



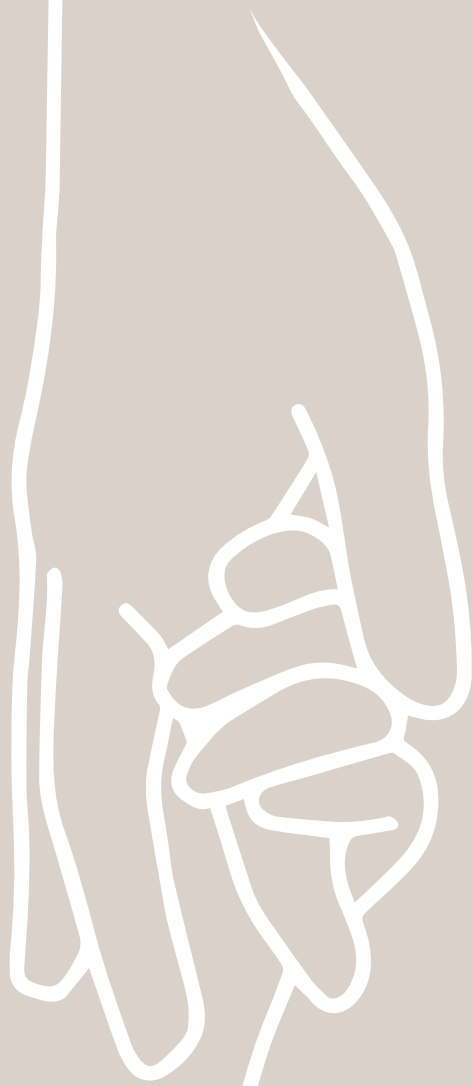
AIA INSURANCE LANKA LIMITED  
ANNUAL REPORT 2022



# Caring for you, Always.







In an unprecedented social and economic backdrop, our nation and people were faced with unforeseen challenges with every stride. As a Company that truly cares and remains committed to helping people live Healthier, Longer, Better Lives, ours was a mission to be there and to care for our country, our people, our customers. By ongoing societal endeavours, environmental commitments and constant innovation and evolution, we were able to remain connected to and enrich the lives of our people.

AIA Sri Lanka is proud to declare 2022 as another year of being by your side, protecting you and caring for you, always.

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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").

On 28 April 2022, AIA Insurance Lanka increased its stated capital to a total sum of LKR 3,201,921,896 by issuing 5,478,615 new shares to AIA CO. Consequently, AIA Insurance Lanka ceased to be a single shareholder company, and its shareholders increased to 02 in number, with AIA CO coming in as the new shareholder, in addition to AIA Holdings Lanka. The capital infusion of AIA CO has contributed to enhancing Company's long term financial stability by further strengthening of its equity capital base.

AIA Group thus continues, as at date, to hold (via its fully owned direct and indirect subsidiaries AIA Company Limited 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 Limited being the only publicly listed entity.



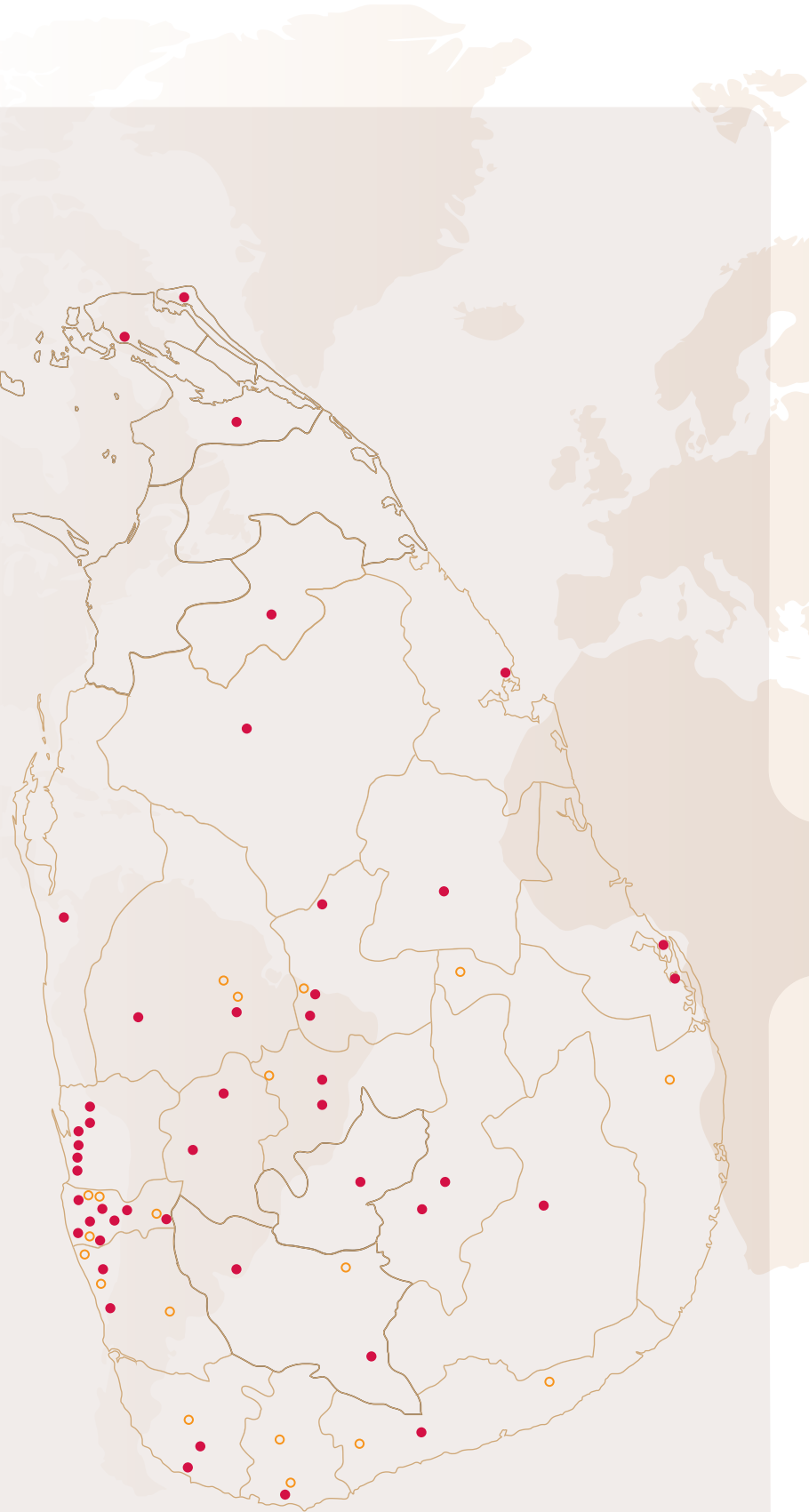
## OUR LOCAL PRESENCE

### 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
- Kuliyaipitiya
- Kurunegala
- Maharagama
- Mahiyanganaya
- Matale
- Matara
- Mirigama
- Monaragala
- Moratuwa
- Mount Lavinia
- Negombo
- Nelliady
- Nugegoda
- Nuwara Eliya
- Polonnaruwa
- Ragama
- Ratnapura
- Trincomalee
- Vavuniya
- Wennappuwa

### AREA DEVELOPMENT OFFICES

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



## OUR GLOBAL PRESENCE

5

### #1 WORLDWIDE FOR MDRT MEMBERS

The only multinational Company to top the table for eight consecutive years

### AIA GROUP IS THE LARGEST LIFE INSURER IN THE WORLD BY MARKET CAPITALISATION <sup>(1)</sup>

### 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 <sup>(1)</sup>

Provides protection to people across the Asia Pacific region with total sum assured of

**USD 2 TRILLION <sup>(1)</sup>**

Note:

(1) As at 30 June 2022.

## FINANCIAL INSIGHTS

17.6 ▲

LKR billion

2021 : LKR 16.5 billion

Gross Written Premium

25.7 ▲

LKR billion

2021 : LKR 23.5 billion

Total Revenue

18.4 ▼

LKR billion

2021 : LKR 19.8 billion

Net Assets

65.6 ▼

LKR billion

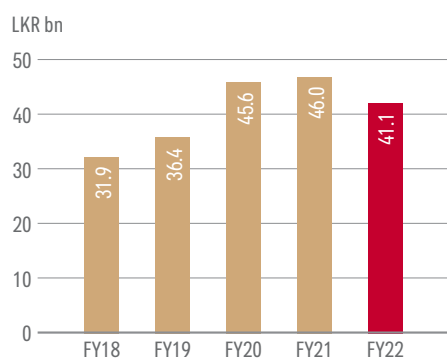
2021 : LKR 72.3 billion

Total Assets

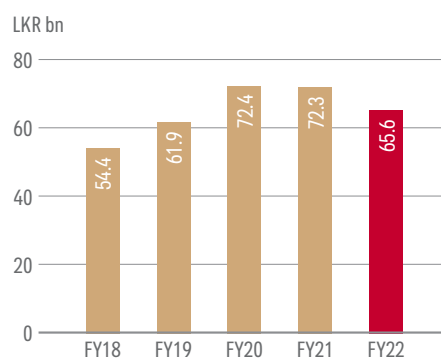
## FINANCIAL HIGHLIGHTS - GROUP

		2022	2021	%
Total revenue	(LKR mn)	25,736	23,474	9.64
Profit before tax	(LKR mn)	1,093	2,569	(57.45)
Gross written premium	(LKR mn)	17,568	16,517	6.36
Net assets	(LKR mn)	18,391	19,754	(6.90)
Total assets	(LKR mn)	65,640	72,269	(9.17)
Insurance liabilities	(LKR mn)	41,137	46,020	(10.61)
Basic earnings per share	(LKR)	23.39	57.63	(59.41)
Dividend per share	(LKR)	35.00	30.00	16.67

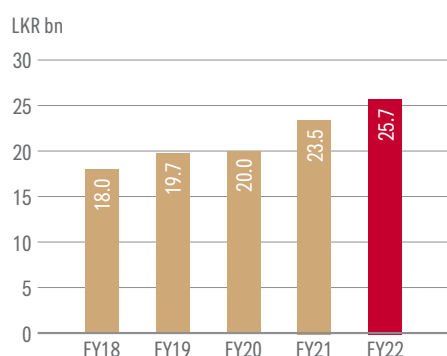
Insurance Liabilities



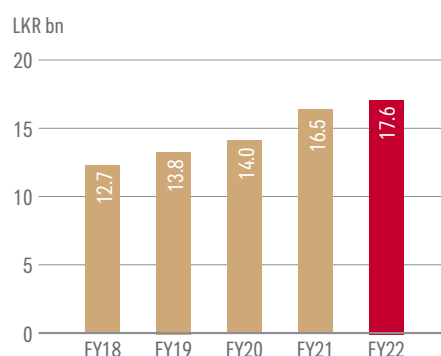
Total Assets



Total Revenue



Gross Written Premium





## PRODUCTS OFFERED BY AIA

### SAVINGS

Solutions to help you live the dream you wish and protect the ones you care

#### SMART WEALTH

A plan that creates, manages and protects your wealth

#### EDUCATION PLAN

A financially secured future for your child's education

### PROTECTION

Comprehensive solutions to oversee your family's wellbeing

#### SUPER PROTECTOR

A comprehensive life insurance solution

#### SUPER PROTECTOR FLEXI

A smart life insurance solution

#### SHE PROTECT

A comprehensive life insurance solution specially designed for women

### RETIREMENT

Plans that support your aspirations and retirement goals

#### SMART PENSIONS PLUS

Live life to the fullest long after retirement

#### EASY PENSIONS PLUS

Planning for your retirement is now as easy as Tak Tik Tuk

### HEALTH

To ensure health is taken care of with utmost importance for you and your family

#### HEALTH PROTECTOR

Worldwide coverage on hospitalisation expenses for you and your loved ones

#### SUWA DIRIYA

A comprehensive cover for critical illnesses

## OUR ESG STRATEGY



### 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

#### ESG STRATEGY

- Health and Wellness
- Sustainable Operations
- Sustainable Investment
- People and Culture
- Effective Governance

### OUR HOW

Integrating ESG in our business  
strategy, operations and culture

- Foundation
- Structure
- Culture

#### SUSTAINABLE OPERATIONS



• In our efforts to advocate digital solutions for day-to-day operations, AIA Sri Lanka minimized the use of physical paper in favour of digital documents. Considering these efforts, all customer communications are now digitally driven.

• An industry first, the AIA Sri Lanka rooftop model garden was officially opened in August 2022 by Tan Hak Leh, Chairman of the Board of Directors (BOD) AIA Sri Lanka and Chathuri Munaweera, CEO AIA Sri Lanka. This initiative encourages employees to start their own organic home gardens while advocating self-sustainability.

• All AIA Sri Lanka green champions completed on-site visits to the Dilmah Conservation One Earth Arboretum.

• AIA Sri Lanka is ISO 14064 -1 2018 Certified for the year 2022. The Company implemented all principles for the quantification and reporting of greenhouse gas emissions against its operations. The ISO standard certification aligns with the Environmental, Social and Governance (ESG) strategy driven by AIA Group and its commitment to net-zero greenhouse gas emissions by 2050.

#### PEOPLE AND CULTURE



• With the pandemic, AIA Sri Lanka embraced a hybrid work environment to encourage flexible and agile work patterns among staff to sustain employee wellbeing.

• The Company also organised webinars on mindfulness and ergonomics from well renowned professionals in the field given the need of the hour.

#### ENVIRONMENTAL RETURN ON AIA'S INVESTMENT



**194**

Fully Grown Trees

SAVED



**19,986**

Litres of Oil

SAVED



**45,552**

kwh of Electricity

SAVED



**361,911**

Litres of Water

SAVED



**34 M<sup>3</sup>**

Land Fill

REDUCED



**11,388**

Kg's of Carbon Equivalent

REDUCED



# Ensuring your safety, Always.

## AIA POSON SAFETY PROGRAMME

AIA Sri Lanka continues its commitment towards one of Sri Lanka's longest running Corporate Social Responsibility (CSR) projects, the AIA Poson Safety Programme since 1993. This programme is held across three days every year in Anuradhapura, Polonnaruwa, Dambulla and Mihintale and the programme facilitates 500 lifeguards across 22 reservoirs and lakes to ensure that pilgrims are safe when they bathe in the bodies of water.

## 10 MESSAGE FROM THE CHAIRMAN

AIA Sri Lanka achieved impressive growth in 2022 vs prior year in many financial and non-financial indicators capitalising on the opportunities presented amidst the turbulence. AIA Group takes pride in the achievements of AIA Sri Lanka and will continue to provide its maximum support especially during these difficult times to ensure AIA Sri Lanka is well positioned to serve the customers and the community in the best possible way.



AIA Insurance Lanka Limited (AIA Sri Lanka / the Company) demonstrated resilience to deliver a strong performance in 2022 despite challenging external conditions. Following two years of COVID-19 disruptions, the Country experienced its most significant economic turbulence in recent history leading to high levels of inflation, exchange rate depreciation, shortage of essentials, limitations in public health care service and deteriorating disposable income. During this period, the Company remained focused on its strategic direction and continued to support our customers with life insurance protection propositions, while also supporting the wider community through sponsorships and broader engagement activities.

AIA Sri Lanka achieved impressive growth in 2022 across many financial and non-financial indicators by capitalising on opportunities presented amidst the turbulence. AIA Group takes pride in the achievements of AIA Sri Lanka and will continue to provide the right support, especially during difficult times.

The Company remains focused on its strategic priorities to drive improved customer experience, higher productivity of distribution, automated processes in operations and overall efficiency.

Significant and ongoing investments into technology, data and analytics have been a key contributor to enabling our growth, successfully serving a wide group of customers while meeting their ongoing protection and service needs, particularly during this period of crisis.

Both Agency and Bancassurance channels contributed to the revenue growth of the Company.

The Company's Gross Written Premium (GWP) achieved 6.4 per cent growth in 2022 to LKR 17.6 billion. This demonstrated ongoing customer confidence in AIA Sri Lanka despite the challenging external conditions.

Financial stability is key for AIA Sri Lanka to ensure ongoing customer confidence. The Company is backed by the financial strength of AIA Group, the largest independent publicly listed Pan-Asian life insurance group, who has continued to invest in the Company during 2022 demonstrating its ongoing commitment to Sri Lanka. The Company achieved consolidated profit after tax of LKR 806 million and its Capital Adequacy Ratio was 402 per cent, one of the strongest in the industry, significantly above the regulatory intervention level of 160 per cent.

On behalf of the Board of Directors, I would like to thank and express my appreciation to the team at AIA Sri Lanka for their strength and dedication in supporting Sri Lankans to live Healthier, Longer, Better Lives over the past many years and especially during 2022.



**Tan Hak Leh**  
Chairman



## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

AIA Sri Lanka stood strong on all grounds demonstrating once again that “AIA is built strong and built to last”...We managed to maintain the number two position in Regular Premium Business which is the core market segment that the Company endeavours to outshine in... We remain dedicated to helping all Sri Lankans live Healthier, Longer, Better Lives.





The year of 2022 presented a unique and unprecedented set of challenges to the economy and the industry which were rarely observed at any point in the history of Sri Lanka. AIA Sri Lanka stood strong on all grounds demonstrating once again that “AIA is built strong and built to last”. During the year, we battled through a multitude of challenges in the broader economy to record the highest Annualised New Premium (ANP) in the history of the Company which reflects the resilience and perseverance of our amazing employees and sales force. AIA Sri Lanka managed to maintain the number two position in Regular Premium Business which is the core market segment that the Company endeavours to outshine in.

Notwithstanding the aforesaid challenging backdrop, we recorded a 6.4 per cent growth against the previous year in Gross Written Premiums (GWP) for 2022 which translated into a Total Income growth of 9.6 per cent. Steady growth in income coupled with vigilant expense monitoring resulted in AIA Sri Lanka recording a Profit After Tax of LKR 805.5 million for 2022.

AIA Sri Lanka's Capital Adequacy Ratio (CAR) remained resilient at 402 per cent for 2022 which is one of the highest in the industry. This is despite the exceptionally high interest rates environment affecting the market value of assets considerably. The CAR which is more than three times of the stipulated regulatory minimum of 120 per cent, is a reflection of the capital that shareholders are maintaining

within the business and of the prudent asset liability management strategies of the business that has been in place for many years.

Our Agency force showed a remarkable recovery over the last four months of 2022, which resulted in Agency achieving the highest ever ANP in history. Given the impacts to personal incomes during the year via inflation, there was a strategic shift to focus on niche consumer segments whilst not compromising on a healthy product mix. This significantly increased the average case size for Agency in 2022. The channel continues to work on a ‘digital first’ approach with streamlining the customer and agent journey using the foundation that was laid over the last two years. In addition, AIA Premier Agency Circle recorded a commendable performance by recording the best ever ANP production.

Partnership distribution recorded the best performance in five years which was supported by remarkable activity and productivity levels along with a notable incline in the case size. During the year, there was a strategic shift towards deposit-based customers from loan-based customers amidst the high interest rates environment which demonstrates the agility of our Bancassurance team.

At AIA Sri Lanka, we believe in a marketing approach that will benefit and leave a lasting impact on customer, community and country and positioning ourselves as a

culturally sensitive, internationally Sri Lankan brand. Driven by the purpose of helping people live Healthier, Longer, Better Lives, we are always on the lookout for opportunities that can help us materialise this purpose in an effective and impactful way. Hearing the need for health benefits of Sri Lankans, we introduced ‘Health Lite’ rider in August 2022. Furthermore, we also upgraded the pension products to ‘*Smart Pensions Plus*’ and ‘*Easy Pensions Plus*’ propositions to deliver the benefits of the higher interest environment to the customer. Demonstrating our overall gender inclusivity stance, ‘*AIA She Protect*’ was launched during the year, which is the only women specific protection product in Sri Lanka.

AIA Sri Lanka has been an industry leader in digital and operational transformation. The back-to-back challenges posed by the operating environment over the last few years have reshaped and accelerated the digital journey of the industry where AIA Sri Lanka has led from the front. MyPos, our core point of sales system continues to provide end to end digital requirements for the sales journey whilst seamlessly integrating with underwriting activities to ensure end to end digitisation. Depicting the forward-thinking nature of our employees, multiple departments have started their data visualisation expedition where key KPIs and insights are visualised for pattern recognition and data driven decision making which enables AIA Sri Lanka to transform into a futuristic organisation.

## 14 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

One of our key priorities is to provide a flawless customer experience, through digital innovation whilst seeking continuous process improvements to create a mutually beneficial environment. The ability for a customer acquisition without a face-to-face interaction was made even easier with the introduction of MyPos web solution. Policy document customisation and the gradual movement towards e-policy issuance was initiated during the year as well. The premium collection team played a crucial role given the economic situation of the country which helped the business to record a robust growth in terms of Renewal Year Premiums (RYP) which also supported the resilience in GWP.

I'm proud to say that AIA Sri Lanka was recognised as a LEGEND for winning the Great Place to Work® award for ten consecutive years, the only insurance company to do so. This tremendous journey of AIA Sri Lanka is a testament to its continued commitment in creating a diverse, inclusive, and equitable culture rooted in the wellbeing and professional growth of all employees. We were awarded one of the Best Workplaces for Women by Great Place to Work® for the fifth consecutive year and was chosen to be one of the Most Outstanding Women Friendly

Workplaces in Sri Lanka by Satyn Magazine and Chartered Institute of Management Accountants (CIMA). Considering the skyrocketed inflation and the resultant impacts on the disposable income of households, we have provided numerous relief packages to our staff and agents to support them when most needed. We continue to consider our people as the driving force of long-term business growth.

We remain committed to serving the community we operate in. We honoured the best and brightest students through AIA Higher Educations Scholarships, now in its 28th consecutive year and one of Sri Lanka's pioneering and longest running Corporate Social Responsibility (CSR) initiatives inspiring academic excellence. We also continued our commitment to the Sri Lanka Cancer Society which plays an important role in serving underprivileged cancer patients.

As I write this update, we as Sri Lankans continue to fight a tough economic battle. Despite many such setbacks over the recent past, we have always shown that we have the perseverance and strength to come back stronger and I'm sure that this time around will be no difference.

2022 has been an amazing journey of resilience and we are excited about the journey ahead. I extend my appreciation to the Board of Directors for their guidance, to our customers and business partners, for the continuous trust placed on us, our brand, our sales force, staff and our products and services. We remain dedicated to helping all Sri Lankans live Healthier, Longer, Better Lives.



**Chathuri Munaweera**  
Chief Executive Officer



# Rewarding your future, Always.

## AIA HIGHER EDUCATION SCHOLARSHIPS PROGRAMME

Intended to inspire academic excellence, the AIA Higher Education Scholarships, started in 1994 is one of Sri Lanka's longest running Corporate Social Responsibility (CSR) projects. Each year AIA awards 25 students who top their district Grade 5 Scholarship Examination with a bursary for their higher studies.

## MANAGEMENT DISCUSSION & ANALYSIS

The year of 2022 presented a unique set of challenges to the economy and the industry which were not observed previously in Sri Lanka. However, the tenacity, perseverance and tolerance of Sri Lankans has paved a foundation for a smooth but yet steep recovery in the financial year (FY) 2022.

The management discussion and analysis presented here provides a description of the economic factors which contributed to AIA Sri Lanka's business environment, and a summary of the Company's performance in 2022.

### ECONOMIC REVIEW

Although the year 2022 started on an optimistic front for the global economy, the recovery from the fallout of COVID-19 was insufficient as global markets were not functioning optimally. Russia's invasion of Ukraine continues to strongly destabilise the global economy by leading to a severe energy crisis in Europe that is sharply increasing costs of living and hampering economic activity. Inflationary pressures and tight monetary conditions resulted in the US dollar appreciating against most other currencies. The cost-of-living crisis has been curbed by tight monetary policy measures leading to a contraction of the global economy. Slowed down economic activity in China has impacted heavily on global trade streams.

The Sri Lankan economy faced extreme headwinds and heightened uncertainties during 2022. Disruption in the supply chains of essentials due to the depletion of foreign currency reserves of the country had put the economy at a halt, leading to a political and social unrest in the country. Foreign currency reserves depleted due to ineffective policy decisions, the surging trade deficit

caused by higher energy and commodity prices in global markets and supply chain disruptions, exacerbated with the decline in tourism earnings and worker remittances over the past three years, thus leaving the Central Bank of Sri Lanka (CBSL) insufficient funds to repay external debt holders or to fund the trade deficit.

The Sri Lankan Government announced a suspension of foreign currency debt servicing (excluding multilateral debt, currency swaps and SLDBs) in April 2022. Concurrently, an International Monetary Fund (IMF) Extended Fund Facility (EFF) programme and a foreign debt restructuring programme were also announced. Following the announcement of the sovereign default, S&P and Fitch downgraded Sri Lanka to the default category to reflect the actual state of the economy.

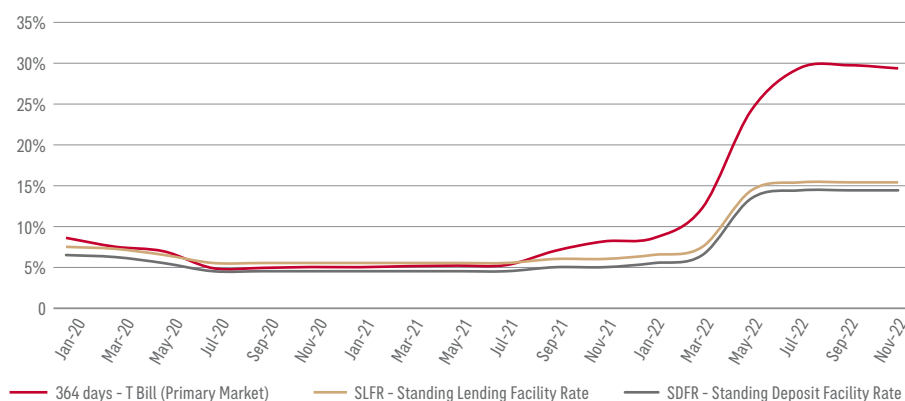
To adhere with the core requirements of the proposed extended fund facility to be offered by the IMF, significant policy decisions were made during the year 2022 to ensure debt sustainability of the country and to narrow down the fiscal deficit and the deficit in the external current account. To improve the revenue inflows of the government, a cost recovery pricing mechanism has been introduced to fuel and electricity

by discontinuing subsidies and both corporate and personal income tax increases. Further, the monetary regulator, the CBSL had been increasing policy interest rates to curb the inflation, reduced the demand for credit and slowed down the economic activities leading to a contraction of the economy.

### INTEREST RATES

As described above, the CBSL continued to maintain a tight monetary policy stance throughout 2022 to rein in inflationary pressures. The key policy interest rates were increased cumulatively by 950 basis points in several rounds during the year with the intention of controlling any further build-up of demand driven inflationary pressures, pre-empting the escalation of adverse inflationary expectations, supporting the stabilisation process of the exchange rate, and correcting anomalies observed in the market interest rate structure. Government security yield rates increased sharply during the first half of the year 2022. Subsequently yield rates reached a steady state during the latter part of the year as monetary policy decisions came into effect. The benchmark of the 1-year T-bill yield hovered around 29.3 per cent at the end of December 2022.

Interest Rates Movement



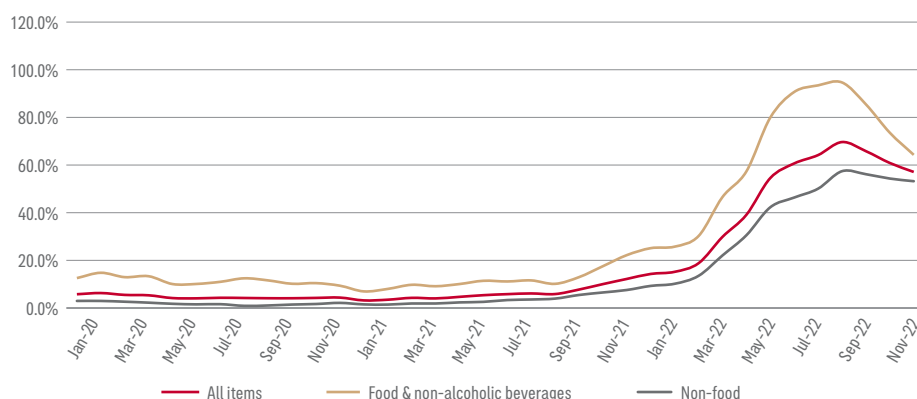


There remains an overhang on the market about a possible domestic debt restructuring process, which has continued to maintain interest rates at high levels, albeit decreasing slightly towards the end of 2022 as more progress takes place in the steps required for obtaining IMF board approvals for an extended fund facility. Fixed income investments reported significant increases in income due to the rising interest rates regime during the period under review, however this had a negative impact on the market value of fixed income financial assets as there is an inverse relationship between interest rate movement and the market value of fixed income financial assets such as government bonds. Higher interest rates also negatively affected the cost of borrowing, shrinking the disposable income of policyholders and the general population.

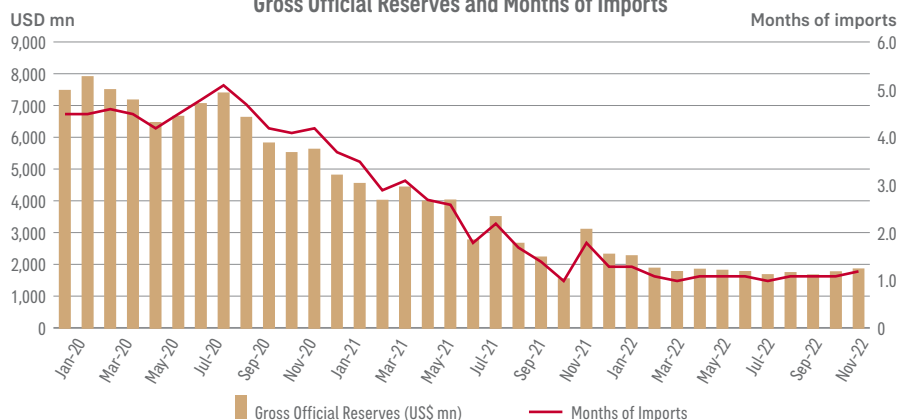
### Inflation

During the year, inflation accelerated, reaching historically high levels owing to supply side disruptions both locally and globally, administrative price adjustments, sharp depreciation of the Sri Lankan rupee, and the pent-up demand on the back of the lagged impact of large monetary accommodation amidst the COVID-19 pandemic. Accordingly, headline inflation, as measured by the CCPI (Colombo Consumer Price Index), accelerated to 69.8 per cent year-on-year in September 2022, recording a substantial deviation from the desired range of inflation. However, the trajectory of CCPI based headline inflation has subsequently shown some signs of reversing by moderating to 57.2 per cent in December 2022. Both food and non-food inflation accelerated significantly.

Comparison between food & non-food inflation (CCPI)



Gross Official Reserves and Months of Imports



### Foreign exchange

Over the year, the Sri Lankan rupee experienced a significant depreciation of 44.8 per cent against the US dollar from LKR 201.40 as at the end of 2021 to LKR 363.17 as at December 2022. CBSL provided exchange rate guidance, but the exchange rate overshot due to market forces. The CBSL was a net seller in the domestic foreign exchange market, but due to the shortage of liquidity, it had to supply US dollars to facilitate essential imports and other funding requirements.

### Equity markets

The equity market of Sri Lanka demonstrated a volatile performance and significant declines in price indices during the year due to adverse macroeconomic conditions and political instability. The ASPI and S&P SL 20 index both declined by 30.6 per cent and 37.7 per cent respectively during the year 2022. Only few sectors managed to record a positive year-on-year growth in price indices as of December 2022, while most of the sectors did not perform well during the year. However, net foreign inflows into the Colombo Stock Exchange improved in 2022 until the end of December, with a net inflow of LKR 30.6 billion during this period compared to a net outflow of LKR 52.6 billion during the period of 2021.

### REGULATORY UPDATE

The Insurance Regulatory Commission of Sri Lanka (the IRCSL) issued a new set of guidelines to establish minimum standards in relation to advertising and marketing of insurance companies to assure a full and truthful disclosure to the policyholders and insuring public. The advertising guidelines came into force effective 01 July 2022 and the Company is compliant with these guidelines.

## MANAGEMENT DISCUSSION & ANALYSIS

The IRCSL made several changes to its directions and determinations, including change of timelines for the submission of quarterly returns and introduction of certain requirements for documentation used in insurance contracts. The Company took steps to comply with such new requirements.

The Company observed the unprecedented upward movement in the interest rates and its possible impact on the Capital Adequacy Ratio (CAR). The Company continuously maintained its CAR well above the minimum requirement specified by the related rules of the IRCSL and initiated additional measures on prudent basis to maintain similar higher levels of CAR. Also, the Company engaged in constructive dialogue with the IRCSL and the Insurance Association of Sri Lanka (IASL) on the possible impact on Capital Adequacy Ratio for the overall life insurance industry.

### INDUSTRY REVIEW

The industry review is based on the provisional figures provided by the Insurance Association of Sri Lanka (IASL) for 4Q 2022, and the statistical review published by the IRCSL for 2021.

Life insurance industry growth reflected by the Gross Written Premium (GWP) in 2022 dropped to single digits for the first time in the last five years. As such, GWP growth was recorded at 9.2 per cent for 2022, down from 21.1 per cent in the previous year. This is largely attributable to the challenges in the operating environment observed in mid-2022. Both dominant distribution channels (Agency distribution and Bancassurance distribution) were impacted by the movement related constraints that was witnessed in 2022. Further, elevated inflation and personal tax hikes (announced in 2022 and effective from 2023) hampered disposable income of households

and created uncertainty which in turn affected new periodic financial commitments.

Reflecting the said challenges, industry First Year Premium (FYP) growth dropped to 2.8 per cent in 2022, down from 28.6 per cent in the previous year. Given the high interest rates environment, some players have increased their focus towards single pay products with relatively high returns. This has cannibalised the FYP market considerably. Industry single premium growth is recorded at 16.8 per cent for 2022 on top of the 57.8 per cent growth observed last year.

Renewal Year Premium (RYP) remained resilient depicting an increase of 11.9 per cent for the year. Therefore, the Regular Premium Business (FYP and RYP) has increased by 9.2 per cent for the year, down from 18.4 per cent in the previous year. AIA Sri Lanka remains focused on Regular Premium Business as a part of its overall strategy.

Group Premium Business has experienced a slight drop during the year.

AIA Sri Lanka continues to be the number two player in Regular Premium Business whilst remaining the number four player in terms of GWP.

The life insurance industry in Sri Lanka comprises of 15 players and remains concentrated where the top six players accounted for 85.4 per cent of GWP in 2022. The industry is traditional in terms of distribution with the agency force contributing 80.6 per cent of GWP (based on FY 2021 figures). However, industry is also fast evolving with industrywide digitalisation initiatives that have been explored in the last few years.

End to end digitalisation of the agent journey and customer journey are amongst the key focus areas of the large industry players.

The impediments in terms of industry growth that comes through the current economic status are expected to fade away when some semblance of recovery in the broader economy is restored.

Medium term outlook of the life insurance industry remains positive with significant under-penetration (life insurance penetration is recorded at 0.74 per cent of GWP which is approximately half the average of regional peer countries). Rapid urbanisation and related changes in lifestyles, fast ageing population and notable bank branch density in Sri Lanka bodes well with the growth story over the medium to long term.

### BRAND REVIEW

Despite the backdrop of an unprecedented economic crisis, AIA Sri Lanka remained committed to its brand purpose of helping people live Healthier, Longer, Better Lives and continued its commitment to customer, country and community. The Company's main focus as a brand was to be there for our country and our people when they need us the most. As such, the Company carefully and empathetically defined activities to focus on societal endeavours that helped uplift and empower communities and establish ourselves as a brand that truly cares.

With the strength and backing of a multinational giant and an in-depth local understanding that enabled us to fully relate to the pulse of Sri Lanka; our brand was world-class and still



truly Sri Lankan! This resulted in us being globally recognised as the Best Life Insurance Company in Sri Lanka for the fourth time (Global Banking and Finance Review 2019, 2020 and Capital Finance International 2021, 2022). Over the past years we saw a great improvement in our brand awareness and consideration with many awards that demonstrate the brand growth and its superior service, insurance solutions and value. We are indeed proud of our achievements and strive for continued success. Our efforts were further recognised internationally by Thought Leaders International, when we were awarded the 'Brand Market Leader in Sri Lanka' (2022).

In the insurance industry, AIA Sri Lanka has reached the highest number of subscribers on YouTube and among the top three on Facebook, Instagram and LinkedIn. We have been agile in our digital approach to the unprecedented economic downturn and moved quickly to launch the 'AIA, here for Sri Lanka and our people' campaign which resonated with the Sri Lankan community during these trying times.

## CUSTOMER REVIEW

### At AIA Sri Lanka, customers come first

AIA Sri Lanka was committed to improving customer experience through digital transformation and process enhancements over the past year. We will continue to strive for excellence in this area in order to provide the best possible experience for our customers. To this end, we encouraged our customers to make use of digital platforms for insurance premium payments at the safety and comfort of their homes. The pulse of the modern-day customers is driven by their ability to enjoy an ultra-convenient lifestyle where they may require access to their policy details from anywhere, anytime and via any device. Hence, we introduced the issuance of the e-policy document through the AIA Customer Portal, another major project that was successfully implemented for greater customer convenience.

### Engaging and rewarding our customers

We continue to strengthen AIA Sri Lanka's First Class customer proposition; this experience has been carefully designed to suit the needs of the high-end customer segment and offers some exclusive benefits and privileges. Rewarding policyholders who have obtained higher life covers was another great initiative implemented in 2022 to encourage customers to ensure sufficient protection for themselves and their families.

### Everything revolves around the voice of the customer

AIA Sri Lanka constantly focuses on gaining deeper insights into the customers' needs and requirements as well as actively monitoring and looking to enhance their experiences with the Company. To gauge the customer's pulse and take the required steps to continuously improve the customer experience, the Net Promoter Score (NPS) is gathered from direct customer touch points. The centralized method for managing customer feedback and complaints empowers all employees to act on behalf of customers and support the process of offering an enhanced customer service.

### Above and Beyond Life Insurance

The Company continues to revolutionise the industry by providing a holistic value proposition that goes above and beyond merely providing life insurance products, to providing an ecosystem of wellbeing solutions to support and improve one's overall health and wellness. In addition to the free telemedicine service provided in partnership with oDoc to select customers and the 15 per cent discount provided at any 'My Dentist' dental care clinic, AIA Sri Lanka also joined hands with Vida Medical, a trusted patient care service to provide exclusive discounts



*AIA was awarded the Best Life Insurance Company in Sri Lanka for the fourth time.*



*AIA Customer Portal*

## MANAGEMENT DISCUSSION &amp; ANALYSIS

up to 15 per cent for AIA First Class customers. Free online fitness classes were offered to all AIA customers via the Fitzky Fitness app during 2022. AIA Sri Lanka also partnered with the Teardrop hotel chain to offer 10 per cent discounts for AIA First Class customers. As pioneers in providing such an eco-system of propositions that go beyond just insurance products, we believe that these value additions can help our customers to live a Healthier, Longer, Better Life.

saw the launch of 'She Protect' a first-of-its-kind protection plan which provides a higher protection cover to one of the most important customer segments in our market: women. 'She Protect' offers a range of optional benefits for our women customers to personalise the protection they need based on their lifestyle and desires, for affordable premiums. Introduction of 'Health Lite' rider was also another milestone in 2022 which is a pre-packaged hospital expense benefit

Benefit' and many more, to offer an affordable and comprehensive solution for a happy and comfortable retirement. It also keeps loved ones financially secure in the unfortunate event of the death of the life assured. The re-launch of the pre-packaged retirement solution, 'Easy Pensions Plus' offers more options for customers to pick and pay conveniently by adding two more packages to the product.

Our 'health with life insurance' plan, 'Health Protector' is designed for individuals seeking a comprehensive health cover with the freedom of being able to choose in which country they wish to receive medical treatments. This plan comes with market leading features and offers the customer the flexibility of choosing a benefit value that suits their individual needs. 'Health Protector' provides worldwide hospitalisation expense coverage up to LKR 50 million per year, coverage against 37 critical illnesses, worldwide coverage against 250 listed surgeries, worldwide per-day hospitalisation cover, ability to extend the covers to spouse, children and parents, along with other market leading features.

Another product in the 'health with life insurance' space is 'Suwa Diriya', a first-of-its-kind life insurance plan which provides comprehensive protection against the four leading non-communicable diseases that affect Sri Lankans which are heart disease, cancer, stroke and kidney failure.

'Smart Wealth' is a comprehensive savings plan designed to cater to the protection and savings needs of customers with the feature of a limited premium paying period while providing strong returns and protection over the policy term. The pure protection products, 'Super Protector' and 'Super Protector Flexi'



*An ecosystem of wellbeing solutions*

## PRODUCT REVIEW

Our product portfolio offers world-class protection, health and long-term saving solutions to satisfy a wide range of customer needs. We strive to provide our customers and their loved ones with the peace of mind of having sufficient financial protection in the face of the potential risks and uncertainties in life. 2022

that can be attached with 'Super Protector' and 'Easy Pensions Plus'. The main purpose of this rider is to provide an affordable health coverage to the mass customer segment in Sri Lanka.

The Company's flagship retirement product, 'Smart Pensions Plus' was also re-launched with improved benefits such as 'Family Income

comes with an increasing life benefit which can be selected based on customer's requirement from as low as LKR 1 million to LKR 500 million. These two products also offer a range of optional benefits for our customers to further personalise the protection they need, based on their lifestyle.

All products are offered with a range of additional and optional covers such as accidental death benefit, permanent disability benefit, family income benefit, premium protection benefit, critical illness benefit, hospital expense benefit, hospitalisation benefit, along with spouse and child life covers, so that our customers have the freedom to choose the right solution based on their individual protection needs.

## BUSINESS REVIEW

### Agency Distribution channel

The Agency Distribution channel ended 2022 with an outperformance to record the best new business volume in the history with modest growth against prior year amidst economic and political challenges. The higher achievements were mainly driven by shifting towards high net worth customer segments to improve policy values whilst maintaining a healthy sales force activation despite diminishing customer disposable income. In addition, the channel strategically promoted the new health product targeting all customer segments to cater to the health gap created as a result of the increasing medical expenses in the country. With the new affordable solutions, the channel maintained a balanced mix of products catering to all economic layers which makes the Agency Distribution channel less susceptible to the economic variations.

The Agency Distribution channel continued its new recruitment via digital platforms with a special focus

on providing a second income to many families who lost their existing employment due to downsizing of businesses during the peak of the economic crisis.

The channel continued to improve digital adoption by merging a remote signature facility (Minisite) into the point-of-sale platform (MyPOS) with a view of providing a convenient service to customers using digital platforms. In addition, new business premium payments through standing orders reached greater heights to ensure quality of business and seamless premium payments by the customers. Moreover, enhanced digital sales dashboards were introduced to the sales force to upscale access to information and improve ease of doing business for the channel.

The Premier Agency Circle of AIA Sri Lanka (PAC) continued to set higher performance standards by recording highest ever production with a double-digit growth as compared to the previous year.

### Partnership Distribution channel

The Partnership Distribution channel remained steadfast in 2022. Despite the worsened economic challenges, the Partnership Distribution channel was able to record a commendable growth against previous year, enabled by and validating its strong relationship with bank partners.

An agile target operating model was adopted as a solution to the rapidly changing environment, incorporating such changes like shifting from a retail customer approach to a segment-based customer approach which yielded strong results in second half of the year. Selected top performing bank staff were given the opportunity to follow an Executive Development Programme conducted by PIM Sri Lanka as a part of the

development journey and reinforcing the strong learning culture of AIA Sri Lanka.

The fully developed digital process has enabled the Partnership Distribution channel to continue its business process even at the toughest times unhindered by the challenges from the external environment. The Partnership Distribution channel celebrates 18 years in Bancassurance business in 2023 with a vision of making an Agile, Adaptive, Accelerated Partnership Distribution whilst proving a Healthier, Longer, Better Lives to our bank partner's customers.

## OPERATIONAL REVIEW

In year 2022, the AIA Sri Lanka operations function made significant progress in delivering unparalleled customer experience to all our customers. Our key priority was to provide a seamless omnichannel customer experience utilising our digital capabilities and simplify all the processes to improve the efficiency of all transactions and deliver best-in-class customer experience. We believe that unique and personalised experiences for our customers will generate a range of business benefits, including significant improvements in customer retention, increased sales lead generation and productivity gains for our distribution channels.

In the journey, the MyPoS - Minisite was launched, introducing a replacement for the remote signature process which was previously standalone and facilitated through MyPoS system itself, to close a sale without a face-to-face interaction. A policy customisation solution was another key system launched during the year, which enables the generation of a customised PDF version of the policy with only the riders opted by the Customer. This



## MANAGEMENT DISCUSSION &amp; ANALYSIS

process also enabled automatic sending of emails / SMS to customers with the policy delivery and the customers could access the customised digital policy any time via the AIA customer portal. This is also one of the important milestones of AIA Sri Lanka's 'Save the Planet' journey.

The claims workflow was also onboarded during 2022, ensuring the stringent workflows are in place for all key stakeholders in the division's buy, service, claims and customer complaint management processes.

Moving towards the digital and "Go Green" concept, we implemented several digital platforms for day-to-day operations to reduce paper usage. MyPOS, Workflow and Ivory systems are key systems implemented to support these initiatives. A significant portion of customer communications were transformed to digital communication including payment confirmations and half yearly fund statements through the Ivory system which integrates with the customer portal allowing customers to easily access information at any time. The customer portal reached new highs with an increased take up rate and more than 30,000 customers registered as at the end of 2022.

Payment reminders and assisting customers for the revival of their lapsed policy plays a pivotal role in protecting the lives of our valued customers whilst maintaining strong policy continuation and premium collection specially during the economic crisis in 2022. The conservation team continued to support customers to revive their policies by supporting customers through the revival journey by making them aware about benefits, maintaining continuous follow-up, addressing customer concerns and introducing seamless digital premium payment methods. A significant amount of GWP was collected

through revival initiatives. The fully fledged call centre with latest technology continues to service our valued customers when they are in need. The majority of the customers are given resolution for their concerns in the first contact with our call centre.

The Company believes that it is essential to transform our processes to digital platforms and customers are offered with such platforms for self-services. The already established Customer Portal, Mypage4 will be continuously improved with more facilities for our customers to inquire their policy details, request for service needs, intimating claims and requesting call backs. These platforms and increased automations will enable to provide more personalised and consistent service to our customers with higher customer engagement and retention.

### 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.

Helping people live Healthier, Longer, Better Lives, our purpose is at the heart of everything we do. It is embedded in the core of our people proposition and bringing health and well-being to life 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.

### Beyond a Great Workplace

AIA Sri Lanka is proud to mark a remarkable year with the Company clinching with the Best Workplaces Award for the 10th consecutive year with the 'LEGEND' status, Best Workplaces for Women for the 5th consecutive year and the Best Workplaces in Banking, Financial Services and Insurance which is another first-time award.

In addition, AIA Sri Lanka was recognised with the Best Organisational Culture Award by Women in Management and was among the Most Outstanding Women Friendly Workplaces in Sri Lanka awarded by Satyn.com and CIMA Sri Lanka for the efforts in creating a safe and empowering working environment for women.

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



*Celebrating diversity at all levels*



*'Harvest' Leadership Development Programme 2022*

### Creating a level playing ground for all!

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

The launch of 'Aya Surakina AIA' is another milestone in AIA Sri Lanka's diversity drive, a women's programme that will support and empower women across the island.

The name of the programme gives a very 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. With 'Aya Surakina AIA', AIA Sri Lanka demonstrates its commitment beyond the employees and extends to the customers, female entrepreneurs and the community as well. This programme will offer insurance solutions, financial literacy trainings, networks, recognition, and access to information. These new

initiatives will endeavour to support women to be courageous, confident, to feel valued and appreciated, while AIA Sri Lanka will ensure to protect her and provide her with financial security.

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 newborn. The reimbursable allowance of 'New Parents Support Scheme, allows our new parents, to reimburse the expenses of purchases of essentials for their new-born baby and related childcare payments, up to a maximum of LKR 5,000 per month.

At AIA Sri Lanka, it's zero-tolerance for discrimination and harassment in every form that enables creating a safe and comfortable environment for women to work and grow.



*Company Conference 2022 - Recipients of CEO Awards 2021*

### Our People

The Company's workforce comprised of 696 employees in the permanent carder with a healthy mix of female and male employees by the end of the year 2022. The female average female population was above 40 per cent in 2022.



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 with a hybrid model to offer a balanced work culture.

Our workforce wellbeing framework has evolved into work well with AIA Sri Lanka. We look at wellbeing at workplace through Live Well, Think Well, Feel Well and Plan Well pillars. Creative initiatives were designed throughout the year focusing on physical wellness through promoting nutritious programs / health talk sessions; mental wellness through focusing on fostering awareness through awareness sessions / leaders sharing experiences. Employees financial literacy was enhanced through awareness forums on currency depreciation / best investment options etc.

The Home Gardening initiative is a key highlight for 2022 that brought physical, mental, social and financial wellness for employees through self-esteem, reduce stress, family union, eat healthier as well as saving money. This was driven by our commitment towards Environment Social Governance journey. The Home



## MANAGEMENT DISCUSSION &amp; ANALYSIS

Gardening concept was initiated among employees to make it a habit and part of their lives. This was driven with the theme 'grow together and make a difference'.

In addition, an organic model garden was set-up at the Head Office rooftop with a wide range of plants using different techniques to encourage employees to set up their own home gardens, looking at how easily an organic garden can be set-up with basic materials and limited space. Employees get the opportunity to visit the garden and spend time while experiencing mental peace. The harvest was distributed among the support staff.



*Opening of Rooftop Garden at AIA Tower*

Our 'people led' CSR initiatives contribute to build our people's pride and emotional bond towards the Company's success whilst providing an opportunity to partner in conducting socially meaningful work.

Our performance driven culture is continuously supported by development initiatives. Over 95 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 9,500+ 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 17,500 training hours with an average of 30 training hours per active learner.



*"Game On" Agency Distribution Programme for 2022 Strong Finish*

## AIA SRI LANKA CSR ACTIVITIES

### AIA Sri Lanka lends a hand to Monaragala SOS Children's Village

AIA Sri Lanka pledged to financially support the Monaragala SOS Children's Village for the year 2022, to sponsor the children's education and upbringing during the economic crisis. Further, AIA Sri Lanka's employees collaborated with the Company's efforts, and donated a water purifying filter, books for the village library, exercise books and stationery items for the village school. Also, on World Children's Day, employees made a contribution towards the donation of sports equipment and recreational activity equipment for the children at the Monaragala SOS Children's Village.



*Donation to Monaragala SOS Children's Village*



### AIA Sri Lanka makes a donation to HelpAge Sri Lanka

AIA Sri Lanka continued its societal support in a novel way during the sacred Vesak festival, by organising a first of its kind 'Digital Dane'. AIA Sri Lanka donated LKR 100 on behalf of everyone that engaged with the meritorious wish on social media and the collection of AIA Sri Lanka's donations were put to good use in funding ten wheelchairs to HelpAge Sri Lanka. The wheelchairs were a much-needed item for the charity organisation and will be used by underprivileged elders so that they could be mobile and more independent.



*Donation of wheelchairs to HelpAge Sri Lanka*

### AIA Sri Lanka continues to support the Sri Lanka Cancer Society, with fourth year of partnership

AIA Sri Lanka announced the renewal of its partnership with the Sri Lanka Cancer Society in April 2022. This was the fourth consecutive year that AIA Sri Lanka donated LKR 100 on behalf of every new policy sold in the year, to the Sri Lanka Cancer Society. 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.



*Fourth year partnership renewal with Sri Lanka Cancer Society*

### AIA Poson Safety Programme 2022

The AIA Poson Safety Programme, AIA Sri Lanka's flagship CSR commitment to Sri Lanka, successfully ended for 2022, with zero deaths reported due to drowning in and around the sacred city of Anuradhapura in the month of June. As a result of this programme, the thousands of pilgrims that visited Anuradhapura this Poson were able to bathe safely in the surrounding lakes and reservoirs to cleanse themselves before engaging in their religious rituals.



*AIA Poson Safety Programme 2022*



*AIA Poson Safety Programme 2022*



*AIA Exco and project team at the Poson Safety Programme*

### AIA Foster Parenting Scheme

The Foster Parenting Scheme was conducted in collaboration with the Department of Probation and Child Care services, Sri Lanka (DPCC) for the third year. This programme was initiated with the aim of providing financial support for underprivileged children under the age of 18 years who needed a safe, stable and nurturing home. This year employees volunteered to support and improve the lives of 40 children in Sri Lanka.

### Donation to Lanka Alzheimer's Foundation

Dementia is a growing concern among Sri Lankans; however, there is a significant lack of awareness about early detection and management. With the aim of lending support in creating awareness about dementia and related concerns, AIA Sri Lanka donated LKR 1 million to the Lanka Alzheimer's foundation.



*Donation to Lanka Alzheimer's Foundation*

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## INVESTMENTS REVIEW

The economic environment prevailing in Sri Lanka had a direct impact on the investment strategy adopted in FY 2022. AIA Sri Lanka 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. The Company advocates a long-term investment strategy supporting long-term growth.

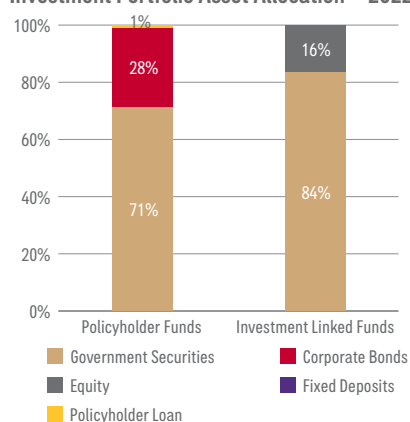
In line with our prudent capital allocation, a considerable portion of our investment portfolio is allocated into high credit quality fixed income securities. A majority of these are invested into Government Treasuries. Corporate debt investments are made into counterparties with 'A' (Ika) rating and 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 relatively 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.

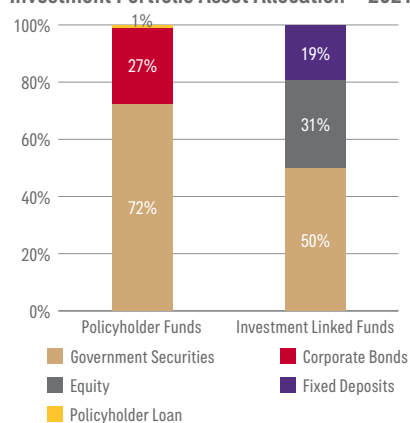
The Company expected interest rates to increase in 2022 amidst a volatile economic environment, the country downgrades and low foreign currency reserves, based on analysis

and projections of macroeconomic fundamentals. The Company therefore prudently collected liquidity in the context of uncertainties in relation to the economic environment and the overhang of a possible domestic debt restructure. Some liquidity was also deployed into longer term investments at favourable yields in 2022.

Investment Portfolio Asset Allocation - 2022



Investment Portfolio Asset Allocation - 2021



The main policyholder fund does not include any listed equity investments in accordance with the risk appetite of the portfolio, except for a strategic holding which is negligible compared to the total asset portfolio. Listed

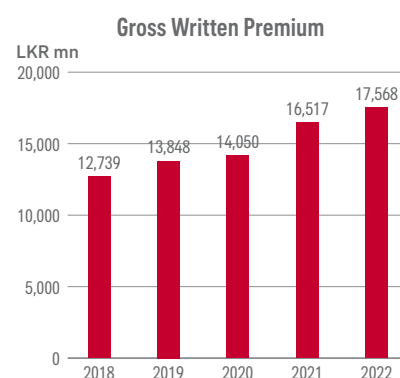
equity exposures are maintained in the two unit linked funds, and these are specifically to accommodate policyholder requirements and expectations.

## 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 17.6 billion in 2022 from LKR 16.5 billion in 2021 recording an annual growth of 6.4 per cent, notwithstanding the challenges in the operating environment that persisted throughout the financial year including high inflation, high interest rates, unprecedented currency depreciation, all contributing to drop in disposable income of people at large. However, 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 16.9 billion which is a 5.5 per cent growth over the previous year.

### Investment income

Investment income grew by 43 per cent LKR 8.5 billion in 2022 as a result of a diligently crafted investment strategy considering the reinvestment yields and potential risks surrounding the economic and social environment. Throughout the entirety of 2022, policy rates experienced multiple rate hikes amounting to 950 basis points, with treasury bond yields also reaching unprecedented levels. By the conclusion of the fourth quarter of 2022, the benchmark 1-year T-bill rate and 5-year bond yield had risen by 2,055 basis points and 1,608 basis points respectively. In terms of credit risk, AIA Sri Lanka portfolios are less susceptible to vagaries in the broader economy due to the prudent investment strategy outlined above.

### Total income

Total income increased to LKR 25.7 billion recording a growth of 9.6 per cent over the previous year. NWP and other income contributed 65.8 per cent and 34.2 per cent respectively to total income in 2022 and 68.4 per cent and 31.6 per cent respectively in 2021.

### Net claims and benefits

Net claims and benefits increased by 35.1 per cent to LKR 6.4 billion in 2022. 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. Death claims which is also an inclusion in net claims and benefits have declined in 2022 compared to the previous year.

### Operating and administrative expenses

The economic environment warranted tight expense controls and monitoring. Further, AIA Group assisted by absorbing centrally managed expenses amounting to LKR 1.9 billion to curtail operating expenses in the circumstances. Accordingly, the Company was able to curtail operating and administrative expenses at a degrowth of 11.5 per cent despite the higher inflation and currency depreciation.

### Change in contractual liability

Change in contractual liabilities for the year recorded a decrease of LKR 4.8 billion over the previous year. The movement is driven by the steep increase in 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 41.1 billion as of 31 December 2022, post the transfer effected during the year.

### Life surplus transfer

In 2022, LKR 963.1 million was transferred from the Life shareholders' fund to the policyholders' fund to further increase the reserves held within the policyholders' funds to ensure the reserves maintained on behalf of policyholders are well in excess of the requirements stipulated by the IRCSL.

### Profit after tax

The consolidated profit after tax was recorded at LKR 805.5 million which is a decline over the year due to the economic challenges observed in 2022.

### Analysis of Statement of Financial Position

The total assets at the end of FY 2022 amounted to LKR 65.6 billion, 9.2 per cent decrease from LKR 72.3 billion recorded for 2021. The substantial upward shift in market yields and the corresponding decreases in market prices of fixed income financial assets resulted in the significant decline in the value of financial assets for 2022. Financial assets represented 82.6 per cent of the total assets as at 31 December 2022.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**Property Plant and Equipment (PPE)**

The net book value of PPE decreased to LKR 584.5 million in 2022 from LKR 604.2 million in the previous year which is mainly due to the depreciation charge for the year. The Right of Use (ROU) Assets of LKR 746.6 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 122 and 134 respectively.

**Intangible assets**

Intangible assets recorded a degrowth of 13.2 per cent over the previous year and was recorded at LKR 1.2 billion by end of FY 2022. The degrowth is attributable to the amortisation of the software during the year netted off with the additions to the intangible assets.

**Reinsurance receivables**

Reinsurance receivables decreased by 14.1 per cent to LKR 137.6 million in 2022. 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 2022 amounted to LKR 41.1 billion, a decline from LKR 46.0 billion in 2021. The decrease 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 81 of this Annual Report 2022. 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 2022 was LKR 18.4 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 of the IRCSL.

The shareholders' equity level supports the Company to maintain a high Capital Adequacy Ratio. During the financial year AIA Group Limited invested a sum of LKR 2,690 million in stated capital of the Company to strengthen the capital position, in the context of the spike in interest rates. However, due to the unfavourable market price movements the Available for Sale (AFS) reserve has been reduced to negative LKR 3.8 billion by LKR 3.9 billion, recording a decline in total equity despite of the capital injection.

**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.

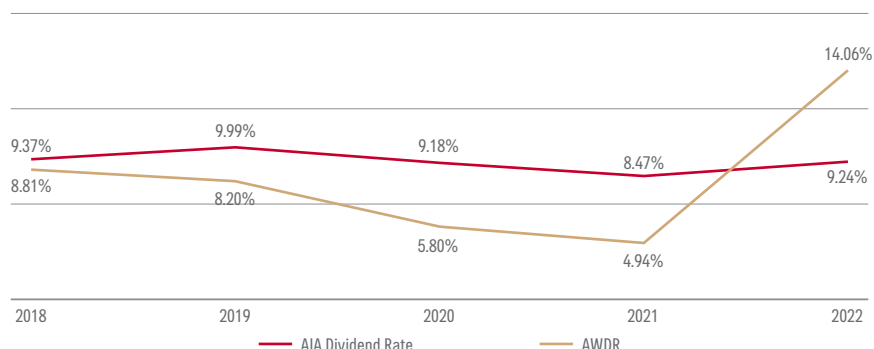
**Policyholder dividends**

In 2022 the declared policyholders' dividend rate was 9.24 per cent compared to the 8.47 per cent in the previous year for the 75 per cent cohort. Management was able to declare a superior 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.



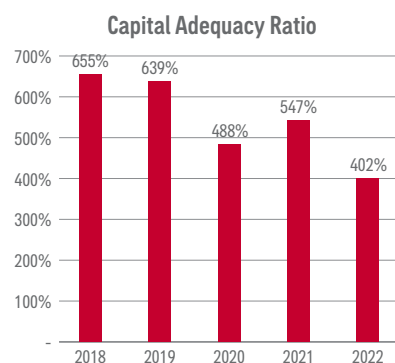
Dividend Rates and Average Weighted Deposit Rate (AWDR)



### 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 402 per cent by end 2022. The year-on-year decrease from 547 per cent in 2021 reflects the impact of interest rate movements despite of counter measure, including capital injection over the last 12 months.

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.

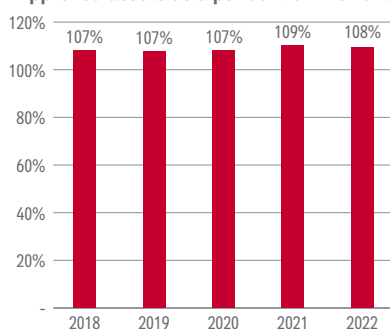


### Approved assets

Approved assets as a percentage of the long term insurance fund was 108.7 per cent in 2022, and higher than the requirement of 100 per cent. The approved asset ratio has remained relatively stable and high

over the past years, as reflected below.

Approved assets as a per cent of Life Fund



### Investments in government securities as a percentage of the life fund

Government securities represented 71.7 per cent of the long term insurance fund which is more than adequately surpasses the regulatory minimum of 30 per cent.

### OUTLOOK 2023

Sri Lanka stepped into 2023 on a positive note as the country was named as one of the best tourist destinations by several global forums recently, which was commensurate with a substantial growth in tourist arrivals over the past few months. Foreign worker remittances also demonstrated a growth trajectory over the past few months with the influence of the policy reforms imposed by CBSL.

As per the directives of the IMF, Sri Lanka is working towards a robust economic model by recalibrating the economy to improve foreign reserves position, to narrow down the fiscal deficit, debt sustainability, to control the inflationary pressure and to ensure social safety for population below the poverty line.

With the macroeconomic improvement, the Sri Lankan economy is expected to reach a steady state with future prospect of sustainable development. However, the journey there will not be easy, and Sri Lankans will have to rally together with perseverance and strength to get there.

We remain very optimistic about future prospects of the life insurance industry in Sri Lanka, although the industry is currently underperforming due to the current tough economic conditions. We support our view due to the current significant under penetration, Sri Lanka's ageing population, the envisaged entry to the upper middle-income level, greater awareness on health, savings and retirement particularly in this post COVID-19 environment, as well as the changes in lifestyle patterns that are factors that support our optimistic view on the long-term growth prospect for the industry. With our vision of being the pre-eminent life insurance provider in Sri Lanka, we are keen to be a part of Sri Lanka's insurance industry's journey.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

AIA Sri Lanka is committed to contributing towards the betterment of the Sri Lankan economy and society at large. AIA Sri Lanka offers a wide range of retirement, health, protection and savings solutions for all Sri Lankans, providing protection to customers at every stage of their lives. AIA Sri Lanka's enhanced propositions will provide unmatched benefits to the customers, catering to their protection, health and wealth creation needs, and fulfilling the brand promise of Healthier, Longer, Better Lives. This is also witnessed by AIA Sri Lanka's ESG journey.

We have stood strong in 2022 demonstrating that 'AIA is built strong and built to last'. We will continue that journey in 2023, while taking on any new challenges. The Company will focus on strengthening its distribution channels through quality recruitment and enhancing partnerships. We will also focus on enhancements in technology, data and analytics as a key enabler and driver, for improved efficiency and to deliver a unique customer experience, as part of building the 'Organisation of The Future'.





# Supporting our communities, Always.

## SOS CHILDREN'S VILLAGE DONATION

AIA Sri Lanka pledged to financially support the Monaragala SOS Children's Village for the year 2022, to sponsor the children's education and upbringing during the economic crisis. Also, AIA's volunteers took time to be with the beautiful children, their wonderful surrogate mothers and SOS officials who work tirelessly to make the children's world a better place.

## MEMBERS OF 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.

**STUART ANTHONY SPENCER***Non-Executive Director*

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

Mr. Stuart Anthony Spencer, serves as the Group Chief Marketing Officer of AIA, responsible for customer engagement, propositions, branding, AIA Vitality, communications, sponsorships, events, and marketing digitalisation - as well as AIA's Integrated Health Strategy, supporting AIA's ambition to make healthcare more accessible, more affordable and more effective for its customers. He is a Director of various companies within the Group and serves as Chairman of Amplify Health, AIA's Health InsurTech business in partnership with Discovery Limited.

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 CEO, General Insurance, Asia Pacific.

Mr. 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.



### ROBERT ALEXANDER HARTNETT

#### *Non-Executive Director*

Appointed to the Board of Directors of the Company on 29 September 2015.

Mr. Robert Alexander Hartnett is currently Regional Business Development Director and works with AIA Group's businesses in Thailand and Vietnam. Prior to this, Mr. Hartnett has also held leadership positions in AIA's New Zealand business where he was the Chief Financial Officer and Appointed Actuary and has also worked in AIA's Group Chief Actuary Office supporting AIA's Group Chief Actuary.

Before joining AIA in 2009, he was a Consulting Actuary working in the insurance and banking industries in Australia with PricewaterhouseCoopers performing both advisory and audit roles. He also worked with AXA for nine years in both Australia and the Philippines in actuarial and related finance functions.

Mr. Hartnett holds a bachelor of commerce from the University of Melbourne and is a Fellow of the Institute of Actuaries of Australia.



### 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 February 2010. He continued as an Executive Director until April 2012 and was declared an Independent Non-Executive Director in August 2012. He was an Independent Non-Executive Director of Sampath Bank PLC, and also served as the Commissioner of Sri Lanka Inventors Commission.

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). Mr. Sooriyaarachchi is a Management Consultant, Author, Trainer, and a Speaker.

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.



## MEMBERS OF THE 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. Mr. Wikramanayake 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.

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

He 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.

**CHATHURI MUNAWEERA***Executive Director*

Appointed as an Executive Director to the Board of Directors of the Company on 26 April 2022.

Ms. Chathuri Munaweera serves as the Chief Executive Officer / Principal Officer of the Company, responsible for leading overall business and management of the Company and expertise in executing and delivering complex business goals. She has over 22 years of leadership experience in the fields of corporate law, compliance, company secretarial practice, customer service and business operations.

Prior to becoming the CEO of the Company, Ms. Munaweera held number of senior positions in the Company, including Director Human Resources from 2005 to 2018, Chief Legal and Governance Officer from 2013 to 2022, Chief External Relations Liaisons Officer from 2018 to 2022 and Director Operations from 2019 to 2022.

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 of the International Compliance Association, UK. She is also a member of the Chartered Institute of Personal Management, UK. She served as the Company Secretary from 2008 to 2022.

She was recently recognized by the International Finance Corporation (IFC) as one of 16 trailblazers who are driving gender equality in Sri Lanka.





## 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 Agency Officer of the Company, responsible for driving the agency business operations in Sri Lanka. He manages over 4,000 agents, 100 branches and 400 agency leaders. 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 has also held the senior positions in the Company where he was appointed as the Specified Officer, Deputy Managing Director and Principal Officer of the Company.

Mr. Wijesinghe currently serves as a Director of Rainbow Trust Management Limited from 2017 which is a fully owned subsidiary of the Company. He also served as the President of Sri Lanka Insurance Institute from 2002 to 2003.

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.

*\* Pending approval of the Insurance Regulatory Commission of Sri Lanka.*

## EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM

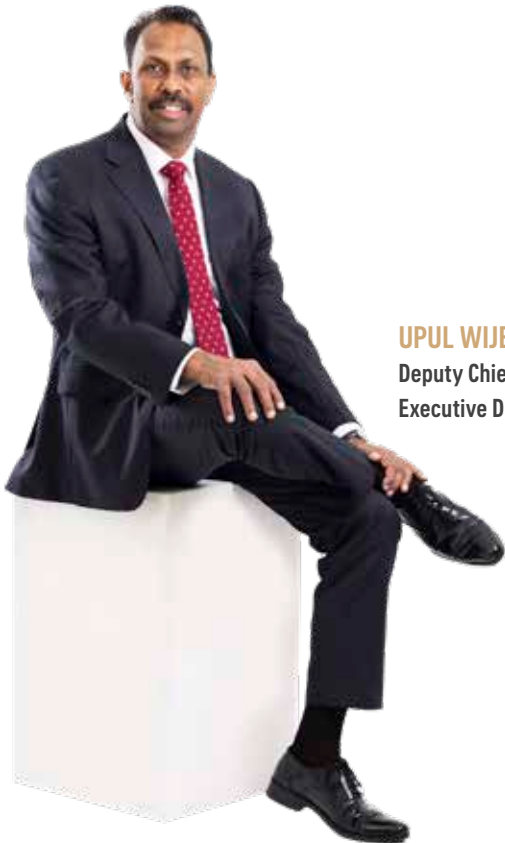
**CHATHURI MUNAWEERA**

Chief Executive Officer / Principal Officer / Executive Director



**UPUL WIJESINGHE**

Deputy Chief Executive Officer / Chief Agency Officer / Executive Director



**THUSHARI PERERA**  
Director Human Resources

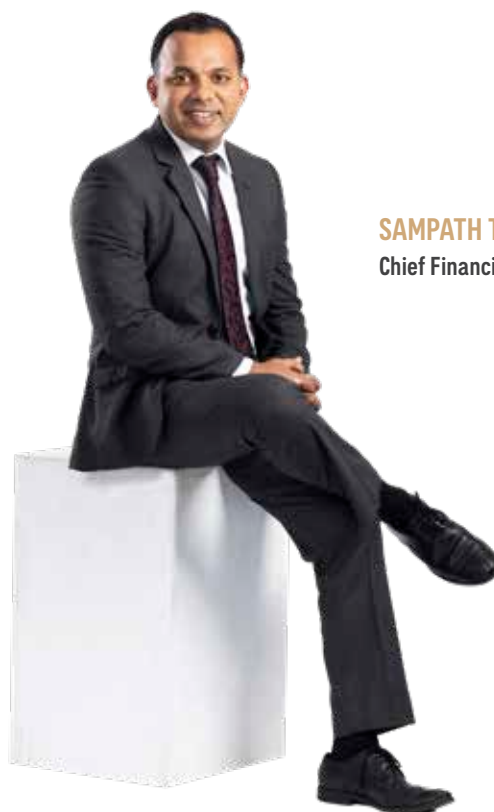


**UMESHI DE FONSEKA**

Chief Technology Officer /  
Director Information Technology

**SAMPATH THUSHARA**

Chief Financial Officer

**CHANAKA LIYANAGE**

Deputy Chief Agency Officer / Director Agency



## EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM



**SENAKA RAJAPAKSE**  
Director Partnership Distribution



**SURESH EDIRISINGHE**  
Director Operations / Specified Officer



**HASITHA MAPALAGAMA**  
Chief Risk and Compliance Officer





**SASITH BAMBARADENIYA**  
Chief Marketing Officer



**THUSARA RANASINGHE**  
Associate Director Legal / General Counsel /  
Company Secretary



**SAMATH PERERA**  
Chief Actuary

## EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM

**CHATHURI MUNAWEERA**

*Chief Executive Officer /  
Principal Officer / Executive Director*

Chathuri is the Chief Executive Officer / Principal Officer of AIA Insurance Lanka Limited and serves as an Executive Director on the Board. She counts over 22 years of leadership experience in the fields of corporate law, compliance, company secretarial practice, customer service and business operations and was previously the Company's Director Human Resources and thereafter the Director Operations.

Chathuri is a lawyer with bachelor and master's degrees in law and holds, 'ICA International Diploma in Compliance (Graduate)', International Compliance Association, University of Manchester, Manchester Business School, UK. She was recently recognised by the International Finance Corporation (IFC) as one of 16 trailblazers who are driving gender equality in Sri Lanka.

Chathuri is the first Sri Lankan CEO appointed by AIA Group Hong Kong to lead its Sri Lankan operations and is also the Company's first female CEO.

**UPUL WIJESINGHE**

*Deputy Chief Executive Officer /  
Chief Agency Officer /  
Executive Director*

Upul heads the Agency Distribution function and is the Deputy Chief Executive Officer/ Chief Agency Officer. He also serves as an Executive Director on the Board. His present forte also includes overseeing of AIA Sri Lanka Academy and Premier Agency Circle, dedicated for the development of sales and agency capability and maintaining high standards of professional agents in the Company.

He has held the positions of Specified Officer and Principal Officer of the Company. Having joined in 1989, he counts 34 years of experience in the insurance industry.

Upul holds a bachelor of science degree with honours from the University of Colombo and is an Associate of the Chartered Insurance Institute, UK. He holds a postgraduate diploma in actuarial science. He is an Alumni of the International Centre for Management Development, Switzerland. He was the President of Sri Lanka Insurance Institute in 2002 and 2003.

**THUSHARI PERERA**

*Director Human Resources*

Thushari heads the Human Resources and Facilities functions of the Company. She is a senior HR professional who counts over 16 years of experience in all areas of human resource management and leadership practices.

She is a Fellow Member of the Chartered Institute of Personnel and Development, UK and holds a master of business administration from the University of Wales Trinity Saint David, UK.

She is a licentiate in chemistry from the Institute of Chemistry Ceylon. She is a 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 HR forums including Insurance Association of Sri Lanka.

**UMESHI DE FONSEKA**

*Chief Technology Officer / Director IT*

Umeshi has been the Chief Technology Officer since 2019. He is responsible for providing leadership for technology, digital and analytics initiatives for AIA Sri Lanka. He counts over 20 years of experience in IT, e-commerce & digital transformation in many multinationals and diversified business conglomerates.

Prior to joining AIA, Umeshi was the Group General Manager of ICT and Digital Business of a leading conglomerate where he pioneered and led the cloud journey of the group while improving the business IT alignment. Concurrently Umeshi oversaw the corporate communications and group sustainability functions as well.

Umeshi holds a master's degree from Cardiff Metropolitan University and a bachelor of science in business information technology from Staffordshire University.

He has also completed his certification in digital business strategy from Massachusetts Institute of Technology (MIT). He is a member (Fellow) of the British Computer Society.

**SAMPATH THUSHARA**

*Chief Financial Officer*

Sampath leads the functions of Finance, Actuarial, Investments and Business Intelligence of the Company.

He has been with the Company for over 12 years and counts over 18 years of experience in the areas of finance and accounting including the exposure to audit and assurance, apparel manufacturing, telecommunication and insurance industries. Sampath is instrumental in implementing IFRS 17 given his deep knowledge on accounting standards and its application.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CASL) and an Associate Member of Chartered Institute of Management Accountants of UK (CIMA). He also holds a bachelor's degree in business administration from the University of Sri Jayewardenepura and a master's degree in business administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka.

### **CHANAKA LIYANAGE**

#### ***Deputy Chief Agency Officer / Director Agency***

As the Deputy Chief Agency Officer/ Director Agency, Chanaka is responsible in leading the agency distribution, agency digital transformation, Premier Agency Circle, AIA Sri Lanka Academy and strategic development for agency expansion and growth.

Chanaka has been with the Company since November 2019. Prior to the appointment as the Deputy Chief Agency Officer, he was seconded to AIA Group on a short term assignment. Prior to joining the Company, Chanaka worked in many senior roles in banking industry, where he counts 20 years of experience in sales, branch banking, collections & recoveries, call center and operations.

Chanaka holds a master's in business administration from the University of Southern Queensland, advance diploma in management accountancy (CIMA), and a diploma in Chartered Institute of Marketing (CIM).

### **SENAKA RAJAPAKSE**

#### ***Director Partnership Distribution***

Senaka is the Director of Partnership Distribution effective 23 March 2022.

He has a vast experience in sales and marketing over 23 years in the life insurance industry.

Senaka has been instrumental in improving business performances, as a result he was appointed the in-charge of the Partnership Distribution Channel. Under his leadership, Partnership Distribution substantially increased its activity, productivity to the highest ANP of the Company during past four years.

He completed his postgraduate diploma in business management from the Chartered Insurance Agency Management (CIAM) and postgraduate diploma in marketing awarded by Postgraduate Institute of Marketing (PIM). He was also awarded twice with LIMRA.

### **SURESH EDIRISINGHE**

#### ***Director Operations / Specified Officer***

Suresh leads the Life Operations function of the Company overseeing technical processes, digitalisation of customer journeys and transformation of operations towards simpler and faster customer service for a better customer experience.

He joined the Company in 1998 and has specialised in risk management, insurance operations, and customer experience management. He is also serving as the Specified Officer of the Company.

Suresh holds a MBA from the Postgraduate Institute of Management (PIM) of University of Sri Jayewardenepura, Sri Lanka and obtained his first degree from University of Moratuwa in the field of engineering with an honor. He is a Member of the Institute of Risk Management (UK) and a Member of the Chartered Institute of Insurance (UK). He has been awarded 'Certified Risk Professional' & 'Chartered Insurer' titles from these apex

institutions and is the first Sri Lankan to win memberships from both these institutions through examinations.

He is also a regular visiting lecturer at the Finance Department of University of Sri Jayewardenepura and the MBA unit of University of Colombo.

### **HASITHA MAPALAGAMA**

#### ***Chief Risk and Compliance Officer***

Hasitha leads the Risk and Compliance functions and has been with the Company since 2008.

He counts over 22 years experience in the fields of risk management, compliance, internal auditing and financial crime.

He holds a master of business administration from the Postgraduate Institute of Management - University of Sri Jayewardenepura, member of Chartered Institute of Management Accountants - UK, and also one of the early members in Sri Lanka to acquire the status of certified anti-money laundering specialist from the Association of Certified Anti-money Laundering Specialist - USA.

### **SASITH BAMBARADENIYA**

#### ***Chief Marketing Officer***

Sasith heads the Marketing function and is responsible for providing leadership for brand and communications, products and propositions, customer, research and channel marketing. He is a proven marketing leader with over 15 years of experience in marketing communications, strategic planning and operations leadership who had spearheaded some notable and award-winning campaigns and disruptive innovation in the local insurance industry.

## EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT TEAM

Having commenced his career at AIA, he accrued a unique combination of varied experiences across industries. With an appetite for creativity, empathy lead innovation and transformation, he holds a proven track record of building brands while aligning marketing activities to amplify sales capabilities.

Sasith's forte includes varied portfolios in product management, e-commerce, brand development and communications. He holds a MBA from the Postgraduate Institute of Management (PIM) University of Sri Jayewardenepura, and a bachelor's degree in business, major in marketing and management from the University of Newcastle, Australia.

**THUSARA RANASINGHE**

*Associate Director Legal / General Counsel / Company Secretary*

Thusara heads the Legal and Governance functions as a part of the senior management team and is also the General Counsel and the Company Secretary. He was appointed as a Director to the Rainbow Trust Management Limited which is the fully owned subsidiary of the Company.

He has 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. He counts over 19 years of experience in the insurance industry and more than 14 years with the Company. Thusara was the Chairman of the Legal Advisory Forum (LAF) of the Insurance Association of Sri Lanka from 2014 to 2015. He had a two-year engagement in a BPO associated with uninsured loss recoveries in a law firm based in Sheffield, UK.

He is an Attorney-at-Law and a Chartered Insurer having vast experience in corporate law, regulatory compliance, general and life insurance and specialised in insurance operations, dispute resolution and product development.

Thusara holds bachelor's degrees in arts and law and a master's degree in law. He is an Associate Member of the Chartered Insurance Institute, UK and a Fellow Member of the International Compliance Association, UK.

He also holds Post Attorney's diploma in banking and insurance law from the Sri Lanka Law College and a diploma in portfolio and investment management from Institute of Bankers' Sri Lanka.

He is also a visiting Lecturer at the University of Colombo from 2018 to date.

**SAMATH PERERA**

*Chief Actuary*

Samath is the Chief Actuary of AIA Insurance Lanka Limited, forming part of the senior management team.

He is a qualified actuary, Fellow member of the Society of Actuaries (USA) and holds a bachelor's degree majoring in actuarial studies from Macquarie University (Australia). In addition, he holds qualifications in risk, being qualified as Certified Enterprise Risk Analyst by the Society of Actuaries (USA) and having obtained a master's degree in Insurance and Risk Management from Deakin University (Australia).

He counts over 12 years of experience in a variety of actuarial and risk management roles for life insurers in Sri Lanka, Australia and New Zealand.



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

43

GOVERNANCE

The Board of Directors (the Directors / the Board) of AIA Insurance Lanka Limited (the Company / AIA Insurance Lanka) has pleasure in presenting their Annual Report on the affairs of the Company during the financial year ended 31 December 2022, together with the Audited Financial Statements for the year ended 31 December 2022 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 87 to 89 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 and 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 2022 and of future developments are contained in the Chairman's Message and the Chief Executive Officer's Review, with a detailed review including details of the Risk Management Framework being provided in the Management Discussion and Analysis and Risk Management Review segments on pages 16 to 30 and 72 to 73 respectively, 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 2022.

## CAPITAL ADEQUACY RATIOS

During the year under review, Sri Lanka faced a financial crisis of unprecedented severity and magnitude through which the Company was able to emerge unscathed largely due to the vigilance, foresight and proactive actions of the Company's management in taking immediate measures to safeguard and maintain the Company's capital adequacy and solvency ratios well above the Sri Lanka's insurance laws and regulations.

A fresh infusion of equity capital increased Company's stated capital to a total sum of LKR 3,201,921,896 by issuing 5,478,615 new ordinary (voting) shares to AIA CO.

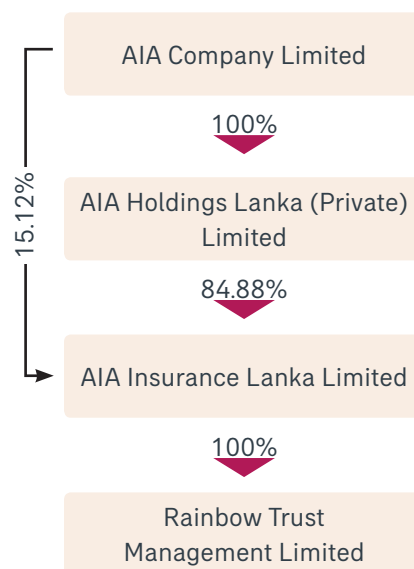
This demonstrates the AIA Group's commitment to invest in Sri Lanka.

## SHAREHOLDING STRUCTURE

As at 31 December 2022 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% in the Company and AIA Company Limited having a minority shareholding of 15.12% in the Company effective from 28 April 2022. AIA Holdings Lanka is a wholly owned subsidiary of AIA Company Limited.

The Company's shareholding structure and that of its subsidiary as at 31 December 2022 to date are as follows:



## STATED CAPITAL & RESERVES

The Company's stated capital as at 31 December 2022, was LKR 3,201,921,896 (LKR three billion two hundred and one million nine hundred and twenty one thousand eight hundred and ninety six only) 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 Company's stated capital increased by LKR 2,690,000,060 (LKR two billion six hundred and ninety million and sixty only) (As at 31 December 2022, LKR 3,201,921,896) pursuant to the equity capital infusion made by AIA Company Limited during the year under review.

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

The total capital and reserves for the Group was LKR 18,391 million as at 31 December 2022 (LKR 19,754 million as at 31 December 2021), the details of which are provided in Notes 24 to 27 to the Financial Statements.

### SHAREHOLDERS

As at 31 December 2022, the Company has two Shareholders, AIA Holdings Lanka and AIA Company Limited.

### 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 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 86 of this Report.

The Financial Statements duly signed by the Chief Financial Officer and the Directors are published on pages 90 to 149 and the External Auditors Report thereon is provided on pages 87 to 89 of the Annual Report.

### FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2022 and the state of the Group's affairs as at that date are set out in the Financial Statements on pages 90 to 149 of the Annual Report.

### INCOME

Total income of LKR 25,736 million (LKR 23,474 million as at 31 December 2021) comprises income generated from the Company's life insurance business and the trustee services provided by the Company's subsidiary.

### ACCOUNTING POLICIES

The significant accounting policies applied by the Company and by Group in preparing the Financial Statements are disclosed on pages 97 to 120 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 81 of the Annual Report.

### PROPERTY, PLANT AND EQUIPMENT

As at the date of Statement of Financial Position, the net book value of property, plant and equipment of the Group amounted to LKR 584 million while Right of Use (ROU) assets amounted to LKR 747 million.

During the financial year the capital expenditure on property, plant and equipment for the Company and the Group amounted to LKR 121 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 122 to 123 of the Annual Report.

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

The market values 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 122 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 4.5 million was recognised in 2022, totalling to a revaluation reserve of LKR 233 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 122 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 124 to 126.

## DONATIONS

The Board having duly considered the standing of the Company as a good corporate citizen, resolved to ratify a total sum of LKR 2,668,360 utilised as charitable donations for the year 2022. 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 in pages 105 to 110).

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 Group as at 31 December 2022, amounted LKR 15,189 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 93 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 136 and 143 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 in page 148 of the Annual Report.

## EMPLOYEES

AIA Insurance Lanka marked a remarkable year with the Company clinching with the Best Workplaces Award for the tenth consecutive year with 'LEGEND' status, Best Workplaces for Women for the fifth consecutive year and the Best Workplace in Banking, Financial Services and Insurance which is another first- time award.

In 2022, 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, having established AIA Insurance Lanka as a superlative employer of choice.

Additionally, AIA Insurance Lanka got recognised with the Best Organisational Culture Award by Women in Management and was among the Most Outstanding Women Friendly Workplaces in Sri Lanka awarded by Satynmag.com and CIMA Sri Lanka.

These are 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 16 to 30 of the Annual Report.

## 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 51 to 70.

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 confirm 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 86 of the Annual Report.

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

### INTERESTS REGISTER

The Company maintains an Interests Register in compliance with the requirements of the Companies Act No. 07 of 2007 (as amended). The particulars of entries made in the Interests 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 145 to 147 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.

- 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 2022:

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, including of acquisitions or disposals of such shares during the year under review.

- 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 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 2022, which have been duly approved by the Board, are stated below.

	Consolidated Fees	
	2022 LKR '000	2021 LKR '000
Directors' emoluments*	346,514	317,128
Directors' fees	9,600	8,900

\* The term 'Director' referred under emoluments includes the Chief Executive Officer as well.



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 2022 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
William Lisle *	22 June 2015	20 April 2022	Chairman of the Board & Non-Executive Director
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	-	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

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

- \* William Lisle passed away on 20 April 2022. Prior to his demise he held the office of Chairman of the Board and Non-Executive Director.
- \* Tan Hak Leh was appointed as the Chairman of the Board and a Non-Executive Director effective 15 July 2022.
- \* Chathuri Munaweera was appointed as an Executive Director effective 26 April 2022, in addition to being appointed as the Chief Executive Officer of the Company, effective 01 May 2022.

The Directors holding office as at the date of the Annual Report are indicated on pages 32 to 35. A brief resume of each Director including information on the nature of his/her expertise is set out on pages 32 to 35 of this Annual Report. Disclosures in relation to Non-Executive Directors and their status of independence are described on pages 58 to 59.

## COMPANY SECRETARY

Ms. Chathuri Munaweera resigned from the position of Company Secretary and Mr. Thusara Ranasinghe was appointed as the Company Secretary effective 30 March 2022.

## DIRECTORS RETIRING BY ROTATION

Mr. Stuart Anthony Spencer retires by rotation in terms of Article 25 (1) read with Article 25 (2) of the Articles of Association and being eligible is 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 32 of the Annual Report.

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

### BOARD SUB COMMITTEES

The sub committees of the Board, their composition and mandate are provided on pages 68 to 70 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.

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 (Appointed as Chairman & Director w.e.f. 15 July, 2022)	2	2	-	-	-	-	-	-	-	-	-	-
Nikhil Advani* (Resigned as CEO w.e.f. 30 April 2022)	1	1	2	2	1	1	1	1	-	-	-	-
Chathuri Munaweera (Appointed as Executive Director w.e.f. 26 April 2022 and as CEO w.e.f. 01 May 2022)	3	3	3	3	2	3	-	-	-	-	-	-
Deepal Sooriyaarachchi	4	4	5	5	-	-	1	1	3	4	1	1
William Lisle (Passed away on 20 April 2022)	1	1	-	-	-	-	1	1	-	-	1	1
Robert Alexander Hartnett	4	4	5	5	-	-	-	-	4	4	-	-
Drayton Sarath Palitha Wikramanayake	4	4	5	5	-	-	1	1	4	4	1	1
Stuart Anthony Spencer	3	4	-	-	-	-	-	-	-	-	-	-
Sampath Thushara*(Appointed as the CFO w.e.f. 15 July 2022)	2	2	3	3	2	2	-	-	-	-	-	-
Gavin D' Rosairo* (Resigned as the CFO w.e.f. 17 July 2022)	2	2	2	2	2	2	-	-	-	-	-	-
Samath Perera*	-	-	5	5	4	4	-	-	-	-	-	-
Hasitha Mapalagama*	3	3	5	5	4	4	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director 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.

## 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) in Insurance Contracts. IFRS 17 introduced significant changes to the current accounting and actuarial valuation methodologies adopted in insurance industry. The amendment will be effective from 01 January 2025 in Sri Lanka for statutory reporting requirements and Global Standard is made effective after 01 January 2023. A considerable amount of preparatory work carried out by the Company to adapt the new standard to be in line with the adoption to serve both local and group statutory reporting requirements.

## ENVIRONMENT, SOCIAL, GOVERNANCE (ESG)

The Company has used its best endeavours to comply with relevant environmental laws and regulations 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 taken by the Company to monitor the changes which will have an impact on ESG factors. New initiatives introduced to enhance environmentally friendly projects to staff engagement in the Company. Green Champion Certification campaign and the industry's first ever roof top garden are the key projects initiated in the year 2022 for staff engagement.

## 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 present External Auditors Messrs. PricewaterhouseCoopers, Chartered Accountants, who were appointed at the last Annual General Meeting to hold office during the year under review, 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 present External Auditors, Messrs. PricewaterhouseCoopers, Chartered Accountants, for both audit and non-audit services rendered for the year under review are stated below.

	Group	
	2022 LKR '000	2021 LKR '000
Audit and related services	5,523	5,841
Non-Audit services	11,042	1,009

Messrs. PricewaterhouseCoopers, 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.

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

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 13 February 2023.

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.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 06 April 2023 at 11.00 a.m. at AIA Insurance Lanka Limited, AIA Tower, 92, Dharmapala Mawatha, Colombo 07.

By order of the Board



**Tan Hak Leh**  
*Chairman / Director*



**Robert Alexander Hartnett**  
*Director*



**Thusara Ranasinghe**  
*Company Secretary*

Colombo  
13 February 2023



## STATEMENT OF COMPLIANCE

The highest standard of transparency, accountability, responsibility and equality are core values established in all spheres of management in the Company to maintain ethical business conduct across all aspects of its operations and decision-making process. These guiding principles are articulated in the code of conduct and stringent policy framework which endeavors to ensure fairness for every stakeholder of the Company. The governance structure of the Company ensures alignment of its business strategy and direction through effective engagement and communication with its stakeholders, board of directors and management. Principles of Good Corporate Governance helps the Company to build trust with its employees, regulators, shareholders, policyholders, customers, statutory authorities and other stakeholders. Comprehensive policies are shared with all the employees to read and understand the Company's governance structure to be more accountable in their day-to-day activities to protect the interests of all the stakeholders of the Company. As such, the Corporate Governance Report of the Company provides information beyond the minimum requirements as specified by applicable legal and regulatory provisions.

The year under review posed extraordinary challenges to Sri Lanka. An unprecedented economic downturn, spiralling interest rates and high inflation collectively provided corporate entities with a turbulent and volatile financial and economic environment within which to navigate. The Company continued moving forward with resilience and confidence with its capital adequacy and solvency ratios and margins

remaining well above the Sri Lanka's insurance laws and regulations. This was due to the foresight, and proactive actions taken by the Company's senior management team and their commitment to ensure consistent legal and regulatory compliance by the Company.

The Company was compliant with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (the IRCSL) during the year, in relation to advertising, marketing and quarterly returns submissions.

Additionally, the Company has established a robust Risk and Compliance functions with the stringent governance policies based on its ultimate holding company, AIA Group Limited standards. It has contributed towards the improvement of own Corporate Governance policies and practices, and also provided for added transparency in the Company's activities. Further information on the risk and compliance management standards provided in pages 72 to 73 of this report.

The Company is compliant with the requirements specified under the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and the Guidelines on Corporate Governance Framework issued by the Insurance Regulatory Commission of Sri Lanka (the IRCSL) in terms of appointments and composition of the Board of Directors.

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**

Corporate Governance is a mechanism of rules, practices and processes by which companies are directed and controlled to ensure corporate transparency, accountability, responsibility, independence, fairness and equality which an organization conducts its activities, while applying best management practices, complying with regulations. Corporate Governance report reflects how the Company monitor the actions, policies, practices and decisions of the Company and also the effect of their actions to all stakeholders. AIA Insurance Lanka Limited strongly believes the Corporate Governance lies with integrity, transparency and accountability in all spheres of management in the Company and it further extends to every department of the Company. It further recognises being a good corporate citizen is pivotal to promote efficiency, transparency and accountability within the organisation and the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders. The Company's philosophy on Corporate Governance is to manage the business in an ethical and responsible manner to improve the sustainable economic development and financial stability whilst recognising the importance of adopting high corporate governance standards to enhance shareholder value and safeguard stakeholder interest. It aims at enhancing long - term value for stakeholders including commitment to improve community well being through Corporate Social Responsibility initiatives. It is considered as an environment of trust, ethics, moral values and confidence and as a synergic effort of all constituents of the society.

## CORPORATE GOVERNANCE

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 reliability standards and deliver current and appropriate information about the company's financial performance.

The Board independence and diverse composition is essential to bring objectivity and transparency in the management and its dealings of the Company according to the Corporate Governance Philosophy in the Company. The primary objective of the Board of Directors of the Company is to adopt good governance policies and practices. Also to align the interest of the Board and the Management to ensure highest standards of ethical behaviour and risk management promoted at every level of the Company, whilst responsible for setting the strategic directions. This 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 No. 02 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 1980 (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

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 the companies in Sri Lanka is also required 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)

## STATUS OF COMPLIANCE WITH 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 was restated as the Direction No. 02 of 2022 (Revised) dated 25 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	Complied
Section B.2 (II)	Complied
Section B.3 (I)	Complied
Section B.4	Complied
Section B.5	Complied
Section B.6	Complied
Section B.7	Not applicable
Section B.8	Not applicable

Total number of requirements	10
Not applicable	2
Fully complied	7
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 25 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).	<p>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.</p> <p>The Company substantially complies with the requirements specified in the Code.</p>	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 RII 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.	<p>The Chairman Mr. Tan Hak Leh and the Directors Messrs. Robert Hartnett and Stuart Spencer hold Directorships for periods less than nine years.</p> <p>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.</p>	Complied



	Principle / Requirement	Commentary	Status of Compliance
B.2 (1)	<p>Notwithstanding above, the nine year rule shall not be applicable to the following director / director category:</p> <p>(i) Major Shareholder Director - A Director presenting 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.</p> <p>(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.</p>	Mr. Deepal Sooriyaarachchi serves as the majority shareholder Director of the Company based on the Company's current majority shareholder structure.	Complied
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 and is over 75 years of age as at 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 currently 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 57 to 62 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

	Principle / Requirement	Commentary	Status of Compliance
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 53 to 62 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
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

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
<b>7.10 Compliance</b>			
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 51 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 51 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 25 February 2022.	Complied
<b>7.10.1 Non-Executive Directors</b>			
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 seven Directors out of which five 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 30 March 2022, there were five members on the Board of Directors all of who were Non-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.	The Chairman of the Board Mr. William Lisle passed away on 20 April 2022. Ms. Chathuri Munaweera appointed to the Board as an Executive Director on 26 April 2022, in addition to being appointed as the Chief Executive Officer of the Company effective 01 May 2022. Mr. Tan Hak Leh appointed to the Board as the Chairman in place of Mr. William Lisle, effective 15 July 2022. As at 31 December 2022 there were 6 members on the Board out of which five of them are Non-Executive Directors.	Complied

	Rule	Commentary	Status of Compliance
<b>7.10.2 Independent Directors</b>			
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 five 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 33 to 34 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 against the said criteria.	Complied
<b>7.10.3 Disclosures relating to Directors</b>			
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 has served the Board continuously for a period exceeding fifteen 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 fifteen 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 32 to 35 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.  There were three Director appointments made during the year under review. Two Executive Directors and one Non-Executive Director were appointed. Resumes were submitted to the IRCSL confirming the expertise in the relevant functional areas by the appointed directors.	Complied
7.10.4	Criteria for Defining 'Independence'	Please refer narrations in 7.10.3.a and b respectively.	Complied

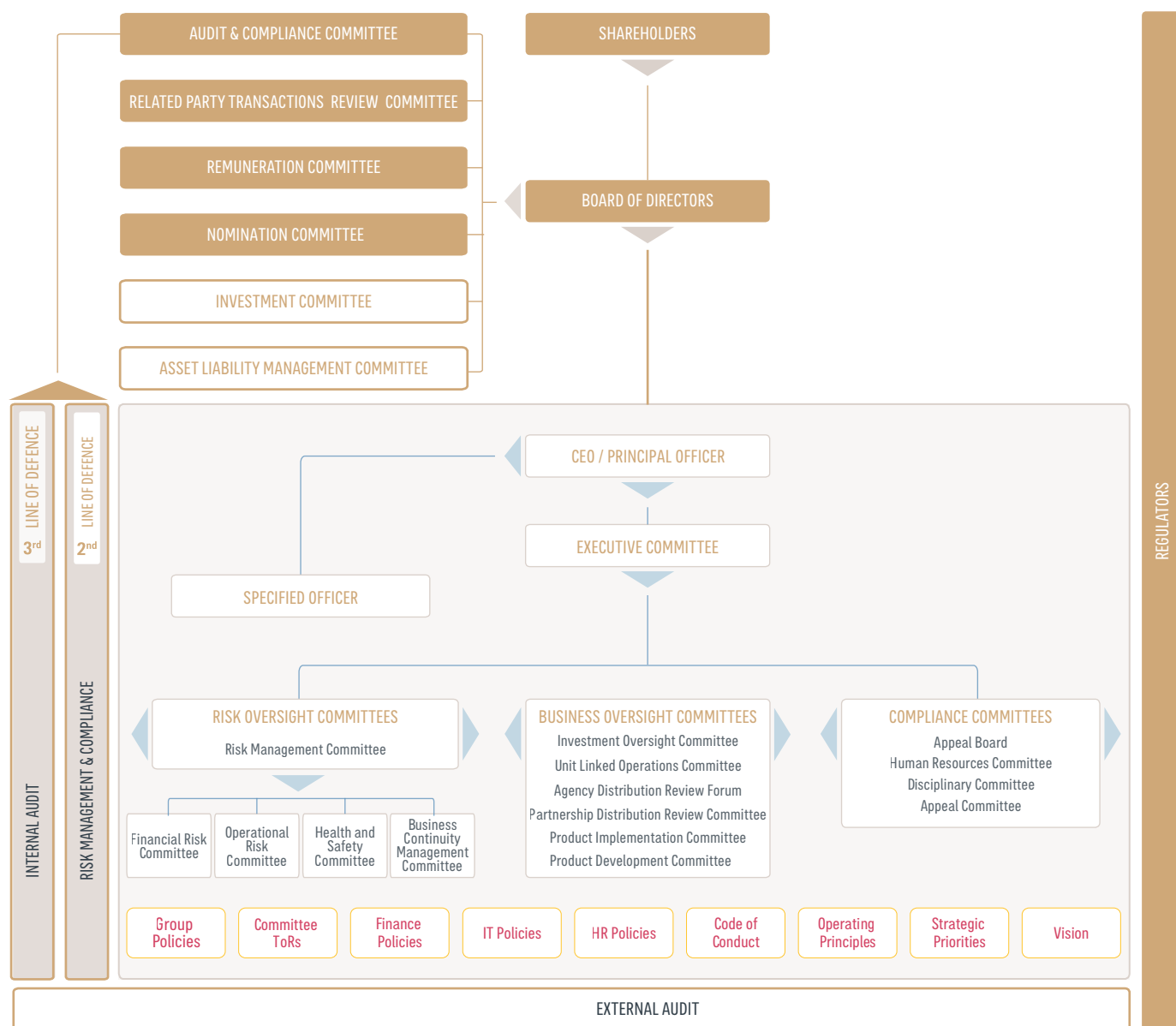
	Rule	Commentary	Status of Compliance
<b>7.10.5 Remuneration Committee</b>			
7.10.5.a	<p><b>COMPOSITION</b></p> <p>The remuneration committee shall comprise of a minimum of two independent Non-Executive Directors (in instances where an entity has only two directors on its Board);</p> <p>or</p> <p>of 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><b>FUNCTIONS</b></p> <p>The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed entity and / or equivalent position thereof, to the Board of the listed 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><b>DISCLOSURE IN THE ANNUAL REPORT</b></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 76 of this report. A statement of the remuneration policy is given under the Remuneration Committee Report on page 76 of this report. Disclosure of remuneration paid to Directors is given on page 46 of this report.</p>	Complied

	Rule	Commentary	Status of Compliance
<b>7.10.6 Audit Committee</b>			
7.10.6.a	<b>COMPOSITION</b> 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);  or  of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	The Audit Committee of the Company is named as Audit and Compliance Committee and consists of three Non-Executive Directors, two of whom are independent Non-Executive Directors.	Complied
	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.	The Company has appointed its own Audit Committee.	
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.  The Chief Executive Officer and the Chief Financial Officer of the entity shall attend Audit Committee meetings.  The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	The Committee fulfils the required qualifications and the qualifications of respective members of the Committee are given on page 74 of the report.  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.	
7.10.6.b	<b>FUNCTIONS</b> 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.	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, i. Oversees the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company in accordance with the Sri Lanka Accounting Standards.	Complied
	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.	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.	

## CORPORATE GOVERNANCE

	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 74 to 75 of this report.</p>	
7.10.6.c	<p><b>DISCLOSURE IN THE ANNUAL REPORT</b></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 for 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 74 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 75 of this report.</p> <p>Audit and Compliance Committee Report is given on pages 74 to 75 of this report.</p>	Complied
7.10.7	<p>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.</p>	<p>This requirement is not applicable as the Company was compliant with Rule 7.10.</p>	Not Applicable





## THE BOARD OF DIRECTORS

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

Mr. William Lisle passed away on 20 April 2022 in Hong Kong, after a brief illness. Prior to his demise he held the office of Chairman of the Board and a Non-Executive Director. He was also the Chairman to the Nomination and Remuneration Committees of the Company. Mr. Tan Hak Leh was appointed as a Non-Executive Director and the Chairman of the Board of Directors

in place of Mr. William Lisle, effective from 15 July 2022. He is also the Chairman of the Company's Nomination and Remuneration Committees. Ms. Chathuri Munaweera was appointed to the Board as an Executive Director effective from 26 April 2022 in addition to being appointed as the Chief Executive Officer of the Company effective from 01 May 2022, pursuant to the resignation of Mr. Nikhil Ashvani Advani as CEO effective 30 April 2022, in order to take up the position of CEO in AIA Thailand. Mr. Upul Wijesinghe appointed to the Board

as an Executive Director, effective 30 January 2023 subject to the regulatory approval from the IRCSL. The Board of Directors has overall responsibility to guide and supervise the management and strategic direction of the Company and are accountable to the shareholders for the stewardship of the Company and of its resources. The Board meets at least once 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.

## CORPORATE GOVERNANCE

The Board of Directors are fully briefed about their roles, duties, rights and responsibilities in the Company and on all business-related matters, risk assessments, internal procedures and new initiatives proposed by the Company. Additionally, the Board of Directors are provided with formal training courses organized by the Company, regulator or by the Group to ensure the continued development of Board members' skills and capabilities.

Certain functions of the Board have been delegated to a number of Board sub committees to support the Board in the discharge of its governance and oversight responsibilities while allowing more specialized knowledge to be brought into the overall decision-making process. Such delegation has been effected within the framework of the Companies Act No.07 of 2007 (as amended). The governance and oversight of the functions of functions audit and compliance, remuneration, board appointments / re-elections and related party transactions are thus supported via the Board's Audit and Compliance Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee respectively. Information on the Board sub committees is provided on pages 68 to 70 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 71 of this report. The committees are required to report their activities to the Board on a quarterly / annual basis and communications between the committees and the Board

take place as appropriate. The reporting by the Board committees cover the update of activities of regular meetings held on delegated authorities and decisions taken or recommendations made by these committees. The functions of the Board of Directors and Board committees are regulated primarily by the Articles of Association, Board Terms of Reference, the respective Board sub committee Terms of Reference and where applicable, rules, regulations and legislations in force. Further information about the Board of Directors is given on the pages 32 to 35 of this report.

### THE CHIEF EXECUTIVE OFFICER (CEO)

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 Board is empowered to delegate to the CEO, who is the senior most executive officer of the Company, the responsibilities pertaining to the executive management of the Company, with power to sub-delegate. The CEO reports to the Chairman of the Board of Directors on all matters pertaining to the day-to-day management of the Company's business, its direction and operations in accordance with the policies and objectives set by the Board. The CEO's portfolio of work also involves developing, and recommending the Company's policies and strategies which reflect the long-term objectives and priorities approved by the Board and to ensure that best corporate operational practices are followed at all times.

### THE EXECUTIVE COMMITTEE

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

In addition to the above officials, Associate Director Legal / General Counsel and the Chief Actuary attends the meetings of the Executive Committee as invitees.

### 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 Regional Chief Risk Officer and reporting to the CEO.

By establishing the Risk function has been 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 72 to 73 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 CCO's function is also responsible for matters arising from the operations of the Company. 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.

The frameworks within the Company lend support to the Board of Directors, Chief Executive Officer and the Executive Committee to ensure that a sound corporate governance framework is in place. The Company complies with applicable statutory and regulatory requirements, rules and guidelines and to manage the business operations in the best interests of all stakeholders.

## CORPORATE GOVERNANCE

## GOVERNANCE COMMITTEES

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

	Committee	Responsibility	Membership	TOR/ Charter
1	Risk Management Committee	<p>Financial Risk Committee and Operational Risk Committee function within the mandate of the Risk Management Committee.</p> <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>Chief Risk and Compliance Officer</p> <p>Nominated members of management</p>	✓
2	Health & Safety Committee	<p>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>	<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	<p>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>	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Business Continuity Manager</p>	✓
4	Investment Oversight Committee	<p>Responsible for reviewing, monitoring and providing oversight to the investment portfolios, especially on investment strategy, investment exposures and investment performance.</p>	<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 &amp; 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 &amp; 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>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>Responsible for hearing the appeals from agents who believes that they are aggrieved by the decisions of the investigation's unit.</p>	<p>Associate Director - Legal / General Counsel (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>	

## CORPORATE GOVERNANCE

	Committee	Responsibility	Membership	TOR/ Charter
10	Disciplinary Committee	Responsible for the proactive management and issue resolution of employee grievances and disciplinary matters.	Director Human Resources (Chair) Associate Director Legal / General Counsel 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 Board 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	Robert Hartnett (Non-Executive Director)
Members	Deepal Sooriyaarachchi (Independent Non-Executive Director) Sarath Wikramanayake (Independent 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.**

<b>Audit and Compliance Committee Contd.</b>	
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> <li>• 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.</li> <li>• To review and report to the Board on the effectiveness of the systems of internal controls and risk management.</li> <li>• To review the quality of internal and external audits and to secure the timely implementation of audit recommendations.</li> <li>• To ensure that the Internal Audit function is adequately resourced, has an appropriate standing and to ensure coordination between the Internal and External Auditors.</li> <li>• 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.</li> <li>• 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.</li> <li>• To review the effectiveness of the corporate compliance framework with financial services and other relevant legislation.</li> <li>• To review the scope of each annual audit and its cost effectiveness with the External Auditors and the management.</li> <li>• 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.</li> </ul>
<b>Remuneration Committee</b>	
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"> <li>• To review and approve the remuneration policy applicable to employees of the Company.</li> <li>• To recommend to the Board the remuneration to be paid to Directors, the Chief Executive Officer and their perquisites and allowances.</li> <li>• To review and approve the grant of employees' stock options (if and when applicable) subject to the approval of the Board.</li> </ul>

Related Party Transactions Review Committee	
Chairman	Deepal Sooriyaarachchi (Independent Non-Executive Director)
Members	Robert Hartnett (Non-Executive Director) Sarath Wikramanayake (Independent Non-Executive Director)
Secretary	Devika Weerakoon - Senior Manager Legal
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"> <li>To oversee that all related party transactions of the Company are duly reviewed, undertaken and disclosed.</li> <li>To ensure compliance with the Code of Best Practices on Related Party transactions and the Listing Rules of the CSE.</li> </ul>

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"> <li>To review and recommend any appointment of new Directors to the Board of Directors.</li> <li>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.</li> <li>To provide advice and recommendations to the Board or the Chairman on any such appointment.</li> <li>To consider the selection and appointment of a chairman in case a vacancy arises.</li> <li>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.</li> </ul>

## 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"> <li>To design and review the Company's investment policy and place same before the Board of Directors for approval.</li> <li>To implement the investment policy as approved by the Board of Directors.</li> <li>To apprise the Board of Directors periodically on the Committee's activities.</li> <li>To monitor investment performance and recommend appropriate investment strategies.</li> <li>To review the adequacy of internal control systems and risk management systems.</li> <li>To ensure that the portfolios are managed to achieve their investment objectives whilst adhering to regulatory requirements.</li> <li>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.</li> </ul>

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 - Assistant 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"> <li>To provide oversight of asset liability management policies, processes and controls and the implementation of asset liability management decisions and strategic asset allocation processes.</li> <li>To monitor and review the Company's risk appetites for liquidity position, solvency position and liabilities profile.</li> <li>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.</li> </ul>



## 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 AND APPETITE

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 2022

In 2022, AIA Sri Lanka's risk management efforts were aimed at addressing business impact stemming from significant economic and political uncertainties. The Company focused on ensuring that its capital position remained well above the regulatory threshold, while also maintaining sufficient liquidity to fulfill customer obligations promptly. Additionally, the Company prioritised business continuity to ensure that it could continue to serve customers and employees despite the challenging and uncertain environment.

The function contributed and enhanced Risk oversight through control automation within the organization in inspiring the new norm of business.

Automation life cycle was designed to support all three lines of defence and lead them to converge, identifying opportunities to use the latest

technology to operate, monitor and test the controls thus addressing all the requirements in one place.

As a part of operational risk management, AIA Sri Lanka ensured that the business is adequately aware of the risks that are undertaken and the appropriate controls in place in the processes and are monitored by increasing the first line risk ownership.

The Company's risk culture is enhanced by engaging staff to own and manage the risk of the business and thus providing assurance to the Board and regulators, which enables a strong risk governance philosophy throughout the business.

Financial risk is monitored for capital, liquidity, credit, earnings and interest rates, against the defined risk tolerance and limits.

Another important development in the Company's risk sphere was the initiatives that were deployed in terms of managing the cyber security and third-party risk of the business. Aligning with AIA Group's initiatives, AIA Sri Lanka actively engaged in key actions on cyber security, data privacy and third-party risk.

### OUTLOOK FOR 2023

Having established a strong risk management framework which has been operating effectively over the last few years, the focus of 2023 is to continue the risk management journey as a dedicated facilitator and enabler, whilst ensuring that the business is heading towards achieving its business plan objectives. Therefore, the motto of the Risk function for 2023 is that AIA Sri Lanka will 'Embrace the ever-changing journey and keep looking

ahead' for sustainable, resilient and enhanced performance of the business. This will continue to achieve the Company's Strategic priorities through effective Risk Management by providing constructive challenge and risk assurance, enriching the risk and compliance community while increasing business engagement, providing better stakeholder assurance and embracing digitalisation and innovation.

The above initiatives will be established in line with the operational risk and control framework and with a more strengthened financial risk management framework.

Consequently, AIA Sri Lanka will execute transformation strategies in many aspects of its business and operations led by ambition, changes in environment and regulatory requirements, making the business better equipped to face the challenges on its journey advancing towards more digital and an 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, 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 2022;

1. Mr. Robert Alexander Hartnett  
- Chairman (Non-Executive Director)
2. Mr. Deepal Sooriyaarachchi  
- Member (Independent Non-Executive Director)
3. Mr. Sarath Wikramanayake  
- Member (Independent Non-Executive Director)

Mr. Deepal Sooriyaarachchi and Mr. Sarath Wikramanayake function in the Committee as independent Non-Executive Directors. Mr. Robert Alexander Hartnett is a fellow of the Institute of Actuaries of Australia and Mr. Sarath Wikramanayake is a Chartered Accountant and is a fellow of the Institute of Chartered Accountants of Sri Lanka. 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. 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. Messrs. PricewaterhouseCoopers, Chartered Accountants, being the appointed External Auditor of the Company has submitted the Management Letter for the year 2021 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 Committee received quarterly updates of regulatory liaisons. 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 actions plans for the Company to navigate such adverse conditions.

#### 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. PricewaterhouseCoopers, 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. PricewaterhouseCoopers, 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. PricewaterhouseCoopers, Chartered Accountants be re-appointed as Statutory Auditors of the Company for the financial year ending 31 December 2023, subject to approval by the shareholders at the forthcoming Annual General Meeting. The Committee will approve the terms of engagement of the auditors for 2023 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 2023.



**Robert Alexander Hartnett**  
*Chairman, Audit and Compliance Committee*

13 February 2023

## 76 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 2022, the Committee comprised of the following Directors.

1. Tan Hak Leh  
(Non-Executive Director) - Chairman (appointed on 15 July 2022).
2. Deepal Sooriyaarachchi  
(Independent Non-Executive Director) - Committee Member.
3. Sarath Wikramanayake  
(Independent Non-Executive Director) - Committee Member.

\*William Lisle (Non-Executive Director) was the Chairman of the Committee until his demise on 20 April 2022.

### 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 2022, the Committee held two meetings in order to discharge its businesses.



**Tan Hak Leh**  
*Chairman, Remuneration Committee*

13 February 2023



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## COMPOSITION

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 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 complies 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.

The Committee comprises of the following Directors of the Company as of 31 December 2022.

1. Mr. Deepal Sooriyaarachchi  
- Chairman (Independent Non-Executive Director)
2. Mr. Robert Alexander Hartnett -  
Member (Non-Executive Director)
3. Mr. Sarath Wikramanayake  
- Member (Independent Non-Executive Director)

## 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. 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.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

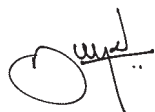
**Transfer Pricing Regulation Related Disclosures**

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. 2104 / 4 issued by the Inland Revenue Department (the IRD) for the financial year 2021/22 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*

13 February 2023

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 2022, as appointed by the Board of Directors.

1. Tan Hak Leh (Non-Executive Director) - Chairman of the Committee, appointed on 15 July 2022
2. Deepal Sooriyaarachchi (Independent Non-Executive Director) - Committee Member
3. Sarath Wikramanayake (Independent Non-Executive Director) - Committee Member

\* William Lisle who held the office of Non-Executive Director was the Chairman of the Committee until his demise on 20 April 2022.

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.

The Committee is also charged with considering matters relating to succession planning for the office of Chief Executive Officer and all key management personnel of the Company and to make recommendations on any other matter/s referred to the Committee by the Board of Directors.

## 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*

13 February 2023

## 80 INVESTMENT COMMITTEE REPORT

### 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 <i>Chief Executive Officer / Principal Officer / Executive Director</i> (Chairman from 09 May 2022)	09 May 2022	To date
Nikhil Advani <i>Chief Executive Officer / Principal Officer</i> (Chairman from 05 July 2019 to 08 May 2022)	05 July 2019	30 April 2022
Sampath Thushara <i>Chief Financial Officer</i>	18 July 2022	To date
Gavin D' Rosairo <i>Chief Financial Officer</i>	14 August 2012	17 July 2022
Hasitha Mapalagama <i>Chief Risk &amp; Compliance Officer</i>	30 May 2017	To date
Samath Perera <i>Chief Actuary</i>	12 August 2020	To date
Zarah Juriansz <i>Head Investments</i> (Secretary from 05 May 2011)	05 May 2011	To date

### MEETINGS AND ATTENDANCE

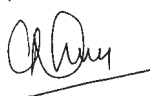
The Investment Committee meets at least four times during the year and the fund manager attends the meeting on invitation by the Committee. The Investment Committee convened on four occasions during 2022 and given below is the members' attendance.

### ATTENDANCE

Member	08 Feb 2022	09 May 2022	04 Aug 2022	08 Nov 2022
Chathuri Munaweera	-	✓	x	✓
Nikhil Advani	✓	-	-	-
Sampath Thushara	-	✓	✓	✓
Gavin D' Rosairo	✓	✓	-	-
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*

08 February 2023



AIA Insurance Lanka Limited (Co. No. PQ18 PB)  
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To the shareholder of AIA Insurance Lanka Limited

## ACTUARIAL VALUATION AND SOLVENCY OF AIA INSURANCE LANKA LIMITED AS AT 31 DECEMBER 2022

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 2022 and surplus / deficit transfer to shareholder account from the life fund was subject to the independent audit by external auditors Messrs PricewaterhouseCoopers.

I hereby certify the following;

1. Adequate and proper reserves have been provided for as at 31 December 2022 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 2022, 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 11.09 per cent / 9.86 per cent / 9.24 per cent for policies with dividend rates of 90 per cent / 80 per cent / 75 per cent respectively for the financial year ending 31 December 2022.

**Samath Perera**  
Fellow, Society of Actuaries, USA

13 February 2023



## 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.

	2022 LKR m	2021 LKR m
1 Value of admissible assets	55,542	63,171
2 Value of liabilities		
2.1 Policy liabilities	24,358	30,845
2.2 Other liabilities	7,147	7,761
3 Total Available Capital (TAC)	24,037	24,565
4 Risk Based Capital Requirement (RCR)	5,986	4,490
5 Risk Based Capital Adequacy Ratio (CAR) = (TAC/RCR)	402%	547%
6 Regulatory stipulated minimum Capital Adequacy Ratio	120%	120%
7 Company's CAR as a proportion of the stipulated regulatory CAR	3.35x	4.56x

## 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.

	2022 LKR m	2021 LKR m
1 Approved assets maintained in the long-term insurance business	39,674	44,613
2 Long term insurance fund	36,509	40,732
3 Excess in approved assets over the long-term insurance fund	3,166	3,880
4 Approved assets as a % of the long-term insurance fund	108.7%	109.5%
5 Ratio required	100%	100%

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

Financial Statements of the Company and the Group for the year ended 31 December 2022, have been 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 of the Company and the Group 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 of the Company and the Group 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 of the Company and Group 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 of the Company and the Group were audited by Messrs PricewaterhouseCoopers Chartered Accountants, the External Auditors of the Company.

The audit opinion issued by the External Auditors is provided from pages 87 to 89.

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

13 February 2023

## DIRECTORS' STATEMENT OF RESPONSIBILITY ON FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group in accordance with applicable laws and regulations. These responsibilities differ from the responsibilities of the External Auditors, which are set out in their Report on pages 87 to 89 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 2023-2025, 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 2022 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

Colombo  
13 February 2023





## To the Shareholders of AIA Insurance Lanka Limited

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of AIA Insurance Lanka Limited ("the Company") and the consolidated financial statements of the Company and its subsidiary company ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 December 2022;
- the income statement 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 significant accounting policies and other explanatory information.

#### 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 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"), and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

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T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, [www.pwc.com/lk](http://www.pwc.com/lk)

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

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# 88 INDEPENDENT AUDITOR'S REPORT

## 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.

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 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's / 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 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.

#### **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.



**CHARTERED ACCOUNTANTS**

COLOMBO

13 February 2023

# 90 STATEMENT OF FINANCIAL POSITION

As at 31 December		Group		Company	
		2022	2021	2022	2021
	Note	LKR '000	LKR '000	LKR '000	LKR '000
<b>ASSETS</b>					
Intangible assets	6	1,170,048	1,347,912	1,170,048	1,347,912
Property, plant and equipment	7	584,490	604,169	584,490	604,169
Right of use assets - leases	19	746,567	897,449	746,567	897,449
Investments in subsidiary	8	-	-	1,000	1,000
Financial investments	9	54,204,899	63,621,988	54,204,899	63,621,988
Policyholder and other loans	10	405,728	472,817	405,728	472,817
Deferred income tax assets	11	1,668,859	297,061	1,668,859	297,061
Reinsurance receivables	12 & 17.2	137,581	160,130	137,581	160,130
Trade receivables	13	416,961	409,458	416,495	408,965
Other assets	14	4,687,775	3,360,595	4,687,775	3,360,595
Other fund assets	15	401,993	432,160	401,993	432,160
Cash and cash equivalents	16	1,215,394	665,050	1,212,349	659,595
<b>Total assets</b>		<b>65,640,295</b>	<b>72,268,789</b>	<b>65,637,784</b>	<b>72,263,841</b>
<b>LIABILITIES</b>					
Insurance liabilities	17	41,136,945	46,019,744	41,136,945	46,019,744
Retirement benefit obligations	18	255,614	333,207	255,614	333,207
Lease liabilities	19	819,169	931,836	819,169	931,836
Other fund liabilities	20	401,993	432,160	401,993	432,160
Reinsurance payables		100,973	385,839	100,973	385,839
Accruals and other payables	21	3,647,382	4,281,762	3,646,498	4,281,464
Current income tax liabilities	22	114	197	-	-
Deferred revenue	23	58,580	55,257	58,580	55,257
Bank overdraft	16	828,670	75,238	828,670	75,238
<b>Total liabilities</b>		<b>47,249,440</b>	<b>52,515,240</b>	<b>47,248,442</b>	<b>52,514,745</b>
<b>EQUITY</b>					
Stated capital	24	3,201,922	511,922	3,201,922	511,922
Capital reserve	25	232,916	228,416	232,916	228,416
Restricted regulatory reserve	26	6,080,848	6,080,848	6,080,848	6,080,848
Revenue reserves	27	8,875,169	12,932,363	8,873,656	12,927,910
<b>Total equity</b>		<b>18,390,855</b>	<b>19,753,549</b>	<b>18,389,342</b>	<b>19,749,096</b>
<b>Total equity and liabilities</b>		<b>65,640,295</b>	<b>72,268,789</b>	<b>65,637,784</b>	<b>72,263,841</b>

The notes on the pages 97 to 149 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 97 to 149 were authorised for issue by the Board of Directors on 13 February 2023 and were signed on its behalf.



**Tan Hak Leh**  
Chairman / Director



**Robert Alexander Hartnett**  
Director

# INCOME STATEMENT

For the financial year ended 31 December	Note	Group		Company	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Gross written premium	28 (a)	17,568,325	16,517,328	17,568,325	16,517,328
Gross reinsurance premium	28 (b)	(639,339)	(466,810)	(639,339)	(466,810)
<b>Net written premium</b>	28	16,928,986	16,050,518	16,928,986	16,050,518
<b>Other Income</b>					
Investment income	29	8,505,469	5,925,757	8,509,469	5,925,757
Fee income	30	1,319,851	1,067,264	1,317,964	1,065,288
Net realised gains / (losses)	31	(110,967)	54,997	(110,967)	54,997
Net fair value gains / (losses)	32	(468,256)	340,282	(468,256)	340,282
Other operating income / (losses)	33	(439,378)	35,228	(439,878)	34,987
<b>Total other income</b>		8,806,719	7,423,528	8,808,332	7,421,311
<b>Total income</b>		<b>25,735,705</b>	<b>23,474,046</b>	<b>25,737,318</b>	<b>23,471,829</b>
Net claims and benefits	34	(6,446,807)	(4,771,809)	(6,446,807)	(4,771,809)
Change in contractual liability	17.1	(10,282,388)	(7,393,495)	(10,282,388)	(7,393,495)
Net acquisition expenses	35	(2,029,806)	(2,088,963)	(2,029,806)	(2,088,963)
Operating and administrative expenses	36	(5,789,987)	(6,545,621)	(5,788,996)	(6,545,043)
Finance expenses	19.3	(93,391)	(105,393)	(93,391)	(105,393)
<b>Profit before tax</b>	37	1,093,326	2,568,765	1,095,930	2,567,126
Income tax expense	38	(287,777)	(796,754)	(287,441)	(796,416)
<b>Profit for the year</b>	39	<b>805,549</b>	<b>1,772,011</b>	<b>808,489</b>	<b>1,770,710</b>
Profit attributable to;					
Owners of the parent		805,549	1,772,011	808,489	1,770,710
Non-controlling interest		-	-	-	-
		<b>805,549</b>	<b>1,772,011</b>	<b>808,489</b>	<b>1,770,710</b>
Basic / diluted earnings per share (in LKR)	40	23.39	57.63	23.47	57.59
Dividend per share (in LKR)	41	35.00	30.00	35.00	30.00

The notes on the pages 97 to 149 are an integral part of these Financial Statements.



## STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December	Note	Group		Company	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Profit for the year		805,549	1,772,011	808,489	1,770,710
<b>Other Comprehensive Income</b>					
<b>Items that are / may be subsequently reclassified to profit or loss</b>					
Changes in fair value of available for sale financial assets	27.1	(17,719,795)	(7,742,425)	(17,719,795)	(7,742,425)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	13,838,171	6,013,829	13,838,171	6,013,829
<b>Items that will not be reclassified to profit or loss</b>					
Re-measurement of retirement benefit obligations	18	95,109	37,599	95,109	37,599
Revaluation of land	25	4,500	12,180	4,500	12,180
<b>Total other comprehensive income for the year</b>		<b>(3,782,015)</b>	<b>(1,678,817)</b>	<b>(3,782,015)</b>	<b>(1,678,817)</b>
<b>Total comprehensive income for the year</b>		<b>(2,976,466)</b>	<b>93,194</b>	<b>(2,973,526)</b>	<b>91,893</b>
<b>Comprehensive income attributable to ;</b>					
Owners of the parent		(2,976,466)	93,194	(2,973,526)	91,893
Non-controlling interest		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>(2,976,466)</b>	<b>93,194</b>	<b>(2,973,526)</b>	<b>91,893</b>

Items disclosed in the statement above are net of tax.

The notes on the pages 97 to 149 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 2021		511,922	216,236	6,080,848	1,766,854	12,006,976	20,582,836
Profit for the year		-	-	-	-	1,772,011	1,772,011
<b>OTHER COMPREHENSIVE INCOME</b>							
<b>Items that are / may be subsequently reclassified to profit or loss</b>							
Changes in fair value of available for sale financial assets	27.1	-	-	-	(7,742,425)	-	(7,742,425)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	6,013,829	-	6,013,829
<b>Items that will not be reclassified to profit or loss</b>							
Re-measurement of retirement benefit obligations	18	-	-	-	-	37,599	37,599
Revaluation of land	25	-	12,180	-	-	-	12,180
<b>TRANSACTIONS WITH OWNERS:</b>							
First and final dividend for 2020	41	-	-	-	-	(922,481)	(922,481)
<b>Balance as at 31 December 2021</b>		<b>511,922</b>	<b>228,416</b>	<b>6,080,848</b>	<b>38,258</b>	<b>12,894,105</b>	<b>19,753,549</b>
Profit for the year		-	-	-	-	805,549	805,549
<b>OTHER COMPREHENSIVE INCOME</b>							
<b>Items that are / may be subsequently reclassified to profit or loss</b>							
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
<b>Items that will not be reclassified to profit or loss</b>							
Re-measurement of retirement benefit obligations	18	-	-	-	-	95,109	95,109
Revaluation of land	25	-	4,500	-	-	-	4,500
<b>TRANSACTIONS WITH OWNERS:</b>							
Issue of share capital	24	2,690,000	-	-	-	-	2,690,000
First and final dividend for 2021	41	-	-	-	-	(1,076,228)	(1,076,228)
<b>Balance as at 31 December 2022</b>		<b>3,201,922</b>	<b>232,916</b>	<b>6,080,848</b>	<b>(3,843,366)</b>	<b>12,718,535</b>	<b>18,390,855</b>

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 97 to 149 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 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 2021		511,922	216,236	6,080,848	1,766,854	12,003,824	20,579,684
Profit for the year		-	-	-	-	1,770,710	1,770,710
<b>OTHER COMPREHENSIVE INCOME</b>							
<b>Items that are / may be subsequently reclassified to profit or loss</b>							
Changes in fair value of available for sale financial assets	27.1	-	-	-	(7,742,425)	-	(7,742,425)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	6,013,829	-	6,013,829
<b>Items that will not be reclassified to profit or loss</b>							
Re-measurement of retirement benefit obligations	18	-	-	-	-	37,599	37,599
Revaluation of land	25	-	12,180	-	-	-	12,180
<b>TRANSACTIONS WITH OWNERS:</b>							
First and final dividend for 2020	41	-	-	-	-	(922,481)	(922,481)
<b>Balance as at 31 December 2021</b>		<b>511,922</b>	<b>228,416</b>	<b>6,080,848</b>	<b>38,258</b>	<b>12,889,652</b>	<b>19,749,096</b>
Profit for the year		-	-	-	-	808,489	808,489
<b>OTHER COMPREHENSIVE INCOME</b>							
<b>Items that are / may be subsequently reclassified to profit or loss</b>							
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
<b>Items that will not be reclassified to profit or loss</b>							
Re-measurement of retirement benefit obligations	18	-	-	-	-	95,109	95,109
Revaluation of land	25	-	4,500	-	-	-	4,500
<b>TRANSACTIONS WITH OWNERS:</b>							
Issue of share capital	24	2,690,000	-	-	-	-	2,690,000
First and final dividend for 2021	41	-	-	-	-	(1,076,228)	(1,076,228)
<b>Balance as at 31 December 2022</b>		<b>3,201,922</b>	<b>232,916</b>	<b>6,080,848</b>	<b>(3,843,366)</b>	<b>12,717,022</b>	<b>18,389,342</b>

The notes on the pages 97 to 149 are an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the financial year ended 31 December		Group		Company	
		2022	2021	2022	2021
	Note	LKR '000	LKR '000	LKR '000	LKR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Premiums / fees received from customers		17,361,203	16,410,984	17,359,290	16,409,032
Reinsurance premium (net of claims & commission) recovered / (paid)		(468,274)	46,413	(468,274)	46,413
Claims and benefits paid		(7,048,853)	(4,971,327)	(7,048,853)	(4,971,327)
Cash paid to and on behalf of employees		(1,686,910)	(2,029,059)	(1,686,910)	(2,029,059)
Interest received		114,049	130,198	113,549	129,957
Short term lease rentals paid	19.4	(7,211)	(10,087)	(7,211)	(10,087)
Payments to agents and intermediaries		(2,211,993)	(2,103,267)	(2,211,993)	(2,103,267)
Other operating cash payments		(4,513,427)	(3,511,913)	(4,513,023)	(3,511,289)
<b>Cash flow generated from operating activities</b>		<b>1,538,584</b>	<b>3,961,942</b>	<b>1,536,575</b>	<b>3,960,373</b>
Taxes paid	22	(433)	(370)	-	-
Policy loans granted		(240,264)	(185,435)	(240,264)	(185,435)
Policy loans repayment		287,305	285,403	287,305	285,403
<b>Net cash generated from operating activities</b>		<b>1,585,192</b>	<b>4,061,540</b>	<b>1,583,616</b>	<b>4,060,341</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of liquid investments	9.4	(8,174,456)	(4,160,927)	(8,174,456)	(4,160,927)
Purchase of other investments	9.4	(7,529,610)	(22,412,365)	(7,529,610)	(22,412,365)
Proceeds from sale of liquid investments	9.4	2,057,225	5,391,420	2,057,225	5,391,420
Proceeds from sale of other investments	9.4	4,416,816	12,969,299	4,416,816	12,969,299
Investment expenses		(112,325)	(108,365)	(112,325)	(108,365)
Interest received - financial investments		6,312,083	5,075,525	6,312,069	5,075,526
Dividend received		71,760	84,278	75,760	84,278
Purchase of intangible assets	6	(38,840)	(123,642)	(38,840)	(123,642)
Purchase of property, plant and equipment	7	(120,639)	(68,803)	(120,639)	(68,803)
Purchases for assets under construction	6 & 7	(30,460)	(164,337)	(30,460)	(164,337)
Proceeds from disposal of property, plant and equipment		2,348	15,912	2,348	15,912
<b>Net cash used in investing activities</b>		<b>(3,146,098)</b>	<b>(3,502,005)</b>	<b>(3,142,112)</b>	<b>(3,502,004)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares	24	2,690,000	-	2,690,000	-
Dividends paid	41	(1,076,228)	(922,481)	(1,076,228)	(922,481)
Principal payment of lease liabilities	19.4	(162,563)	(167,690)	(162,563)	(167,690)
Interest paid - leases	19.4	(93,391)	(105,393)	(93,391)	(105,393)
<b>Net cash used in financing activities</b>		<b>1,357,818</b>	<b>(1,195,564)</b>	<b>1,357,818</b>	<b>(1,195,564)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(203,088)</b>	<b>(636,029)</b>	<b>(200,678)</b>	<b>(637,226)</b>
Cash and cash equivalents (net of bank overdraft) at the beginning of the year		589,812	1,225,841	584,357	1,221,583
<b>Cash and cash equivalents (net of bank overdraft) at the end of the year</b>	<b>16</b>	<b>386,724</b>	<b>589,812</b>	<b>383,679</b>	<b>584,357</b>

The notes on the pages 97 to 149 are an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL

## STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL

As at 31 December	Note	2022 LKR '000	2021 LKR '000
<b>ASSETS</b>			
Financial investments		40,789,472	46,768,281
Policyholder and other loans		257,021	304,087
Reinsurance receivables		137,581	160,130
Premium receivables		416,495	408,965
Other assets		3,208,260	2,176,952
Cash and cash equivalents		623,171	658,362
<b>Total assets</b>		<b>45,432,000</b>	<b>50,476,777</b>
<b>LIABILITIES</b>			
Insurance liabilities	17	41,136,945	46,019,744
Reinsurance payables		100,973	385,839
Accruals and other payables		3,307,053	3,940,699
Deferred revenue		58,580	55,257
Bank overdraft		828,449	75,238
<b>Total liabilities</b>		<b>45,432,000</b>	<b>50,476,777</b>

## INSURANCE REVENUE ACCOUNT - SUPPLEMENTAL

For the financial year ended 31 December	Note	2022 LKR '000	2021 LKR '000
Gross written premium	28(a)	17,568,325	16,517,328
Net written premium (net of premium ceded to reinsurers)	28(b)	16,928,986	16,050,518
Investment income and other income		5,330,351	4,788,857
Charges deducted from policyholders fund		1,316,831	1,065,151
Net claims and benefits	34	(6,446,807)	(4,771,809)
Net acquisition expenses	35	(2,029,806)	(2,088,963)
Operating and administrative expenses		(5,780,271)	(6,520,508)
		<b>9,319,284</b>	<b>8,523,246</b>
Change in contractual liability	17.1	(10,282,388)	(7,393,495)
<b>Surplus transfer to / (deficit transfer from) shareholders' fund</b>		<b>(963,104)</b>	<b>1,129,751</b>



# NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 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.

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 Consolidated Financial Statements for the year ending 31 December 2022 have been authorised for issue by the Board of Directors on 13 February 2023.

## 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. 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 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies 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 16, Property, Plant and Equipment

Proceeds before intended use - this amendment prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

produced that are not an output of the entity's ordinary activities. This amendment is effective for the annual periods beginning on or after 01 January 2022.

(ii) **Amendments to SLFRS 3, Reference to the Conceptual Framework**

Minor amendments were made to SLFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

This amendment is effective for the annual periods beginning on or after 01 January 2022.

(iii) **Amendments to LKAS 37, Onerous Contracts - Cost of Fulfilling a Contract**

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 01 January 2022.

(iv) **Annual improvements to IFRS Standards 2018-2020**

The following improvements were finalised in May 2020:

IFRS 9 Financial Instruments - clarifies which fees should be included in the 10 per cent test for derecognition of financial liabilities.

IFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities

that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the Parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

These amendments are effective for the annual periods beginning on or after 01 January 2022.

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 ) but not mandatory for annual reporting periods ending 31 December 2022.

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

SLFRS 17 was issued as 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 2025. There has been a considerable amount of 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.

- The Company has not applied SLFRS 9 before; and
- 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%. Accordingly, the Company qualifies as a pure insurance company.

As at 31 December	2022 LKR '000	2021 LKR '000
Insurance contract liability	41,136,945	46,019,744
Reinsurance payable	100,973	385,839
Deferred revenue	58,580	55,257
Liabilities connected with insurance	45,432,000	50,476,777
Total liabilities	47,248,442	52,514,745
Predominance ratio	90%	93%

**(iii) Classification of Liabilities as Current or Non-current - Amendments to IAS 1**

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or

non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg; the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 01 January 2023.

This amendment is not yet adopted in Sri Lanka.

**(iv) Definition of Accounting Estimates (Amendments to LKAS 8)**

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

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

**(v) Amendment to LKAS 12 - Deferred tax related to assets and liabilities arising from a single transaction**

LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations - transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

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

(vi) **Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendment to IFRS 17)**

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of Financial Statements.

IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 01 January 2025. This amendment is not yet adopted in Sri Lanka.

### 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 value 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.

### 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.

##### 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. 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 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 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 2021 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 and unrealised gains or losses recognised in statement of other comprehensive income. In the case of AFS assets of the life policyholders' fund such unrealised gains / losses are transferred to the long term insurance liability through the Statement of Other 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.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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.

### 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 are 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.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 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.

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

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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.

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 Other 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 AIA 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 JUDGMENT

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

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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.

### 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 & 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.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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 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	2022		2021	
	LKR '000	%	LKR '000	%
Government securities	29,117,733	53.7	43,112,068	67.8
Reverse repurchase agreements	13,096,068	24.2	5,006,567	7.9
Corporate debt	11,082,027	20.4	12,704,425	19.9
Fixed deposits	104,613	0.2	1,097,899	1.7
Equity	804,458	1.5	1,701,029	2.7
<b>Total</b>	<b>54,204,899</b>	<b>100.0</b>	<b>63,621,988</b>	<b>100.0</b>

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 Policy 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 Coverage 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 twelve 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 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 2022	1 Year LKR '000	1 Year - 5 Years LKR '000	5 Years - 10 Years LKR '000	Over 10 Years LKR '000	No stated maturity LKR '000	Total LKR '000
<b>FINANCIAL ASSETS</b>						
<b>Available for sale</b>						
Government securities	8,251,381	24,482,322	29,807,833	8,140,122	-	70,681,658
Equity instruments	-	-	-	-	33,081	33,081
<b>Loans and receivables</b>						
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
<b>Fair value through profit or loss</b>						
Equity instruments	-	-	-	-	771,377	771,377
<b>Other loans and receivables</b>						
Premium 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
	<b>29,704,575</b>	<b>28,563,451</b>	<b>34,538,973</b>	<b>8,140,122</b>	<b>1,055,532</b>	<b>102,002,653</b>
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>						
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
	<b>1,259,843</b>	<b>706,563</b>	<b>11,135</b>	<b>-</b>	<b>-</b>	<b>1,977,541</b>

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

As at 31 December 2021	1 Year	1 Year - 5 Years	5 Years - 10 Years	Over 10 Years	No stated maturity	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>FINANCIAL ASSETS</b>						
<b>Available for sale</b>						
Government securities	6,024,757	23,788,711	37,548,189	24,778,214	-	92,139,871
Equity instruments	-	-	-	-	51,473	51,473
<b>Loans and receivables</b>						
Reverse repurchase agreements	5,054,317	-	-	-	-	5,054,317
Corporate debt	2,986,709	9,882,461	7,085,875	-	-	19,955,045
Fixed deposits	1,129,365	-	-	-	-	1,129,365
<b>Fair value through profit or loss</b>						
Equity instruments	-	-	-	-	1,649,556	1,649,556
<b>Other loans and receivables</b>						
Premium receivables / trade receivables	408,965	-	-	-	-	408,965
Reinsurance assets	160,130	-	-	-	-	160,130
Policy loans	-	-	-	-	298,116	298,116
Other receivables	103,404	61,614	117	-	-	165,135
Cash and cash equivalents	659,595	-	-	-	-	659,595
	<b>16,527,242</b>	<b>33,732,786</b>	<b>44,634,181</b>	<b>24,778,214</b>	<b>1,999,145</b>	<b>121,671,568</b>
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>						
Lease liability	228,530	932,489	16,376	-	-	1,177,395
Agency commission payable	301,174	-	-	-	-	301,174
Franchise fee payable	20,953	-	-	-	-	20,953
Bank overdraft	75,238	-	-	-	-	75,238
	<b>625,895</b>	<b>932,489</b>	<b>16,376</b>	<b>-</b>	<b>-</b>	<b>1,574,760</b>

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 Credit Risk Management Policy 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 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.

The Company has a Collateral Management Policy and maintained haircuts in the range of (4 per cent -12 per cent) on investments in reverse repurchase agreements in 2022. (Refer the table on page 116 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 2022 and 2021.

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As at 31 December 2022	Risk-free LKR '000	AAA LKR '000	AA LKR '000	A LKR '000	BBB LKR '000	Non-rated LKR '000	Total LKR '000
<b>Available for sale</b>							
Government securities	29,117,733	-	-	-	-	-	29,117,733
<b>Loans and receivables</b>							
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
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
	<b>42,213,817</b>	<b>8,025</b>	<b>5,068,541</b>	<b>6,936,221</b>	<b>386,186</b>	<b>959,804</b>	<b>55,572,594</b>

As at 31 December 2021	Risk-free LKR '000	AAA LKR '000	AA LKR '000	A LKR '000	BBB LKR '000	Non-rated LKR '000	Total LKR '000
<b>Available for sale</b>							
Government securities	43,112,068	-	-	-	-	-	43,112,068
<b>Loans and receivables</b>							
Reverse repurchase agreements	5,006,567	-	-	-	-	-	5,006,567
Corporate debt	-	-	5,904,425	6,800,000	-	-	12,704,425
Fixed deposits	-	-	1,043,286	54,613	-	-	1,097,899
Premium receivables	-	-	-	-	-	408,965	408,965
Reinsurance assets	-	-	-	-	-	160,130	160,130
Policy loans	-	-	-	-	-	298,116	298,116
Other receivables	-	-	-	-	-	174,701	174,701
Cash and cash equivalents	16	3,244	39,921	148,744	467,670	-	659,595
	<b>48,118,651</b>	<b>3,244</b>	<b>6,987,632</b>	<b>7,003,357</b>	<b>467,670</b>	<b>1,041,912</b>	<b>63,622,466</b>

As at 31 December	2022 LKR '000	2021 LKR '000
Carrying value of investments in reverse repurchase agreements *	13,096,068	5,006,567
Fair value of collateral *	15,283,796	5,538,926
Excess value of collateral	2,187,728	532,359
<b>Margin</b>	<b>16.7%</b>	<b>10.6%</b>

\*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 source 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 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
Premium receivable	-	416,494	416,494
Reinsurance assets	-	137,581	137,581
Cash and cash equivalents	1,031,554	180,795	1,212,349
	<b>54,781,935</b>	<b>790,657</b>	<b>55,572,592</b>

As at 31 December 2021	Fixed interest LKR '000	Non-interest bearing LKR '000	Total LKR '000
Loans and deposits	377,422	95,395	472,817
Debt securities	61,920,959	-	61,920,959
Premium receivable	-	408,965	408,965
Reinsurance assets	-	160,130	160,130
Cash and cash equivalents	237,714	421,881	659,595
	<b>62,536,095</b>	<b>1,086,371</b>	<b>63,622,466</b>

#### 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 SIGNIFICANT ACCOUNTING POLICIES

## 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 subcommittee 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.

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 Market Risk Management Policy 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.

As at 31 December Impact to;	2022		2021	
	Net asset value / equity LKR '000	Profit before tax LKR '000	Net asset value / equity LKR '000	Profit before tax LKR '000
Interest rate risk				
+ 100 basis points	1,893,415	2,158,415	(1,492,065)	(2,390,535)
- 100 basis points	(2,219,822)	(2,498,822)	1,662,636	2,427,377

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

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.

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 has a retention limit of LKR 7 million on any single life insured. The Company reinsures the excess of the insured benefit over LKR 7 million for standard risks (from a medical point of view). 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 behavior.

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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 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 2022 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 579 million; 2.3 per cent of the policy liability. Decreasing lapse rates by 20.0 per cent would lead to a decrease in policy liabilities of LKR 426 million; 1.75 per cent of the policy liability. Increasing lapse rates by 20.0 per cent would lead to an increase in policy liabilities of LKR 408 million; 1.7 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 (Company increased stated capital to LKR 3.2 billion during the year whereas the current minimum capital requirement is LKR 500 million only).

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			
		2022			2021
		Contractual relationships LKR '000	Computer software LKR '000	Capital work in progress LKR '000	Total LKR '000
Cost		895,991	1,356,278	297,598	2,549,867
(Less) Accumulated amortisation		(343,460)	(858,495)	-	(1,201,955)
<b>Net book value as at 01 January</b>		<b>552,531</b>	<b>497,783</b>	<b>297,598</b>	<b>1,347,912</b>
Additions		-	38,840	30,460	69,300
Amortisation charge	36	(38,124)	(173,607)	-	(211,731)
Amounts capitalised to intangible assets		-	85,895	(85,895)	-
De-recognition during the period		(133,511)	-	(183)	(133,694)
Accumulated amortisation on de-recognition		98,261	-	-	98,261
<b>Net book value as at 31 December</b>		<b>479,157</b>	<b>448,911</b>	<b>241,980</b>	<b>1,170,048</b>
Cost		762,480	1,481,003	241,980	2,485,463
(Less) Accumulated amortisation		(283,323)	(1,032,092)	-	(1,315,415)
<b>Net book value as at 31 December</b>		<b>479,157</b>	<b>448,911</b>	<b>241,980</b>	<b>1,170,048</b>

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 amounted to LKR 561,270,847 (2021- LKR 570,422,366) as at the reporting date.

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31 December 2022. 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 items is 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	
	2022 LKR '000	2021 LKR '000
Approved and contracted for intangible assets	1,295	4,417

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 7 PROPERTY, PLANT AND EQUIPMENT

		Group / Company						
		2022						2021
	Note	Freehold land	Leasehold improvements	Computer & telecommunication equipment	Furniture, fittings, plant & machinery	Motor vehicles	Total	Total
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost / revaluation		245,500	261,178	627,936	537,332	177,582	1,849,528	1,809,963
(Less) Accumulated depreciation		-	(89,463)	(561,612)	(451,699)	(142,585)	(1,245,359)	(1,096,267)
Net book value as at 01 January		245,500	171,715	66,324	85,633	34,997	604,169	713,696
Additions		-	22,710	76,917	21,012	-	120,639	68,803
Revaluation surplus	25	4,500	-	-	-	-	4,500	12,180
Depreciation charge	36	-	(29,106)	(47,322)	(44,213)	(23,052)	(143,693)	(184,859)
Disposals		-	-	(4,023)	(15,123)	-	(19,146)	(41,418)
Accumulated depreciation on disposals		-	-	3,182	14,839	-	18,021	35,767
Net book value as at 31 December		250,000	165,319	95,078	62,148	11,945	584,490	604,169
Cost / revaluation		250,000	283,888	700,830	543,221	177,582	1,955,521	1,849,528
(Less) Accumulated depreciation		-	(118,569)	(605,752)	(481,073)	(165,637)	(1,371,031)	(1,245,359)
Net book value as at 31 December		250,000	165,319	95,078	62,148	11,945	584,490	604,169

Property, plant and equipment includes fully depreciated assets still in use, the gross carrying value of which amounted to LKR 1,090,925,025 ( 2021- LKR 687,815,339 ) 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 other comprehensive income annually.

As at 31 December				Group / Company			
				2022		2021	
				Revalued Amount LKR '000	Carrying Value LKR '000	Revalued Amount LKR '000	Carrying Value 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 9.8 million)	250,000	250,000	245,500	245,500

### Valuation techniques used to derive level III fair values

Fair value of land has been derived 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 2022	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 2022 and as 2021, the fair value of the land has been determined by 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 (2021 - 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	
	2022 LKR '000	2021 LKR '000
Approved and contracted for property, plant and equipment	19,115	51,083

## 8 INVESTMENTS IN SUBSIDIARY

As at 31 December	Country of incorporation and place of business	Nature of business	Number of Shares	% holding	2022 LKR '000	2021 LKR '000
Rainbow Trust Management Limited (measured at cost)	Sri Lanka	Provision of trust and ancillary services	100,000	100	1,000	1,000
			<b>100,000</b>	<b>100</b>	<b>1,000</b>	<b>1,000</b>

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 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			
		2022		2021	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Loans and receivables	9.1	24,282,708	21,340,446	18,808,891	18,764,395
Available for sale financial assets	9.2	29,150,814	29,150,814	43,163,541	43,163,541
Financial assets at fair value through profit or loss	9.3	771,377	771,377	1,649,556	1,649,556
<b>Total Financial investments</b>		<b>54,204,899</b>	<b>51,262,637</b>	<b>63,621,988</b>	<b>63,577,492</b>

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. As at the date of the Statement of Financial Position, none of these financial assets are either past due or impaired.

#### 9.1 Loans and receivables

As at 31 December	Group / Company			
	2022		2021	
	Amortised cost LKR '000	Fair value LKR '000	Amortised cost LKR '000	Fair value LKR '000
<b>Amortised cost</b>				
Corporate debt - listed	11,082,027	7,832,826	12,704,425	12,746,320
Reverse repurchase agreements	13,096,068	13,407,097	5,006,567	4,920,593
Bank deposits	104,613	100,523	1,097,899	1,097,482
<b>Total loans and receivables</b>	<b>24,282,708</b>	<b>21,340,446</b>	<b>18,808,891</b>	<b>18,764,395</b>

As at 31 December	Group / Company	
	2022	2021
	LKR '000	LKR '000
Loans and receivables at amortised cost		
Current	17,930,498	7,804,167
Non-current	6,352,210	11,004,724
<b>Total loans and receivables</b>	<b>24,282,708</b>	<b>18,808,891</b>

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 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	
		2022 LKR '000	2021 LKR '000
<b>Financial Investment</b>	<b>Nature of the collateral</b>		
Reverse repurchase agreements	- Government treasury bills	1,337,586	686,500
	- Government treasury bonds	13,946,210	4,852,426
		<b>15,283,796</b>	<b>5,538,926</b>

## 9.2 Available for Sale financial assets

As at 31 December		2022 LKR '000	2021 LKR '000
Government securities		29,117,733	43,112,068
Equity instruments - listed		33,081	51,473
<b>Total available for sale financial assets</b>		<b>29,150,814</b>	<b>43,163,541</b>
Available for sale financial assets			
Current		2,268,269	1,200,328
Non-current		26,882,545	41,963,213
<b>Total available for sale financial assets</b>		<b>29,150,814</b>	<b>43,163,541</b>

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	
		2022 LKR '000	2021 LKR '000
Equity instruments - listed		771,377	1,649,556
<b>Total financial assets at fair value through profit or loss</b>		<b>771,377</b>	<b>1,649,556</b>
Financial assets at fair value through profit or loss			
Current		771,377	1,649,556
Non-current		-	-
<b>Total financial assets at fair value through profit or loss</b>		<b>771,377</b>	<b>1,649,556</b>

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 SIGNIFICANT ACCOUNTING POLICIES

### 9 FINANCIAL INVESTMENTS CONTD.

9.4 Movement in the Group's financial instruments are summarised in the table below by measurement category:

	Group / Company				
	2022				2021
	Loans and receivables	Available for sale	Fair value through profit or loss	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January	18,808,891	43,163,541	1,649,556	63,621,988	63,094,067
Purchases	8,939,613	6,405,949	358,504	15,704,066	26,573,292
(Sales) / (maturities)	(4,542,731)	(1,277,030)	(654,280)	(6,474,041)	(18,360,719)
Realised gains / (losses)	-	1,957	(114,147)	(112,190)	44,782
Amortisation of discount / (premiums)	1,076,935	235,431	-	1,312,366	347,737
Fair value gains / (losses) recorded in Income Statement	-	-	(468,256)	(468,256)	340,282
Gross fair value gains / (losses) recorded in the Statement of Other Comprehensive Income	-	(19,379,034)	-	(19,379,034)	(8,417,453)
Balance as at 31 December	24,282,708	29,150,814	771,377	54,204,899	63,621,988

### 9.5 Determination of fair value and fair value hierarchy

As at 31 December	Group / Company	
	2022 LKR '000	2021 LKR '000
<b>Level I</b>		
<b>Loans and receivables</b>		
Corporate debt - listed	7,832,826	12,746,320
<b>Financial assets at fair value through profit or loss</b>		
Equity instruments - quoted	771,377	1,649,556
<b>Available for sale financial assets</b>		
Equity instruments - quoted	33,081	51,473
<b>Level II</b>		
<b>Loans and receivables</b>		
Bank deposits	100,523	1,097,482
Reverse repurchase agreements	13,407,097	4,920,593
<b>Available for sale financial assets</b>		
Government securities	29,117,733	43,112,068
<b>Total financial assets measured at fair value</b>	<b>51,262,637</b>	<b>63,577,492</b>

There were no transfers between levels I and II during the year.



## 10 POLICYHOLDER AND OTHER LOANS

As at 31 December	Note	Group / Company	
		2022 LKR '000	2021 LKR '000
Policy loans		251,074	298,116
Agent loans		137,950	162,262
Staff loans		24,939	19,527
	10.1	413,963	479,905
(Less) Allowance for impairment losses Agent loans	10.2	(8,235)	(7,088)
<b>Total policyholder and other loans</b>		<b>405,728</b>	<b>472,817</b>
<b>Policyholder and other loans</b>			
Current		82,489	187,997
Non-current		323,239	284,820
<b>Total policyholder and other loans</b>		<b>405,728</b>	<b>472,817</b>

### 10.1 Movement in policyholder and other loans

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	479,905	569,537
Loans granted during the period	410,278	380,130
Loan repayments during the period	(475,901)	(473,654)
Loans written back during the period	1,181	891
Amortisation of discount	(1,500)	3,001
<b>Balance as at 31 December</b>	<b>413,963</b>	<b>479,905</b>

### 10.2 The reconciliation of the allowance for impairment losses on assets classified as policyholder loans and other loans is as follows;

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	7,088	4,411
Additional allowance for impairment during the period	1,147	2,677
<b>Balance as at 31 December</b>	<b>8,235</b>	<b>7,088</b>

A specific impairment allowance has been made against each of the individually impaired financial assets for the full amount of impairment.

# NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 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	
	2022 LKR '000	2021 LKR '000
<b>Deferred income tax assets</b>		
On unused tax losses	21,702	309,143
On unused tax losses of AFS instruments	1,647,157	-
<b>Total deferred income tax assets</b>	<b>1,668,859</b>	<b>309,143</b>
<b>Deferred income tax liabilities</b>		
On temporary difference from fair value gains	-	(12,082)
<b>Total deferred income tax liabilities</b>	<b>-</b>	<b>(12,082)</b>
<b>Net deferred income tax assets</b>	<b>1,668,859</b>	<b>297,061</b>

The Group / Company has recognised Deferred Tax Asset of LKR 1,669 million as at 31 December 2022 ( LKR 309 million as at 31 December 2021) by utilising the available brought forward tax losses and fair value losses on available for sale financial assets to the extent that it is probable future taxable profits will be available against which the unused tax losses can be utilised in accordance with the provisions of the Inland Revenue Act No 24 of 2017 as amended.

Based on the estimated taxable income for future years, the Group / Company is expecting to set off the Deferred Tax Asset against future tax liabilities within next three years, which is within the statutory time bar provided to carry forward unutilised tax losses for Income Tax purposes.

### 11.1 The movement in net deferred income tax asset/liability is as follows;

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	297,061	418,449
<b>Deferred tax charge / (income) recognised in Income Statement</b>		
On unused tax losses	(287,441)	(796,416)
<b>Deferred tax charge / (income) recognised in the Statement of Other Comprehensive Income</b>		
On temporary difference from fair value differences	1,659,239	675,028
<b>Balance as at 31 December</b>	<b>1,668,859</b>	<b>297,061</b>

## 12 REINSURANCE RECEIVABLES

Reinsurance receivable balances as at 31 December 2022 and 2021 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 the claims to the clients and hence do not hold any collateral as security against potential default by reinsurance counterparties.

The Group does 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 2022 and 2021 due within a period of 12 months, hence classified as current assets.

The fair value of the 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	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 01 January	409,458	430,796	408,965	430,327
Revenue receivable from customers	2,147,496	2,133,960	2,145,611	2,131,984
Collection of cash from customers	(2,139,993)	(2,155,298)	(2,138,081)	(2,153,346)
Balance as at 31 December	416,961	409,458	416,495	408,965

## 14 OTHER ASSETS

As at 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Inventory	5,043	20,521	5,043	20,521
Interest and dividend receivable	2,877,857	2,114,707	2,877,857	2,114,707
Advance company tax recoverable	66,397	66,397	66,397	66,397
Withholding tax recoverable	1,060,863	880,843	1,060,863	880,843
Deposits	257,325	57,320	257,325	57,320
Prepayments and advances	397,845	220,807	397,845	220,807
Receivables from sale of investments	22,445	-	22,445	-
Total other assets	4,687,775	3,360,595	4,687,775	3,360,595

# NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 14 OTHER ASSETS CONTD.

As at 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
<b>Other assets</b>				
Current	3,547,302	2,365,067	3,547,302	2,365,067
Non-current	1,140,473	995,528	1,140,473	995,528
<b>Total other assets</b>	<b>4,687,775</b>	<b>3,360,595</b>	<b>4,687,775</b>	<b>3,360,595</b>

## 15 OTHER FUND ASSETS

As at 31 December	Group / Company			
	2022		2021	
	Carrying value LKR '000	Cost LKR '000	Carrying value LKR '000	Cost LKR '000
Government securities	396,089	386,269	399,991	392,515
Fixed deposits	-	-	25,192	25,000
Other assets	2,773	2,773	2,773	2,773
Cash and cash equivalents	3,131	3,131	4,204	4,204
<b>Total other fund assets</b>	<b>401,993</b>	<b>392,173</b>	<b>432,160</b>	<b>424,492</b>

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.

<b>Other fund assets</b>				
Current	31,324	21,504	117,504	109,836
Non-current	370,669	370,669	314,656	314,656
	<b>401,993</b>	<b>392,173</b>	<b>432,160</b>	<b>424,492</b>

## 16 CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Short term investments	1,034,563	243,133	1,031,554	237,714
Cash at bank and in hand	180,831	421,917	180,795	421,881
<b>Cash and cash equivalents (excluding bank overdraft)</b>	<b>1,215,394</b>	<b>665,050</b>	<b>1,212,349</b>	<b>659,595</b>

Cash and cash equivalents include the following for the purpose of the Statement of Cash Flows.

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Cash and cash equivalents	1,215,394	665,050	1,212,349	659,595
Bank overdraft	(828,670)	(75,238)	(828,670)	(75,238)
	<b>386,724</b>	<b>589,812</b>	<b>383,679</b>	<b>584,357</b>

## 17 INSURANCE LIABILITIES AND RELATED REINSURANCE ASSETS

As at 31 December		Group / Company					
		2022			2021		
	Note	Gross LKR '000	Reinsurance LKR '000	Net LKR '000	Gross LKR '000	Reinsurance LKR '000	Net LKR '000
Long term policy liability	17.1	40,503,233	-	40,503,233	45,375,847	-	45,375,847
Life claims provision	17.2	633,712	137,581	496,131	643,897	160,130	483,767
<b>Total insurance contract liabilities</b>		<b>41,136,945</b>	<b>137,581</b>	<b>40,999,364</b>	<b>46,019,744</b>	<b>160,130</b>	<b>45,859,614</b>

### 17.1 Life insurance fund - Income Statement movement

The movement in the life insurance fund is as follows;

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	45,375,847	45,061,332
<b>Balances that are transferred through Income Statement</b>		
Net income from life fund before surplus and charges	8,002,453	7,458,095
Charges deducted from policyholders fund	1,316,831	1,065,151
Deficit / (Surplus) from life insurance fund	963,104	(1,129,751)
<b>Change in contractual liability</b>	<b>10,282,388</b>	<b>7,393,495</b>
<b>Balances that are transferred through Statement of Other Comprehensive Income</b>		
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	(13,838,171)	(6,013,829)
<b>Other movements in policyholder liability</b>		
Fees and charges deducted from the policyholder life fund	(1,316,831)	(1,065,151)
<b>Balance as at 31 December</b>	<b>40,503,233</b>	<b>45,375,847</b>

# NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 17 INSURANCE LIABILITIES AND RELATED REINSURANCE ASSETS CONTD.

### 17.2 Life claims provision

	Group / Company					
	2022			2021		
	Gross LKR '000	Reinsurance LKR '000	Net LKR '000	Gross LKR '000	Reinsurance LKR '000	Net LKR '000
Balance as at 01 January	643,897	160,130	483,767	526,082	141,249	384,833
Provisions released for claims paid to clients	(7,048,853)	437,822	(7,486,675)	(4,971,327)	311,783	(5,283,110)
Provisions for claims registered during the period	7,038,668	(460,371)	7,499,039	5,089,142	(292,902)	5,382,044
<b>Balance as at 31 December</b>	<b>633,712</b>	<b>137,581</b>	<b>496,131</b>	<b>643,897</b>	<b>160,130</b>	<b>483,767</b>

## 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	
	2022	2021
	LKR '000	LKR '000
Balance as at 01 January	333,207	338,709
Current service cost	20,001	32,297
Interest cost	31,321	25,471
<b>Amounts recognised in the Income Statement</b>	<b>51,322</b>	<b>57,768</b>
<b>Re-measurements:</b>		
Losses from change in financial assumptions	(130,796)	(45,923)
Actuarial gain due to changes in experience	35,687	8,324
<b>Amounts recognised in the Statement of Other Comprehensive Income</b>	<b>(95,109)</b>	<b>(37,599)</b>
Benefits paid	(33,806)	(25,671)
<b>Balance as at 31 December</b>	<b>255,614</b>	<b>333,207</b>

The principal actuarial assumptions used in determining the retirement benefit obligation are as follows ;

	2022	2021
	% per annum	% per annum
Future salary increase	11.00	11.00
Discount rate*	19.00	9.40
Member withdrawal rate	8.00	8.00
Retirement age	57-60 Years	57-60 Years

\*2022 discount rate used derived based on country risk adjusted Government bond rate by referring to the Damodaran model.



## 18 RETIREMENT BENEFIT OBLIGATIONS CONTD.

Sensitivity analysis of key actuarial assumptions used ;

	Group / Company					
	Future salary increase		Discount rate		Member withdrawal rate	
	1%	1%	1%	1%	1%	1%
	increase LKR '000	decrease LKR '000	increase LKR '000	decrease LKR '000	increase LKR '000	decrease LKR '000
The effect on;						
- Retirement benefit obligations 2022	8,567	(7,964)	(7,883)	8,579	4,221	(4,576)
- Retirement benefit obligations 2021	21,520	(19,292)	(20,195)	22,979	(2,630)	2,971

Amounts for the current and previous five periods are as follows:

	2022	2021	2020	2019	2018	2017
Defined benefit obligation (LKR '000)	255,614	333,207	338,709	263,294	217,293	222,085

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 2022	107,037	13,971	134,606	255,614
As at 31 December 2021	65,712	28,200	239,295	333,207

## 19 LEASES

### 19.1 Group leasing activities

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 6 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.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 19 LEASES CONTD.

#### 19.2 Amounts recognised in the statement of financial position

##### 19.2 (a) Right-of-use assets - Leases

	Group / Company		
	2022		2021
	Buildings LKR '000	Total LKR '000	Total LKR '000
Cost	1,451,891	1,451,891	1,362,478
(Less) Accumulated amortisation	(554,442)	(554,442)	(371,772)
<b>Net book value as at 01 January</b>	<b>897,449</b>	<b>897,449</b>	<b>990,706</b>
Additions	57,107	57,107	110,621
Terminations & lease expiry	(22,702)	(22,702)	(21,207)
Amortisation charge	(185,287)	(185,287)	(203,878)
Accumulated amortisation on disposals	-	-	21,207
<b>Net book value as at 31 December</b>	<b>746,567</b>	<b>746,567</b>	<b>897,449</b>
Cost	1,486,295	1,486,295	1,451,891
(Less) Accumulated depreciation	(739,728)	(739,728)	(554,442)
<b>Net book value as at 31 December</b>	<b>746,567</b>	<b>746,567</b>	<b>897,449</b>

##### 19.2 (b) Lease Liabilities

	Note	Group / Company	
		2022	2021
		LKR '000	LKR '000
Balance as at 1 January		931,836	999,016
Additions		57,107	110,621
Interest for the period		93,391	105,368
Rentals paid	19.2 (c)	(263,165)	(283,169)
<b>Balance as at 31 December</b>		<b>819,169</b>	<b>931,836</b>
<b>Lease Liabilities</b>			
Current		196,260	137,349
Non-current		622,909	794,487
		<b>819,169</b>	<b>931,836</b>

##### 19.2 (c) Lease Payments

	Group/Company	
	2022	2021
	LKR '000	LKR '000
Interest paid - leases	93,391	105,393
Short term lease rentals paid	7,211	10,087
Principal payment of lease liabilities	162,563	167,689
	<b>263,165</b>	<b>283,169</b>

### 19.3 Amounts recognised in the statement of profit or loss

#### Amortisation charge of right-of-use assets

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Buildings	(185,287)	(202,893)	(185,287)	(202,893)
Vehicles	-	(985)	-	(985)
<b>Amortisation charge of right-of-use assets</b>	<b>(185,287)</b>	<b>(203,878)</b>	<b>(185,287)</b>	<b>(203,878)</b>
Interest expense (included in finance cost)	(93,391)	(105,393)	(93,391)	(105,393)
Expense relating to short-term leases included within administrative expenses	(7,090)	(7,379)	(7,090)	(7,379)
Lease concessions received (COVID-19)	-	596	-	596
	<b>(285,768)</b>	<b>(316,054)</b>	<b>(285,768)</b>	<b>(316,054)</b>

### 19.4 Amounts recognised in the Statement of Cash Flows

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Principal payment of lease liabilities	(162,563)	(167,690)	(162,563)	(167,690)
Short term lease rentals paid	(7,211)	(10,087)	(7,211)	(10,087)
Interest paid - leases	(93,391)	(105,393)	(93,391)	(105,393)
<b>Total cash outflow for leases</b>	<b>(263,165)</b>	<b>(283,170)</b>	<b>(263,165)</b>	<b>(283,170)</b>

## 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	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	432,160	393,083
Capital deposits	94,693	97,306
Capital withdrawals	(175,047)	(91,035)
Income/ gains and losses	50,187	32,806
<b>Balance as at 31 December</b>	<b>401,993</b>	<b>432,160</b>

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 21 ACCRUALS AND OTHER PAYABLES

As at 31 December	Note	Group		Company	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Policyholder advance payments		434,664	540,384	434,664	540,384
Agency commission payable		141,460	301,174	141,460	301,174
Franchise fee payable		16,589	20,953	16,589	20,953
Government taxes and levies		296,808	89,238	296,808	89,238
Accrued expenses	21.1	2,464,009	3,015,567	2,463,125	3,015,269
Other creditors		293,852	314,446	293,852	314,446
		<b>3,647,382</b>	<b>4,281,762</b>	<b>3,646,498</b>	<b>4,281,464</b>
Accruals and other payables					
Current		3,432,931	3,984,391	3,432,047	3,984,093
Non-current		214,451	297,371	214,451	297,371
		<b>3,647,382</b>	<b>4,281,762</b>	<b>3,646,498</b>	<b>4,281,464</b>

#### 21.1 Movement in accrued expenses

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 01 January	3,015,567	2,699,164	3,015,269	2,698,818
Provisions during the year	3,277,704	2,848,618	3,276,718	2,847,894
Payments and reversals during the year	(3,829,262)	(2,532,215)	(3,828,862)	(2,531,443)
<b>Balance as at 31 December</b>	<b>2,464,009</b>	<b>3,015,567</b>	<b>2,463,125</b>	<b>3,015,269</b>
Accrued expenses				
Current	2,306,703	2,729,441	2,305,819	2,729,143
Non-current	157,306	286,126	157,306	286,126
	<b>2,464,009</b>	<b>3,015,567</b>	<b>2,463,125</b>	<b>3,015,269</b>

### 22 CURRENT INCOME TAX LIABILITIES

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance as at 01 January	197	229	-	-
Provision	350	338	-	-
Payments	(433)	(370)	-	-
<b>Balance as at 31 December</b>	<b>114</b>	<b>197</b>	<b>-</b>	<b>-</b>

## 23 DEFERRED REVENUE

### Movement in deferred revenue

Deferred revenue includes reinsurance recovered in advance and charged to relevant period on accrual basis.

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	55,257	53,367
Reinsurance recovered in advance in waiver of premium claims	9,168	5,973
Reinsurance recovered set off against reinsurance assets	(5,845)	(4,083)
<b>Balance as at 31 December</b>	<b>58,580</b>	<b>55,257</b>

## 24 STATED CAPITAL

As at 31 December	2022		2021	
	No. of shares	LKR '000	No. of shares	LKR '000
<b>Fully paid ordinary shares</b>	<b>36,227,985</b>	<b>3,201,922</b>	<b>30,749,370</b>	<b>511,922</b>

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 holders 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 the net surplus on the revaluation of property, plant and equipment.

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	228,416	216,236
Revaluation surplus arising during the year	4,500	12,180
<b>Balance as at 31 December</b>	<b>232,916</b>	<b>228,416</b>

## 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 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	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	6,080,848	6,080,848
<b>Balance as at 31 December</b>	<b>6,080,848</b>	<b>6,080,848</b>

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 27 REVENUE RESERVES

The available for sale reserves comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

As at 31 December	Note	Group		Company	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Available for sale reserve	27.1	(3,843,366)	38,258	(3,843,366)	38,258
Retained earnings	27.2	12,718,535	12,894,105	12,717,022	12,889,652
<b>Total retained earnings</b>		<b>8,875,169</b>	<b>12,932,363</b>	<b>8,873,656</b>	<b>12,927,910</b>

#### 27.1 Available for Sale (AFS) reserve

	Group / Company	
	2022 LKR '000	2021 LKR '000
Balance as at 01 January	38,258	1,766,854
Changes in fair value of available for sale financial assets	(19,379,034)	(8,417,453)
Deferred tax asset on AFS reserve	1,659,239	675,028
Changes in fair value of available for sale financial assets	(17,719,795)	(7,742,425)
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	13,838,171	6,013,829
<b>Balance as at 31 December</b>	<b>(3,843,366)</b>	<b>38,258</b>

#### 27.2 Retained earnings

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
AIA Insurance Lanka Limited	12,717,023	12,889,652	12,717,022	12,889,652
Rainbow Trust Management Limited	1,512	4,453	-	-
<b>Total retained earnings</b>	<b>12,718,535</b>	<b>12,894,105</b>	<b>12,717,022</b>	<b>12,889,652</b>



## 28 NET WRITTEN PREMIUM

### (a) Gross written premium

For the financial year ended 31 December	Group / Company	
	2022 LKR '000	2021 LKR '000
Conventional	16,950,226	15,795,071
Unit-linked	618,099	722,257
<b>Total gross written premium</b>	<b>17,568,325</b>	<b>16,517,328</b>

### (b) Gross reinsurance premium

For the financial year ended 31 December	Group / Company	
	2022 LKR '000	2021 LKR '000
Conventional	(581,163)	(422,396)
Unit-linked	(58,176)	(44,414)
<b>Total gross reinsurance premium</b>	<b>(639,339)</b>	<b>(466,810)</b>
<b>Net written premium</b>	<b>16,928,986</b>	<b>16,050,518</b>

## 29 INVESTMENT INCOME

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
<b>Dividend income</b>				
Financial assets at fair value through profit or loss	67,531	88,467	71,531	88,467
Available for sale financial assets	713	712	713	712
<b>Total dividend income</b>	<b>68,244</b>	<b>89,179</b>	<b>72,244</b>	<b>89,179</b>
<b>Interest income</b>				
Available for sale financial assets	5,509,022	3,580,862	5,509,022	3,580,862
Loans and receivables	2,928,203	2,255,716	2,928,203	2,255,716
<b>Total interest income</b>	<b>8,437,225</b>	<b>5,836,578</b>	<b>8,437,225</b>	<b>5,836,578</b>
<b>Total investment income</b>	<b>8,505,469</b>	<b>5,925,757</b>	<b>8,509,469</b>	<b>5,925,757</b>

# NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

## 30 FEE INCOME

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Policy administration charges	1,316,831	1,065,151	1,316,831	1,065,151
Other contract fees	1,133	137	1,133	137
Trust management fees	1,887	1,976	-	-
<b>Total fee income</b>	<b>1,319,851</b>	<b>1,067,264</b>	<b>1,317,964</b>	<b>1,065,288</b>

## 31 NET REALISED GAINS / (LOSSES)

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Property, plant and equipment				
Net realised gains / (losses)	1,223	10,215	1,223	10,215
Financial assets				
Available for sale financial assets				
Debt securities	1,957	(7,567)	1,957	(7,567)
Fair value through profit or loss				
Equity instruments	(114,147)	52,349	(114,147)	52,349
<b>Total net realised gains / (losses) from financial assets</b>	<b>(112,190)</b>	<b>44,782</b>	<b>(112,190)</b>	<b>44,782</b>
<b>Total realised gains / (losses)</b>	<b>(110,967)</b>	<b>54,997</b>	<b>(110,967)</b>	<b>54,997</b>

## 32 NET FAIR VALUE GAINS / (LOSSES)

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Fair value gains / (losses) on financial assets at fair value through profit or loss	(468,256)	340,282	(468,256)	340,282
<b>Total net fair value gains / (losses)</b>	<b>(468,256)</b>	<b>340,282</b>	<b>(468,256)</b>	<b>340,282</b>

### 33 OTHER OPERATING REVENUE / (LOSSES)

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Interest income on policy loans	68,982	82,588	68,982	82,588
Interest income on other loans	10,708	12,968	10,708	12,968
Interest income on cash and cash equivalents	10,679	17,779	10,179	17,538
Foreign exchange loss	(531,710)	(79,022)	(531,710)	(79,022)
Other miscellaneous income	1,963	915	1,963	915
<b>Total other operating revenue / (losses)</b>	<b>(439,378)</b>	<b>35,228</b>	<b>(439,878)</b>	<b>34,987</b>

### 34 NET CLAIMS AND BENEFITS

For the financial year ended 31 December	Group / Company	
	2022 LKR '000	2021 LKR '000
Death & disability	(1,062,269)	(930,433)
Surrenders & partial withdrawals	(2,616,216)	(1,736,798)
Maturities	(2,532,708)	(1,895,792)
Others	(647,564)	(537,560)
<b>Gross claims and benefits</b>	<b>(6,858,757)</b>	<b>(5,100,583)</b>
Claims ceded to reinsurers	411,950	328,774
<b>Net claims and benefits</b>	<b>(6,446,807)</b>	<b>(4,771,809)</b>

### 35 NET ACQUISITION EXPENSES

For the financial year ended 31 December	Group / Company	
	2022 LKR '000	2021 LKR '000
Commission and franchise fees	(2,047,916)	(2,121,328)
Reinsurance commission	18,110	32,365
<b>Net acquisition expenses</b>	<b>(2,029,806)</b>	<b>(2,088,963)</b>

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 36 OPERATING AND ADMINISTRATIVE EXPENSES

For the financial year ended 31 December	Note	Group		Company	
		2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Employee benefit expenses	36.1	(1,784,895)	(2,178,287)	(1,784,895)	(2,178,287)
Administrative and establishment expenses		(1,410,391)	(1,919,376)	(1,409,533)	(1,918,951)
Selling expenses		(1,861,376)	(1,684,612)	(1,861,243)	(1,684,459)
Amortisation of intangible assets	6	(211,731)	(186,137)	(211,731)	(186,137)
Amortisation of ROU	19	(185,287)	(203,878)	(185,287)	(203,878)
Depreciation	7	(143,693)	(184,859)	(143,693)	(184,859)
Other expenses	36.3	(192,614)	(188,472)	(192,614)	(188,472)
<b>Total operating and administrative expenses</b>		<b>(5,789,987)</b>	<b>(6,545,621)</b>	<b>(5,788,996)</b>	<b>(6,545,043)</b>

#### 36.1 Employee benefit expenses

For the financial year ended 31 December	Group / Company	
	2022 LKR '000	2021 LKR '000
Salaries and bonus	(1,153,406)	(1,256,320)
Contribution to defined contribution plans	(178,850)	(159,536)
Contribution to defined benefit plans	(51,322)	(57,768)
Staff welfare	(103,767)	(116,876)
Staff training	(25,669)	(25,177)
Others staff costs	(271,881)	(562,610)
<b>Total employee benefit expenses</b>	<b>(1,784,895)</b>	<b>(2,178,287)</b>

#### 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 Company / Group reported a net reversal of LKR 394mn due to the arrangement the Company had with AIA Company Limited to absorb specific centrally managed expenses in the context of economic crisis prevailed in the financial year 2022. (2021 - LKR 40mn)

**36.3 Other expenses**

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Increase in provision for bad and doubtful debts	(1,147)	(2,677)	(1,147)	(2,677)
Other technical expenses	(73,775)	(77,139)	(73,775)	(77,139)
Investment expenses	(117,583)	(108,477)	(117,583)	(108,477)
Other non-technical expenses	(109)	(179)	(109)	(179)
<b>Total other expenses</b>	<b>(192,614)</b>	<b>(188,472)</b>	<b>(192,614)</b>	<b>(188,472)</b>

**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	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Auditors' remuneration				
-Audit	5,523	5,841	5,329	5,645
-Non-audit	11,042	1,009	10,997	995
Directors' / Chief Executive Officer's emoluments	346,514	317,128	346,514	317,128
Directors' fees	9,600	8,900	9,600	8,900
Legal fees	1,675	875	1,675	875
Donations	2,668	2,556	2,668	2,556
Provision for bad and doubtful debts	1,147	2,677	1,147	2,677

**38 INCOME TAX EXPENSES**

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
<b>Current income tax</b>				
Current income tax expense	(336)	(393)	-	-
Over Provision recognised for prior period	-	55	-	-
	(336)	(338)	-	-
<b>Deferred income tax</b>				
Deferred tax expense	(287,441)	(796,416)	(287,441)	(796,416)
<b>Total income tax expense</b>	<b>(287,777)</b>	<b>(796,754)</b>	<b>(287,441)</b>	<b>(796,416)</b>

The applicable tax rate 30 per cent and 24 per cent 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 with effect from 01 October 2022.

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 38 INCOME TAX EXPENSES CONTD.

#### 38.1 Reconciliation of tax charge

For the financial year ended 31 December	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Profit before tax	1,093,326	2,568,765	1,095,930	2,567,126
Applicable tax rate	24%/30%	24%	24%/30%	24%
Tax at applicable rate	262,399	616,503	263,023	616,110
Add / (less) tax effect of the following items:				
Tax free investment income	3,407	(2,451)	3,407	(2,451)
Other non-deductible expenses	17,452	24,820	17,452	24,820
Tax on inter company dividend	960	-	-	-
Adjustments of prior periods	3,559	157,882	3,559	157,937
<b>Tax charge for the year</b>	<b>287,777</b>	<b>796,754</b>	<b>287,441</b>	<b>796,416</b>

### 39 PROFIT AFTER TAX

The profit after tax of the Company includes the deficit transferred from its life insurance business. The deficit from the policyholders' fund for the financial year 2022 stood at LKR 963 million (2021 - LKR 1,130 million Surplus)

### 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	
		2022	2021	2022	2021
Profit attributable to the Company's equity holders	LKR '000	805,549	1,772,011	808,489	1,770,710
Weighted average number of ordinary shares in issue	('000)	34,442	30,749	34,442	30,749
Basic earnings per share	(LKR)	23.39	57.63	23.47	57.59

### 41 DIVIDEND PER SHARE

The dividends paid in 2022 and 2021 were LKR 1,076 million (LKR 35 per share) and LKR 922 million (LKR 30 per share) respectively.



## 42.1

## Transactions with related entities

Details of significant related party disclosures are as follows:

Nature of transaction	AIA Holdings Lanka (Private) Limited		AIA Company Limited		AIA Group Limited		AIA Shared Services (Hong Kong) Limited		AIA Shared Services Sdn. Bhd.		AIAIT (Guangzhou) Company Limited		AIA Information Technology (Beijing) Company Limited		AIA Investment Management Private Limited	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
<b>For the year ended 31 December</b>																
Group recharges - Paid/(Reversed)	-	-	(9,290)	436,017	(402,136)	44,096	(152,410)	286,475	15,976	106,302	(8,774)	244,450	9,075	69,507	69	182
Dividend paid	1,076,228	922,481	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RI Premium	-	-	622	27	-	-	-	-	-	-	-	-	-	-	-	-
RI Commission	-	-	84	3	-	-	-	-	-	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 42 RELATED PARTY DISCLOSURES (CONTD.)

#### 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	
	2022 LKR '000	2021 LKR '000
Directors' / CEO's remuneration	100,144	178,500
Short-term employee benefits	165,480	88,300
Share based payments	78,737	48,500
Premiums paid for Directors and Officers Liability policy *	2,153	1,828
Directors' fees	9,600	8,900
	<b>356,114</b>	<b>326,028</b>

\* The insurance policy covers past and present Directors and Officers of the Company and its subsidiaries.

##### b) Other transactions

###### Business transactions of Key Management Personnel

For the financial year ended 31 December	2022 LKR '000	2021 LKR '000
Premium paid on insurance policies taken by Directors in their individual capacity	1,362	105
	<b>1,362</b>	<b>105</b>

### 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

## NOTES TO THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 43 CONTINGENT LIABILITIES

#### 43.1 Outstanding tax assessments

The Company has received assessments relating to income taxes 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, an assessment has been raised for the year of assessment 2018 / 19 by disputing the tax return 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 10,530 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 favorably 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 2,340 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 year's 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 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 the strong view that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the Financial Statements. 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 1,615 million as at 31 December 2022. None of these guarantees are 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

No other events have occurred since the date of the Statement of Financial Position that necessitates adjustments to/or disclosure in the Financial Statements.

#### 45 MANAGEMENT'S ASSESSMENT OF THE IMPACT OF PREVAILING ECONOMIC CONDITIONS

##### **Impact on Financial Investments due to Interest rate fluctuations and debt restructuring**

Further to monetary policy changes effected by the Central Bank of Sri Lanka to curtail inflation a significant hike in market interest rates were experienced during the year. The carrying values of financial investments measured at fair value has declined resulting unrealized losses during the year. 54 per cent of the investment portfolio as at 31 December 2022 is categorized as AFS which is negatively impacted by movements in interest rates. In response to this several actions were taken by the Company that included capital augmentation and curtailment of spendings.

##### **Domestic Debt Restructuring (DDR)**

Whether a domestic debt restructuring is required is dependent on the negotiations with foreign debt holders and the success of achieving sovereign debt sustainability through foreign debt restructuring. Any decision will also weigh in on the cost benefit analysis of a local debt restructuring. The Company is of the view that likelihood of a local debt restructuring would be remote based on the facts and circumstances present at the reporting date.

##### **Impact of disposable income and lower buying power of the customers impacting business growth.**

Effects on high inflationary environment resulted an increase in operating expenses which was managed by ensuring efficiency in expense management. Necessary adjustments were also made to the actuarial assumptions in valuing insurance contract liabilities.

##### **Impact on Sri Lankan exports**

Imposed travel restrictions slowdown of revenue on travel, marine cargo and engineering businesses. Risk was managed by way of introducing new products to suit new requirements and maintain high renewal retention.

##### **Shortage of foreign currency**

Due to lower gross official reserves Central bank imposed restriction on foreign currency payments which impacted foreign currency denominated transactions such as reinsurance payments. Risk was managed by way of matching foreign currency outflows with inflows, while keeping respective foreign reinsurance and other foreign creditors/suppliers informed on the progress of the economic developments.

## FIVE YEAR SUMMARY

As at 31 December	2022 LKR '000	2021 LKR '000	2020 LKR '000	2019 LKR '000	2018 LKR '000
<b>Statement of Financial Position</b>					
<b>Group</b>					
<b>Assets</b>					
Investments	49,581,522	58,283,182	57,972,437	47,660,024	40,100,312
Investments - Unit-linked	4,625,793	5,338,806	5,121,630	4,910,382	4,736,107
Property, plant and equipment	584,490	604,169	709,407	785,061	767,873
Other assets	10,848,490	8,042,632	8,589,039	8,620,576	8,802,958
<b>Total assets</b>	<b>65,640,295</b>	<b>72,268,789</b>	<b>72,392,513</b>	<b>61,976,043</b>	<b>54,407,250</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	3,201,922	511,922	511,922	511,922	511,922
Capital reserves	232,916	228,416	216,236	192,916	178,916
Restricted regulatory reserve	6,080,848	6,080,848	6,080,848	6,080,848	6,080,848
Resilience reserve	-	-	-	-	-
Available for sale reserve	(3,843,367)	38,257	1,766,854	721,046	(8,847)
Retained earnings	12,718,536	12,894,106	12,006,976	13,136,784	11,937,159
<b>Total equity</b>	<b>18,390,855</b>	<b>19,753,549</b>	<b>20,579,686</b>	<b>20,643,516</b>	<b>18,699,998</b>
<b>Liabilities</b>					
Insurance provision - Conventional	36,433,870	40,649,872	40,437,972	31,355,861	27,066,333
Insurance provision - Unit-linked	4,703,075	5,369,872	5,149,442	5,024,350	4,858,950
Other liabilities	6,112,495	6,495,496	6,222,263	4,952,316	3,781,969
<b>Total liabilities</b>	<b>47,249,440</b>	<b>52,515,240</b>	<b>51,809,677</b>	<b>41,332,527</b>	<b>35,707,252</b>
<b>Total equity and liabilities</b>	<b>65,640,295</b>	<b>72,268,789</b>	<b>72,392,513</b>	<b>61,976,043</b>	<b>54,407,250</b>
<b>Long term - supplemental</b>					
<b>Assets</b>					
Investments	36,163,680	41,429,475	40,089,171	31,060,176	26,337,064
Investments - Unit-linked	4,625,793	5,338,806	5,121,630	4,910,382	4,736,107
Other assets	4,642,527	3,708,496	4,258,318	3,549,950	3,944,919
<b>Total assets</b>	<b>45,432,000</b>	<b>50,476,777</b>	<b>49,469,119</b>	<b>39,520,508</b>	<b>35,018,090</b>
<b>Liabilities</b>					
Insurance provision - Long term	36,433,870	40,649,872	40,437,971	31,355,861	27,066,333
Insurance provision - Unit-linked	4,703,075	5,369,872	5,149,442	5,024,350	4,858,950
Other liabilities	4,295,055	4,457,033	3,881,706	3,140,297	3,092,807
<b>Total liabilities</b>	<b>45,432,000</b>	<b>50,476,777</b>	<b>49,469,119</b>	<b>39,520,508</b>	<b>35,018,090</b>



For the financial year ended 31 December	2022	2021	2020	2019	2018
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>Income Statement</b>					
<b>Total business (Group)</b>					
Gross written premium	17,568,325	16,517,328	14,049,559	13,848,283	12,739,351
Gross reinsurance premium	(639,339)	(466,810)	(408,860)	(369,954)	(382,221)
<b>Net written premium</b>	<b>16,928,986</b>	<b>16,050,518</b>	<b>13,640,699</b>	<b>13,478,329</b>	<b>12,357,130</b>
Other revenue	8,806,719	7,423,528	6,407,862	6,253,234	5,638,926
<b>Total revenue</b>	<b>25,735,705</b>	<b>23,474,046</b>	<b>20,048,561</b>	<b>19,731,563</b>	<b>17,996,056</b>
Net claims and benefits	(6,446,807)	(4,771,809)	(4,453,740)	(4,784,528)	(5,643,996)
Change in contractual liability	(10,282,388)	(7,393,495)	(6,748,859)	(3,224,888)	(2,169,193)
Net acquisition expenses	(2,029,806)	(2,088,963)	(1,688,611)	(1,880,043)	(1,979,881)
Finance costs	(93,391)	(105,393)	(114,532)	(128,452)	-
Operating and administrative expenses	(5,789,987)	(6,545,621)	(6,317,003)	(6,544,931)	(6,590,521)
<b>Profit before tax</b>	<b>1,093,326</b>	<b>2,568,765</b>	<b>725,816</b>	<b>3,168,721</b>	<b>1,612,465</b>
Income tax expense	(287,777)	(796,754)	(276,195)	(1,187,511)	2,498,172
<b>Profit for the period</b>	<b>805,549</b>	<b>1,772,011</b>	<b>449,621</b>	<b>1,981,210</b>	<b>4,110,637</b>
Surplus / (Deficit) transfer to shareholders' fund	(963,104)	1,129,751	(660,093)	1,916,518	1,157,284

**Investor Information**

Financial year		2022	2021	2020	2019	2018
Return on net assets	%	22.83	8.97	2.18	10.70	22.80
Net assets per share	LKR	507.64	642.40	669.27	671.35	608.14
Market price per share - 31 December	LKR	N/A	N/A	N/A	N/A	1,707.60
Basic earnings per share	LKR	22.24	57.63	14.62	64.43	133.68
Price earnings ratio	times	N/A	N/A	N/A	N/A	12.77
Market capitalisation	LKR mn	N/A	N/A	N/A	N/A	52,508.00
Dividend per share	LKR	35.00	30.00	50.00	25.00	91.00
Dividend payout ratio	%	157.41	52.06	341.95	38.80	68.07
Earnings yield	%	N/A	N/A	N/A	N/A	7.83
Dividend yield	%	N/A	N/A	N/A	N/A	5.33

**Employee Information**

Revenue per employee	LKR mn	35.94	34.32	28.12	24.91	23.62
Net profit per employee	LKR '000	1,125	2,591	630	2,502	5,325
Number of permanent employees	nos.	716	684	713	792	772

## 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 : 036 223 3550

**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**

345, R A De Mel Mawatha,  
Colombo 03  
Tel : 011 231 0156

**Colombo Main 2**

345, R A De Mel Mawatha, Colombo  
03  
Tel : 071 485 5807

**Colombo Metro**

AIA Tower, 92, Dharmapala Mawatha,  
Colombo 07  
Tel : 011 231 0252

**Colombo City**

345, R A De Mel Mawatha, Colombo  
03  
Tel : 011 231 0573

**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**

345, R A De Mel Mawatha, Colombo  
03  
Tel : 011 231 0750

**Colombo Region 8**

345, R A De Mel Mawatha, Colombo  
03  
Tel : 011 231 0597

**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**

345, R A De Mel Mawatha, Colombo  
03  
Tel : 011 231 0006

**Colombo Region 12**

345, R A De Mel Mawatha, Colombo  
03  
Tel : 074 210 4266

**Dambulla**

723/1, Anuradhapura Road, Dambulla  
Tel : 066 771 0200

**Dambulla Region 1**

723/1, Anuradhapura Road, Dambulla  
Tel : 066 771 0225

**Dambulla Region 2**

723/1, Anuradhapura Road, Dambulla  
Tel : 066 771 0250

**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**

85, Bauddhaloka Mawatha, Gampaha  
Tel : 033 771 0201 / 771 0202 / 771 0200

**Gampaha Region 1**

85/1, Bauddhaloka Mawatha, Gampaha  
Tel : 033 771 0250

**Gampola**

8/38/b/1/1, Nawalapitiya Road, Gampola  
Tel : 081 771 0200

**Horana**

24, Ratnapura Road, Horana  
Tel : 034 226 2359

**Horana Metro**

24, 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**

Batticoloa road, Kalawanchikudi.  
Tel : 065 771 0260

**Kalutara**

195/2, Main Street, Kalutara South  
Tel : 034 222 9783

**Kalutara Region 1**

195/2, Main Street, Kalutara South  
Tel : 077 244 6213

**Kalutara Region 3**

195/2, Main Street, Kalutara South  
Tel : 034 223 5150

**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

**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

**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, Mahiyanganaya  
Tel : 055 771 0300

## DISTRIBUTION NETWORK

**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

**Mirigama**

33, Negombo Road, Mirigama  
Tel : 033 771 0275

**Moneragala**

39, Wellawaya Road, Moneragala  
Tel : 055 227 6496 / 227 6211

**Moratuwa Metro**

553, Galle Road, Rawathawatte,  
Moratuwa  
Tel : 011 264 5790

**Moratuwa Region 1**

459/1/1, Galle Road, Rawathawatte,  
Moratuwa  
Tel : 011 265 5615 / 16

**Moratuwa Region 3**

553, Galle Road, Rawathawatte,  
Moratuwa  
Tel : 011 264 9009

**Mount Lavinia**

230, Galle Road, Mount Lavinia  
Tel : 011 271 0267 / 271 0268

**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**

513/3/1, High Level Road, Delkanda,  
Nugegoda  
Tel : 011 280 4010 / 280 4009

**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 : 045 222 4417 / 222 2601

**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  
Fax : 045 228 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 3**

76/2 2/1 Dharmapala Mawatha,  
Colombo 3  
Tel : 077 735 5084

**Dehiattakandiya**

4, New Town, Dehiattakandiya  
Tel : 027 225 0026 / 225 0448

**Homagama**

113/A/1, Avissawella Road,  
Homagama.  
011 771 0446 / 011 285 7160

**Homagama City**

113/A/1, Avissawella Road,  
Homagama.  
011 771 0439 / 275 5987 / 275 5972

**Kurunegala**

17, Rajapihilla Road, Kurunegala  
Tel : 037 222 2668

**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**

6, 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 : 011 264 5805

**Panadura**

575/C, Galle Road, Panadura  
Tel : 038 224 8120

**Panadura City**

150, Old Galle Road, Walana,  
Panadura  
Tel : 077 921 3796

**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 : 037 226 8615/ 226 8616 / 771  
0350

## 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.
- A Company Licensed by the Insurance Regulatory Commission of Sri Lanka to engage in Long Term Insurance Business.

## TAX PAYER IDENTIFICATION NUMBER (TIN)

134001356

## DIRECTORS

Tan Hak Leh  
Stuart Anthony Spencer  
Robert Alexander Hartnett  
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

PricewaterhouseCoopers  
Chartered Accountants  
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  
RGA International Reinsurance  
Company dac  
Zurich Insurance Company Ltd  
AIA Company 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

[www.aialife.com.lk](http://www.aialife.com.lk)



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