no significant concentration of Credit risk during the reporting period.

4.2.3.4 Liquidity Risk

Liquidity risk refers to the risk of the Group encountering difficulty in meeting obligations associated with financial liabilities due to non-availability of sufficient level of liquid assets or having to incur additional costs to meet obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

Risk Response Strategies

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk.

- The Group follows Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy which is reviewed by Investment Committee regularly.
- Guidelines are set out for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet Group insurance and investment contract obligations.
- Asset and Liability Management positions are monitored by the ALM Committee quarterly and any deviations are noted and corrective action taken.

- Maintaining sufficient cash balances, repurchase agreements and other short tenure investments to accommodate expected obligations and commitments of the Group.
- Determining the maturity profiles of insurance Contract Liabilities and reinsurance assets based on the estimated timing of net cash outflows from recognised insurance liabilities.
- Reviewing the maturity mix of the investment portfolio by the management and the Investment Committee on a regular basis.
- Agreeing with the reinsurers to support by way of cash call, if the need arises.
- Forecasting and planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.
- Guaranteed Life insurance investment policies are fully matched with investments.
- Group forecast and monitors cash flows and liquidity position on a monthly basis. With the on set of the pandemic this was further strengthened with regular reporting to Risk Committee and the Board on the cash flows and liquidity position of the Company and the Group.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group has an effective and efficient daily cash management process to mitigate risk.

The table on next page summarises the maturity profile of the financial assets and liabilities of the Group and the Company based on remaining contractual obligations.



Maturity Profile of Financial Assets and Financial Liabilities – Group

As at 31st December 2024,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	54,304,798	12,991,978	13,406,141	17,149,607	10,757,072
Loans to Life Policyholders	459,395	-	-	-	459,395
Reinsurance Receivables	1,268,504	1,268,504	-	-	-
Premium Receivables	2,272,135	2,272,135	-	-	-
Staff and Advisor Loans	367,358	124,155	140,121	82,692	20,390
Co - Insurance Receivables	23,078	23,078	-	-	-
Cash and Cash Equivalents	1,402,419	1,402,419	-	-	-
Total Financial Assets	60,097,687	18,082,269	13,546,262	17,232,299	11,236,857

Liabilities

Reinsurance Creditors	1,000,350	1,000,350	-	-	-
Lease Creditors	560,905	200,065	254,485	99,060	7,295
Other Liabilities	1,756,914	1,427,721	-	-	329,193
Bank Overdrafts	418,986	418,986	-	-	-
Total Financial Liabilities	3,737,155	3,047,122	254,485	99,060	336,488
Total Excess Liquidity	56,360,532	15,035,103	13,291,777	17,133,239	10,900,369

As at 31st December 2023,

	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	43,855,383	13,607,395	12,940,249	9,964,427	7,343,312
Loans to Life Policyholders	441,923	-	-	-	441,923
Reinsurance Receivables	1,329,157	1,329,157	-	-	-
Premium Receivables	1,858,407	1,858,407	-	-	-
Staff and Advisor Loans	405,153	133,120	154,219	88,724	29,090
Co - Insurance Receivables	41,935	41,935	-	-	-
Cash and Cash Equivalents	1,123,004	1,123,004	-	-	-
Total Financial Assets	49,054,962	18,093,018	13,094,468	10,053,151	7,814,325

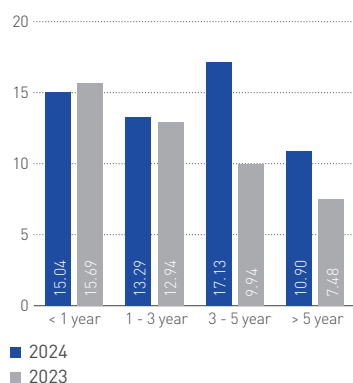
Liabilities

Reinsurance Creditors	696,915	696,915	-	-	-
Lease Creditors	450,304	146,202	154,642	117,322	32,138
Other Liabilities	1,392,142	1,088,585	-	-	303,557
Bank Overdrafts	471,271	471,271	-	-	-
Total Financial Liabilities	3,010,632	2,402,973	154,642	117,322	335,695
Total Excess Liquidity	46,044,330	15,690,045	12,939,826	9,935,829	7,478,630

The Group has no significant concentration of Liquidity risk during the reporting period.

Excess Liquidity - Group

Rs. (Bn.)





ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Maturity Profile of Financial Assets and Financial Liabilities – Company

As at 31st December 2024,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	48,486,327	10,460,101	12,158,220	15,110,935	10,757,071
Loans to Life Policyholders	459,395	-	-	-	459,395
Reinsurance Receivables	238,175	238,175	-	-	-
Premium Receivables	198,723	198,723	-	-	-
Staff and Advisor Loans	224,329	86,250	80,662	47,994	9,423
Amounts due from Related Parties- HNB General Insurance Limited	25,874	25,874	-	-	-
Cash and Cash Equivalents	841,377	841,377	-	-	-
Total Financial Assets	50,474,200	11,850,500	12,238,882	15,158,929	11,225,889

Liabilities

Reinsurance Creditors	214,999	214,999	-	-	-
Lease Creditors	503,233	192,313	214,610	89,015	7,295
Other Liabilities	1,110,841	812,471	-	-	298,370
Bank Overdrafts	193,980	193,980	-	-	-
Total Financial Liabilities	2,023,053	1,413,763	214,610	89,015	305,665
Total Excess Liquidity	48,451,147	10,436,737	12,024,272	15,069,914	10,920,224

As at 31st December 2023,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	38,530,656	10,788,119	11,701,723	8,823,568	7,217,246
Loans to Life Policyholders	441,923	-	-	-	441,923
Reinsurance Receivables	325,283	325,283	-	-	-
Premium Receivables	45,940	45,940	-	-	-
Staff and Advisor Loans	236,627	85,520	89,572	46,825	14,710
Amounts due from Related Parties- HNB General Insurance Limited	99,350	99,350	-	-	-
Cash and Cash Equivalents	666,222	666,222	-	-	-
Total Financial Assets	40,346,001	12,010,434	11,791,295	8,870,393	7,673,879

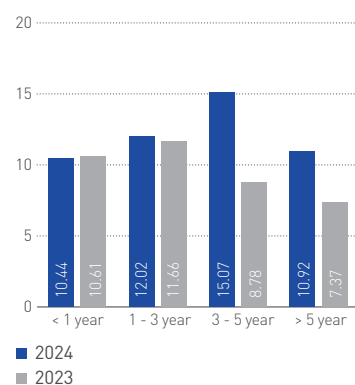
Liabilities

Reinsurance Creditors	302,211	302,211	-	-	-
Lease Creditors	395,383	140,551	135,802	92,472	26,558
Other Liabilities	1,072,408	796,412	-	-	275,996
Bank Overdrafts	160,547	160,547	-	-	-
Total Financial Liabilities	1,930,549	1,399,721	135,802	92,472	302,554
Total Excess Liquidity	38,415,452	10,610,713	11,655,493	8,777,921	7,371,325

The Company has no significant concentration of Liquidity risk during the reporting period.

Excess Liquidity - Company

Rs. (Bn.)





Maturity Analysis of Undiscounted Financial Liabilities

Undiscounted value of Reinsurance Creditors, Bank Overdraft and Other Financial Liabilities are same as the carrying value considered under the maturity analysis as mentioned above.

Undiscounted value of the Lease Creditors and the maturity of such undiscounted Lease Creditors of the Group and Company are as follows;

	Carrying Value	Undiscounted Value - Lease Creditor				Total
		Less Than One Year	One to Three Years	Three to Five Years	More than Five Years	
As at 31st December,	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
GROUP						
2024	560,905	271,402	306,369	136,901	13,479	728,151
2023	450,304	169,519	217,161	141,166	34,097	561,943
COMPANY						
2024	503,233	257,055	272,886	105,101	7,576	642,618
2023	395,383	161,962	193,303	116,316	28,601	500,182

The table below sets out the availability of the Group's financial assets to support future funding.

As at 31st December,	2024			2023		
	Restricted as collateral*	Available as collateral**	Total	Restricted as collateral*	Available as collateral**	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity	13,026,523	403,368	13,429,891	11,509,900	331,660	11,841,560
Loans and Receivables	16,477,867	5,926,546	22,404,413	12,192,234	5,842,080	18,034,314
Available for Sale	15,320,205	2,702,729	18,022,934	8,915,101	4,477,929	13,393,030
Fair Value Through Profit or Loss	447,559	-	447,559	456,182	130,297	586,479
Loans to Life Policyholders	459,395	-	459,395	441,923	-	441,923
Reinsurance Receivables	238,175	1,030,329	1,268,504	325,283	1,003,874	1,329,157
Premiums Receivables	190,182	2,081,953	2,272,135	45,940	1,812,467	1,858,407
Other Financial Assets	-	390,392	390,392	-	447,088	447,088
Cash and Cash Equivalents	655,828	746,591	1,402,419	562,991	560,013	1,123,004
Total	46,815,734	13,281,908	60,097,642	34,449,554	14,605,408	49,054,962

The table below sets out the availability of the Company's financial assets to support future funding.

As at 31st December,	2024			2023		
	Restricted as collateral*	Available as collateral**	Total	Restricted as collateral*	Available as collateral**	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity	13,026,523	403,369	13,429,892	11,509,900	331,660	11,841,560
Loans and Receivables	13,492,364	5,926,545	19,418,909	12,192,234	3,429,170	15,621,404
Available for Sale	12,531,327	2,702,729	15,234,056	8,915,101	1,696,409	10,611,510
Fair Value Through Profit or Loss	403,470	-	403,470	456,182	-	456,182
Loans to Life Policyholders	459,395	-	459,395	441,923	-	441,923
Reinsurance Receivables	238,175	-	238,175	325,283	-	325,283
Premiums Receivables	198,723	-	198,723	45,940	-	45,940
Other Financial Assets	-	250,203	250,203	-	335,977	335,977
Cash and Cash Equivalents	637,828	203,549	841,377	562,991	103,231	666,222
Total	40,987,805	9,486,395	50,474,200	34,449,554	5,896,447	40,346,001

*Assets restricted as collateral represents the assets owned by the life policyholders of the Group/Company.

**Financial assets available as collateral represents the assets owned by the shareholders of the Group/Company.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

4.2.3.5 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk namely interest rate risk, equity price risk and currency risk.

Market Risk



Risk Response Strategies

The following policies and procedures are in place to mitigate the Group's exposure to market risks.

- The Group follows Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy. The ALM guidelines are reviewed by ALM Committee and Investment Committee regularly.
- Macro-economic indicators and their impact on the Group's Investment Portfolio are monitored closely by the Management, Investment Committee and Risk Management Committee regularly.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is considered to be the most important risk to be managed by the Group, because the magnitude of the impact is considered significant.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Risk Response Strategies

In order to mitigate the interest rate risk faced by the Group, the management follows the guidelines set out in the Investment Policy. Amongst other such guidelines, the policy also requires the management of the maturities of interest bearing financial assets. Compliance with the policy is monitored and the exposure and instances of non-compliance are reported to the Investment Committee. The Policy is reviewed regularly for pertinence and for changes in the risk environment. Macro-economic variables are closely monitored and their sensitivities are reported to the Investment Committee and the Risk Committee.

Interest on floating rate instruments is re-priced annually whilst Interest on fixed interest rate instruments is priced at the inception of the financial instrument and is fixed until maturity.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit Before Tax and Equity.

The table below depicts the Group's and the Company's sensitivity to Interest Rate Risk.

Sensitivity to Interest Rate Risk

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000
100 bps parallel increase in yield curve	-	(432,127)	-	(164,997)	-	(384,945)	-	(131,419)
100 bps parallel decrease in yield curve	-	452,188	-	170,700	-	403,382	-	136,109



Following tables presents the exposure to the Interest Rate Risk by the Group and the Company.

Exposure to Interest Rate Risk - GROUP

As at 31st December 2024,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	13,429,892	-	13,429,892
Financial Investments - Loans & receivables	-	22,404,413	-	22,404,413
Financial Investments - Available for sale	-	17,343,350	679,584	18,022,934
Financial Investments - Fair value through profit or loss	-	-	447,559	447,559
Loans to Life Policyholders	-	459,395	-	459,395
Reinsurance Receivables	-	-	1,268,504	1,268,504
Premium Receivables	-	-	2,272,135	2,272,135
Staff and Advisor Loans	-	367,358	-	367,358
Co - Insurance Receivables	-	-	23,078	23,078
Cash and Cash Equivalents	-	326,413	1,076,006	1,402,419
Total Financial Assets	-	54,330,821	5,766,866	60,097,687

Financial Liabilities				
Reinsurance Creditors	-	-	1,000,350	1,000,350
Lease Creditors	-	560,905	-	560,905
Other Liabilities	329,193	-	1,427,721	1,756,914
Bank Overdrafts*	-	-	418,986	418,986
Total Financial Liabilities	329,193	560,905	2,847,057	3,737,155

As at 31st December 2023,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	11,841,560	-	11,841,560
Financial Investments - Loans & receivables	-	18,034,314	-	18,034,314
Financial Investments - Available for sale	-	13,294,085	98,945	13,393,030
Financial Investments - Fair value through profit or loss	-	-	586,479	586,479
Loans to Life Policyholders	-	441,923	-	441,923
Reinsurance Receivables	-	-	1,329,157	1,329,157
Premium Receivables	-	-	1,858,407	1,858,407
Staff and Advisor Loans	-	405,153	-	405,153
Co - Insurance Receivables	-	-	41,935	41,935
Cash and Cash Equivalents	-	10,200	1,112,804	1,123,004
Total Financial Assets	-	44,027,235	5,027,727	49,054,962

Financial Liabilities				
Reinsurance Creditors	-	-	696,915	696,915
Lease Creditors	-	450,304	-	450,304
Other Liabilities	303,557	-	1,088,585	1,392,142
Bank Overdrafts*	-	-	471,271	471,271
Total Financial Liabilities	303,557	450,304	2,256,771	3,010,632

*There is no actual obligation to the Bank and overdraft represents only a book OD.

The Group has no significant concentration of interest rate risk during the reporting period.

There were Rs. 58.6 Mn and Rs. 18.5 Mn financial assets pledged as collateral by the Group and the subsidiary during the year ended 31st December 2024 respectively (2023 -Rs. 317 Mn and Rs. 3.7 Mn by the Group and subsidiary respectively).



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Exposure to Interest Rate Risk - COMPANY

As at 31st December 2024,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	13,429,892	-	13,429,892
Financial Investments - Loans & receivables	-	19,418,909	-	19,418,909
Financial Investments - Available for sale	-	14,554,472	679,584	15,234,056
Financial Investments - Fair value through profit or loss	-	-	403,470	403,470
Loans to Life Policyholders	-	459,395	-	459,395
Reinsurance Receivables	-	-	238,175	238,175
Premium Receivables	-	-	198,723	198,723
Staff and Advisor Loans	-	224,329	-	224,329
Amounts due from Related Parties - HNB General Insurance Limited	-	-	25,874	25,874
Cash and Cash Equivalents	-	-	841,377	841,377
Total Financial Assets	-	48,086,997	2,387,203	50,474,200

Financial Liabilities				
Reinsurance Creditors	-	-	214,999	214,999
Lease Creditors	-	503,233	-	503,233
Other Liabilities	298,370	-	812,471	1,110,841
Bank Overdrafts*	-	193,980	-	193,980
Total Financial Liabilities	298,370	697,213	1,027,470	2,023,053

As at 31st December 2023,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	11,841,560	-	11,841,560
Financial Investments - Loans & receivables	-	15,621,404	-	15,621,404
Financial Investments - Available for sale	-	10,512,565	98,945	10,611,510
Financial Investments - Fair value through profit or loss	-	-	456,182	456,182
Loans to Life Policyholders	-	441,923	-	441,923
Reinsurance Receivables	-	-	325,283	325,283
Premium Receivables	-	-	45,940	45,940
Staff and Advisor Loans	-	236,627	-	236,627
Amounts due from Related Parties- HNB General Insurance Limited	-	-	99,350	99,350
Cash and Cash Equivalents	-	-	666,222	666,222
Total Financial Assets	-	38,654,079	1,691,922	40,346,001

Financial Liabilities				
Reinsurance Creditors	-	-	302,211	302,211
Lease Creditors	-	395,383	-	395,383
Other Liabilities	275,996	-	796,412	1,072,408
Bank Overdrafts*	-	160,547	-	160,547
Total Financial Liabilities	275,996	555,930	1,098,623	1,930,549

* There is no actual obligation to the Bank and overdraft represents only a book OD.

The Company has no significant concentration of interest rate risk during the reporting period.



b) Equity Price Risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in equity prices other than those arising due to interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Risk Response Strategies

- Group's Investment Policy guides the management to set/monitor objectives and constraints on investments, diversification plans as well as limits on equity exposure in order to manage the equity price risk.

- Equity portfolios are reviewed by the Investment Committee on a quarterly basis.
- Impact from the market movement is monitored on a regular basis by the Chief Investment Officer.
- Total exposure to equity investments is made strictly within the agreed target asset allocation and sectoral equity limits.
- Equity investments are made in fundamentally sound stocks which are identified after an in-depth research and evaluation process by the investment management team.

Following table shows the equity portfolio diversification of the Group and the Company.

Equity Portfolio Diversification

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Industry								
Banks, Finance and Insurance	541,389	64.90	99,802	45.82	541,389	64.90	99,802	46.20
Manufacturing	83,113	9.96	70,108	32.19	83,115	9.96	68,322	31.63
Diversified Holdings	150,960	18.10	39,639	18.20	150,960	18.10	39,639	18.35
Land and Property	11,924	1.43	7,300	3.35	11,924	1.43	7,300	3.38
Beverage, Food and Tobacco	46,740	5.61	950	0.44	46,740	5.61	950	0.44
Total	834,126	100	217,799	100	834,128	100	216,013	100

The sensitivity analysis below is performed for reasonably possible movements in All Share Price Index with all other variables held constant, showing the impact on Profit Before Tax and OCI.

Percentage Change in Benchmark Index (ASPI)

As at 31st December,	GROUP				COMPANY			
	Impact on PBT		Impact on OCI		Impact on PBT		Impact on OCI	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
10 per cent increase in equity prices	15,454	11,885	67,958	9,894	15,454	11,707	67,958	9,894
10 per cent decrease in equity prices	(15,454)	(11,885)	(67,958)	(9,894)	(15,454)	(11,707)	(67,958)	(9,894)

The Group has no significant concentration of equity price risk during the reporting period.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sri Lanka faced a severe foreign exchange crisis due to economic mismanagement and high debt, led to currency depreciation. Recent improvements in reserves from remittances, exports, and IMF support have stabilised the exchange rate. However, lifting import restrictions may increase demand for foreign currency, posing a risk of renewed depreciation if inflows fall short. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties and the Group continues to monitor its effects on financial statements under various stressed scenarios

Further, the Sri Lankan Rupee has appreciated from Rs.328.78 to Rs.297.02 per USD as of 31st December 2024 in comparison to the country's dollar exchange rate in 2023.

Group's exposure to foreign exchange risk arises primarily with respect to the US Dollar denominated assets maintained in order to honour liabilities of foreign currency denominated insurance policies, which are sold in the ordinary course of business.

Risk Response Strategies

- The Group's principal transactions are carried out in Sri Lankan Rupees
- Regular review for timing of foreign currency requirements and collaborating with relevant stakeholders to acquire required foreign exchange
- Continuous monitoring process of foreign exchange rate effect on financial statements under various stressed scenarios

However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets.

Sensitivity to Foreign Currency Risk

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Amount in Foreign Currency USD'000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000
Assets	2,308	675,595	2,668	864,432	743	217,563	664	215,116
	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000	Impact on PBT Rs.'000	Impact on Equity (After Tax) Rs.'000
5% strengthening of rupee	(33,892)	(23,724)	(43,354)	(30,348)	(10,878)	(7,529)	(10,756)	(7,529)
5% weakening of rupee	33,892	23,724	43,354	30,348	10,878	7,529	10,756	7,529
+/- % impact on Profit	1.25%	1.25%	1.73%	1.72%	0.46%	0.46%	0.47%	0.47%

Year end average rate 1\$ = Rs. 292.67 (2023: Rs. 323.97)

The Group has no significant concentration of currency risk during the reporting period.

Risk Sensitivity of Financial Assets

This analysis has been performed for reasonably possible movements in key individual variables, while holding all other variables constant. It shows the impact on Profit Before Tax (due to changes in fair value of financial assets whose fair values movements are recorded in the Statement of Profit or Loss and Other Comprehensive Income) and equity.



An analysis of the sensitivity of financial assets of the Group and the Company to the key impacting variables are set out in the table below.

Sensitivity on Overall Finance Assets

As at 31st December,	GROUP				COMPANY				
	2024		2023		2024		2023		
	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	
Exchange rate	5% strengthening of rupee	(33,892)	(23,724)	(43,354)	(30,348)	(10,878)	(7,529)	(10,756)	(7,529)
Yield curve	+100 basis points	-	(432,127)	-	(164,997)	-	(384,945)	-	(131,419)
ASPI	10% increase	15,454	8,320	11,885	8,320	15,454	8,195	11,707	8,195
Total		(18,438)	(447,531)	(31,469)	(187,025)	4,576	(384,279)	951	(130,753)
Exchange rate	5% weakening of rupee	33,892	23,724	43,354	30,348	10,878	7,529	10,756	7,529
Yield curve	-100 basis points	-	452,188	-	170,700	-	403,382	-	136,109
ASPI	10% decrease	(15,454)	(8,320)	(11,885)	(8,320)	(15,454)	(8,195)	(11,707)	(8,195)
Total		18,438	467,592	31,469	192,728	(4,576)	402,716	(951)	135,443

Note 1: The correlation of variables will have a significant effect in determining the ultimate impact of exchange rate, interest rate and equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Note 2: It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

4.2.4 Operational Risk

Operational risk is the possibility of incurring losses resulting from human errors, uninformed decisions, inadequate / failed internal processes and systems or from external events that affect business operations.

Main contributors to the Operational Risk are as follows;

Risk	Description
Legal and Regulatory Compliance Risk	Risk of non compliances to the rules and regulations
Model Risk	Risk of financial losses or inappropriate business decisions due to inappropriate use or interpretation of various models, their output, use of deficient models, data or assumptions
Human Resources Risk	Unavailability of qualified human resources to deploy in company operations
Third-Party Risk	Unexpected delays from services providers and failures in outsourced business functions
Technology and Information Security Risk	Risk of operational disruptions due to system failure, information security breaches, privacy breaches, cyber-attacks, human errors, criminal activity or loss of certain software licensing agreements
Business Continuity Risk	Risk of losses due to disruptions in critical business operations.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Risk Response Strategies

- The management is responsible for the monitoring and control of operational risk. Compliance is monitored through monthly checklist filled and signed by Heads of Divisions, a summary of which is presented to the Audit Committee.
- Risk and Compliance division monitors compliance with regulations through a monthly checklist a summary of which is tabled at the Board meeting on a monthly basis.
- Each employee is required to adhere to Financial Authority Manual in entering into transactions and discharge of duties.
- Divisional procedure manuals including branch procedure manuals are in place for the employees to follow.
- Human resource planning as part of the corporate plan and staff training on policies and procedures of the Company on a regular basis.
- Risk mitigation, including insurance where this is cost-effective.
- Ethical business standards
- Policy guidelines for third party service contracting and process outsourcing
- The Group has a Business Continuity Plan and annual tests are carried out.
- Employee code of business conduct, integrity reporting policy and share trading policy are in place for the guidance of staff and to streamline controls.
- Segregation of duties is incorporated into each operational area to the highest practicable level.
- Internal audit reviews the internal controls of the Group through audits carried out and shares the findings with the Audit Committee. Corrective actions/implementation of recommendations are also monitored.
- IT division ensures the on time software upgrade to ensure information and cyber security of the Company.

4.3 Capital Management Framework

The Group's Capital Management Framework formed to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. The capital requirements are forecasted on a periodic basis by the Management and the Board of Directors.

The Group has made no significant changes, from previous years, to its policies and processes of its capital structure. Thus, there were no changes in the capital structure in the Company during the year.

Capital Management Objectives, Policies and Approach

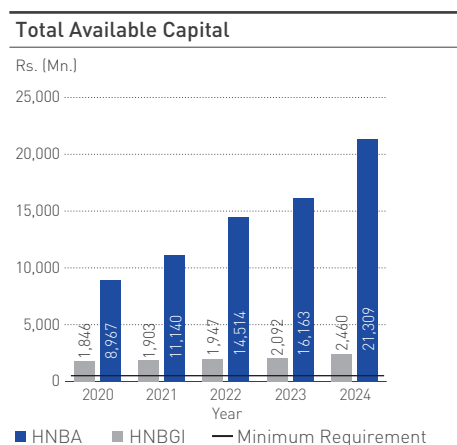
The Group has established the following capital management objectives, policies and approaches to manage the risks that affect its capital position:

- To maintain solvency levels of the Company and subsidiary above the levels stipulated by the regulator and thereby providing a degree of security to Policyholders.
- To allocate capital efficiently and support the development of business by ensuring that return on capital employed meets the requirements of its Shareholders and Policyholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the Policyholders, Shareholders, regulators and other stakeholders.
- To maintain strong credit ratings and healthy capital adequacy ratios in order to support its business objectives and maximise Shareholders' value.

The operations of both companies (HNB Assurance PLC and HNB General Insurance Limited) in the Group are subject to regulatory guidelines and frameworks. Such regulations are there, not only to prescribe approval and monitor activities, but also to impose certain restrictive provisions such as minimum Capital Requirement, Solvency Margin, Approved Assets Requirements, etc. to minimise the risk of default, insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Group has complied with all these regulatory requirements throughout the financial year.

The chart below shows the development of the Company (HNBA) and subsidiary (HNBGI) Total Available Capital Throughout past five years.





5. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm's length transaction at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are included in Property, Plant and Equipment under revaluation model (Note 8).

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as Land and Buildings.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market

is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist (significant unobservable adjustments or assumptions are required to reflect difference between the instruments), option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, Discount rate, risk premiums in estimating discount rates, Bond and Equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed Equity Securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurement

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Following table explains the fair value measurement of the Group according to the fair value Hierarchy.

Instrument Category	Fair Value Basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds and Treasury Bills	Valued using the market yields obtained from the "Two Way Quotes" report published by the Central Bank of Sri Lanka (CBSL) on www.cbsl.gov.lk	Level 1
Investment in Shares		
Listed Shares	Volume Weighted Average (VWA) prices obtained from the "CSE Daily" report published by the Colombo Stock Exchange (CSE) on www.cse.lk	Level 1
Investment in Units		
Unlisted Redeemable Units	Valued using the Published Net Asset Value of each Unit Trust Fund	Level 2
Corporate Debt		
Listed/Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method using current Treasury Bond rates (obtained from the "Two Way Quotes" report published by the CBSL on www.cbsl.gov.lk) for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the instrument	Level 2*
Fixed and Term Deposits		
Deposits More Than One Year	Discounted Cash Flow (DCF) Method using current Treasury Bond rates (obtained from the "Two Way Quotes" report published by the CBSL on www.cbsl.gov.lk) for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the institution	Level 2
Other Financial Assets		
Staff and Advisor Loans	The fair value of the Staff and Advisor loans have been computed based on the interest rates prevailed at reporting date	Level 2
Non - Financial Assets		
Land and Building	Market Comparable Method	Level 3

*Listed Corporate Debt have been classified under level two in fair value hierarchy since there is no active market for these instruments even if such instruments are listed. Therefore when calculating the fair value, published market prices are not used.

Valuation Techniques used in Measuring Level 2 and 3 Fair Values

Same valuation techniques mentioned on the above table have been used by the Group in measuring Level 2 and 3 fair values for current and comparative financial period.

Use of Judgement and Estimates

The determination of fair values of financial assets and financial liabilities recognised in the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but

if this is not available, judgment is required to establish their fair values. This judgment may include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of the financial instruments. Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

Valuation Framework

The Group has an established control framework for the measurement of fair values. The overall responsibility of the results of trading, investment operations and all significant fair value measurements carried out by the Investment Division rests with the Investment Committee.

Specific controls include;

- Verification of observable pricing.
- Re-performance of model valuations.
- Analysis and investigation of significant daily valuation movements.



- Review of significant unobservable inputs, valuations, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRSs / LKASs.

Financial Assets and Liabilities not Measured at Fair Value

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, this is because the carrying amount of these financial instruments is a reasonable approximation of fair value since they are short- term in nature or re-priced to current market rates frequently.

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and Cash Equivalents	1,402,419	1,123,004	841,377	666,222
Term Deposits less than one year	1,587,189	1,208,992	607,847	234,682
Repos	2,377,544	198,429	2,058,751	169,407
Loans to Life Policyholders	459,395	441,923	459,395	441,923
Reinsurance Receivables	1,268,504	1,329,157	238,175	325,283
Premium Receivables	2,272,135	1,858,407	198,723	45,940
Amounts due from related parties	-	-	25,874	99,350
Co-Insurance Receivables	23,078	41,935	-	-
Liabilities				
Reinsurance Creditors	1,000,350	696,915	214,999	302,211
Lease Creditors	560,905	450,304	503,233	395,383
Other Liabilities	1,756,914	1,392,142	1,110,841	1,072,408
Bank Overdrafts	418,986	471,271	193,980	160,547

5.1 Accounting Classifications and Fair Value - Group

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

5.1.a Financial Assets

As at 31st December,	Note	2024					
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repos	11.2	-	2,377,544	-	-	2,377,544	2,377,544
Term Deposit	11.2.1	-	9,216,845	-	-	9,216,845	8,698,721
Debentures	11.2.2	-	12,414,451	-	-	12,414,451	11,328,148
Treasury Bonds	11.1 & 11.3	16,725,737	-	16,093,397	-	32,819,134	29,523,289
Equity Shares	11.3.1 & 11.4.1	-	-	679,584	154,544	834,128	834,128
Treasury Bills	11.3	-	-	1,249,953	-	1,249,953	1,249,953
Investment in Units	11.4.2	-	-	-	293,015	293,015	293,015
Loans to Life Policyholders	13	-	459,395	-	-	459,395	459,395
Reinsurance Receivables	14	-	1,268,504	-	-	1,268,504	1,268,504
Premium Receivables	15	-	2,272,135	-	-	2,272,135	2,272,135
Staff and Advisor Loans	16.2	-	367,358	-	-	367,358	367,358
Co - Insurance Receivable	16	-	23,078	-	-	23,078	23,078
Cash and Cash Equivalents	18.1	-	1,402,419	-	-	1,402,419	1,402,419
Total Financial Assets		16,725,737	29,801,729	18,022,934	447,559	64,997,959	60,097,687



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.1.b Financial Liabilities

As at 31st December,	2024			
	Note	Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	1,000,350	1,000,350	1,000,350
Lease Creditors	30	560,905	560,905	560,905
Other Financial Liabilities	31	1,756,914	1,756,914	1,756,914
Bank Overdrafts	18.2	418,986	418,986	418,986
Total Financial Liabilities		3,737,155	3,737,155	3,737,155

5.1.c Financial Assets

As at 31st December,	2023						
	Note	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available For Sale Rs. '000	Fair Value Through Profit or Loss Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Repos	11.2	-	198,429	-	-	198,429	198,429
Term Deposit	11.2.1	-	9,250,962	-	-	9,250,962	8,649,329
Debentures	11.2.2	-	9,548,730	-	-	9,548,730	9,186,556
Treasury Bonds	11.1 & 11.3	14,367,677	-	6,643,869	-	21,011,546	18,485,429
Equity Shares	11.3.1 & 11.4.1	-	-	98,945	118,854	217,799	217,799
Treasury Bills	11.3	-	-	6,650,216	-	6,650,216	6,650,216
Investment in Units	11.4.2	-	-	-	467,625	467,625	467,625
Loans to Life Policyholders	13	-	441,923	-	-	441,923	441,923
Reinsurance Receivables	14	-	1,329,157	-	-	1,329,157	1,329,157
Premium Receivables	15	-	1,858,407	-	-	1,858,407	1,858,407
Staff and Advisor Loans	16.2	-	405,153	-	-	405,153	405,153
Co - Insurance Receivable	16	-	41,935	-	-	41,935	41,935
Cash and Cash Equivalents	18.1	-	1,123,004	-	-	1,123,004	1,123,004
Total Financial Assets		14,367,677	24,197,700	13,393,030	586,479	52,544,886	49,054,962

5.1.d Financial Liabilities

As at 31st December,	2023			
	Note	Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	696,915	696,915	696,915
Lease Creditors	30	450,304	450,304	450,304
Other Financial Liabilities	31	1,392,142	1,392,142	1,392,142
Bank Overdrafts	18.2	471,271	471,271	471,271
Total Financial Liabilities		3,010,632	3,010,632	3,010,632

5.1.e The Group's exposure to interest rate risk and a sensitivity analysis for Financial Assets and Liabilities is disclosed in Note 4.



5.2 Accounting Classifications and Fair Value - Company

The table below sets out the carrying amounts and fair values of the Company's financial assets and financial liabilities:

5.2.a Financial Assets

As at 31st December,	Note	2024					
		Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available For Sale Rs. '000	Fair Value Through Profit or Loss Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Repos	11.2	-	2,058,751	-	-	2,058,751	2,058,751
Term Deposit	11.2.1	-	7,939,209	-	-	7,939,209	7,464,706
Debentures	11.2.2	-	10,786,596	-	-	10,786,596	9,895,452
Treasury Bonds	11.1 & 11.3	16,725,737	-	13,744,630	-	30,470,367	27,174,522
Equity Shares	11.3.1 & 11.4.1	-	-	679,584	154,544	834,128	834,128
Treasury Bills	11.3	-	-	809,842	-	809,842	809,842
Investment in Units	11.4.2	-	-	-	248,926	248,926	248,926
Loans to Life Policyholders	13	-	459,395	-	-	459,395	459,395
Reinsurance Receivables	14	-	238,175	-	-	238,175	238,175
Premium Receivables	15	-	198,723	-	-	198,723	198,723
Staff and Advisor Loans	16.2	-	224,329	-	-	224,329	224,329
Amounts due from Related Parties- HNB General Insurance Limited	16	-	25,874	-	-	25,874	25,874
Cash and Cash Equivalents	18.1	-	841,377	-	-	841,377	841,377
Total Financial Assets		16,725,737	22,772,429	15,234,056	403,470	55,135,692	50,474,200

5.2.b Financial Liabilities

As at 31st December,	Note	2024		
		Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	214,999	214,999	214,999
Lease Creditors	30	503,233	503,233	503,233
Other Financial Liabilities	31	1,110,841	1,110,841	1,110,841
Bank Overdrafts	18.2	193,980	193,980	193,980
Total Financial Liabilities		2,023,053	2,023,053	2,023,053



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.2.c Financial Assets

As at 31st December,	Note	2023					
		Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available For Sale Rs. '000	Fair Value Through Profit or Loss Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Repos	11.2	-	169,407	-	-	169,407	169,407
Term Deposit	11.2.1	-	7,991,737	-	-	7,991,737	7,426,142
Debentures	11.2.2	-	8,283,679	-	-	8,283,679	8,025,855
Treasury Bonds	11.1 & 11.3	14,367,677	-	5,036,801	-	19,404,478	16,878,361
Equity Shares	11.3.1 & 11.4.1	-	-	98,945	117,068	216,013	216,013
Treasury Bills	11.3	-	-	5,475,764	-	5,475,764	5,475,764
Investment in Units	10.4.2	-	-	-	339,114	339,114	339,114
Loans to Life Policyholders	13	-	441,923	-	-	441,923	441,923
Reinsurance Receivables	14	-	325,283	-	-	325,283	325,283
Premium Receivables	15	-	45,940	-	-	45,940	45,940
Staff and Advisor Loans	16.2	-	236,627	-	-	236,627	236,627
Amounts due from Related Parties- HNB General Insurance Limited	16	-	99,350	-	-	99,350	99,350
Cash and Cash Equivalents	18.1	-	666,222	-	-	666,222	666,222
Total Financial Assets		14,367,677	18,260,168	10,611,510	456,182	43,695,537	40,346,001

5.2.d Financial Liabilities

As at 31st December,	Note	2023		
		Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	302,211	302,211	302,211
Lease Creditors	30	395,383	395,383	395,383
Other Financial Liabilities	31	1,072,408	1,072,408	1,072,408
Bank Overdrafts	18.2	160,547	160,547	160,547
Total Financial Liabilities		1,930,549	1,930,549	1,930,549

5.2.e The Company's exposure to interest rate risk and a sensitivity analysis for Financial Assets and Liabilities is disclosed in Note 4.



5.3 Fair Value Measurement Hierarchy

5.3.1 Fair Value Measurement Hierarchy - GROUP

Assets Measured at Fair Value

The following table analyses the group assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December,	2024				2023				
	Note	Fair Value Measurement Disclosed Using			Total Fair Value Rs.'000	Fair Value Measurement Disclosed Using			Total Fair Value Rs.'000
Quoted Prices in Active Markets (Level 1) Rs.'000		Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000		Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000		
NON-FINANCIAL ASSETS									
Property, Plant and Equipment									
Land and Building	8	-	-	82,000	82,000	-	-	66,831	66,831
Total (a)		-	-	82,000	82,000	-	-	66,831	66,831
FINANCIAL ASSETS									
Fair Value Through Profit or Loss									
Equity Shares	11.4.1	154,544	-	-	154,544	118,854	-	-	118,854
Investment in Units	11.4.2	-	293,015	-	293,015	-	467,625	-	467,625
Total (b)		154,544	293,015	-	447,559	118,854	467,625	-	586,479
Available for Sale									
Treasury Bonds	11.3	16,093,397	-	-	16,093,397	6,643,869	-	-	6,643,869
Treasury Bills	11.3	1,249,953	-	-	1,249,953	6,650,216	-	-	6,650,216
Equity Shares	11.3.1	679,584	-	-	679,584	98,945	-	-	98,945
Total (c)		18,022,934	-	-	18,022,934	13,393,030	-	-	13,393,030
Total Assets measured at fair value (a+b+c)		18,177,478	293,015	82,000	18,552,493	13,511,884	467,625	66,831	14,046,340

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Instruments carried at amortised cost is estimated by comparing the market interest rates at the time of their initial recognition with current market rates for similar financial instruments. The table below analyses the fair value of financial instruments of the group carried at amortised cost into their levels in fair value hierarchy.

As at 31st December,	2024					2023					
	Note	Amortised Cost Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000	Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Total Fair Value Rs.'000	Amortised Cost Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000	Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Total Fair Value Rs.'000
Held To Maturity											
Treasury Bonds	11.1	13,429,892	16,725,737	-	-	16,725,737	11,841,560	14,367,677	-	-	14,367,677
Total (a)		13,429,892	16,725,737	-	-	16,725,737	11,841,560	14,367,677	-	-	14,367,677
Loans and Receivables											
Term Deposits (More than one year)		7,111,532	-	7,629,657	-	7,629,657	7,440,337	-	8,041,970	-	8,041,970
Debentures	11.2.2	11,328,148	-	12,414,451	-	12,414,451	9,186,556	-	9,548,730	-	9,548,730
Staff and Advisor Loans	16.2	367,314	-	367,314	-	367,314	405,153	-	405,153	-	405,153
Total (b)		18,806,994	-	20,411,422	-	20,411,422	17,032,046	-	17,995,853	-	17,995,853
Total fixed rate financial instruments (a+b)		32,236,886	16,725,737	20,411,422	-	37,137,159	28,873,606	14,367,677	17,995,853	-	32,363,530

Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2024 (2023 – Nil).



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.3.2 Fair Value Measurement Hierarchy - COMPANY

Assets Measured at Fair Value

The following table analyses the Company assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December,	2024				2023				
		Fair Value Measurement Disclosed Using			Fair Value Measurement Disclosed Using				
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	
Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
FINANCIAL ASSETS									
Fair Value Through Profit or Loss									
Equity Shares	11.4.1	154,544	-	-	154,544	117,068	-	-	117,068
Investment in Units	11.4.2	-	248,926	-	248,926	-	339,114	-	339,114
Total (a)		154,544	248,926	-	403,470	117,068	339,114	-	456,182
Available For Sale									
Treasury Bonds	11.3	13,744,630	-	-	13,744,630	5,036,801	-	-	5,036,801
Treasury Bills	11.3	809,842	-	-	809,842	5,475,764	-	-	5,475,764
Equity Shares	11.3.1	679,584	-	-	679,584	98,945	-	-	98,945
Total (b)		15,234,056	-	-	15,234,056	10,611,510	-	-	10,611,510
Total Assets measured at fair value (a+b)		15,388,600	248,926	-	15,637,526	10,728,578	339,114	-	11,067,692

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Instruments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. Table below analyses the fair value of financial instruments of the Company carried at amortised cost into their levels in fair value hierarchy.

As at 31st December,	2024					2023					
	Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	
Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Held To Maturity											
Treasury Bonds	11.1	13,429,892	16,725,737	-	-	16,725,737	11,841,560	14,367,677	-	-	14,367,677
Total (a)		13,429,892	16,725,737	-	-	16,725,737	11,841,560	14,367,677	-	-	14,367,677
Loans and Receivable											
Term Deposits (More than one year)		6,856,859	-	7,331,363	-	7,331,363	7,191,460	-	7,757,055	-	7,757,055
Debentures	11.2.2	9,895,452	-	10,786,596	-	10,786,596	8,025,855	-	8,283,679	-	8,283,679
Staff and Advisor Loans	16.2	224,329	-	224,329	-	224,329	236,627	-	236,627	-	236,627
Total (b)		16,976,640	-	18,342,288	-	18,342,288	15,453,942	-	16,277,361	-	16,277,361
Total fixed rate financial instruments (a+b)		30,406,532	16,725,737	18,342,288	-	35,068,025	27,295,502	14,367,677	16,277,361	-	30,645,038



Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2024 (2023 – Nil).

Reconciliation of Fair Value Measurements of Level 3 - Land and Buildings

Reconciliation on Land and Building and Revaluation Reserve is available at Note 8 on page 303.

Transfer between Levels

There were no transfers between the levels in 2024 (2023: Nil).

Unobservable Inputs used in Measuring Fair Value

The following table provides information about significant unobservable inputs used in measuring assets categorised in Level 3 of the fair value hierarchy.

As at 31st December,	Fair Value*		Valuation Technique	Range of estimates for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2024 Rs.'000	2023 Rs.'000			
Land and Buildings	82,000	66,831	Refer note 8.5 on page 306	Refer note 8.5 on page 306	Refer note 8.5 on page 306

*The fair value of an asset is equal to the carrying value if carried at historical cost.

6. SEGMENTAL REPORTING

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker. The Board of Directors is identified as the Chief Operating Decision Maker who makes decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

The Group's primary format for segmental reporting is business segments. The business segments are determined based on the Group's management and internal reporting structure. These segments are managed separately because they require different operational, risk management and marketing strategies.

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows;

Reportable Operating Segment	Category of Information	Details
Life Insurance	Nature of Products	Protection and other Long-Term Insurance contracts both with and without discretionary Participating features.
	Classification of Products	Comprises a wide range of term assurance, guaranteed pensions, endowment products and annuity products.
	Revenue derived from	Insurance premium and fees charged from policyholders , Reinsurance Commission Income, Investment Income and Fair Value Gains and Losses on Investments.
General Insurance	Nature of Products	Comprises General insurance contracts to individuals and businesses which are Short-Term in nature.
	Classification of Products	Mainly classified into Motor and Non motor segments, and Non motor segment consist of Fire, Accident and Liability, Marine, Medical and Workmen Compensation.
	Revenue derived from	Insurance premium and fees charged from policyholders, Reinsurance Commission Income, Investment Income and Fair Value Gains and Losses on Investments.

Geographic Information

Activities of the Group are located within the country. The economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Major Customers

The Company does not have any major customers.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.1 Statement of Financial Position - Segmental Review - 2024

As at 31st December 2024,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Property, Plant and Equipment	541,118	228,520	-	769,638
Right of Use Assets	427,016	55,535	-	482,551
Intangible Assets	155,588	8,431	-	164,019
Deferred Tax Assets	-	14,783	-	14,783
Financial Investments	48,486,327	5,818,471	-	54,304,798
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	459,395	-	-	459,395
Reinsurance Receivables	238,175	1,030,329	-	1,268,504
Premium Receivables	198,723	2,081,953	(8,541)	2,272,135
Other Assets	906,713	396,910	(25,874)	1,277,749
Insurance Contract - Deferred Expenses	-	33,468	-	33,468
Cash and Cash Equivalents	841,377	561,042	-	1,402,419
Total Assets	53,404,432	10,229,442	(1,184,415)	62,449,459
Equity and Liabilities				
Equity Attributable to the Equity Holders				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	8,689,963	1,661,762	-	10,351,725
Available For Sale Reserve	211,076	68,356	-	279,432
Other Reserve	(82,179)	(22,529)	-	(104,708)
Life Policyholders' Available For Sale Reserve Fund	437,695	-	-	437,695
Restricted Regulatory Reserve	381,156	-	-	381,156
Equity Attributable to the Equity Holders	10,809,586	2,857,589	(1,150,000)	12,517,175
Non-Controlling Interest	-	-	-	-
Total Equity	10,809,586	2,857,589	(1,150,000)	12,517,175
Liabilities				
Insurance Contract Liabilities - Life Insurance	38,647,547	-	-	38,647,547
Insurance Contract Liabilities - General Insurance	-	4,507,058	-	4,507,058
Employee Defined Benefit Liabilities	279,864	197,451	-	477,315
Current Tax Liabilities	479,148	80,728	-	559,876
Reinsurance Creditors	214,999	785,351	-	1,000,350
Lease Creditors	503,233	57,672	-	560,905
Other Liabilities	2,276,075	1,518,587	(34,415)	3,760,247
Bank Overdrafts	193,980	225,006	-	418,986
Total Liabilities	42,594,846	7,371,853	(34,415)	49,932,284
Total Equity and Liabilities	53,404,432	10,229,442	(1,184,415)	62,449,459

6.1.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2024,		Life Insurance	General Insurance	Total
	Note	Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1 & 8.2	204,870	45,511	250,381
Right of Use Assets Additions	9.1	299,877	8,373	308,250
Intangible Assets Additions	10.1	127,365	4,308	131,673



6.2 Statement of Financial Position - Segmental Review - 2023

As at 31st December 2023,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Property, Plant and Equipment	480,796	208,753	-	689,549
Right of Use Assets	368,716	60,155	-	428,871
Intangible Assets	57,566	6,358	-	63,924
Deferred Tax Assets	-	1,528	-	1,528
Financial Investments	38,530,656	5,324,727	-	43,855,383
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	441,923	-	-	441,923
Reinsurance Receivables	325,283	1,003,874	-	1,329,157
Premium Receivables	45,940	1,923,779	(111,312)	1,858,407
Other Assets	983,945	378,257	(99,350)	1,262,852
Insurance Contract - Deferred Expenses	-	208,471	-	208,471
Cash and Cash Equivalents	666,222	456,782	-	1,123,004
Total Assets	43,051,047	9,572,684	(1,360,662)	51,263,069
Equity and Liabilities				
Equity Attributable to the Equity Holders				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	7,618,252	1,421,612	-	9,039,864
Available For Sale Reserve	106,834	67,524	-	174,358
Other Reserve	(21,175)	(115)	-	(21,290)
Life Policyholders' Available For Sale Reserve Fund	(469,286)	-	-	(469,286)
Restricted Regulatory Reserve	381,156	-	-	381,156
Equity Attributable to the Equity Holders	8,787,656	2,639,021	(1,150,000)	10,276,677
Non-Controlling Interest	-	-	-	-
Total Equity	8,787,656	2,639,021	(1,150,000)	10,276,677
Liabilities				
Insurance Contract Liabilities - Life Insurance	30,945,715	-	-	30,945,715
Insurance Contract Liabilities - General Insurance	-	4,694,303	-	4,694,303
Employee Defined Benefit Liabilities	192,127	141,733	-	333,860
Current Tax Liabilities	453,230	76,779	-	530,009
Reinsurance Creditors	302,211	394,704	-	696,915
Lease Creditors	395,383	54,921	-	450,304
Other Liabilities	1,814,178	1,260,499	(210,662)	2,864,015
Bank Overdrafts	160,547	310,724	-	471,271
Total Liabilities	34,263,391	6,933,663	(210,662)	40,986,392
Total Equity and Liabilities	43,051,047	9,572,684	(1,360,662)	51,263,069

6.2.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2023,		Life Insurance	General Insurance	Total
	Note	Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1 & 8.2	316,334	84,230	400,564
Right of Use Assets Additions	9.1	143,458	33,877	177,335
Intangible Assets Additions	10.1	19,842	3,799	23,641



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.3 Statement of Profit or Loss - Segmental Review - 2024

For the Year Ended 31st December 2024,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	13,709,655	9,121,546	(93,207)	22,737,994
Premium Ceded to Reinsurers	(775,049)	(3,810,585)	-	(4,585,634)
Net Written Premium	12,934,606	5,310,961	(93,207)	18,152,360
Net Change in Reserves for Unearned Premium	-	199,390	-	199,390
Net Earned Premium	12,934,606	5,510,351	(93,207)	18,351,750
Other Revenue				
Interest and Dividend Income	6,797,948	763,930	-	7,561,878
Net Realised Gains	40,028	60,414	-	100,442
Net Fair Value Gains/(Losses)	76,025	(11,172)	-	64,853
Fee and Commission Income	93,815	361,854	(33,884)	421,785
Other Income	23,514	1,209	-	24,723
Total Other Revenue	7,031,330	1,176,235	(33,884)	8,173,681
Net Income	19,965,936	6,686,586	(127,091)	26,525,431
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims Paid	(2,995,104)	(3,788,322)	278	(6,783,148)
Net Change in Insurance Claims Outstanding	(12,121)	84,043	-	71,922
Change in Contract Liabilities - Life Fund	(7,679,932)	-	-	(7,679,932)
Other Operating and Administration Expenses	(4,221,465)	(2,318,497)	110,280	(6,429,682)
Underwriting and Net Acquisition Costs	(2,466,158)	(299,808)	16,533	(2,749,433)
Finance and Other Insurance Related Costs	(232,686)	(9,551)	-	(242,237)
Total Benefits, Claims and other Expenses	(17,607,466)	(6,332,135)	127,091	(23,812,510)
Profit Before Taxation	2,358,470	354,451	-	2,712,921
Income Tax Expense	(701,759)	(114,301)	-	(816,060)
Profit for the Year	1,656,711	240,150	-	1,896,861

6.3.1 Additional Information as per paragraph 23 of SLFRS 08 is as follows,

For the Year Ended 31st December 2024,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	55,720	37,487	93,207
External Customers GWP	32	13,653,935	9,084,059	22,737,994
Interest Income	36.1	6,774,752	763,898	7,538,650
Depreciation on Property, Plant and Equipment	8.1 & 8.2	138,610	41,593	180,203
Amortisation on Intangible Assets	10.1	29,175	2,166	31,341
Amount recognised in P&L relating to ROUA	9.2	286,232	24,463	310,695



6.4 Statement of Profit or Loss - Segmental Review - 2023

For the Year Ended 31st December 2023,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	10,923,294	8,036,270	(199,217)	18,760,347
Premium Ceded to Reinsurers	(592,191)	(2,330,213)	-	(2,922,404)
Net Written Premium	10,331,103	5,706,057	(199,217)	15,837,943
Net Change in Reserves for Unearned Premium	-	(216,566)	78,013	(138,553)
Net Earned Premium	10,331,103	5,489,491	(121,204)	15,699,390
Other Revenue				
Interest and Dividend Income	6,306,764	920,404	-	7,227,168
Net Realised Gains/(Losses)	10,415	(67,639)	-	(57,224)
Net Fair Value Gains	57,107	8,837	-	65,944
Fee and Commission Income	102,709	246,779	(31,865)	317,623
Other Income	9,447	2,599	-	12,046
Total Other Revenue	6,486,442	1,110,980	(31,865)	7,565,557
Net Income	16,817,545	6,600,471	(153,069)	23,264,947
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims Paid	(2,654,147)	(3,773,038)	466	(6,426,719)
Net Change in Insurance Claims Outstanding	(22,289)	(217,076)	-	(239,365)
Change in Contract Liabilities - Life Fund	(6,332,739)	-	-	(6,332,739)
Other Operating and Administration Expenses	(3,499,070)	(1,921,648)	136,267	(5,284,451)
Underwriting and Net Acquisition Costs	(1,892,762)	(409,940)	16,336	(2,286,366)
Finance and Other Insurance Related Costs	(147,496)	(36,316)	-	(183,812)
Total Benefits, Claims and other Expenses	(14,548,503)	(6,358,018)	153,069	(20,753,452)
Profit Before Taxation	2,269,042	242,453	-	2,511,495
Income Tax Expense	(655,723)	(91,123)	-	(746,846)
Profit for the Year	1,613,319	151,330	-	1,764,649

6.4.1 Additional Information as per paragraph 23 of SLFRS 08 is as follows,

For the year ended 31st December 2023,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	46,396	152,821	199,217
External Customers GWP	32	10,876,898	7,883,449	18,760,347
Interest Income	36.1	6,297,089	920,211	7,217,300
Depreciation on Property, Plant and Equipment	8.1 & 8.2	93,249	31,690	124,939
Amortisation on Intangible Assets	10.1	19,330	1,505	20,835
Amount recognised in P&L relating to ROUA	9.2	207,276	19,176	226,452



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.5 Statement of Cash Flows - Segmental Review - 2024

For the Year Ended 31st December 2024,		Life Insurance	General Insurance	Intersegment Adjustment	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows From Operating Activities					
Profit Before Taxation		2,358,470	354,451	-	2,712,921
Adjustments for:					
Interest Income		(6,774,752)	(763,898)	-	(7,538,650)
Dividend Income		(23,196)	(32)	-	(23,228)
Amortisation of Intangible Assets		29,175	2,166	-	31,341
Depreciation of Property, Plant and Equipment		138,610	41,593	-	180,203
Net Depreciation of Right of Use Assets		191,459	15,343	-	206,802
Interest Expense of Lease Creditors		94,773	9,120	-	103,893
Provision for Employee Benefits		47,602	36,325	-	83,927
Net Realised Gains		(40,028)	(60,414)	-	(100,442)
Net Fair Value (Gains)/Losses		(76,025)	11,172	-	(64,853)
Loss on Intangible assets		168	69	-	237
(Gains)/Losses on Disposal of Property, Plant and Equipment		(18,867)	30	-	(18,837)
		(4,072,611)	(354,075)	-	(4,426,686)
Net Change in Operating Assets	A	(149,899)	(39,536)	(176,247)	(365,682)
Net Change in Operating Liabilities	B	8,093,485	463,196	176,247	8,732,928
Cash Flows from Operating Activities		3,870,975	69,585	-	3,940,560
Gratuity Paid		(19,163)	(15,739)	-	(34,902)
Income Tax Paid		(559,812)	(85,967)	-	(645,779)
Capital Gain Tax Paid		-	(31,653)	-	(31,653)
Payment of Lease Interest		(94,773)	(9,120)	-	(103,893)
Net Cash Generated/ (Used) from/ in Operating Activities (a)		3,197,227	(72,894)	-	3,124,333
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(80,274,019)	(32,598,769)	-	(112,872,788)
Proceeds from Maturity of Financial Investments		70,491,008	30,973,764	-	101,464,772
Proceeds from Sale of Financial Investments		1,321,315	1,093,463	-	2,414,778
Interest Received		6,410,785	852,127	-	7,262,912
Dividend Received		20,464	32	-	20,496
Acquisition of Intangible Assets		(127,365)	(4,308)	-	(131,673)
Acquisition of Property, Plant and Equipment		(204,870)	(45,511)	-	(250,381)
Proceeds from the Disposal of Property, Plant and Equipment		24,805	96	-	24,901
Advance Paid to Right of Use Assets		(6,235)	(2,400)	-	(8,635)
Net Cash (Used)/ Generated in/from Investing Activities (b)		(2,344,112)	268,494	-	(2,075,618)
Cash Flows from Financing Activities					
Dividend Paid		(585,000)	-	-	(585,000)
Payment of Lease Capital		(126,393)	(5,622)	-	(132,015)
Net Cash Used in Financing Activities (c)		(711,393)	(5,622)	-	(717,015)
Net Increase in Cash and Cash Equivalents (Net of Book OD) (a-b+c)		141,722	189,978	-	331,700
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)		505,675	146,058	-	651,733
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	647,397	336,036	-	983,433

Notes to the Cash Flow Statement

A. Change in Operating Assets

Decrease in Deferred Expenses		-	175,003	-	175,003
Increase in Loans to Life Policyholders		(17,472)	-	-	(17,472)
Decrease/(Increase) in Reinsurance Receivables		87,108	(26,455)	-	60,653
Increase in Premium Receivables		(152,783)	(158,174)	(102,771)	(413,728)
Increase in Other Assets		(66,752)	(29,910)	(73,476)	(170,138)
Net Change in Operating Assets		(149,899)	(39,536)	(176,247)	(365,682)

B. Change in Operating Liabilities

Increase in Other Liabilities		460,191	259,794	176,247	896,232
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		7,720,506	-	-	7,720,506
Decrease in Insurance Contract Liabilities - General Insurance		-	(187,245)	-	(187,245)
(Decrease)/Increase in Reinsurance Creditors		(87,212)	390,647	-	303,435
Net Change in Operating Liabilities		8,093,485	463,196	176,247	8,732,928



6.6 Statement of Cash Flows - Segmental Review - 2023

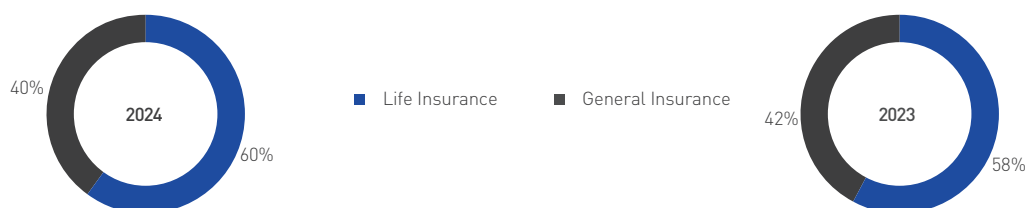
For the Year Ended 31st December 2023,		Life Insurance	General Insurance	Intersegment Adjustment	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows From Operating Activities					
Profit Before Taxation		2,269,042	242,453	-	2,511,495
Adjustments for:					
Interest Income		(6,297,089)	(920,211)	-	(7,217,300)
Dividend Income		[9,675]	[193]	-	[9,868]
Amortisation of Intangible Assets		19,330	1,505	-	20,835
Depreciation of Property, Plant and Equipment		93,249	31,690	-	124,939
Net Depreciation of Right of Use Assets		156,215	12,248	-	168,463
Interest Expense of Lease Creditors		51,061	6,928	-	57,989
Provision for Employee Benefits		46,544	34,197	-	80,741
Net Realised (Gains)/Losses		(10,415)	67,639	-	57,224
Net Fair Value Gains		(57,107)	[8,837]	-	(65,944)
Gains on Disposal of Property, Plant and Equipment		[2,280]	[148]	-	[2,428]
Gains on Disposal of Right of Use Assets		-	(1,185)	-	(1,185)
		(3,741,125)	(533,914)	-	(4,275,039)
Net Change in Operating Assets	A	(460,762)	(346,833)	210,662	(596,933)
Net Change in Operating Liabilities	B	6,887,600	391,854	(210,662)	7,068,792
Cash Flows from Operating Activities					
		2,685,713	(488,893)	-	2,196,820
Gratuity Paid					
		(21,984)	(24,624)	-	(46,608)
Income Tax Paid					
		(432,160)	(44,788)	-	(476,948)
Capital Gain Tax Paid					
		-	(4,131)	-	(4,131)
Payment of Lease Interest					
		(51,061)	(6,928)	-	(57,989)
Net Cash Generated/ (Used) from/ in Operating Activities (a)					
		2,180,508	(569,364)	-	1,611,144
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(63,752,128)	(18,109,818)	-	(81,861,946)
Proceeds from Maturity of Financial Investments		56,233,934	17,271,322	-	73,505,256
Proceeds from Sale of Financial Investments		1,730,628	843,159	-	2,573,787
Interest Received		4,521,880	670,138	-	5,192,018
Dividend Received		7,769	193	-	7,962
Acquisition of Intangible Assets		(19,842)	(3,799)	-	(23,641)
Acquisition of Property, Plant and Equipment		(316,334)	(84,230)	-	(400,564)
Proceeds from the Disposal of Property, Plant and Equipment		5,011	1,751	-	6,762
Advance Paid to Right of Use Assets		(30,050)	(12,205)	-	(42,255)
Net Cash (Used)/ Generated in/from Investing Activities (b)					
		(1,619,132)	576,511	-	(1,042,621)
Cash Flows from Financing Activities					
Dividend Paid		(547,500)	-	-	(547,500)
Payment of Lease Capital		(131,926)	(5,130)	-	(137,056)
Net Cash Used in Financing Activities (c)					
		(679,426)	(5,130)	-	(684,556)
Net (Decrease)/Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)					
		(118,050)	2,017	-	(116,033)
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)					
		623,725	144,041	-	767,766
Cash and Cash Equivalents at the End of the Year (Net of Book OD)					
	18	505,675	146,058	-	651,733
A. Change in Operating Assets					
Increase in Deferred Expenses		-	(44,476)	-	(44,476)
Increase in Loans to Life Policyholders		(21,009)	-	-	(21,009)
Increase in Reinsurance Receivables		(141,034)	(143,805)	-	(284,839)
Increase in Premium Receivables		(27,393)	(88,656)	111,312	(4,737)
Increase in Other Assets		(271,326)	(69,896)	99,350	(241,872)
Net Change in Operating Assets					
		(460,762)	(346,833)	210,662	(596,933)
B. Change in Operating Liabilities					
Increase in Other Liabilities		429,498	216,616	(210,662)	435,452
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		6,383,403	-	-	6,383,403
Increase in Insurance Contract Liabilities - General Insurance		-	512,715	-	512,715
Increase/(Decrease) in Reinsurance Creditors		74,699	(337,477)	-	(262,778)
Net Change in Operating Liabilities					
		6,887,600	391,854	(210,662)	7,068,792



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

SEGMENTAL PERFORMANCE HIGHLIGHT

Gross Written Premium



Segment - Profitability



Segment - Total Assets



Segment - Insurance Contract Liabilities





7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING POLICY

NON-DERIVATIVE FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

The Group initially recognises Loans and Receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognised on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets not measured at fair value through profit or loss is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the Income Statement.

CLASSIFICATION

The Group determines the classification of its financial assets at initial recognition and classifies them into one of the following categories:

- 1.Held to Maturity (HTM);
- 2.Loans and Receivables (L&R);
- 3.Available For Sale (AFS);
- 4.Fair Value Through Profit or Loss (FVTPL).;

and within FVTPL category as,

- Held for Trading; or
- Designated at Fair Value Through Profit or Loss

The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on ability to hold till maturity. Financial assets are classified as Fair Value Through Profit or Loss where the Group investment strategy is to manage financial investments on a fair value basis. The Available For Sale and Held to Maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the settlement date, i.e., the date that the Group receives/settles money for the sale/purchase of the financial asset. However, when it comes to investment in Quoted Equities and Corporate Debt, the transaction date (i.e. trade date) is used to recognise/ de-recognise the asset.

Financial Asset categories and their classification criteria are shown in the table below;

Classification	Classification Criteria
Held to Maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held to Maturity when the Group has the intention and ability to hold until maturity.
Loans and Receivables	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Available for Sale	Equity investments classified as Available For Sale are those that are neither classified as held for trading nor designated at Fair Value Through Profit or Loss. Debt securities in this category are those that are intended to be held till maturity and which may be sold in response to need for liquidity or in response to changes in the market conditions.
Fair Value Through Profit or Loss	Financial assets at Fair Value Through Profit or Loss include financial assets held for trading and those designated upon initial recognition at Fair Value Through Profit or Loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as Fair Value Through Profit or Loss, the following criteria must be met: <ul style="list-style-type: none"> • The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognising gains or losses on a different basis, or • Assets and liabilities are part of a Group of financial assets, financial liabilities or both, which are managed and their performance is evaluated on a fair value basis, in accordance with the Group investment strategy.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

SUBSEQUENT MEASUREMENT

Held to Maturity

Subsequent to initial measurement, Held to Maturity financial assets are measured at amortised cost, using the Effective Interest Rate (EIR), less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest Income' in Profit or Loss.

Loans and Receivables

Subsequent to initial measurement, Loans and Receivables are measured at amortised cost, using the EIR, less allowance for impairment. The EIR amortisation is included in Profit or Loss as interest income.

Fair Value Through Profit or Loss

Subsequent to initial recognition, fair value through profit or loss financial assets are re-measured at fair value. Changes in

fair value are recorded in 'Fair value gains and losses' in Profit or Loss.

Available for Sale

Subsequent to initial measurement, Available For Sale financial assets are measured at fair value, with unrealised gains or losses recognised through Other Comprehensive Income (OCI) which is maintained in the Available For Sale reserve.

Fair value changes of Available For Sale financial assets of Life Insurance related assets are included under Life Policyholders' Available For Sale reserve fund through OCI in equity. Refer Note 23.

Interest earned whilst holding Available For Sale investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available For Sale investments are recognised in Profit or Loss as 'Dividend Income' when the right of the payment has been established.

Group's non derivative financial assets and their classifications are summarised as follows;

Financial Asset	Note	Category			
		HTM	AFS	L & R	FVTPL
Treasury Bonds	11.1 & 11.3	√	√		
Repo	11.2			√	
Term Deposit	11.2			√	
Debentures	11.2			√	
Treasury Bills	11.3		√		
Equity Shares	11.3 & 11.4		√		√
Investment in Units	11.4				√
Loans to Life Policyholders	13			√	
Reinsurance Receivables	14			√	
Premium Receivables	15			√	
Staff and Advisor Loans	16.2			√	
Co - Insurance Receivable	16			√	
Cash and Cash Equivalents	18.1			√	

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Objective evidence of impairment may include:

- significant financial difficulty of the borrower or issuer,
- default or delinquency by debtor,
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial re-organisation,
- adverse changes in the payment status of issuers or debtors in the Group, and
- In the case of equity, a significant or prolonged decline in its fair value below its cost.



Impairment of Financial Assets carried at Amortised Cost

The Group consider evidence of impairment for financial assets measured at amortised cost (L&R and HTM financial assets) at both specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against L&R or HTM investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised, this causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment of Financial Investments classified as Available For Sale

For Available For Sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments are impaired. If the asset is determined to be impaired, the cumulative loss is recognised in Profit or Loss and removed from the Available For Sale reserve.

In the case of debt instruments classified as Available For Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in Profit or Loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Other Revenue'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or Loss, the impairment loss is reversed through the Profit or Loss; otherwise, any increase in fair value is recognised through OCI.

In the case equity investments classified as AFS, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. LKAS 39 does not provide any further guidance or quantitative threshold for 'significant' or 'prolonged'. In the absence of further authoritative guidance, applying these criteria is a matter for professional judgement. The term 'prolonged' should be assessed based on the period for which fair value has been less than acquisition cost. A general stock market decline over the period of 12 months may not necessarily be considered as 'prolonged' in the Sri Lankan stock market context. A decline of 20%-30% of the fair value of an investment in an equity instrument below its acquisition cost may be considered as 'significant'.

Where there is evidence of impairment, the cumulative impairment loss on that investment previously recognised in Equity through the OCI is removed from Equity and charged to Profit or Loss. Any subsequent recovery in the fair value of an Available For Sale equity instrument is always recognised in OCI.

DE-RECOGNITION OF FINANCIAL ASSETS

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire or, when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or, in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in Profit or Loss.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

In case of AFS financial investments the cumulative gain or loss is recycled to Profit or Loss as 'Realised gains or losses'.

RE-CLASSIFICATION OF FINANCIAL ASSETS

The Group reclassifies non-derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement.

Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the AFS category and into the L&R category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset with a fixed maturity reclassified out of the 'AFS' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'L&R' category, if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Group does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Group does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

Reclassification of each classes of financial assets are disclosed in respective sub notes.

NON-DERIVATIVE FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

The Group initially recognises debt securities issued on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Group classifies non derivative financial liabilities into financial liabilities at Fair Value Through Profit or Loss and other financial liabilities. Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise, reinsurance payables, Lease creditors, other liabilities and bank overdrafts.

DE-RECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards or Interpretations. (issued by the IFRS Interpretations Committee and Standard Interpretations Committee).

Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.



8. PROPERTY, PLANT AND EQUIPMENT (PPE)

ACCOUNTING POLICY

Property, Plant and Equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on “Property, Plant and Equipment”.

BASIS OF RECOGNITION

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the assets can be measured reliably.

BASIS OF MEASUREMENT

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes,

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- the costs of dismantling and removing the items and restoring at the site on which they are located;
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of such equipment. When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant, and Equipment.

COST MODEL

The Group applies the cost model to Property, Plant and Equipment except for Freehold Land and Buildings and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

REVALUATION MODEL

The Group applies the revaluation model to the entire class of Freehold Land and Buildings. Such properties are carried at a revalued amount, being their fair value at the date of

revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Freehold land and buildings of the Group are revalued at least once in every three years on a roll over basis, to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under revaluation reserve, or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the income statement or debited in the other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

SUBSEQUENT COSTS

The cost of replacing a component of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in Profit or Loss as incurred.

REPAIRS AND MAINTENANCE

Repairs and maintenance are charged to Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

USEFUL ECONOMIC LIFE AND DEPRECIATION

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Profit or Loss.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The estimated useful economic lives, depreciation rate and residual values for the current and comparative years are as follows:

Class of Asset	Estimated useful Economic Life	Depreciation percentage per annum (%)	Residual Value
Freehold Buildings	40 years	2.5	Nil
Computer Equipment	6 years	16.67	Nil
Motor Vehicles	4 years	25	Nil
Office Equipment	5 years	20	Nil
Furniture and Fittings	10 years	10	Nil
Fixtures	Based on Lease Agreement period or useful life of asset whichever is lower		

*Depreciation is not provided for freehold Land.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given below on pages 305 to 308. The Group reviews the residual values, useful lives and methods of depreciation at each reporting date. Management exercises judgement in the estimation of these values, rates, methods and hence those are subject to uncertainty.

DE-RECOGNITION

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of an item of Property, Plant and Equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Profit or Loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de-recognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in Property, Plant and Equipment, waiting for capitalisation.

BORROWING COSTS

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard - LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the Profit or Loss in the period in which they occur.



8.1 Movement of Property, Plant and Equipment (PPE) - GROUP

	Land and Buildings	Computer Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Fixtures	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Revaluation							
Balance as at 01st January 2023	68,639	409,949	19,910	89,803	90,981	173,094	852,376
Additions during the year	-	239,556	-	51,700	29,169	80,139	400,564
Disposals during the year	-	(29,207)	-	(7,841)	(2,468)	(6,129)	(45,645)
Balance as at 31st December 2023 (a)	68,639	620,298	19,910	133,662	117,682	247,104	1,207,295
Balance as at 01st January 2024	68,639	620,298	19,910	133,662	117,682	247,104	1,207,295
Additions during the year	-	118,158	57,257	27,103	19,021	28,842	250,381
Disposals during the year	-	(19,371)	(9,339)	(6,544)	(4,580)	(13,371)	(53,205)
Acc. Dep. Adj. on Revaluation Reserve	(2,615)	-	-	-	-	-	(2,615)
Revaluation during the year	15,976	-	-	-	-	-	15,976
Balance as at 31st December 2024 (b)	82,000	719,085	67,828	154,221	132,123	262,575	1,417,832
Accumulated Depreciation							
Balance as at 01st January 2023	1,028	212,399	12,821	58,035	52,536	97,299	434,118
Depreciation for the year	780	66,982	4,110	13,649	7,745	31,673	124,939
Depreciation on Disposals	-	(27,361)	-	(7,264)	(1,888)	(4,798)	(41,311)
Balance as at 31st December 2023 (c)	1,808	252,020	16,931	64,420	58,393	124,174	517,746
Balance as at 01st January 2024	1,808	252,020	16,931	64,420	58,393	124,174	517,746
Depreciation for the year	807	94,383	12,118	21,159	9,725	42,011	180,203
Depreciation on disposals	-	(19,132)	(5,000)	(6,341)	(3,351)	(13,316)	(47,140)
Acc. Dep. Adj. on Revaluation Reserve	(2,615)	-	-	-	-	-	(2,615)
Balance as at 31st December 2024 (d)	-	327,271	24,049	79,238	64,767	152,869	648,194
Carrying Value as at 31st December 2023 (a-c)	66,831	368,278	2,979	69,242	59,289	122,930	689,549
Carrying Value as at 31st December 2024 (b-d)	82,000	391,814	43,779	74,983	67,356	109,706	769,638

8.1.a Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Group acquired PPE to the aggregate value of Rs. 250.38 Mn (2023 - Rs. 400.56 Mn). Cash payments amounting to Rs. 250.38 Mn (2023 - Rs. 400.56 Mn) were made by the Group during the year to purchase of PPE.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

8.2 Movement of Property, Plant and Equipment (PPE) - COMPANY

	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Fixtures Rs.'000	Total Rs.'000
Cost						
Balance as at 01st January 2023	290,983	14,765	72,299	63,484	137,168	578,699
Additions during the year	196,422	-	37,281	23,725	58,906	316,334
Disposals during the year	(21,506)	-	(5,839)	(1,832)	(3,342)	(32,519)
Balance as at 31st December 2023 (a)	465,899	14,765	103,741	85,377	192,732	862,514
Balance as at 01st January 2024	465,899	14,765	103,741	85,377	192,732	862,514
Additions during the year	90,537	57,257	21,720	15,746	19,610	204,870
Disposals during the year	(12,234)	(9,339)	(5,922)	(4,334)	(12,693)	(44,522)
Balance as at 31st December 2024 (b)	544,202	62,683	119,539	96,789	199,649	1,022,862
Accumulated Depreciation						
Balance as at 01st January 2023	150,715	11,236	47,276	33,000	76,030	318,257
Depreciation for the year	48,488	2,825	10,839	5,806	25,291	93,249
Depreciation on Disposals	(19,910)	-	(5,497)	(1,262)	(3,119)	(29,788)
Balance as at 31st December 2023 (c)	179,293	14,061	52,618	37,544	98,202	381,718
Balance as at 01st January 2024	179,293	14,061	52,618	37,544	98,202	381,718
Depreciation for the year	71,023	10,887	16,245	7,628	32,827	138,610
Depreciation on Disposals	(12,097)	(5,000)	(5,720)	(3,129)	(12,638)	(38,584)
Balance as at 31st December 2024 (d)	238,219	19,948	63,143	42,043	118,391	481,744
Carrying Value as at 31st December 2023 (a-c)	286,606	704	51,123	47,833	94,530	480,796
Carrying Value as at 31st December 2024 (b-d)	305,983	42,735	56,396	54,746	81,258	541,118

8.2.a Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 204.87 Mn (2023 - Rs. 316.33 Mn). Cash payments amounting to Rs. 204.87 Mn (2023 - Rs. 316.33 Mn) were made by Company during the year to purchase of PPE.

8.3 Maturity Analysis

Maturity Analysis of Property, Plant and Equipment is given in Note 49 on page 368.

8.4 Apportionment of Depreciation between Company and the Subsidiary

For the Year Ended 31st December,	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Fixtures Rs.'000	Total Rs.'000
Amount Recognised in Company	38,685	1,642	10,116	5,578	23,023	79,044
Amount Transferred to HNB General Insurance Limited	9,803	1,183	723	228	2,268	14,205
Total Depreciation for 2023	48,488	2,825	10,839	5,806	25,291	93,249
Amount Recognised in Company	59,309	10,619	15,407	7,380	31,425	124,140
Amount Transferred to HNB General Insurance Limited	11,714	268	838	248	1,402	14,470
Total Depreciation for 2024	71,023	10,887	16,245	7,628	32,827	138,610

8.5 Information on Freehold Land and Buildings of the Group - Extents and Locations

The fair value of property which consists of Land and Buildings was determined by external, independent property valuers,

having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.



Details of Group's land and buildings stated at fair value are indicated below;

Entity	Property	No. of Buildings	Extent Perches (Land)	square feet (Buildings)	Name of the Chartered Valuation Surveyor	Method of Valuation	Date of Valuation	Estimates for unobservable input		Fair Value Hierarchy
								*Estimated price per perch (Rs.)	*Estimated price per square feet (Rs.)	
HNB General Insurance Limited	No. 44D, Polhena Road, Devalapola, Minuwangoda.	4	160	7,905	W.M.Chandrasena F.I.V(SL)F, 141MRICS(UK)	Contractors Method	31st December 2024	260,000	5,111	Level 3

*Estimated prices comprises of purchase price and non-refundable purchase taxes.

Significant Unobservable Inputs used in Measuring Fair Value

Inter - Relationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
Positive correlated Sensitivity	Estimated fair value would increase/(decrease) if price per perch would increase /(decrease)

Carrying Value is equal to the revalued value as Land and Building is revalued as at 31st December 2024.

The fair values of the Group's freehold land and buildings are determined by independent valuers at least once in every three years according to the Group's policy.

8.6 Revaluation Surplus

As at 31st December,	2024		
	Land Rs.'000	Building Rs.'000	Total Rs.'000
Revalued Amount	41,600	40,400	82,000
Carrying value (prior to revaluation)	37,439	28,585	66,024
Revaluation Surplus for 2024 Recognised in the OCI	4,161	11,815	15,976

According to the Company's policy on revaluation model as described in note 8.5 above, revaluation was carried out for the year ended 31st December 2024 and resulting gain or loss recognised in the financial statements.

8.7 If Land and Buildings were stated at Historical Cost, the amounts would have been as follows;

As at 31st December,	2024			2023		
	Land Rs.'000	Building Rs.'000	Total Rs.'000	Land Rs.'000	Building Rs.'000	Total Rs.'000
Cost	37,439	31,200	68,639	37,439	31,200	68,639
Accumulated Depreciation	-	2,615	2,615	-	1,808	1,808
Carrying Value	37,439	28,585	66,024	37,439	29,392	66,831



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

8.8 Fully Depreciated Property, Plant and Equipment in Use

PPE includes fully depreciated assets which are in the use of ordinary cause of business activities. The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows:

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Equipment	112,981	115,833	84,892	87,776
Motor Vehicles	10,575	4,779	9,985	4,779
Office Equipment	42,916	41,566	34,994	34,529
Furniture and Fittings	34,393	30,710	20,576	19,086
Fixtures	78,686	72,375	58,312	57,714
Total	279,551	265,263	208,759	203,884

8.9 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of PPE in the Group and Company, pledged as securities for liabilities during the year. (2023 - Nil)

8.10 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the PPE of the Group and Company as at the reporting date. (2023 - No Title Restriction)

8.11 Assessment of Impairment of Property, Plant and Equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31st December 2024. Based on the assessment no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. (2023 - No Impairment of PPE)

8.12 Disposal of Property, Plant and Equipment During the Year

During the financial year, Group disposed of property, plant and equipment to the aggregate value of Rs.6.07Mn (2023 - Rs. 4.3 Mn). Cash amounting to Rs. 24.9 Mn (2023 - Rs. 6.8 Mn) was received during the year for disposal of property plant and equipment. Gains and Losses on disposal of Property, Plant and Equipment is disclosed in Note 40 and 43 to the Financial Statements.

8.13 Revaluation Surplus of Land and Building

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair

value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The revaluation was carried out on 31 December 2024.

The changes in fair value are recognised in other comprehensive income and in the statement of equity.

8.14 Property, Plant & Equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2023 - Nil)

8.15 Property, Plant and Equipment under construction

There was no property, plant and equipment under construction as at the reporting date. (2023 - Nil).

8.16 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of PPE during the year. (2023 - Nil)

8.17 Temporarily idle Property, Plant and Equipment

There were no temporarily idle properties as at the year ended 31st December 2024. (2023 - Nil)

8.18 Amount of Contingent Commitment for acquisition of Property, Plant and Equipment

Commitments for the acquisition of Property, Plant and Equipment of the Group and Company is Rs. 117.58 Mn as at the reporting date. (2023 - Rs. 57.6 Mn)

8.19 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, loss or given up.

8.20 Investment Property

Group has not invested in investment properties during the year (2023 - Nil)



9. RIGHT OF USE ASSETS

ACCOUNTING POLICY

RECOGNITION

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

AS A LESSEE

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a Right of Use Assets and a Lease Liability at the lease commencement date. The Right of Use Asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Right of Use Assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the Right of Use Assets reflects that the Group will exercise a purchase option. In that case the Right of Use Assets will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the Right of Use Asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation expenses has been charged to income statement under other operating and administration expenses.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group has elected not to recognise Right of Use Assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

AS A LESSOR

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

9.1 Leases as lessee

The Group has number of lease contracts for properties and motor vehicles typically made in between 2 to 10 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company does not foresee any indications of impairment of right of use assets and does not anticipate discontinuation of any right of use assets as at the year end.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

9.1.a The movement of Right of Use Assets of the Group is as follows;

	2024			2023		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Cost						
Balance as at 01st January	932,850	32,028	964,878	764,630	28,690	793,320
Additions during the Year	308,058	192	308,250	170,411	6,924	177,335
Day One Loss of Refundable Deposit on Fair Valuation	9,281	(50)	9,231	674	-	674
Increase to recognised assets	-	-	-	6,925	-	6,925
Advances Paid during the Year	8,635	-	8,635	42,255	-	42,255
Disposals during the Year	(350,156)	(18,085)	(368,241)	(52,045)	(3,586)	(55,631)
Balance as at 31st December (a)	908,668	14,085	922,753	932,850	32,028	964,878
Accumulated Depreciation and Amortisation						
Balance of as at 01st January	512,719	23,288	536,007	397,654	19,087	416,741
Depreciation for the Year	178,001	4,411	182,412	140,744	7,787	148,531
Day One Loss of Refundable Deposit on Fair Valuation	4,156	-	4,156	2,173	-	2,173
Amortisation of Rent Advance	20,234	-	20,234	17,759	-	17,759
Depreciation on Disposals	(288,522)	(14,085)	(302,607)	(45,611)	(3,586)	(49,197)
Balance as at 31st December (b)	426,588	13,614	440,202	512,719	23,288	536,007
Carrying value as at 31st December (a-b)	482,080	471	482,551	420,131	8,740	428,871

9.1.b The movement of Right of Use Assets of the Company is as follows;

	2024			2023		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Cost						
Balance as at 01st January	863,949	17,957	881,906	728,336	14,619	742,955
Additions during the Year	299,749	128	299,877	136,534	6,924	143,458
Day One Loss of Refundable Deposit on Fair Valuation	9,281	-	9,281	674	-	674
Increase to recognised assets	-	-	-	6,925	-	6,925
Advances Paid during the Year	6,235	-	6,235	30,050	-	30,050
Disposals during the Year	(350,156)	(18,085)	(368,241)	(38,570)	(3,586)	(42,156)
Balance as at 31st December (a)	829,058	-	829,058	863,949	17,957	881,906
Accumulated Depreciation and Amortisation						
Balance of as at 01st January	500,690	12,500	513,190	388,018	11,113	399,131
Depreciation for the Year	168,737	1,585	170,322	133,312	4,973	138,285
Day One Loss of Refundable Deposit on Fair Valuation	4,156	-	4,156	2,173	-	2,173
Amortisation of Rent Advance	16,981	-	16,981	15,757	-	15,757
Depreciation on Disposals	(288,522)	(14,085)	(302,607)	(38,570)	(3,586)	(42,156)
Balance as at 31st December (b)	402,042	-	402,042	500,690	12,500	513,190
Carrying value as at 31st December (a-b)	427,016	-	427,016	363,259	5,457	368,716



9.2 Amount Recognised in Profit or Loss

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation for the Year	182,412	148,531	170,322	138,285
Day One Loss of Refundable Deposit on Fair Valuation	4,156	2,173	4,156	2,173
Amortisation of Rent Advance	20,234	17,759	16,981	15,757
Interest Expense during the year	103,893	57,989	94,773	51,061
Net Depreciation including Interest Expense	310,695	226,452	286,232	207,276

9.3 Amount recognised in Statement of Cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advance paid to Right of Use Asset	8,635	42,255	6,235	30,050
Payment of Lease Interest	103,893	57,989	94,773	51,061
Payment of Lease Capital	132,015	137,056	126,393	131,926

9.4 Extension Options

Property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a

significant event or significant changes in circumstances within its control.

9.5 Maturity Analysis

Maturity Analysis of Right of Use Assets is given in Note 49 on page 368.

9.6 Short-Term Leases and Leases of Low-Value Assets

Group has recognised following amounts in respect of Short term and Low value leases in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term and Low Value Leases	16,183	9,861	4,374	5,346



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

9.7 Apportionment of Depreciation between the Company and the Subsidiary

For the year ended 31st December,	COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Amount Recognised in Company	124,388	101,315
Amount Transferred to HNB General Insurance Limited	67,071	54,900
Total Depreciation under Right of Use Assets	191,459	156,215

9.8 Lease Creditors

The Details of Lease Creditors in relation to Right of Use Assets are disclosed in Note 30 on page 349.

9.9 Sale-and-Lease Back Transactions

The Company does not have sale and leased back transactions as at the reporting date.

9.10 Sub Leases

The Company does not have sub leased properties as at the reporting date.

9.11 Restrictions and covenants imposed by the leases

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these financial statements.

9.12 Impairment of ROU assets

As at the reporting date, no impairment loss has been recognised by the Company in respect of impairment of right of use assets.

10. INTANGIBLE ASSETS

ACCOUNTING POLICY

The Group's Intangible Assets include the value of Computer Software.

RECOGNITION AND MEASUREMENT

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

SOFTWARE

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

USEFUL ECONOMIC LIFE AND AMORTISATION

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. The estimated useful life, residual value and the amortisation method of Intangible Assets for the current and comparative periods are as follows;



Intangible Assets	Useful Economic Life	Residual Value	Amortisation Method
Computer Software	6 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method as appropriate and are treated as changes in accounting estimates.

In the event company acquired an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash Generating Unit unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to

be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date. (2023 - Nil).

DE-RECOGNITION

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de- recognition of such Intangible Assets is included in Profit or Loss when the item is de-recognised.

RESEARCH AND DEVELOPMENT COST

Expenditure on research activities is recognised in Profit or Loss as incurred. Development expenditure is capitalised only if;

- the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.
- Otherwise, it is recognised in Profit or Loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

10.1 Movement of Intangible Assets

	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Software				
Cost				
Balance as at 01st January	342,842	319,201	331,215	311,373
Acquisition/Capitalisation during the Year	131,673	23,641	127,365	19,842
Disposals during the Year	(75,238)	-	(72,431)	-
Balance as at 31st December (a)	399,277	342,842	386,149	331,215
Accumulated Amortisation				
Balance as at 01st January	278,918	258,083	273,649	254,319
Amortisation for the Year	31,341	20,835	29,175	19,330
Disposals during the Year	(75,001)	-	(72,263)	-
Balance as at 31st December (b)	235,258	278,918	230,561	273,649
Carrying Amount as at 31st December (a-b)	164,019	63,924	155,588	57,566



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

10.2 Maturity Analysis

Maturity Analysis of Intangible Assets is given in Note 49 on page 368.

10.3 Apportionment of Amortisation between the Company and the Subsidiary

For the year ended 31st December,	COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Amount Recognised in Company	26,163	15,985
Amount Transferred to HNB General Insurance Limited	3,012	3,345
Total Depreciation for the year	29,175	19,330

10.4 Acquisition of Intangible Assets during the Year

During the financial year, the Group and Company has acquired/Capitalised Intangible Assets (Computer Software) to the aggregate value of Rs. 131.67 Mn and Rs. 127.37 Mn Respectively (2023 - Rs. 23.64 Mn and Rs. 19.84 Mn). Cash payments of the Group and Company amounting to Rs. 131.67 Mn and Rs. 127.37 Mn.

10.5 Fully Amortised Intangible Assets in Use

The Group's Intangible Assets includes fully amortised Computer software which are in the use of ordinary course of business activities having initial cost of Rs. 164.25 Mn. (2023 - Rs. 218 Mn)

10.6 Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Group as at the reporting date. (2023 - No Title Restriction)

10.7 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at the reporting date. Based on the assessment, no impairment indicators were identified. (2023 - No Impairment of Intangible Assets)

10.8 Amount of Contingent Commitment for acquisition of Intangible Assets

Commitments for the acquisition of Computer Software of the Group and Company is Rs. 347.93 Mn as at the reporting date. (2023 - Rs. 349.6 Mn)

10.9 Intangible Assets pledged as Security

There were no items of Intangible assets in the Group pledged as securities for liabilities during the year. (2023 - Nil)

10.10 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2024 (2023 - Nil).

11. FINANCIAL INVESTMENTS

ACCOUNTING POLICY

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to a financial asset one entity and a financial liability or equity instrument of another entity.

Please refer Note 7 of page 299 for Accounting Policy of Investments.

Disclosure of financial risk

The risk management practices adopted by the Company and related risk management disclosures in relation to the investment portfolio are outlined in Note 4 to the financial statements.

Fair value of financial instruments

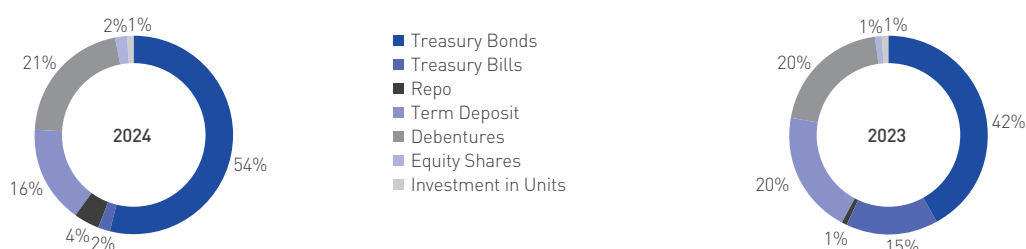
Methodologies and assumption used to determine the fair value of the financial investments are disclosed in Note 5 on pages 283 to 291 of these Financial Statements.



The following table consists each class of financial investments together with their fair values and carrying values.

As at 31st December,	Note	GROUP				COMPANY			
		2024		2023		2024		2023	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Held to Maturity	11.1	13,429,892	16,725,737	11,841,560	14,367,677	13,429,892	16,725,737	11,841,560	14,367,677
Loans and Receivables	11.2	22,404,413	24,008,840	18,034,314	18,998,121	19,418,909	20,784,556	15,621,404	16,444,823
Available For Sale	11.3	18,022,934	18,022,934	13,393,030	13,393,030	15,234,056	15,234,056	10,611,510	10,611,510
Fair Value Through Profit or Loss	11.4	447,559	447,559	586,479	586,479	403,470	403,470	456,182	456,182
Total Financial Investments		54,304,798	59,205,070	43,855,383	47,345,307	48,486,327	53,147,819	38,530,656	41,880,192

Financial Investment Analysis Based on Reporting Category - Group



Financial Investment Analysis Based on Reporting Category - Group



11.1 HELD TO MATURITY (HTM)

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Treasury Bonds	13,429,892	16,725,737	11,841,560	14,367,677	13,429,892	16,725,737	11,841,560	14,367,677
Total	13,429,892	16,725,737	11,841,560	14,367,677	13,429,892	16,725,737	11,841,560	14,367,677



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.1.1 Reclassification of Treasury Bond Portfolio From AFS to HTM Category

The Company reclassified part of its Treasury Bond portfolio from Available For Sale (AFS) financial asset category to Held to Maturity (HTM) category in 2022 due to change in intention of “holding or selling” to “hold until maturity” after assessing the projected business plans and the need for liquidity. Accordingly, after considering the business requirements and liability maturity mix, the Company has decided to reclassify a portfolio of Treasury Bond investments under Life Fund with specific criteria from AFS to HTM.

As per LKAS 39, reclassification to Held to Maturity is permitted when the entity has the ability and intention to hold financial assets until maturity. At the reclassification date, the market value of the Treasury Bonds become its new cost or amortised cost and subsequently, HTM assets are measured at amortised cost.

Further, for a financial asset with a fixed maturity reclassified out of the ‘AFS’ category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR (Effective Interest Rate). Such amortisation has been recognised under Interest income line in the profit or loss.

The Financial effect on reclassification performed on 01st April 2022 is summarised in the table below;

Description	Available For Sale (AFS) – Life Fund Rs.'000	Held to Maturity (HTM) – Life Fund Rs.'000
Carrying Value of Treasury Bond Portfolio as at 01st April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds need to be reclassified	(2,659,168)	2,659,168
New Carrying Value of Treasury Bond Portfolio as at 01st April 2022	2,737,862	3,787,140
AFS Reserve to be amortised to P&L over the remaining life of assets as at 01st April 2022		(703,985)
Amortisation recognised during the year 2022		32,893
Amortisation recognised during the year 2023		49,549
Amortisation recognised during the year 2024		57,165

Had these investments continue to be carried at available for sale, the fair value of the same as at 31st December 2024 would have amounted to Rs. 3,339 Mn and would have resulted in the recognition of a fair value gains of Rs. 335 Mn in other comprehensive income statement during the year.

On 01st July 2023, the Sri Lankan parliament approved the government’s policy Domestic Debt optimisation (DDO) strategy. Accordingly, only the local currency denominated treasury bills holding of the central bank of Sri Lanka and the treasury bonds holding of superannuation funds were subject to this DDO program, The said DDO program has been

completed as at reporting date, Accordingly the DDO has not restricted the government’s ability to continue to repay the principal + interest on local currency denominated treasury bills and bonds.

Impairment of HTM Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

Re-Classification of Financial Investments at HTM

During the year the Group has not re-classified any financial investment under this category.

11.2 Loans and Receivables (L&R)

As at 31st December,	Note	GROUP				COMPANY			
		2024		2023		2024		2023	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Repo*		2,377,544	2,377,544	198,429	198,429	2,058,751	2,058,751	169,407	169,407
Term Deposit	11.2.1	8,698,721	9,216,845	8,649,329	9,250,962	7,464,706	7,939,209	7,426,142	7,991,737
Debentures**	11.2.2	11,328,148	12,414,451	9,186,556	9,548,730	9,895,452	10,786,596	8,025,855	8,283,679
Total		22,404,413	24,008,840	18,034,314	18,998,121	19,418,909	20,784,556	15,621,404	16,444,823



* The Company and subsidiary, in the normal course of business invest in Repurchase Agreements (Repos) through a number of Bank and Non-Bank Primary Dealers approved by the Central Bank of Sri Lanka (CBSL). During the year, the Group invested in Repos with primary dealers by obtaining Government Securities as collateral with a sufficient haircut. Investments in Repos are carried out on a DVP/RVP basis. (Delivery versus Payment and Receive versus Payment). The Group has taken appropriate steps to secure these securities received on investments in Repo's through a custodian (Hatton National Bank PLC - Custody & Trustee Services - a related Company) and also by signing Master Repurchase Agreements (MRA) with all Primary Dealer Companies the Group deals with. MRA's provide the investor with the ability to recover the money due by selling the collateral securities in the secondary market in the event of a default.

As of the reporting date the Group hold government securities as Collateral for Repos. The fair Value of such government securities are Rs. 2,692 Mn (2023 : 242 Mn).

** Debentures - The Group classifies quoted Corporate Debt under Loans and Receivables category since there is no active market for these instruments even if such instruments are listed.

Impairment of L & R Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

Re-Classification of Financial Investments at L & R

During the year the Group has not re-classified any financial investment under this category.

11.2.1 Term Deposits

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Licensed Commercial Banks								
Term Deposits with Related Parties - Hatton National Bank PLC	1,513,396	1,539,060	2,792,690	2,919,780	1,185,050	1,210,714	2,421,241	2,548,331
Other Banks	2,826,378	3,157,845	3,505,670	3,817,818	2,301,916	2,590,821	2,770,718	3,046,828
Total (a)	4,339,774	4,696,905	6,298,360	6,737,598	3,486,966	3,801,535	5,191,959	5,595,159
Licensed Specialised Banks	1,424,760	1,544,113	1,316,752	1,430,841	1,424,760	1,544,113	1,199,966	1,314,055
Total (b)	1,424,760	1,544,113	1,316,752	1,430,841	1,424,760	1,544,113	1,199,966	1,314,055
Licensed Finance Companies								
Term Deposits with Related Parties - HNB Finance PLC	386,345	395,852	-	-	331,320	340,826	-	-
Other Finance Companies	2,547,842	2,579,975	1,034,217	1,082,523	2,221,660	2,252,735	1,034,217	1,082,523
Total (c)	2,934,187	2,975,827	1,034,217	1,082,523	2,552,980	2,593,561	1,034,217	1,082,523
Total Investment In Term Deposit (a+b+c)	8,698,721	9,216,845	8,649,329	9,250,962	7,464,706	7,939,209	7,426,142	7,991,737

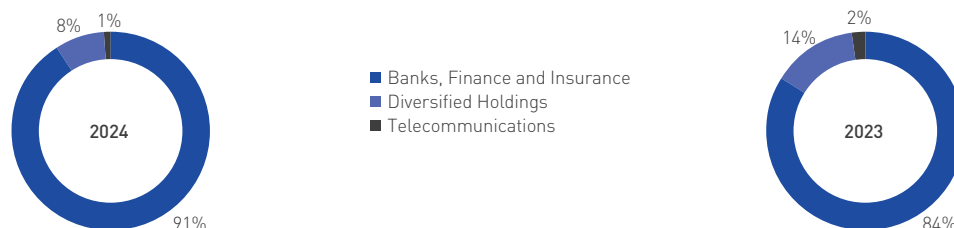
11.2.2 Debentures

As at 31st December,	Note	GROUP				COMPANY			
		2024		2023		2024		2023	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Debentures - Quoted	11.2.2.a	9,952,264	10,967,231	7,811,114	8,210,811	8,634,934	9,453,137	6,765,750	7,050,399
Debentures - Unquoted	11.2.2.b	1,375,884	1,447,220	1,375,442	1,337,919	1,260,518	1,333,459	1,260,105	1,233,280
Total Investment In Debentures		11,328,148	12,414,451	9,186,556	9,548,730	9,895,452	10,786,596	8,025,855	8,283,679



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Debenture Composition - Group



11.2.2.a Debentures - Quoted

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Banks, Finance and Insurance								
Commercial Bank of Ceylon PLC	2,413,225	2,702,869	1,353,571	1,512,215	2,158,217	2,395,849	1,150,959	1,274,535
DFCC Bank PLC	1,666,000	1,764,764	973,835	935,085	1,436,754	1,514,837	973,835	935,085
Hatton National Bank PLC	386,337	379,854	214,981	184,522	386,337	379,854	214,981	184,522
National Development Bank PLC	969,734	984,447	809,771	760,871	837,757	850,859	689,970	647,942
Nations Trust Bank PLC	80,283	82,829	383,637	371,440	80,283	82,829	383,637	371,440
Sampath Bank PLC	1,125,074	1,494,297	1,437,119	1,765,686	937,562	1,245,248	1,193,876	1,467,699
Seylan Bank PLC	1,264,961	1,493,474	681,219	854,160	1,028,805	1,197,733	498,203	622,255
HNB Finance PLC	-	-	141,590	123,194	-	-	141,590	123,194
LOLC Finance PLC	277,689	277,937	277,611	260,823	215,981	216,173	215,922	202,863
People's Leasing & Finance PLC	218,947	214,058	296,164	268,713	192,907	188,635	244,103	220,939
Siyapatha Finance PLC	645,134	665,263	16,548	16,313	569,868	587,649	16,548	16,313
Sector Total (a)	9,047,384	10,059,792	6,586,046	7,053,022	7,844,471	8,659,666	5,723,624	6,066,787
Diversified Holdings								
Hayleys PLC	-	-	29,517	29,246	-	-	12,913	12,795
First Capital Holdings PLC	316,329	314,905	316,250	292,148	239,971	238,890	239,911	221,627
LOLC Holdings PLC	440,388	439,174	731,189	698,658	402,330	401,221	641,190	611,453
Sector Total (b)	756,717	754,079	1,076,956	1,020,052	642,301	640,111	894,014	845,875
Telecommunications								
Sri Lanka Telecom PLC	148,163	153,360	148,112	137,737	148,162	153,360	148,112	137,737
Sector Total (c)	148,163	153,360	148,112	137,737	148,162	153,360	148,112	137,737
Total Investment In Quoted Debentures (a+b+c)	9,952,264	10,967,231	7,811,114	8,210,811	8,634,934	9,453,137	6,765,750	7,050,399



11.2.2.b Debentures - Unquoted

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Banks, Finance and Insurance								
DFCC Bank PLC	261,050	261,072	260,976	249,119	229,214	229,234	229,149	218,738
People's Bank	671,083	750,935	670,821	694,301	671,083	750,935	670,821	694,301
Nations Trust Bank PLC	443,751	435,213	443,645	394,499	360,221	353,290	360,135	320,241
Total Investment In Unquoted Debentures	1,375,884	1,447,220	1,375,442	1,337,919	1,260,518	1,333,459	1,260,105	1,233,280

11.3 Available For Sale (AFS)

As at 31st December,	Note	GROUP				COMPANY			
		2024		2023		2024		2023	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Treasury Bonds		16,093,397	16,093,397	6,643,869	6,643,869	13,744,630	13,744,630	5,036,801	5,036,801
Treasury Bills		1,249,953	1,249,953	6,650,216	6,650,216	809,842	809,842	5,475,764	5,475,764
Equity Shares	11.3.1	679,584	679,584	98,945	98,945	679,584	679,584	98,945	98,945
Total		18,022,934	18,022,934	13,393,030	13,393,030	15,234,056	15,234,056	10,611,510	10,611,510

Impairment of AFS Financial Investments

At the reporting date, there were no available for sale financial investments that were overdue and impaired.

Re-Classification of Financial Investments at AFS

During the year the Group has not re-classified any financial investment under this category. (Refer Note 11.1.1 of page 316 for Reclassification of Treasury Bond Portfolio From AFS to HTM Category in 2022).



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.3.1 Equity Shares

As at 31st December,	GROUP/COMPANY					
	2024			2023		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Seylan Bank PLC (Non-Voting)	1,065,003	44,812	60,705	352,310	13,708	12,507
Sampath Bank PLC	1,032,594	77,836	122,104	349,250	21,416	24,622
LB Finance PLC	785,000	57,120	70,258	142,285	17,090	14,976
Commercial Bank of Ceylon PLC	266,130	24,709	38,522	-	-	-
National Development Bank PLC	518,182	36,730	58,684	-	-	-
Nations Trust Bank PLC	446,409	59,634	83,255	-	-	-
Central Finance Company PLC	142,285	17,090	27,034	-	-	-
Sector Total (a)			460,562			52,105
Diversified Holdings						
Hemas Holdings PLC	1,284,537	107,360	132,628	173,000	12,671	11,539
Melstacorp PLC	39,532	2,343	4,862	39,532	2,343	3,333
Sector Total (b)			137,490			14,872
Manufacturing						
Tokyo Cement Company (Lanka) PLC	78,102	886	5,468	78,102	886	3,593
Royal Ceramics Lanka PLC	400,000	4,854	17,400	400,000	4,854	10,560
Chevron Lubricants Lanka PLC	-	-	-	112,821	10,422	10,187
Sector Total (c)			22,868			24,340
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	11,713	-	328
Sunshine Holdings PLC	467,400	29,954	46,740	-	-	-
Sector Total (d)			46,740			328
Land and Property						
Overseas Realty (Ceylon) PLC	486,679	12,453	11,924	486,679	12,453	7,300
Sector Total (e)			11,924			7,300
Total Investment In Equity Shares (AFS) (a+b+c+d+e)			679,584			98,945

11.4 Fair Value Through Profit or Loss (FVTPL)

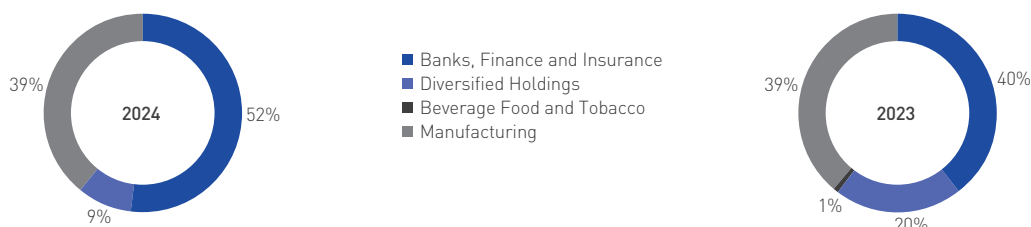
As at 31st December,	Note	GROUP				COMPANY			
		2024		2023		2024		2023	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Equity Shares	11.4.1	154,544	154,544	118,854	118,854	154,544	154,544	117,068	117,068
Investments in Units	11.4.2	293,015	293,015	467,625	467,625	248,926	248,926	339,114	339,114
Total		447,559	447,559	586,479	586,479	403,470	403,470	456,182	456,182

Fair Value Measurement

The Group measures the fair value using fair value hierarchy which reflects the significance of the level of inputs used in making the fair value measurement which is described in the Note 5.



Portfolio of Equity Investments - Group



11.4.1 Equity Shares

As at 31st December,	GROUP					
	2024			2023		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Sampath Bank PLC	198,701	12,716	23,496	198,701	12,716	14,008
Nations Trust Bank PLC	105,213	7,128	19,622	103,080	6,909	11,081
People's Leasing & Finance PLC	649,094	10,374	11,035	615,201	10,008	6,583
Seylan Bank PLC (Non-Voting)	467,960	14,980	26,674	451,421	14,404	16,025
Sector Total (a)			80,827			47,697
Diversified Holdings						
John Keells Holdings PLC	296,700	3,679	6,705	29,670	3,679	5,667
Richard Pieris & Company PLC	-	-	-	312,851	4,351	6,413
Vallibel One PLC	-	-	-	209,638	4,000	8,050
Melstacorp PLC	55,000	3,260	6,765	55,000	3,260	4,637
Sector Total (b)			13,470			24,767
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	22,222	-	622
Sector Total (c)			-			622
Manufacturing						
Royal Ceramics Lanka PLC	280,000	4,318	12,180	280,000	4,318	7,392
Dipped Products PLC	-	-	-	324,000	7,255	9,040
ACL Cables PLC	197,125	3,601	23,360	190,400	3,016	13,100
Tokyo Cement Company (Lanka) PLC	352,955	11,938	24,707	352,955	11,938	16,236
Sector Total (d)			60,247			45,768
Total Investment In Equity Shares (FVTPL) (a+b+c+d)			154,544			118,854



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	COMPANY					
	2024			2023		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Sampath Bank PLC	198,701	12,716	23,496	198,701	12,716	14,008
Nations Trust Bank PLC	105,213	7,128	19,622	103,080	6,909	11,081
People's Leasing & Finance PLC	649,094	10,374	11,035	615,201	10,008	6,583
Seylan Bank PLC(Non-Voting)	467,960	14,980	26,674	451,421	14,404	16,025
Sector Total (a)			80,827			47,697
Diversified Holdings						
John Keells Holdings PLC	296,700	3,679	6,705	29,670	3,679	5,667
Richard Pieris & Company PLC	-	-	-	312,851	4,351	6,413
Vallibel One PLC	-	-	-	209,638	4,000	8,050
Melstacorp PLC	55,000	3,260	6,765	55,000	3,260	4,637
Sector Total (b)			13,470			24,767
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	22,222	-	622
Sector Total (c)			-			622
Manufacturing						
Royal Ceramics Lanka PLC	280,000	4,318	12,180	280,000	4,318	7,392
Dipped Products PLC	-	-	-	260,000	5,270	7,254
ACL Cables PLC	197,125	3,601	23,360	190,400	3,016	13,100
Tokyo Cement Company (Lanka) PLC	352,955	11,938	24,707	352,955	11,938	16,236
Sector Total (d)			60,247			43,982
Total Investment In Equity Shares (FVTPL) (a+b+c+d)			154,544			117,068

11.4.2 Investments in Units

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000
Unquoted								
NDB Wealth Money Plus Fund	-	-	4,006,651	126,963	-	-	2,714,077	86,004
JB Vantage Money Market Fund	1,855,728	89,662	1,942,552	83,788	1,855,728	89,662	1,942,552	83,788
Capital Alliance Investment Grade Fund	5,721,311	203,353	4,043,306	128,493	4,480,862	159,264	2,682,266	85,240
Senfin Money Market Fund	-	-	5,503,229	128,381	-	-	3,604,263	84,082
Total Investment in Unquoted Units (FVTPL)		293,015		467,625		248,926		339,114



11.5 Movement in the Carrying Values of Financial Investments - GROUP

	Held to Maturity	Loans and Receivable	Available for Sale	Fair Value Through Profit or Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01st January 2023	10,240,933	14,910,327	9,389,628	83,243	34,624,131
Purchases	2,257,748	62,183,922	16,710,952	711,230	81,863,852
Maturities	(728,308)	(60,240,178)	(12,536,770)	-	(73,505,256)
Disposals	-	-	(2,294,734)	(279,053)	(2,573,787)
Fair Value Gains and Foreign Currency Translation Recorded in Profit or Loss	-	3,647	-	62,297	65,944
Amortisation Adjustment / Accrued Interest	71,187	1,281,654	722,107	-	2,074,948
Realised (Losses)/Gains Recorded in Profit or Loss	-	(105,058)	38,955	8,762	(57,341)
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	1,362,892	-	1,362,892
Total as at 31st December 2023	11,841,560	18,034,314	13,393,030	586,479	43,855,383
As at 01st January 2024	11,841,560	18,034,314	13,393,030	586,479	43,855,383
Purchases	1,329,056	97,546,350	13,658,368	341,746	112,875,520
Maturities	-	(93,771,495)	(7,693,277)	-	(101,464,772)
Disposals	-	-	(1,819,885)	(594,893)	(2,414,778)
Fair Value (losses)/Gains and Foreign Currency Translation Recorded in Profit or Loss	-	(19,116)	-	83,969	64,853
Amortisation Adjustment / Accrued Interest	259,276	676,128	(602,500)	-	332,904
Realised (Losses)/Gains Recorded in Profit or Loss	-	(61,768)	131,952	30,258	100,442
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	955,246	-	955,246
Total as at 31st December 2024	13,429,892	22,404,413	18,022,934	447,559	54,304,798

11.6 Movement in the Carrying Values of Financial Investments - COMPANY

	Held to Maturity	Loans and Receivable	Available for Sale	Fair Value Through Profit or Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01st January 2023	10,055,448	12,097,076	7,610,970	81,381	29,844,875
Purchases	2,257,748	46,958,955	14,066,101	471,230	63,754,034
Maturities	(561,790)	(44,597,097)	(11,075,047)	-	(56,233,934)
Disposals	-	-	(1,578,133)	(152,495)	(1,730,628)
Fair Value Gains and Foreign Currency Translation Recorded in Profit or Loss	-	3,245	-	53,862	57,107
Amortisation Adjustment / Accrued Interest	90,154	1,182,758	551,846	-	1,824,758
Realised (losses)/Gains Recorded in Profit or Loss	-	(23,533)	31,744	2,204	10,415
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	1,004,029	-	1,004,029
Total as at 31 December 2023	11,841,560	15,621,404	10,611,510	456,182	38,530,656
As at 01st January 2024	11,841,560	15,621,404	10,611,510	456,182	38,530,656
Purchases	1,329,056	67,754,207	11,011,742	181,746	80,276,751
Maturities	-	(64,586,360)	(5,904,648)	-	(70,491,008)
Disposals	-	-	(983,987)	(337,328)	(1,321,315)
Fair Value (Losses)/Gains and Foreign Currency Translation Recorded in Profit or Loss	-	(3,855)	-	79,880	76,025
Amortisation Adjustment / Accrued Interest	259,276	650,195	(488,339)	-	421,132
Realised (losses)/Gains Recorded in Profit or Loss	-	(16,682)	33,720	22,990	40,028
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	954,058	-	954,058
Total as at 31st December 2024	13,429,892	19,418,909	15,234,056	403,470	48,486,327



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN SUBSIDIARY - COMPANY

ACCOUNTING POLICY

SUBSIDIARIES

Subsidiaries are investees controlled by the Group. The Group "controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity."

The Financial Statements of Subsidiaries are prepared for the same reporting period as followed by the parent company, using consistent accounting policies which conform with the parent company. Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent, even if this results a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commenced until the date on which control ceases.

The Details of the Company's subsidiaries, how they are accounted in the Financial Statements of the Company and their contingencies are set out in below Note and Note 53.1 on page 374 to the financial statements.

BASIS OF CONSOLIDATION

The Group's Financial Statements comprise the consolidation of the Financial Statements of the Company and its subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements".

BUSINESS COMBINATION AND GOODWILL

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARY

Investments in subsidiaries are recognised at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate Financial Statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

All Intra-group balances, transactions, income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

LOSS OF CONTROL

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an associate or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

MATERIAL GAINS OR LOSSES, PROVISIONAL VALUES OR ERROR CORRECTIONS IN BUSINESS COMBINATIONS

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

The Company incorporated a fully owned Subsidiary, HNB General Insurance Limited on 30th January 2014 in order to transfer the General Insurance business w.e.f. 01st January 2015 to be in line with the requirement to segregate Life and General Insurance businesses as required by the Regulation of Insurance Industry (Amendment) Act, No. 03 of 2011.



As at 31st December, Unquoted	Principal Activity	2024			2023		
		No of Shares	Holding %	Cost	No of Shares	Holding %	Cost
				Rs.'000			Rs.'000
HNB General Insurance Limited	General Insurance Business	115,000,000	100%	1,150,000	115,000,000	100%	1,150,000
Total Investment In Subsidiary				1,150,000			1,150,000

12.1 Impairment of Investment in Subsidiary

The Board of Directors has assessed the potential impairment loss of Investment in Subsidiary as at 31st December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of such investment.

13. LOANS TO LIFE POLICYHOLDERS

ACCOUNTING POLICY

Policyholder Loans are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 299 for Accounting Policy of Loans and Receivables.

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder Loans are initially measured at Fair value of loan amount granted and subsequently measured at the amortised cost. If the policyholder demises before the full repayment of the loan, the loan balance is deducted from the death benefit. If the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to Policy Loans. Policyholder Loans are reviewed for impairment at each reporting date.

	GROUP / COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Balance as at 01st January	320,546	316,067
Loans Granted during the Year	142,563	126,948
Repayments during the year	(139,459)	(122,469)
Balance as at 31st December	323,650	320,546
Interest Receivable	135,745	121,377
Total Loans to Life Policyholders	459,395	441,923

13.1 Maturity Analysis

Maturity Analysis of Loans to Life Policyholders is given in Note 49 on page 368.

13.2 Collateral Details

The surrender value of the policies for which Policyholder Loans have been granted as at 31st December 2024 amounted to Rs. 788.82 Mn (2023 - Rs. 740 Mn).

13.3 Number of Policyholder Loans

Number of Policy Loans due as at 31st December 2024 was 2,613 (2023 - 2,897).

13.4 Fair Value Measurement

The Company grants Policyholder Loans at a rate equivalent to the market rate; hence carrying amount is a reasonable approximation of fair value.

13.5 Impairment Losses on Policyholder Loans

Policyholder Loans are reviewed for impairment at each reporting date. The Board of Directors has assessed the potential impairment loss of Loans to Policyholder Loans as at 31st December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Policyholder Loans.

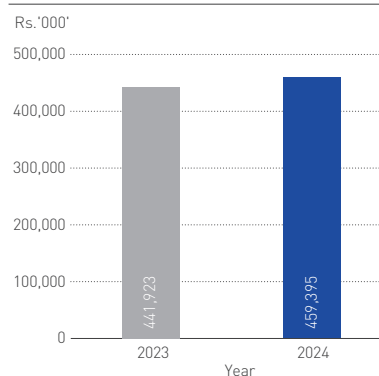
13.6 Financial Risk Disclosure on Policyholder Loans

The Group's exposure to interest rate risk of policyholder loans, risk management initiatives and a sensitivity analysis is disclosed in Note 4 in page 253.

13.7 Concentration Risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Company has a large number of dispersed receivables.

Loans to Life Policyholders





ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

14. REINSURANCE RECEIVABLES

ACCOUNTING POLICY

Reinsurance Receivables are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 299 for Accounting policy of Loans and Receivables.

The Group cedes insurance risk in the normal course of business with recognised reinsurers through formal reinsurance arrangements.

Reinsurance receivables include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Gross Reinsurance is recorded in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in Profit or Loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to Policyholders.

Reinsurance assets are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance Receivable on Outstanding Claims	14.3	791,951	662,395	127,630	99,177
Reinsurance Receivable on Settled Claims	14.4	476,553	666,762	110,545	226,106
Total Reinsurance Receivables		1,268,504	1,329,157	238,175	325,283

14.1 Maturity Analysis

Maturity Analysis of Reinsurance Receivable is given in Note 49 on page 368.

14.2 Collateral Details

The Group does not hold any collateral as security against potential default by reinsurers.

14.3 Reinsurance Receivables on Outstanding Claims

The reinsurance portion of the outstanding claims has not been materialised, since the insurance claim has not been paid as at the reporting date.

14.4 Reinsurance Receivables on Settled Claims

The age analysis of the reinsurance receivable on settled claims is as follows:

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Up to 30 days	70,756	120,602	35,088	43,812
31 to 60 days	149,820	136,447	37,468	59,606
61 to 90 days	79,025	88,249	37,989	31,424
91 to 180 days	78,179	132,506	-	91,264
Over 181 days	98,773	188,958	-	-
Total	476,553	666,762	110,545	226,106



14.5 Fair Value Measurement

The carrying value of reinsurance receivables approximates the fair value at the reporting date.

14.6 Impairment of Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31st December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

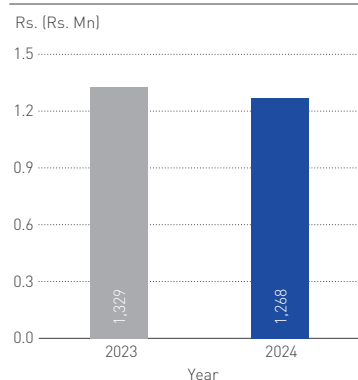
14.6.1 Reinsurance Receivables Past Due but Not Impaired (On Settled Claims)

As at 31 December 2024, Reinsurance Receivables of the Group amounted to Rs. 78 Mn were past due but not impaired, Company Nil (2023 Group - Rs. 74 Mn, Company Nil). These relate to parties where there was no recent history of default.

14.7 Financial Risk Disclosure on Reinsurance Receivables

Refer Note 4 [Pages 253] for Group's exposure to credit risk of reinsurance receivables and risk management initiatives.

Reinsurance Receivables - Group



15. PREMIUM RECEIVABLES

ACCOUNTING POLICY

Premium Receivables are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 299 for Accounting policy of Loans and Receivables.

Premium Receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable.

The carrying value of Premium Receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in Profit or Loss.

Life Insurance premiums for policies within the 30-day grace period are considered as due premium, except for group life which is considered up to 90 days. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner. Premium will be reversed if those premiums are not settled during the stipulated time, and thus the policies will be lapsed as per the Company policy.

Insurance receivables from General Insurance are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) ruling issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL), all General Insurance policies are issued subject to PPW and are cancelled upon the expiry of credit period if not settled.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	Note	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Premium Receivable From ; Life Insurance					
		198,723	41,259	198,723	41,259
		-	8,028	-	8,028
	15.1	-	(3,347)	-	(3,347)
		198,723	45,940	198,723	45,940
Total Premium Receivable - Life Insurance					
General Insurance					
		884,105	559,490	-	-
		17,519	130,984	-	-
	15.1	1,180,329	1,233,305	-	-
		2,081,953	1,923,779	-	-
		(8,541)	(111,312)	-	-
	15.2	2,272,135	1,858,407	198,723	45,940

15.1 Premium Receivable from Related Parties

As at 31st December,		GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Life Insurance					
	HNB Finance PLC	-	8,028	-	8,028
	Total Premium Receivable from Related Parties - Life Insurance	-	8,028	-	8,028
General Insurance					
	Hatton National Bank PLC	210	175	-	-
	HNB Finance PLC	7,494	18,295	-	-
	HNB Assurance PLC	8,541	111,312	-	-
	Acuity Stockbrokers (Pvt) Ltd	381	458	-	-
	Acuity Partners (Pvt) Ltd	156	241	-	-
	Acuity Securities Ltd	737	503	-	-
	Total Premium Receivable from Related Parties - General Insurance	17,519	130,984	-	-

15.2 Age Analysis of Premium Receivables

As at 31st December,		GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Life Insurance					
	Up to 30 days	154,104	42,482	154,104	42,482
	31 to 60 days	16,311	1,991	16,311	1,991
	More than 60 days	28,308	1,467	28,308	1,467
	Total Premium Receivable - Life Insurance	198,723	45,940	198,723	45,940
General Insurance					
	Up to 30 days	1,512,566	1,406,007	-	-
	31 to 60 days	500,670	463,375	-	-
	61 to 90 days	25,787	36,590	-	-
	91 to 120 days	42,930	17,807	-	-
	Total Premium Receivable - General Insurance	2,081,953	1,923,779	-	-
	Adjustment for Intercompany Premium Receivables	(8,541)	(111,312)	-	-
	Total Premium Receivables	2,272,135	1,858,407	198,723	45,940



15.3 Maturity Analysis

Maturity Analysis of Premium Receivable is given in Note 49 on page 368.

15.4 Collateral Details

The Group does not hold any collateral as security against potential default by Policyholders.

15.5 Fair Value Measurement

Carrying value of premium receivable is approximation of fair value due to short-term nature.

15.6 Provision for Impairment Losses on Premium Receivables

The Board of Directors has assessed potential impairment loss of Premium Receivable as at 31st December 2024. Based on the assessment, no impairment was recognised in the financial statements of the Company as at 31st December 2024 (2023 : Rs. 3.3 Mn) in respect of premium receivables.

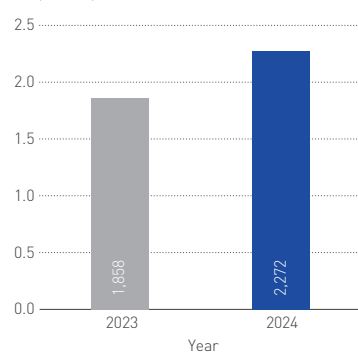
Since the subsidiary company has adopted the Premium Payment Warranty (PPW) ruling issued by Insurance Regulatory Commission of Sri Lanka, no long outstanding balances are left in Premium Receivables. Thus, there is no impairment was recognised in the financial statements as at 31st December 2024.

15.7 Financial Risk Disclosure on Premium Receivables

Refer Note 4 (Pages 253) for Group's exposure to credit risk of Premium Receivables and risk management initiatives.

Premium Receivables - Group

Rs.(Rs. Mn)



16. OTHER ASSETS

ACCOUNTING POLICY

STAFF AND ADVISOR LOANS

Staff Loans and Advisor Loans are recognised as financial assets and categorised in the category of Loans and Receivables. Please refer Note 7 of page 299 for Accounting policy of Loans and Receivables.

Loans are granted as a benefit to Staff and Advisors subject to defined eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

INVENTORIES

Inventories include all consumable items which are stated at lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is estimated market price in the ordinary course of business less any estimated expense to sell.

OTHER ASSETS

All Other Assets including Receivables and dues from Related Parties are recognised at cost less accumulated impairment losses.



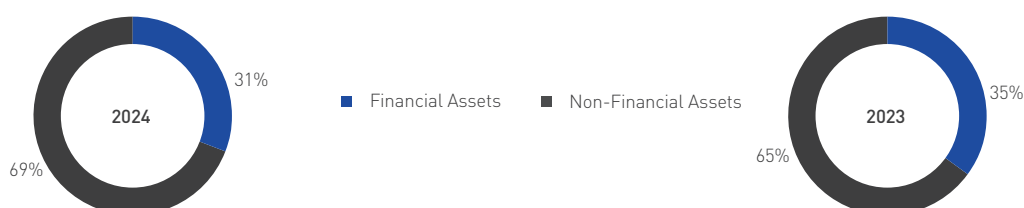
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets					
Staff and Advisor Loans	16.2	367,358	405,153	224,329	236,627
Amounts due from Related Parties- HNB General Insurance Limited		-	-	25,874	99,350
Co - Insurance Receivables		23,078	41,935	-	-
Total Financial Assets (a)		390,436	447,088	250,203	335,977
Non-Financial Assets					
Advance Payments		507,939	505,095	317,553	379,828
Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)	16.3	249,795	271,987	219,036	244,798
Inventories		4,073	6,212	1,110	2,300
Other Receivables		125,506	32,470	118,811	21,042
Total Non-Financial Assets (b)		887,313	815,764	656,510	647,968
Total Other Assets (a+b)		1,277,749	1,262,852	906,713	983,945

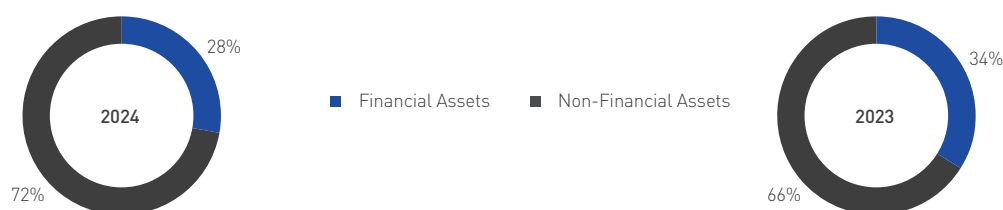
16.1 Maturity Analysis

Maturity Analysis of Other Assets is given in Note 49 on page 368.

Other Assets Composition -Group



Other Assets Composition - Company





16.2 Staff and Advisor Loans

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff Loans	16.2.1	325,728	366,650	184,091	200,279
Advisor Loans	16.2.2	41,630	38,503	40,238	36,348
Total		367,358	405,153	224,329	236,627

16.2.1 Staff Loans

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		353,444	333,203	192,450	186,695
Loans granted during the year		151,802	215,023	97,920	100,185
Loans Recovered during the year		(177,337)	(194,782)	(105,135)	(94,430)
		327,909	353,444	185,235	192,450
Allowance for Impairment Losses	16.2.1.b	(2,181)	(2,205)	(1,144)	(1,168)
Fair Value Adjustment on Staff Loan		-	15,411	-	8,997
Balance as at 31st December		325,728	366,650	184,091	200,279

16.2.1.a No loans have been granted to the Directors of the Group.

16.2.1.b Allowance for Impairment Movement of Staff Loans

	GROUP	COMPANY				
			2024	2023	2024	2023
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(2,205)	(1,733)	(1,168)	(886)		
Reversal/(Allowance) for Impairment Losses	24	(472)	24	(282)		
Balance as at 31st December	(2,181)	(2,205)	(1,144)	(1,168)		

16.2.2 Advisor Loans

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		39,401	39,774	37,146	37,871
Loans granted during the year		73,235	62,681	70,933	59,160
Loans Recovered during the year		(69,458)	(63,054)	(66,326)	(59,885)
		43,178	39,401	41,753	37,146
Allowance for Impairment Losses	16.2.2.a	(1,548)	(689)	(1,515)	(655)
Fair Value Adjustment on Advisor Loan		-	(209)	-	(143)
Balance as at 31st December		41,630	38,503	40,238	36,348



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

16.2.2.a Allowance for Impairment Movement of Advisor Loans

	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(689)	(730)	(655)	(697)
(Allowance)/Reversal for Impairment Losses	(859)	41	(860)	42
Balance as at 31st December	(1,548)	(689)	(1,515)	(655)

16.2.3 Fair Value Measurement

The carrying value of the Staff and Advisor loans has been computed based on the market interest rates which prevailed at the time of granting such loan, and the fair value of the same has been computed based on the interest rates prevailed as at the reporting date. Other financial receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

16.2.4 Impairment Losses on Staff and Advisor Loans

The Board of Directors has assessed potential impairment loss of Staff and Advisor loans as at 31st December 2024. Based on the assessment, no additional impairment provision is required

to be made in the Financial Statements as at the reporting date in respect of Staff and Advisor loans, other than the amounts provided.

16.2.5 Collateral Details

Loans of Staff and Advisor portfolio mainly consists of vehicle loans which are given to selected categories of Staff and Advisors. These loans are secured with guarantors, mortgage or promissory notes.

16.2.6 Financial Risk Disclosure on Staff and Advisor Loans

Refer Note 4 (Pages 253) for Group's exposure to credit risk of Staff and Advisor Loans and risk management initiatives.

16.3 Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)

	GROUP		COMPANY	
	2024	2023	2024	2023
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Withholding Tax Recoverable	249,795	271,987	219,036	244,798
Balance as at 31st December	249,795	271,987	219,036	244,798

16.4 Security for liabilities

None of the other assets have been pledged as securities for liabilities as at the reporting date (2023 - Nil).

17. INSURANCE CONTRACT - DEFERRED EXPENSES

ACCOUNTING POLICY

DEFERRED ACQUISITION COSTS (DAC)

The direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to General Insurance Contracts. No DAC is calculated for Life Insurance Contracts as the acquisition costs are incurred in line with the revenue earned.

In accordance with the available regulatory guidelines of the IRCSL, the DAC is calculated based on the 1/24th basis except for the Marine policies which are computed on a 60-40 basis.

The DAC for reinsurers is amortised in the same manner as the underlying asset and amortisation is recorded in the statement of Profit or Loss.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in Profit or Loss.

DAC is de-recognised when the related contracts are either settled or cancelled.



	Note	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Reserve for Net Deferred Acquisition Expenses					
Reserve for Deferred Acquisition Expenses					
Balance as at 01st January		364,484	298,104	-	-
Increase in Deferred Acquisition Expenses	44.1	75,054	66,380	-	-
Balance as at 31st December (a)		439,538	364,484	-	-
Reserve for Deferred Reinsurance Commission					
Balance as at 01st January		(156,013)	(134,109)	-	-
Increase in Deferred Reinsurance commission	44.1	(250,057)	(21,904)	-	-
Balance as at 31st December (b)		(406,070)	(156,013)	-	-
Total Insurance Contract - Deferred Expenses (a+b)		33,468	208,471	-	-

17.1 Maturity Analysis

Maturity Analysis of Deferred Expenses is given in Note 49 on page 368.

17.2 Impairment of Deferred Expenses

The Board of Directors has assessed potential impairment loss of deferred expenses as at 31st December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date (2023 - Nil).

18. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and Cash Equivalents comprise cash in hand, cash at bank, demand deposits and Short-Term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts, which form an integral part of cash management, are included as a component of Cash and Cash Equivalents in the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

As at 31st December,	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
18.1 Cash and Cash Equivalents				
Cash in Hand	4,942	4,766	4,010	3,960
Cash at Bank with Related Parties - Hatton National Bank PLC	1,358,238	1,086,911	814,870	654,370
Cash at Bank with Related Parties - HNB Finance PLC	50	14	50	14
Cash at Bank with Other Licensed Commercial Banks & Financial institutions	39,189	21,113	22,447	7,878
Short term Deposits with Commercial Banks and Financial institutions	-	10,200	-	-
Total Cash and Cash Equivalents in Statement of Financial Position (a)	1,402,419	1,123,004	841,377	666,222
18.2 Bank Overdrafts				
Bank Overdraft with Related Parties - Hatton National Bank PLC (b)	(418,986)	(471,271)	(193,980)	(160,547)
Total Cash and Cash Equivalents in Statement of Cash flows (a+b)	983,433	651,733	647,397	505,675



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

18.3 Fair value measurement

The carrying amounts disclosed above reasonably approximates the fair values as at the reporting date.

18.4 Maturity Analysis

Maturity Analysis of Cash and Cash Equivalents is given in Note 49 on page 368.

18.5 Cash Pledged as Security for Liabilities

Company

The Company has obtained Bank Guarantee facilities from Hatton National Bank PLC for sum of Rs. 40.68 Mn (2023: Rs. 207.89 Mn), being the 25% of sum assessed by the Commissioner General of Inland Revenue for the purpose of tax assessments which are being heard at the Tax Appeals Commission. Refer note 53.1 for more details. This facility was secured against fixed deposits which are available in shareholder's fund.

Other than above company has obtained bid bonds for sum of Rs. 6.87 Mn from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020065047.

Subsidiary

The subsidiary company has obtained bid bonds for sum of Rs. 18.5 Mn (2023: Bid Bonds of Rs. 3.7 Mn) from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020060189.

18.6 Risk Management Initiatives Relating to Cash and Cash Equivalents

Refer Note 4 on page 253 for risk management initiatives relating to cash and cash equivalents.

19. STATED CAPITAL

ACCOUNTING POLICY

The Company has issued Ordinary shares that are classified as equity instruments. Ordinary shares of the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

	No. of Shares	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Ordinary voting shares	150,000,000	1,171,875	1,171,875	1,171,875	1,171,875
	150,000,000	1,171,875	1,171,875	1,171,875	1,171,875

19.1 Rights of Ordinary Shares

The shares of HNB Assurance PLC are quoted in the Colombo Stock Exchange-Main Board. All issued shares are fully paid. The Ordinary Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the members of the Company.

20. RETAINED EARNINGS

Note	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	9,039,864	7,822,715	7,618,252	6,552,433
Profit for the Year	1,896,861	1,764,649	1,656,711	1,613,319
Dividend Paid to Equity Holders	48.4 (585,000)	(547,500)	(585,000)	(547,500)
Balance as at 31st December	10,351,725	9,039,864	8,689,963	7,618,252



21. AVAILABLE FOR SALE RESERVE

21.1 Nature and Purpose of Reserve

Available For Sale Reserve comprise of the impact arising from the changes in market values of financial assets classified under the category of Available For Sale.

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		174,358	(322,296)	106,834	(138,616)
Other Comprehensive Income for the Year		1,012,055	1,304,782	1,011,223	1,053,578
Transferred to Life Policyholders Reserve Fund	23.1	[906,981]	[808,128]	[906,981]	[808,128]
Balance as at 31st December		279,432	174,358	211,076	106,834

22. OTHER RESERVE

22.1 Nature and Purpose of Reserve

Other Reserves comprises of the actuarial gains/losses arising from valuation of gratuity liability after related taxes as required by LKAS 19 - "Employee Benefits".

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		(21,290)	22,358	(21,175)	3,972
Actuarial Losses on Defined Benefit Plans		[95,849]	[43,648]	[61,004]	[25,147]
Gains on Land and Building Revaluation		12,431	-	-	-
Balance as at 31st December		(104,708)	(21,290)	(82,179)	(21,175)

23. LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

23.1 Nature and Purpose of Reserve

The Life Policyholders' Available For Sale Reserve Fund includes the fair value gains/(losses) recorded under Other Comprehensive Income arising from life insurance related financial assets categorised under Available For Sale.

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		[469,286]	[1,277,414]	[469,286]	[1,277,414]
Other Comprehensive Income for the Year	21.1	906,981	808,128	906,981	808,128
Balance as at 31st December		437,695	[469,286]	437,695	[469,286]

24. RESTRICTED REGULATORY RESERVE

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Restricted Regulatory Reserve		381,156	381,156	381,156	381,156



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

24.1 Surplus Created due to Change in Valuation Method

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

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

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

Subsequently the IRCSL, through the Direction No. 16 issued on 20th March 2018 on "Directions for identification and treatment of One-Off Surplus" Life Insurance Companies were directed to transfer One-Off Surplus attributable to Policyholders' Non-Participating Fund to Shareholders' Fund in the relevant period. The transfer was presented as a separate line item in the Profit or Loss as "Change in contract Liability due to transfer of One-Off Surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

Further, distribution of One-Off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-Off surplus in the Shareholders' Fund will remain invested in Term deposits as disclosed in Note No. 24.2 as per the directions of IRCSL.

The Financial ratios presented in these Annual Financial Statements have been determined in accordance with Sri Lanka Accounting Standards.

Additionally, the Company has voluntarily presented financial ratios without One-Off surplus impact. As per the Direction One-Off Surplus in respect of participating business is to be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Shareholders' Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act, No. 43 of 2000".

24.2 Composition of Investments Supporting the Restricted Regulatory Reserve

As per the Direction 16 following the transfer of one off surplus to shareholders fund, the shareholders fund is required to maintain investment in government debt securities and deposits to fully support the amount of one off surplus at any given time. Accordingly the company has allocated adequate assets to support restricted reserve as at 31 December 2024 as follows.

As at 31st December,	GROUP / COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Term Deposits	382,469	381,169



24.3 Distribution of One-Off Surplus

The IRCSL will consider the distribution of One-Off Surplus when the RBC rules are revised. The distribution of one-off surplus to shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below. Further these policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by the IRCSL from time to time.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholders' Fund, particularly Participating and Non-participating.

- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-Off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

IRCSL will permit distribution of One-Off surplus subject to yearly distribution caps on case-by-case basis.

24.4 Disclosure as Required by Direction 16 Issued by IRCSL

Disclosure in Financial Statements	Compliance with the Requirement	Page Reference
1. Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to One-Off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied	335
2. Disclosure stating 'distribution of One-Off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied (Note 24.3)	337
3. The basis of computation of One-Off surplus. Any deviation from the direction in respect of determining the 'minimum One-Off surplus'.	Complied (Note 24.1)	336
4. One-Off surplus relating to participating and other than participating should be disclosed separately.	Complied (Note 24.1)	336
5. Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied (Note 24.2)	336

25. INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

ACCOUNTING POLICY

INSURANCE PROVISION - LIFE INSURANCE

BASIS OF RECOGNITION AND MEASUREMENT

Life Insurance Contract Liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future benefits, the expected future management and distribution expense, less the present value of future gross premiums arising from the policy discounted at the appropriate discount rate as specified by the Insurance Regulatory Commission of Sri Lanka. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation.

DISCRETIONARY PARTICIPATION FEATURES (DPF)

The liability for Life Insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used are mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Estimates are also made as to future investment income arising from the assets backing the Life Insurance Contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates for the non-participating products, whereas it is the expected fund yield of participating fund for the policies with Discretionary Participating Benefits.

PRODUCT CLASSIFICATION

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

INSURANCE CONTRACTS

Insurance contracts are those contracts under which one party (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Contracts which transfer significant insurance risk are classified as insurance contracts and others are classified as investment contracts.

INVESTMENT CONTRACTS

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified variable interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract.

SUBSEQUENT CLASSIFICATION AND RECLASSIFICATION

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

PRODUCT PORTFOLIO OF THE GROUP

The Group checks all its new insurance products for compliance with SLFRS 4 at the product modelling stage and ensures that no insurance products are launched if it does not meet the above criterion. As such, all products sold by the Group are insurance contracts and therefore classified as insurance contracts under the SLFRS 4 – Insurance Contracts.

DE-RECOGNITION

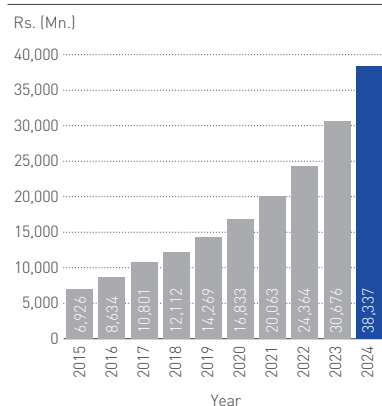
The liability is de-recognised when the contract expires, discharged or cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a Liability Adequacy Test.

LIABILITY ADEQUACY TEST (LAT)

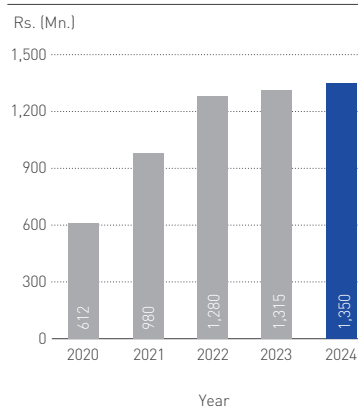
At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses. The Company performs a Liability Adequacy Test (LAT) in respect of Life Insurance Contract Liabilities with the assistance of an External Actuary. In performing the LAT, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. Number of valuation techniques are applied including discounting cash flows, interest rate applied is based on the management's expectation of current market interest rates. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.



Insurance Contract Liabilities - Life Fund



Surplus Distribution to Shareholders



GROUP / COMPANY

As at 31st December,

	Note	2024			2023		
		Participating	Non - Participating	Total	Participating	Non - Participating	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance Contract Liabilities							
Life Insurance Fund	25.1	4,307,509	34,029,789	38,337,298	4,276,594	26,399,446	30,676,040
Claims Outstanding		7,300	302,949	310,249	10,542	259,133	269,675
Total Insurance Contract Liabilities - Life Insurance		4,314,809	34,332,738	38,647,547	4,287,136	26,658,579	30,945,715

25.1 Life Insurance Fund - Composition and Movement

	Note	2024			2023		
		Gross Insurance Contract Liabilities	Reinsurance	Net Insurance Contract Liabilities	Gross Insurance Contract Liabilities	Reinsurance	Net Insurance Contract Liabilities
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		31,479,529	(803,489)	30,676,040	25,027,906	(664,276)	24,363,630
Premiums received/Reinsurance expenses		13,709,655	(775,049)	12,934,606	10,923,294	(592,191)	10,331,103
Liabilities released for payments on Death, Surrender and Other terminations in the year		(3,431,787)	424,561	(3,007,226)	(3,048,145)	371,709	(2,676,436)
Net Finance and Other Income		6,009,454	(20,009)	5,989,445	5,351,644	61,543	5,413,187
Expenses		(6,899,230)	12,337	(6,886,893)	(5,439,841)	19,726	(5,420,115)
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders		9,388,092	(358,160)	9,029,932	7,786,952	(139,213)	7,647,739
Surplus Distributed to Shareholders*		(1,350,000)	-	(1,350,000)	(1,315,000)	-	(1,315,000)
Increase in Life Insurance Fund		8,038,092	(358,160)	7,679,932	6,471,952	(139,213)	6,332,739
Effect of Taxation on surplus/Bonus transferred to Policyholders	25.4	(18,674)	-	(18,674)	(20,329)	-	(20,329)
Balance as at 31st December		39,498,947	(1,161,649)	38,337,298	31,479,529	(803,489)	30,676,040

* Company transferred Rs. 1,350 Mn in December 2024 (2023 : Rs. 1,315 Mn) as surplus for the year from policyholder to shareholders fund.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Increase in Life Insurance Fund

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

25.2 Maturity Analysis

Maturity Analysis of Life Insurance Fund is given in Note 49 on page 368.

25.3 Valuation of Life Insurance Fund

The valuation of the Life Insurance fund as at 31st December 2024 was carried out by the Appointed Actuary, Mr. Abhishek Chadha, FIA, FIAI for and on behalf of Willis Towers Watson India Private Limited and have ensured adequate provisions have been made in these Financial Statements in line with the Actuarial Valuation. According to the appointed Actuary's report, the reserve for the year amounted to Rs. 34,983 Mn (2023 - Rs. 28,215 Mn). In opinion of the appointed Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance fund.

As recommended by the Appointed Actuary a sum of Rs. 1,350 Mn (2023 - Rs. 1,315 Mn) has been transferred from the Life Insurance Fund to the Shareholders' Fund for the year 2024. Refer paragraph 6 of the Actuarial report provided in page 229.

25.4 Effects of Taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of Inland Revenue Act, No. 24 of 2017 which is effective from 01st April 2018, the surplus distributed to a life insurance policyholder who shares the profit of a person engaged in the business of life insurance, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of the business and shall be taxed at a concessionary rate of 14% for three years of assessment after the commencement of the Act. However, due to the completion of stipulated concessionary period, Company will be liable to tax at the standard income tax rate on bonus/surplus transferred to policyholders from the year 2021 onwards. Therefore, Company will be liable to tax at the rate of 30% on bonus/surplus transferred to policyholders for the year 2024 (2023 - 30%). As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 62.25 Mn (2023 - Rs. 67.76 Mn) to Life Insurance policyholders participating in

the profits of the Life Insurance business. The Company has charged a tax of Rs. 18.67 Mn (2023 - Rs. 20.33 Mn) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date. Refer paragraph 7 of the Actuarial report issued on 10th February 2025 provided in page 229.

25.5 Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Abhishek Chadha, FIA, FIAI on behalf of Willis Towers Watson India Private Limited, as at 31st December 2024 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods. According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2024. No additional provision was required against the LAT as at 31st December 2024. Refer paragraph 8 of Actuarial Report provided by the Appointed Actuary for LAT in page 229.

25.6 Methodology used in determination of Market Value of Liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2024. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

In accordance with the RBC guidelines, negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a policy level for Privileged Life, riders attaching to Privileged Life product, Supreme Health Max rider and Super CI rider attaching to all base products.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).



25.6.1 Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products	Policy liability has been set equal to UPR	Not Applicable

25.7 Key Assumptions Used in Determinations of Best Estimate Liability (BEL)

Details of key assumptions used and basis of arriving for the same are summarised in following table;

Assumption	Basis of Estimation
Economic Assumption	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 25.8.
Operating Assumptions	
Mortality Rate	Experience calibrated for the best estimate assumptions of mortality and morbidity is based on mortality rates and reinsurance morbidity rates.
Morbidity Rates	
Expenses	Best estimate expense assumption is based on the Company specific expenses. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been identified. These have been further identified as either fixed or variable based on the nature of expenses to determine a unit cost loading for use in the valuation as per the Activity Based Costing study carried out.
Expense Inflation	This is derived based on the weighted salary increment experience and the NCPI inflation for non-salary expense items.
Bonus Rates	Bonus rate scale assumption has been arrived based on bonus declared for the latest year, based on the Company management's views on policyholder reasonable expectations. This assumes that Company is at least expecting to maintain the current bonus levels into the future.
Lapse Ratio	Lapse assumption of the Company is based on the experience analysis and historical trends during intervals of the policy tenure.

25.8 Accounting judgements, estimates and assumptions

Discount rate

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Assumption	Basis of Estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity. The spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re) investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

25.9 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Contract Liability is provided in Note 4.

25.10 Solvency Margin

As per the Report of the Life Actuary, the Company's Capital Adequacy Ratio (CAR) is 379% (2023 - 339%), well above the minimum requirement of 120% as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000. Please refer paragraph 5 of the Actuarial report provided in page 229.

26. INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

ACCOUNTING POLICY

BASIS OF RECOGNITION AND MEASUREMENT

General Insurance Contract Liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities.

CLAIMS LIABILITIES

Claims Liabilities are recognised in respect of both with reinsurance and without reinsurance. Claims liabilities refer to the obligation of the insurance company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. This include provision for claims reported, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) together with related claims handling costs.

PREMIUM LIABILITIES

Premium Liabilities are the higher of the aggregate of the Unearned Premium Reserve (UPR) and the best estimate value of the insurer's Unexpired Risk Reserves (URR) at the valuation date and the Provision of Risk Margins for Adverse Deviation (PRAD) calculated at line of business level.

The provision for unearned premium represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

USE OF JUDGEMENTS AND ESTIMATES

The estimates of General Insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported and claims incurred, but not enough reported (IBNR/IBNER) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying in estimating the amount of outstanding claims is the past claims development experience.

Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.



LIABILITY ADEQUACY TEST (LAT)

As required by SLFRS 4 - "Insurance Contracts", the Group performs a Liability Adequacy Test (LAT) in respect of General Insurance Contract Liabilities with the assistance of the External Actuary.

TITLE INSURANCE RESERVE

Title Insurance reserve is maintained by the Group to pay potential claims arising from the Title Insurance policies.

Title Insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognised in the first year of the policy given the higher probability of claims occurring in the first year. From the 2nd year onwards, profit is recognised by amortising the premium received over a five-year period using the straight-line method. Profit in the first year will be recognised in the 2nd year and thereafter it will be periodically recognised.

The General Insurance reserves as shown in the Statement of Financial Position represents the following:

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reserves for Net Unearned Premium	26.1	2,734,648	2,960,146	-	-
Reserves for Title Insurance	26.2	75,088	48,979	-	-
Reserves for Gross Outstanding Claims	26.3	1,697,322	1,685,178	-	-
Total Insurance Contract Liabilities - General Insurance		4,507,058	4,694,303	-	-

Maturity Analysis of General Insurance Fund is given in Note 49 on page 368.

26.1 Reserves for Net Unearned Premium

	GROUP		COMPANY		
	2024	2023	2024	2023	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Reserves for Unearned Premium					
Balance as at 01st January	3,952,973	3,428,085	-	-	
Increase in Reserve for Unearned Premium	623,597	524,888	-	-	
Balance as at 31st December (a)	4,576,570	3,952,973	-	-	
Reserves for Unearned Reinsurance Premium					
Balance as at 01st January	(992,827)	(692,584)	-	-	
Increase in Reserve for Unearned Reinsurance Premium	(849,095)	(300,243)	-	-	
Balance as at 31st December (b)	(1,841,922)	(992,827)	-	-	
Total Reserves for Net Unearned Premium (a+b)	2,734,648	2,960,146	-	-	

26.2 Reserves for Title Insurance

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January (a)		48,979	57,059	-	-
Transfer to Title Insurance Reserve (b)		46,505	14,657	-	-
Recognition of Title Insurance Profit (c)	26.5	(20,396)	(22,737)	-	-
Transfer from Title Insurance Reserves (d=b+c)		26,109	(8,080)	-	-
Total Reserves for Title Insurance as at 31st December (a+d)		75,088	48,979	-	-



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

26.3 Reserves for Gross Outstanding Claims

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		1,158,910	1,006,371	-	-
Claims Incurred during the Year		4,214,600	4,480,212	-	-
Claims Paid during the Year		(4,245,137)	(4,327,673)	-	-
Balance as at 31st December (a)		1,128,373	1,158,910	-	-
IBNR / IBNER balance as at 01st January		526,268	382,657	-	-
Increase in IBNR / IBNER		42,681	143,611	-	-
IBNR / IBNER balance as at 31st December (b)	26.7	568,949	526,268	-	-
Total Reserves for Gross Outstanding Claims (a+b)		1,697,322	1,685,178	-	-

26.4 Reconciliation between Insurance Contract Liabilities and Technical Reserve

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance Contract Liabilities - General Insurance		4,507,058	4,694,303	-	-
Reserve for Net Deferred Acquisition Expenses	17	(33,468)	(208,471)	-	-
Reinsurance on Claims Reserves		(487,484)	(393,060)	-	-
Reinsurance on Claims Reserves IBNR / IBNER		(176,837)	(170,159)	-	-
Technical Reserves		3,809,269	3,922,613	-	-

26.5 Recognition of Title Insurance Profit

Net Written Premium on Title Insurance after deducting acquisition cost has been transferred to the Title Reserves account to pay potential claims arising from the Title Insurance policies. During the year, the Group recognised Rs. 20.4 Mn (2023 - Rs. 22.74 Mn) as profit from Title Insurance.

26.6 Assessment of Liabilities

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The Reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

26.7 Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER)

IBNR and IBNER claims Reserves as at 31st December 2024 has been actuarially computed by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary has ensured that adequate reserves are maintained by HNB General Insurance Ltd as at 31st December 2024. Refer page 230 for Actuarial Report provided by the Appointed Actuary.

26.8 Liability Adequacy Testing (LAT)

A Liability Adequacy Test (LAT) for General Insurance Contract Liability was carried out by Appointed Actuary, Ms. Sipika Tandon Mathur, FIAI, as at 31st December 2024 for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, HNB General Insurance Limited adequately satisfies the LAT as at 31st December 2024. No additional provision was required against the LAT as at 31st December 2024. Refer page 230 for Actuarial Report issued on 11th February 2025 by the Appointed Actuary for LAT.

26.9 Sensitivity Analysis

Sensitivity Analysis of General Insurance Contract Liability is provided in Note 4 on page 253.

26.10 Solvency Margin

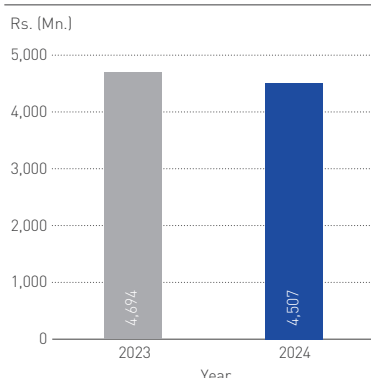
As per the Report of the General Actuary, the subsidiary's Capital Adequacy Ratio (CAR) is 219% (2023 - 208%), well above the minimum requirement of 120%.

26.11 Key Assumptions

Details of key assumptions used are provided in Note 4 on page 253.



Insurance Contract Liabilities - General Insurance



26.12 Maturity Analysis

Maturity Analysis of General Insurance Fund is given in Note 49 on page 368.

27. EMPLOYEE BENEFIT LIABILITIES

ACCOUNTING POLICY

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which related services are rendered by employees.

DEFINED BENEFIT PLANS - GRATUITY

MEASUREMENT

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in

the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. Under the Payment of Gratuity Act, No. 12 of 1983, the liability to pay the gratuity to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

RECOGNITION

The re-measurement of the net defined benefit liability, which comprises actuarial gains and losses, are recognised immediately in Other Comprehensive Income. Interest cost, past service cost and current service cost are recognised in Profit or Loss.

When the benefits of a plan are changed or when plan is curtailed the resulting change in benefits that relates to the past service or the gain or loss on curtailment is recognised immediately in the profit or loss. The Company recognises gain or loss on the settlement of a defined benefit plan when the settlement occurs.

VALUATION OF EMPLOYEE DEFINED BENEFIT LIABILITY

The defined benefit obligation is calculated by a qualified Actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee Benefits". The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty and those are reviewed annually. In determining the discount rate, management considers the interest rates of the Government of Sri Lanka Treasury bond with maturities corresponding to the expected duration of defined benefit obligation. Future expected inflation rates and salary increment rates of the Group are considered in determining the salary increases.

27.1 Defined Benefit Plans - Provision for Employee Defined Benefit Liabilities

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present Value of Unfunded Obligation	27.2	477,315	333,860	279,864	192,127



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

27.2 Movement in the Present Value of the Employee Defined Benefit Liability

As at 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		333,860	236,424	192,127	142,692
Expenses Recognised in Profit or Loss during the year	27.2.1	83,927	80,741	47,602	46,544
Actuarial Losses recognised in Other Comprehensive Income during the Plan Year	27.2.2	94,430	63,303	61,004	25,147
		512,217	380,468	300,733	214,383
Payments during the Year		(34,902)	(46,608)	(19,163)	(21,984)
Adjustment due to transfer of employees from Subsidiary company		-	-	(1,706)	(272)
Balance as at 31st December		477,315	333,860	279,864	192,127

27.2.1 Expenses Recognised in Profit or Loss

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Service Cost	41,233	37,003	22,625	20,146
Interest on Obligation	42,694	43,738	24,977	26,398
Total	83,927	80,741	47,602	46,544

27.2.2 Actuarial Losses Recognised in Other Comprehensive Income

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Actuarial Losses due to Changes in demographic Assumptions	13,914	10,300	13,926	2,146
Actuarial Losses due to Changes in Financial Assumptions	62,487	26,748	34,229	5,591
Actuarial Losses due to Changes in Experience	18,029	26,255	12,849	17,410
Actuarial Losses during the Plan Year	94,430	63,303	61,004	25,147

As at 31st December 2024, the Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by Consultant Actuary Mr. Poopalanathan, Associate Member of Institute of Actuaries, London, Actuarial and Management Consultants (Pvt) Ltd. The valuation is performed annually and have ensured adequate reserves are maintained. During the comparative year 2023, valuation was conducted by Consultant Actuary Mr. Pushpakumar Gunasekera, Associate of the Institute of Actuaries, Australia.

27.3 Maturity Analysis of the Liability

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within next 12 Months	57,503	6,653	36,885	1,871
Between 1 to 2 Years	105,757	4,522	64,432	814
Between 3 to 5 Years	115,878	59,636	76,356	41,166
Between 6 to 10 Years	85,721	247,765	48,252	132,992
Beyond 10 years	112,456	15,284	53,939	15,284
Total	477,315	333,860	279,864	192,127

27.4 Principal Assumptions Used

The actuarial valuation involves making assumptions. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assumptions				
(a) Discount Rate*	10.0%	12.50% - 13.00%	10.00%	13.00%
(b) Future Salary Increase Rate	9.0%	9.00% - 9.50%	9.0%	9.5%
Demographic Assumptions				
(c) Staff Turnover Rate				
Age 20 - 24	29% - 40%	23% - 42%	40%	42%
Age 25 - 29	20% - 27%	16% - 27%	27%	27%
Age 30 - 34	13% - 17%	12% - 15%	17%	15%
Age 35 - 39	13% - 17%	11% - 13%	17%	11%
Age 40 - 44	12% - 15%	11% - 12%	15%	11%
Age 45 - 49	8% - 11%	8% - 10%	11%	8%
Age 50 - 54	8% - 11%	7% - 12%	11%	7%
Age 55 - 59	0%	10% - 32%	0%	32%
(d) Expected future working life time	5.39 - 7.11 years	4.95 - 6.19 years	5.39 years	4.95 years
(e) Normal Retirement Age	60 years	60 years	60 years	60 years
(f) Mortality - In service	A1967/70 Ultimate Mortality table has used			

* A long-term treasury bond rate has been used to discount future liabilities taking into consideration remaining working life of eligible employees.

27.5 The Defined Benefit Plans Typically Expose the Group to Following Risks.

Interest risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, an increase in the long-term interest rate will decrease the plan liability.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

27.6 Sensitivity Effect on Statement of Financial Position

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Discount Rate				
1% Increase in Discount Rate	(26,688)	(17,822)	(14,407)	(10,414)
1% Decrease in Discount Rate	29,831	19,842	15,991	11,606
Salary Increment Rate				
1% Increase in Salary	32,011	21,850	17,263	12,765
1% Decrease in Salary	(29,106)	(19,896)	(15,808)	(11,610)



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

27.7 Method and Assumptions Used in Preparing the Sensitivity Analysis

The above sensitivity analyses are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method Projected Unit Credit method (PUC) has been applied as when calculating the

defined benefit liability recognised in the balance sheet as at the reporting date.

The methods and types of assumptions used in preparing the sensitivity did not change compared to the prior period. However, the discount rate has changed from 12.5%/13% to 10% during the year to reflect the decrease in market interest rates and future salary increment rate has changed from 9%/9.5% to 9% to be in line with the economic variables.

27.8 Apportionment of Provision for Employee Defined Benefit Liabilities between the Company and the Subsidiary

As at 31st December,	COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Amount Recognised in Company	44,749	43,073
Amount Transferred to HNB General Insurance Limited	2,853	3,471
Total Provision for Employee Defined Benefit Liabilities	47,602	46,544

28. CURRENT TAX LIABILITIES

ACCOUNTING POLICY

Current tax liabilities consist of amounts expected to be paid to the taxation authorities in respect of the current as well as prior

years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date. Refer to Note 46.3 for applicable Tax rates.

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		530,009	253,810	453,230	209,338
Current Tax for the Year	46.1.a	830,996	763,993	701,378	679,821
Effect of Taxation on Surplus/Bonus Transferred to Policyholders	25.4	18,674	20,329	18,674	20,329
Under/(Over) Provision Pertaining to Previous Year	46.1.a	3,639	(27,045)	381	(24,098)
		1,383,318	1,011,088	1,173,663	885,390
Tax Set Off/Paid during the Year					
Withholding Tax Credits		(146,010)	-	(134,703)	-
Tax paid during the year		(677,432)	(481,079)	(559,812)	(432,160)
Balance as at 31st December		559,876	530,009	479,148	453,230

28.1 Maturity Analysis

Maturity Analysis of Current Tax liability is given in Note 49 on page 368.

29. REINSURANCE CREDITORS

ACCOUNTING POLICY

Reinsurance creditors are recognised as financial liabilities and categorised in the category of other financial liabilities. Please refer Note 7 of page 299 for Accounting policy of other financial liabilities

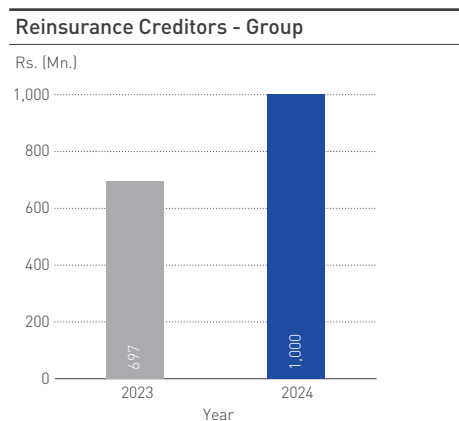
Reinsurance creditors consist of premiums payable to reinsurers recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related reinsurance contract. Reinsurance liabilities are derecognised when the contractual rights are extinguished or expire, or when the contract is transferred to another party.

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	509,634	367,480	-	-
Foreign Reinsurers	490,716	329,435	214,999	302,211
Total Reinsurance Creditors	1,000,350	696,915	214,999	302,211



29.1 Maturity Analysis

Maturity Analysis of Reinsurance Creditors is given in Note 49 on page 368.



30. LEASE CREDITORS

ACCOUNTING POLICY

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease Payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the Right of Use Asset, or is recorded in profit or loss if the carrying amount of the Right of Use Asset has been reduced to zero.

	GROUP					
	2024			2023		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Balance as at 01st January	439,993	10,312	450,304	398,709	12,010	410,719
Additions during the Year	308,059	191	308,250	170,411	6,924	177,335
Increase to the recognised liability	-	-	-	6,925	-	6,925
Interest Expenses during the Year	102,847	1,046	103,893	55,915	2,074	57,989
Disposal of Lease Creditor upon termination of Contract	(61,636)	(3,998)	(65,634)	(7,619)	-	(7,619)
Rentals Paid during the Year	(229,018)	(6,890)	(235,908)	(184,348)	(10,697)	(195,045)
Balance as at 31st December	560,245	661	560,905	439,993	10,312	450,304



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	COMPANY					
	2024			2023		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Balance as at 01st January	389,320	6,063	395,383	372,354	4,572	376,926
Additions during the Year	299,749	128	299,877	136,534	6,924	143,458
Increase to the recognised liability	-	-	-	6,925	-	6,925
Interest Expenses during the Year	94,098	675	94,773	49,725	1,336	51,061
Disposal of Lease Creditor upon termination of Contract	(61,636)	(3,998)	(65,634)	-	-	-
Rentals Paid during the Year	(218,298)	(2,868)	(221,166)	(176,218)	(6,769)	(182,987)
Balance as at 31st December	503,233	-	503,233	389,320	6,063	395,383

30.1 Maturity Analysis

Please refer Note 49 of page 368 for Accounting policy of financial liabilities.

31. FINANCIAL LIABILITIES

ACCOUNTING POLICY

Please refer Note 7 of page 299 for Accounting policy of financial liabilities.

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

OTHER LIABILITIES

Other Liabilities include accruals, advances, dues to Related Parties and these liabilities are recorded at the amounts that are expected to be paid.

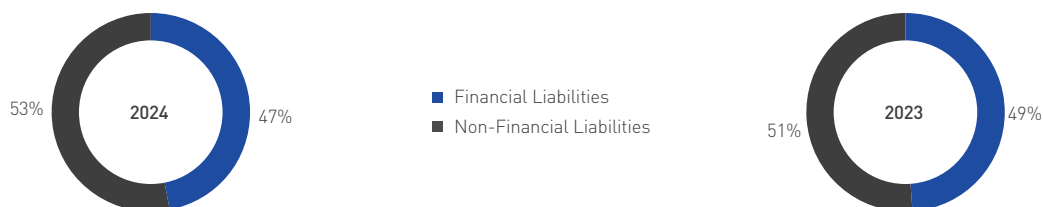
As at 31st December,	Note	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Financial Liabilities					
Payable to Policyholders		245,692	169,121	83,438	53,670
Acquisition Cost Payable		531,459	424,986	326,811	270,605
Advisor Terminal Benefit Payable	31.2	329,193	303,557	298,370	275,996
Amounts due to Related Parties	31.3	139,579	98,893	120,439	184,344
Co - Insurance Payable		87,236	74,809	-	-
Claims payable		82,681	3,406	-	-
Staff Related Payables		341,074	317,370	281,783	287,793
Total Financial Liabilities (a)		1,756,914	1,392,142	1,110,841	1,072,408
Non-Financial Liabilities					
Accrued Expenses		178,394	127,402	23,883	12,865
Policyholders Advance Payments		458,474	297,668	458,474	297,668
Government Levies	31.4	286,261	218,219	69,945	66,530
Advance for Future Utilisation and Other Liabilities		1,080,204	828,584	612,932	364,707
Total Non-Financial Liabilities (b)		2,003,333	1,471,873	1,165,234	741,770
Total Other Liabilities (a+b)		3,760,247	2,864,015	2,276,075	1,814,178



31.1 Maturity Analysis

Maturity Analysis of Other Liabilities is given in Note 49 on page 368.

Other Liabilities Composition - Group



Other Liabilities Composition - HNBA



31.2 Advisor Terminal Benefit Payable

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance	298,370	275,996	298,370	275,996
General Insurance	30,823	27,561	-	-
Total	329,193	303,557	298,370	275,996

31.3 Amounts due to Related Parties

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	135,501	93,071	111,892	72,567
HNB General Insurance Limited	-	-	8,541	111,312
HNB Finance PLC	4,078	5,822	6	465
Total	139,579	98,893	120,439	184,344



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

31.4 Government Levies

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stamp Duty Payable	3,138	2,908	591	513
Value Added Tax (VAT) Payable	157,213	102,087	3,770	4,347
Cess Payable	13,029	12,147	7,059	5,817
Crop Insurance	14,579	13,739	13,273	12,557
Pay As You Earn (PAYE)	22,523	19,376	16,458	13,875
Employee Provident Fund Payable	31,513	26,448	19,097	15,782
Employee Trust Fund Payable	4,727	3,967	2,865	2,367
Withholding Tax Payable	6,740	11,185	6,058	10,422
Contribution to Road Safety Fund Payable	192	209	-	-
SSCL Payable	32,416	25,691	774	850
Luxury Tax Payable to Department of Motor Traffic	191	462	-	-
Total	286,261	218,219	69,945	66,530

32. GROSS WRITTEN PREMIUM (GWP)

ACCOUNTING POLICY

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured.

LIFE INSURANCE BUSINESS

Gross Written Premiums on Life Insurance contracts are recognised as revenue when a premium is due from a Policyholder within the 30-day grace period are considered as due premium, except for group life which is considered up to 90 days. Premiums received in advance are not recorded as revenue but recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as revenue. Benefits and expenses are

provided against such revenue to recognise profits over the estimated life of the policies.

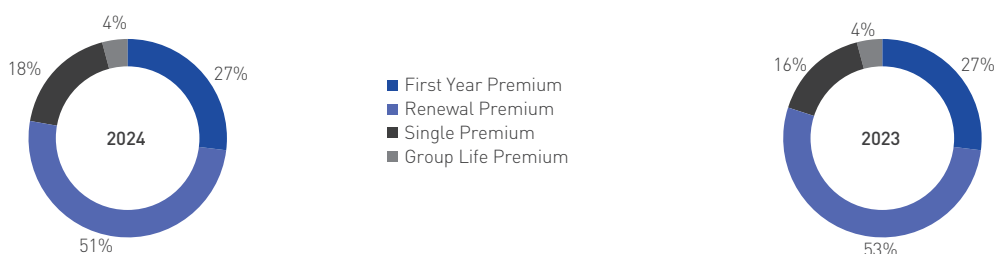
For single premium business, revenue is recognised on the date on which the policy is effective.

GENERAL INSURANCE BUSINESS

Gross Written Premium on General Insurance comprises of the total premium received/receivable for the whole period of cover provided by contracts entered during the accounting period. Premium is generally recognised upon the inception of the policy as written and is earned primarily on a pro-rata basis over the term of the related policy coverage.

The premium Income for the year by major classes of business is as follows:

Gross Written Premium-Life Insurance





For the Year Ended 31st December,	GROUP					
	2024			2023		
	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000
Life Insurance						
First Year Premium	3,726,628	-	3,726,628	2,929,460	-	2,929,460
Renewal Premium	7,007,287	-	7,007,287	5,840,244	-	5,840,244
Single Premium	2,453,122	-	2,453,122	1,719,780	-	1,719,780
Group Life Premium	-	522,618	522,618	-	433,810	433,810
Adjustment for Intercompany Premiums	-	(55,720)	(55,720)	-	(46,396)	(46,396)
Gross Written Premium - Life Insurance (a)			13,653,935			10,876,898
	Basic/ SRCC/TC Rs.'000	*Co - Insurance Local Rs.'000	Total Rs.'000	Basic/ SRCC/TC Rs.'000	*Co - Insurance Local Rs.'000	Total Rs.'000
General Insurance						
Fire	1,981,120	(95,188)	1,885,932	1,556,602	(67,993)	1,488,609
Motor	4,794,306	(18,932)	4,775,374	4,526,246	(6,260)	4,519,986
Marine	327,504	(369)	327,135	123,472	(317)	123,155
Miscellaneous	2,141,946	(8,841)	2,133,105	1,906,375	(1,855)	1,904,520
Adjustment for Intercompany Premiums	(37,487)	-	(37,487)	(152,821)	-	(152,821)
Gross Written Premium - General Insurance (b)			9,084,059			7,883,449
Total Gross Written Premium (a+b)			22,737,994			18,760,347

* Co-Insurance is an arrangement to share risks with domestic insurer under a special contract and the portion shared with the co-insurance partner is not considered as a part of Gross Written Premium.

For the Year Ended 31st December,	COMPANY					
	2024			2023		
	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000
Life Insurance						
First Year Premium	3,726,628	-	3,726,628	2,929,460	-	2,929,460
Renewal Premium	7,007,287	-	7,007,287	5,840,244	-	5,840,244
Single Premium	2,453,122	-	2,453,122	1,719,780	-	1,719,780
Group Life Premium	-	522,618	522,618	-	433,810	433,810
Total Gross Written Premium			13,709,655			10,923,294

All products sold by the Company are insurance contracts and therefore classified as insurance contracts. Thus, the Company does not have any investment contracts within its portfolio as at the reporting date.

Gross Written Premium-General Insurance





ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

33. PREMIUM CEDED TO REINSURERS

ACCOUNTING POLICY

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Value of the reinsurance premiums are decided based on rates agreed with reinsurers. Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on an accrual basis.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance				
Individual Policies	479,268	345,211	479,268	345,211
Single Premium	213,210	179,607	213,210	179,607
Corporate Policies	82,571	67,373	82,571	67,373
Total Life Insurance (a)	775,049	592,191	775,049	592,191
General Insurance				
Fire	1,755,130	1,394,154	-	-
Motor	1,254,145	195,735	-	-
Marine	290,630	107,762	-	-
Miscellaneous	510,680	632,562	-	-
Total General Insurance (b)	3,810,585	2,330,213	-	-
Total Premium Ceded to Reinsurers (a+b)	4,585,634	2,922,404	775,049	592,191

34. NET CHANGE IN RESERVES FOR UNEARNED PREMIUM

ACCOUNTING POLICY

Gross Written Premium of General business is deferred over the term of the underlying policies' risk attached period according to the Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments there to, unearned premiums are the proportion of premiums that relate to the period of risk after the respective reporting period. Group uses 1/24th basis to defer the GWP of all policies except for the Marine Insurance policies and Title Insurance policies, where

Marine Insurance premiums are deferred based on 60 : 40 basis and total premiums on Title Insurance are transferred to Reserve for Title Insurance for the reporting period.

Similarly Reinsurance Premiums attached to those policies are also deferred over the policies risk attached period using the same basis as mentioned above. Further, Title Insurance Reserve is maintained based on the net transfer of Net Written Premium after deducting acquisition cost and profit recognised during that period.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
General Insurance					
Change in Reserve for Unearned Premium	26.1	(623,597)	(524,888)	-	-
Change in Reserve for Unearned Reinsurers Premium	26.1	849,096	300,242	-	-
Transfer to Reserve for Title Insurance	26.2	(26,109)	8,080	-	-
Adjustment for Intercompany Unearned Premium		-	78,013	-	-
Total Net Change in Reserves for Unearned Premium		199,390	(138,553)	-	-



35. NET EARNED PREMIUM

For the Year Ended 31st December,	GROUP					
	2024			2023		
	Life Insurance Rs.'000	General Insurance Rs.'000	Total Rs.'000	Life Insurance Rs.'000	General Insurance Rs.'000	Total Rs.'000
Gross Written Premium	13,709,655	9,121,546	22,831,201	10,923,294	8,036,270	18,959,564
Adjustment for Intercompany Premium	(55,720)	(37,487)	(93,207)	(46,396)	(152,821)	(199,217)
	13,653,935	9,084,059	22,737,994	10,876,898	7,883,449	18,760,347
Change in Reserve for Unearned Premium	-	(623,597)	(623,597)	-	(524,888)	(524,888)
Adjustment for Intercompany Unearned Premium	-	-	-	-	-	78,013
Gross Earned Premium (a)	13,653,935	8,460,462	22,114,397	10,876,898	7,358,561	18,313,472
Premium Ceded to Reinsurance	(775,049)	(3,810,585)	(4,585,634)	(592,191)	(2,330,213)	(2,922,404)
Change in Reserve for Unearned Reinsurance Premium	-	849,096	849,096	-	300,242	300,242
Gross Reinsurance Premium (b)	(775,049)	(2,961,489)	(3,736,538)	(592,191)	(2,029,971)	(2,622,162)
Transfer to Title Insurance Reserve (c)	-	(26,109)	(26,109)	-	8,080	8,080
Total Net Earned Premium (a+b+c)	12,878,886	5,472,864	18,351,750	10,284,707	5,336,670	15,699,390

For the Year Ended 31st December,	COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Gross Written Premium	13,709,655	10,923,294
Premium Ceded to Reinsurance	(775,049)	(592,191)
Total Net Earned Premium	12,934,606	10,331,103

36. INTEREST AND DIVIDEND INCOME

ACCOUNTING POLICY

INTEREST INCOME

Interest income is recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of

the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction cost include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

DIVIDEND INCOME

Dividend income is recognised when the right to receive income is established which is usually the ex-dividend date of equity securities.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	36.1	7,538,650	7,217,300	6,774,752	6,297,089
Dividend Income	36.2	23,228	9,868	23,196	9,675
Total Interest and Dividend Income		7,561,878	7,227,168	6,797,948	6,306,764



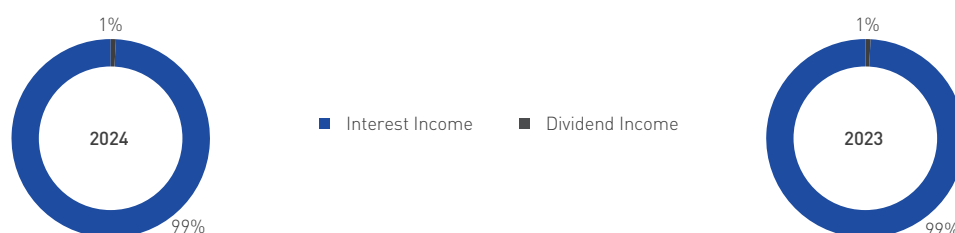
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

TEMPORARY EXEMPTION FROM SLFRS 9

As explained in page 246, the Group has decided to take temporary exemption from SLFRS 9 as the Group's activities are predominantly connected with insurance activities and do

not engage in a significant activity unconnected with insurance. Group had not previously applied any version of SLFRS 9. This is further explained in Note 3.2. Therefore, interest and dividend income is presented in accordance with LKAS 39.

Finance Income Composition - Group



36.1 Interest Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity				
Treasury Bonds	2,323,455	1,988,187	2,323,455	1,988,187
Treasury Bills	-	90,427	-	68,394
Total (a)	2,323,455	2,078,614	2,323,455	2,056,581
Loans and Receivables				
Repurchase Agreements on Government Securities	90,486	108,389	68,148	84,660
Fixed Deposits	1,472,599	1,427,633	1,360,101	1,230,876
Debentures	1,519,802	1,165,744	1,304,116	999,940
Policy Loans	81,004	76,090	81,004	76,090
Staff and Advisor Loans	52,550	56,131	31,519	34,444
Total (b)	3,216,441	2,833,987	2,844,888	2,426,010
Available For Sale				
Treasury Bonds	1,447,911	683,902	1,181,549	476,975
Treasury Bills	506,310	1,526,322	399,618	1,286,595
Total (c)	1,954,221	2,210,224	1,581,167	1,763,570
Cash and Cash Equivalents				
Short Term Deposits	16	4,304	-	3,192
Savings Accounts	44,517	90,171	25,242	47,736
Total (d)	44,533	94,475	25,242	50,928
Total Interest Income (a+b+c+d)	7,538,650	7,217,300	6,774,752	6,297,089



36.2 Dividend Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity Shares	23,228	9,868	23,196	9,675
Total Dividend Income	23,228	9,868	23,196	9,675

37. NET REALISED GAINS/(LOSSES)

ACCOUNTING POLICY

Net Realised Gains comprises gains and losses related to Financial Investments. Gains and losses on the sale of investments are calculated as the difference between net sales

proceeds and the original/fair value of prior year or amortised cost which are recorded on occurrence of the sale. On de-recognition of investments classified as AFS, the cumulative gain or loss previously recognised in OCI is recycled to Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Investments - Available For Sale				
Realised Gains				
Treasury Bills	5,702	38,955	5,459	31,744
Treasury Bonds	121,472	-	23,483	-
Equity Shares	4,778	-	4,778	-
Total (a)	131,952	38,955	33,720	31,744
Financial Investments - Fair Value Through Profit or Loss				
Realised Gains				
Investment in Units	25,346	8,703	18,020	2,145
Equity Shares	4,912	59	4,970	59
Total (b)	30,258	8,762	22,990	2,204
Financial Investments - Loans and Receivables				
Realised (Losses)/Gains				
Foreign Exchange - Short Term Deposits	-	117	-	-
Foreign Exchange - Medium Term Deposits	(61,768)	(105,058)	(16,682)	(23,533)
Total (c)	(61,768)	(104,941)	(16,682)	(23,533)
Total Net Realised Gains/(Losses) (a+b+c)	100,442	(57,224)	40,028	10,415



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

38. NET FAIR VALUE GAINS

ACCOUNTING POLICY

Net fair value gains and losses comprises fair value gains and Losses on financial assets at Fair Value Through Profit or Loss and any impairment loss of Available For Sales financial assets.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair Value Through Profit or Loss				
Unrealised Gains				
Investment in Units	25,900	27,626	21,811	19,114
Equity Securities	58,069	34,748	58,069	34,748
Total (a)	83,969	62,374	79,880	53,862
Unrealised Losses				
Equity Securities	-	[77]	-	-
Total (b)	-	[77]	-	-
Total (c = a+b)	83,969	62,297	79,880	53,862
Loans & Receivables				
Unrealised (Losses)/Gains				
Foreign Exchange - Medium Term Deposits	(19,116)	3,647	(3,855)	3,245
Total (d)	(19,116)	3,647	(3,855)	3,245
Total Net Fair Value Gains (c+d)	64,853	65,944	76,025	57,107

38.1 Impairment of Equity Shares - Available For Sale

There is no impairment on equity shares for the year 2024 (2023 - Nil).

39. FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as income as they become due.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Commission from Reinsurers	52,818	105,696	47,500	61,543
Fund Management Fee	-	-	17,351	15,529
Policy and Related Fee	368,967	211,927	28,964	25,637
Total Fee and Commission Income	421,785	317,623	93,815	102,709

40. OTHER INCOME

ACCOUNTING POLICY

Income earned on other sources, which are not directly related to the normal operations of the Group/Company are

recognised as sundry Income upon receipt or become due.

Gain on disposal of Property, Plant and Equipment and Right of Use Assets are calculated as the excess over the net proceeds from disposal and carrying amount at the time of disposal and recognised under other income in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gain on Disposal of Property, Plant and Equipment	18,867	2,428	18,867	2,280
Gain on Disposal of Right of Use Assets	-	1,185	-	-
Sundry Income	5,856	8,433	4,647	7,167
Total Other Income	24,723	12,046	23,514	9,447



41. NET INSURANCE BENEFITS AND CLAIMS PAID

ACCOUNTING POLICY

Benefits and claims for insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and are recorded net of recoveries from Reinsurance on Claims.

BENEFITS AND CLAIMS PAID - LIFE INSURANCE

Claims on accident, hospitalisation, death and maturity are charged on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement.

BENEFITS AND CLAIMS PAID - GENERAL INSURANCE

General Insurance claims include all claims occurred during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, reductions for the value of salvage and other recoveries.

REINSURANCE ON CLAIMS

Reinsurance on Claims are recognised when the related gross insurance claims are recognised according to the terms of the relevant contract.

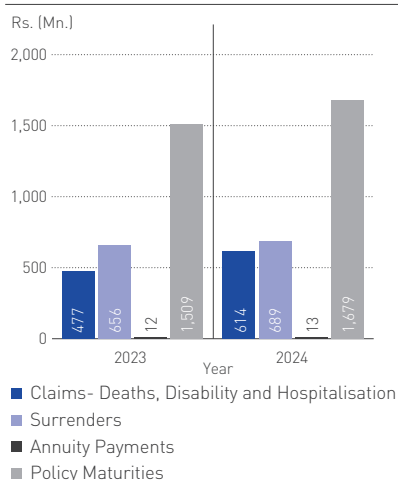
For the Year Ended 31st December,	GROUP					
	2024			2023		
	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000
Life Insurance						
Claims - Deaths, Disability and Hospitalisation	1,009,666	(396,109)	613,557	820,010	(343,333)	476,677
Surrenders	689,062	-	689,062	656,397	-	656,397
Annuity Payments	13,019	-	13,019	12,472	-	12,472
Policy Maturities	1,679,466	-	1,679,466	1,508,601	-	1,508,601
Net Life Insurance Claims (a)			2,995,104			2,654,147
General Insurance						
Fire	358,009	(318,286)	39,723	449,393	(461,025)	(11,632)
Motor	2,428,293	(4,272)	2,424,021	2,537,409	(327)	2,537,082
Marine	82,742	(63,031)	19,711	18,973	(17,018)	1,955
Miscellaneous	1,376,093	(71,226)	1,304,867	1,321,898	(76,265)	1,245,633
Net General Insurance Claims (b)			3,788,322			3,773,038
Adjustments for Intercompany Claims (c)			(278)			(466)
Total Net Insurance Benefits and Claims Paid (a+b+c)			6,783,148			6,426,719

For the Year Ended 31st December,	COMPANY					
	2024			2023		
	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000
Life Insurance						
Claims - Deaths, Disability and Hospitalisation	1,009,666	(396,109)	613,557	820,010	(343,333)	476,677
Surrenders	689,062	-	689,062	656,397	-	656,397
Annuity Payments	13,019	-	13,019	12,472	-	12,472
Policy Maturities	1,679,466	-	1,679,466	1,508,601	-	1,508,601
Total Net Insurance Benefits and Claims Paid			2,995,104			2,654,147

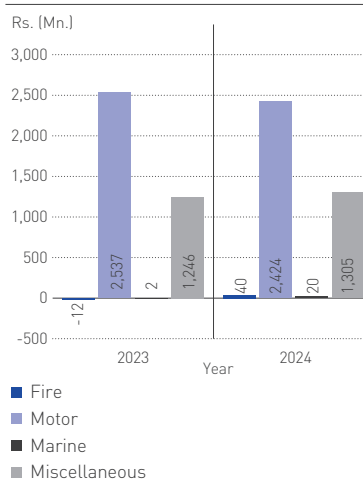


ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Net Claims Paid - Life Insurance



Net Claims Paid - General Insurance



42. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

ACCOUNTING POLICY

Reinsurance claim recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Difference between the estimated cost

and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claim outstanding is recognised in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Change in Insurance Claims Outstanding				
Life Insurance (a)	40,575	50,664	40,575	50,664
General Insurance				
Fire	27,121	33,010	-	-
Motor	11,796	119,582	-	-
Marine	(27,395)	41,542	-	-
Miscellaneous	622	102,015	-	-
Total General Insurance (b)	12,144	296,149	-	-
Total Gross Change in Insurance Claims Outstanding (c = a+b)	52,719	346,813	40,575	50,664
Gross Change in Reinsurance Recoverable on Claims Outstanding				
Life Insurance (d)	(28,454)	(28,375)	(28,454)	(28,375)
General Insurance				
Fire	(9,964)	(28,296)	-	-
Motor	2,807	11,532	-	-
Marine	23,387	(35,069)	-	-
Miscellaneous	(112,417)	(27,240)	-	-
Total General Insurance (e)	(96,187)	(79,073)	-	-
Total Gross Change in Reinsurance Recoverable on Claims Outstanding (f = d+e)	(124,641)	(107,448)	(28,454)	(28,375)
Total Net Change in Insurance Claims Outstanding (c+f)	(71,922)	239,365	12,121	22,289

43. OTHER OPERATING AND ADMINISTRATION EXPENSES

ACCOUNTING POLICY

Expenses are recognised in Profit or Loss on the basis of a direct association between the cost incurred and the earning

of specific items of income. All expenditure incurred in the running of the business and maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Profit or Loss.



For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' Fees		31,420	29,220	20,140	17,648
Staff Expenses	43.1	2,905,544	2,445,642	1,729,116	1,428,237
Administration and Establishment Expenses		1,607,087	1,179,809	1,070,159	815,243
Selling Expenses		1,451,367	1,296,639	1,116,225	1,028,985
Amortisation of Intangible Assets		31,341	20,835	26,163	15,985
Depreciation of Property, Plant and Equipment		180,203	124,939	124,140	79,044
Net Depreciation of Right of Use Assets		206,802	168,463	124,388	101,315
Loss on disposal of Property, Plant and Equipment		30	-	-	-
Loss on disposal of Intangibles		237	-	168	-
Auditor's Fees and Expenses	43.2	7,866	7,635	4,891	4,750
Legal Fees		7,103	10,519	5,393	7,113
Donations		682	750	682	750
Total Other Operating and Administration Expenses		6,429,682	5,284,451	4,221,465	3,499,070

43.1 STAFF EXPENSES

ACCOUNTING POLICY

SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under Short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

EMPLOYEE DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate

entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in Profit and Loss when incurred.

EMPLOYEE PROVIDENT FUND

All employees of the Group are members of the Employees' Provident Fund (EPF). The Group and employees contribute 12% and 8% respectively of the salary to EPF.

EMPLOYEES TRUST FUND

All employees of the Group are members of the Employees' Trust Fund (ETF). The Group contributes 3% of the salary of each employee to ETF.

For the Year Ended 31st December,		GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff Salaries		1,844,786	1,539,368	1,058,791	841,794
Defined Contribution Plan Costs - EPF 12%		221,374	184,741	127,055	101,032
Defined Contribution Plan Costs - ETF 3%		55,344	46,181	31,764	25,254
Defined Benefit Plan Costs - Employee Benefits		83,926	80,741	44,749	43,072
Other Staff Costs		700,114	594,611	466,757	417,085
Total		2,905,544	2,445,642	1,729,116	1,428,237

43.2 Auditor's Fees and Expenses

For the Year Ended 31st December,		GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Audit Fees and Expenses		5,853	5,010	3,503	3,000
Audit Related Fees		1,313	1,565	688	690
Non Audit Fees		700	1,060	700	1,060
Total		7,866	7,635	4,891	4,750



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

43.3 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversal of such write-downs.

44. UNDERWRITING AND NET ACQUISITION COSTS

ACCOUNTING POLICY

Expenses for acquisition and maintenance of Life and General Insurance business are accounted for net of reinsurance commission on accrual basis. Reinsurance Commission Income is accrued according to the agreed terms with the reinsurers.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Underwriting and Acquisition Costs		3,482,145	2,732,217	2,478,495	1,912,489
Reinsurance Commission		(907,715)	(401,375)	(12,337)	(19,727)
Increase/(decrease) in Net Deferred Acquisition Expenses	44.1	175,003	(44,476)	-	-
Total Underwriting and Net Acquisition Costs		2,749,433	2,286,366	2,466,158	1,892,762

44.1 Increase/(decrease) in Net Deferred Acquisition Expenses

For the Year Ended 31st December,		GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Decrease in Deferred Reinsurance Commission		250,057	21,904	-	-
Increase in Acquisition Cost		(75,054)	(66,380)	-	-
Total Increase/(decrease) in Net Deferred Acquisition Expenses		175,003	(44,476)	-	-

45. PROFIT BEFORE TAX

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities.

Profit before tax is stated after charging all expenses including the following:

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' Fees	43	31,420	29,220	20,140	17,648
Auditors Fees					
Audit Fees and Expenses	43.2	5,853	5,010	3,503	3,000
Audit Related Fees	43.2	1,313	1,565	688	690
Non Audit Fees	43.2	700	1,060	700	1,060
Legal Fees	43	7,103	10,519	5,393	7,113
Amortisation of Intangible Assets	10	31,341	20,835	26,163	15,985
Depreciation of Property, Plant and Equipment	8	180,203	124,939	124,140	79,044
Net Depreciation of Right of Use Assets	9	206,802	168,463	124,388	101,315
Defined Contribution Plan					
EPF	43.1	221,374	184,741	127,055	101,032
ETF	43.1	55,344	46,181	31,764	25,254
Defined Benefit Plan Costs - Employee Benefits	27 & 43	83,926	80,741	44,749	43,072
Other Staff Expenses	43.1	2,544,900	2,133,980	1,525,548	1,258,880



46. INCOME TAX EXPENSE

ACCOUNTING POLICY

Income Tax Expense comprises current and Deferred Tax. Current and deferred taxes are recognised in Profit or Loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent assets.

CURRENT TAX

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

As per the Inland Revenue (Amendment) Act, No 45 of 2022, standard rate of income tax is increased from 24% to 30% with effect from 01st October 2022.

From 01st April 2018 onwards the gains and the profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, the gains and profits on which tax is payable is the aggregate of following;

- Surplus distributed to shareholders from the Life Insurance Policyholders Fund as certified by the actuary
- Investment income of the shareholder fund less any expenses incurred in the production of such income
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in Equity or Other Comprehensive Income is recognised in Equity or Other Comprehensive Income and not in Profit or Loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

DEFERRED TAXATION

The Group uses judgement in recognising a deferred tax asset in its Financial Statements.

Deferred Taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount substantively enacted by the reporting date.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is not recognised for;

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the Statement of Financial Position, the Group has deferred tax assets arising from Property Plant and Equipment, Right of use assets and Available For Sale financial assets.

Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to items recognised outside Profit or Loss, if any is recognised outside Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

CROP INSURANCE LEVY

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act, No. 12 of 2013, and came in to effect from 01st April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit After Tax.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

WITHHOLDING TAX ON DIVIDENDS DISTRIBUTED

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on intercompany dividend are charged to Profit or Loss as it resulted in net outflow of cash from the Group. With effect from 01st January 2020, WHT scheme was abolished and same was reintroduced with effect from 01st October 2022 with an increased rate of 15%.

WITHHOLDING TAX ON SERVICES

In terms of section 84, 84A and 85 of Inland Revenue Act, No. 24 of 2017 and the amendments there of, with effect from 01st January 2023, Company deduct WHT on respective payments at the relevant WHT rates.

SOCIAL SECURITY CONTRIBUTION LEVY

As per the Social Security Contribution Act No 25 of 2022 Company and Subsidiary will be liable to pay 2.5% on its turnover other than life insurance business with effect from 01st October 2022.

The major components of income tax expense for the year ended 31st December are as follows;

46.1.a Tax Recognised in Profit or Loss

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Income Tax					
Income Tax on Current Year's Profits		830,996	763,993	701,378	679,821
Under/(Over) Provision of Current Taxes in Respect of Prior Years		3,639	(27,045)	381	(24,098)
Total Income Tax (a)		834,635	736,948	701,759	655,723
Deferred Tax					
Origination of Deferred Tax Asset	46.2.a	(20,036)	(2,039)	-	-
Origination of Deferred Tax Liability	46.2.b	1,461	11,938	-	-
Deferred Taxation (b)		(18,575)	9,898	-	-
Total Tax Expense (a+b)		816,060	746,846	701,759	655,723

46.1.b Tax Recognised in Other Comprehensive Income

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Deferred Tax					
Deferred tax on Available For Sale Financial Assets		(356)	(107,659)	-	-
Deferred tax on Actuarial Losses on Defined Benefit Plans		(1,419)	19,655	-	-
Deferred tax on Revaluation Gains on Land and Buildings		(3,545)	-	-	-
Origination of Deferred Tax Assets		(5,320)	(88,004)	-	-

46.2 Deferred Taxation

As at 31st December,	Note	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Deferred Tax Asset	46.2.a	76,338	57,722	-	-
Deferred Tax Liability	46.2.b	(61,555)	(56,194)	-	-
Net Deferred Tax Asset		14,783	1,528	-	-

As explained in Note 46.3, Deferred Taxation has been computed at the rate of 30%.



Unrecognised deferred tax Assets/liabilities

As at the reporting date, there is no unrecognised deferred tax assets or liabilities (2023 - Nil).

Unrecognised tax losses and unused tax credits

As at the reporting date, there was no unrecognised tax losses as the Company has fully recognised all available tax losses by the end of 2022. Further, there were no unused tax credits for the Company to recognise a differed tax asset as at the reporting date.

46.2.a Deferred Tax Assets

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax asset as of 01st January	57,722	114,747	-	-
Amount originated during the year in profit or loss	20,036	2,039	-	-
Amount reversed during the year - recognised in other comprehensive income	(1,420)	(59,064)	-	-
Deferred tax Asset as of 31st December	76,338	57,722	-	-

46.2.b Deferred Tax Liabilities

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax liability as of 01st January	56,194	15,317	-	-
Amount originated during the year in profit or loss	1,461	11,938	-	-
Amount originated during the year - recognised in other comprehensive income	3,900	28,940	-	-
Deferred tax Liability as of 31st December	61,555	56,194	-	-

46.2.c Deferred Tax Movement in Statement of Financial Position

As at 31st December,	GROUP				COMPANY			
	2024		2023		2024		2023	
	Temporary Difference Rs.'000	Tax Effect Assets/ Liability Rs.'000	Temporary Difference Rs.'000	Tax Effect Assets/ Liability Rs.'000	Temporary Difference Rs.'000	Tax Effect Assets/ Liability Rs.'000	Temporary Difference Rs.'000	Tax Effect Assets/ Liability Rs.'000
Deferred Tax Assets								
Employee Benefits	197,451	59,235	141,733	42,520	-	-	-	-
Lease Liability	57,010	17,103	50,672	15,202	-	-	-	-
Total Deferred Tax Assets	254,461	76,338	192,405	57,722				
Deferred Tax Liability								
Property, Plant & Equipment	52,025	15,607	33,979	10,193	-	-	-	-
AFS Assets	97,651	29,295	96,463	28,939	-	-	-	-
Right of Use Asset	55,510	16,653	56,871	17,061	-	-	-	-
Total Deferred Tax Liability	205,186	61,555	187,313	56,193				
Net Deferred Tax Asset		14,783		1,528	-	-	-	-

The Subsidiary Company, HNB General Insurance Limited recorded a Net Deferred Tax Asset amounted to Rs. 14.78 Mn (2023 - Rs. 1.5 Mn). The Group does not have unrecognised Deferred Tax Asset/Liability as at the reporting date.

46.3 As per the Inland Revenue (Amendment) Act, No. 45 of 2022 (certified on 19th December 2022) income tax rates applicable for Company and Subsidiary is 30% with effect from 01st October 2022 and tax liability was calculated and accounted accordingly at 30% for the year 2024.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

46.4 Reconciliation of Effective Tax rate

A reconciliation between tax expense and the product of accounting profit is given as below,

For the Year Ended 31st December,	Effective Tax Rate %	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		1,896,861	1,764,649	1,656,711	1,613,319
Income Tax Expenses		834,635	736,949	701,759	655,723
Deferred Taxation		[18,575]	9,897	-	-
Profit Before Tax		2,712,921	2,511,495	2,358,470	2,269,042
At the Statutory Income Tax Rate of 30%	30%	813,876	753,449	707,541	680,713
(Under)/Over Provision of Current Taxes in Respect of Prior Years	0%	3,639	(27,045)	381	(24,098)
Income Exempt from Tax	0%	(1,509)	(24,529)	-	-
Aggregate Allowable Expenses	-1%	(28,800)	(27,306)	(6,163)	(892)
Aggregate Disallowed Expenses	2%	47,429	62,379	-	-
Reversal of Deferred Tax Assets	-1%	[18,575]	9,898	-	-
Income Tax Expenses	30%	816,060	746,846	701,759	655,723

46.5 Expiry date of carried forward tax losses

Expiry date of carried forward tax loss as per the Inland Revenue Act. No. 24 of 2017 is maximum of six years and this period ends on 31st March 2024. However, as of the reporting date no carried forward tax loss is available as it was fully utilised against the income tax liability during the year 2022. Hence there is no tax loss utilisations during the year.

47. BASIC AND DILUTED EARNINGS PER SHARE

ACCOUNTING POLICY

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the Net Profit or Loss After Tax for the year attributable to

ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting Net Profit or Loss After Tax for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

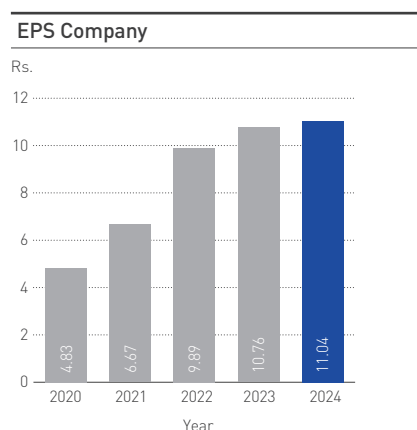
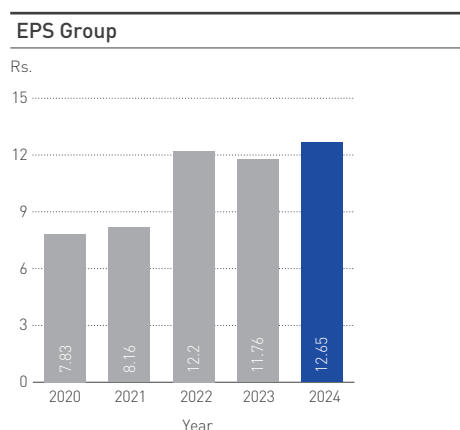
47.1 Basic Earnings Per Share (EPS)

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
Amounts Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders (Rs.'000)	1,896,861	1,764,649	1,656,711	1,613,319
Number of Ordinary Shares used as the Denominator:				
Weighted Average No of Ordinary Shares as at 31st December ('000)	150,000	150,000	150,000	150,000
Basic Earnings Per Share (Rs.)	12.65	11.76	11.04	10.76



47.2 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.



48. DIVIDEND PER SHARE (DPS)

ACCOUNTING POLICY

Dividend on Ordinary Shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors/ Shareholders in accordance with the Articles of Association. As per the requirements of the regulator, IRCSL, required information is provided prior to declaration of dividend.

For the Year Ended 31st December,	GROUP / COMPANY	
	2024	2023
Proposed Dividend per Share - First and Final (Rs.)	3.90	3.90
Total	3.90	3.90

48.1 Proposed Dividend

For the Year Ended 31st December,	GROUP / COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Dividends to Shareholders	585,000	585,000
Total	585,000	585,000

48.2 Approval on Dividend Payment

The Board of Directors has recommended a payment of Rs. 3.90 per share as a first and final dividend on 18th February

2025 for the year ended 31st December 2024 (2023 - first and final dividend Rs. 3.90 per share) which is subject to the approval of the shareholders at the Annual General Meeting to be held on 28th March 2025.

In accordance with Sri Lanka Accounting Standards LKAS 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31st December 2024.

48.3 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company has satisfied the Solvency Test in accordance with the Section 57, prior to the recommendation of the final dividend for the year ended 31st December 2024. A Statement of Solvency completed and duly signed by the Directors on 18th February 2025 has been audited by M/S KPMG Sri Lanka.

48.4 Dividend Paid during the Year

For the Year Ended 31st December,	GROUP / COMPANY	
	2024	2023
	Rs.'000	Rs.'000
First and Final Dividend for 2023: Rs. 3.90 per share (First and final Dividend for 2022: Rs. 3.65 per Share)	585,000	547,500
	585,000	547,500



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at 31st December,	GROUP					
	2024			2023		
	Carrying Amount Rs.'000	Less Than 12 months Rs.'000	More Than 12 months Rs.'000	Carrying Amount Rs.'000	Less Than 12 months Rs.'000	More Than 12 months Rs.'000
Assets						
Property, Plant and Equipment	769,638	-	769,638	689,549	-	689,549
Right of Use Assets	482,551	191,295	291,256	428,871	142,878	285,993
Intangible Assets	164,019	-	164,019	63,924	-	63,924
Deferred Tax Assets	14,783	14,783	-	1,528	1,528	-
Financial Investments	54,304,798	12,991,978	41,312,820	43,855,383	13,607,396	30,247,987
Loans to Life Policyholders	459,395	-	459,395	441,923	-	441,923
Reinsurance Receivables	1,268,504	1,268,504	-	1,329,157	1,329,157	-
Premium Receivables	2,272,135	2,272,135	-	1,858,407	1,858,407	-
Other Assets	1,277,749	532,367	745,382	1,262,852	674,502	588,350
Insurance Contract - Deferred Expenses	33,468	33,468	-	208,471	208,471	-
Cash and Cash Equivalents	1,402,419	1,402,419	-	1,123,004	1,123,004	-
Total assets	62,449,459	18,706,949	43,742,510	51,263,069	18,945,343	32,317,726
Liabilities						
Insurance Contract Liabilities - Life Insurance	38,647,547	310,249	38,337,298	30,945,715	269,676	30,676,039
Insurance Contract Liabilities - General Insurance	4,507,058	4,431,970	75,088	4,694,303	4,645,323	48,980
Employee Defined Benefit Liabilities	477,315	57,503	419,812	333,860	6,653	327,207
Current Tax Liabilities	559,876	559,876	-	530,009	530,009	-
Reinsurance Creditors	1,000,350	1,000,350	-	696,915	696,915	-
Lease Creditors	560,905	200,066	360,839	450,304	146,202	304,102
Other Liabilities	3,760,247	3,760,247	-	2,864,015	2,864,015	-
Bank Overdrafts	418,986	418,986	-	471,271	471,271	-
Total Liabilities	49,932,284	10,739,247	39,193,037	40,986,392	9,630,064	31,356,328



COMPANY

As at 31st December,	COMPANY					
	2024			2023		
	Carrying Amount Rs.'000	Less Than 12 months Rs.'000	More Than 12 months Rs.'000	Carrying Amount Rs.'000	Less Than 12 months Rs.'000	More Than 12 months Rs.'000
Assets						
Property, Plant and Equipment	541,118	-	541,118	480,796	-	480,796
Right of Use Assets	427,016	177,171	249,845	368,716	142,878	225,838
Intangible Assets	155,588	-	155,588	57,566	-	57,566
Financial Investments	48,486,327	10,460,101	38,026,226	38,530,656	10,788,119	27,742,537
Investment in Subsidiary	1,150,000	-	1,150,000	1,150,000	-	1,150,000
Loans to Life Policyholders	459,395	-	459,395	441,923	-	441,923
Reinsurance Receivables	238,175	238,175	-	325,283	325,283	-
Premium Receivables	198,723	198,723	-	45,940	45,940	-
Other Assets	906,713	520,379	386,334	983,945	548,517	435,428
Cash and Cash Equivalents	841,377	841,377	-	666,222	666,222	-
Total assets	53,404,432	12,435,926	40,968,506	43,051,047	12,516,959	30,534,088
Liabilities						
Insurance Contract Liabilities - Life Insurance	38,647,547	310,249	38,337,298	30,945,715	269,675	30,676,040
Employee Defined Benefit Liabilities	279,864	36,885	242,979	192,127	1,871	190,256
Current Tax Liabilities	479,148	479,148	-	453,230	453,230	-
Reinsurance Creditors	214,999	214,999	-	302,211	302,211	-
Lease Creditors	503,233	192,314	310,919	395,383	140,551	254,832
Other Liabilities	2,276,075	2,276,075	-	1,814,178	1,814,178	-
Bank Overdrafts	193,980	193,980	-	160,547	160,547	-
Total Liabilities	42,594,846	3,703,650	38,891,196	34,263,391	3,142,263	31,121,128

50. RELATED PARTY DISCLOSURES

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties according to the Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures".

Transactions with related parties were made on the basis of the price in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been

included under respective assets and liabilities together with balances arising from transactions with non-related parties.

50.1 Recurrent or Non-Recurrent Related Party Transactions

There were no recurrent related party transactions which exceeds 10% of the gross revenue or non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets which requires additional disclosures under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under the Securities and Exchange Commission Act.



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Details of related party transactions and outstanding balances are reported below;

50.1.1 Transactions and Outstanding Balances with Immediate and Ultimate Controlling Party - Hatton National Bank PLC

For the Year Ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	230,828	224,650	-	31,414
Claims Incurred	80,172	93,148	49,354	52,106
Investment Income	526,380	537,757	486,205	456,193
Administration Expenses	791,087	591,593	634,177	450,318
Rent	12,812	10,352	8,188	7,018
Other Operational Expenses	13,082	12,905	8,403	8,978
Dividends Paid	350,918	328,423	350,918	328,423

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Investments (Includes Deposits and Debentures)	1,899,734	3,017,870	1,571,387	2,636,221
Cash at Bank Balances	939,252	615,640	620,890	493,823
Insurance Premium Receivable	210	175	-	-
Administration Expenses Payable	133,934	92,914	111,091	72,467
Rent and Other Operational Expenses Payable	1,567	157	801	100

Cash Pledged as Security for Liabilities

Company

The Company has obtained Bank Guarantee facilities from Hatton National Bank PLC for sum of Rs. 40.68 Mn (2023: Rs. 207.89 Mn), being the 25% of sum assessed by the Commissioner General of Inland Revenue for the purpose of tax assessments which are being heard at the Tax Appeals Commission. This facility was secured against fixed deposits which are available in shareholder's fund.

Other than above company has obtained bid bonds for sum of Rs. 6.87 Mn from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020065047.

Subsidiary

The subsidiary company has obtained bid bonds for sum of Rs. 18.5 Mn (2023: Bid Bonds of Rs. 3.7 Mn) from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020060189.

50.1.2 Transaction and Outstanding Balances with the Subsidiary Company - HNB General Insurance Limited

For the Year Ended 31st December,	2024	2023
	Rs.'000	Rs.'000
Transactions		
Insurance Premium	55,720	46,396
Insurance Expenses	37,487	152,821
Claims Received	278	466
Claims Paid	4,200	5,400
Administrations Expenses Reimbursement		
- Reimbursement expenses relating to employees	93,097	112,430
- Other reimbursement expenses	272,396	271,345
Fund Management Fee Income	17,351	15,529
Profit Commission Expenses	16,533	16,336
Outstanding Balances		
Receivable from HNB General Insurance Ltd	25,874	99,350
Payable to HNB General Insurance Ltd	8,541	111,312



50.1.3 Transactions and Outstanding Balances with Subsidiary Companies of the Ultimate Parent Hatton National Bank PLC

For the Year ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	163,138	236,866	44,312	133,497
Claims Incurred	51,927	17,101	30,673	11,012
Investment Income	106,076	99,913	85,126	80,788
Administration Expenses	22,845	26,636	4,100	11,015

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Investments (Includes Deposits and Debentures)	1,008,529	158,181	808,711	158,181
Cash at Bank Balances	50	14	50	14
Insurance Premium Receivable	8,768	27,525	-	8,028
Administration Expenses Payable	4,078	5,822	6	465

50.2 Transactions with Key Management Personnel of the Group or Its Parent

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Group have been classified as Key Management Personnel of the Group. In Addition, Chief Executive Officers, and the Chief Financial Officer have also been classified as Key Management Personnel of the Group. Further immediate family members of Directors, Chief Executive Officers, and the Chief Financial Officer are also considered as related parties of the Group.

Immediate Family Members (IFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependants of the KMP or the KMP domestic partner. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. IFM are related parties to the Company.

Hatton National Bank PLC (Bank) is the ultimate parent of the Group, and the Board of Directors of the Bank has the authority and responsibility of planning, directing and controlling the activities of the Group. The Directors of the Bank and their immediate family members have also been identified as Key Management Personnel of the Group.

50.2.1 Key Management Personnel Compensation

As at 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors Fee	31,420	29,220	20,140	17,648
Short -Term Employee Benefits	99,341	82,028	61,254	50,918
Post - Employment Benefits	10,379	9,189	6,083	5,319
Outstanding Loan Balance Granted to KMPs (Other than Directors)	583	1,583	583	1,583

In addition to salaries, the Group also provides non-cash benefits to Key Management Personnel and contributes to a defined benefit plan (Gratuity) on behalf of them.

No ex - gratia payments were made to Directors during the year. No loans have been granted to the Directors of the Group.

50.2.2 Other Transactions with Key Management Personnel

For the Year Ended 31st December,	2024	2023
	Rs.'000	Rs.'000
Insurance Premium - Life Insurance	1,089	1,068
Insurance Premium - General Insurance	2,035	1,953
Claims Paid - General Insurance	1,025	466



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

50.2.3 Changes to the Board Composition

a. Appointment and Retirement of the Chairman / Chairperson

Mr. Stuart Anthony Chapman has appointed as the Chairman, Non-Independent Non-Executive Director of the Board of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 24th May 2024.

Ms. Mirihana Arachchige Rose Chandralatha Cooray retired from the office of Chairperson and Non-Independent Non-Executive Director of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 23rd May 2024.

b. Appointment of Senior Independent Director

Mr. Ashoka Goonesekere Non-Executive Independent Director of HNB Assurance PLC has been redesignated as Senior Independent Director w.e.f. 28th June 2024.

Mr. Dinesh Dharmadasa Non-Executive Independent Director of HNB General Insurance Limited has been redesignated as Senior Independent Director w.e.f. 01st July 2024.

c. Appointment of the Board of Directors

Mr. Lokugan Hewage Ananda Lakshman Silva was appointed as a Independent Non-Executive Director of HNB Assurance PLC w.e.f. 01st January 2024.

Dr. Prasanna Sankalpa Gamwarige was appointed as a Independent Non-Executive Director of HNB Assurance PLC w.e.f. 01st January 2024.

Mr. Prawira Rimoe Saldin was appointed as a Non-Independent Non-Executive Director of HNB Assurance PLC w.e.f. 19th February 2024.

Ms. Paramadayalanie Abeygunawardena was appointed as a Independent Non-Executive Director of HNB General Insurance Limited w.e.f. 01st April 2024.

Prof. Ananda Kithsiri Wijenayaka Jayawardane was appointed as a Non-Independent Non-Executive Director of HNB Assurance PLC w.e.f. 09th August 2024.

d. Resignation /Retirement of the Board of Directors

Ms. Chiranthi Cooray resigned as a Non-Independent Non-Executive Director of HNB General Insurance Limited w.e.f. 24th January 2024.

Ms. Marina Anneliese Tharmarathnam has retired as Independent Non-Executive Director from the Board of HNB General Insurance Limited w.e.f. 31st March 2024.

e. Change of Board Secretary

Ms. Kurugalage Yoga Sanjeewani Gunadasa who functioned as the Board Secretary of HNB Assurance PLC has resigned from the said position w.e.f. 31st May 2024.

Ms. Abhayalankara Herath Mudiyansele Nirosha Madhubhashini Bakmedeniya has been appointed as the new Board Secretary of HNB Assurance PLC w.e.f. 01st June 2024.

50.2.4 Transactions with Entities which are Controlled by the KMP or their Close Family Members (CFM)

Other related entities are those which are controlled or significantly influenced, directly or indirectly by Key Management Personnel of the Group. Significant influence is presumed to be established if a Key Management Person of the Group has more than 20% shareholding in an entity, unless otherwise reported by the Key Management Personnel. Further significant influence is also established if in the view of the respective Key Management Person, he/she has the ability to influence the operating and financial policies of an entity even in the absence of a 20% shareholding.

For the Year ended 31st December,

	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Nature of Transactions				
Insurance Premium	38,428	38,289	-	1,559
Claims Incurred	33,591	31,852	-	1,500
Administration Expenses	352	-	-	-

Transactions with KMP Recorded in statement of financial position

As at the reporting date, there were no receivable/payable amount relating to KMP. Therefore, no Impairment losses have been recorded against balances outstanding from KMP.

Purchase of its own shares

The Company has not purchased its own shares from related parties during the year 2024 (2023 - Nil).

50.2.5 Directors Interest In Contracts With The Group/ Company

Group/Company carries out transactions in the ordinary course of business on an arm's length basis with entities in which a Key Management Person (KMP) is a Chairperson or a Director of such entities where no significant influence is exercised.



For the Year ended 31st December,	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Nature of Transactions				
Insurance Premium	31,491	1,051	296	-
Claims Incurred	6,001	638	1,000	-
Administration Expenses	7,929	-	-	-

50.3 Transactions with the Government of Sri Lanka/Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

The Government of Sri Lanka indirectly holds more than 25% of the voting rights of the Ultimate Parent Company Hatton National Bank PLC as at 31st December 2024 and thus has significant influence over its operation and thereby holds an indirect control over the Group. Accordingly, the Group has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as Related Parties according to LKAS 24 - Related Party Disclosures.

During the year ended 31st December 2024, the Group has carried out transactions with the Government of Sri Lanka and other Government related entities in the ordinary course of its business where the aggregate amount of transactions has exceeded 10% of the Gross Written Premium. Details of transactions with the Government of Sri Lanka and its related entities are given below as per the Section 9.14.8(2) of the listing rules - "Related Party Transactions". All the transactions are carried out under the normal course of business at prevailing market prices.

Name of the Company / Entity	Government and Government Related Financial Institutes	Nature of Transactions	GROUP		COMPANY	
			2024	2023	2024	2023
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government of Sri Lanka		Investment balances as at 31st December	33,150,785	25,334,074	30,043,114	23,523,532
		Investment Income	4,368,162	4,397,226	3,972,770	3,904,811
National Development Bank PLC	Government Related Entity	Investment balances as at 31st December	2,003,339	1,697,554	1,689,191	1,416,898
		Investment Income	205,100	256,841	182,969	202,931
People's Bank	Government Related Entity	Investment balances as at 31st December	671,083	670,821	671,083	670,821
		Investment Income	95,762	28,942	95,762	28,942
National Savings Bank	Government Related Entity	Investment balances as at 31st December	1,424,760	1,316,752	1,424,760	1,199,966
		Investment Income	224,794	156,752	224,794	139,966
Sri Lanka Telecom PLC	Government Related Entity	Investment balances as at 31st December	148,163	148,112	148,163	148,112
		Investment Income	18,459	18,408	18,459	18,408

Apart from the transactions listed above the Group has carried out transactions with other Government related entities in the form of premium income, reinsurance premium, claims, taxes, utility bills, regulatory charges etc. The total of such payments made during the year ended 31st December 2024 and 2023 are as follows:

For the year ended 31st December,	GROUP/COMPANY	
	2024	2023
	Rs.'000	Rs.'000
Transactions		
Premium Income from Government Related Entities	10,033	105,243
Claims Paid to Government Related Entities	8,694	3,088
Reinsurance Premium Net of Commission to Government Related Entities	1,632,693	934,940
Taxes Paid	1,781,288	1,689,882
Regulatory Charges	220,091	468,320
Utility Expenses	118,602	98,027
Media Expenses	1,611	1,201



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

51. EVENTS OCCURRING AFTER THE REPORTING DATE

ACCOUNTING POLICY

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. Two types of events can be identified as events occurring after the balance sheet date:

- those that provide evidence of conditions that existed at the end of the reporting period.
- those that are indicative of conditions that arose after the reporting period.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

51.1 Proposed Dividend

The Board of Directors has recommended a payment of Rs. 3.90 per share as first and final dividend on 18th February 2025 for the year ended 31st December 2024. The proposed dividend is subject to the approval of shareholders at the Annual General Meeting and to be paid on or before 23rd April 2025.

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

52. COMMITMENTS

The Group and Company has committed an expense of Rs. 465.51 Mn for the purchase of computer hardware, software and other equipment (2023 - Rs. 407.16 Mn for the purchase of computer hardware, software and other equipment). As at end of the financial year, other than the disclosed above no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the Annual Financial Statements.

53. PROVISIONS FOR LIABILITIES AND CONTINGENCIES

ACCOUNTING POLICY

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. Timing of concluding legal claims is uncertain; as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Provisions

Provisions are recognised when the Group/Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities

Contingent liabilities are disclosed if material and if there is a possible obligation whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured.

Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised and a contingent asset is disclosed where an inflow of economic benefits is probable.

53.1 Contingencies

53.1.a. Income Tax

The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessment 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/2021.

The Tax Appeals Commission has issued determinations in favour of IRD for the years of assessments 2011/12, 2012/13, 2014/15 and 2017/18 totalling to Rs. 1,158 Mn including interest and penalties of Rs. 144 Mn. This includes loss adjustment of Rs. 588 Mn relating to the years of assessments 2011/12 and 2012/13. Company dissatisfied with these determinations of the Tax Appeals Commission and filed appeals against those determinations in the Court of Appeal. The Company is awaiting for the decisions of the Court of Appeal.

Income tax assessments in relation to the year of assessment 2018/19, 2019/20 and 2020/21 totalling to Rs. 1,586 Mn including interest and penalties of Rs. 758 Mn are in the process of hearing with the Tax Appeals Commission.

Income tax assessment for the year of assessment 2015/16 amounting to Rs. 164 Mn including interest and penalties of Rs. 20 Mn is awaiting for CGIR determination.

Assessments raised on the Company for 2013/14 and 2016/17 totalling to Rs. 422 Mn were determined by Tax Appeals Commission in favour of the Company by allowing the appeals, annulling the assessments, and setting aside the determinations of CGIR. The CGIR has lodged cases with the Court of Appeal for these assessments.

In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry.



Subsidiary Company HNB General Insurance Limited also received income tax assessments for the years of assessment 2018/19 and 2019/20.

Income tax assessment for the year of assessment 2018/2019 and 2019/20 totalling to Rs. 130 Mn including interest and penalty of Rs. 63.5 Mn are in the process of hearing with the Tax Appeals Commission.

53.1.b VAT & NBT On Financial Services

The Company received Seven Notices of Assessments on VAT and NBT on Financial Services (FS) for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015, 01.01.2016 to 31.12.2016, 01.01.2017 to 31.12.2017, 01.01.2018 to 31.12.2018, 01.01.2019 to 31.12.2019 and 01.01.2021 to 31.12.2021.

The assessment issued relating to VAT on Financial Services (VAT on FS) for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2017 to 31.12.2017 and 01.01.2018 to 31.12.2018 amounting to Rs. 194.29 Mn, including penalties of Rs. 64.76 Mn are in the process of hearing with the Tax Appeals Commission.

The assessments for the taxable period 01.01.2019 to 31.12.2019 and 01.01.2021 to 31.12.2021 totalling to Rs. 206.37 Mn including penalties of Rs. 68.79 Mn is still with CGIR and awaiting the CGIR determination.

The VAT/NBT on FS assessments raised on the Company for 01.01.2015 to 31.12.2015 and 01.01.2016 to 31.12.2016 with tax in disputes and penalties totalling to Rs. 78.07 Mn including penalty of Rs. 28.82 Mn were determined by Tax Appeals Commission in favour of the Company by allowing the appeals, annulling the assessments and setting aside the determinations of CGIR.

Further, subsidiary Company HNB General Insurance Limited also received VAT on FS Assessments for taxable periods 01.01.2018 to 31.12.2018, 01.01.2019 to 31.12.2019 and 01.01.2021 to 31.12.2021.

The assessment issued relating to VAT on Financial Services (VAT on FS) for the taxable period 01.01.2018 to 31.12.2018 amounting to Rs. 15.61 Mn, including penalty of Rs. 5.2 Mn is in the process of hearing with the Tax Appeals Commission.

The CGIR has issued its determination for the appeal lodged by the subsidiary company on assessment issued relating to VAT on FS for the taxable period 01.01.2019 to 31.12.2019 amounting to Rs. 17.07 Mn, including penalty of Rs. 5.7 Mn is in the process of appealing for TAC against the Determination of CGIR.

The assessment for the taxable period 01.01.2021 to 31.12.2021 amounting to Rs. 15.07 Mn including penalty of Rs. 5.02 Mn is still with CGIR and awaiting the CGIR determination.

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.

53.1.c Value Added Tax

The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. As such no provision has been made in the Financial Statements for the tax in dispute including interest and penalty which amounts to Rs. 12.3 Mn. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments amounting to Rs. 355.14 Mn including interest and penalties on VAT returns filed and the subsidiary has duly appealed against the assessments.

53.1.d Value Added Tax (VAT) On Reinsurance

The Company has received an Assessment on Value Added Tax (VAT) on Reinsurance Claims during 2013 from the IRD for the year of Assessment 2010/2011 amounting to Rs. 21.99 Mn for which the Company has filed responses in IRD and subsequently with TAC. The TAC has granted their final determination during 2018 in favour of IRD. The Company has filed a case in the Court of Appeal and the case is yet to be determined by the Court of Appeal.

Management and the Company's/Subsidiary's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company's/Subsidiary's having to settle any of above tax assessments detailed under Note 53.1.a to 53.1.d is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

54. LITIGATIONS AND CLAIMS

In the opinion of the Directors and in consultation with the Company lawyers, litigations currently pending against the Group and Company will not have a material impact on the reported financial results or future operations. All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

55. COMPARATIVE INFORMATION

The presentation and classification of Notes to the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

56. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for these Financial Statements. Please refer to pages 226 to 227 of the Statement of Directors' Responsibility for Financial Reporting.





Through Every Turn

At HNB Assurance, we are proud of our progress, because our focus has consistently been on ensuring a prosperous future for all people, at all levels of the social hierarchy. Our vision for a fruitful future has taken us across all boundaries, and has brought us to every home of the nation.



SUPPLEMENTARY INFORMATION

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STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND - SUPPLEMENTAL

As at 31st December,		2024	2023	
	Note	Page. No	Rs.'000	Rs.'000
Assets				
Financial Investments	A	379	39,395,093	32,756,305
Loans to Life Policyholders	13	325	459,395	441,923
Reinsurance Receivables	14	326	238,175	325,283
Premium Receivables	15	327	198,723	45,940
Other Assets	B	382	150,969	135,566
Cash and Cash Equivalents	C	382	630,828	562,991
Total Assets			41,073,183	34,268,008
Equity and Liabilities				
Equity				
Life Policyholders' Available For Sale Reserve Fund	23	335	437,695	(469,286)
Total Equity			437,695	(469,286)
Liabilities				
Insurance Contract Liabilities - Life Insurance	25	337	38,647,547	30,945,715
Reinsurance Creditors	29	348	214,999	302,211
Payable to Life Shareholders			376,219	2,507,178
Other Liabilities	D	382	1,204,468	825,060
Bank Overdrafts	C	382	192,255	157,130
Total Liabilities			40,635,488	34,737,294
Total Equity and Liabilities			41,073,183	34,268,008



NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A. FINANCIAL INVESTMENTS

The table below shows the carrying values of these Financial Instruments together with their fair values.

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity	A.1	13,026,523	16,262,171	11,509,900	13,977,875
Loans and Receivable	A.2	13,433,773	14,542,559	11,875,123	12,544,263
Available For Sale	A.3	12,531,327	12,531,327	8,915,100	8,915,100
Fair Value Through Profit or Loss	A.4	403,470	403,470	456,182	456,182
Total Financial Investments		39,395,093	43,739,527	32,756,305	35,893,420

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.1 Held to Maturity					
Treasury Bonds		13,026,523	16,262,171	11,509,900	13,977,875
Total		13,026,523	16,262,171	11,509,900	13,977,875

A.2 Loans and Receivables

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Repo		443,862	443,862	117,367	117,367
Term Deposit	A.5	4,580,283	4,909,844	5,109,941	5,523,842
Debentures	A.6	8,409,628	9,188,853	6,647,815	6,903,054
Total		13,433,773	14,542,559	11,875,123	12,544,263

A.3 Available For Sale

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury Bonds		11,252,489	11,252,489	4,173,654	4,173,654
Treasury Bills		599,254	599,254	4,642,502	4,642,502
Equity Shares	A.7	679,584	679,584	98,944	98,944
Total		12,531,327	12,531,327	8,915,100	8,915,100

A.4 Fair Value Through Profit or Loss

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in Units	A.8	248,926	248,926	339,114	339,114
Equity Shares	A.9	154,544	154,544	117,068	117,068
Total		403,470	403,470	456,182	456,182



NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A.5 Term Deposits

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long-Term and Medium-Term Deposits with,					
Licensed Commercial Banks	A.5.1.	1,919,304	2,118,258	3,153,843	3,413,270
Licensed Specialised Banks		1,002,536	1,101,196	1,142,387	1,252,500
Licensed Finance Companies	A.5.2.	1,658,443	1,690,390	813,711	858,072
Total		4,580,283	4,909,844	5,019,941	5,523,842

A.5.1. Licensed Commercial Banks

Term Deposits with Related Parties - Hatton National Bank PLC		534,593	553,140	1,485,050	1,562,749
Other Banks		1,384,711	1,565,118	1,668,793	1,850,521
Total		1,919,304	2,118,258	3,153,843	3,413,270

A.5.2. Licensed Finance Companies

Term Deposits with Related Parties - HNB Finance PLC		331,320	340,826	-	-
Other Finance Companies		1,327,123	1,349,564	813,711	858,072
Total		1,658,443	1,690,390	813,711	858,072

As at 31st December,	Note	2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000

A.6. Debentures

Debentures - Quoted	A.6.1	7,370,222	8,091,192	5,608,747	5,887,124
Debentures - Unquoted	A.6.2	1,039,406	1,097,661	1,039,068	1,015,930
Total		8,409,628	9,188,853	6,647,815	6,903,054

A.6.1 Debentures - Quoted

As at 31st December,		2024		2023	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Commercial Bank of Ceylon PLC		1,904,214	2,120,854	950,055	1,077,223
DFCC Bank PLC		1,220,404	1,289,533	761,851	732,986
Hatton National Bank PLC		339,233	336,160	167,890	144,938
First Capital Holdings PLC		191,670	190,806	191,621	177,018
HNB Finance PLC		-	-	113,272	98,555
LOLC Finance PLC		164,557	164,704	164,511	154,562
LOLC Holdings PLC		326,213	325,314	533,925	509,823
National Development Bank PLC		722,566	733,388	628,366	589,510
Nations Trust Bank PLC		65,230	67,299	282,681	273,490
People's Leasing & Finance PLC		166,867	163,212	202,925	183,581
Sampath Bank PLC		750,049	996,198	950,633	1,169,712
Seylan Bank PLC		854,949	1,018,154	483,445	608,881
Siyapatha Finance PLC		516,107	532,210	16,548	16,313
Hayleys PLC		-	-	12,913	12,795
Sri Lanka Telecom PLC		148,163	153,360	148,112	137,737
Total Investment in Quoted Debentures		7,370,222	8,091,192	5,608,747	5,887,124

A.6.2 Debentures - Unquoted		191,012	191,028	190,958	182,283
Nations Trust Bank PLC		280,294	274,901	280,227	249,184
People's Bank		568,100	631,732	567,883	584,463
Total Investment in Unquoted Debentures		1,039,406	1,097,661	1,039,068	1,015,930



A.7 Equity Shares - Available For Sale

As at 31st December,	2024			2023		
	No. of Shares	Cost	Carrying Value/Fair Value	No. of Shares	Cost	Carrying Value/Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Banks, Finance and Insurance						
Seylan Bank PLC - (Non Voting)	1,065,003	44,812	60,705	352,310	13,708	12,507
Sampath Bank PLC	1,032,594	77,836	122,104	349,250	21,416	24,622
Commercial Bank of Ceylon PLC	266,130	24,709	38,522	-	-	-
National Development Bank PLC	518,182	36,730	58,684	-	-	-
Nations Trust Bank PLC	446,409	59,634	83,255	-	-	-
LB Finance PLC	785,000	57,120	70,258	142,285	17,090	14,975
Central Finance Company PLC	142,285	17,090	27,034	-	-	-
Sector Total (a)			460,562			52,105
Diversified Holdings						
Melstacorp PLC	39,532	2,343	4,862	39,532	2,343	3,333
Hemas Holdings PLC	1,284,537	107,360	132,628	173,000	12,671	11,539
Sector Total (b)			137,490			14,872
Manufacturing						
Tokyo Cement Company (Lanka) PLC	78,102	886	5,468	78,102	886	3,593
Royal Ceramics Lanka PLC	400,000	4,854	17,400	400,000	4,854	10,560
Chevron Lubricants Lanka PLC	-	-	-	112,821	10,422	10,188
Sector Total (c)			22,868			24,340
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	11,713	-	327
Sunshine Holdings PLC	467,400	29,954	46,740	-	-	-
Sector Total (d)			46,740			327
Land and Property						
Overseas Realty (Ceylon) PLC	486,679	12,453	11,924	486,679	12,453	7,300
Sector Total (e)			11,924			7,300
Carrying Value of Total Investment in Quoted Shares (a+b+c+d+e)			679,584			98,944

A.8 Investment in Units - Fair Value Through Profit or Loss

As at 31st December,	2024		2023	
	No. of Units	Carrying Value/Fair Value	No. of Units	Carrying Value/Fair Value
		Rs.'000		Rs.'000
Unquoted				
NDB Wealth Money Plus Fund	-	-	2,714,077	86,004
JB Vantage Money Market Fund	1,855,728	89,662	1,942,552	83,788
Capital Alliance Investment Grade Fund	4,480,862	159,264	2,682,266	85,240
Senfin Money Market Fund	-	-	3,604,263	84,082
Total Investment in Unquoted Units		248,926		339,114



NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A.9 Equity Shares - Fair Value Through Profit or Loss

As at 31st December,	2024			2023		
	No. of Shares	Cost	Carrying Value/Fair Value	No. of Shares	Cost	Carrying Value/Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Banks, Finance and Insurance						
Sampath Bank PLC	198,701	12,716	23,496	198,701	12,716	14,008
Nations Trust Bank PLC	105,213	7,128	19,622	103,080	6,909	11,082
People's Leasing & Finance PLC	649,094	10,374	11,035	615,201	10,008	6,583
Seylan Bank PLC - (Non Voting)	467,960	14,980	26,674	451,421	14,404	16,025
Sector Total (a)			80,827			47,698
Diversified Holdings						
John Keells Holdings PLC	296,700	3,679	6,705	29,670	3,679	5,667
Richard Pieris and Company PLC	-	-	-	312,851	4,351	6,413
Vallibel One PLC	-	-	-	209,638	4,000	8,050
Melstacorp PLC	55,000	3,260	6,765	55,000	3,260	4,637
Sector Total (b)			13,470			24,767
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	22,222	-	622
Sector Total (c)			-			622
Manufacturing						
Royal Ceramic Lanka PLC	280,000	4,318	12,180	280,000	4,318	7,391
ACL Cables PLC	197,125	3,601	23,359	190,400	3,016	13,100
Tokyo Cement Company (Lanka) PLC	352,955	11,938	23,360	352,955	11,938	16,236
Dipped Products PLC	-	-	24,707	260,000	5,270	7,254
Sector Total (d)			60,247			43,981
Carrying Value of Total Investment in Quoted Shares (a+b+c+d)			154,544			117,068

As at 31st December,	2024	2023
	Rs.'000	Rs.'000

B. OTHER ASSETS

Withholding Tax Recoverable from the Commissioner General of Inland Revenue (CGIR)	87,506	118,385
Other Receivables	63,463	17,181
Total Other Assets	150,969	135,566

C. CASH AND CASH EQUIVALENTS

Cash in Hand	3,831	7,391
Cash at Bank with Licensed Commercial Banks	21,934	7,879
Cash at Bank with Related Parties	605,063	551,331
Cash and Cash Equivalents	630,828	562,991
Bank Overdrafts	(192,255)	(157,130)
Total Cash and Cash Equivalents	438,573	405,861

D. OTHER LIABILITIES

Policyholders Advance Payments	458,474	297,668
Acquisition Cost Payable	352,731	229,716
Taxes & Government Levies	28,611	27,354
Others	364,652	270,322
Total Other Liabilities	1,204,468	825,060



INSURANCE REVENUE ACCOUNT

For the Year Ended 31st December,	2024	2023
	Rs. '000	Rs. '000
Life Insurance		
Gross Written Premium	13,709,655	10,923,294
Premium Ceded to Reinsurers	(775,049)	(592,191)
Net Written/Earned Premium	12,934,606	10,331,103
Net Benefits Expense	(3,007,225)	(2,676,436)
Underwriting and Net Acquisition Cost	(2,466,158)	(1,806,519)
Expenses Attributable to Policyholders	(4,420,735)	(3,700,774)
Fees and Commission Income	76,464	87,179
Underwriting Surplus	3,116,952	2,234,553
Change in contract Liabilities - Life Fund	(7,679,932)	(6,332,739)
Interest and Dividend Income	5,796,299	5,348,630
Net Realised Gains	39,622	3,684
Net Fair Value Gain	76,025	57,107
Other Income	1,034	3,765
Surplus from Life Insurance Business	1,350,000	1,315,000
Shareholder Fund		
Expenses not attributable to Policyholders	(33,247)	(32,034)
Total other Revenue from Shareholder Fund	1,041,718	986,076
Profit Before Taxation (a)	2,358,470	2,269,042
General Insurance		
Gross Written Premium	9,121,546	8,036,270
Premium Ceded to Reinsurers	(3,810,585)	(2,330,213)
Net Written Premium	5,310,961	5,706,057
Net Change in Reserves for Unearned Premium	199,390	(216,566)
Net Earned Premium	5,510,351	5,489,491
Net Claims Incurred	(3,704,279)	(3,990,114)
Net Commission	(1,020,185)	(836,064)
(Increase)/Decrease in Deferred Acquisition Expenses	(175,003)	44,476
Expenses	(1,432,668)	(1,576,316)
Fees and Commission Income	361,854	246,779
Underwriting Deficit	(459,930)	(621,748)
Interest and Dividend Income	763,930	920,404
Net Realised Gains/(Losses)	60,414	(67,639)
Net Fair Value (Losses)/Gains	(11,172)	8,837
Other Income	1,209	2,599
Operating Profit from General Insurance Business (b)	354,451	242,453
Reconciliation of Statement of Income and Insurance Revenue Accounts		
Profit from Life Insurance Business (a)	2,358,470	2,269,042
Operating Profit from the Subsidiary (b)	354,451	242,453
Profit Before Taxation	2,712,921	2,511,495
Income Tax Expense	(816,060)	(746,846)
Profit for the Year	1,896,861	1,764,649



TAKAFUL BUSINESS ANALYSIS - PROFITABILITY

For the Year Ended 31st December,	Family-Takaful	
	2024	2023
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	13,214	2,725
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(6,044)	(4,192)
Net Earned Contribution (Premium)	7,170	(1,467)
Other Income	3,751	5,592
Net Income	10,921	4,125
Total Benefits, Loss (Claims) and Other Expenses	(457)	(371)
Transfer to Family Takaful Fund	10,464	3,754

For the Year Ended 31st December,	Non Life-Takaful	
	2024	2023
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	452,434	396,401
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(179,914)	(93,845)
Unearned Takaful Contribution (Premium)	18,052	(10,965)
Net Earned Contribution (Premium)	290,572	291,591
Other Income	28,074	49,276
Net Income	318,646	340,867
Total Benefits, Loss (Claims) and Other Expenses	(348,720)	(330,569)
Profit for the Year	(30,074)	10,298

* Reinsurance may be obtained from conventional entities in the absence of Retakaful arrangements.

Shari'ah Audit Reports of HNB Assurance PLC Takaful Unit and HNB General Insurance Limited Takaful Unit are given on Pages 385 and 386 respectively.



SHARI'AH REPORT OF HNB ASSURANCE PLC TAKAFUL UNIT

SHARI'AH AUDIT REPORT OF HNBA TAKAFUL UNIT

We have examined the accompanying financial statement of HNBA Takaful Unit for the year ended 31st December 2024. We have also conducted our review to form an opinion as to whether HNBA Takaful Unit has complied with Shari'ah Rules and principles and also with the specific regulations and guidelines issued by us.

Managements Responsibility for the Financial Statements

HNBA Takaful unit's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shari'ah rules and principles. Our responsibility as the Shari'ah committee is to form an independent opinion, based on our review of the operations of HNBA Takaful Unit, and to report to you.

Scope of Audit and Basis of Opinion

The scope of our audit primarily involves the review of HNBA Takaful Unit's compliance with the Shari'ah Regulations and Guidelines. Our review also includes examining, on a test basis, each type of product in relation to issuance, compensations and accountings.

Opinion

In our opinion and to the best of our information and belief and according to the explanations given to us:

- a) The financials transactions undertaken by HNBA Takaful Unit, during the year ended 31st December 2024, were in accordance with the guidelines prescribed by the Shari'ah Supervisory Board and in conformity with the requirements of Takaful regulations.
- b) HNBA Takaful Unit was, in operational respect, in compliance with the Shari'ah principles. Further, we also concur with the accounting policies adopted for incorporation of participant Takaful Fund into the accompanying financial statements.

ASH – SHEIKH FAZIL M.FAROOK

Chairman

Shari'ah Supervisory Board

ASH – SHEIKH MURSHID M.MULAFFER

Member

Shari'ah Supervisory Board

ASH – SHEIKH HUZAIFA HUSSAIN

Member

Shari'ah Supervisory Board



SHARI'AH REPORT OF HNB GENERAL INSURANCE LIMITED TAKAFUL UNIT

SHARI'AH AUDIT REPORT OF HNB GENERAL TAKAFUL UNIT

We have examined the accompanying financial statement of HNBGI Takaful Unit for the year ended 31st December 2024. We have also conducted our review to form an opinion as to whether HNBGI Takaful Unit has complied with Shari'ah Rules and principles and also with the specific regulations and guidelines issued by us.

Managements Responsibility for the Financial Statements

HNBGI Takaful unit's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shari'ah rules and principles. Our responsibility as the Shari'ah committee is to form an independent opinion, based on our review of the operations of HNBGI Takaful Unit, and to report to you.

Scope of Audit and Basis of Opinion

The scope of our audit primarily involves the review of HNBGI Takaful Unit's compliance with the Shari'ah Regulations and Guidelines. Our review also includes examining, on a test basis, each type of product in relation to issuance, compensations and accountings.

Opinion

In our opinion and to the best of our information, belief and according to the explanations given to us:

- a) The financials and transactions undertaken by HNBGI Takaful Unit, during the year ended 31st December 2024, were in accordance with the guidelines prescribed by the Shari'ah Supervisory Board and in conformity with the requirements of Takaful regulations.
- b) HNBGI Takaful Unit was, in operational respect, in compliance with the Shari'ah principles. Further, we also concur with the accounting policies adopted for incorporation of participant Takaful Fund into the accompanying financial statements.



ASH – SHEIKH FAZIL FAROOK
Chairman
Shari'ah Supervisory Board



ASH – SHEIKH MURSHID MULAFTAR
Member
Shari'ah Supervisory Board



ASH – SHEIKH HUZAIFA HUSSAIN
Member
Shari'ah Supervisory Board



QUARTERLY ANALYSIS 2024 AND 2023

- GROUP

Statement of Profit or Loss	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Jan - March		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	6,205,818	5,493,350	4,753,869	3,613,763	5,690,139	4,586,095	6,088,168	5,067,139	22,737,994	18,760,347
Premium Ceded to Reinsurers	(1,497,849)	(999,201)	(761,639)	(593,781)	(1,194,214)	(645,612)	(1,131,932)	(683,810)	(4,585,634)	(2,922,404)
Net Written Premium	4,707,969	4,494,149	3,992,230	3,019,982	4,495,925	3,940,483	4,956,236	4,383,329	18,152,360	15,837,943
Net Change in Reserves for Unearned Premium	(161,004)	(473,557)	293,373	441,954	218,740	(16,781)	(151,719)	(90,169)	199,390	(138,553)
Net Earned Premium (a)	4,546,965	4,020,592	4,285,603	3,461,936	4,714,665	3,923,702	4,804,517	4,293,160	18,351,750	15,699,390
Other Revenue										
Interest and Dividend Income	1,898,453	1,771,337	1,848,936	1,789,680	1,877,920	1,815,792	1,936,569	1,850,359	7,561,878	7,227,168
Net Realised Gains/(Losses)	35,571	1,999	2,312	(44,568)	36,364	(13,152)	26,195	(1,503)	100,442	(57,224)
Net Fair Value (Losses)/Gains	(32,268)	(68,192)	56,622	(1,694)	(11,415)	101,282	51,914	34,548	64,853	65,944
Fee and Commission Income	132,853	112,321	80,559	42,499	104,042	47,078	104,331	115,725	421,785	317,623
Other Income	1,699	1,416	14,779	5,416	6,964	3,664	1,281	1,550	24,723	12,046
Total Other Revenue (b)	2,036,308	1,818,881	2,003,208	1,791,333	2,013,875	1,954,664	2,120,290	2,000,679	8,173,681	7,565,557
Net Income (c=a+b)	6,583,273	5,839,473	6,288,811	5,253,269	6,728,540	5,878,366	6,924,807	6,293,839	26,525,431	23,264,947
Net Benefits, Claims and Expenses										
Net Insurance Benefits and Claims	(1,715,937)	(1,651,793)	(1,640,312)	(1,551,111)	(1,599,868)	(1,845,930)	(1,755,109)	(1,617,250)	(6,711,226)	(6,666,084)
Change in Contract Liabilities - Life Fund	(2,417,398)	(2,266,253)	(2,115,578)	(1,602,854)	(2,432,280)	(1,842,679)	(714,676)	(620,953)	(7,679,932)	(6,332,739)
Other Operating and Administration Expenses	(1,425,338)	(1,108,184)	(1,486,078)	(1,288,021)	(1,598,721)	(1,257,864)	(1,919,545)	(1,630,382)	(6,429,682)	(5,284,451)
Underwriting and Net Acquisition Costs	(590,112)	(478,445)	(659,005)	(463,934)	(680,663)	(632,500)	(819,653)	(711,487)	(2,749,433)	(2,286,366)
Finance & Other Insurance Related Costs	(62,471)	(15,410)	(49,262)	(32,518)	(65,482)	(66,905)	(65,022)	(68,979)	(242,237)	(183,812)
Total Benefits, Claims and other Expenses (d)	(6,211,256)	(5,520,085)	(5,950,235)	(4,938,438)	(6,377,014)	(5,645,878)	(5,274,005)	(4,649,051)	(23,812,510)	(20,753,452)
Profit Before Taxation (c+d)	372,017	319,388	338,576	314,831	351,526	232,488	1,650,802	1,644,788	2,712,921	2,511,495
Income Tax Expense	(137,013)	(117,231)	(99,390)	(102,364)	(90,985)	(63,309)	(488,672)	(463,942)	(816,060)	(746,846)
Profit for the Period	235,004	202,157	239,186	212,467	260,541	169,179	1,162,130	1,180,846	1,896,861	1,764,649

Note 1: To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2023 annual report, and the comparative figures published in first, second, third and fourth quarters of 2024 have been reclassified where necessary.



QUARTERLY ANALYSIS 2024 AND 2023

- COMPANY

Statement of Profit or Loss	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Jan - March		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	3,336,506	2,914,607	3,068,102	2,246,052	3,571,473	2,692,497	3,733,574	3,070,138	13,709,655	10,923,294
Premium Ceded to Reinsurers	(177,396)	(136,017)	(187,853)	(144,371)	(205,797)	(150,294)	(204,003)	(161,509)	(775,049)	(592,191)
Net Written Premium	3,159,110	2,778,590	2,880,249	2,101,681	3,365,676	2,542,203	3,529,571	2,908,629	12,934,606	10,331,103
Net Change in Reserves for Unearned Premium	-	-	-	-	-	-	-	-	-	-
Net Earned Premium(a)	3,159,110	2,778,590	2,880,249	2,101,681	3,365,676	2,542,203	3,529,571	2,908,629	12,934,606	10,331,103
Other Revenue										
Interest and Dividend Income	1,681,991	1,544,022	1,668,419	1,555,659	1,695,000	1,577,510	1,752,538	1,629,573	6,797,948	6,306,764
Net Realised Gains/(Losses)	5,071	876	(2,248)	(5,082)	12,325	(3,382)	24,880	18,003	40,028	10,415
Net Fair Value Gains/(Losses)	9,344	(889)	24,835	(397)	(8,781)	50,034	50,627	8,359	76,025	57,107
Fee and Commission Income	56,260	69,747	11,902	9,422	11,977	10,226	13,676	13,314	93,815	102,709
Other Income	1,460	137	14,486	5,901	6,649	1,985	919	1,424	23,514	9,447
Total Other Revenue (b)	1,754,126	1,613,893	1,717,394	1,565,503	1,717,170	1,636,373	1,842,640	1,670,673	7,031,330	6,486,442
Net Income (c=a+b)	4,913,236	4,392,483	4,597,643	3,667,184	5,082,846	4,178,576	5,372,211	4,579,302	19,965,936	16,817,545
Net Benefits, Claims and Expenses										
Net Insurance Benefits and Claims	(784,359)	(720,073)	(648,360)	(594,929)	(687,393)	(725,501)	(887,113)	(635,933)	(3,007,225)	(2,676,436)
Change in Contract Liabilities - Life Fund	(2,417,398)	(2,266,253)	(2,115,578)	(1,602,854)	(2,432,280)	(1,842,679)	(714,676)	(620,953)	(7,679,932)	(6,332,739)
Other Operating and Administration Expenses	(893,835)	(723,389)	(960,747)	(812,196)	(1,030,590)	(834,287)	(1,336,293)	(1,129,198)	(4,221,465)	(3,499,070)
Underwriting and Net Acquisition Costs	(503,891)	(384,051)	(568,059)	(394,330)	(614,824)	(506,627)	(779,384)	(607,754)	(2,466,158)	(1,892,762)
Finance & Other Insurance Related Costs	(62,451)	(25,315)	(43,244)	(28,149)	(55,970)	(39,556)	(71,021)	(54,476)	(232,686)	(147,496)
Total Benefits, Claims and other Expenses(d)	(4,661,934)	(4,119,081)	(4,335,988)	(3,432,458)	(4,821,057)	(3,948,650)	(3,788,487)	(3,048,314)	(17,607,466)	(14,548,503)
Profit Before Taxation (c+d)	251,302	273,402	261,655	234,726	261,789	229,926	1,583,724	1,530,988	2,358,470	2,269,042
Income Tax Expense	(74,372)	(80,551)	(73,950)	(69,886)	(76,028)	(68,136)	(477,409)	(437,150)	(701,759)	(655,723)
Profit for the Period	176,930	192,851	187,705	164,840	185,761	161,790	1,106,315	1,093,838	1,656,711	1,613,319

Note 1: To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2023 annual report, and the comparative figures published in first, second, third and fourth quarters of 2024 have been reclassified where necessary.



DECADE AT A GLANCE

HNB ASSURANCE PLC - GROUP

Statement of Financial Position

As at 31st December,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	769,638	689,549	418,258	282,884	169,788	162,371	151,559	169,620	161,362	136,279
Right of use Assets	482,551	428,871	376,579	395,148	394,437	343,737	-	-	-	-
Intangible Assets	164,019	63,924	61,118	63,180	68,858	51,787	61,087	57,841	60,882	45,185
Deferred Tax Assets	14,783	1,528	99,430	291,832	738,721	1,009,711	1,304,882	64,098	52,922	49,394
Financial Investments	54,304,798	43,855,383	34,624,131	29,094,085	26,366,608	21,202,074	17,579,131	15,054,910	11,544,575	9,751,611
Loans to Life Policyholders	459,395	441,923	420,914	403,452	379,736	325,307	243,113	162,285	120,441	91,992
Reinsurance Receivables	1,268,504	1,329,157	1,044,318	1,072,206	771,776	645,411	415,773	569,778	494,726	141,354
Premium Receivables	2,272,135	1,858,407	1,853,670	1,247,997	1,111,594	946,650	798,213	786,319	623,294	345,916
Other Assets	1,277,749	1,262,852	999,838	747,946	864,414	933,633	823,101	1,036,846	770,674	625,985
Insurance Contract - Deferred Expenses	33,468	208,471	163,995	157,710	163,619	138,622	140,486	105,287	74,951	65,935
Cash and Cash Equivalents	1,402,419	1,123,004	1,033,305	2,112,745	711,111	865,843	761,871	641,950	625,527	386,929
Total Assets	62,449,459	51,263,069	41,095,556	35,869,185	31,740,662	26,625,146	22,279,216	18,648,934	14,529,354	11,640,580
Equity and Liabilities										
Equity										
Stated Capital	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	10,351,725	9,039,864	7,822,715	6,644,680	5,841,032	4,965,809	4,405,581	2,381,427	1,721,675	1,174,262
Available for Sale Reserve	279,432	174,358	(322,296)	4,009	93,754	24,801	(8,025)	30,685	(7,152)	(4,748)
Other Reserves	(104,708)	(21,290)	22,358	(11,421)	(51,520)	(6,525)	(4,406)	(10,760)	1,790	(1,093)
Life Policyholders' AFS Reserve Fund	437,695	(469,286)	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)	(56,350)
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	381,156	381,156	-	-	-
Total Equity	12,517,175	10,276,677	7,799,394	8,123,008	8,194,230	6,714,344	5,744,314	3,796,499	2,697,057	2,283,946
Liabilities										
Insurance Contract Liabilities - Life	38,647,547	30,945,715	24,582,641	20,342,757	17,064,089	14,464,534	12,261,472	10,915,858	8,747,856	7,007,080
Insurance Contract Liabilities - General	4,507,058	4,694,303	4,181,588	3,735,922	3,309,149	2,871,416	2,525,095	2,384,906	1,921,567	1,546,265
Employee Defined Benefit Liabilities	477,315	333,860	236,424	239,167	254,438	167,118	140,356	126,083	90,433	81,001
Current Tax Liabilities	559,876	530,009	253,810	62,168	151,093	112,031	22,541	34,598	3,300	-
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-	-
Reinsurance Creditors	1,000,350	696,915	959,693	1,085,512	700,105	540,652	369,853	353,042	287,895	131,905
Lease Creditor	560,905	450,304	410,719	421,838	393,145	350,089	-	-	-	-
Other Liabilities	3,760,247	2,864,015	2,406,748	1,747,148	1,550,108	1,274,326	1,092,809	896,288	781,246	590,383
Bank Overdraft	418,986	471,271	265,539	111,665	124,305	130,636	122,776	141,660	-	-
Total Liabilities	49,932,284	40,986,392	33,297,162	27,746,177	23,546,432	19,910,802	16,534,902	14,852,435	11,832,297	9,356,634
Total Equity and Liabilities	62,449,459	51,263,069	41,095,556	35,869,185	31,740,662	26,625,146	22,279,216	18,648,934	14,529,354	11,640,580

Statement of Profit or Loss

For the year ended 31st December,	2024	2023*	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	22,737,994	18,760,347	15,637,736	12,646,947	10,398,992	9,942,757	8,724,696	7,821,468	6,656,694	5,447,164
Net Earned Premium	18,351,750	15,699,390	13,087,477	10,755,834	8,926,757	8,473,660	7,448,439	6,392,077	5,597,879	4,725,403
Income from Investments and Other Income	8,173,681	7,565,557	5,174,063	2,918,612	2,720,460	2,470,663	2,178,559	1,911,857	1,298,327	1,049,152
Net Claims and Benefits	(6,711,226)	(6,666,084)	(5,578,997)	(4,223,290)	(3,558,641)	(3,620,775)	(3,236,489)	(2,293,406)	(1,947,645)	(2,117,789)
Change in Contract Liabilities - Life Fund	(7,679,932)	(6,332,739)	(4,340,103)	(3,249,356)	(2,576,169)	(2,173,251)	(1,707,149)	(2,166,427)	(1,708,285)	(1,462,100)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	-	-	381,156	-	-	-
Underwriting and Net Acquisition Costs	(2,749,433)	(2,286,366)	(1,821,540)	(1,456,258)	(1,235,446)	(1,288,068)	(1,125,418)	(1,028,872)	(922,886)	(699,679)
Expenses	(6,671,919)	(5,468,263)	(4,134,978)	(2,997,164)	(2,646,465)	(2,457,338)	(2,358,444)	(1,888,202)	(1,611,869)	(1,325,214)
Profit Before Taxation	2,712,921	2,511,495	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521	169,773
Income Tax (Expenses)/Reversal	(816,060)	(746,846)	(555,398)	(524,730)	(455,273)	(394,663)	1,124,656	(17,275)	(58,108)	27,571
Profit for the Year	1,896,861	1,764,649	1,830,524	1,223,648	1,175,223	1,010,228	2,705,310	909,752	647,413	197,344
Basic and Diluted Earnings per Share (Rs.)	12.65	11.76	12.20	8.16	7.83	20.20	54.11	18.20	12.95	3.95
Basic and Diluted Earnings per Share (Rs.) - Adjusted for Subdivision	12.65	11.76	12.20	8.16	7.83	6.73	18.04	6.07	4.32	1.32
Dividend per Share (Rs.)	3.90*	3.90*	3.65*	3.20*	2.80*	8.00	7.00	6.00	5.00	2.00

* Dividend per share presents after the subdivision.

• Note -The presentation and classification in these Financial Statements are amended/reclassified to ensure comparability with the current year information.



DECADE AT A GLANCE

HNB ASSURANCE PLC/LIFE INSURANCE - COMPANY

Statement of Financial Position

As at 31st December,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	541,118	480,796	260,442	141,390	116,740	111,202	104,487	119,078	112,151	94,107
Right of use Assets	427,016	368,716	343,824	362,336	380,105	325,572	-	-	-	-
Intangible Assets	155,588	57,566	57,054	57,839	62,240	49,830	58,782	57,841	60,882	45,185
Deferred Tax Assets	-	-	-	273,543	725,255	1,000,673	1,280,499	-	-	-
Financial Investments	48,486,327	38,530,656	29,844,875	24,667,102	22,075,265	17,777,410	14,679,706	12,741,015	9,642,596	7,849,625
Investment in Subsidiary	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Loans to Life Policyholders	459,395	441,923	420,914	403,452	379,736	325,307	243,113	162,285	120,441	91,992
Reinsurance Receivables	238,175	325,283	184,249	317,009	172,699	144,715	75,926	65,010	54,814	34,269
Premium Receivables	198,723	45,940	18,547	7,822	4,988	9,458	8,046	7,488	6,805	5,592
Other Assets	906,713	983,945	713,293	507,528	582,321	625,499	575,154	764,256	575,676	493,571
Cash & Cash Equivalents	841,377	666,222	725,420	1,575,931	393,522	632,712	502,561	352,307	476,572	258,222
Total Assets	53,404,432	43,051,047	33,718,618	29,463,952	26,042,871	22,152,378	18,678,274	15,419,280	12,199,937	10,022,563
Equity and Liabilities										
Equity										
Stated Capital	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	8,689,963	7,618,252	6,552,433	5,548,813	4,968,314	4,544,369	4,167,660	2,373,601	1,897,936	1,397,806
Available for Sale Reserve	211,076	106,834	(138,616)	4,446	15,626	9,881	1,451	17,415	(1,465)	53
Other Reserves	(82,179)	(21,175)	3,972	(6,614)	(33,916)	(6,514)	(4,395)	(9,884)	(1,886)	(2,039)
Life Policyholders' AFS Reserve Fund	437,695	(469,286)	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)	(56,350)
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	381,156	381,156	-	-	-
Total Equity	10,809,586	8,787,656	6,693,406	7,032,385	7,260,988	6,277,995	5,515,880	3,776,279	2,875,329	2,511,345
Liabilities										
Insurance Contract Liabilities - Life	38,647,547	30,945,715	24,582,641	20,342,757	17,064,089	14,464,534	12,261,472	10,915,858	8,747,856	7,007,080
Employee Defined Benefit Liabilities	279,864	192,127	142,692	137,328	150,729	100,076	84,840	73,875	50,883	44,008
Current Tax Liabilities	479,148	453,230	209,338	19,871	12,301	16,175	14,708	-	-	-
Reinsurance Creditors	214,999	302,211	227,512	453,054	290,916	125,151	116,268	90,650	39,395	37,547
Lease Creditor	503,233	395,383	376,926	390,374	377,746	334,832	-	-	-	-
Other Liabilities	2,276,075	1,814,178	1,384,408	1,034,819	832,198	802,565	642,470	529,862	486,474	422,583
Bank Overdraft	193,980	160,547	101,695	53,364	53,904	31,050	42,636	32,756	-	-
Total Liabilities	42,594,846	34,263,391	27,025,212	22,431,567	18,781,883	15,874,383	13,162,394	11,643,001	9,324,608	7,511,218
Total Equity and Liabilities	53,404,432	43,051,047	33,718,618	29,463,952	26,042,871	22,152,378	18,678,274	15,419,280	12,199,937	10,022,563

Statement of Profit or Loss

For the year ended 31st December,	2024	2023*	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	13,709,655	10,923,294	8,911,460	7,091,470	5,487,039	5,175,044	4,420,513	3,963,642	3,554,078	2,788,716
Net Earned Premium	12,934,606	10,331,103	8,438,448	6,735,933	5,221,875	4,934,070	4,204,883	3,774,549	3,395,028	2,680,753
Income from Investments and Other Income	7,031,330	6,486,442	4,096,966	2,490,504	2,223,950	2,058,795	1,736,629	1,564,967	1,031,606	783,126
Net Claims and Benefits	(3,007,225)	(2,676,436)	(2,169,527)	(1,646,088)	(1,494,181)	(1,338,015)	(1,066,574)	(575,551)	(401,677)	(280,495)
Change in Contract Liabilities - Life Fund	(7,679,932)	(6,332,739)	(4,340,103)	(3,249,356)	(2,576,169)	(2,173,251)	(1,707,149)	(2,166,427)	(1,708,285)	(1,462,100)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	-	-	381,156	-	-	-
Underwriting and Net Acquisition Costs	(2,466,158)	(1,892,762)	(1,437,045)	(1,098,207)	(888,527)	(959,550)	(847,968)	(822,715)	(748,051)	(544,673)
Expenses	(4,454,151)	(3,646,566)	(2,595,073)	(1,780,575)	(1,487,585)	(1,415,514)	(1,403,129)	(1,049,158)	(911,979)	(719,583)
Profit Before Taxation	2,358,470	2,269,042	1,993,666	1,452,211	999,363	1,106,535	1,297,848	725,665	656,642	457,028
Income Tax (Expenses)/Reversal	(701,759)	(655,723)	(510,046)	(451,712)	(275,418)	(279,826)	1,177,367	-	(56,512)	(29,383)
Profit for the Year	1,656,711	1,613,319	1,483,620	1,000,499	723,945	826,709	2,475,215	725,665	600,130	427,645

* Note -The presentation and classification in these Financial Statements are amended/reclassified to ensure comparability with the current year information.



HNB GENERAL INSURANCE LTD./GENERAL INSURANCE - SUBSIDIARY

Statement of Financial Position

As at 31st December,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	228,520	208,753	157,816	141,494	53,048	51,169	47,072	50,542	49,211	42,172
Right of use Assets	55,535	60,155	32,755	32,812	14,332	18,165	-	-	-	-
Intangible Assets	8,431	6,358	4,064	5,341	6,618	1,957	2,305	-	-	-
Deferred Tax Assets	14,783	1,528	99,430	18,289	13,466	9,038	24,383	64,098	52,922	49,394
Financial Investments	5,818,471	5,324,727	4,779,256	4,426,983	4,291,343	3,424,664	2,899,425	2,313,895	1,901,979	1,901,986
Reinsurance Receivables	1,030,329	1,003,874	860,069	755,197	599,077	500,696	339,847	504,768	439,912	107,085
Premium Receivables	2,081,953	1,923,779	1,835,123	1,240,175	1,106,606	937,192	790,167	778,831	616,489	340,324
Other Assets	396,910	378,257	308,361	253,966	289,379	329,478	270,915	278,711	208,118	141,431
Insurance Contract - Deferred Expenses	33,468	208,471	163,995	157,710	163,619	138,622	140,486	105,287	74,951	65,935
Cash and Cash Equivalents	561,042	456,782	307,885	536,814	317,589	233,131	259,310	289,643	148,955	128,707
Total Assets	10,229,442	9,572,684	8,548,754	7,568,781	6,855,077	5,644,112	4,773,910	4,385,775	3,492,537	2,777,034
Equity and Liabilities										
Equity										
Stated Capital	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Retained Earnings	1,661,762	1,421,612	1,270,282	1,095,867	872,718	421,440	240,876	10,781	(173,306)	(220,589)
Available for Sale Reserve	68,356	67,524	(183,680)	(437)	78,128	14,920	(12,431)	10,315	(8,642)	(7,756)
Other Reserves	(22,529)	(115)	18,386	(4,807)	(17,604)	(11)	(11)	(876)	3,676	946
Total Equity	2,857,589	2,639,021	2,254,988	2,240,623	2,083,242	1,586,349	1,378,434	1,170,220	971,728	922,601
Liabilities										
Insurance Contract Liabilities - General	4,507,058	4,694,303	4,181,588	3,735,922	3,309,149	2,871,416	2,525,095	2,384,906	1,921,567	1,546,265
Employee Defined Benefits Liabilities	197,451	141,733	93,732	101,839	103,709	67,042	55,516	52,208	39,550	36,993
Current Tax Liabilities	80,728	76,779	44,472	42,297	138,792	95,856	7,833	34,598	3,300	-
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-	-
Reinsurance Creditors	785,351	394,704	732,181	632,458	409,189	415,501	253,585	262,392	248,500	94,358
Lease Creditor	57,672	54,921	33,793	31,464	15,399	15,257	-	-	-	-
Other Liabilities	1,518,587	1,260,499	1,044,156	725,877	725,196	493,105	473,307	372,547	307,892	176,817
Bank Overdraft	225,006	310,724	163,844	58,301	70,401	99,586	80,140	108,904	-	-
Total Liabilities	7,371,853	6,933,663	6,293,766	5,328,158	4,771,835	4,057,763	3,395,476	3,215,555	2,520,809	1,854,433
Total Equity and Liabilities	10,229,442	9,572,684	8,548,754	7,568,781	6,855,077	5,644,112	4,773,910	4,385,775	3,492,537	2,777,034

Statement of Profit or Loss

For the year ended 31st December,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	9,121,546	8,036,270	6,821,011	5,648,578	4,997,728	4,818,686	4,340,575	3,906,503	3,141,559	2,698,176
Net Earned Premium	5,510,351	5,489,491	4,743,764	4,113,002	3,790,657	3,590,563	3,279,948	2,666,205	2,241,794	2,084,378
Income from Investments and Other Income	1,176,235	1,110,980	1,208,991	575,720	527,667	490,799	459,800	360,174	273,805	279,041
Net Claims and Benefits	(3,704,279)	(3,990,114)	(3,409,936)	(2,578,755)	(2,064,502)	(2,282,960)	(2,170,792)	(1,718,847)	(1,546,601)	(1,837,294)
Underwriting and Net Acquisition Costs	(299,808)	(409,940)	(397,982)	(376,716)	(366,529)	(344,496)	(289,873)	(214,898)	(177,847)	(160,979)
Expenses	(2,328,048)	(1,957,964)	(1,649,081)	(1,322,084)	(1,256,160)	(1,099,080)	(996,277)	(891,272)	(742,272)	(649,446)
Profit/(Loss) Before Taxation	354,451	242,453	495,756	411,167	631,133	354,826	282,806	201,362	48,879	(284,300)
Income Tax (Expenses)/Reversal	(114,301)	(91,123)	(45,352)	(73,018)	(179,855)	(105,262)	(52,711)	(17,275)	(1,596)	56,954
Profit for the Year	240,150	151,330	450,404	338,149	451,278	249,564	230,095	184,087	47,283	(227,346)



DECADE AT A GLANCE

HNB ASSURANCE PLC - GROUP

Statement of Cash Flows

As at 31st December,	2024	2023*	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Before Tax	2,712,921	2,511,495	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521	169,773
Net Adjustments and net change in Operating Assets and Liabilities	411,412	(900,351)	(444,635)	1,393,116	728,895	255,026	(61,603)	582,782	586,677	999,997
Net Cash Generated from Operating Activities	3,124,333	1,611,144	1,941,287	3,141,494	2,359,391	1,659,917	1,519,051	1,509,809	1,292,198	1,169,770
Net Cash Used in Investing Activities	(2,075,618)	(1,042,621)	(2,531,947)	(1,176,385)	(2,046,474)	(965,285)	(1,080,246)	(1,385,046)	(953,600)	(767,836)
Net Cash Used in Financing Activities	(717,015)	(684,556)	(642,654)	(550,835)	(461,318)	(598,520)	(300,000)	(250,000)	(100,000)	(188,250)
Net Increase/ (Decrease) in Cash and Cash Equivalents	331,700	(116,033)	(1,233,314)	1,414,274	(148,401)	96,112	138,805	(125,237)	238,598	213,684
Cash and Cash Equivalents at the beginning of the Year	651,733	767,766	2,001,080	586,806	735,207	639,095	500,290	625,527	386,929	173,245
Cash and Cash Equivalents at the end of the Year	983,433	651,733	767,766	2,001,080	586,806	735,207	639,095	500,290	625,527	386,929

- Note - The presentation and classification in these Financial Statements are amended/reclassified to ensure comparability with the current year information.

Investor Information

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Return on Equity	16.64%	19.53%	22.99%	15.00%	15.77%	16.22%	56.71%	28.02%	26.00%	8.40%
Market Price per Share as at 31st Dec (VWA) (Rs.)	80.10*	56.60*	42.90*	48.40*	58.20*	138.00	132.00	72.50	58.80	74.60
Price Earning Ratio (Times)	6.33	4.81	3.52	5.93	7.43	6.83	2.44	3.98	4.54	18.89
Earnings Yield	15.79%	20.79%	28.45%	16.85%	13.45%	14.64%	40.99%	25.10%	22.02%	5.29%
Dividend Yield	4.87%	6.89%	8.51%	6.61%	4.81%	5.80%	5.30%	8.28%	8.50%	2.68%
Market Capitalisation (Rs. Mn)	12,015	8,490	6,435	7,260	8,730	6,900	6,600	3,625	2,940	3,730

Employee Information

Number of Employees	1,541	1,453	1,328	1,217	1,145	1,076	992	947	903	836
GWP per Employee (Rs. Mn)	14.76	12.91	11.78	10.39	9.08	9.24	8.80	8.26	7.37	6.52
Net Profit per Employee (Rs. Mn)	1,230.93	1,214.49	1,378.41	1,005.46	1,026.40	938.87	2,727.13	960.67	716.96	236.06

Life Insurance Operation

Net Claims Ratio (With Maturity)	23%	26%	26%	24%	29%	27%	25%	15%	12%	10%
Expense Ratio	54%	53%	47%	42%	45%	49%	49%	49%	48%	46%
Combined Ratio	77%	79%	73%	66%	74%	76%	74%	64%	60%	56%

General Insurance Operation

Net Claims Ratio	67%	73%	72%	63%	55%	64%	66%	64%	69%	88%
Expense Ratio	41%	39%	38%	37%	39%	37%	36%	38%	38%	35%
Combined Ratio	108%	111%	110%	100%	94%	101%	102%	102%	107%	123%

* Market price per share presented after subdivision



GLOSSARY

Acquisition Expenses

All direct and indirect expenses primarily related to acquiring new insurance contracts or renewing of the existing insurance contracts. Eg: Commission

Actuarial valuation

An analysis performed by an Actuary at a specific date, that compares the assets and liabilities to determine if the company holds adequate assets to fund the required liabilities.

Admissible Assets

Assets that included in determining an insurer's statutory solvency. Such assets are specified under the Rules made under the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto.

Beneficiary

An individual or entity named by the policyholder to receive the death benefit upon the insured person's demise.

Claims

A formal request made by a policyholder to an insurance company for coverage or compensation for a loss or damage covered by the insurance Policy.

Claims Incurred

The total value of insurance claims that an insurance company expects to pay out during a specific period.

Claims Incurred But Not Reported (IBNR)

An estimate used in insurance accounting to represent claims that have occurred but have not yet been reported to the insurance company by policyholders or claimants.

Claims Incurred But Not Enough Reported (IBNER)

A reserve made in respect of property, liability and pecuniary insurances to cover the expected losses that have occurred and reported, but no comprehensive information is available to make adequate provisions as at the reporting date.

Claims Outstanding Reserve – General Insurance Business

The amount estimated to settle the claim arising out of an insured event which have occurred on or before the reporting date, excluding the amounts already paid in respect of those claims and the estimated amount in respect of Incurred But Not Reported (IBNR), Claims Incurred But Not Enough Reported (IBNER) claims and claims handling expenses.

Commission

The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Deferred Acquisition Cost – General Insurance Business

Acquisition costs relating to the unexpired risk period of those insurance contracts in force at the reporting date are carried forward from one accounting period to subsequent accounting periods.

Earnings Per Share (EPS)

Profit of the company after income tax expenses divided by the number of issued ordinary shares.

Ex-Gratia Payment

A voluntary payment made by the insurer in response to a loss for which it is not technically liable under the terms of the issued insurance policy.

Gross Written Premium

Premium to which the insurer is contractually entitled and received in the accounting period.

Insurance Contract

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay to the other party the insured sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision – Life Insurance

The fund or funds to be maintained by an insurer in respect of its long term insurance business in accordance with the Regulation of Insurance Industry Act No 43 of 2000.

Investment Contract

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

Lapsed Policy

A policy terminated at the end of the grace period because of non-payment of premiums.

Liability Adequacy Test (LAT)

A periodical assessment of the sufficiency of insurance contract liabilities against the actuarial valuation liabilities.

Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

Net Written Premium

The remaining balance of the Gross Written Premium after the deduction of any premium expenses ceded to reinsurers.



GLOSSARY

Policy Loan

A loan granted by the insurer to the policyholder on the security of the surrender value of a Life insurance policy.

Premium Ceded to Reinsurers

The premium expense of the Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

Reinsurance

An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (cedent- the primary insurer) against part or all of the liability assumed by the cedent under policy or insurance policies.

Reinsurance Commission

Commission/discount obtained in respect of reinsurance premium expense to reinsurers.

Risk Based Capital (RBC)

Amount of required capital that the insurance company must maintain based on the inherent risks in the insurer's operations. These risks include asset depreciation risk, credit receivables risk, underwriting risk and off-balance-sheet risk.

Risk-based Capital Adequacy Ratio (CAR)

The CAR is a measurement of available capital expressed as a percentage of risk weighted credit exposures.

Surrender

Termination of an insurance policy by the insured before the expiry of its term.

Surrender Value

The sum payable by an insurance Company upon the surrender of a life insurance policy before it has run its full course.

Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

Unearned Premium

The portion of insurance premiums that have been collected by an insurance company but have not yet been "earned" by providing coverage for the corresponding period.

Unearned Premium Reserve

A fund kept by General insurer to service the insurance policy for the remaining cover period after the reporting date.

Key Insurance Ratios

$$\text{Net Claims Ratio} = \frac{\text{Net Claims Incurred} \times 100}{\text{Net Earned Premium}}$$

$$\text{Expense Ratio} = \frac{\text{Net Expense Incurred} \times 100}{\text{Net Earned Premium}}$$

$$\text{Combined Ratio} = \frac{(\text{Net Incurred Claims \& Expenses}) \times 100}{\text{Net Earned Premium}}$$

$$\text{Risk-based Capital Adequacy Ratio (CAR)} = \frac{\text{Total Available Capital} \times 100}{\text{Risk Based Capital Required}}$$



GRI CONTENT INDEX

STATEMENT OF USE

HNB Assurance PLC has reported in accordance with the GRI Standards for the period 1st January 2024 to 31st December 2024.

GRI 1 USED

GRI 1 : Foundation 2021

GRI Standard/other source	Disclosure	Location
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organisational details	405-406
	2-2 Entities included in the organisation's sustainability reporting	4
	2-3 Reporting period, frequency and contact point	4-5
	2-4 Restatements of information	226-228
	2-5 External assurance	18-19, 231-234
	2-6 Activities, value chain and other business relationships	46-47
	2-7 Employees	99-111
	2-8 Workers who are not employees	104
	2-9 Governance structure and composition	138
	2-10 Nomination and selection of the highest governance body	145
	2-11 Chair of the highest governance body	134-135
	2-12 Role of the highest governance body in overseeing the management of impacts	142-144
	2-13 Delegation of responsibility for managing impacts	142-144
	2-14 Role of the highest governance body in sustainability reporting	226-227
	2-15 Conflicts of interest	143
	2-16 Communication of critical concerns	142-143
	2-17 Collective knowledge of the highest governance body	26-30
	2-18 Evaluation of the performance of the highest governance body	146
	2-19 Remuneration policies	146-147
	2-20 Process to determine remuneration	146-147
	2-21 Annual total compensation ratio	146
	2-22 Statement on sustainable development strategy	60
	2-23 Policy commitments	139
	2-24 Embedding policy commitments	143, 147
	2-25 Processes to remediate negative impacts	104-105
	2-26 Mechanisms for seeking advice and raising concerns	142-143
	2-27 Compliance with laws and regulations	4
	2-28 Membership associations	4, 139
	2-29 Approach to stakeholder engagement	48-50
	2-30 Collective bargaining agreements	100
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	58
	3-2 List of material topics	59
Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	124-131
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14-15
	201-2 Financial implications and other risks and opportunities due to climate change	57
	201-3 Defined benefit plan obligations and other retirement plans	104, 345-346
Indirect Economic Impacts		
GRI 3: Material Topics 2021	3-3 Management of material topics	59
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	93
Tax		
GRI 3: Material Topics 2021	3-3 Management of material topics	128
GRI 207: Tax 2019	207-1 Approach to tax	128, 363-366
	207-2 Tax governance, control, and risk management	363-366
	207-3 Stakeholder engagement and management of concerns related to tax	50



GRI CONTENT INDEX

GRI Standard/other source	Disclosure	Location
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	59, 123
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	123
	302-4 Reduction of energy consumption	123
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	123
GRI 303: Water and Effluents 2018	303-5 Water consumption	123
Biodiversity		
GRI 3: Material Topics 2021	3-3 Management of material topics	57
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	57
Effluents and Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	59
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	81, 94
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	99-111
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	103-104
G401-2	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	104
G401-3	401-3 Parental leave	109
Training and Education		
GRI 3: Material Topics 2021	3-3 Management of material topics	99-111
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	15, 106
G404-2	404-2 Programs for upgrading employee skills and transition assistance programs	105-106
G404-3	404-3 Percentage of employees receiving regular performance and career development reviews	105
Diversity and Equal Opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	99-111
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	99-111, 141
	405-2 Ratio of basic salary and remuneration of women to men	108
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	99-111
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	104-105
Customer Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	76-79
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	86
Marketing and Labelling		
GRI 3: Material Topics 2021	3-3 Management of material topics	76-79
GRI 417: Marketing and Labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	86
Customer Privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	76-79
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	76



SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

No	Topic	Accounting metric	Category	Unit of measure	Code	Group
1	Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers				HNBA Group did not receive notice of litigation associated with marketing and communication of insurance product related to new and returning customers. Refer Provisions for Liabilities and Contingencies (Note 53 page 374).
		Complaints-to-claims ratio	Quantitative	Rate	FN-IN270a.2	Refer Customer Experience (page 78 to 79).
		Customer retention rate	Quantitative	Rate	FN-IN270a.3	Refer Customer Experience (page 76).
		Description of approach to informing customers about products	Discussion and Analysis	N/A	FN-IN270a.	Awareness done through Social Media, Print & Mass Media. Sales are done by advisors.
2	Incorporation of Environmental, Social, and Governance Factors in Investment Management	Total invested assets, by industry and asset class	Quantitative	Reporting currency	FN-IN410a.1	Refer Financial Investment 11.2.1 (page 317) to 11.4.1 (page 322)
		Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	Discussion and Analysis	N/A	FN-IN410a.2	Refer Fund Management (page 96).
3	Policies Designed to Incentivise Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	Quantitative	Reporting currency	FN-IN410b.1	Not available at present.
		Discussion of products and/or product features that incentivise health, safety, and/ or environmentally responsible actions and/or behaviours	Discussion and Analysis	N/A	FN-IN410b.2	The Super CI cover incorporates a benefit that increases the sum assured by 10% if no claims are informed. Which also move policyholders to maintain better lifestyles.



SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

No	Topic	Accounting metric	Category	Unit of measure	Code	Group
4	Environmental Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	Quantitative	Reporting currency	FN-IN450a.1	Not available at present.
		Total amount of monetary losses attributable to insurance payouts from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	Quantitative	Reporting currency	FN-IN450a.2	Not available at present.
		Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firmlevel risks and capital adequacy	Discussion and Analysis	N/A	FN-IN450a.3	Not available at present.
5	Systemic Risk Management	Exposure to derivative instruments by category: (1) total potential exposure to non centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	Quantitative	Reporting currency	FN-IN550a.1	Not applicable.
		Total fair value of securities lending collateral assets	Quantitative	Reporting currency	FN-IN550a.2	Refer Financial Investment 11.2 (page 316)
		Description of approach to managing capital and liquidity related risks associated with systemic non-insurance activities	Discussion and Analysis	N/A	FN-IN550a.3	Refer Fund Management (page 96)

Activity Metrics

Activity metric	Category	Unit of measure	Code	Group
Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	Quantitative	Number	FN-IN-000.A	Refer Gross Written Premium [GWP] (Note 32 page 352)



NOTICE OF MEETING

Notice is hereby given that the Twenty Third (23rd) Annual General Meeting of HNB Assurance PLC will be convened on Friday the Twenty eighth (28th) day of March 2025, at the Auditorium on Level 22 of "HNB Towers", at No: 479, T. B. Jayah Mawatha, Colombo 10 at 10.00 in the forenoon when the following business will be transacted.

- i. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company along with the Financial Statements of the Company for the year ended 31st December 2024 and the Auditors' Report thereon.
- ii. To declare a first and final dividend of Rs.3.90 per share for the year 2024, to the shareholders as recommended by the Board of Directors.
- iii. To re-elect Prof. Ananda Kithsiri Wijenayaka Jayawardane, who retires at the Annual General Meeting, as a Director of the Company in terms of Article 27(2) of the Articles of Association of the Company.
- iv. To re-elect Dr. Prasanna Sankalpa Gamwarige, who retires by rotation in terms of Article 27(7) of the Articles of Association of the Company and offers himself for re-election.
- v. To re-appoint Messrs. KPMG Sri Lanka Chartered Accountants, as recommended by the Board of Directors, as the Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.
- vi. To consider and if thought fit to pass the following Special Resolutions to amend the Articles of Association of the Company in line with and to comply with the Listing Rules of the Colombo Stock Exchange that are currently in force.

SPECIAL RESOLUTION 1:

IT IS HEREBY RESOLVED THAT Article 28(1) be deleted in entirety and be replaced with the following new Article 28(1):

An Alternate Director shall only be appointed in exceptional circumstances.

IT IS HEREBY RESOLVED THAT Article 28(2) be deleted in entirety and be replaced with the following new Article 28(2):

The Board of Directors of Hatton National Bank PLC may, if a Nominee Director is unable to attend to his duties as a Director, by notice in writing, appoint any person to be an Alternate Director of the Company to act for the Nominee Director, for a maximum period of one (1) year from the date of appointment.

IT IS HEREBY RESOLVED THAT Article 28(3) be deleted in entirety and be replaced with the following new Article 28(3):

A Director (not being a Nominee Director) may, if he is unable to attend to his duties as a Director, by notice in writing under his hand, appoint any person to be an Alternate Director of the Company, subject to the applicable laws and regulations, for a maximum period of one (1) year from the date of appointment.

IT IS HEREBY RESOLVED THAT Article 28(4) be deleted in entirety and be replaced with the following new Article 28(4):

Such Alternate Director shall be entitled to receive notices of all meetings of Directors and to attend and vote as Director at any such meeting at which the Director is not personally present and to exercise (in addition to his own right of voting as a Director) the rights of the Director at meetings of the Board. The attendance of any Alternate Director at any meeting, including a Board committee meeting, at which the appointer is absent, shall be counted for the purpose of quorum at such meeting.

IT IS HEREBY RESOLVED THAT the following be included as Article 28(5):

If an Alternate Director is appointed for a non-executive Director, such Alternate Director shall not be an executive of the Company.

IT IS HEREBY RESOLVED THAT the following be included as Article 28(6):

If an Alternate Director is appointed by an independent Director, such Alternate Director so appointed shall meet the criteria for independence of the Listing Rules of the Colombo Stock Exchange.

IT IS HEREBY RESOLVED THAT the following be included as Article 28(7):

An Alternate Director shall ipso facto cease to be an Alternate Director if his appointor ceases for any reason to be a Director.

IT IS HEREBY RESOLVED THAT the following be included as Article 28(8):

The person appointing an Alternate Director may by notice in writing at any time remove the Alternate Director and appoint another person as the Alternate Director.

SPECIAL RESOLUTION 2:

IT IS HEREBY RESOLVED THAT Article 52(1) be deleted in entirety and be replaced with the following new Article 52(1):

Where the Company is required to send any notice, financial statement, report or other document to a shareholder, it shall be sufficient for the Company to send the notice, financial statement, report or other document by post to his registered address or by electronic mail to an electronic mail account/address notified by the shareholder in writing to the Company. Any notice, financial statement, report or other document sent by post, is deemed to have been received by the shareholder within three (3) working days of the posting of a properly addressed letter containing the notice, financial statement, report or other document. Where electronic mail is used, the notice, financial statement, report or other document shall be deemed to have been received by the shareholder upon the dispatch of the same by the Company through electronic mail.



NOTICE OF MEETING

IT IS HEREBY RESOLVED THAT Article 52(5) be deleted in entirety and be replaced with the following new Article 52(5):

Any notice required to be given by the Company to the Directors, shareholders (or any of them) and/or auditors and any communication between the Company, its Directors, shareholders shall be sufficiently given if the notice or communication is published on the official website of the Company and/or published on the official website of the Colombo Stock Exchange (if the Company is listed on the Colombo Stock Exchange) and/or given by advertisement, except where otherwise expressly provided for by these Articles or by law.

vii. To authorise the Directors to determine payments for the year 2025 for charitable and other purposes.

The circulars to shareholders regarding (a) the 'Circulation of the Annual Report to the Shareholders' and (b) the 'Amendment of the Articles of Association of the Company' have been uploaded to the Company's website and may be accessed via the links below:

<https://www.hnbassurance.com/download>

The Annual report of HNB Assurance PLC for 2024 will be available via the links below once the Financial Statements for the year ended 31st December 2024 are released to the Colombo Stock Exchange:

(1) Company Website:

<https://www.hnbassurance.com/finance>

(2) Colombo Stock Exchange:

<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=HASU.N0000>

By Order of the Board

HNB ASSURANCE PLC

A. H. M. N. Madhubhashini Bakmedeniya

Board Secretary

Colombo, Sri Lanka.

18th February 2025

NOTES:

1. A member entitled to attend or attend and vote at the meeting is entitled to appoint a proxy to attend or attend and vote as the case may be, in his stead.
2. A proxy need not be a member of the Company. The Form of Proxy is enclosed.
3. The completed Form of Proxy should be deposited with the Board Secretary at the Corporate Office of the Company at Legal & Company Secretarial Division, 4th Floor, "Iceland Business Centre", No: 30, Sri Uttarananda Mawatha, Colombo 3, not later than 24 hours before the time appointed for holding the meeting.



FORM OF PROXY

I/We
of being *a
member/members of the HNB Assurance PLC, hereby appoint of

.....
or failing him/her Stuart Anthony Chapman, or failing him Ashoka Goonesekere, or failing him Lintotage Udaya Damien Fernando, or failing him Prasanna Sankalpa Gamwarige, or failing him Prawira Rimoe Saldin, or failing him Ananda Kithsiri Wijenayaka Jayawardane, as *my/our proxy, to represent *me/us and to vote for *me/us on *my/our behalf on the resolutions (including the under mentioned) at the Twenty Third (23rd) Annual General Meeting of the Company to be convened on Friday the Twenty Eighth (28th) day of March 2025 at 10.00 in the forenoon at the Auditorium on Level 22 of "HNB Towers" at No: 479, T. B. Jayah Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

1.	To receive, consider and adopt the Annual Report for the financial year ended 31st December 2024 with the Report of the Auditors thereon	In favour	
		Against	
2.	To declare a first and final dividend of Rs.3.90 per share	In favour	
		Against	
3.	To re-elect Prof. Ananda Kithsiri Wijenayaka Jayawardane, who retires at the Annual General Meeting in terms of Article 27(2) of the Articles of Association, as a Director of the Company	In favour	
		Against	
4.	To re-elect Dr. Prasanna Sankalpa Gamwarige, who retires by rotation in terms of Article 27(7) of the Articles of Association, as a Director of the Company	In favour	
		Against	
5.	To re-appoint Messrs. KPMG Sri Lanka Chartered Accountants, as the Auditors for the ensuing year and authorise the Board of Directors to fix their remuneration	In favour	
		Against	
6.	To pass Special Resolution 1 To pass Special Resolution 2	In favour	
		Against	
7.	To authorise the Board of Directors to determine payments for charitable and other purposes	In favour	
		Against	

Mark your preference with "✓"

Signed this..... day2025

Please provide the details :

Shareholder's NIC No./Company Registration No.

Folio No./Number of Shares held

Proxy holder's NIC No. (if not a Director)

.....
Signature/s

.....
Signature/s

Notes: See reverse hereof for instructions to complete the Proxy

*Delete inappropriate words



FORM OF PROXY

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Proxy should be deposited with the Board Secretary at the Corporate Office of the Company located at Legal & Company Secretarial Division, 4th Floor, 'Iceland Business Centre', No: 30, Sri Uttarananda Mawatha, Colombo 3, not later than 24 hours before the time appointed for the Meeting.
3. The Proxy shall:
 - (a) in the case of an individual, be signed by the shareholder or by his attorney. If signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy, if it has not already been registered with the Company.
 - (b) in the case of a company or corporate body, be executed under its Common Seal or signed by its attorney or by an officer on behalf of the company or corporate body, in accordance with the Articles of Association of that company or corporate body.

The Company may but shall not be obligated to require evidence of the authority of such an attorney or officer.
 - (c) in the case of joint-holders, the first joint-holder shall have the power to sign the Proxy without the concurrence of the other joint-holder/s.
4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should, as far as possible, be placed in proximity to the alteration or addition being authenticated.
5. Kindly be informed that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolution.



STAKEHOLDER FEEDBACK FORM

To request information or submit a comment / query to the company, please complete the following and return this page to,

Board Secretary
HNB Assurance PLC,
Legal and Company Secretarial Division
Iceland Business Center
No.30, Sri Uttarananda Mawatha,
Colombo 03,
Sri Lanka.
Fax: 0112337423
E-mail: board.secretariat@hnbassurance.com

Name:

Permanent Mailing Address:

Contact Number	(Tel):
	Contry Code	Area Code	Number
	(Fax):
	Contry Code	Area Code	Number

E-mail:

Name of Company:.....
(If Applicable)

Designation:.....
(If Applicable)

Company Address:.....
(If Applicable)

Comments/Queries:.....
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CORPORATE INFORMATION

GENERAL INFORMATION

NAME OF THE COMPANY

HNB Assurance PLC

SUBSIDIARY

HNB General Insurance Limited is the fully owned subsidiary of HNB Assurance PLC

General	HNB Assurance PLC	HNB General Insurance Limited
Legal Form	Public Limited Liability Company incorporated in Sri Lanka on 23rd August 2001 under the companies Act No 17 of 1982 and re-registered under the companies Act No.07 of 2007 and quoted in the Colombo Stock Exchange in 28th November 2003.	Limited Liability Company, incorporated in Sri Lanka on 30th January 2014 under the companies Act No.07 of 2007.
Company Registration Number	PQ 108	PB 5167
Principal Activities	Life Insurance Business	General Insurance Business
Accounting Year-end	31st December	31st December
National Insurer Financial Strength Rating	A(lka) Fitch Ratings	A(lka) Fitch Ratings
Taxpayer Identification Number (TIN)	134009373	139051670
VAT Registration Number	134009373-7000	139051670-7000
Principal Officer	Lasitha Wimalaratne	Sithumina Jayasundara
Specified Officer	Dinesh Udawatta	Sithumina Jayasundara
Company Secretary	Madhubhashini Bakmedeniya	Yoga Gunadasa
Contact Information	Telephone : +9411 4793700 E-mail : info@hnbassurance.com Web : www.hnbassurance.com Assurance Line : 1301	Telephone : +9411 4676700 E-mail : info@hnbgeneral.com Web : www.hnbgeneral.com Hot Line : 1303

REGISTERED OFFICE

No.479, T B Jayah Mawatha, Colombo 10, Sri Lanka

PRINCIPAL OFFICE

No.30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03, Sri Lanka.

PROFESSIONAL EXPERTISE -HNBA GROUP

REGISTRARS

Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre 341/5, Kotte Road, Rajagiriya, Sri Lanka.

CONSULTANT ACTUARIES

Life Insurance & General Insurance

Willis Towers Watson India Private Limited

7th Floor, Emaar Capital Towers 2, Mehrauli-Gurgaon Road | Sector 26 | Gurugram – 122 002
Haryana, India

Gratuity

Actuarial & Management Consultants (Pvt) Limited. No. 434, R A De Mel Mawatha, Colombo 03.

EXTERNAL AUDITORS

KPMG

Chartered Accountants

32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186, Colombo 03, Sri Lanka



CORPORATE INFORMATION

REINSURANCE PANEL

Life Insurance

Munich Re
RGA
Hannover Re

General Insurance

Best Meridian International Insurance Company SPC
MISR Insurance Company
The New India Assurance Co Ltd
New Reinsurance Company Ltd
The Asian Reinsurance Corporation
Petro Vietnam Insurance (PVI)
National Insurance Trust Fund (NITF)
General Insurance Corporation - India
PT Asuransi Tugu Pratama Indonesia Tbk
Lancashire Syndicates Limited (9329 at Lloyds)
Antares Syndicate 1274 (AUL 1274 at Lloyds)
Ocean Underwriting Consortium 4872
Fidelis Underwriting Limited
Hannover Rück SE

BANKERS

Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Bank of Ceylon
People's Bank
National Savings Bank
Housing Development Finance Corporation Bank of Sri Lanka
DFCC Bank PLC
Pan Asia Banking Corporation PLC
National Development Bank PLC
Seylan Bank PLC
Nations Trust Bank PLC
Amana Bank PLC
Regional Development Bank
Cargills Bank PLC
Union Bank of Colombo PLC
Sanasa Development Bank
State Mortgage and Investment Bank

BOARD OF DIRECTORS

Mr. Stuart Chapman	Chairman- Non Independent/Non-Executive Director (HNBA/HNBGI)
Mr. Ashoka Goonesekere	Senior Independent/Non-Executive Director (HNBA)
Mr. Damien Fernando	Non-Independent/Non-Executive Director (HNBA/HNBGI)
Mr. Lakshman Silva	Independent/Non-Executive Director (HNBA)
Dr. Sankalpa Gamwarige	Independent/Non-Executive Director (HNBA)
Mr. Rimoe Saldin	Non-Independent/Non-Executive Director (HNBA)
Prof. Ananda Jayawardane	Non-Independent/Non-Executive Director (HNBA)
Mr. Dinesh Dharmadasa	Senior Independent /Non-Executive Director (HNBGI)
Mr. Sanjaya Wijemanne	Non-Independent /Non-Executive Director (HNBGI)
Mr. Arjuna Abeygunasekara	Non-Independent /Non-Executive Director (HNBGI)
Ms. Paramadayalanie Abeygunawardana	Independent/Non-Executive Director (HNBGI)

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Photography by Wildlight (Pvt) Ltd

No.30, Iceland Business Centre,
Sri Uttarananda Mawatha,
Colombo 03, Sri Lanka.



www.hnbassurance.com