

EVOLUTION



**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
30th September 2019

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th Sep 2019 Rs. '000	31st Dec 2018 Rs. '000	30th Sep 2019 Rs. '000	31st Dec 2018 Rs. '000
Assets					
Property, Plant and Equipment		159,562	151,559	106,672	104,487
Right of use Lease Assets	3.1	373,385	-	351,698	-
Intangible Assets		54,243	61,087	52,181	58,782
Deferred Tax Assets		1,221,508	1,304,882	1,215,238	1,280,499
Financial Investments	4	20,400,599	17,579,131	17,006,769	14,679,706
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		305,281	243,113	305,281	243,113
Reinsurance Receivables		566,341	415,773	133,722	75,926
Premium Receivables		948,854	798,213	11,037	8,046
Other Assets		913,876	823,101	620,524	575,154
Insurance Contract - Deferred Expenses		155,433	140,486	-	-
Cash and Cash Equivalents		597,269	761,871	292,263	502,561
Total Assets		25,696,351	22,279,216	21,245,385	18,678,274
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		4,454,858	4,405,581	4,024,748	4,167,660
Available for Sale Reserve		24,878	(8,025)	9,531	1,451
Other Reserve		(4,406)	(4,406)	(4,395)	(4,395)
Life Policyholders' Available for Sale Reserve Fund	6	123,486	(201,867)	123,486	(201,867)
Restricted Regulatory Reserve	7	381,156	381,156	381,156	381,156
Total Equity		6,151,847	5,744,314	5,706,401	5,515,880
Liabilities					
Insurance Contract Liabilities - Life Insurance	8	14,218,948	12,261,472	14,218,948	12,261,472
Insurance Contract Liabilities - General Insurance	9	2,909,821	2,525,095	-	-
Employee Defined Benefit Liabilities		164,657	140,356	96,179	84,840
Current Tax Liabilities		93,670	22,541	14,708	14,708
Reinsurance Creditors		490,003	369,853	89,227	116,268
Lease Creditor	3.2	373,910	-	356,015	-
Other Liabilities		1,127,759	1,092,809	689,755	642,470
Bank Overdraft		165,736	122,776	74,152	42,636
Total Liabilities		19,544,504	16,534,902	15,538,984	13,162,394
Total Equity and Liabilities		25,696,351	22,279,216	21,245,385	18,678,274

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




Punsirini Perera
Head of Finance

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	
Year Ended	31 st Dec 2018		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
(Audited)	For Nine Months Ended 30th September,	Note	2019	2018	2019	2018	%	%
Rs. '000			Rs. '000	Rs. '000	Rs. '000	Rs. '000		
8,724,696	Gross Written Premium	10	7,302,046	6,536,076	3,693,361	3,245,547	12	14
(1,059,269)	Premium Ceded to Reinsurers		(965,866)	(787,787)	(177,872)	(158,219)	23	12
7,665,427	Net Written Premium		6,336,180	5,748,289	3,515,489	3,087,328	10	14
(216,988)	Net Change in Reserves for Unearned Premium		(190,216)	(264,276)	-	-	(28)	-
7,448,439	Net Earned Premium		6,145,964	5,484,013	3,515,489	3,087,328	12	14
	Other Revenue							
1,887,343	Interest and Dividend Income	11	1,653,006	1,384,989	1,390,087	1,168,400	19	19
74,058	Net Realised Gains		28,852	64,525	20,990	59,140	(55)	(65)
8,482	Net Fair Value (Losses)/Gains		(21,102)	(10,238)	(17,861)	(21,480)	106	(17)
172,646	Fee and Commission Income		133,677	112,956	73,211	64,168	18	14
36,030	Other Income		22,142	25,043	5,643	11,093	(12)	(49)
2,178,559	Total Other Revenue		1,816,575	1,577,275	1,472,070	1,281,321	15	15
9,626,998	Net Income		7,962,539	7,061,288	4,987,559	4,368,649	13	14
	Net Benefits, Claims and Expenses							
(3,236,489)	Net Insurance Benefits and Claims		(2,767,843)	(2,387,550)	(1,073,190)	(796,473)	16	35
(1,707,149)	Change in Contract Liabilities - Life Fund		(1,900,981)	(1,655,554)	(1,900,981)	(1,655,554)	15	15
381,156	Change in Contract Liability due to Transfer of One-off Surplus	7	-	381,156	-	381,156	(100)	(100)
(2,282,481)	Other Operating and Administration Expenses		(1,721,971)	(1,515,355)	(998,213)	(836,599)	14	19
(1,125,418)	Underwriting and Net Acquisition Costs		(936,312)	(834,597)	(688,388)	(628,856)	12	9
(75,963)	Finance and Other Insurance Related Costs		(91,098)	(44,067)	(54,437)	(27,230)	107	100
(8,046,344)	Total Benefits, Claims and Other Expenses		(7,418,205)	(6,055,967)	(4,715,209)	(3,563,556)	22	32
1,580,654	Profit Before Taxation		544,334	1,005,321	272,350	805,093	(46)	(66)
1,124,656	Income Tax (Expense)/Reversal	12	(145,057)	(73,762)	(65,262)	(34,588)	97	89
2,705,310	Profit for the Period	13	399,277	931,559	207,088	770,505	(57)	(73)
	Other Comprehensive Income, Net of Related Tax							
	Items that are or may be reclassified to profit or loss							
(399,596)	- Net Change in fair value of Available For Sale Financial Assets		396,812	(185,075)	354,420	(173,010)	314	305
(72,541)	- Realised Gains transferred to Income Statement		(29,109)	(63,007)	(20,987)	(58,426)	(54)	(64)
425,139	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		(325,353)	220,064	(325,353)	220,064	(248)	(248)
8,288	- Related Tax	12	(9,447)	4,244	-	-	(323)	-
6,354	Items that will never be reclassified to profit or loss							
(32,356)	Actuarial (Losses)/Gains on Defined Benefit Plans		-	(2,244)	-	(2,244)	(100)	(100)
2,672,954	Total Other Comprehensive Income for the Period, Net of Related Tax		32,903	(26,018)	8,080	(13,616)	226	159
2,672,954	Total Comprehensive Income for the Period		432,180	905,541	215,168	756,889	(52)	(72)
	Profit Attributable to:							
2,705,310	Equity Holders of the Parent		399,277	931,559	-	-	(57)	-
	Total Comprehensive Income Attributable to:							
2,672,954	Equity Holders of the Parent		432,180	905,541	-	-	(52)	-
54.11	Basic Earnings Per Share (Rs.)	14	7.99	18.63	4.14	15.41	(57)	(73)
46.48	Basic Earnings Per Share -Excluding One-off Surplus (Rs.)	14	7.99	11.01	4.14	7.79	(27)	(47)

Statement of Changes in Equity - Group

For the Period Ended 30th September 2019,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life 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 2018	1,171,875	2,381,427	30,685	(10,760)	223,272	-	3,796,499
Total Comprehensive Income for the Period	-	550,403	-	-	-	-	931,559
Profit for the Period - Unaudited	-	550,403	-	-	-	381,156	931,559
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(243,838)	-	-	-	(243,838)
Net Change in fair value of Available For Sale Financial Assets	-	-	(243,838)	-	-	-	(243,838)
Net Change in fair value of Available For Sale Financial Assets	-	-	220,064	(2,244)	-	-	220,064
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(23,774)	(2,244)	-	-	(26,018)
Actuarial Losses on Defined Benefit Plans	-	-	(23,774)	(2,244)	-	-	(26,018)
Total Other Comprehensive Income for the Period	-	550,403	(23,774)	(2,244)	-	-	905,541
Total Comprehensive Income for the Period	-	550,403	(23,774)	(2,244)	-	381,156	905,541
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(220,064)	-	(220,064)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(300,000)	-	-	-	-	(300,000)
Dividend to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th September 2018	1,171,875	2,637,830	6,911	(13,004)	3,208	381,156	4,181,976
Total Comprehensive Income for the Period	-	1,773,751	-	-	-	-	1,773,751
Profit for the period - Unaudited	-	1,773,751	-	-	-	-	1,773,751
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(220,011)	-	-	-	(220,011)
Net Change in fair value of Available For Sale Financial Assets	-	-	(220,011)	-	-	-	(220,011)
Net Change in fair value of Available For Sale Financial Assets	-	-	205,075	8,598	-	-	205,075
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(14,936)	8,598	-	-	(6,338)
Actuarial Gains on Defined Benefit Plans	-	-	(14,936)	8,598	-	-	(6,338)
Total Other Comprehensive Income for the Period	-	1,773,751	(14,936)	8,598	-	-	1,767,413
Total Comprehensive Income for the Period	-	1,773,751	(14,936)	8,598	-	-	1,767,413
Net Change in fair value of Available For Sale Financial Assets	-	-	(8,025)	(4,406)	(205,075)	-	(205,075)
- transferred from Available For Sale Reserve	-	-	(8,025)	(4,406)	(205,075)	-	(205,075)
Audited balance as at 31st December 2018	1,171,875	4,405,581	(8,025)	(4,406)	(201,867)	381,156	5,744,314
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	-	-	358,256	-	-	-	358,256
Net Change in fair value of Available For Sale Financial Assets	-	-	358,256	-	-	-	358,256
Net Change in fair value of Available For Sale Financial Assets	-	-	(325,353)	-	-	-	(325,353)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(325,353)	-	-	-	(325,353)
Total Other Comprehensive Income for the Period	-	399,277	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	-	-	-	-	325,353	-	325,353
- transferred from Available For Sale Reserve	-	-	-	-	325,353	-	325,353
Distributions to owners of the Parent	-	(950,000)	-	-	-	-	(950,000)
Dividend to equity holders for 2018	-	(950,000)	-	-	-	-	(950,000)
Unaudited balance as at 30th September 2019	1,171,875	4,454,858	24,878	(4,406)	123,486	381,156	6,151,847

Stated Capital represents 50 Million Ordinary Shares as at 30th September 2019 (2018 - 50 Million Ordinary Shares).

Statement of Changes in Equity - Company

For the Period Ended 30th September 2019,

	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 2018	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
Total Comprehensive Income for the Period	-	389,349	-	-	-	381,156	770,505
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(231,436)	-	-	-	(231,436)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	220,064	(2,244)	-	-	220,064
Actuarial Losses on Defined Benefit Plans	-	-	(11,372)	(2,244)	-	-	(13,616)
Total Other Comprehensive Income for the Period	-	389,349	(11,372)	(2,244)	-	381,156	756,888
Total Comprehensive Income for the Period	-	-	(11,372)	(2,244)	-	-	(13,616)
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	(220,064)	-	(220,064)
Transactions with owners recorded directly in equity Distributions to owners of the Company	-	-	-	-	-	-	-
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th September 2018	1,171,875	2,462,950	6,043	(12,128)	3,208	381,156	4,013,104
Total Comprehensive Income for the Period	-	1,704,710	-	-	-	-	1,704,710
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(209,667)	-	-	-	(209,667)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	205,075	-	-	-	205,075
Actuarial Gains on Defined Benefit Plans	-	-	(4,592)	7,733	-	-	7,733
Total Other Comprehensive Income for the Period	-	-	(4,592)	7,733	-	-	3,141
Total Comprehensive Income for the Period	-	1,704,710	(4,592)	7,733	-	-	1,707,851
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	-	(205,075)	-	(205,075)
Audited balance as at 31st December 2018	1,171,875	4,167,660	1,451	(4,395)	(207,867)	381,156	5,615,880
Balance as at 01st January 2019	1,171,875	4,167,660	1,451	(4,395)	(207,867)	381,156	5,615,880
Total Comprehensive Income for the Period	-	207,088	-	-	-	-	207,088
Other Comprehensive Income for the Period, Net of Related Tax	-	-	333,433	-	-	-	333,433
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
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 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)	123,486	381,156	5,706,401

Stated Capital represents 50 Million Ordinary Shares as at 30th September 2019 (2018 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Period Ended 30th September ,</i>	Group		Company		
	Note	Unaudited 2019	Unaudited 2018	Unaudited 2019	Unaudited 2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flow From Operating Activities					
Profit Before Taxation		544,334	1,005,321	272,350	805,093
Adjustments for:					
Interest Income	11	(1,647,752)	(1,381,395)	(1,385,410)	(1,165,330)
Dividend Income	11	(5,254)	(3,594)	(4,677)	(3,070)
Amortisation of Intangible Assets		13,164	14,604	12,856	14,519
Depreciation of Property Plant and Equipments		34,905	37,191	23,936	26,078
Net Depreciation of Right of Use Assets	3.1	101,622	-	92,248	-
Interest Expense of Lease Creditor	3.2	43,765	-	41,974	-
Provision for Employee Benefits		34,390	26,528	19,216	15,791
Net Realised Gains		(28,852)	(64,525)	(20,990)	(59,140)
Net Fair Value Losses		21,102	10,238	17,861	21,480
Losses/(Gains) on Sale of Property, Plant and Equipment		684	(345)	452	(338)
		(887,892)	(355,977)	(930,184)	(344,917)
Net Change in Operating Assets	A	(454,648)	(98,256)	(185,138)	(147,280)
Net Change in Operating Liabilities	B	2,491,050	1,533,604	1,984,274	1,310,728
Cash Flows from Operating Activities		1,148,510	1,079,371	868,952	818,531
Gratuity Paid		(10,089)	(11,659)	(7,877)	(4,019)
Economic Service Charges (ESC) Paid		(16,492)	(15,001)	-	-
Net Cash Generated from Operating Activities		1,121,929	1,052,711	861,075	814,512
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(2,483,517)	(2,103,558)	(1,998,910)	(1,713,255)
Interest Received		1,685,257	1,260,732	1,393,820	1,059,602
Dividend Received		5,545	4,088	4,937	3,396
Acquisition of Intangible Assets		(6,320)	(14,052)	(6,255)	(12,652)
Acquisition of Property, Plant and Equipment		(43,887)	(28,319)	(26,804)	(16,857)
Proceeds from the Sale of Property, Plant and Equipment		295	2,348	231	1,518
Advance Paid to Right of use asset		(24,923)	-	(17,147)	-
Net Cash Used in Investing Activities		(867,550)	(878,761)	(650,128)	(678,248)
Cash Flows from Financing Activities					
Dividend Paid		(350,000)	(300,000)	(350,000)	(300,000)
Payment of Lease Liabilities		(111,941)	-	(102,761)	-
Net Cash Used in Financing Activities		(461,941)	(300,000)	(452,761)	(300,000)
Net Decrease in Cash and Cash Equivalents		(207,562)	(126,050)	(241,814)	(163,736)
Cash and Cash Equivalents at the beginning of the Period		639,095	500,290	459,925	319,551
Cash and Cash Equivalents at the end of the Period		431,533	374,240	218,111	155,815
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Increase in Deferred Expenses		(14,947)	(37,214)	-	-
Increase in Loans to Life Policyholders		(62,168)	(53,042)	(62,168)	(53,042)
(Increase)/Decrease in Reinsurance Receivables		(150,568)	156,677	(57,796)	16,744
Increase in Premium Receivables		(150,641)	(23,219)	(2,991)	(2,972)
Increase in Other Assets		(76,324)	(141,458)	(62,183)	(108,010)
Net Change in Operating Assets		(454,648)	(98,256)	(185,138)	(147,280)
B. Change in Operating Liabilities					
Increase in Other Liabilities		28,698	55,110	53,839	3,316
Increase in Insurance Contract Liabilities (before tax) - Life Insurance		1,957,476	1,295,754	1,957,476	1,295,754
Increase in Insurance Contract Liabilities - General Insurance		384,726	169,421	-	-
Increase/(Decrease) in Reinsurance Creditors		120,150	13,319	(27,041)	11,658
Net Change in Operating Liabilities		2,491,050	1,533,604	1,984,274	1,310,728

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited 2019 Rs. '000	Unaudited 2018 Rs. '000	Unaudited 2019 Rs. '000	Unaudited 2018 Rs. '000	Group %	Company %
<i>For the Three Months Ended 30th September,</i>							
Gross Written Premium	10	2,550,103	2,277,765	1,349,467	1,184,149	12	14
Premium Ceded to Reinsurers		(286,797)	(256,098)	(60,645)	(54,233)	12	12
Net Written Premium		2,263,306	2,021,667	1,288,822	1,129,916	12	14
Net Change in Reserves for Unearned Premium		(82,721)	(58,946)	-	-	40	-
Net Earned Premium		2,180,585	1,962,721	1,288,822	1,129,916	11	14
Other Revenue							
Interest and Dividend Income	11	575,247	480,319	482,035	403,648	20	19
Net Realised Gains		6,028	29,206	5,974	29,206	(79)	(80)
Net Fair Value Gains/(losses)		16,793	(449)	9,915	(8,582)	3,840	216
Fee and Commission Income		41,747	32,409	17,439	14,665	29	19
Other Income		6,565	7,451	1,259	4,170	(12)	(70)
Total Other Revenue		646,380	548,936	516,622	443,107	18	17
Net Income		2,826,965	2,511,657	1,805,444	1,573,023	13	15
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(973,020)	(939,108)	(371,799)	(403,205)	4	(8)
Change in Contract Liabilities - Life Fund		(667,653)	(593,616)	(667,653)	(593,616)	12	12
Other Operating and Administration Expenses		(646,640)	(511,671)	(386,659)	(280,814)	26	38
Underwriting and Net Acquisition Costs		(358,028)	(284,437)	(273,439)	(211,393)	26	29
Finance & Other Insurance Related Costs		(32,241)	(15,113)	(19,482)	(9,672)	113	101
Total Benefits, Claims and Other Expenses		(2,677,582)	(2,343,945)	(1,719,032)	(1,498,700)	14	15
Profit Before Taxation		149,383	167,712	86,412	74,323	(11)	16
Income Tax Expense	12	(38,256)	(41,203)	(20,431)	(17,337)	(7)	18
Profit for the Period	13	111,127	126,509	65,981	56,986	(12)	16
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		(26,239)	(63,677)	(21,793)	(59,057)	(59)	(63)
- Realised Losses transferred to Income Statement		(6,448)	(29,206)	(5,974)	(29,206)	(78)	(80)
- Net Change in fair value of Available For Sale Financial assets transferred to Life Policyholder's Available For sale Reserve		27,556	86,489	27,556	86,489	(68)	(68)
- Related Tax	12	1,284	1,173	-	-	9	-
Total Other Comprehensive Income for the Period, Net of Related tax		(3,847)	(5,221)	(211)	(1,774)	26	88
Total Comprehensive Income for the Period		107,280	121,288	65,770	55,212	(12)	19
Profit Attributable to:							
Equity Holders of the Parent		111,127	126,509	-	-	(12)	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		107,280	121,288	-	-	(12)	-
Basic Earnings Per Share (Rs.)	14	2.22	2.53	1.32	1.14	(12)	16

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th September 2019 Life Insurance Rs. '000	General Insurance Rs. '000	31st December 2018 Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	106,672	52,890	104,487	47,072
Right of use Lease Assets	351,698	21,687	-	-
Intangible Assets	52,181	2,062	58,782	2,305
Deferred Tax Assets	1,215,238	6,270	1,280,499	24,383
Financial Investments	17,006,769	3,393,830	14,679,706	2,899,425
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	305,281	-	243,113	-
Reinsurance Receivables	133,722	432,619	75,926	339,847
Premium Receivables	11,037	937,817	8,046	790,167
Other Assets	620,524	316,638	575,154	270,915
Insurance Contract - Deferred Expenses	-	155,433	-	140,486
Cash and Cash Equivalents	292,263	305,006	502,561	259,310
Total Assets	21,245,385	5,624,252	18,678,274	4,773,910
Liabilities				
Insurance Contract Liabilities - Life Insurance	14,218,948	-	12,261,472	-
Insurance Contract Liabilities - General Insurance	-	2,909,821	-	2,525,095
Employee Defined Benefit Liabilities	96,179	68,478	84,840	55,516
Current Tax Liabilities	14,708	78,962	14,708	7,833
Reinsurance Creditors	89,227	400,776	116,268	253,585
Lease Creditor	356,015	17,895	-	-
Other Liabilities	689,755	461,290	642,470	473,307
Bank Overdraft	74,152	91,584	42,636	80,140
Total Liabilities	15,538,984	4,028,806	13,162,394	3,395,476

Operating Segment Information - Profitability

For the Nine Months Ended,	Unaudited		Unaudited	
	30th September 2019 Life Insurance Rs. '000	General Insurance Rs. '000	30th September 2018 Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	3,693,361	3,646,898	3,245,547	3,317,837
Premium Ceded to Reinsurers	(177,872)	(787,994)	(158,219)	(629,568)
Net Written Premium	3,515,489	2,858,904	3,087,328	2,688,269
Net Change in Reserves for Unearned Premium	-	(190,216)	-	(264,276)
Net Earned Premium	3,515,489	2,668,688	3,087,328	2,423,993
Other Revenue				
Interest and Dividend Income	1,390,087	262,919	1,168,400	216,589
Net Realised Gains	20,990	7,862	59,140	5,385
Net Fair Value (Losses)/Gains	(17,861)	(3,241)	(21,480)	11,242
Fee and Commission Income	73,211	75,728	64,168	59,545
Other Income	5,643	16,499	11,093	13,950
Total Other Revenue	1,472,070	359,767	1,281,321	306,711
Net Income	4,987,559	3,028,455	4,368,649	2,730,704
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,073,190)	(1,694,763)	(796,473)	(1,591,901)
Change in Contract Liabilities - Life Fund	(1,900,981)	-	(1,655,554)	-
Change in Contract Liability due to Transfer of One-off Surplus	-	-	381,156	-
Other Operating and Administration Expenses	(998,213)	(766,616)	(836,599)	(709,242)
Underwriting and Net Acquisition Cost	(688,388)	(258,431)	(628,856)	(212,496)
Finance and Other Insurance Related Costs	(54,437)	(36,661)	(27,230)	(16,837)
Total Benefits, Claims and other Expenses	(4,715,209)	(2,756,471)	(3,563,556)	(2,530,476)
Profit Before Taxation	272,350	271,984	805,093	200,228
Income Tax Expense	(65,262)	(79,795)	(34,588)	(39,174)
Profit for the Period	207,088	192,189	770,505	161,054

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 Uttaranda 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 October 2019.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 30th September 2019 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 - 2018 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) 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 2022.

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 2022.

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 INITIAL APPLICATION OF SLFRS 16 - LEASES

The Group as a lessee has applied SLFRS 16 as initial application with effect from 01st January 2019 using the modified retrospective approach (Cumulative Catchup - Transition Method) and therefore the comparative information has not been restated and continues to be reported under LKAS 17.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Group consist of branches premises and vehicles taken on rent which were previously recognised as operating leases under LKAS 17.

Notes to the Condensed Consolidated Interim Financial Statements

3.1 Right of use Lease Asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using Group's incremental borrowing rate) adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of Use Lease assets of the Group is as follows;

	Group			Company		
	Unaudited 2019			Unaudited 2019		
	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Opening right of use lease asset as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions of right of use lease asset during the Period	68,449	11,533	79,982	54,489	11,533	66,022
Net Depreciation for the Period (Note 3.1.a)	(95,120)	(6,502)	(101,622)	(87,491)	(4,757)	(92,248)
Rent Payable under LKAS 17	(8,553)	-	(8,553)	(6,554)	-	(6,554)
Advance Payment for leases	41,474	-	41,474	33,698	-	33,698
Closing right of use lease asset as at 30th September	349,148	24,237	373,385	332,113	19,585	351,698

3.1.a Amount Recognised in Statement of Profit or Loss

Depreciation of Right of use lease asset	(85,188)	(6,502)	(91,690)	(78,722)	(4,757)	(83,479)
Amortisation of Advance	(12,572)	-	(12,572)	(10,580)	-	(10,580)
Amortisation of Payables under LKAS 17	2,640	-	2,640	1,811	-	1,811
	(95,120)	(6,502)	(101,622)	(87,491)	(4,757)	(92,248)

3.2 Lease Liability (Lease Creditor)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the market lending rate of Group's ultimate parent Hatton National Bank PLC as its incremental borrowing rate. The movement of Lease creditor for the period is as follows;

	Group			Company		
	Unaudited 2019			Unaudited 2019		
	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Property Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Opening lease Creditor as at 01st January	342,898	19,206	362,104	337,971	12,809	350,780
Additions during the Period	68,449	11,533	79,982	54,489	11,533	66,022
Interest Expense recognised in Profit or Loss	41,079	2,686	43,765	39,912	2,062	41,974
Settlement through lease payment	(103,060)	(8,881)	(111,941)	(96,001)	(6,760)	(102,761)
Closing lease Creditors as at 30th September	349,366	24,544	373,910	336,371	19,644	356,015

4 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 30th Sep 2019	Audited 31st Dec 2018	Unaudited 30th Sep 2019	Audited 31st Dec 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	12,891,219	10,709,516	10,457,970	8,728,382
Available for Sale Financial Assets	7,446,606	6,776,591	6,486,025	5,872,886
Financial Assets at Fair Value Through Profit or Loss	62,774	93,024	62,774	78,438
Total Financial Investments	20,400,599	17,579,131	17,006,769	14,679,706

Notes to the Condensed Consolidated Interim Financial Statements

5 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 company are adjusted to conform with the Group's accounting policies where necessary.

6 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.

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

7 RESTRICTED REGULATORY RESERVE

	Group		Company	
	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Balance at the beginning of the Period	381,156	-	381,156	-
Transfer of One-off Surplus from Policyholders' Fund to Shareholders' Fund	-	381,156	-	381,156
Balance at the end of the Period	381,156	381,156	381,156	381,156

7 a) 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 Policyholder Non-Participating Fund to Shareholder 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 8(c) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

7 b) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th September 2019

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 September 2019 (Rs. '000)
Term Deposits	395,476

8 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,		Group		Company	
		Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Life Insurance Fund	(Note 8 a)	14,013,087	12,112,106	14,013,087	12,112,106
Claims Outstanding		205,861	149,366	205,861	149,366
Total Insurance Contract Liabilities		14,218,948	12,261,472	14,218,948	12,261,472

Notes to the Condensed Consolidated Interim Financial Statements

8 a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Life Insurance Fund				
Change in Contract Liabilities - Life Fund				
Balance as at the beginning of the Period	12,112,106	10,800,821	12,112,106	10,800,821
Change in Contract Liability due to transfer of One-off Surplus (Note 8 b)	-	(381,156)	-	(381,156)
	12,112,106	10,419,665	12,112,106	10,419,665
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus				
Distribution to Shareholders	1,900,981	2,345,049	1,900,981	2,345,049
Surplus Distributed to Shareholders	-	(637,900)	-	(637,900)
Increase in Life Insurance Fund	1,900,981	1,707,149	1,900,981	1,707,149
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(14,708)	-	(14,708)
Balance as at the end of the Period	14,013,087	12,112,106	14,013,087	12,112,106

8 b) 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

Subsequently IRCSL, through the Direction No. 16 issued on 20th March 2018 on "Directions for identification and treatment of One-off Surplus" Life Insurance Companies were directed to transfer One-off Surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund in the relevant period. The transfer has been presented as a separate line item in the Income Statement as "Change in contract Liability due to transfer of One-off Surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

Further, distribution of One-off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off surplus in the Shareholder Fund will remain invested in Term Deposits as disclosed in Note No.

7 (b) as per the Direction of IRCSL.

Notes to the Condensed Consolidated Interim Financial Statements

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".

8 c) 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 Shareholder 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.

8 d) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Consultant Actuary, Mr. Hassan Scott Odierno, FSA for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd, as at 30th June 2019 as required by SLFRS 4 - Insurance Contracts. The Company perform LAT semi-annually and According to the Consultant Actuary's report, Company satisfies the LAT as at 30th June 2019. No additional provision is required against LAT.

9 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
Reserves for Net Unearned Premium	1,982,126	1,794,697	-	-
Reserves for Title Insurance	52,367	49,581	-	-
Reserves for Gross Outstanding Claims	875,328	680,817	-	-
Total Insurance Contract Liabilities	2,909,821	2,525,095	-	-

- 9 a) 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 2019 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

9 b) 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 2019 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 2019. No additional provision is required against LAT.

10 GROSS WRITTEN PREMIUM

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
Life Insurance					
4,381,792	Individual Policies	3,651,882	3,215,555	3,651,882	3,215,555
38,721	Corporate Policies	41,479	29,992	41,479	29,992
(29,898)	Adjustment for Inter Company Premiums	(31,247)	(22,402)	-	-
<u>4,390,615</u>	Gross Written Premium - Life Insurance	<u>3,662,114</u>	<u>3,223,145</u>	<u>3,693,361</u>	<u>3,245,547</u>
General Insurance					
554,523	Fire	512,866	438,628	-	-
3,345,502	Motor	2,768,099	2,552,384	-	-
70,467	Marine	41,328	57,029	-	-
370,083	Miscellaneous	324,605	269,796	-	-
(6,494)	Adjustment for Inter Company Premiums	(6,966)	(4,906)	-	-
<u>4,334,081</u>	Gross Written Premium - General Insurance	<u>3,639,932</u>	<u>3,312,931</u>	<u>-</u>	<u>-</u>
<u>8,724,696</u>	Total Gross Written Premium	<u>7,302,046</u>	<u>6,536,076</u>	<u>3,693,361</u>	<u>3,245,547</u>

		Group		Company	
For the Three Months Ended,		Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
Life Insurance					
	Individual Policies	1,336,302	1,175,316	1,336,302	1,175,316
	Corporate Policies	13,165	8,833	13,165	8,833
	Adjustment for Inter Company Premiums	(12,315)	(8,015)	-	-
	Gross Written Premium - Life Insurance	<u>1,337,152</u>	<u>1,176,134</u>	<u>1,349,467</u>	<u>1,184,149</u>
General Insurance					
	Fire	140,483	122,305	-	-
	Motor	981,787	873,667	-	-
	Marine	15,072	22,263	-	-
	Miscellaneous	76,300	84,032	-	-
	Adjustment for Inter Company Premiums	(691)	(636)	-	-
	Gross Written Premium - General Insurance	<u>1,212,951</u>	<u>1,101,631</u>	<u>-</u>	<u>-</u>
	Total Gross Written Premium	<u>2,550,103</u>	<u>2,277,765</u>	<u>1,349,467</u>	<u>1,184,149</u>

Notes to the Condensed Consolidated Interim Financial Statements

11 INTEREST AND DIVIDEND INCOME

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
1,883,053	Interest Income	1,647,752	1,381,395	1,385,410	1,165,330
4,290	Dividend Income	5,254	3,594	4,677	3,070
1,887,343	Total	1,653,006	1,384,989	1,390,087	1,168,400

For the Three Months Ended,

Group		Group		Company	
Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
574,436	479,546	481,254	403,044		
811	773	781	604		
575,247	480,319	482,035	403,648		

12 INCOME TAX EXPENSES

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
(7,833)	Income Tax Charge	(71,129)	(44,123)	-	(34,588)
3,124	Over Provision of Income Taxes in respect of Prior Periods	-	-	-	-
(103,132)	Provision for Notional Tax Unutilised	-	-	-	-
1,232,497	Deferred Income Tax - Recognised through Profit or Loss	(73,928)	(29,639)	(65,262)	-
1,124,656	Total Tax charge in Profit or Loss	(145,057)	(73,762)	(65,262)	(34,588)
8,288	Deferred Income Tax - Recognised through Other				
	- Comprehensive Income	(9,447)	4,244	-	-
8,288	Total Tax charge in Other Comprehensive Income	(9,447)	4,244	-	-

For the Three Months Ended,

Group		Group		Company	
Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
(18,208)	(17,337)	-	(17,337)		
(20,048)	(23,866)	(20,431)	-		
(38,256)	(41,203)	(20,431)	(17,337)		
1,284	1,173	-	-		
1,284	1,173	-	-		

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2018 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act.

13 PROFIT FOR THE PERIOD

Group		Group		Company	
Audited 31st Dec 2018 Rs. '000	For the Nine Months Ended,	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
	HNB Assurance PLC				
637,900	- Surplus Transferred from Life Policyholder Fund to Shareholder Fund*	-	209,772	-	209,772
381,156	- Transfer of One-off Surplus from Life Policyholder Fund to Shareholder Fund*	-	381,156	-	381,156
1,456,159	- Profit from Life Shareholders' Fund	207,088	179,577	207,088	179,577
2,475,215	Total	207,088	770,505	207,088	770,505
230,095	HNB General Insurance Ltd	192,189	161,054	-	-
2,705,310	Total	399,277	931,559	207,088	770,505

Notes to the Condensed Consolidated Interim Financial Statements

* Profit of the Company for the period ended 30th September 2018 included , a surplus transfer of Rs. 209.8 Million as recommended by consultant actuary and Rs. 381.1 Million transferred to the Shareholder Fund as One-off Surplus attributable to Policyholder Non-Participating Fund of the Life Fund as per the Direction No. 16 of the IRCSL, Similar transfers have not been made during the period as shown in the profits for the period ended 30th September 2019.

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Sep 2019 Rs. '000	30th Sep 2018 Rs. '000	30th Sep 2019 Rs. '000	30th Sep 2018 Rs. '000
HNB Assurance PLC	65,981	56,986	65,981	56,986
HNB General Insurance Ltd	45,146	69,523	-	-
Total	111,127	126,509	65,981	56,986

14 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.

<i>31st Dec 2018</i>	<i>For the Nine Months Ended,</i>	Group		Company	
		Unaudited	Unaudited	Unaudited	Unaudited
		30th Sep 2019	30th Sep 2018	30th Sep 2019	30th Sep 2018
2,705,310	Profit for the Period (Rs. '000)	399,277	931,559	207,088	770,505
50,000	Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
54.11	Basic Earnings Per Share (Rs.)	7.99	18.63	4.14	15.41

BASIC EARNINGS PER SHARE - EXCLUDING ONE-OFF SURPLUS (EPS)

<i>For the Nine Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Sep 2019	30th Sep 2018	30th Sep 2019	30th Sep 2018
Profit for the Period (Rs. '000)	399,277	550,403	207,088	389,349
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	7.99	11.01	4.14	7.79

BASIC EARNINGS PER SHARE (EPS)

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th Sep 2019	30th Sep 2018	30th Sep 2019	30th Sep 2018
Profit for the Period (Rs. '000)	111,127	126,509	65,981	56,986
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	2.22	2.53	1.32	1.14

15 RELATED PARTY DISCLOSURES

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

<i>For the Nine Months Ended,</i>	<i>Nature of Transaction</i>	Group		Company	
		Unaudited	Unaudited	Unaudited	Unaudited
		30th Sep 2019 Rs. '000	30th Sep 2018 Rs. '000	30th Sep 2019 Rs. '000	30th Sep 2018 Rs. '000
	Insurance Premium	41,085	8,775	-	-
	Claims Incurred	10,487	13,029	-	-
	Investment Income	85,785	47,827	69,348	35,977
	Administration Expenses	207,045	186,924	135,053	115,434
	Rent and other Expenses	8,704	7,113	5,536	4,704
	Dividend Paid	209,951	179,958	209,951	179,958

Notes to the Condensed Consolidated Interim Financial Statements

Nature of Transaction	Group		Company	
	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>Balance as at,</i>				
Investments Balance (Includes Deposits and Debentures)	749,581	1,009,575	597,805	835,802
Cash at Bank Balances	418,844	286,458	213,353	178,024

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

Nature of Transaction <i>For the Nine Months Ended,</i>	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
Insurance Premium	31,247	22,402
Insurance Expenses	6,966	4,906
Claims Received	110	824
Claims Paid	4,000	-
Administrations Expenses Reimbursement	230,015	188,729
Fund Management Fee	4,755	4,002
Profit Commission Expense	10,507	6,756

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
<i>For the Nine Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	2,725	268	-	-
	Claims Incurred	395	2,981	-	-
HNB Finance Ltd	Insurance Premium	16,056	5,134	-	-
	Claims Incurred	2,065	1,462	-	-
	Administration Expenses	7,087	4,850	139	1
	Interest Income	5,620	5,609	5,620	5,609

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
<i>As at,</i>					
HNB Finance Ltd	Investment in Term Deposits	50,103	50,071	50,103	50,071
	Savings Accounts	304	-	304	-

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
<i>For the Nine Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	525	339	-	4
	Claims incurred	-	450	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	573	608	-	-
	Claims incurred	509	245	-	-
ACUITY Securities Ltd	Insurance Premium	523	458	-	-
	Claims incurred	-	223	-	-
	Investment Income from REPO	61,110	50,923	43,903	35,451

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000	Unaudited 30th Sep 2019 Rs. '000	Audited 31st Dec 2018 Rs. '000
ACUITY Securities Ltd	Investment In REPO	768,606	1,078,670	458,462	786,115

Notes to the Condensed Consolidated Interim Financial Statements

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

Nature of Transaction For the Nine Months Ended,	Unaudited 30th Sep 2019 Rs. '000	Unaudited 30th Sep 2018 Rs. '000
Director Fee	15,375	13,894
Short-term and Post employment benefits	45,958	43,888
Insurance Premium	1,801	1,992
Claims Paid including maturities	30,584	383

Appointment to the Board of Directors

Mr. Lintotage Udaya Damien Fernando has been appointed as a Non-Independent, Non-Executive Director to the Board of HNB Assurance PLC and its Subsidiary HNB General Insurance Limited w.e.f. 11th February 2019.

Mr. Stuart Anthony Chapman has been appointed as a Non Independent, Non- Executive Director to the Board of HNB Assurance PLC w.e.f. 11th February 2019.

Mr. Arjuna Varana Abeygunasekara has been appointed as a Non-Independent, Non- Executive Director to the Board of HNB General Insurance Ltd w.e.f. 11th February 2019.

Mr. Malik Sanjaya Wijemanne has been appointed as a Non-Independent, Non- Executive Director to the Board of HNB General Insurance Ltd w.e.f. 11th February 2019.

Appointment of Alternate Director

Mr. Kalum Laksri Wijesooriya was appointed as a Alternate Director to Mr. D.P.N. Rodrigo of the Board of HNB Assurance PLC and its Subsidiary HNB General Insurance Limited w.e.f. 02nd September 2019.

Resignation from the Board of Directors

Mr. Sarath Carlyle Ratwatte, a Director of HNB Assurance PLC has tendered his resignation from being a Director of HNB Assurance PLC w.e.f. 06th February 2019.

Mr. Aloysius Gerard Rajive Dissanayake, a Director of HNB Assurance PLC and HNB General Insurance Limited has tendered his resignation from being a Director of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 12th February 2019.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2018 except for the above changes.

16 EVENTS OCCURRING AFTER THE REPORTING DATE

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

17 CAPITAL COMMITMENTS

- a) 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. (2018 - 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 matter was fixed for argument on 07th and 14th November 2019. As such no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 21.99 Million.

Notes to the Condensed Consolidated Interim Financial Statements

- 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	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

- 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 and 2016/2017. In the view of the Company and its Tax Consultants, these Assessments were issued by the Inland Revenue Department contrary to 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 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 Assesment/ Intimation	Status of Assesment	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
Total				722

- d) The Company has 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. 1.17 Million.

Share Information

Top 20 Shareholders

Name of the Shareholder

	30th September 2019	
	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	1,500,000	3.00%
4 Peoples Leasing and Finance PLC/Hi Line Trading (Pvt) Ltd	800,000	1.60%
5 Mr. P.H.D Waidyatilaka	549,860	1.10%
6 Mr. Mohamed Faizer Hashim	510,000	1.02%
7 Mrs. Arunthathi Selliah	500,000	1.00%
8 Mrs. Abiramipillai Kailasapillai	500,000	1.00%
9 Arunodhaya Investments (Pvt) Ltd	450,000	0.90%
10 Arunodhaya Industries (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	279,434	0.56%
14 Andysel (Pvt) Ltd	250,000	0.50%
15 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
16 Bank Of Ceylon A/c Ceybank Century Growth Fund	231,714	0.46%
17 Commercial Bank Of Ceylon Plc/Janashakthi Limited	212,334	0.42%
18 Mr. Vikas Sharda	203,000	0.41%
19 Mr. A.A.A Rifkee	200,000	0.40%
20 Dr. S. Selliah	200,000	0.40%
	39,797,806	79.60%

Public Shareholding

30th September 2019

* Float Adjusted Market Capitalisation (Rs.)	2,575,952,339
Percentage of Shares held by the Public	38.30%
Number of Public Shareholders	3,405

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 September 2019
Mrs. M A R C Cooray	18,035
Mr. J A P M Jayasekara	83,057
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 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

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 2019 - Group	123.04
Net Asset Value Per Share as at 30th September 2019 - Company	114.13
Net Asset Value Per Share as at 30th September 2019 without one-off Surplus - Group	115.41
Net Asset Value Per Share as at 30th September 2019 without one-off Surplus - Company	106.50
Highest Price Per Share for the Interim Period	139.80
Lowest Price Per Share for the Interim Period	111.90
Last Traded Price Per Share as at 30th September 2019	134.50