



**HNB**

**HATTON NATIONAL BANK  
PLC**



**HNB**

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# Strategic Direction

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# Vision 2020

- 
- CASA
  - Asset Quality
  - Customer Experience & Brand Audit
  - Digital Banking
  - Lean Management
  - Operational Risk Management
  - New Products / Services
  - New Business Opportunities
  - Funding and Investments



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# Financial Performance

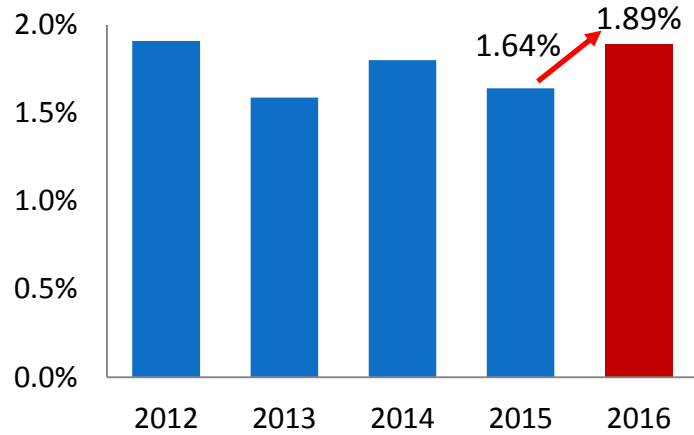
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# HNB – Most Profitable Private Sector Banking Group

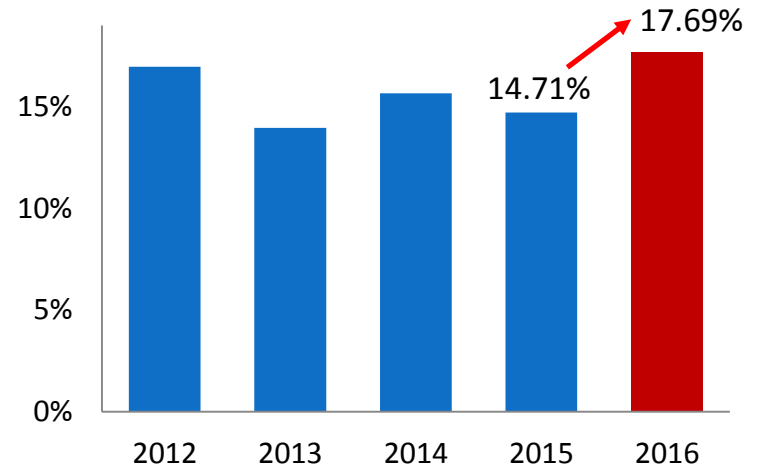
Rs Mn	2016	2015	% Change
Net interest income	39,088.9	29,693.7	31.6
Net fee and commission income	7,725.3	6,244.0	23.7
Impairment for loans and other losses	507.9	1,022.1	(50.3)
Operating expenses	25,772.6	22,460.3	14.7
<b>Profit Before Tax (PBT)</b>	<b>22,498.7</b>	<b>16,160.3</b>	<b>39.2</b>
Income tax expenses	6,833.7	5,064.4	34.9
<b>Profit After Tax (PAT)</b>	<b>15,665.0</b>	<b>11,095.8</b>	<b>41.2</b>
<b>Profit attributable to equity holders</b>	<b>14,755.6</b>	<b>10,553.6</b>	<b>39.8</b>

# Group Profitability

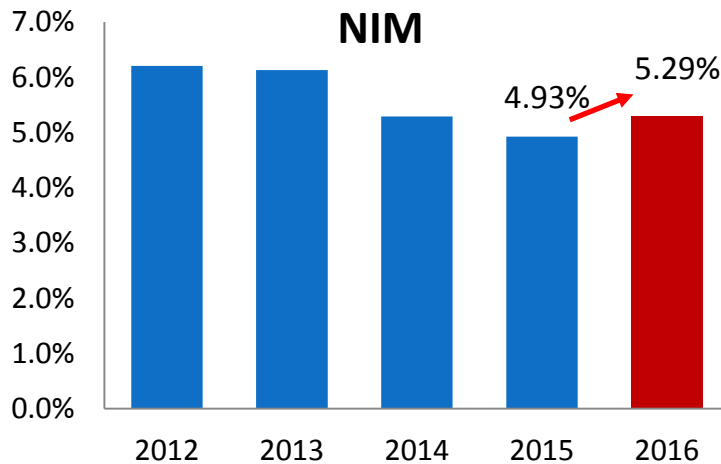
## ROA



## ROE

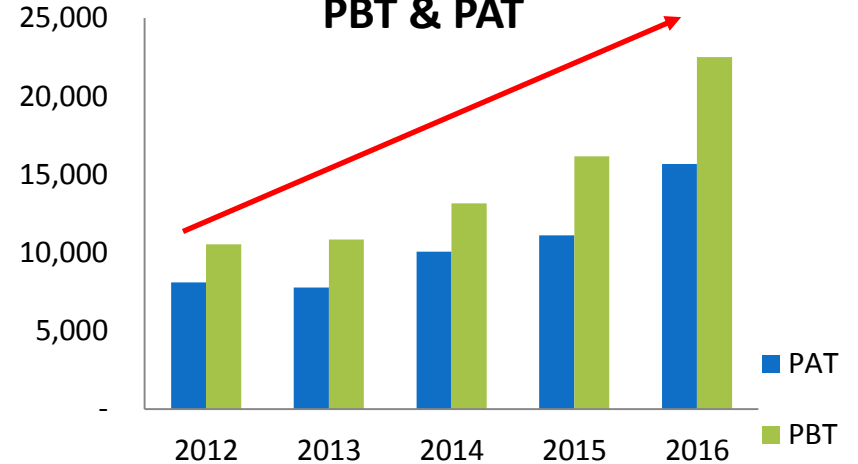


## NIM

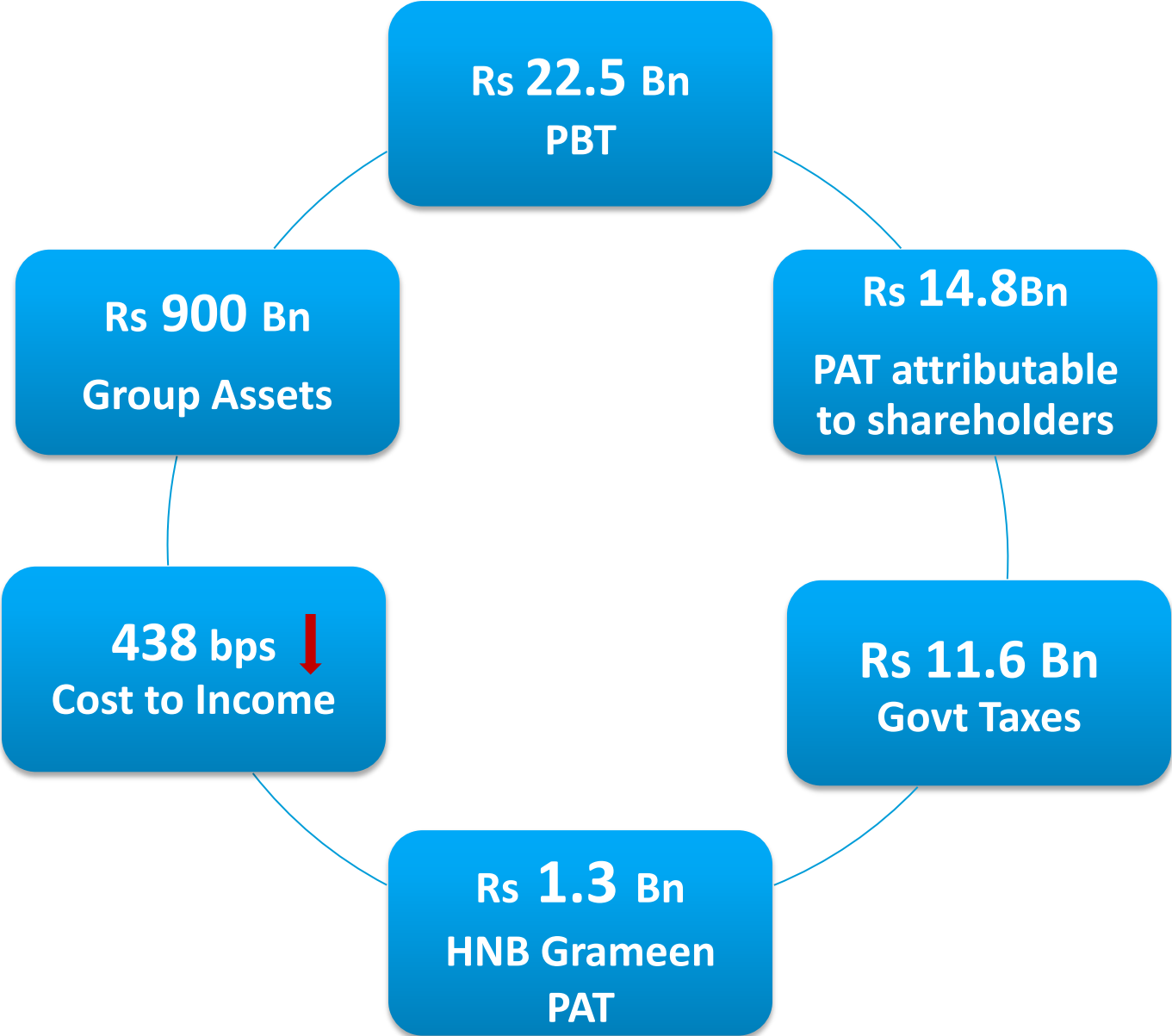


Rs Mn

## PBT & PAT



# Group Highlights

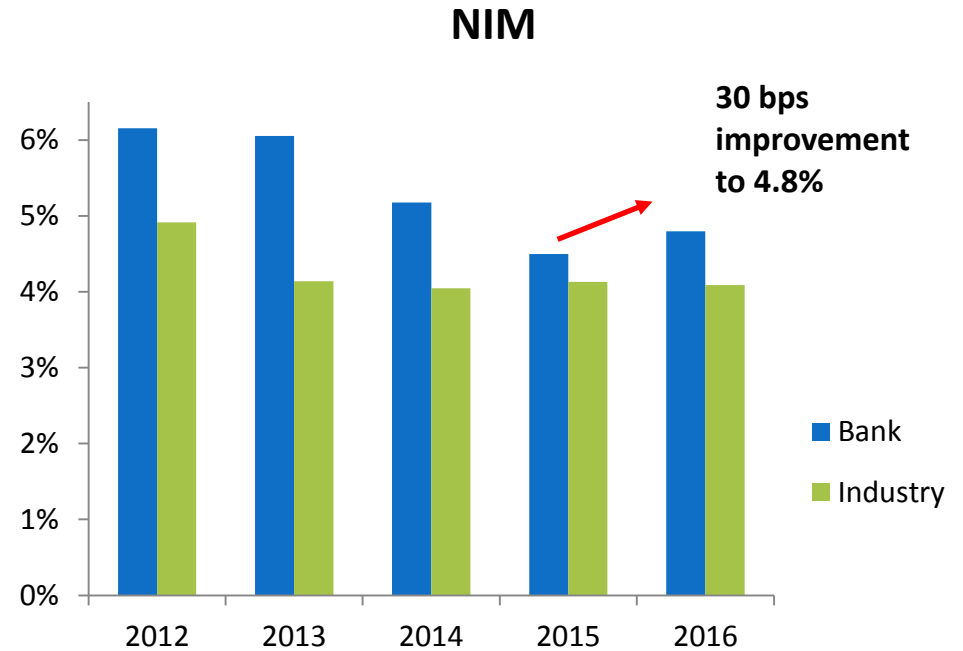
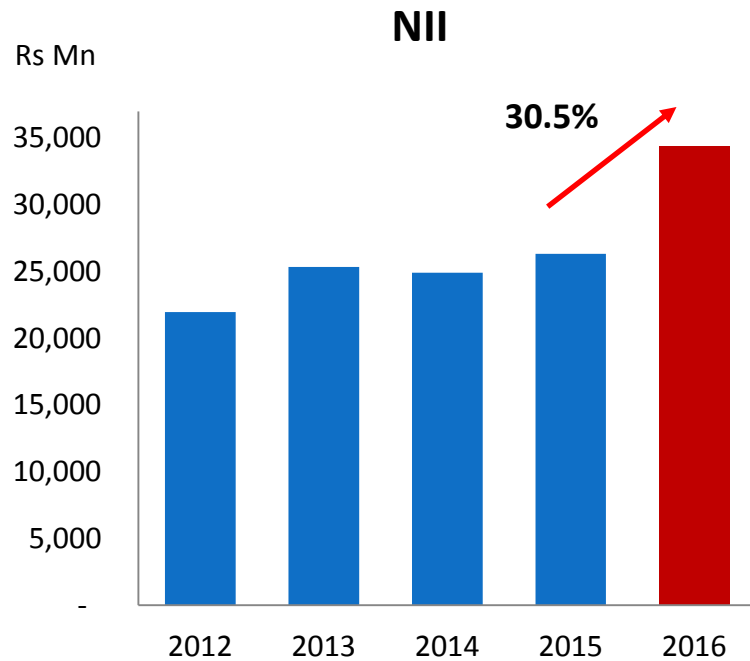


# Bank posts Record Profits

Rs Mn	2016	2015	% Change
Net interest income	34,371.6	26,335.5	30.5
Net fee and commission income	7,048.7	5,776.3	22.0
Less: Impairment for loans and other losses	236.9	931.9	(74.6)
Operating expenses	18,287.9	15,978.6	14.5
<b>Profit before income tax (PBT)</b>	<b>20,145.8</b>	<b>15,050.0</b>	<b>33.9</b>
Less - Income tax expense	6,002.4	4,601.2	30.5
<b>Profit for the year (PAT)</b>	<b>14,143.4</b>	<b>10,448.8</b>	<b>35.4</b>



# Core Banking Performance



Rs 225Bn  
CASA base

Timely repricing  
of loan book

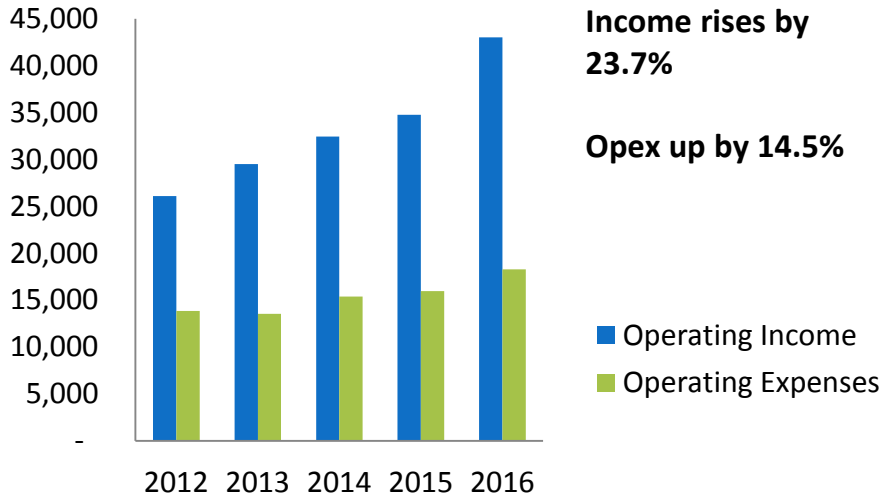
17.3%  
Growth in  
Advances

Short  
duration  
of Govt  
securities

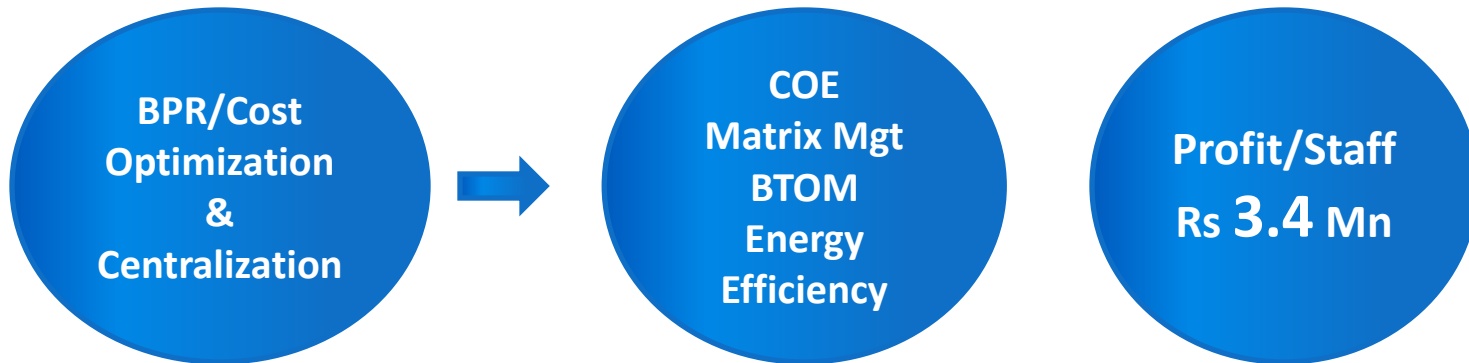
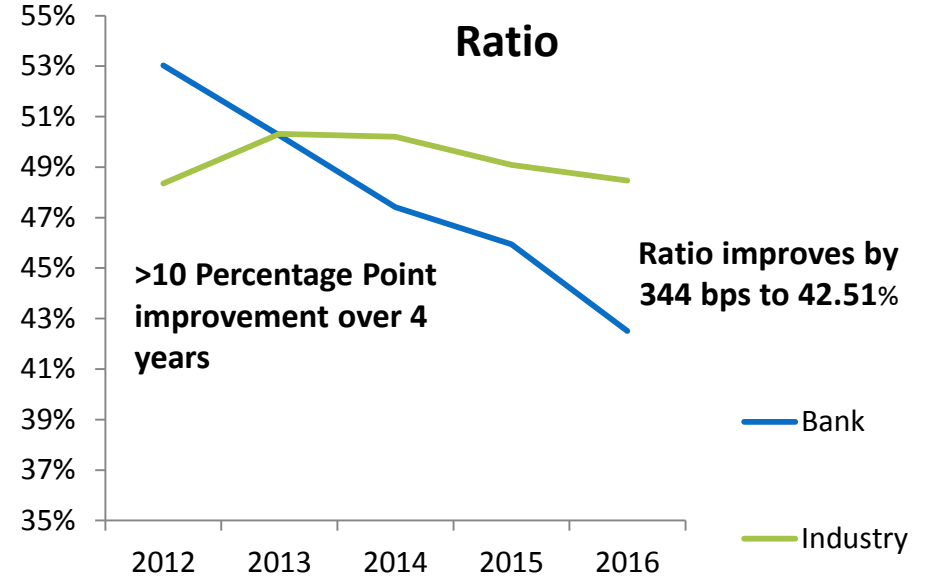
# Transformational Improvement in Efficiency

Rs Mn

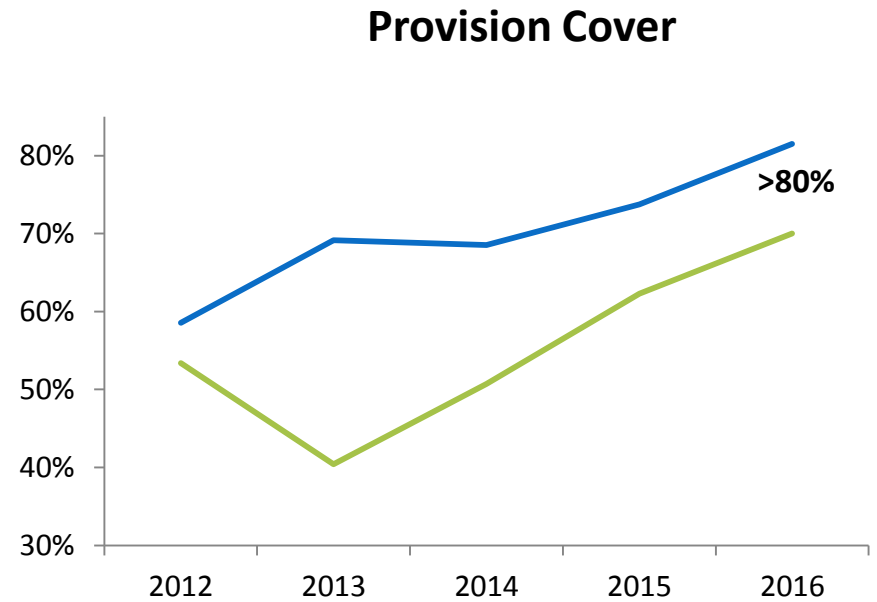
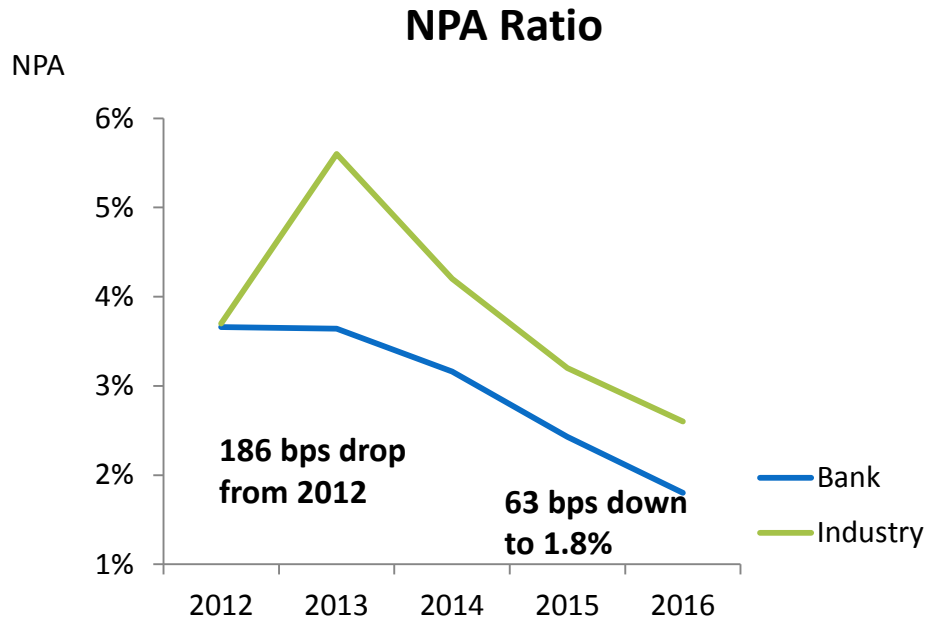
### Cost & Income



### Cost to Income Ratio



# Asset Quality

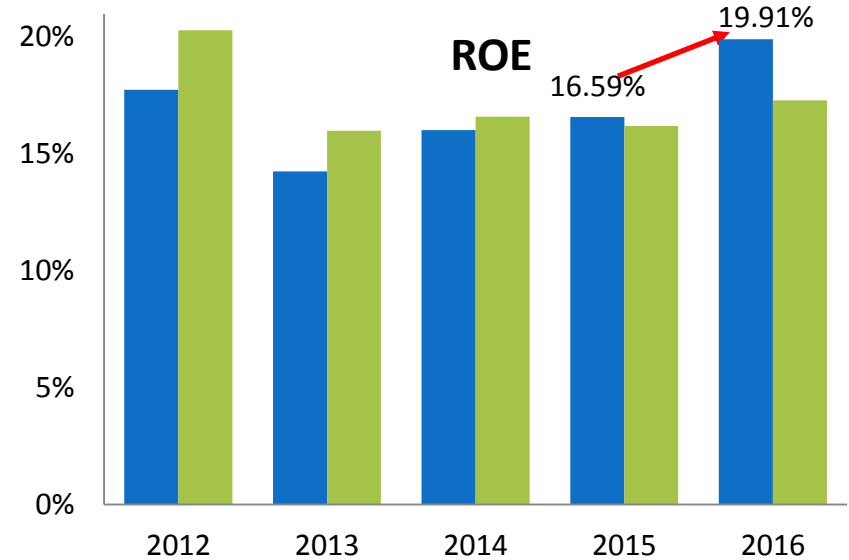
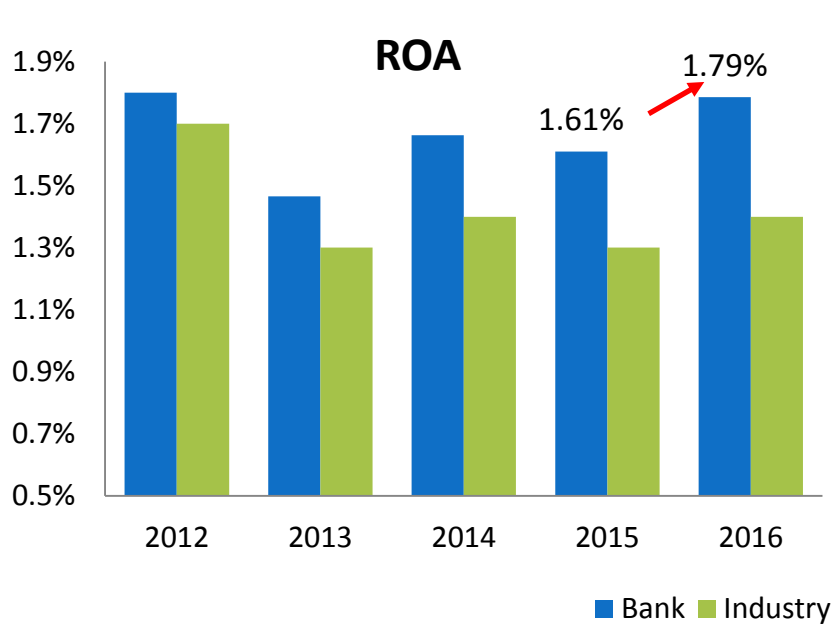


Centralized  
Credit  
Processing

Aggressive  
Recoveries

Superior  
Underwriting  
Standards

# Superior Profitability

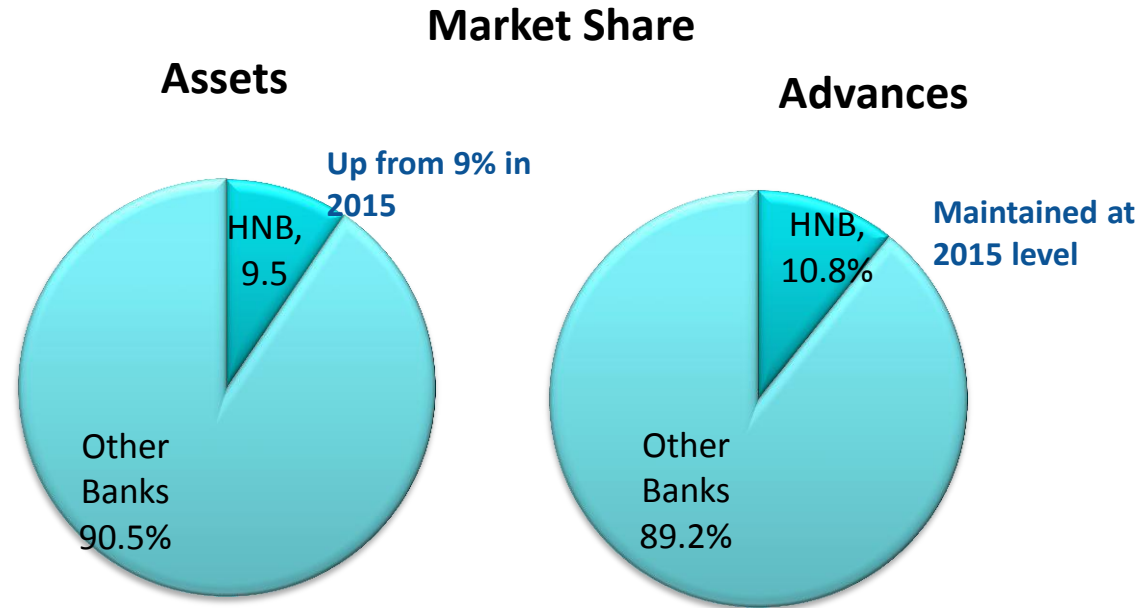
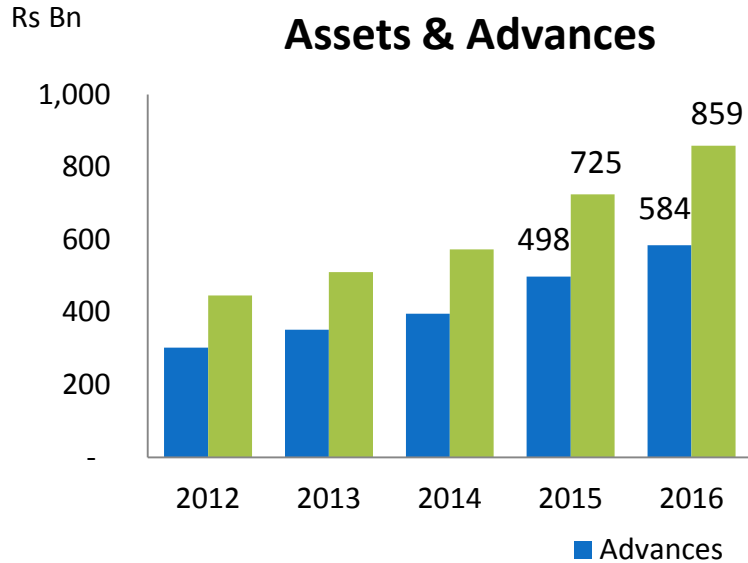


**Profit Before VAT & Taxes up by 37% to Rs 24.5 Bn**

**Highest PBT among Private sector Banking groups**

**PAT growth 35.4% Vs. Industry growth 19.5%**

# Strong Balance Sheet Growth

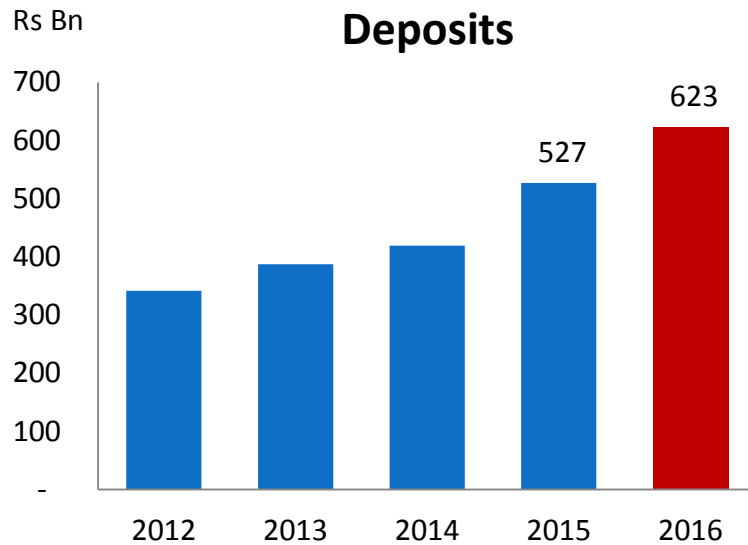


**17.3%**  
Advances  
Growth on  
par with  
Industry

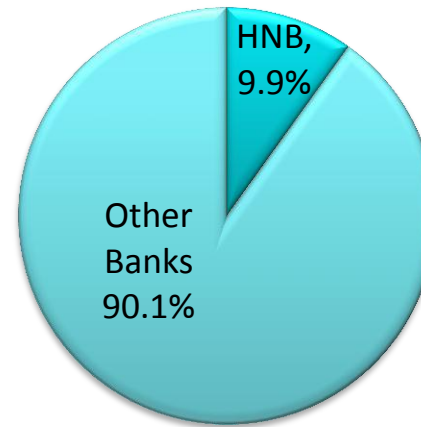
Stronger  
Sales  
Teams,  
Service  
Culture

Asset  
Growth  
**18.4%**  
Industry  
12%

# Strong Balance Sheet Growth

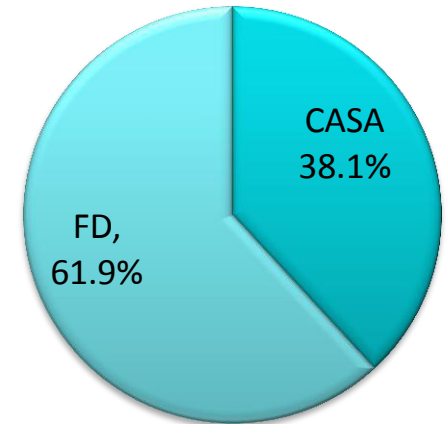


### Deposit Market Share



14 bps increase  
in market share

### LKR CASA Ratio



Deposit  
Growth  
**18.3%**  
Industry  
16.5%

CASA Rs  
**225.5Bn**  
despite  
shift to  
Term  
Deposits

Rs **13** Bn  
Raised via  
Debentures  
to Fund  
Growth

# DuPont Analysis

	2016	2015	2016	2015
	Bank		Group	
Net Interest Income	4.34%	4.06%	4.71%	4.39%
Other Income	1.09%	1.30%	1.74%	1.92%
Net Income	5.43%	5.36%	6.45%	6.31%
Provisions	0.03%	0.14%	0.06%	0.15%
Operating Cost	2.31%	2.46%	3.11%	3.32%
Taxation	1.31%	1.14%	1.39%	1.20%
<b>ROA</b>	<b>1.79%</b>	<b>1.61%</b>	<b>1.89%</b>	<b>1.64%</b>
Minority Interest	-	-	0.11%	0.08%
Multiplier	11.15	10.31	9.94	9.44
<b>ROE</b>	<b>19.91%</b>	<b>16.59%</b>	<b>17.69%</b>	<b>14.71%</b>

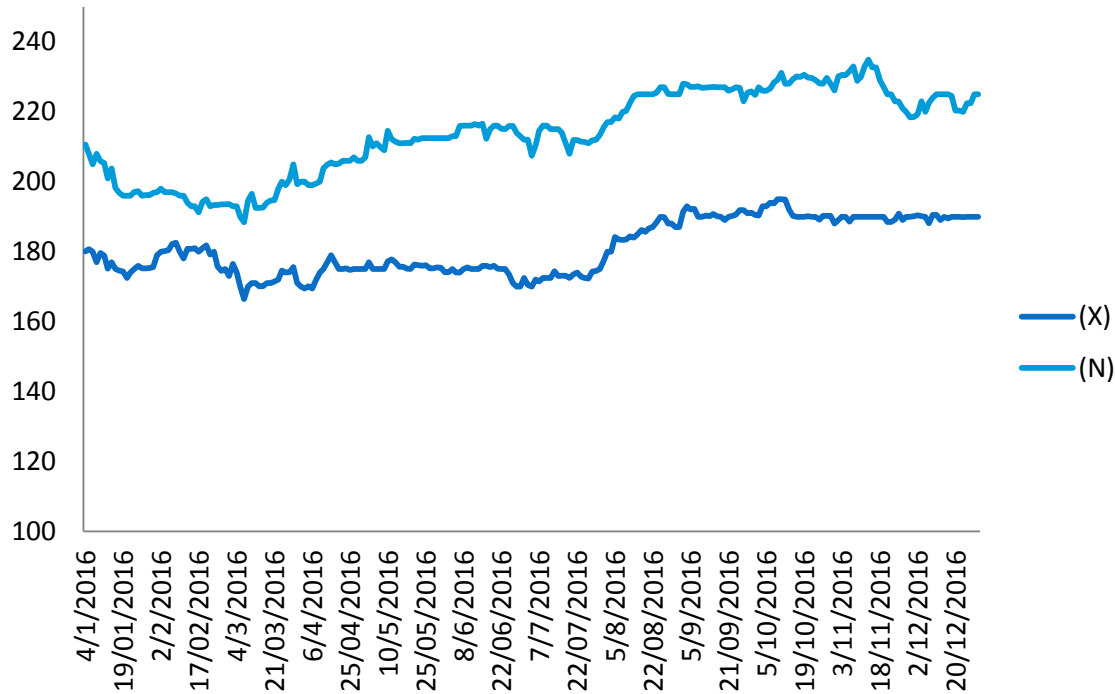
# KPI Summary

KPI (%)	HNB	Industry
Asset Growth	<b>18.4</b>	12.0
Advances Growth	17.3	17.7
Deposit Growth	<b>18.3</b>	16.5
Profit Growth	<b>35.4</b>	19.4
ROA	<b>1.79</b>	1.35
ROE	<b>19.9</b>	17.3
Cost to Income	<b>42.5</b>	48.5
NPA	<b>1.80</b>	2.60
Capital Adequacy	<b>15.27</b>	14.10



# Return to Shareholders

## 12 Month Share Price



- Dividend per share - Rs 8.50
- Dividend yield (N) - 3.8%
- Dividend yield (X) - 4.5%
- Total Return (N) : 10.9%
- Total Return (X) : 11.6%
- ASPI declined by 9.7% over the corresponding period

# Awards and Accolades



**ASIA**  
BEST EMPLOYER BRAND  
AWARDS 2016 (7th Edition)



**CFA Society**  
**Sri Lanka**



- 'Best Retail Bank in Sri Lanka' – Presented by the 'Asian Banker' in 2016, for the 8th time
- Asia Best Employer Brand Award For 'Best HR Strategy in line with Business 2016'
- 'Asia Excellence In Training & Development Award 2016' (for the 5<sup>th</sup> consecutive year)
- HNB Islamic Banking won the Silver Award for the 'Deal of the Year' and the Bronze Award for the 'Entity of the Year' from the 'Islamic Finance Forum of South Asia' organized UTO EDU Consult
- Silver Award for 'Best Investor Relations – Awarded by CFA Society Sri Lanka
- National Productivity Award 2015
- Ranked No .3 by Business Today

**Thank you**