

The logo consists of the letters 'H', 'N', and 'B' in a bold, black, sans-serif font. The letter 'H' has a yellow square in its upper right quadrant and a blue square in its lower left quadrant. The letter 'N' has a yellow triangle in its upper right quadrant and a blue triangle in its lower left quadrant. The letter 'B' has a yellow rounded rectangle in its upper right quadrant and a blue rounded rectangle in its lower left quadrant.

**HNB**

**YOUR PARTNER IN PROGRESS**

# Investor Update

# Financial Highlights

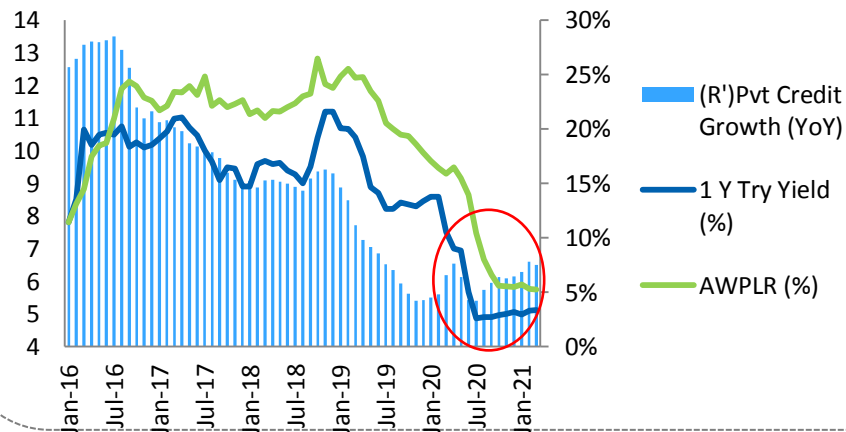
## Q1 2021

# Fund Based income

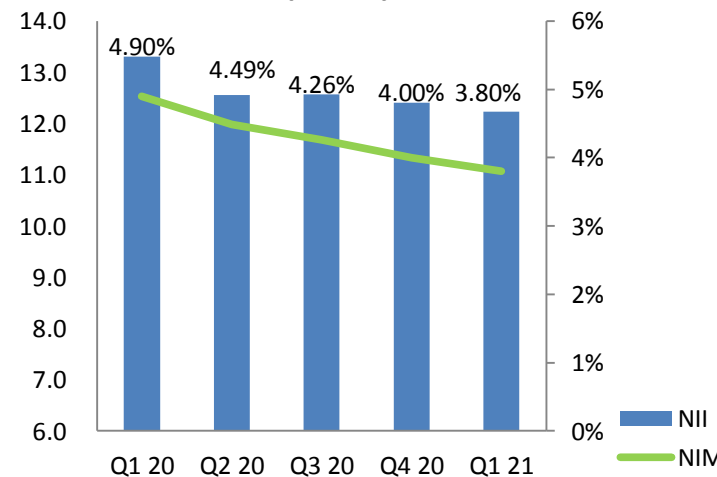
Rs Bn	2021	2020	% change
Interest Income	25.9	29.5	(13.2)
Interest Expenses	13.6	16.5	(17.3)
NII	12.2	13.3	(8.1)

- AWPLR dropped by nearly 400bps over 12 months
- >100 bps NIM drop over 12 months
- Strong CASA performance -30% YoY growth in CASA; CASA Ratio at 40%
- Total Deposits on the cusp of Rs 1 Trn

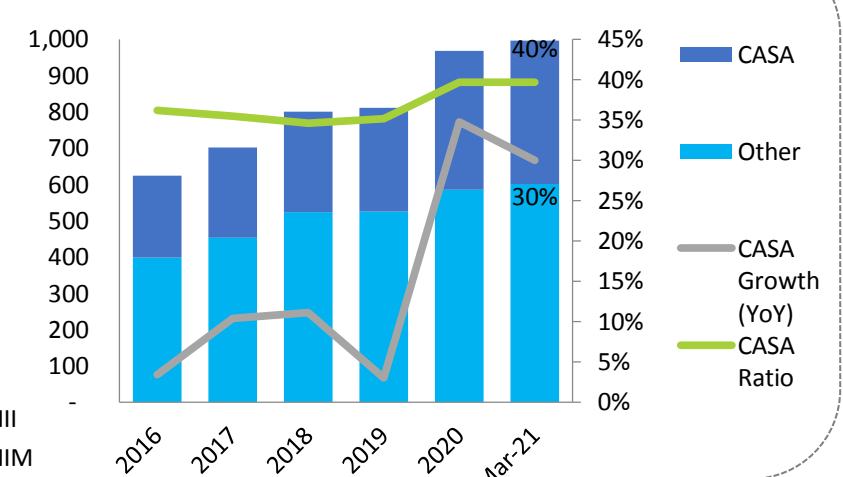
Drop in Rates in tandem with sluggish credit growth



NII (Rs Bn) and NIM



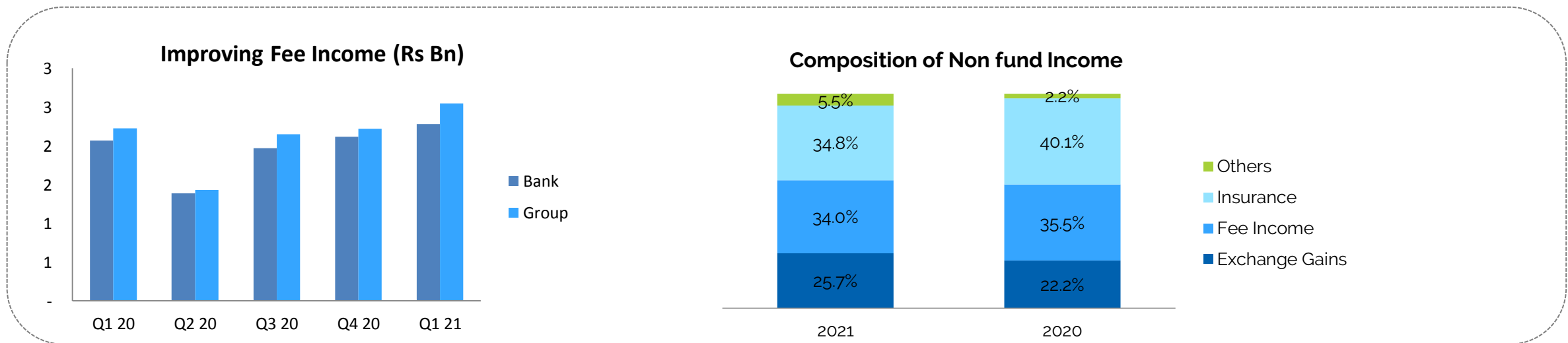
Deposits & CASA (Rs Bn)



# Non -Fund Based income

Rs Bn	2021	2020	% change
Net Fee & Commission Income	2.5	2.2	14.5
Exchange Gains	1.9	1.2	53.2
Insurance Premium	2.5	2.0	26.6

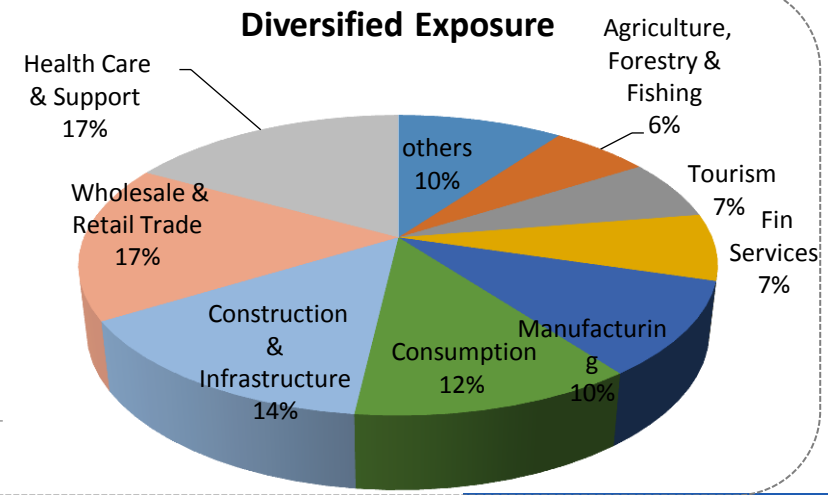
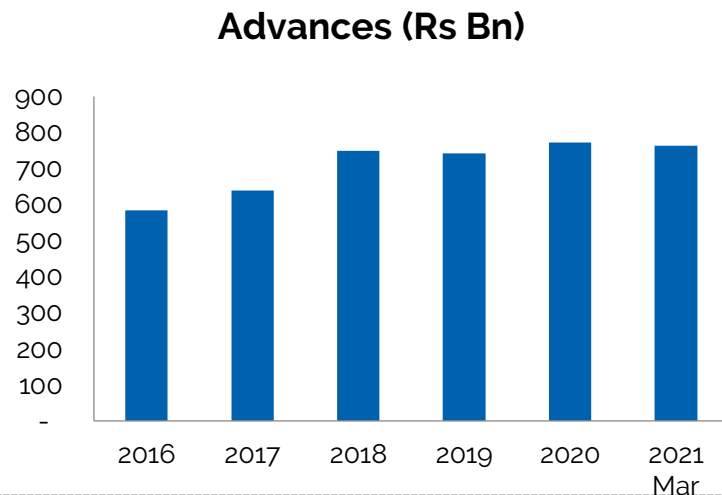
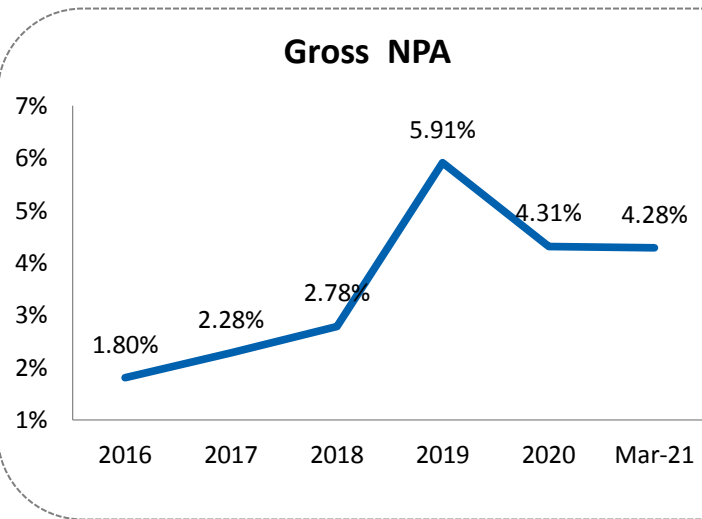
- Strong Performance in Fee Income despite continued import restrictions
- Cards, Trade and Digital Channels lead recovery.
- Lower Swap costs along with LKR depreciation boosted exchange gains
- Bank also received
- Rs 421 Mn in Q1 21 as dividends from investments



# Impairment & Asset Quality (Bank)

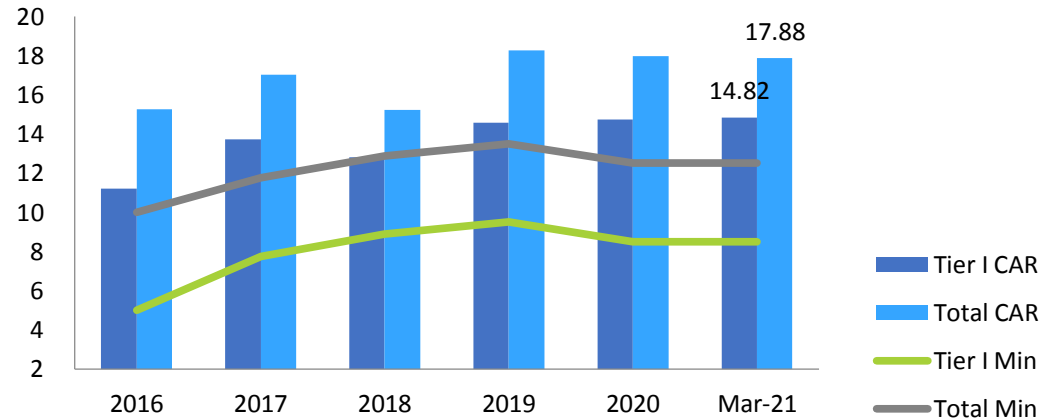
Rs Bn	2021	2020	% change
Impairment on SLDB/SLSB	0.07	0.7	(89.9)
Loans & Other	2.6	4.0	(34.5)
Total Impairment	2.7	4.7	(42.9)

- Q1 2020 impairment included Rs 700 Mn for sovereign bonds o/a sovereign downgrade
- Focus on Quality lending, aggressive recoveries and regularization of facility to SOE in Q4 20 resulted in NPA of 4.28% - Best among peers
- Marginally negative net loan growth in Q1



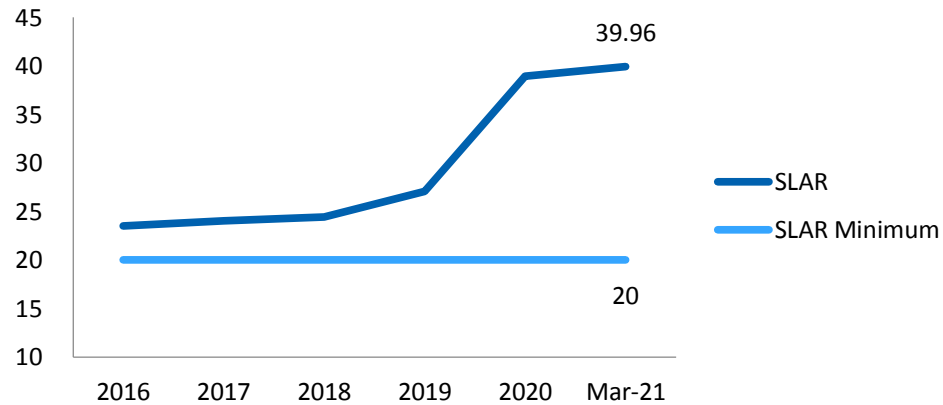
# Soundness Indicators

### Capital Adequacy (%)

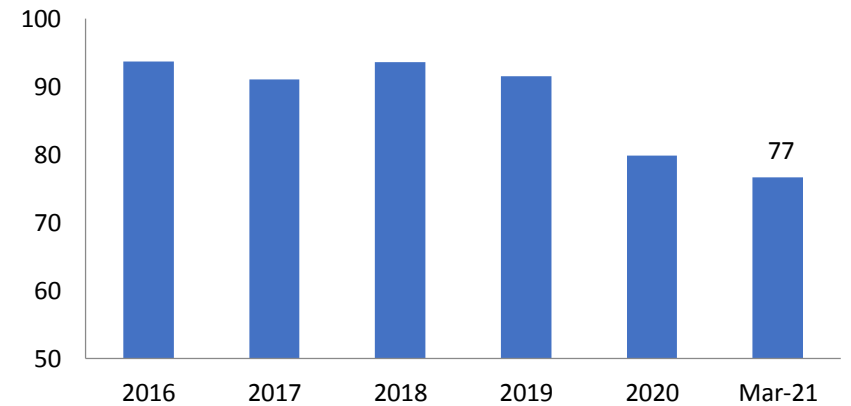


- HNB continued to be among the best capitalized in the industry
- Liquidity Coverage Ratio at 272% (Minimum 100%)

### Liquidity - SLAR %



### LDR (%)

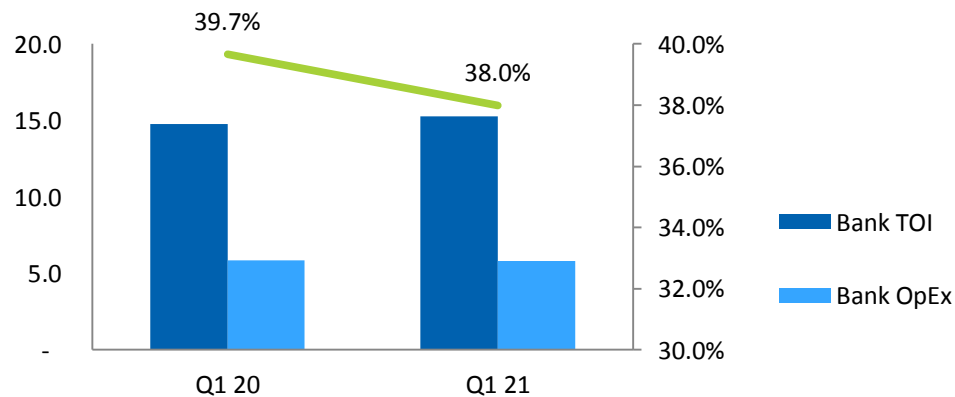


# Operational Expenses

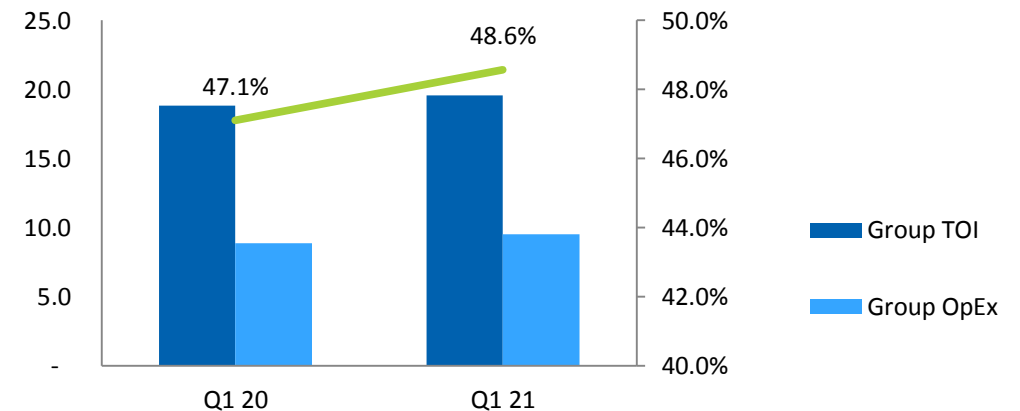
Rs Bn	2021	2020	% change
Personnel expenses	3.9	3.4	15.5
Insurance Costs	2.4	1.7	42.1
Other expenses	3.1	3.7	(16.8)
<b>Total operating expenses</b>	<b>9.5</b>	<b>8.9</b>	<b>7.0</b>

- Bank OpEx declined by 1% YoY
- Bank Cost to Income improved by 170 bps YoY to 38%
- Higher quantum of benefits and claims raises Insurance costs up; fuel increase in Group OpEx despite Bank level decline

**Bank Cost vs. Income (Rs Bn)**



**Group Cost vs. Income (Rs Bn)**



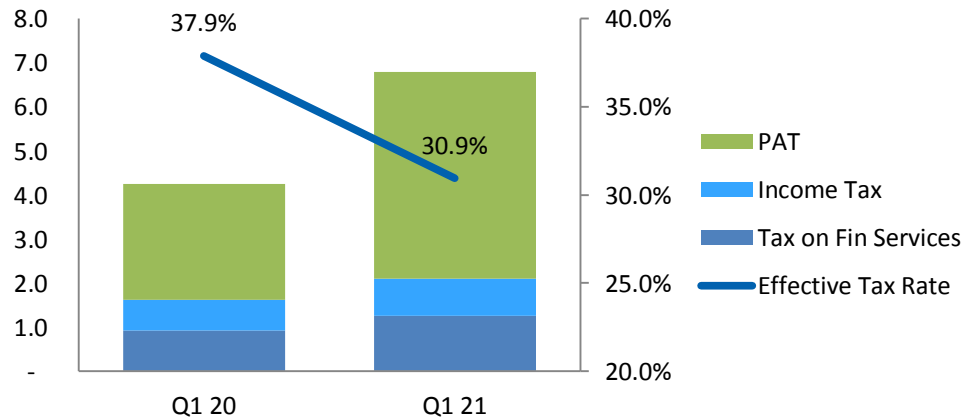


# Taxation & Profitability

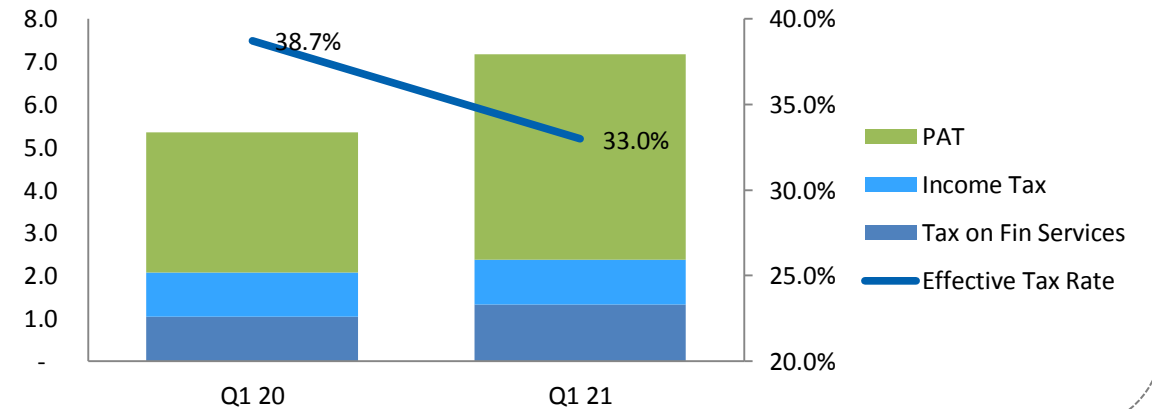
Rs Bn	2020	2019	% change
Tax on Financial Services	1.3	1.0	27.4
Profit before income tax	5.9	4.3	35.7
Income tax expense	1.0	1.0	1.1
Total Group PAT	4.8	3.3	46.7

- Income Tax charge revised to 24% from 28%;

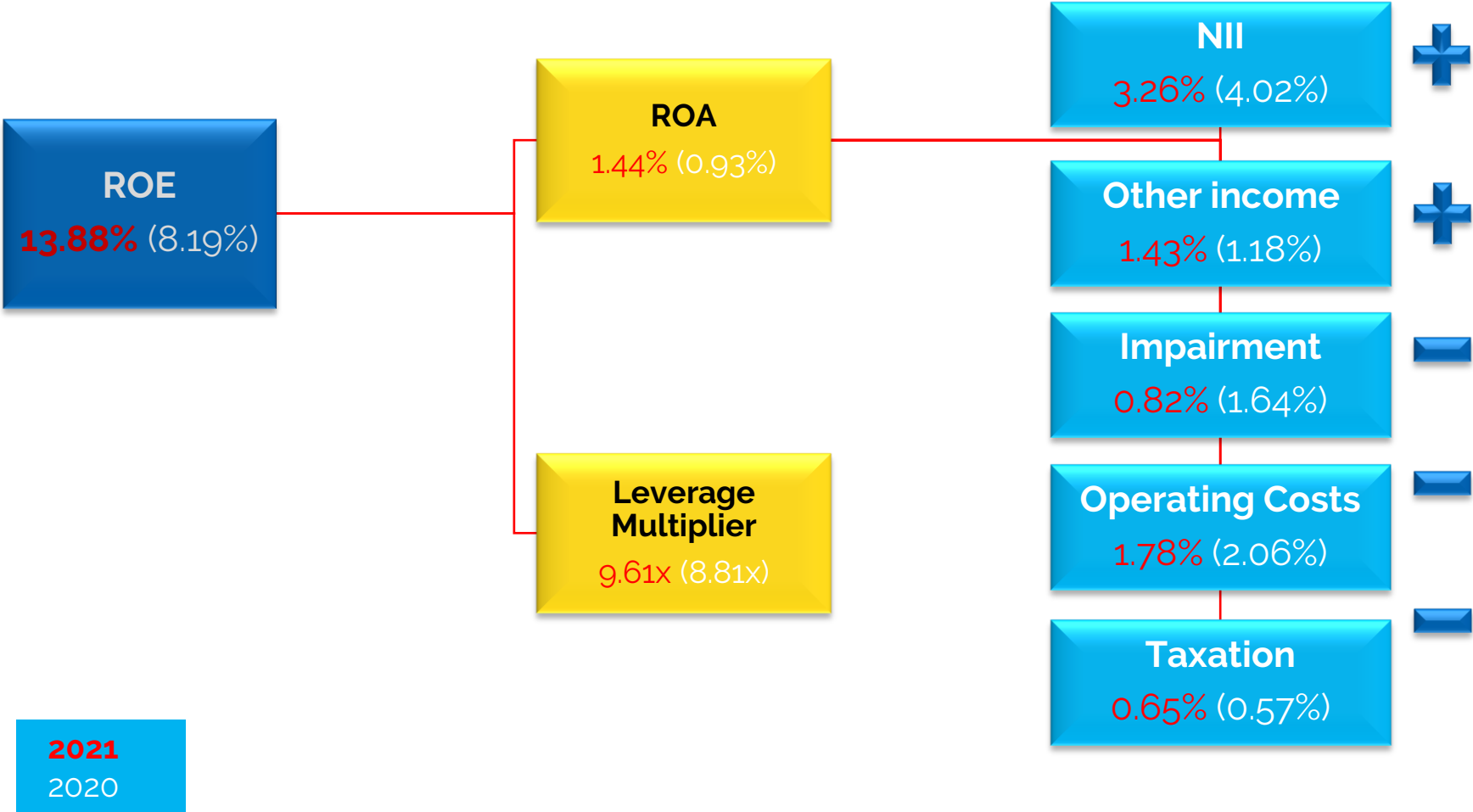
Bank PAT (Rs Bn) & Taxes



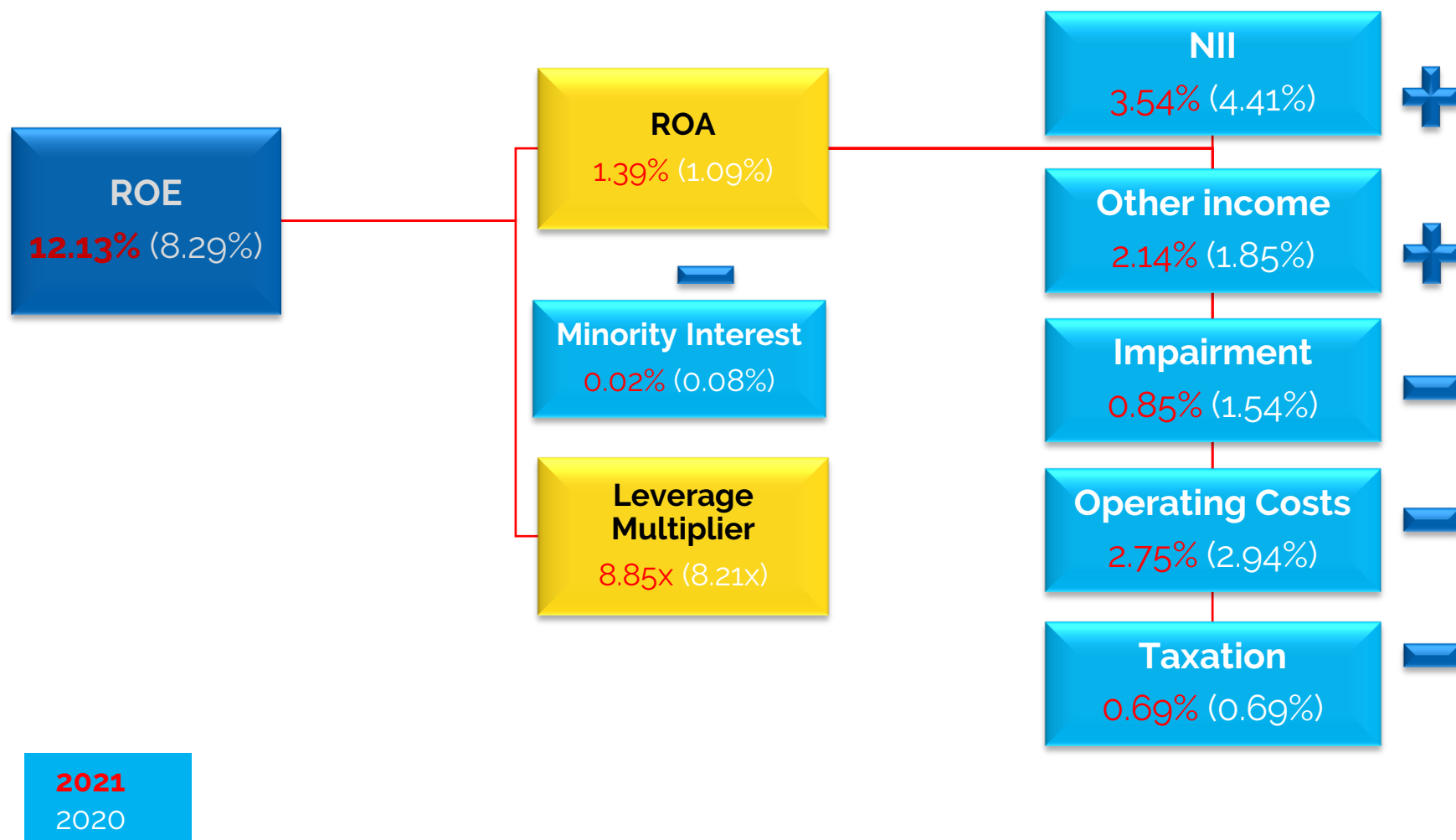
Group PAT (Rs Bn) & Taxes



# DuPont Analysis – Bank



# DuPont Analysis – Group



**Thank you**