



AIA INSURANCE LANKA LIMITED
ANNUAL REPORT 2021



**HEALTH. WEALTH.
HAPPINESS.**

AIA has over the years drawn strength from the indomitable Sri Lankan spirit and the ability to stand strong in the face of adversity. It is this spirit that helped AIA withstand the pandemic and provided the platform to continue to drive the business forward and stand firm on our commitment to the customer and community.

With commendable progress across many dimensions, our purpose was one - to help Sri Lankans live healthier, longer, better lives.

Having introduced revolutionary health and wellness products and propositions, embraced digital transformation, and being bestowed with innumerable awards and recognitions, we steadfastly marched towards our purpose with urgency and single-minded focus. All things considered, the year was one of great success.



Best Life Insurance Company in Sri Lanka, awarded by Global Banking and Finance Review (2019, 2020) and Capital Finance International (2021).

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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 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 Group's purchase of the entire shareholding of AIA Holdings Lanka (Private) Limited ("AIA Holdings Lanka"), the majority shareholder of AIA Insurance Lanka. It additionally also then acquired a direct five per cent equity holding in AIA Insurance Lanka.

Pursuant to a series of corporate, legal and regulatory re-structures, AIA Holdings Lanka became the sole shareholder of AIA Insurance Lanka on 13 October 2020 with a registered holding of 100 per cent of its issued and fully paid shares. AIA Group consequently holds (via its fully owned indirect subsidiary AIA Holdings Lanka), 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.

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OUR GLOBAL FOOTPRINT

**AIA GROUP IS THE
LARGEST INDEPENDENT
PUBLICLY LISTED PAN-
ASIAN LIFE INSURANCE
GROUP**

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

which is incorporated and
headquartered in Hong Kong

**#1 WORLDWIDE FOR
MDRT MEMBERS⁽¹⁾**

The only multinational company to
top the table for seven consecutive
years

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

USD 2 TRILLION ⁽²⁾

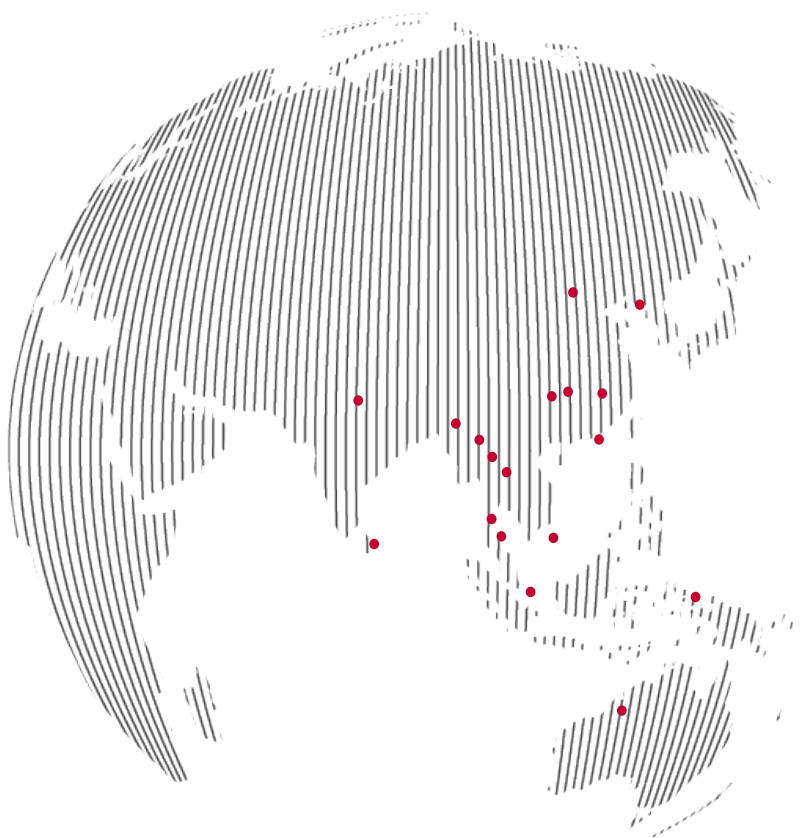
**OVER 16 BILLION
BENEFIT PAYMENTS**

were made during 2020, providing
vital financial support for customers

**PRESENCE IN
18 MARKETS**

In the Asia-Pacific region

**100% FOCUSED ON
ASIA-PACIFIC**



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

Notes:

(1) A record total of 16,017 AIA agents and agency leaders were registered as MDRT members as of 1 July 2021.

(2) As of 31 December 2020.

HEALTH



PRODUCT OVERVIEW

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



RETIREMENT

A plan that supports your aspirations and retirement goals.

Smart Pension Plus

Live life to the fullest long after retirement

Easy Pension Plus

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



PROTECTION

A comprehensive solution to oversee your family's wellbeing.

Super Protector

A comprehensive life insurance solution

Super Protector Plus

A smart life insurance solution

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

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FINANCIAL SYNOPSIS

FINANCIAL HIGHLIGHTS - GROUP

		2021	2020	%
Total revenue	(LKR mn)	23,474	20,049	17.08
Profit before tax	(LKR mn)	2,569	726	253.86
Gross written premium	(LKR mn)	16,517	14,050	17.56
Net assets	(LKR mn)	19,754	20,583	(4.03)
Total assets	(LKR mn)	72,269	72,393	(0.17)
Insurance liabilities	(LKR mn)	46,020	45,587	0.95
Basic earnings per share	(LKR)	57.63	14.62	294.19
Dividend per share	(LKR)	30.00	50.00	(40.0)

16.5 ▲

LKR billion

2020 : LKR 14.1 billion

Gross Written Premium

23.5 ▲

LKR billion

2020 : LKR 20.0 billion

Total Revenue

2,569 ▲

LKR million

2020 : LKR 726 million

Profit Before Tax

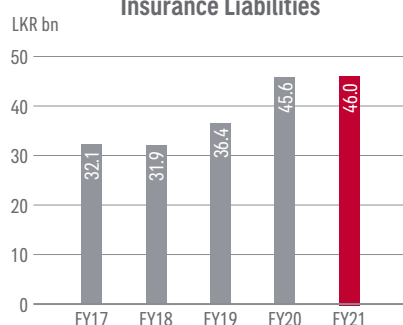
72.3 ▼

LKR billion

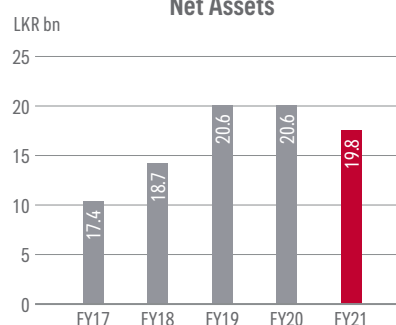
2020 : LKR 72.4 billion

Total Assets

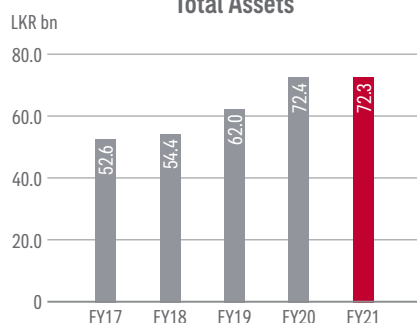
Insurance Liabilities



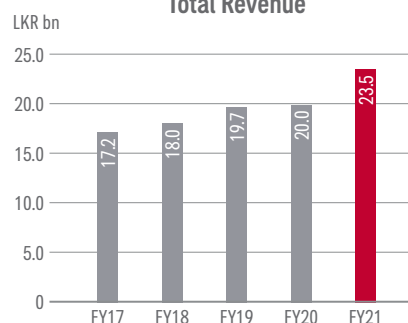
Net Assets



Total Assets



Total Revenue



CHAIRMAN'S MESSAGE



"The performance is backed by a clear strategy to keep improving the core drivers of quality distribution, building the platform for sustained growth in coming years."

I am pleased to report a strong performance by AIA Insurance Lanka Limited. The Company continues to demonstrate resilience and deliver growth in the face of challenges posed by the economic conditions and the continued impact of the pandemic. Growth was broad-based, with our Agency and Bancassurance distribution channels both demonstrating healthy performance during the year under review, and contributing to the Company's new business premiums growth of 30.1 per cent. The performance is backed by a clear strategy to keep improving the core drivers of quality distribution, building the platform for sustained growth in coming years.

Our focus on further enabling our business with technology has significantly improved resilience in the face of ongoing measures to contain the pandemic. Significant investments in technology, data and data security were made in 2021 to support the growth priorities of the business. These will drive improved customer experience, higher productivity of distribution, automated processes in operations, improved service management and overall efficiency in a more digitally connected world.

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The Company remained focused on executing its strategy, supported by transformation to a simpler, faster and more connected organisation. This was demonstrated by Gross Written Premium increasing to LKR 16.5 billion in 2021 from LKR 14.0 billion in 2020, recording a year-on-year growth of 17.6 per cent, the highest growth during the last five years. The consolidated profit after tax was recorded at LKR 1.8 billion which is a fourfold increase over the previous year. AIA Sri Lanka's long-standing financial strength is affirmed yet again through its Capital Adequacy Ratio of 547 per cent (vs. 488 per cent in 2020), more than four and a half times the stipulated regulatory minimum and the solvency buffer of over LKR 19.0 billion. This is an assurance to our policyholders that we are here to stand by our commitment to them.

We continue to be committed to playing a leading role in driving economic and social development in Sri Lanka. We are here to serve our customers by meeting their fast-evolving needs for financial security with our products and services and by focusing on helping people live healthier, longer, better lives. The achievements of 2021 would not have been possible without the unwavering commitment of our employees who are constantly working to deliver the best propositions in the industry and security to our customers and communities. 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 over the past many years and especially during 2021.



William Lisle
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW



"The continuing pandemic and the volatile economy created a challenging operating environment, but we moved forward confidently building on the positive momentum of the last 24 months to emerge stronger and ready for an era of digitally led growth in 2022 and beyond."

As we look back at our journey over the past few years, 2021 would undoubtedly be remembered as a year of significant results, accomplishments and recognitions for AIA Sri Lanka. Our success in 2021 is founded on the dedication, resilience and determination of our staff, Wealth Planners and Bancassurance Executives. The continuing pandemic and the volatile economy created a challenging operating environment, but we moved forward confidently building on the positive momentum of the last 24 months to emerge stronger and ready for an era of digitally led growth in 2022 and beyond.

As we grappled with new waves of COVID-19 and new impacts to our economy, we were resolute on making sure our business was resilient. During 2021 we transitioned to a "hybrid" work set up and remained agile, dynamically adapting the way we work to contend with a fast-changing external environment. We continued to support our Wealth Planners by providing concessions on their agent benefit schemes, advance payments of commission, relief on loan recoveries and with additional hospital cash and life

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coverage related to COVID-19. During lockdown periods, we equipped our agents and Financial Planning Executives to work remotely giving them training on digital skills and further streamlining paperless business submission processes. Our efforts to support the community, which commenced last year, continued in 2021 through cash, equipment and essential supplies being donated to frontline hospitals in need of support.

Against this challenging backdrop, the Company forged ahead on the platform that was laid over the last 24 months. Gross Written Premiums (GWP) reached LKR 16.5 billion in 2021, vs. LKR 14.0 billion recorded in 2020, recording the highest growth in premiums over the last five years. The notable growth in both new business and renewal premiums is on the back of strong distribution momentum, digital adoption and a focus on driving improved persistency.

The Company recorded a Profit After Tax (PAT) of LKR 1.8 billion in 2021 compared to LKR 449.6 million in 2020. A fourfold increase over the prior year. The strong growth in GWP, containment of expense growth and improved persistency were primary contributors to the uplift in PAT in 2021.

Given the long-term nature of our business and to protect against any external shocks, we have continued to maintain a very high Capital Adequacy Ratio which was reported at 547 per cent as at 31 December 2021 compared to the 488 per cent in 2020. The Company's Capital Adequacy Ratio continues to be the highest amongst the top six life insurance companies in Sri Lanka,

and this group accounts for over 85 per cent of the market share in the industry. Our capital strength allows us to make long term commitments to our customers and allows us to sustain our business through events like pandemics.

Growth in both distribution channels was further improved in 2021. Our continued investment in developing Premier Agency, quality recruitment and training enabled us to drive our Agency distribution channel to a record performance. Our focus in developing Agency distribution towards a full-time model achieved a key milestone in 2021 with the Premier Agency Circle generating its highest ever new business contribution to the Company since its inception. Our Bancassurance distribution channel further strengthened its position in 2021 with a strong contribution of 14 per cent to the company's new business results. Bancassurance also recorded highest levels of productivity and activity in 2021. Strong focus on training and activity were the key drivers behind the Bancassurance channel's performance in 2021. We recorded the highest number of MDRT Qualifiers in the history of AIA Sri Lanka and retained our #1 spot in Sri Lanka for the sixth consecutive year.

As a leader in the pensions, health and life insurance business, we delivered on our brand promise to help people lead healthier, longer, better lives. Going beyond the manufacturing of great insurance products, we offer holistic value propositions that provide our customers overall health and wellness. Building on innovative telemedicine partnership with oDoc,

we launched yet another industry first initiative through our partnership with Fitzky, an online fitness platform, giving all our customers access to 12 free online fitness classes per month. During the year, we further enhanced our Health and Wellness proposition by offering eligible customers with six structured teleconsultations free of charge to help them know and improve their health. In 2021, AIA Sri Lanka upgraded its limited pay product '*AIA Smart Wealth*' that aims to meet the customer's investment needs. With interest rates being low, there is an opportunity to target a segment of customers that seeks higher returns, protection and professional management of their funds. Recognising the increased demand for a single pay option for the same segment, we launched the '*Single Pay*' *AIA Smart Wealth* in 2021.

2021, was also a year of digital and operational transformation for AIA Sri Lanka. To build greater resilience and enable a better customer experience, we accelerated the upgrade of our technology platforms and drove increased adoption of digital tools. We rolled out several transformational projects driving greater efficiency for our distribution and service units. Our cloud-based point of sale system, MyPoS, integrated the entire purchase journey and can now be accessed through the web and eventually through smartphones. Several systems and processes were tightly integrated to provide an end-to-end digitalised customer journey via workflow automations and document management solutions. End of life applications were modernised and moved to cloud, further increasing AIA Sri Lanka's cloud adoption, as we

CHIEF EXECUTIVE OFFICER'S REVIEW

progress in our cloud first initiative. As a testament to all the great initiatives launched, AIA Sri Lanka IT won the Gold award – Corporate IT Awards at the inaugural FITIS awards ceremony.

Our Operations team continued to provide a superior level of service to customers regardless of the intermittent lockdowns. Their relentless support and quick digital transformation enabled issuing new business seamlessly, and increased our new business straight-through process adoption to an all-time high, demonstrating effective use of automation. During 2021 we continued to drive convenience through higher adoption of standing instructions by our customers, widened our digital payment modes, accelerated policy conservation efforts to support customers in continuing their protection / financial security. We witnessed a significant increase in NPS scores thanks to better service all around, and a reflection of the team's immense dedication throughout 2021.

I'm proud to say that we truly are an amazing and unique place to work. 2021 was an incredible year for AIA Sri Lanka, being recognised for the many investments we make in our people and in developing a strong culture. Our HR team continued engaging our teams through systematic communication and digital learning opportunities as we transitioned to the new "hybrid" work setup. Their efforts were reflected in the third consecutive year of Gallup score increase. We remain focused on creating a culture of inclusion, a safe working environment where employees can enjoy a balance between personal wellbeing and career growth. In 2021, we were honoured to receive multiple recognitions from

independent organisations. We were recognised by four Great Place to Work awards including Great Place to Work for the ninth consecutive year, Best Workplace for Women, Best Workplace for Millennials and ranked #45 in Asia's Best Workplaces 2021, one of Top 10 Women Friendly workplaces in 2021 by Satynmag.com and CIMA Sri Lanka. I'm confident that AIA Sri Lanka will continue to lead the industry in best practices for employee engagement and inclusion. In 2021, we were globally recognised as the 'Best Life Insurance Company' in Sri Lanka, by Capital Finance International, making it the third time we were recognized as Sri Lanka's Best Life Insurance Company (previously awarded by the Global Banking and Finance Review - 2019, 2020).

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 27th consecutive year and one of Sri Lanka's oldest CSR initiatives inspiring academic excellence. We also extended our commitment to the Sri Lanka Cancer Society for the third year as part of our efforts to raise awareness and to help fight non-communicable diseases in Sri Lanka, contributing over LKR 5 million to support the great work they do in serving underprivileged cancer patients.

As I write this update, a number of our customers, colleagues or their loved ones are impacted by the Omicron variant. Thankfully, many are asymptomatic or with milder symptoms than prior variants. Whilst we are coping with COVID-19 better than we did in 2020, we need to remain vigilant and take all precautions. AIA Sri Lanka has supported all our stakeholders in the

fight against COVID-19 for the last two years and remain committed to do so.

We thank and appreciate our bancassurance partners NDB and DFCC for being true partners and constantly demonstrating the deep, enduring bond we have forged. Both partnerships continued to deliver on our shared objective of providing long term protection products to the bank's customers as a complimentary sale to their banking products. I take this opportunity to appreciate, recognise and thank our Wealth Planners, Wealth Planners' Managers, Bancassurance Executives and all our employees for their relentless perseverance and commitment throughout the year. I extend my sincere appreciation and gratitude to the Board of Directors and all my colleagues for their tireless efforts, commitment and dedication. To our most important stakeholder, our customers, I extend my gratitude for their consistent confidence and faith in our capabilities, products and services to offer them protection, and we remain dedicated to helping all Sri Lankans live healthier, longer and better lives.



Nikhil Advani
Chief Executive Officer

WEALTH



MANAGEMENT DISCUSSION & ANALYSIS

2021 demonstrates the innate resilience of Sri Lankans. In the face of several pandemic related challenges such as restrictions on movement, and frequent lockdowns and curfews, individuals were quick to adapt, and daily lives continued. It was no different for businesses and for the life insurance industry.

For AIA Sri Lanka, the strong recovery in business growth is a reflection of the buoyancy of the agency led sales force. Proactive and pioneering initiatives encompassing all business aspects including sales, partnerships, customer experience, agency recruitments, operations, etc., have contributed to the delivery of robust results across key performance metrics for the year.

ECONOMIC REVIEW

A notable revival in the world economy was observed in 2021, led by the advanced economies and in the face of the emergence of new COVID-19 variants. The vaccination drive, easing of movement restrictions and gradual restoration of normalcy has resulted in a surge in aggregate demand all over the globe. As such, the global economic growth for 2022 is estimated at 4.1 per cent by the World Bank. New variants of COVID-19, the fallout of supply side disruptions and resultant high inflation, and geopolitical tensions in Eastern Europe are key downside risks for the global economy in 2022.

Sri Lanka also has made substantial progress in terms of COVID-19 vaccination in 2021, allowing for economic activities to be reinstated despite challenges from successive waves of COVID-19. Sri Lanka recorded an economic growth of 4.4 per cent in the first nine months of 2021 vis-à-vis the contraction of 3.6 per cent recorded for the full year of 2020.

For Sri Lanka, 2022 comes with challenges on the macroeconomic front stemming predominantly from the external side. In November 2021, the external reserves dropped to USD 1.6 billion, the lowest since 2008. However, a recovery in reserves was observed owing to Government-to-Government lending and swap facilities with regional central banks. Nevertheless, the reserves position remains notably lower than the USD 6.9 billion to be paid in principal and interest over the next twelve months. Implications of the acute dollar shortage are

manifested already through regular power cuts, scarcity and sharp price increases of essential imported items etc. As such, it is crucial for the Government to secure external funding lines in the short term. A revival in tourism is expected in 2022 which could somewhat absorb the pressure on the external reserves. Workers' remittances returning to normal levels is largely determined by the foreign exchange stance of the Central Bank of Sri Lanka (CBSL) over the short to medium term. Further, global commodity and energy prices remaining at elevated levels is a key downside risk for the Sri Lankan current account and the economy as a whole.

On the monetary policy side, the CBSL stance of holding interest rates low was reversed in August 2021 with an upward revision in policy rates by 50 basis points. The Statutory Reserve Ratio (SRR) was also increased by 200 basis points. In response to the monetary policy decision by the CBSL, yields of gilt-edged securities adjusted upwards. The benchmark 364-day treasury bill rate increased by 321 basis points to 8.24 per cent in 2021 vis-à-vis the 342 basis points decrease experienced over 2020. This rise in interest rates have been after a ~600 basis points drop over the two years prior to 2021, signaling a change in the interest rate cycle. Fundamental upward pressure on yields is likely to remain elevated in the near term as well given the notable fiscal deficits and overdependence on domestic financing.

In general, rising interest rates contribute to improve the interest income of the business given

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that the investment portfolios are predominantly invested in fixed income instruments. The sharp increase in interest rates over the last few months of 2021 had a favourable impact on investment income and portfolio yields.

Inflation increased rapidly in the second half of 2021 reaching 12.1 per cent (CCPI) by December 2021. The sharp rise in prices was a combination of the disruptions to global supply chains and the

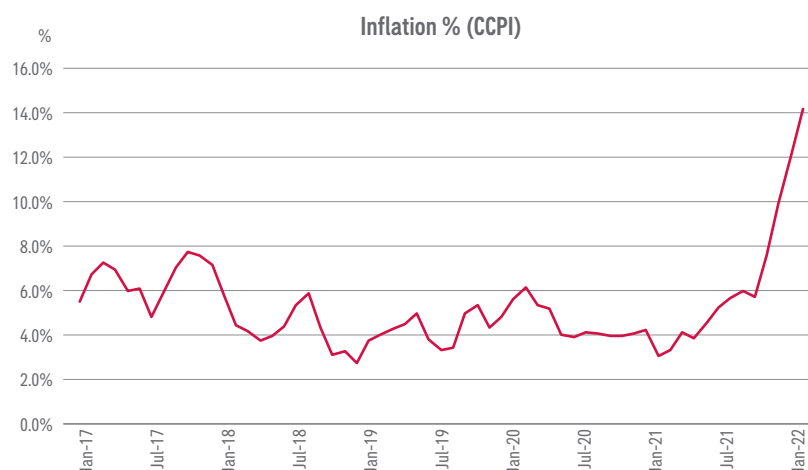
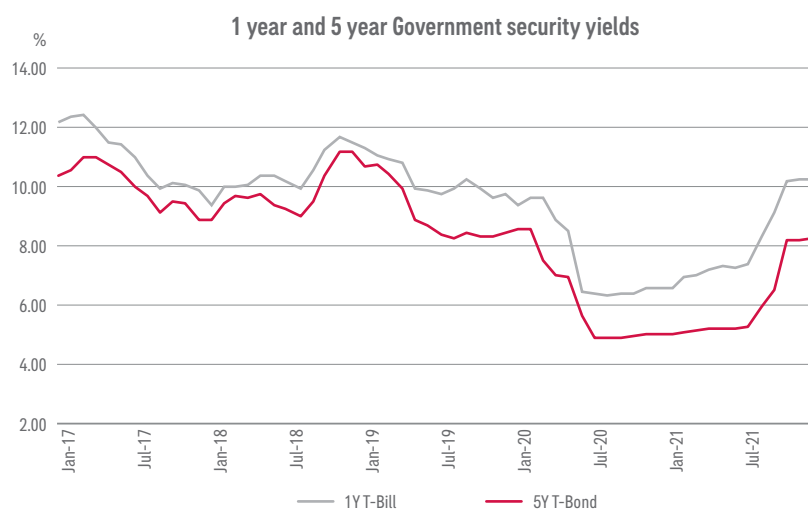
resultants impacts to commodity and energy prices, the re-emergence of demand in global markets and low foreign currency availability in Sri Lanka.

The equity market recorded a strong performance in 2021 where the benchmark ASPI was up by 80.5 per cent while the blue-chip constituent S&P SL 20 index has seen an increase of 60.5 per cent in 2021. However, the market rally during the period was spearheaded by a few counters.

A notable revival in the world economy was observed in 2021. Sri Lanka also has made substantial progress in terms of COVID-19 vaccination in 2021, allowing for economic activities to be reinstated.

For Sri Lanka, 2022 comes with challenges on the macroeconomic front stemming predominantly from the external side. As such, it is crucial for the Government to secure external funding lines in the short term.

On the monetary policy side, the CBSL stance of holding interest rates low was reversed in August 2021. In response to the monetary policy decision by the CBSL, yields of gilt-edged securities adjusted upwards.



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REGULATORY UPDATE

On the regulatory front, a few key changes were implemented by the Insurance Regulatory Commission of Sri Lanka (IRCSL). A new Circular dated 23 March 2021 was issued, mandating new products and any changes to the existing products be submitted to the IRCSL for approval prior to launch. The Company is compliant with the above-mentioned Circular.

A Direction on Restriction on Providing Codes and Restriction on Changing Codes - Direction No. 02 of 2021 was issued imposing restrictions on providing codes to intermediaries (insurance agents and brokers) and changing existing codes given to them. In terms of this regulation, insurance companies can provide codes only to insurance brokers and insurance agents and, hence, insurance companies are prohibited from providing codes to persons other than insurance brokers and insurance agents. Also, the insurance companies are precluded from providing codes to banks, finance and leasing companies. However, insurance companies could adopt a methodology to identify banks, finance and leasing companies who provide referrals / leads to insurance companies. The Company does not issue any agency or broker codes to any other partners including bank partners. The Company has different methodologies in place to administer standard intermediaries and bank and other partners. In terms of change of codes, the Company has already implemented steps to secure consent of agents for code

transfers. Accordingly, the Company is compliant with this Direction.

The IRCSL amended Direction No. 01 of 2021 issued on 10 March 2021 by stipulating terms and conditions to insurers when declaring and distributing dividends to shareholders (including interim dividends to shareholders). Accordingly, the Board of Directors of the insurer are required to consider a dividend declaration based on the results of the Audited Financial Statements for the year ended or for the applicable period in case of interim dividend (Audited Financial Statements should be prepared for the applicable period). The regulation also stipulated that the Board of Directors of the insurer should submit a confirmation to the IRCSL that it had considered a set of IRCSL specified criteria when making the decision on shareholder dividends and are required to place their signatures confirming the proposed value of the shareholder dividend. The said confirmation is required to be submitted to the IRCSL by the Principal Officer, at least two weeks prior to the declaration of the dividend to shareholders. The Company has adhered to this condition as regards the proposed shareholder dividend distribution from the profits of the financial year ended 31 December 2021, and will comply with this Direction in any future distribution or declaration of dividends to shareholders.

The IRCSL issued the revised Determination No. 10 revising the present structure of commission rates and it is understood that the intention is to incentivise insurance brokering companies to increase

their contribution to the life insurance business and to ring-fence the payments to intermediaries as a whole. The Company is compliant with the revised Determination No. 10.

IRCSL repealed Direction No. 14 issued on 09 January 2018 and issued revised Direction No. 14 on prohibition to refrain from employing persons, in any capacity of employment, whose services have been terminated on the grounds of financial misappropriation or fraud. The Direction also stipulates that in the event termination of a person is carried out by an insurer, it is required to follow due process, especially follow the principles of natural justice prior to such decision to terminate is taken. The Company is compliant with the amended Direction.

The IRCSL repealed Direction No. 9 issued on 13 May 2016 and issued revised Direction No. 05 on 13 December 2021 in relation to role and responsibility of the Principal Officer of an insurer or an insurance broker, by expanding the scope in the revised direction.

An Act has been passed by Parliament to extend the retirement age to 60 years with respect to employees who have not attained the age of 52 years on the effective date of the proposed Act. In the case of employees aged 52 years or above on the effective date of the proposed Act they will be employed up to a maximum of 59 years under three age groups.

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INDUSTRY REVIEW

The industry review is based on the provisional figures provided by the Insurance Association of Sri Lanka (IASL) for 4Q 2021, and the Statistical Review published by the IRCSL for 2020.

The growth momentum of the life insurance industry continued into 2021. As such, Gross Written Premium (GWP) recorded a growth of 21.1 per cent for 2021, up from 16.1 per cent in 2020. Notwithstanding several COVID-19 related movement restrictions in 2021, the industry growth forged ahead driven by new business sales on the regular premium paying business with First Year Premium (FYP) recording a growth of 28.8 per cent in 2021 up from 4.4 per cent in 2020. This contrasts with 2020 where industry growth was mainly driven by Single premium and Group premium segments. FYP explained 6.1 per cent out of the 21.1 per cent industry growth in 2021.

Renewal Year Premium (RYP) increased by 14.9 per cent in 2021, up from 7.7 per cent in 2020. RYP explained 8.5 per cent of the industry growth of 21.1 per cent. Single premium business and Group premium business recorded growth rates of 57.5 per cent and 1.8 per cent for 2021.

The life industry in Sri Lanka comprises of 15 players and remains concentrated where the top six players accounted for 85.5 per cent of GWP in 2021. The industry is traditional in terms of distribution with the agency force contributing 80.2 per cent of GWP (based on FY 2020 figures).

Despite the double-digit growth of GWP observed over the last few years, life insurance penetration remains ~0.7 per cent of GDP which is significantly lower than regional peer nations. As such, the total in-force life insurance policies as a percentage of population and as a percentage of total labour force stood at 16.4 per cent and 42.4 per cent respectively by end 2020. These numbers have not seen notable improvements over the last few years. The industry accounted for 2.4 per cent of the financial sector assets in the economy in 2020.

Life insurance is considered a discretionary item among Sri Lankan consumers as it is perceived to be a less significant product given the context of lifestyles associated with extended families. The large public sector employment in excess of 1.5 million (~19.1 per cent of employed population and ~7.0 per cent of population) also curtails the desire to own life insurance and retirement products as public sector employees are covered by Government funded defined benefit pensions. These dynamics are however rapidly changing with the change in demographics, rapid urbanisation and the demands of current lifestyles. Gradual convergence to upper-middle income level in the forthcoming years should also help to increase penetration. Furthermore, ageing population, the rise in healthcare costs and changes in society bodes well with the medium to long term growth potential and outlook for the life insurance industry in Sri Lanka.

CUSTOMER REVIEW

At AIA Sri Lanka, we are driven by customer-centricity

In the face of challenges posed by the pandemic, AIA Sri Lanka's team has been dedicated to embracing innovation, creative thinking and deploying enhanced tools to deliver seamless omnichannel customer experiences, throughout all customer journeys. Staying true to our purpose of helping people live healthier, longer, and better lives, AIA Sri Lanka has leveraged best-in-class technology, digital transformation, and continuous improvement to provide superlative experiences to our customers.

In 2021, AIA Sri Lanka launched an industry first in digital transformation with the introduction of cloud-based workflow automation. This initiative ensures that we achieve efficient, accurate, and speedy policy issuance, which in turn benefits our customers and enhances their experience. The Company also took leadership in providing a wide range of safe and easy options for customers to pay insurance premiums, without ever having to leave the safety and comfort of their homes.

A new age of protection with Health and Wellness

In 2021, the Company revolutionised the industry by providing a holistic value proposition that goes beyond merely providing insurance products, to providing an ecosystem of support to improve one's overall

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**Healthcare at your doorstep
brought to you by AIA INSURANCE**

Get **unlimited free consultations** with doctors from the safety and comfort of your home via **oDoc**

AIA First Class members, AIA Health Protector and AIA Health First customers, their spouses and children are eligible for this facility



health and wellness. In addition to the free telemedicine service provided in partnership with oDoc to select customers, the Company joined hands with the leading online fitness provider Fitzky to offer all customers access to 12 free online fitness classes every month from the safety and comfort of their homes. AIA Sri Lanka also partnered with 'My Dentist', a premium dental-care service, led by a team of internationally and locally trained dentists to provide all AIA customers an exclusive discount of 15 per cent to an array of treatments and surgery, at any My Dentist clinic.

Everything revolves around the voice of the customer

AIA Sri Lanka continuously focuses on obtaining a better understanding of our customers' needs and their experience with the company. This is done through multiple means.

For example, the Net Promoter Score (NPS) is gauged from direct customer interaction points in order to determine the pulse of the customer and take the necessary action to continuously improve the customer experience. The centralised customer feedback and complaints management approach provides valuable insights and inputs, and facilitates changes towards the delivery of enhanced customer service.

Digital journey

In the digital sphere, the Company is the leader in the insurance industry. On social media, AIA Sri Lanka has reached the highest number of subscribers and followers on YouTube and Instagram within a very short time span.

The many accolades that AIA Sri Lanka has received is testament to

the commitment to providing our customers with the best service, customer value and insurance solutions. Our efforts were recognised at the SLIM DIGIS 2.1 for our Digital Recruitment Campaign which supported the Company's efforts of securing the best professionals to serve the needs of our customers. The Company also won the David vs Goliath Award for the third year in a row at the AIA Group Marketing Excellence Awards for the most cost-efficient campaign.

The Company has been agile in its digital approach given the COVID-19 pandemic. We were quick to adapt to new and innovative ways of driving the brand in the digital sphere. AIA Sri Lanka launched 'Let's Talk Life' a YouTube series that focuses on driving our brand promise of helping people live healthier, longer, better lives. The series is hosted on our YouTube channel as means of providing engaging and interesting content to the audience. AIA Sri Lanka also continued the Monthly Webinars on Facebook Live to drive thought leadership, hosted by subject experts and leading personalities in the country.

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.

Our 'health with life insurance' plan, 'Health Protector' is designed for

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individuals seeking a comprehensive health cover with the freedom of being able to choose in which country they wish to receive medical treatment. 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 50.0 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 and children, 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 Lanka's heart disease, cancer, stroke and kidney failure.

The Company's flagship retirement product, 'Smart Pension' offers 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.

'Smart Wealth' is 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' come with an increasing life benefit which can be selected based on customer's requirement from as low as LKR 1.0 million to LKR 500.0 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 and desires.

All products are offered with a range of additional and optional covers such as the 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.

Our ongoing efforts in customer centricity and revolutionising the insurance industry has resulted in us being globally recognised as the Best Life Insurance Company in Sri Lanka by the Global Banking and Finance Review (2019, 2020) and Capital Finance International (2021).

BUSINESS REVIEW

Agency Distribution channel

Agency continued its growth momentum into 2021 to record a double-digit growth against prior year, driven in the main by increased activity across the sales force and improved policy values. The new business growth achieved in 2021 is the highest recorded year-on-year

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growth for the channel over the past decade. The Agency channel invested in improving the digital capabilities of AIA Wealth Planners (WPs) through device ownership schemes, improved state-of-the-art point of sale platform (MyPOS), with a view of providing a seamless service to customers using digital platforms.

Agency recruitment continued with a clearly defined career path with high-income potential for WPs and higher focus on quality recruitment to develop an improved and sustainable Wealth Planner force. Quality recruitment was at the fore, leveraging digital recruitment platforms in order to overcome the challenges of the constraints imposed by the pandemic.

Moreover, the new business premium payments through standing instructions improved significantly over the last year, and the use of Adobe digital signature for new proposals continued throughout the year to provide a contactless sale by the Agency channel. This enabled the channel to move forward uninterrupted in the face of the pandemic conditions that prevailed throughout the year.

The Premier Agency Circle of AIA Sri Lanka (PAC) continued to outperform with substantial growth over the previous year, this improved performance was enabled through the new 3.0 recruitment scheme which allows nation-wide engagement to recruit the best candidates. PAC demonstrates a high potential for 2022. PAC reported the highest new business volumes in 2021 with significant double-digit

growth and notable contribution to overall Agency performance.

Partnership Distribution channel

In 2021, the Partnership Distribution channel recorded stellar performance and contributed healthily to the Company's top line. Despite the economic challenges in the country, the strong collaborations with our partners enabled the channel to conclude the year with an impressive YoY growth.

The Channel achieved its ambitious objectives and furthered its mission to be the best bancassurance team in the life insurance industry in Sri Lanka. Strategic initiatives such as segmented recruitment and reward structures, revamped induction programmes, individualised interventions for up-skilling the team, and introducing a digital lead generation process with bank partners were executed successfully in 2021.

The Channel recorded significant improvement in FPE productivity in 2021 becoming a business unit with one of the highest Bancassurance productivity levels within AIA Group. This fueled the new business growth for the channel in 2021.

The Partnership Distribution channel is well-gearred to accelerate in 2022 by providing "Healthier, Longer, Better lives to our customers through a Stronger, Superior, Swifter partnership" with our bank partners.

OPERATIONAL REVIEW

The year 2021 continued its success for business operations at AIA Sri Lanka to record noteworthy

performance despite the challenging external environment. The Company ensured that all critical functions necessary for customers and other stakeholders were strengthened to provide the best-in-class experience. Enhancements in digital capability are at the heart of this strategy. The success of these enhancements was visible throughout the customer journey including buy, service and claims stages.

System and operational enhancements to new business processing through MyPOS and a fully automated workflow system was a key initiative at onboarding stage. The pandemic restrictions were overcome by leveraging on the remote digital signing process which enabled AIA Sri Lanka's sales force to conclude new business remotely through a tele conversation, without the need for physical interaction. This initiative was essential for the success of the salesforce, particularly during the lockdown period, and assisted to keep the momentum of new business growth throughout the year.

The year 2021 has been a significant year for the AIA Sri Lanka Operations function with the launch of many new systems as well as improving the adoption and usage of existing digital platforms. The new business workflow system facilitated smooth distribution of proposals among underwriters with increased visibility to stakeholders. 75.0 per cent of the policies were issued digitally which improved the customer experience. The new document management system provided a smoother access to the image repository for faster

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decision making and storage for e-policy documents which ultimately integrates with the Customer Portal, where customers could easily access their insurance policies. The new document management system would enable faster and easier integrations with all future systems and solutions. The workflow system for servicing and customer complaints was launched during the last quarter of 2021 to further improve the customer experience in 2022. The Health Care Management Team (HCM) supported in conducting and providing medical examinations digitally which contributed to an enhance customer onboarding, policy revivals and customer experience with improved turnaround times.

The Conservation team continued to support customers to revive their policies, understanding the challenging economic and social conditions faced by the customer. Customers were able to continue to receive their policy benefits with the policies being revived. The call-centre which is the first contact point for customers to resolve their concerns was further improved during 2021. These improvements included automated premium position information, dedicated service lines for identified customer segments, and customer feedback automation.

Continuous training programmes were conducted during the year to uplift the knowledge on technical aspects and focusing on people development in 2021. AIA Sri Lanka has made a significant progress in automation and straight through processing in 2021 which will continue into 2022.

As an organisation that believes in helping people live healthier, longer, better lives, AIA Sri Lanka believes that protecting our customers and providing them the care they require when they need it the most, is the right thing to do by our customers. Even though COVID-19 claims were not covered under the Hospitalisation and Medical Expenses cover benefit, the cover was extended to provide the necessary protection throughout the year when the protection was required.

PEOPLE REVIEW

Our employees are the greatest assets of AIA. Driven by the purpose of helping people live healthier, longer, better lives; our priority is the health and happiness of employees as well as creating a work environment where everyone has a fair opportunity to learn, grow and fulfill their career dreams.

Beyond a Great Workplace

AIA Sri Lanka is proud to have been recognised in the Best Workplaces™ in Asia list - Large category, ranked number 45, marking the first time in this prestigious international list awarded by the Great Place to Work® institute.

Further, the Company received the Best Workplaces™ award for the ninth consecutive year and listed among the 40 Best Workplaces™ in Sri Lanka in 2021. Marking another milestone, AIA Sri Lanka received the Best Workplaces™ for Millennials which is another first-time award by Great Place to Work® and a testament of the Company's diversity and progressive culture.

Safe and rewarding workplace for women!

Fostering an equitable culture for our employees is a commitment that we place at all levels. It is an honour and a true reflection of this commitment to have been recognised as one of the 'Best Workplaces for Women' in Sri Lanka for the fourth consecutive year by the independent analysts at Great Place to Work®.

AIA Sri Lanka was also adjudged as one of Sri Lanka's top 10 'Women Friendly Workplaces' by Satynmag.com and CIMA Sri Lanka for its efforts in creating a safe and empowering working environment for women.

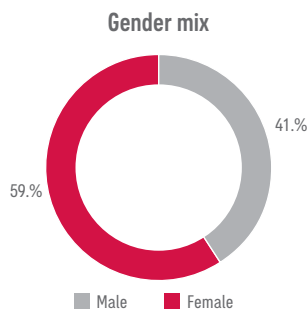
Our comprehensive '100 Working Day Motherhood Benefit' allows our female employees to have an extended maternity leave and flexi work arrangements, whilst giving enough time to spend with their newborn and prepare themselves to return to work. The reimbursable allowance of 'New Moms Support Scheme'; allows our new moms who return to work, 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.

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Our People

During the year 2021, the Company's workforce comprised of 704 employees in the permanent cadre with a healthy mix of female and male employees. The female employee population was 41.0 per cent in 2021.



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. A thematic monthly engagement calendar was rolled-out during the year to connect and engage the team at AIA Sri Lanka. Every month, creative themes were designed considering the current situation and the initiatives were around employees' physical, mental, social, and financial well-being. The 'Yoga Breathing Techniques' session, 'Healthy Cooking Show', 'Investment Insights', 'Digital Awards' are some of the highlights from the year. Further, more emphasis was placed on engaging different diversity groups in different aspects.

Our performance driven culture is continuously supported by development initiatives. Over 95.0 per cent of our total employees were given learning opportunities in accordance with the 70:20:10 learning model. With the change of work environment due to the pandemic, the Company initiated many programmes to promote digital learning. All our employees have access to over 9,000 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 6,000+ Training Hours with an average of 10 training hours per Active Learner. A total investment of over LKR 18.8 million was allocated for these trainings.

Our journey continues ...



Our people: diversity and inclusion



CEO's Award Winners

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CSR ACTIVITIES

AIA 'Ruk Dansala' – Planting 1,000 trees

The Forest Club Sri Lanka partnered with AIA Sri Lanka in this project towards a greener Sri Lanka.

Most areas in the world are at risk from drastic climate change and environmental degradation. Planting trees is one of the biggest ways to tackle the climate crisis. AIA Sri Lanka contributed to preserving our planet. 1,000 trees were planted along the southern expressway and the completion of the planting was celebrated on the International Day for the Preservation of the Ozone Layer 2021. This initiative also educated and created awareness among the public on the importance of preserving the environment around us.

AIA Sri Lanka continues to support the Sri Lanka Cancer Society, the third year of partnership

In April 2021, AIA Sri Lanka announced the renewal of its partnership with the Sri Lanka Cancer Society (CANSOC) for the third consecutive year. AIA Sri Lanka continues to donate LKR 100 on behalf of every new policy sold, resulting in a donation of almost LKR 12 million over the last three years. The funds donated are being used by the Sri Lanka Cancer Society for the provision of care and solace to needy cancer patients. Cancer is a huge burden of disease in Sri Lanka and continues to affect our community. AIA Sri Lanka together with the CANSOC undertook a great initiative this year to create awareness every month on diverse types of cancers such as oral cancer, lung cancer,

breast cancer and pancreatic cancer. AIA Sri Lanka also initiated the NCD series with Roar.lk which featured survivors of a non-communicable disease voicing their journey of recovery so it could be of help to all citizens.

AIA Sri Lanka extends much needed support to frontline hospitals fighting COVID-19

During the year 2021, AIA Sri Lanka provided much needed support to frontline hospitals treating COVID-19 patients. A range of medical equipment were donated to the Avissawella, Divulapitiya, Gampaha and Kuliapitiya hospitals. To this end, handheld dopplers, wall oxygen regulators and syringe pumps were donated to the Avissawella hospital, whilst the Divulapitiya hospital received a much-needed cardiac multi monitor. The Gampaha hospital received infusion and syringe pumps as well as wall oxygen regulators and the Kuliapitiya hospital's request for an industrial washing machine was granted.

HR 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 second year. This programme was initiated with the aim of providing financial support for underprivileged children under the age of 18 years of age who needed a safe, stable and nurturing home. This year employees volunteered to support and improve the lives of 50 children in Sri Lanka.

INVESTMENTS REVIEW

AIA Sri Lanka maintains 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 that are invested into Government Treasury bonds whilst corporate debt investment exposures are maintained with counterparties of 'A' (Ika) rating and above as rated by Fitch Ratings Lanka.

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.

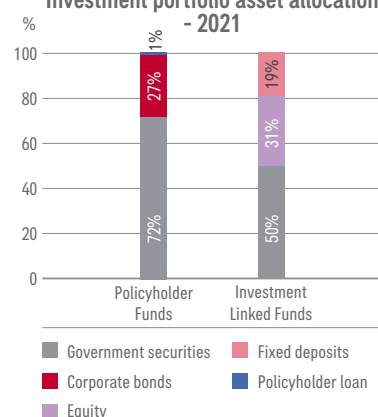
The concentration of investments in long-term Government securities at relatively attractive yields and the absence of risky assets in the main policyholder funds are conscious investment decisions in line with the prudent long-term investment strategy outlook of the Company and holds the Company in good stead during times of challenge.

The investment strategy to hold liquidity throughout 2020 and

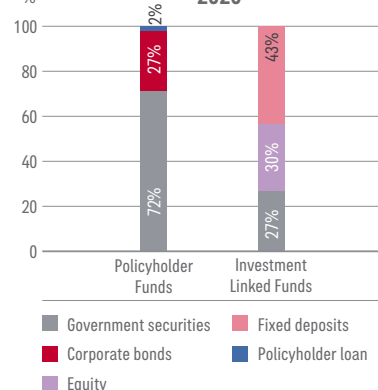
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over most part of 2021 against the backdrop of the low interest rates environment and in anticipation of higher interest rates during second half of 2021 paid off, as interest rates did increase significantly from August 2021 onwards. The expectation was founded on forecasts and projections based on macroeconomic fundamentals. As such, the liquidity held was deployed into longer term investments at favourable yields towards the latter part of the year.

Investment portfolio asset allocation - 2021



Investment portfolio asset allocation - 2020



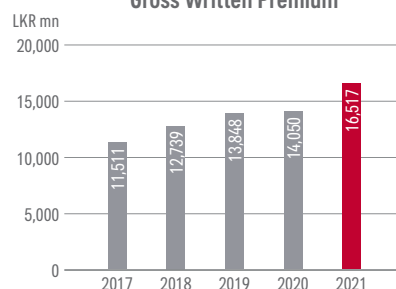
FINANCIAL REVIEW

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

Gross Written Premium (GWP)

GWP increased to LKR 16.5 billion in 2021 from LKR 14.0 billion in 2020, recording a YoY growth of 17.6 per cent, the highest growth during the last five years. The significant incline reflects substantial growth in both new business and renewal premiums. Increased recruitments to the agency force, the re-emergence of the partnership distribution channel, digital innovations and the focus on improved persistency were key drivers of GWP for 2021.

Gross Written Premium



Net Written Premium (NWP)

The NWP, which is GWP net of premiums ceded to reinsurers, amounted to LKR 16.1 billion which is a 17.7 per cent growth over the previous year.

Investment income

Investment income increased by LKR 341 million to LKR 5.9 billion in 2021. Higher investment income reflects significant investments made into longer term instruments towards the latter part of the year, with the rise in interest rates. In terms of credit risk, AIA Sri Lanka portfolios are predominantly held in Government securities and those too in local currency denominated instruments, and hence are mitigated from deterioration in credit quality in the market.

"The consolidated profit after tax was recorded at LKR 1.8 billion which is a fourfold increase over the previous year. This is a reflection of the strong growth in new business and renewal premiums which increased significantly vis-à-vis the expense base which recorded a comparatively low growth. As such, the growth in profitability is organic in nature."

Total income

Total income increased to LKR 23.5 billion recording a growth of 17.1 per cent over the previous year. NWP and other income contributed 68.4 per cent and 31.6 per cent respectively to total income. These proportions are relatively unchanged from 2020.

Net claims and benefits

Net claims and benefits increased by 7.1 per cent to LKR 4.8 billion in 2021. This reflects the incline in death and maturity benefits during the year. Surrenders, which is also included within net claims and benefits, has declined in 2021 compared to the previous year. This reflects the strategic focus of the Company on educating and encouraging customers to continue to maintain their life insurance coverage and policies with the Company.

Operating and administrative expenses

As a result of prudent expense management and proactively addressing the expense base, the Company was able to contain

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operating and administrative expenses growth to 3.6 per cent during the year against the backdrop of a high inflationary environment which saw inflation (CCPI) rising to 12.1 per cent by December 2021.

Change in contractual liability

Change in contractual liabilities for the year is recorded at LKR 7.4 billion, an increase of 9.6 per cent over the previous year. Higher contractual liabilities reflect the growth in new business during the year. The increase in contractual liabilities that is caused by the increase in new business sales is tempered by the impact of the rise in interest rates, as that exerts downward pressure. These transfers to or from the Life policyholders' liabilities is carried out post the annual Actuarial Review on the adequacy of the policy liabilities and reserving for policy commitments by the Company's Appointed Actuary.

Life surplus transfer

Life surplus transferred to the life shareholders' funds for 2021 from the life policyholders' fund amounted to LKR 1,129.8 million. This contrasts with the deficit of LKR 660.1 million that was transferred to the life policyholders' fund from the life shareholders' fund in 2020. The quantum of the surplus represents the improvement in the profitability of the business during the year. The higher interest rates environment has also weighed in positively on the higher surplus.

Profit after tax

The consolidated profit after tax was recorded at LKR 1.8 billion which is a fourfold increase over the previous year. This is a reflection of the

strong growth in new business and renewal premiums which increased significantly vis-à-vis the expense base which recorded a comparatively low growth. As such, the growth in profitability is organic in nature.

Analysis of the Consolidated Statement of Financial Position

The total assets at end 2021 amounted to LKR 72.3 billion, a marginal decrease from the LKR 72.4 billion recorded for 2020. The substantial upward shift in market yields and the corresponding downward movement of market prices of fixed income financial assets resulted in a decline in the market value of financial assets for 2021, considering that 62.0 per cent of the Company's financial assets are marked to market. In addition, the Company paid LKR 922.5 million as shareholder dividends in FY 2021 which also contributed to lower total assets of the Company. The said downward movement on asset values were contained to a large extent by the growth in the assets under management with the growth in new business premiums and renewal premiums. Financial assets represented 88.0 per cent of the total assets as at 31 December 2021.

Property Plant and Equipment (PPE)

The net book value of PPE decreased to LKR 604.2 million in 2021 from LKR 713.7 million in the previous year which is mainly due to the depreciation charge for the year. The Right of Use (ROU) Assets of LKR 897.4 million represents amounts recognised on account of leasehold properties as per SLFRS 16 Leases. The detailed notes are presented in Notes 07 and 19 to the Financial

Statements on pages 121 and 133 respectively.

Intangible assets

Intangible assets recorded a growth of 8.2 per cent over the previous year and was recorded at LKR 1.3 billion by end 2021. The growth is attributed to the investments in computer software during the year.

Reinsurance receivables

Reinsurance receivables increased by 13.4 per cent to LKR 160.1 million in 2021. This reflects the regular movement in tandem with the growth in the business volumes.

Long Term Insurance Fund

The Long Term Insurance Fund as at end of 2021 amounted to LKR 40.7 billion, up from LKR 40.5 billion in 2020. The increase in the long term insurance fund is a result of the movement in the change in contractual liabilities within the income statement of the Company, and the key drivers of which are explained in the relevant section within this financial review. The Company's Appointed Actuary's Report is provided on page 75 of this Annual Report 2021. 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 2021 was LKR 19.7 billion, and this includes the Risk Based Capital one-off surplus that is maintained within the shareholders' equity as a restricted regulatory reserve in line

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with the directions of the IRCSL. The shareholders' equity level supports the Company to maintain a high Capital Adequacy Ratio.

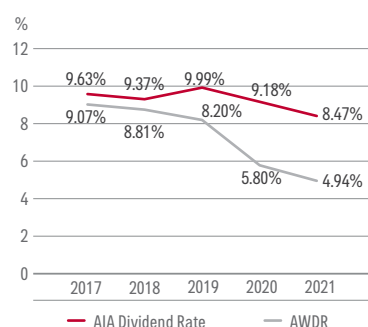
Risk Based Capital (RBC) one-off Surplus

The Company adopted the RBC solvency regime for solvency purposes with effect from 01 January 2016 in line with the regulations and guidelines issued by the IRCSL. This is a methodology for determining policy liabilities for universal life business under the RBC rules. The surplus of LKR 6,080.8 million that arose due to the change in valuation method from Net Premium Valuation (NPV) basis to Gross Premium Valuation (GPV) basis is referred to as the RBC one-off surplus, and this was transferred to the shareholders' fund as stipulated in the regulations. The IRCSL has instructed that the RBC one-off surplus be held as a 'Restricted Regulatory Reserve' within shareholders' equity and not be distributed.

Policyholder dividends

In 2021 the declared policyholders' dividend rate was 8.47 per cent compared to the 9.18 per cent in the previous year. The decline is largely owing to the remarkably low interest environment which prevailed for more than 2 years and the Company's investment strategy to not invest liquidity for the long term against the backdrop of these low interest rates. However, significant investments into the longer term have been made towards the latter part of the year at higher interest rates with the rise in interest rates from August 2021

The dividend rate depicted in the chart below is for the lower bound of the dividends earned by policyholders, and certain policies receive a higher dividend rate than those indicated in the chart based on the specific conditions on those specific policy contracts. The Company has consistently provided a comparatively higher return over past years vis-à-vis the average weighted deposit rate prevalent in the Sri Lankan market.



Risk Based Capital Adequacy Ratio

AIA Sri Lanka continued to have the highest Risk Based Capital Adequacy Ratio (CAR) among the top five players of the life insurance industry, reporting 547.0 per cent by end December 2021. These top five players account for 80 per cent of the market share of the life insurance industry in Sri Lanka. AIA Sri Lanka's higher CAR ratio is the combined result of the capital that shareholders are maintaining within the business and the prudent investment strategy.

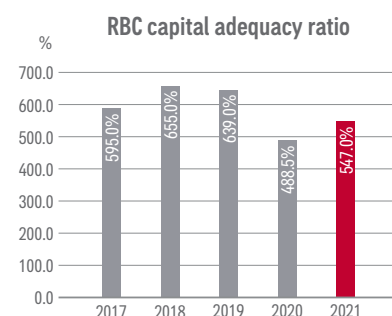
The increase of the Capital Adequacy Ratio to 547.0 per cent in 2021 from 488.0 per cent in the previous year is also the outcome of the combined effect of interest rates increasing over and above the historically lower levels observed in 2020 and

"We are keen on embracing change and in relentlessly pursuing our goals in the journey towards the vision of being the pre-eminent life insurance provider in Sri Lanka, and supporting Sri Lankans to live healthier, longer, better lives."

investments being made into longer term Government bonds utilising the liquidity that was build up throughout 2020 and most part of 2021.

The impact of interest rates on the values of assets and liabilities and their interaction with the asset liability mismatch is explained in greater detail in the section titled life surplus transfer.

The Risk Based Capital Adequacy Ratio (CAR), 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.

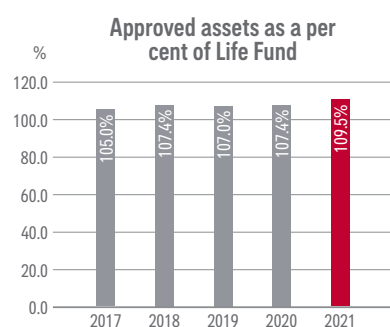


Approved assets

Approved assets as a percentage of the long-term insurance fund was 109.5 per cent in 2021, and higher than the requirement of 100.0 per

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cent. The approved asset ratio has remained relatively stable and high over the past years, as reflected below.



Investment in Government securities as a percentage of the life fund

Government securities represented 71.7 per cent of the Long-Term Insurance Fund which more than adequately surpasses the regulatory minimum of 30.0 per cent.

OUTLOOK 2022

The outlook for Sri Lanka over 2022 is one of cautious optimism. The high levels of vaccination, the re-emergence of tourism and the increased demand in Sri Lanka's export markets provide the basis for the expectation of mid-single digit GDP growth for 2022. However, the downside risks stemming from the depleted external reserves and the dearth in foreign currency, galloping inflation and the fragility in the external sector are likely to temper down the growth forecasts and expectations.

As regards the future prospects of the life insurance industry in Sri Lanka, we remain very optimistic. Significant under penetration, ageing population, envisaged entry to the upper middle-income level, greater awareness on

health, savings and retirement amidst the vigorously changing lifestyles are factors that support our optimistic view on the long-term growth prospect for the industry.

The Company seeks to create opportunities to continue to forge ahead in 2022, building on the strong performance of 2021. The Company will focus on strengthening the distribution channels through quality recruitment and enhancing partnerships. Technology, Data and Analytics will continue to be a key enabler and driver, for improved efficiency and to deliver a unique customer experience. AIA's enhanced propositions will provide unmatched benefits to the customer, catering to their protection, health and wealth creation needs, and fulfilling the brand promise of Healthier, Longer, Better Lives. The people strategy for 2022 is on building the 'Organisation of The Future' which supports the ambition of successfully executing the strategic goals for the year.

Consistent with our forward-looking view, ESG has become an integral part of our Company's growth, and the Group's AIA 'One Billion' campaign has become the most recent initiative to support this. We have successfully launched the campaign in Sri Lanka in February 2022 and looking forward to being a part of helping one billion people live healthier longer better lives by 2030. We are keen on embracing change and in relentlessly pursuing our goals in the journey towards the vision of being the pre-eminent life insurance provider in Sri Lanka, and supporting Sri Lankans to live healthier, longer, better lives.

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BOARD OF DIRECTORS



William Lisle
Chairman - Non-Executive Director

Stuart Anthony Spencer
Non-Executive Director



Robert Alexander Hartnett
Non-Executive Director

Deepal Sooriyaarachchi
Independent Non-Executive Director

Sarath Wikramanayake
Independent Non-Executive Director

BOARD OF DIRECTORS

WILLIAM LISLE**Chairman - Non-Executive Director**

Appointed as the Chairman to the Board of Directors of the Company on 22 June 2015.

Mr. William Lisle is the Regional Chief Executive and Group Chief Distribution Officer responsible for AIA Group's businesses operating in Thailand, Vietnam, Australia and New Zealand, India and Sri Lanka as well as the Group's Agency Distribution, Partnership Distribution and Corporate Solutions. Mr. Lisle was Chief Executive Officer of AIA's operation in Malaysia from December 2012 to May 2015, including leading the large-scale and successful integration of ING Malaysia after its acquisition by the Group in 2012. He is a director of various companies within the Group, including AIA Company Limited, AIA Australia Limited and AIA New Zealand Limited. He is also a director of Tata AIA Life Insurance Company Limited, a joint venture between the Group and Tata Sons Limited in India. Mr. Lisle joined AIA Group in January 2011 as Group Chief Distribution Officer.

Prior to joining AIA Group, Mr. Lisle was the Managing Director, South Asia for Aviva from May 2009 until 2010. Prior to joining Aviva, Mr. Lisle held a number of senior positions at Prudential Corporation Asia Limited, including Chief Executive Officer in Malaysia from 2008 to 2009, Chief Executive Officer in Korea from 2005 to 2008, Chief Agency Officer for ICICI Prudential from 2002 to 2004 and Director of Agency Development, South Asia in 2001.

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 the Group's marketing initiatives, customer propositions, consumer digital platforms, health and wellness including AIA Vitality.

Mr. Spencer re-joined AIA from Zurich Insurance Group, where he was most recently the interim CEO, Asia Pacific, leading a multi-billion dollar Life & Savings and Property & Casualty business covering nine countries with over 6,000 employees. From 2013 to 2016, he was the Chief Executive Officer, General Insurance, Asia Pacific. He was with AIG from 1996 to 2009, during which time he held a number of senior positions including leading AIG's Accident and Health General Insurance operations in Latin America and the Caribbean.

In 2004, Mr. Spencer moved to Hong Kong with AIG Life Company's Accident and Health Division, and from 2006 to 2009 he was the President – Accident and Health Worldwide. Following AIG, he was the Chubb Global Head and COO, Worldwide Life, Accident and Health, responsible for leading Chubb's Global Life and A&H division, across Europe, Asia, North America and Latin America.

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 Vietnam, Australia and New Zealand, India, Sri Lanka and Thailand. 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.

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Annual Report 2021

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 a Non-Executive Independent Director of Sampath Bank PLC, and also served as the Commissioner of Sri Lanka Inventors Commission.

He currently serves as Non-Executive Independent 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 and the Managing Director of SATI Human Development Institute (Pvt) Ltd. 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.

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 2003-2006 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.

SENIOR MANAGEMENT



Nikhil Advani
Chief Executive Officer /
Principal Officer



Upul Wijesinghe
Deputy Chief Executive Officer /
Chief Agency Officer



Chathuri Munaweera
Director / Chief Officer Legal,
Governance & Operations



Gavin D' Rosairo
Chief Financial Officer /
Director Finance



Thushari Perera
Director Human Resources



Umeshi De Fonseka
Chief Technology Officer /
Director IT

SENIOR MANAGEMENT

NIKHIL ADVANI**Chief Executive Officer / Principal Officer**

Nikhil Advani is the Chief Executive Officer of AIA Insurance Lanka Limited.

Prior to taking over the role of CEO, Nikhil led the functions of Customer Strategy, Transformation and Marketing of the Company. He was also responsible for Product and Customer Management, Brand and Communications, Channel and Digital Marketing, Analytics and Corporate Solutions. He has been a part of AIA Sri Lanka since 2016 and was responsible for the Company's new life insurance product portfolio and expanded footprint in the health market. His achievements on behalf of AIA Sri Lanka include the successful growth and expansion of the AIA Vitality programme in the country and overseeing the implementation of a variety of initiatives to substantially raise awareness of the AIA brand and increase engagement with customers in Sri Lanka.

Prior to joining AIA Group, Nikhil worked in senior roles at New York Life, Genworth Financial and Jackson National Life in USA and ICICI Prudential Asset Management in India.

Nikhil holds a master's in business administration from Columbia University, USA and a bachelor's degree in commerce from the University of Bombay, India.

He has almost 27 years of experience in insurance and financial industries and has been a part of AIA Group since 2011.

UPUL WIJESINGHE**Deputy Chief Executive Officer / Chief Agency Officer**

Upul heads the Agency Distribution function and is the Deputy Chief Executive Officer. 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 33 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.

CHATHURI MUNAWEERA**Director / Chief Officer Legal, Governance & Operations**

Chathuri heads the Legal, Governance and Operations functions and is also the Company Secretary.

She is an Attorney-at-Law and holds a bachelor's degree and a master of laws from the University of Colombo. She is also a member of the Chartered Institute of Personnel Management, UK and holds an international diploma in compliance

of the International Compliance Association, UK.

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 Director Human Resources of the Company.

GAVIN D' ROSAIRO**Chief Financial Officer / Director Finance**

Gavin has over six years experience in the role of Chief Financial Officer / Director Finance. In his current role, he leads the functions of Finance, Actuarial, Business Intelligence and Investments, with oversight responsibility for these areas including strategy.

During the past six years, he led the Finance transformation journey for AIA Sri Lanka by successfully executing projects towards finance digitalisation and the implementation of key systems platforms such as an enterprise wide ERP and new Prophet model. He was instrumental in navigating the complexities of key regulatory changes such as the Risk Based Capital solvency regime, the surplus based taxation regime and the move towards adopting the new global insurance accounting standard IFRS 17. The transformation journey continues with business intelligence at the core, and projects in flight for digitalisation, and data and analytics.

He has been with the Company for over 15 years, and has served in the roles of Chief Strategy Officer, Chief Investment Officer, Chief Risk Officer, Financial Controller and Head Strategy & Planning /

SENIOR MANAGEMENT

Business Manager to the CEO, prior to assuming his current role.

Gavin started his career in investments at Sri Lanka's largest licensed fund manager Eagle NDB Fund Management which is now known as NDB Wealth Management. His association with the capital markets and the fund management industry spans over 17 years, as an analyst, fund manager and Chief Investment Officer for both fixed income and equity investment portfolios.

He was a member of the Industry Advisory Committee of the Colombo Stock Exchange and served on the Corporate Bond Market Development Task Force of the Securities and Exchange Commission of Sri Lanka.

His academic and professional exposure encompasses economics, investments, capital markets and finance. He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds a bachelor of commerce degree from the University of Sri Jayewardenepura with honours, specialising in international trade.

THUSHARI PERERA

Director Human Resources

Thushari leads the Human Resources and Facilities functions of the Company. She is a senior HR professional who counts over 15 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 also holds 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 initiative for AIA Sri Lanka. He counts over 19 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.

THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

The Board of Directors (the Directors / the Board) of AIA Insurance Lanka Limited (the Company / AIA Insurance Lanka) has pleasure in presenting their Annual Report on the affairs of the Company during the financial year ended 31 December 2021, together with the audited financial statements for the year ended 31 December 2021 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 81 to 83 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 life insurance. Rainbow Trust Management Limited, a 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 2021 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 6 to 26 and 65 to 66 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 2021.

CLOSURE OF THE SHAREHOLDER RESTRUCTURE AND SETTING UP OF A TRUST WITH THE BANK OF CEYLON

The Company, since 13 October 2020, is a wholly owned subsidiary of AIA Holdings Lanka (Private) Limited ("AIA Holdings Lanka") consequent to AIA Holdings Lanka's acquisition, in pursuance of S.246(1) of the Companies Act No. 07 of 2007 (as amended), of a total of 286,305 issued and fully paid ordinary voting shares of the Company (share / shares) from the Company's then shareholders at a purchase price of LKR 2,500 per share. In accordance with S.246(3) of the Companies Act, AIA Holdings Lanka paid on 12 October 2020 to the Company, the total share purchase consideration

of LKR 715,762,500 for the aforesaid acquisition of the 286,305 shares at the purchase price of LKR 2,500 per share.

Thereafter, and in pursuance of S.246(4) of the Companies Act, the Company dispatched on 13 October 2020, by registered post, the payment cheques to the former shareholders of the 286,305 shares so acquired by AIA Holdings Lanka as above mentioned, comprising the share purchase consideration due and payable to each of them and addressed to the registered / last known address of each such former shareholder. From and out of the above said payment cheques sent to outstanding entitled former shareholders, cheques for a total sum of LKR 343,383,750 remain, as at 26 October 2021 unrealized / unclaimed.

In terms of S.246(4) of the Companies Act, the Company is required to hold the total unclaimed sums of money in trust for the persons entitled to such unclaimed monies of shares that were purchased for a period of six years since the receipt of consideration by the Company, and once the six year period has elapsed (or the company is wound up) to pay such unclaimed monies together with any interest, dividend or other accrued benefit, to the Public Trustee.

The Company has, in this connection, established and set up a formal trust known as the "AIA Insurance Lanka Share Purchase Trust" to hold the unclaimed monies of former shareholders for their shares in pursuance of facilitating greater efficiency and transparency in the administration of such monies.

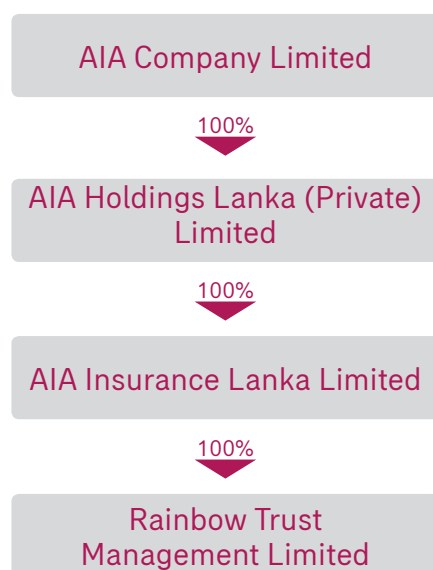
THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Bank of Ceylon has been appointed as trustee for the above mentioned Trust.

SHAREHOLDING STRUCTURE

As at 31 December 2021 to date AIA Insurance Lanka Limited was and is a wholly owned subsidiary of AIA Holdings Lanka Limited and 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 2021 are as follows:



STATED CAPITAL & RESERVES

The Company's stated capital as at 31 December 2021, was LKR 511,921,836 (LKR five hundred and eleven million nine hundred and twenty one thousand eight hundred and thirty six only) represented by 30,749,370 (thirty million seven hundred and forty nine thousand three hundred and seventy) Issued and fully paid ordinary shares.

There was no change in the stated capital during the year under review.

The total capital and reserves for the Group was LKR 19,754 million as at 31 December 2021 (LKR 20,583 million as at 31 December 2020), the details of which are provided in Notes 24 to 27 to the Consolidated Financial Statements.

SHAREHOLDERS

As at 31 December 2021, the Company had only one shareholder holding 100 per cent of the Company's issued and fully paid shares.

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 Consolidated 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), the Companies Act No. 07 of 2007 and to the extent applicable, by the Regulation of the Insurance Industry Act No. 43 of 2000 (as amended).

The Consolidated Financial Statements duly signed by the Directors are published on pages 84 to 149 and the External Auditors Report thereon is provided on pages 81 to 83 of the Annual Report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2021 and the state of Group's affairs as at that date are set out in the Consolidated Financial Statements on pages 84 to 149 of the Annual Report.

INCOME

Total income of LKR 23,474 million (LKR 20,049 million as at 31 December 2020) comprises income generated from the Company's life insurance business and trustee services.

ACCOUNTING POLICIES

The significant accounting policies applied by the Group in preparing its Consolidated Financial Statements are disclosed on pages 91 to 107 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 of Directors 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 thereof to the Consolidated Income Statement. This is set out on page 75 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 604

AIA Insurance Lanka Limited
Annual Report 2021

million while Right of Use (ROU) assets amounted to LKR 897 million.

During the financial year the capital expenditure on property, plant and equipment for the Company and the Group amounted to LKR 69 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 Consolidated Financial Statements on pages 120 to 122 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 the book values as given in the notes to the Consolidated Financial Statements on page 121 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 accounting policy and a revaluation surplus of LKR 12 million was recognised in 2021, totalling to a revaluation reserve of LKR 228 million as at the reporting date.

The details of the extents, locations, valuations of the Company's land holdings are given in Note 07 to the Consolidated Financial Statements on page 121 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 Consolidated Financial Statements on pages 122 to 125.

DONATIONS

The Board of Directors having duly considered the standing of the Company as a good corporate citizen, resolved to ratify a total sum of LKR 2,556,189 utilised as charitable donations for the year 2021. 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 of Directors has arranged for the Chief Actuary to review the Life Fund valuations. (Please refer pages 101 to 106 for the policies adopted for provisioning and the basis thereof).

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

RESERVES

The total reserves of the Group as at 31 December 2021, amounted LKR 19,242 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 87 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 Consolidated Financial Statements and are set out on pages 136 and 144 of the Annual Report.

OUTSTANDING LITIGATION

In the opinion of the Board of Directors 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. For further details please refer to note on Contingent Liabilities on pages 148 to 149 of the Annual Report.

EMPLOYEES

AIA Insurance Lanka marked a remarkable year with the company clinching the Best Workplaces™ award for the ninth consecutive year, Best Workplaces™ in Asia list – large category award for the first time (ranked number 45), the Best Workplaces™ for Millennials which is another first-time award and the Best Workplaces for Women award for four consecutive years by the independent analysts at Great Place to Work® in Sri Lanka.

In 2021, AIA 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 as a superlative employer of choice.

THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

The world class accolades highlight the focus we place on ensuring an equal opportunity, safe environment where people can enjoy a balance between personal wellbeing, career growth, and adding value to themselves and our shareholders.

The details of the unique people practices' that enabled the success of the Company's business performance is described in the Management Discussion and Analysis on pages 14 to 27 of the Annual Report.

EVENTS AFTER THE BALANCE SHEET DATE

Dividend

The Board of Directors has recommended the distribution of a first and final dividend of LKR 35 per share for the year 2021 to be declared by the shareholder at the Company's forthcoming Annual General Meeting. The dividend will be paid out of the current year taxable profits of the Company. The Board is of the opinion that the Company will satisfy the solvency test immediately after the dividend is paid and has also obtained a certificate from the Auditors in that regard in accordance with section 56 of the Companies Act No. 07 of 2007.

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

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Board of Directors 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 43 to 64.

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

STATUTORY PAYMENTS

The Board of Directors 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. A Statement of Compliance by the Board of Directors in relation to statutory payments is included in the Directors' Statement of Responsibilities on Financial Reporting, on page 80 of the Annual Report.

INTERESTS REGISTER

The Company maintains an Interests Register in compliance with the requirements of the Companies Act No. 07 of 2007. The particulars of entries made in the Interests Register during the financial year under review, are as stipulated 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 Consolidated Financial Statements, set out on pages 147 to 148 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 and further declared at Board Meetings and captured herein as appropriate.

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

- I. Disclosures in respect of shares held during the year ended 31 December 2021:

The Directors and the Chief Executive Officer have, in pursuance of section 200 of the Companies Act No. 07 of 2007, made appropriate disclosures at Board Meetings regarding their interests in the Company's shares, including of acquisitions or disposals of such shares.

- II. Disclosures in respect of shares of the Company which have been acquired during the year:

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 shares of the Company which have been held, acquired or disposed during the year:

AIA Insurance Lanka Limited
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Neither the Directors nor the Chief Executive Officer of the Company have held, acquired or disposed 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 determined by the Company's Remuneration Committee and approved by the Board of Directors.

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 from time to time.

Details of the Directors' fees and emoluments paid during the financial year 2021, which have been duly approved by the Board of Directors, are stated below.

	Consolidated Fees	
	2021 LKR '000	2020 LKR '000
Directors' emoluments*	317,128	237,611
Directors' fees	8,900	8,400

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

AIA Insurance Lanka Limited
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THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS

The Directors who comprised the Board as at 31 December 2021 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	-	Chairman of the Board & Non-Executive Director
Deepal Sooriyaarachchi	17 May 2005	-	Independent Non-Executive Director
Manoj Ramachandran*	04 December 2012	04 December 2021	Non-Executive Director
Robert Alexander Hartnett	29 September 2015	-	Non-Executive Director
Drayton Sarath Palitha Wikramanayake	01 August 2016	-	Independent Non-Executive Director
Stuart Anthony Spencer	03 August 2017	-	Non-Executive Director

There was one change to the Board during the year under review.

*Mr. Manoj Ramachandran ceased to hold office in pursuance of the nine year limitation rule set out in the amended Direction No. 17 B (2) (a) of Corporate Governance issued by the Insurance Regulatory Commission of Sri Lanka effective 04 December 2021.

The Directors holding office as at the date of the Annual Report are indicated on pages 28 to 29. A brief resume of each Director including information on the nature of his expertise is set out on pages 30 to 31 of this Annual Report. Disclosures in relation to Non-Executive Directors and their status of independence is described on pages 50 to 51.

DIRECTORS RETIRING BY ROTATION

Mr. Deepal Sooriyaarachchi 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 Shareholder at the forthcoming Annual General Meeting.

A brief profile of the retiring Director is given on page 31 of the Annual Report.

BOARD SUB COMMITTEES

The sub committees of the Board, their composition and mandate are provided on pages 67 to 74 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.

In addition to the attendance at physical meetings, the Board also attended to its duties and took decisions on matters relating to the Company via duly recorded Circular Resolutions during the year.

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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
Nikhil Advani*			5	5	4	4	2	2				
Deepal Sooriyaarachchi	4	4	5	5			2	2	3	4	-	-
Manoj Ramachandran	4	4										
William Lisle	3	4					2	2			-	-
Robert Alexander Hartnett	4	4	5	5					4	4		
Drayton Sarath Palitha Wikramanayake	4	4	5	5			2	2	4	4	-	-
Stuart Anthony Spencer	3	4										
Gavin D' Rosairo*			5	5	4	4						
Hasitha Mapalagama*			5	5	4	4						
Samath Perera*			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.

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 consolidated 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 of Directors has, consequent to due inquiry and having taken into account the financial position and future prospects of the Company, a reasonable expectation that the Company has adequate resources to continue to be in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in the preparation of its Consolidated Financial Statements.

ENVIRONMENTAL PROTECTION

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 of Directors engaged in any activity which is or which would be harmful or hazardous to the environment.

EQUITABLE TREATMENT TO STAKEHOLDERS

The Board of Directors 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.

AIA Insurance Lanka Limited
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THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

RE-APPOINTMENT OF EXTERNAL AUDITORS

The present 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 Messrs. PricewaterhouseCoopers the present Auditors, for both audit and non-audit services rendered for the year under review are stated below.

	Group	
	2021 LKR '000	2020 LKR '000
Audit and related services	5,841	5,459
Non-Audit services	1,009	917

Messrs. PricewaterhouseCoopers do not have any relationship with the Company or 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 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 other recommended best practice reporting guidelines.

The Board of Directors has approved the Consolidated 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 28 February 2022. An appropriate number of copies 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 applicable time frames.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 30 March 2022 at 10.00 a.m. at AIA Insurance Lanka Limited, AIA Tower, 92, Dharmapala Mawatha, Colombo 07.

By order of the Board



William Lisle
Chairman / Director



Robert Alexander Hartnett
Director



Chathuri Munaweera
Company Secretary

Colombo
28 February 2022

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

At AIA Insurance Lanka Limited Corporate Governance is about accountability, transparency, effectiveness, and responsibility. It is a commitment to values and ethical conduct of business. Being transparent we are able to explain the Company's policies and actions towards our customers, regulators, shareholders and its many other stakeholders. We believe that transparency increases accountability and the account for our activities.

Our Corporate Governance philosophy of the Company establishes that the Board's independence is essential to bring objectivity and transparency to the manner in which dealings of the Company are carried out. As such, the Corporate Governance Report of the Company provides information beyond the minimum requirements of applicable legal and regulatory provisions.

The Company, since 13 October 2020, is a wholly owned subsidiary of AIA Holdings Lanka (Private) Limited ("AIA Holdings Lanka") consequent to AIA Holdings Lanka acquisition, in pursuance of Sec. 246(1) of the Companies Act No. 07 of 2007 (as amended), of a total of 286,305 issued and fully paid ordinary voting shares of the Company (share / shares) from the Company's then shareholders at a purchase price of LKR 2,500 per share. In accordance with Sec. 246(3) of the Companies Act, AIA Holdings Lanka paid on 12 October 2020 to the Company, the total share purchase consideration of LKR 715,762,500 for the aforesaid acquisition of the 286,305 shares at the purchase price of LKR 2,500 per share.

Thereafter, and in pursuance of Sec. 246(4) of the Companies Act, the Company dispatched on 13 October 2020, by registered post to the last known addresses, the payment cheques to the former shareholders of the 286,305 shares so acquired by AIA Holdings Lanka as above mentioned, comprising the share purchase consideration.

In terms of Sec. 246(4) of the Companies Act, the Company is required to hold the total unclaimed sums of money in trust for the persons entitled to such unclaimed monies of shares that were purchased. Bank of Ceylon has been appointed as trustee for the Trust setup for this purpose.

During the year under review, the Company was compliant with the Guidelines on Corporate Governance Framework (as amended) dated 08 June 2020 issued by the Insurance Regulatory Commission of Sri Lanka (the IRCSL) setting out the requirements (among other) for the composition of the Board of Insurers and also to the provisions of the Regulation of Insurance Industry Act of Sri Lanka Act No. 43 of 2000 (as amended), in relation to appointment of Directors as well as other regulated positions. The revised Guidelines on Corporate Governance Framework was issued by the IRCSL on 03 February 2022 and same is currently in force. The Company is compliant with the provisions of the said revised Guidelines on Corporate Governance Framework.

Additionally, the Company follows and is monitored for governance by its ultimate holding company, AIA Group under the purview of its stringent governance policies. Accordingly, the Company has

established its Risk and Compliance functions based on AIA Group standards. It has contributed towards the improvement of corporate governance practices and added transparency in the Company's activities. Further information on such standards is provided in pages 65 to 66 of this report.

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

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As such the Company has ensured that its internal governance procedures meet the high reliability standards and deliver current and appropriate information about the Company's financial performance.

The Board of Directors of the Company is responsible for shaping the long-term vision and policy approach to steadily elevate the quality of governance in the Company. The Company firmly believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance to bring objectivity and transparency in the management.

This report explains the status of compliance of the Company with the Corporate Governance Framework issued under Direction No. 17 (as amended) 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.

Company has a fully owned subsidiary, Rainbow Trust Management Limited, which engages in trust management business.

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 applicable to the Company and its subsidiary. The primary statutes 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
- 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)
- Various other laws that govern the tax regime for companies in Sri Lanka

It 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. 17 (as amended) issued by the IRCSL.

STATUS OF COMPLIANCE WITH CORPORATE GOVERNANCE FRAMEWORK ISSUED UNDER DIRECTION NO. 17 (AS AMENDED) OF THE IRCSL

The IRCSL issued Direction No. 17 (as amended) setting out the corporate governance framework for the insurers with the intention of ensuring greater transparency in the conduct of the affairs of the insurance companies. The following captures the status of Company's compliance with the framework of Corporate Governance stipulated in Direction No. 17 (as amended) of the IRCSL:

Section	Status of Compliance
Section A	Partially complied
Section B.1	Complied
Section B.2 (a)	Complied
Section B.2 (b)	Complied
Section B.3 (i)	Complied
Section B.3 (ii)	Not applicable
Section B.4	Complied
Section B.5	Complied
Section B.6	Complied
Section B.7	Not applicable
Section B.8 (a)	Not applicable
Section B.8 (b)	Not applicable

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Total number of requirements	12
Not applicable	4
Fully complied	7
Partially complied	1
Not complied	-

The Company's status of compliance with the framework of Corporate Governance dated 08 June 2020, stipulated in Direction No. 17 (as amended) of the IRCSL is given below; The revised Guidelines on Corporate Governance Framework was issued by the IRCSL on 03 February 2022 and same is currently in force. The Company is compliant with the provisions of the said revised Guidelines on Corporate Governance Framework.

	Principle / Requirement	Commentary	Status of Compliance
A	Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (the Code).	In line with the Company's endeavours to adopt high standards of governance requirement as a non-listed limited liability subsidiary of AIA Group, the Board adopted the Code as comprehensively as possible. The Company substantially complies with the requirements specified in the Code and is in the process of implementing actions to bridge the identified gaps.	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 comprises of two Directors who are residents and citizens of Sri Lanka. They are Mr. Deepal Sooriyaarachchi and Mr. Sarath Wikramanayake. They have both satisfied the 'fit and proper criteria' of the RII Act.	Complied

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Principle / Requirement	Commentary	Status of Compliance
B.2 (a) The total period of service of a Director of an insurer, other than an Executive Director, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such director.	The Chairman Mr. William Lisle and Directors Mr. Robert Hartnett and Stuart Spencer hold Directorships for periods less than nine years. Mr. Manoj Ramachandran retired from the position of Director effective 04 December 2021 after completing nine years as a director, as stipulated by Section B.2 (a) of the Corporate Governance Framework issued under Direction No. 17 by the IRC SL. Section B.2 (a) (i) of Direction No. 17 apply when calculating the overall time limit of nine years of service of Mr. Sarath Wikramanayake. As such, the calculation of the nine year time limit for Mr. Wikramanayake would commence from 01.08.2016. The position of Mr. Deepal Sooriyaarachchi is explained in light of the Principle B.2 (b) in the following section.	Complied

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	Principle / Requirement	Commentary	Status of Compliance
B.2 (b)	<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 50 per cent shares of the insurer directly or an individual shareholder director holding more than 50 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 Company's present status of shareholding as a single shareholder Company.	Complied
B.3 (i)	<p>The age of a person who serves as Director shall not exceed 70 years.</p> <p>The revised Corporate Governance Framework issued by the IRCSL in 2022 has amended the above provision as follows;</p> <p>The age of a person who serves as Director shall not exceed 75 years.</p>	<p>No Director of the Company has attained the age of 70 years.</p> <p>No Director of the Company has attained the age of 75 years.</p>	Complied
B.3 (ii)	<p>The revised Corporate Governance Framework issued by the IRCSL in 2022 has incorporated the following transitional provision to be applicable for Directors who serve as at 01 July 2019:</p> <p>A director who is between 71 to 75 years of age on or after 01 July 2019, such director may continue to serve as a director only until 30 June 2022, and shall be deemed to have vacated office on 30 June 2022.</p>	No Director of the Company has attained the age of 75 years. Hence, this requirement does not currently arise.	Not applicable
B.4	The board of an insurer must adhere to Rule 7.10 of the Listing Rules of the CSE 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 49 to 56.	Complied

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	Principle / Requirement	Commentary	Status of Compliance
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 requirement stipulated in this Principle.	Complied
B.6	The insurers are required to demonstrate compliance with Direction No. 17 of the IRCSL by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE.	A full disclosure on the compliance with Direction No. 17 of the IRCSL including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE is provided pages 49 to 56 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. 17 of the IRCSL 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 No. 41 of the IRCSL, for non compliance.	The Company is compliant with items B1 to 6 referred to in the Direction No. 17 of the IRCSL.	Not applicable
B.8. (a)	<p>The revised Corporate Governance Framework issued by the IRCSL in 2022 has incorporated the following provision as B.8. (a)</p> <p>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.</p>	No Director of the Company has attained the age of 75 years. Hence, this requirement does not currently arise.	Not applicable
B.8. (b)	The insurer shall also provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a director, beyond the age of 70 years, is not prohibited by the Articles of Association of the relevant insurer and that such insurer complies with provisions of the Companies Act.	No Director of the Company has attained the age of 75 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. 17 of the IRCSL)

Rule	Commentary	Status of Compliance	
7.10 Compliance			
7.10.a	An entity shall publish in the Annual Report relating to the financial year commencing on or after 01 April 2007 a statement confirming that as at the date of the Annual Report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply.	The Company is compliant with the Corporate Governance Rules of the Listing Rules. The Statement of Compliance is published on page 43 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 43 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 Direction No. 17.	Complied

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Rule	Commentary	Status of Compliance
7.10.1 Non-Executive Directors		
7.10.1.a Two or such number equivalent to one-third of the total number of Directors, whichever is higher should be Non-Executive Directors.	There are five members on the Board of Directors all of whom are Non-Executive Directors. There were six members on the Board of Directors until Manoj Ramachandran retired from the position of Director effective 04 December 2021 as stipulated by Section B.2 (a) of the Corporate Governance Framework issued under Direction No. 17 by the IRCSL after completing nine years as a Director.	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 by way of a circular to shareholders dated 22 April 2021, there were six members on the Board of 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.	No change was reported to the ratio during the year under consideration.	Complied
7.10.2 Independent Directors		
7.10.2.a Two or one-third of the Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	There are five members on the Board of Directors and two are classified as Independent Non-Executive Directors. Details of Independent Non-Executive Directors are given on page no 29 of this report.	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.	The Board has obtained, signed and dated declarations from each Non-Executive Director on their independence or non-independence against the said criteria.	Complied

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Rule	Commentary	Status of Compliance
7.10.3 Disclosures relating to Directors		
7.10.3.a The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of directors determined to be 'independent'.	<p>Mr. Deepal Sooriyaarachchi joined the Board as a Director in May 2005. He resigned and was re-appointed to the Board in 2006 and was declared an independent Non-Executive Director in 2012. In terms of Listing Rule 7.10.4.e., Mr. Sooriyaarachchi declared, during the year under review, that he has served the Board continuously for a period exceeding fourteen years, notwithstanding that his directorship was subject to retirement by rotation and re-appointment by the shareholders of the Company at respective general meetings and that his tenure as an independent Non-Executive Director is less than nine years.</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 22 April 2021, 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

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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 fourteen years. Mr. Sooriyaarachchi does not have any economic interests in the Company. Neither Mr. Sooriyaarachchi nor his family members have entered into any direct or indirect transaction/s with the Company during the year under review which are of a material or significant business or commercial nature. Mr. Sooriyaarachchi holds no shares in the Company and in all circumstances acts and functions as an outside director and is remunerated for his function via the payment of Directors fees declared in this Annual Report.	Complied
7.10.3.c In addition to disclosures relating to the independence of a director set out above, the Board shall publish in its Annual Report a brief resume of each director on its Board which includes information on the nature of his / her expertise in relevant functional areas.	A brief resume of each Director is given on pages 30 to 31 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 does not arise as the Company is no longer a listed entity.	Complied
7.10.4 Criteria for Defining 'Independence'	Please refer narrations in 7.10.3.a and 7.10.3.b respectively.	Complied

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Rule	Commentary	Status of Compliance
7.10.5 Remuneration Committee		
7.10.5.a COMPOSITION <p>The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors (in instances where an entity has only two directors on its Board); or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.</p>	<p>The Remuneration Committee consists of three Non-Executive Directors two of whom are Independent Non-Executive Directors.</p> <p>The Company has a separate Remuneration Committee.</p> <p>Mr. William Lisle functions as the Chairman of the Committee and is a Non-Executive Director of the Company.</p>	Complied
7.10.5.b FUNCTIONS <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 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 DISCLOSURE IN THE ANNUAL REPORT <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 69 of this report. A statement of the remuneration policy is given under the Remuneration Committee Report on page 69 of this report. Disclosure of remuneration paid to Directors is given on page 39 of this report.</p>	Complied

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Rule	Commentary	Status of Compliance
7.10.6 Audit Committee		
7.10.6.a COMPOSITION The Audit Committee shall comprise of a minimum of two Independent Non-Executive Directors (in instances where an entity has only two directors on its Board);	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
or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	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.	
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 Committee fulfils the required qualifications and the qualifications of respective members of the Committee are given on page 67 to 68 of the report.	
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.		

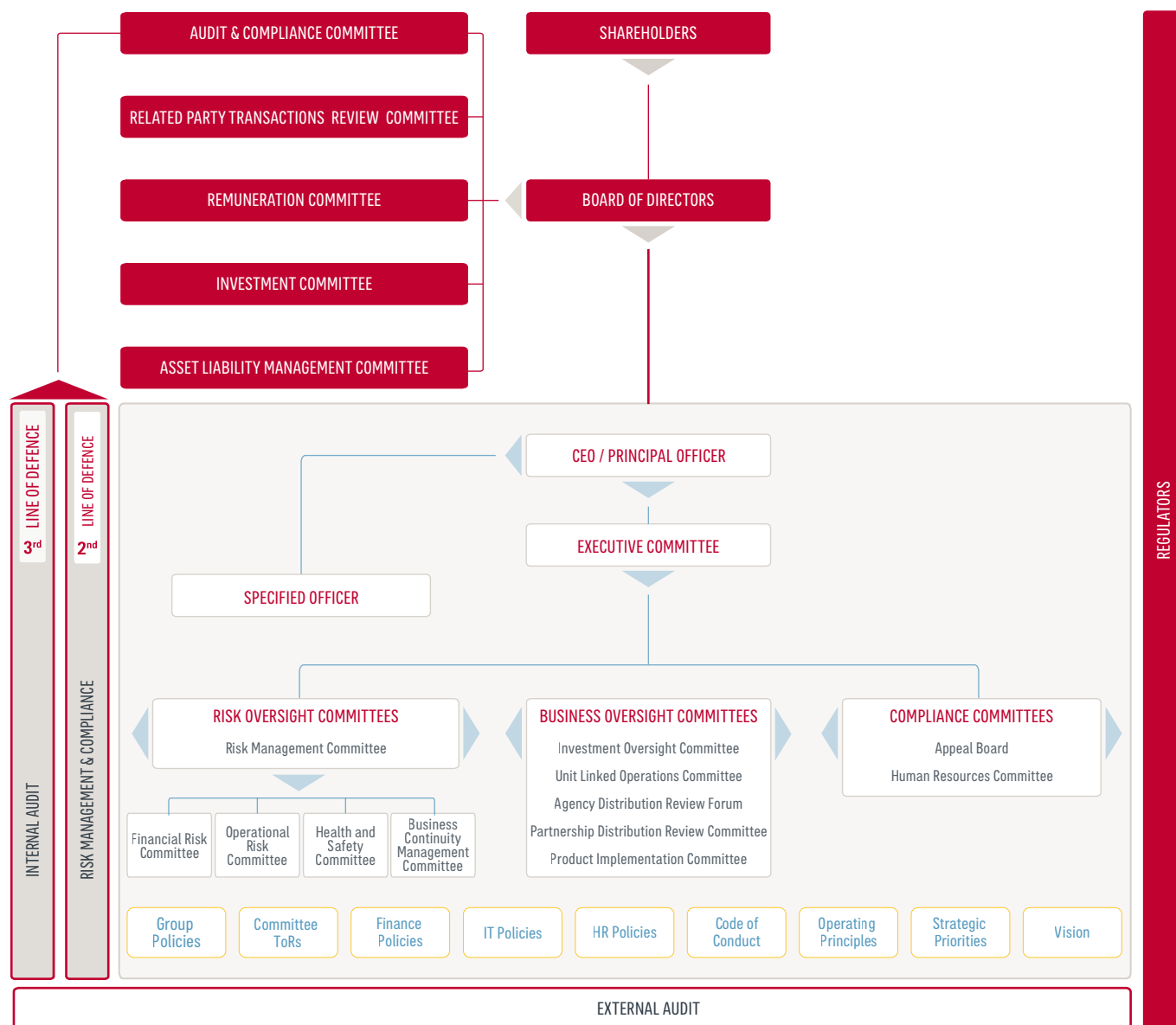
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Rule	Commentary	Status of Compliance
7.10.6 Audit Committee Contd.		
7.10.6.b FUNCTIONS		
i. Overseeing of the preparation, presentation and adequacy of disclosures in the Consolidated Financial Statements of a listed entity, in accordance with Sri Lanka Accounting Standards.	<p>The Terms of Reference of the Committee capture the required functions in addition to many other functions assigned to it by the Board. Accordingly, the Committee,</p> <p>i. Oversees the preparation, presentation and adequacy of disclosures in the Consolidated Financial Statements of the Company in accordance with the Sri Lanka Accounting Standards.</p>	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.	
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.	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.	
iv. Assessment of the independence and performance of the entity's External Auditors.	iv. Assesses the independence and performance of the Company's External Auditors.	
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.	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.	
	Further information about the Committee and its functions is given on pages 67 and 68 of this report.	

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Rule	Commentary	Status of Compliance
7.10.6 Audit Committee Contd.		
7.10.6.c DISCLOSURE IN THE ANNUAL REPORT		
The names of the directors comprising the Audit Committee should be disclosed in the Annual Report.	The names of the Directors who are members of the Audit and Compliance Committee are given on page 67 of this report.	Complied
The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report.	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 68 of this report.	
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.	Audit and Compliance Committee Report is given on pages 67 to 68 of this report.	
7.10.7 In the event the listed entity fails to comply with any of the requirements contained in Rule 7.10, the listed entity shall make an immediate announcement to the market via the Exchange on such non-compliance, not later than one market day from the date of the non-compliance and comply with the specified requirements.	This requirement is not applicable as the Company was compliant with Rule 7.10.	Not applicable

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THE BOARD OF DIRECTORS

The Board of Directors has the overall responsibility to guide the direction of the Company and are accountable to the shareholders. The Board has delegated its authorities to a number of primary and or Board sub-committees to support the Board in the discharge of its governance and oversight responsibilities. The governance and oversight of audit and compliance, remuneration and related party transactions are

thus supported via the Board's Audit and Compliance Committee, Remuneration Committee and Related Party Transactions Review Committee respectively. Information on the Board sub committees is provided on pages 61 to 63 of this report. The Investment Committee and the Asset Liability Management Committee are committees appointed by the Board. Information on the Board appointed management committees is provided on page 64

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

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Board of Directors and Board committees are regulated primarily by the Articles of Association, Board Terms of Reference, the respective Board 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 28 to 31 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 of the role. They empower the Board to entrust such responsibilities on the CEO who is the senior most executive officer of the Company. 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 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. He 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,
Deputy Chief Executive Officer / Chief Agency Officer,
Director / Chief Officer Legal, Governance & Operations / Company Secretary,
Director Human Resources,
Director Information Technology,
Chief Financial Officer / Director Finance.

In addition to the above officials, the functions of the Specified Officer, Assistant General Manager, Marketing and Senior Assistant General Manager, Partnership Distribution report to the Chief Executive Officer.

FUNCTIONAL OVERSIGHT AND SUPPORT TO ENSURE SOUND CORPORATE GOVERNANCE

The Company has appointed the Chief Risk and Compliance Officer who is responsible for the functions of the Chief Risk Officer and Chief Compliance Officer with a matrix reporting to the Audit & Compliance Committee, AIA Group Chief Risk Officer and administrative reporting to the CEO.

By establishing the Risk function and the rollout of the Risk Management Framework, the Company has ensured that a prudent approach to understanding and managing the risks is in place, to safeguard the assets and interests. A comprehensive report on risk management of the Company is given on pages 65 to 66 of this report. The Compliance function 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 and is effective in order that 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.

GOVERNANCE COMMITTEES

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

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	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 and return 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	Responsible for providing oversight to physical safety and security within the scope of the Company's business operations, and carrying out activities to ensure that relevant risks are identified, measured, monitored and managed.	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Nominated members of management</p>	✓
3	Business Continuity Management Committee	Responsible for ensuring the Business Continuity Management programme of the business is complete and effective. The Committee monitors risks pertaining to business continuity and identify / recommend procedure and controls for mitigating the risks.	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee</p> <p>Chief Risk and Compliance Officer</p>	✓
4	Investment Oversight Committee	Responsible for reviewing, monitoring and providing oversight to the investment portfolios, especially on investment strategy, investment exposures and investment performance.	<p>Chief Investment Officer (Chair)</p> <p>Nominated members of management and functional experts representing Investments, Finance, Actuarial, Risk and Compliance based on the scope of the Committee.</p> <p>Invitees - representatives from NDB Wealth Management Limited (external fund manager)</p>	✓

CORPORATE GOVERNANCE

	Committee	Responsibility	Membership	TOR/ Charter
5	Product Implementation Committee	<p>Responsible for identifying, developing / modifying, launching and withdrawing product propositions.</p> <p>Responsible for reviewing and updating of the product development process, reviewing product propositions, ensuring products are developed within relevant Group, Company and regulatory requirements and processes.</p>	<p>Chief Executive Officer (Chair)</p> <p>Members of the Executive Committee.</p> <p>Nominated members of management and functions representing Actuarial and Marketing.</p>	✓
6	Agency Distribution Review Forum	<p>Responsible for providing oversight to sales and performance of the Agency Distribution (Agency channel).</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 and Distribution channel.</p>	✓
7	Partnership Distribution Review Committee	<p>Responsible for providing oversight to sales and performance of the Partnership Distribution channel.</p> <p>Responsibilities include the setting of goals of the Bancassurance Distribution with stipulated key performance indicators and defined performance metrics.</p>	<p>Senior Assistant General Manager Partnership Distribution (Chair)</p> <p>Senior management of the Partnership Distribution channel and selected members of the sales team.</p>	✓
8	Appeal Board	Responsible for hearing the appeals from agents who believes that they are aggrieved by the decisions of the customer complaints investigations unit.	<p>Deputy General Manager - Legal</p> <p>Deputy General Manager - IT</p> <p>Chief Risk and Compliance Officer</p> <p>Assistant General Manager - Marketing</p> <p>Senior Manager, Performance & Rewards</p>	✓
9	HR Committee	Responsible for the proactive management and issue resolution of employee grievances and disciplinary matters.	<p>Director HR</p> <p>Director & Chief Officer – Legal, Governance & Operations / Company Secretary or their representatives</p>	✓

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

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CORPORATE GOVERNANCE

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

Related Party Transactions Review Committee	
Chairman	Deepal Sooriyaarachchi (Independent Non-Executive Director)
Members	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 / Director Finance Company Secretary Chief Risk and Compliance Officer Head of Internal Audit Regional Director - Group Internal Audit Deputy General Manager – Finance Director IT Other officials as and when required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> To oversee that all related party transactions of the Company are duly reviewed, undertaken and disclosed. To ensure compliance with the Code of Best Practices on Related Party transactions and the Listing Rules of the CSE

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BOARD SUB COMMITTEES CONTD.

Nomination Committee	
Chairman	William Lisle (Non-Executive Director)
Members	Deepal Sooriyaarachchi (Independent Non-Executive Director) Sarath Wikramanayake (Independent Non-Executive Director)
Secretary	Chathuri Munaweera (Company Secretary)
Agenda	Available
Invitees	Chief Executive Officer Other officials as and when required
Frequency of Meetings	As and when required
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> • To propose a suitable Charter for the appointment and re-appointment of Directors and to act in accordance with such Charter in proposing appointments and re-appointments. • To consider the making of any appointment or re-appointment to the Board. • To provide advice and recommendations to the Board or the Chairman on any such appointment. • To consider the selection and appointment of a Chairman in case a vacancy arises. • To consider the succession plan for the Chief Executive Officer and ensure that there's a succession plan for all key management personnel. • To consider if each Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the knowledge and experience required to meet the strategic demands facing the company. • To regularly review the structure, size, composition including gender representation and competencies including the skills, knowledge and experience of the Board and make recommendations to the Board with regard to any changes.

CORPORATE GOVERNANCE

BOARD APPOINTED MANAGEMENT COMMITTEES

Investment Committee (Comprising non-Board members)	
Chairman	Nikhil Advani (Chief Executive Officer)
Members	Gavin D' Rosairo (Chief Financial Officer / Director Finance) 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
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> To define framework and set policy guidelines for the management of investment portfolios. To monitor investment performance and recommend appropriate investment strategies. To ensure that the portfolios are managed to achieve their investment objectives whilst adhering to the regulatory requirements. To design and review the Company's investment policy and place same before the Board of Directors for approval. To implement the investment policy as approved by the Board of Directors. To apprise the Board of Directors periodically on the Committee's activities. To liaise with the IRCSL in connection with regulations pertaining to investments and provide information to help define the framework of investment management of insurance portfolios.
Asset Liability Management Committee (Comprising non-Board members)	
Chairman	Gavin D' Rosairo (Chief Financial Officer / Director Finance)
Members	Samath Perera (Chief Actuary) Hasitha Mapalagama (Chief Risk and Compliance Officer)
Secretaries	Denver Oorloff (Assistant Manager) Amindri Jansz (Assistant Manager)
Agenda	Available
Invitees	Officials representing the management of the Company as and when required
Frequency of Meetings	Quarterly
Professional Advice	Available
Terms of Reference	Available
Objectives	<ul style="list-style-type: none"> To provide oversight of asset liability management policies, processes and controls and the implementation of asset liability management decisions and strategic asset allocation processes. To monitor and review the Company's risk appetites for liquidity position, solvency position and liabilities profile. To monitor and review the need to ensure that the Company holds sufficient assets of appropriate nature, term and liquidity to enable such entities to meet its liabilities as they become due.

RISK MANAGEMENT REVIEW

AIA Sri Lanka recognises the importance of sound risk management in every aspect of our business and to all our stakeholders. For policyholders, it is the assurance that we will be there for 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 value of their investment. At AIA Sri Lanka, we recognise that strong corporate governance and a sound risk management system are at the core of our business proposition and our focus on these areas has been a significant contributor to our performance. As our business grows in scale, so does its complexity, and given the dynamic nature of the external environment with changes in the political, social, and economic spheres, we proactively evolve our approach to risk management to better align and stay relevant. Our 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, escalate identified material risks for further evaluation. AIA Sri Lanka's RMF consists of the following key components:

RISK CULTURE

Risk culture defines the attitude to risk and ensures that the Company's remuneration structure promotes the right behaviour.

RISK MANAGEMENT PROCESS

AIA Sri Lanka has a robust risk management process that provides sufficient information, capability and tools to manage its key risks. The Company has developed key processes to identify, quantify, manage and monitor the risk exposures.

RISK GOVERNANCE

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 functions (the second line) and Internal Audit (the third line), with each of these working closely together but ultimately operating independently from each other.

The Risk Committee consists of the Executive Committee members of the business and oversees risk management across the business.

RISK APPETITE

At AIA Sri Lanka, the risk appetite framework has expressed the business unit's appetite in terms of 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 based on the technical expertise required to provide oversight and input.

RISK LANDSCAPE

AIA Sri Lanka maintains detailed risk taxonomy to ensure all risks are identified and systemically managed. Main categories and the definitions are summarised below.

Investment Risk

Investment risk is the risk arising from AIA Sri Lanka's investment portfolio exposures and arises due to the possibility of asset values changing from conditions such as counterparties defaulting on obligations (credit risk), market movements (market risk) or reduced liquidity in the market (liquidity risk).

Insurance Risk

Insurance risk is the risk arising from changes in claims experience as well as more general exposure relating to the acquisition and persistency of insurance business. This also includes changes to actuarial and investment assumptions regarding future experience of these elements.

Asset Liability Mismatch (ALM)

ALM risk is the risk arising from the difference in duration between AIA Sri Lanka's assets and liabilities. This mismatch is mainly caused by differences in timing and size of the respective asset and liability cash flows.

RISK MANAGEMENT REVIEW

Operational Risk

Operational risk arises from business processes including inadequate procedures or policies, employee errors, system failures, fraud, criminal activity, or from other external events which may result in direct or indirect business impact.

Strategic Risk

Strategic risk is identified as part of the business plan process and is defined as the potential impact of the business strategy on the Company's earnings, capital and reputation.

LOOKING BACK AT 2021

In 2021, we continued our journey in the risk management frontier with deeper engagement with the business which ran into many avenues ranging from risk champions, risk owners, control owners and performers, risk committees, internal audit, etc., resulting in further enhancing the risk and compliance culture of the business. We made further strides in aligning our Risk Management Framework, governance structure and deliverables to meet the Group Wide Supervision (GWS) requirements emanating from the Insurance Authority of Hong Kong, in addition to local regulatory expectations. From the perspective of operationalising the risk management framework, we rolled out a system based end-to-end operational risk management tool called the e-GRC system which captures the full gamut of the risk landscape, including risk assessments covering both top-down and bottom-up risk assessments. This has paved the way towards a more engaged risk management

ownership by the first line and more collaborative participation with the second line.

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 via key matrices consisting liquidity, credit, earnings and interest rates, against defined risk tolerance and limits. During the year, all key financial matrices were operating within the defined limits.

OUTLOOK FOR 2022

With our success of building a strong risk management framework which has been operating effectively over the last few years, the focus of 2022 is to continue our risk management journey as a dedicated facilitator and enabler, whilst ensuring that the business is heading towards achieving its business plan objectives. Similar to our previous years, the motto we embrace for 2022 is that we 'Dedicate to do what is right, not what is easy, while networking to win net worth by being agile towards hard work for sustainable, resilient and enhanced performance of the business. This will be achieved mainly by evolving the Risk Management Strategy through value optimisation, enriching the risk and compliance community while increasing business engagement, providing better stakeholder assurance, and embracing digitalisation and innovation.'

We will also focus on new initiatives in managing third party risk, information security risk and climate risk which are global hot topics for risk management across the businesses. With the e-GRC system reaching its implementation in 2022, the business will have access to a one-stop-shop for the full landscape of operational risk management framework, enhance insightful operational risk decision making and prioritise resources.

The above initiatives will be established in line with the operational risk, 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. This would make the business better equipped to face the challenges on its journey advancing towards a more digital and agile culture.

AUDIT AND COMPLIANCE COMMITTEE REPORT

COMPOSITION

The Audit and Compliance Committee ('the Committee') of AIA Insurance Lanka Limited is appointed by the Board of Directors. In line with the Company's endeavours to adopt high standards of governance requirements as a non-listed limited liability subsidiary of AIA Group, 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 2021:

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.

During the year, the Committee received extensive updates on readiness of the Company to adopt the IFRS 9 and IFRS 7 accounting standards within the required timelines and are satisfied with the progress of implementation.

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 processes and controls deployed by the management in managing the heightened risks posed by the COVID-19 pandemic. 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.

AUDIT AND COMPLIANCE COMMITTEE REPORT

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 2020 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.

MEETINGS

The Committee held five formal meetings 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 2022, subject to approval by the shareholders at the forthcoming Annual General Meeting. The Committee will approve the terms of engagement of the auditors for 2022 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 2022.



Robert Alexander Hartnett
Chairman, Audit and Compliance Committee

28 February 2022

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 2021, the Committee comprised of the following Directors.

1. William Lisle
(Non-Executive Director / Chairman of the Committee)
2. Deepal Sooriyaarachchi
(Non-Executive Director / Committee Member)
3. Sarath Wickremanayake
(Non-Executive Director / Committee Member)

SCOPE AND OBJECTIVES

The overall objectives and functions of the Remuneration Committee are:

1. to review and to approve the Remuneration Policy of the Company;
2. to recommend to the Board of Directors, the remuneration to be paid to the Chief Executive Officer and fees payable to the Directors, their perquisites and allowances;

3. to review and to approve the grant of employees' stock options (if and when such schemes are applicable) subject to the necessary approvals including the approval of the Board of Directors.

REMUNERATION POLICY OF THE COMPANY

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

PROCEEDINGS & REPORTING

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

The Remuneration Committee meets not less than two times a year. The Committee reports on its deliberations, activities, matters reviewed, recommendations and decisions reached to the Board of Directors of the Company for advice, approval and or ratification. In 2021, the Committee held two meetings in order to discharge its businesses.



William Lisle

Chairman, Remuneration Committee

18 February 2022

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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 adopted 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 2021.

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

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made in terms of the Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, in Note 42 in the consolidated financial statements of the Company and its Group.

TRANSFER PRICING REGULATION RELATED DISCLOSURES

The Company has in place a Transfer Pricing Policy, which has been approved by the Board in accordance with the requirements of the Transfer Pricing Regulations issued by the Department of Inland Revenue under section 76 of the Inland Revenue Act, No. 24 of 2017. Further, the Company complied with the reporting requirements mandated by the Gazette notification No. 2104/4 and the subsequent Notices issued thereunder by the Inland Revenue Department (the IRD) for the financial year 2020/21 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*

28 February 2022

NOMINATION COMMITTEE REPORT

The Nomination Committee of AIA Insurance Lanka Limited (the "Company") which was established by the 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 a retiring Director who is coming up for re-election, as the case may be when assessed on the basis of merit and objective criteria. The appointment of Directors' is however made by the Company's sole 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 sole shareholder for due consideration when making such Board appointments.

The Committee 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. 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.

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.

During the year under review, the Nomination Committee comprised the following Directors, as appointed by the Board of Directors

1. William Lisle, (Non-Executive Director) - Chairman of the Committee
2. Deepal Sooriyaarachchi (Independent Non-Executive Director)-Committee Member.
3. Sarath Wikramanayake (Independent Non-Executive Director)-Committee Member.

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

SCOPE AND OBJECTIVES

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

The Committee's recommendations on new appointments are required to address areas such as qualifications, competencies, independence, relationships which have the potential to give rise to conflict vis-à-vis the business of the Company.

MEETINGS

The Committee did not hold any Meetings during the year under review since the necessity to re-constitute the Board of Directors did not arise during that period of time.



William Lisle
Chairman, Nomination Committee

28 February 2022

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
Nikhil Advani (Chairman from 05 July 2019)	05 July 2019	To date
Gavin D' Rosairo	14 August 2012	To date
Hasitha Mapalagama	30 May 2017	To date
Samath Perera	12 August 2020	To date
Zarah Juriansz (Secretary from 05 May 2011)	05 May 2011	To date

MEETINGS AND ATTENDANCE

The Investment Committee meets at least four times during the year and the fund manager attends the meeting on invitation by the Committee. The Investment Committee convened on four occasions during 2021 and given below is the members' attendance.

INVESTMENT COMMITTEE REPORT

Attendance

Member	08 Feb 2021	07 May 2021	09 Aug 2021	05 Nov 2021
Nikhil Advani	✓	✓	✓	✓
Gavin D' Rosairo	✓	✓	✓	✓
Hasitha Mapalagama	✓	✓	✓	✓
Samath Perera	✓	✓	✓	✓

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.



Nikhil Advani

Chairman, Investment Committee

08 February 2022

AIA Insurance Lanka Limited
Annual Report 2021

ACTUARY'S REPORT



AIA Insurance Lanka Limited (Co. No. PQ 18 PB)
AIA Tower
92, Dharmapala Mawatha,
Colombo 7, Sri Lanka
Telephone : 0094 11 231 0000
E-mail : lk.info@aia.com
Web : www.aialife.com.lk

To the shareholder of AIA Insurance Lanka Limited

ACTUARIAL VALUATION AND SOLVENCY OF AIA INSURANCE LANKA LIMITED AS AT 31 DECEMBER 2021

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 2021 and surplus / deficit transfer to shareholder account from the life fund was subject to the independent audit by external auditors Messrs PwC.

I hereby certify the following;

1. Adequate and proper reserves have been provided for as at 31 December 2021 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 2021, 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 10.16 per cent / 9.03 per cent / 8.47 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 2021.

Samath Perera
Fellow, Society of Actuaries, USA

28 February 2022

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.

	2021 LKR mn	2020 LKR mn
1 Value of admissible assets	63,171	63,094
2 Value of liabilities		
2.1 Policy liabilities	30,845	29,350
2.2 Other liabilities	7,761	6,382
3 Total available capital (TAC)	24,565	27,362
4 Risk Based Capital Requirement (RCR)	4,490	5,601
5 Risk Based Capital Adequacy Ratio (CAR) = (TAC / RCR)	547%	488%
6 Regulatory stipulated minimum Capital Adequacy Ratio	120%	120%
7 Company's CAR as a proportion of the stipulated regulatory CAR	4.6x	4.1x

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.

	2021 LKR mn	2020 LKR mn
1 Approved assets maintained in the long-term insurance business	44,613	43,545
2 Long term insurance fund	40,732	40,533
3 Excess in approved assets over the long-term insurance fund	3,880	3,012
4 Approved assets as a % of the long-term insurance fund	109.5%	107.4%
5 Ratio required	100%	100%

HAPPINESS



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

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

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

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

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

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

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

The Internal Auditors have conducted periodic audits to provide a reasonable assurance that the established policies and procedures of the Company were appropriately designed and consistently applied

and adhered to. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system, process and internal control.

The Consolidated Financial Statements 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 81 to 83 of this annual report.

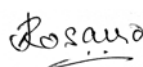
The Audit and Compliance Committee of the Board of Directors meets periodically with the Internal Auditors and External Auditors to review the manner in which the auditors carry out their responsibilities and perform their duties, and to discuss audit findings and any deficiencies in internal controls 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 has not impaired or influenced 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.



Nikhil Advani
Chief Executive Officer



Gavin D' Rosairo
Chief Financial Officer

28 February 2022

AIA Insurance Lanka Limited
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DIRECTORS' STATEMENT OF RESPONSIBILITY ON FINANCIAL REPORTING

The Directors are responsible for the preparation of the Consolidated Financial Statements of the Company and of its subsidiary 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 81 to 83 of this Annual Report.

In preparing these Consolidated Financial Statements 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 Consolidated Financial Statements have been prepared in accordance with applicable accounting standards; and
- prepare the Consolidated Financial Statements on a going concern basis.

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

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

The Consolidated Financial Statements of 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 2022-2024, 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 Consolidated Financial Statements.

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 Consolidated Financial Statements of the Company and its subsidiary 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 2021 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



Chathuri Munaweera
Company Secretary

Colombo
28 February 2022

AIA Insurance Lanka Limited
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INDEPENDENT AUDITOR'S REPORT



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 2021, 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 2021;
- 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 a summary of significant accounting policies.

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

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon). The annual report of the board is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the annual report of the board, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, Ms S Perera ACA, 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

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

INDEPENDENT AUDITOR'S REPORT

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

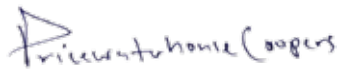
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material 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

AIA Insurance Lanka Limited
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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.

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
28 February 2022

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

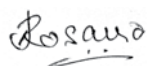
AIA Insurance Lanka Limited
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group		Company	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
ASSETS					
Intangible assets	6	1,347,912	1,246,070	1,347,912	1,246,070
Property, plant and equipment	7	604,169	713,696	604,169	713,696
Right of use assets - leases	19	897,449	990,706	897,449	990,706
Investments in subsidiary	8	-	-	1,000	1,000
Financial investments	9	63,621,988	63,094,067	63,621,988	63,094,067
Policyholder and other loans	10	472,817	565,126	472,817	565,126
Deferred income tax assets	11	297,061	418,449	297,061	418,449
Reinsurance receivables	12 & 17.2	160,130	141,249	160,130	141,249
Trade receivables	13	409,458	430,796	408,965	430,327
Other assets	14	3,360,595	2,943,499	3,360,595	2,943,499
Other fund assets	15	432,160	393,083	432,160	393,083
Cash and cash equivalents	16	665,050	1,455,772	659,595	1,451,514
Total assets		72,268,789	72,392,513	72,263,841	72,388,786
LIABILITIES					
Insurance liabilities	17	46,019,744	45,587,414	46,019,744	45,587,414
Retirement benefit obligations	18	333,207	338,709	333,207	338,709
Lease liabilities	19	931,836	1,000,071	931,836	1,000,071
Other fund liabilities	20	432,160	393,083	432,160	393,083
Reinsurance payables		385,839	216,764	385,839	216,764
Accruals and other payables	21	4,281,762	3,990,109	4,281,464	3,989,763
Current income tax liabilities	22	197	229	-	-
Deferred revenue	23	55,257	53,367	55,257	53,367
Bank overdraft	16	75,238	229,931	75,238	229,931
Total liabilities		52,515,240	51,809,677	52,514,745	51,809,102
EQUITY					
Stated capital	24	511,922	511,922	511,922	511,922
Capital reserve	25	228,416	216,236	228,416	216,236
Restricted regulatory reserve	26	6,080,848	6,080,848	6,080,848	6,080,848
Revenue reserves	27	12,932,363	13,773,830	12,927,910	13,770,678
Total equity		19,753,549	20,582,836	19,749,096	20,579,684
Total equity and liabilities		72,268,789	72,392,513	72,263,841	72,388,786

The notes on the pages 91 to 149 are an integral part of these Consolidated Financial Statements.

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Gavin D' Rosairo
Chief Financial Officer

The Consolidated Financial Statements on page 84 to 149 were authorised for issue by the Board of Directors on 28 February 2022 and were signed on its behalf.



William Lisle
Chairman / Director



Robert Alexander Hartnett
Director

AIA Insurance Lanka Limited
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CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December	Note	Group		Company	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Gross written premium	28 (a)	16,517,328	14,049,559	16,517,328	14,049,559
Gross reinsurance premium	28 (b)	(466,810)	(408,860)	(466,810)	(408,860)
Net written premium	28	16,050,518	13,640,699	16,050,518	13,640,699
OTHER INCOME					
Investment income	29	5,925,757	5,585,205	5,925,757	5,585,205
Fee income	30	1,067,264	844,518	1,065,288	842,682
Net realised gains / (losses)	31	54,997	(123,510)	54,997	(123,510)
Net fair value gains / (losses)	32	340,282	(21,538)	340,282	(21,538)
Other operating income	33	35,228	123,187	34,987	122,996
Total other income		7,423,528	6,407,862	7,421,311	6,405,835
Total income		23,474,046	20,048,561	23,471,829	20,046,534
Net claims and benefits	34	(4,771,809)	(4,453,740)	(4,771,809)	(4,453,740)
Change in contractual liability	17.1	(7,393,495)	(6,748,859)	(7,393,495)	(6,748,859)
Net acquisition expenses	35	(2,088,963)	(1,688,611)	(2,088,963)	(1,688,611)
Operating and administrative expenses	36	(6,545,621)	(6,317,003)	(6,545,043)	(6,316,364)
Finance expenses	19.3	(105,393)	(114,532)	(105,393)	(114,532)
Profit before tax	37	2,568,765	725,816	2,567,126	724,428
Income tax expense	38	(796,754)	(276,195)	(796,416)	(275,826)
Profit for the year	39	1,772,011	449,621	1,770,710	448,602
Profit attributable to:					
Owners of the parent		1,772,011	449,621	1,770,710	448,602
Non-controlling interest		-	-	-	-
		1,772,011	449,621	1,770,710	448,602
Basic / diluted earnings per share (in LKR)	40	57.63	14.62	57.59	14.59
Dividend per share (in LKR)	41	30.00	50.00	30.00	50.00

The notes on the pages 91 to 149 are an integral part of these Consolidated Financial Statements.

AIA Insurance Lanka Limited
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December	Note	Group		Company	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Profit for the year		1,772,011	449,621	1,770,710	448,602
OTHER COMPREHENSIVE INCOME					
Items that are / may be subsequently reclassified to profit or loss					
Changes in fair value of available for sale financial assets	27.1	(7,742,425)	4,277,970	(7,742,425)	4,277,970
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	6,013,829	(3,232,162)	6,013,829	(3,232,162)
Items that will not be reclassified to profit or loss					
Re-measurement of retirement benefit obligations	18	37,599	(41,960)	37,599	(41,960)
Revaluation of land	7 & 25	12,180	23,320	12,180	23,320
Total other comprehensive income for the year		(1,678,817)	1,027,168	(1,678,817)	1,027,168
Total comprehensive income for the year		93,194	1,476,789	91,893	1,475,770
Comprehensive income attributable to ;					
Owners of the parent		93,194	1,476,789	91,893	1,475,770
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		93,194	1,476,789	91,893	1,475,770

Items disclosed in the statement above are net of tax.

The notes on the pages 91 to 149 are an integral part of these Consolidated Financial Statements.

AIA Insurance Lanka Limited
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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 2020		511,922	192,916	6,080,848	721,046	13,136,784	20,643,516
Profit for the year		-	-	-	-	449,621	449,621
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	4,277,970	-	4,277,970
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	(3,232,162)	-	(3,232,162)
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	(41,960)	(41,960)
Revaluation of land	7 & 25	-	23,320	-	-	-	23,320
TRANSACTIONS WITH OWNERS:							
First and final dividend for 2019	41	-	-	-	-	(1,537,469)	(1,537,469)
Balance as at 31 December 2020		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
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	(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
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	37,599	37,599
Revaluation of land	7 & 25	-	12,180	-	-	-	12,180
TRANSACTIONS WITH OWNERS:							
First and final dividend for 2020	41	-	-	-	-	(922,481)	(922,481)
Balance as at 31 December 2021		511,922	228,416	6,080,848	38,258	12,894,105	19,753,549

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

The notes on the pages 91 to 149 are an integral part of these Consolidated Financial Statements.

AIA Insurance Lanka Limited
Annual Report 2021

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 2020		511,922	192,916	6,080,848	721,046	13,134,651	20,641,383
Profit for the year	-	-	-	-	-	448,602	448,602
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	4,277,970	-	4,277,970
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	17.1	-	-	-	(3,232,162)	-	(3,232,162)
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	(41,960)	(41,960)
Revaluation of land	7 & 25	-	23,320	-	-	-	23,320
TRANSACTIONS WITH OWNERS:							
First and final dividend for 2019	41	-	-	-	-	(1,537,469)	(1,537,469)
Balance as at 31 December 2020		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
OTHER COMPREHENSIVE INCOME							
Items that are / may be subsequently reclassified to profit or loss							
Changes in fair value of available for sale financial assets	27.1	-	-	-	(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
Items that will not be reclassified to profit or loss							
Re-measurement of retirement benefit obligations	18	-	-	-	-	37,599	37,599
Revaluation of land	7 & 25	-	12,180	-	-	-	12,180
TRANSACTIONS WITH OWNERS:							
First and final dividend for 2020	41	-	-	-	-	(922,481)	(922,481)
Balance as at 31 December 2021		511,922	228,416	6,080,848	38,258	12,889,652	19,749,096

The notes on the pages 91 to 149 are an integral part of these Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December	Note	Group		Company	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Premiums / fees received from customers		16,410,984	14,305,983	16,409,032	14,304,182
Reinsurance premium (net of claims & commission) recovered / (paid)		46,413	(37,908)	46,413	(37,908)
Claims and benefits paid		(4,971,327)	(4,575,482)	(4,971,327)	(4,575,482)
Cash paid to and on behalf of employees		(2,029,059)	(1,800,285)	(2,029,059)	(1,800,285)
Interest received		130,198	177,091	129,957	176,901
Short term lease rentals paid	19.4	(10,087)	(11,811)	(10,087)	(11,811)
Payments to agents and intermediaries		(2,103,267)	(1,756,198)	(2,103,267)	(1,756,198)
Other operating cash payments		(3,517,633)	(3,306,956)	(3,517,009)	(3,306,346)
Cash flow generated from operating activities		3,956,222	2,994,434	3,954,653	2,993,053
Taxes paid	22	(370)	(330)	-	-
Policy loans granted		(185,435)	(225,542)	(185,435)	(225,542)
Policy loans repayment		285,403	384,283	285,403	384,283
Net cash generated from operating activities		4,055,820	3,152,845	4,054,621	3,151,794
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of liquid investments	9.4	(4,160,927)	(6,601,305)	(4,160,927)	(6,601,305)
Purchase of other investments	9.4	(22,412,365)	(12,822,476)	(22,412,365)	(12,822,476)
Proceeds from sale of liquid investments	9.4	5,391,420	10,451,512	5,391,420	10,451,512
Proceeds from sale of other investments	9.4	12,969,299	3,539,393	12,969,299	3,539,393
Investment expenses		(108,365)	(106,329)	(108,365)	(106,329)
Interest received- financial investments		5,075,525	4,927,512	5,075,526	4,927,512
Dividend received		84,278	78,744	84,278	78,744
Purchase of intangible assets	6	(287,979)	(420,865)	(287,979)	(420,865)
Purchase of property, plant and equipment	7	(68,803)	(76,925)	(68,803)	(76,925)
Proceeds from disposal of property, plant and equipment		15,912	14,574	15,912	14,574
Net cash used in investing activities		(3,502,005)	(1,016,165)	(3,502,004)	(1,016,165)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	41	(922,481)	(1,537,469)	(922,481)	(1,537,469)
Principal payment of lease liabilities	19.4	(161,970)	(130,416)	(161,970)	(130,416)
Interest paid - leases	19.4	(105,393)	(114,532)	(105,393)	(114,532)
Net cash used in financing activities		(1,189,844)	(1,782,417)	(1,189,844)	(1,782,417)
Increase / (decrease) cash and cash equivalents		(636,029)	354,263	(637,226)	353,212
Cash and cash equivalents (net of bank overdraft) at the beginning of the year		1,225,841	871,578	1,221,583	868,371
Cash and cash equivalents (net of bank overdraft) at the end of the year	16	589,812	1,225,841	584,357	1,221,583

The notes on the pages 91 to 149 are an integral part of these Consolidated Financial Statements.

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STATEMENT OF FINANCIAL POSITION-SUPPLEMENTAL

STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL

As at 31 December	Note	2021 LKR '000	2020 LKR '000
ASSETS			
Financial investments		46,768,281	45,210,800
Policyholder and other loans		304,087	404,275
Reinsurance receivables		160,130	141,249
Premium receivables		408,965	430,327
Other assets		2,176,952	1,844,027
Cash and cash equivalents		658,362	1,438,441
Total assets		50,476,777	49,469,119
LIABILITIES			
Insurance liabilities	17	46,019,744	45,587,414
Reinsurance payables		385,839	216,764
Accruals and other payables		3,940,699	3,610,364
Deferred revenue		55,257	53,367
Bank overdraft		75,238	1,210
Total liabilities		50,476,777	49,469,119

INSURANCE REVENUE ACCOUNT - SUPPLEMENTAL

For the financial year ended 31 December	Note	2021 LKR '000	2020 LKR '000
Gross written premium	28(a)	16,517,328	14,049,559
Net written premium (net of premium ceded to reinsurers)	28(b)	16,050,518	13,640,699
Investment income and other income		4,788,857	3,882,390
Charges deducted from policyholders fund		1,065,151	836,209
Net claims and benefits	34	(4,771,809)	(4,453,740)
Net acquisition expenses	35	(2,088,963)	(1,688,611)
Operating and administrative expenses		(6,520,508)	(6,128,181)
		8,523,246	6,088,766
Change in contractual liability	17.1	(7,393,495)	(6,748,859)
Surplus transfer to / (deficit transfer from) shareholders' fund		1,129,751	(660,093)

NOTES TO THE CONSOLIDATED 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 into effect on 03 May 2007. The address of its registered office is AIA Tower, No.92, Dharmapala Mawatha, Colombo 07, Sri Lanka.

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

The AIA Insurance Lanka Limited group (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 2021 have been authorised for issue by the Board of Directors on 28 February 2022.

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 financial assets and liabilities 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 consolidated 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 Consolidated 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 IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to SLFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This amendment is effective for the annual periods beginning on or after 01 April 2021.

(ii) **IBOR Reform and its Effects on Financial Reporting—Phase 2: Amendments to IFRS 7, IFRS 4 and IFRS 16**

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments could affect companies in all industries. This publication provides guidance on how to apply the Phase 2 amendments to various contracts and hedge accounting relationships, including the interaction with the Phase 1 reliefs for hedge accounting.

This amendment is effective for the annual periods beginning on or after 01 January 2021.

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, Amendments to IAS 16, Amendments to IFRS 3, Amendments to IAS 37, Amendments to IFRS 9, Amendments to IFRS 1 and Amendments to IAS 41) but not mandatory for annual reporting periods ending 31 December 2021.

(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 2023.

(ii) **SLFRS 9, '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

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upon its mandatory effective date. Based on proposed SLFRS 17 'Insurance Contracts' the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria.

- a. The Company has not applied SLFRS 9 before; and
- b. The Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance, including investment contracts measured at the fair value through profit or loss compared with total liabilities is greater than 90 per cent. Accordingly, the Company qualifies as a pure insurance company.

As at 31 December	2021 LKR '000	2020 LKR '000
Insurance contract liability	46,019,744	45,587,414
Reinsurance payable	385,839	216,764
Deferred revenue	55,257	53,367
Liabilities connected with insurance	50,476,777	49,469,119
Total liabilities	52,514,745	51,809,102
Predominance ratio	93%	91%

(ii) **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.

(iii) **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16**

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E 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 the 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 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.

(iv) **Reference to the Conceptual Framework – Amendments to IFRS 3**

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 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.

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

(v) **Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37**

The amendment to IAS 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.

(vi) **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 except for the amendment to IFRS 16.

(vii) **Disclosure Initiative: Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 01 January 2023.

This amendment is not yet adopted in Sri Lanka.

(viii) **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**

IAS 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 are effective for annual reporting periods beginning on or after 01 January 2023.

This amendment is not yet adopted in Sri Lanka.

(ix) **Definition of Accounting Estimates (Amendments to IAS 8)**

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 01 January 2023.

This amendment is not yet adopted in Sri Lanka.

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(x) **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 2023.

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 values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest

in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.3 Foreign currency translation

The Group's Consolidated 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 Consolidated 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 Consolidated Income Statement.

Held to maturity investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them 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 Consolidated Income Statement. The Group did not have any held to maturity investments during the years ended 31 December 2020 and 2021.

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 investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI in the available for sale reserve until the investment is derecognised except in the case of AFS assets of the life policyholders' fund which is transferred to the long term insurance liability through the Consolidated 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

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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 Consolidated 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 Consolidated 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 twelve 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 Consolidated Income Statement. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Income Statement when the liabilities are derecognised as well as through the EIR method amortisation process.

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

3.4.2.3 Derecognition of financial liabilities

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

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

3.4.3 Offsetting of financial assets

Financial assets and liabilities are off-set and the net amount reported in the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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

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residual values over their estimated useful lives as follows;

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

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

3.6 Intangible assets

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

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

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

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

3.7 Cash and cash equivalents

In the Consolidated 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 Consolidated 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 Consolidated 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 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 Consolidated Income Statement.

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

3.10 Reinsurance contracts

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

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 Consolidated 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 Consolidated 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.

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3.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated 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 Consolidated 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 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 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 Consolidated 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 Consolidated 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

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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 Consolidated 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 Consolidated Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

3.14 Leases

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

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

Until 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

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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 twelve 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 Consolidated Income Statement.

3.15.5 Realised gains and losses

Realised gains and losses recorded in the Consolidated Income Statement include gains and losses on financial assets, property, plant and equipment and 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

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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

The 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 Consolidated Financial Statements. Any amounts recharged from AIAGL to the Company related to share-based payment arrangements are recognised as an expense in the Consolidated 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 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.

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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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 & 43 to the Consolidated Financial Statements.

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5 RISK MANAGEMENT

5.1 Financial risk management

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

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

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

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

The following table contains a high level summary of the investment exposures by the Company's investment portfolios. The Company keeps investment exposures within pre-determined 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	2021		2020	
	LKR '000	%	LKR '000	%
Government securities	43,112,068	67.8	35,968,263	57.0
Reverse repurchase agreements	5,006,567	7.9	11,538,933	18.3
Corporate debt	12,704,425	19.9	11,560,579	18.3
Fixed deposits	1,097,899	1.7	2,428,229	3.9
Equity	1,701,029	2.7	1,598,063	2.5
Total	63,621,988	100.0	63,094,067	100.0

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 fund/s 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 an undiscounted cash flow basis which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

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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
FINANCIAL ASSETS						
Available for sale						
Government securities	6,024,757	23,788,711	37,548,189	24,778,214	-	92,139,871
Equity instruments	-	-	-	-	51,473	51,473
Loans and receivables						
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
Fair value through profit or loss						
Equity instruments	-	-	-	-	1,649,556	1,649,556
Other loans and receivables						
Premium 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
	16,527,242	33,732,786	44,634,181	24,778,214	1,999,145	121,671,568
FINANCIAL LIABILITIES						
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
	625,895	932,489	16,376	-	-	1,574,760

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As at 31 December 2020	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

FINANCIAL ASSETS**Available for sale**

Government securities	5,903,144	6,894,596	21,886,580	21,975,036	-	56,659,356
Equity instruments	-	-	-	-	46,606	46,606

Loans and receivables

Reverse repurchase agreements	11,720,004	-	-	-	-	11,720,004
Corporate debt	1,922,596	11,671,482	5,358,563	-	-	18,952,641
Fixed deposits	2,520,365	-	-	-	-	2,520,365

Fair value through profit or loss

Equity instruments	-	-	-	-	1,551,457	1,551,457
Other loans and receivables						
Premium receivables	430,327	-	-	-	-	430,327
Reinsurance assets	-	-	-	-	141,249	141,249
Policy loans	-	-	-	-	398,084	398,084
Other receivables	91,782	92,916	310	-	-	185,008
Cash and cash equivalents	1,451,514	-	-	-	-	1,451,514
	24,039,732	18,658,994	27,245,453	21,975,036	2,137,396	94,056,611

FINANCIAL LIABILITIES

Lease liability	222,313	1,091,718	-	-	-	1,314,031
Agency commission payable	282,624	-	-	-	-	282,624
Franchise fee payable	21,442	-	-	-	-	21,442
Bank overdraft	229,931	-	-	-	-	229,931
	756,310	1,091,718	-	-	-	1,848,028

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).

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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 Rating (Lanka) Ltd.

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 haircut in excess of four per cent to twelve per cent depending on the tenor of the collateral on investments in reverse repurchase agreements in 2021. (Refer the table on page 113 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.

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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
Available for sale							
Government securities	43,112,068	-	-	-	-	-	43,112,068
Loans and receivables							
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
	48,118,651	3,244	6,987,632	7,003,357	467,670	1,041,912	63,622,466

As at 31 December 2020	Risk-free LKR '000	AAA LKR '000	AA LKR '000	A LKR '000	BBB LKR '000	Non-rated LKR '000	Total LKR '000
Available for sale							
Government securities	35,968,263	-	-	-	-	-	35,968,263
Loans and receivables							
Reverse repurchase agreements	11,538,933	-	-	-	-	-	11,538,933
Corporate debt	-	-	4,360,579	7,200,000	-	-	11,560,579
Fixed deposits	-	-	1,430,762	997,467	-	-	2,428,229
Premium receivables	-	-	-	-	-	430,327	430,327
Reinsurance assets	-	-	-	-	-	141,249	141,249
Policy loans	-	-	-	-	-	398,084	398,084
Other receivables	-	-	-	-	-	167,042	167,042
Cash and cash equivalents	16	23,610	411,554	187,151	829,183	-	1,451,514
	47,507,212	23,610	6,202,895	8,384,618	829,183	1,136,702	64,084,220

As at 31 December	2021 LKR '000	2020 LKR '000
Carrying value of investments in reverse repurchase agreements *	5,006,567	11,538,933
Fair value of collateral *	5,538,926	13,266,718
Excess value of collateral	532,359	1,727,785
Margin	10.6%	15.0%

*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.

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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 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
	62,536,095	1,086,371	63,622,466

As at 31 December 2020	Fixed interest LKR '000	Non-interest bearing LKR '000	Total LKR '000
Loans and deposits	470,386	94,740	565,126
Debt securities	61,496,004	-	61,496,004
Premium receivable	-	430,327	430,327
Reinsurance assets	-	141,249	141,249
Cash and cash equivalents	692,688	758,826	1,451,514
	62,659,078	1,425,142	64,084,220

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 Consolidated Financial Statements.

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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.

Risk oversight

Evaluating the impact of market risk, credit risk and liquidity risk are inbuilt into the investment decision making process. The market risk, credit risk and liquidity risk of the investment portfolios are monitored every month by the Investment Oversight Committee, a management level governance oversight committee responsible to oversee investments. The Board of Directors level governance oversight committee responsible to oversee investments is the Investment Committee which is a sub-committee of the Board of Directors. The Investment Committee monitors the market risk, credit risk and liquidity risk of the investment portfolios every quarter.

The capital risk of the Company is monitored by the Financial Risk Committee that convenes on a quarterly basis. The Financial Risk Committee also reviews the liquidity risk, credit risk and market risk of the investment portfolios.

Sensitivity analysis on market, equity and interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument at the reporting date will fluctuate in response to assumed movements in market interest rate. The management monitors the sensitivity of reported fair value of financial instruments on a regular basis by assessing the projected changes in the fair value of financial instruments held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points.

As at 31 December Impact to;	2021		2020	
	Net asset	Profit	Net asset	Profit
	value	before	value	before
	tax	tax		
	LKR '000	LKR '000	LKR '000	LKR '000
Interest rate risk				
+ 100 basis points	(1,492,065)	(2,390,535)	(1,269,409)	(1,664,467)
- 100 basis points	1,662,636	2,427,377	1,418,547	1,659,686

The sensitivity analysis for equity risk is not illustrated as equity is held mainly in the unit-linked portfolios and the movement in asset values is charged to the respective policy liabilities and therefore does not impact the profit before tax and the net asset value of the Company.

Controls in place to mitigate market risk

The management of market risk is governed by the Market Risk Management Policy which is embedded within the Investment Policy and incorporated in the investment mandates of the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The Company has defined the appetite for interest rate risk in terms of its impact on the RBC solvency which is reviewed on a monthly basis and is rebased and approved at Financial Risk Committee every quarter.

Also, the Company sets itself a target asset duration based on the liability profile of the Company, in order to minimise the adverse impact from varying interest rates.

Monitoring of the equity exposures against the risk limits and benchmarks that are defined and refreshed on a periodic basis, depending on the risk appetite and the market conditions. Review of interest rate risk exposure against the risk appetites is included in the investment approval process of the Company.

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

Fixed income investments are maintained mainly in Government securities which eliminate the credit risk premium volatility from the asset price and in high grade securities with relatively high credit ratings by Fitch Ratings Lanka.

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 where death is the insured risk, the most significant factors that could increase the overall frequency of claims are pandemics and epidemics such as COVID-19, AIDS, SARS and a human form of Avian flu or widespread changes in lifestyle. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The emergence of COVID-19 has had limited impact on mortality experience due to proactive containment measures limiting the spread and case fatality rate remaining low for insurable ages. Mortality experience in 2020 remained favourable against expected assumptions.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration of amounts could have an impact on the severity of benefit payments on a portfolio basis.

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 is 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.

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 2021 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 936 million; 3.5 per cent of the policy liability. Decreasing lapse rates by 20.0 per cent would lead to a decrease in policy liabilities of LKR 669 million; 2.5 per cent of the policy liability. Increasing lapse rates by 20.0 per cent would lead to an increase in policy liabilities of LKR 596 million; 2.3 per cent of the policy liability. Approximate converse impact could be expected in the profit / loss and the net assets of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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 has a stated capital of LKR 512 million 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.

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6 INTANGIBLE ASSETS

	Note	Group / Company			
		2021			2020
		Contractual relationships LKR '000	Computer software LKR '000	Capital work in progress LKR '000	Total LKR '000
Cost		895,991	1,042,768	323,129	2,261,888
(Less) Accumulated amortisation		(293,586)	(722,232)	-	(1,015,818)
Net book value as at 01 January		602,405	320,536	323,129	1,246,070
Additions		-	123,642	164,337	287,979
Amortisation charge	36	(49,874)	(136,263)	-	(186,137)
Amounts capitalised to intangible assets		-	189,868	(189,868)	-
Amount written off during the period		-	-	-	(50)
Net book value as at 31 December		552,531	497,783	297,598	1,347,912
Cost		895,991	1,356,278	297,598	2,549,867
(Less) Accumulated amortisation		(343,460)	(858,495)	-	(1,201,955)
Net book value as at 31 December		552,531	497,783	297,598	1,347,912

The useful life of assets relating to contractual relationships are determined by contract type and lie within individual contract terms.

Intangible assets includes fully amortised assets still in use, the gross carrying value of which amounted to LKR 570,422,366 (2020 - LKR 516,842,088) as at the reporting date.

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31 December 2021. 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 Consolidated Income Statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

6 INTANGIBLE ASSETS CONTD.

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	
	2021	2020
	LKR '000	LKR '000
Approved and contracted for intangible assets	4,417	2,257

7 PROPERTY, PLANT AND EQUIPMENT

	Group / Company								
	2021							2020	
	Note	Freehold land	Leasehold improvements	Computer & telecommunication equipment	Furniture, fittings, plant & machinery	Motor vehicles	Capital work in progress	Total	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Cost / revaluation		233,320	249,132	593,753	529,948	199,521	4,289	1,809,963	1,759,082
(Less) Accumulated depreciation		-	(63,094)	(521,933)	(385,057)	(126,183)	-	(1,096,267)	(955,840)
Net book value as at 01 January		233,320	186,038	71,820	144,891	73,338	4,289	713,696	803,242
Additions		-	12,106	46,245	10,452	-	-	68,803	76,925
Amount capitalised in property, plant and equipment		-	-	-	4,289	-	(4,289)	-	-
Revaluation surplus	25	12,180	-	-	-	-	-	12,180	23,320
Depreciation charge	36	-	(26,379)	(51,702)	(73,972)	(32,806)	-	(184,859)	(189,710)
Disposals		-	(60)	(12,062)	(7,357)	(21,939)	-	(41,418)	(49,364)
Accumulated depreciation on disposals		-	10	12,023	7,330	16,404	-	35,767	49,283
Net book value as at 31 December		245,500	171,715	66,324	85,633	34,997	-	604,169	713,696
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 31 December		245,500	171,715	66,324	85,633	34,997	-	604,169	713,696

Property, plant and equipment includes fully depreciated assets still in use, the gross carrying value of which amounted to LKR 687,815,339 (2020 - LKR 623,236,175) as at the reporting date.

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7 PROPERTY, PLANT AND EQUIPMENT CONTD.

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	Description of the property	Location	Extent	Group / Company			
				2021		2020	
				Revalued amount LKR '000	Carrying amount LKR '000	Revalued amount LKR '000	Carrying amount LKR '000
AIA Insurance Lanka Limited	Freehold land	No.76 and No. 80, Kew Road, Colombo 2	25.48 (Perches)	245,500	245,500	233,320	233,320

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 2021	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 2021 and as at 2020, 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 (2020 - LKR 17,084,105)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

7 PROPERTY, PLANT AND EQUIPMENT CONTD.

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	
	2021	2020
	LKR '000	LKR '000
Approved and contracted for property, plant and equipment	51,083	387

8 INVESTMENTS IN SUBSIDIARY

As at 31 December	Country of incorporation and place of business	Nature of business	Number of shares	% holding	Company	
					2021	2020
					LKR '000	LKR '000
Rainbow Trust Management Limited	Sri Lanka	Provision of trust and ancillary services	100,000	100	1,000	1,000
			100,000	100	1,000	1,000

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			
		2021		2020	
		Carrying value	Fair value	Carrying value	Fair value
		LKR '000	LKR '000	LKR '000	LKR '000
Loans and receivables	9.1	18,808,891	18,764,395	25,527,741	27,796,840
Available for sale financial assets	9.2	43,163,541	43,163,541	36,014,869	36,014,869
Financial assets at fair value through profit or loss	9.3	1,649,556	1,649,556	1,551,457	1,551,457
Total Financial investments		63,621,988	63,577,492	63,094,067	65,363,166

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9 FINANCIAL INVESTMENTS CONTD.

9.1 Loans and receivables

As at 31 December	Group / Company			
	2021		2020	
	Amortised cost	Fair value	Amortised cost	Fair value
	LKR '000	LKR '000	LKR '000	LKR '000
Amortised cost				
Corporate debt - listed	12,704,425	12,746,320	11,560,579	13,677,962
Reverse repurchase agreements	5,006,567	4,920,593	11,538,933	11,689,521
Bank deposits	1,097,899	1,097,482	2,428,229	2,429,357
Total loans and receivables	18,808,891	18,764,395	25,527,741	27,796,840

As at 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Loans and receivables at amortised cost		
Current	7,804,167	14,367,163
Non-current	11,004,724	11,160,578
Total loans and receivables	18,808,891	25,527,741

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 to 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	
		2021	2020
		LKR '000	LKR '000
Financial Investment	Nature of the collateral		
Reverse repurchase agreements	- Government treasury bills	686,500	2,263,628
	- Government treasury bonds	4,852,426	11,003,090
		5,538,926	13,266,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SIGNIFICANT ACCOUNTING POLICIES**9 FINANCIAL INVESTMENTS CONTD.****9.2 Available for sale financial assets**

As at 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Government securities	43,112,068	35,968,263
Equity instruments - listed	51,473	46,606
Total available for sale financial assets	43,163,541	36,014,869
Available for sale financial assets		
Current	1,200,328	2,787,126
Non-current	41,963,213	33,227,743
Total available for sale financial assets	43,163,541	36,014,869

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	
	2021	2020
	LKR '000	LKR '000
Equity instruments - listed	1,649,556	1,551,457
Total financial assets at fair value through profit or loss	1,649,556	1,551,457
Financial assets at fair value through profit or loss		
Current	1,649,556	1,551,457
Non-current	-	-
Total financial assets at fair value through profit or loss	1,649,556	1,551,457

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 Consolidated Income Statement.

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9 FINANCIAL INVESTMENTS CONTD.

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

	Group / Company				2020 Total LKR '000
	2021				
	Loans and receivables	Available for sale	Fair value through profit or loss	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	
Balance as at 01 January	25,527,741	36,014,869	1,551,457	63,094,067	52,570,406
Purchases	5,660,927	20,085,465	826,900	26,573,292	19,423,781
(Sales) / (maturities)	(12,878,496)	(4,360,791)	(1,121,432)	(18,360,719)	(13,990,905)
Realised gains / (losses)	-	(7,567)	52,349	44,782	(137,954)
Amortisation of discount / (premiums)	498,719	(150,982)	-	347,737	565,604
Fair value gains / (losses) recorded in Consolidated Income Statement	-	-	340,282	340,282	(21,538)
Gross fair value gains / (losses) recorded in the Consolidated Statement of Other Comprehensive Income	-	(8,417,453)	-	(8,417,453)	4,684,673
Balance as at 31 December	18,808,891	43,163,541	1,649,556	63,621,988	63,094,067

9.5 Determination of fair value and fair value hierarchy

As at 31 December	Group / Company	
	2021 LKR '000	2020 LKR '000
Level I		
Loans and receivables		
Corporate debt - listed	12,746,320	13,677,962
Financial assets at fair value through profit or loss		
Equity instruments - quoted	1,649,556	1,551,457
Available for sale financial assets		
Equity instruments - quoted	51,473	46,606
Level II		
Loans and receivables		
Bank deposits	1,097,482	2,429,357
Reverse repurchase agreements	4,920,593	11,689,521
Available for sale financial assets		
Government securities	43,112,068	35,968,263
Total financial assets measured at fair value	63,577,492	65,363,166

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SIGNIFICANT ACCOUNTING POLICIES

10 POLICYHOLDER AND OTHER LOANS

As at 31 December		Group / Company	
		2021 LKR '000	2020 LKR '000
Policy loans		298,116	398,084
Agent loans		162,262	150,104
Staff loans		19,527	21,349
	10.1	479,905	569,537
(Less) Allowance for impairment losses			
Agent loans	10.2	(7,088)	(4,411)
Total policyholder and other loans		472,817	565,126
Policyholder and other loans			
Current		187,997	80,433
Non-current		284,820	484,693
Total policyholder and other loans		472,817	565,126

10.1 Movement in policyholder and other loans;

	Group / Company	
	2021 LKR '000	2020 LKR '000
Balance as at 01 January	569,537	780,531
Loans granted during the period	380,130	398,084
Loan repayments during the period	(473,654)	(614,019)
Loans written off / (written back) during the period	891	1,708
Amortisation of discount	3,001	3,233
Balance as at 31 December	479,905	569,537

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

	Group / Company	
	2021 LKR '000	2020 LKR '000
Balance as at 01 January	4,411	4,367
Additional allowance for impairment during the period	2,677	44
Balance as at 31 December	7,088	4,411

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

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11 DEFERRED INCOME TAX ASSETS/ LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

	Group / Company	
	2021	2020
	LKR '000	LKR '000
Deferred income tax assets		
On unused tax losses	309,143	1,105,559
Total deferred income tax assets	309,143	1,105,559
Deferred income tax liabilities		
On temporary difference from fair value gains	(12,082)	(687,110)
Total deferred income tax liabilities	(12,082)	(687,110)
Net deferred income tax assets	297,061	418,449

The Group / Company has recognised deferred tax asset of LKR 309 million as at 31 December 2021 (LKR 1,106 million as at 31 December 2020) by utilising the available tax losses of LKR 1,288 million as at 31 December 2021 (LKR 3,948 million as at 31 December 2020) to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised in accordance with the provisions of Inland Revenue Act No. 24 of 2017.

Deferred income tax liabilities of LKR 623,565 (2020 - LKR 441,352) have not been recognised for the withholding taxes and other taxes that would be payable on the unremitted earnings of the subsidiary as the Group intends to reinvest such earnings for the foreseeable future.

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

	Group / Company	
	2021	2020
	LKR '000	LKR '000
Balance as at 01 January	418,449	1,100,978
Deferred tax charge / (income) recognised in Consolidated Income Statement		
On unused tax losses	38 (796,416)	(275,826)
	(796,416)	(275,826)
Deferred tax charge / (income) recognised in the Statement of Other Comprehensive Income		
On temporary difference from fair value differences	675,028	(406,703)
	675,028	(406,703)
Balance as at 31 December	297,061	418,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

12 REINSURANCE RECEIVABLES

Reinsurance receivable balances as at 31 December 2021 and 2020 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 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 approximates to its carrying value largely due to the short-term maturities of these instruments.

13 TRADE RECEIVABLES

Total trade receivable balances as at 31 December 2021 and 2020 due within a period of 12 months, hence classified as current assets.

The fair value of the trade receivables approximates to its carrying value largely due to the short-term maturities of these instruments.

13.1 Movement in trade receivables:

	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01 January	430,796	441,150	430,327	440,717
Revenue receivable from customers	2,133,960	2,820,951	2,131,984	2,819,115
Collection of cash from customers	(2,155,298)	(2,831,305)	(2,153,346)	(2,829,505)
Balance as at 31 December	409,458	430,796	408,965	430,327

14 OTHER ASSETS

As at 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Inventory	20,521	6,237	20,521	6,237
Interest and dividend receivable	2,114,707	1,713,353	2,114,707	1,713,353
Advance company tax recoverable	66,397	66,397	66,397	66,397
Withholding tax recoverable	880,843	880,843	880,843	880,843
Deposits	57,320	59,994	57,320	59,994
Prepayments and advances	220,807	216,675	220,807	216,675
Total other assets	3,360,595	2,943,499	3,360,595	2,943,499

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14 OTHER ASSETS CONTD.

As at 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Other assets				
Current	2,365,067	1,951,058	2,365,067	1,951,058
Non-current	995,528	992,441	995,528	992,441
Total other assets	3,360,595	2,943,499	3,360,595	2,943,499

15 OTHER FUND ASSETS

As at 31 December	Group / Company			
	2021		2020	
	Carrying value	Cost	Carrying value	Cost
	LKR '000	LKR '000	LKR '000	LKR '000
Government securities	399,991	392,515	236,455	234,033
Fixed deposits	25,192	25,000	151,390	150,090
Other assets	2,773	2,773	2,773	2,773
Cash and cash equivalents / (bank overdraft)	4,204	4,204	2,465	2,465
Total other fund assets	432,160	424,492	393,083	389,361

16 CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Short-term investments	243,133	696,934	237,714	692,688
Cash at bank and in hand	421,917	758,838	421,881	758,826
Cash and cash equivalents (excluding bank overdraft)	665,050	1,455,772	659,595	1,451,514

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

	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	665,050	1,455,772	659,595	1,451,514
Bank overdraft	(75,238)	(229,931)	(75,238)	(229,931)
	589,812	1,225,841	584,357	1,221,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SIGNIFICANT ACCOUNTING POLICIES

17 INSURANCE LIABILITIES AND RELATED REINSURANCE ASSETS

As at 31 December		Group / Company					
		2021			2020		
		Gross LKR '000	Reinsurance LKR '000	Net LKR '000	Gross LKR '000	Reinsurance LKR '000	Net LKR '000
Long term policy liability	17.1	45,375,847	-	45,375,847	45,061,332	-	45,061,332
Life claims provision	17.2	643,897	160,130	483,767	526,082	141,249	384,833
Total insurance contract liabilities		46,019,744	160,130	45,859,614	45,587,414	141,249	45,446,165

17.1 LIFE INSURANCE FUND - INCOME STATEMENT MOVEMENT

The movement in the life insurance fund as follows;

	Group / Company	
	2021 LKR '000	2020 LKR '000
Balance as at 01 January	45,061,332	35,916,520
Balances that are transferred through Consolidated Income Statement		
Net income from life fund before surplus and charges	7,458,095	5,252,557
Charges deducted from policyholders fund	1,065,151	836,209
Deficit / (surplus) from life insurance fund	(1,129,751)	660,093
Change in contractual liability	7,393,495	6,748,859
Balances that are transferred through Statement of Other Comprehensive Income		
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	(6,013,829)	3,232,162
Other movements in policyholder liability		
Fees and charges deducted from the policyholder life fund	(1,065,151)	(836,209)
Balance as at 31 December	45,375,847	45,061,332

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17 INSURANCE LIABILITIES AND RELATED REINSURANCE ASSETS CONTD.

17.2 Life claims provision

	2021			2020		
	Gross LKR '000	Reinsurance LKR '000	Net LKR '000	Gross LKR '000	Reinsurance LKR '000	Net LKR '000
Balance as at 01 January	526,082	141,249	384,833	463,691	138,821	324,870
Provisions released for claims paid to clients	(4,971,327)	311,783	(5,283,110)	(4,575,482)	184,721	(4,760,203)
Provisions for claims registered during the period	5,089,142	(292,902)	5,382,044	4,637,873	(182,293)	4,820,166
Balance as at 31 December	643,897	160,130	483,767	526,082	141,249	384,833

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. In accordance with the Minimum Retirement Age of Workers Act No. 28 of 2021, the "Maximum Age of Retirement" is mandated as sixty(60) of an employee who has not reached the age of fifty two(52) years.

The retiring gratuity is a statutory requirement in Sri Lanka under the Payment of Gratuity Act No. 12 of 1983.

	Group / Company	
	2021 LKR '000	2020 LKR '000
Balance as at 01 January	338,709	263,294
Current service cost	32,297	35,323
Interest cost	25,471	27,224
Amounts recognised in the Income Statement	57,768	62,547
Re-measurements:		
Gains / Losses from change in financial assumptions	(45,923)	47,557
Actuarial gain / (loss) due to changes in experience	8,324	(5,597)
Amounts recognised in the Statement of Other Comprehensive Income	(37,599)	41,960
Benefits paid	(25,671)	(29,092)
Balance as at 31 December	333,207	338,709

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

18 RETIREMENT BENEFIT OBLIGATIONS CONTD.

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

	2021 % per annum	2020 % per annum
Future salary increase	11.00	11.00
Discount rate	9.40	7.52
Member withdrawal rate	8.00	8.00
Retirement age	57-60 Years	55 Years

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 2021	21,520	(19,292)	(20,195)	22,979	(2,630)	2,971
- Retirement benefit obligations 2020	19,416	(17,593)	(18,641)	21,026	(4,072)	4,541

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

	2021	2020	2019	2018	2017	2016
Defined benefit obligation (LKR '000)	333,207	338,709	263,294	217,293	222,085	188,425

The below table provides the expected maturity analysis of defined benefit obligations.

Defined benefit obligation	Less than 1 year LKR '000	1-5 years LKR '000	Above 5 years LKR '000	Total LKR '000
As at 31 December 2021	65,712	28,200	239,295	333,207
As at 31 December 2020	73,766	64,555	200,388	338,709

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19 LEASES

19.1 Group leasing activities

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of six months to ten 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 Consolidated Financial Statements.

The Group applied practical expedient to all the rent concessions received, which fulfilled the criteria of COVID-19 related rent concessions. Based on directions given in SLFRS 16 changes in lease payments which occurred due to the concessions were accounted as variable lease payments.

This amendment is adopted by the entity from June 2020

19.2 Amounts recognised in the statement of financial position

19.2 (a) Right-of-use assets

	Group / Company			
	Buildings	2021		2020
		Motor vehicles	Total	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Cost	1,358,598	3,880	1,362,478	1,170,359
(Less) Accumulated amortisation	(368,877)	(2,895)	(371,772)	(185,334)
Net book value as at 01 January	989,721	985	990,706	985,025
Additions	110,621	-	110,621	236,577
Terminations & lease expiry	(17,327)	(3,880)	(21,207)	(48,411)
Amortisation charge	(202,893)	(985)	(203,878)	(220,978)
Accumulated amortisation on disposals	17,327	3,880	21,207	38,493
Net book value as at 31 December	897,449	-	897,449	990,706
Cost	1,451,891	-	1,451,891	1,362,478
(Less) Accumulated depreciation	(554,442)	-	(554,442)	(371,772)
Net book value as at 31 December	897,449	-	897,449	990,706

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

19 LEASES CONTD.

19.2 (b) Lease Liabilities

	Group / Company	
	2021	2020
	LKR '000	LKR '000
Current	137,349	122,040
Non-current	794,487	878,031
	931,836	1,000,071

19.3 Amounts recognised in the statement of profit or loss Amortisation charge of right-of-use assets

		Group		Company	
		2021	2020	2021	2020
		LKR '000	LKR '000	LKR '000	LKR '000
Buildings		(202,893)	(219,038)	(202,893)	(219,038)
Vehicles		(985)	(1,940)	(985)	(1,940)
Amortisation charge of right-of-use assets	36	(203,878)	(220,978)	(203,878)	(220,978)
Interest expense (included in finance cost)		(105,393)	(114,532)	(105,393)	(114,532)
Expense relating to short-term leases included within administrative expenses		(7,379)	(10,649)	(7,379)	(10,649)
Lease concessions received (COVID-19)		596	729	596	729
		(316,054)	(345,430)	(316,054)	(345,430)

19.4 Amounts recognised in the Consolidated Statement of Cash Flows

		Group		Company	
		2021	2020	2021	2020
		LKR '000	LKR '000	LKR '000	LKR '000
Principal payment of lease liabilities		(161,970)	(130,416)	(161,970)	(130,416)
Short term lease rentals paid		(10,087)	(11,811)	(10,087)	(11,811)
Interest paid - leases		(105,393)	(114,532)	(105,393)	(114,532)
		(277,450)	(256,759)	(277,450)	(256,759)

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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	
	2021 LKR '000	2020 LKR '000
Balance as at 01 January	393,083	357,122
Capital deposits	97,306	84,133
Capital withdrawals	(91,035)	(83,311)
Income / gains and losses	32,806	35,139
Balance as at 31 December	432,160	393,083

21 ACCRUALS AND OTHER PAYABLES

As at 31 December	Note	Group		Company	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Policyholder advance payments		540,384	648,773	540,384	648,773
Agency commission payable		301,174	282,624	301,174	282,624
Franchise fee payable		20,953	21,442	20,953	21,442
Government taxes and levies		89,238	51,901	89,238	51,901
Accrued expenses	21.1	3,015,567	2,699,164	3,015,269	2,698,818
Other creditors		314,446	286,205	314,446	286,205
		4,281,762	3,990,109	4,281,464	3,989,763
Accruals and other payables					
Current		3,984,391	3,816,401	3,984,093	3,816,055
Non-current		297,371	173,708	297,371	173,708
		4,281,762	3,990,109	4,281,464	3,989,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SIGNIFICANT ACCOUNTING POLICIES**21 ACCRUALS AND OTHER PAYABLES CONTD.****21.1 Movement in accrued expenses**

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 01 January	2,699,164	2,267,453	2,698,818	2,267,136
Provisions during the year	2,848,618	3,019,823	2,847,894	3,019,344
Payments and reversals during the year	(2,532,215)	(2,588,112)	(2,531,443)	(2,587,662)
Balance as at 31 December	3,015,567	2,699,164	3,015,269	2,698,818
Accrued expenses				
Current	(2,729,441)	2,548,494	(2,729,143)	2,548,148
Non-current	(286,126)	150,670	(286,126)	150,670
	(3,015,567)	2,699,164	(3,015,269)	2,698,818

22 CURRENT INCOME TAX LIABILITIES

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance as at 01 January	229	192	-	-
Provision / (Reversal)	338	388	-	-
Payments	(370)	(330)	-	-
Income tax payable set off against tax credits	-	(21)	-	-
Balance as at 31 December	197	229	-	-

23 DEFERRED REVENUE**Movement in deferred revenue**

	Group / Company	
	2021 LKR '000	2020 LKR '000
Balance as at 01 January	53,367	51,226
Reinsurance recovered in advance in waiver of premium claims	5,973	7,146
Reinsurance recovered set off against Reinsurance assets	(4,083)	(5,005)
Balance as at 31 December	55,257	53,367

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24 STATED CAPITAL

As at 31 December	2021		2020	
	No. of shares	LKR '000	No. of shares	LKR '000
Fully paid ordinary shares	30,749,370	511,922	30,749,370	511,922

25 CAPITAL RESERVES

Revaluation reserve

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

	Group / Company	
	2021	2020
	LKR '000	LKR '000
Balance as at 01 January	216,236	192,916
Revaluation surplus arising during the year	12,180	23,320
Balance as at 31 December	228,416	216,236

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	
	2021	2020
	LKR '000	LKR '000
Balance as at 01 January	6,080,848	6,080,848
Balance as at 31 December	6,080,848	6,080,848

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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	
		2021	2020	2021	2020
		LKR '000	LKR '000	LKR '000	LKR '000
Available for sale reserve	27.1	38,258	1,766,854	38,258	1,766,854
Retained earnings	27.2	12,894,105	12,006,976	12,889,652	12,003,824
Total retained earnings		12,932,363	13,773,830	12,927,910	13,770,678

27.1 Available for sale reserve

	Group / Company	
	2021	2020
	LKR '000	LKR '000
Balance as at 01 January	1,766,854	721,046
Changes in fair value of available for sale financial assets	(7,742,425)	4,277,970
Changes in fair value of available for sale financial assets transferred to the long term insurance fund	6,013,829	(3,232,162)
Balance as at 31 December	38,258	1,766,854

27.2 Retained earnings

	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
AIA Insurance Lanka Limited	12,889,652	12,003,824	12,889,652	12,003,824
Rainbow Trust Management Limited	4,453	3,152	-	-
Total retained earnings	12,894,105	12,006,976	12,889,652	12,003,824
Total revenue reserves	12,932,363	13,773,830	12,927,910	13,770,678

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28 NET WRITTEN PREMIUM

(a) Gross written premium

For the financial year ended 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Conventional	15,795,071	13,263,600
Unit-linked	722,257	785,959
Total gross written premium	16,517,328	14,049,559

(b) Gross reinsurance premium

For the financial year ended 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Conventional	(422,396)	(364,036)
Unit-linked	(44,414)	(44,824)
Total gross reinsurance premium	(466,810)	(408,860)
Net written premium	16,050,518	13,640,699

29 INVESTMENT INCOME

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Dividend income				
Financial assets at fair value through profit or loss	88,467	74,945	88,467	74,945
Available for sale financial assets	712	643	712	643
Total dividend income	89,179	75,588	89,179	75,588
Interest income				
Available for sale financial assets	3,580,862	2,973,876	3,580,862	2,973,876
Loans and receivables	2,255,716	2,535,741	2,255,716	2,535,741
Total interest income	5,836,578	5,509,617	5,836,578	5,509,617
Total investment income	5,925,757	5,585,205	5,925,757	5,585,205

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30 FEE INCOME

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Policy administration charges	1,065,151	836,209	1,065,151	836,209
Other contract fees	137	6,473	137	6,473
Trust management fees	1,976	1,836	-	-
Total fee income	1,067,264	844,518	1,065,288	842,682

31 NET REALISED GAINS / (LOSSES)

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Property, plant and equipment				
Net realised gains	10,215	14,444	10,215	14,444
Financial assets				
Available for sale financial assets				
Debt securities	(7,567)	-	(7,567)	-
Fair value through profit or loss				
Equity instruments	52,349	(137,954)	52,349	(137,954)
Total net realised gain from financial assets	44,782	(137,954)	44,782	(137,954)
Total realised gains / (losses)	54,997	(123,510)	54,997	(123,510)

32 NET FAIR VALUE LOSSES

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Fair value losses on financial assets at fair value through profit or loss	340,282	(21,538)	340,282	(21,538)
Total net fair value losses	340,282	(21,538)	340,282	(21,538)

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33 OTHER OPERATING REVENUE

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income on policy loans	82,588	108,829	82,588	108,829
Interest income on other loans	12,968	18,817	12,968	18,817
Interest income on cash and cash equivalents	17,779	25,286	17,538	25,096
Foreign exchange loss	(79,022)	(33,206)	(79,022)	(33,206)
Other miscellaneous income	915	3,461	915	3,460
Total other operating revenue	35,228	123,187	34,987	122,996

34 NET CLAIMS AND BENEFITS

For the financial year ended 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Death and disability	(930,433)	(568,816)
Surrenders and partial withdrawals	(1,736,798)	(1,898,215)
Maturities	(1,895,792)	(1,674,220)
Others	(537,560)	(497,496)
Gross claims and benefits	(5,100,583)	(4,638,747)
Claims ceded to reinsurers	328,774	185,007
Net claims and benefits	(4,771,809)	(4,453,740)

35 NET ACQUISITION EXPENSES

For the financial year ended 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Commission and franchise fees	(2,121,328)	(1,726,129)
Reinsurance commission	32,365	37,518
Net acquisition expenses	(2,088,963)	(1,688,611)

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36 OPERATING AND ADMINISTRATIVE EXPENSES

For the financial year ended 31 December	Note	Group		Company	
		2021	2020	2021	2020
		LKR '000	LKR '000	LKR '000	LKR '000
Employee benefit expenses	36.1	(2,178,287)	(2,083,310)	(2,178,287)	(2,083,310)
Administrative and establishment expenses		(1,919,376)	(1,953,399)	(1,918,951)	(1,952,912)
Selling expenses		(1,684,612)	(1,610,991)	(1,684,459)	(1,610,839)
Amortisation of intangible assets	6	(186,137)	(110,562)	(186,137)	(110,562)
Amortisation of ROU	19.2	(203,878)	(220,978)	(203,878)	(220,978)
Depreciation	7	(184,859)	(189,710)	(184,859)	(189,710)
Other expenses	36.3	(188,472)	(148,053)	(188,472)	(148,053)
Total operating and administrative expenses		(6,545,621)	(6,317,003)	(6,545,043)	(6,316,364)

36.1 Employee benefit expenses

For the financial year ended 31 December	Group / Company	
	2021	2020
	LKR '000	LKR '000
Salaries and bonus	(1,256,320)	(1,213,408)
Contribution to defined contribution plans	(159,536)	(156,813)
Contribution to defined benefit plans	(57,768)	(62,547)
Staff welfare	(116,876)	(103,775)
Staff training	(25,177)	(13,138)
Others staff costs	(562,610)	(533,629)
Total employee benefit expenses	(2,178,287)	(2,083,310)

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.

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Employee Share Purchase Plan (ESPP)

Under the plan, eligible employees of the Group can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted share purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than five per cent of the annual basic salary.

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU scheme and ESPP for the year ended 31 December 2021 is LKR 40,384,622 (2020 - LKR 56,695,589).

36.3 Other expenses

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Increase in provision for bad and doubtful debts	(2,677)	(44)	(2,677)	(44)
Other technical expenses	(77,139)	(41,628)	(77,139)	(41,628)
Investment expenses	(108,477)	(103,424)	(108,477)	(103,424)
Other non-technical expenses	(179)	(2,957)	(179)	(2,957)
Total other expenses	(188,472)	(148,053)	(188,472)	(148,053)

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	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Auditors' remuneration				
-Audit	5,841	5,459	5,645	5,281
-Non-audit	1,009	917	995	917
Directors'/ Chief Executive Officer's emoluments	317,128	237,611	317,128	237,611
Directors' fees	8,900	8,400	8,900	8,400
Legal fees	875	1,664	875	1,664
Donations	2,556	2,785	2,556	2,785
Provision for bad and doubtful debts	2,677	44	2,677	44

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38 INCOME TAX REVERSAL / (EXPENSES)

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Current income tax				
Current income tax expense	(393)	(388)	-	-
Over provision recognised for prior period	55	19	-	-
	(338)	(369)	-	-
Deferred income tax				
Deferred tax expense 11.1	(796,416)	(275,826)	(796,416)	(275,826)
Total income tax expense	(796,754)	(276,195)	(796,416)	(275,826)

The applicable tax rate - 24% (2020 - 28%)

38.1 Reconciliation of tax charge

For the financial year ended 31 December	Group		Company	
	2021	2020	2021	2020
	LKR '000	LKR '000	LKR '000	LKR '000
Profit before tax	2,568,764	725,816	2,567,125	724,428
Applicable tax rate	24%	28%	24%	28%
Tax at applicable rate	616,503	203,228	616,110	202,840
Add / (less) tax effect of the following items:				
Tax free investment income	(2,451)	(4,044)	(2,451)	(4,044)
Other non-deductible expenses	24,820	77,030	24,820	77,030
Adjustments of prior periods due to tax rate revision from 28% to 24%	157,882	(19)	157,937	-
Tax charge for the year	796,754	276,195	796,416	275,826

Notional tax credit for withholding tax on Government securities

The Inland Revenue Act No. 10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in Government securities (on or after 1 April 2002) would be entitled to a notional tax credit being one ninth of the net interest income provided such interest income forms part of the statutory income of the Company.

Subsequently the Inland Revenue Act No. 24 of 2017 abolished the aforesaid provision and provided that no notional tax credit should be identified for the interest income on Government securities after 01 April 2018. As per the transitional provisions which are published on 01 April 2018, notional tax credit as per section 138 (2) of Inland Revenue Act No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018 / 2019.

Accordingly there are no notional tax credit available to set-off against future income tax liability of the Company as at 31 December 2021 (Notional Tax credit as at 31 December 2020 is LKR 1,957 million)

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39 PROFIT AFTER TAX

The profit after tax of the Company includes the surplus transfer from its life insurance business. The surplus from the policyholders' fund for the financial year 2021 stood at LKR 1,130 million (2020 - LKR 660 million Deficit).

40 BASIC/ DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For the financial year ended 31 December		Group		Company	
		2021	2020	2021	2020
Profit attributable to the					
Company's equity holders	(LKR '000)	1,772,011	449,621	1,770,710	448,602
Weighted average number of					
ordinary shares in issue	('000)	30,749	30,749	30,749	30,749
Basic earnings per share	(LKR)	57.63	14.62	57.59	14.59

41 DIVIDEND PER SHARE

The dividends paid in 2021 and 2020 were LKR 922 million (LKR 30 per share) and LKR 1,537 million (LKR 50 per share) respectively.

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
	Immediate Parent	Parent	Ultimate parent	Fellow subsidiary	Fellow subsidiary	Fellow subsidiary	Fellow subsidiary	Fellow subsidiary
For the year ended	2021	2021	2021	2021	2021	2021	2021	2021
31 December	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	-	436,017	44,096	286,475	106,302	244,450	69,507	182
Group recharges	-	597,717	71,105	186,420	72,983	106,080	103,459	-
Dividend paid	922,481	-	-	-	-	-	-	-
RI Premium	-	27	-	-	-	-	-	-
RI Commission	-	3	-	-	-	-	-	-

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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	2021 LKR '000	2020 LKR '000
Directors' / CEO's remuneration	178,500	148,812
Short-term employee benefits	88,300	25,173
Share based payments	48,500	60,400
Premiums paid for Directors and Officers Liability policy *	1,828	3,226
Directors' fees	8,900	8,400
	326,028	246,011

* 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	2021 LKR '000	2020 LKR '000
Premium paid on insurance policies taken by Directors in their individual capacity	105	105
	105	105

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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	William Lisle	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	William Lisle	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

43 CONTINGENT LIABILITIES

43.1 Outstanding tax assessments

AIA Insurance Lanka Limited has received assessments relating to income taxes for the assessment periods from 2010 / 11 to 2017 / 18. The Inland Revenue Department (IRD) has disallowed management expenses relating to the life insurance business, in raising these assessments. 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

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before the Court of Appeal, the Tax Appeals Commission and the Inland Revenue Department. Total exposure of the assessment is LKR 9,024.5 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 Consolidated 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 2,559 million), will be required to be reversed and charged to the Consolidated 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 ending 2014 and 2016. The IRD is taking the position that AIA Insurance Lanka Limited is to be considered under the criteria of 'any person who carries on the business of supplying financial services in Sri Lanka' and is hence liable to pay VAT and NBT on FS. The Company disagreed with these assessments and appeals have been filed, following due process. Total exposure of such assessments is LKR 227.3 million. Based on the information available and expert advice received, the Directors are of the considered opinion that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the Consolidated Financial Statements of the Company. Hence no provision has been made in the Consolidated Financial Statements.

43.2 Bank guarantees

The Company has provided bank guarantees to third parties amounting to LKR 1,544 million as at 31 December 2021. None of these guarantees

were in relation to any facilities obtained by the Group. The expiration date of these guarantees are based on those legal and contractual requirements of each instance where the Group was required to provide such guarantees. The Directors do not expect any claim on these guarantees. Accordingly, no provisions have been made in the Consolidated Financial Statements.

43.3 Pending litigation

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

44 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors recommended the distribution of a first and final dividend of LKR 35 per share on 11 February 2022, as authorised by the Articles of Association of the Company, to be paid out of the profits for the year.

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to recommending the first and final dividend of LKR 35 per share. Further, the Company has also complied with the requirements specified in the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and such other requirements set out by the Insurance Regulatory Commission of Sri Lanka prior to declaring such dividends.

In accordance with LKAS 10, 'Events After the Reporting Period', the first and final dividend that has been recommended by the Board of Directors has not been recognised as a liability in these financial statements as at 31 December 2021.

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

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FIVE YEAR SUMMARY

As at 31 December	2021 LKR '000	2020 LKR '000	2019 LKR '000	2018 LKR '000	2017 LKR '000
Consolidated Statement of Financial Position					
Group					
Assets					
Investments	58,283,182	57,972,437	47,660,024	40,100,312	40,722,460
Investments - Unit-linked	5,338,806	5,121,630	4,910,382	4,736,107	5,013,288
Property, plant and equipment	604,169	713,696	785,061	767,873	746,542
Other assets	8,042,632	8,581,023	8,620,576	8,802,958	6,101,705
Total assets	72,268,789	72,388,786	61,976,043	54,407,250	52,583,995
Equity and liabilities					
Equity					
Stated capital	511,922	511,922	511,922	511,922	511,922
Capital reserves	228,416	216,236	192,916	178,916	152,176
Restricted regulatory reserve	6,080,848	6,080,848	6,080,848	6,080,848	6,080,848
Resilience reserve	-	-	-	-	289,000
Available for sale reserve	38,257	1,766,853	721,046	(8,847)	16,709
Retained earnings	12,894,106	12,003,824	13,136,784	11,937,159	10,314,618
Total equity	19,753,549	20,579,684	20,643,516	18,699,998	17,365,273
Liabilities					
Insurance provision - Conventional	40,649,872	40,437,971	31,355,861	27,066,333	26,887,302
Insurance provision - Unit-linked	5,369,872	5,149,442	5,024,350	4,858,950	5,228,990
Other liabilities	6,495,496	6,222,263	4,952,316	3,781,969	3,102,430
Total liabilities	52,515,240	51,809,677	41,332,527	35,707,252	35,218,722
Total equity and liabilities	72,268,789	72,389,360	61,976,043	54,407,250	52,583,995
Long term - supplemental					
Assets					
Investments	41,429,475	40,089,171	31,060,176	26,337,064	25,532,036
Investments - Unit-linked	5,338,806	5,121,630	4,910,382	4,736,107	5,013,288
Other assets	3,708,496	4,258,318	3,549,950	3,944,919	4,058,519
Total assets	50,476,777	49,469,119	39,520,508	35,018,090	34,603,843
Liabilities					
Insurance provision - Long term	40,649,872	40,437,971	31,355,861	27,066,333	26,887,302
Insurance provision - Unit-linked	5,369,872	5,149,442	5,024,350	4,858,950	5,228,990
Other liabilities	4,457,033	3,881,706	3,140,297	3,092,807	2,487,551
Total liabilities	50,476,777	49,469,119	39,520,508	35,018,090	34,603,843

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For the financial year ended 31 December	2021 LKR'000	2020 LKR'000	2019 LKR'000	2018 LKR'000	2017 LKR'000	
Consolidated Income Statement						
Total business (Group)						
Gross written premium	16,517,328	14,049,559	13,848,283	12,739,351	11,510,581	
Gross reinsurance premium	(466,810)	(408,860)	(369,954)	(382,221)	(302,123)	
Net written premium	16,050,518	13,640,699	13,478,329	12,357,130	11,208,458	
Other revenue	7,423,528	6,407,862	6,253,234	5,638,926	6,012,401	
Total revenue	23,474,046	20,048,561	19,731,563	17,996,056	17,220,859	
Net claims and benefits	(4,771,809)	(4,453,740)	(4,784,528)	(5,643,996)	(5,137,265)	
Change in contractual liability	(7,393,495)	(6,748,859)	(3,224,888)	(2,169,193)	2,598,054	
Change in contractual liability due to transfer of one-off Surplus	-	-	-	-	6,080,848	
Net acquisition expenses	(2,088,963)	(1,688,611)	(1,880,043)	(1,979,881)	(1,785,510)	
Finance costs	(105,393)	(114,532)	(128,452)	-	-	
Operating and administrative expenses	(6,545,621)	(6,317,003)	(6,544,931)	(6,590,521)	(5,297,224)	
Profit before tax	2,568,765	725,816	3,168,721	1,612,465	13,679,762	
Income tax expense	(796,754)	(276,195)	(1,187,511)	2,498,172	(238,198)	
Profit for the year	1,772,011	449,621	1,981,210	4,110,637	13,441,564	
Surplus/ (deficit) transfer to shareholders' fund	1,129,751	(660,093)	1,916,518	1,157,284	13,161,617	
Financial year	2021	2020	2019	2018	2017	
Investor Information						
Return on net assets	%	8.97	2.18	10.70	22.80	118.27
Net assets per share	LKR	642.40	669.27	671.35	608.14	564.74
Market price per share - 31 December	LKR	N/A	N/A	N/A	1,707.60	327.50
Basic earnings per share	LKR	57.63	14.62	64.43	133.68	437.13
Price earnings ratio	times	N/A	N/A	N/A	12.77	0.75
Market capitalisation	LKR mn	N/A	N/A	N/A	52,508	10,070
Dividend per share	LKR	30.00	50.00	25.00	91.00	50.00
Dividend payout ratio **	%	52.06	341.95	38.80	68.07	11.44
Earnings yield	%	N/A	N/A	N/A	7.83	133.48
Dividend yield	%	N/A	N/A	N/A	5.33	15.27
Employee Information						
Revenue per employee *	LKR mn	34.32	28.12	24.91	23.62	21.88
Net profit per employee *	LKR '000	2,591	630	2,502	5,325	17,079
Number of permanent employees **	nos.	684	713	792	772	787

* Continuing operations only.

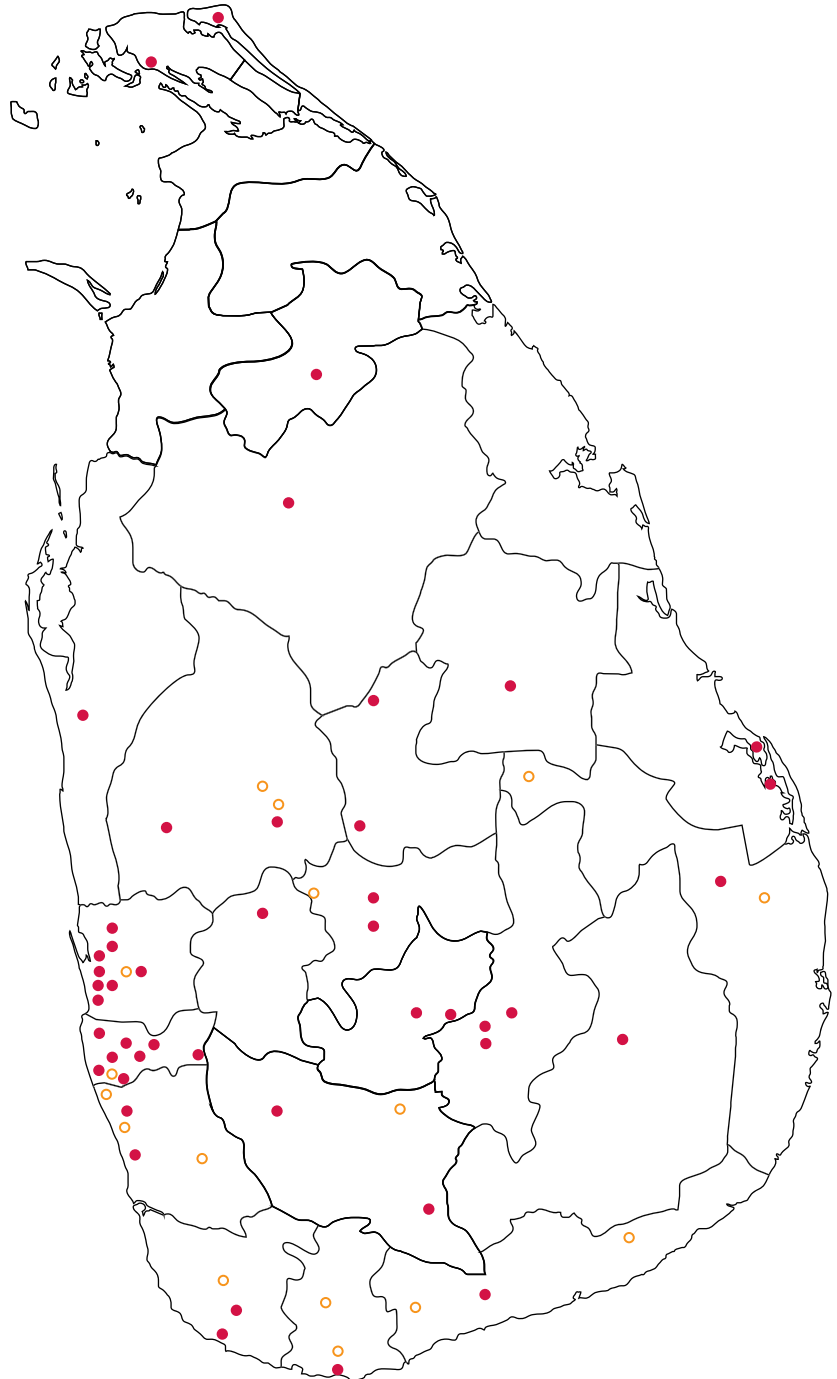
** Calculated based on the results of the continuing operations.

DISTRIBUTION NETWORK

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

AREA DEVELOPMENT OFFICE

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



AIA Insurance Lanka Limited
Annual Report 2021

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

King City, 18/1/2, Dharmadutha
Road, Badulla
Tel : 055 771 0200

Badulla Region 1

King City, 18/1/2, Dharmadutha
Road, Badulla
Tel : 055 771 0250

Bandarawela

3/126, DFCC Building, Main Street,
Bandarawela
Tel : 057 222 4869 / 223 3288

Battaramulla Region 1

1006/4A, Pannipitiya Road,
Battaramulla
Tel : 011 288 9811 / 288 9810 /
771 0412

Batticaloa

42/1, Trincomalee Road, Batticaloa
Tel : 065 222 7975 / 771 0200

Batticaloa Metro

42/1, Trincomalee Road, Batticaloa
Tel : 065 222 7988 / 771 0230

Chilaw

89, First Floor, Kurunegala Road,
Chilaw
Tel : 032 771 0200

Colombo Main

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0156

Colombo Metro

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

Colombo City

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
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

Colombo Region 3

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0262

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 0250

Colombo Region 6

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0250

Colombo Region 7

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0750

Colombo Region 8

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0597

Colombo Region 10

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0578

Colombo Region 11

AIA Tower, 92, Dharmapala Mawatha,
Colombo 07
Tel : 011 231 0006

Dambulla

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

DISTRIBUTION NETWORK

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 Region 1

210, Ground Floor, Lanka Building
Nonagama Road, Embilipitiya
Tel : 047 223 0417

Embilipitiya Main

210, Ground Floor, Lanka Building
Nonagama Road, Embilipitiya
Tel : 047 223 0416 / 226 1919

Galle

32, Old Matara Road, Pettigala Watta,
Galle
Tel : 091 771 0200

Gampaha

85, Bauddhaloka Mawatha, Gampaha
Tel : 033 222 1177 / 222 6840 / 771 0200

Gampaha Region 1

85/1, Bauddhaloka Mawatha,
Gampaha
Tel : 033 222 7393 / 771 0251

Gampola

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

Homagama Region 1

113/A/1, Avissawella Road,
Homagama
Tel : 011 285 7160 / 771 0439

Horana

240, Ratnapura Road, Horana
Tel : 034 226 2359

Horana Metro

240, Ratnapura Road, Horana
Tel : 034 226 2886

Ja-Ela

112/C, Negombo Road, Ja-Ela
Tel : 011 771 0450 / 771 0451 /
771 0452

Jaffna

62/6 Stanley Road, Jaffna
Tel : 021 222 1215 / 771 0200

Jaffna Metro

62/6, Stanley Road, Jaffna
Tel / Fax : 021 222 1216 / 771 0250

Kalawanchikudi

1/1, Main Street, Kalawanchikudi,
Batticaloa
Tel : 065 771 0260 / 771 0261 /
771 0262

Kalutara

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

Kalutara Region 3

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

Kandana

304/1/1, 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

244/C 2/2, Wanduramba Road,
Karapitiya
Tel : 091 771 0255

Karapitiya Region 1

244/C 2/1, Wanduramba Road,
Karapitiya
Tel : 091 771 0275

Kegalle Region 1

447/8, Main Street, Kegalle
Tel : 035 222 2117 / 223 1780 /
222 2835 / 771 0230

Kegalle Region 2

447/8, Main Street, Kegalle
Tel : 035 771 0255 / 771 0250

Kilinochchi

470/2, Kandy Road, Kilinochchi
Tel : 021 228 5514 / 228 5513 /
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

Kottawa

113/A/1, Avissawella Road,
Homagama
Tel : 011 275 5987 / 275 5972

Kuliyapitiya

215, Hettipola Road, Kuliyapitiya
Tel : 037 771 0200 / 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 : 037 771 0300 / 771 0302 /
771 0310

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 : 011 283 7611 / 283 7488

Mahiyanganaya City

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 2

24, E H Cooray Building, Third Floor,
Anagarika Dharmapala Mawatha,
Matara
Tel : 041 771 0275

Matara Region 1

24, E H Cooray Building, Third Floor,
Anagarika Dharmapala Mawatha,
Matara
Tel : 041 771 0250

Mirigama

33, Negombo Road, Mirigama
Tel : 033 227 3328 / 2273 329 /
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, Nelliady Central College
Road, Nelliady
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/ Fax : 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 : 026 222 7949 / 222 6095 /
771 0200

DISTRIBUTION NETWORK

Vavuniya

66, Station Road,
Vairavapuliyankulam, Vavuniya
Tel : 024 222 5672 / 222 5673 /
771 0200

Wennappuwa

275/A/1, Airbuilding, Colombo Road,
Wennappuwa
Tel/ Fax : 031 771 0280 / 771 0281

AREA DEVELOPMENT OFFICE NETWORK**Akuressa**

96, First Floor, Matara Road, Akuressa
Tel : 041 228 4544

Ampara 1

149, Nidahas Mawatha, Ampara
Tel : 063 222 3664 / 222 3663 /
222 2554

Ampara 2

149, Nidahas Mawatha, Ampara
Tel : 063 222 2630
Fax : 063 222 2554

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, Dikweella Road,
Beliatte
Tel : 047 225 1126

Dehiattakandiya

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

Kurunegala

17, Rajapihilla Road, Kurunegala
Tel : 037 222 2668

Matara

366/1/2, Galle Road, Pamburana,
Matara
Tel : 041 223 8540

Mathugama

60, Neboda Road, Mathugama
Tel : 034 224 9955

Mawanella

253, Second Floor, New Colombo
Kandy Road, Mawanella
Tel : 035 224 8760

Moratuwa

517, Galle Road, Rawathawatte,
Moratuwa
Tel : 011 771 4800

Panadura

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

Piliyanadala

82, First Floor, Horana Road,
Kesbawa, Piliyanadala
Tel : 011 270 3644

Thissamaharama

173/1, Iresha Building,
Kachcheriyagama, Thissamaharama
Tel : 047 223 9096

Battaramulla

1006/4A, Pannipitiya Road,
Battaramulla
Tel : 011 288 9810-11 / 771 0400

Wariyapola

90, Putthalam Road, Wariyapola
Tel : 037 226 8615/ 226 8616 / 771
0350

CORPORATE INFORMATION

NAME OF THE COMPANY

AIA Insurance Lanka Limited
Company Registration No - PQ 18 PB

LEGAL FORM

- A Limited Liability Company.
- Incorporated in Sri Lanka on 12 December 1986 under the Companies Act No. 17 of 1982.
- Re-registered under the Companies Act No. 07 of 2007.
- Life Insurance Company licensed by the Insurance Regulatory Commission of Sri Lanka.

TAX PAYER IDENTIFICATION NUMBER (TIN)

134001356

DIRECTORS

William Lisle - Chairman
Stuart Anthony Spencer
Robert Alexander Hartnett
Deepal Sooriyaarachchi
Sarath Wikramanayake

CHIEF EXECUTIVE OFFICER / PRINCIPAL OFFICER

Nikhil Advani

DEPUTY CHIEF EXECUTIVE OFFICER

Upul Wijesinghe

COMPANY SECRETARY

Chathuri Munaweera

CHIEF FINANCIAL OFFICER

Gavin D' Rosairo

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 : +94 11 231 0000
Fax : +94 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 : +94 11 257 3894 /
+94 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



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BETTER LIVES



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