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**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements

30th June 2020

Statement of Financial Position

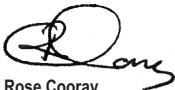
As at,	Note	Group		Company	
		30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Assets					
Property, Plant and Equipment		166,547	162,371	118,863	111,202
Right of Use Assets		295,881	343,737	271,634	325,572
Intangible Assets		54,221	51,787	52,192	49,830
Deferred Tax Assets		949,647	1,009,711	945,517	1,000,673
Financial Investments	3	23,563,330	21,202,074	19,815,896	17,777,410
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		365,436	325,307	365,436	325,307
Reinsurance Receivables		662,040	645,411	170,623	144,715
Premium Receivables		1,274,115	946,650	7,028	9,458
Other Assets		904,914	933,633	607,603	625,499
Insurance Contract - Deferred Expenses		148,597	138,622	-	-
Cash and Cash Equivalents		1,228,753	865,843	818,646	632,712
Total Assets		29,613,481	26,625,146	24,323,438	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		5,165,775	4,965,809	4,420,339	4,544,369
Available for Sale Reserve		111,739	24,801	18,947	9,881
Other Reserve		(6,525)	(6,525)	(6,514)	(6,514)
Life Policyholders' Available for Sale Reserve Fund	5	910,444	177,228	910,444	177,228
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Total Equity		7,734,464	6,714,344	6,896,247	6,277,995
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	15,775,035	14,464,534	15,775,035	14,464,534
Insurance Contract Liabilities - General Insurance	8	2,925,827	2,871,416	-	-
Employee Defined Benefit Liabilities		188,990	167,118	111,838	100,076
Current Tax Liabilities		229,339	112,031	16,175	16,175
Reinsurance Creditors		664,936	540,652	228,050	125,151
Lease Creditors		316,417	350,089	293,153	334,832
Other Liabilities		1,620,324	1,274,326	943,780	802,565
Bank Overdraft		158,149	130,636	59,160	31,050
Total Liabilities		21,879,017	19,910,802	17,427,191	15,874,383
Total Equity and Liabilities		29,613,481	26,625,146	24,323,438	22,152,378

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

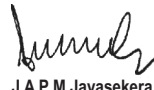


Punsirini Perera
Chief Financial Officer

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				Change		
(Audited) Year Ended 31 st Dec 2019 Rs. '000	For the Six Months Ended 30th June,	Note	Unaudited		Company		Group Company	
			2020		2019		%	%
			Rs. '000	Rs. '000	Rs. '000	Rs. '000		
9,942,757	Gross Written Premium	9	4,506,887	4,751,943	2,169,583	2,343,894	(5)	(7)
(1,312,881)	Premium Ceded to Reinsurers		(610,478)	(679,069)	(127,173)	(117,227)	(10)	8
8,629,876	Net Written Premium		3,896,409	4,072,874	2,042,410	2,226,667	(4)	(8)
(156,216)	Net Change in Reserves for Unearned Premium		(17,932)	(107,495)	-	-	(83)	-
8,473,660	Net Earned Premium		3,878,477	3,965,379	2,042,410	2,226,667	(2)	(8)
	Other Revenue							
2,248,926	Interest and Dividend Income	10	1,229,111	1,077,759	1,046,020	908,052	14	15
92,856	Net Realised Gains		12,394	22,824	7,558	15,016	(46)	(50)
(8,826)	Net Fair Value Losses		(11,695)	(37,895)	(15,106)	(27,776)	(69)	(46)
170,993	Fee and Commission Income		97,213	91,930	44,596	55,772	6	(20)
16,196	Other Income		8,164	15,577	1,566	4,384	(48)	(64)
2,520,145	Total Other Revenue		1,335,187	1,170,195	1,084,634	955,448	14	14
10,993,805	Net Income		5,213,664	5,135,574	3,127,044	3,182,115	2	(2)
	Net Benefits, Claims and Expenses							
(3,620,775)	Net Insurance Benefits and Claims		(1,549,256)	(1,794,823)	(652,642)	(701,391)	(14)	(7)
(2,173,251)	Change in Contract Liabilities - Life Fund		(1,221,976)	(1,233,328)	(1,221,976)	(1,233,328)	(1)	(1)
(2,385,525)	Other Operating and Administration Expenses		(1,201,756)	(1,075,531)	(652,986)	(611,554)	12	7
(1,288,068)	Underwriting and Net Acquisition Costs		(510,560)	(578,284)	(345,649)	(414,949)	(12)	(17)
(121,295)	Finance & Other Insurance Related Costs		(44,158)	(58,857)	(22,665)	(34,955)	(25)	(35)
(9,588,914)	Total Benefits, Claims and Other Expenses		(4,527,706)	(4,740,623)	(2,895,918)	(2,996,177)	(4)	(3)
1,404,891	Profit Before Taxation		685,958	394,951	231,126	185,938	74	24
(394,663)	Income Tax Expense	11	(185,992)	(106,801)	(55,156)	(44,831)	74	23
1,010,228	Profit for the Period	12	499,966	288,150	175,970	141,107	74	25
	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		841,012	423,051	749,840	376,213	99	99
(92,836)	- Realised Gains transferred to Income Statement		(12,206)	(22,661)	(7,558)	(15,013)	(46)	(50)
(379,095)	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		(733,216)	(352,909)	(733,216)	(352,909)	108	108
(6,286)	- Related Tax	11	(8,652)	(10,731)	-	-	(19)	-
	Items that will never be reclassified to profit or loss							
(2,119)	Actuarial Losses on Defined Benefit Plans		-	-	-	-	-	-
30,707	Total Other Comprehensive Income for the Period, Net of Related Tax		86,938	36,750	9,066	8,291	137	9
1,040,935	Total Comprehensive Income for the Period		586,904	324,900	185,036	149,398	81	24
	Profit Attributable to:							
1,010,228	Equity Holders of the Parent		499,966	288,150	-	-	74	-
	Total Comprehensive Income Attributable to:							
1,040,935	Equity Holders of the Parent		586,904	324,900	-	-	81	-
20.20	Basic Earnings Per Share (Rs.)	13	10.00	5.76	3.52	2.82	74	25

Statement of Changes in Equity - Group

For the Period Ended 30th June 2020,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity 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	-	288,150	-	-	-	-	288,150
Profit for the Period - Unaudited	-	288,150	-	-	-	-	288,150
Other Comprehensive Income for the Period, Net of Related Tax	-	-	389,659	-	-	-	389,659
Net Change in fair value of Available For Sale Financial Assets	-	-	389,659	-	-	-	389,659
Net Change in fair value of Available For Sale Financial Assets	-	-	(352,909)	-	-	-	(352,909)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	36,750	-	-	-	36,750
Total Other Comprehensive Income for the Period	-	-	36,750	-	-	-	36,750
Total Comprehensive Income for the Period	-	288,150	-	-	-	-	324,900
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	352,909	-	352,909
Transactions with owners recorded directly in equity	-	(350,000)	-	(4,406)	151,042	-	(350,000)
Distributions to owners of the Parent	-	(350,000)	-	(4,406)	151,042	-	(350,000)
Dividend Paid to equity holders for 2018	-	-	-	-	-	-	-
Unaudited balance as at 30th June 2019	1,171,875	4,343,731	28,725	(4,406)	151,042	381,156	6,072,123
Total Comprehensive Income for the Period	-	722,078	-	-	-	-	722,078
Profit for the Period - Unaudited	-	722,078	-	-	-	-	722,078
Other Comprehensive Income for the Period, Net of Related Tax	-	-	22,262	-	-	-	22,262
Net Change in fair value of Available For Sale Financial Assets	-	-	22,262	-	-	-	22,262
Net Change in fair value of Available For Sale Financial Assets	-	-	(26,186)	-	-	-	(26,186)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(2,119)	-	-	(2,119)
Actual Losses on Defined Benefit Plans	-	-	(3,924)	(2,119)	-	-	(6,043)
Total Other Comprehensive Income for the Period	-	-	(3,924)	(2,119)	-	-	(6,043)
Total Comprehensive Income for the Period	-	722,078	(3,924)	(2,119)	-	-	716,035
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	26,186	-	26,186
- transferred from Available For Sale Reserve	-	-	-	-	(100,000)	-	(100,000)
First interim dividend Paid to equity holders for 2019	-	-	-	-	-	-	-
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	-	499,966	-	-	-	-	499,966
Profit for the Period - Unaudited	-	499,966	-	-	-	-	499,966
Other Comprehensive Income for the Period, Net of Related Tax	-	-	820,154	-	-	-	820,154
Net Change in fair value of Available For Sale Financial Assets	-	-	820,154	-	-	-	820,154
Net Change in fair value of Available For Sale Financial Assets	-	-	(733,216)	-	-	-	(733,216)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	86,938	-	-	-	86,938
Total Other Comprehensive Income for the Period	-	-	86,938	-	-	-	86,938
Total Comprehensive Income for the Period	-	499,966	86,938	-	-	-	586,904
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	733,216	-	733,216
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	(300,000)	-	(6,525)	910,444	-	(300,000)
Distributions to owners of the Parent	-	(300,000)	-	(6,525)	910,444	-	(300,000)
Dividend to equity holders for 2019	-	-	-	-	-	-	-
Unaudited balance as at 30th June 2020	1,171,875	5,165,775	111,739	(6,525)	910,444	381,156	7,734,464

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

Statement of Changes in Equity - Company

For the Period Ended 30th June 2020,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Fund 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	5,515,880
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	141,107	-	-	-	-	141,107
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	361,200	-	-	-	361,200
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(352,909)	-	-	-	(352,909)
Total Other Comprehensive Income for the Period	-	-	8,291	-	-	-	8,291
Total Comprehensive Income for the Period	-	141,107	8,291	-	-	-	149,398
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	352,909	-	352,909
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 June 2019	1,171,875	3,958,767	9,742	(4,395)	151,042	381,156	5,686,167
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	665,602	-	-	-	-	665,602
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	26,325	-	-	-	26,325
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(26,186)	-	-	-	(26,186)
Actual Losses on Defined Benefit Plans	-	-	-	(2,119)	-	-	(2,119)
Total Other Comprehensive Income for the Period	-	139	-	(2,119)	-	-	(1,980)
Total Comprehensive Income for the Period	-	665,602	139	(2,119)	-	-	683,622
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	26,186	-	26,186
First interim dividend Paid to equity holders for 2019	-	(100,000)	-	-	-	-	(100,000)
Audited balance as at 31st December 2019	1,171,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,995
Balance as at 01st January 2020	1,171,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,995
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	175,970	-	-	-	-	175,970
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	742,282	-	-	-	742,282
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(733,216)	-	-	-	(733,216)
Total Other Comprehensive Income for the Period	-	-	9,066	-	-	-	9,066
Total Comprehensive Income for the Period	-	175,970	9,066	-	-	-	185,036
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	733,216	-	733,216
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 June 2020	1,171,875	4,420,339	18,947	(6,514)	910,444	381,156	6,896,247

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

Statement of Cash Flows

<i>For the Period Ended 30th June ,</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	685,958	394,951	231,126	185,938
<i>Adjustments for:</i>				
Interest Income	10 (1,226,620)	(1,073,316)	(1,043,529)	(904,156)
Dividend Income	10 (2,491)	(4,443)	(2,491)	(3,896)
Amortisation of Intangible Assets	9,300	8,646	9,084	8,442
Depreciation of Property Plant and Equipments	26,064	23,094	18,521	15,885
Net Depreciation of Right of Use Assets	67,994	66,704	60,527	60,653
Interest Expense of Lease Creditors	22,351	28,300	20,985	27,122
Provision for Employee Benefits	26,234	22,926	14,734	12,810
Net Realised Gains	(12,394)	(22,824)	(7,558)	(15,016)
Net Fair Value Losses	11,695	37,895	15,106	27,776
(Gains)/Losses on Sale of Property, Plant and Equipment	(49)	495	(45)	382
	(391,958)	(517,572)	(683,540)	(584,060)
Net Change in Operating Assets	A (337,361)	(304,789)	(45,075)	(101,354)
Net Change in Operating Liabilities	B 1,513,850	1,460,319	1,254,615	1,195,102
Cash Flows from Operating Activities	784,531	637,958	526,000	509,688
Gratuity Paid	(4,362)	(8,232)	(2,972)	(6,343)
Taxes Paid	(23,409)	(10,163)	-	-
Net Cash Generated from Operating Activities	756,760	619,563	523,028	503,345
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(94,738,033)	(55,498,362)	(64,190,243)	(39,969,086)
Proceeds from maturity of Financial Investments	92,982,536	53,080,260	62,758,233	38,160,683
Proceeds from sale of Financial Investments	120,615	807,631	60,590	523,888
Interest Received	1,329,751	1,174,585	1,111,197	979,110
Dividend Received	1,855	4,734	1,855	4,156
Acquisition of Intangible Assets	(11,734)	(3,673)	(11,446)	(3,606)
Acquisition of Property, Plant and Equipment	(30,622)	(19,304)	(26,564)	(9,371)
Proceeds from the Sale of Property, Plant and Equipment	431	284	427	223
Advance Paid to Right of use asset	(4,527)	(21,528)	(4,527)	(13,752)
Net Cash Used in Investing Activities	(349,728)	(475,373)	(300,478)	(327,755)
Cash Flows from Financing Activities				
Dividend Paid	-	(350,000)	-	(350,000)
Payment of Lease Liabilities	(71,635)	(73,241)	(64,726)	(66,881)
Net Cash Used in Financing Activities	(71,635)	(423,241)	(64,726)	(416,881)
Net Increase/(Decrease) in Cash and Cash Equivalents	335,397	(279,051)	157,824	(241,291)
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	1,070,604	360,044	759,486	218,634
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
(Increase)/Decrease in Deferred Expenses	(9,975)	150	-	-
Increase in Loans to Life Policyholders	(40,129)	(36,090)	(40,129)	(36,090)
Increase in Reinsurance Receivables	(16,629)	(59,063)	(25,908)	(43,007)
(Increase)/Decrease in Premium Receivables	(327,465)	(161,400)	2,430	(1,676)
Decrease/(Increase) in Other Assets	56,837	(48,386)	18,532	(20,581)
Net Change in Operating Assets	(337,361)	(304,789)	(45,075)	(101,354)
B. Change in Operating Liabilities				
Increase/(Decrease) in Other Liabilities	24,654	(91,028)	(158,785)	(75,702)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	1,310,501	1,250,406	1,310,501	1,250,406
Increase in Insurance Contract Liabilities - General Insurance	54,411	190,183	-	-
Increase in Reinsurance Creditors	124,284	110,758	102,899	20,398
Net Change in Operating Liabilities	1,513,850	1,460,319	1,254,615	1,195,102

Statement of Profit or Loss and Other Comprehensive Income

For the Three months ended 30th June,	Note	Group		Company		Change	
		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	%	%
Gross Written Premium	9	2,177,953	2,259,765	1,062,643	1,104,074	(4)	(4)
Premium Ceded to Reinsurers		(290,794)	(332,408)	(59,088)	(58,448)	(13)	1
Net Written Premium		1,887,159	1,927,357	1,003,555	1,045,626	(2)	(4)
Net Change in Reserves for Unearned Premium		25,914	(4,618)	-	-	661	-
Net Earned Premium		1,913,073	1,922,739	1,003,555	1,045,626	(1)	(4)
Other Revenue							
Interest and Dividend Income	10	614,033	552,442	523,557	465,547	11	12
Net Realised Gains		12,206	18,513	7,558	11,531	(34)	(34)
Net Fair Value Gains/(Losses)		6,229	(14,560)	9,077	(14,263)	143	164
Fee and Commission Income		45,915	33,935	19,675	16,209	35	21
Other Income		6,604	10,824	1,480	3,237	(39)	(54)
Total Other Revenue		684,987	601,154	561,347	482,261	14	16
Net Income		2,598,060	2,523,893	1,564,902	1,527,887	3	2
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(707,524)	(857,195)	(368,653)	(354,211)	(17)	4
Change in Contract Liabilities - Life Fund		(610,501)	(541,684)	(610,501)	(541,684)	13	13
Other Operating and Administration Expenses		(596,384)	(588,841)	(301,733)	(334,008)	1	(10)
Underwriting and Net Acquisition Costs		(238,518)	(273,945)	(159,887)	(191,700)	(13)	(17)
Finance & Other Insurance Related Costs		(24,183)	(31,067)	(10,786)	(18,137)	(22)	(41)
Total Benefits, Claims and Other Expenses		(2,177,110)	(2,292,732)	(1,451,560)	(1,439,740)	(5)	1
Profit Before Taxation		420,950	231,161	113,342	88,147	82	29
Income Tax Expense	11	(116,958)	(62,144)	(26,711)	(20,992)	88	27
Profit for the Period	12	303,992	169,017	86,631	67,155	80	29
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		792,268	283,915	707,861	251,721	179	181
- Realised Gains transferred to Income Statement		(12,206)	(18,432)	(7,558)	(11,531)	(34)	(34)
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholder's Available For sale Reserve Fund		(691,042)	(235,262)	(691,042)	(235,262)	194	194
- Related Tax	11	(7,976)	(6,958)	-	-	15	-
Total Other Comprehensive Income for the Period, Net of Related tax		81,044	23,263	9,261	4,928	248	88
Total Comprehensive Income for the Period		385,036	192,280	95,892	72,083	100	33
Profit Attributable to:							
Equity Holders of the Parent		303,992	169,017	-	-	80	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		385,036	192,280	-	-	100	-
Basic Earnings Per Share (Rs.)	13	6.08	3.38	1.73	1.34	80	29

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th June 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	118,863	47,684	111,202	51,169
Right of use Assets	271,634	24,247	325,572	18,165
Intangible Assets	52,192	2,029	49,830	1,957
Deferred Tax Assets	945,517	4,130	1,000,673	9,038
Financial Investments	19,815,896	3,747,434	17,777,410	3,424,664
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	365,436	-	325,307	-
Reinsurance Receivables	170,623	491,417	144,715	500,696
Premium Receivables	7,028	1,267,087	9,458	937,192
Other Assets	607,603	312,268	625,499	329,478
Insurance Contract - Deferred Expenses	-	148,597	-	138,622
Cash and Cash Equivalents	818,646	410,107	632,712	233,131
Total Assets	24,323,438	6,455,000	22,152,378	5,644,112
Liabilities				
Insurance Contract Liabilities - Life Insurance	15,775,035	-	14,464,534	-
Insurance Contract Liabilities - General Insurance	-	2,925,827	-	2,871,416
Employee Defined Benefit Liabilities	111,838	77,152	100,076	67,042
Current Tax Liabilities	16,175	213,164	16,175	95,856
Reinsurance Creditors	228,050	436,886	125,151	415,501
Lease Creditor	293,153	23,264	334,832	15,257
Other Liabilities	943,780	691,501	802,565	493,105
Bank Overdraft	59,160	98,989	31,050	99,586
Total Liabilities	17,427,191	4,466,783	15,874,383	4,057,763

Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	30th June 2020		30th June 2019	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	2,169,583	2,389,143	2,343,894	2,433,256
Premium Ceded to Reinsurers	(127,173)	(483,305)	(117,227)	(561,842)
Net Written Premium	2,042,410	1,905,838	2,226,667	1,871,414
Net Change in Reserves for Unearned Premium	-	(17,932)	-	(107,495)
Net Earned Premium	2,042,410	1,887,906	2,226,667	1,763,919
Other Revenue				
Interest and Dividend Income	1,046,020	183,091	908,052	169,707
Net Realised Gains	7,558	4,836	15,016	7,808
Net Fair Value (Losses)/Gains	(15,106)	3,411	(27,776)	(10,119)
Fee and Commission Income	44,596	67,269	55,772	45,996
Other Income	1,566	6,598	4,384	11,193
Total Other Revenue	1,084,634	265,205	955,448	224,585
Net Income	3,127,044	2,153,111	3,182,115	1,988,504
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(652,642)	(896,627)	(701,391)	(1,093,530)
Change in Contract Liabilities - Life Fund	(1,221,976)	-	(1,233,328)	-
Other Operating and Administration Expenses	(652,986)	(605,960)	(611,554)	(491,975)
Underwriting and Net Acquisition Cost	(345,649)	(174,199)	(414,949)	(170,084)
Finance & Other Insurance Related Costs	(22,665)	(21,493)	(34,955)	(23,902)
Total Benefits, Claims and other Expenses	(2,895,918)	(1,698,279)	(2,996,177)	(1,779,491)
Profit Before Taxation	231,126	454,832	185,938	209,013
Income Tax Expense	(55,156)	(130,836)	(44,831)	(61,970)
Profit for the Period	175,970	323,996	141,107	147,043

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 Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE).

The Group's controlling entity and ultimate parent undertaking is Hatton 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 31st July 2020.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 30th June 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.

2 a) 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 June 2020	31st Dec 2019	30th June 2020	31st Dec 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	15,855,613	14,830,486	13,058,697	12,065,489
Available For Sale Financial Assets	7,647,277	6,293,764	6,696,759	5,634,097
Financial Assets at Fair Value Through Profit or Loss	60,440	77,824	60,440	77,824
Total Financial Investment	23,563,330	21,202,074	19,815,896	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 June 2020 Rs. '000	31st Dec 2019 Rs. '000	30th June 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 as at 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 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 June 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 June 2020 (Rs. '000)
As at,	
Term Deposits	398,095

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 Policyholders' Fund, particularly participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

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 June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Life Insurance Fund	(Note 7a) 15,491,158	14,269,182	15,491,158	14,269,182
Claims Outstanding	283,877	195,352	283,877	195,352
Total Insurance Contract Liabilities	15,775,035	14,464,534	15,775,035	14,464,534

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 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	1,221,976	2,860,667	1,221,976	2,860,667
Surplus Distributed to Shareholders	-	(687,416)	-	(687,416)
Increase in Life Insurance Fund	1,221,976	2,173,251	1,221,976	2,173,251
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(16,175)	-	(16,175)
Balance as at the end of the Period	15,491,158	14,269,182	15,491,158	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 June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Reserves for Net Unearned Premium	2,025,922	1,946,972	-	-
Reserves for Title Insurance	52,890	53,522	-	-
Reserves for Gross Outstanding Claims	847,015	870,922	-	-
Total Insurance Contract Liabilities	2,925,827	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 June 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

Audited 31st Dec 2019 Rs. '000	For the Six Months Ended,	Group		Company	
		Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Life Insurance					
5,120,471	Individual Policies	2,139,835	2,315,579	2,139,835	2,315,579
54,573	Corporate Policies	29,748	28,315	29,748	28,315
(43,056)	Adjustment for Inter Company Premiums	(19,875)	(18,932)	-	-
<u>5,131,988</u>	Gross Written Premium - Life Insurance	<u>2,149,708</u>	<u>2,324,962</u>	<u>2,169,583</u>	<u>2,343,894</u>
General Insurance					
677,562	Fire	327,414	372,382	-	-
3,622,023	Motor	1,697,218	1,786,311	-	-
57,619	Marine	13,176	26,256	-	-
461,482	Miscellaneous	351,335	248,307	-	-
(7,917)	Adjustment for Inter Company Premiums	(31,964)	(6,275)	-	-
<u>4,810,769</u>	Gross Written Premium - General Insurance	<u>2,357,179</u>	<u>2,426,981</u>	<u>-</u>	<u>-</u>
<u>9,942,757</u>	Total Gross Written Premium	<u>4,506,887</u>	<u>4,751,943</u>	<u>2,169,583</u>	<u>2,343,894</u>

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Life Insurance				
Individual Policies	1,045,295	1,090,152	1,045,295	1,090,152
Corporate Policies	17,348	13,922	17,348	13,922
Adjustment for Inter Company Premiums	(12,684)	(9,620)	-	-
Gross Written Premium - Life Insurance	1,049,959	1,094,454	1,062,643	1,104,074
General Insurance				
Fire	169,671	201,755	-	-
Motor	862,437	866,432	-	-
Marine	3,789	12,222	-	-
Miscellaneous	93,796	84,931	-	-
Adjustment for Inter Company Premiums	(1,699)	(29)	-	-
Gross Written Premium - General Insurance	1,127,994	1,165,311	-	-
Total Gross Written Premium	2,177,953	2,259,765	1,062,643	1,104,074

10 INTEREST AND DIVIDEND INCOME

<i>For the Six Months Ended,</i>	Group		Company		
	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
2,243,284 Interest Income	1,226,620	1,073,316	1,043,529	904,156	904,156
5,642 Dividend Income	2,491	4,443	2,491	3,896	3,896
2,248,926 Total	1,229,111	1,077,759	1,046,020	908,052	908,052

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Interest Income	614,014	548,825	523,538	462,284
Dividend Income	19	3,617	19	3,263
Total	614,033	552,442	523,557	465,547

11 INCOME TAX EXPENSE

<i>For the Six Months Ended,</i>	Group		Company		
	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
(95,487) Income Tax Charge	(134,115)	(52,921)	-	-	-
465 Over Provision of Income Taxes in respect of Prior Period	-	-	-	-	-
(288,884) Deferred Income Tax - Recognised through Profit or Loss	(51,412)	(53,880)	(55,156)	(44,831)	(44,831)
(9,575) Withholding tax on inter company dividends	-	-	-	-	-
(1,182) Capital Gain Tax for the Period	(465)	-	-	-	-
(394,663) Total Tax charge in Profit or Loss	(185,992)	(106,801)	(55,156)	(44,831)	(44,831)
Deferred Income Tax - Recognised through					
(6,286) Other Comprehensive Income	(8,652)	(10,731)	-	-	-
(6,286) Total Tax charge in Other Comprehensive Income	(8,652)	(10,731)	-	-	-

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th June 2020	Unaudited 30th June 2019	Unaudited 30th June 2020	Unaudited 30th June 2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Income Tax Charge	(91,722)	(42,262)	-	-
Deferred Income Tax - Profit or Loss	(24,771)	(19,882)	(26,711)	(20,992)
Capital Gain Tax for the Period	(465)	-	-	-
Total Tax charge in Profit or Loss	(116,958)	(62,144)	(26,711)	(20,992)
Deferred Income Tax - Recognised through Other Comprehensive Income	(7,976)	(6,958)	-	-
Total Tax charge in Other Comprehensive Income	(7,976)	(6,958)	-	-

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 Six Months Ended,</i>	<i>Unaudited 30th June 2020 Rs. '000</i>	<i>Unaudited 30th June 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	231,126	185,938
(279,826)	(Reversal)/Origination Deferred Tax Asset	(55,156)	(44,831)
826,709	Profit for the Period	175,970	141,107
Subsidiary - HNB General Insurance Ltd			
354,826	Profit Before Tax	454,832	209,013
(105,262)	Income Tax and Deferred Tax Expense	(130,836)	(61,970)
249,564	Profit for the Period	323,996	147,043
1,076,273	Group	499,966	288,150
(69,000)	Elimination of Intercompany Dividend	-	-
	Realisation of gain upon disposal of Financial Investments at AFS transferred to		
2,955	subsidiary on account of Company Segregation	-	-
1,010,228	Profit for the Period	499,966	288,150

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended,

Unaudited
30th June 2020
Rs. '000

Unaudited
30th June 2019
Rs. '000

Company - HNB Assurance PLC

Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
Profit from Life Shareholders' Fund	113,342	88,147
(Reversal)/Origination Deferred Tax Asset	(26,711)	(20,992)
Profit for the Period	86,631	67,155

Subsidiary - HNB General Insurance Ltd

Profit Before Tax	307,608	143,014
Income Tax and Deferred Tax Expense	(90,247)	(41,152)
Profit for the Period	217,361	101,862

Group

Profit for the Period	303,992	169,017
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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		Group		Company	
Audited 31st Dec 2019	For the Six Months Ended,	Unaudited 30th June 2020	Unaudited 30th June 2019	Unaudited 30th June 2020	Unaudited 30th June 2019
1,010,228	Profit for the Period (Rs. '000)	499,966	288,150	175,970	141,107
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
20.20	Basic Earnings Per Share (Rs.)	10.00	5.76	3.52	2.82

		Group		Company	
		Unaudited 30th June 2020	Unaudited 30th June 2019	Unaudited 30th June 2020	Unaudited 30th June 2019
<i>For the Three Months Ended,</i>					
Profit for the Period (Rs. '000)		303,992	169,017	86,631	67,155
Weighted average number of shares ('000)		50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)		6.08	3.38	1.73	1.34

14 RELATED PARTY DISCLOSURES

14a) Transactions with the parent and Ultimate Controlling Party - Hatton National Bank PLC

Nature of Transaction

For the Six Months Ended,	Group		Company	
	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Insurance Premium	927	33,211	-	-
Claims Incurred	13,795	6,131	-	-
Investment Income	39,845	61,457	28,834	49,475
Administration Expenses	116,506	121,630	73,497	74,942
Rent and other Expenses	5,594	5,957	3,560	3,763
Dividend Payable/Paid	179,958	209,951	179,958	209,951

Notes to the Condensed Consolidated Interim Financial Statements

Nature of Transaction <i>As At,</i>	Group		Company	
	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
Investments Balance (Includes Deposits and Debentures)	844,695	558,291	651,169	409,023
Bank Balances	738,359	369,543	502,625	246,185

14b) Transaction with the Subsidiary Company - HNB General Insurance Ltd.

Nature of Transaction <i>For the Six Months Ended,</i>	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Insurance Premium	19,875	18,932
Insurance Expenses	31,964	6,275
Claims Received	13	98
Claims Paid	-	1,000
Administrations Expenses Reimbursement	131,623	155,316
Fund Management Fee	5,364	3,089
Profit Commission Expense	9,288	6,749

14c) Transactions with / between Subsidiary Companies of the Ultimate Controlling Party

Name of the Company <i>For the Six Months Ended,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	(4,567)	2,725	-	-
	Claims Incurred	-	395	-	-
HNB Finance Ltd	Insurance Premium	8,701	15,827	-	-
	Claims Incurred	1,341	1,591	-	-
	Administration Expenses	2,841	5,322	23	99
	Interest Income	11,972	3,719	11,972	3,719

Name of the Company <i>As at,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
HNB Finance Ltd	Investment in Term Deposits	50,045	50,806	50,045	50,806
	Investment in Debentures	133,273	125,045	133,273	125,045
	Savings Accounts	18	311	18	311

14d) Transactions with other Related Entities

Name of the Company <i>For the Six Months Ended,</i>	Nature of Transaction	Group		Company	
		Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
ACUITY Partners (Pvt) Ltd	Insurance Premium	439	523	-	-
	Claims incurred	-	-	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	467	585	-	-
	Claims incurred	87	509	-	-
ACUITY Securities Ltd	Insurance Premium	459	491	-	-
	Claims incurred	362	-	-	-
	Investment Income from REPO	62,271	41,398	42,148	30,685

Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000	Unaudited 30th June 2020 Rs. '000	Audited 31st Dec 2019 Rs. '000
As at,					
ACUITY Securities Ltd	Investment In REPO	1,482,189	2,072,482	878,741	1,349,087

14e) Transactions with Key Management Personnel of the Group or its Parent Hatton National Bank PLC

Nature of Transaction For the Six Months Ended,	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2019 Rs. '000
Director Fee	12,075	10,230
Short-term and Post employment benefits	33,688	35,967
Insurance Premium	1,112	1,069
Claims Paid	1,246	12

Appointment of Alternate Director

Mr. Thalpapwila Kankanange Don Aruna Prasad Samarasinghe was appointed as an 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.

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 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 RCSL/DG/2020/04/507) and subsequent amendments. Among 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 financial year 2019 and any interim cash dividends for financial year 2020.
4. Monthly monitoring of solvency related ratios by the IRCSL

Notes to the Condensed Consolidated Interim Financial Statements

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

Retirement from the Board of Directors

Mr. Deepthi Prasad Lokuarachchi, Managing Director of HNB Assurance PLC and HNB General Insurance Limited has retired from being a Director of HNB Assurance PLC and HNB General Insurance Limited w.e.f 20th July 2020.

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

17 CAPITAL COMMITMENTS

As at the end of the financial period, 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

18a) 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.

Notes to the Condensed Consolidated Interim Financial Statements

18b) 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	Pending decision from IRD	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

18c) 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. 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

Notes to the Condensed Consolidated Interim Financial Statements

18d) 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. 1.54 Million. Further, the subsidiary company, HNB General Insurance Limited, has received a tax assessment and penalty amounted to Rs. 8.25 Million on VAT return filed and the subsidiary has duly appealed against the assessment.

Share Information

Top 20 Shareholders

Name of the Shareholder	30th June 2020	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No.1	29,993,000	59.99%
2 Ceylon Guardian Investment Trust PLC A/c No.2	1,892,800	3.79%
3 Mr.S.N.P.Palihena	1,700,000	3.40%
4 Peoples Leasing and Finance PLC/HI Line Trading (Pvt) Ltd	807,410	1.61%
5 Mr. P.H.D Waidyatilaka	541,170	1.08%
6 Mr. Mohamed Faizer Hashim	510,000	1.02%
7 Mrs. A. Kailasapillai	500,000	1.00%
8 Mrs. A. Selliah	500,000	1.00%
9 Arunodhaya Industries (Pvt) Ltd	450,000	0.90%
10 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
11 Arunodhaya (Pvt) Ltd	450,000	0.90%
12 Ceylon Investment PLC A/c No. 2	380,561	0.76%
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 Commercial Bank Of Ceylon Plc/Janashakthi Limited	212,334	0.42%
17 Mr. Vikas Sharda	203,000	0.41%
18 Dr. S. Selliah	200,000	0.40%
19 MR. K. Aravinthan	200,000	0.40%
20 Mr. A.A.A Rifkee	200,000	0.40%

Public Shareholding

30th June 2020

* Float Adjusted Market Capitalisation (Rs.)	2,253,486,362
Percentage of Shares held by the Public	38.33%
Number of Public Shareholders	3,479

The Company complies the minimum public Shareholding requirement under option 5 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 June 2020
Mrs. M A R C Cooray	18,035
Mr. J A P M Jayasekara	73,000
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	200,000
Mr. D P Lokuarachchi - (Managing Director/Chief Executive Officer)	Nil
Mr. D R Abeysuriya	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

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 June 2020 - Group	154.69
Net Asset Value Per Share as at 30th June 2020 - Company	137.92
Net Asset Value Per Share as at 30th June 2020 without Restricted Regulatory Reserve - Group	147.07
Net Asset Value Per Share as at 30th June 2020 without Restricted Regulatory Reserve - Company	130.30
Highest Price Per Share for the Interim Period	127.40
Lowest Price Per Share for the Interim Period	99.00
Last Traded Price Per Share as at 30th June 2020	117.60