Agenda

- HNB Business Model
- Strategic Direction
- Financial Performance
- Q & A
Business Model
Customer Life Cycle Vs Product Offering (individual)
Customer Life Cycle Vs Product Offering (Commercial)

- Grameen
- Gami Pubduwa
- SME
- Mid Market
- Corporates/Multi Nationals
- Govt.
Choice & convenience through multiple channels

249 customer centres
12,000+ POS merchants
140,000 E Banking Customers

24x7x365 day banking through New World Banking

- 462 ATMs
- Fully fledged mobile banking
- Internet Banking
- Bill payment Kiosks
Strategic Direction
Strategic Direction

Customer Service Excellence

- Profitable Balance Sheet Growth
- Strong Sales Culture
- Higher Fee Income

Cost Optimisation & Operational Excellence

- Competent, Engaged and Motivated Team
- Governance, Transparency & Compliance

Processes

Technology

People
# People

<table>
<thead>
<tr>
<th>Lean Organisation</th>
<th>Seamless Learning</th>
<th>Talent Pipeline</th>
<th>Future Organisation</th>
<th>Agile Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduced headcount by 394 over the past 3 years.</td>
<td>• Virtual learning management system</td>
<td>• Leadership development programme for high potential employees</td>
<td>• Job enrichment, multiskilling and greater opportunities for cross functional teams</td>
<td>• Increased rewards and incentives for achievement of targets</td>
</tr>
<tr>
<td>• Redeploying staff to front line.</td>
<td>• Virtual training</td>
<td>• Increased opportunities for professionally and academically qualified staff for career progression</td>
<td></td>
<td>• Introduction of variable pay schemes to enhance performance</td>
</tr>
</tbody>
</table>
Processes

Centralization
- Centre of Excellence
- Pawning auctions
- Inward clearing
- Trade processing
- Responding to external parties (Courts, IR, Customs etc)

Automation
- Paperless office
- Balance certificate issuance
- Fee collections
- Branch key management system

Outsourcing
- Cash collection
- ATM loading
- Pawning reminders
- Multifunctional photocopiers
- Transport
- Statement bundling

Process Improvement
- Matrix management
- Branch target operating model
- Decentralization of engineering
- Merging pawning centres
- Reallocation of card centre operations

Initiatives in 2015
Technology

Core Systems
- ATM switch
- Cards / Leasing systems

Channels
- Mobile Banking
- Call Centre
- EDI
- MOMO

New Products
- Cash Management
- Online Trade
- Dealer Finance

Support Systems
- AML
- ALM / FTP
- Online learning management system
- SWIFT
- IFRS

Approx. Rs 1.8Bn invested in technology over the past 3 years
Digital Journey

- 2002 • Telephone Banking
- 2007 • Retail e-banking
- 2011 • EDI
- 2013 • Corporate e-banking
- 2014 • Social Media
- 2015-2016 • Upgrade FEBA
- • Cash Management
- • Online Trade
- • Dealer Financing
- • Transaction Alerts
Financial Performance
## HNB Performance 2015

<table>
<thead>
<tr>
<th>Rs Mn</th>
<th>2015</th>
<th>2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>26,335.5</td>
<td>24,901.5</td>
<td>5.8%</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>5,776.3</td>
<td>4,877.9</td>
<td>18.4%</td>
</tr>
<tr>
<td>Other income</td>
<td>2,663.1</td>
<td>2,655.9</td>
<td>0.3%</td>
</tr>
<tr>
<td>Less: Impairment for loans and other losses</td>
<td>931.9</td>
<td>2,491.5</td>
<td>(62.6%)</td>
</tr>
<tr>
<td>Net operating income</td>
<td>33,843.0</td>
<td>29,943.8</td>
<td>13.0%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>15,978.6</td>
<td>15,387.0</td>
<td>3.9%</td>
</tr>
<tr>
<td>Operating profit before VAT</td>
<td>17,864.4</td>
<td>14,565.8</td>
<td>22.6%</td>
</tr>
<tr>
<td>Less: Financial VAT &amp; NBT</td>
<td>2,814.3</td>
<td>2,501.9</td>
<td>12.5%</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>15,050.0</td>
<td>12,063.9</td>
<td>24.8%</td>
</tr>
<tr>
<td>Less - Income tax expense</td>
<td>4,601.2</td>
<td>3,058.7</td>
<td>50.4%</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>10,448.8</td>
<td>9,005.3</td>
<td>16.0%</td>
</tr>
</tbody>
</table>
## Group Performance 2015

<table>
<thead>
<tr>
<th>Rs Mn</th>
<th>2015</th>
<th>2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>29,693.7</td>
<td>25,984.7</td>
<td>14.3%</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>6,424.0</td>
<td>5,072.8</td>
<td>26.7%</td>
</tr>
<tr>
<td>Other income</td>
<td>6,706.6</td>
<td>6,765.2</td>
<td>(0.87%)</td>
</tr>
<tr>
<td>Less: Impairment for loans and other losses</td>
<td>1,022.1</td>
<td>2,532.8</td>
<td>(59.6%)</td>
</tr>
<tr>
<td>Net operating income</td>
<td>41,622.3</td>
<td>35,289.9</td>
<td>17.9%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>22,460.3</td>
<td>19,734.2</td>
<td>13.8%</td>
</tr>
<tr>
<td>Operating profit before VAT</td>
<td>19,162.0</td>
<td>15,555.7</td>
<td>23.2%</td>
</tr>
<tr>
<td>Less: Financial VAT &amp; NBT</td>
<td>3,061.8</td>
<td>2,550.2</td>
<td>20.1%</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>16,160.3</td>
<td>13,148.5</td>
<td>22.9%</td>
</tr>
<tr>
<td>Less - Income tax expense</td>
<td>5,064.4</td>
<td>3,080.4</td>
<td>64.4%</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>11,095.8</td>
<td>10,068.1</td>
<td>10.2%</td>
</tr>
<tr>
<td>Profit attributable to equity holders</td>
<td>10,553.6</td>
<td>9,819.6</td>
<td>7.5%</td>
</tr>
</tbody>
</table>
Strong profitability despite pressure on margins

Bank

Group

Net Interest Margin

- ROE
- ROA

2012 2013 2014 2015

2012 2013 2014 2015
Enhanced fee income

- The Credit Card Business and Trade Finance collectively accounted for approx. 40% of net fee income in 2015.

- Fee Income from International Banking, Leasing and Electronic Banking witnessed very high growth rates.

- The YOY growth in net fee income amounted to 23.1% for the Group and 18.4% for the Bank.
Driving operational efficiency

Bank

Group

Note: 2013 Operating Expenses have been adjusted for a one off provision reversal on account of ESBT

- Bank cost increase contained to 3.9% yoy despite revision to collective agreement
Sound Advances growth

Advances

Rs Mn

- 100,000
- 200,000
- 300,000
- 400,000
- 500,000
- 600,000

CAGR - 18.0%

2011 2012 2013 2014 2015

Segmental distribution of Advances

Corporate

SME

PFS

Micro Finance

24%

25%

3%

48%

Sectorwise distribution of Advances

- Agriculture & Fishing
- Manufacturing
- Tourism
- Transport
- Construction
- Traders
- New Economy
- Financial and Business Services
- Infrastructure
- Other Services
- Other Customers

Rs 100 Bn growth in advances – 26% yoy
Well diversified portfolio
Improving Asset Quality

- Lowest NPA ratio of 2.43% in decades
- Significantly below the industry average of 3.20%
CASA and Borrowings funding growth

- Rs 100 Bn growth in deposits
- Strong CASA ratio maintained despite 35% growth in FD's
- USD 185 Mn raised through agreements with the ADB, DEG Germany and PROPARCO
## DuPont Analysis

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank</td>
<td>Group</td>
<td>Bank</td>
<td>Group</td>
</tr>
<tr>
<td>NII/ Avg Assets</td>
<td>4.06%</td>
<td>4.60%</td>
<td>4.39%</td>
<td>4.64%</td>
</tr>
<tr>
<td>Other Income / Avg Assets</td>
<td>1.30%</td>
<td>1.39%</td>
<td>1.92%</td>
<td>2.14%</td>
</tr>
<tr>
<td>Net Income/ Avg Assets</td>
<td>5.36%</td>
<td>5.99%</td>
<td>6.31%</td>
<td>6.78%</td>
</tr>
<tr>
<td>Operating Cost/ Avg Assets</td>
<td>2.46%</td>
<td>2.84%</td>
<td>3.32%</td>
<td>3.53%</td>
</tr>
<tr>
<td>Provisions / Avg assets</td>
<td>0.14%</td>
<td>0.46%</td>
<td>0.15%</td>
<td>0.45%</td>
</tr>
<tr>
<td>Taxation/ Avg assets</td>
<td>1.14%</td>
<td>1.03%</td>
<td>1.20%</td>
<td>1.01%</td>
</tr>
<tr>
<td>Return on Avg Assets</td>
<td>1.61%</td>
<td>1.66%</td>
<td>1.64%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>-</td>
<td>-</td>
<td>0.08%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Equity Multiplier</td>
<td>10.31</td>
<td>9.64</td>
<td>9.44</td>
<td>8.92</td>
</tr>
<tr>
<td>Return on Avg Equity</td>
<td>16.59%</td>
<td>16.03%</td>
<td>14.71%</td>
<td>15.65%</td>
</tr>
</tbody>
</table>
# KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>HNB 2015</th>
<th>HNB Medium Term Goal</th>
<th>Industry 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Growth</td>
<td>26.60%</td>
<td>18%</td>
<td>15.87%</td>
</tr>
<tr>
<td>Advances Growth</td>
<td>25.76%</td>
<td>20%</td>
<td>21.08%</td>
</tr>
<tr>
<td>Deposit Growth</td>
<td>25.71%</td>
<td>20%</td>
<td>15.30%</td>
</tr>
<tr>
<td>Cost to Income</td>
<td>45.95%</td>
<td>&lt;45%</td>
<td>49.0%</td>
</tr>
<tr>
<td>NPA</td>
<td>2.43%</td>
<td>&lt;3%</td>
<td>3.20%</td>
</tr>
<tr>
<td>ROA</td>
<td>1.61%</td>
<td>1.8%</td>
<td>1.30%</td>
</tr>
<tr>
<td>ROE</td>
<td>16.59%</td>
<td>20%</td>
<td>16.1%</td>
</tr>
</tbody>
</table>
Return to Shareholders

- Dividend payout – 33%
- Dividend per share – Rs 8.50
- Dividend yield (N) – 4.0%
- Dividend yield (X) – 4.8%
- Voting share - 12.4% return
- Non-voting share - 21.9% return
- ASPI - 5.5% decline
Awards and Accolades

• ‘Best Retail Bank in Sri Lanka’ by the Asian Banker in 2015 for the 7th time

• 3rd place – Business Today Top 25 Awards

• Gold Award for ‘Corporate Governance’ at the CA Sri Lanka Annual Report Awards

• National Productivity Award 2014 – ‘Service Sector – Large Organization’ Category

• HRM ‘Gold’ Award at the HRM Awards 2014 organised by the Association of Human Resource Professionals

• International award for Marketing Campaign of the Year at the Golden Globe Tigers Summit Awards 2015

• Ranked amongst the ‘Top 10 Best Corporate Citizens’ by the Ceylon Chamber of Commerce

• Overall Award for ‘Best Results Based Training’ for the fourth consecutive year at the Asia’s Training & Development Excellence Awards 2015 organised by the World HRD Congress
Q & A