

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 and a blue triangle in its lower left. The letter 'B' has a yellow rounded rectangle in its upper right and a blue rounded rectangle in its lower left.

HNB

YOUR PARTNER IN PROGRESS

Investor Update

19th November 2021

Financial Highlights

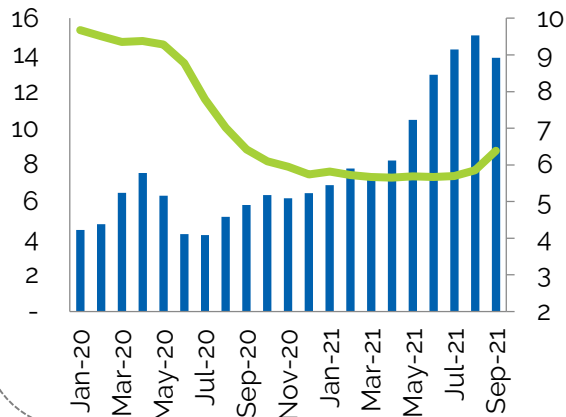
9M 2021

Fund Based income

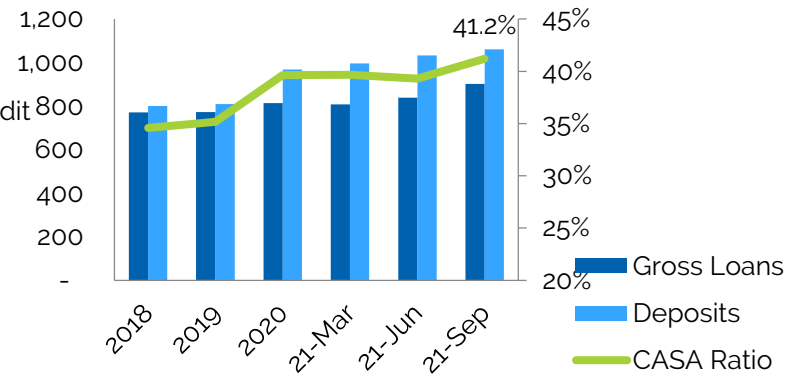
Rs Bn	9M 2021	9M 2020	% change
Interest Income	79.3	86.2	(8.0)
Interest Expenses	38.4	47.8	(19.5)
NII	40.8	38.4	6.2

- Private Credit up 14% YoY to September 2021
- AWPLR increases by nearly 170 bps since Aug to 12th November
- Average PLR down 300 bps during Jan - Sept relative to same period in 2020
- Strong Gross Loan growth of 8% in Q3 (15% YoY & 11% gM) to Rs 902Bn, mitigates interest income drop
- Similar Q3 8% growth in CASA to Rs 437 Bn. CASA ratio up to 41.2%; drives NII growth
- Total Deposits at Rs 1.1 Trillion, YoY 15%, gM 10%

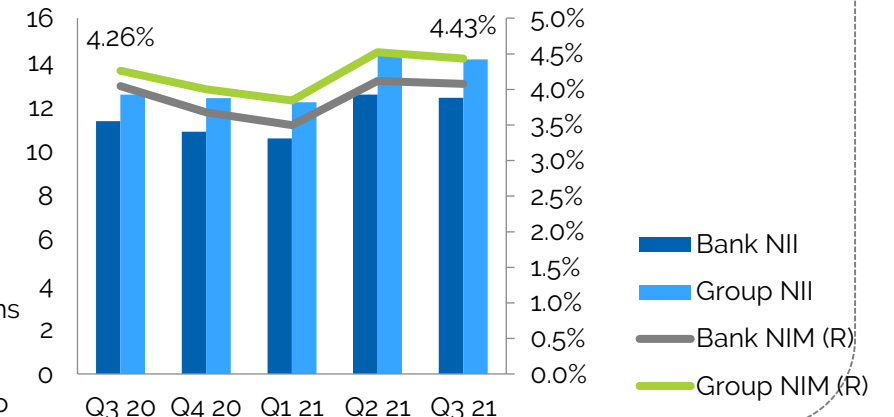
Gradual rise in Credit (%) & PLR (%)



Gross Loans (Rs Bn) Rebound/ CASA ratio over 40%



NII (Rs Bn) & NIM

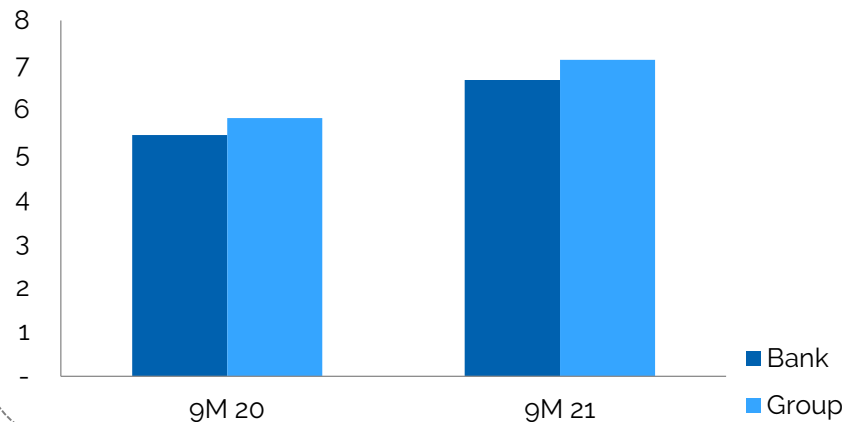


Non -Fund Based income

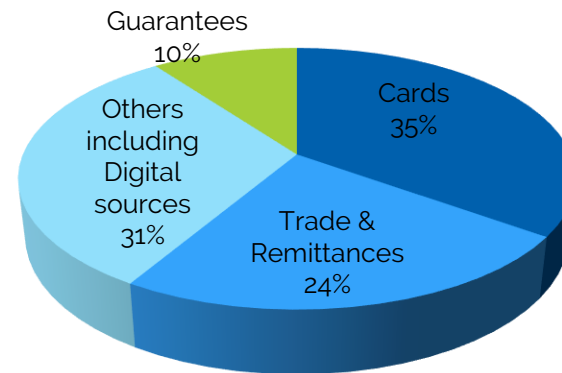
Rs Bn	gM 2021	gM 2020	% change
Net Fee & Commission Income	7.1	5.8	22.6
Exchange Gains	4.5	1.8	159.1
Insurance Premium	7.7	6.4	19.3

- Strong growth in Fees despite on-going trade restrictions
- 7.3% LKR depreciation relative to 2.1% in gM 2020 boosts exchange gains
- Insurance accounts for 38% of non fund income; facilitates better than peer diversity of non fund sources for HNB.

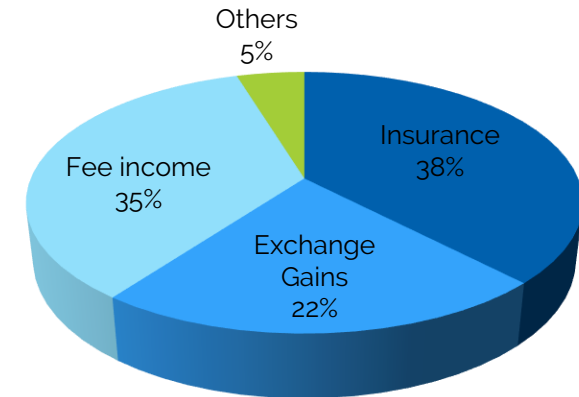
Fee Income (Rs Bn)



Breakup of Bank level Fee Income



Composition of all Non Fund Income

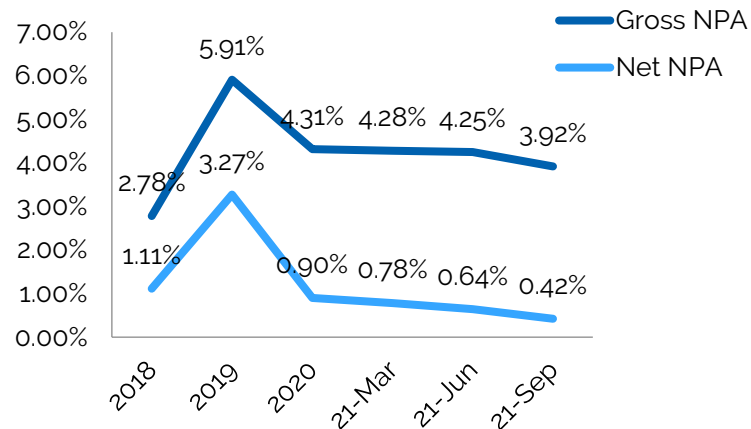


Impairment & Asset Quality (Bank)

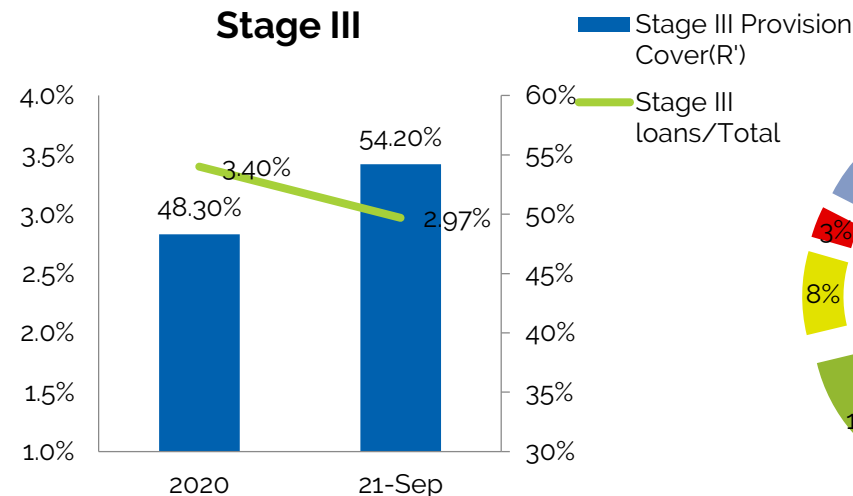
Rs Bn	9M 2021	9M 2020	% change
Loans	10.6	11.0	(4.1)
Other	1.3	1.1	16.5
Total Impairment	11.8	12.1	(2.2)

- HNB continues to maintain best NPA ratios among peers
- Additional impairment on account of sovereign downgrade by Moodys
- Significant 'Management Overlay' considering uncertainties
- Stage III loans under 3% of gross loans
- Over 54% provision cover over Stage III loans
- Well diversified loan book

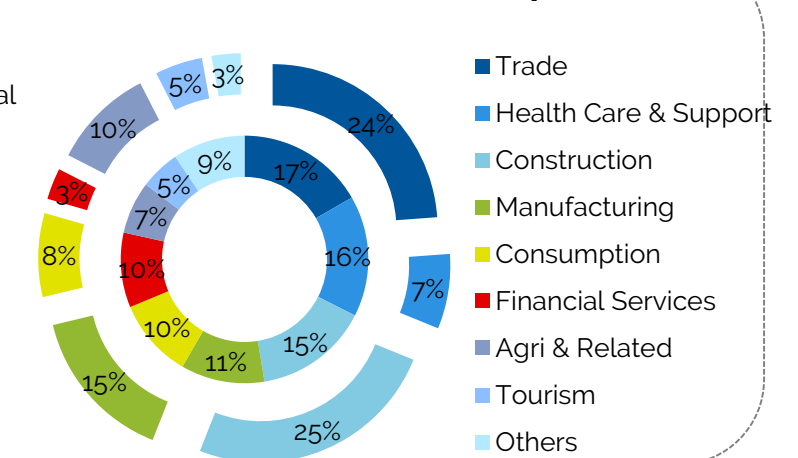
Continuous improvement in NPA



Stage III



Sector wise Breakup



Operational Expenses

Rs Bn

9M 2021

9M 2020

% change

Personnel expenses

11.6

10.5

10.9

Insurance Costs

7.0

5.7

23.1

Other expenses

8.4

8.3

2.2

Total operating expenses

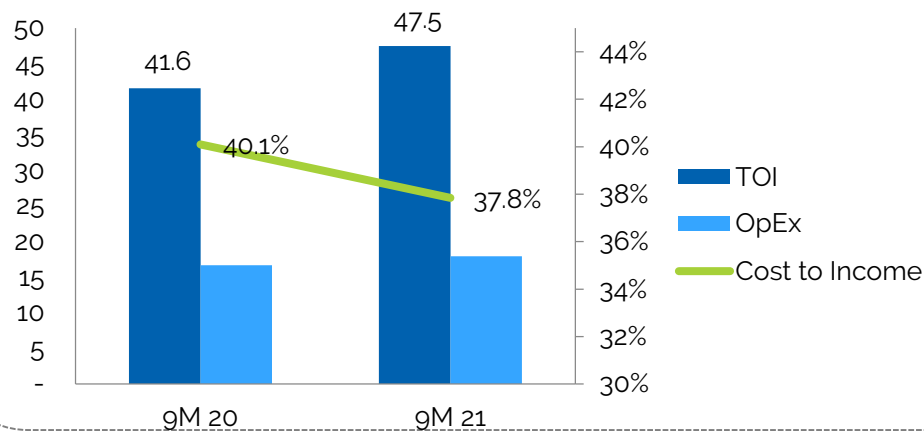
29.2

26.3

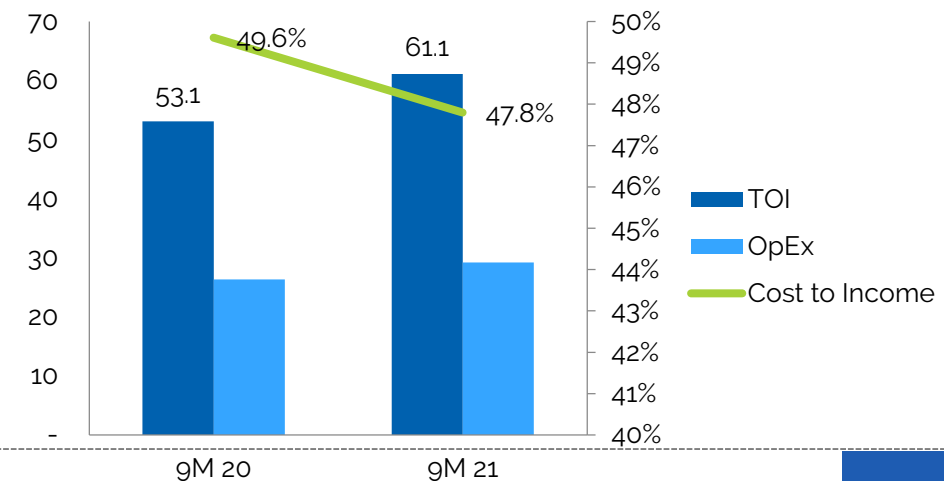
10.9

- Growth in Bank TOI of 14% YoY outpaces OpEx growth of 8%.
- Leads to C2I improving by 230 bps YoY to 37.8%.
- Group TOI up 15%.
- Group OpEx growth of 11% fuelled by 23% YoY rise in Insurance costs.
- Group C2I improves by nearly 200 bps to 47.8%

TOI (Rs Bn) vs. OpEx (Rs Bn) - Bank



TOI (Rs Bn) vs. OpEx (Rs Bn) - Group

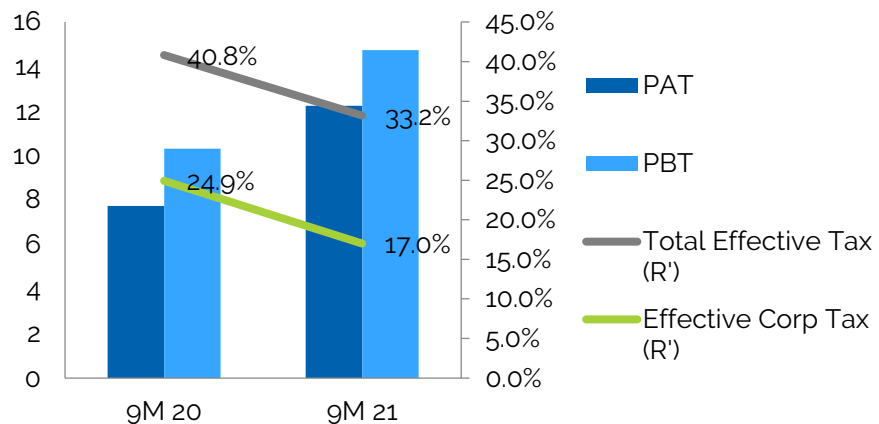


Taxation & Profitability

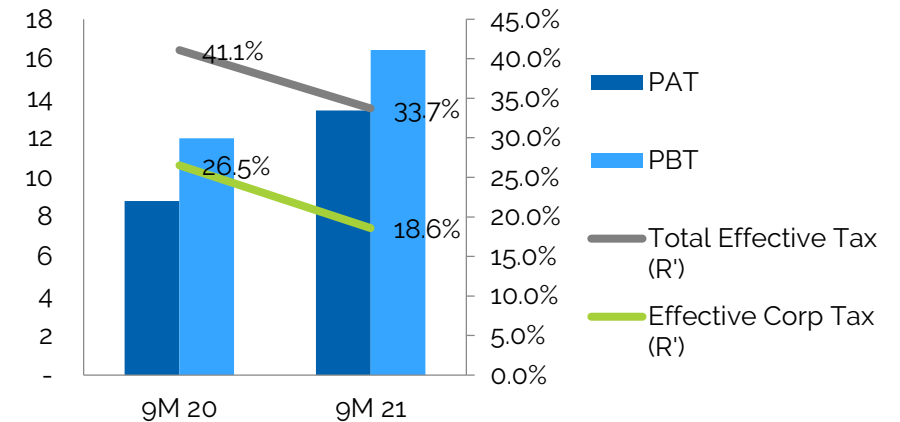
Rs Bn	gM 2021	gM 2020	% change
Tax on Financial Services	3.8	3.0	26.9
Profit before income tax	16.4	12.0	37.3
Income tax expense	3.1	3.2	(3.8)
Total Group PAT	13.4	8.8	52.1

- Income Tax revision to 24% and SLDB interest income exemption leads to drop in effective tax rates

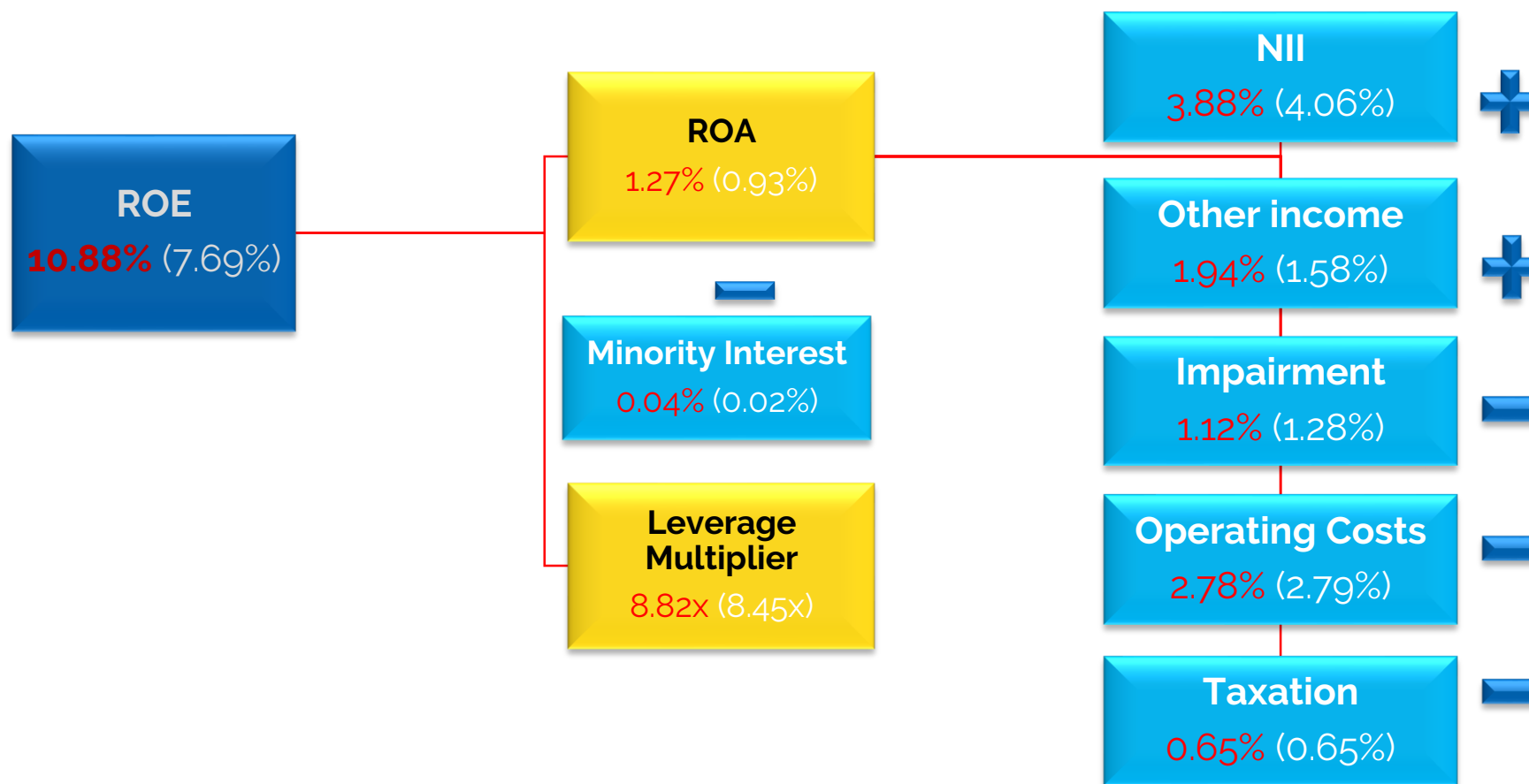
Bank PBT & PAT (Rs Bn)



Group PBT & PAT (Rs Bn)



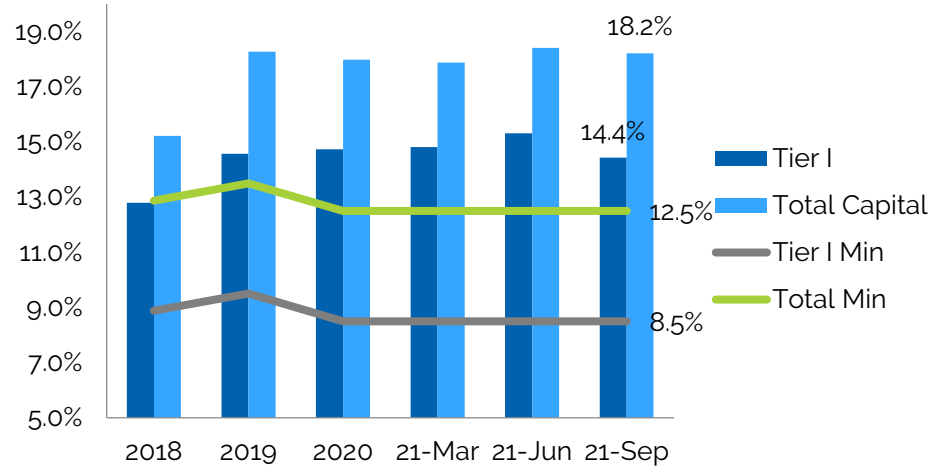
DuPont Analysis – Group



9M 2021
9M 2020

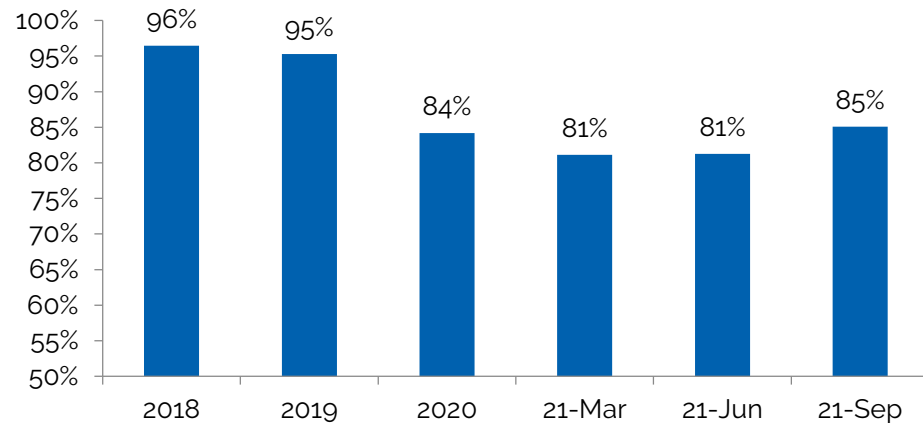
Soundness Indicators

Strong on Capital Adequacy



- HNB continues to be among the best capitalized in the industry
- 3Q PAT not included in computation
- Rs 7 Bn 10 year Debenture in July boosts Total CAR further
- LDR at only 85% despite strong loan growth during quarter
- Strong Liquidity Position continues to be maintained

Loan to Deposit



Ratio	HNB	Requirement
LCR (LKR)	235%	100%
LCR (All)	209%	100%
SLAR (DBU)	33%	20%
SLAR (FCBU)	28%	20%

Thank you