

The logo consists of the letters 'HNB' 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

18th August 2021

Financial Highlights

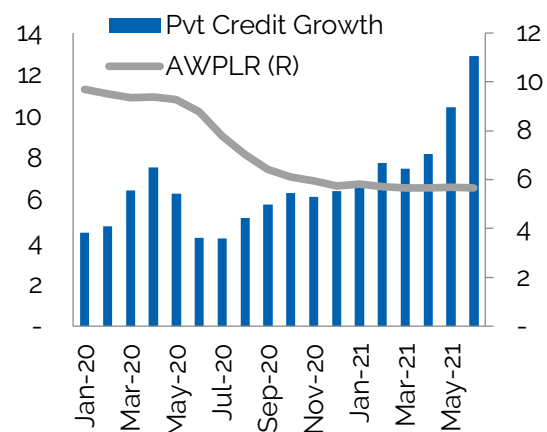
1H 2021

Fund Based income

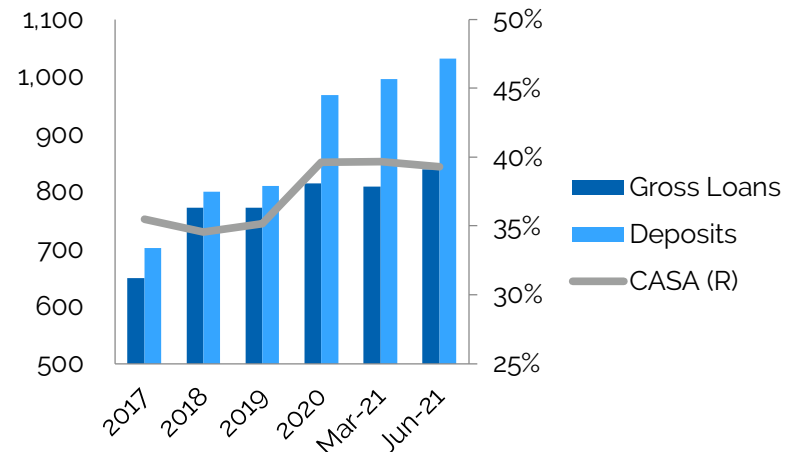
Rs Bn	1H 2021	1H 2020	% change
Interest Income	52.7	58.5	(10.0)
Interest Expenses	26.0	32.7	(20.4)
NII	26.7	25.9	3.2

- Significant improvement in Q2 NIM
- Pvt Credit growth – 10.5% YoY
- AWPLR drops by nearly 300 bps from 1H20 to 1H 21
- Loan book grows 3% in 1H; 8.6% YoY
- 2nd Private LCB to cross Rs 1 Trn Deposits; 6.7% growth in 1H 2021
- CASA expands to Rs 406 Bn; Ratio at 39%, 5.7% growth in 1H

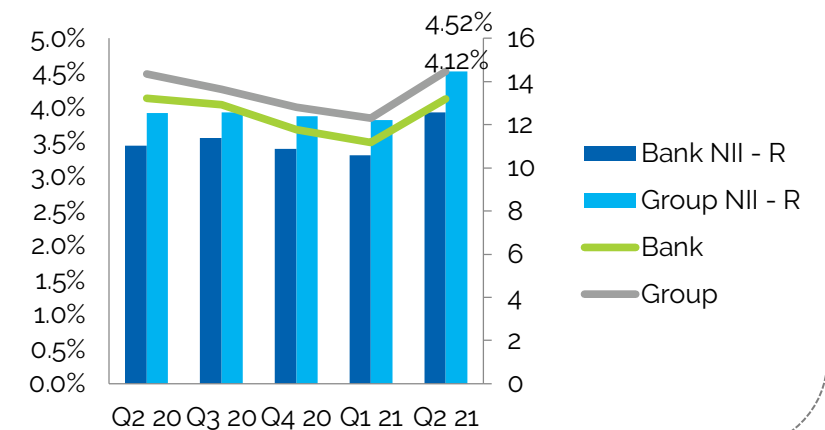
Private Credit Growth & AWPLR (%)



Gross Loans & Deposits (Rs Bn)



NIM & NII (Rs Bn)

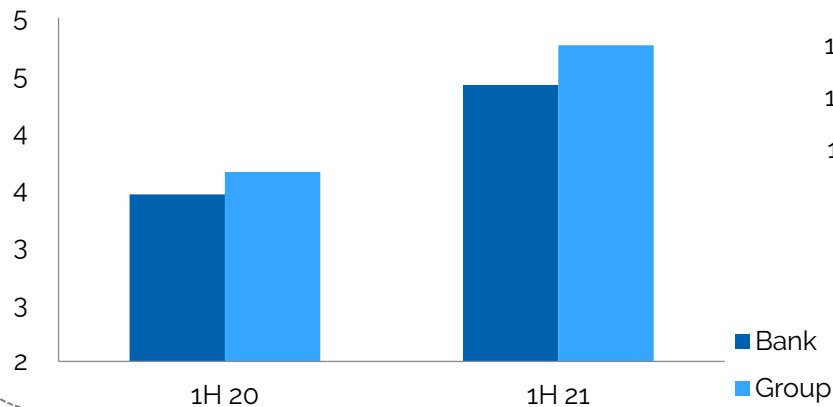


Non -Fund Based income

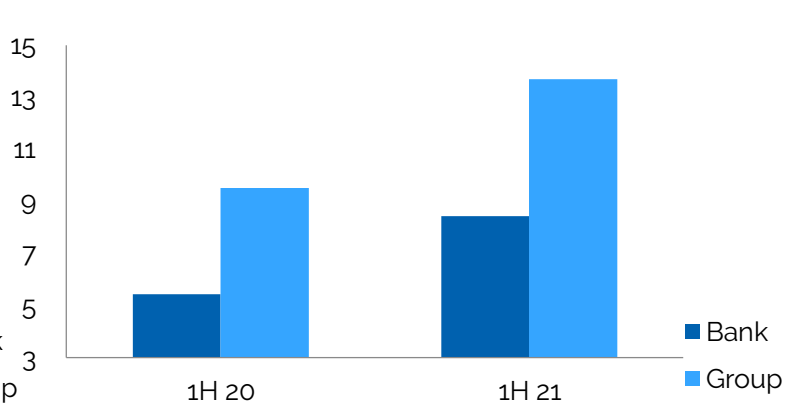
Rs Bn	1H 2021	1H 2020	% change
Net Fee & Commission Income	4.8	3.7	30.3
Exchange Gains	3.4	1.5	127.6
Insurance Premium	4.9	3.9	26.1

- Strong growth in fees from Cards, Trade and Digital Channels
- Lower Swap volumes and LKR depreciation boost exchange gains
- Insurance accounts for 35% of non fund income; high diversity in non fund sources

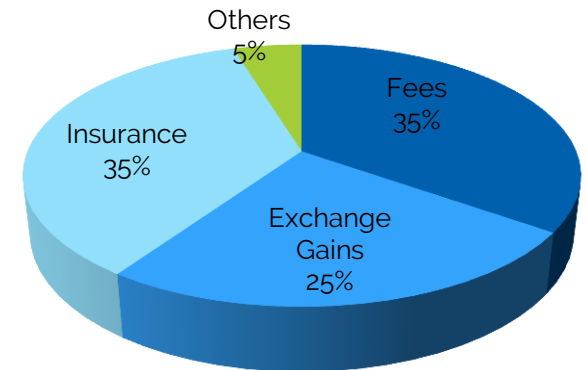
Fee & Commission (Rs Bn)



Total Non Fund Income (Rs Bn)



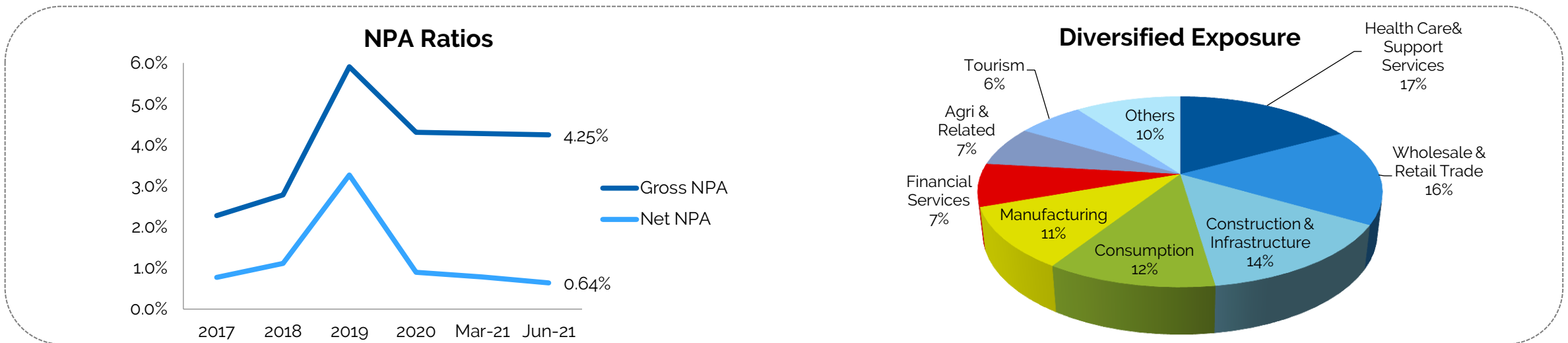
Composition of Non Fund Income



Impairment & Asset Quality (Bank)

Rs Bn	1H 2021	1H 2020	% change
Loans	6.7	8.5	(20.9)
Other	0.09	0.8	(88.9)
Total Impairment	6.8	9.3	(26.8)

- Best NPA ratios among peers
- Higher charges in 1H 20 o/a of rising NPA's and sovereign downgrade
- Management Overlay improved further in 1H 21
- Impairment against NPA base over 100%

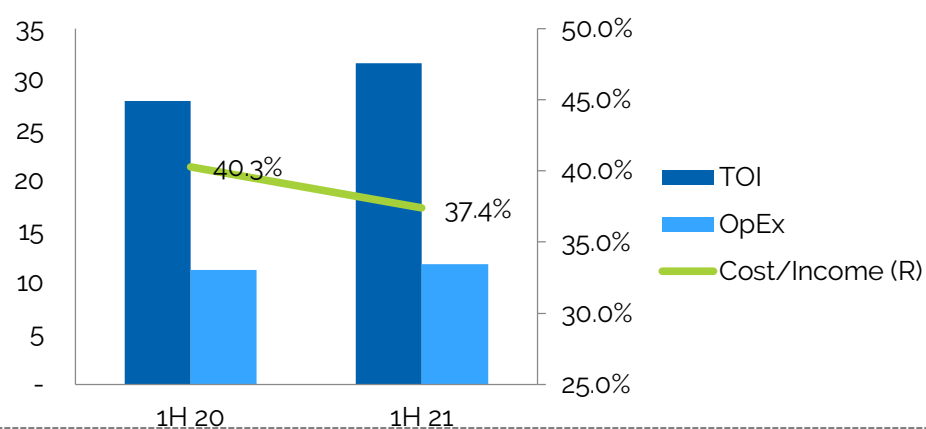


Operational Expenses

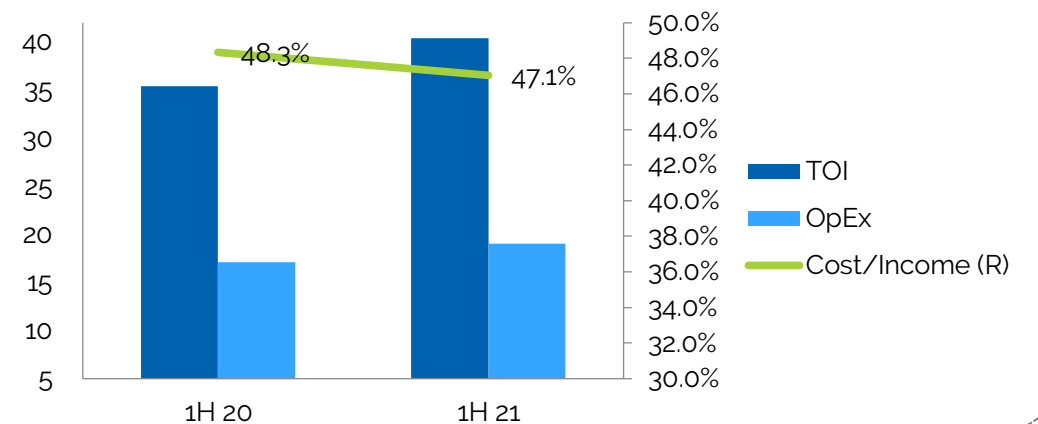
Rs Bn	1H 2021	1H 2020	% change
Personnel expenses	7.6	6.9	10.0
Insurance Costs	4.5	3.3	38.7
Other expenses	6.9	6.9	(0.6)
Total operating expenses	19.0	17.1	11.2

- Bank OpEx rise contained to 5.2% YoY despite low base effect from 1H 20 OpEx dropping 6% YoY
- 290 bps improvement in Bank Cost to Income to 37.4%
- Group records 120 bps improvement in cost vs. income
- 39% increase in insurance claims and benefits

Bank level TOI vs. Cost



Group level TOI vs. Cost

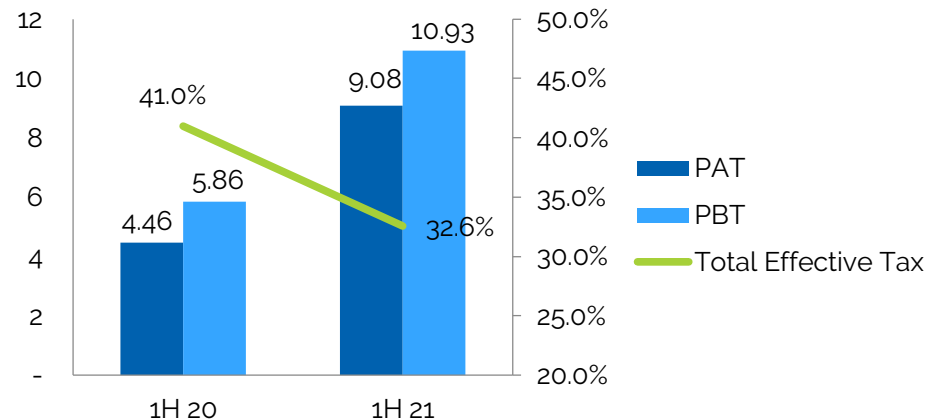


Taxation & Profitability

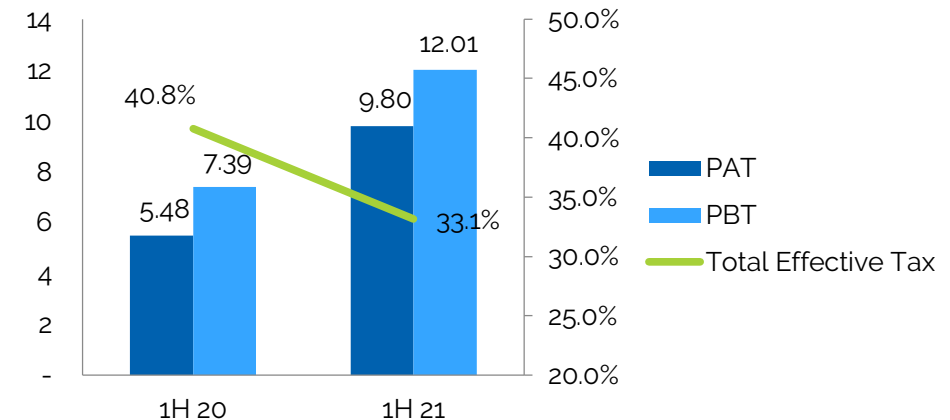
Rs Bn	1H 2021	1H 2020	% change
Tax on Financial Services	2.6	1.9	42.4
Profit before income tax	12.0	7.4	62.6
Income tax expense	2.2	1.9	15.6
Total Group PAT	9.8	5.5	79.0
Profit attributable to SH	9.5	5.2	83.3

- Income Tax charge revised to 24% from 28%;
- Same applied to Deferred Tax Assets
- SLDB interest income exemptions

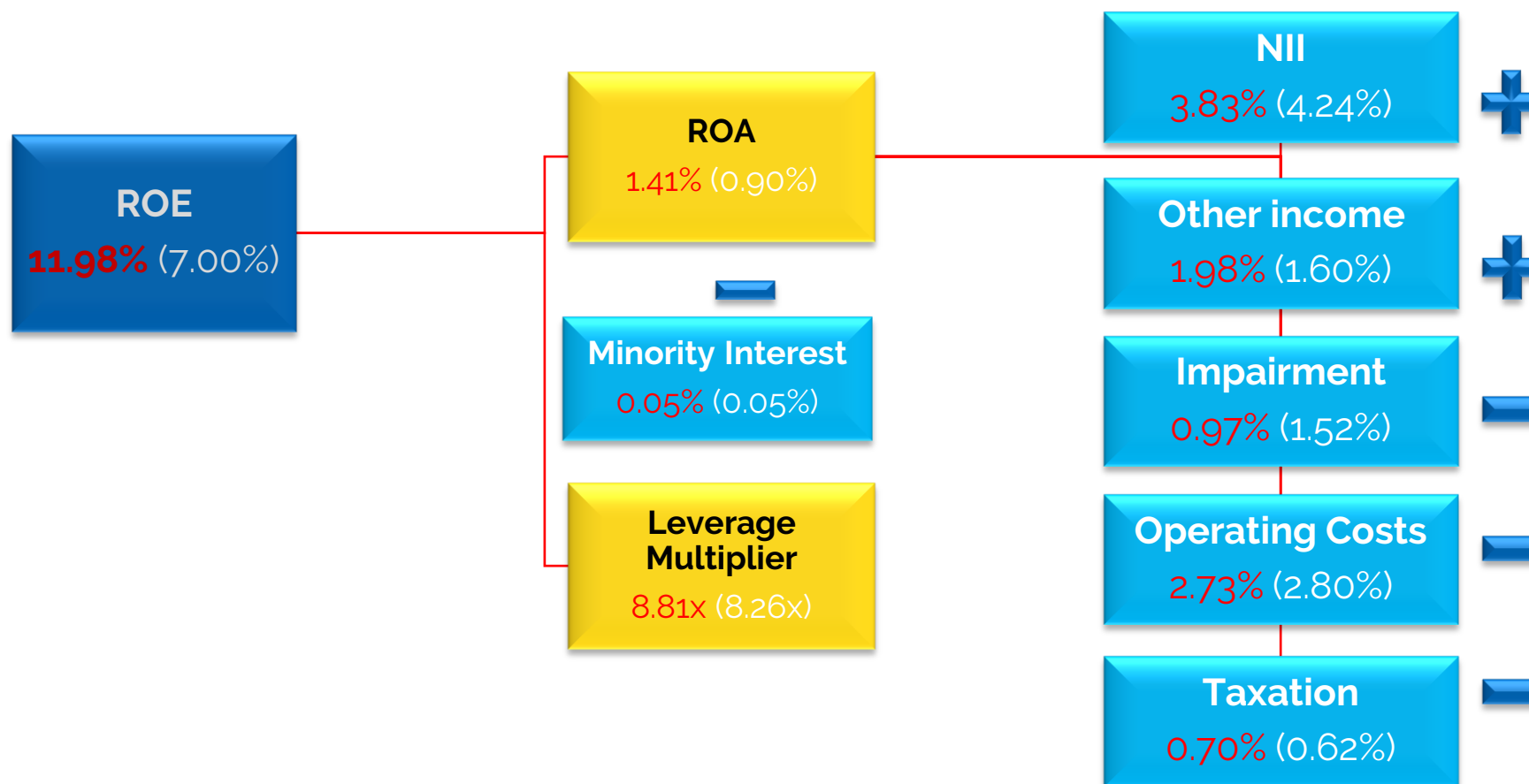
Bank Profits (Rs Bn)



Group Profits (Rs Bn)



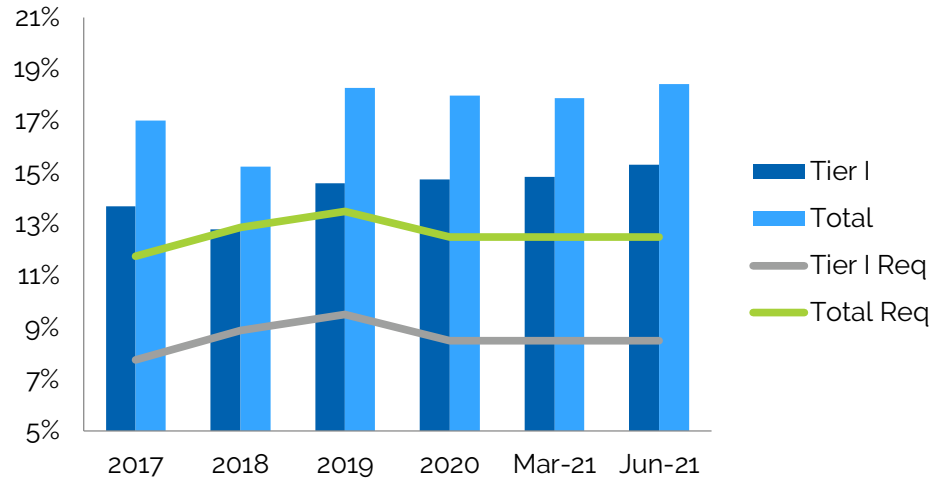
DuPont Analysis – Group



1H 2021
1H 2020

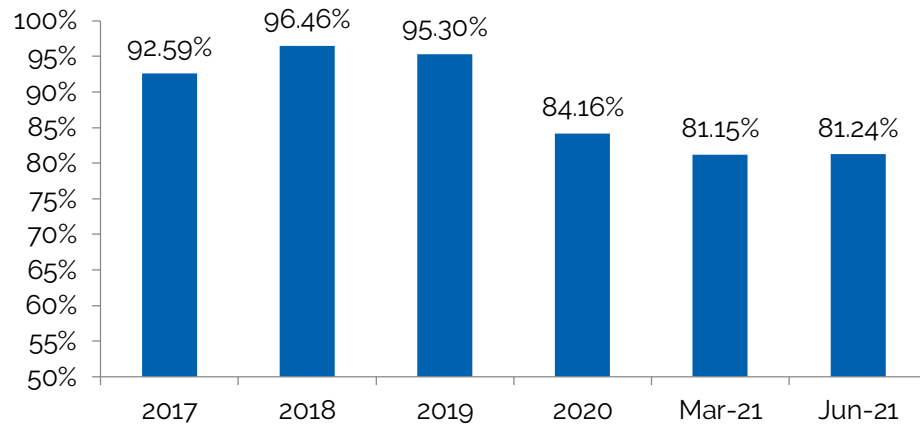
Soundness Indicators

Capital Adequacy

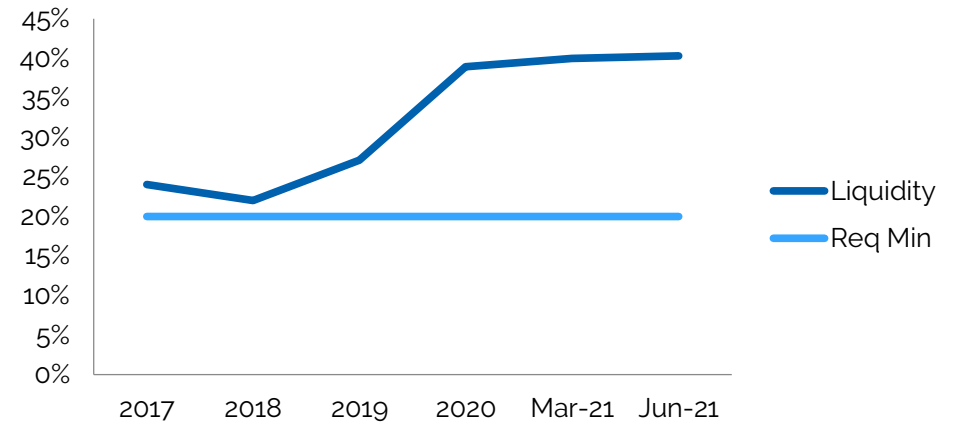


- HNB continued to be among the best capitalized in the industry
- CAR Tier I : 15.3%
- CAR Total : 18.4%
- Inclusion of Rs 7Bn Sub debt raised in July will boost Tier II capital further
- LCR (All Currency) – 274%

Loan to Deposit



Liquidity (SLAR)



Our Response to the COVID 19 Pandemic

- **Uninterrupted services** through branches, digital channels and 24x7 contact centre
- **Financial assistance** : 15% of loan book on Moratorium, Working capital loans of over Rs 23Bn, MF grant to 200 customers
- **Digital payment solutions** such as SOLO, MoMo, Appigo, IPG

Customers

- Health and safety measures (PPE, transport etc.)
- No pay cuts
- No staff lay offs
- WFH
- Learning and development through virtual channels.
- Recruitments , progression through digital platforms

Employees

- Improved returns to shareholders through higher ROAs and ROEs
- Best NPA & capital among peers
- Strong provision coverage
- Liquidity levels well above statutory levels

Investors

- Mobile ATMs across the country during lockdown
- Support to IDH – medical equipment, training centre
- Medical equipment to teaching hospitals including Cancer Hospital, Castle Hospital for women
- PPE to 26 hospitals/MOH offices across the country

Community

Key Recent Awards

- Top 1000 World Bank by the UK based The Banker magazine
- Best Managed Bank during COVID – Asian Banker Magazine 2020
- Best Retail Bank in Sri Lanka for the 11th time in 2020 by Asian Banker Magazine
- No 3 Company in Sri Lanka in the 'Business Today' Top 30 Rankings
- 'Most admired companies in Sri Lanka – by CIMA and ICCSL for the 3rd consecutive year
- LMD – Most Awarded Companies in Sri Lanka
- Best Sub-Custodian Bank in Sri Lanka at Global Finance Awards 2020
- Market Leader and Best Service Bank in Trade Finance' - Euromoney
- 'Top 10 Best Integrated Report' by CMA for the 4th consecutive year

50th Anniversary
TOP 1000
WORLD BANKS 2020

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BUSINESS TODAY
NOVEMBER 2020

Business Today
TOP 30
2019-2020

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Thank you