

A GIANT BY YOUR SIDE

ANNUAL REPORT 2023



AIA



HEALTHIER, LONGER,
BETTER LIVES

AIA INSURANCE LANKA LIMITED

Global Insights Local Expertise

At AIA, our dreams are big. Our purpose, even bigger. And our strength, gigantic. We are driven by the mission of helping people live healthier, longer, better lives and our goal is to positively impact one billion people across Asia, by 2030. With this giant vision at the heart of everything we do, we continue to take strides in positively impacting and engaging Sri Lankans, be it our customers, our employees or the communities in which we serve.

Backed by the hundred-year legacy and mammoth strength of Asia's leading life insurer, AIA Group, together with our deep local roots and long-standing

experience in Sri Lanka, we are the epitome of a World-Class Sri Lankan.

With unparalleled financial strength and stability entwined with the sincerest commitment to our customers, communities, and country, we are your trusted and reliable partner in life. If your dreams are as big as ours and you are looking for a giant to protect those dreams, we are there by your side, every day, in every way.

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ABOUT US

OUR VISION

Being the pre-eminent life insurance provider in Sri Lanka.

OUR PURPOSE

To play a leadership role in driving economic and social development in Sri Lanka, while helping Sri Lankans live a healthier, longer, better life.

OUR HISTORY

AIA Group Limited ("AIA Group") Hong Kong, via its wholly owned subsidiary, AIA Company Limited ("AIA CO") Hong Kong, acquired an indirect controlling equity stake of 87.28 per cent in AIA Insurance Lanka Limited ("AIA Insurance Lanka") in December 2012 via AIA CO's direct purchase of the entire shareholding of AIA Holdings Lanka (Private) Limited ("AIA Holdings Lanka"), the majority shareholder of AIA Insurance Lanka. Consequent to the additional acquisition by AIA CO of a further direct five per cent equity holding in AIA Insurance Lanka, AIA Group's consolidated indirect equity holding in AIA Insurance Lanka increased to 92.28 per cent, with the remainder being held by the public.

Pursuant to a series of corporate re-structures within the prevailing legal and regulatory regime, AIA Holdings Lanka subsequently became the sole shareholder of AIA Insurance Lanka on 13 October 2020 with a registered holding of 100 per cent of AIA Insurance Lanka's issued and fully paid ordinary (voting) shares ("Shares"). AIA Insurance Lanka ceased to be a single shareholder company in the year 2022 pursuant to AIA CO being registered as a new shareholder of AIA Insurance Lanka with a direct 15.12 per cent minority equity holding in AIA Insurance Lanka and with the balance 84.88 per cent majority equity holding being held by AIA Holdings Lanka. AIA Group thus continues, as at date, to hold (via its fully owned direct and indirect subsidiaries AIA CO and AIA Holdings Lanka, respectively), a consolidated indirect equity holding of 100 per cent in AIA Insurance Lanka. This is consistent with the target operating model followed by AIA Group, where its insurance operating units are held as wholly owned subsidiaries wherever possible and permissible, with the ultimate parent company, AIA Group being the only publicly listed entity.

BRANCH OFFICES

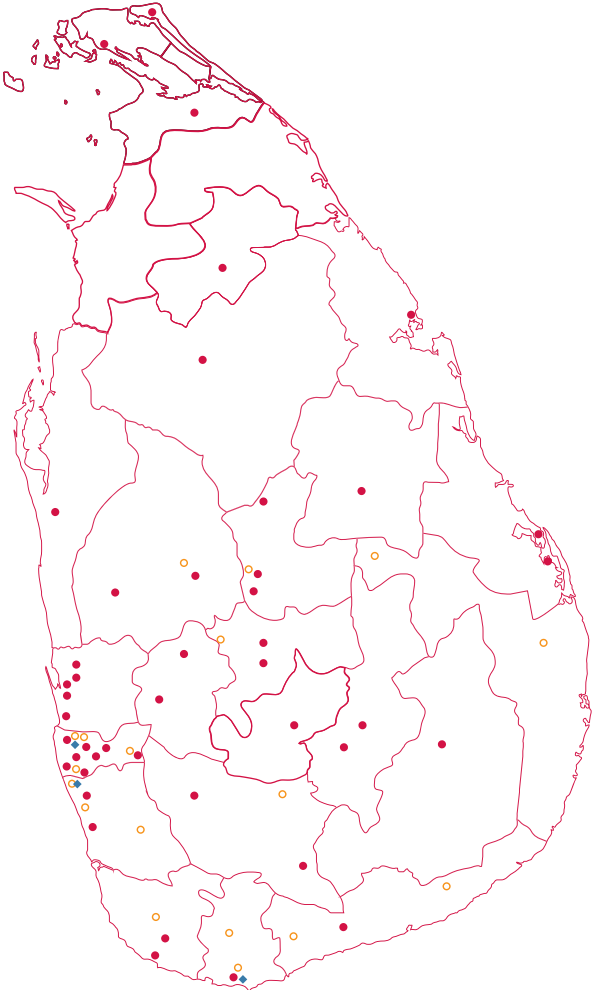
- Ambalantota
- Anuradhapura
- Avissawella
- Badulla
- Bandarawela
- Battaramulla
- Batticaloa
- Chilaw
- Colombo
- Dambulla
- Embilipitiya
- Galle
- Gampaha
- Gampola
- Horana
- Ja-Ela
- Jaffna
- Kalawanchikudi
- Kalutara
- Kandana
- Kandy
- Karapitiya
- Kegalle
- Kilinochchi
- Kiribathgoda
- Kuliyapitiya
- Kurunegala
- Maharagama
- Mahiyanganaya
- Mannar
- Matale
- Matara
- Mirigama
- Monaragala
- Moratuwa
- Negombo
- Nelliady
- Nugegoda
- Nuwara Eliya
- Polonnaruwa
- Ragama
- Ratnapura
- Trincomalee
- Vavuniya
- Wennappuwa

AREA DEVELOPMENT OFFICES

- Akuressa
- Ampara
- Baddegama
- Balangoda
- Battaramulla
- Beliatte
- Colombo
- Dehiattakandiya
- Homagama
- Kandy
- Mathugama
- Matara
- Mawanella
- Moratuwa
- Panadura
- Piliyanadala
- Thissamaharama
- Wariyapola

REGIONAL DEVELOPMENT OFFICES

- Panadura
- Kadawatha
- Matara



PRESENCE IN 18 MARKETS

In the Asia-Pacific region

**100% FOCUSED ON
ASIA-PACIFIC**



1919 China	1982 Macau
1931 Hong Kong	1984 Indonesia
1931 Singapore	1987 Korea
1938 Thailand	1990 Taiwan
1947 Philippines	2000 Vietnam
1948 Malaysia	2001 India
1957 Brunei	2012 Sri Lanka
1972 Australia	2013 Myanmar
1981 New Zealand	2015 Cambodia

**THE LARGEST LISTED COMPANY
ON THE HONG KONG
STOCK EXCHANGE**

which is incorporated and
headquartered in Hong Kong

**AIA IS A LEADING LIFE
INSURER IN THE WORLD BY
MARKET CAPITALISATION**

As at 30 June 2023

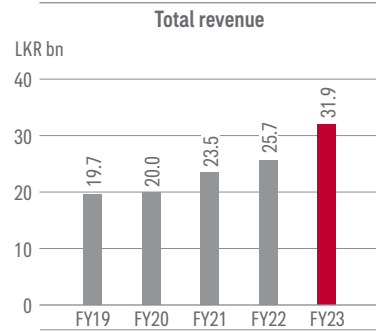
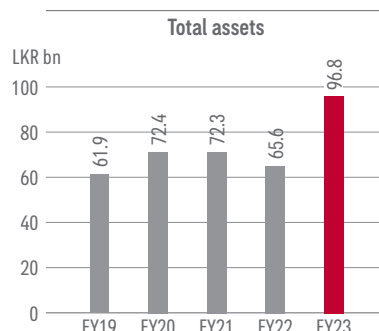
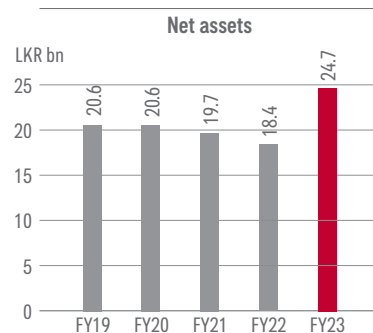
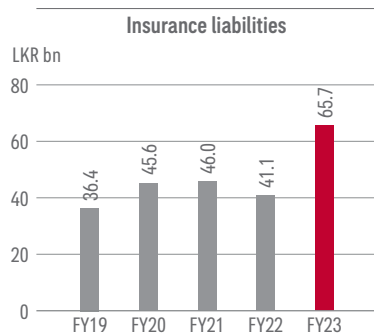
Financial Highlights - Group		2023	2022	%
Total revenue	(LKR mn)	31,923	25,736	24.04
Profit before tax	(LKR mn)	3,596	1,093	229.01
Gross written premium	(LKR mn)	18,799	17,568	7.01
Net assets	(LKR mn)	24,683	18,391	34.21
Total assets	(LKR mn)	96,838	65,640	47.53
Insurance liabilities	(LKR mn)	65,678	41,137	59.66
Basic earnings per share	(LKR)	68.10	23.39	191.15
Dividend per share	(LKR)	-	35.00	NA

▲ **18.8** | Gross Written Premium
LKR billion | 2022 : LKR 17.6 billion

▲ **31.9** | Total Revenue
LKR billion | 2022 : LKR 25.7 billion

▲ **24.7** | Net Assets
LKR billion | 2022 : LKR 18.4 billion

▲ **96.8** | Total Assets
LKR billion | 2022 : LKR 65.6 billion



OUR ESG STRATEGY AND BEYOND



OUR PURPOSE

Helping people live healthier,
longer, better lives

OUR WHAT

Taking responsibility for ESG
impacts – internal, value chain, wider
society – set and refine targets and
actions

OUR HOW

Integrating ESG in our business
strategy, operations and culture

SUSTAINABLE OPERATIONS



AIA Sri Lanka was awarded the ISO 14064-1:2018 Green House Gas Emissions verification in the year 2023, which affirms principles and requirements at an organisation level, for the quantification and reporting of green house gas emissions. AIA Sri Lanka is set to be the first in the local industry as well as AIA Group to obtain this verification.



The AIA Go Green concept was revisualised with the World Environment Day 2023 celebrations where all employees were dressed in green and were provided with environmentally friendly healthy meals throughout the day. The Executive Committee further pronounced their commitment to environmental sustainability with planting of organic trees at the roof top green garden.



AIA Sri Lanka's effort to omit plastic and polythene was reaffirmed with the World Environment Day concept of #BeatPlasticPollution and an environmentally friendly 'back to office' pack to all employees.



In its efforts to advocate digital solutions for day-to-day operations, AIA Sri Lanka created the need to run a workplace that minimises the use of physical paper in favour of digital documents. Considering these efforts, all forms of customer communication are now via digital modes.



The roof top garden was further expanded with a herbal garden to the existing organic garden concept.



Continued efforts to promote organic home grown produce amongst employees in their own homes, advocating self-sustainability. AIA Sri Lanka also partnered with Dilmah Conservation to have our employees educated on conservation initiatives, along with on-site visits to their conservation sanctuary, and concluding the plethora of green initiatives. The green champions were granted the green conservation certification by Dilmah Conservation in 2023.

ENVIRONMENTAL RETURN ON AIA'S INVESTMENT

83
Fully Grown Trees
SAVED



8,557
Litres of Oil
SAVED



19,504
kwh of Electricity
SAVED



154,959
Litres of Water
SAVED



4,876
Kg's of Carbon Equivalent
REDUCED





I'm pleased to report that AIA Sri Lanka delivered another year of strong performance in 2023.

2023 was a significant year for the Company, during which we have further expanded our distribution capacity. In November 2023, we entered into a long-term exclusive bancassurance partnership with Commercial Bank of Ceylon PLC, the largest private bank in the Country.

As we step into 2024, the Company continues to focus on increasing financial inclusion in Sri Lanka and contributing to the Country's resilient economy. Moreover, AIA Group will continue to invest in the Company, demonstrating its ongoing commitment to Sri Lanka.

I'm pleased to report that AIA Sri Lanka delivered another year of strong performance in 2023. Both Agency and Partnership Distribution channels demonstrated significant recovery in sales momentum since the economic crisis in the Country in 2022.

The Sri Lankan economy has seen a remarkable recovery in 2023, with macroeconomic indicators normalising from the extreme levels observed in 2022. However, over the medium term, high inflation and higher direct and indirect taxes continue to affect consumer purchasing power. AIA Sri Lanka continued to support Sri Lankans by providing life insurance propositions that meet their fast-evolving need for financial security.

2023 was a significant year for the Company, during which we have further expanded our distribution capacity. In November 2023, we entered into a long-term exclusive bancassurance partnership with Commercial Bank of Ceylon PLC, the largest private bank in the Country.

As a testament to our unwavering commitment to our customers, we have been honoured with the award 'Sri Lanka's Most Respected Insurer' (compiled by LMD based on a survey commissioned to NielsenIQ 2023).

The Company delivered a Gross Written Premium (GWP) of LKR 18.8 billion in 2023, an increase of LKR 1.2 billion, reflecting a year-on-year growth of 7.0 per cent. The

consolidated Profit After Tax (PAT) was recorded at LKR 2,467 million, a three-fold increase over the previous year.

Despite the turbulence observed in the broader economy over the last few years, AIA Sri Lanka continued to have superior financial stability, demonstrated by our strong Capital Adequacy Ratio (CAR). In 2023, the CAR was reported at 602.0 per cent, one of the highest levels in Sri Lanka's life insurance industry. This is more than five times the stipulated regulatory minimum of 120.0 per cent, and provides assurance to our policyholders that we have the resources to stand by our commitment to them.

Owing to the significant investments made over the last few years on building digital capabilities, we have been able to elevate our customer experience, strengthen our distribution, and enhance overall efficiency across all supporting functions. AIA Sri Lanka is backed by the strength of AIA Group, the largest independent publicly listed Pan-Asian life insurance group, that has made substantial investments in technology, digital and analytics over the past three years to enhance and differentiate our Premier Agency and Partnership channels.

As we step into 2024, the Company continues to focus on increasing financial inclusion in Sri Lanka and contributing to the Country's resilient economy. Moreover, AIA Group will continue to invest in the Company, demonstrating its ongoing commitment to Sri Lanka.

On behalf of the Board of Directors, I would like to express my appreciation to the team at AIA Sri Lanka for their unwavering strength and perseverance in supporting Sri Lankans to live healthier, longer, better lives.



Tan Hak Leh
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

2023 was a landmark year in the 37 year history of AIA Sri Lanka where we once again demonstrated excellence, not just in business volumes, but across all aspects of our operations.

During the year we solidified our foundations to prepare ourselves towards our ambitions.

AIA Sri Lanka is steadfast in safeguarding our promise to our customers with our financial strength. Our Capital Adequacy Ratio (CAR) of 602.0 per cent by end 2023 which is five times the regulatory threshold is a testament to this promise.



2023 was a landmark year in the 37 year history of AIA Sri Lanka where we once again demonstrated excellence, not just in business volumes, but across all aspects of our operations.

During the year we solidified our foundations to prepare ourselves towards our ambitions. We showed resilience throughout the crisis and recorded our highest ever Annualised New Premium (ANP) in history, in the second half. Continuing our momentum in to 2023, we were able to record a high double-digit growth in ANP in 2023. This is reflective of the perseverance and tenacity of our distribution force and employees. The aforesaid achievement was well contributed to by Agency and Partnership Distribution, as well as our other sales units.

Challenges in the operating environment have reduced compared to crisis hit 2022, but impediments related to affordability, stemming from the higher inflation base and income tax hikes remain deterrents to faster industry growth. The superior business performance of AIA Sri Lanka was despite these challenges.

For 2023, we recorded a Gross Written Premium (GWP) growth of 7.0 per cent. This together with the risk weighted robust growth in investment income, had resulted in a Total Income growth of 24.0 per cent for the year. Expense curtailment was done carefully without inhibiting business growth or employee benefits. Despite the tough times, the Company recorded a consolidated Profit After Tax of LKR 2,466 million which is a three-fold increase over the prior year.

AIA Sri Lanka is steadfast in safeguarding our promise to our customers with our financial strength. Our Capital Adequacy Ratio (CAR) of

602.0 per cent by end 2023 which is five times the regulatory threshold is a testament to this promise. During the year, we were not only able to maintain a strong balance sheet but also invest for long-term strategic business growth and envisaged market dominance.

Our Agency force demonstrated a stellar growth in business volumes in 2023 supported by the strengthened Agency force, higher activation, and focused customer segmentation. In December 2023, the AIA Sri Lanka Agency channel recorded one of the highest ANP in the industry. During the year, investments have been made to expand the size of the Agency force which will pave the way for industry growth over the coming years. Our Agency channel continues to operate with a 'digital first' mind-set where point of sales digital adoption has exceeded 90.0 per cent.

The Partnership Distribution channel also recorded the best ANP performance in history in 2023. The channel also recorded an exponential growth over the last year, which was strongly supported by both exclusive partnerships, NDB Bank PLC and DFCC Bank PLC delivering results that exceeded expectations. The shift of the Partnership Distribution channel towards High Net-Worth customer segments have allowed the channel to record a sharp incline in average case size in new business. The Channel maintains a 100.0 per cent digital adoption rate.

In November 2023, AIA Sri Lanka entered a long term exclusive bancassurance partnership with Commercial Bank of Ceylon PLC. This is a landmark partnership in the Sri Lankan life insurance industry and will greatly contribute to our combined offering of financial solutions in the medium to long-term.

During the year, our marketing strategy was redefined to best fit the on-ground distribution dynamics whilst staying true to the AIA Group brand purpose of helping people live, healthier, longer and better lives. Our visibility expanded noticeably across the Country which is demonstrated by the increase in brand awareness, preference and consideration amongst other key brand indices. Amongst the many brand recognition awards during the year, the one that stands out most is that AIA Sri Lanka was recognized as 'Sri Lanka's Most Respected Insurer' (compiled by LMD based on a survey commissioned to NielsenIQ), which we at AIA Sri Lanka wear with a lot of pride. As at 2024, AIA Sri Lanka was also recognized as the 'Best Life Insurance Company' in Sri Lanka for the fifth consecutive year (Global Banking Finance 2019, 2020, 2023) and Capital Finance International (2021, 2022, 2023).

We are fully aware of the rising insurance needs of Sri Lankans. As such, we have introduced two products during the year to best cater to our valued customers. The stand-out new product offering is the '*AIA Health Passport*' which is a pure health protection cover that has been designed to give all Sri Lankans affordable access to world class health care across the globe. We also launched '*AIA Wealth Builder*' at the beginning of the year which is a single pay unit linked product which offers attractive returns despite the declining interest rates in the market.

AIA Sri Lanka continues to be the industry leader in innovation and digital transformation. We were the first to fully digitalise the issuance of policy documents which has also contributed to reducing our carbon footprint. We are equipped with comprehensive end-to-end digital platforms which ensure that

CHIEF EXECUTIVE OFFICER'S REVIEW

our customers and agents have an unconstrained and seamless experience. Our Technology Digital and Analytics (TDA) journey that we started in 2020 has come to a successful closure with all KPIs reaching expected outcomes. AIA Group's investments since 2020 for digital transformation across Asia has benefitted us to elevate our digital standards.

AIA Sri Lanka Operations continued to provide the best service to customers and agents during the year, which is reflected in our improved Net Promoter Score. From underwriting to claims and settlements, we have been pioneering the industry with our industry leading personnel who are well equipped with the latest technology and global exposure. In 2023, we moved a significant part of our policy book to AIA Re (the fully owned Reinsurance subsidiary of AIA Group). Notably, AIA Sri Lanka continues to have the highest non-medical policy limits in the industry. The cadre in the Operations team has been strengthened to enable processing of higher business volumes in 2024 and beyond, given the strategic business growth opportunities we initiated.

We are the first IFRS 17 ready life insurer in the industry from FY 2023 onwards which demonstrates another example of our strength and capability to be future ready in all aspects of our operations.

At AIA Sri Lanka, we consider our employees as our most important resource. As such, we continue to invest in people growth and ensure we provide the best working environment. In 2023, AIA Sri Lanka was recognised as a Great Place to Work® for the 11th consecutive year. We are the only life insurer to receive such a recognition. In addition to the above, we have also been recognised

as a Great Place to Work for Women and Millennials. We are also the first insurer to receive the 'Edge Certification' by Edge Assess Foundation which is the highest standard for gender equality.

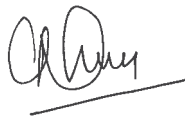
As a socially responsible organisation, we have always been at the forefront of contributing to the society that we operate in. We continue our commitment towards the future wellbeing of the nation via our flagship projects; the AIA Poson Safety Programme and the AIA Higher Education Scholarships Programme, which are two of the longest running Corporate Social Responsibility (CSR) initiatives in the Country. We also continued our support to the Sri Lanka Cancer Society which helps underprivileged cancer patients in the Country.

In 2023, we have seen almost all macroeconomic KPIs normalising from crisis hit 2022. Nevertheless, the impact to household incomes from higher inflation base, direct and indirect taxes remain a challenge at an industry level. Despite such short-term challenges, we believe that the life insurance industry in Sri Lanka has tremendous growth potential given the significant under-penetration. AIA Sri Lanka is very well geared to address this situation and adequately capitalised to face any market volatility as we have demonstrated in the past.

I extend my appreciation to our Chairman Mr. Tan Hak Leh and Board of Directors for their guidance. To AIA Sri Lanka's Executive Committee team, it has been a privilege to lead the Company through some tough times with you and I thank you for your fighting spirit and camaraderie. Our teams across the island including our sales force have been amazing. Our regulators, business partners and our valued customers, thank you for the continuous trust you placed in us.

We remain committed to helping all Sri Lankans live healthier, longer and better lives.

Our journey towards market leadership in Regular Premium business continues in 2024.



Chathuri Munaweera
Chief Executive Officer



MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

In 2023, Sri Lanka demonstrated remarkable resilience, tenacity, and perseverance amidst unprecedented economic challenges, setting the foundation for the envisaged economic recovery in 2024. The successful progress of the International Monetary Fund (IMF) Extended Fund Facility (EFF) played a pivotal role in bolstering macroeconomic stability and ensuring the Country's debt sustainability. Despite the challenges faced by the Country, AIA Sri Lanka achieved noteworthy milestones, marking one of its most successful years with significant year-on-year business growth. Further, AIA Sri Lanka rolled out many initiatives for our customers and communities and we take pride in our ability to support and assist our valued customers during these challenging times, enabling them to continue their journey with AIA. The efforts enabled AIA Sri Lanka to complete the year as a life insurer with one of the largest renewal premium bases in Sri Lanka. This is a testament to the trust placed on us by our customers, continuing their journey with the Company.

The management discussion and analysis outlined herein offers an overview of the economic factors that influenced AIA Sri Lanka's business environment and provides a comprehensive summary of the Company's performance in the year 2023.

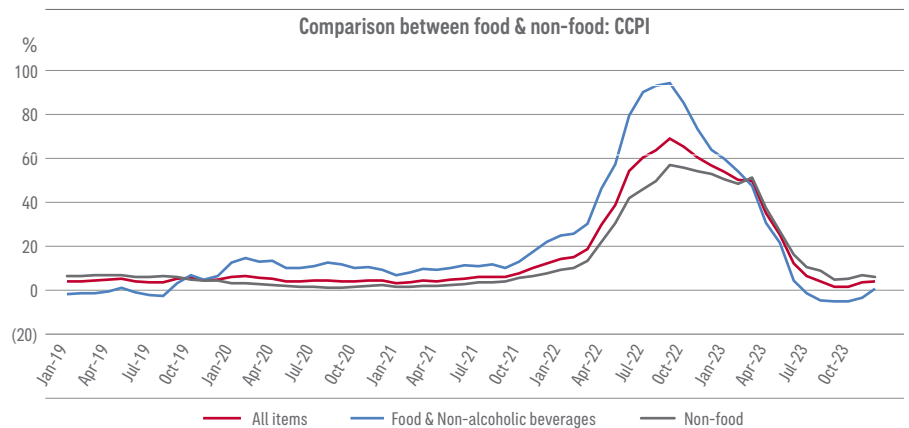
ECONOMIC REVIEW

The Sri Lankan economy was resilient as it weathered through turbulent economic events and is now in a recovery mode in the aftermath of the economic crisis, while operating under challenging conditions. The overall economy contracted during the year 2023 due to several macroeconomic factors. Tax hikes to

support the Government's revenue mobilization drive, elevated price levels and higher interest rates resulted in restricted demand levels in the economy. The Country witnessed high inflation levels grappling the economy during the first half of the year. To address this issue, the Government raised policy interest rates on several occasions during the year.

In March 2023, Sri Lanka officially received approval for the 48-month EFF programme of the IMF which gave access to nearly USD 3.0 billion bailout money to support the economic reforms and structural changes. This paved the way for debt sustainability and brought in confidence in terms of economic recovery for the Country. However, this was followed by uncertainties regarding the sovereign debt restructuring process and concerns on the banking sector stability due to the deterioration of the asset quality. Aiming to avoid additional stress to the banking sector, banks were excluded from the Domestic Debt Optimization (DDO) process announced in end June 2023. As part of the DDO, it was decided to convert treasury bills to long-term treasury bonds with a step-down coupon structure and to encourage superannuation funds to participate through a tax incentive. Furthermore, to receive continuous support from the IMF, the Government ensured that most quantitative revenue targets and structural indicators were met which included boosting the government tax revenue by widening the tax net and introducing new tax reforms. Through foreign aid received from the Asian Development Bank (ADB) and other sources, the Government has been able to boost the foreign currency reserve of the Country to USD 4.4 billion in December 2023.

As economic conditions eased, business sentiment improved gradually throughout the year as measured by the business condition survey which depicted continuous increase. Furthermore, stresses to financial markets have also been relatively low compared to 2022 as measured by the Financial Stress Index. On the other hand, as the Country overcame food and energy shortages and gradually returned to normal conditions while external sector performance too regained momentum as tourism earnings and workers' remittances improved. However, S&P and Fitch have maintained their rating outlook on the Country, at Restricted Default (RD) category.

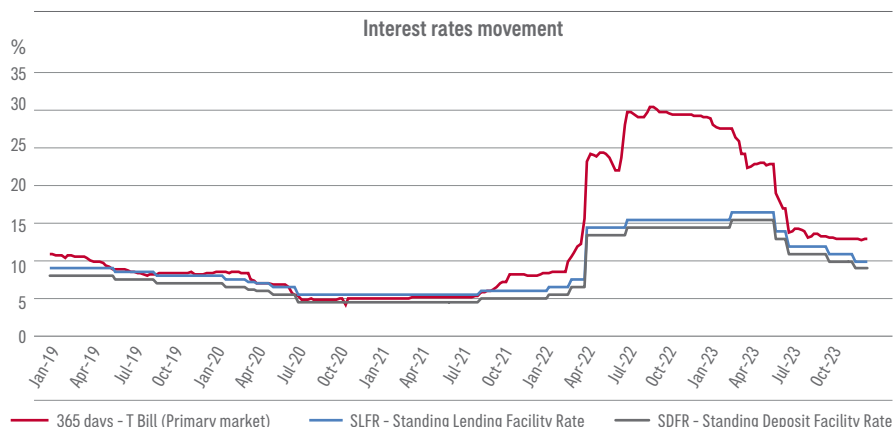


Inflation

Headline inflation as measured by the Colombo Consumer Price Index (CCPI), reached a peak of 51.7 per cent year-on-year in January 2023, but gradually declined throughout the year as disinflation set in reaching a low level of 1.3 per cent in September 2023. This has been in line with the flexible inflation targeting (FIT) framework of the Central Bank of Sri Lanka (CBSL), which aims at maintaining headline inflation at a target level of 5.0 per cent over the medium term to support economic growth. Meanwhile food and non-food inflation too returned to normal levels after reaching peak levels in January 2023.

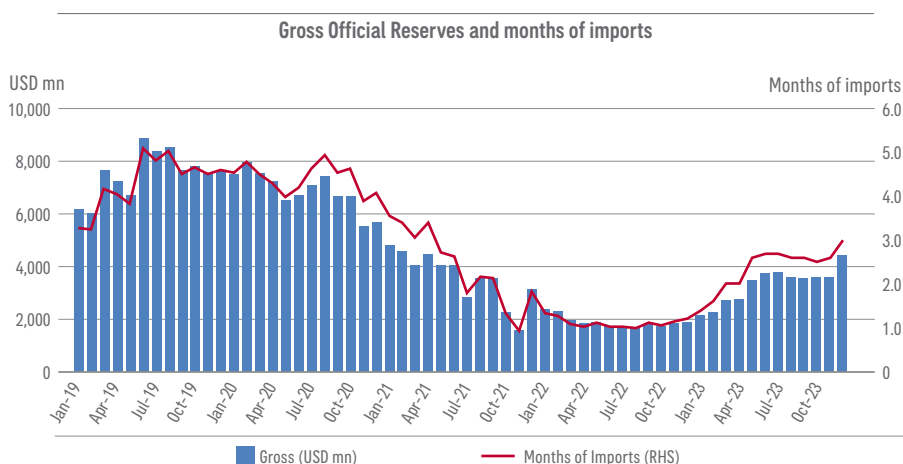
Interest rates

As inflationary pressures eased, the monetary policy action taken by the CBSL also relaxed with policy interest rates declining by 650 bps during the year. Government security yields which initially were at a remarkably high level, were also on a downward trajectory due to having adjusted to macroeconomic conditions and the effects of monetary policy decisions. At the beginning of January 2023, the benchmark of the 1-year T-bill yield which hovered at 29.21 per cent, declined to 12.92 per cent by the end of December 2023. This had a positive impact on the economy as the cost of borrowing for individuals reduced, and demand for credit levels improved which facilitated an upward economic cycle. However, government securities as investment instruments lost their popularity due to the declining interest rate trend and as a result the government bond auctions have not been fully subscribed in the latter half of 2023. Furthermore, the yield curve normalization, albeit at a slower pace, has been in effect throughout the year as the gap between short and long-term yields narrowed.



Foreign exchange

The Sri Lankan rupee experienced an appreciation of 13.0 per cent against the US dollar from LKR 371.61 as at the end of 2022 to LKR 328.78 as at the end of December 2023 in comparison to the sharp depreciation experienced in the previous year. The import restrictions which prevailed in the first half of 2023 too helped in reducing pressure on the exchange rate. The rupee appreciation was facilitated by increased inflows due to conversion of export proceeds, higher worker remittances and tourism earnings, and influx of foreign investments in the stock market and government securities. Meanwhile, the accumulation of Gross Official Reserves (GOR) which reached USD 4.4 billion on a cumulative basis in December 2023 together with funds received from the Asian Development Bank and the World Bank aided the Government in maintaining the exchange rate at flexible levels. However, in the second half of 2023, significant rupee depreciation was experienced due to the exchange of Sri Lanka Development Bonds (SLDBs) with Treasury bonds under the DDO which increased forex demand levels. Furthermore, as most import restrictions were relaxed and demand for energy related imports increased, exchange rate pressures were also created.



Equity market

The equity market volatility of Sri Lanka gradually declined in 2023 in comparison to the previous year. The ASPI and S&P SL 20 indices both grew by 25.5 per cent and 16.4 per cent respectively during the year of 2023. Market sentiment improved during the year primarily with the Government securing the IMF assistance to participate in the EFF programme. However, economic

MANAGEMENT DISCUSSION & ANALYSIS

contraction which occurred during the year continued to lower the performance of listed companies which had an adverse impact on the share prices. While economic sectors displayed varying levels of volatility, banks and energy sectors were the most volatile whereas household & personal products, insurance & healthcare equipment and services sectors were the most stable. Meanwhile, foreign interest in the share market was also low as domestic macroeconomic conditions were not favourable and overall, the share market remained lackluster with a low turnover level.

REGULATORY UPDATE

The Insurance Regulatory Commission of Sri Lanka (IRCSL) conducted an onsite inspection at the Company in line with standard regulatory monitoring activities. The objective of the inspection was to evaluate the financial position and affairs of the Company, its ability to meet the obligations as they fall due, and to assess compliance with the Regulation of Insurance Industry Act No. 43 of 2000 (RII Act) and related IRCSL requirements. The inspection report did not highlight any significant matters.

The IRCSL together with the Financial Intelligence Unit (FIU) of the Central Bank conducted a separate onsite inspection to verify the status of compliance with the Financial Transactions Reporting Act No. 06 of 2006. This review also did not report any significant non-compliances and the recommendations made have already been implemented by the Company.

Direction #01 of 2001 issued by the IRCSL which stipulated conditions to be considered when declaring dividends to shareholders by insurance companies was amended

on 30 September 2023 and the Company complied with the new requirements.

The Company engaged with the IRCSL in various discussions and deliberations individually as well as through the Insurance Association of Sri Lanka (IASL) during the year. The Company also participated in information gathering exercises leading to the Domestic Debt Optimization programme of the Government of Sri Lanka.

INDUSTRY REVIEW

The industry review is based on the provisional figures provided by the IASL and the statistical review published by the IRCSL for 2022.

In 2023, the life insurance industry recorded a growth of 18.9 per cent in First Year Premium (FYP) which reflects that the industry has sufficiently recovered from the previous year. 2022 was a crisis hit year, which only recorded a growth of 2.8 per cent in FYP growth.

The growth in 2023 is despite the higher inflation base and elevated direct and indirect taxes which hamper consumer spending power, especially given that life insurance is a discretionary product in the consumer basket.

Renewal Year Premium (RYP) growth in 2023 has declined to 6.7 per cent compared to the 11.9 per cent growth recorded in 2022. This was expected as the collection impact of the 2022 policy block comes in to play in this year's RYP.

Regular Premium has recorded a growth of 10.0 per cent in 2023 which is slightly higher than the growth observed in the prior year.

Single Premium and Group Premium represented 24.8 per cent of total GWP in 2023 which is marginally

higher than in the previous year. The skewness of some industry players towards single pay products amidst the high interest rates environment that prevailed till mid 2023 is likely to deplete gradually as interest rates have normalised.

AIA Sri Lanka continues to be focused on Regular Premium business as the core business segment.

Reflecting all aforesaid business segments, Gross Written Premium (GWP) has recorded a growth of 12.2 per cent in 2023 which is up from the 9.2 per cent observed in the prior year. The Sri Lankan life insurance industry continues to be dominated by a few companies where the top six companies accounting for 84.6 per cent of GWP. Life insurance penetration in 2022 has declined to 0.6 per cent from 0.7 per cent observed in 2021. This is due to the inflated denominator in the calculation which is the nominal GDP.

It is evident that life insurance players are seeking non-Agency distribution avenues to enhance market reach. Such developments are expected to be prominent and persistent in 2024 and beyond given the rising financial inclusion and digital adoption of individuals and households. Furthermore, substantial investments are made by large players in the industry towards digitalising lead generation and conversion. We also notice training and development of insurance sales personnel elevating steeply with notable investments into digital learning. AIA Sri Lanka has been in the forefront of providing strategic collaborative direction to the industry in relation to new initiatives.

Medium to long-term growth outlook of the life industry remains intact given significant under-penetration, however a short-term slowdown is

expected due to the increase in cost of living. AIA Group is focused on the long-term insurance growth prospects of the Country and remains positive on the economic revival of the Country.

BRAND REVIEW

AIA Sri Lanka unwaveringly upheld its brand purpose, dedicated to helping all Sri Lankans live healthier, longer, and better lives. Amidst challenging circumstances, the Company remained steadfast in its commitment to customers, the community, and the nation. Embodying the essence of being a reliable pillar for the Country and its people in times of need, AIA Sri Lanka strategically defined initiatives that aimed at uplifting and empowering communities, while solidifying its identity as a World-Class Sri Lankan. As such AIA Sri Lanka becomes a part of a purposeful mission led by AIA Group to positively impact one billion lives across Asia by 2030.



Empowered by the support of a multinational powerhouse and armed with a profound understanding of local nuances, AIA Sri Lanka seamlessly blended global excellence with authentic Sri Lankan roots. This unique fusion propelled the brand to international acclaim, securing the title of the Best Life Insurance Company in Sri Lanka for the fifth consecutive time (as acknowledged by the Global Banking and Finance Review in 2019, 2020, 2023 and Capital Finance International in 2021, 2022, 2023). The past year witnessed substantial strides in brand awareness, preference and consideration, reinforced by numerous awards recognizing the brand's growth, superior service, innovative insurance solutions, and overall value proposition. The journey of success fuels our pride, and our unwavering commitment propels us toward sustained accomplishments. The brand was also recognized as the Most Respected Insurer in Sri Lanka (compiled by LMD based on a survey commissioned to NielsenIQ 2023).

In the realm of social media, AIA Sri Lanka emerged as a digital trailblazer, boasting the highest number of subscribers on LinkedIn and YouTube (as of January 2024), and securing positions among the top three in the industry on Facebook, Instagram, and LinkedIn (as of January 2024). The brand's focus on engagement has resulted in a significant growth in terms of social media engagements with a year-on-year growth of 52.0 per cent in 2023. As we

reflect on our achievements, we look ahead with a renewed determination to continue our journey of success and service excellence in the coming year, while deeply embracing our purpose of helping Sri Lankans live healthier, longer, better lives.

CUSTOMER REVIEW

At AIA Sri Lanka, customers come first

AIA Sri Lanka remains steadfast in its commitment to enhancing the customer experience through continuous digital transformation and process improvements. The Company is dedicated to ensuring utmost satisfaction for its valued clientele by encouraging the use of digital platforms for insurance premium payments and policy document access via the AIA customer portal at the safety and comfort of their homes. These initiatives not only streamline processes but also contribute to environmental sustainability. Moreover, AIA Sri Lanka encourages existing customers to reinvest for enhanced protection.

Engaging and rewarding customers

AIA Sri Lanka maintains a steadfast commitment to fortifying its First-Class customer proposition. Carefully crafted to cater to the discerning high-end customer segment, this experience offers exclusive benefits and privileges. The Company's initiative to reward policyholders with higher life coverage underscores its dedication to promoting comprehensive life protection.

Above and beyond life Insurance

AIA Sri Lanka continues to redefine industry standards by offering a comprehensive value proposition that extends beyond life insurance products. The Company has introduced new telemedicine providers, 'Flash Health' and 'Doc990', as part of its Health and Wellness ecosystem. Additionally, in partnership with 'Flash Health',

AIA Sri Lanka facilitates island-wide medicine delivery. Exclusive discounts are also available through partnerships with 'Unilever Pureit' and 'Vision Care Optical'. 'My Dentist' offers special rates on dental treatments, while 'Vida Medical Clinic' and the 'Teardrop Luxury Hotel chain' extends exclusive benefits to AIA First-Class customers. AIA Sri Lanka believes that providing these value-added propositions enables customers to lead healthier, longer, and better lives.

PRODUCT REVIEW

Our range of products and propositions provides top-tier protection, health, and long-term saving solutions to meet diverse customer needs. Our goal is to offer comprehensive financial protection against life's potential risks and uncertainties. Looking at the Sri Lankan context, the decline in disposable income has had a significant impact on health expenses. Approximately 45.0 per cent* of Sri Lankans are now covering their health expenses out of their own pockets, and that underscores the financial strain imposed on households. The situation has been worsened by the substantial increase in the prices of almost all drugs, with costs surging by 30.0 per cent* to 40.0 per cent*, making essential medications less affordable for the average citizen. With over 5.7 million* Sri Lankans requiring hospitalisation each year, the burden on families to finance these medical treatments is substantial. This healthcare cost dilemma stresses the urgent need for measures to alleviate the financial pressure on individuals and ensure that healthcare remains accessible and affordable for all segments of society.

Though the Sri Lankan public healthcare system provides free healthcare to all Sri Lankans, people were experiencing many obstacles such as long queues in hospitals and lack of access to medicines and drugs because of the economic crisis. This instability that occurred in the public healthcare system led to a shift in customer preference and perceptions towards private hospitalisation. Further, with the rise in the inflation rate, the cost of major surgeries and treatments increased by more than 60.0 per cent**. Therefore, people explored a solution for their health protection as they realised the value of having the right health insurance solution. In this regard a significant gap was identified in the current portfolio in terms of 'pure health protection' solution. Identification of this gap in our proposition mix and the increasing market demand for private healthcare influenced the development of AIA Sri Lanka's latest health proposition, 'AIA Health Passport' in 2023.

The 'AIA Health Passport' offers a comprehensive worldwide hospital expense coverage at an affordable premium. This was initially launched as a rider cover for the 'AIA Super Protector' product, with the objective of catering to customers seeking pure protection without a savings fund at maturity. 'AIA Health Passport' was then attached to the Company's flagship retirement product, 'AIA Smart Pensions Plus'. By combining a retirement product with a Hospital Expense Cover (HEC), the customers were given the opportunity to secure not only their financial goals but also safeguard themselves and their families against unexpected medical expenses. This proposition proved to be a prudent and practical solution for people to strike a balance between growing their wealth and safeguarding their health. It was instrumental in elevating our brand purpose to enhance the wellbeing and longevity of Sri Lankans.



*Source : Ministry of Health 2020 / Department of Census & Statistics / NDTV / Central Bank of Sri Lanka / UNICEF Report

** Source : All treatments costs are gathered from a desk survey done with private hospitals. These costs are in average. There might be variations based on the exact condition of the patients.

Our 'health with life insurance' plan '*Health Protector*', caters to those seeking a comprehensive health coverage, allowing the freedom to choose medical treatments globally. With market-leading features, this plan offers flexible benefit values, providing up to LKR 50.0 million yearly for worldwide hospitalisation expenses, coverage for 37 critical illnesses, 250 listed surgeries, per-day hospitalisation cover globally, and the option to extend coverage to family members.

The Company's flagship retirement product '*Smart Pensions Plus*' is a cost-effective and thorough retirement solution ensuring a stress-free and comfortable retirement, while providing financial security for loved ones in the event of the life assured's demise. '*Easy Pensions Plus*', our pre-packaged retirement solution is the most flexible and versatile product with convenient payment features.

'*Smart Wealth*' is a savings plan that meets protection and savings needs, featuring limited premium paying periods, robust returns, and extended coverage.

'*Super Protector*' and '*Super Protector Flexi*' are pure protection products, that offer an increasing life benefit customisable from LKR 1.0 million to LKR 500.0 million, with optional benefits for personalised protection.

All products provide additional covers like accidental death, permanent disability, family income, premium protection, critical illness, hospital expense, hospitalisation, spouse, and child life cover.

BUSINESS REVIEW

Agency Distribution channel

The Channel continued its growth trajectory to mark yet another successful year in 2023 with 23.0 per cent growth in comparison to 2022, which depicted the highest annualized new business premium volume generated in the history of the Channel amidst the prevailing economic conditions of the Country.

The Agency channel took strategic steps forward to strengthen the sales force, through quality recruitment including initiating regional development offices, and sustain a higher volume growth, which fuelled a higher sales force activation. The recruitment tactics leaned more towards female recruitment targeting homemakers, teachers, and women who are goal-oriented with an entrepreneurial mindset, which supported the Company's drive to empower the women of the Country.

Whilst growing the sales force, the Channel continued to invest in digitising the agent-level access to information via digital platforms (iAgent) whilst further enhancing the Standing Instructions (SI) attachment via the Quick Pay app to ensure the uninterrupted premium flow of the new business.

Moreover, the Channel improved its average premium size by entering mass affluent customer segments with a wide range of products on offer, which was further reinforced by the timely launch of a new health-focused product to improve health propositions. This attracted more customers in a backdrop of increasing medical expenses in the Country.

The Agency channel further reinforced its pensions market via the launch of 'Wife Pension විකල්ප' campaign to provide a different view

to protecting and empowering the women around us, which helps AIA Sri Lanka to further strengthen its contribution to the family's wellbeing.

Premier Agency Circle (PAC), the Centre for Premier Agency Development, has topped its previous best in 2022 with modest growth which will continue to develop high-performing agents, provide a platform for leader development with quality recruitment.

Partnership Distribution channel

The Partnership Distribution channel celebrated 18 years of bancassurance journey as the pioneer in the industry. Despite the challenging economic outlook of the Country, the Channel recorded a double-digit growth in 2023. The superior growth was a result of unmatched relationships with our partners and connected stakeholders. Continued focus on agile operating models to best fit our partners yielded strong volumes through each partnership. An adaptive skill development approach for all stakeholders, including partner employees, elevated the customer centricity of distribution. The accelerated business acquisition strategy ensured a rapid expansion of the Channel by securing the largest bancassurance deal in Sri Lanka, with the largest private bank in Sri Lanka.

The digital enablement was always at the centre of the Channel and remains a key improvement area. As a part of this in 2023, the Partnership Distribution channel digitalized total activity management, mapping it against the customer's 'buy' journey.

The journey towards a promising 20 years of the Channel was celebrated in early 2024 through enhanced product propositions, improved engagement and embarking on new business avenues, to help partner clients to live healthier, longer, better lives.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL REVIEW

We believe that delivering seamless customer experience and faster turnaround times will lead to excellent customer satisfaction and diverse business advantages, ultimately ensuring sustained profitability. End-to-end straight through processing is important to provide this experience to our customers and as of end December 2023 we achieved almost 60.0 per cent of the customer transactions automated across business acquisitions, policy servicing and claims journeys.

In the year 2023, we reached a significant milestone with the successful launch of a key project; the introduction of a single page policy certificate which is an industry first initiative. This certificate serving as a comprehensive set of benefits for policy holders and also acts as tangible evidence, affirming the contractual agreement. Notably it complements our customized digital policy initiated in 2022, aligning seamlessly with our commitment to the Company's Environmental, Social, and Governance (ESG) strategy. This certificate has acquired widespread acceptance from both our valued customers and the dedicated sales force. Its adoption as an alternative to traditional physical documents has not only proven to be more sustainable approach but has also resulted in substantial cost savings and noteworthy reduction in paper consumption. This initiative has driven e-policy adoption to an impressive 97.0 per cent in 2023, showcasing the positive impact of our commitment to innovation, customer centric solution and sustainable practices.

The adoption of digital communication initiatives, including the Ivory system and our Customer Portal in support of the 'Go

Green' concept, have resulted in a remarkable shift, with 91.0 per cent of our customer communications now conducted digitally. Our commitment to digital interactions has notably enhanced efficiency, with an impressive 75.0 per cent of customer transactions related to business acquisitions, policy servicing and claims are being completed within one day emphasizing our dedication to swift and customer friendly processes. The customer portal has achieved remarkable milestones, by an increased adoption rate surpassing a significant number of registrations by the end of 2023. In our ongoing commitment to customer satisfaction, the Portal will further be enhanced to provide a broader range of services seamlessly within seconds, reinforcing our commitment to deliver unmatched service excellence to our valued customers.

Our unwavering commitment revolves around delivering a top-notch customer experience at every step of the AIA Sri Lanka customer journey. In 2023, our focus on fair underwriting solutions, flexible revival options, consistent follow ups, automated interactive voice response (IVR) facilities, streamlined documentation through end-to-end digital processes and expedited claims settlement played a pivotal role in improving customer retention leading to long-lasting relationships with our valued customers. Additionally, our dedicated conservation team continued to provide support, successfully facilitating the revival of policies, and contributing to recover LKR 2.0 billion Gross Written Premium (GWP) through policy revivals.

System improvements in operations were also focused on automating the controls applicable to the Operations division during 2023. All the controls applicable to operations successfully

automated within the year 2023 resulting elevation of quality and accuracy of service performance.

The strategic initiatives undertaken by the Operation function, combining advancements in technology with the delivery of unparalleled services to our customers, resulted in delivering on our purpose of helping them to live healthier, longer, better lives.

PEOPLE REVIEW

At AIA Sri Lanka, we don't simply believe in being 'the best'. We believe in 'better' because there's no limit to how far 'better' can take us. We empower our people to find their 'better'; in the work they do, the career they build, the life they live and the difference they make.

Our purpose of helping people live healthier, longer, better lives, is at the heart of everything we do. It is embedded in the core of our people proposition and bringing health and well-being for our employees at work.

We promote the best talent by providing a dynamic environment that brings people with diverse backgrounds, skills and ideas together and create a work environment where everyone has a fair opportunity to learn, grow and fulfil their career dreams as individuals.



AIA Group Chief Executive / President's visit to Sri Lanka



Company Conference 2023

Beyond a Great Workplace

AIA Sri Lanka marked a remarkable year with the Company clinching the Best Workplaces Award for the eleventh consecutive year, Best Workplaces for Women for the sixth consecutive year and the Best Workplaces for Millennials for the second time.

In 2023, AIA Sri Lanka passed the rigorous measurements through analysis of results of the Great Place to Work Trust Index® and Culture Audit® questionnaire and scored among the best in the Country, thus differentiating itself as a great workplace for all employees, having established AIA Sri Lanka as a superlative employer of choice.

Additionally, AIA Sri Lanka achieved the prestigious EDGE Certification, affirming the Company's unwavering commitment to fostering workplace diversity, equity, and inclusion.

Further, our CEO, Chathuri Munaweera, was recognized as the 'Emerging Corporate Leader of The Year' at the Top 50 Global Professional & Career Women Awards. Her unwavering dedication and unparalleled leadership is reflected through this achievement.

These are testaments of AIA Sri Lanka creating a safe environment for employees where people can enjoy a balance between personal wellbeing and career growth whilst ensuring equal opportunities for everyone.

Creating a level playing ground for all!

Fostering an equitable culture for our employees is a commitment that we place at all levels.

Marking another milestone in AIA Sri Lanka's diversity drive, the company celebrated the one-year anniversary of its women's programme, 'ආයු සුරකින AIA', in partnership with IFC-DFAT Women in Work programme, followed by an evening of celebration.

The name of the programme gives a wholesome meaning of how AIA Sri Lanka protects and cares for women. At the same time, it also reflects the contribution made by our women employees towards the success of AIA Sri Lanka. The programme was launched in 2022 to offer insurance solutions, financial literacy training, networks, recognition, and access to information for Sri Lankan women.

Since its launch, AIA Sri Lanka has reached over 500,000 women through several initiatives across different strategic pillars to empower women internally and externally. These initiatives include rolling out International Finance Corporation (IFC) developed Gender Sensitivity Training (GST) programme and including it to sales training modules to ensure Wealth Planners are able to better engage and increase their responsiveness to the needs of women customers, recruiting a gender-balanced workforce, partnering with Women's Chamber of Industry and Commerce (WCIC) to engage and empower more women, launching a women-specific product 'She Protect' and AIA Sri Lanka's special insurance plan to ComBank's Anagi customers helped expand its customer base and increase the number of women customers. These initiatives reflect AIA Sri Lanka's unwavering commitment to empowering women and building a more inclusive and gender-equal society.

MANAGEMENT DISCUSSION & ANALYSIS

Our comprehensive '100 Working Day Motherhood Benefit' allows our female employees to have an extended maternity leave and flexi work arrangements. Not forgetting our male employees, we provide '10 Working Day Paternity Benefit' allowing more time to be spent with their family and the newborn. The reimbursable allowance of 'New Parents Support Scheme' allows our new parents, to reimburse the expenses of purchases of essentials for their newborn baby and related childcare payments, up to a maximum of LKR 5,000.0 per month. Understanding the challenges of being new parents, we have introduced a dedicated support line to assist our employees entering into new parents' journey.

AIA Sri Lanka adopts a zero-tolerance policy against discrimination and harassment in every form that enables creating a safe and comfortable environment for women to work and grow.



As a Company that is driven by the brand purpose of encouraging people to live healthier, longer, better lives; we created a flexible work environment to offer a balanced work culture.



Me@AIA Wellbeing Programme

At AIA Sri Lanka, bringing healthier, longer, better lives is at the heart of everything we do. It is embedded in the core of our people proposition, supporting the health and well-being of our employees at work.

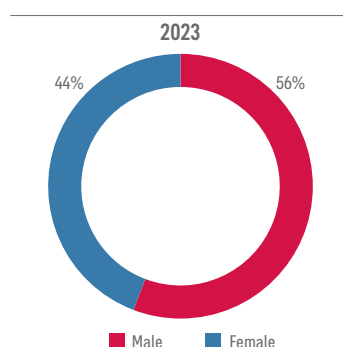
Our workforce well-being framework has evolved into work well with AIA Sri Lanka. We look at well-being at workplace through Live Well, Think Well, Feel Well and Plan Well pillars. Creative initiatives were designed throughout the year focusing on these four pillars. Physical wellness enhanced through nutrition programs, health talk sessions and physical activities such as Zumba classes. The 24/7 counselling support line is a key highlight under mental wellness pillar and further this was promoted through awareness sessions and talk shows with leaders sharing their experiences. Employees' financial literacy was enhanced through awareness forums on currency depreciation, best investment options etc. The social wellness is focused through employee led CSR. Our 'people led' CSR initiatives contribute to build our people's pride and emotional bond towards



Inclusive Workplace Training

OUR PEOPLE

The Company's workforce comprised of 845 employees in the permanent carder with a healthy mix of female and male employees by the end of the year 2023. The female employee population was above 44.0 per cent as at end 2023.



the Company's success whilst providing an opportunity to partner in conducting socially meaningful work.

The Rooftop Model Garden was an industry-first initiative that encouraged employees to start their own edible home gardens while advocating self-sustainability. During the year, the rooftop model garden was expanded with herbal plants, to add more value to our green initiatives. The Rooftop Model Garden was initiated as a part of encouraging home gardening concept among employees which supports their self-esteem, reduce stress, family union, eat healthier and saving money. Employees get the opportunity to visit the garden and spend time while experiencing mental peace.

Our performance driven culture is continuously supported by development initiatives. Over 95.0 per cent of our total employees were given learning opportunities in accordance with the 70:20:10 learning model. Overcoming many challenges faced due to the pandemic / economic crisis, we initiated comprehensive programmes to promote digital / hybrid learning. All our employees have access to over 9,600+ LinkedIn courses through our Workday platform. Along with digital learning, we adopted the blended approach of 70:20:10 which included cross functional project-based learning, mentoring, coaching, formal learning, overseas conferences, and secondments amounting to over 30,000 training hours with an average of 34.5 training hours per active learner.



2023 Sinhala / Tamil New Year Celebrations



LEAP to LEAD Leadership Development Programme for Agency Distribution Cluster Manager level



Aspire to Ascend New Manager Development Programme

MANAGEMENT DISCUSSION & ANALYSIS



Yuthukama 800+ Agency Distribution Workshop

AIA SRI LANKA CSR ACTIVITIES

AIA Continues to Support SOS Monaragala Children's Village

In its ongoing commitment to social responsibility, AIA Sri Lanka continues to make an annual donation to the Monaragala SOS Children's Village. The Company is delighted in helping underprivileged children by supporting their education and improving their daily lives. At AIA Sri Lanka, we believe in making a positive impact beyond insurance. The ongoing efforts reflect AIA Sri Lanka's core values of community and compassion, aiming to brighten their future and bring smiles to their faces.



Fifth year of partnership with Cancer Society of Sri Lanka

AIA Foster Parenting Scheme

The Foster Parenting Scheme was conducted in collaboration with the SOS Children's Villages. This programme was initiated with the aim of providing financial support for underprivileged children under the age of 18 years of age who needed a safe, stable, and nurturing home. This year employees volunteered to support and improve the lives of 40 children across Jaffna, Nuwara Eliya, Piliyandala, Galle and Anuradhapura SOS Villages in Sri Lanka.

Further in collaboration with the Company's CSR efforts, on World Children's Day, employees made contributions to donate stationery and medicine for the children in SOS Villages.

AIA partners Lanka Alzheimer's Foundation (LAF) in support of raising awareness

AIA Sri Lanka partnered with Lanka Alzheimer's foundation in raising awareness on Alzheimer's and other types of dementia. Sri Lanka is one of the fastest growing ageing populations in the Asian region and studies have estimated the rise in dementia cases to increase to almost half a million of the population by the year 2050. As a responsible corporate that aims to help communities live healthier, longer and better lives, AIA Sri Lanka understands the risk of such diseases. To this end, AIA Sri Lanka made a donation to LAF and extended support to raise awareness on early detection and preventive measures of Alzheimer's.

AIA contributes to the Sri Lanka Cancer Society, with fifth year of partnership

AIA Sri Lanka renewed the partnership with and continues to support the Sri Lanka Cancer Society for the fifth year. With a steadfast commitment to helping people live healthier, longer, better lives, AIA Sri Lanka continues to donate LKR 100.0 on behalf of every new policy sold since 2019. Funds donated by AIA Sri Lanka over the years are being used by the Cancer Society for the provision of care and solace to needy cancer patients as well as increasing awareness on the prevention and treatment of cancer, which is a rapidly growing concern in Sri Lanka.

AIA Poson Safety Programme 2023

Now in its 28th year, this national safety programme is one of the longest standing CSR projects in the Country. Three lives saved and zero deaths were reported in the year 2023 during Poson at Anuradhapura, Polonnaruwa, Mihintale, Dambulla and the surrounding areas thanks to the AIA Poson Safety Programme. This year, AIA Sri Lanka deployed over 500 lifeguards across 22

reservoirs and lakes, ensuring that pilgrims were safe when they bathe in the bodies of water. AIA Sri Lanka also installed warning signboards, hoardings, and banners across the Anuradhapura District, effectively raising awareness about the dangers of drowning and encouraging pilgrims to be cautious. A fully-fledged safety awareness campaign promoted through digital media including the first of its kind 'AIA Safe Map' which showed users the safe and unsafe waters in the area. Notably this first of its kind Safe Map had over 5,000 page visits.

Higher Education Scholarships 2023

AIA's Higher Education Scholarships Programme, now in its 29th consecutive year, rewards the top performers from each district at the Grade 5 scholarship examination, by giving them a monthly bursary from Advanced Level (A/L) class right up to the completion of their university degree. Started in 1994, the programme was initiated to lend a hand to Sri Lanka's brightest and most promising students, as they are the future of our nation. So far, 700 students have qualified for the AIA Higher Education Scholarships when they enter A/L and over 500 students have already started receiving the bursary. Many of them have gone on to reach top designations in various fields, including medicine, law and engineering.

AIA Sri Lanka makes a donation to uplift the ICT standards of Sri Lanka's school children

AIA Sri Lanka was the only insurer recognised and appreciated for its contribution to uplift the information and communications technology (ICT) standards of Sri Lanka's school children at the 'Lighting Digital' National Forum. To support a rapid and efficient digital transformation in the Country for a better tomorrow, AIA Sri Lanka provided valuable

support towards the capacity building initiatives of Sri Lanka. In this regard, the Company donated laptops and iPads to improve Sri Lankans' digital wellbeing through swift change in digital education and to empower the youth who strengthen and advance the information technology industry.

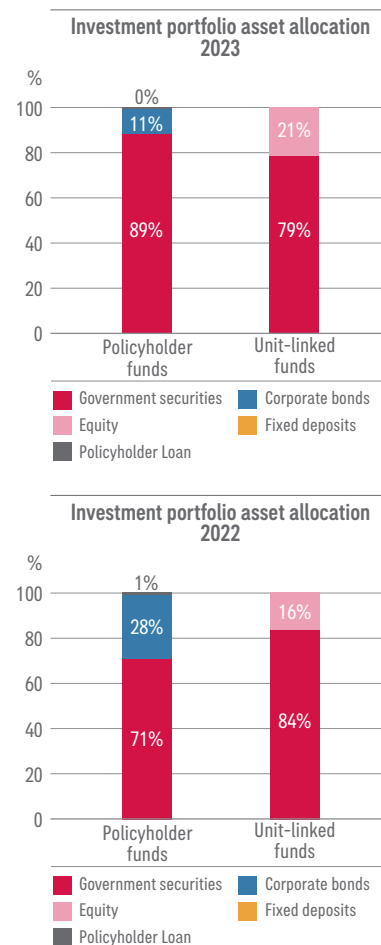
An almsgiving during Vesak

AIA Sri Lanka continued its societal support during the most sacred month of Vesak by organising an almsgiving of healthy food for underprivileged children in a rural village. This was done with the objective of improving the nutrition levels of kids in Sri Lanka.

INVESTMENTS REVIEW

AIA Sri Lanka advocates a long-term investment strategy supporting long-term growth and continued to maintain a prudent investment strategy for its investment portfolios, in line with its investment philosophy and guidelines as set out in the investment policy.

In line with our prudent capital allocation, a considerable portion of our investment portfolio is allocated into high credit quality fixed income securities, where a majority of these are invested in government securities. Any investments in corporate debt securities are made into counterparties with 'A' (Ika) rating and above, as rated by Fitch Ratings Lanka, and this was advantageous in the current economic environment of country rating downgrades and counterparty national rating downgrades. The concentration of investments in long-term government securities at attractive yields and the absence of risky assets in the main policyholder funds are conscious investment decisions in line with the prudent long-term investment strategy outlook of the Company and holds the Company in good stead during the times of challenge.



The economic environment prevailing in Sri Lanka had a direct impact on the investment strategy adopted in 2023. The Company prudently managed the risk towards government securities in the first half of the year, where there was a risk that local government securities may get impacted with a domestic debt restructure, by maintaining short term investments and obtaining the benefits of short-term rates. The Company also invested in long-term bonds to benefit policyholders for a longer term, after looking at possible exit yields if there was a domestic debt restructure. The funds invested significantly during the year to capture yields to benefit the funds in the long term.

The main policyholder fund does not include any listed equity investments in accordance with the risk appetite of the portfolio, except for a strategic

MANAGEMENT DISCUSSION & ANALYSIS

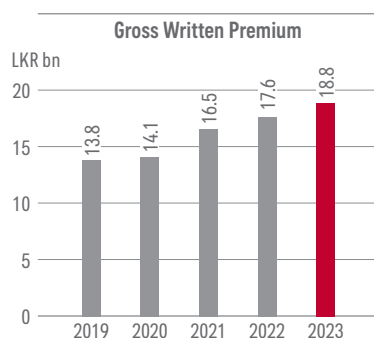
holding which is negligible compared to the total asset portfolio. Listed equity exposures are maintained in the two unit-linked funds, and these are specifically to accommodate policyholder requirements and expectations.

FINANCIAL REVIEW

The financial review presents the financial results for the Group, comprising of AIA Insurance Lanka Limited and its fully owned subsidiary Rainbow Trust Management Limited.

Gross Written Premium (GWP)

GWP increased to LKR 18.8 billion in 2023 from LKR 17.6 billion in 2022 recording an annual growth of 7.0 per cent, notwithstanding the challenges in the operating environment that persisted throughout the financial year including high direct taxes, contributing to a drop in disposable income of people at large. The growth is derived from renewal premiums aided by digitally enabled premium collection channels and other conservation initiatives.



Net Written Premium (NWP)

The NWP, which is GWP net of premiums ceded to reinsurers, amounted to LKR 18.4 billion which is an 8.9 per cent growth over the previous year.

Investment income

Net Investment income grew by 36.9 per cent to LKR 11.6 billion in 2023 as a result of its investment strategy in the midst of attractive reinvestment yields and potential risks

surrounding the economic and social environment. Interest rates moved downwards during the year 2023, due to the policy reforms initiated by the authorities to facilitate the resurgence of the domestic economy followed by the completion of the DDO to ensure the debt sustainability of the Country. With a prudent long term investment philosophy, AIA Sri Lanka ensured to formulate the best possible investments strategy to exceed the expectations of the stakeholders.

Total income

Total income increased to LKR 31.9 billion recording a growth of 24.0 per cent over the previous year. NWP and other income contributed 57.8 per cent and 42.2 per cent respectively to total income in 2023 and 65.8 per cent and 34.2 per cent respectively in 2022.

Net claims and benefits

Net claims and benefits increased by 5.6 per cent to LKR 6.8 billion in 2023. This reflects the incline in surrenders, partial withdrawals and maturity benefits during the year. Health and disability claims increase is driven by the growth in health product sales and the increase in medical expenditure in the current inflationary environment.

Operating and administrative expenses

The economic environment warranted tight expense controls and monitoring. Accordingly, the Company was able to curtail operating and administrative expenses to LKR 8.9 billion despite the adverse economic conditions.

Change in contractual liability

Change in contractual liabilities for the year recorded at LKR 10.5 billion which is a 1.9 per cent increase over the previous year. The movement is driven by the changes in the risk-free rates observed during the year. Transfers to or from the Life

Policyholders' liabilities are carried out post the annual actuarial review by the Company's Appointed Actuary on the adequacy of the policy liabilities and reserving for policy commitments.

The Company's total contractual liability stands at LKR 65.7 billion as of 31 December 2023, post the transfer effected during the year.

Life surplus transfer

In 2023, LKR 990.9 million was transferred to the Life Shareholders' fund from the policyholders' funds.

Profit after tax

The consolidated profit after tax was recorded at LKR 2.5 billion which is three times increase over the year irrespective of the economic challenges observed in 2023.

Analysis of Statement of Financial Position

The total assets at the end of FY 2023 amounted to LKR 96.8 billion, 47.5 per cent increase from LKR 65.6 billion recorded for 2022. The substantial downward shift in market yields and the corresponding increase in market prices of fixed income financial assets resulted in the significant increase in the value of financial assets for 2023. Financial assets represented 82.5 per cent of the total assets as at 31 December 2023.

Property Plant and Equipment (PPE)

The net book value of PPE increased to LKR 735.3 million in 2023 from LKR 584.5 million in the previous year which is mainly due to the additions of the fixed assets during the year. The Right of Use (ROU) Assets of LKR 649.2 million represents amounts recognised on account of leasehold properties and vehicles as per SLFRS 16 Leases. The detailed notes are presented in Notes 07 and 19 to the Financial Statements on pages 116 and 127 respectively.

Reinsurance receivables

Reinsurance receivables increased by 51.1 per cent to LKR 207.9 million in 2023. This reflects the regular movement in tandem with the movements in the business volumes.

Long term insurance fund

The long term insurance fund as at the end of 2023 amounted to LKR 65.7 billion, an increase from LKR 41.1 billion in 2022. The increase in the long term insurance fund is a result of the movement in the change in contractual liabilities within the income statement of the Company, and the key drivers of which are explained in the relevant section within this financial review. The Company's Appointed Actuary's Report is provided on page 75 of this Annual Report. Necessary provisions, including those for dividends to policyholders, solvency margins and other required reserves have been made from the long term insurance fund as recommended by the Company's Appointed Actuary.

Shareholders' equity

Total equity as at the end of 2023 was LKR 24.7 billion, and this includes the RBC one-off surplus that is maintained within the shareholders' equity as a restricted regulatory reserve in line with Direction #16 issued by the IRCSL. The shareholders' equity level supports the Company to maintain a high Capital Adequacy Ratio.

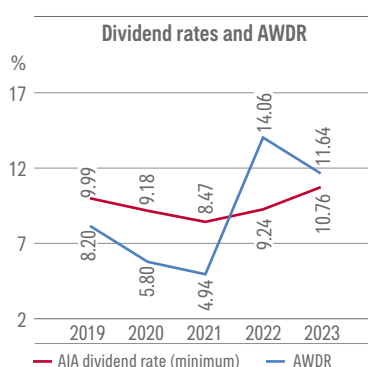
Risk Based Capital (RBC) one-off surplus

The Company adopted the RBC solvency regime for solvency purposes with effect from 01 January 2016 in line with the regulations and guidelines issued by the IRCSL. This is a methodology for determining policy liabilities for universal life business under the RBC rules. The surplus of LKR 6,080.8 million that arose due to the change in valuation method from Net Premium Valuation

(NPV) basis to Gross Premium Valuation (GPV) basis is referred to as the RBC one-off surplus, and this was transferred to the shareholders' fund as stipulated in the regulations. The IRCSL has instructed that the RBC one-off surplus be held as a 'Restricted Regulatory Reserve' within shareholders' equity and not be distributed.

Policyholder dividends

In 2023 the declared policyholders' dividend rate was 10.76 per cent compared to the 9.24 per cent in the previous year for the 75.0 per cent cohort. Management was able to declare a higher long-term return to its policyholders, while maintaining a prudent investment approach to safeguard the long terms interests of its policyholders. The dividend rate depicted in the chart below is for the lower bound of the dividends earned by policyholders, and certain cohorts of policies receive a higher dividend rate allocation than those indicated in the chart based on the specific conditions on those specific policy contracts.

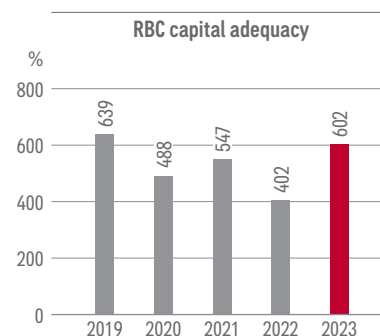


Together with the conventional funds, the Company's unit-linked funds also yielded exceptional results to its policyholders with 31.2 per cent / 27.7 per cent / 24.8 per cent / 23.3 per cent / 25.2 per cent for the Growth / Balanced / Secure / Protected / Stable Money Market funds respectively.

Risk Based Capital Adequacy Ratio

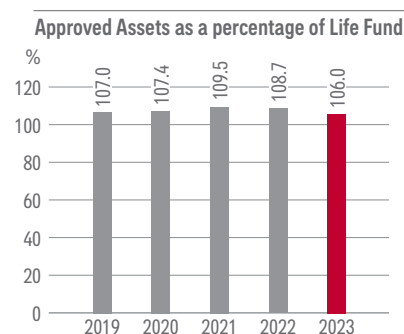
AIA Sri Lanka continued to have a strong Capital Adequacy Ratio (CAR), under the Risk Based Capital regime, which amounted to 602.0 per cent by end 2023. The year-on-year increase from 402.0 per cent in 2022 reflects the impact of interest rate movements despite of counter measure.

Capital Adequacy Ratio includes the RBC one-off surplus of LKR 6,080.8 million which is maintained within the shareholders' equity as per the IRCSL's instructions.



Approved assets

Approved assets as a percentage of the long term insurance fund was 106.0 per cent in 2023, and higher than the requirement of 100.0 per cent. The approved asset ratio has remained relatively stable and high over the past years, as reflected below.



Investments in government securities as a percentage of the life fund

Government securities represented 88.5 per cent of the long term insurance fund which is more than adequately surpasses the regulatory minimum of 30.0 per cent.

OUTLOOK 2024

In 2024, Sri Lanka commenced the year with a sense of optimism following several key achievements, notably securing the IMF Extended Fund Facility second tranche, and implementing domestic debt restructuring measures. Additionally, the Country successfully garnered international financial support from esteemed multilateral agencies such as the World Bank and Asian Development Bank. These efforts laid a robust foundation for a gradual entry into a challenging yet steady phase of economic recovery in 2024. The Government's commitment to an ambitious reform agenda, characterized by essential but challenging initiatives like tax reforms, effective utility pricing, and debt restructuring, is poised to fortify stability in 2024 compared to the previous year.

Despite ongoing challenges, various sectors exhibit promising trajectories. The tourism sector displayed notable growth in 2023, continuing into 2024 with robust promotional activities. Moreover, foreign remittances are anticipated to rise steadily, albeit with the challenge of locally acquiring talent due to increasing migration. While consumer demand was impeded by inflationary pressures in 2023, controlled inflation levels are expected to normalize the situation going forward. However, challenges in the export sector may continue due to geopolitical tensions, while the obstacles in the construction sector might also persist until disposable income levels improve. Sri Lanka has managed to rein in inflationary

pressures and strategically reduced interest rates, which are anticipated to stabilize in 2024.

These macroeconomic improvements signal a foreseeable steady recovery, promising a sustainable trajectory for the Country. However, navigating the recovery phase remains challenging, yet the resilience of the Sri Lankan populace is expected to drive successful outcomes.

We remain optimistic about prospects of the life insurance industry in Sri Lanka for the coming year, as we witnessed one of the best years despite challenges in the year 2023. This optimism is substantiated by increasing demands for health insurance products, driven by escalating medical expenses and heightened health awareness. Factors such as an aging population of the Country, leading to increased demand for pension-related products and evolving lifestyle patterns further bolster this optimistic outlook. Increasing demand for high yielding investment related insurance products is expected in a low interest yielding economy going forward. AIA Sri Lanka is poised to capitalize on these opportunities with its strength in all types of insurance products including health, savings, pensions and protection. The landmark strategic partnership with the Commercial Bank of Ceylon PLC, the largest private bank in the Country at the close of 2023 positions the Company for enhanced business prospects in the coming year.

AIA Sri Lanka's proactive approach to understanding customer needs in a volatile business environment has led to the development of a diverse range of retirement, health, protection, and savings solutions catering to Sri Lankans' varied life stages. Embracing an unwavering

commitment to customers' protection, health, and wealth creation needs, AIA Sri Lanka stands dedicated to delivering unmatched benefits, ensuring healthier, longer, better lives. This commitment aligns seamlessly with the Company's robust ESG strategy, contributing to Sri Lanka's overall advancement. Further AIA Sri Lanka's unparalleled customer experience delivered through offerings such as AIA Exclusive will continue to uphold AIA Sri Lanka as the most sought after life insurance provider in Sri Lanka in 2024 and beyond.

As evidenced by its resilience and growth in 2023, AIA Sri Lanka remains steadfast in its pursuit, continuing its unwavering journey into 2024 while actively addressing challenges, strengthened by having a giant by our side. The Company's strategic focus includes strengthening distribution channels through quality recruitment, fostering new partnerships and strengthening existing partnerships, leveraging on the investments made in cutting-edge technologies, and enhancing operational efficiency to deliver an unparalleled customer experience. These efforts align with the aim of building an 'Organisation of The Future'. In summary, AIA Sri Lanka remains committed to its trajectory of growth, resilience, and customer-centric innovation, poised to overcome challenges, and thrive in the evolving landscape of 2024. The strength and stability ensured by the AIA group, as a giant by our side empowers AIA Sri Lanka to be the giant by the side of our customers and our nation.



THE BOARD OF DIRECTORS



TAN HAK LEH

Chairman - Non-Executive Director

Appointed as the Chairman to the Board of Directors of the Company on 15 July 2022.

Mr. Tan Hak Leh is the Regional Chief Executive responsible for the AIA Group's businesses operating in Thailand, Singapore, Brunei, Malaysia, Cambodia, Myanmar, Vietnam and Sri Lanka. He is a Director of various companies within the Group. Mr. Tan was the Chief Executive Officer of AIA's operation in Thailand from 2016 to 2019, Group Chief Risk Officer in 2015 and Chief Executive Officer of AIA's operation in Singapore from 2011 to 2015.

Prior to joining the AIA Group, Mr. Tan was the Chief Executive Officer of Great Eastern Life, Singapore, and prior to that Mr. Tan was the Director of the Insurance Department of the MAS (Monetary Authority of Singapore). Mr. Tan has actively played a role in the insurance industry since 2005. His appointments include President of the Life Insurance Association (LIA), Singapore from 2010 to 2013, Vice Chair of Singapore College of Insurance from 2011 to 2013, and Vice President of Thailand Life Assurance Association from 2017 to 2018. Mr. Tan served as a Board Member of Financial Industry Disputes Resolution Centre Limited from 2008 to 2015.



CHATHURI MUNAWEERA

Chief Executive Officer / Executive Director

Appointed as the CEO and Executive Director to the Board of Directors of the Company on 01 May 2022.

Ms. Chathuri Munaweera also serves as the Principal Officer of the Company, responsible for leading the overall business and management of the Company. She also heads the Board Investment Committee of the Company. She has over 23 years of leadership experience having last held the position of Chief Operations Officer / Director Operations of the Company prior to her appointment as the CEO. She also has expertise in the field of law, compliance, human resources and services.

She is an Attorney-at-Law and holds a Bachelor and Master of Laws from the University of Colombo and holds an International Diploma in Compliance from the International Compliance Association, UK. She is also a member of the Chartered Institute of Personnel Management, UK. She served as the Company Secretary from 2008 to 2022.

She was recently named 'Emerging Leader of the Year' by Women Top 50 for 2023. She has served in the Executive Committee of International Chamber of Commerce in Sri Lanka and currently represents the Executive Committee of Sri Lanka Institute of Directors.



STUART ANTHONY SPENCER

Non-Executive Director

Appointed to the Board of Directors of the Company on 03 August 2017.

Mr. Stuart Anthony Spencer started his career in New York at American Express Travel Related Services in Marketing. He is an alumnus of the Harvard Business School, The Fletcher School of Law and Diplomacy and Brandeis University. Mr. Spencer serves as the Group Chief Marketing Officer of AIA, responsible for customer engagement, propositions, branding, AIA Vitality, communications, sponsorships, events, and marketing digitalisation. He is a director of various companies within the Group.

Mr. Spencer occupied numerous leadership roles at AIG and AIA from 1996 to 2009, in the USA, Latin America and in Asia where he served as Global President of Accident & Health Worldwide for the AIG Life Companies. Mr. Spencer re-joined AIA in May 2017 from Zurich Insurance Group, where he was the CEO, General Insurance, Asia Pacific.



DEEPAL SOORIYAARACHCHI

Independent Non-Executive Director

Appointed to the Board of Directors of the Company on 17 May 2005.

Mr. Deepal Sooriyaarachchi functioned as the Managing Director until end of February 2010. He continued as an Executive Director until April 2012 and was declared an independent Non-Executive Director in August 2012.

He is a fellow of the Sri Lanka Institute of Marketing, an Accredited Master Coach and a Master Mentor and has a Master's in Business Administration from the University of Sri Jayewardenepura. Mr. Sooriyaarachchi is a Management Consultant, Author, Trainer, and a Speaker.

He currently serves as an independent Non-Executive Director of Pan Asian Power PLC, Siyapatha Finance PLC, Kelani Cables PLC, Singer Sri Lanka PLC, Prime Land Residencies PLC, Lanka Shipping & Logistics (Pvt) Ltd, Medapp (Pvt) Ltd and the Managing Director of SATI Human Development Institute (Pvt) Ltd. He also serves on the Board of the Post Graduate Institute of Management of the University of Jayewardenepura (PIM).

He was an independent Non-Executive Director of Sampath Bank PLC, and also served as the Commissioner of Sri Lanka Inventors Commission.

BOARD OF DIRECTORS



SARATH WIKRAMANAYAKE

Independent Non-Executive Director

Appointed to the Board of Directors of the Company on 01 August 2016.

Mr. Sarath Wikramanayake has also held previous directorships with the Company from 2003 to 2006 and then till 2012.

He is a fellow of the Institute of Chartered Accountants of Sri Lanka since 1979.

Mr. Wikramanayake currently serves as a Director of several other companies including NDB Wealth Management Limited, NDB Investment Bank Limited, NDB Capital Holdings Limited, NDB Capital Limited (Bangladesh), NDB ZEPHYR Partners Limited and Union Bank PLC.

He has worked with the Bank of Butterfield, a Bermuda-based international bank for 19 years, where he reached the position of Executive Vice-President. Since returning to Sri Lanka, he has been the Chief Executive Officer of Union Assurance Limited and the President of the Insurance Association of Sri Lanka in 2002.



UPUL WIJESINGHE

Executive Director

Appointed to the Board of Directors of the Company on 30 January 2023.

Mr. Upul Wijesinghe serves as the Deputy Chief Executive Officer and the Chief Distribution Officer of the Company, responsible for driving the Agency Alternate business operations in Sri Lanka. Mr. Wijesinghe holds three decades of experience in the area of agency distribution including strategic planning, implementing, advising and guiding agency through substantial change management and digital transformation to steer the Company's development towards success.

He holds a Bachelor of Science (Hons) from the University of Colombo and holds a Postgraduate Diploma in Actuarial Science. He is an associate of the Chartered Insurance Institute U.K. and an alumni of the International Institute of Management Development, Switzerland. He also served as the President of Sri Lanka Insurance Institute from 2002 to 2003.

Mr. Wijesinghe currently serves as a Director of Rainbow Trust Management Limited from 2017 which is a fully owned subsidiary of the Company.



CHATHURI MUNAWEERA

Chief Executive Officer / Principal Officer / Executive Director

Attorney – at – Law, LL.M (Master of Laws), LL.B (Bachelor of Laws), ICA International Diploma in Compliance (Graduate) - (International Compliance Association, University of Manchester, Manchester Business School, UK), Member of the Chartered Institute of Personnel Management, UK.

23 years of leadership experience in the fields of corporate law, compliance, services and human resources and was the Company's Chief Operations Officer / Director Operations, prior to taking over as CEO / Executive Director.

Company's first female CEO and was named 'Emerging Leader of the Year' by Women Top 50 for 2023. Recognised by the International Finance Corporation (IFC) as one of 16 trailblazers who are driving gender equality in Sri Lanka.



UPUL WIJESINGHE

Deputy Chief Executive Officer / Chief Distribution Officer / Executive Director

B.Sc. (Hons) (University of Colombo), Chartered Insurer, P.G. Dip in Actuarial Science, Alumni of IMD (Switzerland)

35 years of experience in the insurance industry. He has held the positions of Specified Officer and Principal Officer of the Company.

He is currently an Executive Director of the Company and a Director of Rainbow Trust Management Limited, a fully owned subsidiary of the Company. He was the President of the Sri Lanka Insurance Institute in 2002 and 2003.

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM

**THUSHARI PERERA****Director Human Resources**

Fellow Member of the Chartered Institute of Personnel Development (UK), Master of Business Administration (University of Wales Trinity Saint David, UK)

17 years experience in all areas of human resource management and leadership practices.

Licentiate in chemistry from the Institute of Chemistry Ceylon. Certified Associate Coach from Corporate Coach Academy, Malaysia and is a certified Training and Development Specialist in many areas of people management.

Thushari represents the Company in many human resource forums including Insurance Association of Sri Lanka.

**UMESHI DE FONSEKA****Chief Technology Officer**

Master's degree (Cardiff Metropolitan University, UK), Bachelor of Science in Business Information Technology (Staffordshire University), Certification in Digital Business Strategy (Massachusetts Institute of Technology - MIT), Member (Fellow) of the British Computer Society.

20 years of experience in information technology, E-commerce & digital spaces in multinationals & diversified business conglomerates in the industries of insurance, shipping and logistics, retail distribution and travel and leisure.

Dynamic CIO's Digital Maestros Award in 2020 and 2021. Special Jury Appreciation Award at the Innovation Hero Awards in 2020.



SAMPATH THUSHARA

Chief Financial Officer / Chief Investment Officer

*MBA (PIM, University of Sri Jayewardenepura),
BSc. in Business Administration (University of Sri
Jayewardenepura), FCA, ACMA (UK), CGMA*

20 years experience in the fields of finance and accounting including exposure to audit and assurance, apparel manufacturing, telecommunication and insurance.

Serves as the Chairman of Finance Technical Sub Committee of Insurance Association of Sri Lanka.



CHANAKA LIYANAGE

Chief Agency Officer

*MBA (University of Southern Queensland), Dip in Banking,
MCIM, CIMA ADV DIP MA*

25 years of experience in the fields of banking and insurance covering front- line and back-office exposure such as branch banking, central sales, collections and recoveries, call centre, treasury and operations related to banking. Within his four years of experience in the Company, he led the Agency channel, the digital transformation journey and Premier Agency Circle.

Jury Member for National Sales awards Conducted by SLIM (Since 2016).

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM

**SENAKA RAJAPAKSE****Director Partnership Distribution**

Post Graduate Diploma in Business Management (Chartered Insurance Agency Management - CIAM), Post Graduate Diploma in marketing (Postgraduate Institute of Marketing - PIM), Accelerated Leadership Programme (Indian Institute of Management, Ahmedabad IIMA / AVIVA).

21 years of work experience in the agency division and with over four years of leading and managing the Partnership Distribution. 25 years service in sales and marketing in life insurance industry.

Awarded twice with LIMRA.

**SURESH EDIRISINGHE****Director Operations & Specified Officer**

MBA (PIM, University of Sri Jayewardenepura), BSc. Engineering degree (Hons) University of Moratuwa, Certified Member of the Institute of Risk Management (UK), Member of the Chartered Institute of Insurance (UK), Chartered Insurer.

25 years of experience in insurance, customer management, and risk management. Currently leading the Life Operations function of the Company overseeing technical processes, digitalisation of customer journeys and customer service.

Visiting lecturer at Finance Department of University of Sri Jayewardenepura, MBA unit of University of Colombo, and Sri Lanka Insurance Institute (SLII).



HASITHA MAPALAGAMA

Chief Risk and Compliance Officer

MBA (PIM, University of Sri Jayewardenepura), ACMA (UK), FCPM, ACAMS (USA)

23 years of experience in the fields of risk, compliance and internal audit covering, telecommunications, consultancy and insurance with 16 years experience in the Company.



SASITH BAMBARADENIYA

Chief Marketing Officer

MBA (PIM, University of Sri Jayewardenepura), BSc. in Business - Major in Marketing Management (University of Newcastle, Australia).

15 years of proven expertise in strategic planning, operational leadership and marketing, with a track record of spearheading award-winning campaigns and driving innovation. His expertise spans product management, e-commerce, brand development and transformative leadership across diverse industries.

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM

**THUSARA RANASINGHE****Chief Legal Officer / Company Secretary**

Attorney – at – Law, LL.M (Master of Laws, University of Colombo), LL.B (Bachelor of Laws, The Open University of Sri Lanka), BA (Bachelor of Arts, University of Colombo), Associate Member of the Chartered Insurance Institute, UK Chartered Insurer and a Fellow Member of the International Compliance Association, UK.

20 years of experience in the insurance industry and more than 15 years with the Company. Director of Rainbow Trust Management Limited which is the fully owned subsidiary of the Company. Held the positions of Chief Risk Officer from 2016 to 2017 and the Secretary to the Audit and Compliance Committee for more than 10 years. Holds Post Attorney's Diploma in Banking and Insurance Laws from the Sri Lanka Law College and a Diploma in Portfolio and Investment Management from Institute of Bankers' Sri Lanka.

A visiting lecturer at the University of Colombo from 2018 to date. Chairman of the Legal Advisory Forum of Insurance Association of Sri Lanka from 2014 to 2015.

**SAMATH PERERA****Chief Actuary**

Fellow of Society of Actuaries (USA), B Comm - Actuarial Studies (Macquarie University), Masters Insurance and Risk Management (Deakin University)

10 years of experience across financial reporting, risk management, product development, investments, pricing, reinsurance and capital management in multiple jurisdictions.

THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors (the Directors / the Board) of AIA Insurance Lanka Limited (the Company / AIA Insurance Lanka) is pleased to present their Annual Report on the affairs of the Company during the financial year ended 31 December 2023, together with the Audited Financial Statements for the year ended 31 December 2023 of the Company and of the Group.

The Audited Financial Statements of the Company and of the Group for the said year and the Report of the External Auditors thereon are set out on pages 80 to 82 of the Annual Report.

VISION

A statement of the Corporate Vision is given on page 03 of the Annual Report. The Company's business activities have been and are carried out within the framework of the objectives of the Corporate Vision Statement and in pursuance of the continued nurturing of business and work practices of the highest ethical standards.

PRINCIPAL ACTIVITIES OF THE COMPANY AND OF ITS SUBSIDIARY

The principal activity of the Company during the year under review was exclusively the long term insurance business in Sri Lanka. Rainbow Trust Management Limited, the fully owned subsidiary of the Company, continued to provide trustee services during the year under review.

To the best of the knowledge of the Board, neither the Company nor its aforementioned subsidiary, were engaged in any activities which contravened relevant local laws or regulations.

REVIEW OF PERFORMANCE AND FUTURE DEVELOPMENTS

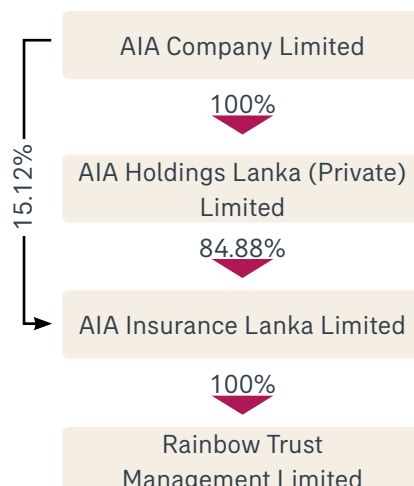
An overview of the Company's and of the Group's financial and operational

performance for the year ended 31 December 2023 and of future developments are contained in the Message from the Chairman and the Chief Executive Officer's Review on pages 08 to 09 and pages 10 to 12 respectively, of the Annual Report, with a detailed review being provided in the Management Discussion and Analysis on pages 14 to 28 of the Annual Report. Details of the Risk Management Framework are provided in the Risk Management Review on pages 66 to 67 of the Annual Report. These reports together with the Audited Financial Statements reflect the state of affairs of the Company and of the Group as at 31 December 2023.

SHAREHOLDING STRUCTURE

As at 31 December 2023 to date AIA Insurance Lanka Limited was and is a subsidiary of AIA Holdings Lanka (Private) Limited ("AIA Holdings Lanka") with a majority shareholding of 84.88 per cent in the Company and AIA Company Limited, Hong Kong, having a minority shareholding of 15.12 per cent in the Company. AIA Holdings Lanka is a wholly owned subsidiary of AIA Company Limited, Hong Kong.

The Company's shareholding structure and that of its subsidiary as at 31 December 2023 to date are as follows:



STATED CAPITAL & RESERVES

The Company's stated capital as at 31 December 2023, was LKR 3,201,921,896 (Sri Lanka Rupees three billion two hundred and one million nine hundred and twenty one thousand eight hundred and ninety six) represented by 36,227,985 (thirty six million two hundred and twenty seven thousand nine hundred and eighty five only) issued and fully paid ordinary shares.

The total capital and reserves of the Group was LKR 24,683 million as at 31 December 2023 (LKR 18,391 million as at 31 December 2022), the details of which are provided in Notes 24 to 27 of the Financial Statements.

SHAREHOLDERS

As at 31 December 2023, the Company had two shareholders, AIA Holdings Lanka and AIA Company Limited, Hong Kong.

INTERIM FINANCIAL RESULTS

The interim financial results were prepared in conformity with the Sri Lanka Accounting Standards (SLFRS / LKAS) and submitted to the relevant regulators during the year under review.

FINANCIAL STATEMENTS CONTAINED IN THE ANNUAL REPORT

The Audited Financial Statements of the Company and of the Group, have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 07 of 2007 (as amended) and to the extent applicable, by the Regulation of the Insurance Industry Act No. 43 of 2000 (as amended).

The Statement of Directors' Responsibility for financial reporting is set out in page 79 of this Report.

The Annual Report of the Board of Directors on the Affairs of the Company

The Financial Statements duly signed by the Chief Financial Officer and the Directors are published on pages 83 to 141 and the External Auditors Report thereon is provided on pages 80 to 82 of the Annual Report.

FINANCIAL RESULTS

The results of the Company and of the Group for the year ended 31 December 2023 and the state of the Company's and of the Group's affairs as at that date are set out in the Financial Statements on pages 83 to 141 of the Annual Report.

INCOME

Total income as at 31 December 2023 is LKR 31,923 million (LKR 25,736 million as at 31 December 2022) and comprises income generated from the Company's life insurance business and from the trustee services provided by the Company's subsidiary.

ACCOUNTING POLICIES

The material accounting policy information applied by the Company and by the Group in preparing the Financial Statements are disclosed on pages 90 to 114 of this Annual Report. These policies have been consistently applied. There were no material changes during the year under review in the accounting policies adopted.

LIFE SURPLUS AND POLICYHOLDERS' DIVIDENDS

The Board received and adopted the report of the Company's Chief Actuary Mr. Samath Perera, for life insurance, recommending the dividends that are payable to policyholders and of the transfer of the surplus / deficit thereof to / from the Income Statement. This is set out on page 75 of the Annual Report.

PROPERTY, PLANT AND EQUIPMENT

As at the date of the Statement of Financial Position, the net book value

of property, plant and equipment of the Group amounted to LKR 735 million while Right of Use (ROU) assets amounted to LKR 649 million.

During the financial year under review the capital expenditure on property, plant and equipment for the Company and the Group amounted to LKR 237 million.

The details of the Company's property, plant and equipment and the movement in their values during the year are given in Note 07 to the Financial Statements on pages 116 to 117 of the Annual Report.

MARKET VALUE OF THE COMPANY'S PROPERTY, PLANT AND EQUIPMENT

The market value of the Company's property, plant and equipment are not materially different to their respective book values as given in the notes to the Financial Statements on page 116 of the Annual Report.

The Company owns 13.40 perches of freehold land at No. 76, Kew Road, Colombo 02 and 12.08 perches of freehold land at No. 80, Kew Road, Colombo 02. These properties were subject to annual revaluation as per the applicable accounting policy and a revaluation surplus of LKR 45 million was recognised in 2023, totalling to a revaluation reserve of LKR 278 million as at the reporting date.

The details of the respective extents, locations, valuations of the Company's land holdings are given in Note 07 to the Financial Statements on page 116 of the Annual Report.

INVESTMENTS

A detailed description of the investments held as at the date of the Statement of Financial Position is given in Note 09 to the Financial Statements on pages 118 to 120 of the Annual Report.

DONATIONS

The Board having duly considered the standing of the Company as a good corporate citizen, resolved to ratify a total sum of LKR 6,893,553 utilised as charitable donations for the year 2023. This amount is within 1.0 per cent of the average profits after tax for the preceding three years.

No donations or any other form of payments or facilities have been made to political parties or for politically oriented purposes.

PROVISIONS

The Board has arranged for the Chief Actuary to review the Life Fund valuations. (The policies adopted for provisioning and the basis thereof are given on pages 99 to 104 of the Annual Report).

As at the date of the Report, the Board is not aware of any circumstances which would render inadequate the amounts provided for in the Financial Statements.

RESERVES

The total reserves of the Company as at 31 December 2023 is LKR 21,748 million and of the Group as at 31 December 2023, amounted to LKR 21,481 million consisting of the Restricted Regulatory Reserve, Available for Sale Reserve and Retained Earnings, all being revenue reserves and a Revaluation Reserve being a capital reserve. Movements in these reserves are given in the Group Statement of Changes in Equity set out on page 86 of the Annual Report.

PROVISION FOR TAXATION

Provisions for Taxation for the Company and its subsidiary have been computed at the rates given in Notes 22 and 38 to the Financial Statements and are set out on pages 130 and 136 of the Annual Report.

OUTSTANDING LITIGATION

In the opinion of the Board and of the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company. The contingent liabilities are given on pages 140 to 141 of the Annual Report.

EMPLOYEES

AIA Insurance Lanka marked a remarkable year with the Company clinching the Best Workplaces Award for the eleventh consecutive year, Best Workplaces for Women for the sixth consecutive year and the Best Workplaces for Millennials for the second time.

In 2023, AIA Insurance Lanka passed the rigorous measurements through analysis of results of the Great Place to Work Trust Index® and Culture Audit® questionnaire and scored among the best in the Country, thus differentiating itself as a great workplace for all employees, and establishing AIA Insurance Lanka as a superlative employer of choice.

Additionally, AIA Insurance Lanka achieved the prestigious EDGE Certification, affirming the Company's unwavering commitment to fostering workplace diversity, equity and inclusion.

Further, the CEO, Chathuri Munaweera, was recognized as the 'Emerging Corporate Leader of the Year' at the Top 50 Global Professional & Career Women Awards. Her unwavering dedication, unparalleled leadership reflected through this achievement.

These are some of the more visible testaments of AIA Insurance Lanka creating a safe environment for employees where people can enjoy a balance between personal wellbeing

and career growth whilst ensuring equal opportunities for everyone.

The details of the unique people practices' that enabled the success of the Company's business performance is described in the Management Discussion and Analysis on pages 14 to 28 of the Annual Report.

EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors approved and declared on 22 February 2024 the payment of an interim dividend of LKR 28.00 per share for the financial year ended 31 December 2023 from and out of the Company's profits available for distribution, as authorised by the Articles of Association of the Company.

There have been no other events subsequent to the Balance Sheet date that would have any material effect on the Company or the Group which would require adjustment or disclosure in the Financial Statements

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Board is committed to conducting the business activities of the Company in conformity with accepted good governance structures and practices.

The status of compliance of the Company with the Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka is given in the Corporate Governance segment on pages 47 to 64 of the Annual Report.

Having reviewed the effectiveness of internal control systems, the Board is of the considered view that the Company has taken necessary precautions to safeguard the interests of its stakeholders, during the year under review.

STATUTORY PAYMENTS

The Board confirms that to the best of their knowledge and belief, due payments to all relevant regulatory and statutory authorities, have been paid or provided for by the Company where necessary, as at the Reporting date. A Statement of Compliance by the Board in relation to statutory payments is included in the Directors' Statement of Responsibilities on Financial Reporting, on page 79 of the Annual Report.

INTERESTS REGISTER

The Company maintains an Interest Register in compliance with the requirements of the Companies Act No. 07 of 2007 (as amended). The particulars of entries made in the Interest Register during the financial year under review, are as set out below:

- a) Directors' and Chief Executive Officer's interests in transactions with the Company.

Directors' and Chief Executive Officer's interests in transactions of the Company, both direct and indirect, during the year under review are included in Note 42.2 in the related party disclosures to the Financial Statements, set out on pages 138 to 140 of the Annual Report. These interests have been duly disclosed in compliance with the section 192(2) of the Companies Act No. 07 of 2007 (as amended) and further declared at Board Meetings and are set out herein as appropriate.

The Annual Report of the Board of Directors on the Affairs of the Company

b) Directors' and Chief Executive Officer's dealings with the Company's shares.

I. Disclosures in respect of the Company's shares held during the year ended 31 December 2023:

The Directors and the Chief Executive Officer have, in pursuance of section 200 of the Companies Act No. 07 of 2007 (as amended), made appropriate disclosures at Board Meetings regarding their interests in the Company's shares.

II. Disclosures in respect of the Company's shares which have been acquired during the year under review:

Neither the Directors nor the Chief Executive Officer of the Company have acquired shares of the Company during the year under review.

III. Disclosures in respect of the Company's shares which have been held, acquired or disposed of during the year:

Neither the Directors nor the Chief Executive Officer of the Company have held, acquired or disposed of the shares in the Company at the beginning or at the end of the financial year under review.

c) Use of Company information by the Directors and the Chief Executive Officer.

This information is recorded in the Interests Register in pursuance of the provisions of section 197 of the Companies Act No. 07 of 2007:

Subject matter of information	Date of authorisation by the Board	Authorisation granted at a Board Meeting / by circular resolution
None	None	None

d) Details of remuneration and other benefits paid to the Directors and to the Chief Executive Officer.

The remuneration and fees of the Directors / the Chief Executive Officer are duly recommended by the Company's Remuneration Committee and approved by the Board.

Efforts are made to maintain a balance between the suitability of the remuneration so determined based on current and generally accepted industry standards and of its fairness in relation to the Company's interests. Directors' fees paid to independent Non-Executive Directors are made in accordance with the specified scales of payments as determined by the Remuneration Committee and approved by the Board of Directors from time to time.

Details of the Directors' fees and emoluments paid during the financial year 2023, which have been duly approved by the Board, are stated below.

	Consolidated Fees	
	2023 LKR '000	2022 LKR '000
Directors' emoluments	200,995	346,514
Directors' fees	9,600	9,600

The Company has not provided any guarantee or any other form of security in connection with any loan made by any person to a Director or to the Chief Executive Officer of the Company or of any related entity.

- e) Insurance and indemnity coverage provided to Directors and / or Officers (D & O Cover) of the Company and of its subsidiary.

AIA Group wide D & O cover is in effect to cover the Directors and Officers of the Company, its holding Company and the subsidiary respectively. AIA Company Limited maintains a D & O cover worth USD 300 million, and Sri Lanka is covered under this master policy with a locally admitted policy issued.

THE BOARD OF DIRECTORS

The Directors who comprised the Board during the year ended 31 December 2023 are set out below:

Name of Director	Date of Appointment	Date of Resignation / Date of ceasing to be a Director	Office held during the year under review
Tan Hak Leh	15 July 2022	-	Chairman of the Board & Non-Executive Director
Stuart Anthony Spencer	03 August 2017	-	Non-Executive Director
Robert Alexander Hartnett*	29 September 2015	21 November 2023	Non-Executive Director
Deepal Sooriyaarachchi	17 May 2005	-	independent Non-Executive Director
Drayton Sarath Palitha Wikramanayake	01 August 2016	-	independent Non-Executive Director
Chathuri Munaweera	26 April 2022	-	Executive Director
Upul Wijesinghe*	30 January 2023		Executive Director

The following changes occurred to the Board during the year under review:

- * Mr. Upul Wijesinghe was appointed to the Board effective 30 January 2023.
- * Mr. Robert Alexander Hartnett resigned from the Board effective 21 November 2023.

The Directors holding office as at the date of the Annual Report are indicated on pages 30 to 32. A brief resume of each Director including information on the nature of his / her expertise is set out on pages 30 to 32 of this Annual Report. Disclosures in relation to Non-Executive Directors and their status of independence are described on pages 52 to 53 of the Report.

DIRECTORS RETIRING BY ROTATION

Mr. Tan Hak Leh retires by rotation in terms of Article 25 (1) read with Article 25 (2) of the Articles of Association and being eligible as recommended by the Board for re-election by the Shareholders at the forthcoming Annual General Meeting. A brief profile of the retiring Director is given on page 30 of the Annual Report.

BOARD SUB COMMITTEES

The Sub Committees of the Board, their composition and mandate are provided on pages 62 to 64 of the Annual Report.

DIRECTORS' MEETINGS

Set out below are the number of Directors' meetings (including meetings of the Sub Committees of the Board), which have been held during the year under review and the number of such meetings that have been attended by each Director of the Company during the period, correlated to the period during which each such Director actually held office within the year under review.

The Annual Report of the Board of Directors on the Affairs of the Company

Director	Directors' Meetings		Audit & Compliance Committee		Investment Committee		Remuneration Committee		Related Party Transactions Review Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Tan Hak Leh	4	4	-	-	-	-	2	2	-	-	2	2
Chathuri Munaweera	4	4	5	5	4	4	2	2	-	-	-	-
Deepal Sooriyaarachchi	4	4	5	5	-	-	2	2	4	4	2	2
Robert Alexander Hartnett (Resigned as Non-Executive Director w.e.f. 21 November 2023)	3	3	5	5	-	-	-	-	4	4	-	-
Drayton Sarath Palitha Wikramanayake	4	4	5	5	-	-	1	2	4	4	2	2
Stuart Anthony Spencer	4	4			-	-	-	-	-	-	-	-
Upul Wijesinghe (Appointed as Executive Director w.e.f. 30 January 2023)	3	4	5	5	-	-	-	-	-	-	-	-
Sampath Thushara*	4	4	5	5	4	4	-	-	4	4	-	-
Samath Perera*	-	-	5	5	3	4	-	-	-	-	-	-
Hasitha Mapalagama*	3	4	5	5	4	4	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director / Officer held office during the period

* Not members of the Board.

In addition to the attendance at physical meetings, the Board attended to its duties and took decisions on matters relating to the Company via duly recorded Written Resolutions that were passed by circulation during the year under review. The Nomination Committee and the Remuneration Committee also engaged in decision making via duly recorded Written Resolutions that were passed by circulation.

RELATED PARTY TRANSACTIONS

Appropriate disclosures have been made in terms of the Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, in Note 42 in the Financial Statements set out on page 138 of the Annual Report.

RISK-BASED CAPITAL REQUIREMENT (RBC)

The Company has adopted the RBC solvency regime for solvency purposes with effect from 01 January 2016 in line with the regulations and guidelines issued by the Insurance Regulatory Commission of Sri Lanka.

GOING CONCERN

The Board has, consequent to due inquiry and having taken into account the financial position and future prospects of the Company and of the Group, a reasonable expectation that the Company and the Group have adequate resources to continue to be in operational existence for the foreseeable future. Accordingly the going concern basis has been adopted in the preparation of the Financial Statements.

SLFRS 17 (IFRS 17)

SLFRS 17 (IFRS 17) was issued as a replacement to SLFRS 4 (IFRS 4) Insurance Contracts. IFRS 17 introduced significant changes to the current accounting and actuarial valuation methodologies adopted in global insurance industry. The amendment will be effective from 01 January 2026 in Sri Lanka for statutory reporting requirements while Global Standard is effective from 01 January 2023. A considerable amount of preparatory work carried out by the Company to adapt the new standard to be in line with both global and local statutory reporting.

ENVIRONMENT, SOCIAL, GOVERNANCE (ESG)

As a vision driven company, AIA Insurance Lanka uses its best endeavours and governance structures, operational policies and business strategies to act responsibly, sensitively, and proactively in dealing with environment, social and governance issues in pursuance of achieving operational excellence and long term sustainable value creation to all its stakeholders.

The Company has and continues to comply with relevant environmental laws and regulations and established best practices of the Country. The Company has not, to the best of the knowledge of the Board, engaged in any activity which is or which would be harmful or hazardous to the environment. Constant measures and initiatives are taken by the Company to monitor the changes which will have an impact on any of the ESG factors. New initiatives have been introduced to enhance environmentally friendly

projects following global renewed ESG themes and towards staff wellbeing and engagement in the Company. Awarded with an ISO 14064-1:2018 GHG verification certification in 2023 and a Green Champion Certification programme in collaboration with Dilma Conservation and the further expansion to the industry's first ever roof top garden with the adding of a herbal plant path are the key projects initiated in the year 2023. The Company conducted a fruitful WORLD ENVIRONMENTAL DAY campaign involving all employees with the global theme of #BeatPlasticPollution being followed in all activities. The Company's contribution to drive forward other materially important social issues are set out on pages 24 to 25 of the Annual Report.

EQUITABLE TREATMENT TO STAKEHOLDERS

The Board has constantly endeavoured to ensure that the Company's operations are conducted in a manner which will secure equitable treatment to all stakeholders of the Company.

RE-APPOINTMENT OF EXTERNAL AUDITORS

The External Auditors Messrs. Deloitte Partners, Chartered Accountants, (previously known as M/s PricewaterhouseCoopers * Chartered Accountants), who were appointed at the last Annual General Meeting to hold office until the conclusion of the Company's next Annual General Meeting, have communicated their willingness to continue in office. Accordingly, a resolution for their re-appointment will be proposed at the Annual General Meeting together with a resolution authorising the Directors to determine their remuneration.

EXTERNAL AUDITORS' REMUNERATION

The remuneration paid to the External Auditors, Messrs. Deloitte Partners, Chartered Accountants, for both audit and non-audit services rendered for the year under review are stated below.

	Group	
	2023 LKR '000	2022 LKR '000
Audit and related services	7,632	5,523
Non-Audit services	2,855	11,042

Messrs. Deloitte Partners, Chartered Accountants, do not have any relationship with the Company nor with its subsidiary, other than that of External Auditors of the Company and of its subsidiary. The External Auditors also do not have any interests in the Company or in its subsidiary.

* Messrs. PricewaterhouseCoopers, Chartered Accountants, of Sri Lanka changed their business name to Deloitte Partners effective from 28 October 2023 pursuant to their joining the Deloitte network affiliation effective from the stated date of 28 October 2023.

The Annual Report of the Board of Directors on the Affairs of the Company

ANNUAL REPORT

The information provided herein is in pursuance of the requirements of the Companies Act No. 07 of 2007 (as amended) and to the extent relevant the Regulation of Insurance Industry Act No. 43 of 2000 (as amended). In the preparation of this Report, recourse has also been made to recommended best practice reporting guidelines.

The Board approved the Annual Report and the Financial Statements of the Company and of the Group together with the reviews and other reports which form part of the Annual Report as signed off by the External Auditors on 22 February 2024.

One copy each of the Annual Report will be submitted to the Insurance Regulatory Commission of Sri Lanka, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within the applicable time frames in compliance with relevant statutory requirements.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday, 08 April 2024 at 12.30 p.m. at AIA Insurance Lanka Limited, AIA Tower, 92, Dharmapala Mawatha, Colombo 07.

By order of the Board



Tan Hak Leh
Chairman / Director



Sarath Wikramanayake
Director



Thusara Ranasinghe
Company Secretary

Colombo
22 February 2024

STATEMENT OF COMPLIANCE

The Board of Directors of AIA Insurance Lanka Limited ensures Board oversight of the Company, while duly complying with established corporate governance principles and best practices. These are structured to provide an effective internal controls that facilitate long-term enhanced value creation for shareholders, corporate sustainability, and ethical corporate behaviour all of which are of collective benefit to the Company's stakeholders and the community at large.

Accordingly the Company, in pursuing its strategic objectives, has in place comprehensive policies and procedures that are designed to ensure that the Company is well managed with effective controls and oversight. Implementation is carried out within a framework of proactivism and pragmatism taking into account ground realities, and underpinned by corporate values of openness, fairness, integrity and accountability. Such internal governance policies and procedures are subject to periodic review to ensure that they remain relevant and reflect developments in official standards, and shareholder and stakeholder expectations. Regular supervision and monitoring is also carried out to ensure continued compliance by the Company with not only its legal and regulatory obligations but also with voluntarily adopted published Code on Good Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka. The Company is pleased to confirm that compliance is at the heart of all corporate activities. As such, the Corporate Governance Report of the Company provides information beyond the minimum requirements as specified by applicable legal and regulatory provisions.

Additionally, the Company benefits from its accessibility to and compliance with the stringent governance policies and standards of its ultimate holding company, AIA Group Limited of Hong Kong ("AIA Group"), including robust risk management and compliance policies and standards established. These factors have collectively contributed towards improving the Company's own corporate governance policies and practices and also provided for added transparency in the Company's activities. Further information on the risk management provided in pages 66 to 67 of this report.

The Company is steadfastly committed to ensuring that its operations are embedded with a sound corporate governance culture, which provides assurance to all the stakeholders of ethical and professional corporate performance and conduct.

AIA Insurance Lanka Limited

AIA Insurance Lanka Limited strongly believes that good Corporate Governance practices ensure ethical and efficient conduct of the affairs of the Company in a transparent manner and also help in maximising value for all the stakeholders, such as shareholders, policyholders, employees, sales force, business partners, contractors and the society at large. Good Corporate Governance practices help in building an environment of trust and confidence among all the constituents and enables the Company to perform efficiently and ethically towards the long-term wealth and create value for all its stakeholders. The Company endeavours to uphold the principles and practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning, which are vital to achieve its vision to be the best in the insurance industry. The Company has set high standards of ethical and responsible conduct of business to create value for all its stakeholders without compromising its core values. Ethical dealings, transparency, fairness, disclosure and empowered accountability are the main thrust of the working of the Company.

Compliance is the cornerstone of the Company's corporate culture, and to ensure the effective implementation of the Corporate Governance practices, the Company operates under a meticulously constructed framework of compliance. It rigorously adheres to the regulatory guidelines set forth by the Insurance Regulatory Commission of Sri Lanka (IRCSL), and other relevant regulatory bodies. This demonstrates the Company's commitment to financial stability, product integrity, and fair market conduct. Every facet of its operations, from capital adequacy and asset management to claims handling and policyholder

communication, is meticulously aligned with these established principles.

The Code on Corporate Governance generally mandates compliance with its principles by public listed companies. The Company is of the view that it is equally important for the non-listed companies to abide by corporate governance rules and principles. The Company's Corporate Governance system is subject to ongoing review, assessment and improvement periodically to ensure that the internal governance procedures meet the high standards and deliver current and appropriate information about the Company's financial performance.

Through the Governance mechanism in the Company, the Board along with its committees discharge its fiduciary responsibilities towards all its stakeholders by ensuring transparency, accountability, fairness and independence in its decision making. It helps to adopt sound and prudent principles and practices for the governance of the Company. Strong leadership and effective corporate governance practices have been the Company's inherited values from the AIA culture. The Board is committed to meet expectation of all the stakeholders and strive hard to fulfil them. This commitment will support for shaping the long-term vision managing and safeguarding the risks of the Company to facilitate towards the success within the regulatory frameworks while balancing stakeholder interests.

This report explains the status of compliance of the Company with the Corporate Governance Framework issued under Direction #2 of 2022 (Revised) of the IRCSL. It also examines the status of compliance of the Company with other various laws

and regulations applicable to the Company and the Company's internal governance structure. It provides an overview of the functions of the various committees established for the purpose of good governance.

AIA Insurance Lanka Limited carries on the business of long-term insurance as duly licensed by the IRCSL. The Rainbow Trust Management Limited, the fully owned subsidiary of the Company, engages in trust management business and performance of the subsidiary is reviewed by the Company periodically.

The Company and its subsidiary were subject to various statutory and regulatory requirements in relation to governance and operations during the year under review. The ensuing segment provides details of the primary statutes and policies applicable to the Company and its subsidiary. The primary statutes and policies applicable to the Company and its subsidiary are:

- The Companies Act No. 07 of 2007 (as amended)
- Regulation of Insurance Industry Act No. 43 of 2000 (as amended)
- Inland Revenue Act No. 24 of 2017 (as amended)
- Shop and Office Employees Act No. 15 of 1954
- Employees' Provident Fund Act No. 15 of 1958 (as amended)
- Employees' Trust Fund Act No. 46 of 1980 (as amended)
- Payment of Gratuity Act No. 12 of 1983 (as amended)
- Financial Transactions Reporting Act No. 06 of 2006
- Prevention of Money Laundering Act No. 05 of 2006 (as amended)
- Foreign Exchange Act No. 12 of 2017
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995

- Trust Ordinance No. 09 of 1917 (as amended)
- Personal Data Protection Act No. 09 of 2022
- The Electronic Transactions Act No. 19 of 2006
- Information and Communication Technology Act No. 27 of 2003
- Anti-Corruption Act No. 09 of 2023
- CBSL Act No. 16 of 2023
- Online Safety Act No. 09 of 2024

In addition to the above, the Company has certain standards and policies included in the Corporate Policy Portal which staff read and adhere.

Various other laws that govern companies in Sri Lanka require that the Company and its subsidiary comply with the following Rules, Regulations, Directions and Guidelines:

- Circulars issued by the IRCSL
- Directions and Determinations issued by the IRCSL
- Guidelines issued by the IRCSL
- Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE), as mandated by Direction No. 02 of 2022 (Revised)

The Company is in the process of meticulously evaluating the applicability of the Amendments to the Rule 7.10 and Section 9 of the Listing rules of the Colombo Stock Exchange introduced in September 2023, in line with their applicability to non-listed insurance companies to ensure compliance.

STATUS OF COMPLIANCE WITH IRCSL DIRECTION #17 CORPORATE GOVERNANCE FRAMEWORK ISSUED UNDER DIRECTION NO. 02 OF 2022 (REVISED).

The IRCSL issued Direction #17 (as amended) setting out the corporate governance framework for the insurers with the intention of enhancing the governance standards in the conduct of the affairs of the insurance companies which were restated as the Direction No. 02 of 2022 (Revised) dated 03 February 2022. The following captures the extent of the Company's compliance with the framework of Corporate Governance stipulated in the said IRCSL's Direction.

Section	Status of Compliance
Section A	Partially Complied
Section B.1	Complied
Section B.2 (I)	Complied
Section B.2 (II)	Not Applicable
Section B.3 (I)	Complied
Section B.3 (II)	Not Applicable
Section B.4	Complied
Section B.5	Complied
Section B.6	Complied
Section B.7	Not Applicable
Section B.8 (a) & (b)	Not Applicable

Total number of requirements	11
Not Applicable	4
Fully Complied	6
Partially Complied	1
Not Complied	-

Set out below is the Company's compliance status with the IRCSL's Direction No. 02 of 2022 (Revised) on the Corporate Governance Framework for Insurers dated 03 February 2022 :

	Principle / Requirement	Commentary	Status of Compliance
A	Insurers are recommended to adhere to the Code of best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (the Code).	In line with the Company's endeavours to adopt high standards of governance requirement as a non-listed limited liability subsidiary of AIA Group, the Board adopted the Code as comprehensively as possible. The Company substantially complies with the requirements specified in the Code.	Partially Complied
B.1	The Board of an insurer must be comprised of a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka.	The Board has Four Directors who are residents and citizens of Sri Lanka. They are Mr. Deepal Sooriyaarachchi, Mr. Sarath Wikramanayake, Ms. Chathuri Munaweera and Mr. Upul Wijesinghe. They all have satisfied the 'fit and proper criteria' of the Regulation of Insurance Industry Act.	Complied
B.2	The total period of service of a Director of an insurer, other than an Executive Director, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	The Chairman Mr. Tan Hak Leh and the Director Mr. Stuart Anthony Spencer hold Directorships for periods less than nine years. Section B 2 applies when calculating the overall time limit of nine years of service of a Director. As such, the calculation of the nine-year time limit for Mr. Wikramanayake would commence from 01 August 2016. The position of Mr. Deepal Sooriyaarachchi is explained in light of the Principle B.2(1) in the following section.	Complied
B.2 (1)	Notwithstanding above, the nine year rule shall not be applicable to the following Director / Director category: (i) Major Shareholder Director – A Director representing a major corporate Shareholder and / or Corporate groups with majority shareholding i.e. more than fifty per cent shares of the insurer directly or an Individual Shareholder Director holding more than fifty per cent could hold the directorship of the insurer for more than nine years and upon reaching 75 years she / he could nominate his / her representation to the Board. (ii) Technical Director – A Director be allowed to remain in office till the age of 75 years, provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance Company at senior managerial level.	Mr. Deepal Sooriyaarachchi serves as the majority shareholder Director of the Company based on the Company's current majority Shareholder structure.	Complied

	Principle / Requirement	Commentary	Status of Compliance
B.3 (i)	The age of a person who serves as Director shall not exceed 75 years.	No Director of the Company has attained the age of 75 years.	Complied
B.3 (ii)	<p>The following transitional provision was introduced in 2022:</p> <p>A person who serves as a director who is between 71 to 75 years of age on or after 01 July 2019, such director may continue to serve as a director only until 30 June 2022, and shall be deemed to have vacated office on 30 June 2022.</p>	No Director of the Company has attained the age of 75 years. Hence, this requirement does not arise.	Not Applicable
B.4	The board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE (or any amendments made thereto) pertaining to Corporate Governance.	The Company is compliant with this requirement. A detailed commentary on the compliance with the requirements stipulated in Rule 7.10 as appropriate for a non-listed company is provided on pages 52 to 57 of this report.	Complied
B.5	A person shall not hold office as a Director of more than 20 companies / entities inclusive of subsidiaries or associate companies of the insurer.	No Director of the Company holds Directorships exceeding the maximum stipulated in this Principle.	Complied
B.6	The insurers are required to demonstrate compliance with Direction No. 02 of 2022 (Revised) by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE or any amendments made thereto.	A full disclosure on the compliance with the IRCSL's Direction No. 02 of 2022 (Revised) including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE is provided in pages 49 to 57 of this report.	Complied
B.7	The insurers shall rectify its non compliance in respect of items B1 to 6 referred to in the Direction No. 02 of 2022 (Revised) within three months from the date of non compliance of same and inform the IRCSL immediately after three months. Enforcement action will be taken thereafter against insurers in terms of Circular #41 of the IRCSL, for non compliance.	The Company is compliant with items B1 to 6 referred to in the IRCSL's Direction No. 02 of 2022 (Revised).	Not Applicable
B.8. (a)	The insurer should provide a certification from the Company Secretary to the IRCSL, that the continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a general meeting in terms of Section 211 of Companies Act No. 07 of 2007. In respect of each further year on account of which an extension is sought, up to the maximum age of 75 years, a fresh resolution, as above, shall be duly passed and a certification to that effect from the Company Secretary shall be submitted to the IRCSL.	No Director of the Company has attained the age of 70 years. Hence, this requirement does not currently arise.	Not Applicable
B.8. (b)	The insurer shall also 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 provisions of the Companies Act.	No Director of the Company has attained the age of 70 years. Hence, this requirement does not currently arise.	Not Applicable

STATUS OF COMPLIANCE WITH RULE 7.10 OF LISTING RULES OF THE CSE

The Company is compliant with the applicable requirements of Rule 7.10 of the Listing Rules on Corporate Governance (Status of compliance with Direction No. 02 of 2022 (Revised))

	Rule	Commentary	Status of Compliance
7.10 Compliance			
7.10.a	An entity shall publish in the Annual Report relating to the financial year commencing on or after 01 April 2007 a statement confirming that as at the date of the Annual Report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply.	The Company is compliant with the Corporate Governance Rules of the Listing Rules. The Statement of Compliance is published on page 47 of this report.	Complied
7.10.b	An entity shall comply with the Corporate Governance Rules with effect from the financial year commencing on or after 01 April 2008 and the Annual Report must contain the relevant affirmative statements.	The Company is compliant with the Corporate Governance Rules and respective affirmative statements and the Statement of Compliance is provided on page 47 of this report.	Complied
7.10.c	Where an entity is required by any law applicable to such entity to comply with rules on Corporate Governance promulgated under such law, the Board of Directors of the Exchange may exempt such entity from the requirement to comply with these Corporate Governance Rules either in full or in part. Such entity shall make disclosures of compliance with Corporate Governance Rules applicable to that sector and the Annual Report must contain the relevant affirmative statements.	The Company complied with all the mandatory requirements stipulated by the IRCSL in its Direction No. 02 of 2022 (Revised) dated 03 February 2022.	Complied
7.10.1 Non-Executive Directors			
7.10.1.a	The number of Non-Executive Directors on the Board of Directors shall be two or such number equivalent to one-third of the total number of Directors, whichever is higher.	Board comprises as at date six Directors out of which four are Non-Executive Directors.	Complied
7.10.1.b	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	As at the last Annual General Meeting held on 06 April 2023, there were seven members on the Board of Directors. Five were Non-Executive Directors and Two were Executive Directors. Therefore, the requirement under rule 7.10.1.a is complied with.	Complied
7.10.1.c	Any change occurring to this ratio shall be rectified within ninety days from the date of the change.	Mr. Robert Alexander Hartnett resigned from the Board effective 21 November 2023. As at 31 December 2023 there were six members on the Board out of which four of them are Non-Executive Directors.	Complied

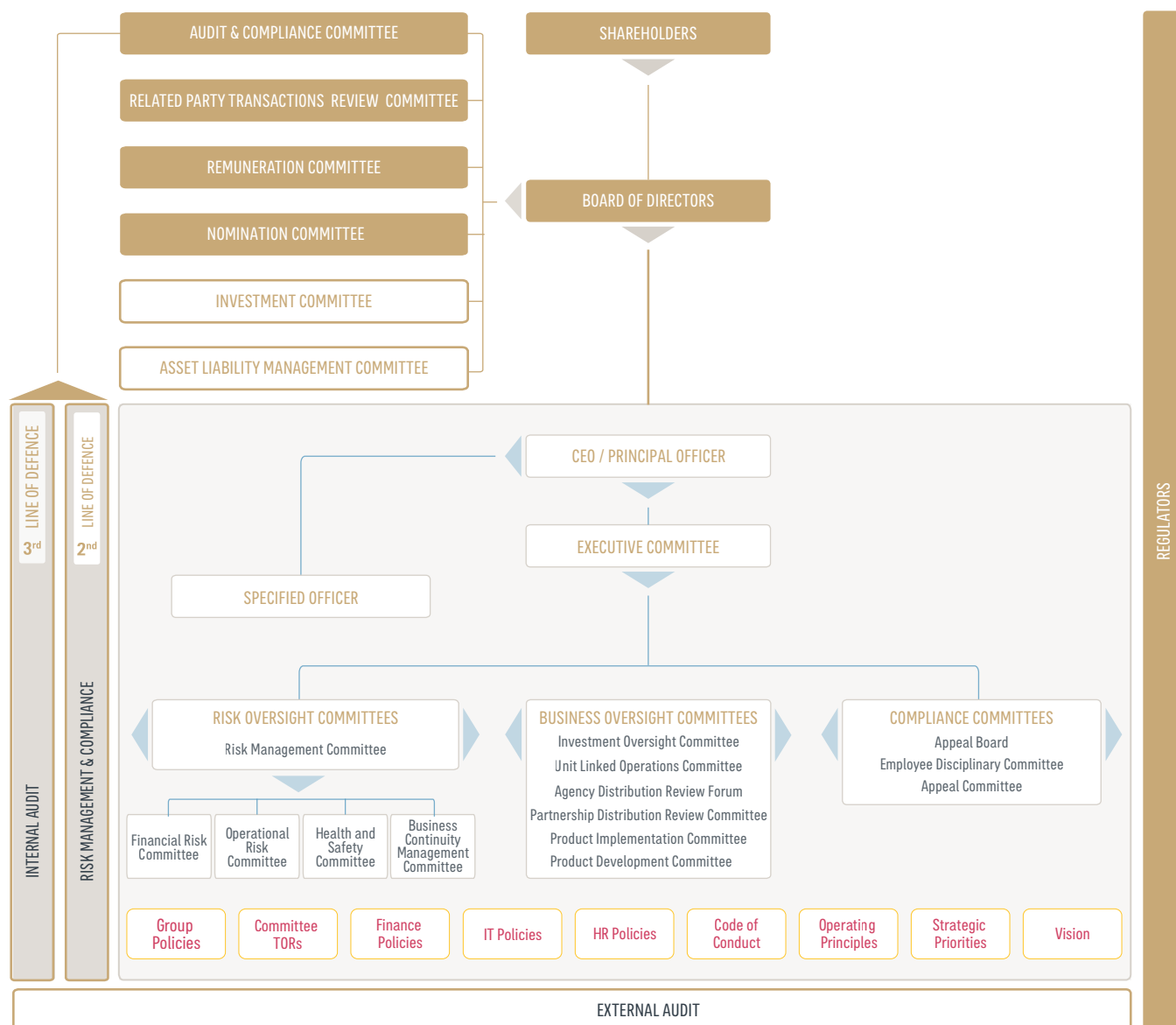
	Rule	Commentary	Status of Compliance
7.10.2 Independent Directors			
7.10.2.a	Two or one-third of the Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	<p>There are four Non-Executive Directors comprising the Board of Directors and two of whom are classified as independent Non-Executive Directors.</p> <p>Details of the independent Non-Executive Directors are given on pages 31 to 32 of this report.</p>	Complied
7.10.2.b	The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his / her independence or non-independence against the specified criteria. A specimen of the said declaration is given in Appendix 7A of this Section.	The Board has obtained, signed and dated declarations from each Non-Executive Director on their independence or non-independence to be in line with the requirement.	Complied
7.10.3 Disclosures relating to Directors			
7.10.3.a	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of directors determined to be 'independent'.	<p>Mr. Deepal Sooriyaarachchi joined the Board as a Director in May 2005. He resigned and was re-appointed to the Board in 2006 and was declared an independent Non-Executive Director in 2012. In terms of Listing Rule 7.10.4.e., Mr. Sooriyaarachchi declared, during the year under review, that he had served the Board continuously for a period exceeding sixteen years, notwithstanding that his directorship was subject to retirement by rotation and re-appointment by the Shareholders of the Company at respective general meetings.</p> <p>The Board taking this disclosure and his re-appointment at the Annual General Meeting held by way of a circular to Shareholders dated 30 March 2022, and on the authority permitted under Rule 7.10.3 b. of the CSE Listing Rules, forms its opinion that Mr. Sooriyaarachchi is nevertheless independent. The Board bases this opinion taking into account all the applicable circumstances as specified in disclosures made as per 7.10.3.a.</p>	Complied

	Rule	Commentary	Status of Compliance
7.10.3.b	In the event a Director does not qualify as 'independent' against any of the criteria set out below but if the Board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.	The Board has, as permitted by Rule 7.10.3 b. of the CSE Listing Rules, taken into account all the applicable circumstances including those herein below mentioned, and is of the opinion that Mr. Sooriyaarachchi as an independent Non-Executive Director on the Board of the Company notwithstanding that Mr. Sooriyaarachchi does not satisfy the 'independence' criteria set out in Listing Rule 7.10.4 e. due to his tenure on the Board which now exceeds sixteen years. Some of the key circumstances supporting and demonstrating Mr. Sooriyaarachchi's independence are that he does not have any economic interests in the Company. Neither Mr. Sooriyaarachchi nor his family members have entered into any direct or indirect transaction/s with the Company during the year under review which are of a material or significant business or commercial nature. Mr. Sooriyaarachchi holds no shares in the Company and in all circumstances acts and functions as an outside director and is remunerated for his function via the payment of Directors fees declared in this Annual Report.	Complied
7.10.3.c	In addition to disclosures relating to the independence of a director set out above, the Board shall publish in its Annual Report a brief resume of each director on its Board which includes information on the nature of his / her expertise in relevant functional areas.	A brief resume of each Director is given on pages 30 to 32 of this report.	Complied
7.10.3.d	Upon appointment of a new director to its Board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	This requirement is inapplicable to the Company since it is not listed on the CSE.	Complied
7.10.4	Criteria for Defining 'Independence'	Please refer narrations in 7.10.3.a and b respectively.	Complied

	Rule	Commentary	Status of Compliance
7.10.5 Remuneration Committee			
7.10.5.a	<p>COMPOSITION</p> <p>The remuneration committee shall comprise of a minimum of two independent Non-Executive Directors (in instances where an entity has only two directors on its Board); or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.</p>	<p>The Remuneration Committee consists of three Non-Executive Directors two of whom are independent Non-Executive Directors.</p> <p>The Company has a separate Remuneration Committee.</p> <p>Mr. Tan Hak Leh functions as the Chairman of the Committee and he is a Non-Executive Director of the Company.</p>	Complied
7.10.5.b	<p>FUNCTIONS</p> <p>The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the entity and / or equivalent position thereof, to the Board of the entity which will make the final determination upon consideration of such recommendations.</p>	<p>The Remuneration Committee recommends to the Board the remuneration payable to the Executive Directors and Chief Executive Officer based on the performance ratings obtained at the annual performance appraisal and compensation market surveys (where available) and applicable to foreign and local Chief Executive Officers, the value of the role and talent requirements of the Company. The Board placing due consideration of such criteria makes the final decision.</p>	Complied
7.10.5.c	<p>DISCLOSURE IN THE ANNUAL REPORT</p> <p>The Annual Report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.</p>	<p>Names of the Directors who are members of the Remuneration Committee are given on page 70 of this report. A statement of the remuneration policy is given under the Remuneration Committee Report on page 70 of this report. Disclosure of remuneration paid to Directors is given on page 42 of this report.</p>	Complied

	Rule	Commentary	Status of Compliance
7.10.6 Audit Committee			
7.10.6.a	<p>COMPOSITION</p> <p>The Audit Committee shall comprise of a minimum of two independent Non-Executive Directors (in instances where a Entity has only two directors on its Board);</p> <p>or</p> <p>of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.</p> <p>In a situation where both the parent company and the subsidiary are listed entities, the Audit Committee of the parent company may function as the audit committee of the subsidiary.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.</p> <p>The Chief Executive Officer and the Chief Financial Officer of the entity shall attend Audit Committee meetings.</p> <p>The Chairman or one member of the committee should be a Member of a recognised professional accounting body.</p>	<p>The Audit Committee of the Company is named as the Audit and Compliance Committee and consists of three Non-Executive Directors, two of whom are independent Non-Executive Directors.</p> <p>The Company has appointed its own Audit Committee.</p> <p>The Committee fulfils the required qualifications and the qualifications of respective members of the Committee are given on page 68 of the report.</p> <p>The Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Chief Risk and Compliance Officer, the Chief Actuary, the Head of Internal Audit and the External Auditors are considered as permanent invitees for the meetings of the Committee.</p>	Complied
7.10.6.b	<p>FUNCTIONS</p> <p>i. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a listed entity, in accordance with Sri Lanka Accounting Standards.</p> <p>ii. Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p>	<p>The Terms of Reference of the Committee capture the required functions in addition to many other functions assigned to it by the Board. Accordingly, the Committee,</p> <p>i. Oversees the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company in accordance with the Sri Lanka Accounting Standards.</p> <p>ii. Oversees the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p>	

	Rule	Commentary	Status of Compliance
	<p>iii. Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>iv. Assessment of the independence and performance of the entity's External Auditors.</p> <p>v. To make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.</p>	<p>iii. Oversees the processes to ensure that the Company's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>iv. Assesses the independence and performance of the Company's External Auditors.</p> <p>v. Makes recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.</p> <p>Further information about the Committee and its functions is given on pages 68 to 69 of this report.</p>	
7.10.6.c	<p>DISCLOSURE IN THE ANNUAL REPORT</p> <p>The names of the directors comprising the Audit Committee should be disclosed in the Annual Report.</p> <p>The committee shall make a determination of the independence of the auditors and shall disclose the basis to such determination in the Annual Report.</p> <p>The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the Annual Report relates.</p>	<p>The names of the Directors who are members of the Audit and Compliance Committee are given on page 68 of this report.</p> <p>The Committee has determined the independence of the External Auditors and the basis of such determination is mentioned in the Audit and Compliance Committee Report on page 69 of this report.</p> <p>Audit and Compliance Committee Report is given on pages 68 to 69 of this report.</p>	Complied
7.10.7	In the event the listed entity fails to comply with any of the requirements contained in Rule 7.10, the listed entity shall make an immediate announcement to the market via the Exchange on such non-compliance, not later than one market day from the date of the non-compliance and comply with the specified requirements.	This requirement is not applicable as the Company was compliant with Rule 7.10.	Not Applicable



THE BOARD OF DIRECTORS

During the year under review following changes occurred to the Board of the Company.

The Director Robert Alexander Hartnett (Non-Executive Director), resigned from the Board on 21 November 2023. He was also the Chairman of the Audit & Compliance Committee and a member of the Related Party Transactions Review Committee. The Director Mr. Sarath Wikramanayake was appointed as the Chairman to the Audit & Compliance Committee in place of Mr. Robert Alexander Hartnett. The Director Mr. Stuart Anthony Spencer

was appointed as a member to both Audit & Compliance Committee and Related Party Transactions Review Committees.

The Company's commitment to uphold highest standards of corporate governance is driven by the Board of Directors which is led by the Chairman. The Board is responsible for the shareholders for creating and delivering sustainable shareholder value through management of business activities. The Board meets at least once in every quarter or more frequently if need arises to discuss all matters relevant to the operation and governance of the Company and

minutes of all the Board Meetings are recorded by the Company Secretary. The Chairman and the Board of Directors lead the governance profile of the Company, supported by sub committees of the Board comprising the Audit & Compliance,, Remuneration, Related Party Transactions Review and Nomination Committees. Systems and procedures are in place to ensure accurate, reliable and current information flows to the Board to enable the effective and efficient discharge of their governance obligations. The Board sub committees are required to report their activities to the Board on a quarterly basis and the reporting

by the committees cover the update of activities of regular meetings held on delegated authorities and decisions taken or recommendations made by these committees. Decision making procedures are carried out in compliance with the Company's Articles of Association, the Board Terms of Reference (TOR), the respective Board Committee Terms of Reference together with applicable laws and regulations. Information on the Board sub committees is provided on pages 62 to 64 of this report. The Investment Committee and the Asset Liability Management Committee are management committees appointed by the Board. Information on the Board appointed management committees is provided on page 65 of this report.

THE CHIEF EXECUTIVE OFFICER (CEO)

The Chief Executive Officer (CEO) holds the pivotal role of leading the Company towards its strategic objectives, as set forth by the Board of Directors. The CEO's responsibilities encompass a diverse range of duties, all geared towards ensuring the smooth and efficient execution of the Board's strategies. This includes meticulously implementing approved policies and plans, overseeing day-to-day operations across all business units, and guiding the executive team towards achieving optimal performance. A critical responsibility entrusted to the CEO is the planning of future leadership, guaranteeing a smooth and effective transition at the highest levels. The CEO is the most senior executive officer of the Company and reports directly to the Chairman of the Company. The Articles of Association of the Company and the Board Terms of reference recognise the role and position of the Chief Executive Officer of the Company and the duties and obligations attached to such role.

THE EXECUTIVE COMMITTEE

The Executive Committee plays a key role in driving the organisation's success and ensures decisions made align with the Company's mission, vision and goals. It provides leadership, guidance, oversight to the organisation and prioritizes issues for board members to handle. The Executive Committee reports to the CEO and discharges the management and governance responsibilities of the Company as delegated by the CEO. The CEO heads the Executive Committee and provides leadership and expertise in the implementation of plans and achievement of strategic objectives. She leads the collective decision-making process of the Executive Committee in relation to the day-to-day management of the Company's business and its operation within the governance framework and objectives defined by the Board.

The Executive Committee functions within its Terms of Reference in collectively and individually supporting the CEO in operational, business and strategic decisions and the execution of the Company Strategic Plan.

MEMBERS OF THE EXECUTIVE COMMITTEE ARE;

- Chief Executive Officer / Executive Director / Principal Officer
- Deputy Chief Executive Officer / Chief Distribution Officer / Executive Director
- Director Human Resources
- Chief Technology Officer
- Chief Financial Officer / Chief Investment Officer
- Chief Agency Officer
- Director Partnership Distribution
- Director Operations / Specified Officer
- Chief Risk & Compliance Officer
- Chief Marketing Officer

FUNCTIONAL OVERSIGHT AND SUPPORT TO ENSURE SOUND CORPORATE GOVERNANCE

The Company has appointed a Chief Risk and Compliance Officer who is responsible for the Risk and Compliance functions with a matrix reporting to the Audit & Compliance Committee, AIA Group's Chief Risk Officer and reporting to the CEO. By establishing the Risk function and the rollout of the Risk Management Framework, the Company has ensured that a prudent approach to understanding and managing the risks is in place, to safeguard the assets and interests. A comprehensive report on risk management of the Company is given on pages 66 to 67 of this report. The Compliance function that has been established by the Company is responsible for promoting and establishing a culture of compliance within the Company. The position of the Chief Compliance Officer (CCO) is identified in the overall compliance structure, recognising the statutory / regulatory purposes of the role arising from the insurance regulations and Financial Intelligence Unit (FIU) established under the Central Bank of Sri Lanka. The insurance regulations recognise the function of a CCO, and the FIU recognises the role and responsibility of the CCO to ensure compliance in terms of the anti-money laundering regulations and counter terrorist financing measures arising out of the Financial Transactions Reporting Act No. 06 of 2006 and Prevention of Money Laundering Act No. 05 of 2006 (as amended). The Compliance function of the Company maintains the second line oversight responsibility on sales compliance, investment compliance, anti-money laundering and counter terrorist financing, regulatory compliance, record management, data privacy and anti-fraud, anti-corruption and whistle blowing programme.

GOVERNANCE COMMITTEES

Information on the other governance committees are provided in the table below.

	Committee	Responsibility	Membership	TOR/ Charter
1	Risk Management Committee (Financial Risk Committee and Operational Risk Committee function within the mandate of the Risk Management Committee)	<p>Responsible for overseeing the aggregate financial risk exposure of the business and for managing the optimisation of capital and the risk profile of the business.</p> <p>Responsible for reviewing, monitoring and providing oversight to the key operational risks of the business.</p> <p>Key forum for the identification and escalation of current and emerging key operational risks of the business.</p>	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Nominated members of management</p>	✓
2	Health & Safety Committee	Responsible for providing oversight to physical safety and security within the scope of the Company's business operations and carrying out activities to ensure that relevant risks are identified, measured, monitored and managed.	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Head of Facilities</p> <p>Nominated members of management</p>	✓
3	Business Continuity Management Committee	Responsible for ensuring the Business Continuity Management programme of the business is complete and effective. The Committee monitors risks pertaining to business continuity and identify / recommend procedure and controls for mitigating the risks.	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Business Continuity Manager</p>	✓
4	Investment Oversight Committee	Responsible for reviewing, monitoring and providing oversight to the investment portfolios, especially on investment strategy, investment exposures and investment performance.	<p>Chief Investment Officer (Chair)</p> <p>Nominated members of management and functional experts representing Investments, Finance, Actuarial, Risk and Compliance based on the scope of the Committee.</p> <p>Invitees - representatives from NDB Wealth Management Ltd (External Fund Manager)</p>	✓
5	Product Implementation Committee	<p>Ensure timely and proper implementation of PDC-approved products.</p> <p>Ensure a proper product development process and the activities that are in accordance with regulations, internal policies / standards / guidelines and controls.</p>	<p>Chief Marketing Officer (Chair)</p> <p>Nominated members of management and functions representing Actuarial, Life Operations, Sales, IT, Finance, Training, Risk & Compliance, Legal and Marketing.</p>	✓

	Committee	Responsibility	Membership	TOR/ Charter
6	Product Development Committee (PDC)	<p>Agree and update the Company's product calendar for the year, prioritise and rationalise product development work to support business plans.</p> <p>Filter product proposals at each key stage of development (e.g. research, design, pricing, launch) to ensure focus on those products which are aligned with the objectives of the Committee.</p> <p>Track the performance of recently launched products for a minimum period of 12 months post-launch and approve proposed action plans to address gaps, based on analysis of post-launch results and performance drivers.</p> <p>Monitor whether available for sale products continue to meet the needs of customers and the Company.</p>	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Chief Actuary</p> <p>Head of Products</p> <p>Senior Manager / Manager / Assistant Manager / Senior Executive – Products & Propositions</p>	✓
7	Agency Distribution Review Forum	<p>Responsible for providing oversight to sales and performance of the Agency Distribution.</p> <p>Responsibilities include setting of goals of the Agency Distribution with stipulated key performance indicators and defined performance metrics.</p>	<p>Deputy Chief Executive Officer (Chair)</p> <p>Chief Agency Officer and Senior management of the Agency Distribution channel</p>	✓
8	Partnership Distribution Review Committee	<p>Provide detailed overview of sales and performance of the Partnership Distribution channel.</p> <p>Setup key distribution performance indicators and performance metrics.</p> <p>Review business quality and tabling of outliers or any outlying behaviours.</p> <p>Track progress of strategic initiatives for the year and beyond.</p>	<p>Director Partnership Distribution (Chair)</p> <p>Senior management of the Partnership Distribution Channel</p> <p>Selected members of the sales team and business partners of selected departments (optional)</p>	
9	Appeal Board	<p>Providing an appealing opportunity to the Agent who is aggrieved by a penalty imposed by the Authorized Officer based on the outcome of the Investigation against the Agent.</p>	<p>Chief Legal Officer (Chair)</p> <p>Chief Risk and Compliance Officer,</p> <p>Chief Marketing Officer,</p> <p>Deputy General Manager – IT,</p> <p>Head – Rewards and Recognition – HR</p>	

	Committee	Responsibility	Membership	TOR/ Charter
10	Employee Disciplinary Committee	Responsible for the proactive management and issue resolution of employee grievances and disciplinary matters.	Director Human Resources, Chief Legal Officer Chief Risk and Compliance Officer and / or Subject Matter Manager and / or Internal Audit (if required)	✓
11	Appeal Committee (appointed if inquiry goes for appeal)	Responsible for reviewing the decisions arrived at by the Employee Disciplinary Committee upon the appeals made by the aggrieved employees. The Appeal Committee is responsible for making the final decision.	A minimum of three members including the Chairperson. CEO or her alternative, who shall be Director Legal in the event she was not a part of the Disciplinary Committee. The appointment of the members and / or the appointment of alternatives in the event the committee members are absent or have a conflict of interest in the matter of grievance, is vested in the Chairperson and in her absence, her alternative. The investigator appointed depending on the nature of the appeal who is not a voting member.	✓

Information on Board Sub Committees and other Committees as appointed by the Board.

BOARD SUB COMMITTEES

Audit and Compliance Committee	
Chairman	Sarath Wikramanayake (independent Non-Executive Director)
Members	Deepal Sooriyaarachchi (independent Non-Executive Director) Stuart Anthony Spencer (Non-Executive Director)
Secretary	Chandima Dharmasena - Senior Manager Legal
Agenda	Available
Invitees	Chief Executive Officer Deputy Chief Executive Officer Chief Financial Officer Company Secretary Chief Risk and Compliance Officer Chief Actuary Head of Internal Audit External Auditors Other officials as and when required

BOARD SUB COMMITTEES CONTD.

Audit and Compliance Committee Contd.	
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> • To review and make recommendations to the Board with regard to the approval of the Annual Report and accounts of the Company, including the Interim Financial Statements. • To review and report to the Board on the effectiveness of the systems of internal controls and risk management. • To review the quality of internal and external audits and to secure the timely implementation of audit recommendations. • To ensure that the Internal Audit function is adequately resourced, has an appropriate standing and to ensure coordination between the Internal and External Auditors. • To determine the fees to be paid to the External Auditors and to make recommendations to the Board with regard to their appointment and also with regard to their ceasing to hold office. • To review reports from the External Auditor on significant issues arising from the audit of the Company's Financial Statements and on the Company's internal control environment, as well as to review regular updates on related matters. • To review the effectiveness of the corporate compliance framework with financial services and other relevant legislation. • To review the scope of each annual audit and its cost effectiveness with the External Auditors and the management. • To perform an independent supervisory role in securing corporate compliance with the Regulation of the Insurance Industry Act and related regulations as well as with other applicable statutes and regulations.

Remuneration Committee	
Chairman	Tan Hak Leh (Non-Executive Director)
Members	Deepal Sooriyaarachchi (Independent Non-Executive Director) Sarath Wikramanayake (Independent Non-Executive Director)
Secretary	Thushari Perera - Director HR
Agenda	Available
Invitees	Chief Executive Officer Other officials as and when required
Frequency of Meetings	As and when required
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> • To review and approve the remuneration policy applicable to employees of the Company. • To recommend to the Board the remuneration to be paid to Directors, the Chief Executive Officer and their perquisites and allowances. • To review and approve the grant of employees' stock options (if and when applicable) subject to the approval of the Board.

Related Party Transactions Review Committee	
Chairman	Deepal Sooriyaarachchi (independent Non-Executive Director)
Members	Stuart Anthony Spencer (Non-Executive Director) Sarath Wikramanayake (independent Non-Executive Director)
Secretary	Amenda Abeygoonasekera - Senior Executive Legal & Company Secretarial
Agenda	Available
Invitees	Chief Executive Officer Chief Financial Officer Company Secretary Chief Risk and Compliance Officer Head of Internal Audit Other officials as and when required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> To oversee that all Related Party Transactions of the Company are duly reviewed, undertaken and disclosed. To ensure compliance with the Code of Best Practices on Related Party Transactions and the Listing Rules of the CSE.

Nomination Committee	
Chairman	Tan Hak Leh (Non-Executive Director)
Members	Deepal Sooriyaarachchi (independent Non-Executive Director) Sarath Wikramanayake (independent Non-Executive Director)
Secretary	Thusara Ranasinghe - Company Secretary
Agenda	Available
Invitees	Chief Executive Officer Other officials as and when required
Frequency of Meetings	Meetings shall be held at least twice a calendar year
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> To review and recommend any appointment of new Directors to the Board of Directors. To consider and recommend the re-election of the Director/s eligible for re-election by taking into account the performance and the contribution made by them towards the overall discharge of their responsibilities in the Board and Board appointed Committees. To provide advice and recommendations to the Board or the Chairman on any such appointment. To consider the selection and appointment of a Chairman in case a vacancy arises. To review the structure, composition and competencies including the skills, knowledge and experience of the Board and make recommendations to the Board with regard to any changes.

BOARD APPOINTED MANAGEMENT COMMITTEES

Investment Committee (Comprising non-Board members)	
Chairperson	Chathuri Munaweera (Chief Executive Officer)
Members	Sampath Thushara (Chief Financial Officer) Samath Perera (Chief Actuary) Hasitha Mapalagama (Chief Risk and Compliance Officer)
Secretary	Zarah Juriansz - Head Investments
Agenda	Available
Invitees	Officials representing the management of the Company as and when required and representatives of the Fund Manager
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> • To design and review the Company's investment policy and place same before the Board of Directors for approval. • To implement the investment policy as approved by the Board of Directors. • To apprise the Board of Directors periodically on the Committee's activities. • To monitor investment performance and recommend appropriate investment strategies. • To review the adequacy of internal control systems and risk management systems. • To ensure that the portfolios are managed to achieve their investment objectives whilst adhering to regulatory requirements. • To liaise with the IRCSL in connection with regulations pertaining to investments and provide information to help define the framework of investment management of insurance portfolios.

Asset Liability Management Committee (Comprising non-Board members)	
Chairman	Sampath Thushara (Chief Financial Officer)
Members	Samath Perera (Chief Actuary) Hasitha Mapalagama (Chief Risk and Compliance Officer)
Secretary	Denver Oorloff - Assistant Manager Actuarial Shemani Ratwatte - Manager Actuarial
Agenda	Available
Invitees	Officials representing the management of the Company as and when required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> • To provide oversight of asset liability management policies, processes and controls and the implementation of asset liability management decisions and strategic asset allocation processes. • To monitor and review the Company's risk appetites for liquidity position, solvency position and liabilities profile. • To monitor and review the need to ensure that the Company holds sufficient assets of appropriate nature, term and liquidity to enable such entities to meet its liabilities as they become due.

RISK MANAGEMENT REVIEW

AIA Sri Lanka recognises the importance of sound risk management in every aspect of the business and to all of its stakeholders. For policyholders, it is the assurance that the Company will stand with them when they need it most, at the time of the claim or benefits being paid.

A sound risk management process is vital to ensure the stability of the insurance industry and the financial system. For stakeholders and investors, it is a means of protecting and enhancing the long-term value of their investment. AIA Sri Lanka recognises that strong corporate governance and a sound risk management system are at the core of its business proposition and the Company's focus on these areas has been a significant contributor to our performance. As AIA Sri Lanka's business grows in scale and complexity and given the dynamic nature of the external environment with changes and developments in the political, social and economic spheres, so evolves our approach to risk management to better align and stay relevant.

The Company's Risk Management Framework (RMF) is built around developing an appropriate and mindful risk culture at every level of the organisation in support of strategic objectives. The RMF provides appropriate tools, processes and capabilities for the identification, assessment and, where required, upward referral of identified material risks for further evaluation.

AIA Sri Lanka's RMF consists of the following key components.

RISK GOVERNANCE

Risk governance establishes clear responsibility and accountability to execute the risk strategy and carry out the day-to-day risk management

and compliance activities. risk governance consists of Board, delegation of authorities and committees, three lines of defence, independence of the Group and business unit risk and compliance organisation and corporate policy governance.

The Board is responsible for defining risk management and compliance responsibilities in the Board's Terms of Reference. The Risk Committee consists of the Executive Committee members of the business and oversees risk management across the business.

The Three lines of defence model clearly defines the roles and responsibilities for the management of risk between those taking executive decisions (the first line), the Risk and Compliance function (the second line) and Internal Audit (the third line), with each of these working closely together but ultimately operating independently from each other.

AIA Sri Lanka establishes policies and standards to manage all material risks to which the business is exposed and must be approved, governed and maintained.

RISK CULTURE

A strong risk culture promotes prudent risk management, compliance, and fair treatment of customers. Risk culture influences the way activities are conducted in relation to risk awareness, risk taking, risk management and controls.

RISK STRATEGY

Risk strategy is to articulate a desired approach to risk taking and risk control, including the risk appetite and tolerance levels in the pursuit of the Company's strategy.

RISK MANAGEMENT PROCESS

AIA Sri Lanka has a robust risk management process that provides sufficient risk identification and assessments, effective management and response, proactive monitoring, controls and compliance.

RISK REPORTING, SYSTEMS AND TOOLS

Risk reporting covers all relevant material risks, be complete and accurate and provided on a timely basis to the Board, Risk Committee and other relevant internal or external parties. This includes risk positions and recovery plans where required by the senior management and other supervisory reports.

LOOKING BACK AT 2023

In 2023, the Company's key priority from a risk perspective, was to contribute to and enhance the risk culture within the evolving business landscape. Significant strides were made in fortifying the control framework by engaging staff at all levels, establishing a stringent control mechanism across the entire organisation, and concurrently bolstering the financial position amidst economic recovery. Additionally, Risk & Compliance prioritised operational efficiency while upholding regulatory compliance and global standards.

The Function significantly improved risk oversight by enhancing the risk landscape and strengthening controls through automation. Risk & Compliance elevated risk monitoring and strategies through technology, digital & analytic implementations. Engaging staff to take ownership of and manage business risks has augmented the Company's risk culture, providing assurance to the Board and Regulators. This, in turn, enables a robust risk governance framework, model, and culture throughout the organisation.

Financial risk is meticulously monitored across capital, liquidity, credit, earnings, and interest rates, aligning with defined risk tolerance and limits.

As part of operational risk management, AIA Sri Lanka ensured a heightened awareness of undertaken risks, implemented appropriate controls in processes, and monitored these controls by enhancing first-line risk ownership.

A pivotal development in the Company's risk landscape involved initiatives aimed at managing technology and third-party risks. Aligned with AIA Group's directives, AIA Sri Lanka actively participated in key actions related to cybersecurity, data privacy, and third-party risk management.

OUTLOOK FOR 2024

With a well-established and effective risk management framework, the focus for 2024 is to continue the Company's risk management journey. This entails striking a balance between risk and return for efficient capital allocation, ensuring alignment with business plan objectives. The Risk function's motto for 2024 is that AIA Sri Lanka will 'Embrace evolution & ascend to new heights' to achieve sustainable, resilient, and enhanced business performance.

This commitment extends to fulfilling the Company's strategic priorities and becoming the #1 player in the Regular Premium market by 2026 through effective risk management, providing constructive challenges and risk assurance. Furthermore, it involves enriching the risk and compliance community, increasing business engagement, offering enhanced stakeholder assurance, and embracing digitalization and innovation.

These initiatives will align with the operational risk and control framework, complemented by a strengthened financial risk management framework. Consequently, AIA Sri Lanka will execute transformation strategies across various facets of its business and operations, driven by ambition, environmental changes, and regulatory requirements. This strategic approach will better equip the business to navigate challenges, progressing towards a more digital and agile culture.

AUDIT AND COMPLIANCE COMMITTEE REPORT

COMPOSITION

The Audit and Compliance Committee ('the Committee') of AIA Insurance Lanka Limited is appointed by the Board of Directors. In line with the Company's endeavours to adopt high standards of governance requirements as a non-listed limited liability subsidiary of AIA Group and in compliance with the applicable corporate governance standards, the Company continued with the Audit and Compliance Committee to serve the relevant purposes.

The Committee comprises of the following Directors of the Company as at 31 December 2023;

1. Mr. Sarath Wikramanayake – Chairman (Independent Non-Executive Director)
2. Mr. Deepal Sooriyaarachchi – Member (Independent Non-Executive Director)
3. Mr. Stuart Anthony Spencer – Member (Non-Executive Director)

Mr. Robert Alexander Hartnett (Non-Executive Director) who served as the Chairman of the Committee resigned from his position with his resignation from the Board effective 05 November 2023. The Committee places its appreciation to Mr. Hartnett for the valuable contribution made and leadership given to the Committee during his eight years of tenure as the Chairman of the Committee.

Mr. Deepal Sooriyaarachchi and Mr. Sarath Wikramanayake function in the Committee as independent Non-Executive Directors. Mr. Sarath Wikramanayake is a Chartered Accountant and is a fellow of the Institute of Chartered Accountants of Sri Lanka and Mr. Stuart Anthony Spencer is an alumnus of the Harvard Business School, The Fletcher School of Law and Diplomacy and Brandeis University. The members of the Committee who have been drawn from and out of the Non-Executive

Directors serving on the Board possess the required knowledge and expertise to perform their duties of the Committee.

OBJECTIVE

The objectives and functions of the Committee are set out in the Terms of Reference of the Committee approved by the Board of Directors and encompass the following areas;

1. Financial Reporting

The Committee is primarily tasked with assisting the Board in discharging its responsibilities for overseeing the preparation, presentation and the integrity of disclosures of the Company's Financial Statements in accordance with the applicable accounting standards. The Committee recommends the quarterly Financial Statements, annual accounts and connected documents for the approval of the Board as and when required. It focuses on a fair presentation and disclosure, reasonability of estimates and judgemental factors and appropriateness of significant accounting policies adopted in preparation of the Financial Statements.

2. Internal Audit

The Committee is responsible for reviewing and approving the annual internal audit plan for the year as presented by the Internal Audit function of the Company. The Committee receives constant updates on matters relating to progress of the plan during the year. In addition, the Committee reviews the quarterly reports presented by the Internal Audit function regarding audit reports and progress of management actions in closing identified issues. The Head of Internal Audit had unfettered access to the Committee and had private meetings with the Committee ensuring independence of the Internal Audit function. The Committee is satisfied with the independence of Internal Auditor.

3. Risk, Governance and Internal Control

The Committee receives quarterly reports from the Chief Risk Officer. The Committee continuously reviewed the risks emanating from the adverse economic and political conditions of the Country and specific mitigating actions. During the year, the Committee reviewed the governance framework of the Company through the Chief Risk Officer's Reports. The Committee was updated on the effectiveness of the control framework and the top risks faced by the business together with the management action plans to mitigate the identified risks. During the year the Company continued with its commitment in developing its risk management framework to align with the business requirements. The Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the Financial Statements of the Company are reliable.

In addition, other assurance reports pertaining to control exceptions, fraud and malpractice and anti-money laundering and other significant matters were tabled and reviewed by the Committee. The Committee further appraised the actions in place to control any issues identified in these reports.

4. External Audit

External Audit is another key area which receives attention of the Committee.

During the year under consideration, the Committee was notified about the change of network affiliation of the External Auditors from Messrs. PricewaterhouseCoopers to Deloitte Partners, Chartered Accountants.

The Committee received the External Audit Plan and approved same after having discussed with the management. External Auditors were invited to attend the Committee's quarterly meetings and also for private meetings. The External Auditors were given adequate access by the Committee to ensure independence and objectivity. The External Auditor of the Company has submitted the Management Letter for the year 2022 with audit findings and the Committee reviewed the comments and undertakings by the management with regards to recommendations made by External Auditors.

5. Regulatory Compliance

The Company underwent a regular onsite inspection by the IRCSL and the FIU during the year and the Committee was updated of the active assistance provided by the management for the inspection. The reports of the IRCSL and the FIU did not carry any material findings which demonstrated the strong governance structure the Company has in place.

The committee received quarterly updates of regulatory liaisons. Where applicable, the Committee was updated with the regulatory changes that are being implemented and reviewed the action plans to ensure readiness of the Company in meeting such regulatory requirements. The Committee received reports on the status of regulatory compliance of the Company and the effectiveness of compliance monitoring programmes during the year.

6. Any Other Significant Matters

The Committee constantly reviewed the matters relating to tax assessments received by the Company which are being contested and under consideration and received constant updates on how those matters progressed during the said period. During the year,

the Committee received extensive updates on the new tax reforms, monetary policy, inflation and the extreme adverse financial conditions that prevailed in the Country and the action plans for the Company to navigate such adverse conditions.

The Committee continuously monitored the implementation of the new accounting standard SLFRS 17. This was successfully completed during the year and the Company became the first life insurance company in the industry to successfully implement SLFRS 17 standard. The Committee was constantly kept updated of the progress of the implementation project and received required training and knowledge enhancement with respect to the impact and operation of the new standard.

MEETINGS

The Committee held five formal meetings and resolutions in writing as circulated to the Committee during the year under review and the CEO, the Deputy CEO, the CFO, the Chief Risk Officer, the Chief Actuary, the Company Secretary and the Head of Internal Audit attended these meetings as permanent invitees. The External Auditors attended all the scheduled meetings of the Committee for the year and the Committee had private meetings with internal and External Auditors without the presence of any management staff. Other members of the senior management attended as invitees as and when required. Apart from the formal meetings there were numerous communications between the Chairman, members of the Committee and members of the Executive Committee of the Company.

The Board receives a copy of the minutes of each meeting of the Committee.

INDEPENDENCE OF THE EXTERNAL AUDITORS AND THEIR APPOINTMENT

During the year under review Messrs. Deloitte Partners, Chartered Accountants functioned as the Statutory Auditors of the Company. As aforesaid, the Committee had continuous communications with the Auditors.

The Committee is of the view that Messrs. Deloitte Partners, Chartered Accountants who are the present External Auditors of the Company do not have any other relationship with the Company, its parent Company and its subsidiary other than that of the External Auditors of the respective entities, and they have been carrying out their duties independently with the support and facilitation of the management during the period under consideration.

Having duly noted the willingness of the External Auditors to continue in office, the Committee recommended to the Board that Messrs. Deloitte Partners, Chartered Accountants be re-appointed as Statutory Auditors of the Company for the financial year ending 31 December 2024, subject to approval by the shareholders at the forthcoming Annual General Meeting. The Committee will approve the terms of engagement of the auditors for 2024 subject to the approval of their re-appointment by the shareholders of the Company, and necessary recommendations being made to the Board as regards their remuneration for 2024.



Sarath Wikramanayake
Chairman, Audit and Compliance Committee

04 March 2024

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of AIA Insurance Lanka Limited is appointed by the Board of Directors from and amongst the Directors of the Company.

COMPOSITION

The Remuneration Committee comprises three Non-Executive Directors.

As at 31 December 2023, the Committee comprised of the following Directors.

1. Tan Hak Leh
(Non-Executive Director) - Chairman.
2. Deepal Sooriyaarachchi
(Independent Non-Executive Director) - Committee Member.
3. Sarath Wikramanayake
(Independent Non-Executive Director) - Committee Member.

SCOPE AND OBJECTIVES

The overall objectives and functions of the Remuneration Committee are:

1. to review and to approve the Remuneration Policy of the Company;
2. to recommend to the Board of Directors, the remuneration to be paid to the Chief Executive Officer and fees payable to the Directors, their perquisites and allowances;
3. to review and to approve the grant of employees' stock options (if and when such schemes are applicable) subject to the necessary approvals including the approval of the Board of Directors.

REMUNERATION POLICY OF THE COMPANY

The Remuneration Policy sets out a total reward framework which allows the Company to align itself with the best of class reward practices and recognise superior performance and high potential in a market competitive manner within the Company's capacity to pay. In setting its guidelines, the Policy endeavours to be in line with the local statutory and regulatory obligations.

PROCEEDINGS & REPORTING

The Remuneration Committee is empowered to invite the Chief Executive Officer, Director Human Resources and the Company Secretary to its meetings to offer support in its discussions and considerations and to seek external independent professional advice on matters within the purview of the Committee. Neither the Chief Executive Officer nor any other Directors are involved in the Committee meetings when determinations are made in relation to own remunerations of the respective Directors or the Chief Executive Officer.

The Remuneration Committee meets not less than two times a year. The Committee reports on its deliberations, activities, matters reviewed, recommendations and decisions reached to the Board of Directors of the Company for advice, approval and or ratification. In 2023, the Committee held two meetings in order to discharge its businesses.



Tan Hak Leh

Chairman, Remuneration Committee

13 February 2024

The Related Party Transactions Review Committee ('the Committee') of AIA Insurance Lanka Limited ('the Company') was set up in January 2016 as part of the sound governance framework of the Company and to provide oversight on the related party transactions and transfer pricing aspects of the Company. The Company is no longer under the regulatory purview of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange, consequent to the Company's delisting from the official list of the Colombo Stock Exchange in 2019. Notwithstanding this, the Company is committed to maintaining the existing governance frameworks and will continue to operate the Related Party Transactions Review Committee.

The Company substantially adheres with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, which requires the establishment of a Related Party Transactions Review Committee. Therefore, in line with the Company's endeavours to adopt high standards of governance requirement as a non-listed limited liability subsidiary of AIA Group, the Company continues with the Related Party Transactions Review Committee to serve the relevant purposes.

COMPOSITION

The Committee comprises of the following Directors of the Company as of 31 December 2023.

1. Mr. Deepal Sooriyaarachchi
– Chairman (independent Non-Executive Director)
2. Mr. Stuart Anthony Spencer–
Member (Non-Executive Director)
3. Mr. Sarath Wikramanayake
– Member (independent Non-Executive Director)

During the year under review Mr. Robert Alexander Hartnett served as a member (Non-Executive Director) for the committee until his resignation on 21 November 2023 and Mr. Stuart Anthony Spencer was appointed as a member (Non-Executive Director) for the committee on 21 November 2023.

OBJECTIVE

The objectives and functions of the Committee are set out in the Terms of Reference of the Committee approved by the Board of Directors and captures the following areas.

1. To exercise oversight on behalf of the Board, on all related party transactions of the Company and its subsidiary, other than those exempted by the applicable regulations. To ensure that the same is reviewed, undertaken and disclosed in the manner consistent with the relevant accounting standards and the Code of Best Practice on Corporate Governance 2017 applicable to the related party transactions of an entity.
2. To exercise oversight on behalf of the Board, on all related party transactions including international transactions entered into with associated enterprises, and policies / procedures influencing determination of transfer prices on same. To ensure that the same is reviewed, undertaken, maintained and disclosed in the manner consistent with the regulations / statutes governing such transactions inclusive of recommending for certification by the Board where required and further that such international related party transactions have been concluded on an arm's length basis and not prejudicial to

the interests of the Company and its subsidiary, for the purposes of publication of annual accounts.

THE POLICIES AND PROCEDURES ADOPTED BY THE COMMITTEE

Related Party Transactions Monitoring

The Committee is responsible for discharging its duties and functions by constantly reviewing and updating the existing framework for capturing, monitoring and reporting on related party transactions based on the policies and procedures relating to same.

During the year under review, the Committee reviewed and pre-approved all proposed non-recurrent related party transactions of the Company and its subsidiary. This information was also reviewed annually by the Committee. Transactions, which are of recurrent nature and other transactions were presented for the review and approval of the Committee.

The term 'Key Management Personnel' ('KMP') is defined to include the Directors and Chief Executive Officer for the purpose of ensuring the transparency and all KMP related disclosures / information are reviewed by the Committee.

The Committee further declares that:

- Appropriate disclosures have been made in terms of the Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, in Note 42 in the Financial Statements of the Company and its Group.

Transfer Pricing Regulation Related Disclosures

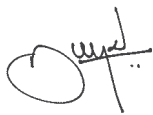
The Company has in place a Transfer Pricing Policy, which has been approved by the Board in accordance with the requirements of the Transfer Pricing Regulations

issued by the Department of Inland Revenue under section 76 of the Inland Revenue Act, No. 24 of 2017. Further, the Company complied with the reporting requirements mandated by the Gazette notification No. 2217 / 7 issued by the Inland Revenue Department (the IRD) for the financial year 2022/23 mandating various reporting requirements and their thresholds applicable for the year under review. As such, the requirements to submit Disclosure Forms, Local File, Master File and Country by Country Report based on different threshold limits as stipulated therein have been adhered to during the year under review.

MEETINGS

The Committee held four formal meetings during the year under review. The CEO, the CFO, the Company Secretary and the Head of Internal Audit are considered as permanent invitees for the meetings while the other members of the senior management attend the meetings as invitees as and when required.

The activities and views of the Committee have been communicated to the Board of Directors quarterly through Board briefings, and by circulating the minutes of the Committee meetings.



Deepal Sooriyaarachchi

Chairman, Related Party Transactions Review Committee

29 January 2024

NOMINATION COMMITTEE REPORT

The Nomination Committee of AIA Insurance Lanka Limited (the "Company") which was established by its Board of Directors in the year 2020, leads the process for Board appointments.

The Nomination Committee's authority includes recommending, to the Board of Directors, on the suitability of a new Director's appointment and / or of the re-election of a Director who is retiring by rotation, as the case may be, when assessed on the basis of merit and objective criteria. Whilst Directors retiring by rotation each year are re-elected by a resolution of the shareholders at the Company's Annual General Meeting, the appointment of new Directors on the other hand is made by the Company's majority shareholder, AIA Holdings Lanka (Private) Limited in compliance with the Company's Articles of Association. Arrangements are in place to ensure that the recommendations of the Nomination Committee are made available to the Company's majority shareholder for due consideration when making such Board appointments.

The Committee's Terms of Reference seeks to facilitate a transparent, rigorous, and formal process in the appointment of new Directors and / or the re-election of retiring Directors to the Company's Board of Directors and to ensure an optimal Board structure, size and composition given the strategic needs and plans of the Company. Dominant objectives include ensuring that the Company's Board of Directors forms a strong and professional team that is beneficial to the Company and its stakeholders.

The Company's current Board of Directors represents diversity in terms of gender, nationality, skills, capabilities and global experience and outlook.

COMPOSITION

Members of the Nomination Committee are required to comprise a majority of Non-Executive Directors out of which at least one or one third (whichever is higher) must be independent Non-Executive Directors.

The Nomination Committee comprised the following Directors as of 31 December 2023, as appointed by the Board of Directors.

1. Tan Hak Leh (Non-Executive Director) - Chairman of the Committee
2. Deepal Sooriyaarachchi (independent Non-Executive Director) - Committee Member
3. Sarath Wikramanayake (independent Non-Executive Director) - Committee Member

The Company Secretary acts as the Secretary to the Nomination Committee.

SCOPE AND OBJECTIVES

The scope and objectives of the Nomination Committee are set out in its Terms of Reference and includes, principally, considering and making recommendations to the Board of Directors of the suitability of a Director's appointment and / or re-election as a Director to the Board of Directors.

The Committee's recommendations on new appointments are required to

address areas such as qualifications, competencies, independence, relationships which have the potential to give rise to conflict vis-à-vis the business of the Company.

MEETINGS & DECISION MAKING

The Committee did not hold any physical Meetings during the year under review, it attended to its duties and took decisions on matters relating to the Board appointments / re-election of retiring Directors via duly recorded Written Resolutions that were passed by circulation.



Tan Hak Leh

Chairman, Nomination Committee

22 February 2024

INVESTMENT COMMITTEE REPORT

The Investment Committee of AIA Insurance Lanka Limited is appointed by the Board of Directors of the Company and comprises four members. The functions of the Investment Committee are defined in the Terms of Reference for the Investment Committee, as approved by the Board.

SCOPE AND OBJECTIVES

The Investment Committee is delegated responsibility as regards investment management by the Board of Directors and designs the investment policy and investment governance framework of the Company.

The objectives of the Investment Committee include:

- Designing and reviewing the Company's investment policy and placing same before the Board of Directors for approval
- Implementing the investment policy as approved by the Board of Directors
- Apprising the Board of Directors periodically on the Committee's activities
- Ensuring adherence with the Strategic Asset Allocation and Mandates approved by the Board of Directors by monitoring investment performance and recommending appropriate investment strategies
- Ensuring resources dedicated to investment activities and governance are sufficient to implement and manage the approved investment policy and any other activities requested by the Board
- Reviewing the adequacy of internal control systems to support investment activities
- Reviewing the adequacy of risk management systems to support prudent investment management

- Reporting to the Board of Directors on any breaches and concerns regarding the internal controls, investment operations and risk management procedures

The Committee has the authority to seek external professional advice on matters falling within the purview of the Committee and is also authorised to invite professional advisers or others with relevant experience to assist it in its duties.

MEMBERS

The following members served on the Investment Committee during the year.

Member	Period	
	From	To
Chathuri Munaweera (Chairperson from 09 May 2022)	09 May 2022	To date
Sampath Thushara	18 July 2022	To date
Hasitha Mapalagama	30 May 2017	To date
Samath Perera	12 August 2020	To date
Zarah Juriansz (Secretary from 05 May 2011)	05 May 2011	To date

MEETINGS AND ATTENDANCE

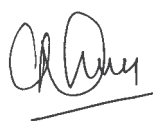
The Investment Committee meets at least four times during the year and the fund manager attends the meeting on invitation by the Committee. The Investment Committee convened on four occasions during 2023 and given below is the members' attendance.

ATTENDANCE

Attendance Member	08 Feb 2023	08 May 2023	08 Aug 2023	26 Oct 2023
Chathuri Munaweera	✓	✓	✓	✓
Sampath Thushara	✓	✓	✓	✓
Hasitha Mapalagama	✓	✓	✓	✓
Samath Perera	✓	✓	✓	x

REPORTING

The Investment Committee reports at every meeting of the Board of Directors of the Company on its deliberations, activities, matters reviewed, recommendations made, decisions reached, and on the quality and performance of the investment portfolios.



Chathuri Munaweera
Chairperson, Investment Committee

26 January 2024



AIA Insurance Lanka Limited (Co. No. PQ18 PB)
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Colombo 7, Sri Lanka
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E-mail : lk.info@aia.com
Web : www.aialife.com.lk

To the shareholder of AIA Insurance Lanka Limited

ACTUARIAL VALUATION AND SOLVENCY OF AIA INSURANCE LANKA LIMITED AS AT 31 DECEMBER 2023

I have enquired into the affairs of the long term insurance business and satisfied myself with the solvency position of the business as required under Section 26 of the Regulation of the Insurance Industry Act No. 43 of 2000 read in conjunction with the Solvency Margin Rules (Long Term Insurance Rules 2002, amended in 2011), Guidelines on Linked Long Term Business effective from 01 May 2007, IRCSL Circular No. 22 dated 14 February 2006, Extraordinary Gazette dated 15 December 2015 and Direction No.16 dated 20 March 2018.

The Company has maintained proper records appropriate for the purpose of conducting an actuarial valuation. The Operations and Finance functions have respectively certified the accuracy and completeness of the data furnished to me. Actuarial valuation as at 31 December 2023 and surplus / deficit transfer to shareholder account from the life fund was subject to the independent audit by external auditors Messrs Deloitte Partners.

I hereby certify the following;

1. Adequate and proper reserves have been provided for as at 31 December 2023 for known liabilities with respect to long term insurance business in accordance with regulations outlined in the Solvency Margin (Risk Based Capital) Rules dated 15 December 2015.
2. As at 31 December 2023, the Company has adequate admissible capital to cover the minimum requirements as per the Solvency Margin (Risk Based Capital) Rules 2015 issued by the Insurance Regulatory Commission of Sri Lanka as required under the Regulation of Insurance Industry Act No. 43 of 2000.
3. In accordance with SLFRS 4, a Liability Adequacy Test (LAT) was performed to assess the adequacy of the carrying value of insurance liabilities. The carrying value of insurance contract liability is adequate.

In accordance with the policy conditions of Universal Life products featuring dividends, I have recommended an annual dividend of 12.91 per cent / 11.47 per cent / 10.76 per cent for policies with dividend rates of 90 per cent / 80 per cent / 75 per cent respectively for the financial year ended 31 December 2023.

Samath Perera
Fellow, Society of Actuaries, USA

22 February 2024

STATEMENT OF SOLVENCY

The Statement of Solvency for Life Insurance has been prepared in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 that are in effect from 01 January 2016, and is in line with the formats stipulated by the Insurance Regulatory Commission of Sri Lanka.

	2023 LKR mn	2022 LKR mn
1 Value of admissible assets	80,547	55,542
2 Value of liabilities		
2.1 Policy liabilities	46,446	24,358
2.2 Other liabilities	6,913	7,147
3 Total available capital (TAC)	27,188	24,037
4 Risk Based Capital Requirement (RCR)	4,515	5,986
5 Risk Based Capital Adequacy Ratio (CAR) = (TAC / RCR)	602%	402%
6 Regulatory stipulated minimum Capital Adequacy Ratio	120%	120%
7 Company's CAR as a proportion of the stipulated regulatory CAR	5.02x	3.35x

STATEMENT OF APPROVED ASSETS

Determined as per section 25(1) of the Regulation of Insurance Industry Act of No 43 of 2000 and the determination made by the Insurance Regulatory Commission of Sri Lanka in terms of the said Act as amended in March and October 2011, and April 2016.

	2023 LKR mn	2022 LKR mn
1 Approved assets maintained in the long term insurance business	64,080	39,674
2 Long term insurance fund	60,453	36,509
3 Excess in approved assets over the long term insurance fund	3,627	3,166
4 Approved assets as a % of the long term insurance fund	106.0%	108.7%
5 Ratio required	100%	100%

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CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS), and the requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000 (as amended). They have been prepared under the historical cost convention, and adjusted for the revaluation of land, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The accounting policies used in the preparation of the Financial Statements are appropriate and have been consistently applied during the year under review.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements to the best of our knowledge.

Material estimates and judgements of complexity have been made on a prudent and reasonable basis and have been discussed with and approved by the Audit and Compliance Committee of the Board of Directors, and discussed with the External Auditors of the Company, in the preparation and presentation of the Financial Statements in order to reflect a true and fair view.

The form and substance of transactions, reasonably represent the Company's state of affairs.

To ensure this, the Company has taken proper and sufficient care in maintaining systems and designing and ensuring the effectiveness of key controls as specified in AIA Financial Controls Self-Assessment together with all other internal controls and the maintenance of accounting records, which are reviewed, evaluated and updated on an ongoing basis in order to safeguard the assets and prevent and detect frauds as well as other irregularities.

The Internal Auditors have conducted periodic audits to provide a reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system, process and internal control.

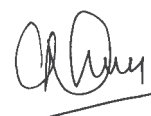
The Financial Statements were audited by Messrs Deloitte Partners Sri Lanka Chartered Accountants, the External Auditors of the Company.

The audit opinion issued by the External Auditors is provided from pages 80 to 82.

The Audit and Compliance Committee of the Board of Directors meets periodically with the Internal Auditors and External Auditors to review the manner in which the auditors carry out their responsibilities and perform their duties, and to discuss audit findings and any deficiencies in internal controls that may impact the accuracy and completeness of the financial reporting process.

The Audit and Compliance Committee of the Board of Directors has reviewed and recommended the scope and fees of audit and non-audit services provided by the External Auditors, for approval of the Board of Directors to ensure that the provision of such services does not impair the auditor's independence and objectivity.

To ensure independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit and Compliance Committee of the Board of Directors to discuss any matter of substance.



Chathuri Munaweera
Chief Executive Officer



Sampath Thushara
Chief Financial Officer

22 February 2024

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group in accordance with the applicable laws and regulations. These responsibilities differ from the responsibilities of the External Auditors, which are set out in their Report on pages 80 to 82 of this Annual Report.

In preparing these Financial Statements of the Company and the Group the Directors are required to:

- Select appropriate accounting policies and bases and apply them consistently subject to any material departures being disclosed and explained;
- Make judgements and estimates that are reasonable and prudent;
- Ensure Financial Statements of the Company and the Group have been prepared in accordance with applicable accounting standards; and
- Prepare the Financial Statements of the Company and the Group on a going concern basis.

The Companies Act No. 07 of 2007 (the Act) requires the Directors to prepare Financial Statements of the Company and the Group complying with the requirements of the Act for each financial year comprising of:

- An Income Statement, which presents a true and fair view of the income and expenditure of the Company and the Group for the financial year under review;
- A Balance Sheet (Statement of Financial Position), which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year under review.

The Financial Statements of the Company and the Group are prepared

in conformity with the requirements of the Sri Lanka Financial Reporting Standards (SLFRS / LKAS), the Companies Act No. 07 of 2007, to the extent applicable and the Regulation of Insurance Industry Act No. 43 of 2000 (as amended).

The Directors, having reviewed the Company's strategic plan for the period 2024-2026, are of the considered view that the Company and its subsidiary have adequate resources to continue operations.

The Directors note that the actuarial valuation takes into account insurance liabilities and is based on the methodology and assumptions recommended by the Chief Actuary.

The Directors have also taken reasonable steps to establish and maintain appropriate systems of internal controls to safeguard the assets of the Group and to prevent and detect frauds and other irregularities. They have also ensured that proper records are maintained, and that the information generated is reliable.

The Directors are responsible for providing the External Auditors with every opportunity to undertake whatever inspections they consider appropriate to enable them to form their opinion on the Financial Statements of the Company and the Group.

The Directors are satisfied that all statutory and regulatory payments in relation to all relevant statutory and regulatory authorities which were due and payable by the Company and its subsidiary as at the Balance Sheet date, have been paid or where relevant, provided for.

The Directors confirm to the best of their knowledge and belief that:

1. The Financial Statements of the Company and the Group which are prepared in accordance with SLFRS / LKAS and other applicable rules and regulations and recommended best practices, give a true and fair view of the state of affairs as at 31 December 2023 and the profits and cash flows for the financial year then ended.
2. All financial and non-financial requirements stipulated under the Companies Act No. 07 of 2007 pertaining to Directors' duties and responsibilities have been complied with wherever applicable; and
3. The segment titled 'Management Discussion and Analysis' included in this Annual Report presents a fair review of the progress and performance of the business and the financial standing of the Company and its subsidiary.

BY ORDER OF THE BOARD



Thusara Ranasinghe
Company Secretary

22 February 2024

INDEPENDENT AUDITOR'S REPORT



Deloitte Partners
100 Braybrooke Place
Colombo 2
Sri Lanka

Tel: +94 11 771 9700,
+94 11 771 9838

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

We have audited the financial statements of AIA Insurance Lanka Limited ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"). The financial statements of the Company and the consolidated financial statements of the Group comprise:

- the statement of financial position as at 31 December 2023;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2023, 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 Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do 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 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.

C S Manoharan FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, L A C Tillekeratne ACA, M D B Boyagoda FCA,
N R Gunasekera FCA, W D A S U Perera ACA, D C A J Yapa ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 separate/ consolidated financial statements, management is responsible for assessing the Company's/ 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 Company/ 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate/ consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 skepticism 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'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 Company's and 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 auditor's report to the related disclosures in the separate/ consolidated 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 auditor's report. However, future events or conditions may cause the Company/ 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 separate/ consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 ethical requirements in accordance with the Code of Ethics 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, related safeguards.

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. The accounting records of AIA Insurance Lanka Limited have also been maintained by the management in the manner required by the rules made by the Insurance Regulatory Commission of Sri Lanka established under the Regulation of Insurance Industry Act, No. 43 of 2000 so as to clearly indicate the true and fair view of the financial position of the Company.

**Deloitte Partners**

Chartered Accountants

Colombo

22 February 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group		Company	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
ASSETS					
Intangible assets	6	7,983,813	1,170,048	7,983,813	1,170,048
Property, plant and equipment	7	735,265	584,490	735,265	584,490
Right of use assets - leases	19.2	649,154	746,567	649,154	746,567
Investments in subsidiary	8	-	-	1,000	1,000
Financial investments	9	79,876,015	54,204,899	79,876,015	54,204,899
Policyholder and other loans	10	385,638	405,728	385,638	405,728
Deferred income tax assets	11	-	1,668,859	-	1,668,859
Reinsurance receivables	12 & 17.2	207,920	137,581	207,920	137,581
Trade receivables	13	403,140	416,961	402,503	416,495
Other assets	14	5,443,773	4,687,775	5,443,773	4,687,775
Other fund assets	15	404,632	401,993	404,632	401,993
Cash and cash equivalents	16	748,540	1,215,394	743,977	1,212,349
Total assets		96,837,890	65,640,295	96,833,690	65,637,784
LIABILITIES					
Insurance liabilities	17	65,677,581	41,136,945	65,677,581	41,136,945
Retirement benefit obligations	18	394,378	255,614	394,378	255,614
Lease liabilities	19.2	685,188	819,169	685,188	819,169
Deferred income tax liabilities	11	6,634	-	6,634	-
Other fund liabilities	20	404,632	401,993	404,632	401,993
Reinsurance payables		-	100,973	-	100,973
Accruals and other payables	21	4,437,455	3,647,382	4,436,248	3,646,498
Current income tax liabilities	22	358,678	114	358,399	-
Deferred revenue	23	58,972	58,580	58,972	58,580
Bank overdraft	16	131,522	828,670	131,522	828,670
Total liabilities		72,155,040	47,249,440	72,153,554	47,248,442
EQUITY					
Stated capital	24	3,201,922	3,201,922	3,201,922	3,201,922
Capital reserve	25	277,916	232,916	277,916	232,916
Restricted regulatory reserve	26	6,080,848	6,080,848	6,080,848	6,080,848
Revenue reserves	27	15,122,164	8,875,169	15,119,450	8,873,656
Total equity		24,682,850	18,390,855	24,680,136	18,389,342
Total equity and liabilities		96,837,890	65,640,295	96,833,690	65,637,784

The notes on the pages 90 to 141 are an integral part of these Financial Statements.

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Sampath Thushara
Chief Financial Officer

The Financial Statements on page 83 to 141 were authorised for issue by the Board of Directors on 22 February 2024 and were signed on its behalf.



Tan Hak Leh
Chairman / Director



Sarath Wikramanayake
Director

INCOME STATEMENT

For the financial year ended 31 December	Note	Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Gross written premium	28 (a)	18,799,104	17,568,325	18,799,104	17,568,325
Gross reinsurance premium	28 (b)	(364,451)	(639,339)	(364,451)	(639,339)
Net written premium	28	18,434,653	16,928,986	18,434,653	16,928,986
Other Income					
Investment income	29	11,648,787	8,505,469	11,648,787	8,509,469
Fee income	30	1,416,016	1,319,851	1,413,678	1,317,964
Net realised losses	31	(130,410)	(110,967)	(130,410)	(110,967)
Net fair value gains / (losses)	32	383,333	(468,256)	383,333	(468,256)
Other operating income / (losses)	33	170,699	(439,378)	170,292	(439,878)
Total other income		13,488,425	8,806,719	13,485,680	8,808,332
Total income		31,923,078	25,735,705	31,920,333	25,737,318
Net claims and benefits	34	(6,808,969)	(6,446,807)	(6,808,969)	(6,446,807)
Change in contractual liability	17.1	(10,473,788)	(10,282,388)	(10,473,788)	(10,282,388)
Net acquisition expenses	35	(2,103,022)	(2,029,806)	(2,103,022)	(2,029,806)
Operating and administrative expenses	36	(8,851,428)	(5,789,987)	(8,850,453)	(5,788,996)
Finance expenses	19.3	(89,840)	(93,391)	(89,840)	(93,391)
Profit before tax	37	3,596,031	1,093,326	3,594,261	1,095,930
Income tax expense	38	(1,128,986)	(287,777)	(1,128,417)	(287,441)
Profit for the year	39	2,467,045	805,549	2,465,844	808,489
Profit attributable to;					
Owners of the parent		2,467,045	805,549	2,465,844	808,489
Non-controlling interest		-	-	-	-
		2,467,045	805,549	2,465,844	808,489
Basic / diluted earnings per share (in LKR)	40	68.10	23.39	68.06	23.47
Dividend per share (in LKR)	41	-	35.00	-	35.00

The notes on the pages 90 to 141 are an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December		Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
	Note				
Profit for the year		2,467,045	805,549	2,465,844	808,489
OTHER COMPREHENSIVE INCOME					
Items that are / may be subsequently reclassified to profit or loss					
Changes in fair value of available for sale financial assets	27.1	19,265,201	(17,719,795)	19,265,201	(17,719,795)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	(15,406,355)	13,838,171	(15,406,355)	13,838,171
Items that will not be reclassified to profit or loss					
Re-measurement of retirement benefit obligations	18	(78,896)	95,109	(78,896)	95,109
Revaluation of land	25	45,000	4,500	45,000	4,500
Total other comprehensive income for the year		3,824,950	(3,782,015)	3,824,950	(3,782,015)
Total comprehensive income for the year		6,291,995	(2,976,466)	6,290,794	(2,973,526)
Total Comprehensive income attributable to ;					
Owners of the parent		6,291,995	(2,976,466)	6,290,794	(2,973,526)
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		6,291,995	(2,976,466)	6,290,794	(2,973,526)

Items disclosed in the statement above are net of tax.

The notes on the pages 90 to 141 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

		Stated capital	Capital reserve Revaluation reserve	Restricted regulatory reserve	Revenue reserves Available for sale reserve	Retained earnings	Total equity
	Note	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January 2022		511,922	228,416	6,080,848	38,258	12,894,105	19,753,549
Profit for the year		-	-	-	-	805,549	805,549
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	(17,719,795)	-	(17,719,795)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	13,838,171	-	13,838,171
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	95,109	95,109
Revaluation of land	25	-	4,500	-	-	-	4,500
TOTAL COMPREHENSIVE INCOME		-	4,500	-	(3,881,624)	900,658	(2,976,466)
TRANSACTIONS WITH OWNERS:							
Issue of share capital	24	2,690,000	-	-	-	-	2,690,000
First and final dividend for 2021	41	-	-	-	-	(1,076,228)	(1,076,228)
Balance as at 31 December 2022		3,201,922	232,916	6,080,848	(3,843,366)	12,718,535	18,390,855
Profit for the year		-	-	-	-	2,467,045	2,467,045
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	19,265,201	-	19,265,201
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	(15,406,355)	-	(15,406,355)
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	(78,896)	(78,896)
Revaluation of land	25	-	45,000	-	-	-	45,000
TOTAL COMPREHENSIVE INCOME		-	45,000	-	3,858,846	2,388,149	6,291,995
Balance as at 31 December 2023		3,201,922	277,916	6,080,848	15,480	15,106,684	24,682,850

The Group equity is fully attributable to the owners of the parent and hence non-controlling interest is not applicable in the Statement of Changes in Equity.

The notes on the pages 90 to 141 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

		Stated capital	Capital reserve Revaluation reserve	Restricted regulatory reserve	Revenue reserves		Total equity
	Note	LKR '000	LKR '000	LKR '000	Available for sale reserve LKR '000	Retained earnings LKR '000	LKR '000
Balance as at 01 January 2022		511,922	228,416	6,080,848	38,258	12,889,652	19,749,096
Profit for the year		-	-	-	-	808,489	808,489
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	(17,719,795)	-	(17,719,795)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	13,838,171	-	13,838,171
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	95,109	95,109
Revaluation of land	25	-	4,500	-	-	-	4,500
TOTAL COMPREHENSIVE INCOME		-	4,500	-	(3,881,624)	903,598	(2,973,526)
TRANSACTIONS WITH OWNERS:							
Issue of share capital	24	2,690,000	-	-	-	-	2,690,000
First and final dividend for 2021	41	-	-	-	-	(1,076,228)	(1,076,228)
Balance as at 31 December 2022		3,201,922	232,916	6,080,848	(3,843,366)	12,717,022	18,389,342
Profit for the year		-	-	-	-	2,465,844	2,465,844
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	19,265,201	-	19,265,201
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	(15,406,355)	-	(15,406,355)
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	(78,896)	(78,896)
Revaluation of land	25	-	45,000	-	-	-	45,000
TOTAL COMPREHENSIVE INCOME		-	45,000	-	3,858,846	2,386,948	6,290,794
Balance as at 31 December 2023		3,201,922	277,916	6,080,848	15,480	15,103,970	24,680,136

The notes on the pages 90 to 141 are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December		Group		Company	
		2023	2022	2023	2022
	Note	LKR '000	LKR '000	LKR '000	LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Premiums / fees received from customers		18,732,337	17,361,203	18,730,169	17,359,290
Reinsurance premium (net of claims & commission) paid		(143,056)	(468,274)	(143,056)	(468,274)
Claims and benefits paid		(6,887,440)	(7,048,853)	(6,887,440)	(7,048,853)
Cash paid to and on behalf of employees		(2,360,560)	(1,686,910)	(2,360,560)	(1,686,910)
Interest received		118,060	114,049	117,653	113,549
Short term lease rentals paid	19.4	(1,950)	(7,211)	(1,950)	(7,211)
Payments to agents and intermediaries		(1,974,977)	(2,211,993)	(1,974,977)	(2,211,993)
Other operating cash payments		(5,577,567)	(4,513,427)	(5,577,276)	(4,513,023)
Cash flows generated from operating activities		1,904,847	1,538,584	1,902,563	1,536,575
Taxes paid	22	(403)	(433)	-	-
Policy loans granted		(208,708)	(240,264)	(208,708)	(240,264)
Policy loans repayment		277,992	287,305	277,992	287,305
Net cash generated from operating activities		1,973,728	1,585,192	1,971,847	1,583,616
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	9.4	(21,347,108)	(15,704,066)	(21,347,108)	(15,704,066)
Proceeds from sale of investments	9.4	17,144,768	6,474,041	17,144,768	6,474,041
Investment expenses		(142,335)	(112,325)	(142,335)	(112,325)
Interest received - financial investments		10,163,856	6,312,083	10,164,219	6,312,069
Dividend received		42,029	71,760	42,029	75,760
Purchase of intangible assets	6	(7,027,686)	(38,840)	(7,027,686)	(38,840)
Purchase of property, plant and equipment	7	(155,334)	(120,639)	(155,334)	(120,639)
Purchases for assets under construction	6 & 7	(101,433)	(30,460)	(101,433)	(30,460)
Proceeds from disposal of property, plant and equipment		22,326	2,348	22,326	2,348
Net cash used in investing activities		(1,400,917)	(3,146,098)	(1,400,554)	(3,142,112)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	24	-	2,690,000	-	2,690,000
Dividends paid	41	-	(1,076,228)	-	(1,076,228)
Principal payment of lease liabilities	19.4	(252,677)	(162,563)	(252,677)	(162,563)
Interest paid - leases	19.4	(89,840)	(93,391)	(89,840)	(93,391)
Net cash generated from / (used in) financing activities		(342,517)	1,357,818	(342,517)	1,357,818
Increase / (decrease) in cash and cash equivalents		230,294	(203,088)	228,776	(200,678)
Cash and cash equivalents (net of bank overdraft) at the beginning of the year		386,724	589,812	383,679	584,357
Cash and cash equivalents (net of bank overdraft) at the end of the year	16	617,018	386,724	612,455	383,679

The notes on the pages 90 to 141 are an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION- SUPPLEMENTAL

STATEMENT OF FINANCIAL POSITION- SUPPLEMENTAL

As at 31 December	Note	2023 LKR '000	2022 LKR '000
ASSETS			
Financial investments		65,030,632	40,789,472
Policyholder and other loans		192,879	257,021
Reinsurance receivables		207,920	137,581
Premium receivables		402,503	416,495
Other assets		3,391,610	3,208,260
Cash and cash equivalents		738,609	623,171
Total assets		69,964,153	45,432,000
LIABILITIES			
Insurance liabilities	17	65,677,581	41,136,945
Reinsurance payables		-	100,973
Accruals and other payables		4,121,050	3,307,053
Deferred revenue		58,972	58,580
Bank overdraft		106,550	828,449
Total liabilities		69,964,153	45,432,000

INSURANCE REVENUE ACCOUNT - SUPPLEMENTAL

For the financial year ended 31 December	Note	2023 LKR '000	2022 LKR '000
Gross written premium	28(a)	18,799,104	17,568,325
Net written premium (net of premium ceded to reinsurers)	28(b)	18,434,653	16,928,986
Investment income and other income		9,425,512	5,330,351
Charges deducted from policyholders fund		1,407,431	1,316,831
Net claims and benefits	34	(6,808,969)	(6,446,807)
Net acquisition expenses	35	(2,103,022)	(2,029,806)
Operating and administrative expenses		(8,890,957)	(5,780,271)
		11,464,648	9,319,284
Change in contractual liability	17.1	(10,473,788)	(10,282,388)
Surplus transfer to / (deficit transfer from) shareholders' fund		990,860	(963,104)

NOTES TO THE FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

1 GENERAL INFORMATION

AIA Insurance Lanka Limited, formerly known as AIA Insurance Lanka PLC ('the Company'), was incorporated as a company with limited liability in Sri Lanka on 12 December 1986 under the Companies Act No. 17 of 1982 and re-registered on 24 August 2009 under the Companies Act No. 07 of 2007 which came in to effect on 03 May 2007. The address of its registered office is AIA Tower, No.92, Dharmapala Mawatha, Colombo 07, Sri Lanka.

The Company's parent entity is AIA Holdings Lanka (Private) Limited and the ultimate parent entity is AIA Group Limited which is incorporated in Hong Kong, pursuant to the acquisition effective from 05 December 2012.

The AIA Insurance Lanka Limited ('the Company') and its subsidiary (together forming 'the Group') underwrite life insurance risks, such as those associated with death, health and disability. The Group also provides services in the capacity of a trustee.

The Company received approvals on 02 October 2019 to delist the Company's shares from the official list of the CSE, under and in terms of Rule 5 (1) of the SEC Rules published in Gazette Extraordinary No. 1215 / 2 of 18 December 2001 (the 'Delisting Rules') and is known as AIA Insurance Lanka Limited with effect from that date.

The Group Financial Statements for the year ending 31 December 2023 have been authorised for issue by the Board of Directors on 22 February 2024.

2 BASIS OF PREPARATION

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ('SLFRS's), Sri Lanka Accounting Standards ('LKAS's), relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC'). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting

Guidelines issued by the Institute of Chartered Accountants of Sri Lanka ('CA Sri Lanka'). These Financial Statements have been prepared under the historical cost convention except for certain financial assets and liabilities and certain class of property which are measured at fair value. The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's Financial Statements are disclosed in note 04 to the Financial Statements.

The Financial Statements are presented in Sri Lanka Rupees (LKR) and all values are rounded to the nearest thousand (LKR '000), except when otherwise indicated.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied by the Group in preparing its Financial Statements are depicted in the Notes 3.2 to 4.4 and those policies have been consistently applied to all periods presented.

3.1 Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

(i) Amendment to LKAS 1, Presentation of Financial Statements - Disclosure of Accounting Policies

The Group has adopted the amendments to LKAS 1 for the first time in the current year. The amendments change the requirements in LKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's Financial Statements, it can reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements.

The supporting paragraphs in LKAS 1 are also amended to clarify that accounting policy information relates to immaterial transactions,

other events or conditions are need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

This amendment is effective for the annual periods beginning on or after 01 January 2023.

(ii) **Amendments to LKAS 12, Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The Group has adopted the amendments to LKAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to LKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12.

This amendment is effective for the annual periods beginning on or after 01 January 2023

(iii) **Amendments to LKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates**

The Group has adopted the amendments to LKAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in Financial Statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

This amendment is effective for the annual periods beginning on or after 01 January 2023.

b) **New standards and interpretations issued but not yet effective and not early adopted**

The following standards and interpretations had been issued by IASB (not yet adopted by CA Sri Lanka except for SLFRS 17) and not mandatory for annual reporting periods ending 31 December 2023.

(i) **SLFRS 17, 'Insurance contracts'**

SLFRS 17 was issued as a replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- a. discounted probability-weighted cash flows
- b. an explicit risk adjustment, and
- c. a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the Financial Statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This amendment is effective for the annual periods beginning on or after 01 January 2026. There has been a considerable amount of

Notes to the Financial Statements and Material Accounting Policy Information

preparatory work carried out by the Company for adaptation of this new standard.

- (ii) **SLFRS 09, 'Financial Instruments'**
The Company met the eligibility criteria for temporary exemption under the Amendments of SLFRS 4 from applying SLFRS 9 in 2018 and has accordingly deferred the adoption of SLFRS 9 until SLFRS 17, 'Insurance Contracts' is adopted upon its mandatory effective date. Based on proposed SLFRS 17 'Insurance Contracts' the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria.
- a. The Company has not applied SLFRS 9 before; and

b. The Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance, including investment contracts measured at the fair value through profit or loss compared with total liabilities is greater than 90 per cent. Accordingly, the Company qualifies as a pure insurance company.

As at 31 December	2023
	LKR '000
Insurance contract liability	65,677,581
Reinsurance payable	-
Deferred revenue	58,972
Liabilities connected with insurance	65,736,553
Total liabilities	72,155,040
Predominance ratio	91%

- (iii) **LKAS 1, 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current**
The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an

entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 01 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to LKAS 01. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the Parent Company anticipate that the application of these amendments may have an impact on the Group's Financial Statements in future periods.

- (iv) **LKAS 1, 'Presentation of Financial Statements' - Non-current Liabilities with Covenants**
The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of Financial Statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts

and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 01 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

(v) **LKAS 7, 'Statement of Cash Flows' and SLFRS 7, 'Financial Instruments: Disclosures' - Supplier Finance Arrangements**

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of Financial Statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's Statement of Financial Position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods

beginning on or after 01 January 2024. Earlier application is permitted.

(vi)

SLFRS 16, 'Leases' - Lease Liability in a Sale and Leaseback

The amendments to SLFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SLFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in SLFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, the IASB amended an Illustrative Example in SLFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying SLFRS 15, is a lease liability. The amendments are effective for annual reporting periods beginning on or after 01 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied SLFRS 16.

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(vii) SLFRS 10, 'Consolidated Financial Statements' and LKAS 28, 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to SLFRS 10 and LKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the parent company anticipate that the application of these amendments may have an impact on the group's Financial Statements in future periods should such transactions arise.

3.2 Consolidation

3.2.1 Subsidiaries

Subsidiaries are those entities (including structured entities) over which the Group has control. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group, and continues to be consolidated until the date when such control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity

interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred if the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, unrealised gains and unrealised losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.3 Foreign currency translation

The Group's Financial Statements are presented in Sri Lanka Rupees (LKR) which is also the Group's functional currency. That is the currency of the primary economic environment in which the Group operates.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Income Statement.

This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

For investments designated as at fair value through profit or loss at the inception, the following criteria must be met:

- a) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- b) The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Group classified investments in equity instruments and unit trusts in the Life Shareholders' fund and unit-linked funds as financial assets at fair value through profit or loss hence those financial assets are managed and performance is evaluated on the fair value basis.

3.4 Financial instruments

3.4.1 Financial assets

3.4.1.1 Initial recognition and measurement

The Group classifies its financial assets into the following categories;

- a) Financial assets at fair value through profit or loss (FVTPL),
- b) Loans and receivables (LR),
- c) Held to maturity (HTM) and
- d) Available for sale (AFS)

The classification is determined by the management at initial recognition on the trade-date; the date on which the Group commits to purchase or sell the asset, and recognise initially at fair value plus transaction cost except in the case of financial assets at fair value through profit or loss which is recognised at fair value.

Loans and receivables (LR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale. Receivables arising from insurance and reinsurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in investment income in the Income Statement.

Held to maturity investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them

3.4.1.2 Subsequent measurement

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception.

Investments typically bought with the intention to sell in the near future are classified as held for trading. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset.

Notes to the Financial Statements and Material Accounting Policy Information

to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in the Income Statement. The Group did not have any held to maturity investments during the years ended 31 December 2023 and 2022.

Available for sale financial assets (AFS)

Available for sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income (OCI) in the available for sale reserve until the investment is derecognised except in the case of AFS assets of the life policyholders' fund which is transferred to the long-term insurance liability through the Statement of Comprehensive Income.

3.4.1.3 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

3.4.1.4 Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that

group of financial assets is collectively assessed for impairment. 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. The impairment assessment is performed at each reporting date.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- a) Significant financial difficulty of the issuer or debtor;
- b) A breach of contract, such as a default or delinquency in payments;
- c) It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- d) The disappearance of an active market for that financial asset because of financial difficulties; or
- e) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 EIR. The carrying amount of the asset is reduced and the loss is recorded in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after

the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available for sale financial assets

The Group assesses at each date of the Statement of Financial Position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20.0 per cent or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available for sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement. If in a subsequent period the fair value of a debt instrument classified as available for sale 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 Income Statement.

3.4.2 Financial liabilities

3.4.2.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and includes directly attributable transaction costs.

3.4.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

3.4.2.3 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

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3.4.3 Offsetting of financial assets

Financial assets and liabilities are off-set and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.5 Property, plant and equipment

Property, plant and equipment is stated at cost or revalued amount less accumulated depreciation and any accumulated impairment in value. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenses on repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

The Group has adopted a policy of revaluing the assets held at valuation on an annual basis. Revaluation is performed on freehold land by a professionally qualified valuer. Increases in the carrying amount arising on revaluation of land are credited to the OCI and shown as revaluation reserves in shareholders' equity. Decreases that off-set previous increases of the same asset are charged in the OCI and debited against revaluation reserves directly in equity. All other decreases are charged to the Income Statement.

Items of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Income Statement under realised gains. When revalued assets are derecognised, the amounts included in the revaluation surplus are transferred to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their

residual values over their estimated useful lives as follows;

	No of years
Leasehold improvements	3 - 10
Plant and machinery	5
Computer equipment	3 - 5
Furniture and fittings	5
Motor vehicles	4 - 5

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Intangible assets

Intangible assets consist primarily of acquired computer software and contractual relationships, such as access to distribution networks.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method as appropriate and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the intangible asset.

Estimated useful lives of the finite intangible assets are as follows:

	No of years
Contractual relationships	5 - 20
Computer software	2 - 15

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit 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 changes in useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

3.7 Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid financial instruments and bank overdrafts.

In the Statement of Financial Position, bank overdrafts are shown as a separate liability.

3.8 Stated capital

The Group's stated capital comprises of ordinary shares which are classified as equity. Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

3.9 Insurance contracts

3.9.1 Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Risk Based Capital (RBC) method plus any other mandatory reserves as required by the regulator. The liability is determined as the sum of the discounted value of the expected future

benefits, which are directly related to the contract, less the discounted value of the expected future premiums. The liability is based on current regulatory and best estimate assumptions.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate via a liability adequacy test using a Gross Premium Valuation (GPV) method. The liability value is adjusted if it is insufficient to meet future benefits and expenses. In performing the liability adequacy test, 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. A discounted cash flow valuation method is applied. The interest rate applied is based on current market interest rates. Any inadequacy is recorded in the Income Statement by establishing a technical reserve for the remaining loss. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

3.9.2 Trade receivables (Premium receivables)

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, premium receivables are measured at amortised cost, using the EIR method. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

Premium receivables are derecognised when the derecognition criteria for financial assets are met.

3.10 Reinsurance contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

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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 is recorded in the Income Statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented in the Financial Statements on gross basis for ceded reinsurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

3.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in the OCI or directly in equity. In this case, the tax is also recognised in the OCI or directly in equity, respectively.

3.11.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to

the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

3.11.2 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of carried forward unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax related to fair value re-measurement of available for sale investments and cash flow hedges, which are charged or credited directly in the OCI, is also credited or charged directly to the OCI and subsequently recognised in the Income Statement together with respective gains or losses.

3.12 Employee benefits

The Group has both defined benefit and defined contribution plans.

3.12.1 Defined benefit plan

A defined benefit plan is a post-employment benefit plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the financial reporting period, together with adjustments for actuarial gains or losses from experience adjustments and changes in actuarial assumptions and past service costs. The defined benefit obligation is calculated annually by a qualified actuary using the 'Projected Unit Credit' method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the equity in the OCI in the period in which they arise.

Past service costs are recognised immediately in the Income Statement.

3.12.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company and employees contribute to the Employees' Provident Fund (EPF) in terms of the Employees' Provident Fund Act, No. 15 of 1958 (as amended). Contributions in respect of permanent and contractual employees are remitted to the Central Bank of Sri Lanka. The Company also contributes to the Employees' Trust Fund (ETF) in terms of the Employees' Trust Fund Act No. 46 of 1980 (as amended). The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as

employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

3.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 01 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Notes to the Financial Statements and Material Accounting Policy Information

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.15 Revenue recognition

3.15.1 Insurance related revenue

The premium income is recognised on accrual basis and net of reinsurance premium. The gross written premiums are recognised either where the policy is issued or the instalment falls due.

3.15.2 Fee income

Policy administration charges, other contract fees and trust management fees are recognised on an accrual basis. If the fees are for services provided in future periods then they are deferred and recognised over those future periods.

3.15.3 Investment income Interest income

Interest income is recognised on the time proportionate basis using EIR irrespective of the classification under LKAS 39. The amortisation of

discount / premium is also treated as an interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established irrespective of its classification of FVTPL or AFS which is the ex-dividend date for equity instruments.

3.15.4 Fair value gains and losses

Fair value gains and losses on AFS securities are recognised in the Statement of Comprehensive Income until such instrument is derecognised or impaired.

Fair value gains and losses on financial assets at FVTPL, are recognised in the Income Statement.

3.15.5 Realised gains and losses

Realised gains and losses recorded in the Income Statement include gains and losses on financial assets, property, plant and equipment, divestment of related entities.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original cost, amortised cost or carrying amount, depending on the classification of the assets and are recorded on occurrence of the sale transaction.

3.16 Claims, benefits and expenses recognition

3.16.1 Gross claims and benefits

Gross claims and benefits 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 policyholder bonuses declared on contracts, as well as changes in the gross valuation of insurance and liabilities. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

3.16.2 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.17 Share-based compensation plans

AIA Group Limited (AIAGL) operates a number of share-based compensation plans, under which the

Company receives services from the employees, directors and officers as consideration for the shares and / or options of AIAGL. These share-based compensation plans comprise the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP).

The share compensation plans of AIA Group (consisting of AIAGL and its subsidiaries) offered to the Group's employees are equity-settled plans. Under an equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL's shares is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity in AIA Group Financial Statements. Any amounts recharged from AIAGL to the Company related to share-based payment arrangements are recognised as an expense in the Income Statement.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and / or options granted. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be vested. At each period end, the Group revises its estimates of the number of shares that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to related party payables. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

Where modification or cancellation of an equity-settled share-based compensation plan of AIA Group occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

Valuation methodology

The Group utilises a Monte-Carlo simulation model and / or discounted cash flow technique to calculate the fair value of the RSU and ESPP awards, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of

implied volatility of the AIAGL's shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date.

4. CRITICAL ACCOUNTING ESTIMATES AND THE USE OF JUDGEMENT

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Insurance contracts

4.1.1 Product classification

SLFRS 4; 'Insurance Contracts', requires contracts written by insurers to be classified either as insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk.

Accordingly, the Company performs a product classification exercise covering its portfolio of contracts to determine the classification of contracts to these categories. Product classification requires the exercise of significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Company to pay significant additional benefits to its customers. In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgements exercised in determining the level of insurance risk deemed to be significant in product classification affect the amounts recognised in the Financial Statements as insurance and investment contract liabilities and deferred acquisition and origination costs.

Notes to the Financial Statements and Material Accounting Policy Information

4.1.2 Life insurance liabilities

SLFRS 4 permits a wide range of accounting treatments to be adopted for the recognition and measurement of insurance contract liabilities, including liabilities in respect of insurance contracts. The Company calculates insurance contract liabilities for traditional life and universal life insurance contracts using an RBC-based method plus any other mandatory reserves as required by the Regulator, whereby the liability represents the present value of estimated future policy related outflows, less the present value of estimated future gross premiums to be collected from policyholders. This method uses best estimates assumptions for mortality, morbidity, lapse, expenses and investment yields. Interest rate assumptions can vary by product and are prescribed by regulation. Mortality, morbidity, lapse and expense assumptions are based on annual experience studies, allowing for risk margins as prescribed by the Regulator. The Company exercises significant judgement in setting appropriate assumptions.

For unit-linked contracts, insurance contract liabilities represent the unit fund value, plus a non-unit reserve to cover the profit and loss account. Significant judgement is exercised in making appropriate estimates of gross profits, which are also regularly reviewed by the Company.

The judgements exercised in the valuation of insurance contract liabilities affect the amounts recognised in the Financial Statements as insurance contract benefits and insurance contract liabilities.

4.1.3 Liability adequacy testing

The Company evaluates the adequacy of its insurance contract liabilities at least annually. Liability adequacy is assessed by portfolio of contracts in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

For traditional life insurance contracts, insurance contract liabilities are compared with the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the net liability is increased by the amount of the deficiency.

Significant judgement is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. The judgements exercised in liability adequacy testing affect amounts recognised in the Financial Statements as commission and other acquisition expenses and insurance contract benefits and insurance and investment contract liabilities.

4.2 Fair value estimation

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels;

Level I Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level II Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level III Inputs for the asset or liability that are not based on observable market data

The information regarding fair value hierarchy is given in Note 9.5 to the Financial Statements.

a) Financial instruments in level I

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the last traded price in an active market. These instruments are included in level I. Instruments included in level I comprise primarily investments in equity instruments traded in the Colombo Stock Exchange.

b) Financial instruments in level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant

inputs required to fair value an instrument are observable, the instrument is included in level II.

Instruments included in level II comprise primarily investments in Treasury bills and Treasury bonds issued by the Government of Sri Lanka.

Specific valuation techniques used to value financial instruments include;

- Present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

4.3 Valuation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and staff turnover. Due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 18 to the Financial Statements.

4.4 Taxation

Estimates are required relating to the amount of tax that will ultimately be payable and the availability and utilisation of losses to be carried forward. Judgement is required in determining the provision for taxes as tax treatment is often by its nature complex and may not be finally determined until a formal resolution has been reached with the relevant tax authority. Judgement is also required in assessing the amount of deferred tax asset that can be recognised. Deferred tax assets relating to tax losses carried forward can only be recognised if it is probable that they can be used. A deferred tax asset can be used if there are future taxable profits to offset against the losses carried forward. This requires management to assess the likelihood, timing and expected amount of future taxable profits. Details of the estimates used in taxation are contained in Notes 11 and 38 to the Financial Statements.

5 RISK MANAGEMENT

5.1 Financial risk management

The primary source of financial risk to an insurer arises from its investment exposures and investment activities. Thus, the investment portfolios maintain a prudent approach in its investment strategy and investment exposures to ensure that investment returns are optimised on a risk-adjusted basis and to ensure the Company operates within its defined risk appetite.

Risk appetite statements communicate the parameters and boundaries within which the business unit has opted to operate in relation to the identified financial risks. In the Company, the risk appetite framework has expressed the business unit's appetite as regards capital risk, liquidity risk, credit risk and market risk. The exposures and management information pertaining to these four risk aspects are within the scope of identified governance committees of the business based on the required technical expertise to provide effective oversight. Management information is submitted periodically to review and monitor these risks at these governance committees that convene as per their defined frequency of review.

Management of financial risks falls under the purview of the local Financial Risk Committee, which monitors the overall exposure of the Company to financial risks.

Total investments of the Company are managed separately through segregated funds with due consideration to their respective risk profiles, stakeholders and objectives.

The following table contains a high-level summary of the investment exposures by the Company's investment portfolios. The Company keeps investment exposures within pre-determined

Notes to the Financial Statements and Material Accounting Policy Information

strategic asset allocation limits, which are defined in order to generate superior investment returns without excessive exposure to high risk assets.

As at 31 December	2023		2022	
	LKR '000	%	LKR '000	%
Government securities	65,623,866	82.2	29,117,733	53.7
Reverse repurchase agreements	6,143,037	7.7	13,096,068	24.2
Corporate debt	6,852,209	8.6	11,082,027	20.4
Fixed deposits	104,613	0.1	104,613	0.2
Equity	1,152,290	1.4	804,458	1.5
Total	79,876,015	100	54,204,899	100

In the case of unit-linked funds, the policyholder is the decision maker on asset allocation due to the investment choice provided to the policyholder to choose the preferred unit-linked funds to direct policy premium according to their risk appetite. As such, the unit-linked business' investment portfolios will maintain an exposure to equity investments even during periods of volatile equity markets as long as policyholders opt to remain invested in the unit-linked Growth Fund and unit-linked Balanced Fund. Policyholders opt to invest in these two funds to primarily benefit from 'Rupee Cost Averaging' over the long-term investment horizon.

Equity risk of the unit-linked business is managed by close monitoring of the asset class parameters in each unit-linked fund and by investing in equity in line with the equity investment philosophy of the Company. The Management believes that superior investment returns in equity investments can be secured over the long-term investment horizon by investing in fundamentally sound liquid blue-chip counters.

5.1.1 Liquidity risk

Liquidity risk is the uncertainty, emanating from business operations, investments or financing activities, whether a company will have the ability to meet payment obligations in a full and timely manner under current or stressed conditions. Liquidity adequacy is a measure or assessment of the ability of a company to meet payment obligations in a full and timely manner within a defined time horizon. It is a function of its sources of liquidity relative to its liquidity needs. Liquidity sources can be internal and external, available immediately or within the defined time horizon, and includes all funds, assets and arrangements that allow an insurer to meet its liquidity needs. Liquidity needs include all current and expected payment obligations within the defined time horizon.

The Company has determined that an appropriate time horizon within which it must be able to meet its liquidity needs is twelve months, being generally acknowledged as the critical period for companies to weather a stressed liquidity environment if they are to survive. It is expected that the Company will be able to meet its obligations in both current and stressed conditions for at least this time frame.

Controls in place to mitigate liquidity risk

- Management of liquidity risk is governed by the Liquidity Risk Management Standard which is a component of the Company's risk management framework and is incorporated in the investment mandates of the business. The Company defines liquidity risk appetite in terms of Liquidity Adequacy Ratio which is defined for each core portfolio of the business.
- The liquidity adequacy is reviewed quarterly by the Financial Risk Committee to ensure that the Company will be able to meet its obligations in both current and stressed conditions for the next 12 months.
- The Company maintains a cash flow maturity profile within the investment portfolios of the Company in tandem with the risk appetite of each portfolio and cash flow needs.
- Minimum liquidity levels are incorporated into the Investment Mandate of each portfolio and are monitored on a daily basis.

The following table depicts the maturity profile of the investment portfolio on an undiscounted cash flow basis which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

As at 31 December 2023	1 Yr LKR '000	1 Yr - 5 Yrs LKR '000	5 Yrs - 10 Yrs LKR '000	Over 10 Yrs LKR '000	No stated maturity LKR '000	Total LKR '000
FINANCIAL ASSETS						
Available for sale						
Government securities	10,607,152	56,046,808	46,522,957	13,446,500	-	126,623,417
Equity instruments	-	-	-	-	37,040	37,040
Loans and receivables						
Reverse repurchase agreements	6,699,622	-	-	-	-	6,699,622
Corporate debt	878,306	6,348,293	4,205,500	-	-	11,432,099
Fixed deposits	125,565	-	-	-	-	125,565
Fair value through profit or loss						
Equity instruments	-	-	-	-	1,115,250	1,115,250
Other loans and receivables						
Trade receivables	402,503	-	-	-	-	402,503
Reinsurance assets	207,920	-	-	-	-	207,920
Policy loans	-	-	-	-	181,790	181,790
Other receivables	26,834	3,836	945	-	-	31,615
Cash and cash equivalents	743,977	-	-	-	-	743,977
	19,691,879	62,398,937	50,729,402	13,446,500	1,334,080	147,600,798
FINANCIAL LIABILITIES						
At amortised cost						
Lease liability	286,432	571,503	5,567	-	-	863,502
Agency commission payable	298,101	-	-	-	-	298,101
Franchise fee payable	23,980	-	-	-	-	23,980
Bank overdraft	131,522	-	-	-	-	131,522
	740,035	571,503	5,567	-	-	1,317,105

Notes to the Financial Statements and Material Accounting Policy Information

As at 31 December 2022	1 Yr	1 Yr - 5 Yrs	5 Yrs - 10 Yrs	Over 10 Yrs	No stated maturity	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
FINANCIAL ASSETS						
Available for sale						
Government securities	8,251,381	24,482,322	29,807,833	8,140,122	-	70,681,658
Equity instruments	-	-	-	-	33,081	33,081
Loans and receivables						
Reverse repurchase agreements	13,404,408	-	-	-	-	13,404,408
Corporate debt	6,147,224	4,077,225	4,730,829	-	-	14,955,278
Fixed deposits	114,414	-	-	-	-	114,414
Fair value through profit or loss						
Equity instruments	-	-	-	-	771,377	771,377
Other loans and receivables						
Trade receivables	416,494	-	-	-	-	416,494
Reinsurance assets	137,581	-	-	-	-	137,581
Policy loans	-	-	-	-	251,074	251,074
Other receivables	20,724	3,904	311	-	-	24,939
Cash and cash equivalents	1,212,349	-	-	-	-	1,212,349
	29,704,575	28,563,451	34,538,973	8,140,122	1,055,532	102,002,653
FINANCIAL LIABILITIES						
At amortised cost						
Lease liability	273,124	706,563	11,135	-	-	990,822
Agency commission payable	141,460	-	-	-	-	141,460
Franchise fee payable	16,589	-	-	-	-	16,589
Bank overdraft	828,670	-	-	-	-	828,670
	1,259,843	706,563	11,135	-	-	1,977,541

The financial assets / liabilities of the subsidiary entity are not significant at Group level. Therefore the financial risk of the Group primarily arise from the disclosed company balances.

5.1.2 Credit risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. Credit risk categories include default risk, spread risk and rating migration risk, each of which is defined below;

Spread risk

The risk of an adverse financial outcome arising from changes in the level or volatility of third party credit spreads. Credit spread moves can be caused by credit concerns (improving or worsening) on the issuer or from market factors (such as risk appetite and liquidity within the market).

Default risk

The risk of an adverse financial outcome arising from one or more third party default events. A default event includes a delay in repayments or interest payments, restructuring of borrower repayments / interest schedule, bankruptcy and repudiation / moratorium (for example, for sovereign counterparties).

Rating migration risk

The risk of an adverse financial outcome arising from a change in third party credit standing, as well as having a potential knock-on effect on spreads, rating movements can trigger solvency and accounting impacts (for example, where rules are based on counterparty ratings) and can drive management actions and the realisation of losses (for example, where investment mandates set counterparty and portfolio limits based on ratings).

Controls in place to mitigate credit risk

The management of credit risk is governed by the Investment Risk Management Standard and Internal Credit Rating Framework Standard which is embedded within the Investment Policy and incorporated in the Investment Mandates of the business.

Single counterparty exposures are monitored based on the counterparty exposure in comparison to the net assets of the counterparty.

All investments are denominated in LKR and the Company does not maintain any investment exposures to assets held overseas.

Minimum investment grade rating criteria been implemented for determining investment decisions.

The Company maintains a predominant exposure to Government securities and high-grade corporate debt thus prudently managing credit default risk from these investments.

The Company places corporate debt investment exposures with counterparties with 'A' (lka) and above as assigned by Fitch Ratings Lanka Ltd. at the time of investment

Rating movements on the Company's corporate debt investments are monitored on a monthly basis by the Investment Oversight Committee.

The investments portfolios are maintained with the custodian bank, Deutsche Bank AG.

Government securities, including collateral from reverse repurchase agreements are held at Lanka Secure, which is maintained by the Central Bank of Sri Lanka.

All reverse repurchase agreements maintain its exposure to Government securities.

As per the Investment policy, the Company has a Collateral Management Policy and maintained haircut in the range of (4 per cent - 12 per cent) on investments in reverse repurchase agreements in 2023. (Refer the table on page 110 of the Annual Report).

The Company carries out investment transactions through / with Investment Committee approved intermediaries.

The following table reflects the credit ratings of financial assets - debt instruments of the business as per the National Ratings by Fitch Ratings Lanka Ltd and international ratings by Fitch as at 31 December 2023 and 2022.

Notes to the Financial Statements and Material Accounting Policy Information

As at 31 December 2023	Risk-free	AAA	AA+	A+	A	A-	BBB+	BBB	BBB-	Non-rated	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Available for sale											
Government securities	65,623,866	-	-	-	-	-	-	-	-	-	65,623,866
Loans and receivables											
Reverse repurchase agreements	6,143,037	-	-	-	-	-	-	-	-	-	6,143,037
Corporate debt	-	-	-	-	1,625,000	2,000,000	2,027,209	1,200,000	-	-	6,852,209
Fixed deposits	-	-	-	-	50,000	54,613	-	-	-	-	104,613
Trade receivables (Premium receivables)	-	-	-	-	-	-	-	-	-	402,503	402,503
Reinsurance assets	-	-	-	-	-	-	-	-	-	207,920	207,920
Policy loans	-	-	-	-	-	-	-	-	-	181,790	181,790
Other receivables	-	-	-	-	-	-	-	-	-	203,848	203,848
Cash and cash equivalents	16	3,138	1,276	5,689	152,700	576,656	-	-	4,501	-	743,977
	71,766,919	3,138	1,276	5,689	1,827,700	2,631,269	2,027,209	1,200,000	4,501	996,061	80,463,763

As at 31 December 2022	Risk-free	AAA	AA+	A+	AA	A	BBB	BB	BBB-	Non-rated	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Available for sale											
Government securities	29,117,733	-	-	-	-	-	-	-	-	-	29,117,733
Loans and receivables											
Reverse repurchase agreements	13,096,068	-	-	-	-	-	-	-	-	-	13,096,068
Corporate debt	-	-	-	-	4,282,027	6,800,000	-	-	-	-	11,082,027
Fixed deposits	-	-	-	-	50,000	54,613	-	-	-	-	104,613
Trade receivables (Premium receivables)	-	-	-	-	-	-	-	-	-	416,494	416,494
Reinsurance assets	-	-	-	-	-	-	-	-	-	137,581	137,581
Policy loans	-	-	-	-	-	-	-	-	-	251,074	251,074
Other receivables	-	-	-	-	-	-	-	-	-	154,655	154,655
Cash and cash equivalents	16	8,025	-	-	736,514	81,608	386,186	-	-	-	1,212,349
	42,213,817	8,025	-	-	5,068,541	6,936,221	386,186	-	-	959,804	55,572,594

As at 31 December	2023	2022
	LKR '000	LKR '000
Carrying value of investments in reverse repurchase agreements *	6,143,037	13,096,068
Fair value of collateral *	7,450,571	15,283,796
Excess value of collateral	1,307,534	2,187,728
Margin	21%	17%

*The amounts stated above are inclusive of accrued interest.

5.1.3 Market risk

Market risk is the risk of adverse financial impact resulting from fluctuations in the level or volatility of prices of financial instruments and other market factors including interest rates, inflation and foreign-exchange rates. Market risk categories include interest rate risk, equity risk, foreign exchange risk, inflation risk, property risk,

commodity risk and other risks arising from alternative investments (for example hedge funds and private equity). The Company's primary sources of market risks are interest rate risk and equity risk.

Although credit and liquidity risks are defined and managed as separate risks, the assessment of market risk does consider the interdependence between market risk and credit and liquidity risks (for example market losses caused by illiquidity issues, sovereign default or a default of a systemically important counterparty) and also the capital risk arising from market risk.

Interest rate risk

The risk of an adverse financial impact due to changes in the absolute level of interest rates, in the shape or curvature of the yield curve or in any other interest rate relationship including volatility and spread between different yield curves.

The following table summarises the nature of the interest rate risk associated with financial assets.

As at 31 December 2023	Fixed interest LKR '000	Non-interest bearing LKR '000	Total LKR '000
Loans and deposits	294,147	91,491	385,638
Debt securities	78,723,725	-	78,723,725
Trade receivables (Premium receivables)	-	402,503	402,503
Reinsurance assets	-	207,920	207,920
Cash and cash equivalents	541,345	202,632	743,977
	79,559,217	904,546	80,463,763

As at 31 December 2022	Fixed interest LKR '000	Non-interest bearing LKR '000	Total LKR '000
Loans and deposits	349,941	55,787	405,728
Debt securities	53,400,440	-	53,400,440
Trade receivables (Premium receivable)	-	416,494	416,494
Reinsurance assets	-	137,581	137,581
Cash and cash equivalents	1,031,554	180,795	1,212,349
	54,781,935	790,657	55,572,592

Equity risk

Equity risk is the risk of adverse financial impact due to equity market dynamics (for example, individual spot or derivative price moves, index moves, volatility and correlation changes etc.). This risk applies to direct equity (the holding of equities, embedded equity options in liabilities) and to indirect equity (management fees on equity funds) positions. The information regarding equity is given in Note 9.2 and Note 9.3 of the Financial Statements.

Foreign exchange risk

Foreign exchange risk is the potential for the Company to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency.

The Company does not maintain foreign currency denominated assets in its investment portfolios and as such is not exposed to foreign exchange risk related to investments.

Notes to the Financial Statements and Material Accounting Policy Information

Risk oversight

Evaluating the impact of market risk, credit risk and liquidity risk are inbuilt into the investment decision making process. The market risk, credit risk and liquidity risk of the investment portfolios are monitored every month by the Investment Oversight Committee, a management level governance oversight committee responsible to oversee investments. The Board of Directors level governance oversight committee responsible to oversee investments is the Investment Committee which is a sub-committee of the Board of Directors. The Investment Committee monitors the market risk, credit risk and liquidity risk of the investment portfolios every quarter.

The capital risk of the Company is monitored by the Financial Risk Committee that convenes on a quarterly basis. The Financial Risk Committee also reviews the liquidity risk, credit risk and market risk of the investment portfolios.

Sensitivity analysis on market, equity and interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument at the reporting date will fluctuate in response to assumed movements in market interest rate. The management monitors the sensitivity of reported fair value of financial instruments on a regular basis by assessing the projected changes in the fair value of financial instruments held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points.

As at 31 December Impact to;	2023		2022	
	Net asset value	Profit before tax	Net asset value	Profit before tax
	LKR '000	LKR '000	LKR '000	LKR '000
Interest rate risk				
+ 100 basis points	(505,830)	(722,614)	1,325,390	1,893,415
- 100 basis points	621,608	888,011	(1,553,875)	(2,219,822)

The sensitivity analysis for equity risk is not illustrated as equity is held mainly in the unit-linked portfolios and the movement in asset values is charged to the respective policy liabilities and therefore does not impact the profit before tax and the net asset value of the Company.

Controls in place to mitigate market risk

The management of market risk is governed by the Asset Liability Management Standard which is embedded within the Investment Policy and incorporated in the investment mandates of the business.

The Company has defined the appetite for interest rate risk in terms of its impact on the RBC solvency which is reviewed on a monthly basis and is rebased and approved at Financial Risk Committee every quarter.

Also the Company sets itself a target asset duration based on the liability profile of the Company, in order to minimise the adverse impact from varying interest rates.

Monitoring of the equity exposures against the risk limits and benchmarks that are defined and refreshed on a periodic basis, depending on the risk appetite and the market conditions. Review of interest rate risk exposure against the risk appetites is included in the investment approval process of the Company.

All investments are denominated in LKR and the Company does not maintain any investment exposure to assets held overseas.

Fixed income investments are maintained mainly in Government securities which eliminate the credit risk premium volatility from the asset price and in high grade securities with relatively high credit ratings by Fitch Ratings Lanka Ltd.

The exposure to asset classes with high risk such as equity is maintained at a minimum level in portfolios with management discretion. There is no exposure to equity in the policyholders' investment portfolios, except for an equity holding in Serendib Land which is held outside the investment portfolio as at the reporting date.

The Company does not maintain any investments in commodities and any investments in derivative instruments, structured investment instruments or alternative investments.

5.2 Insurance risk

5.2.1 Life insurance

Frequency and severity of claims

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Company's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Company uses reinsurance to manage claim volatility and accumulation risks. Medically impaired lives are charged higher insurance premiums.

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Company over the last five years is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be credible, the statistics generated by the data are used without reference to a benchmark table. Where this is not the case, the best estimate of future mortality is based on benchmark tables adjusted for the Company's overall experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

Process used to decide on assumptions

a) Mortality / Morbidity

Internal investigations covering a five year period are conducted by claim type, subdivided by age. From these investigations crude incidence rates are derived. These crude rates are then smoothed via a process of graduation. Finally, a blend of the resultant graduated rates and the benchmark mortality rates are taken, weighted according to the credibility of the own experience.

b) Persistency

An internal investigation is conducted by entry year and product type, subdivided by premium mode. From this investigation, crude persistency rates are derived, allowing for all of paid-up, premium holiday, lapse, surrender and revivals. Next, the weighted rates are assessed, and smooth assumptions are set taking into account past trends and the future outlook.

Notes to the Financial Statements and Material Accounting Policy Information

- c) **Investment returns**
Investment returns are set based on a long-term basis by considering the outlook of Government securities and other asset classes in the local market.
- d) **Renewal expense level and inflation**
Renewal expense levels are set by way of an expense investigation into the expenses of the Company over the last calendar year, with each expense being classified as acquisition / maintenance and then being assigned a driver based on how it may develop into the future. The expense assumptions are verified / adjusted for reasonableness using the latest business plan.

Inflation margins are set based on international economic projections for Sri Lanka.

Change in assumptions and sensitivity analysis

The main insurance risks to the life business are lapse and expense levels. A sensitivity analysis was conducted in 2023 with three stresses. 110.0 per cent expense levels and 120.0 per cent lapse levels along with the 80.0 per cent lapse levels for persistency. For all cases, the impact to the policyholders' liabilities of assuming such a change was reflective of future conditions.

Increasing expense rates by 10.0 per cent would lead to an increase in policy liabilities of LKR 950 million; 1.5 per cent of the policy liability. Decreasing lapse rates by 20.0 per cent would lead to a decrease in policy liabilities of LKR 771 million; 1.2 per cent of the policy liability. Increasing lapse rates by 20.0 per cent would lead to an increase in policy liabilities of LKR 693 million; 1.1 per cent of the policy liability.

Approximate converse impact could be expected in the profit / loss and the net assets of the Company.

5.3 Capital management

The focus of capital management is to maintain a strong capital base to support the business and business growth, and to satisfy regulatory capital requirements at all times. In view of this the Company has established the following objectives, policies and approach;

- a) To maintain the required solvency level and provide security to policyholders.
- b) To allocate capital efficiently and support the growth of the business by ensuring that returns on capital employed meets the requirements of shareholders and policyholders.
- c) To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- d) To maintain healthy capital ratios in order to support business objectives and optimise shareholder value.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach in managing capital includes managing assets, liabilities and risks in a coordinated manner, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to strengthen the capital position of the Company in view of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. The capital requirements are routinely forecast on a periodic basis by the Management and the Board of Directors. The solvency margins are calculated on a monthly basis and shared with the Board of Directors on a quarterly basis. The Company maintains its capital base well above the minimum regulatory requirements of the IRCSL.

The responsibility for capital management is entrusted to the Chief Financial Officer (CFO) and as such the CFO is a key participant in discussions and decisions that impact asset-liability management, strategic asset allocation and solvency management.

6. INTANGIBLE ASSETS

	Note	Group / Company			
		2023			2022
		Contractual relationships LKR '000	Computer software LKR '000	Capital work in progress LKR '000	Total LKR '000
Cost		762,480	1,481,003	241,980	2,485,463
(Less) Accumulated amortisation		(283,323)	(1,032,092)	-	(1,315,415)
Net book value as at 01 January		479,157	448,911	241,980	1,170,048
Additions		7,000,000	27,686	20,090	7,047,776
Amortisation charge	36	(38,124)	(195,887)	-	(234,011)
Amounts capitalised to intangible assets		-	194,511	(194,511)	-
De-recognition during the period		-	-	-	(133,694)
Accumulated amortisation on de-recognition		-	-	-	98,261
Net book value as at 31 December		7,441,033	475,221	67,559	7,983,813
Cost		7,762,480	1,703,200	67,559	9,533,239
(Less) Accumulated amortisation		(321,447)	(1,227,979)	-	(1,549,426)
Net book value as at 31 December		7,441,033	475,221	67,559	7,983,813

The useful life of assets relating to contractual relationships are determined by contract type and lie within individual contract terms.

Intangible assets include fully amortised assets still in use, the gross carrying value of which amounting to LKR 731,533,292 (2022 - LKR 561,270,847) as at the reporting date.

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31 December 2023. Based on such assessment, no impairment indicators were identified, that require adjustments.

6.1 Disclosure on reporting of amortisation of intangible assets

The amortisation charge of the intangible assets are shown under operating and administrative expenses in the Income Statement.

6.2 Capital commitments - intangible assets

Capital expenditure on intangible assets approved by the Board of Directors is as follows;

As at 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Approved and contracted for intangible assets	17,672	1,295

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7 PROPERTY, PLANT AND EQUIPMENT

	Group / Company							
	2023							2022
	Note	Freehold land improvements	Leasehold improvements	Computer & telecommunication equipment	Furniture, fittings, plant & machinery	Motor vehicles	Capital work in progress	Total
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost / revaluation		250,000	283,888	700,830	543,221	177,583	-	1,955,522
(Less) Accumulated depreciation		-	(118,569)	(605,752)	(481,073)	(165,638)	-	(1,371,032)
Net book value as at 01 January		250,000	165,319	95,078	62,148	11,945	-	584,490
Additions		-	1,478	88,706	17,150	48,000	81,343	236,677
Revaluation surplus	25	45,000	-	-	-	-	-	45,000
Depreciation charge	36	-	(29,475)	(56,941)	(27,878)	(16,565)	-	(130,859)
Disposals		-	-	(11,850)	(4,682)	(18,750)	-	(35,282)
Accumulated depreciation on disposals		-	-	11,807	4,682	18,750	-	35,239
Net book value as at 31 December		295,000	137,322	126,800	51,420	43,380	81,343	735,265
Cost / revaluation		295,000	285,367	777,685	555,690	206,833	81,343	2,201,918
(Less) Accumulated depreciation		-	(148,045)	(650,885)	(504,270)	(163,453)	-	(1,466,653)
Net book value as at 31 December		295,000	137,322	126,800	51,420	43,380	81,343	735,265

Property, plant and equipment includes fully depreciated assets still in use and the gross carrying value of which amounting to LKR 1,109,734,894 (2022 - LKR 1,090,925,025) as at the reporting date.

7.1 Fair value of land and ownership

An independent valuation of the Group's land was performed by valuers to determine the fair value of the land. As per the Group's accounting policy, the revaluation surplus is recognised in the Statement of Comprehensive Income annually.

As at 31 December				Group / Company			
				2023		2022	
				Revalued Amount	Carrying Value	Revalued Amount	Carrying Value
	Description of the Property	Location	Extent	LKR '000	LKR '000	LKR '000	LKR '000
AIA Insurance Lanka Limited	Freehold Land	No.76 and No. 80, Kew Road, Colombo 2	25.48 (Perches at the price of LKR 11.6 million)	295,000	295,000	250,000	250,000

Valuation techniques used to derive level III fair values

Fair value of land has been derived by using the market comparable approach (Level III - Input for the asset that are not based on observable market data). Sales prices of comparable lands in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is market value per perch.

Description of the Property	Effective date of valuation	Valuation technique	Significant unobservable input	Inter relationship between key unobservable inputs and fair value measurement
Freehold Land	31 December 2023	Market comparable approach	Market value per perch	Positive correlated sensitivity

Valuation processes of the Group

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land. As at 31 December 2023 and 2022, the fair value of the land has been determined by an independent valuer, Mr. T.M.H. Mutaliph; Chartered Valuer.

If stated on historical cost basis, the value of the land would be LKR 17,084,105 (2022 - LKR 17,084,105).

7.2 Capital commitments - Property, plant and equipment

Capital expenditure on property, plant and equipment approved by the Board of Directors is as follows;

As at 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Approved and contracted for property, plant and equipment	116,844	19,115

8 INVESTMENTS IN SUBSIDIARY

As at 31 December	Country of incorporation and place of business	Nature of business	Number of Shares	% holding	2023 LKR '000	2022 LKR '000
Rainbow Trust Management Limited (measured at cost)	Sri Lanka	Provision of trust and ancillary services	100,000	100	1,000	1,000
			100,000	100	1,000	1,000

Notes to the Financial Statements and Material Accounting Policy Information

9 FINANCIAL INVESTMENTS

Financial investments are summarised by measurement category along with the fair values in the table below.

As at 31 December	Note	Group / Company			
		2023		2022	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Loans and receivables	9.1	13,099,859	14,249,980	24,282,708	21,340,446
Available for sale financial assets	9.2	65,660,906	65,660,906	29,150,814	29,150,814
Financial assets at fair value through profit or loss	9.3	1,115,250	1,115,250	771,377	771,377
Total Financial investments		79,876,015	81,026,136	54,204,899	51,262,637

9.1 Loans and receivables

As at 31 December	Group / Company			
	2023		2022	
	Amortised cost LKR '000	Fair value LKR '000	Amortised cost LKR '000	Fair value LKR '000
Amortised cost				
Corporate debt - listed	6,852,209	7,840,459	11,082,027	7,832,826
Reverse repurchase agreements	6,143,037	6,306,388	13,096,068	13,407,097
Bank deposits	104,613	103,133	104,613	100,523
Total loans and receivables	13,099,859	14,249,980	24,282,708	21,340,446

As at 31 December	Group / Company	
	2023	2022
	LKR '000	LKR '000
Loans and receivables at amortised cost		
Current	6,247,649	17,930,498
Non-current	6,852,210	6,352,210
Total loans and receivables	13,099,859	24,282,708

The fair values of the loans and receivables have been estimated by comparing current market interest rates for similar instruments with the rates offered when the loans were first recognised, together with appropriate market credit adjustments except for the loans and receivables considered to be current of which fair value approximates the carrying value.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets classified as loans and receivables. As at the date of the Statement of Financial Position, none of these financial assets are either past due or impaired.

The Company holds collateral for all reverse repurchase agreements. According to CBSL guidelines, collateral should at least be with an excess of four per cent - twelve per cent, depending on the tenure of the collateral, of the investment amount plus the total accruable interest.

The fair value of those collateral held are as follows;

As at 31 December		Group / Company	
		2023 LKR '000	2022 LKR '000
Financial Investment	Nature of the collateral		
Reverse repurchase agreements	- Government treasury bills	279,006	1,337,586
	- Government treasury bonds	7,171,565	13,946,210
		7,450,571	15,283,796

9.2 Available for sale financial assets

As at 31 December		Group / Company	
		2023 LKR '000	2022 LKR '000
Government securities		65,623,866	29,117,733
Equity instruments - listed		37,040	33,081
Total available for sale financial assets		65,660,906	29,150,814
Available for sale financial assets			
Current		2,089,845	2,268,269
Non-current		63,571,061	26,882,545
Total available for sale financial assets		65,660,906	29,150,814

The fair values of the government securities have been valued by using the market yield. The fair value of equity instruments are based on their last traded prices at the Colombo Stock Exchange as at the reporting date.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale. As at the date of the Statement of Financial Position, none of these financial assets are either past due or impaired.

9.3 Financial assets at fair value through profit or loss

As at 31 December		Group / Company	
		2023 LKR '000	2022 LKR '000
Equity instruments - listed		1,115,250	771,377
Total financial assets at fair value through profit or loss		1,115,250	771,377
Financial assets at fair value through profit or loss			
Current		1,115,250	771,377
Non-current		-	-
Total financial assets at fair value through profit or loss		1,115,250	771,377

Equity instruments classified as fair value through profit or loss are designated in this category upon initial recognition. There are no non-derivative financial assets held for trading.

The fair value of equity instruments is based on their last traded prices at the Colombo Stock Exchange as at the reporting date. Changes in fair values of financial assets at fair value through profit or loss are recorded in "fair value gains and losses" in the Income Statement.

Notes to the Financial Statements and Material Accounting Policy Information

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets classified as fair value through profit or loss. As at the date of the Statement of Financial Position, none of these financial assets are either past due or impaired.

9.4 Movement in the Group's financial instruments are summarised in the table below by measurement category:

	Note	Group / Company			
		2023			2022
		Loans and receivables	Available for sale	Fair value through profit or loss	Total
		LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January		24,282,708	29,150,814	771,377	54,204,899
Purchases		604,613	19,844,969	897,526	21,347,108
(Sales) / (maturities)		(11,825,264)	(4,487,901)	(831,603)	(17,144,768)
Realised gains / (losses)		-	(47,311)	(105,383)	(152,694)
Amortisation of discount / (premiums)		37,802	281,343	-	319,145
Fair value gains / (losses) recorded in Income Statement		-	-	383,333	383,333
Gross fair value gains / (losses) recorded in the Statement of Other Comprehensive Income	27.1	-	20,918,992	-	20,918,992
Balance as at 31 December		13,099,859	65,660,906	1,115,250	79,876,015

9.5 Determination of fair value and fair value hierarchy

As at 31 December	Group / Company	
	2023	2022
	LKR '000	LKR '000
Level I		
Loans and receivables		
Corporate debt - listed	7,840,459	7,832,826
Financial assets at fair value through profit or loss		
Equity instruments - quoted	1,115,250	771,377
Available for sale financial assets		
Equity instruments - quoted	37,040	33,081
Level II		
Loans and receivables		
Bank deposits	103,133	100,523
Reverse repurchase agreements	6,306,388	13,407,097
Available for sale financial assets		
Government securities	65,623,866	29,117,733
Total financial assets measured at fair value	81,026,136	51,262,637

There were no transfers between level I and II during the year.

10 POLICYHOLDER AND OTHER LOANS

As at 31 December	Note	Group / Company	
		2023 LKR '000	2022 LKR '000
Policy loans		181,790	251,074
Agent loans		180,725	137,950
Staff loans		31,615	24,939
	10.1	394,130	413,963
(Less) Allowance for impairment losses Agent loans	10.2	(8,492)	(8,235)
Total policyholder and other loans		385,638	405,728
Policyholder and other loans			
Current		96,656	82,489
Non-current		288,982	323,239
Total policyholder and other loans		385,638	405,728

10.1 Movement in policyholder and other loans

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	413,963	479,905
Loans granted during the period	421,852	410,278
Loan repayments during the period	(441,325)	(475,901)
Loans (written off) / written back during the period	878	1,181
Amortisation of discount	(1,238)	(1,500)
Balance as at 31 December	394,130	413,963

10.2 The reconciliation of the allowance for impairment losses on assets classified as policyholder loans and other loans is as follows;

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	8,235	7,088
Additional allowance for impairment during the period	257	1,147
Balance as at 31 December	8,492	8,235

A specific impairment allowance has been made against each of the individually impaired financial assets for the full amount of impairment.

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11 DEFERRED INCOME TAX ASSETS / LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

	Group / Company	
	2023 LKR '000	2022 LKR '000
Deferred income tax assets		
On unused tax losses	-	21,702
On fair value losses from Available for Sale (AFS) instruments	-	1,647,157
Total deferred income tax assets	-	1,668,859
Deferred income tax liabilities		
On fair value gains from AFS instruments	(6,634)	-
Total deferred income tax liabilities	(6,634)	-
Net deferred income tax assets / (liabilities)	(6,634)	1,668,859

During the year 2023, the Group / Company has fully utilised the deferred tax asset recognised on brought forward tax losses. Further, the deferred tax liability has been recognized on temporary differences arising from fair value gains on AFS instruments.

11.1 The movement in net deferred income tax asset / liability is as follows;

	Note	Group / Company	
		2023 LKR '000	2022 LKR '000
Balance as at 01 January		1,668,859	297,061
Deferred tax charge / (income) recognised during the year			
On unused tax losses	38	(22,679)	(287,441)
Deferred tax asset recognised during the year		977	-
		(21,702)	(287,441)
Deferred tax charge / (income) recognised in the Statement of Other Comprehensive Income			
On temporary difference from fair value differences		(1,653,791)	1,659,239
		(1,653,791)	1,659,239
Balance as at 31 December		(6,634)	1,668,859

12 REINSURANCE RECEIVABLES

Reinsurance receivable balance as at 31 December 2023 and 2022 are due within a period of 12 months, hence classified as current assets.

As per the contractual arrangements, the reinsurer is committed to reimburse the losses only upon payment of claims to the Clients and hence not hold any collateral as security against potential default by reinsurance counterparties.

The fair value of the reinsurance receivables approximate to its carrying value largely due to the short-term maturities of these instruments.

13 TRADE RECEIVABLES / PREMIUM RECEIVABLES

Total trade receivable balances as at 31 December 2023 and 2022 are due within a period of 12 months, hence classified as current assets.

The fair value of trade receivables approximate to its carrying value largely due to the short-term maturities of these instruments.

13.1 Movement in trade receivables:

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 01 January	416,961	409,458	416,495	408,965
Revenue receivable from customers	2,236,829	2,147,496	2,234,490	2,145,611
Collection of cash from customers	(2,250,650)	(2,139,993)	(2,248,482)	(2,138,081)
Balance as at 31 December	403,140	416,961	402,503	416,495

14 OTHER ASSETS

As at 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Inventory	20,372	5,043
Interest and dividend receivable	3,429,818	2,877,857
Advance company tax recoverable	66,397	66,397
Tax recoverable	1,402,045	1,060,863
Deposits	64,249	257,325
Prepayments and advances	460,892	397,845
Receivables from sale of investments	-	22,445
Total other assets	5,443,773	4,687,775
Other assets		
Current	3,894,394	3,547,302
Non-current	1,549,379	1,140,473
Total other assets	5,443,773	4,687,775

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15 OTHER FUND ASSETS

As at 31 December	Group / Company			
	2023		2022	
	Carrying value LKR '000	Cost LKR '000	Carrying value LKR '000	Cost LKR '000
Government securities	402,104	393,214	396,089	386,269
Other assets	2,773	2,773	2,773	2,773
Cash and cash equivalents / (Bank overdraft)	(245)	(245)	3,131	3,131
Total other fund assets	404,632	395,742	401,993	392,173
Other fund assets				
Current	38,568	29,678	31,324	21,504
Non-current	366,064	366,064	370,669	370,669
	404,632	395,742	401,993	392,173

The maximum exposure to credit risk at the reporting date is the carrying value of the other fund assets. As at the date of the Statement of Financial Position, none of these other fund assets are either past due or impaired.

16 CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Short-term investments	545,872	1,034,563	541,345	1,031,554
Cash at bank and in hand	202,668	180,831	202,632	180,795
Cash and cash equivalents (excluding bank overdraft)	748,540	1,215,394	743,977	1,212,349

Cash and cash equivalents include the following for the purpose of the Statement of Cash Flows;

	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	748,540	1,215,394	743,977	1,212,349
Bank overdraft	(131,522)	(828,670)	(131,522)	(828,670)
	617,018	386,724	612,455	383,679

17 INSURANCE LIABILITIES AND RELATED REINSURANCE ASSETS

As at 31 December	Note	Group / Company					
		2023			2022		
		Gross LKR '000	Reinsurance LKR '000	Net LKR '000	Gross LKR '000	Reinsurance LKR '000	Net LKR '000
Long term policy liability	17.1	64,975,947	-	64,975,947	40,503,233	-	40,503,233
Life claims provision	17.2	701,634	207,920	493,714	633,712	137,581	496,131
Total insurance contract liabilities		65,677,581	207,920	65,469,661	41,136,945	137,581	40,999,364

17.1 Life insurance fund - Income Statement movement

The movement in the life insurance fund is as follows;

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	40,503,233	45,375,847
Balances that are transferred through Income Statement		
Net income from life fund before surplus and charges	10,057,219	8,002,453
Charges deducted from policyholders fund	1,407,429	1,316,831
Deficit / (Surplus) from life insurance fund	(990,860)	963,104
Change in contractual liability	10,473,788	10,282,388
Balances that are transferred through Statement of Other Comprehensive Income		
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	15,406,355	(13,838,171)
Other movements in policyholder liability		
Fees and charges deducted from the policyholder life fund	(1,407,429)	(1,316,831)
Balance as at 31 December	64,975,947	40,503,233

17.2 Life claims provision

	Group / Company					
	2023			2022		
	Gross LKR '000	Reinsurance LKR '000	Net LKR '000	Gross LKR '000	Reinsurance LKR '000	Net LKR '000
Balance as at 01 January	633,712	137,581	496,131	643,897	160,130	483,767
Provisions released for claims paid to clients	(6,887,440)	364,001	(7,251,441)	(7,048,853)	437,822	(7,486,675)
Provisions for claims registered during the period	6,955,362	(293,662)	7,249,024	7,038,668	(460,371)	7,499,039
Balance as at 31 December	701,634	207,920	493,714	633,712	137,581	496,131

Notes to the Financial Statements and Material Accounting Policy Information

18 RETIREMENT BENEFIT OBLIGATIONS

The Group has a retirement benefit scheme for the gratuity liability of its employees which is wholly unfunded. There is no change in the scheme for the retirement gratuity obligations during the financial year.

The retiring gratuity is a statutory requirement in Sri Lanka under the Payment of Gratuity Act No. 12 of 1983.

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	255,614	333,207
Current service cost	32,045	20,001
Interest cost	48,488	31,321
Amounts recognised in the Income Statement	80,533	51,322
Re-measurements:		
Gains / (losses) from change in financial assumptions	79,632	(130,796)
Actuarial gain / (loss) due to changes in experience	(736)	35,687
Amounts recognised in the Statement of Other Comprehensive Income	78,896	(95,109)
Benefits paid	(20,665)	(33,806)
Balance as at 31 December	394,378	255,614

The principal actuarial assumptions used in determining the retirement benefit obligation are as follows;

	2023 % per annum	2022 % per annum
Future salary increase	11.00	11.00
Discount rate	13.00	19.00
Member withdrawal rate	8.00	8.00
Retirement age	57-60 Years	57-60 Years

Sensitivity analysis of key actuarial assumptions used;

	Group / Company					
	Future salary increase		Discount rate		Member withdrawal rate	
	1% increase LKR '000	1% decrease LKR '000	1% increase LKR '000	1% decrease LKR '000	1% increase LKR '000	1% decrease LKR '000
The effect on;						
- Retirement benefit obligations 2023	17,811	(16,276)	(16,674)	18,538	1,662	(1,819)
- Retirement benefit obligations 2022	8,567	(7,964)	(7,883)	8,579	4,221	(4,576)

Amounts for the current and previous five periods are as follows;

	2023	2022	2021	2020	2019	2018
Defined benefit obligation (LKR '000)	394,378	255,614	333,207	338,709	263,294	217,293

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Cost (PUC) method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Statement of Financial Position. There was no change in the methods used in preparing the sensitivity analysis from prior years.

The below table provides the expected maturity analysis of defined benefit obligations.

Defined benefit obligation (LKR '000)	Less than 1 year	1-5 years	Above 5 years	Total
As at 31 December 2023	142,723	18,882	232,773	394,378
As at 31 December 2022	107,037	13,971	134,606	255,614

19 LEASES

19.1 Group leasing activities

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of six months to 10 years including extension and termination options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the Lessor. Leased assets were not used as security for borrowing purposes.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor and not expected to have material impact to the Financial Statements.

19.2 Amounts recognised in the Statement of Financial Position

19.2 (a) Right-of-use assets - Leases

	Group / Company			
	2023			2022
	Buildings	Motor Vehicles	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Cost	1,486,296	-	1,486,296	1,451,891
(Less) Accumulated amortisation	(739,728)	-	(739,728)	(554,442)
Net book value as at 01 January	746,568	-	746,568	897,449
Additions	113,098	7,548	120,646	57,107
Terminations & lease expiry	(82,398)	-	(82,398)	(22,702)
Amortisation charge	(135,387)	(275)	(135,662)	(185,287)
Net book value as at 31 December	641,881	7,273	649,154	746,567
Cost	1,516,996	7,548	1,524,544	1,486,295
(Less) Accumulated amortisation	(875,115)	(275)	(875,390)	(739,728)
Net book value as at 31 December	641,881	7,273	649,154	746,567

Notes to the Financial Statements and Material Accounting Policy Information

19.2 (b) Lease liabilities

	Note	Group / Company	
		2023 LKR '000	2022 LKR '000
Balance as at 01 January		819,169	931,836
Additions		120,646	57,107
Interest for the period		89,840	93,391
Rentals paid	19.2 (c)	(344,467)	(263,165)
Balance as at 31 December		685,188	819,169
Lease liabilities			
Current		211,557	196,260
Non-current		473,631	622,909
		685,188	819,169

19.2 (c) Lease payments

	Note	Group / Company	
		2023 LKR '000	2022 LKR '000
Interest paid - leases		89,840	93,391
Short-term lease rentals paid		1,950	7,211
Principal payment of lease liabilities		252,677	162,563
		344,467	263,165

19.3 Amounts recognised in the Statement of Profit or Loss

Amortisation charge of right-of-use assets	Note	Group / Company	
		2023 LKR '000	2022 LKR '000
Buildings		(135,387)	(185,287)
Vehicles		(275)	-
Amortisation charge of right-of-use assets	36	(135,662)	(185,287)
Interest expense (included in finance cost)		(89,840)	(93,391)
Expense relating to short-term leases included within administrative expenses		(1,950)	(7,090)
		(227,452)	(285,768)

19.4 Amounts recognised in the Consolidated Statement of Cash Flows

	Note	Group / Company	
		2023 LKR '000	2022 LKR '000
Principal payment of lease liabilities		(252,677)	(162,563)
Short-term lease rentals paid		(1,950)	(7,211)
Interest paid - leases		(89,840)	(93,391)
Total cash out flow for leases		(344,467)	(263,165)

20 OTHER FUND LIABILITIES

A brief description and the movement of the 'Agent Superannuation' fund is given below.

This fund is created for the benefit of the Agency force. The Fund accumulates contributions from both the Company and agents, based on a qualifying performance criteria which is a fixed percentage linked to their commissions. The Fund invests in government securities and fixed deposits in licensed commercial banks. Note 15 gives the breakdown of assets of the below fund liability amount.

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	401,993	432,160
Capital deposits	90,426	94,693
Capital withdrawals	(137,529)	(175,047)
Income / gains and losses	49,742	50,187
Balance as at 31 December	404,632	401,993

21 ACCRUALS AND OTHER PAYABLES

As at 31 December	Note	Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Policyholder advance payments		372,187	434,664	372,187	434,664
Agency commission payable		298,101	141,460	298,101	141,460
Franchise fee payable		23,980	16,589	23,980	16,589
Government taxes and levies		197,990	296,808	197,990	296,808
Accrued expenses	21.1	3,175,231	2,464,009	3,174,024	2,463,125
Other creditors		369,966	293,852	369,966	293,852
		4,437,455	3,647,382	4,436,248	3,646,498
Accruals and other payables					
Current		4,140,293	3,432,931	4,139,086	3,432,047
Non-current		297,162	214,451	297,162	214,451
		4,437,455	3,647,382	4,436,248	3,646,498

21.1 Movement in accrued expenses

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 01 January	2,464,009	3,015,567	2,463,125	3,015,269
Provisions during the year	3,946,438	3,277,704	3,945,468	3,276,718
Payments and reversals during the year	(3,235,216)	(3,829,262)	(3,234,569)	(3,828,862)
Balance as at 31 December	3,175,231	2,464,009	3,174,024	2,463,125
Accrued expenses				
Current	3,093,012	2,306,703	3,091,805	2,305,819
Non-current	82,219	157,306	82,219	157,306
	3,175,231	2,464,009	3,174,024	2,463,125

Notes to the Financial Statements and Material Accounting Policy Information

22 CURRENT INCOME TAX LIABILITIES

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance as at 01 January	114	197	-	-
Provision	1,128,986	350	1,128,417	-
Payments	(403)	(433)	-	-
Income tax payable set off against tax credits	(770,019)	-	(770,018)	-
Balance as at 31 December	358,678	114	358,399	-

23 DEFERRED REVENUE

Movement in deferred revenue

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	58,580	55,257
Reinsurance recovered in advance in waiver of premium claims	5,575	9,168
Reinsurance recovered set off against reinsurance assets	(5,183)	(5,845)
Balance as at 31 December	58,972	58,580

24 STATED CAPITAL

As at 31 December	2023		2022	
	No. of shares	LKR '000	No. of shares	LKR '000
Fully paid ordinary shares	36,227,985	3,201,922	36,227,985	3,201,922

The Company issued 5,478,615 ordinary voting shares to its ultimate parent company Messrs. AIA Company Limited on 29 April 2022 for a consideration of LKR 2,690,000,060.

The holder of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

25 CAPITAL RESERVES

Revaluation reserve

Revaluation reserve consists of net surplus on the revaluation of property, plant and equipment.

	Group / Company	
	2023 LKR '000	2022 LKR '000
Balance as at 01 January	232,916	228,416
Revaluation surplus arising during the year	45,000	4,500
Balance as at 31 December	277,916	232,916

26 RESTRICTED REGULATORY RESERVE

The RBC one-off Surplus is the difference between policy liabilities computed using the minimum regulatory basis under the previous NPV based solvency regime and the 'distribution basis adopted' as at 31 December 2017, and this was transferred to the 'Restricted Regulatory Reserve' as stipulated by the IRCSL. Direction #16 recommended this to be maintained unchanged until further notice from the IRCSL or until distributed to shareholders upon explicit approval of the IRCSL.

	Group / Company	
	2023	2022
	LKR '000	LKR '000
Balance as at 01 January	6,080,848	6,080,848
Balance as at 31 December	6,080,848	6,080,848

27 REVENUE RESERVES

As at 31 December	Note	Group		Company	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Available for sale reserve	27.1	15,480	(3,843,366)	15,480	(3,843,366)
Retained earnings	27.2	15,106,684	12,718,535	15,103,970	12,717,022
Total retained earnings		15,122,164	8,875,169	15,119,450	8,873,656

27.1 Available for sale (AFS) reserve

The available for sale reserve comprises of the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

	Note	Group / Company	
		2023	2022
		LKR '000	LKR '000
Balance as at 01 January		(3,843,366)	38,258
Changes in fair value of available for financial assets	9.4	20,918,992	(19,379,034)
Deferred tax asset on ASF reserve		(1,653,791)	1,659,239
Changes in fair value of available for sale financial assets		19,265,201	(17,719,795)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund		(15,406,355)	13,838,171
Balance as at 31 December		15,480	(3,843,366)

Notes to the Financial Statements and Material Accounting Policy Information

27.2 Retained earnings

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
AIA Insurance Lanka Limited	15,103,970	12,717,023	15,103,970	12,717,022
Rainbow Trust Management Limited	2,714	1,512	-	-
Total retained earnings	15,106,684	12,718,535	15,103,970	12,717,022

28 NET WRITTEN PREMIUM

(a) Gross written premium

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Conventional	18,234,730	16,950,226
Unit-linked	564,374	618,099
Total gross written premium	18,799,104	17,568,325

(b) Gross reinsurance premium

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Conventional	(328,082)	(581,163)
Unit-linked	(36,369)	(58,176)
Total gross reinsurance premium	(364,451)	(639,339)
Net written premium	18,434,653	16,928,986

29 INVESTMENT INCOME

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Dividend income		
Financial assets at fair value through profit or loss	41,424	71,531
Available for sale financial assets	605	713
Total dividend income	42,029	72,244
Interest income		
Available for sale financial assets	7,610,954	5,509,022
Loans and receivables	3,995,804	2,928,203
Total interest income	11,606,758	8,437,225
Total investment income	11,648,787	8,509,469

30 FEE INCOME

For the financial year ended 31 December	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Policy administration charges and other contract fees	1,413,678	1,317,964	1,413,678	1,317,964
Trust management fees	2,338	1,887	-	-
Total fee income	1,416,016	1,319,851	1,413,678	1,317,964

31 NET REALISED LOSSES

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Property, plant and equipment		
Net realised gains	22,284	1,223
Financial assets		
Available for sale financial assets		
Debt securities	(47,311)	1,957
Fair value through profit or loss		
Equity instruments	(105,383)	(114,147)
Total net realised losses from financial assets	(152,694)	(112,190)
Total realised losses	(130,410)	(110,967)

32 NET FAIR VALUE GAINS / (LOSSES)

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Fair value gains / (losses) on financial assets at fair value through profit or loss	383,333	(468,256)
Total net fair value gains / (losses)	383,333	(468,256)

33 OTHER OPERATING REVENUE / (LOSSES)

For the financial year ended 31 December	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Interest income on policy loans	54,133	68,982	54,133	68,982
Interest income on other loans	12,081	10,708	12,081	10,708
Interest income on cash and cash equivalents	10,745	10,679	10,338	10,179
Foreign exchange gain / (loss)	92,316	(531,710)	92,316	(531,710)
Other miscellaneous income	1,424	1,963	1,424	1,963
Total other operating revenue / (losses)	170,699	(439,378)	170,292	(439,878)

Notes to the Financial Statements and Material Accounting Policy Information

34 NET CLAIMS AND BENEFITS

For the financial year ended 31 December	Group / Company	
	2023	2022
	LKR '000	LKR '000
Death & disability	(1,432,199)	(1,062,269)
Surrenders & partial withdrawals	(2,775,852)	(2,616,216)
Maturities	(2,442,946)	(2,532,708)
Others	(514,300)	(647,564)
Gross claims and benefits	(7,165,297)	(6,858,757)
Claims ceded to reinsurers	356,328	411,950
Net claims and benefits	(6,808,969)	(6,446,807)

35 NET ACQUISITION EXPENSES

For the financial year ended 31 December	Group / Company	
	2023	2022
	LKR '000	LKR '000
Commission and franchise fees	(2,139,008)	(2,047,916)
Reinsurance commission	35,986	18,110
Net acquisition expenses	(2,103,022)	(2,029,806)

36 OPERATING AND ADMINISTRATIVE EXPENSES

For the financial year ended 31 December	Note	Group		Company	
		2023	2022	2023	2022
		LKR '000	LKR '000	LKR '000	LKR '000
Employee benefit expenses	36.1	(2,401,179)	(1,784,895)	(2,401,179)	(1,784,895)
Administrative and establishment expenses		(3,457,316)	(1,410,391)	(3,456,496)	(1,409,533)
Selling expenses		(2,258,179)	(1,861,376)	(2,258,024)	(1,861,243)
Amortisation of intangible assets	6	(234,011)	(211,731)	(234,011)	(211,731)
Amortisation of ROU	19.3	(135,662)	(185,287)	(135,662)	(185,287)
Depreciation	7	(130,859)	(143,693)	(130,859)	(143,693)
Other expenses	36.3	(234,222)	(192,614)	(234,222)	(192,614)
Total operating and administrative expenses		(8,851,428)	(5,789,987)	(8,850,453)	(5,788,996)

36.1 Employee benefit expenses

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Salaries and bonus	(1,283,692)	(1,153,406)
Contribution to defined contribution plans	(193,174)	(178,850)
Contribution to defined benefit plans	(80,533)	(51,322)
Staff welfare	(148,630)	(103,767)
Staff training	(76,331)	(25,669)
Other staff costs	(618,819)	(271,881)
Total employee benefit expenses	(2,401,179)	(1,784,895)

36.2 Share based payments

During the year, the AIA Group made grants of Restricted Share Units (RSUs) and Restricted Share Purchase Units to certain employees, directors and officers of the Group under the RSU Scheme and the ESPP.

RSU scheme

Under the RSU scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares.

Employee Share Purchase Plan (ESPP)

Under the plan, eligible employees of the Group can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted share purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than five per cent of the annual basic salary.

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme and ESPP for the year ended 31 December 2023 is LKR 51mn (2022: LKR - 394mn). The Company / Group reported a net reversal of LKR 394mn due to arrangement the Company had with AIA Company Limited to absorbed specific centrally managed expenses in the context of economic crisis prevailed in the financial year 2022.

Notes to the Financial Statements and Material Accounting Policy Information

36.3 Other expenses

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Increase in provision for bad and doubtful debts	(257)	(1,147)
Other technical expenses	(89,671)	(73,775)
Investment expenses	(144,160)	(117,583)
Other non-technical expenses	(134)	(109)
Total other expenses	(234,222)	(192,614)

37 PROFIT BEFORE TAX

Profit before tax for the year is stated after charging all expenses including the following:

For the financial year ended 31 December	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Auditors' remuneration				
-Audit	7,632	5,523	7,390	5,329
-Non-audit	2,855	11,042	2,802	10,997
Directors'/ Chief Executive Officer's emoluments	200,995	346,514	200,995	346,514
Directors' fees	9,600	9,600	9,600	9,600
Legal fees	7,478	1,675	7,478	1,675
Donations	6,894	2,668	6,894	2,668
Provision for bad and doubtful debts	257	1,147	257	1,147

38 INCOME TAX EXPENSES

For the financial year ended 31 December	Note	Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Current income tax					
Current income tax expense		(1,107,246)	(336)	(1,106,715)	-
Under provision recognised for prior period		(38)	-	-	-
		(1,107,284)	(336)	(1,106,715)	-
Deferred income tax					
Deferred tax expense	11.1	(22,679)	(287,441)	(22,679)	(287,441)
Over Provision reversal for prior period		977	-	977	-
Total income tax expense		(1,128,986)	(287,777)	(1,128,417)	(287,441)

The applicable tax rate is 30 per cent for 2023 and the applicable tax rates are 30 per cent and 24 per cent for 2022 as the corporate tax rate revised from 24 per cent to 30 per cent in terms of the Inland Revenue Amendment Act No. 45 of 2022.

38.1 Reconciliation of tax charge

For the financial year ended 31 December	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Profit before tax	3,596,031	1,093,326	3,594,261	1,095,930
Applicable tax rate	30%	24%/30%	30%	24%/30%
Tax at applicable rate	1,078,809	262,399	1,078,279	263,023
Add / (less) tax effect of the following items:				
Tax free investment income	46,182	3,407	46,182	3,407
Other non-deductible expenses	4,933	17,452	4,933	17,452
Tax on inter company dividend	-	960	-	-
Adjustments of prior periods	(938)	3,559	(977)	3,559
Tax charge for the year	1,128,986	287,777	1,128,417	287,441

39 PROFIT AFTER TAX

The profit after tax of the Company includes the surplus transferred from its life insurance business. The surplus from the policyholders' fund for the financial year 2023 stood at LKR 991 million (2022 - LKR 963 million deficit).

40 BASIC / DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For the financial year ended 31 December		Group		Company	
		2023	2022	2023	2022
Profit attributable to the Company's equity holders	(LKR '000)	2,467,045	805,549	2,465,844	808,489
Weighted average number of ordinary shares in issue	('000)	36,228	34,442	36,228	34,442
Basic earnings per share	(LKR)	68.10	23.39	68.06	23.47

41 DIVIDEND PER SHARE

No dividends were paid in 2023 and dividends paid in 2022 were LKR 1,076 million (LKR 35 per share).

42 RELATED PARTY DISCLOSURES

42.1 Transactions with related entities

Details of significant related party disclosures are as follows:

[illegible]

42.2 Transactions with Key Management Personnel of the Company or Parent and their close family members

The Key Management Personnel of the Company are considered to be the Chief Executive Officer (CEO), Board of Directors and those of its Parent and Ultimate Parent.

a) Key Management Personnel compensation

Directors' / CEO's compensation

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Directors' / CEO's remuneration	99,075	100,144
Short-term employee benefits	62,898	165,480
Share based payments	35,200	78,737
Premiums paid for Directors and Officers Liability policy *	3,822	2,153
Directors' fees	9,600	9,600
	210,595	356,114

* The insurance policy covers past and present Directors and Officers of the Company and its subsidiary.

b) Other transactions

Business transactions of Key Management Personnel

For the financial year ended 31 December	Group / Company	
	2023 LKR '000	2022 LKR '000
Premium paid on insurance policies taken by Directors in their individual capacity	1,421	1,362
	1,421	1,362

Notes to the Financial Statements and Material Accounting Policy Information

42.3 Transactions with other related parties

Transactions by Key Management Personnel with other companies. (Directors of the Company who were also Directors / Key Management Personnel of the following entities which have had transactions with the Company).

Company	Name of the Director	Position	Relationship	Details of financial dealings
AIA Company Limited	Tan Hak Leh	Director	AIA Company Limited is the parent of AIA Insurance Lanka Limited	This company has Intra-Group master services agreement & SOW relating to Group Distribution organised events with AIA Insurance Lanka Limited
AIA Group Limited	Tan Hak Leh	Regional Chief Executive	AIA Group Limited is the parent of AIA Company Limited	This company has Intra-Group master services agreement & SOW relating to long term incentive awards of employees of AIA Insurance Lanka Limited
Singer Sri Lanka PLC	Deepal Sooriyaarchchi	Director	No relationship with AIA Insurance Lanka Limited	AIA Insurance Lanka Limited has transactions in the ordinary course of business with Singer Sri Lanka PLC
NDB Wealth Management Ltd	Sarath Wikramanayake	Director	No relationship with AIA Insurance Lanka Limited	AIA Insurance Lanka Limited has transactions in the ordinary course of business with NDB Wealth Management Ltd
NDB Investment Bank Ltd	Sarath Wikramanayake	Director	No relationship with AIA Insurance Lanka Limited	AIA Insurance Lanka Limited has transactions in the ordinary course of business with NDB Investment Bank Ltd
NDB Capital Holdings Limited	Sarath Wikramanayake	Director	No relationship with AIA Insurance Lanka Limited	AIA Insurance Lanka Limited has transactions in the ordinary course of business with NDB Capital Holdings Limited
Union Bank PLC	Sarath Wikramanayake	Director	No relationship with AIA Insurance Lanka Limited	AIA Insurance Lanka Limited has transactions in the ordinary course of business with Union Bank PLC
Sri Lanka Institute of Directors	Chathuri Munaweera	Director	No relationship with AIA Insurance Lanka Limited	AIA Insurance Lanka Limited has transactions in the ordinary course of business with Sri Lanka Institute of Directors

43 CONTINGENT LIABILITIES

43.1 Outstanding tax assessments

The Company has received assessments relating to income taxes under I-E basis for the assessment periods from 2010/11 to 2018/19. The Inland Revenue Department (IRD) has disallowed management expenses relating to the life insurance business, in raising assessments in relation to tax return filed on I-E basis. Further, assessments have been raised for the years of assessment 2018/19 and 2019/20 by disputing tax returns filed on surplus basis. The Company disagreed with these assessments and appeals have been filed, following due process. Based on the stage of the respective appeals against the assessments in accordance with relevant administrative procedures, the appeals have been made before the Court of Appeal, the Tax Appeals Commission and the Inland Revenue Department. Total exposure of the assessment is LKR 12,039 million including penalties.

Based on the information available and expert advice received, the Group is of the strong view that it is probable that the Tax Authority, as defined in IFRIC 23, will accept the tax treatment adopted by the Group in the Financial Statements and its tax returns. Therefore, no further accounting provisions or adjustments are required, in accordance with IFRIC 23.

However, in an event that the appeals against the assessments are not favourably concluded by the Authorities, the income tax losses that have been indicated in the income tax returns will cease to exist. In such an event, the deferred tax asset on tax losses that had already been recognised (LKR 2,361 million), will required to be reversed and charged to the Income Statement together with any additional tax liabilities.

The IRD has also issued assessments in relation to VAT on Financial Services (FS) and NBT on FS for years ending 2014, 2016 and 2019. The IRD is taking the position that AIA Insurance Lanka Limited is to be considered under the criteria of 'any person who carries on the business of supplying financial services in Sri Lanka' and is hence liable to pay VAT and NBT on FS. The Company disagreed with these assessments and appeals have been filed, following due process. Total exposure of such assessment is LKR 519 million. Based on the information available and expert advice received, the Group is of strong view and opinion that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the Financial Statements of the Company. Hence no provision has been made in the Financial Statements.

43.2 Bank guarantees

The Company has provided bank guarantees to third parties amounting to LKR 1,031 million as at 31 December 2023. None of these guarantees were in relation to any facilities obtained by the Group. The expiration date of these guarantees are based on those legal and contractual requirements of each instance where the Group was required to provide such guarantees. The Directors do not expect any claim on these guarantees. Accordingly, no provisions have been made in the Financial Statements.

43.3 Pending litigation

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

44 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors recommended the distribution of an interim dividend of LKR 28 per share on 22 February 2024, as authorised by the Articles of Association of the Company, to be paid out of the profits for the year.

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the auditors, prior to recommending the interim dividend of LKR 28 per share. Further, the Company has also complied with the requirements specified in the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and such other requirements set out by the Insurance Regulatory Commission of Sri Lanka prior to declaring such dividends.

In accordance with LKAS 10, 'Events After the Reporting Period', the interim dividend that has been recommended by the Board of Directors has not been recognised as a liability in these Financial Statements as at 31 December 2023.

No other events have occurred since the date of the Statement of Financial Position that necessitates adjustments to / or disclosure in the Financial Statements.

FIVE YEAR SUMMARY

As at 31 December	2023 LKR '000	2022 LKR '000	2021 LKR '000	2020 LKR '000	2019 LKR '000
Statement of Financial Position					
Group					
Assets					
Investments	75,029,665	49,581,522	58,283,182	57,972,437	47,660,024
Investments - Unit-linked	4,846,350	4,625,793	5,338,806	5,121,630	4,910,382
Property, plant and equipment	735,265	584,490	604,169	709,407	785,061
Other assets	16,226,610	10,848,490	8,042,632	8,589,039	8,620,576
Total assets	96,837,890	65,640,295	72,268,789	72,392,513	61,976,043
Equity and liabilities					
Equity					
Stated capital	3,201,922	3,201,922	511,922	511,922	511,922
Capital reserves	277,916	232,916	228,416	216,236	192,916
Restricted regulatory reserve	6,080,848	6,080,848	6,080,848	6,080,848	6,080,848
Available for sale reserve	15,479	(3,843,367)	38,257	1,766,854	721,046
Retained earnings	15,106,685	12,718,536	12,894,106	12,006,976	13,136,784
Total equity	24,682,850	18,390,855	19,753,549	20,582,836	20,643,516
Liabilities					
Insurance provision - Conventional	60,379,364	36,433,870	40,649,872	40,437,972	31,355,861
Insurance provision - Unit-linked	5,298,217	4,703,075	5,369,872	5,149,442	5,024,350
Other liabilities	6,477,459	6,112,495	6,495,496	6,222,263	4,952,316
Total liabilities	72,155,040	47,249,440	52,515,240	51,809,677	41,332,527
Total equity and liabilities	96,837,890	65,640,295	72,268,789	72,392,513	61,976,043
Long term - supplemental					
Assets					
Investments	60,184,282	36,163,680	41,429,475	40,089,171	31,060,176
Investments - Unit-linked	4,846,350	4,625,793	5,338,806	5,121,630	4,910,382
Other assets	4,933,521	4,642,527	3,708,496	4,258,318	3,549,950
Total assets	69,964,153	45,432,000	50,476,777	49,469,119	39,520,508
Liabilities					
Insurance provision - Long term	60,379,364	36,433,870	40,649,872	40,437,971	31,355,861
Insurance provision - Unit-linked	5,298,217	4,703,075	5,369,872	5,149,442	5,024,350
Other liabilities	4,286,572	4,295,055	4,457,033	3,881,706	3,140,297
Total liabilities	69,964,153	45,432,000	50,476,777	49,469,119	39,520,508

For the financial year ended 31 December	2023 LKR '000	2022 LKR '000	2021 LKR '000	2020 LKR '000	2019 LKR '000
Income Statement					
Total business (Group)					
Gross written premium	18,799,104	17,568,325	16,517,328	14,049,559	13,848,283
Gross reinsurance premium	(364,451)	(639,339)	(466,810)	(408,860)	(369,954)
Net written premium	18,434,653	16,928,986	16,050,518	13,640,699	13,478,329
Other revenue	13,488,425	8,806,719	7,423,528	6,407,862	6,253,234
Total revenue	31,923,078	25,735,705	23,474,046	20,048,561	19,731,563
Net claims and benefits	(6,808,969)	(6,446,807)	(4,771,809)	(4,453,740)	(4,784,528)
Change in contractual liability	(10,473,788)	(10,282,388)	(7,393,495)	(6,748,859)	(3,224,888)
Net acquisition expenses	(2,103,022)	(2,029,806)	(2,088,963)	(1,688,611)	(1,880,043)
Finance costs	(89,840)	(93,391)	(105,393)	(114,532)	(128,452)
Operating and administrative expenses	(8,851,428)	(5,789,987)	(6,545,621)	(6,317,003)	(6,544,931)
Profit before tax	3,596,031	1,093,326	2,568,765	725,816	3,168,721
Income tax expense	(1,128,986)	(287,777)	(796,754)	(276,195)	(1,187,511)
Profit for the period from continuing operations	2,467,045	805,549	1,772,011	449,621	1,981,210
Profit for the period	2,467,045	805,549	1,772,011	449,621	1,981,210
Surplus / (Deficit) transfer to / (from) shareholders' fund	990,860	(963,104)	1,129,751	(660,093)	1,916,518

Investor Information

Financial year		2023	2022	2021	2020	2019
Return on net assets	%	11.45	4.22	8.79	2.18	10.07
Net assets per share	LKR	681.32	507.64	642.40	669.27	671.35
Basic earnings per share	LKR	68.10	22.24	57.63	14.62	64.43
Dividend per share	LKR	-	35.00	30.00	50.00	25.00
Dividend payout ratio	%	-	157.41	52.06	341.95	38.80

Employee Information

Revenue per employee	LKR mn	37.65	35.94	34.32	28.12	24.91
Net profit per employee	LKR '000	2,909	1,125	2,591	630	2,502
Number of permanent employees	nos.	848	716	684	713	792

DISTRIBUTION NETWORK

HEAD OFFICE

AIA Insurance Lanka Limited,
AIA Tower,
92, Dharmapala Mawatha,
Colombo 07

Tel : 011 231 0000
Fax : 011 244 7620
E-mail : lk.info@aia.com
Web : www.aialife.com.lk
Hotline : 011 231 0310
Hotline Fax : 011 471 5892

BRANCH OFFICE NETWORK

Ambalanthota

143, Main Street, Ambalanthota
Tel : 047 222 3359 / 222 3165

Ambalanthota Region 1

143, Main Street, Ambalanthota
Tel : 047 222 3316 / 222 5630

Anuradhapura

523/7, Maithripala Senanayake
Mawatha, Anuradhapura
Tel : 025 222 3102 / 25 771 0207

Avissawella

37, Kudagama Road, Avissawella
Tel : 036 771 0200/201

Badulla

Sooriya Tower, Mahiyangana Road,
Badulla
Tel : 055 771 0200

Badulla Region 1

Sooriya Tower, Mahiyangana Road,
Badulla
Tel : 055 771 0250

Bandarawela

444/2, Badulla Road, Bandarawela
Tel : 057 771 0200

Battaramulla Region 1

1006/4A, Pannipitiya Road,
Battaramulla
Tel : 011 288 9811 / 288 9810 /
771 0412

Batticaloa

42/1, Trincomalee Road, Batticaloa
Tel : 065 771 0200

Batticaloa Metro

42/1, Trincomalee Road, Batticaloa
Tel : 065 771 0230

Chilaw

58, Second Floor, Colombo Road,
Chilaw
Tel : 032 771 0200

Colombo Main 1

815 Sri Jayawardanapura, Ethul
Kotte, Kotte
Tel : 077 759 3079

Colombo Main 2

815 Sri Jayawardanapura, Ethul
Kotte, Kotte
Tel : 071 485 5807

Colombo Metro

AIA Tower,
92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0252

Colombo City

815 Sri Jayawardanapura,
Ethul Kotte, Kotte
Tel : 074 356 3368

Colombo Region 1

AIA Tower,
92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0411

Colombo Region 2

AIA Tower,
92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0289 / 231 0748

Colombo Region 4

AIA Tower,
92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0290

Colombo Region 5

AIA Tower,
92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0237 / 231 0250

Colombo Region 6

AIA Tower,
92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0250

Colombo Region 7

815 Sri Jayawardanapura, Ethul
Kotte, Kotte
Tel : 077 303 2253

Colombo Region 8

815 Sri Jayawardanapura, Ethul
Kotte, Kotte
Tel : 071 276 4519

Colombo Region 9

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0610 / 231 0875

Colombo Region 10

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0578

Colombo Region 11

815 Sri Jayawardanapura, Ethul
Kotte, Kotte
Tel : 071 427 8832

Colombo Region 12

815 Sri Jayawardanapura, Ethul
Kotte, Kotte
Tel : 077 272 1610

Dambulla

723/1, Anuradhapura Road, Dambulla
Tel : 066 771 0200

Dambulla Region 1

723/1, Anuradhapura Road, Dambulla
Tel : 066 771 0225

Embilipitiya

21, Ground Floor, Lanka Building
Nonagama Road, Embilipitiya
Tel : 047 223 0416 / 226 1919

Embilipitiya Region 1

21, Ground Floor, Lanka Building
Nonagama Road, Embilipitiya
Tel : 047 223 0417

Galle

31, Colombo Road, Kaluwella, Galle
Tel : 091 771 0200

Gampaha

7, Mangala Road, Gampaha
Tel : 033 771 0201 / 771 0202 /
771 0200

Gampaha Region 1

7, Mangala Road, Gampaha
Tel : 033 771 0250

Gampaha Region 2

7, Mangala Road, Gampaha
Tel : 033 771 0250

Gampola

8/38/b/1/1, Nawalapitiya Road,
Gampola
Tel : 081 771 0200

Horana Region 1

240, Ratnapura Road, Horana
Tel : 034 226 2359

Horana Region 2

240, Ratnapura Road, Horana
Tel : 034 226 2359

Horana Metro

240, Ratnapura Road, Horana
Tel : 034 226 2886

Ja-Ela

112/C, Negombo Road, Ja-Ela
Tel : 011 771 0450 / 771 0451 /
771 0452

Jaffna

233, Stanely Road, Jaffna
Tel : 021 771 0200

Jaffna Metro

233, Stanely Road, Jaffna
Tel : 021 771 0250

Kalawanchikudi

Batticaloa Road, Kalawanchikudi
Tel : 065 771 0260

Kalutara

195/2, Main Street, Kalutara South
Tel : 034 771 0230

Kalutara Region 1

195/2, Main Street, Kalutara South
Tel : 034 771 0262

Kalutara Region 3

195/2, Main Street, Kalutara South
Tel : 034 771 0282

Kandana

34/1/1, Negombo Road, Nagoda
Junction, Welisara
Tel : 011 771 0481

Kandy

63, Second Floor, King's Street, Kandy
Tel : 081 771 0225

Kandy Region 1

63, Second Floor, King's Street, Kandy
Tel : 081 771 0281

Kandy City

63, Second Floor, King's Street, Kandy
Tel : 081 771 0250

Karapitiya

J S Building, 244/C 2/2, Wanduramba
Road, Karapitiya
Tel : 091 771 0255

Karapitiya Region 1

J S Building, 244/C 2/1, Wanduramba
Road, Karapitiya
Tel : 091 771 0275

Kegalle Region 1

447/8, Main Street, Kegalle
Tel : 035 771 0225 / 771 0226

Kegalle Region 2

447/8, Main Street, Kegalle
Tel : 035 771 0255 / 771 0250

Kegalle Region 3

447/8, Main Street, Kegalle
Tel : 035 771 0255 / 771 0250

Kilinochchi

47/2, Kandy Road, Kilinochchi
Tel : 021 771 0300

Kiribathgoda Metro

412/2, Gaala Junction, Kandy Road,
Kiribathgoda
Tel : 011 290 1664

Kiribathgoda Region 1

412/2, Gaala Junction, Kandy Road,
Kiribathgoda
Tel : 011 290 1660

Kiribathgoda Region 2

412/2, Gaala Junction, Kandy Road,
Kiribathgoda
Tel : 011 771 0525

Kuliyapitiya

215, Hettipola Road, Kuliyapitiya
Tel : 037 228 1867 / 771 0201

Kuliyapitiya Region 1

215, Hettipola Road, Kuliyapitiya
Tel : 037 228 1830 / 771 0232

Kurunegala

110/1, Noel Seneviratne Mawatha,
Colombo Road, Kurunegala
Tel : 037 222 3540 / 771 0252

Kurunegala Region 1

110/1, Noel Seneviratne Mawatha,
Colombo Road, Kurunegala
Tel : 077 987 7570

Kurunegala Region 2

110/1, Noel Seneviratne Mawatha,
Colombo Road, Kurunegala
Tel : 037 222 1217 / 771 0300

Kurunegala Region 3

17, Rajapihilla Road, Kurunegala
Tel : 037 222 2668

Kurunegala Region 4

17, Rajapihilla Road, Kurunegala
Tel : 037 222 2668

Maharagama

132/1/1, Awissawella Road,
Maharagama
Tel : 011 771 0555 / 771 0556/
771 0557

Maharagama Region 1

132/1/1, Awissawella Road,
Maharagama
Tel : 011 771 0562 / 283 7611
283 7488

Mahiyanganaya City

13, Kandy Road, Mahiyangana
Tel : 055 771 0300

Mahiyanganaya Metro

13, Kandy Road, Mahiyangana
Tel : 055 771 0300

Matale

181, Nimali Building, Trincomalee
Street, Matale
Tel : 066 771 0275

Matara

24, E H Cooray Building, Third Floor,
Anagarika Dharmapala Mawatha,
Matara
Tel : 041 771 0200

Matara Region 1

24, E H Cooray Building, Third Floor,
Anagarika Dharmapala Mawatha,
Matara
Tel : 041 771 0250

Matara Region 2

24, E H Cooray Building, Third Floor,
Anagarika Dharmapala Mawatha,
Matara
Tel : 041 771 0275

Meerigama

33, Negombo Road, Mirigama
Tel : 033 771 0275

Meerigama Region 1

33, Negombo Road, Mirigama
Tel : 033 771 0275

Monaragala

39, Wellawaya Road, Moneragala
Tel : 055 227 6496 / 227 6211

Moratuwa Metro

553, Galle Road, Rawathawatte,
Moratuwa
Tel : 011 771 0571

Moratuwa Region 1

459/1/1, Galle Road, Rawathawatte,
Moratuwa
Tel : 011 771 0610 / 602

Moratuwa Region 3

553, Galle Road, Rawathawatte,
Moratuwa
Tel : 011 771 0582

Mannar

66A, Pallimunai Road, Uppukulam,
Mannar
Tel : 076 271 1494 / 076 484 6470

Negombo

349/17, Main Street, Negombo
Tel : 031 771 0211 / 771 0204

Negombo Region 1

349/17, Main Street, Negombo
Tel : 031 771 0234 / 771 0233

Nelliady

56, 58 & 60, Alavi Road (Maya
Vidyalaya Road), Karaveddy
Tel : 021 771 0350

Nugegoda

586, 586/1/1, High level Road,
Nugegoda
Tel : 011 771 0630

Nugegoda Metro (Mount Lavinia)

586, 586/1/1, High level Road,
Nugegoda
Tel : 011 771 0630

Nuwara Eliya

Fourth Floor, 86, Kandy Road,
Nuwara Eliya
Tel : 052 771 0200

Polonnaruwa

13 C, Crown Building, Hospital
Junction, Polonnaruwa
Tel : 027 771 0255

Polonnaruwa Region 1

13 C, Crown Building, Hospital
Junction, Polonnaruwa
Tel : 027 771 0201

Ragama City

61 A/1/1, Mahabage Road, Ragama
Tel : 011 771 0655

Ratnapura

23A, Bandaranayake Mawatha,
Ratnapura
Tel : 045 771 0200 / 202

Trincomalee

253, North Coast Road, Trincomalee
Tel : 026 771 0200

Vavuniya

66, Station Road,
Vairavapuliyankulam, Vavuniya
Tel : 024 771 0200

Wennappuwa

275/A/1, Airbuilding, Colombo Road,
Wennappuwa
Tel : 031 771 0280 / 771 0281

AREA DEVELOPMENT OFFICE NETWORK**Akuressa**

96, First Floor, Matara Road, Akuressa
Tel : 041 228 4898

Ampara 1

149, Nidahas Mawatha, Ampara
Tel : 063 222 3664 / 222 3663 /
222 2554

Ampara 2

149, Nidahas Mawatha, Ampara
Tel : 063 222 2630

Ampara 3

149, Nidahas Mawatha, Ampara
Tel : 063 771 0200

Baddegama

Hikkaduwa Road, Baddegama
Tel : 091 229 2499

Balangoda

26A, Weerasundararama Road,
Balangoda
Tel : 045 228 9516 / 9517

Beliatte

14, First Floor, Dikwella Road, Beliatte
Tel : 047 225 1126

Battaramulla

1006/4A, Pannipitiya Road,
Battaramulla
Tel : 011 288 9810/11 / 771 0400

Colombo 7

76/2 2/1 Dharmapala Mawatha,
Colombo 3
Tel : 011 231 0264 / 767

Dehiattakandiya

4, New Town, Dehiattakandiya
Tel : 027 225 0026 / 225 0448

Homagama

113/A/1, Avissawella Road,
Homagama.
Tel : 011 771 0446 / 285 7160

Homagama City

113/A/1, Avissawella Road,
Homagama.
Tel : 011 771 0439 / 275 5987 /
275 5972

Kandy

15/2/1, Fourth Floor, Cross Street,
Kandy
Tel : 077 604 6057

Matara

366/1/2, Galle Road, Pamburana,
Matara
Tel : 041 223 8540

Mathugama

60, Neboda Road, Mathugama
Tel : 034 224 9955

Mawanella

253, Second Floor, New Colombo
Kandy Road, Mawanella
Tel : 035 224 8760

Moratuwa

559, Galle Road, Rawathawatte,
Moratuwa
Tel : 011 771 4801

Panadura

575/C, Galle Road, Panadura
Tel : 038 224 8120

Panadura City

150, Old Galle Road, Walana,
Panadura
Tel : 038 211 7744

Piliyanadala

82, First Floor, Horana Road,
Kesbewa, Piliyandala
Tel : 011 270 3644

Thissamaharama

173/1, Iresha Building,
Kachcheriyagama, Thissamaharama
Tel : 047 223 9096

Wariyapola

90, Putthalam Road, Wariyapola
Tel : 037 771 0350 / 0351

**REGIONAL DEVELOPMENT OFFICE
NETWORK****Panadura**

525, Galle Road, Panadura
Tel : 038 753 4200 / 4201

Kadawatha

179/1D, Kandy Road, Mahara,
Kadawatha
Tel : 011 745 5230 / 5231

Matara

537, Galle Road, Walgama, Matara

NOTES

CORPORATE INFORMATION

NAME OF THE COMPANY

AIA Insurance Lanka Limited
Company Registration No - PQ 18 PB

LEGAL FORM

- A Limited Liability Company.
- Incorporated in Sri Lanka on 12 December 1986 under the Companies Act No. 17 of 1982.
- Re-registered under the Companies Act No. 07 of 2007.
- Life Insurance Company licensed by the Insurance Regulatory Commission of Sri Lanka.

TAX PAYER IDENTIFICATION NUMBER (TIN)

134001356

DIRECTORS

Tan Hak Leh
Stuart Anthony Spencer
Deepal Sooriyaarachchi
Sarath Wikramanayake
Chathuri Munaweera
Upul Wijesinghe

CHIEF EXECUTIVE OFFICER / PRINCIPAL OFFICER / EXECUTIVE DIRECTOR

Chathuri Munaweera

DEPUTY CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

Upul Wijesinghe

COMPANY SECRETARY

Thusara Ranasinghe

CHIEF FINANCIAL OFFICER

Sampath Thushara

SPECIFIED OFFICER

Suresh Edirisinghe

ACCOUNTING YEAR

31 December

SUBSIDIARY

Name of the Company	Holding	Principal Activity
Rainbow Trust Management Limited	100%	Trust Management

REGISTERED OFFICE / HEAD OFFICE

AIA Tower, 92, Dharmapala Mawatha,
Colombo 7, Sri Lanka
Telephone : 0094 11 231 0000
Fax : 0094 11 244 7620
E-mail : lk.info@aia.com
Web : www.aialife.com.lk

COMPANY REGISTRARS

SSP Corporate Services
(Private) Limited
101, Inner Flower Road,
Colombo 3, Sri Lanka
Telephone : 0094 11 257 3894 /
0094 11 257 6871

AUDITORS

Messrs. Deloitte Partners
PO Box 918,
No. 100,
Braybrooke Place,
Colombo 2, Sri Lanka

APPOINTED ACTUARY

Samath Perera
AIA Insurance Lanka Limited
AIA Tower, 92, Dharmapala Mawatha,
Colombo 7, Sri Lanka

LAWYERS

Julius & Creasy
Attorneys-at-Law & Solicitors
371, R. A. De Mel Mawatha,
Colombo 3, Sri Lanka

REINSURANCE PANEL - LIFE INSURANCE

Munich Re
Zurich Insurance Company Ltd
AIA Company Limited
AIA Reinsurance Limited

BANKERS

- Bank of Ceylon
- Commercial Bank of Ceylon PLC
- Deutsche Bank AG
- DFCC Bank PLC
- Hatton National Bank PLC
- National Development Bank PLC
- National Savings Bank
- Nations Trust Bank PLC
- Pan Asia Banking Corporation PLC
- People's Bank
- Sampath Bank PLC
- Seylan Bank PLC
- Standard Chartered Bank
- The Hongkong & Shanghai Banking Corporation Limited (HSBC)
- Union Bank of Colombo PLC

CUSTODIAN BANK

- Deutsche Bank AG



HEALTHIER, LONGER,
BETTER LIVES