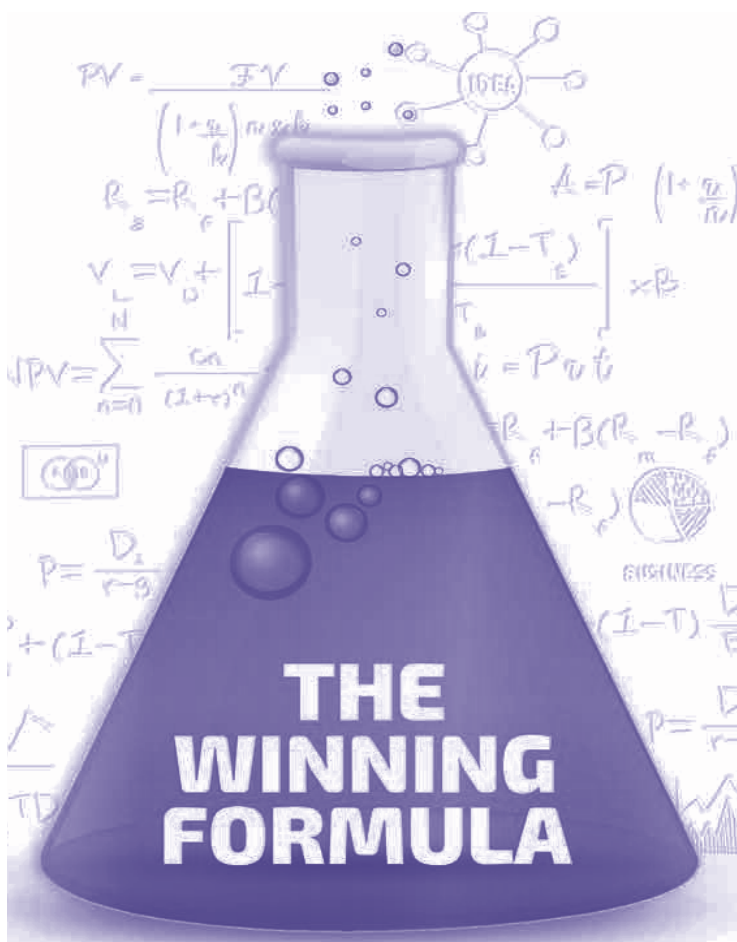




**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
30th June 2018



Statement of Financial Position

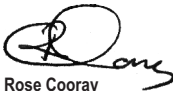
As at,	Note	Group		Company	
		Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Assets					
Property, Plant and Equipment		164,011	169,620	112,664	119,078
Intangible Assets		57,299	57,841	56,341	57,841
Deferred Tax Assets		61,396	64,098	-	-
Financial Investments	3	16,525,503	15,054,910	13,784,285	12,741,015
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		190,994	162,285	190,994	162,285
Reinsurance Receivables		517,436	569,778	49,699	65,010
Premium Receivables		867,185	786,319	11,801	7,488
Other Assets		1,104,655	1,036,846	826,606	764,256
Insurance Contract - Deferred Expenses		130,107	105,287	-	-
Cash and Cash Equivalents		482,574	641,950	211,892	352,307
Total Assets		20,101,160	18,648,934	16,394,282	15,419,280
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		2,505,321	2,381,427	2,405,964	2,373,601
Available for Sale Reserve		12,132	30,685	7,817	17,415
Other Reserves		(13,004)	(10,760)	(12,128)	(9,884)
Life Policyholders' Available for Sale Reserve Fund	5	89,697	223,272	89,697	223,272
Restricted Regulatory Reserve	6	381,156	-	381,156	-
Total Equity		4,147,177	3,796,499	4,044,381	3,776,279
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	11,616,817	10,915,858	11,616,817	10,915,858
Insurance Contract Liabilities - General Insurance	8	2,642,089	2,384,906	-	-
Employee Defined Benefit Liabilities		139,006	126,083	84,616	73,875
Current Tax Liabilities		61,385	34,598	17,251	-
Reinsurance Creditors		427,254	353,042	97,666	90,650
Other Liabilities		906,873	896,288	492,646	529,862
Bank Overdraft		160,559	141,660	40,905	32,756
Total Liabilities		15,953,983	14,852,435	12,349,901	11,643,001
Total Equity and Liabilities		20,101,160	18,648,934	16,394,282	15,419,280

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

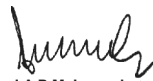


Indika Perera
Chief Financial Officer

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



Rose Cooray
Chairperson



J A P M Jayasekara
Director

Colombo, Sri Lanka
30th July 2018.

Statement of Profit or Loss and Other Comprehensive Income

Group		Group		Company		Change	
Year Ended 31 st Dec 2017 (Audited) Rs. '000	For Six Months Ended 30th June,	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	Group %	Company %
	Note						
7,821,468		4,258,295	3,805,231	2,061,398	1,919,137	12	7
(1,100,573)		(531,689)	(548,123)	(103,986)	(91,612)	(3)	14
6,720,895		3,726,606	3,257,108	1,957,412	1,827,525	14	7
(328,818)		(205,330)	(209,021)	-	-	(2)	-
6,392,077		3,521,276	3,048,087	1,957,412	1,827,525	16	7
Other Revenue							
1,693,191	10	904,670	743,411	764,752	626,612	22	22
33,128		35,319	7,942	29,934	4,946	345	505
9,704		(9,789)	19,850	(12,898)	15,837	(149)	(181)
129,099		80,547	88,875	49,503	40,593	(9)	22
46,735		17,299	21,968	6,630	10,993	(21)	(40)
1,911,857		1,028,046	882,046	837,921	698,981	17	20
8,303,934		4,549,322	3,930,133	2,795,333	2,526,506	16	11
Net Benefits, Claims and Expenses							
(2,293,406)		(1,448,442)	(1,039,002)	(393,268)	(236,032)	39	67
(2,166,427)		(1,061,938)	(1,237,022)	(1,061,938)	(1,237,022)	(14)	(14)
-	7	381,156	-	381,156	-	100	100
(1,839,018)		(1,003,375)	(899,630)	(555,492)	(493,175)	12	13
(1,028,872)		(550,160)	(495,052)	(417,463)	(405,422)	11	3
(49,184)		(28,954)	(26,279)	(17,558)	(17,255)	10	2
(7,376,907)		(3,711,713)	(3,696,985)	(2,064,563)	(2,388,906)	-	(14)
927,027		837,609	233,148	730,770	137,600	259	431
(17,275)	11	(32,559)	(56,968)	(17,251)	(37,595)	(43)	(54)
909,752	12	805,050	176,180	713,519	100,005	357	613
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
489,495		(121,398)	162,465	(113,953)	154,329	(175)	(174)
(30,485)		(33,801)	6,236	(29,220)	4,448	(642)	(757)
(414,403)		133,575	(151,323)	133,575	(151,323)	188	188
(6,770)	11	3,071	(1,953)	-	-	257	-
Items that will never be reclassified to profit or loss							
(12,550)		(2,244)	-	(2,244)	-	(100)	(100)
25,287		(20,797)	15,425	(11,842)	7,454	(235)	(259)
935,039		784,253	191,605	701,677	107,459	309	553
Profit Attributable to:							
909,752		805,050	176,180	-	-	357	-
Total Comprehensive Income Attributable to:							
935,039		784,253	191,605	-	-	309	-
18.20	13	16.10	3.52	14.27	2.00	357	613
-	13	8.48	3.52	6.65	2.00	141	232

Statement of Changes in Equity - Group

For the Period Ended 30th June 2018 ,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2017	1,171,875	1,721,675	(7,152)	1,790	(191,131)	-	2,687,057
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	176,180	-	-	-	-	176,180
Other Comprehensive Income for the Period, net of related tax							
Net Change in fair value of Available For Sale financial assets	-	-	166,748	-	-	-	166,748
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(151,323)	-	-	-	(15,323)
Total Other Comprehensive Income for the Period	-	-	15,425	-	-	-	15,425
Total Comprehensive Income for the Period	-	176,180	15,425	-	-	-	191,605
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	151,323	-	151,323
Transactions with owners recorded directly in equity							
Dividend to equity holders for 2016	-	(350,000)	-	-	-	-	(350,000)
Unaudited balance as at 30th June 2017	1,171,875	2,567,855	8,273	1,790	(39,808)	-	2,789,985
Total Comprehensive Income for the Period							
Profit for the period - Unaudited	-	733,572	-	-	-	-	733,572
Other Comprehensive Income for the Period, net of related tax							
Net Change in fair value of Available-For-Sale financial assets	-	-	285,492	-	-	-	285,492
Net Change in fair value of Available-For-Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(263,080)	-	-	-	(263,080)
Actuarial Losses on Defined Benefit Plans	-	-	-	(12,550)	-	-	(12,550)
Total Other Comprehensive Income for the Period	-	-	22,412	(12,550)	-	-	9,862
Total Comprehensive Income for the Period	-	733,572	22,412	(12,550)	-	-	743,434
Net Change in fair value of Available-For-Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	263,080	-	263,080
Audited balance as at 31st December 2017	1,171,875	2,381,427	30,665	(10,760)	223,272	-	3,796,499
Balance as at 01st January 2018	1,171,875	2,381,427	30,665	(10,760)	223,272	-	3,796,499
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	423,894	-	-	-	381,156	805,050
Other Comprehensive Income for the Period, net of related tax							
Net Change in fair value of Available For Sale financial assets	-	-	(132,128)	-	-	-	(132,128)
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	133,575	(2,244)	-	-	133,575
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,244)	-	-	(2,244)
Total Other Comprehensive Income for the period	-	-	(18,553)	(2,244)	-	-	(20,797)
Total Comprehensive Income for the Period	-	423,894	(18,553)	(2,244)	-	381,156	784,253
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve	-	-	-	-	(133,575)	-	(133,575)
Transactions with owners recorded directly in equity							
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th June 2018	1,171,875	2,505,321	12,132	(13,004)	89,697	381,156	4,147,177

Stated Capital represents 50 Million Ordinary Shares as at 30th June 2018 (2017 - 50 Million Ordinary Shares).

Statement of Changes in Equity - Company

For the Period Ended 30th June 2018,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2017	1,171,875	1,897,936	(1,465)	(1,886)	(191,131)	-	2,875,329
Total Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	100,005	-	-	-	-	100,005
Other Comprehensive Income for the Period, net of related tax	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale financial assets	-	-	158,777	-	-	-	158,777
Net Change in fair value of Available For Sale financial assets	-	-	(151,323)	-	-	-	(151,323)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	7,454	-	-	-	7,454
Total Other Comprehensive Income for the Period	-	100,005	7,454	-	-	-	107,459
Total Comprehensive Income for the Period	-	100,005	7,454	-	-	-	107,459
Net Change in fair value of Available For Sale financial assets	-	-	-	-	151,323	-	151,323
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(250,000)	-	-	-	-	(250,000)
Dividend paid to equity holders for 2016	-	1,747,941	-	-	-	-	1,747,941
Unaudited balance as at 30th June 2017	1,171,875	1,747,941	5,989	(1,886)	(39,808)	-	2,884,111
Total Comprehensive Income for the Period	-	625,660	-	-	-	-	625,660
Profit for the Period - Unaudited	-	625,660	-	-	-	-	625,660
Other Comprehensive Income for the Period, net of related tax	-	-	274,506	-	-	-	274,506
Net Change in fair value of Available For Sale financial assets	-	-	(263,080)	-	-	-	(263,080)
Net Change in fair value of Available For Sale financial assets	-	-	11,426	(7,998)	-	-	(7,998)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	(7,998)	-	-	(7,998)
Actual Losses on Defined Benefit Plans	-	-	11,426	(7,998)	-	-	3,428
Total Other Comprehensive Income for the Period	-	625,660	11,426	(7,998)	-	-	629,088
Total Comprehensive Income for the Period	-	625,660	11,426	(7,998)	-	-	629,088
Net Change in fair value of Available For Sale financial assets	-	-	-	-	263,080	-	263,080
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Audited balance as at 31st December 2017	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
Balance as at 01st January 2018	1,171,875	2,373,601	17,415	(9,884)	223,272	-	3,776,279
Profit for the period - Unaudited	-	332,363	-	-	-	381,156	713,519
Other Comprehensive Income for the Period, net of related tax	-	-	(143,173)	-	-	-	(143,173)
Net Change in fair value of Available For Sale financial assets	-	-	133,575	(2,244)	-	-	133,575
Net Change in fair value of Available For Sale financial assets	-	-	(9,588)	(2,244)	-	-	(11,832)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	332,363	(2,244)	-	-	328,119
Actual Losses on Defined Benefit Plans	-	-	(9,588)	(2,244)	-	-	(11,832)
Total Other Comprehensive Income for the Period	-	332,363	(9,588)	(2,244)	-	381,156	701,677
Total Comprehensive Income for the Period	-	332,363	(9,588)	(2,244)	-	381,156	701,677
Net Change in fair value of Available For Sale financial assets	-	-	-	-	(133,575)	-	(133,575)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(300,000)	-	-	-	-	(300,000)
Dividend paid to equity holders for 2017	-	2,405,964	-	-	-	-	2,405,964
Unaudited balance as at 30th June 2018	1,171,875	2,405,964	7,817	(12,128)	89,697	381,156	4,044,381

Stated Capital represents 50 Million Ordinary Shares as at 30th June 2018 (2017 - 50 Million Ordinary Shares).

Statement of Cash Flows

<i>For the Period Ended 30th June,</i>	Group		Company		
	Unaudited 2018	Unaudited 2017	Unaudited 2018	Unaudited 2017	
	Note	Rs. '000	Rs. '000	Rs. '000	
Cash Flow From Operating Activities					
Profit Before Taxation		837,609	233,148	730,770	137,600
<i>Adjustments for:</i>					
Interest Income	10	(901,849)	(739,118)	(762,286)	(623,187)
Dividend Income	10	(2,821)	(4,293)	(2,466)	(3,425)
Amortisation of Intangible Assets		9,534	9,157	9,491	9,157
Depreciation		24,799	27,751	17,996	19,062
Provision for Employee Benefits		17,008	13,278	10,384	7,691
Net Realised Gains		(35,319)	(7,942)	(29,934)	(4,946)
Net Fair Value Losses/(Gains)		9,789	(19,850)	12,898	(15,837)
Losses on Sale of Property, Plant and Equipment		298	1,730	293	1,422
		(40,952)	(486,139)	(12,854)	(472,463)
Change in Operating Assets	A	(133,661)	(477,339)	(80,318)	(24,706)
Change in Operating Liabilities	B	1,035,928	1,907,629	670,759	1,246,713
Cash Flows from Operating Activities		861,315	944,151	577,587	749,544
Gratuity Paid		(6,329)	(3,545)	(1,887)	(1,895)
Economic Service Charges (ESC) Paid		(9,615)	(7,862)	-	-
Net Cash Generated from Operating Activities		845,371	932,744	575,700	747,649
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(1,621,475)	(1,607,885)	(1,182,963)	(1,327,755)
Interest Received		923,062	663,573	775,842	548,917
Dividend Received		3,246	5,059	2,723	3,986
Acquisition of Intangible Assets		(8,991)	(8,699)	(7,991)	(8,699)
Acquisition of Property, Plant and Equipment		(21,193)	(37,503)	(12,762)	(25,662)
Proceeds from the Sale of Property, Plant and Equipment		1,705	3,888	887	2,746
Net Cash Used in Investing Activities		(723,646)	(981,567)	(424,264)	(806,467)
Cash Flows from Financing Activities					
Dividend Paid		(300,000)	(250,000)	(300,000)	(250,000)
Net Cash Used in Financing Activities		(300,000)	(250,000)	(300,000)	(250,000)
Net Decrease in Cash and Cash Equivalents		(178,275)	(298,823)	(148,564)	(308,818)
Cash and Cash Equivalents at the beginning of the Period		500,290	625,527	319,551	476,572
Cash and Cash Equivalents at the end of the Period		322,015	326,704	170,987	167,754
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Increase in Deferred Expenses		(24,820)	(22,797)	-	-
Increase in Loans to Life Policyholders		(28,709)	(20,863)	(28,709)	(20,863)
Decrease/(Increase) in Reinsurance Receivables		52,342	(322,516)	15,311	(18,459)
Increase in Premium Receivables		(80,866)	(79,865)	(4,313)	(765)
(Increase)/Decrease in Other Assets		(51,608)	(31,298)	(62,607)	15,381
		(133,661)	(477,339)	(80,318)	(24,706)
B. Change in Operating Liabilities					
Increase/(Decrease) in Other Liabilities		3,574	4,616	(37,216)	(32,388)
Increase in Insurance Contract Liabilities - Life Insurance		700,959	1,234,998	700,959	1,234,998
Increase in Insurance Contract Liabilities - General Insurance		257,183	564,388	-	-
Increase in Reinsurance Creditors		74,212	103,627	7,016	44,103
		1,035,928	1,907,629	670,759	1,246,713

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
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	%	%
Gross Written Premium	9	2,069,368	1,897,244	1,000,191	931,313	9	7
Premium Ceded to Reinsurers		(250,078)	(310,165)	(52,296)	(45,776)	(19)	14
Net Written Premium		1,819,290	1,587,079	947,895	885,537	15	7
Net Change in Reserves for Unearned Premium		(71,606)	(81,606)	-	-	(12)	-
Net Earned Premium		1,747,684	1,505,473	947,895	885,537	16	7
Other Revenue							
Interest and Dividend Income	10	453,084	383,066	381,477	321,856	18	19
Net Realised Gains		18,659	4,467	17,411	2,035	318	756
Net Fair Value (Losses)/Gains		(6,998)	23,303	(8,491)	19,605	(130)	(143)
Fee and Commission Income		35,076	41,351	12,528	15,518	(15)	(19)
Other Income		11,291	13,365	4,051	4,125	(16)	(2)
Total Other Revenue		511,112	465,552	406,976	363,139	10	12
Net Income		2,258,796	1,971,025	1,354,871	1,248,676	15	9
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(802,613)	(519,447)	(260,533)	(130,811)	55	99
Change in Contract Liabilities - Life Fund		(533,917)	(607,659)	(533,917)	(607,659)	(12)	(12)
Other Operating and Administration Expenses		(519,387)	(466,863)	(290,331)	(256,936)	11	13
Underwriting and Net Acquisition Costs		(256,990)	(227,359)	(186,932)	(178,515)	13	5
Other Insurance Related Costs		(17,405)	(12,190)	(10,442)	(7,316)	43	43
Total Benefits, Claims and Other Expenses		(2,130,312)	(1,833,518)	(1,282,155)	(1,181,237)	16	9
Profit Before Taxation		128,484	137,507	72,716	67,439	(7)	8
Income Tax Expenses	11	(22,181)	(35,369)	(17,251)	(19,817)	(37)	(13)
Profit for the Period	12	106,303	102,138	55,465	47,622	4	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		(52,823)	212,252	(51,294)	201,108	(125)	(126)
- Realised (Gains)/Losses transferred to Income Statement		(18,386)	3,003	(17,411)	1,767	(712)	(1,085)
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholder's Available For Reserve		67,386	(191,770)	67,386	(191,770)	135	135
- Related Tax	11	485	(1,267)	-	-	138	-
Total Other Comprehensive Income for the Period, net of related tax		(3,338)	22,218	(1,319)	11,105	(115)	(112)
Total Comprehensive Income for the Period		102,965	124,356	54,146	58,727	(17)	(8)
Profit Attributable to:							
Equity Holders of the Parent		106,303	102,138	-	-	4	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		102,965	124,356	-	-	(17)	-
Basic Earnings Per Share (Rs.)	13	2.13	2.04	1.11	0.95	4	16

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th June 2018		31st December 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	112,664	51,347	119,078	50,542
Intangible Assets	56,341	958	57,841	-
Deferred Tax Assets	-	61,396	-	64,098
Financial Investments	13,784,285	2,741,218	12,741,015	2,313,895
Investment in subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	190,994	-	162,285	-
Reinsurance Receivables	49,699	467,737	65,010	504,768
Premium Receivables	11,801	855,384	7,488	778,831
Other Assets	826,606	304,340	764,256	278,711
Insurance Contract - Deferred Expenses	-	130,107	-	105,287
Cash and Cash Equivalents	211,892	270,682	352,307	289,643
Total Assets	16,394,282	4,883,169	15,419,280	4,385,775
Liabilities				
Insurance Contract Liabilities - Life Insurance	11,616,817	-	10,915,858	-
Insurance Contract Liabilities - General Insurance	-	2,642,089	-	2,384,906
Employee Defined Benefit Liabilities	84,616	54,390	73,875	52,208
Current Tax Liabilities	17,251	44,134	-	34,598
Reinsurance Creditors	97,666	329,588	90,650	262,392
Other Liabilities	492,646	440,518	529,862	372,547
Bank Overdraft	40,905	119,654	32,756	108,904
Total Liabilities	12,349,901	3,630,373	11,643,001	3,215,555

Operating Segment Information - Profitability

For the Six Months Ended,	Unaudited		Unaudited	
	30th June 2018		30th June 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	2,061,398	2,215,570	1,919,137	1,901,357
Premium Ceded to Reinsurers	(103,986)	(427,703)	(91,612)	(456,511)
Net Written Premium	1,957,412	1,787,867	1,827,525	1,444,846
Net Change in Reserves for Unearned Premium	-	(205,330)	-	(209,021)
Net Earned Premium	1,957,412	1,582,537	1,827,525	1,235,825
Other Revenue				
Interest and Dividend Income	764,752	139,918	626,612	116,799
Net Realised Gains	29,934	5,385	4,946	2,996
Net Fair Value (Losses)/Gains	(12,898)	3,109	15,837	4,013
Fees and Commission Income	49,503	38,015	40,593	55,537
Other Income	6,630	10,669	10,993	10,975
Total Other Revenue	837,921	197,096	698,981	190,320
Net Income	2,795,333	1,779,633	2,526,506	1,426,145
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(393,268)	(1,055,349)	(236,032)	(802,970)
Change in Contract Liabilities - Life Fund	(1,061,938)	-	(1,237,022)	-
Change in Contract Liability due to Transfer of One-off Surplus	381,156	-	-	-
Other Operating and Administration Expenses	(555,492)	(468,975)	(493,175)	(423,874)
Underwriting and Net Acquisition Cost	(417,463)	(137,074)	(405,422)	(94,729)
Other Insurance Related Cost	(17,558)	(11,396)	(17,255)	(9,024)
Total Benefits, Claims and other Expenses	(2,064,563)	(1,672,794)	(2,388,906)	(1,330,597)
Profit Before Taxation	730,770	106,839	137,600	95,548
Income Tax Expense	(17,251)	(15,308)	(37,595)	(19,373)
Profit for the Period	713,519	91,531	100,005	76,175

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 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 30th July 2018.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th June 2018 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 - 2017 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

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 1 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 1 January 2021.

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 annual periods beginning before 1 January 2021.

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 Jun 2018	31st Dec 2017	30th Jun 2018	31st Dec 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	-	180,460	-	180,460
Loans and Receivables	9,699,112	8,417,430	7,768,048	6,789,740
Available for Sale Financial Assets	6,721,007	6,326,735	5,926,688	5,659,291
Financial Assets at Fair value Through Profit or Loss	105,384	130,285	89,549	111,524
Total Financial Investments	16,525,503	15,054,910	13,784,285	12,741,015

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 company 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

	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Balance at the beginning of the period	-	-	-	-
Transfer of One-off Surplus from Policyholder Fund to Shareholder Fund	381,156	-	381,156	-
Balance at the end of the period	381,156	-	381,156	-

6 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 new Direction. Based on the new 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 7c are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

6 b) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th June 2018

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

Asset Category	Market Value / Carrying Value as at 30th June 2018 (Rs. '000)
Term Deposits	389,782

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Life Insurance Fund (Note 7a)	11,481,603	10,800,821	11,481,603	10,800,821
Claims Outstanding	135,214	115,037	135,214	115,037
Total Insurance Contract Liabilities	11,616,817	10,915,858	11,616,817	10,915,858

Notes to the Condensed Consolidated Interim Financial Statements

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE (Contd.)

As at,	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
7 a) Life Insurance Fund				
The movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the period	10,800,821	8,634,394	10,800,821	8,634,394
Change in Contract Liability due to transfer				
- of One-off Surplus (Note 7b)	(381,156)	-	(381,156)	-
	10,419,665	8,634,394	10,419,665	8,634,394
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before				
- Surplus Distribution to Shareholders	1,271,710	2,684,985	1,271,710	2,684,985
Surplus Distributed to Shareholders	(209,772)	(518,558)	(209,772)	(518,558)
Increase in Life Insurance Fund	1,061,938	2,166,427	1,061,938	2,166,427
Balance as at the end of the period	11,481,603	10,800,821	11,481,603	10,800,821

7 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 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", directed Life Insurance Companies 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 Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

Notes to the Condensed Consolidated Interim Financial Statements

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. 6(b) as per the direction No. 16 of IRCSL.

The Financial ratios presented in these Condensed 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".

7 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 Shareholder Fund and the Policyholder Fund as well as between different lines of business within the policyholder 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 Policyholder 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.

- 7 d) Valuation of the Life Insurance Contract Liabilities for the period ended 30th June 2018 was carried out by the Consultant Actuary, Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial statements in line with the Actuarial Valuation. The Group has recognised a profit of Rs. 209.8 Million for the three months ended 31st March 2018 (31st December 2017 - Rs. 518.6 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary Mr. Hassan Scott Odierno, of M/S Actuarial Partners Consulting Sdn Bhd.

7 e) 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 2018 as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, assets are sufficiently adequate as compared to the reserves as at 30th June 2018. No additional provisions were required against the LAT as at 30th June 2018.

Notes to the Condensed Consolidated Interim Financial Statements

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Reserves for Net Unearned Premium	1,790,777	1,592,450	-	-
Reserves for Title Insurance	41,842	34,840	-	-
Reserves for Gross Outstanding Claims	809,470	757,616	-	-
Total Insurance Contract Liabilities	2,642,089	2,384,906	-	-

8 a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 30th June 2018 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

8 b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Mr. Mathew Maguire, FIAA, for and behalf of NMG Consulting as at 30th June 2018 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, the Company adequately satisfies the LAT as at 30th June 2018. No additional provisions were required against the LAT as at 30th June 2018.

9 GROSS WRITTEN PREMIUM

Group	Audited 31st Dec 2017 Rs. '000	For the Six Months Ended,	Group		Company	
			Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
Life Insurance						
3,891,527		Individual Policies	1,860,430	1,864,078	1,860,430	1,864,078
72,115		Corporate Policies	200,968	55,059	200,968	55,059
(25,632)		Adjustment for Inter Company Premiums	(14,403)	(10,366)	-	-
<u>3,938,010</u>		Life Insurance Gross Written Premium	2,046,995	1,908,771	2,061,398	1,919,137
General Insurance						
539,350		Fire	316,322	295,303	-	-
2,849,042		Motor	1,678,717	1,374,534	-	-
57,451		Marine	34,768	25,910	-	-
460,660		Miscellaneous	185,764	205,610	-	-
(23,045)		Adjustment for Inter Company Premiums	(4,271)	(4,897)	-	-
<u>3,883,458</u>		General Insurance Gross Written Premium	2,211,300	1,896,460	-	-
<u>7,821,468</u>		Total Gross Written Premium	4,258,295	3,805,231	2,061,398	1,919,137

Notes to the Condensed Consolidated Interim Financial Statements

9 GROSS WRITTEN PREMIUM (Contd.)

	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Three Months Ended,</i>				
Life Insurance				
Individual Policies	805,326	913,344	805,326	913,344
Corporate Policies	194,865	17,969	194,865	17,969
Adjustment for Inter Company Premiums	(8,818)	(5,533)	-	-
Life Insurance Gross Written Premium	991,373	925,780	1,000,191	931,313
General Insurance				
Fire	165,471	171,598	-	-
Motor	829,822	684,869	-	-
Marine	15,136	12,236	-	-
Miscellaneous	67,562	103,503	-	-
Adjustment for Inter Company Premiums	4	(742)	-	-
General Insurance Gross Written Premium	1,077,995	971,464	-	-
Total Gross Written Premium	2,069,368	1,897,244	1,000,191	931,313

10 INTEREST AND DIVIDEND INCOME

	Group		Company	
	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>				
1,684,689 Interest Income	901,849	739,118	762,286	623,187
8,502 Dividend Income	2,821	4,293	2,466	3,425
1,693,191 Total	904,670	743,411	764,752	626,612

	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Three Months Ended,</i>				
Interest Income	451,846	380,641	380,546	319,928
Dividend Income	1,238	2,425	931	1,928
Total	453,084	383,066	381,477	321,856

11 INCOME TAX EXPENSES

	Group		Company	
	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>				
(34,600) Income Tax on Current Period's Profits	(26,786)	(15,109)	(17,251)	-
- Provision for Tax Credits	-	(41,859)	-	(37,595)
(621) Under Provision of Current Taxes in respect of Prior Years	-	-	-	-
17,946 Deferred Income Tax - Profit or Loss	(5,773)	-	-	-
(17,275) Total	(32,559)	(56,968)	(17,251)	(37,595)
(6,770) Deferred Income Tax - Other Comprehensive Income	3,071	(1,953)	-	-
(6,770) Total	3,071	(1,953)	-	-

Notes to the Condensed Consolidated Interim Financial Statements

11 INCOME TAX EXPENSES (Contd.)

	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Three Months Ended,</i>				
Current Tax Charge	(17,251)	(11,288)	(17,251)	-
Provision for Tax Credits	-	(24,081)	-	(19,817)
Deferred Income Tax - Profit or Loss	(4,930)	-	-	-
Total	(22,181)	(35,369)	(17,251)	(19,817)
Deferred Income Tax - Other Comprehensive Income	485	(1,267)	-	-
Total	485	(1,267)	-	-

12 PROFIT FOR THE PERIOD

	Group		Group		Company	
			Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>						
725,665	HNB Assurance PLC		713,519	100,005	713,519	100,005
184,087	HNB General Insurance Ltd		91,531	76,175	-	-
909,752	Total		805,050	176,180	713,519	100,005

	Group		Group		Company	
			Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Three Months Ended,</i>						
HNB Assurance PLC			55,465	47,622	55,465	47,622
HNB General Insurance Ltd			50,838	54,516	-	-
Total			106,303	102,138	55,465	47,622

Profit for the Six months ended 30th June 2018 includes Rs. 209.8 Million transferred to the Shareholder Fund as surplus out of the non-participating fund of the Life fund on the recommendations made by the Life Insurance Consultant Actuary Mr. Hassan Scott Odierno, of M/S Actuarial Partners Consulting Sdn Bhd as of 31st March 2018 (31st March 2017: Nil), 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 Insurance Regulatory Commission of Sri Lanka. Similar transactions were not carried out during last year as shown in the comparative figures.

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.

	Group		Group		Company	
			Unaudited 30th Jun 2018	Unaudited 30th Jun 2017	Unaudited 30th Jun 2018	Unaudited 30th Jun 2017
<i>For the Six Months Ended,</i>						
909,752	Profit for the Period (Rs. '000)		805,050	176,180	713,519	100,005
50,000	Weighted average number of shares ('000)		50,000	50,000	50,000	50,000
18.20	Basic Earnings Per Share (Rs.)		16.10	3.52	14.27	2.00

Notes to the Condensed Consolidated Interim Financial Statements

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

<i>For the Six Months Ended,</i>	Group		Company	
	Unaudited 30th Jun 2018	Unaudited 30th Jun 2017	Unaudited 30th Jun 2018	Unaudited 30th Jun 2017
Profit for the Period (Rs. '000)	423,894	176,180	332,363	100,005
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	8.48	3.52	6.65	2.00

BASIC EARNINGS PER SHARE (EPS)

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Jun 2018	Unaudited 30th Jun 2017	Unaudited 30th Jun 2018	Unaudited 30th Jun 2017
Profit for the Period (Rs. '000)	106,303	102,138	55,465	47,622
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	2.13	2.04	1.11	0.95

14 RELATED PARTY DISCLOSURES

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

<i>Nature of Transaction</i>	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>				
Insurance Premium	2,103	2,050	-	-
Claims Incurred	7,407	4,917	-	-
Investment Income	27,588	21,550	20,798	16,843
Administration Expenses	114,538	96,498	67,573	54,691
Rent and other Expenses	4,622	4,862	3,058	3,546
Dividend Paid	179,958	149,965	179,958	149,965

<i>Nature of Transaction</i>	Group		Company	
	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>Balance as at,</i>				
Investments Balance (Includes Deposits and Debentures)	400,205	411,461	309,819	358,497
Cash at Bank Balances	296,336	426,156	168,357	260,759

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

<i>Nature of Transaction</i>	Unaudited	Unaudited
	30th Jun 2018 Rs. '000	30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>		
Insurance Premium	14,403	10,366
Insurance Expenses	4,270	4,897
Claims Received	175	5,370
Claims Paid	-	1,000
Administration Expenses Reimbursement	101,573	117,395
Fund Management Fee Received	2,594	2,156
Profit Commission Paid	4,378	5,099

Notes to the Condensed Consolidated Interim Financial Statements

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

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	268	-	-	-
	Claims Incurred	1,506	-	-	-
HNB Grameen Finance Ltd	Insurance Premium	5,085	38,513	-	38,098
	Claims Incurred	430	35,460	-	35,265
	Administration Expenses	3,221	4,124	-	2,951
	Interest Income	3,719	1,212	3,719	1,212

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>					
HNB Grameen Finance Ltd	Investment in Term Deposits	50,119	50,243	50,119	50,243

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	339	11	4	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	572	32	-	-
ACUITY Securities Ltd	Insurance Premium	458	-	-	-
	Investment Income from REPO	36,619	31,688	25,915	24,527

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>As at,</i>					
ACUITY Securities Ltd	Investment In REPO	896,157	643,217	545,717	464,790

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

Nature of Transaction	Unaudited 30th Jun 2018 Rs. '000	Unaudited 30th Jun 2017 Rs. '000
<i>For the Six Months Ended,</i>		
Director Fee	9,555	6,405
Short -term and Post employment benefits	32,908	26,216
Insurance Premium	1,198	971
Claims Paid	141	-

Mr. Darshan Ravindra Abeyesuriya has been appointed as an Independent Non-Executive Director to the Board of HNB Assurance PLC w.e.f. 01st January 2018.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements -2017 except for the above changes.

15 EVENTS OCCURRING AFTER THE REPORTING DATE

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

Notes to the Condensed Consolidated Interim Financial Statements

16 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. (2017 - Nil).
- b) Future commitments on operating leases

Nature of Transaction As at,	Unaudited 30th Jun 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Less than one year	122,065	116,311
Between one and five years	265,150	299,855
More than five years	4,958	6,424
Total Operating Lease Commitments	392,173	422,590

17 CONTINGENCIES

- a) The Inland Revenue Department (IRD) has taken the view that Reinsurance Claims for the year of assessment 2010/2011 on General Insurance business is liable for Value Added Tax (VAT). Accordingly the Company has received a VAT Assessment on Reinsurance Claims amounting to Rs. 13.3 Million for the year of Assessment 2010/2011. This is a common assessment issued by IRD to most of the Insurance companies in the General Insurance business. However these companies are of the view that they are not liable to pay VAT on Reinsurance Claims. The Company has filed due responses in consultation with Tax Consultants and made an appeal to the Tax Appeals Commission. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the hearing is due on 06th August 2018. As such no provision is made in the Financial Statements.
- b) The Company has received an official communication from IRD stating that the Company is liable for VAT and NBT on Financial Services (FS) based on Section 25C of VAT Act, No. 14 of 2002 with the application of attributable method. According to IRD, Company has been registered to pay VAT and NBT on FS w.e.f 01st January 2014. However, insurance companies in the industry and the Company's Tax Consultant are of the view that insurance companies are not liable for VAT and NBT on FS since the Companies are in the insurance business and do not engage in the business of financial services directly. Therefore, the Company has requested the IRD to cancel the registration on VAT and NBT on FS which is the stance of the entire insurance industry. As such we expect no liability to materialise in respect of the same.
- 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 and 2015/2016. These Assessments were issued by the Inland Revenue Department in contrary to the Section 92 of Inland Revenue Act, No. 10 of 2016. Further, these Income Tax Assessments have been common Assessments for all Life Insurance companies in the insurance industry. It is the view of the industry and the Company's Tax Consultant that these assessments will not materialize. 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	Status of Assessment	Nature of contingent impact to the company	Measurement of contingent impact to the company
2011/2012	Pending decision from Tax Appeals Commission	Loss adjustment	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million
2012/2013	Pending decision from Tax Appeals Commission	Loss adjustment	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million
2013/2014	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 132 Million will arise
2014/2015	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 136 Million will arise
2015/2016	Pending decision from Commissioner General of Inland Revenue	Additional tax liability	An additional Tax Liability of Rs. 164 Million will arise

Share Information

Top 20 Shareholders

Name of the Shareholder	30th June 2018	
	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 Janashakthi General Insurance Limited	824,425	1.65%
4 Mrs. A.S. Palihena and Mr.S.N.P.Palihena	709,668	1.42%
5 Mr.S.N.P.Palihena and Mrs. A.S. Palihena	600,000	1.20%
6 Mr. Mohamed Faizer Hashim	510,000	1.02%
7 Mrs. Arunthathi Selliah	400,000	0.80%
8 Mrs. Abiramipillai Kailasapillai	400,000	0.80%
9 Arunodhaya Industries (Pvt) Ltd	400,000	0.80%
10 Arunodhaya (Pvt) Ltd	400,000	0.80%
11 Arunodhaya Investments (Pvt) Ltd	400,000	0.80%
12 Ceylon Investment PLC A/c No. 2	386,400	0.77%
13 Mr. P.H.D Waidyatilaka	272,683	0.55%
14 Corporate Holdings (Pvt) Ltd. A/c No.1	245,103	0.49%
15 Suktam Holdings (Pvt) Ltd	234,434	0.47%
16 Bank of Ceylon A/c Ceybank Century Growth Fund	233,171	0.47%
17 Peacock Properties (Pvt) Ltd	218,633	0.44%
18 Central Finance Company PLC A/c No.5	216,609	0.43%
19 Mr. M. H.V.U Gunatilaka	207,253	0.41%
20 Mr. Vikas Sharda	203,000	0.41%
	38,747,179	77.51%

Public Shareholding

30th June 2018

* Float Adjusted Market Capitalisation (Rs.)	2,011,200,048
Percentage of Shares held by the Public	38.68%
Number of Public Shareholders	3,414

The Company complies the minimum public Shareholding required under section 7.131 (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 as at 30th June 2018
Mrs. M A R C Cooray	18,035
Mr. S C Ratwatte	14,666
Mr. J A P M Jayasekara	83,057
Mr. D P N Rodrigo	180
Mrs. S N Wickramasinghe	52,500
Dr. S Selliah	100,000
Mr. A G R Dissanayake (Joint Mrs. M A W Samaranyake)	100
Mr. D R Abeyuriya	Nil
Mr. D P Lokuarachchi - (Managing Director/Chief Executive Officer)	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 2018 - Group	82.94
Net Asset Value Per Share as at 30th June 2018 - Company	80.89
Net Asset Value Per Share as at 30th June 2018 without one-off Surplus - Group	75.32
Net Asset Value Per Share as at 30th June 2018 without one-off Surplus - Company	73.26
Highest Price Per Share for the Interim Period	118.00
Lowest Price Per Share for the Interim Period	83.00
Last traded Price Per Share as at 30th June 2018	104.00