

The logo graphic consists of a yellow horizontal bar on the left, a light blue square on the right, and a dark blue vertical bar extending downwards from the bottom of the light blue square.

HNB

YOUR PARTNER IN PROGRESS

Investor Update

29th May 2024

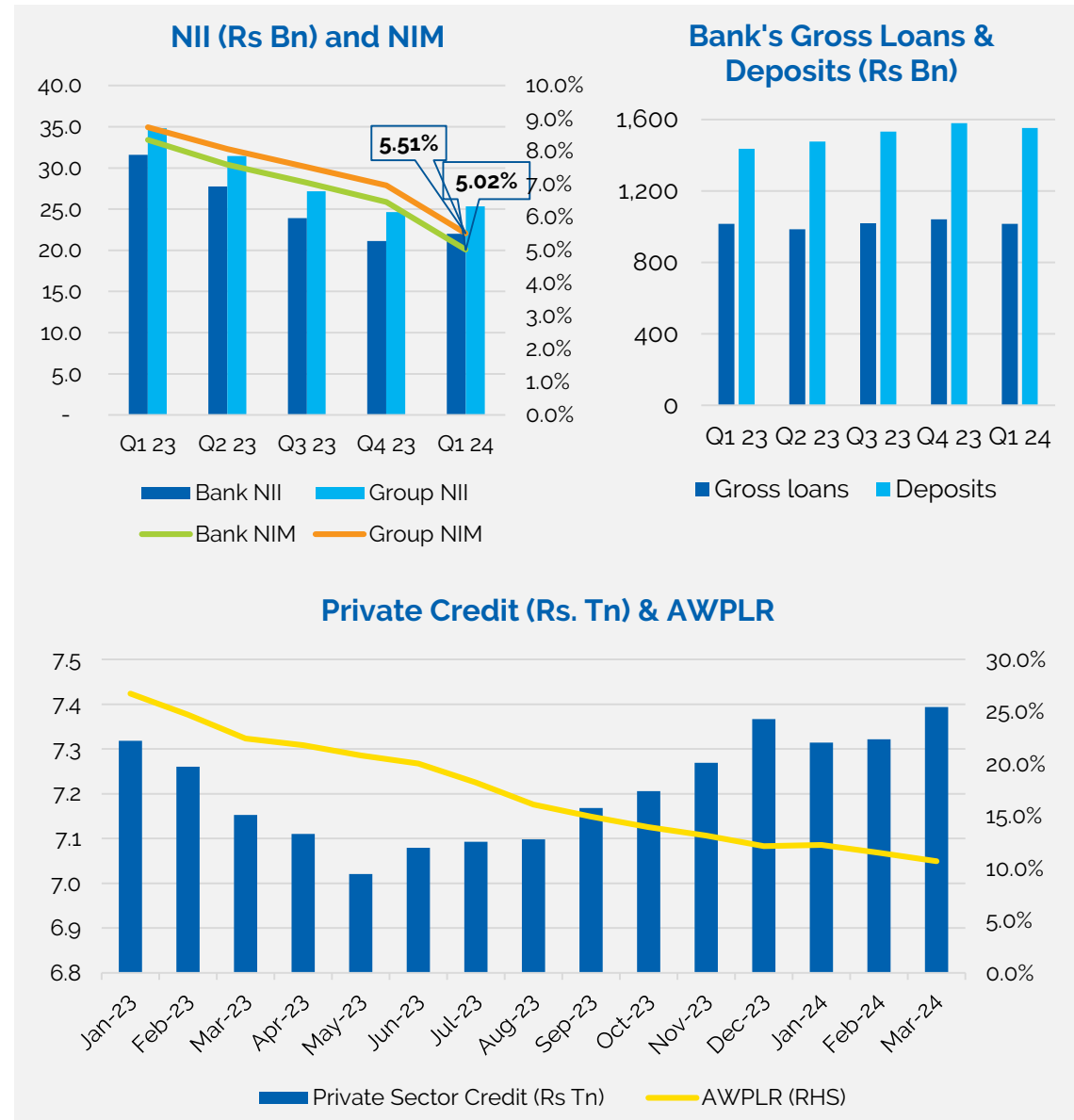
Financial Highlights

Q1 2024

Fund Based Income

Rs Bn	Q1 2024	Q1 2023	% change
Interest Income	64.48	80.75	-20.20
Interest Expense	39.14	45.92	-14.76
NII	25.33	34.82	-27.25

- The Interest Income for the first quarter ended Q1 2024 reported a YoY contraction of 20% largely driven by the decline in AWPLR in line with the Central Bank's expansionary monetary policy.
- NIMs declined in line.
- The Group's Asset base grew marginally to Rs 2,064 Bn while the loan book saw a drop of 2%.
- Compared to Q4 2023, LKR CASA grew by 6% while total deposits saw a drop of 1% as the Bank consciously let go of deposits at higher rates and the FCY deposit base got repriced.

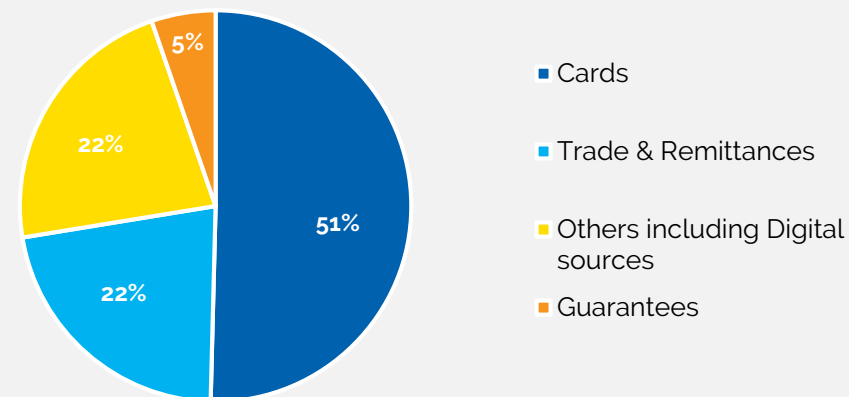


Non-Fund Based Income

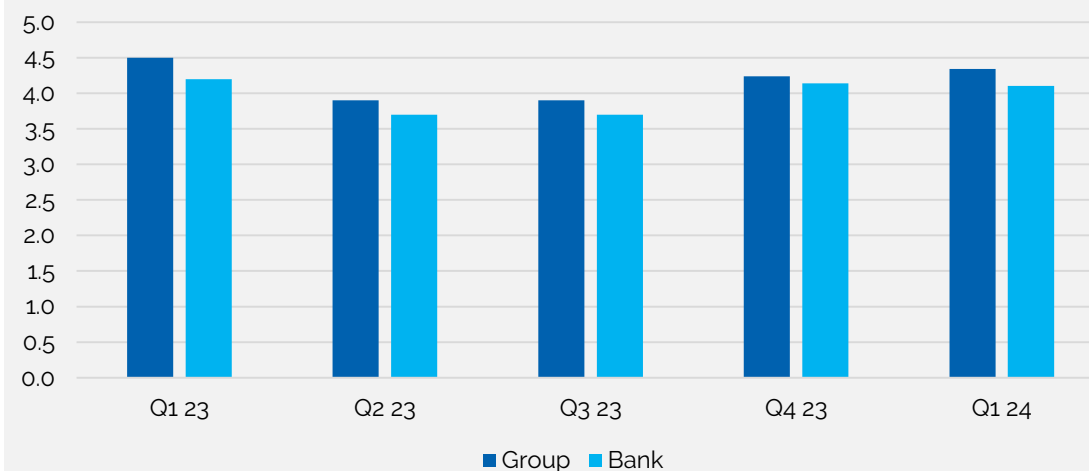
Rs Bn	Q1 2024	Q1 2023	% change
Net Fee and Commission Income	4.34	4.55	-4.48
Other Gains/ (Losses)	-1.38	-1.94	-29.0
Insurance Premium	4.31	3.77	14.14
Total Operating Income	32.61	41.20	-20.86

- Group's Net Fee and Commission Income declined by 4% YoY
- At Bank level, Cards saw a 24% YoY growth in fee income due to higher volumes while Trade recorded a contraction owing to reversion of trade tariffs to pre-crisis levels

Breakup of Bank Fee Income



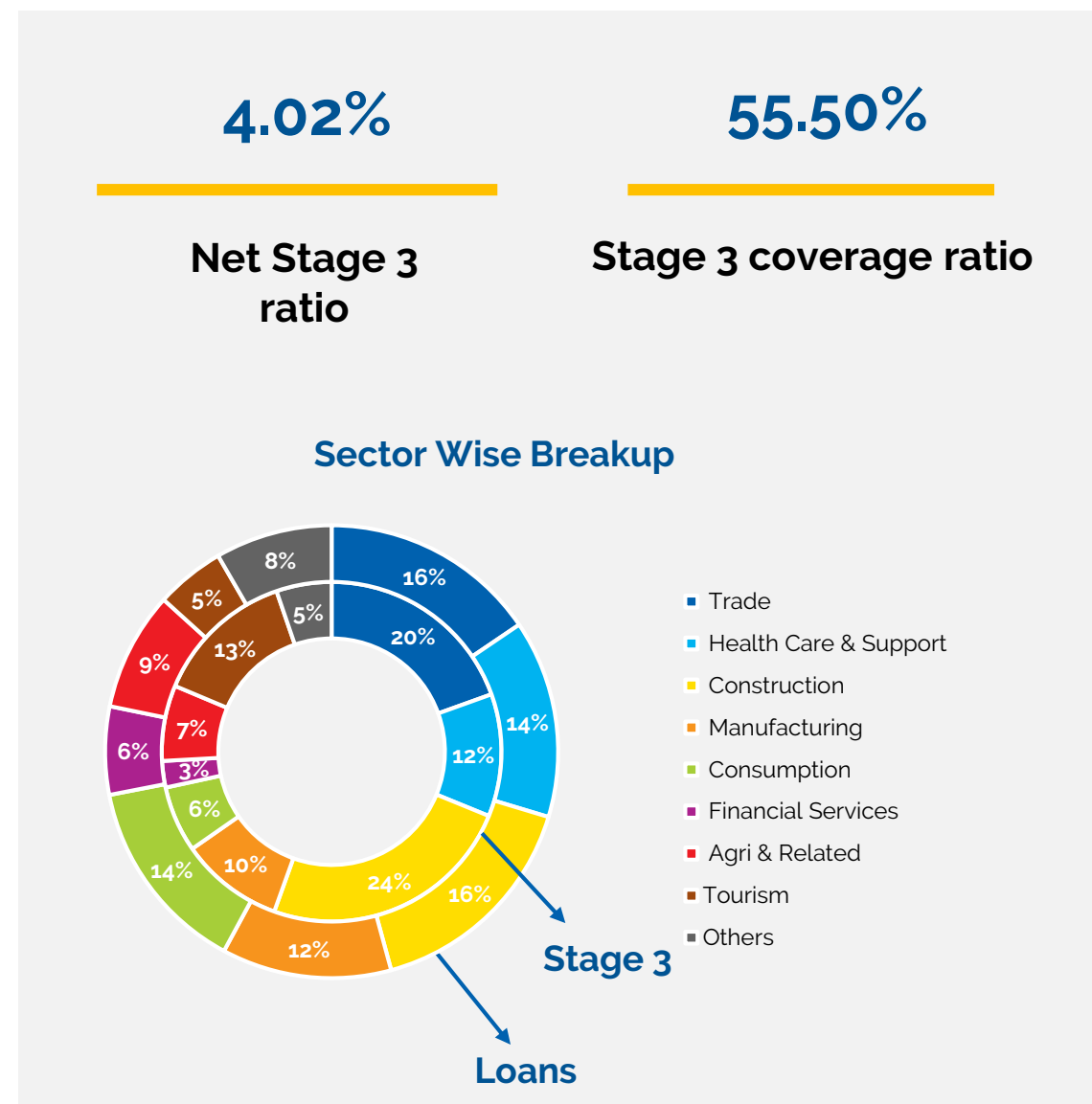
Net Fee Income (Rs Bn)



Impairment and Asset Quality

Rs Bn	Q1 2024	Q1 2023	% change
Impairment on Financial Assets	1.29	4.85	-73.41
Loans and Other	0.35	6.86	-96.96
Total Impairment	1.63	11.71	-86.04

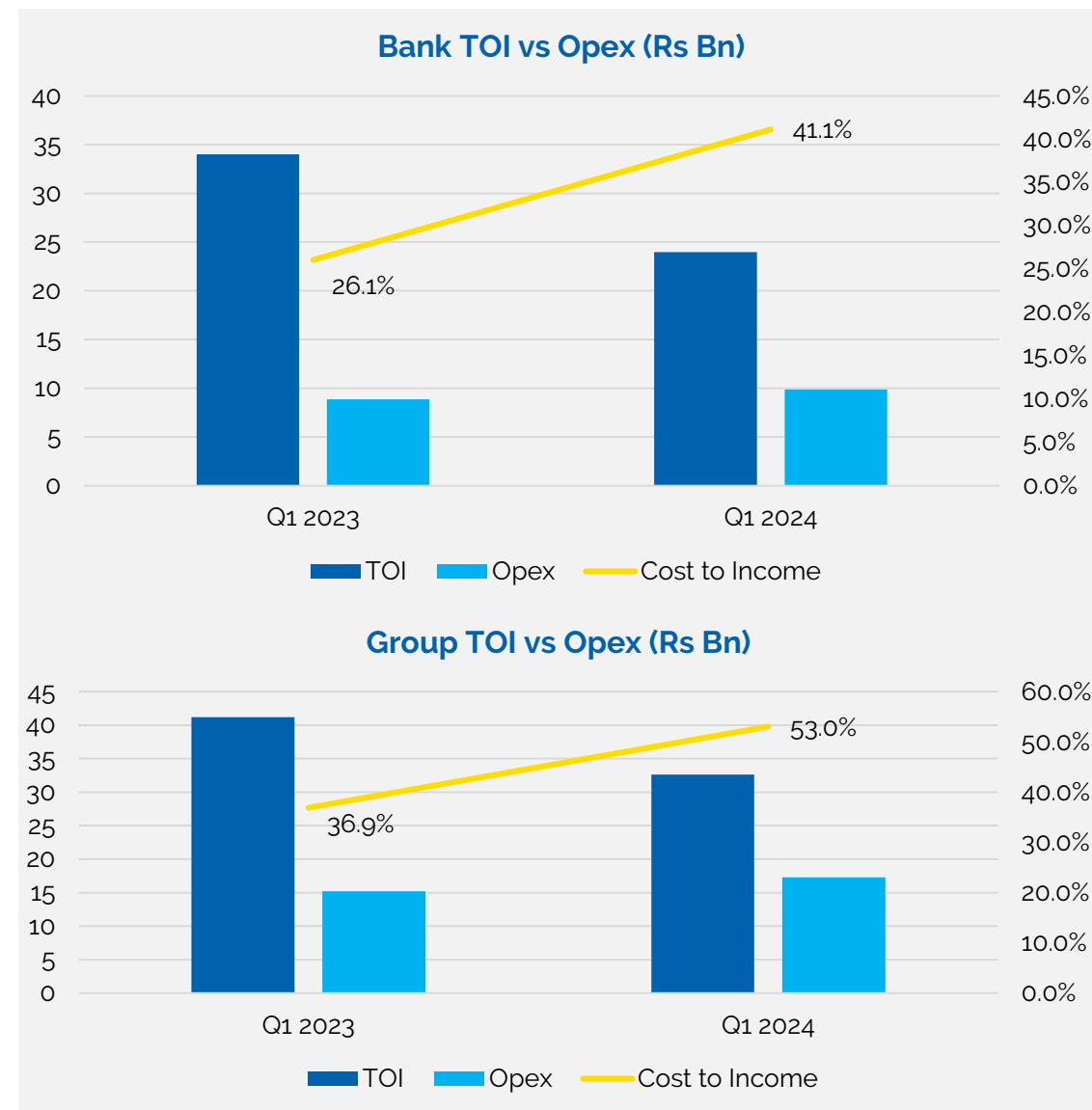
- HNB continued to maintain one of the best stage 3 ratios, in the industry.
- Impairment charge stood at Rs 1.6 Bn for the first quarter compared to the Rs 11.7 Bn from the same quarter of the previous year. Provision for ISBs was maintained at 52% level



Operational Expenses

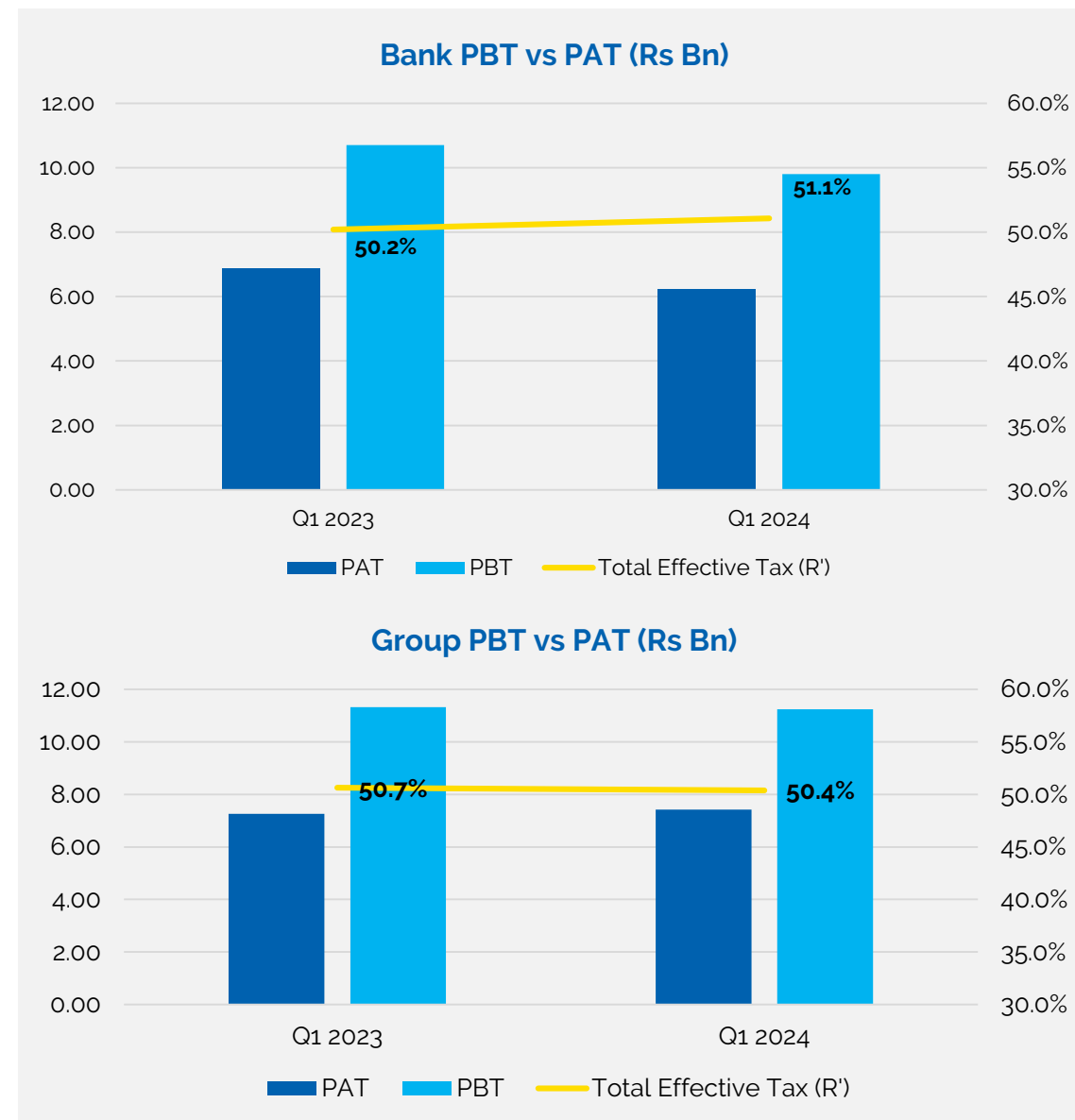
Rs Bn	Q1 2024	Q1 2023	% change
Personnel Expenses	5.78	5.27	9.68
Insurance Costs	4.73	4.40	7.50
Other Expenses	6.78	5.53	22.60
Total Operating Expenses	17.29	15.20	13.75

- The Cost to Income Ratio increased to 53% at Group level, while increasing to 41% at a Bank level as drop in rates mainly contributed to a lower total operating income
- Costs of insurance claims increased on higher healthcare and repair costs. This contributed to 27% of expenses at the Group level.



Taxation and Profitability

Rs Bn	Q1 2024	Q1 2023	% change
FSVAT and SSCL	3.07	3.17	-3.15
Profit Before Income Tax	11.24	11.33	-0.73
Income Tax Expense	3.82	4.06	-5.91
Total Group PAT	7.42	7.26	2.18

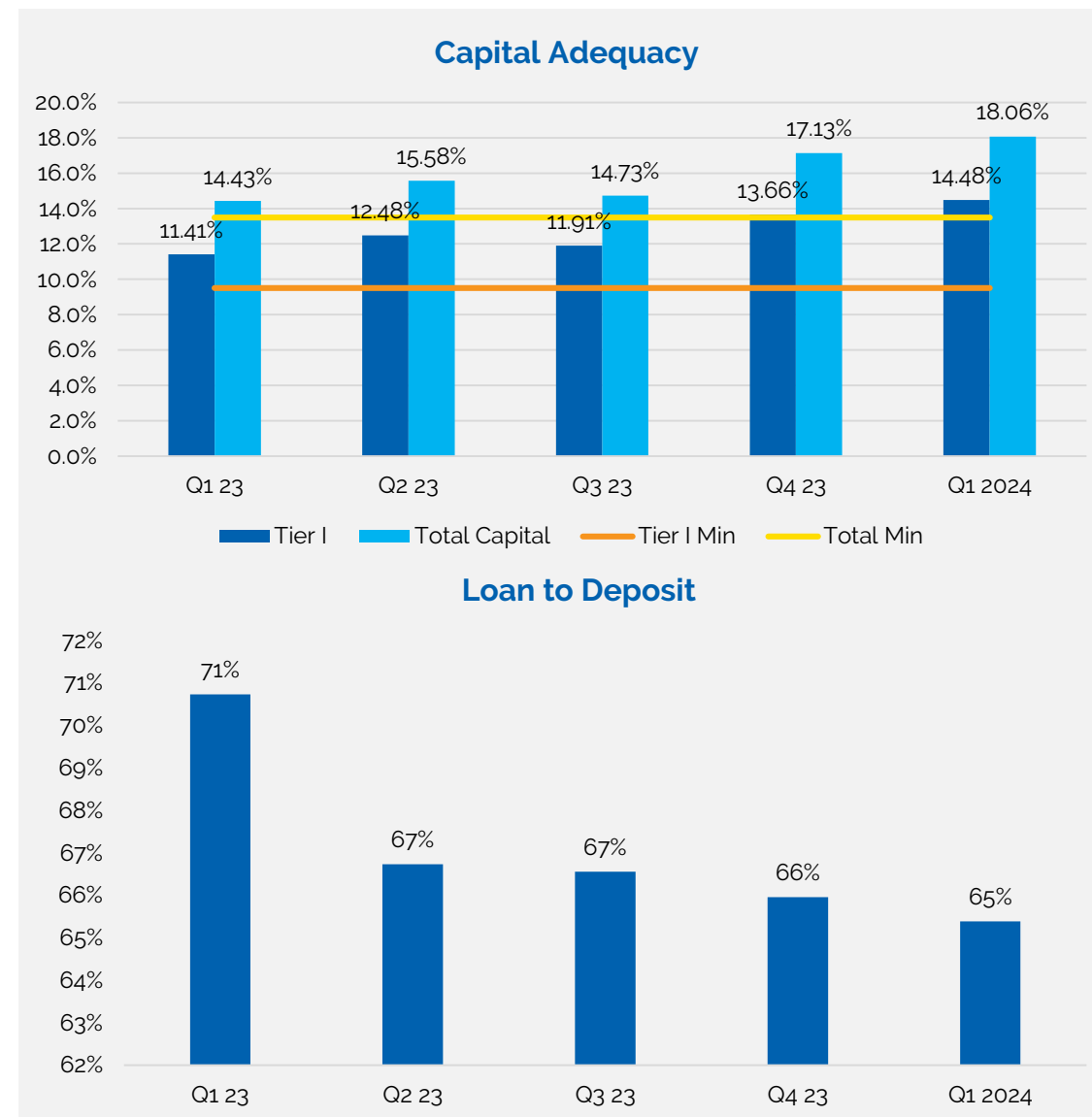


- Group PAT increased by 2% YoY and Bank PBT saw a negative growth of 9.1%.
- Effective tax rate stood at 50.4% at Group level and 51.1% for the Bank level

Soundness Indicators – Bank Level

Ratio	HNB	Requirement
LCR (All)	405.55%	100%
SLAR (DBU)	48.65%	20%
SLAR (Consolidated)	49.34%	20%

- The Bank recorded a Tier 1 and Total Capital Ratio at 14.5% and 18.1%, respectively. Both ratios are well positioned above the minimum statutory requirements of 9.5% and 13.5%. The bank has provision to draw down a further 250 bps on the capital conservation buffer.
- Loan to deposit ratio was at 65% for the first quarter of 2024 when compared with the 71% recorded in the same quarter of the previous year.



Group – DuPont Analysis

ROE
13.38%
(14.88%)

ROA
1.44% **(1.59%)**

Minority Interest
0.04% **(0.04%)**

Leverage multiplier
9.54x **(9.60x)**

NII
4.93% **(7.62%)**

Other income
1.54% **(1.44%)**

Impairment
0.32% **(2.56%)**

Operating Costs
3.36% **(3.33%)**

Taxation
1.34% **(1.58%)**

2024
2023

Awards and Recognition

Awards and Recognitions achieved during 1Q 2024

- **“Best Retail Bank in Sri Lanka”** for the 14th occasion by the Asian Banker
- Recognized as the **“Best Market Leader in Trade Financial Services”** and **“Best Service in Trade Finance”**, overall and domestic by the Euromoney Awards for Excellence in 2024.
- At the LankaPay Technovation Awards 2024, the bank was awarded the Gold Award for **“Bank of the Year for Excellence in Customer Convenience”**. The bank also was awarded the Silver and Merit Award for **“Best Digital Payment Strategy”** and **“Most Popular Digital Payment Product”**, respectively.
- Successfully acquired the **ISO:9001:2015 certification** for the Inward Remittance, Outward Remittance and Centralized Operations Departments of the bank.



Thank You

Hatton National Bank PLC