



Condensed Consolidated Interim Financial Statements
31st December 2014

A blue-tinted photograph of a man in a white t-shirt and light-colored pants leaning over to assist a young girl in riding a bicycle. The girl is wearing a helmet and a t-shirt with a graphic. They are outdoors on a paved path with trees in the background.

Take on
tomorrow

Consolidated Statements of Financial Position

As at 31st December,	Note	Group	Company	
		Unaudited 2014 Rs. '000	Unaudited 2014 Rs. '000	Audited 2013 Rs. '000
Assets				
Property, Plant and Equipment		133,942	133,942	137,009
Intangible Assets		51,622	51,622	53,807
Deferred Tax Assets		-	-	2
Financial Investments	3	8,277,895	8,171,269	6,656,438
Investment in Subsidiary	4	-	100,000	-
Loans to Life Policyholders		71,082	71,082	53,656
Reinsurance Receivables		162,260	162,260	105,390
Premium Receivables		364,051	364,051	301,182
Other Assets		683,149	682,639	575,180
Insurance Contract - Deferred Expenses		52,072	52,072	32,912
Cash and Cash Equivalents		173,245	171,217	144,087
Total Assets		9,969,318	9,960,154	8,059,633
Equity and Liabilities				
Equity				
Stated Capital		1,171,875	1,171,875	1,171,875
Retained Earnings		1,196,546	1,189,039	941,820
Available for Sale Reserve		3,590	3,523	1,427
Other Reserves		1,177	1,177	2,172
Life Policyholders' Reserve Fund	5	40,748	40,748	(4,182)
Total Equity		2,413,936	2,406,362	2,113,112
Liabilities				
Insurance Contract Liabilities - Life	6	5,562,648	5,562,648	4,348,490
Insurance Contract Liabilities - General	7	1,279,138	1,279,138	1,011,102
Employee Benefits		71,493	71,493	56,637
Current Tax Liabilities		12,012	10,422	35,143
Deferred Tax Liabilities		8,845	8,845	-
Reinsurance Creditors		110,778	110,778	100,881
Other Liabilities		510,468	510,468	394,298
Total Liabilities		7,555,382	7,553,792	5,946,551
Total Equity and Liabilities		9,969,318	9,960,154	8,059,633

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

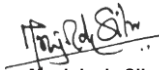


Vipula Dharmapala
Chief Financial Officer

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



Dr. Ranees Jayamaha
Chairperson



Manjula de Silva
Managing Director / Chief Executive Officer

Consolidated Statements of Comprehensive Income

For the Year Ended 31st December,	Note	Group	Company		Change %	
		2014 Rs. '000 Unaudited	2014 Rs. '000 Unaudited	2013 Rs. '000 Audited	Company	Group*
Gross Written Premium	8	4,665,618	4,665,618	3,877,730	20	20
Premium Ceded to Reinsurers		(601,022)	(601,022)	(526,005)	14	14
Net Written Premium		4,064,596	4,064,596	3,351,725	21	21
Net Change in Reserves for Unearned Premium		(232,621)	(232,621)	(82,544)	182	182
Net Earned Premium		3,831,975	3,831,975	3,269,181	17	17
Other Revenue						
Interest and Dividend Income	9	824,015	816,876	785,177	4	5
Net Realised Gains		108,823	105,785	53,411	98	104
Net Fair Value Gains		99,281	99,281	13,099	658	658
Fees and Commission Income		136,960	136,960	72,900	88	88
Other Income		12,366	12,366	12,830	(4)	(4)
		1,181,445	1,171,268	937,417	25	26
Net Income		5,013,420	5,003,243	4,206,598	19	19
Net Benefits, Claims and Expenses						
Net Insurance Benefits and Claims Paid		(1,528,233)	(1,528,233)	(1,558,659)	(2)	(2)
Net Change in Insurance Claims Outstanding		(44,871)	(44,871)	(9,549)	370	370
Change in Contract Liabilities - Life Fund		(1,192,273)	(1,192,273)	(724,829)	64	64
Other Operating and Administration Expenses		(1303,710)	(1,303,130)	(1,084,148)	20	20
Underwriting and Net Acquisition Costs		(474,826)	(474,826)	(381,259)	25	25
Other Insurance Related Costs		(30,924)	(30,924)	(23,061)	34	34
Total Benefits, Claims and other Expenses		(4,574,837)	(4,574,257)	(3,781,505)	21	21
Profit Before Taxation		438,583	428,986	425,093	1	3
Income Tax Expenses	10	(20,857)	(19,267)	(35,970)	(46)	(42)
Profit for the Year	11	417,726	409,719	389,123	5	7
Other Comprehensive Income						
<u>Investments classified as Available for Sale</u>						
- Net Change in fair value of available-for-sale financial assets		116,815	113,710	38,065	199	207
- Realized (Gains)/Loss transferred to Income Statement		(69,722)	(66,684)	(45,838)	45	52
- Net Change in fair value of available-for-sale financial assets(transferred to)/from Life Policyholders' Reserve		(44,930)	(44,930)	2,991	(1,602)	(1,602)
Remeasurement of Defined Benefit Plans		(995)	(995)	2,172	(146)	(146)
Total Other Comprehensive Income for the Year		1,168	1,101	(2,610)	(142)	(145)
Total Comprehensive Income for the Year		418,894	410,820	386,513	6	8
Profit Attributable to:						
Equity Holders of the Company		417,726	409,719	389,123		7
Non Controlling Interest		-	-	-		-
Total Comprehensive Income Attributable to:						
Equity Holders of the Company		418,894	410,820	386,513		8
Basic Earnings Per Share (Rs.)	12	8.35	8.19	7.78		7

* Change information in group column represents the change with 2014 Group results against 2013 Company results

Statement of Changes in Equity - Group

For the Year Ended 31st December 2014

	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders' Fund Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2012	50,000	1,177,875	690,197	6,209	-	(1,191)	1,867,090
Total Comprehensive Income for the Year							
Profit for the Period - Audited	-	-	389,123	-	-	-	389,123
Other Comprehensive income for the year							
Net Change in fair value of available-for-sale financial assets	-	-	-	(7,773)	-	-	(7,773)
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	2,991	-	(2,991)	-
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	-	-	2,172	-	2,172
Total Other Comprehensive Income for the Year				(4,782)	2,172	(2,991)	(5,601)
Total Comprehensive Income for the Year			389,123	(4,782)	2,172	(2,991)	385,522
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2012	-	-	(137,500)	-	-	-	(137,500)
Audited Balance as at 31st December 2013	50,000	1,177,875	941,820	1,427	2,172	(4,182)	2,113,112
Total Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	-	417,726	-	-	-	417,726
Share Issue Transactions cost	-	-	(500)	-	-	-	(500)
Other Comprehensive income for the Period							
Net Change in fair value of available-for-sale financial assets	-	-	-	47,093	-	-	47,093
Net Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	(44,930)	-	44,930	-
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income for the Period				2,163	(995)	44,930	46,098
Total Comprehensive Income for the Period			417,726	2,163	(995)	44,930	463,324
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2013 (Note A)	-	-	(162,500)	-	-	-	(162,500)
Unaudited balance as at 31st December 2014	50,000	1,177,875	1,196,546	3,590	1,177	40,748	2,415,936
Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2013 - 50 Million Ordinary Shares)							
Note A							
Dividend declared and paid during the period was not taken for calculation of Dividend Per Share in 2014 as it represents the dividend for 2013.							

Statement of Changes in Equity - Company

For the Year Ended 31st December 2014

	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Available for Sale Reserve Rs. '000	Other Reserves Rs. '000	Life Policyholders Reserves Fund Rs. '000	Total Equity Rs. '000
Audited balance as at 31st December 2012	50,000	1,171,875	690,197	6,209	-	(1,191)	1,867,090
Total Comprehensive Income for the Year							
Profit for the Period - Audited	-	-	388,123	-	-	-	388,123
Other Comprehensive Income for the year							
Net Change in fair value of available-for-sale financial assets	-	-	-	(7,773)	-	-	(7,773)
Net Change in fair value of available-for-sale financial assets	-	-	-	2,991	-	(2,991)	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	2,991	-	(2,991)	-
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	-	-	2,172	-	2,172
Total Other Comprehensive Income for the Year				(4,782)	2,172	(2,991)	(5,601)
Total Comprehensive Income for the Year				(4,782)	2,172	(2,991)	388,522
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2012	-	-	(137,500)	-	-	-	(137,500)
Audited Balance as at 31st December 2013	50,000	1,171,875	941,820	1,427	2,172	(4,182)	2,113,112
Total Comprehensive Income for the Year							
Profit for the Period - Unaudited	-	-	408,719	-	-	-	408,719
Other Comprehensive Income for the Year							
Net Change in fair value of available-for-sale financial assets	-	-	-	47,026	-	-	47,026
Net Change in fair value of available-for-sale financial assets	-	-	-	(44,930)	-	44,930	-
- Transferred to/from Profit or Loss - Life Fund	-	-	-	(44,930)	-	44,930	-
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	-	-	(995)	-	(995)
Total Other Comprehensive Income for the Period				2,096	(995)	44,930	46,031
Total Comprehensive Income for the Year				2,096	(995)	44,930	455,750
Transactions with owners recorded directly in equity							
Distributions to owners of the Company							
Dividend paid to equity holders for 2013 (Note A)	-	-	(162,500)	-	-	-	(162,500)
Unaudited balance as at 31st December 2014	50,000	1,171,875	1,188,039	3,523	1,177	40,748	2,406,362

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2013 - 50 Million Ordinary Shares)

Note A

Dividend declared and paid during the period was not taken for calculation of Dividend Per Share in 2014 as it represents the dividend for 2013.

Cash Flow Statement

<i>For the year ended 31st December,</i>	Note	Group	Company	
		2014	2014	2013
		Rs. '000 Unaudited	Rs. '000 Unaudited	Rs. '000 Audited
Cash Flows from Operating Activities				
		438,583	428,986	425,093
Adjustments for:				
		(808,970)	(801,831)	(766,566)
		(15,045)	(15,045)	(18,611)
		17,975	17,975	16,029
		40,330	40,330	36,808
		19,050	19,050	18,739
		(99,281)	(99,281)	(13,099)
		(108,823)	(105,785)	(53,411)
		174	174	(3,188)
		(516,007)	(515,427)	(358,206)
	A	(299,620)	(299,110)	(164,559)
	B	1,608,263	1,608,263	761,451
		792,636	793,726	238,686
		(5,189)	(5,189)	(2,290)
		787,447	788,537	236,396
Cash Flows from Investing Activities				
		(1,148,749)	(1,047,491)	(1,048,380)
		591,460	586,584	921,111
		15,228	15,228	18,168
		-	(100,000)	-
		(14,908)	(14,908)	(5,092)
		(38,629)	(38,629)	(54,238)
		310	310	4,329
		(595,289)	(598,907)	(164,101)
Cash Flows from Financing Activities				
		(162,500)	(162,500)	(137,500)
		(500)	-	-
		(163,000)	(162,500)	(137,500)
	C	29,158	27,130	(65,206)
		144,087	144,087	209,293
		173,245	171,217	144,087
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
		(19,160)	(19,160)	(12,944)
		(17,426)	(17,426)	(23,768)
		(56,870)	(56,870)	57,325
		(62,869)	(62,869)	(53,765)
		(143,295)	(142,785)	(131,407)
		(299,620)	(299,110)	(164,559)
B. Change in Operating Liabilities				
		116,172	116,172	(20,087)
		268,036	268,036	41,659
		1,214,158	1,214,158	722,251
		9,897	9,897	17,628
		1,608,263	1,608,263	761,451
C. Increase / (Decrease) in Cash and Cash Equivalents				
		173,245	171,217	144,087
		144,087	144,087	209,293
		29,158	27,130	(65,206)

Consolidated Statements of Comprehensive Income

For the Three Months Ended 31st December,

	Note	Group		Company	
		2014 Rs. '000 Unaudited	2014 Rs. '000 Unaudited	2013 Rs. '000 Unaudited	Change %
Gross Written Premium	8	1,214,170	1,214,170	1,001,705	21
Premium Ceded to Reinsurers		(165,173)	(165,173)	(124,540)	33
Net Written Premium		1,048,997	1,048,997	877,165	20
Net Change in Reserves for Unearned Premium		(35,997)	(35,997)	(32,928)	9
Net Earned Premium		1,013,000	1,013,000	844,237	20
Other Revenue					
Interest and Dividend Income	9	205,950	203,549	198,057	3
Net Realised Gains		86,590	86,590	43,473	99
Net Fair Value Gains		8,487	8,487	9,912	(14)
Fees and Commission Income		38,697	38,697	14,245	172
Other Income		5,046	5,046	6,075	(17)
		344,770	342,369	271,762	26
Net Income		1,357,770	1,355,369	1,115,999	21
Net Benefits, Claims and Expenses					
Net Insurance Benefits and Claims Paid		(429,501)	(429,501)	(347,644)	24
Net Change in Insurance Claims Outstanding		(14,372)	(14,372)	(4,757)	202
Change in Contract Liabilities - Life Fund		(131,495)	(131,495)	(105,733)	24
Other Operating and Administration Expenses		(395,982)	(395,408)	(312,032)	27
Underwriting and Net Acquisition Costs		(125,809)	(125,809)	(97,076)	30
Other Insurance Related Costs		(6,860)	(6,860)	(7,475)	(8)
Total Benefits, Claims and other Expenses		(1,104,019)	(1,103,445)	(874,717)	26
Profit Before Taxation		253,751	251,924	241,282	4
Income Tax Expenses / (Reversal)	10	5,732	5,734	(7,137)	180
Profit for the Period	11	259,483	257,658	234,145	10
Other Comprehensive Income					
<u>Investments classified as Available for Sale</u>					
- Net Change in fair value of available-for-sale financial assets		(13,454)	(13,408)	41,479	(132)
- Realized (Gains)/Loss transferred to Income Statement		(66,684)	(66,684)	(45,838)	45
- Net Change in fair value of available-for-sale financial assets (transferred to)/from Life Policyholders' Reserve		81,548	81,548	3,930	1,975
Remeasurement of Defined Benefit Plans		(995)	(995)	2,172	-
Total Other Comprehensive Income for the Period		415	461	1,743	(74)
Total Comprehensive Income for the Period		259,898	258,119	235,888	9
Profit Attributable to:					
Equity Holders of the Company		259,483			
Non Controlling Interest		-			
Total Comprehensive Income Attributable to:					
Equity Holders of the Company		259,898			
Basic Earnings Per Share (Rs.)	12	5.19			

Statement of Financial Position of The Life Insurance Fund - Supplemental

As at 31st December,	Note	2014 Rs. '000 Unaudited	2013 Rs. '000 Audited
Assets			
Financial Investments	3 (a)	5,545,833	4,270,216
Loans to Life Policyholders		71,082	53,656
Reinsurance Receivables		23,446	23,626
Premium Receivables		6,943	6,710
Other Assets		195,023	169,032
Cash and Cash Equivalents		88,482	74,705
Total Assets		5,930,809	4,597,945
Equity			
Life Policyholders' Reserve Fund	5	40,748	(4,182)
Other Reserves		(18,780)	928
Total Equity		21,968	(3,254)
Liabilities			
Insurance Contract Liabilities - Life	6	5,562,648	4,348,490
Employee Benefits		31,508	6,747
Reinsurance Creditors		30,921	24,849
Other Liabilities		283,764	221,114
Total Liabilities		5,908,841	4,601,199
Total Equity and Liabilities		5,930,809	4,597,945

Notes to the Condensed Consolidated Interim Financial Statements

1 Figures in the these Condensed Consolidated Interim Financial Statements for the year ended 31st December 2014 are provisional and unaudited.

2 These Condensed Consolidated Interim Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting and Auditing Standards, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka) and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and the listing rules of the Colombo Stock Exchange.

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2013 have been followed in preparation of these Condensed Consolidated Interim Financial Statements except for the change in accounting policy as explained in Note number 4.

New SLRFSs and interpretations issued but not yet effective have not been early adopted during the review period. Comparative information has been re-valued/re-classified where necessary, to conform to the current period recognition, measurement and presentations.

3 INVESTMENTS

	GROUP		COMPANY	
	As at	As at	As at	As at
	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Audited) Rs. '000	31st Dec 2013 (Audited) Rs. '000
Held-to-maturity financial assets, at amortised cost	782,667	782,667	931,681	
Loans & Receivables	5,408,961	5,322,047	4,745,789	
Available-for-sale financial assets	1,600,593	1,580,881	644,889	
Financial assets at fair value through profit or loss	485,674	485,674	334,079	
	8,277,895	8,171,269	6,656,438	

Notes to the Condensed Consolidated Interim Financial Statements

3 a) INVESTMENTS - GROUP/COMPANY

	LONG TERM INSURANCE	
	As at	As at
	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Audited) Rs. '000
Held-to-maturity financial assets, at amortised cost	530,353	630,292
Loans & Receivables	3,303,654	2,930,946
Available-for-sale financial assets	1,434,080	512,930
Financial assets at fair value through profit or loss	277,746	196,048
	5,545,833	4,270,216

4 INVESTMENT IN SUBSIDIARY

The Company incorporated a fully owned subsidiary, HNB General Insurance Ltd., on 30th January 2014 in order to transfer the General Insurance business w.e.f. 1st January 2015 in line with the requirement to segregate Life and General Insurance business as required by the RII (Amendment) Act No. 03 of 2011.

HNB Assurance PLC invested Rs.100 Million in line with the regulatory requirements in the said subsidiary Company on 20th March 2014. We invested a further Rs.900 Million in the Company on 1st January 2015 in order to meet its regulatory and business capital requirements. Accordingly, total Stated Capital of HNB General Insurance Ltd. is Rs. 1 Billion.

Having increased the capital and obtained all regulatory and other approvals, HNB Assurance PLC transferred its General Insurance business to HNB General Insurance Ltd, w.e.f. 1st January 2015 in line with the IBSL guidelines for segregation of Insurance companies. Relevant disclosures to Colombo Stock Exchange (CSE) were also made as appropriate.

Accordingly, HNB Assurance PLC is now a Life Insurance Company whilst HNB General Insurance Ltd. is a licenced General Insurance company 100% owned by HNB Assurance PLC.

4.1 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 has been adjusted to conform with the group's accounting policies when necessary.

5 LIFE POLICYHOLDERS' RESERVE FUND

Life Policyholders' Reserve Fund includes the initial impact of the implementation of new accounting standards w.e.f. 1st January 2012 and the Other Comprehensive Income in respect of Life Insurance related assets.

Notes to the Condensed Consolidated Interim Financial Statements

6 INSURANCE CONTRACT LIABILITIES - LIFE - GROUP/COMPANY

6 a) Insurance Contract Liabilities - Life

	As at 31st Dec 2014 (Unaudited) Rs. '000	As at 31st Dec 2013 (Audited) Rs. '000
Life Insurance Fund (Note 6.a.1)	5,464,009	4,271,736
Claims Outstanding	98,639	76,754
	<u>5,562,648</u>	<u>4,348,490</u>

6 a.1) Life Insurance Fund

The movement in the Life Insurance Fund is as follows:

Balance as at the beginning of the Period	4,271,736	3,546,907
Change in Contract Liabilities Life Fund		
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	1,420,294	906,318
Surplus Distributed to Shareholders	<u>(228,021)</u>	<u>(181,489)</u>
Increase in Life Insurance Fund	1,192,273	724,829
Balance as at the end of the period	<u>5,464,009</u>	<u>4,271,736</u>

6 b) Valuation of the Insurance Contract Liabilities - Life Fund was carried out by the Consultant Actuary for the year ended 31st December 2014 and ensured adequate provisions are made in these Condensed Consolidated Interim Financial Statements.

Group has recognised a profit of Rs.228 Million (2013 - Rs.181 Million) from the Life Insurance business based on the recommendations made by the Life Insurance Consultant Actuary Mr. M Poopalanathan, M/S Acturial and Management Consultants (Pvt.) Ltd.

6 c) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the Life Insurance Contract Liability was carried out by Mr. John C. Vieren, FSA, MAA, of M/S The Pinnacle Consulting Group Limited as at 31st December 2014 as required by SLFRS 4 - Insurance Contracts. According to the Consultant Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2014. No additional provisions was required against the LAT as at 31st December 2014.

6 d) As disclosed in note 5, unrealised gains and losses of Available for Sale finance assets of Life Insurance is included under Life Policyholders' Reserve Fund in Equity.

7 INSURANCE CONTRACT LIABILITIES - GENERAL

7 a) Insurance Contract Liabilities - General (Group / Company)

	As at 31st Dec 2014 (Unaudited) Rs. '000	As at 31st Dec 2013 (Audited) Rs. '000
Reserves for Net Unearned Premium	977,827	753,237
Reserves for Title Insurance	16,866	22,370
Reserves for Gross Outstanding Claims	284,445	235,495
Total	<u>1,279,138</u>	<u>1,011,102</u>

7 b) The valuation of the IBNR/IBNER was carried out by the Consultant Actuary for the period ended 31st December 2014 and have been ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

7 c) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for General Insurance contract liability was carried out by Mr. Matthew Maguire, FIAA, for and behalf of NMG Consulting as at 31st December 2014 as required by the SLFRS 4 - Insurance Contract. 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 31st December 2014. No additional provision was required against the LAT as at 31st December 2014.

Notes to the Condensed Consolidated Interim Financial Statements

8 GROSS WRITTEN PREMIUM - GROUP / COMPANY

	For the Year Ended		For the Three Months Ended	
	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Audited) Rs. '000	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Unaudited) Rs. '000
General Insurance				
Fire	344,070	317,718	80,230	75,107
Motor	1,668,421	1,286,666	474,947	353,463
Marine	33,807	23,311	11,716	1,933
Miscellaneous	276,454	235,488	47,423	54,439
General Insurance Gross Written Premium	2,322,751	1,863,183	614,316	484,942
Life Insurance				
Individual Policies	2,307,315	1,983,698	587,096	506,693
Corporate Policies	35,553	30,849	12,758	10,070
Life Insurance Gross Written Premium	2,342,867	2,014,547	599,854	516,763
Total Gross Written Premium	4,665,618	3,877,730	1,214,170	1,001,705

9 INTEREST AND DIVIDEND INCOME - GROUP

	For the Year Ended	For the Three Months Ended
	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2014 (Unaudited) Rs. '000
Interest Income	808,970	203,672
Dividend Income	15,045	2,278
Total	824,015	205,950

9.a INTEREST AND DIVIDEND INCOME - COMPANY

	For the Year Ended		For the Three Months Ended	
	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Audited) Rs. '000	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Unaudited) Rs. '000
Interest Income	801,831	766,566	201,271	196,241
Dividend Income	15,045	18,611	2,278	1,816
Total	816,876	785,177	203,549	198,057

10 INCOME TAX EXPENSES

The Company and the Group is liable to pay income tax at the rate of 28% (2013 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

11 SEGMENTAL PROFIT AFTER TAX- GROUP

Insurance Segment	For the Year Ended	For the Three Months Ended
	31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2014 (Unaudited) Rs. '000
General Insurance*	189,704	31,461
Life Insurance	228,022	228,022
Total	417,726	259,483

*General Insurance profit includes the profit of the subsidiary (HNB General Insurance Ltd.) of Rs. 8 Million

Notes to the Condensed Consolidated Interim Financial Statements

11.a SEGMENTAL PROFIT AFTER TAX - COMPANY

Insurance Segment	For the Year Ended		For the Three Months Ended	
	31st Dec 2014 (Unaudited)	31st Dec 2013 (Audited)	31st Dec 2014 (Unaudited)	31st Dec 2013 (Unaudited)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
General Insurance	181,697	207,633	29,636	52,655
Life Insurance	228,022	181,490	228,022	181,490
Total	409,719	389,123	257,658	234,145

12 BASIC EARNINGS PER SHARE (EPS)

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

	Group		Company		
	For the Year Ended 31st Dec 2014 (Unaudited)	For the Three Months Ended 31st Dec 2014 (Unaudited)	For the Year Ended 31st Dec 2014 (Unaudited)	For the Year Ended 31st Dec 2013 (Audited)	For the Three Months Ended 31st Dec 2013 (Unaudited)
	Profit for the period (Rs. '000)	417,726	259,483	409,719	389,123
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	8.35	5.19	8.19	7.78	4.68

13 RELATED PARTY DISCLOSURE

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

Nature of Transaction For the Year Ended		31st Dec 2014 (Unaudited) Rs. '000	31st Dec 2013 (Audited) Rs. '000
Insurance Premium	General	11,428	7,494
	Life	14,644	10,002
Investment Income	General	6,039	4,343
	Life	20,421	9,903
Administration Expenses	General	91,784	69,526
	Life	64,174	31,284
Claims Incurred	General	9,839	4,880
Rent and other Expenses		49,383	36,603
Dividend Paid		97,477	82,481
Nature of Transaction		As at 31st Dec 2014 (Unaudited) Rs. '000	As at 31st Dec 2013 (Audited) Rs. '000
Investments Balance (Includes Deposits and Debentures)	General	113,137	118,788
	Life	118,943	99,553
Cash at Bank Balances	General	86,975	74,959
	Life	126,991	97,095

b) Transactions with Key Management Personnel of the Company or its Parent Hatton National Bank PLC

Mr. J E P A de Silva, a Director of HNB Assurance PLC resigned from the Board w.e.f. 21st May 2014. However, he continues to be a Key Management Person of HNB General Insurance Ltd. since he has been appointed as a Director of the Company w.e.f. 2nd June 2014. Also Dr. Sivakumar Selliah was appointed to the Board w.e.f. 17th June 2014. Accordingly, he has been considered as a Key Management Person of the Company w.e.f. 17th June 2014.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2013 except for the above change.

Notes to the Condensed Consolidated Interim Financial Statements

14 EVENTS OCCURRING AFTER THE REPORTING DATE

14.a Transfer of General Insurance Business to HNB General Insurance Ltd.

As noted in Note 4 above, the Company transferred its General Insurance Business to the new fully owned subsidiary company HNB General Insurance Ltd w.e.f. 1st January 2015 in line with the segregation guidelines issued by the Insurance Board of Sri Lanka (IBSL).

Accordingly, HNB Assurance PLC has become a Life Insurance Company w.e.f. 1st January 2015 and HNB General Insurance Ltd, is a licenced General Insurance Company. More details on the segregation of the Insurance businesses will be included in the Annual Report 2014.

14.b Proposed Dividend

The Board of Directors has recommended the payment of a first and final dividend of Rs. 3.75 per share for the year ended 31st December 2014 (2013-Rs.3.25 per share) which is to be approved at the Annual General Meeting to be held on the 27th March 2015.

14.c There have been no material events occurring after the Reporting date that require adjustments to or disclosure in the Condensed Consolidated Interim Financial Statements other than the above.

15 CAPITAL COMMITMENTS AND CONTINGENCIES

a) As at the end of the interim period, no material capital expenditure approved by the Board and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements. (2013 - Nil)

b) Future commitments on operating leases

	As at 31st Dec 2014 (Unaudited) Rs. '000	As at 31st Dec 2013 (Audited) Rs. '000
Less than one year	18,246	20,869
Between one and five years	28,067	42,832
More than five years	-	979
Total Operating Lease Commitments	<u>46,313</u>	<u>64,680</u>

c) The Company has received a VAT Assessment on Reinsurance Claims and Commissions for the year of Assessment 2010/2011. This has been a common assessment to most of the Insurance Companies who are in the General Insurance business by Inland Revenue Department.

The Company has filed due responses in consultation with Tax Consultants and is of the strong view that no additional Tax liabilities are arising due to this Assessment. We have not received any response to our reply as of the date of authorising these Condensed Consolidated Interim Financial Statements.

Also, VAT on Reinsurance Claims and Commissions have been exempted by the Inland Revenue Department w.e.f. 1st January 2011. This is an indication that realisation of this liability is remote.

d) In the opinion of the Directors, and in consultation with the Company Lawyers, litigations currently pending against the Company would not have a material impact on the reported Interim Financial results of the Company. All pending litigations for claims have been evaluated and adequate provisions have been made in these Condensed Consolidated Interim Financial Statements where necessary.

Share Information

Top 20 Shareholders

Name of the Shareholder	As at 31st December 2014	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99
02 The Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00
03 Mercantile Merchant Bank Ltd.	913,265	1.83
04 Janashakthi General Insurance Ltd.	824,425	1.65
05 Bank of Ceylon A/c Ceybank Century Growth Fund	605,090	1.21
06 Mr. Mohamed Faizer Hashim	530,534	1.06
07 Salamander Investments (Pvt) Ltd.	475,000	0.95
08 Arunodhaya Industries (Pvt) Ltd.	400,000	0.80
09 Arunodhaya (Pvt) Ltd.	400,000	0.80
10 Arunodhaya Investments (Pvt) Ltd.	400,000	0.80
11 Union Assurance PLC/No. 1 A/c	336,266	0.67
12 Waldock Mackenzie Ltd/Mr S.N.P.Palihena and Mrs. A.S. Palihena	300,000	0.60
13 Phoenix Ventures Ltd.	260,000	0.52
14 Corporate Holdings (Pvt) Ltd.	242,700	0.49
15 Mr. Kailasapillai Viswanathar	200,000	0.40
16 Mrs. Kailasapillai Abiramipillai	200,000	0.40
17 Miss. Subramaniam Sivamalar	200,000	0.40
18 Mr.Aravinthan Kailasapillai	200,000	0.40
19 Andysel Private Limited	200,000	0.40
20 Mrs.Selliah Arunthathi	200,000	0.40
	<u>38,880,280</u>	<u>77.77</u>

Public Shareholding

	As at 31st December 2014	
	No. of Shares	% on Issued Shares
Number of Shares	19,570,222	39.14

	As at 31st December 2014	
	No.	% on Total No. of shareholders
Number of Shareholders	3,467	99.63

Share Information (Contd.)

Directors' Shareholdings

Name of the Director	No. of Shares as at 31st December 2014	No. of Shares as at 31st December 2013
Dr. Ranee Jayamaha - <i>(Chairperson)</i>	100	100
Mr. Manjula de Silva - <i>(Managing Director / Chief Executive Officer)</i>	38,332	38,332
Mr. M U de Silva	3,000	3,000
Mr. Sarath Ratwatte	14,666	14,666
Mr. A J Alles	1,000	1,000
Mr. J A P M Jayasekara	5,000	5,000
Mr. K Balasundaram	10,000	10,000
Mr. D P N Rodrigo	180	180
Mrs. S N Wickramasinghe	52,500	52,500
Dr. S Selliah	100,000	Not Applicable
Mr. J E P A de Silva (Resigned w.e.f. 21st May 2014)	Not Applicable	1,332

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 31st December 2014	48.28
Highest Price Per Share for the Interim Period	98.00
Lowest Price Per Share for the Interim Period	80.00
Last traded Price Per Share as at 31st December 2014	83.50