



HNB

INVESTOR UPDATE 1H 2017

KPIs - 2020

Indicator	2015	2016	2020
ROA	1.6%	1.8%	>1.8%
ROE	16.6%	19.9%	> 20%
Total CAR	12.7%	15.3%	> 14%
NPA	2.4%	1.8%	< 1%
Provision Cover	73.7%	81.5%	100%
Cost to Income	45.95%	42.5%	< 40%
Advances Growth (5 yr CAGR)	19.8%	17.8%	17 - 20%
Deposit Growth (5yr CAGR)	17.1%	16.4%	20 - 25%

Vision 2020

CASA

Asset Quality

Customer Experience &
Branding

Digital Banking

Lean Management

Operational Risk Management

New Business Opportunities

New Products / Services

Investments

Talented & Engaged Team, Strong Corporate Governance Standards,
Risk Management Framework, Compliance

Driving Strategy



Group PBT at Rs 10.8 Bn

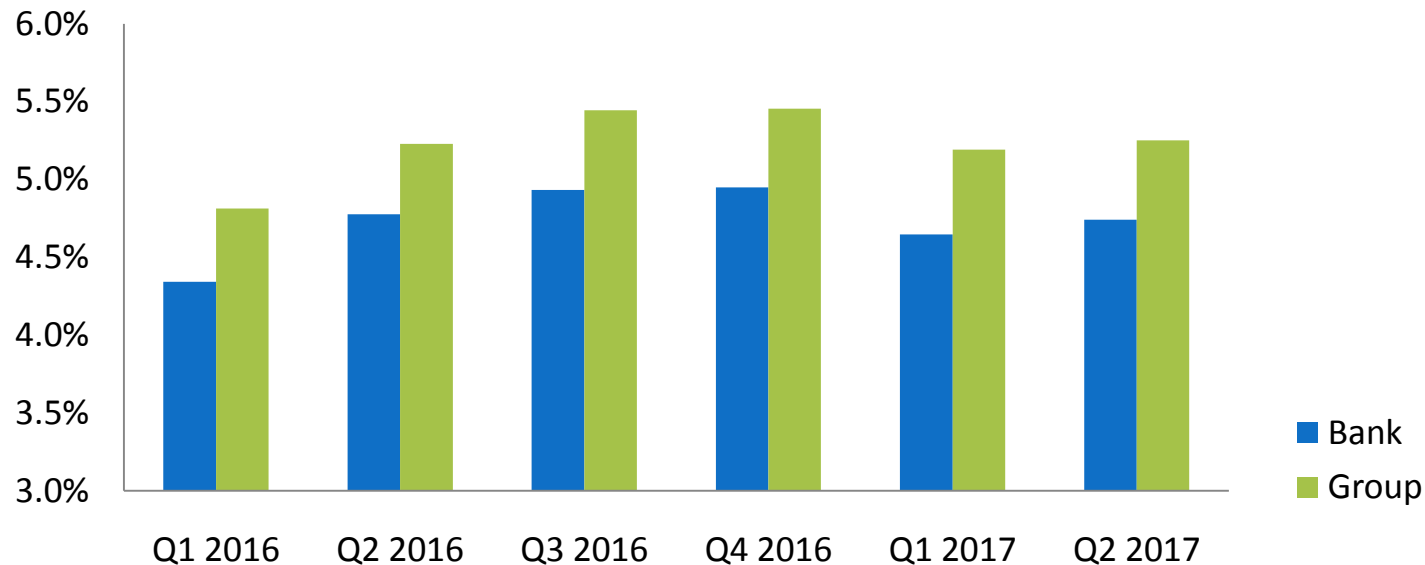
Rs Mn	1H 2017	1H 2016	% Change
Net Interest Income	21,966.5	17,999.7	22.0
Net Fee and Commission Income	4,412.3	3,656.0	20.7
Net gains from Trading & Financial Investments and Other Operating Income	429.6	597.0	(28.0)
Net Insurance Premium Income	3,005.9	2,585.5	16.3
Impairment Charges	1,931.8	198.8	871.6
Operating Expenses	14,445.2	12,798.4	12.9
VAT & NBT	2,673.6	1,832.2	45.9
PBT	10,763.7	10,008.8	7.5
Tax	3,233.2	3,004.2	7.6
PAT	7,530.5	7,004.6	7.5
PAT attributable to Equity holders	7,240.4	6,665.0	8.6

Bank Posts Rs 7.1 Bn PAT

Rs Mn	1H 2017	1H 2016	% Change
Net Interest Income	19,114.3	15,859.4	20.5
Net Fee and Commission Income	4,081.6	3,359.5	21.5
Net gains from Trading & Financial Investments and Other Operating Income	620.5	728.2	(14.8)
Impairment Charges	1,452.4	137.2	958.9
Operating Expenses	9,865.4	9,019.9	9.4
VAT & NBT	2,468.8	1,678.5	47.1
PBT	10,029.9	9,111.6	10.1
Tax	2,894.0	2,702.8	7.1
PAT	7,136.0	6,408.8	11.3

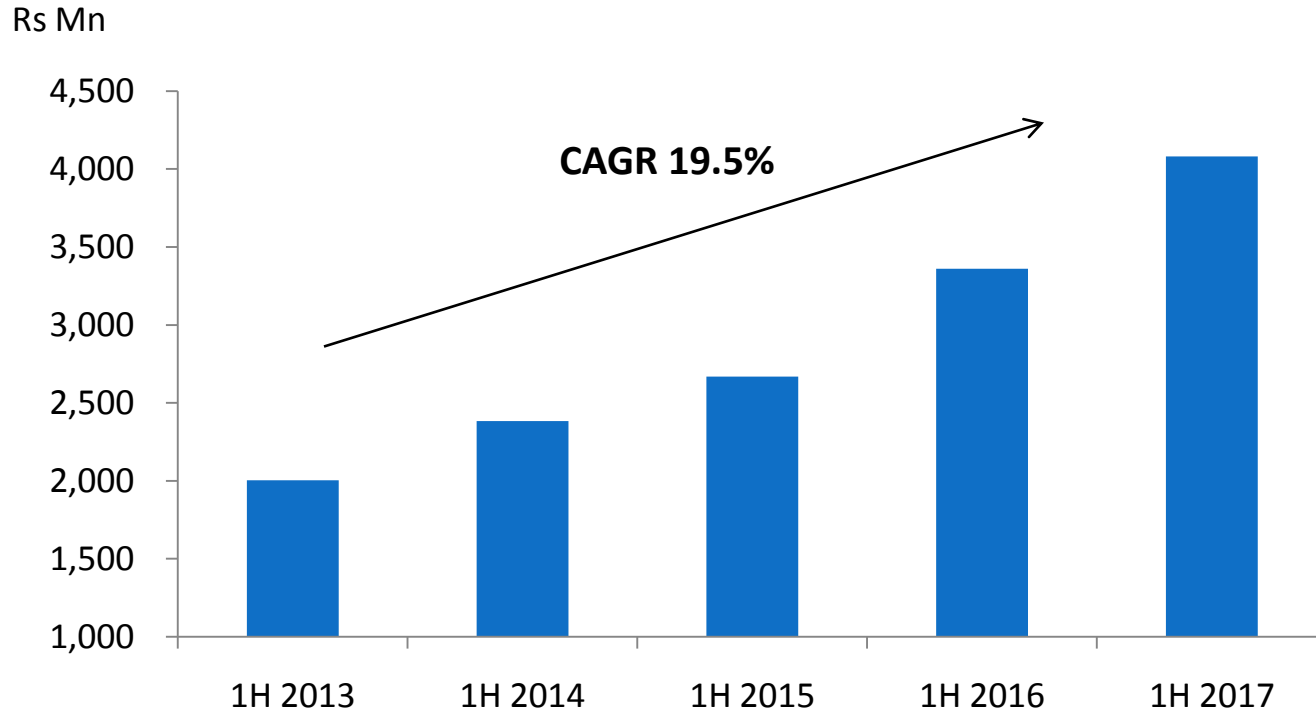
Sound Core Banking Performance

Marginal NIM Improvement in Q2



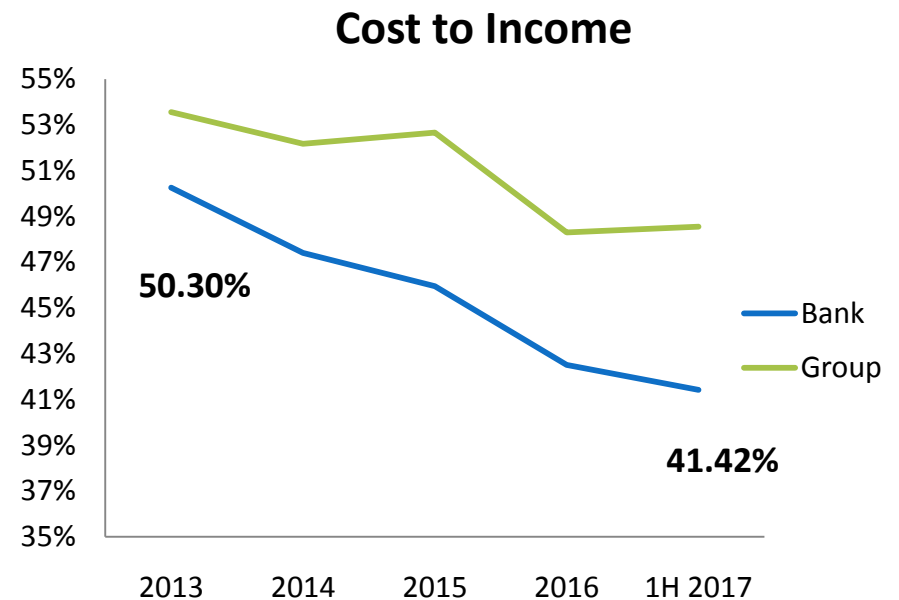
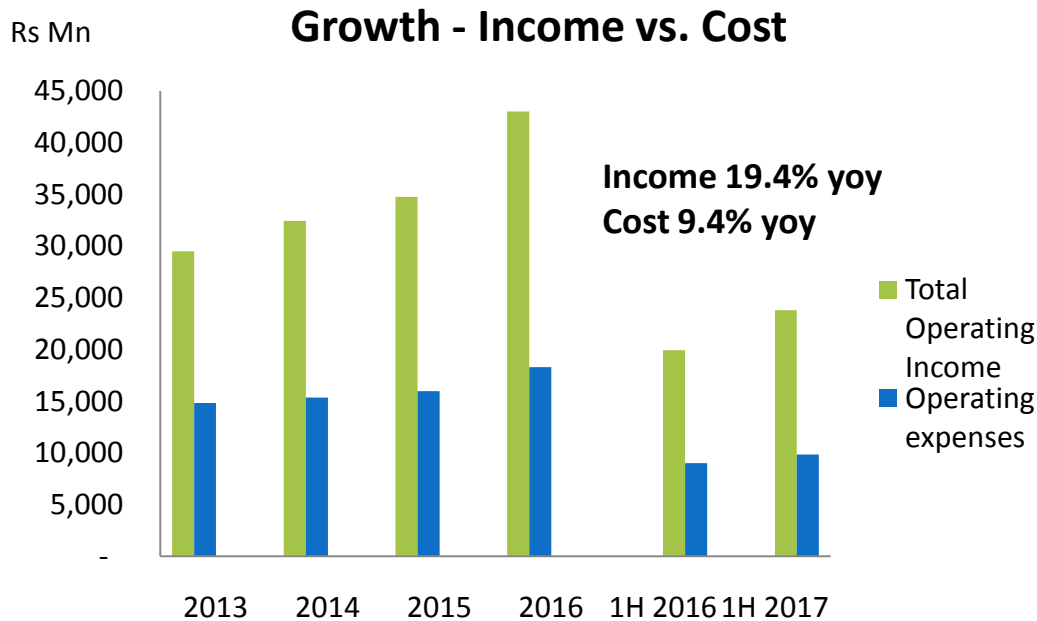
- 1H 2017 NIM - 4.73% vs 4.0% for Industry and 4.55% in 1H 2016
- Group 1H 2017 NIM 5.26% compared to 5.01% in 1H 2016
- Driven by Rs 245.9 Bn CASA Base
- Group NII up by 22% yoy, Bank by 20.5% yoy

Strong Fee Income Growth



- Trade, Credit Cards & Guarantees account for 62%
- Growth witnessed across all fee categories
- Growth of 21.5% yoy

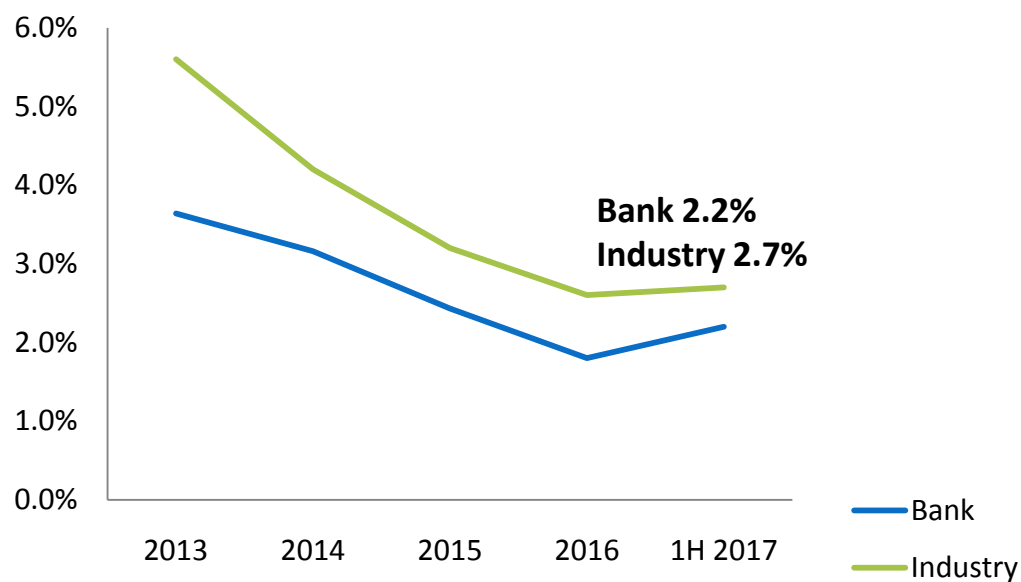
Transformational Improvement in Efficiency



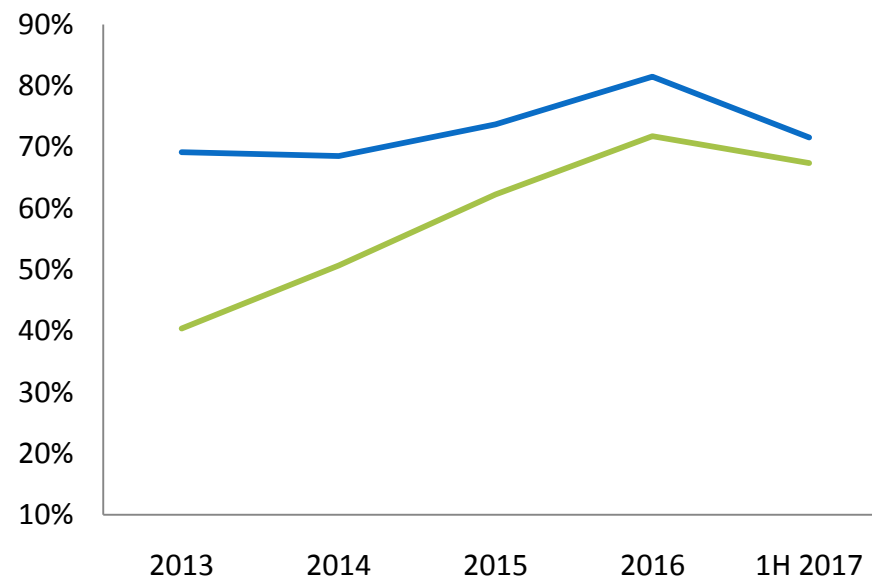
- Bank's Cost to Income Ratio improves by 380 bps yoy
- Nearly 900 bps improvement since 2012

Asset Quality

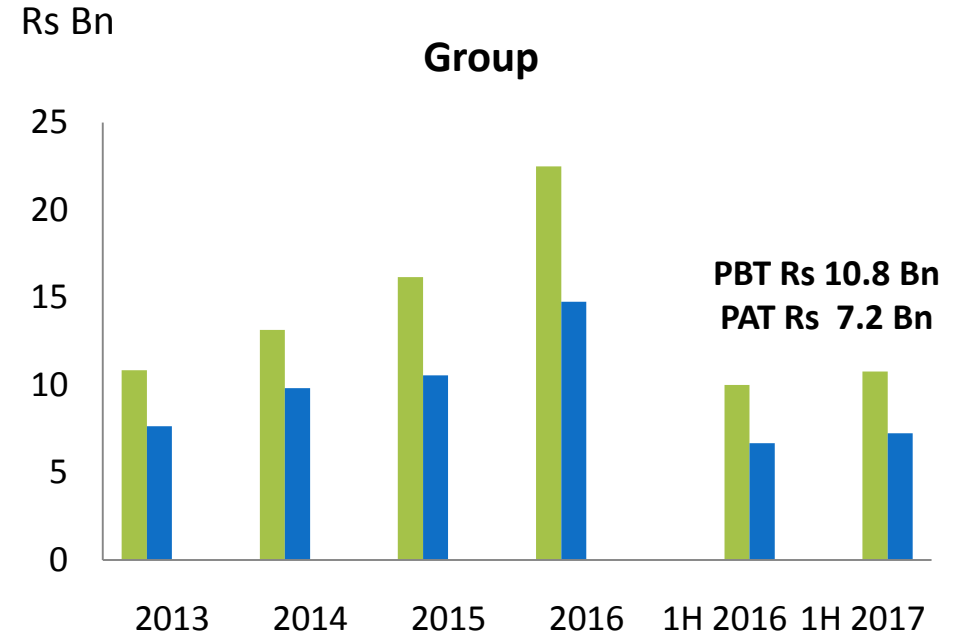
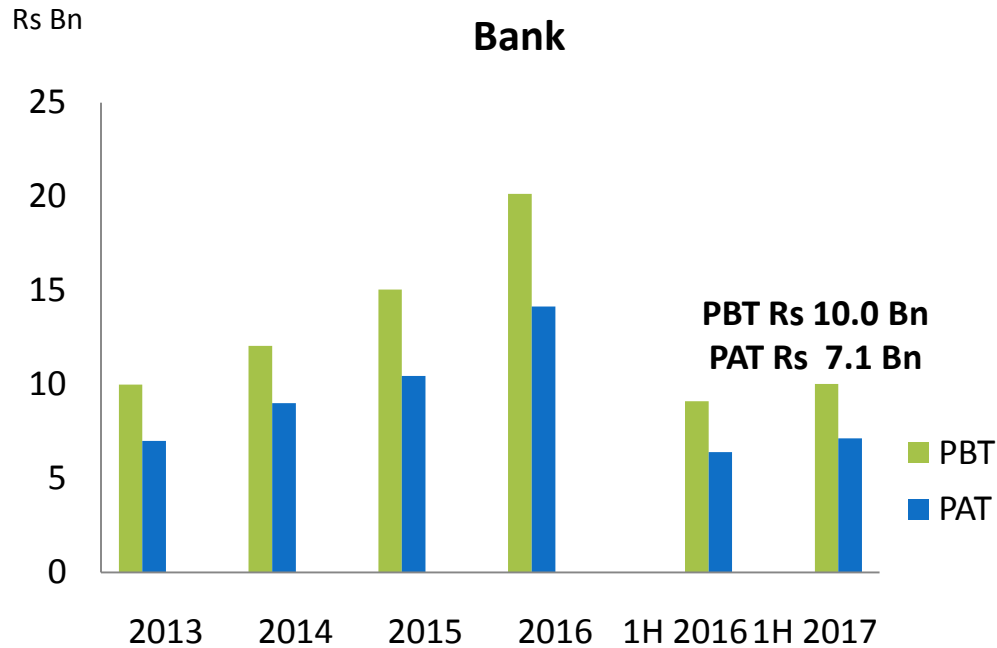
NPA consistently below industry



Provision Cover > 70%



Continuous Growth in Profits



YOY Growth

PBT

Bank

10.1%

Group

7.5%

PAT

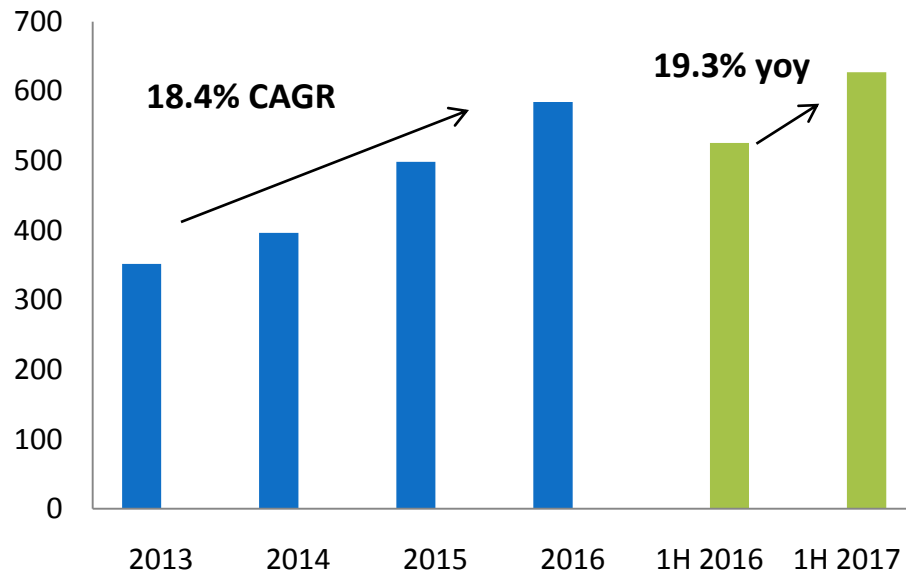
11.3%

8.6%

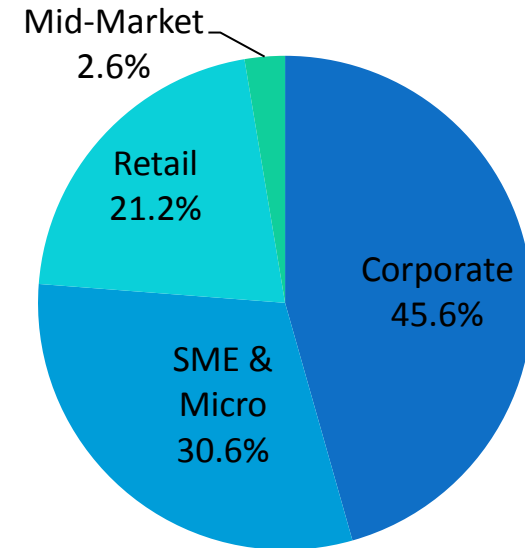
Strong Balance Sheet Growth

Rs Bn

Advances Growth

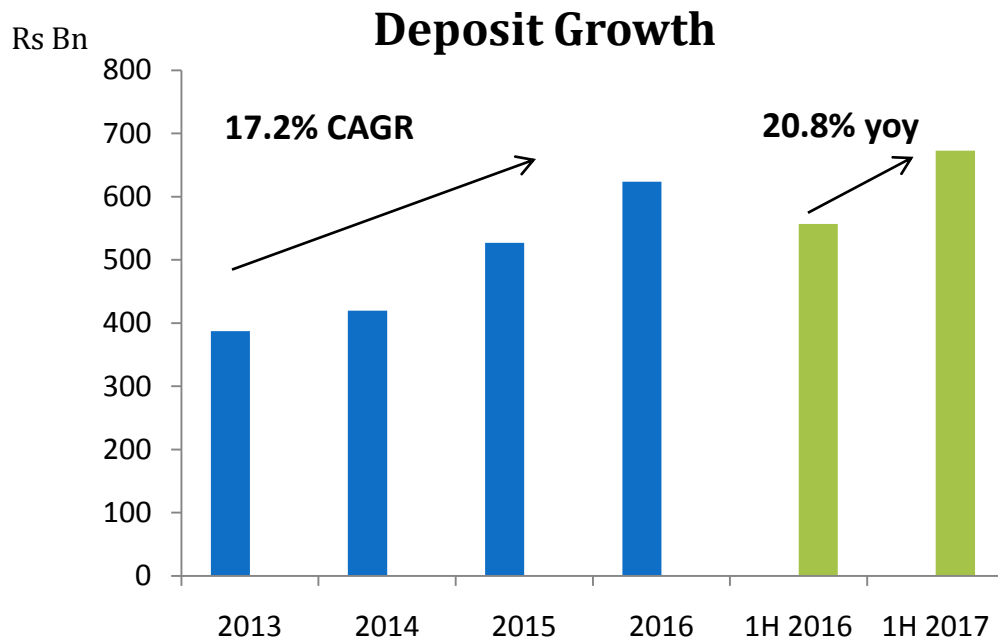


Segment Diversification

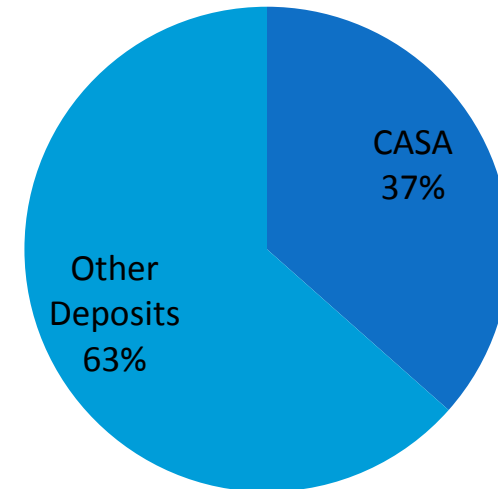


- Advances growth exceeds Rs 100 Bn yoy
- 7% growth in 1H 2017
- Significant boost to NII

Strong Balance Sheet Growth



CASA ratio improves over 6 months



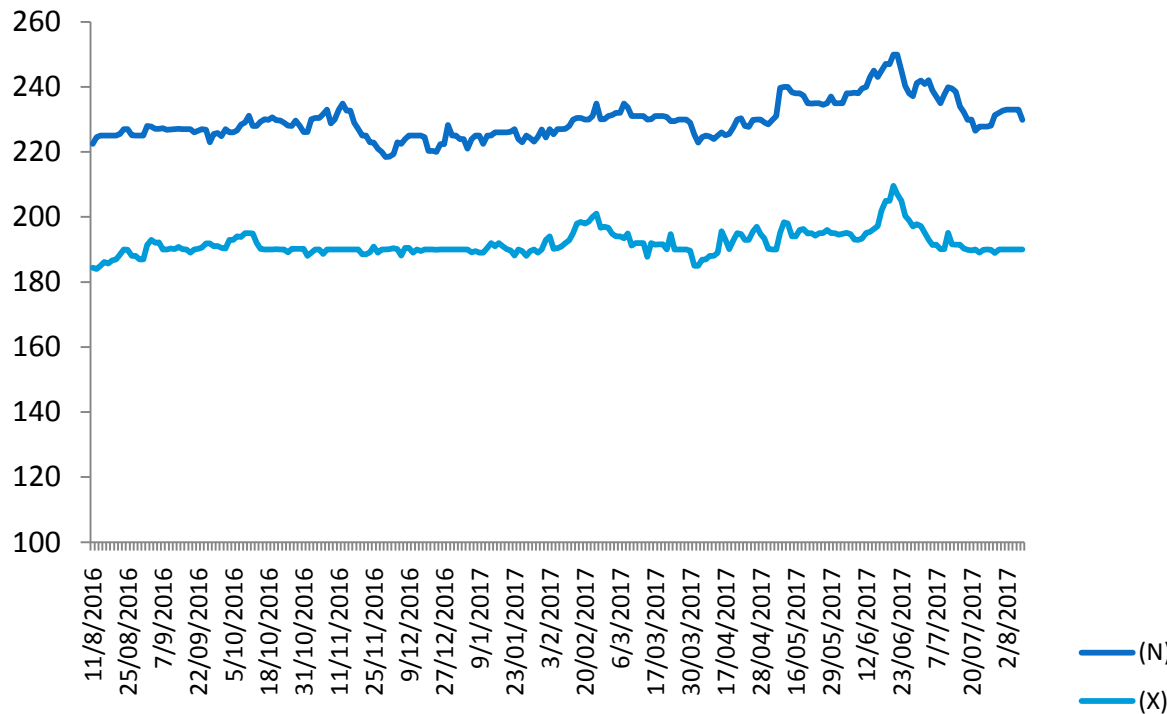
- > Rs 100 Bn yoy growth in deposits
- 8% growth in 1H 2017
- CASA grows by 9% over 6 months
- Balance Sheet supported by 1 for 6 Rights Issue

DuPont Analysis – 1H

	2017	2016	2017	2016
	Bank		Group	
Net Interest Income	4.29%	4.18%	4.70%	4.54%
Other Income	1.06%	1.08%	1.68%	1.72%
Net Income	5.35%	5.26%	6.38%	6.26%
Provisions	0.33%	0.04%	0.41%	0.05%
Operating Cost	2.22%	2.38%	3.09%	3.23%
Taxation	1.20%	1.15%	1.26%	1.22%
ROA	1.60%	1.69%	1.61%	1.77%
Minority Interest	-	-	0.06%	0.09%
Multiplier	11.06	11.48	9.85	10.34
ROE	17.73%	19.38%	15.26%	17.38%

Return to Shareholders

**12 Month Share Price
(Aug 11 2016 – Aug 9 2017)**



- Dividend per share – Rs 8.50
- Dividend yield (N) – 3.7%
- Dividend yield (X) – 4.5%
- Total Return (N) : 7.2%
- Total Return (X) : 7.6%
- ASPI declined by 0.13% over the corresponding period

Awards and Accolades

THE ASIAN BANKER®
EXCELLENCE IN
RETAIL FINANCIAL SERVICES



'Best Retail Bank in Sri Lanka' in 2017, for the 9th time
'Microfinance Product of the Year' for Asia Pacific by the 'Asian Banker' (2017)

'Best Bank for SME' in Sri Lanka
'Best Bank for CSR' in Sri Lanka

Gold Award - 'Deal of the Year'
Gold Award - 'Window/ Unit of the Year'
Bronze Award - 'Entity of the Year'



Ranked no. 3

'Best HR Strategy in line with Business 2016'

Asia Excellence In Training & Development Award 2016' (for the 5th consecutive year)

'Bronze Award' for 'Best Investor Relations'

Thank you