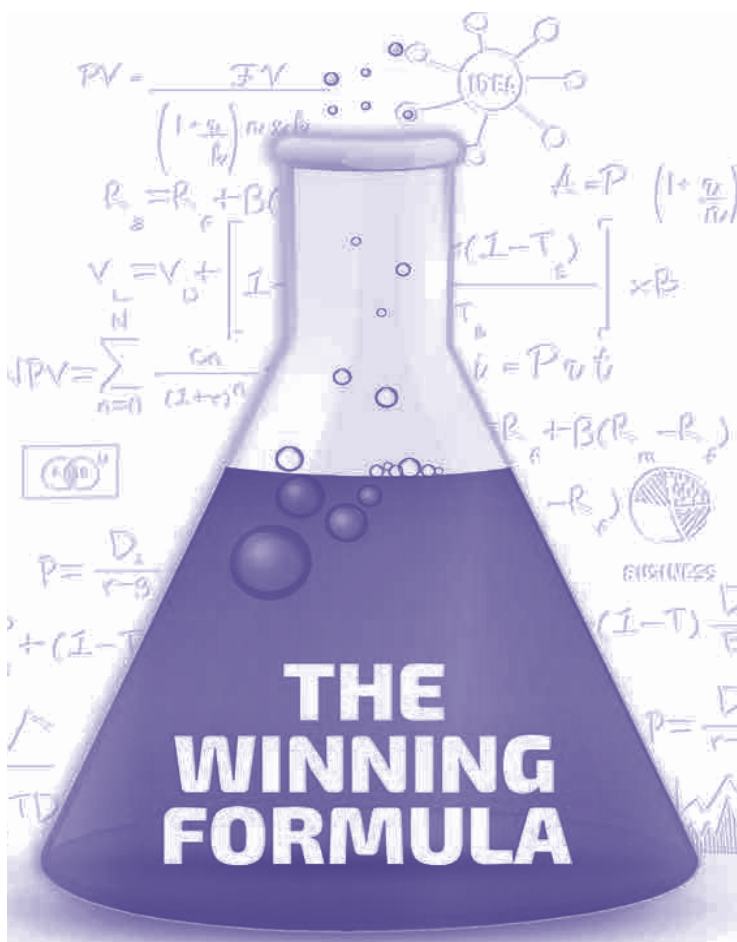




**HNB
ASSURANCE**

HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
30th September 2018



Statement of Financial Position

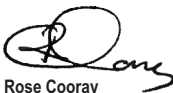
As at,	Note	Group		Company	
		Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Assets					
Property, Plant and Equipment		158,747	169,620	108,677	119,078
Intangible Assets		57,289	57,841	55,974	57,841
Deferred Tax Assets		38,702	64,098	-	-
Financial Investments	3	17,085,336	15,054,910	14,366,222	12,741,015
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		215,327	162,285	215,327	162,285
Reinsurance Receivables		413,101	569,778	48,266	65,010
Premium Receivables		809,538	786,319	10,460	7,488
Other Assets		1,199,722	1,036,846	871,940	764,256
Insurance Contract - Deferred Expenses		142,501	105,287	-	-
Cash and Cash Equivalents		537,042	641,950	216,722	352,307
Total Assets		20,657,305	18,648,934	17,043,588	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		2,631,830	2,381,427	2,462,950	2,373,601
Available for Sale Reserve		6,911	30,685	6,043	17,415
Other Reserves		(13,004)	(10,760)	(12,128)	(9,884)
Life Policyholders' Available for Sale Reserve Fund	5	3,208	223,272	3,208	223,272
Restricted Regulatory Reserve	6	381,156	-	381,156	-
Total Equity		4,181,976	3,796,499	4,013,104	3,776,279
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	12,211,612	10,915,858	12,211,612	10,915,858
Insurance Contract Liabilities - General Insurance	8	2,554,327	2,384,906	-	-
Employee Defined Benefit Liabilities		143,196	126,083	87,891	73,875
Current Tax Liabilities		78,722	34,598	34,588	-
Reinsurance Creditors		366,361	353,042	102,308	90,650
Other Liabilities		958,309	896,288	533,178	529,862
Bank Overdraft		162,802	141,660	60,907	32,756
Total Liabilities		16,475,329	14,852,435	13,030,484	11,643,001
Total Equity and Liabilities		20,657,305	18,648,934	17,043,588	15,419,280

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

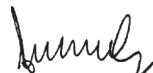


Indika Perera
Chief Financial Officer

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
26th October 2018

Statement of Profit or Loss and Other Comprehensive Income

Group		Group		Company		Change	
Year Ended 31 st Dec 2017 (Audited) Rs. '000	For Nine Months Ended 30th September,	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	Group %	Company %
7,821,468	Gross Written Premium	6,536,060	5,805,626	3,245,547	2,918,895	13	11
(1,100,573)	Premium Ceded to Reinsurers	(787,787)	(785,479)	(158,219)	(138,134)	0.3	15
6,720,895	Net Written Premium	5,748,273	5,020,147	3,087,328	2,780,761	15	11
(328,818)	Net Change in Reserves for Unearned Premium	(264,276)	(333,050)	-	-	(21)	-
6,392,077	Net Earned Premium	5,483,997	4,687,097	3,087,328	2,780,761	17	11
	Other Revenue						
1,693,191	Interest and Dividend Income	1,384,989	1,165,886	1,168,400	982,574	19	19
33,128	Net Realised Gains	64,525	16,623	59,140	12,616	288	369
9,704	Net Fair Value (Losses)/Gains	(10,238)	14,323	(21,480)	12,197	(171)	(276)
129,099	Fee and Commission Income	112,956	116,316	64,168	50,538	(3)	27
46,735	Other Income	25,043	31,453	11,093	18,811	(20)	(41)
1,911,857	Total Other Revenue	1,577,275	1,344,601	1,281,321	1,076,736	17	19
8,303,934	Net Income	7,061,272	6,031,698	4,368,649	3,857,497	17	13
	Net Benefits, Claims and Expenses						
(2,293,406)	Net Insurance Benefits and Claims	(2,387,550)	(1,662,991)	(796,473)	(403,832)	44	97
(2,166,427)	Change in Contract Liabilities - Life Fund	(1,655,554)	(1,923,840)	(1,655,554)	(1,923,840)	(14)	(14)
-	Change in Contract Liability due to Transfer of One-off Surplus	381,156	-	381,156	-	100	100
(1,839,018)	Other Operating and Administration Expenses	(1,515,339)	(1,348,396)	(836,599)	(742,448)	12	13
(1,028,872)	Underwriting and Net Acquisition Costs	(834,597)	(752,082)	(628,856)	(607,129)	11	4
(49,184)	Other Insurance Related Costs	(44,067)	(37,694)	(27,230)	(23,419)	17	16
(7,376,907)	Total Benefits, Claims and Other Expenses	(6,055,951)	(5,725,003)	(3,563,556)	(3,700,668)	6	(4)
927,027	Profit Before Taxation	1,005,321	306,695	805,093	156,829	228	413
(17,275)	Income Tax Expenses	(73,762)	(24,776)	(34,588)	-	198	100
909,752	Profit for the Period	931,559	281,919	770,505	156,829	230	391
	Other Comprehensive Income, Net of Related Tax						
	Items that are or may be reclassified to profit or loss						
489,495	- Net Change in fair value of Available For Sale financial assets	(185,075)	462,186	(173,010)	434,598	(140)	(140)
(30,485)	- Realised Gains transferred to Income Statement	(63,007)	(15,211)	(58,426)	(12,658)	314	362
(414,403)	- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholders' Available For Sale Reserve Fund	220,064	(398,026)	220,064	(398,026)	155	155
(6,770)	- Related Tax	4,244	(6,483)	-	-	165	-
	Items that will never be reclassified to profit or loss						
(12,550)	Actuarial Losses on Defined Benefit Plans	(2,244)	-	(2,244)	-	(100)	(100)
25,287	Total Other Comprehensive Income for the Period net of Related Tax	(26,018)	42,466	(13,616)	23,914	(161)	(157)
935,039	Total Comprehensive Income for the Period	905,541	324,385	756,889	180,743	179	319
	Profit Attributable to:						
909,752	Equity Holders of the Parent	931,559	281,919	-	-	230	-
	Total Comprehensive Income Attributable to:						
935,039	Equity Holders of the Parent	905,541	324,385	-	-	179	-
18.20	Basic Earnings Per Share (Rs.)	18.63	5.64	15.41	3.14	230	391
-	Basic Earnings Per Share -Excluding One-off Surplus (Rs.)	11.01	5.64	7.79	3.14	95	148

Statement of Changes in Equity - Group

For the Period Ended 30th September 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	-	281,919	-	-	-	-	281,919
Other Comprehensive Income for the Period, net of related tax							
Net Change in fair value of Available For Sale financial assets	-	-	440,492	-	-	-	440,492
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(398,026)	-	-	-	(398,026)
Total Other Comprehensive Income for the Period	-	-	42,466	-	-	-	42,466
Total Comprehensive Income for the Period	-	281,919	42,466	-	-	-	324,385
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve Fund	-	-	-	-	398,026	-	398,026
Transactions with owners recorded directly in equity							
Dividend to equity holders for 2016	-	(250,000)	-	-	-	-	(250,000)
Unaudited balance as at 30th September 2017	1,171,875	1,755,584	35,314	1,790	206,895	-	3,169,468
Total Comprehensive Income for the Period							
Profit for the period - Unaudited	-	627,833	-	-	-	-	627,833
Other Comprehensive Income for the Period, net of related tax							
Net Change in fair value of Available For Sale financial assets	-	-	11,748	-	-	-	11,748
Net Change in fair value of Available For Sale financial assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(16,377)	-	-	-	(16,377)
Actuarial Losses on Defined Benefit Plans	-	-	-	(12,550)	-	-	(12,550)
Total Other Comprehensive Income for the Period	-	-	(4,629)	(12,550)	-	-	(17,179)
Total Comprehensive Income for the Period	-	627,833	(4,629)	(12,550)	-	-	610,654
Net Change in fair value of Available For Sale financial assets - transferred from Available For Sale Reserve Fund	-	-	-	-	16,377	-	16,377
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	-	550,403	-	-	-	381,156	931,559
Other Comprehensive Income for the Period, net of related tax							
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 - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	220,064	(2,244)	-	-	217,820
Actuarial Losses on Defined Benefit Plans	-	-	-	(2,244)	-	-	(2,244)
Total Other Comprehensive Income for the period	-	-	(23,774)	(2,244)	-	-	(26,018)
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 - transferred from Available For Sale Reserve Fund	-	-	-	-	(220,064)	-	(220,064)
Transactions with owners recorded directly in equity							
Dividend paid to equity holders for 2017	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th September 2018	1,171,875	2,631,830	6,911	(13,004)	3,208	381,156	4,181,976

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

Statement of Changes in Equity - Company

For the Period Ended 30th September 2018,

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserves	Policyholders' AFS Reserve Fund	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	-	156,829	-	-	-	-	156,829
Profit for the Period - Unaudited	-	156,829	-	-	-	-	156,829
Other Comprehensive Income for the Period, net of related tax	-	-	421,940	-	-	-	421,940
Net Change in fair value of Available For Sale financial assets	-	-	421,940	-	-	-	421,940
Net Change in fair value of Available For Sale financial assets	-	-	(398,026)	-	-	-	(398,026)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	23,914	-	-	-	23,914
Total Other Comprehensive Income for the Period	-	-	23,914	-	-	-	23,914
Total Comprehensive Income for the Period	-	156,829	23,914	-	-	-	180,743
Net Change in fair value of Available For Sale financial assets	-	-	-	-	398,026	-	398,026
- transferred from Available For Sale Reserve Fund	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	(250,000)	-	-	-	-	(250,000)
Distributions to owners of the Company	-	(250,000)	-	-	-	-	(250,000)
Dividend paid to equity holders for 2016	-	(250,000)	-	-	-	-	(250,000)
Unaudited balance as at 30th September 2017	1,171,875	1,804,765	22,449	(1,886)	206,895	-	3,204,098
Total Comprehensive Income for the Period	-	568,836	-	-	-	-	568,836
Profit for the Period - Unaudited	-	568,836	-	-	-	-	568,836
Other Comprehensive Income for the Period, net of related tax	-	-	11,343	-	-	-	11,343
Net Change in fair value of Available For Sale financial assets	-	-	11,343	-	-	-	11,343
Net Change in fair value of Available For Sale financial assets	-	-	(16,377)	-	-	-	(16,377)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(16,377)	-	-	-	(16,377)
Actual Losses on Defined Benefit Plans	-	-	(5,034)	(7,998)	-	-	(13,032)
Total Other Comprehensive Income for the Period	-	-	(5,034)	(7,998)	-	-	(13,032)
Total Comprehensive Income for the Period	-	568,836	(5,034)	(7,998)	-	-	355,804
Net Change in fair value of Available For Sale financial assets	-	-	-	-	16,377	-	16,377
- transferred from Available For Sale Reserve Fund	-	-	-	-	-	-	-
Audited balance as at 31st December 2017	1,171,875	2,375,601	17,415	(9,884)	223,272	-	3,776,279
Balance as at 01st January 2018	1,171,875	2,375,601	17,415	(9,884)	223,272	-	3,776,279
Profit for the period - Unaudited	-	385,349	-	-	-	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	-	-	(231,436)	-	-	-	(231,436)
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	-	-	220,064	(2,244)	-	-	220,064
Actual Losses on Defined Benefit Plans	-	-	(11,372)	(2,244)	-	-	(13,616)
Total Other Comprehensive Income for the Period	-	-	(11,372)	(2,244)	-	-	(13,616)
Total Comprehensive Income for the Period	-	385,349	(11,372)	(2,244)	-	381,156	756,889
Net Change in fair value of Available For Sale financial assets	-	-	-	-	(220,064)	-	(220,064)
- transferred from Available For Sale Reserve Fund	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	(300,000)	-	-	-	-	(300,000)
Distributions to owners of the Company	-	(300,000)	-	-	-	-	(300,000)
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

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

Statement of Cash Flows

<i>For the Period Ended 30th September ,</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		1,005,321	306,695	805,093	156,829
<i>Adjustments for:</i>					
Interest Income	10	(1,381,395)	(1,158,477)	(1,165,330)	(976,490)
Dividend Income	10	(3,594)	(7,409)	(3,070)	(6,084)
Amortisation of Intangible Assets		14,604	13,958	14,519	13,958
Depreciation		37,191	39,841	26,078	27,971
Provision for Employee Benefits		26,528	19,918	15,791	11,537
Net Realised Gains		(64,525)	(16,623)	(59,140)	(12,616)
Net Fair Value Losses/(Gains)		10,238	(14,323)	21,480	(12,197)
Gains on Sale of Property, Plant and Equipment		(345)	(6,431)	(338)	(6,035)
		(355,977)	(822,851)	(344,917)	(803,127)
Change in Operating Assets	A	(98,256)	(456,297)	(147,280)	(100,109)
Change in Operating Liabilities	B	1,533,604	2,484,585	1,310,728	1,933,202
Cash Flows from Operating Activities		1,079,371	1,205,437	818,531	1,029,966
Gratuity Paid		(11,659)	(4,186)	(4,019)	(2,311)
Economic Service Charges (ESC) Paid		(15,001)	(12,294)	-	-
Net Cash Generated from Operating Activities		1,052,711	1,188,957	814,512	1,027,655
Cash Flows from Investing Activities					
Net Acquisition of Investment Securities		(2,103,558)	(2,266,225)	(1,713,255)	(1,891,973)
Interest Received		1,260,732	1,004,922	1,059,602	847,241
Dividend Received		4,088	8,175	3,396	6,645
Acquisition of Intangible Assets		(14,052)	(10,306)	(12,652)	(10,306)
Acquisition of Property, Plant and Equipment		(28,319)	(49,418)	(16,857)	(34,743)
Proceeds from the Sale of Property, Plant and Equipment		2,348	11,134	1,518	8,953
Net Cash Used in Investing Activities		(878,761)	(1,301,718)	(678,248)	(1,074,183)
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		(126,050)	(362,761)	(163,736)	(296,528)
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		374,240	262,766	155,815	180,044
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Increase in Deferred Expenses		(37,214)	(36,417)	-	-
Increase in Loans to Life Policyholders		(53,042)	(29,195)	(53,042)	(29,195)
Decrease/(Increase) in Reinsurance Receivables		156,677	(202,199)	16,744	(14,601)
Increase in Premium Receivables		(23,219)	(47,629)	(2,972)	(1,729)
Increase in Other Assets		(141,458)	(140,857)	(108,010)	(54,584)
		(98,256)	(456,297)	(147,280)	(100,109)
B. Change in Operating Liabilities					
Increase/(Decrease) in Other Liabilities		55,110	(11,591)	3,316	(46,640)
Increase in Insurance Contract Liabilities - Life Insurance		1,295,754	1,903,926	1,295,754	1,903,926
Increase in Insurance Contract Liabilities - General Insurance		169,421	585,449	-	-
Increase in Reinsurance Creditors		13,319	6,801	11,658	75,916
		1,533,604	2,484,585	1,310,728	1,933,202

Statement of Profit or Loss and Other Comprehensive Income

For Three Months Ended 30th September,	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	2,277,765	2,000,395	1,184,149	999,758	14	18
Premium Ceded to Reinsurers		(256,098)	(237,356)	(54,233)	(46,522)	8	17
Net Written Premium		2,021,667	1,763,039	1,129,916	953,236	15	19
Net Change in Reserves for Unearned Premium		(58,946)	(124,029)	-	-	(52)	-
Net Earned Premium		1,962,721	1,639,010	1,129,916	953,236	20	19
Other Revenue							
Interest and Dividend Income	10	480,319	422,475	403,648	355,962	14	13
Net Realised Gains		29,206	8,681	29,206	7,670	236	281
Net Fair Value (Losses)/Gains		(449)	(5,527)	(8,582)	(3,640)	(92)	136
Fee and Commission Income		32,409	27,441	14,665	9,945	18	47
Other Income		7,744	9,485	4,463	7,818	(18)	(43)
Total Other Revenue		549,229	462,555	443,400	377,755	19	17
Net Income		2,511,950	2,101,565	1,573,316	1,330,991	20	18
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(939,108)	(623,989)	(403,205)	(167,800)	51	140
Change in Contract Liabilities - Life Fund		(593,616)	(686,818)	(593,616)	(686,818)	(14)	(14)
Other Operating and Administration Expenses		(511,964)	(448,766)	(281,107)	(249,273)	14	13
Underwriting and Net Acquisition Costs		(284,437)	(257,030)	(211,393)	(201,707)	11	5
Other Insurance Related Costs		(15,113)	(11,415)	(9,672)	(6,164)	32	57
Total Benefits, Claims and Other Expenses		(2,344,238)	(2,028,018)	(1,498,993)	(1,311,762)	16	14
Profit Before Taxation		167,712	73,547	74,323	19,229	128	287
Income Tax (Expenses)/Reversals	11	(41,203)	32,192	(17,337)	37,595	(228)	(146)
Profit for the Period	12	126,509	105,739	56,986	56,824	20	0.3
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		(63,677)	299,721	(59,057)	280,269	(121)	(121)
- Realised Gains transferred to Income Statement		(29,206)	(21,447)	(29,206)	(17,106)	36	71
- Net Change in fair value of Available For Sale financial assets transferred to Life Policyholder's Available For Reserve Fund		86,489	(246,703)	86,489	(246,703)	135	135
- Related Tax	11	1,173	(8,436)	-	-	114	-
Total Other Comprehensive Income for the Period, net of related tax		(5,221)	23,135	(1,774)	16,460	(123)	(111)
Total Comprehensive Income for the Period		121,288	128,874	55,212	73,284	(6)	(25)
Profit Attributable to:							
Equity Holders of the Parent		126,509	105,739	-	-	20	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Parent		121,288	128,874	-	-	(6)	-
Basic Earnings Per Share (Rs.)	13	2.53	2.11	1.14	1.14	20	0.3

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th September 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	108,677	50,070	119,078	50,542
Intangible Assets	55,974	1,315	57,841	-
Deferred Tax Assets	-	38,702	-	64,098
Financial Investments	14,366,222	2,719,114	12,741,015	2,313,895
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	215,327	-	162,285	-
Reinsurance Receivables	48,266	364,835	65,010	504,768
Premium Receivables	10,460	799,078	7,488	778,831
Other Assets	871,940	348,129	764,256	278,711
Insurance Contract - Deferred Expenses	-	142,501	-	105,287
Cash and Cash Equivalents	216,722	320,320	352,307	289,643
Total Assets	17,043,588	4,784,064	15,419,280	4,385,775
Liabilities				
Insurance Contract Liabilities - Life Insurance	12,211,612	-	10,915,858	-
Insurance Contract Liabilities - General Insurance	-	2,554,327	-	2,384,906
Employee Defined Benefit Liabilities	87,891	55,305	73,875	52,208
Current Tax Liabilities	34,588	44,134	-	34,598
Reinsurance Creditors	102,308	264,053	90,650	262,392
Other Liabilities	533,178	445,478	529,862	372,547
Bank Overdraft	60,907	101,895	32,756	108,904
Total Liabilities	13,030,484	3,465,192	11,643,001	3,215,555

Operating Segment Information - Profitability

For the Nine Months Ended,	Unaudited		Unaudited	
	30th September 2018		30th September 2017	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	3,245,547	3,317,837	2,918,895	2,911,453
Premium Ceded to Reinsurers	(158,219)	(629,568)	(138,134)	(647,345)
Net Written Premium	3,087,328	2,688,269	2,780,761	2,264,108
Net Change in Reserves for Unearned Premium	-	(264,276)	-	(333,050)
Net Earned Premium	3,087,328	2,423,993	2,780,761	1,931,058
Other Revenue				
Interest and Dividend Income	1,168,400	216,589	982,574	183,312
Net Realised Gains	59,140	5,385	12,616	4,007
Net Fair Value (Losses)/Gains	(21,480)	11,242	12,197	2,126
Fee and Commission Income	64,168	59,545	50,538	75,554
Other Income	11,093	13,950	18,811	12,642
Total Other Revenue	1,281,321	306,711	1,076,736	277,641
Net Income	4,368,649	2,730,704	3,857,497	2,208,699
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(796,473)	(1,591,901)	(403,832)	(1,259,544)
Change in Contract Liabilities - Life Fund	(1,655,554)	-	(1,923,840)	-
Change in Contract Liability due to Transfer of One-off Surplus	381,156	-	-	-
Other Operating and Administration Expenses	(836,599)	(709,242)	(742,448)	(633,627)
Underwriting and Net Acquisition Cost	(628,856)	(212,496)	(607,129)	(151,387)
Other Insurance Related Cost	(27,230)	(16,837)	(23,419)	(14,275)
Total Benefits, Claims and other Expenses	(3,563,556)	(2,530,476)	(3,700,668)	(2,058,833)
Profit Before Taxation	805,093	200,228	156,829	149,866
Income Tax Expenses	(34,588)	(39,174)	-	(24,776)
Profit for the Period	770,505	161,054	156,829	125,090

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 26th October 2018.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th September 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 09 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1st 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 09 for annual periods beginning before 1st 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 09 for annual periods beginning before 1st 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 Sep 2018	31st Dec 2017	30th Sep 2018	31st Dec 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	-	180,460	-	180,460
Loans and Receivables	10,495,908	8,417,430	8,579,136	6,789,740
Available for Sale Financial Assets	6,499,469	6,326,735	5,710,880	5,659,291
Financial Assets at Fair value Through Profit or Loss	89,959	130,285	76,206	111,524
Total Financial Investments	17,085,336	15,054,910	14,366,222	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 Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 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 7 (c) 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 September 2018

Based on the direction 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 Sep 2018 (Rs. '000)
Term Deposits	396,510

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Life Insurance Fund (Note 7a)	12,075,219	10,800,821	12,075,219	10,800,821
Claims Outstanding	136,393	115,037	136,393	115,037
Total Insurance Contract Liabilities	12,211,612	10,915,858	12,211,612	10,915,858

Notes to the Condensed Consolidated Interim Financial Statements

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE (Contd.)

As at,	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 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	1,865,326	2,684,985	1,865,326	2,684,985
Surplus Distributed to Shareholders	(209,772)	(518,558)	(209,772)	(518,558)
Increase in Life Insurance Fund	1,655,554	2,166,427	1,655,554	2,166,427
Balance as at the end of the period	12,075,219	10,800,821	12,075,219	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 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" 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 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 directions of IRCSL.

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

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.

Notes to the Condensed Consolidated Interim Financial Statements

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Reserves for Net Unearned Premium	1,846,863	1,592,450	-	-
Reserves for Title Insurance	44,703	34,840	-	-
Reserves for Gross Outstanding Claims	662,761	757,616	-	-
Total Insurance Contract Liabilities	2,554,327	2,384,906	-	-

8 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 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 Consultant Actuary for and on 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.

9 GROSS WRITTEN PREMIUM

Group	Audited 31st Dec 2017 Rs. '000	For the Nine Months Ended,	Group		Company	
			Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
Life Insurance						
3,891,527		Individual Policies	3,215,555	2,855,337	3,215,555	2,855,337
72,115		Corporate Policies	29,992	63,558	29,992	63,558
(25,632)		Adjustment for Inter Company Premiums	(22,418)	(17,621)	-	-
3,938,010		Life Insurance Gross Written Premium	3,223,129	2,901,274	3,245,547	2,918,895
General Insurance						
539,350		Fire	438,628	420,893	-	-
2,849,042		Motor	2,552,384	2,162,476	-	-
57,451		Marine	57,029	40,928	-	-
460,660		Miscellaneous	269,796	287,156	-	-
(23,045)		Adjustment for Inter Company Premiums	(4,906)	(7,101)	-	-
3,883,458		General Insurance Gross Written Premium	3,312,931	2,904,352	-	-
7,821,468		Total Gross Written Premium	6,536,060	5,805,626	3,245,547	2,918,895

Notes to the Condensed Consolidated Interim Financial Statements

9 GROSS WRITTEN PREMIUM (Contd.)

	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Three Months Ended,</i>				
Life Insurance				
Individual Policies	1,175,316	991,259	1,175,316	991,259
Corporate Policies	8,833	8,499	8,833	8,499
Adjustment for Inter Company Premiums	(8,015)	(7,255)	-	-
Life Insurance Gross Written Premium	1,176,134	992,503	1,184,149	999,758
General Insurance				
Fire	122,305	125,590	-	-
Motor	873,667	787,940	-	-
Marine	22,263	15,017	-	-
Miscellaneous	84,032	81,549	-	-
Adjustment for Inter Company Premiums	(636)	(2,204)	-	-
General Insurance Gross Written Premium	1,101,631	1,007,892	-	-
Total Gross Written Premium	2,277,765	2,000,395	1,184,149	999,758

10 INTEREST AND DIVIDEND INCOME

	Group		Group		Company	
			Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>						
1,684,689	Audited 31st Dec 2017 Rs. '000	Interest Income	1,381,395	1,158,477	1,165,330	976,490
8,502		Dividend Income	3,594	7,409	3,070	6,084
1,693,191	Total		1,384,989	1,165,886	1,168,400	982,574

	Group		Group		Company	
			Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Three Months Ended,</i>						
Interest Income			479,546	419,359	403,044	353,303
Dividend Income			773	3,116	604	2,659
Total			480,319	422,475	403,648	355,962

11 INCOME TAX EXPENSES

	Group		Group		Company	
			Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>						
(34,600)		Income Tax on Current Period's Profits	(44,123)	(24,776)	(34,588)	-
(621)		Under Provision of Current Taxes in respect of Prior Years	-	-	-	-
17,946		Deferred Income Tax - Profit or Loss	(29,639)	-	-	-
(17,275)	Total Tax charge in Profit or Loss		(73,762)	(24,776)	(34,588)	-
(6,770)		Deferred Income Tax - Other Comprehensive Income	4,244	(6,483)	-	-
(6,770)	Total Tax charge in Other Comprehensive Income		4,244	(6,483)	-	-

Notes to the Condensed Consolidated Interim Financial Statements

11 INCOME TAX EXPENSES (Contd.)

	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Three Months Ended,</i>				
Current Tax Charge	(17,337)	(5,403)	(17,337)	-
Reversal of Provision for Tax Credits	-	37,595	-	37,595
Deferred Income Tax - Profit or Loss	(23,866)	-	-	-
Total	(41,203)	32,192	(17,337)	37,595
Deferred Income Tax - Other Comprehensive Income	1,173	(8,436)	-	-
Total	1,173	(8,436)	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 28% (2017 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017.

12 PROFIT FOR THE PERIOD

	Group	Group		Company	
		Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>					
725,665 HNB Assurance PLC		770,505	156,829	770,505	156,829
184,087 HNB General Insurance Ltd		161,054	125,090	-	-
909,752 Total		931,559	281,919	770,505	156,829

	Group	Group		Company	
		Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Three Months Ended,</i>					
HNB Assurance PLC		56,986	56,824	56,986	56,824
HNB General Insurance Ltd		69,523	48,915	-	-
Total		126,509	105,739	56,986	56,824

Profit for the Nine month period ended 30th September 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 outstanding during the Period.

	Group	Group		Company	
		Unaudited 30th Sep 2018	Unaudited 30th Sep 2017	Unaudited 30th Sep 2018	Unaudited 30th Sep 2017
<i>For the Nine Months Ended,</i>					
909,752 Profit for the Period (Rs. '000)		931,559	281,919	770,505	156,829
50,000 Weighted average number of shares ('000)		50,000	50,000	50,000	50,000
18.20 Basic Earnings Per Share (Rs.)		18.63	5.64	15.41	3.14

Notes to the Condensed Consolidated Interim Financial Statements

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

<i>For the Nine Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2018	Unaudited 30th Sep 2017	Unaudited 30th Sep 2018	Unaudited 30th Sep 2017
Profit for the Period (Rs. '000)	550,403	281,919	389,349	156,829
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	11.01	5.64	7.79	3.14

BASIC EARNINGS PER SHARE (EPS)

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2018	Unaudited 30th Sep 2017	Unaudited 30th Sep 2018	Unaudited 30th Sep 2017
Profit for the Period (Rs. '000)	126,509	105,739	56,986	56,824
Weighted average number of shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings Per Share (Rs.)	2.53	2.11	1.14	1.14

14 RELATED PARTY DISCLOSURES

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

Nature of Transaction	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>				
Insurance Premium	8,775	8,269	-	-
Claims Incurred	13,029	11,058	-	-
Investment Income	47,827	32,027	35,977	25,462
Administration Expenses	186,924	161,697	115,434	473,680
Rent and other Expenses	7,113	6,551	4,704	4,709
Dividend Paid	179,958	149,965	179,958	149,965

Nature of Transaction	Group		Company	
	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
<i>Balance as at,</i>				
Investments Balance (Includes Deposits and Debentures)	816,493	411,461	661,514	358,497
Cash at Bank Balances	348,840	426,156	149,250	260,759

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

Nature of Transaction	Unaudited	Unaudited
	30th Sep 2018 Rs. '000	30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>		
Insurance Premium	22,418	17,621
Insurance Expenses	4,906	7,101
Claims Received	824	385
Claims Paid	-	3,500
Administrations Expenses Reimbursement	188,729	181,384
Fund Management Fee	4,002	3,342
Profit Commission Expense	6,756	6,434

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 Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>					
Sithma Development (Pvt) Ltd	Insurance Premium	268	-	-	-
	Claims Incurred	2,981	-	-	-
HNB Finance Ltd	Insurance Premium	5,134	38,513	-	38,098
	Claims Incurred	1,462	83,563	-	83,355
	Administration Expenses	4,849	5,160	-	2,951
	Interest Income	5,609	3,103	5,609	3,103
Name of the Company	Nature of Transaction	Group		Company	
As at,		Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
HNB Finance Ltd	Investment in Term Deposits	50,071	50,243	50,071	50,243

d) Transactions with other Related Entities

Name of the Company	Nature of Transaction	Group		Company	
		Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>					
ACUITY Partners (Pvt) Ltd	Insurance Premium	339	11	4	-
	Claims incurred	450	-	-	-
ACUITY Stock Brokers (Pvt) Ltd	Insurance Premium	608	38	-	-
	Claims incurred	245	-	-	-
ACUITY Securities Ltd	Insurance Premium	458	-	-	-
	Claims incurred	223	-	-	-
	Investment Income from REPO	50,923	48,870	35,451	37,008
Name of the Company	Nature of Transaction	Group		Company	
As at,		Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000	Unaudited 30th Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
ACUITY Securities Ltd	Investment In REPO	555,404	643,217	446,259	464,790

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

Nature of Transaction	Unaudited 30th Sep 2018 Rs. '000	Unaudited 30th Sep 2017 Rs. '000
<i>For the Nine Months Ended,</i>		
Director Fee	13,894	9,075
Short -term and Post employment benefits	43,888	35,868
Insurance Premium	1,992	1,541
Claims Paid	383	34

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 the 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 Sep 2018 Rs. '000	Audited 31st Dec 2017 Rs. '000
Less than one year	121,839	116,311
Between one and five years	243,279	299,855
More than five years	2,614	6,424
Total Operating Lease Commitments	367,732	422,590

17 CONTINGENCIES

- a) 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. The Company has filed due responses in consultation with Tax Consultants and made an appeal to the Tax Appeals Commission. Following a hearing, Tax Appeals Commission has granted their determination confirming the assessment. The Company in consultation with our tax consultant and has filed a case in the Court of Appeal through an externally hired Lawyer and court proceedings are in progress.
- b) The Company received a Notice of Assessment on VAT on Financial Services informing that the Company is liable for VAT on Financial Services for the taxable periods 01.01.2014 to 31.12.2014. The Company made a Petition of Appeal against the assessment as the Company's stance is that, it is in the business of Insurance and hence is not liable for VAT on FS. Other insurers have also received similar assessments and have appealed against them. As such no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 31.6 Million.
- 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 2006. 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	Company is in the process of filing an appeal in Tax Appeals Commission	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 September 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 Mrs. A.S. Palihena and Mr.S.N.P.Palihena	900,000	1.80%
4 Janashakthi General Insurance Limited	824,425	1.65%
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	380,561	0.76%
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	234,367	0.47%
17 Peacock Properties (Pvt) Ltd	218,633	0.44%
18 Mr. M.H.V.U Gunatilaka	206,273	0.41%
19 Mr. Vikas Sharda	203,000	0.41%
20 Mr. A.A.A Rifkee	200,000	0.40%
	<u>38,915,279</u>	<u>77.85%</u>

Public Shareholding

30th September 2018

* Float Adjusted Market Capitalisation (Rs.)

2,125,296,974

Percentage of Shares held by the Public

38.68%

Number of Public Shareholders

3,403

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 September 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. Samaranayake)	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 September 2018 - Group	83.64
Net Asset Value Per Share as at 30th September 2018 - Company	80.26
Net Asset Value Per Share as at 30th September 2018 without one-off Surplus - Group	76.02
Net Asset Value Per Share as at 30th September 2018 without one-off Surplus - Company	72.64
Highest Price Per Share for the Interim Period	118.90
Lowest Price Per Share for the Interim Period	100.00
Last traded Price Per Share as at 30th September 2018	109.90