

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

**HNB**

**YOUR PARTNER IN PROGRESS**

# Investor Update

# Financial Highlights

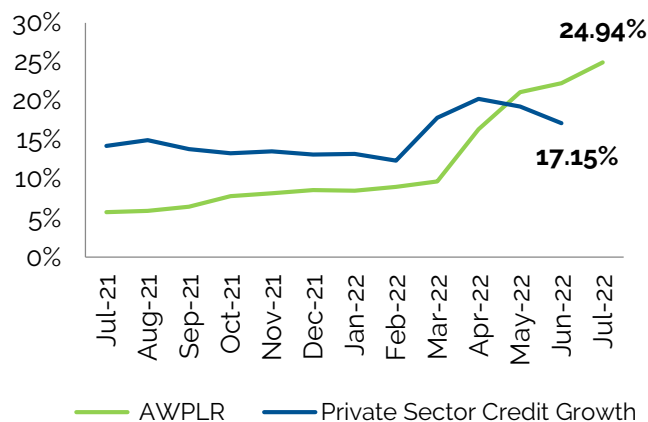
## 1H 2022

# Fund Based income

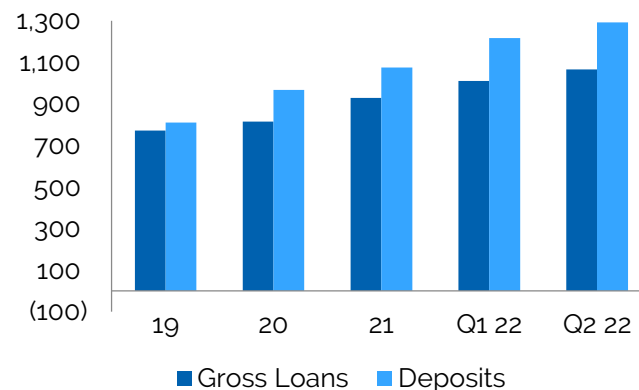
Rs Bn	1H 2022	1H 2021	% change
Interest Income	79.3	52.7	50.4
Interest Expenses	35.1	26.0	34.9
NII	44.2	26.7	65.5

- AWPLR increased by nearly 16 percentage points over the past 12 months
- Over 170 bps NIM increase during the 12 months
- Bank's YTD advances and deposits grew by 15% and 20%, respectively

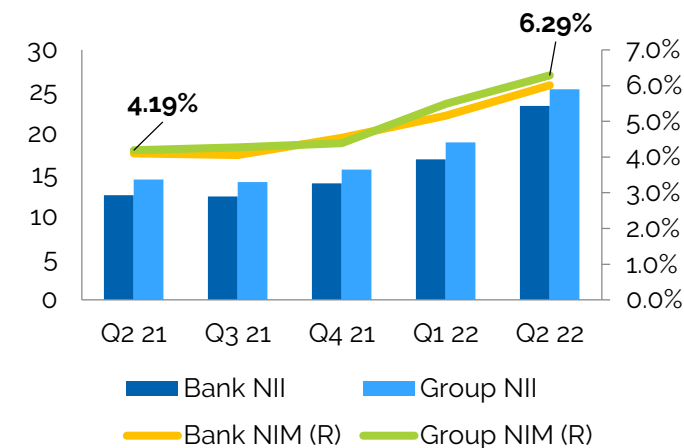
Private Sector Credit & AWPLR (%)



Bank's Gross Loans & Deposits (Rs Bn)



NII (Rs Bn) & NIM

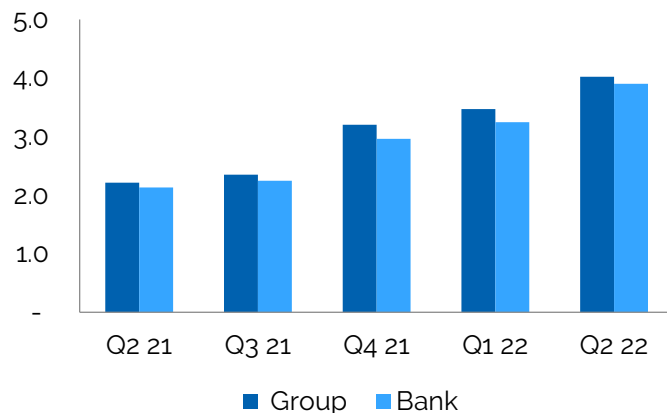


# Non - Fund Based income

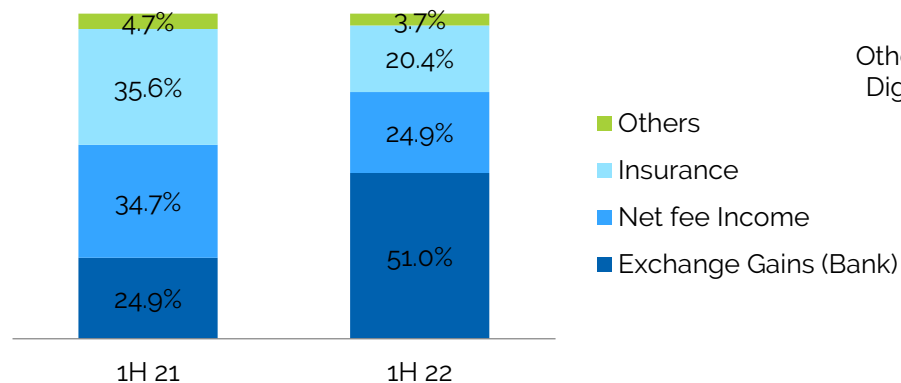
Rs Bn	1H 2022	1H 2021	% change
Net Fee & Commission Income	7.5	4.8	57.4
Exchange Gains (Bank)	15.3	3.4	349.1
Insurance Premium	6.1	4.9	25.7
<b>Total Income</b>	<b>74.3</b>	<b>40.4</b>	<b>83.9</b>

- Fee income from Cards, Trade and Digital Channels lead to growth in Net Fee income
- LKR depreciation boosted exchange gains

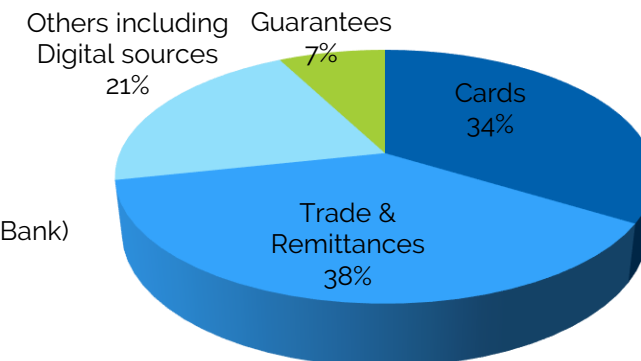
Net fee Income (Rs Bn)



Group Composition of Non fund Income



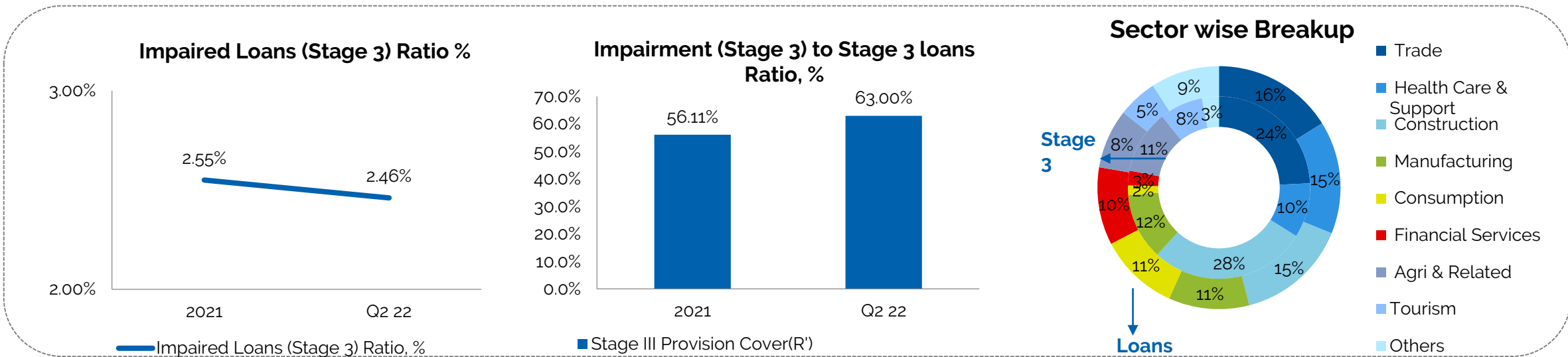
Breakup of Bank level Fee Income



# Impairment & Asset Quality

Rs Bn	1H 2022	1H 2021	% change
Impairment on SLDBs/SLSBs	21.4	-0.1	21516.5
Loans & Other	19.4	6.9	181.0
<b>Total Impairment</b>	<b>40.8</b>	<b>6.8</b>	<b>500.2</b>

- Lowest Impaired Loans (Stage 3) ratio of 2.46% and highest provision cover over Stage III loans, among key peers
- Rs 21.4 Bn impairment on SLDB/ SLSB
- Highest impairment provision for 1H in the industry

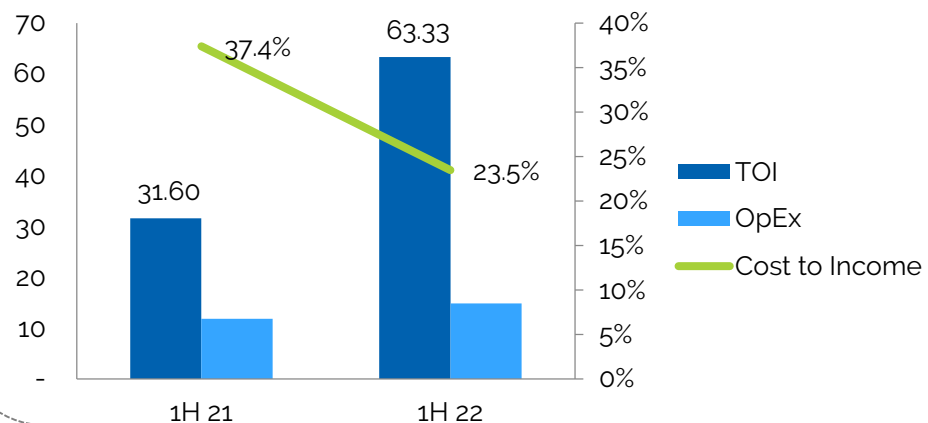


# Operational Expenses

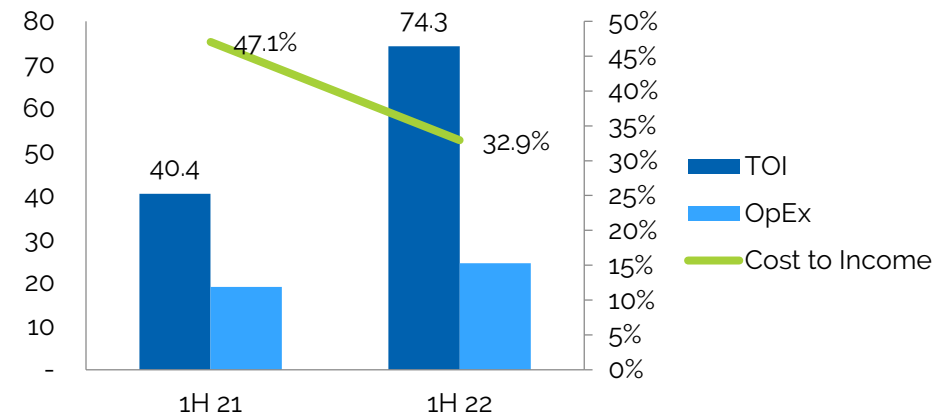
Rs Bn	1H 2022	1H 2021	% change
Personnel expenses	9.1	7.6	20.3
Insurance Costs	6.1	4.5	33.8
Other expenses	9.3	6.9	34.6
<b>Total operating expenses</b>	<b>24.5</b>	<b>19.0</b>	<b>28.7</b>

- Bank and Group OpEx increased by 26% and 29% YoY respectively
- Bank and Group Cost to Income ratios improved significantly due to significant increase in TOI

TOI vs. OpEx (Rs Bn) - Bank



TOI vs. OpEx (Rs Bn) - Group

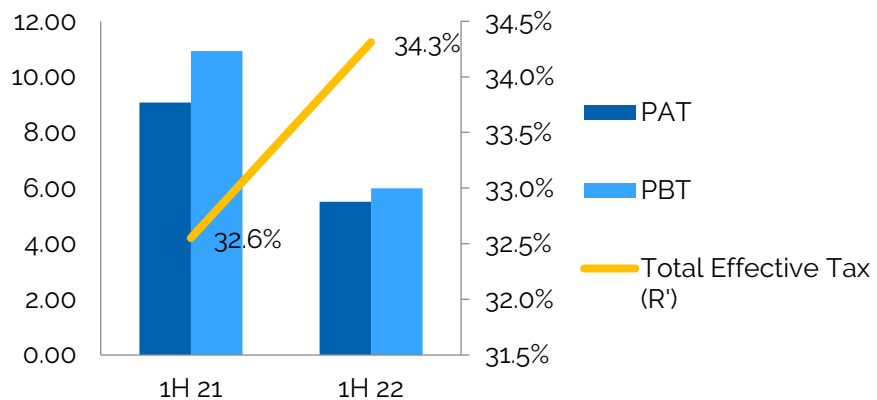


# Taxation & Profitability

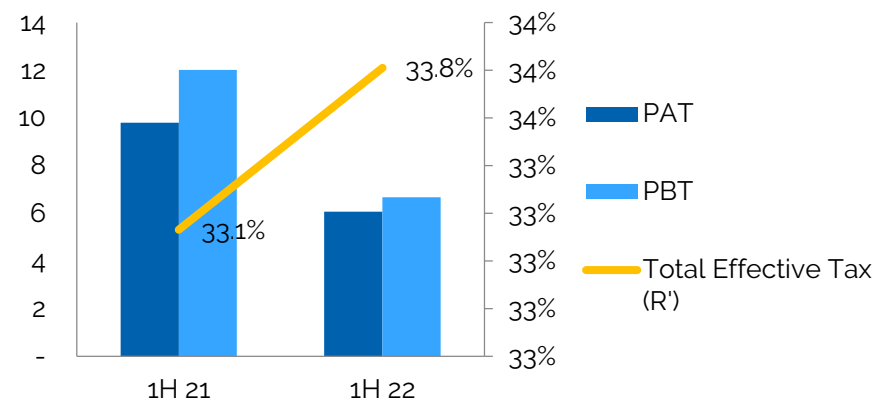
Rs Bn	1H 2022	1H 2021	% change
Tax on Financial Services	2.5	2.6	-5.8
Profit before income tax	6.7	12.0	-44.5
Income tax expense	0.6	2.2	-72.7
Total Group PAT	6.1	9.8	-38.2

- Financial Vat charge revised to 18% from 15%
- Reduction in interest income from foreign currency denominated government securities

Bank PBT & PAT (Rs Bn)



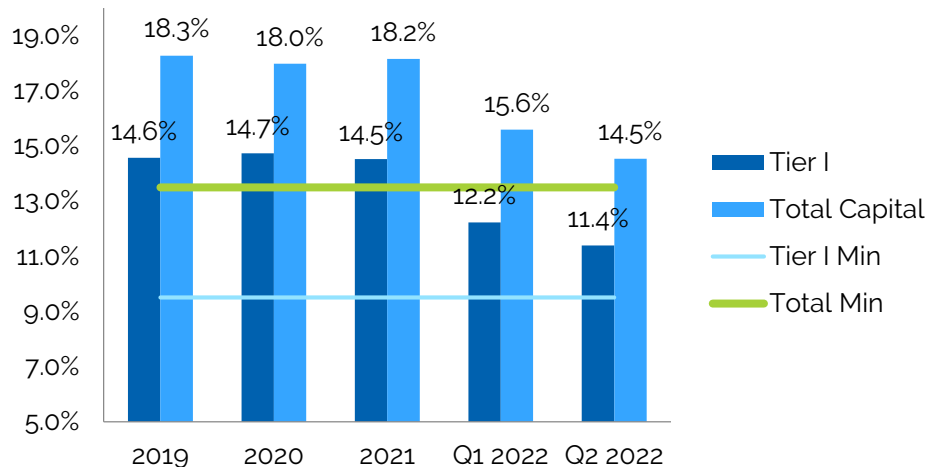
Group PBT & PAT (Rs Bn)





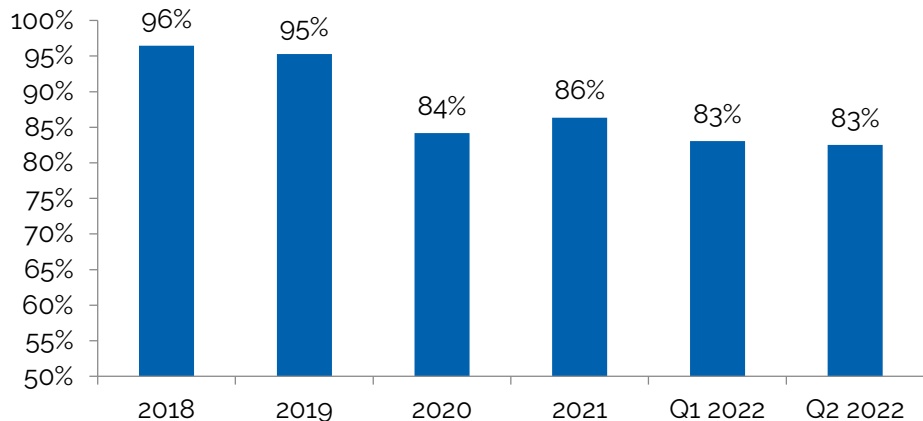
# Soundness Indicators

## Strong on Capital Adequacy



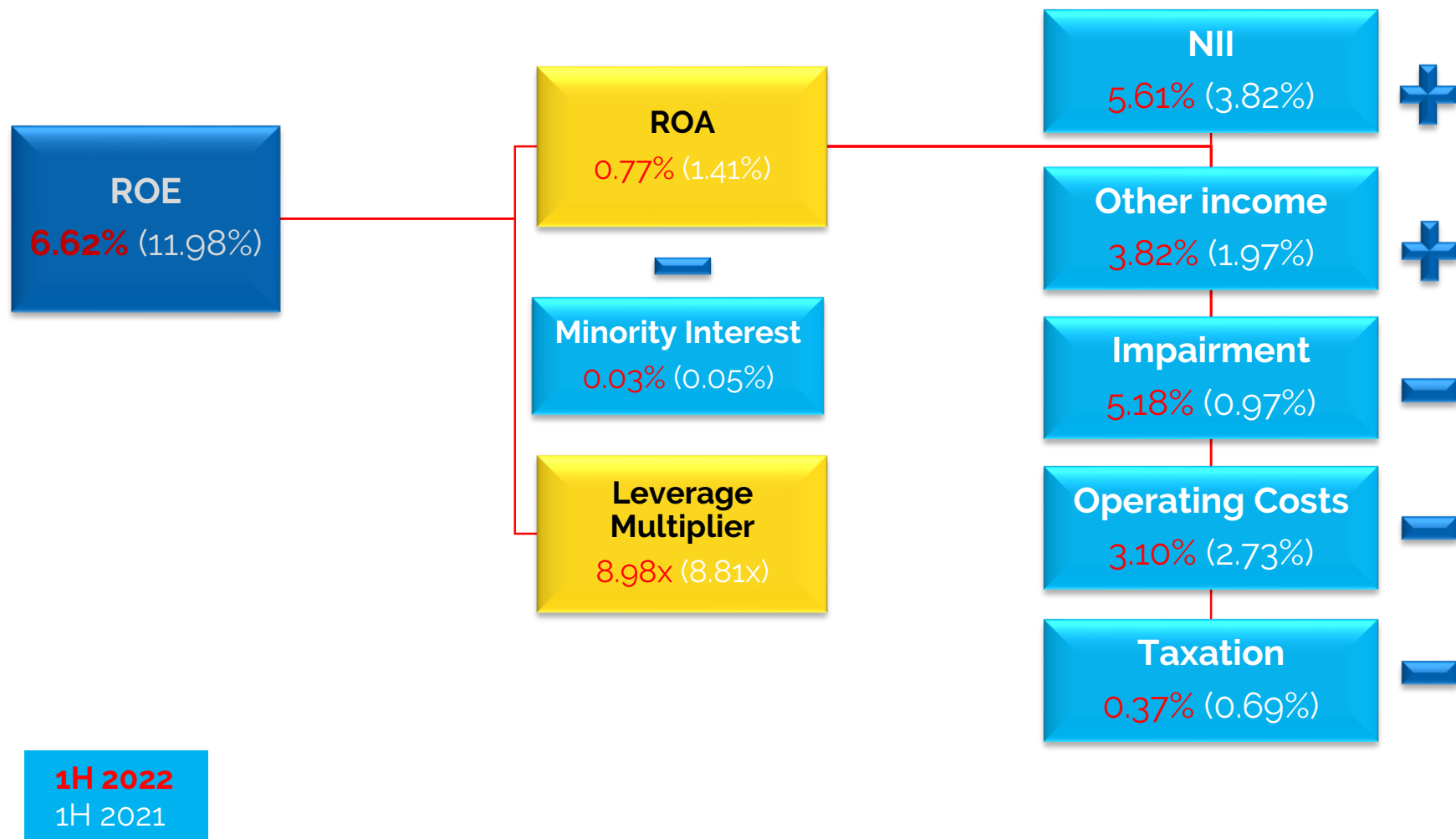
- HNB continues to be among the best capitalized in the industry
- The Bank maintained the LDR at 83%
- Continues to maintain a strong liquidity position

## Loan to Deposit



Ratio	HNB	Requirement
LCR (All)	210%	90%
SLAR (DBU)	23%	20%

# DuPont Analysis – Group



**Thank you**