



**HNB**

**INVESTOR  
FORUM 2015**



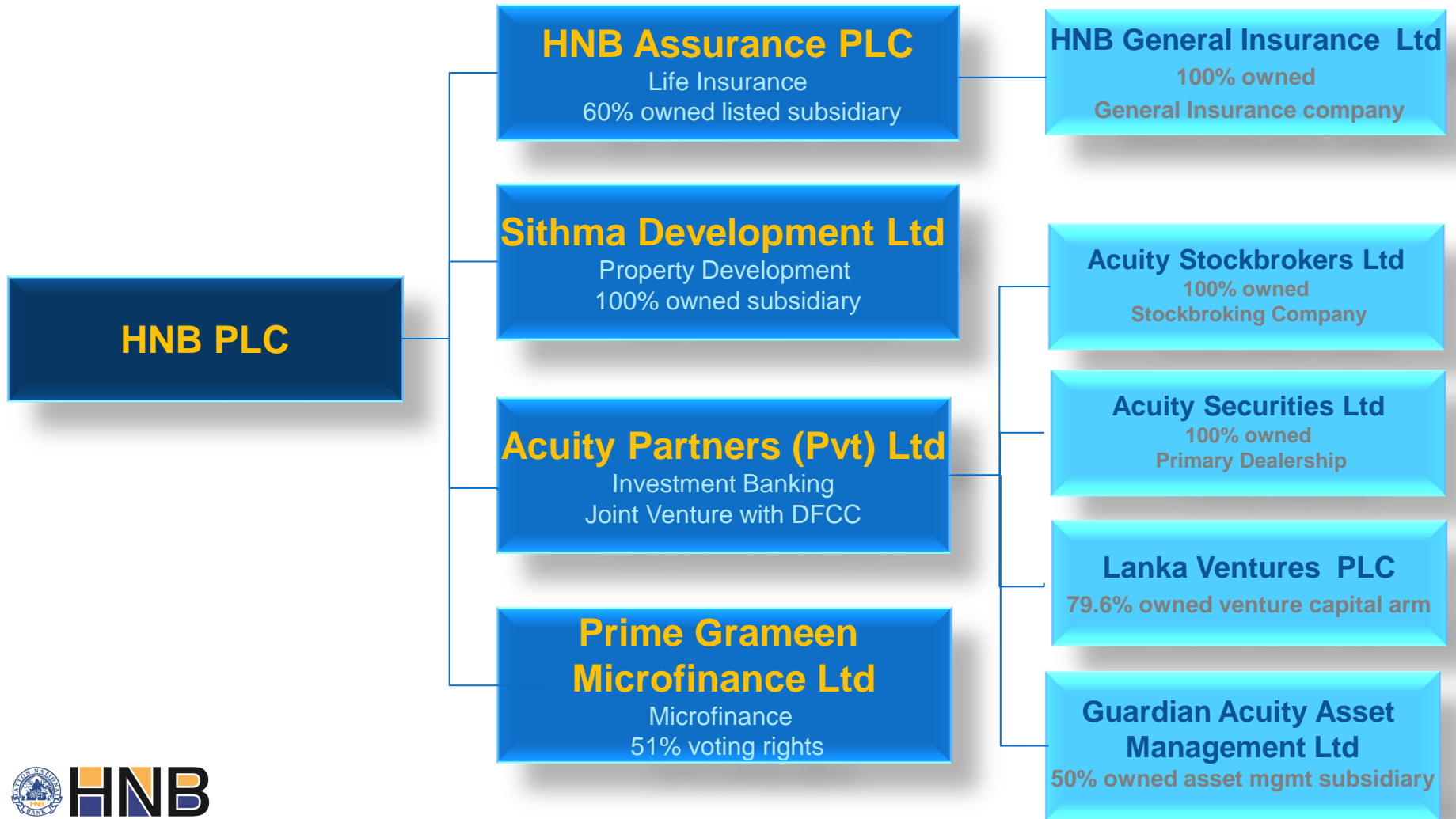
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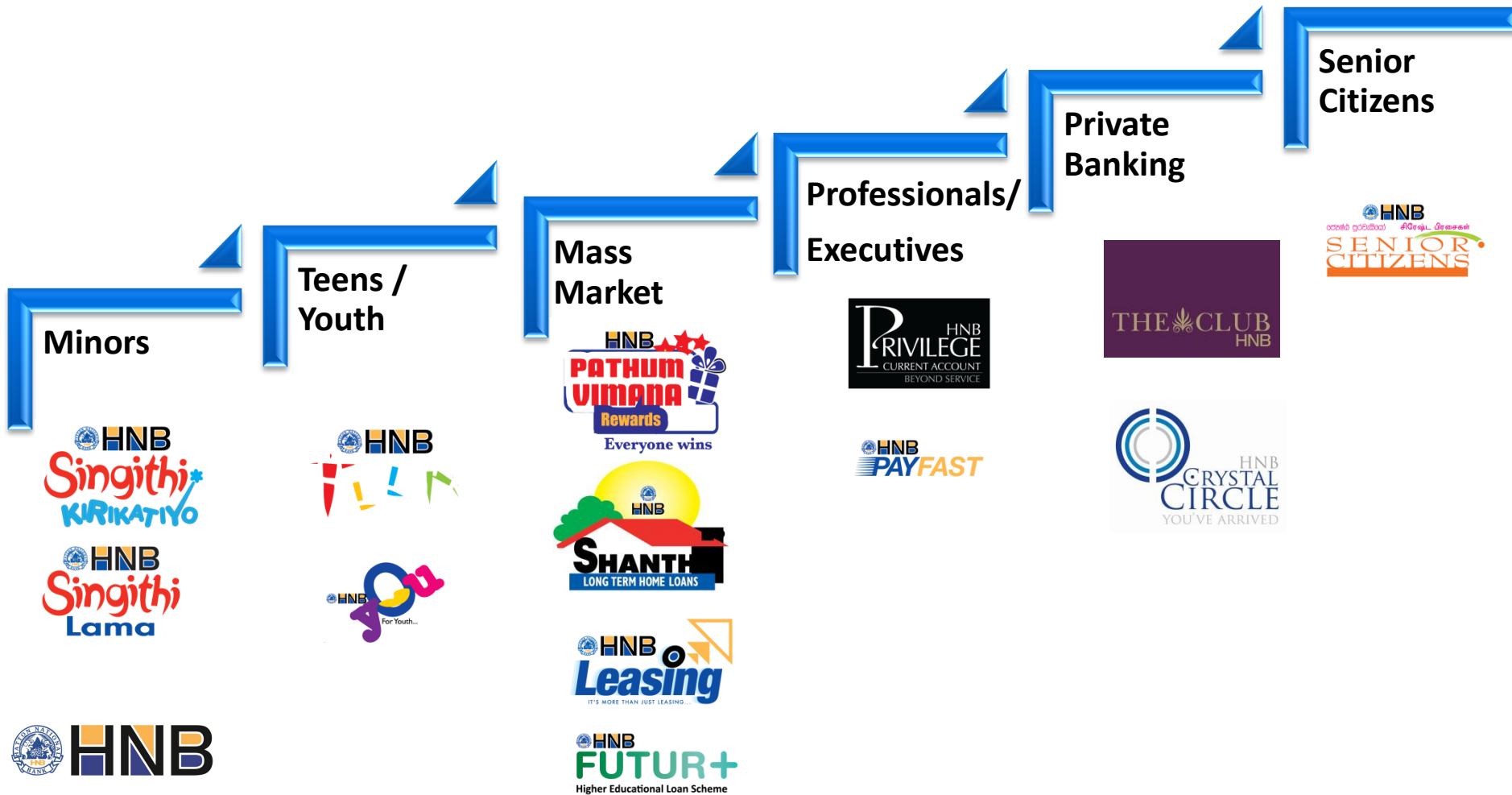
# **BUSINESS MODEL AND STRATEGIC DIRECTION**

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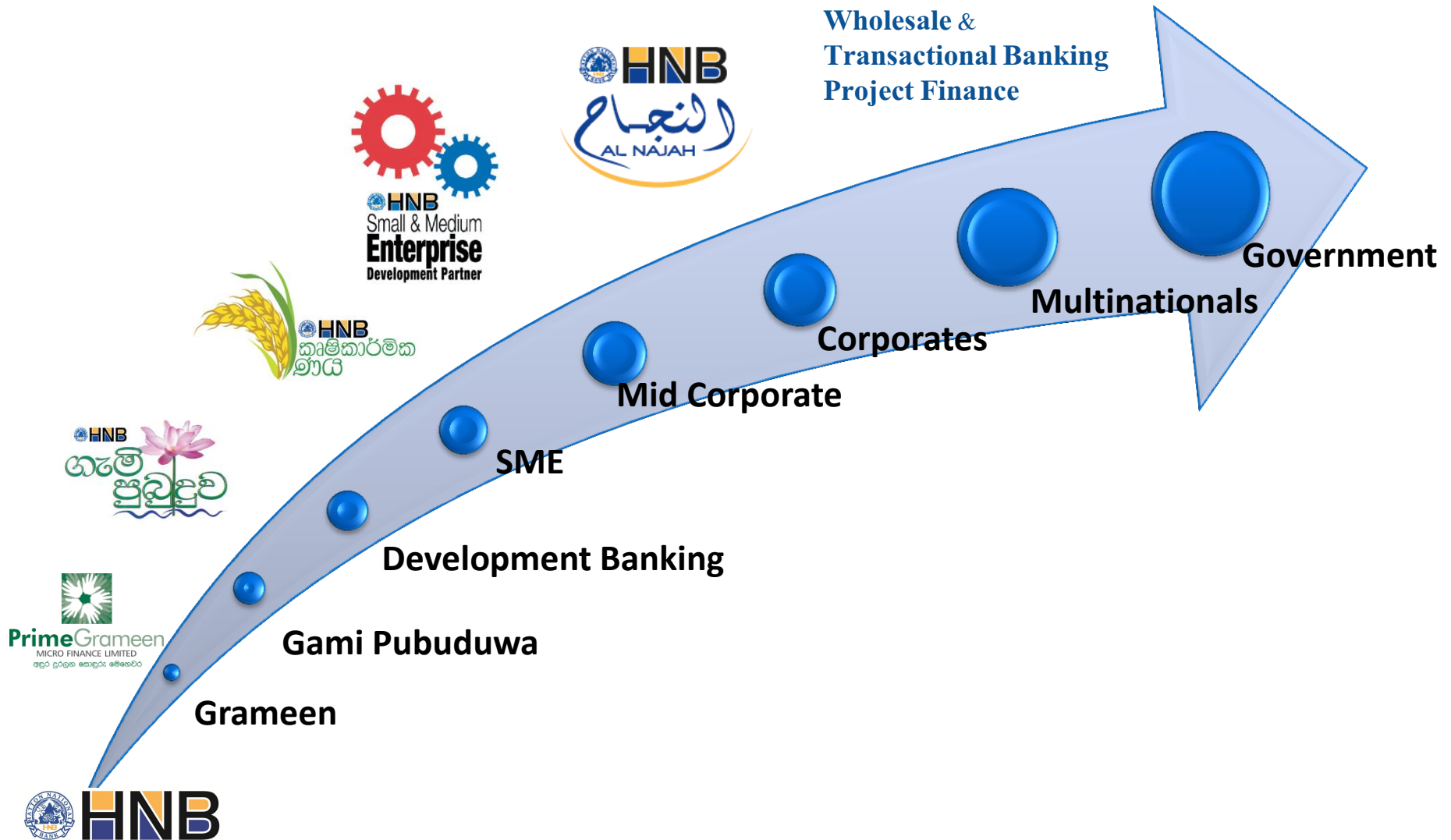
# HNB Group



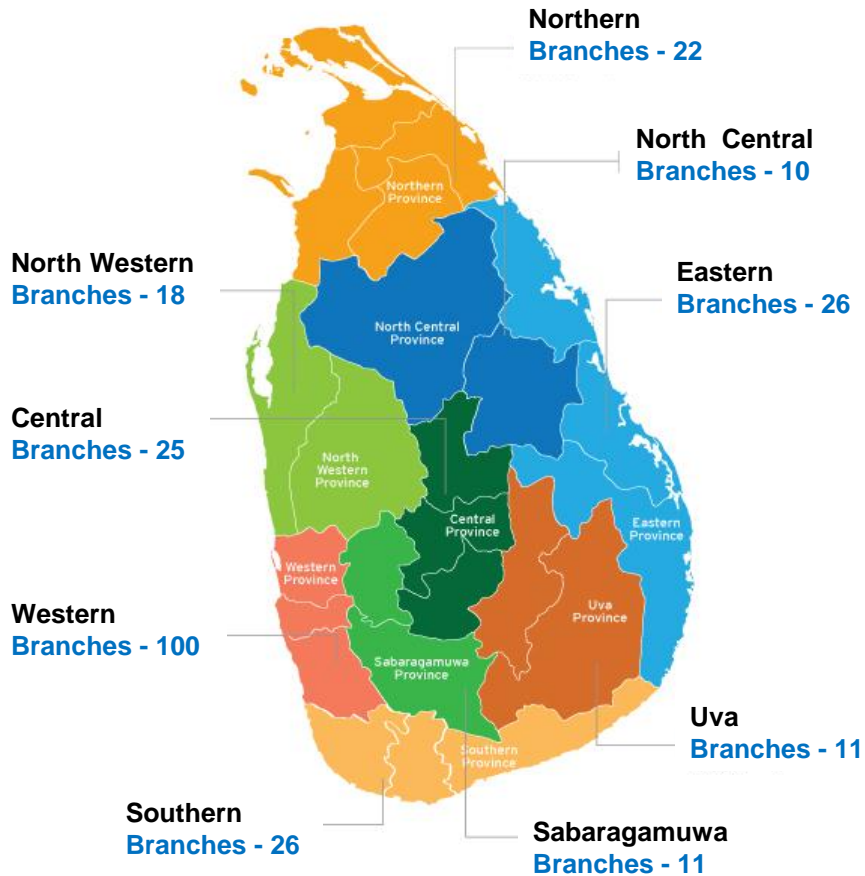
# Customer Life Cycle Vs Product Offering (individual)



# Customer Life Cycle Vs Product Offering (Corporate)



# Choice & convenience through multiple channels



**24x7x365 day banking through  
*New World Banking***

- Fully fledged mobile banking
- Internet Banking
- 450 ATMs
- Bill payment Kiosks



# KPIs

- **ROE** **20%**
- **ROA** **> 2%**
- **Cost to Income** **< 45%**
- **Deposit Growth** **20%**
- **Loan growth** **20%**
- **CASA** **> 45%**

# KRIs

- **NPA** < 3%
- **Provision Cover** > 70%
- **Equity CAR**
  - **Tier 1** 11.0%
  - **Tier II** 13.0%



# Strategic Pillars





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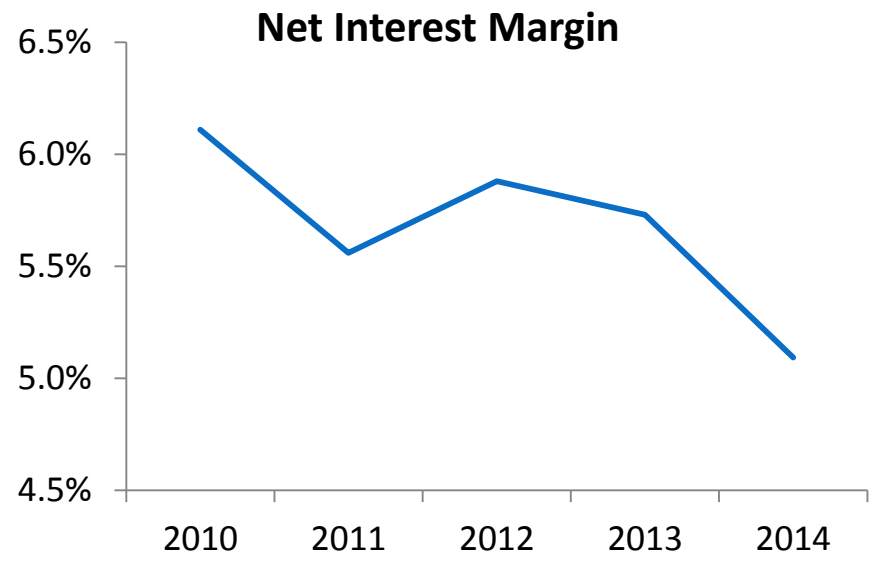
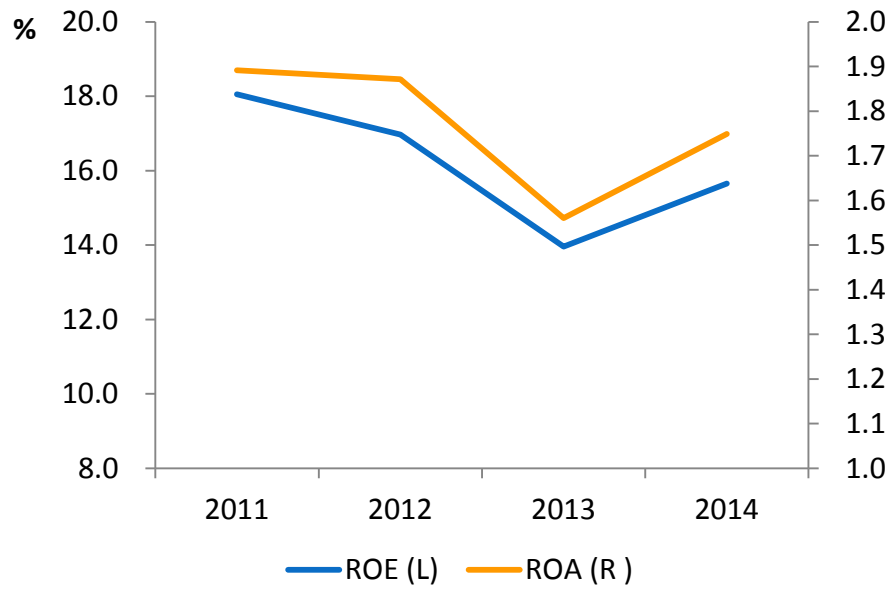
# FINANCIAL PERFORMANCE

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# Performance 2014

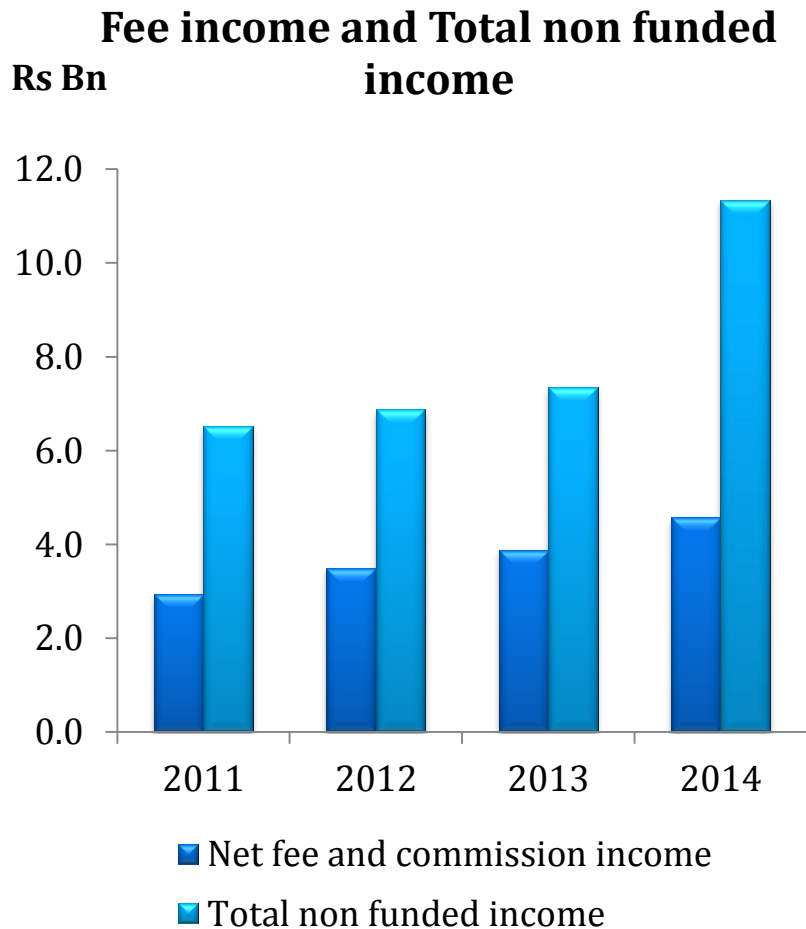
	2013	2014	% Change
Net interest income	25,960,263	25,984,749	0.1%
Net fee and commission income	3,883,130	4,578,824	17.9%
Other operating income	4,961,409	5,712,811	15.1%
Less: Impairment for loans and other losses	4,326,864	2,532,808	-41.5%
Net operating income	28,987,787	34,795,933	20.0%
Operating expenses	16,578,116	19,240,209	16.1%
Operating profit before VAT	12,409,671	15,555,724	25.4%
Less: Financial VAT & NBT	1,659,755	2,550,247	53.7%
Profit before income tax	10,848,114	13,148,454	21.2%
Less - Income tax expense	3,070,326	3,080,360	0.3%
Profit for the year	7,777,788	10,068,094	29.4%
Profit attributable to equity holders	7,650,466	9,819,595	28.4%

# Strong Profitability despite pressure on margins



- Drop in margins by approx. 100 bps
- Capital and interest written off on account of pawning approx. Rs 2 Bn

# Enhanced fee income



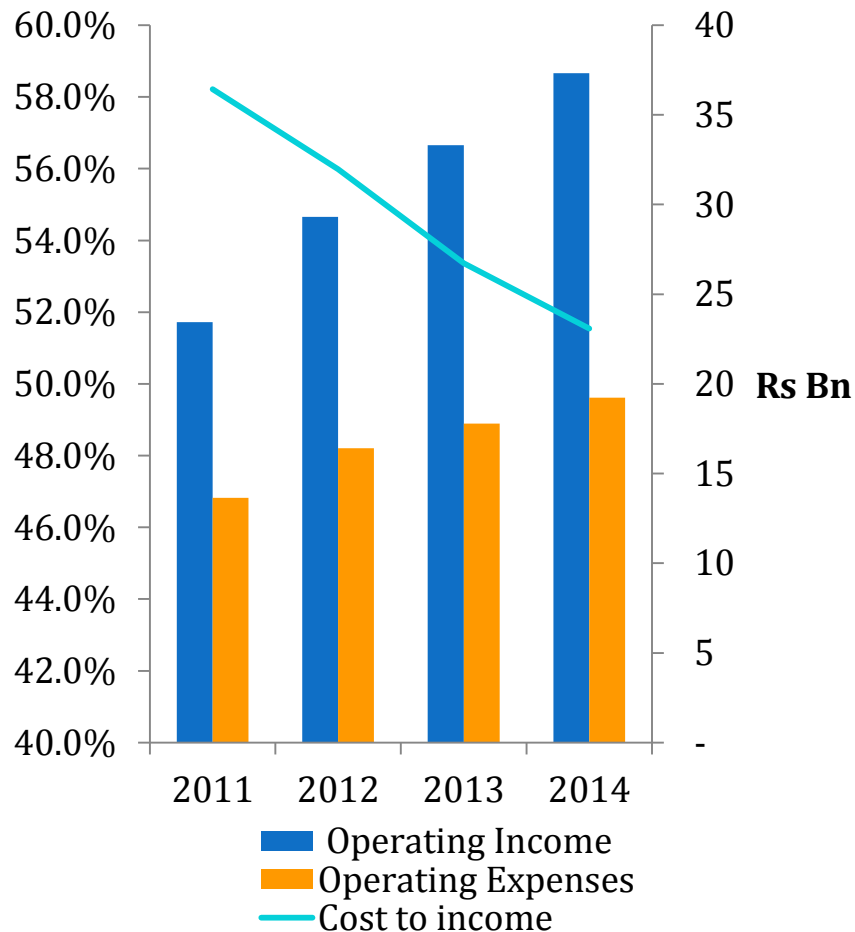
## 18% growth in net fee income driven by

- Trade
- Card acquiring business
- Guarantee commission
- Loan syndications
- Digital channels

## Total non funded income driven by

- HNB Assurance
- Capital gain from sale of investments
- Capital gains from treasury bills / bonds

# Driving operational efficiency



## BPR initiatives curtailing operating expenses

- 60% of retail credit processing & underwriting centralised
- Balance to be completed in 2015
- SME cell in the regions
- Branch Target Operating Model

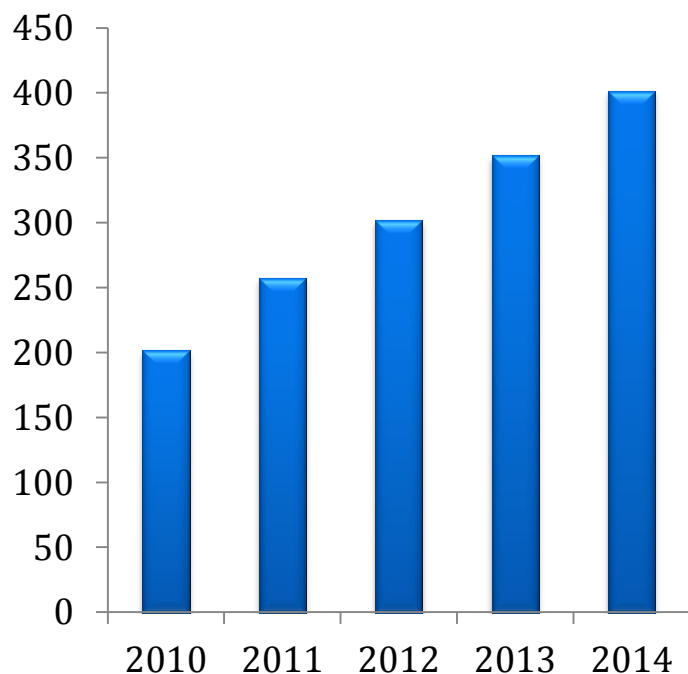
**Note : 2013 operating expenses adjusted for ESBT and ESOP**

# Sound Advances growth

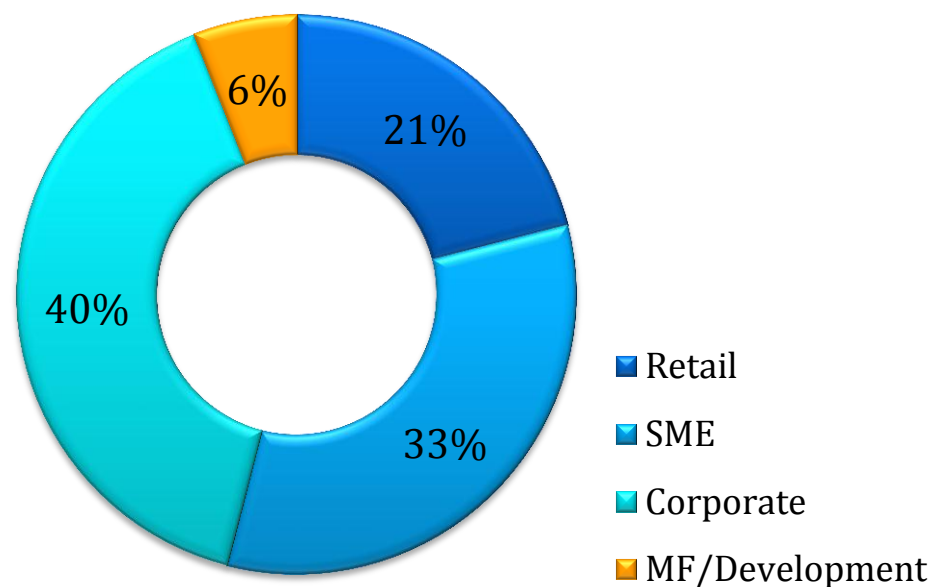
- Steady growth in advances – 19% CAGR since 2010
- Growth adjusted for pawning > 20% for 2014

Rs Bn

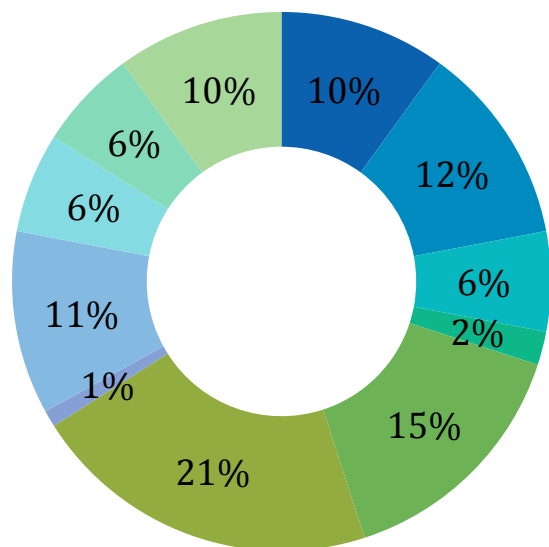
## Growth in Advances



## Segmental distribution of loans



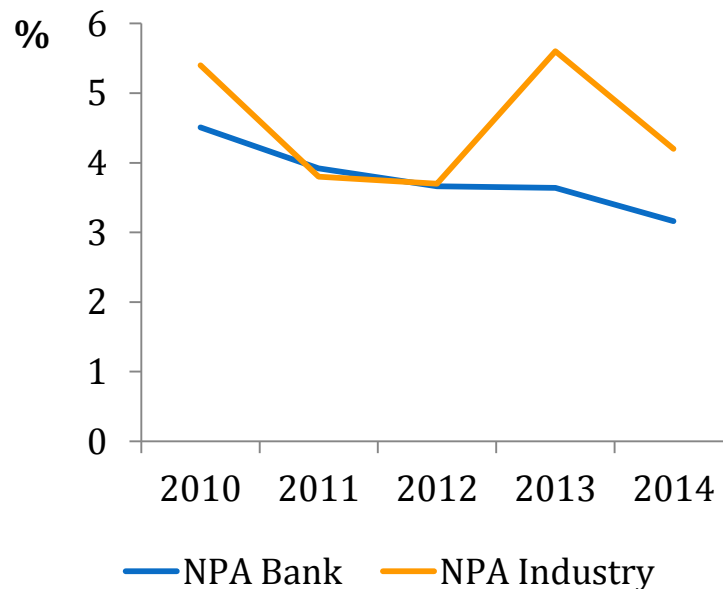
# Improving Asset Quality



- Agriculture & Fishing
- Manufacturing
- Tourism
- Transport
- Construction
- Traders
- New Economy
- Financial & Business services
- Infrastructure
- Other services
- Other

- Well diversified portfolio
- NPAs continue to improve
- 3.16% compared to 4.2% of the industry
- Lowest NPA recorded in the recent past

**NPA Bank Vs Industry**



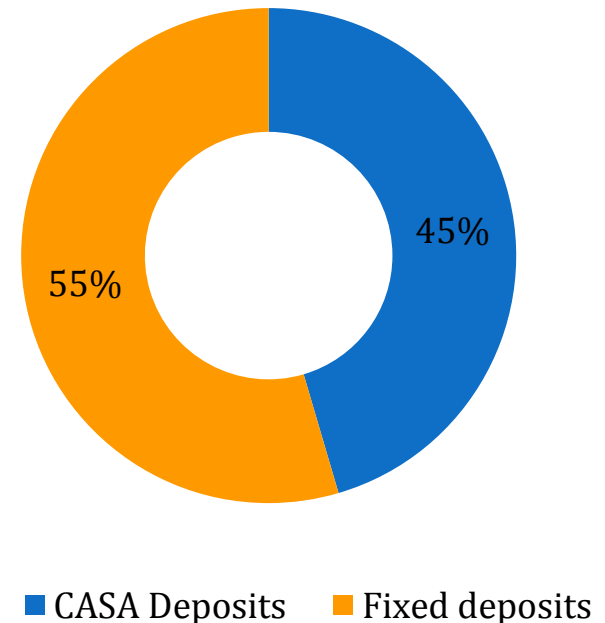
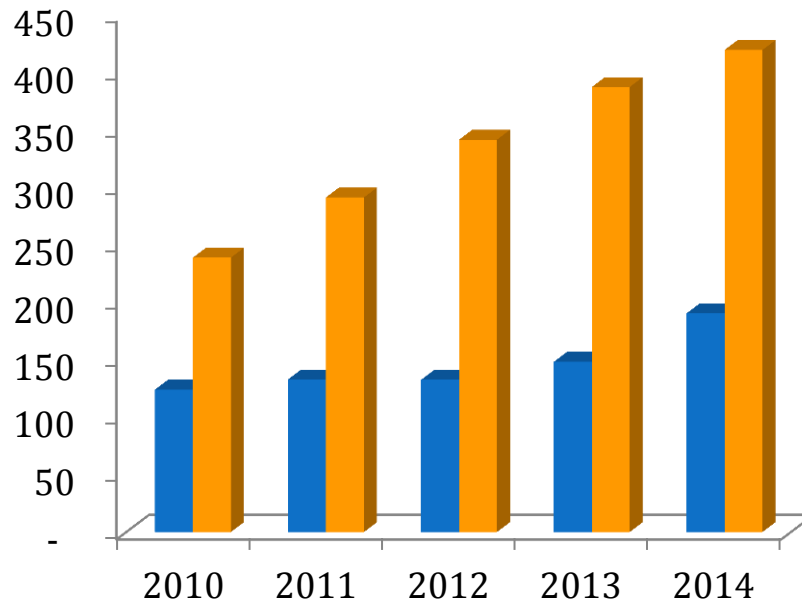


# Low cost deposit base funding growth

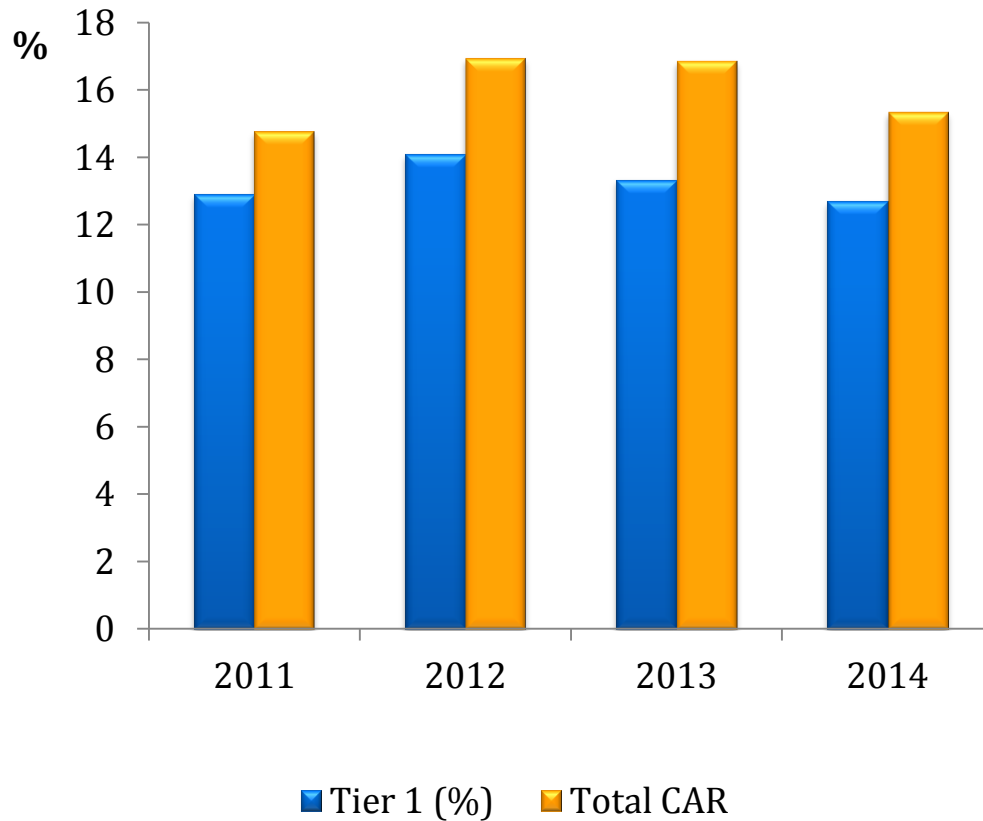
- Deposit growth at a CAGR of 16% since 2010
- CASA deposits improve to 45%
- CASA growth exceeds 28%

## Growth in deposits

Rs Bn

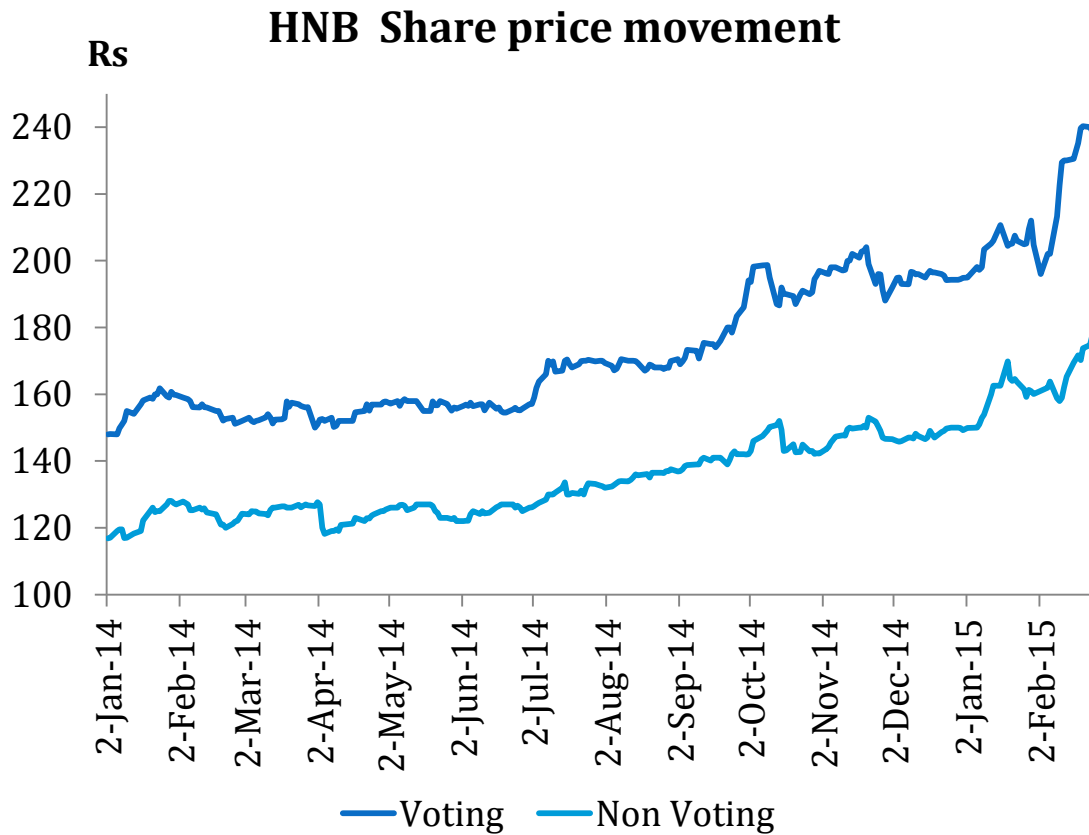


# Strong capital position



- Senior Debenture issue of Rs 3Bn at low rates
- Strong relationship with DFIs and multilateral funding agencies

# Return to Shareholders



- Dividend payout – 35%
- Dividend per share – Rs 8.50
- Dividend yield (N) – 4.4%
- Dividend yield (X) – 5.6%
- 24% p.a. return to shareholders over the past 3 years
- 47% return in 2014

# Awards and Accolades



- 5<sup>th</sup> in Business Today top 25
- ACCA sustainability Awards 2014 – Banking Sector Gold Award
- Overall Award for ‘Best Results Based Training’ at the Asia’s Training & Development Excellence Awards 2014
- Award for Talent Management at the Asia’s Best Employer Brand Awards 2014 organised by the World HRD Congress
- Overall Brand Leadership Award at the Global Brand Excellence Awards
- CA Sri Lanka Annual Report Awards
  - Gold Award for ‘Corporate Governance’
  - Bronze Award for overall reporting in the Banking Institutions Category
  - Bronze Award for Corporate Social Responsibility



**HNB**

**THANK YOU**