



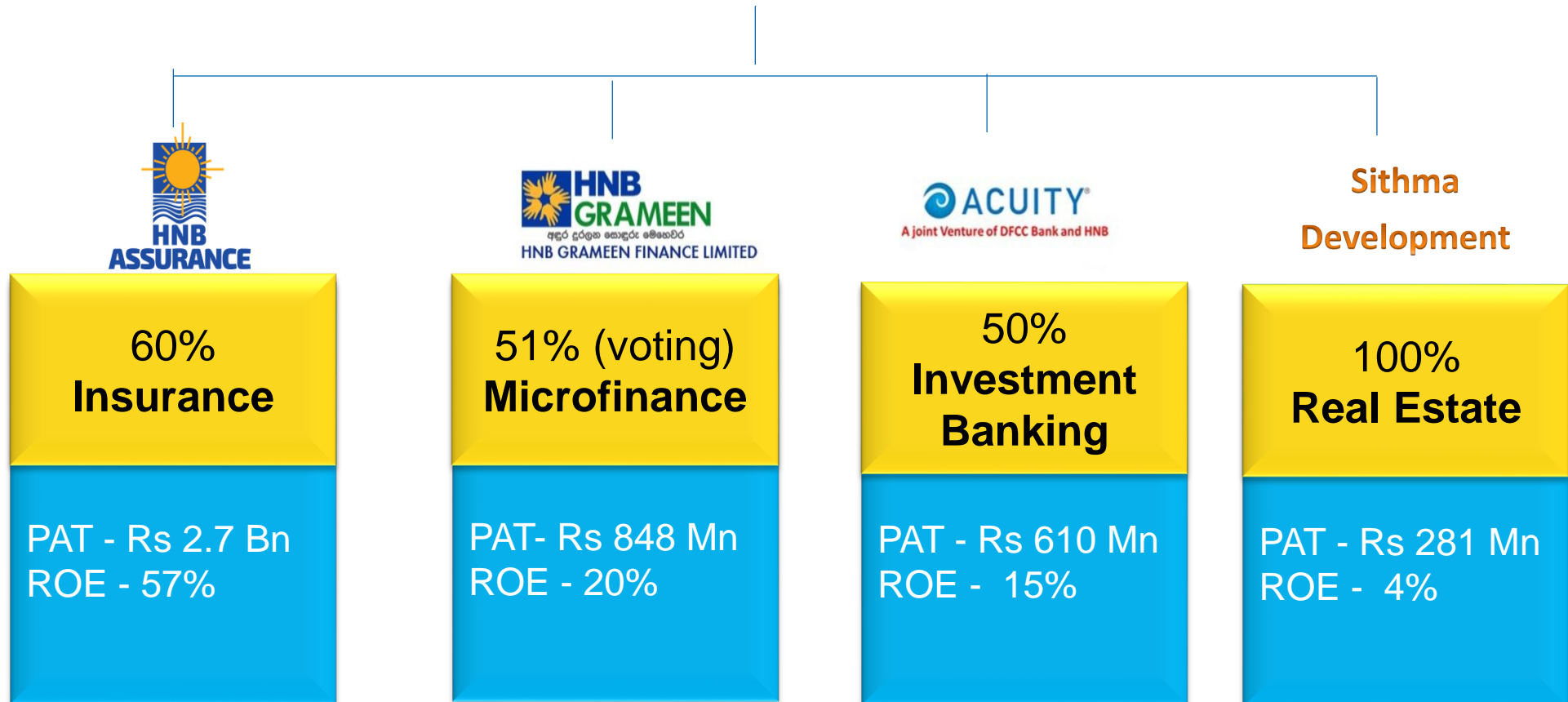
HNEB

YOUR PARTNER IN PROGRESS

Investor Update

7th March 2019

The HNB Group



Financial Performance FY 2018

Net Operating Income - Group

	2018 (Rs Bn)	2017 (Rs Bn)	Growth %
Interest Income	116.5	103.9	 12%
Interest Expenses	62.9	58.4	 8%
NII	53.6	45.5	 18%
Net Fee Income	10.1	9.0	 12%
Net Insurance Premium	7.4	6.3	 17%
Other Income	3.9	0.3	 1,229%
Impairment	9.8	3.9	 149%
Net Operating Income	65.4	57.2	 14%

Expenses & Profits - Group

	2018 (Rs Bn)	2017 (Rs Bn)	Growth %
Operating Expenses	32.4	28.8	 12%
VAT, NBT & DRL	6.8	5.4	 26%
PBT	26.5	23.1	 15%
Income Tax	7.3	6.4	 15%
PAT	19.1	16.7	 14%
Profit Attributable to Shareholders	17.6	15.9	 11%

Net Operating Income - Bank

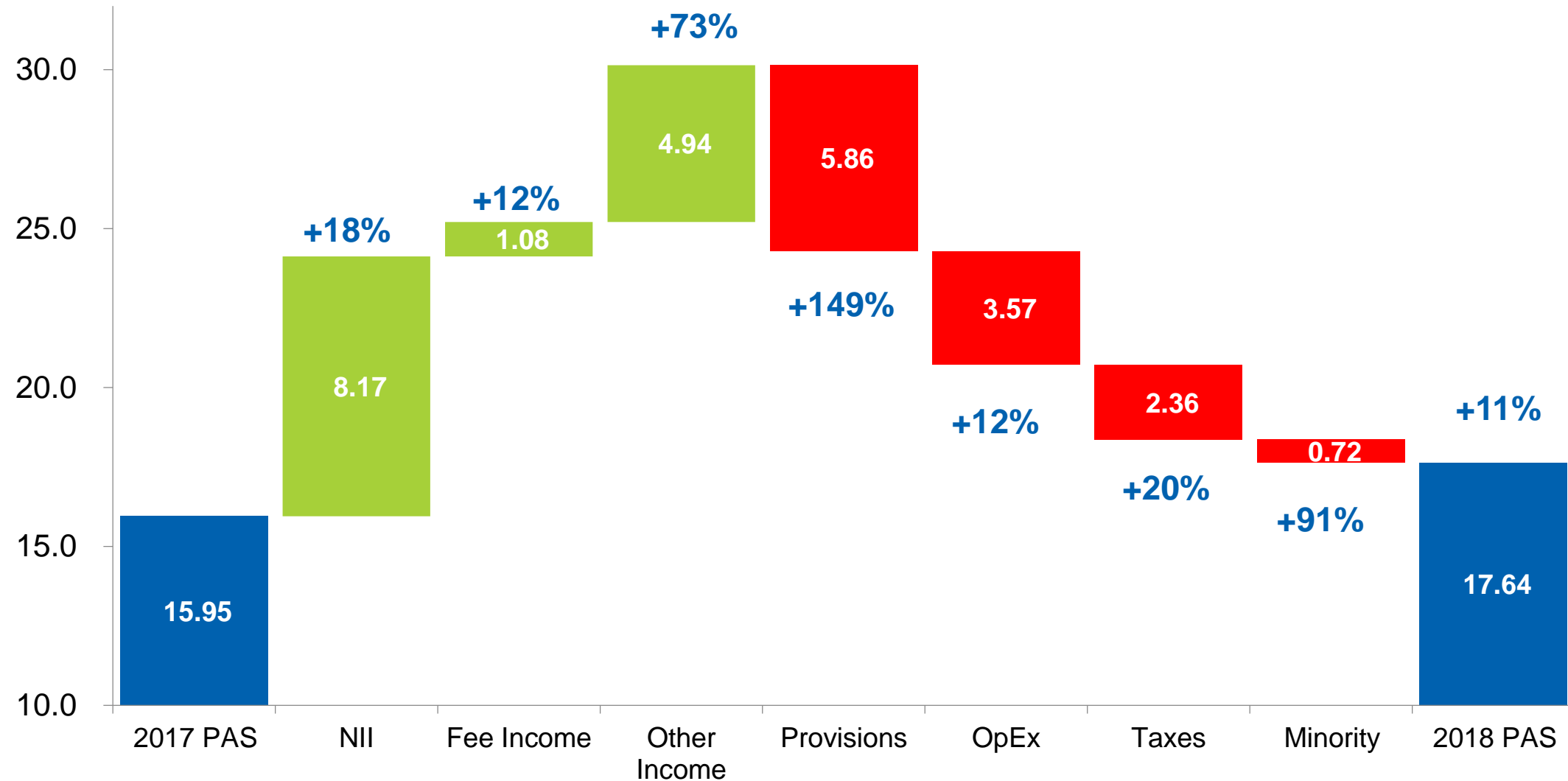
	2018 (Rs Bn)	2017 (Rs Bn)	Growth %
Interest Income	108.1	96.2	 12%
Interest Expenses	60.5	56.5	 7%
NII	47.6	39.6	 20%
Net Fee Income	9.4	8.3	 13%
Other Income	3.7	1.7	 118%
Impairment	9.3	3.0	 206%
Net Operating Income	51.4	46.6	 10% <small>7</small>

Expenses & Profits - Bank

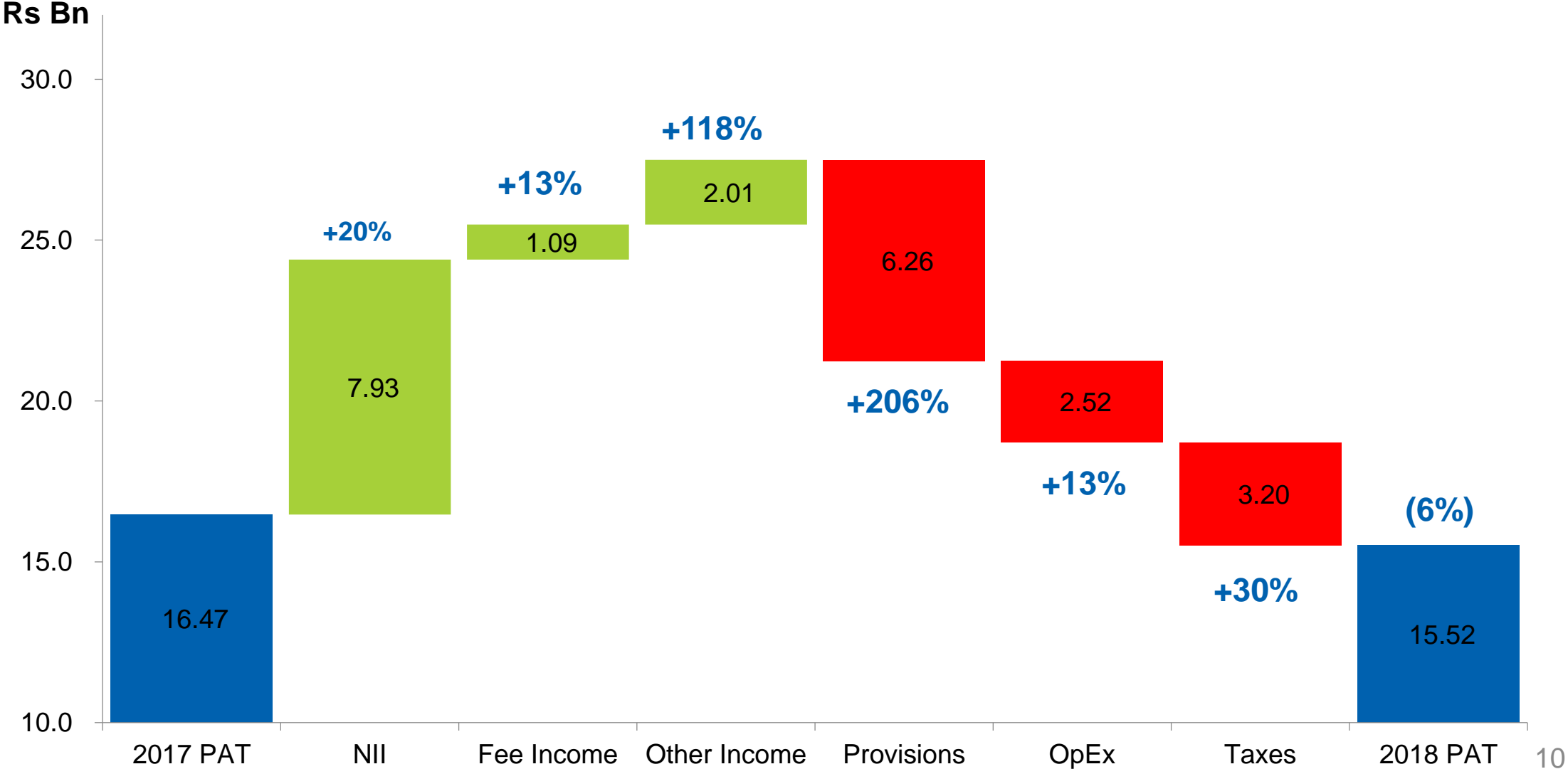
	2018 (Rs Bn)	2017 (Rs Bn)	Growth %
Operating Expenses	22.1	19.6	 13%
VAT, NBT & DRL	6.4	5.0	 27%
PBT	23.0	22.1	 4%
Income Tax	7.4	5.6	 33%
PAT	15.5	16.5	 6%

Movement in Group Profit Attributable to Shareholders

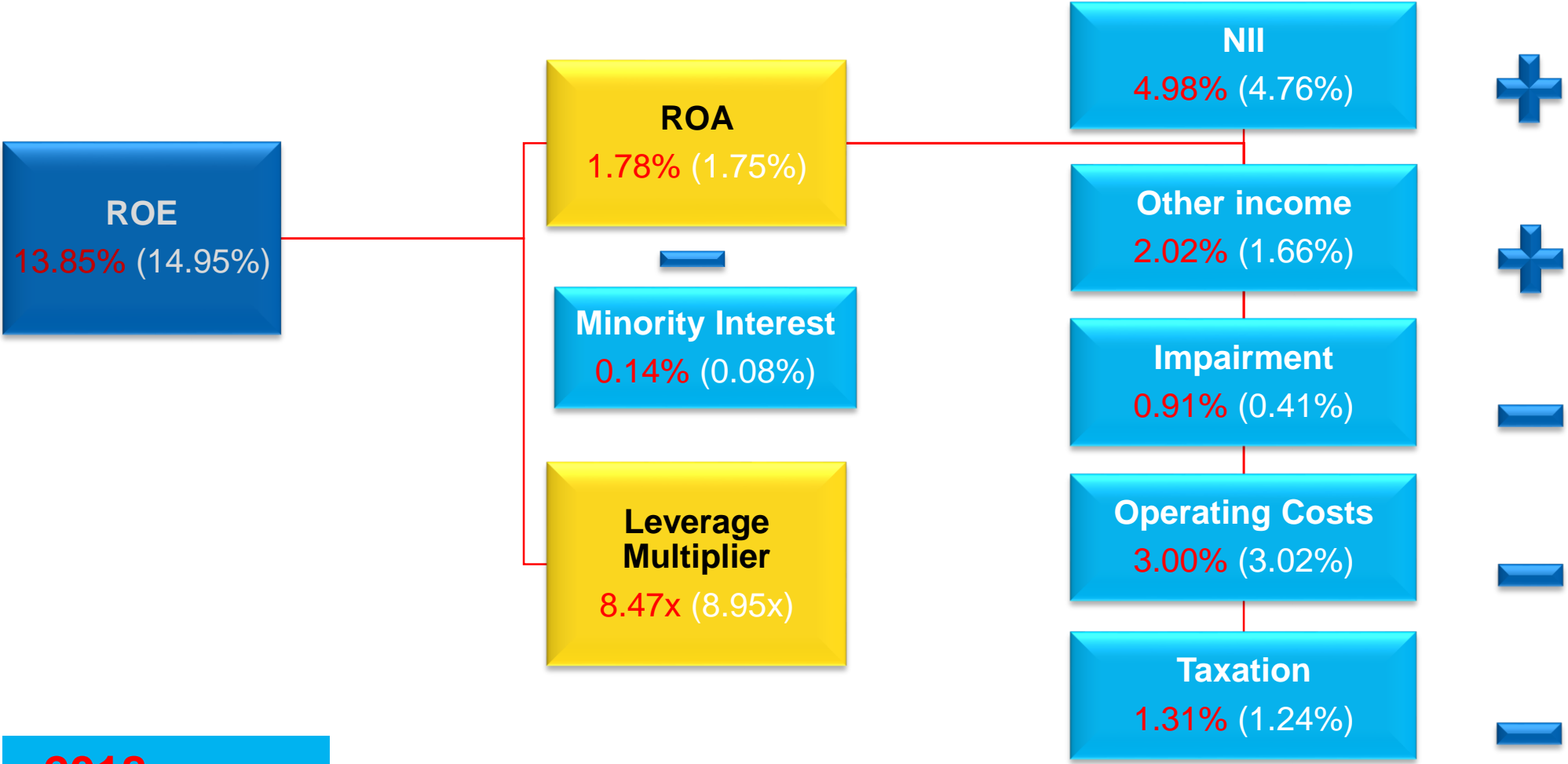
Rs Bn



Movement in Bank PAT

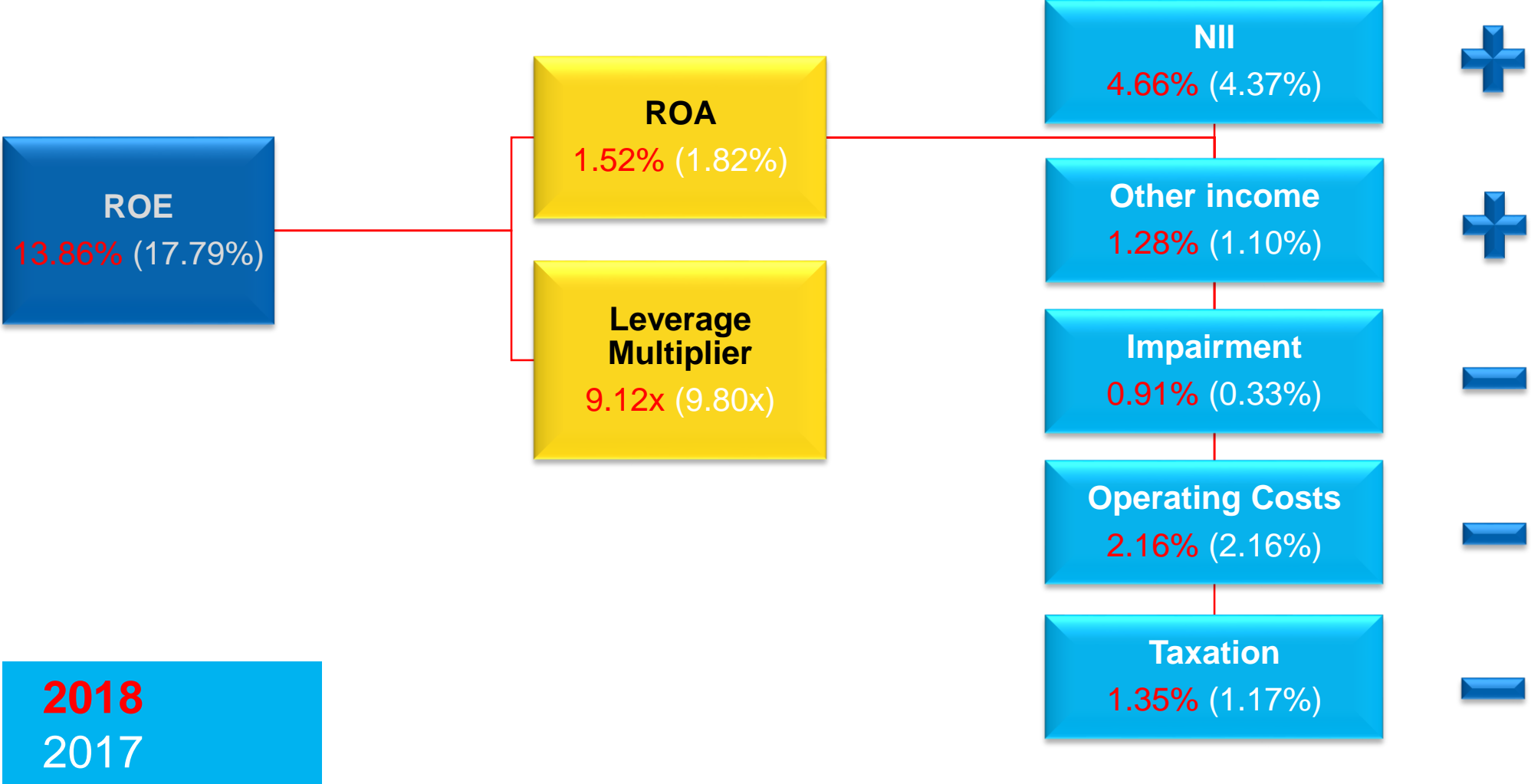


DuPont Analysis – Group



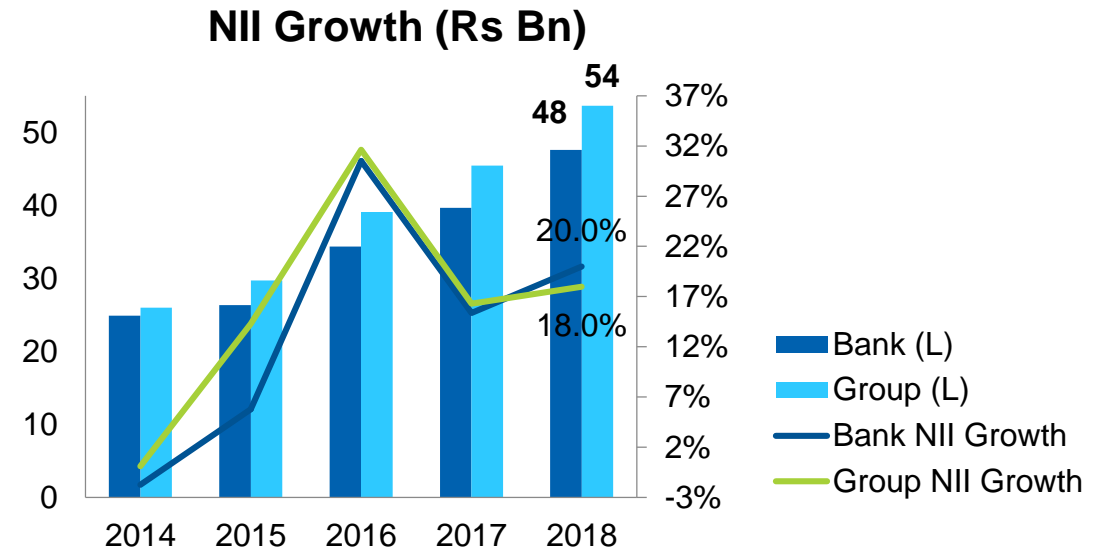
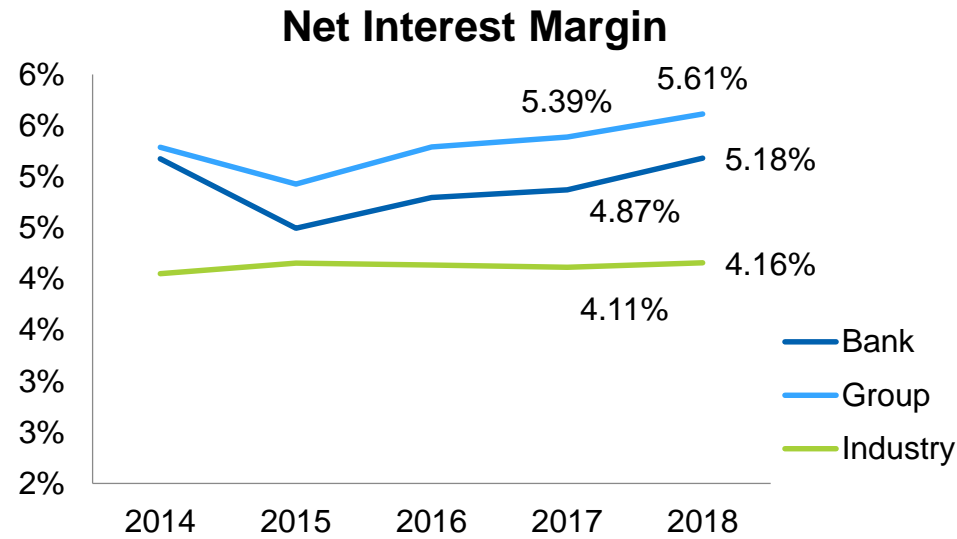
2018
2017

DuPont Analysis – Bank

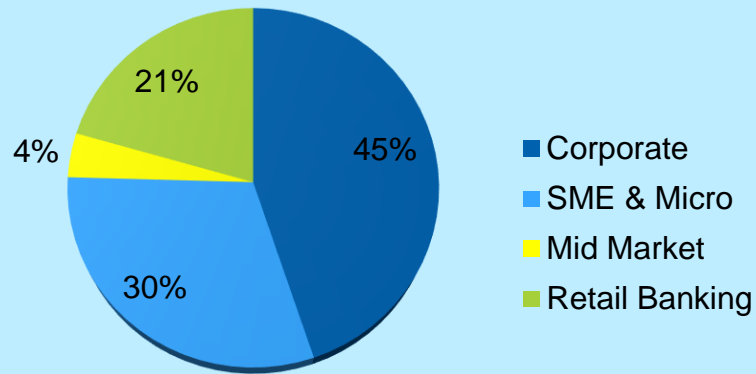


2018
2017

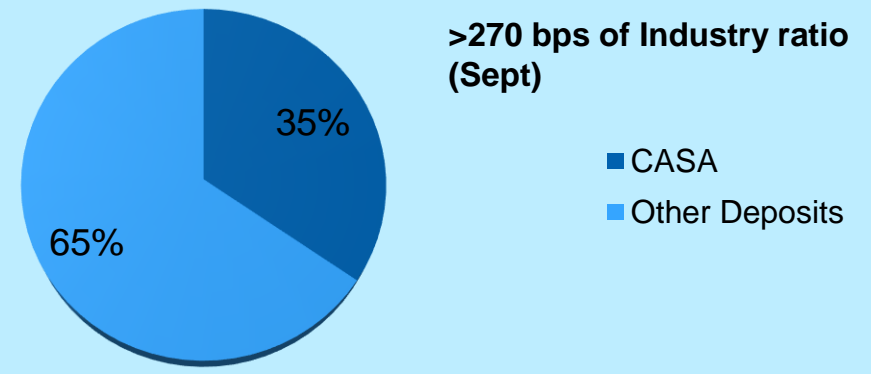
Consistently generating superior NIMs



Optimal Portfolio Mix



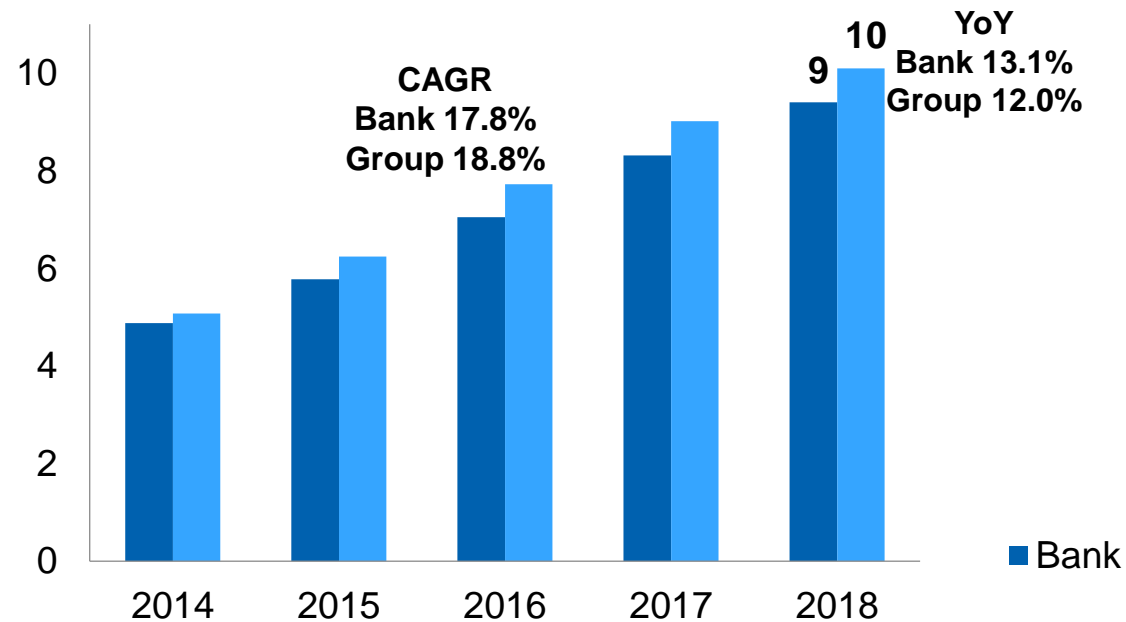
CASA Ratio



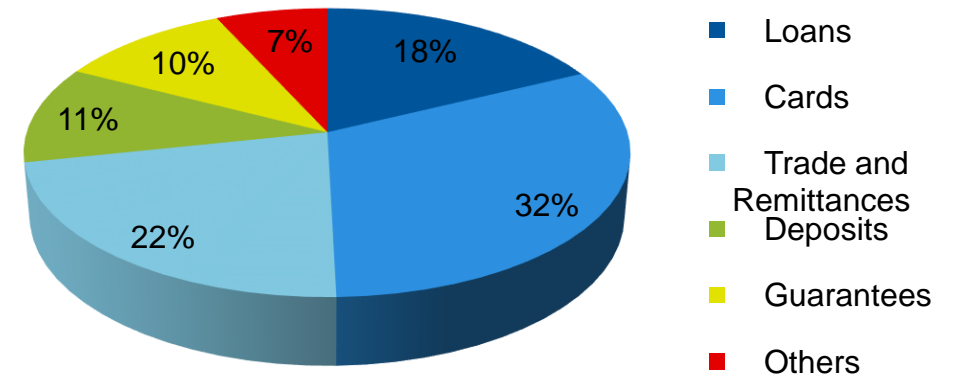
Well complimented by Fee Income

- Leadership in card merchant acquiring business with 48% of market share
- Strong growth in Credit Cards and Trade Finance
- Fees contribute 15% of total operating income

Net Fee Income (Rs Bn)

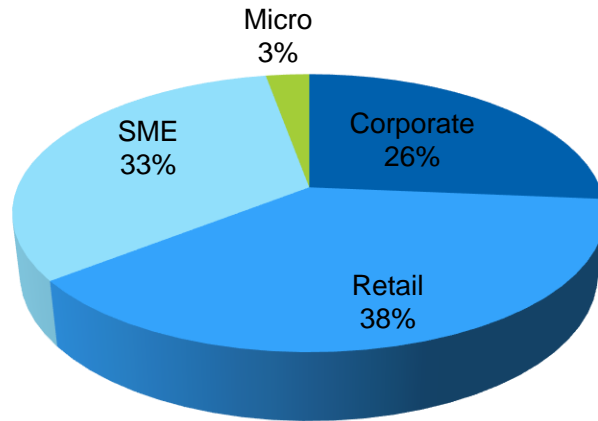


Bank's Fee sources

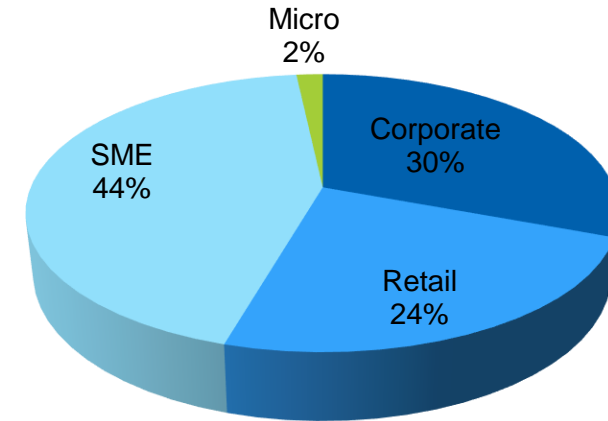


Contribution by segment

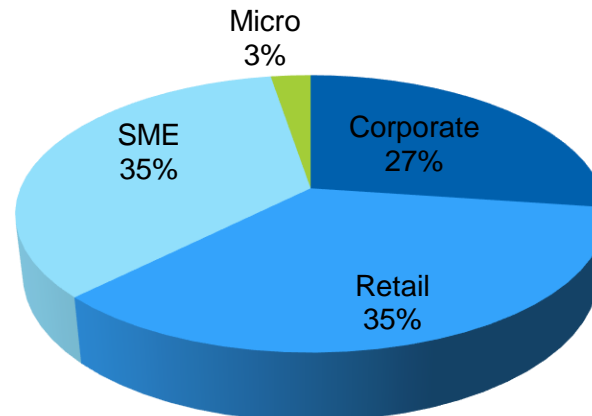
Net interest income



Non Fund Income

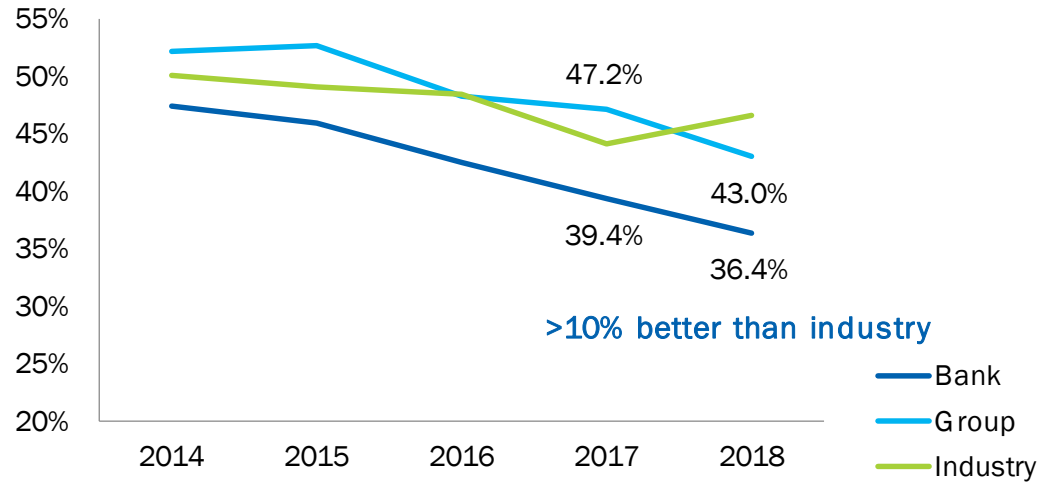


Total Operating Income

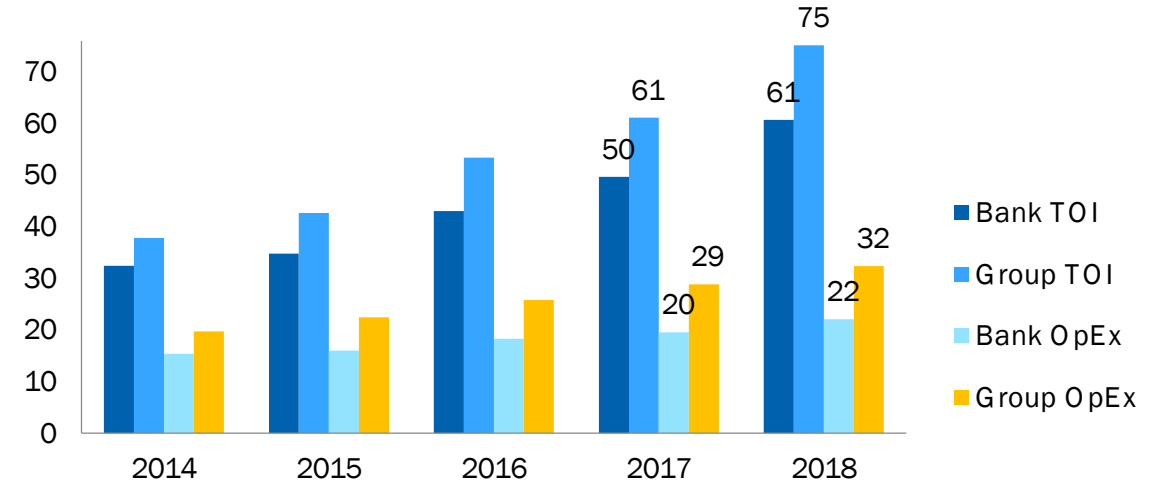


Operational Excellence

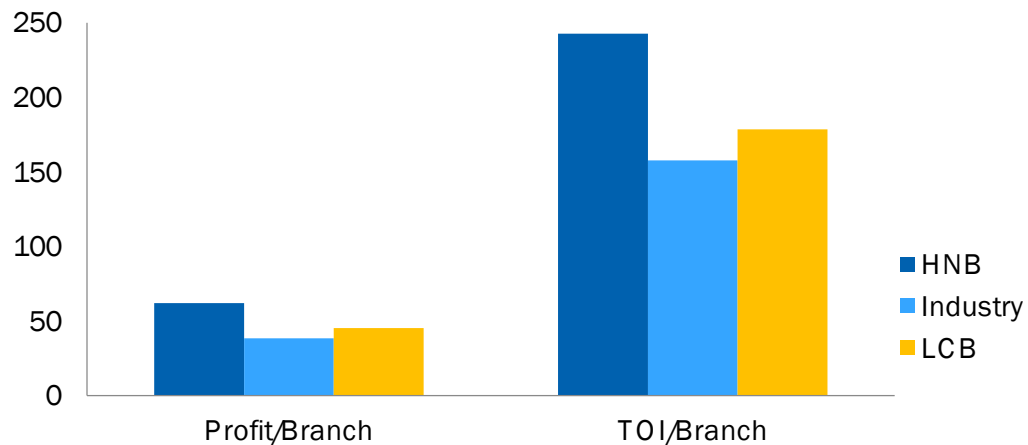
Cost to Income Ratio



TOI vs OpEx (Rs Bn)



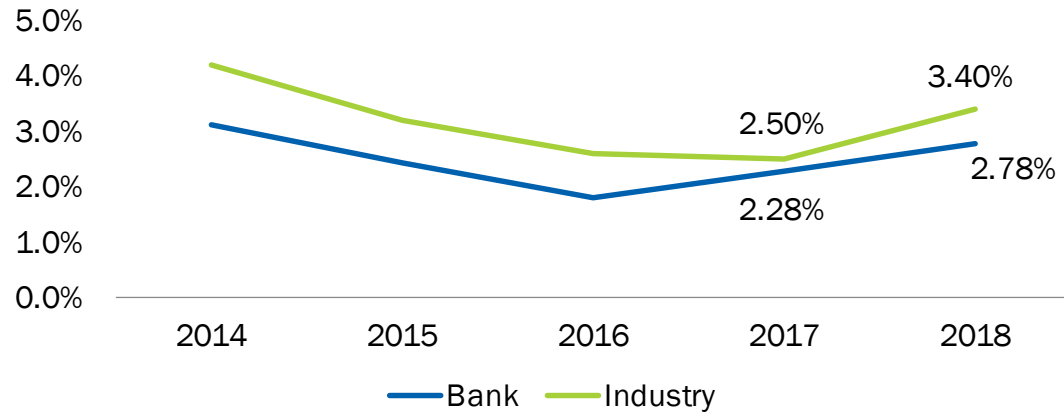
Efficiency (Rs Mn)



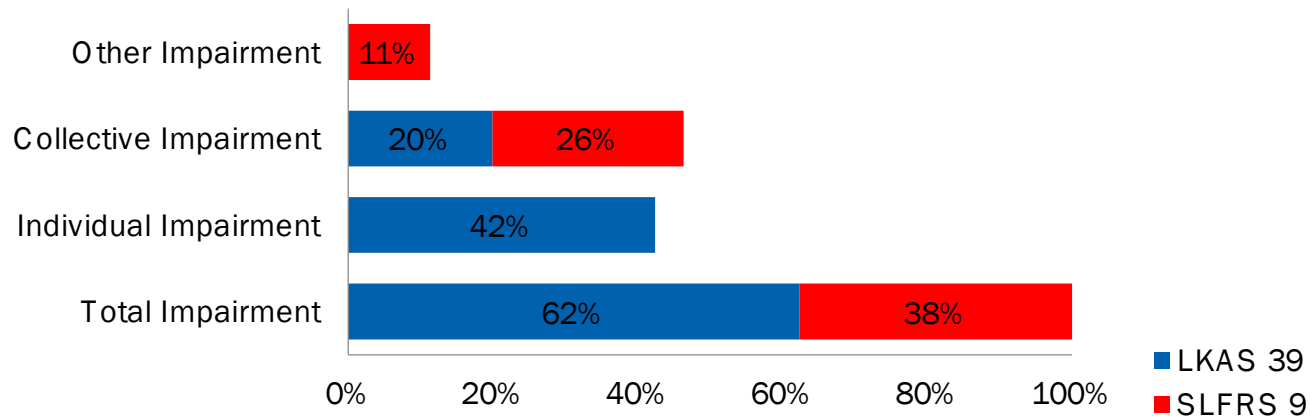
- 100% of retail applications processed centrally
- Centralized Disbursements
- Central Security Repository
- Paperless Office Systems

Asset Quality & Credit Cost

Gross NPA



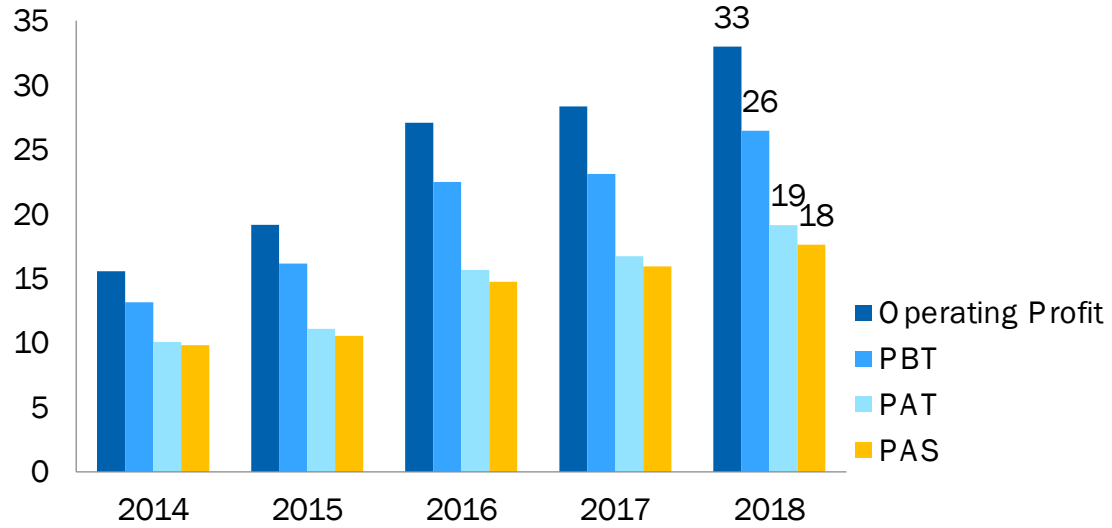
Constituents of 2018 Credit Cost



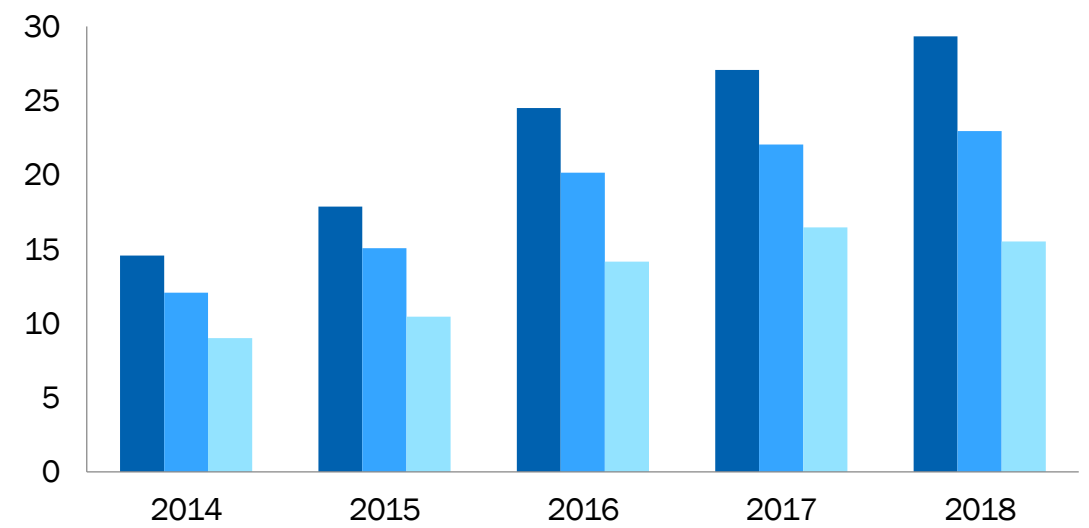
- Specialization via Centralized Credit Underwriting
- Centralized Collection System
- Structural revamping with emphasis on specialized verticals for Underwriting & Recoveries
- Appointment of Senior Executive as Chief Credit Officer

Sustainable Returns to Shareholders

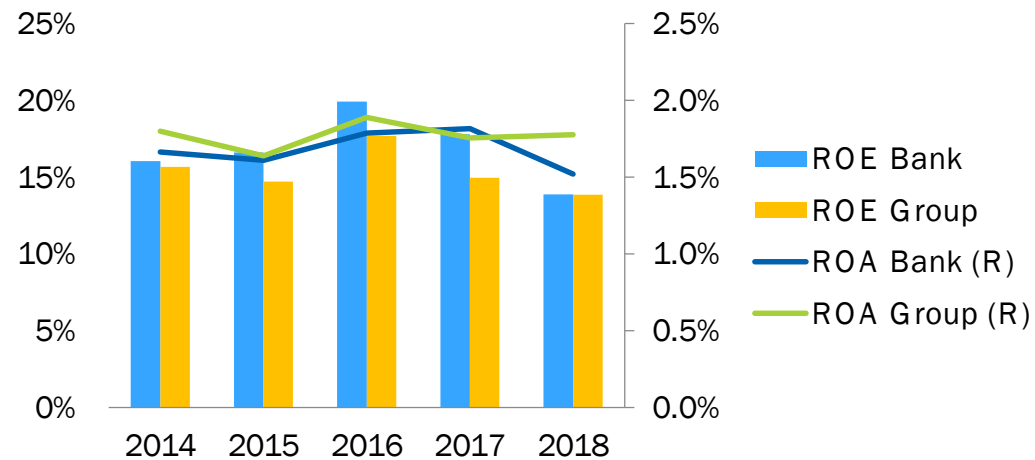
Group (Rs Bn)



Bank (Rs Bn)

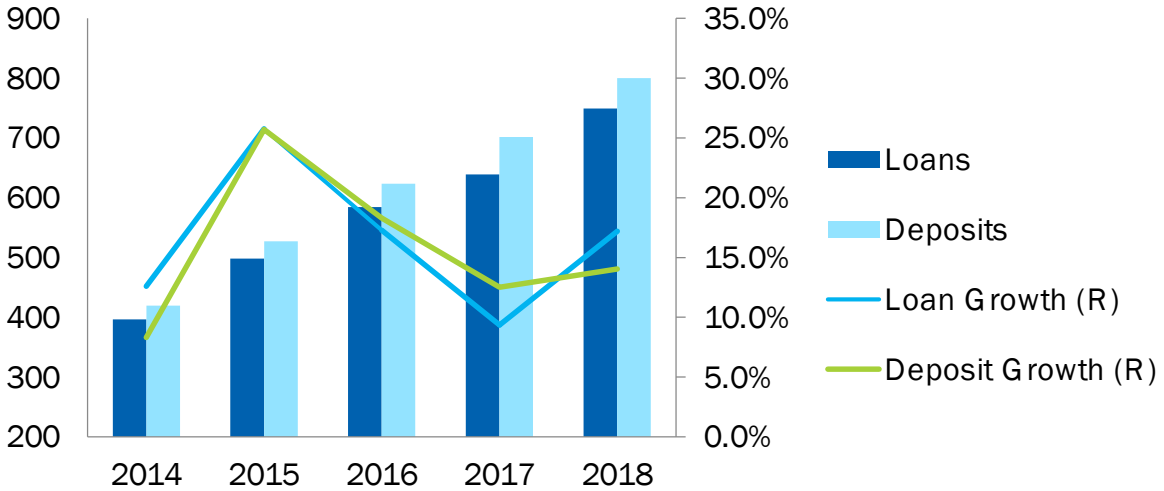


ROA & ROE

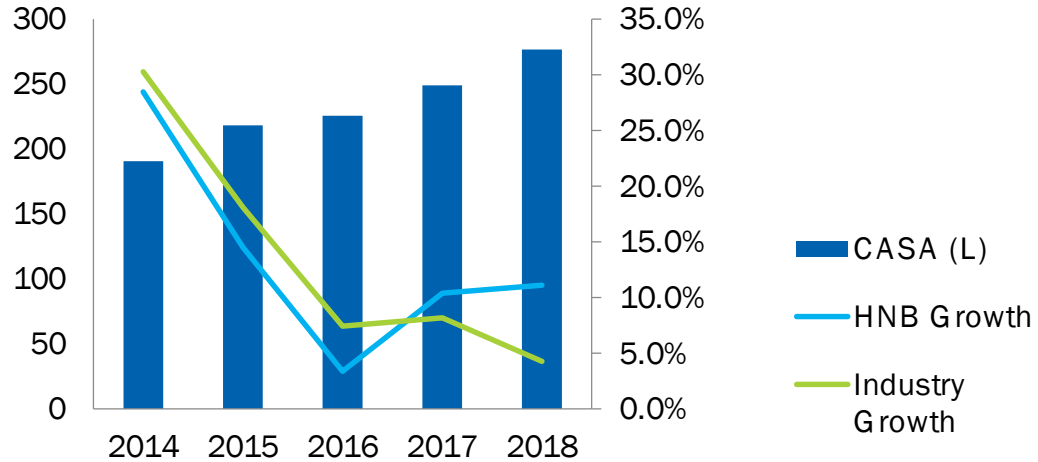


Strong Growth

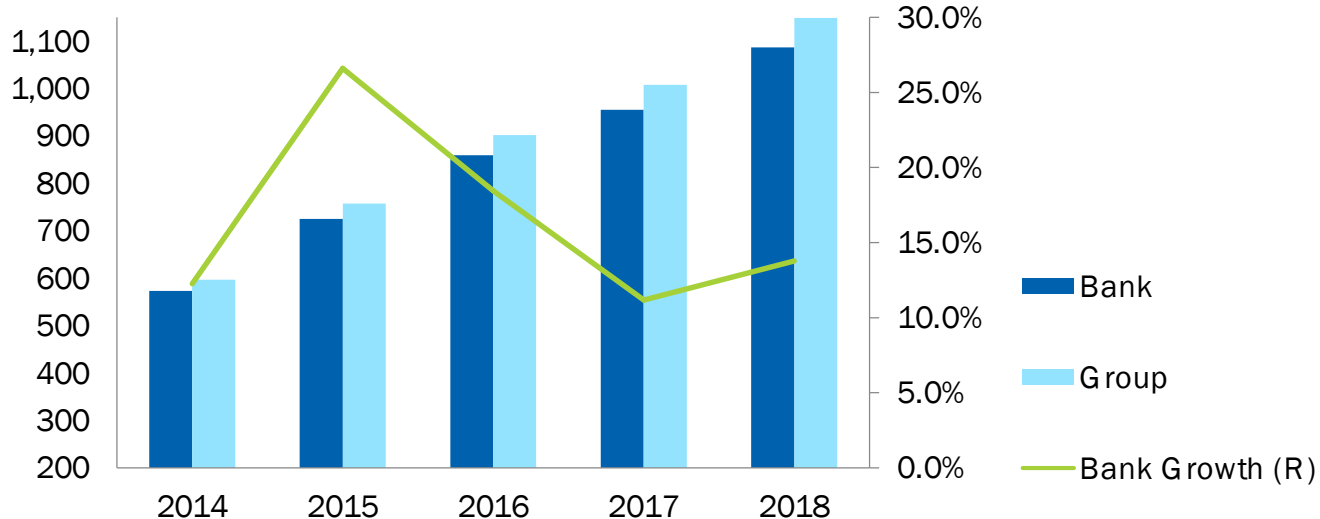
Loans & Deposits (Rs Bn)



CASA (Rs Bn)



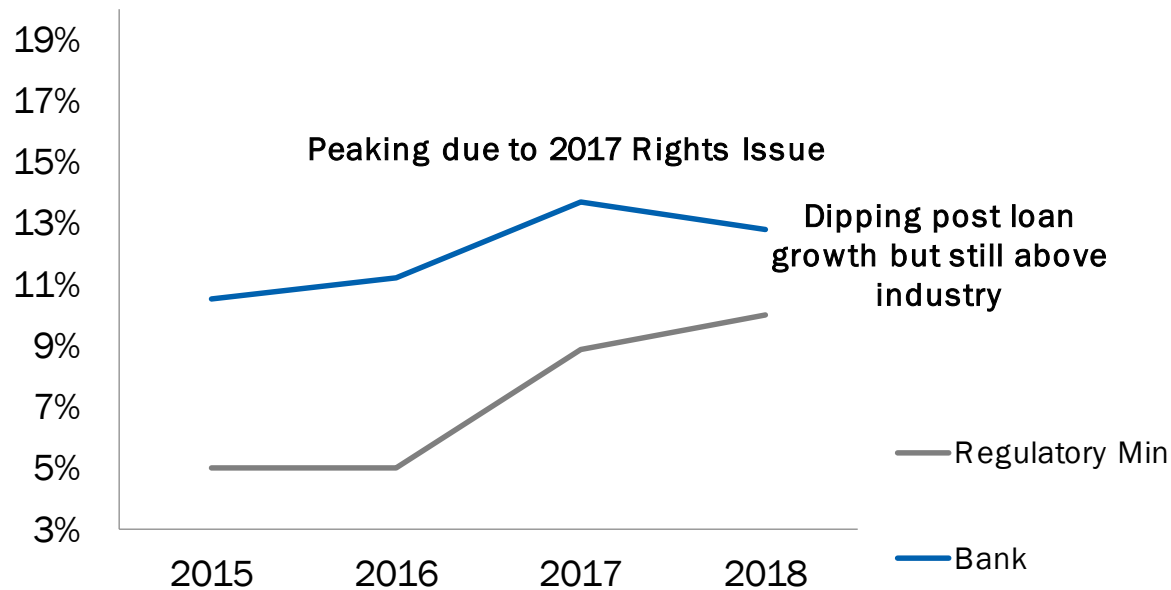
Assets (Rs Bn)



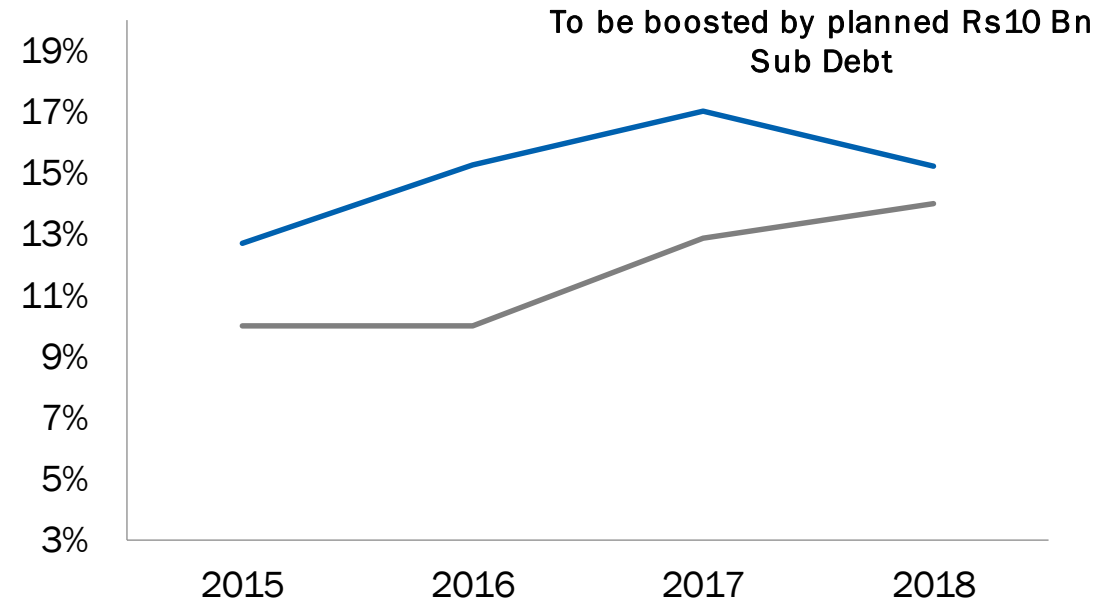
Sound Capitalization

- Healthy Balance between sound capitalization & growth
- Total Tier I Capital at 12.80% , 280 bps higher than Basel III Minimum for DSIB's as of 1st Jan 2019
- Total Capital Ratio at 15.22% ,122 bps better than Basel DSIB requirement

Total Tier I



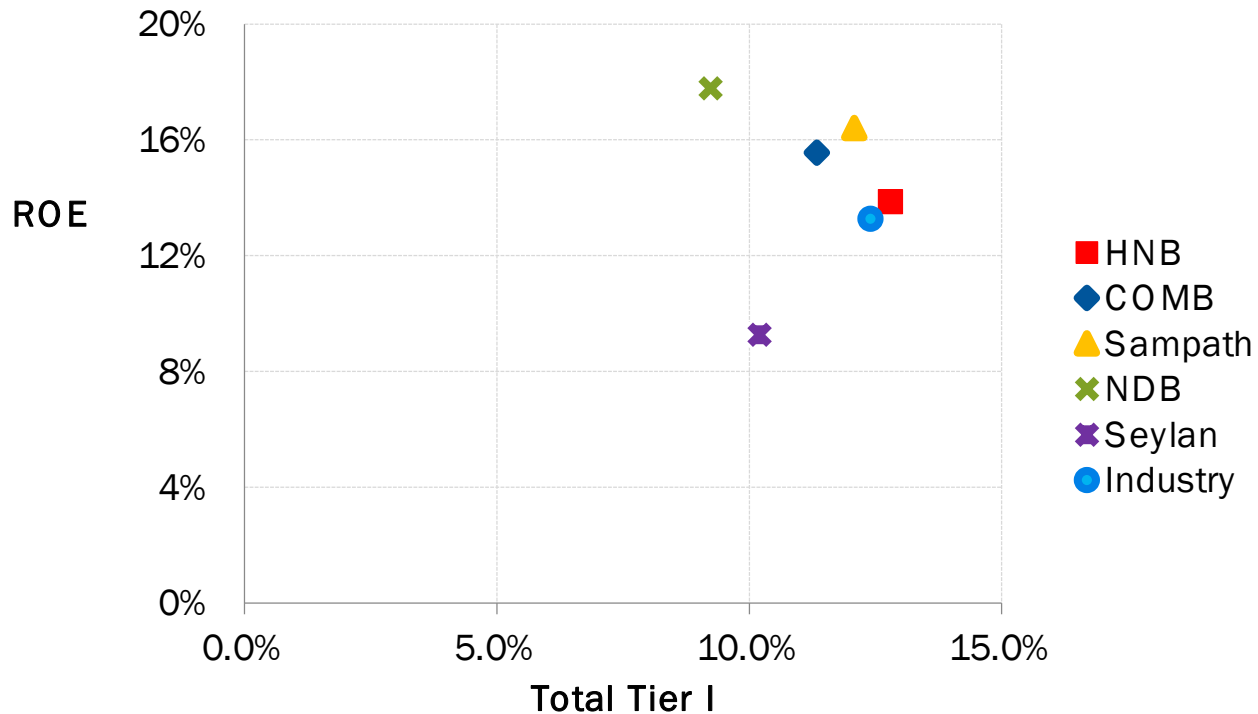
Total Capital



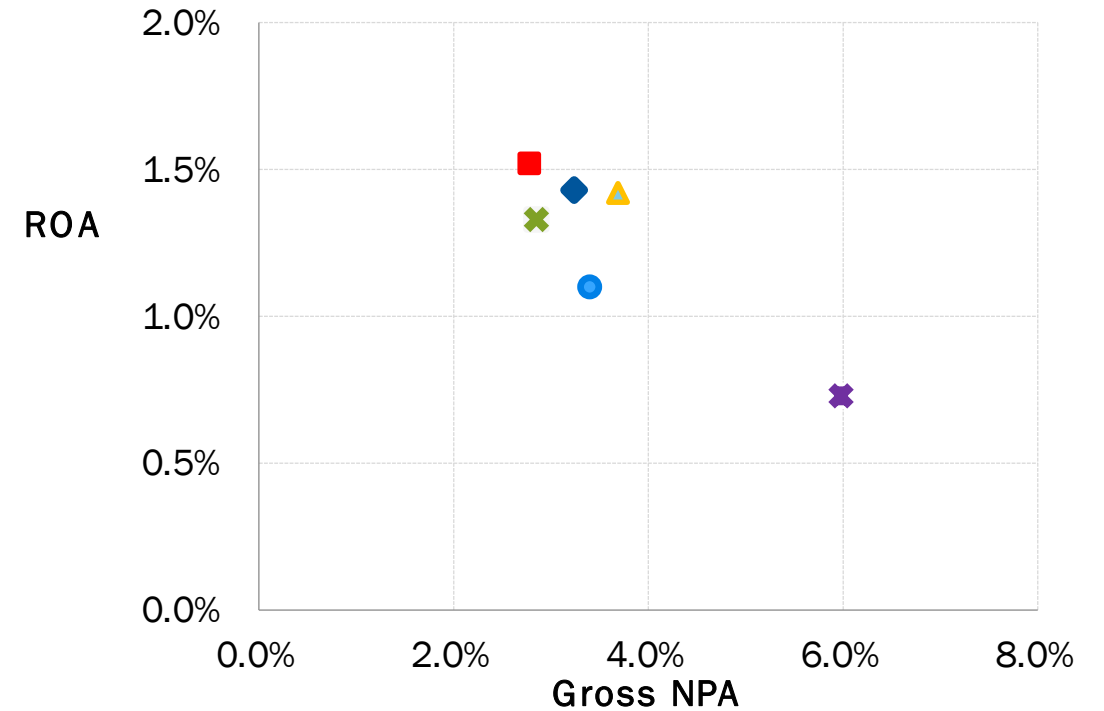
Profitability vs Risk

- Very Strong Risk Adjusted Performance
- Highest Total Tier I among Peer Banks
- Lowest NPA among Peer Banks

ROE vs Total Tier I

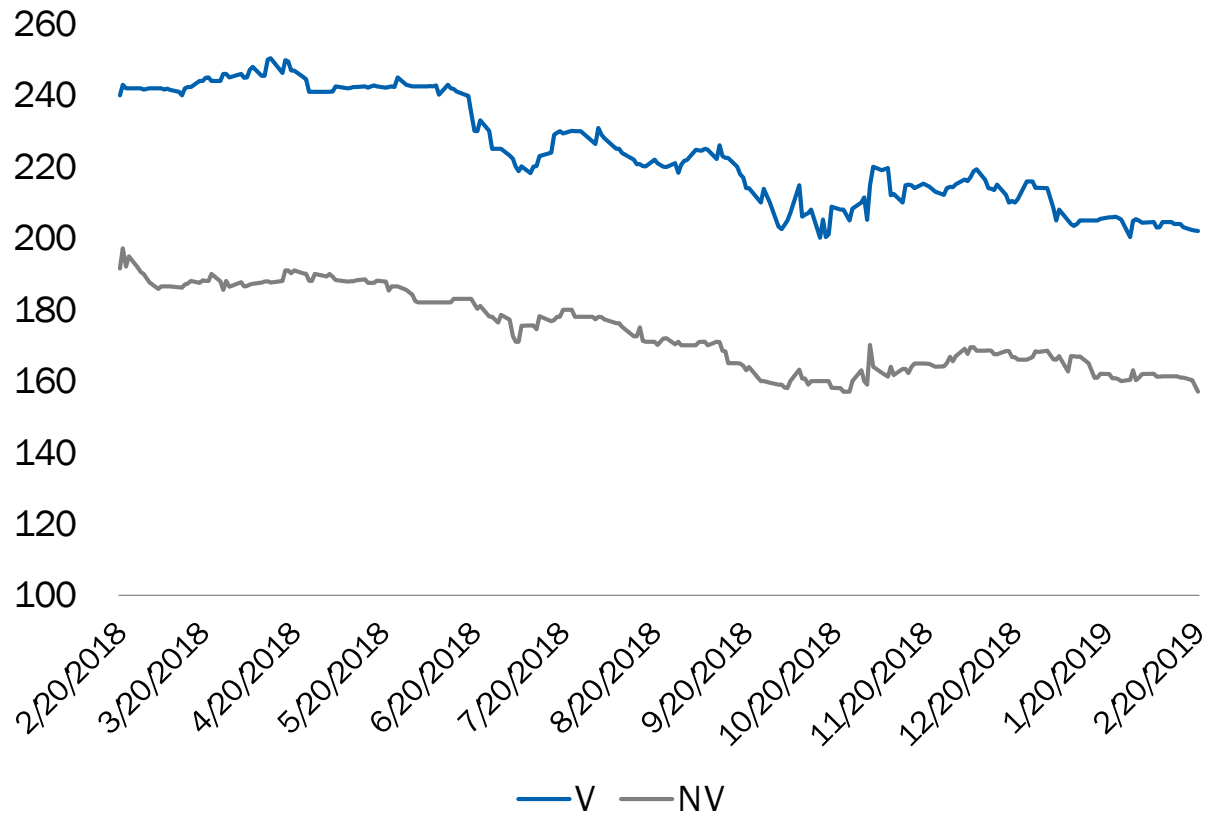


ROA vs Gross NPA



Shareholder Return – 12 Months

12 Month Share Movement -Feb 20 (Rs)



EPS (Rs)	35.80
BVPS (Rs)	269.28
PBV (X)	0.75
PE (X)	5.6
Total DPS (Rs)	8.50
Total Dividend Yield (%)	4.3 (N) & 5.4 (X)
Cash DPS (Rs)	5.00
Cash Dividend Yield (%)	2.5 (N) & 3.2 (X)

Awards & Accolades 2018



- 'No. 1 Bank in Sri Lanka' in Banker Global Top 1000 ranking
- Highest Ranked Bank in Sri Lanka 2018 – Business Today
- 'Best Retail Bank in Sri Lanka' for the 10th time by The Asian Banker
- 'Best SME Bank' & 'Best Digital Bank' in Sri Lanka by Asiamoney
- 'Best Cash Management Bank' in Sri Lanka by Asian Banker, Asiamoney and Euromoney
- Gold Award Banking Category & Overall Runner Up - ACCA Sri Lanka Sustainability Reporting Awards
- 'Islamic Finance Entity of the Year', 'Gold Award for Islamic Banking Window of the Year' & 'Silver Award for Islamic Finance Deal of the Year' – Sri Lanka Islamic Banking & Finance Industry Awards
- 'Silver Award for Investor Relations' from CFA Sri Lanka
- Best Private Sector Organization for Promoting Women in the Workplace – Top 50 Professional & Career Women Awards 2018

Thank you

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