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**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
30th September 2020

Statement of Financial Position

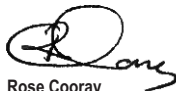
As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th Sep 2020 Rs. '000	31st Dec 2019 Rs. '000	30th Sep 2020 Rs. '000	31st Dec 2019 Rs. '000
Assets					
Property, Plant and Equipment		172,615	162,371	118,169	111,202
Right of Use Assets		317,850	343,737	297,572	325,572
Intangible Assets		60,877	51,787	58,613	49,830
Deferred Tax Assets		927,876	1,009,711	920,282	1,000,673
Financial Investments	3	25,272,872	21,202,074	21,123,928	17,777,410
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		375,298	325,307	375,298	325,307
Reinsurance Receivables		897,189	645,411	157,172	144,715
Premium Receivables		1,024,907	946,650	6,495	9,458
Other Assets		955,018	933,633	639,010	625,499
Insurance Contract - Deferred Expenses		170,909	138,622	-	-
Cash and Cash Equivalents		583,275	865,843	326,792	632,712
Total Assets		30,758,686	26,625,146	25,173,331	22,152,378
Equity and Liabilities					
Equity Attributable to the Equity Holders of Parent					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		5,282,226	4,965,809	4,506,645	4,544,369
Available for Sale Reserve		107,170	24,801	18,198	9,881
Other Reserve		(6,525)	(6,525)	(6,514)	(6,514)
Life Policyholders' Available for Sale Reserve Fund	5	902,360	177,228	902,360	177,228
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Total Equity		7,838,262	6,714,344	6,973,720	6,277,995
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	16,726,757	14,464,534	16,726,757	14,464,534
Insurance Contract Liabilities - General Insurance	8	3,352,842	2,871,416	-	-
Employee Defined Benefit Liabilities		213,118	167,118	125,358	100,076
Current Tax Liabilities		215,052	112,031	16,175	16,175
Reinsurance Creditors		528,963	540,652	234,736	125,151
Lease Creditors		324,017	350,089	303,748	334,832
Other Liabilities		1,423,599	1,274,326	744,272	802,565
Bank Overdraft		136,076	130,636	48,565	31,050
Total Liabilities		22,920,424	19,910,802	18,199,611	15,874,383
Total Equity and Liabilities		30,758,686	26,625,146	25,173,331	22,152,378

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




Punsirini Perera
Chief Financial Officer

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



Rose Cooray
Chairperson



J A P M Jayasekera
Director

Statement of Profit or Loss and Other Comprehensive Income

Group			Group		Company		Change	
(Audited)			Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
Year Ended	For the Nine Months Ended 30th September,	Note	2020	2019	2020	2019	%	%
31 st Dec 2019			Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Rs. '000								
9,942,757	Gross Written Premium	9	7,478,883	7,302,046	3,836,357	3,693,361	2	4
(1,312,881)	Premium Ceded to Reinsurers		(907,912)	(965,866)	(193,532)	(177,872)	(6)	9
8,629,876	Net Written Premium		6,570,971	6,336,180	3,642,825	3,515,489	4	4
(156,216)	Net Change in Reserves for Unearned Premium		(149,522)	(190,216)	-	-	(21)	-
8,473,660	Net Earned Premium		6,421,449	6,145,964	3,642,825	3,515,489	4	4
	Other Revenue							
2,248,926	Interest and Dividend Income	10	1,858,240	1,653,006	1,582,995	1,390,087	12	14
92,856	Net Realised Gains		25,991	28,852	17,352	20,990	(10)	(17)
(8,826)	Net Fair Value Gains/(Losses)		170	(21,102)	(2,443)	(17,861)	101	(86)
170,993	Fee and Commission Income		162,492	133,677	67,859	73,211	22	(7)
16,196	Other Income		13,556	22,142	5,519	5,643	(39)	(2)
2,520,145	Total Other Revenue		2,060,449	1,816,575	1,671,282	1,472,070	13	14
10,993,805	Net Income		8,481,898	7,962,539	5,314,107	4,987,559	7	7
	Net Benefits, Claims and Expenses							
(3,620,775)	Net Insurance Benefits and Claims		(2,622,010)	(2,767,843)	(1,065,480)	(1,073,190)	(5)	(1)
(2,173,251)	Change in Contract Liabilities - Life Fund		(2,192,903)	(1,900,981)	(2,192,903)	(1,900,981)	15	15
(2,385,525)	Other Operating and Administration Expenses		(1,880,343)	(1,721,971)	(1,055,982)	(998,213)	9	6
(1,288,068)	Underwriting and Net Acquisition Costs		(881,614)	(936,312)	(619,610)	(688,388)	(6)	(10)
(121,295)	Finance & Other Insurance Related Costs		(63,419)	(91,098)	(37,465)	(54,437)	(30)	(31)
(9,588,914)	Total Benefits, Claims and Other Expenses		(7,640,289)	(7,418,205)	(4,971,440)	(4,715,209)	3	5
1,404,891	Profit Before Taxation		841,609	544,334	342,667	272,350	55	26
(394,663)	Income Tax Expense	11	(225,192)	(145,057)	(80,391)	(65,262)	55	23
1,010,228	Profit for the Period	12	616,417	399,277	262,276	207,088	54	27
	Other Comprehensive Income, Net of Related Tax							
	Items that are or may be reclassified to profit or loss							
511,043	- Net Change in fair value of Available For Sale Financial Assets		841,532	396,812	750,801	354,420	112	112
(92,836)	- Realised Gains transferred to Income Statement		(25,803)	(29,109)	(17,352)	(20,987)	(11)	(17)
(379,095)	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		(725,132)	(325,353)	(725,132)	(325,353)	123	123
(6,286)	- Related Tax	11	(8,228)	(9,447)	-	-	(13)	-
(2,119)	Items that will never be reclassified to profit or loss							
30,707	Actuarial Losses on Defined Benefit Plans		-	-	-	-	-	-
1,040,935	Total Other Comprehensive Income for the Period, Net of Related Tax		82,369	32,903	8,317	8,080	150	3
1,040,935	Total Comprehensive Income for the Period		698,786	432,180	270,593	215,168	62	26
	Profit Attributable to:							
1,010,228	Equity Holders of the Parent		616,417	399,277	-	-	54	-
1,040,935	Total Comprehensive Income Attributable to:							
20.20	Equity Holders of the Parent		698,786	432,180	-	-	62	-
	Basic Earnings Per Share (Rs.)	13	12.33	7.99	5.25	4.14	54	27

Statement of Changes in Equity - Group

For the Period Ended 30th September 2020.

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Policyholders' AFS Reserve	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2019	1,171,875	4,405,581	(8,025)	(4,406)	(201,867)	381,156	5,744,314
Total Comprehensive Income for the Period	-	399,277	-	-	-	-	399,277
Profit for the Period - Unaudited	-	399,277	-	-	-	-	399,277
Other Comprehensive Income for the Period, Net of Related Tax	-	-	359,256	-	-	-	359,256
Net Change in fair value of Available For Sale Financial Assets	-	-	359,256	-	-	-	359,256
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(525,353)	-	-	-	(325,353)
Total Other Comprehensive Income for the Period	-	-	32,903	-	-	-	32,903
Total Comprehensive Income for the Period	-	399,277	32,903	-	-	-	432,180
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	325,353	-	325,353
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(350,000)	-	-	-	-	(350,000)
Dividend Paid to equity holders for 2018	-	(350,000)	-	-	-	-	(350,000)
Unaudited balance as at 30th September 2019	1,171,875	4,454,858	24,878	(4,406)	123,486	381,156	6,151,847
Total Comprehensive Income for the Period	-	610,951	-	-	-	-	610,951
Profit for the Period - Unaudited	-	610,951	-	-	-	-	610,951
Other Comprehensive Income for the Period, Net of Related Tax	-	-	53,665	-	-	-	53,665
Net Change in fair value of Available For Sale Financial Assets	-	-	53,665	-	-	-	53,665
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(53,742)	(2,119)	-	-	(63,742)
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,119)	-	-	(2,119)
Total Other Comprehensive Income for the Period	-	-	(77)	(2,119)	-	-	(2,196)
Total Comprehensive Income for the Period	-	610,951	(77)	(2,119)	-	-	608,755
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	(100,000)	24,801	(6,525)	53,742	-	53,742
First interim dividend Paid to equity holders for 2019	-	-	24,801	(6,525)	177,228	-	(100,000)
Audited balance as at 31st December 2019	1,171,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Balance as at 01st January 2020	1,171,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Total Comprehensive Income for the Period	-	616,417	-	-	-	-	616,417
Profit for the Period - Unaudited	-	616,417	-	-	-	-	616,417
Other Comprehensive Income for the Period, Net of Related Tax	-	-	807,501	-	-	-	807,501
Net Change in fair value of Available For Sale Financial Assets	-	-	807,501	-	-	-	807,501
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(725,132)	-	-	-	(725,132)
Total Other Comprehensive Income for the Period	-	-	82,369	-	-	-	82,369
Total Comprehensive Income for the Period	-	616,417	82,369	-	-	-	698,786
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	725,132	-	725,132
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(300,000)	-	-	-	-	(300,000)
Dividend to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th September 2020	1,171,875	5,282,226	107,170	(6,525)	902,360	381,156	7,638,282

Stated Capital represents 50 Million Ordinary Shares as at 30th September 2020 (2019 - 50 Million Ordinary Shares).

Statement of Changes in Equity - Company

For the Period Ended 30th September 2020,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Policyholders' AFS Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2019	1,171,875	4,167,660	1,451	(4,395)	(201,867)	381,156	5,615,880
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	207,088	-	-	-	-	207,088
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	333,433	-	-	-	333,433
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(325,353)	-	-	-	(325,353)
Total Other Comprehensive Income for the Period			8,080				8,080
Total Comprehensive Income for the Period		207,088	8,080				215,168
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	325,353	-	325,353
Transactions with owners recorded directly in equity							
Distributions to owners of the Company Dividend paid to equity holders for 2018	-	(350,000)	-	-	-	-	(350,000)
Unaudited balance as at 30th September 2019	1,171,875	4,024,748	9,531	(4,395)	123,466	381,156	5,706,401
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	619,621	-	-	-	-	619,621
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	54,082	-	-	-	54,082
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(53,742)	-	-	-	(53,742)
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,119)	-	-	(2,119)
Total Other Comprehensive Income for the Period			350	(2,119)			(1,769)
Total Comprehensive Income for the Period		619,621	350	(2,119)			617,852
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	53,742	-	53,742
First interim dividend Paid to equity holders for 2019	-	(100,000)	-	-	-	-	(100,000)
Audited balance as at 31st December 2019	1,171,875	4,544,389	9,881	(6,514)	177,228	381,156	6,277,995
Balance as at 01st January 2020	1,171,875	4,544,389	9,881	(6,514)	177,228	381,156	6,277,995
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	262,276	-	-	-	-	262,276
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	733,449	-	-	-	733,449
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(725,132)	-	-	-	(725,132)
Total Other Comprehensive Income for the Period			8,317				8,317
Total Comprehensive Income for the Period		262,276	8,317				270,593
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	725,132	-	725,132
Transactions with owners recorded directly in equity							
Distributions to owners of the Company Dividend to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th September 2020	1,171,875	4,506,645	18,198	(6,514)	902,360	381,156	6,973,720

Stated Capital represents 50 Million Ordinary Shares as at 30th September 2020 (2019 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Period Ended 30th September,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2020	2019	2020	2019
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow from Operating Activities				
Profit Before Taxation	841,609	544,334	342,667	272,350
<i>Adjustments for:</i>				
Interest Income	10 (1,854,757)	(1,647,752)	(1,579,512)	(1,385,410)
Dividend Income	10 (3,483)	(5,254)	(3,483)	(4,677)
Amortisation of Intangible Assets	14,301	13,164	13,952	12,856
Depreciation of Property Plant and equipment	39,837	34,905	28,324	23,936
Net Depreciation of Right of Use Assets	109,335	101,622	97,897	92,248
Interest Expense of Lease Creditors	33,622	43,765	31,657	41,974
Provision for Employee Benefits	50,705	34,390	28,795	19,216
Net Realised Gains	(25,991)	(28,852)	(17,352)	(20,990)
Net Fair Value Gains/(Losses)	(170)	21,102	2,443	17,861
(Gains)/Losses on Disposal of Property, Plant and Equipment	(3,308)	684	(3,313)	452
Gains on Disposal of Right of Use Assets	(475)	-	(475)	-
	(798,775)	(887,892)	(1,058,400)	(930,184)
Net Change in Operating Assets	A (413,359)	(454,648)	(80,134)	(185,138)
Net Change in Operating Liabilities	B 2,859,889	2,491,050	2,313,515	1,984,274
Cash Flows from Operating Activities	1,647,755	1,148,510	1,174,981	868,952
Gratuity Paid	(4,705)	(10,089)	(3,513)	(7,877)
Taxes Paid	(53,856)	(16,492)	-	-
Capital Gain Tax Paid	(845)	-	-	-
Net Cash Generated from Operating Activities	1,588,349	1,121,929	1,171,468	861,075
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(129,710,653)	(90,531,921)	(88,585,763)	(64,681,548)
Proceeds from maturity of Financial Investments	126,359,864	87,150,685	85,965,324	62,071,025
Proceeds from sale of Financial Investments	206,380	876,941	125,963	577,331
Interest Received	1,770,261	1,706,035	1,475,828	1,428,102
Dividend Received	3,483	5,545	3,483	4,937
Acquisition of Intangible Assets	(23,391)	(6,320)	(22,735)	(6,255)
Acquisition of Property, Plant and Equipment	(65,508)	(43,887)	(49,869)	(26,804)
Proceeds from the Sale of Property, Plant and Equipment	13,122	295	12,278	231
Advance Paid to Right of Use Assets	(22,017)	(24,923)	(22,017)	(17,147)
Net Cash Used in Investing Activities	(1,468,459)	(867,550)	(1,097,508)	(650,128)
Cash Flows from Financing Activities				
Dividend Paid	(300,000)	(350,000)	(300,000)	(350,000)
Payment of Lease Liabilities	(107,898)	(111,941)	(97,395)	(102,761)
Net Cash Used in Financing Activities	(407,898)	(461,941)	(397,395)	(452,761)
Net Increase/(Decrease) in Cash and Cash Equivalents	(288,008)	(207,562)	(323,435)	(241,814)
Cash and Cash Equivalents at the beginning of the Period	735,207	639,095	601,662	459,925
Cash and Cash Equivalents at the end of the Period	447,199	431,533	278,227	218,111
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
Increase in Deferred Expenses	(32,287)	(14,947)	-	-
Increase in Loans to Life Policyholders	(49,991)	(62,168)	(49,991)	(62,168)
Increase in Reinsurance Receivables	(251,778)	(150,568)	(12,457)	(57,796)
(Increase)/Decrease in Premium Receivables	(78,257)	(150,641)	2,963	(2,991)
Increase in Other Assets	(1,046)	(76,324)	(20,649)	(62,183)
Net Change in Operating Assets	(413,359)	(454,648)	(80,134)	(185,138)
B. Change in Operating Liabilities				
Increase/(Decrease) in Other Liabilities	127,929	28,698	(58,293)	53,839
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	2,262,223	1,957,476	2,262,223	1,957,476
Increase in Insurance Contract Liabilities - General Insurance	481,426	384,726	-	-
(Decrease)/Increase in Reinsurance Creditors	(11,689)	120,150	109,585	(27,041)
Net Change in Operating Liabilities	2,859,889	2,491,050	2,313,515	1,984,274

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	%	%
<i>For the Three months ended 30th September,</i>							
Gross Written Premium	9	2,971,996	2,550,103	1,666,774	1,349,467	17	24
Premium Ceded to Reinsurers		(297,434)	(286,797)	(66,359)	(60,645)	4	9
Net Written Premium		2,674,562	2,263,306	1,600,415	1,288,822	18	24
Net Change in Reserves for Unearned Premium		(131,590)	(82,721)	-	-	59	-
Net Earned Premium		2,542,972	2,180,585	1,600,415	1,288,822	17	24
Other Revenue							
Interest and Dividend Income	10	629,129	575,247	536,975	482,035	9	11
Net Realised Gains		13,597	6,028	9,794	5,974	126	64
Net Fair Value Gains		11,865	16,793	12,663	9,915	(29)	28
Fee and Commission Income		65,279	41,747	23,263	17,439	56	33
Other Income		5,392	6,565	3,953	1,259	(18)	214
Total Other Revenue		725,262	646,380	586,648	516,622	12	14
Net Income		3,268,234	2,826,965	2,187,063	1,805,444	16	21
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,072,754)	(973,020)	(412,838)	(371,799)	10	11
Change in Contract Liabilities - Life Fund		(970,927)	(667,653)	(970,927)	(667,653)	45	45
Other Operating and Administration Expenses		(678,587)	(646,640)	(402,996)	(386,659)	5	4
Underwriting and Net Acquisition Costs		(371,054)	(358,028)	(273,961)	(273,439)	4	0.2
Finance & Other Insurance Related Costs		(19,261)	(32,241)	(14,800)	(19,482)	(40)	(24)
Total Benefits, Claims and Other Expenses		(3,112,583)	(2,677,582)	(2,075,522)	(1,719,032)	16	21
Profit Before Taxation		155,651	149,383	111,541	86,412	4	29
Income Tax Expense	11	(39,200)	(38,256)	(25,235)	(20,431)	2	24
Profit for the Period	12	116,451	111,127	86,306	65,981	5	31
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale financial assets		520	(26,239)	961	(21,793)	102	104
- Realised Gains transferred to Income Statement		(13,597)	(6,448)	(9,794)	(5,974)	111	64
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholder's Available For sale Reserve Fund		8,084	27,556	8,084	27,556	(71)	(71)
- Related Tax	11	424	1,284	-	-	(67)	-
Total Other Comprehensive Income for the Period, Net of Related tax		(4,569)	(3,847)	(749)	(211)	19	255
Total Comprehensive Income for the Period		111,882	107,280	85,557	65,770	4	30
Profit Attributable to:							
Equity Holders of the Parent		116,451	111,127	-	-	5	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		111,882	107,280	-	-	4	-
Basic Earnings Per Share (Rs.)	13	2.33	2.22	1.73	1.32	5	31

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th September 2020		31st December 2019	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	118,169	54,446	111,202	51,169
Right of Use Assets	297,572	20,278	325,572	18,165
Intangible Assets	58,613	2,264	49,830	1,957
Deferred Tax Assets	920,282	7,594	1,000,673	9,038
Financial Investments	21,123,928	4,148,944	17,777,410	3,424,664
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	375,298	-	325,307	-
Reinsurance Receivables	157,172	740,017	144,715	500,696
Premium Receivables	6,495	1,018,412	9,458	937,192
Other Assets	639,010	342,931	625,499	329,478
Insurance Contract - Deferred Expenses	-	170,909	-	138,622
Cash and Cash Equivalents	326,792	256,483	632,712	233,131
Total Assets	25,173,331	6,762,278	22,152,378	5,644,112
Liabilities				
Insurance Contract Liabilities - Life Insurance	16,726,757	-	14,464,534	-
Insurance Contract Liabilities - General Insurance	-	3,352,842	-	2,871,416
Employee Defined Benefit Liabilities	125,358	87,760	100,076	67,042
Current Tax Liabilities	16,175	198,877	16,175	95,856
Reinsurance Creditors	234,736	294,227	125,151	415,501
Lease Creditors	303,748	20,269	334,832	15,257
Other Liabilities	744,272	706,250	802,565	493,105
Bank Overdraft	48,565	87,511	31,050	99,586
Total Liabilities	18,199,611	4,747,736	15,874,383	4,057,763

Operating Segment Information - Profitability

For the Nine Months Ended,	Unaudited		Unaudited	
	30th September 2020		30th September 2019	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	3,836,357	3,710,714	3,693,361	3,646,898
Premium Ceded to Reinsurers	(193,532)	(714,380)	(177,872)	(787,994)
Net Written Premium	3,642,825	2,996,334	3,515,489	2,858,904
Net Change in Reserves for Unearned Premium	-	(149,522)	-	(190,216)
Net Earned Premium	3,642,825	2,846,812	3,515,489	2,668,688
Other Revenue				
Interest and Dividend Income	1,582,995	275,245	1,390,087	262,919
Net Realised Gains	17,352	8,639	20,990	7,862
Net Fair Value (Losses)/Gains	(2,443)	2,613	(17,861)	(3,241)
Fee and Commission Income	67,859	116,045	73,211	75,728
Other Income	5,519	8,037	5,643	16,499
Total Other Revenue	1,671,282	410,579	1,472,070	359,767
Net Income	5,314,107	3,257,391	4,987,559	3,028,455
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,065,480)	(1,556,572)	(1,073,190)	(1,694,763)
Change in Contract Liabilities - Life Fund	(2,192,903)	-	(1,900,981)	-
Other Operating and Administration Expenses	(1,055,982)	(900,883)	(998,213)	(766,616)
Underwriting and Net Acquisition Cost	(619,610)	(275,040)	(688,388)	(258,431)
Finance & Other Insurance Related Costs	(37,465)	(25,954)	(54,437)	(36,661)
Total Benefits, Claims and other Expenses	(4,971,440)	(2,758,449)	(4,715,209)	(2,756,471)
Profit Before Taxation	342,667	498,942	272,350	271,984
Income Tax Expense	(80,391)	(144,801)	(65,262)	(79,795)
Profit for the Period	262,276	354,141	207,088	192,189

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

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

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

b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 29th October 2020.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 30th September 2020 are provisional and unaudited.

2 BASIS OF PREPARATION

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

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2019 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

2a) Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 01st January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 (Amended) which provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2023.

Having considered the above, since HNB Assurance PLC and HNB General Insurance Limited are predominantly carrying out Insurance activities, both Companies continue to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for the annual periods beginning before 01st January 2023.

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

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30th Sep 2020	31st Dec 2019	30th Sep 2020	31st Dec 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	17,596,990	14,830,486	14,368,969	12,065,489
Available for Sale Financial Assets	7,601,920	6,293,764	6,680,997	5,634,097
Financial Assets at Fair Value Through Profit or Loss	73,962	77,824	73,962	77,824
Total Financial Investment	25,272,872	21,202,074	21,123,928	17,777,410

4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

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

Notes to the Condensed Consolidated Interim Financial Statements

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

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

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

6 RESTRICTED REGULATORY RESERVE

As at,	Group		Company		
	Unaudited	Audited	Unaudited	Audited	
	30th Sep 2020 Rs. '000	31st Dec 2019 Rs. '000	30th Sep 2020 Rs. '000	31st Dec 2019 Rs. '000	
Balance at the end of the period	(Note 6b)	381,156	381,156	381,156	381,156

6a) Nature and Purpose of Reserve

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

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

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

Surplus created due to Change in Valuation Method

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

6c) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th September 2020

Based on the Direction issued by IRCSL following Instruments have been marked to support the Restricted Regulatory Reserve of the Company.

Asset Category	Fair Value /Carrying Value 30th Sep 2020 (Rs. '000)
As at,	
Term Deposits	386,150

6d) Distribution of One-off Surplus

The distribution of one-off surplus to shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholder's Fund, particularly participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further, IRCSL will consider the distribution of One-off Surplus when the RBC rules are revised.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case by case basis.

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Life Insurance Fund	(Note 7a) 16,462,085	14,269,182	16,462,085	14,269,182
Claims Outstanding	264,672	195,352	264,672	195,352
Total Insurance Contract Liabilities	16,726,757	14,464,534	16,726,757	14,464,534

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Life Insurance Fund				
Change in Contract Liabilities - Life Fund				
Balance as at the beginning of the Period	14,269,182	12,112,106	14,269,182	12,112,106
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	2,192,903	2,860,667	2,192,903	2,860,667
Surplus Distributed to Shareholders	-	(687,416)	-	(687,416)
Increase in Life Insurance Fund	2,192,903	2,173,251	2,192,903	2,173,251
Effect of Taxation on surplus/Bonus transferred to Policyholders-	-	(16,175)	-	(16,175)
Balance as at the end of the Period	16,462,085	14,269,182	16,462,085	14,269,182

Notes to the Condensed Consolidated Interim Financial Statements

7b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Hassan Scott Odierno, FSA, on behalf of Messers Actuarial Partners Consulting Sdn Bhd, as at 30th June 2020 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Consultant Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 30th June 2020. No additional provision was required against the LAT as at 30th June 2020.

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Reserves for Net Unearned Premium	2,131,009	1,946,972	-	-
Reserves for Title Insurance	53,797	53,522	-	-
Reserves for Gross Outstanding Claims	1,168,036	870,922	-	-
Total Insurance Contract Liabilities	3,352,842	2,871,416	-	-

8a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and behalf of NMG Consulting as at 30th September 2020 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

8b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Consultant Actuary, Mr. Sivaraman Kumar, FIA, for and on behalf of NMG Consulting as at 30th June 2020 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Consultant Actuary's report, HNB General Insurance Ltd adequately satisfies the LAT as at 30th June 2020. No additional provision is required against LAT.

9 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2019 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
Life Insurance					
5,120,471	Individual Policies	3,789,418	3,651,882	3,789,418	3,651,882
54,573	Corporate Policies	46,939	41,479	46,939	41,479
(43,056)	Adjustment for Inter Company Premiums	(32,822)	(31,247)	-	-
<u>5,131,988</u>	Gross Written Premium - Life Insurance	<u>3,803,535</u>	<u>3,662,114</u>	<u>3,836,357</u>	<u>3,693,361</u>
General Insurance					
677,562	Fire	470,550	512,866	-	-
3,622,023	Motor	2,767,034	2,768,099	-	-
57,619	Marine	23,799	41,328	-	-
461,482	Miscellaneous	449,331	324,605	-	-
(7,917)	Adjustment for Inter Company Premiums	(35,366)	(6,966)	-	-
<u>4,810,769</u>	Gross Written Premium - General Insurance	<u>3,675,348</u>	<u>3,639,932</u>	-	-
<u>9,942,757</u>	Total Gross Written Premium	<u>7,478,883</u>	<u>7,302,046</u>	<u>3,836,357</u>	<u>3,693,361</u>

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Sep 2020 Rs. '000	30th Sep 2019 Rs. '000	30th Sep 2020 Rs. '000	30th Sep 2019 Rs. '000
Life Insurance				
Individual Policies	1,649,583	1,336,302	1,649,583	1,336,302
Corporate Policies	17,191	13,165	17,191	13,165
Adjustment for Inter Company Premiums	(12,947)	(12,315)	-	-
Gross Written Premium - Life Insurance	<u>1,653,827</u>	<u>1,337,152</u>	<u>1,666,774</u>	<u>1,349,467</u>
General Insurance				
Fire	143,135	140,483	-	-
Motor	1,069,816	981,787	-	-
Marine	10,624	15,072	-	-
Miscellaneous	97,996	76,300	-	-
Adjustment for Inter Company Premiums	(3,402)	(691)	-	-
Gross Written Premium - General Insurance	<u>1,318,169</u>	<u>1,212,951</u>	<u>-</u>	<u>-</u>
Total Gross Written Premium	<u>2,971,996</u>	<u>2,550,103</u>	<u>1,666,774</u>	<u>1,349,467</u>

10 INTEREST AND DIVIDEND INCOME

<i>For the Nine Months Ended,</i>	Group		Company	
	Audited	Unaudited	Unaudited	Unaudited
	31st Dec 2019 Rs. '000	30th Sep 2020 Rs. '000	30th Sep 2019 Rs. '000	30th Sep 2019 Rs. '000
2,243,284 Interest Income	1,854,757	1,647,752	1,579,512	1,385,410
5,642 Dividend Income	3,483	5,254	3,483	4,677
<u>2,248,926</u> Total	<u>1,858,240</u>	<u>1,653,006</u>	<u>1,582,995</u>	<u>1,390,087</u>

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Sep 2020 Rs. '000	30th Sep 2019 Rs. '000	30th Sep 2020 Rs. '000	30th Sep 2019 Rs. '000
Interest Income	628,137	574,436	535,983	481,254
Dividend Income	992	811	992	781
Total	<u>629,129</u>	<u>575,247</u>	<u>536,975</u>	<u>482,035</u>

11 INCOME TAX EXPENSE

<i>For the Three Months Ended,</i>	Group		Company	
	Audited	Unaudited	Unaudited	Unaudited
	31st Dec 2019 Rs. '000	30th Sep 2020 Rs. '000	30th Sep 2019 Rs. '000	30th Sep 2019 Rs. '000
(95,487) Income Tax Charge	(150,740)	(71,129)	-	-
465 Over Provision of Income Taxes in respect of Prior Period	-	-	-	-
(288,884) Deferred Income Tax - Recognised through Profit or Loss	(73,607)	(73,928)	(80,391)	(65,262)
(9,575) Withholding tax on inter company dividends	-	-	-	-
(1,182) Capital Gain Tax for the Period	(845)	-	-	-
<u>(394,663)</u> Total Tax charge in Profit or Loss	<u>(225,192)</u>	<u>(145,057)</u>	<u>(80,391)</u>	<u>(65,262)</u>
Deferred Income Tax - Recognised through				
(6,286) Other Comprehensive Income	(8,228)	(9,447)	-	-
<u>(6,286)</u> Total Tax charge in Other Comprehensive Income	<u>(8,228)</u>	<u>(9,447)</u>	<u>-</u>	<u>-</u>

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
	Income Tax Charge	(16,625)	(18,208)	-
Deferred Income Tax - Recognised through Profit or Loss	(22,195)	(20,048)	(25,235)	(20,431)
Capital Gain Tax for the Period	(380)	-	-	-
Total Tax charge in Profit or Loss	(39,200)	(38,256)	(25,235)	(20,431)
Deferred Income Tax - Recognised through Other Comprehensive Income	424	1,284	-	-
Total Tax charge in Other Comprehensive Income	424	1,284	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2019 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act.

Proposed Changes to Income Tax Rates

As per the notice (PN/IT/2020-03-Revised) issued by Inland Revenue Department on 08th April 2020, "Implementation of proposed changes to the Inland Revenue Act, No. 24 of 2017", the income tax rates applicable to Company and subsidiary will be reduced from 28% to 24% with effect from 01st January 2020. However, the proposed changes are yet to be formally approved and enacted by the Parliament. As such the Group has not adjusted its Income tax or deferred tax asset in the financial statements as at the reporting date. However, once formal amendments are made to the Act, the recorded Deferred Tax Asset and Profit After Tax of the Group will reduce by Rs. 144 Million and the recorded Deferred Tax Asset and Profit After Tax of the Company will reduce by Rs. 143 Million.

12 PROFIT FOR THE PERIOD

<i>Audited 31st Dec 2019 Rs. '000</i>	<i>For the Nine Months Ended,</i>	<i>Unaudited 30th Sep 2020 Rs. '000</i>	<i>Unaudited 30th Sep 2019 Rs. '000</i>
Company -HNB Assurance PLC			
687,416	Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
419,119	Profit from Life Shareholders' Fund	342,667	272,350
(279,826)	Reversal of Deferred Tax Asset	(80,391)	(65,262)
826,709	Profit for the Period	262,276	207,088
Subsidiary -HNB General Insurance Ltd			
354,826	Profit Before Tax	498,942	271,984
(105,262)	Income Tax and Deferred Tax Expense	(144,801)	(79,795)
249,564	Profit for the Period	354,141	192,189
1,076,273	Group	616,417	399,277
(69,000)	Elimination of Intercompany Dividend	-	-
2,955	Realisation of gain upon disposal of Financial Investments at AFS transferred to subsidiary on account of Company Segregation	-	-
1,010,228	Profit for the Period	616,417	399,277

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended,

Unaudited
30th Sep 2020
Rs. '000

Unaudited
30th Sep 2019
Rs. '000

Company -HNB Assurance PLC

Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund

Profit from Life Shareholders' Fund	111,541	86,412
Reversal of Deferred Tax Asset	(25,235)	(20,431)
Profit for the Period	86,306	65,981

Subsidiary -HNB General Insurance Ltd

Profit Before Tax	44,110	62,971
Income Tax and Deferred Tax Expense	(13,965)	(17,825)
Profit for the Period	30,145	45,146

Group

Profit for the Period	116,451	111,127
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13 BASIC EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the net profit after tax for the Period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the Period.

Group	Audited 31st Dec 2019	For the Nine Months Ended,	Group		Company	
			Unaudited 30th Sep 2020	Unaudited 30th Sep 2019	Unaudited 30th Sep 2020	Unaudited 30th Sep 2019
1,010,228		Profit for the Period (Rs. '000)	616,417	399,277	262,276	207,088
50,000		Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
20.20		Basic Earnings Per Share (Rs.)	12.33	7.99	5.25	4.14

For the Three Months Ended,	Group		Company	
	Unaudited 30th Sep 2020	Unaudited 30th Sep 2019	Unaudited 30th Sep 2020	Unaudited 30th Sep 2019
Profit for the Period (Rs. '000)	116,451	111,127	86,306	65,981
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	2.33	2.22	1.73	1.32

14 RELATED PARTY DISCLOSURES

a) Transactions with the parent and Ultimate Controlling Party - Hatton National Bank PLC

Nature of Transaction

For the Nine Months Ended,	Group		Company	
	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
Insurance Premium	1,972	41,085	-	-
Claims Incurred	20,147	10,487	-	-
Investment Income	61,180	85,785	45,854	69,348
Administration Expenses	227,618	207,045	152,614	135,053
Rent and other Expenses	8,067	8,704	5,146	5,536
Dividend Paid	179,958	209,951	179,958	209,951

Nature of Transaction

Balance as at,	Group		Company	
	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Investments Balance (Includes Deposits and Debentures)	892,738	558,291	651,332	409,023
Cash at Bank Balances	386,731	369,543	223,680	246,185

Notes to the Condensed Consolidated Interim Financial Statements

b) Transaction with the Subsidiary Company - HNB General Insurance Ltd.

Nature of Transaction <i>For the Nine Months Ended,</i>	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
Insurance Premium	32,822	31,247
Insurance Expenses	35,366	6,966
Claims Received	42	110
Claims Paid	1,200	4,000
Administrations Expenses Reimbursement	209,443	230,015
Fund Management Fee	8,376	4,755
Profit Commission Expense	13,036	10,507

C) Transactions with / between Subsidiary Companies of the Ultimate Controlling Party

Name of the Company <i>For the Nine Months Ended,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	(4,567)	2,725	-	-
	Claims Incurred	-	395	-	-
HNB Finance Ltd	Insurance Premium	10,144	16,056	-	-
	Claims Incurred	1,799	2,065	-	-
	Administration Expenses	4,385	7,087	47	139
	Interest Income	18,025	5,620	18,025	5,620

Name of the Company <i>As at,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
HNB Finance Ltd	Investment in Term Deposits	50,061	50,806	50,061	50,806
	Investment in Debentures	137,432	125,045	137,432	125,045
	Savings Accounts	592	311	592	311

d) Transactions with other Related Entities

Name of the Company <i>For the Nine Months Ended,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
ACUITY Partners (Pvt) Ltd	Insurance Premium	439	525	-	-
	Claims incurred	234	-	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	472	573	-	-
	Claims incurred	87	509	-	-
ACUITY Securities Ltd	Insurance Premium	468	523	-	-
	Claims incurred	362	-	-	-
	Investment Income from REPO	88,610	61,110	58,900	43,903

Name of the Company <i>As at,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
ACUITY Securities Ltd	Investment In REPO	2,009,591	2,072,482	1,355,333	1,349,087

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction For the Nine Months Ended,	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2019 Rs. '000
Director Fee	18,230	15,375
Short-term and Post employment benefits	56,634	45,958
Insurance Premium	1,801	1,801
Claims Paid including maturities	1,363	30,584

Appointment of Alternate Director

Mr. Thalpawila Kankanange Don Aruna Prasad Samarasinghe was appointed as the Alternate Director to Mr. L.U.D. Fernando of the Boards of HNB Assurance PLC and its Subsidiary HNB General Insurance Limited w.e.f. 24th January 2020.

Retirement from the Board of Directors

Mr. Deepthi Prasad Lokuarachchi, Managing Director & Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Limited has retired w.e.f. 20th July 2020.

Appointment of Chief Executive Officer

Mr. Prasantha Fernando was appointed as the Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 20th July 2020.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements - 2019 except for the above changes.

15 COVID-19 Pandemic and Related Implications

As of the reporting date Covid 19 pandemic has affected businesses globally as well as locally. Following this outbreak, the business operations and activities of the Company / Group were temporary impacted. In the backdrop of the developments which followed by various challenges faced by many sectors in the economy and the restrictions brought on people's movements due to COVID 19, the Group's operations were also affected considerably. The Group carried out an exercise to identify and ascertain the emerging risks attributable to COVID 19, its impact and consequences. Accordingly, a response plan has been activated intensifying the work from home concept aimed at maintaining the financial impact at a minimal level. The Company has taken various precautionary measures to protect employees, their families, and the eco system in which they interact based on instructions issued by the Government, while at the same time ensuring business continuity. The Group is regularly monitoring the situation.

The Group operations will continue in compliance with health and safety guidelines issued by the Government of Sri Lanka. The Company and the subsidiary both being licensed insurance companies are amenable to the jurisdiction of the Insurance Regulatory Commission of Sri Lanka (IRCSL). The IRCSL in response to difficulties faced by the insuring public has mandated the insurance companies to implement relief measures to mitigate the adverse impact faced by policyholders through its letter dated 11th April 2020 (referenced IRCSL/DG/2020/04/507) and subsequent amendments. Amongst the key relief measures and other directions are;

1. Extension of the period of grace for payment of premiums up to 90 days in respect of policies where the premium becomes due payable for the period 01st March 2020 to 30th June 2020 applicable for both Life and General Insurance policyholders.
2. Hitherto to the above insurers are required to ensure that all benefits under the policies are applicable during the said extension period
3. All registered insurance companies shall refrain from declaring or distributing dividends not already declared for the

Notes to the Condensed Consolidated Interim Financial Statements

financial year 2019 and any interim cash dividends for financial year 2020.

4. Monthly monitoring of solvency related ratios by the IRC SL

The Board carried out an assessment of the potential implications of COVID 19 on profitability and liquidity of the Company/Group and incorporated the required adjustments in the revised budget for the year ending 31 December 2020. Based on this assessment the Board is of the view that the Company/ Group has adequate liquidity position considering the cash in hand and other liquid investments. Accordingly, the Company/Group will not have any limitations in meeting the future obligations and ensuring business continuity.

The Board therefore is confident that COVID 19 will not impact the going concern ability of the Company/ Group and will continue to monitor any material changes in future economic conditions and amend the business projections accordingly, if required.

16 EVENTS OCCURRING AFTER THE REPORTING DATE

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

17 CAPITAL COMMITMENTS

As at the end of the financial period, other than the disclosed above no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements. (2019 - Nil).

18 CONTINGENCIES

- a) The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with our Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the Court of Appeal is yet to fix for argument. As the Company is of the strong view that no additional Tax liabilities are arising due to this assessment and no provision is made in the Financial Statements for the tax in dispute and penalty which amounted to Rs. 21.99 Million.
- b) The Company received three Notices of Assessment on VAT and NBT on Financial Services for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015 and 01.01.2016 to 31.12.2016. The Company has duly appealed for all three assessments as the Company's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs.Mn)	Penalty (Rs.Mn)	Total (Rs.Mn)
2014.01.01-2014.12.31	2018.07.10	Assessment was confirmed by CGIR and pending reasons for determination	VAT	21.06	10.53	31.59
			NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from IRD	VAT	17.55	12.98	30.53
			NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from IRD	VAT	24.86	12.43	37.29
			NBT	4.01	2	6.01
Total				70.31	39.35	109.66

Notes to the Condensed Consolidated Interim Financial Statements

- c) The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006. Further, these Income Tax Assessments have been common Assessments for all Life Insurance companies in the insurance industry. Accordingly, Insurance Association of Sri Lanka along with two other Insurance companies, have filed a petition in the Court of Appeal to obtain writs against the assessments made on the Life Insurance Companies and this case is to be taken up by the Court in October 2020. However, the management, Company's Tax Consultants and the life insurance industry are confident that these assessments will not materialise. Therefore, no additional provision has been made in the Financial Statements.

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

Year of Assessment	Date of Assessment/ Intimation	Status of Assessment	Contingent impact to the company	Total Additional Liability (Rs. Million)
2011/2012	2014.11.20	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	2015.11.30	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	434
Total				1,156

- d) The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, we have not received any communication from IRD yet. As such no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received a tax assessment and penalty amounted to Rs. 10.8 Million on VAT return filed and the subsidiary has duly appealed against the assessment. As such no provisions are made in these the Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder

	30th September 2020	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 Mr.S.N.P. Paliheena	2,000,000	4.00%
3 Ceylon Guardian Investment Trust PLC A/c No.2	1,892,800	3.79%
4 Peoples Leasing and Finance PLC/HI Line Trading (Pvt) Ltd	807,410	1.61%
5 Mr. M. F. Hashim	510,000	1.02%
6 Mrs. A. Selliah	500,000	1.00%
7 Mrs. A. Kailasapillai	500,000	1.00%
8 Arunodhaya Industries (Pvt) Ltd	450,000	0.90%
9 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
10 Arunodhaya (Pvt) Ltd	450,000	0.90%
11 Ceylon Investment PLC A/c No. 2	380,561	0.76%
12 Mr. P.H.D Waidyatilaka	291,170	0.58%
13 Suktam Holdings (Pvt) Ltd	281,384	0.56%
14 Andysel (Pvt) Ltd	250,000	0.50%
15 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
16 Employees Trust Fund Board	220,020	0.44%
17 Commercial Bank Of Ceylon Plc/Janashakthi Limited	212,334	0.42%
18 Mr. V. Sharda	203,000	0.41%
19 Mr. A.A.A Rifkee	200,000	0.40%
20 Mr. K. Aravinthan	200,000	0.40%
20 Dr. S. Selliah	200,000	0.40%

Public Shareholding

30th September 2020

* Float Adjusted Market Capitalisation (Rs.)	2,676,973,170
Percentage of Shares held by the Public	38.33%
Number of Public Shareholders	3,437

The Company complies the minimum public Shareholding requirement under option 4 of section 7.13.1 (a) of the Listing Rules.

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

Share Information (Contd.)

Shareholdings of Directors

Name of the Director	No. of Shares 30th September 2020
Mrs. M A R C Cooray	18,035
Mr. J A P M Jayasekera	73,000
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	200,000
Mr. D R Abeyesuriya	1,000
Mr. L U D Fernando	166
Mr. S A Chapman	Nil
Mr. K L Wijesooriya (Alternate Director to Mr. D P N Rodrigo)	Nil
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil
Mr. P Fernando (Chief Executive Officer)	Nil
Mr. D P Lokuarachchi - (Former Managing Director/Chief Executive Officer)*	Nil

*Mr. D P Lokuarachchi retired with effect from 20th July 2020.

Number of Shares

No. of shares representing the Stated Capital	50,000,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	Rs.
Net Asset Value Per Share as at 30th September 2020 - Group	156.77
Net Asset Value Per Share as at 30th September 2020 - Company	139.47
Net Asset Value Per Share as at 30th September 2020 without Restricted Regulatory Reserve - Group	149.14
Net Asset Value Per Share as at 30th September 2020 without Restricted Regulatory Reserve - Company	131.85
Highest Price Per Share for the Interim Period	141.00
Lowest Price Per Share for the Interim Period	110.00
Last Traded Price Per Share as at 30th September 2020	139.70