Strategic Direction
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
## HNB – Most Profitable Private Sector Banking Group

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

**ROA**

- 2012: 1.64%
- 2013: 1.89%
- 2014: 2.0%
- 2015: 2.0%
- 2016: 1.5%

**ROE**

- 2012: 14.71%
- 2013: 17.69%
- 2014: 14.71%
- 2015: 17.69%
- 2016: 17.69%

**NIM**

- 2012: 4.93%
- 2013: 5.29%
- 2014: 5.29%
- 2015: 5.29%
- 2016: 5.29%

**PBT & PAT**

- 2012: Rs Mn
- 2013: Rs Mn
- 2014: Rs Mn
- 2015: Rs Mn
- 2016: Rs Mn
Group Highlights

- Rs 22.5 Bn PBT
- Rs 14.8 Bn PAT attributable to shareholders
- Rs 11.6 Bn Govt Taxes
- Rs 900 Bn Group Assets
- 438 bps Cost to Income
- Rs 1.3 Bn HNB Grameen PAT
## Bank posts Record Profits

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

NII

- Rs Mn
- 2012: 22,500
- 2013: 25,000
- 2014: 30,000
- 2015: 35,000
- 2016: 40,000

30.5% growth

NIM

- 2012: 4.8%
- 2013: 5.0%
- 2014: 5.2%
- 2015: 5.5%
- 2016: 5.8%

30 bps improvement to 4.8%

- Rs 225Bn CASA base
- Timely repricing of loan book
- 17.3% Growth in Advances
- Short duration of Govt securities
Transformational Improvement in Efficiency

**Cost & Income**

- Income rises by 23.7%
- Opex up by 14.5%

**Cost to Income Ratio**

- Ratio improves by 344 bps to 42.51% over 4 years

**BPR/Cost Optimization & Centralization**

**COE Matrix Mgt BTOM Energy Efficiency**

**Profit/Staff Rs 3.4 Mn**
**Asset Quality**

**NPA Ratio**
- 186 bps drop from 2012
- 63 bps down to 1.8%

**Provision Cover**
- >80%

**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

Assets & Advances

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs Bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>200</td>
</tr>
<tr>
<td>2013</td>
<td>400</td>
</tr>
<tr>
<td>2014</td>
<td>600</td>
</tr>
<tr>
<td>2015</td>
<td>800</td>
</tr>
<tr>
<td>2016</td>
<td>1000</td>
</tr>
</tbody>
</table>

- Advances

Market Share

Assets

- HNB, 9.5%
- Other Banks, 90.5%

Advances

- HNB, 10.8%
- Other Banks, 89.2%

17.3% Advances Growth on par with Industry

Stronger Sales Teams, Service Culture

Asset Growth 18.4% Industry 12%
Strong Balance Sheet Growth

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

14 bps increase in market share

HNB, 9.9%
Other Banks 90.1%

CASA 38.1%
FD, 61.9%
## DuPont Analysis

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

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

- 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

- ‘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 5th 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