

The logo consists of the letters H, N, E, and B in a bold, black, sans-serif font. The letter 'H' has a yellow square in its top-left quadrant and a blue square in its bottom-left quadrant. The letter 'N' has a yellow triangle in its top-right quadrant and a blue triangle in its bottom-left quadrant. The letter 'E' has a yellow horizontal bar in its top half and a blue horizontal bar in its bottom half. The letter 'B' has a yellow horizontal bar in its top half and a blue horizontal bar in its bottom half.

HNEB

YOUR PARTNER IN PROGRESS

Investor Update

28-05-2019

Financial Performance e 1Q 2019








Net Operating Income - Group

	2019 (Rs Bn)	2018 (Rs Bn)	Growth %
Interest Income	31.6	26.9	 17%
Interest Expenses	17.0	14.9	 14%
NII	14.6	12.1	 21%
Net Fee Income	2.5	2.4	 5%
Net Insurance Premium	2.0	1.8	 13%
Other Income	(0.3)	0.8	 137%
Impairment	4.6	1.5	 200%
Net Operating Income	14.2	15.5	 9%

Expenses & Profits - Group

	2019 (Rs Bn)	2018 (Rs Bn)	Growth %
Operating Expenses	9.0	7.1	 27%
VAT, NBT & DRL	1.8	1.5	 18%
PBT	3.4	7.0	 51%
Income Tax	1.3	2.2	 39%
PAT	2.0	4.7	 57%
Profit Attributable to Shareholders	1.9	4.3	 55%

Net Operating Income - Bank

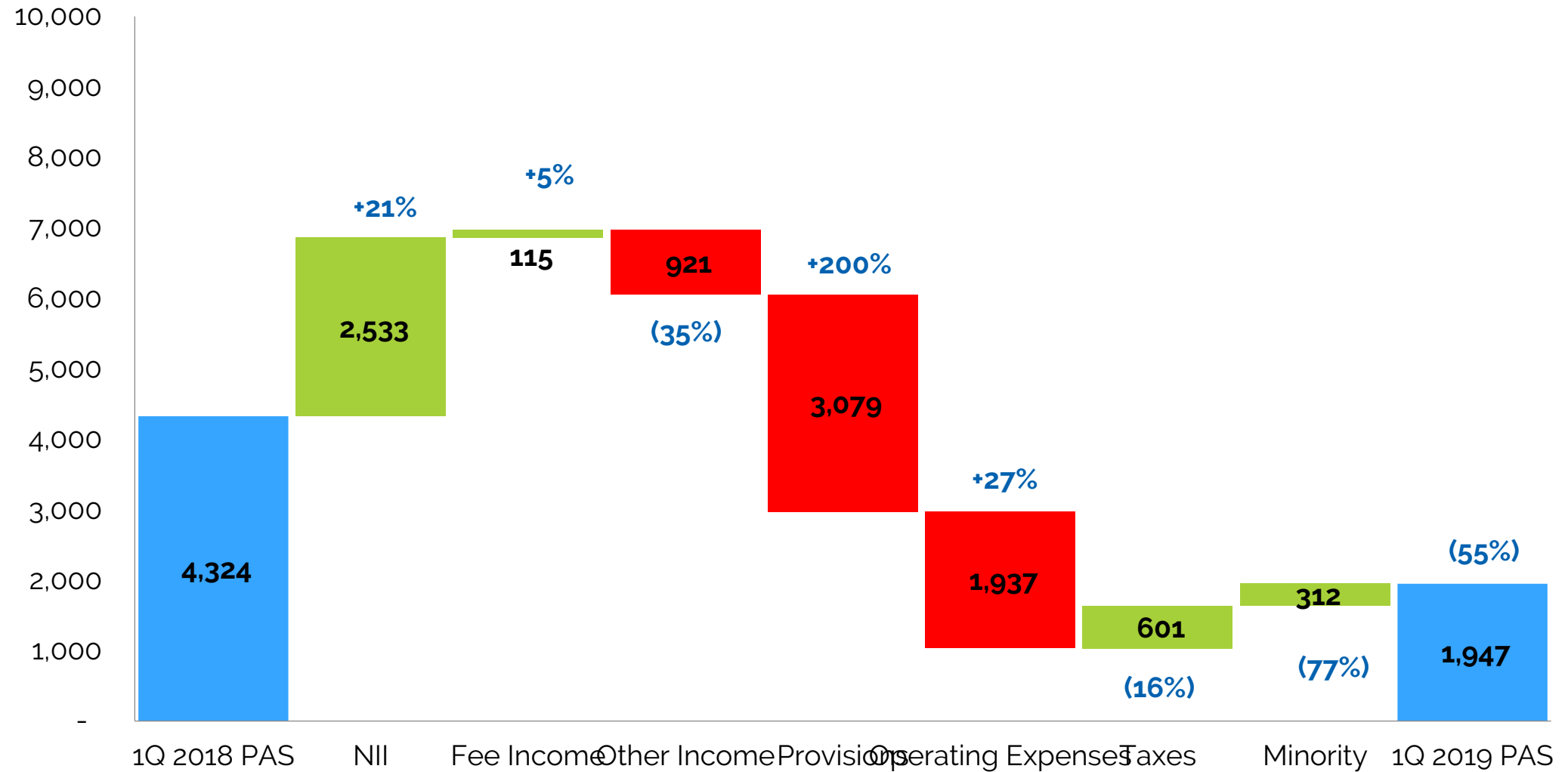
	2019 (Rs Bn)	2018 (Rs Bn)	Growth %
Interest Income	29.4	24.9	 18%
Interest Expenses	16.4	14.3	 15%
NII	13.0	10.6	 22%
Net Fee Income	2.2	2.2	 1%
Other Income	(0.3)	0.9	 127%
Impairment	4.1	1.3	 206%
Net Operating Income	10.8	12.4	 13%

Expenses & Profits - Bank

	2019 (Rs Bn)	2018 (Rs Bn)	Growth %
Operating Expenses	5.9	5.0	 18%
VAT, NBT & DRL	1.7	1.4	 19%
PBT	3.3	6.0	 46%
Income Tax	1.2	1.8	 33%
PAT	2.0	4.2	 51%

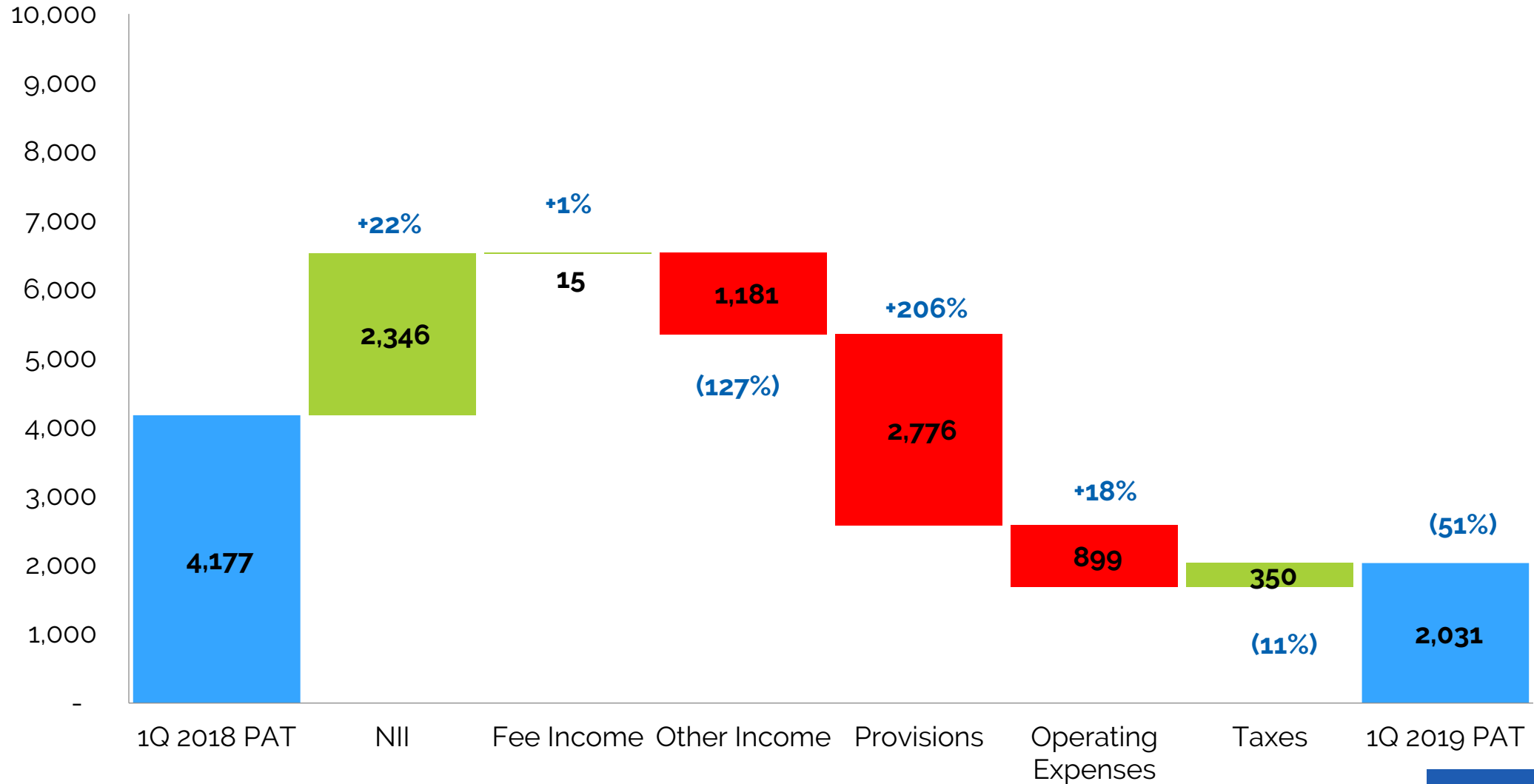
Movement in Group Profit Attributable to Shareholders

Rs Mn

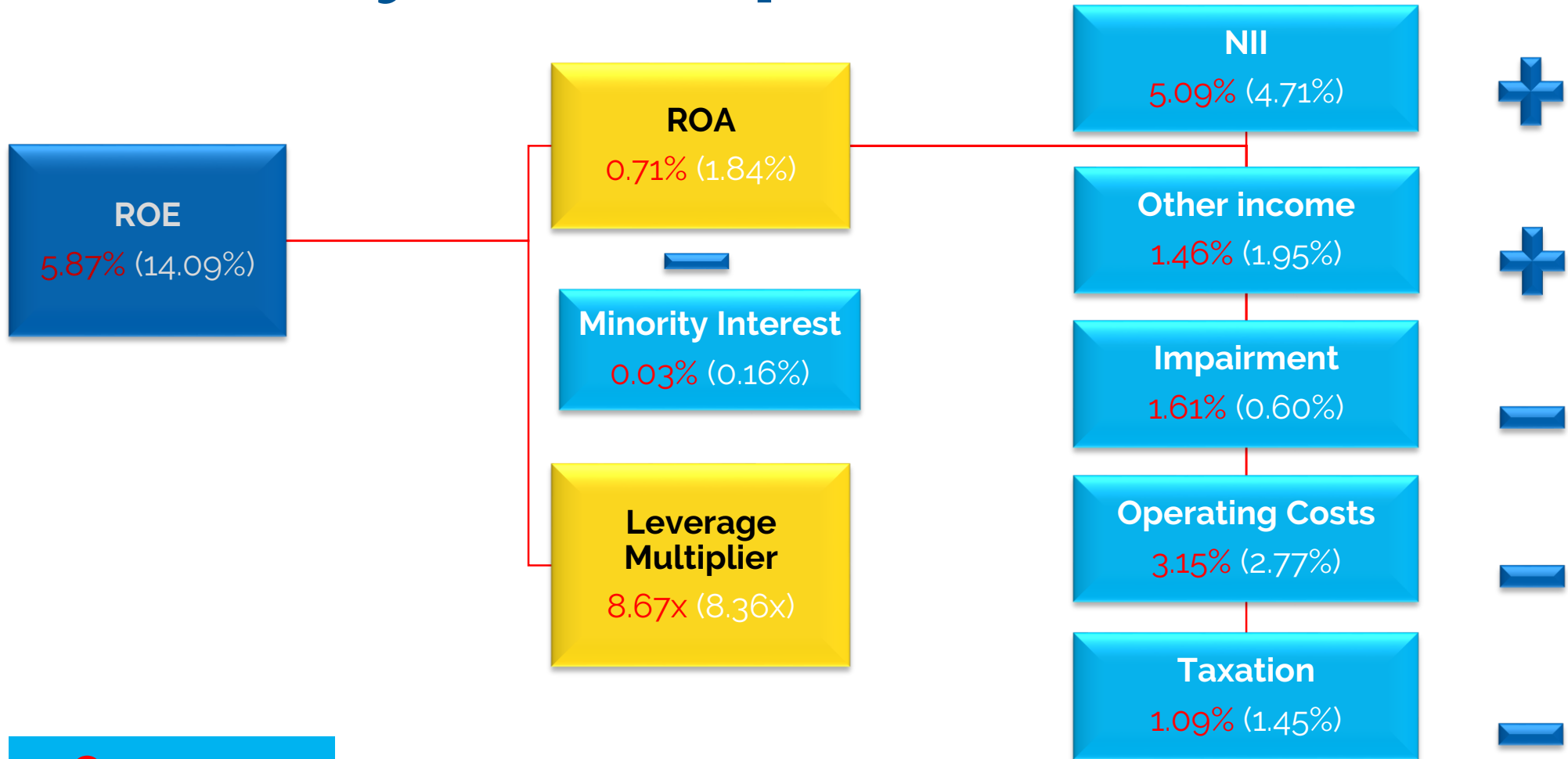


Movement in Bank PAT

Rs Mn

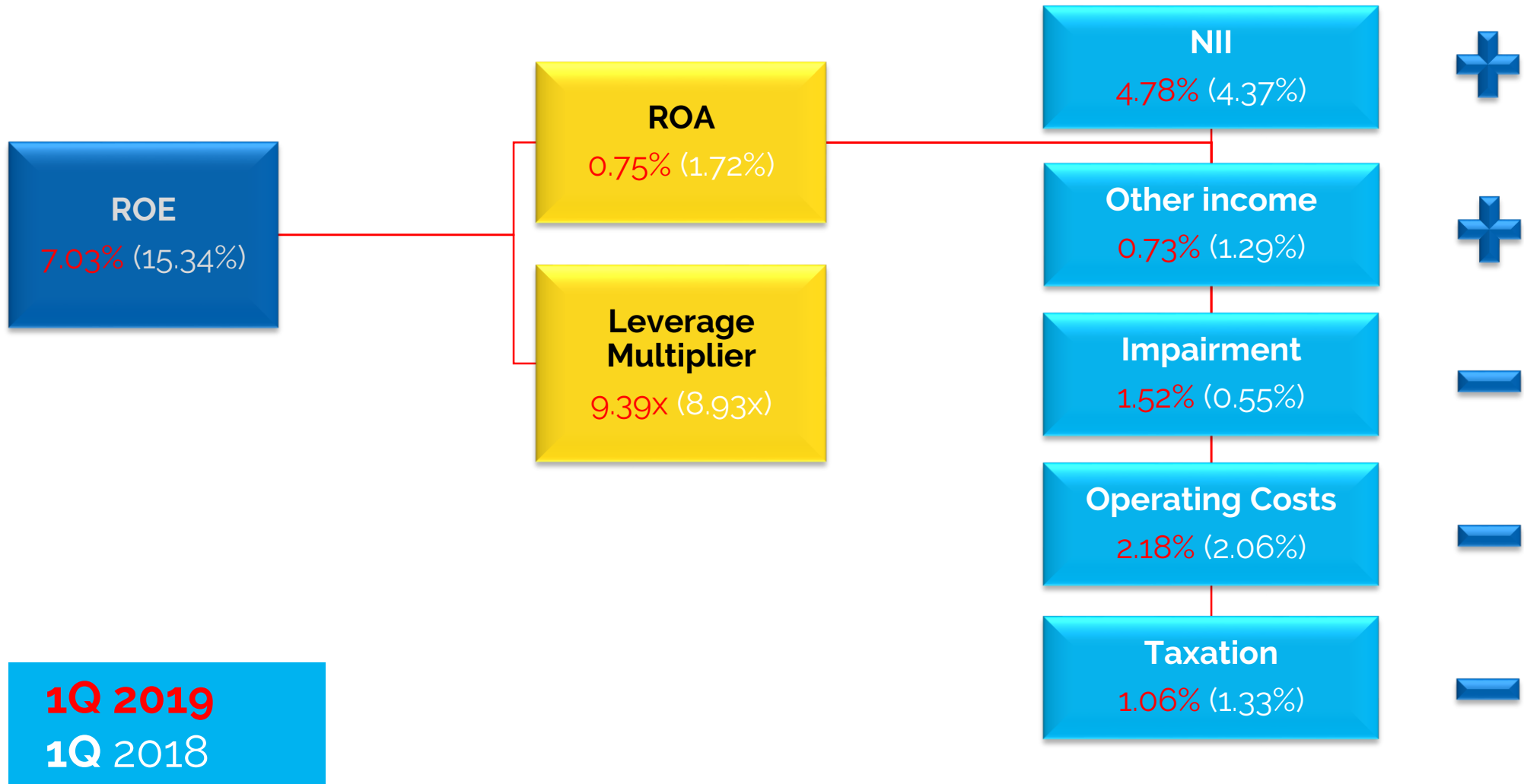


DuPont Analysis – Group



1Q 2019
1Q 2018

DuPont Analysis – Bank



Performance of Group Companies



60%
Insurance

PAT - Rs 119 Mn
ROE - 8.4%



51% (voting)
Microfinance

PAT - Rs 71 Mn
ROE - 6.4%



A joint Venture of DFCC Bank and HNB

50%
**Investment
Banking**

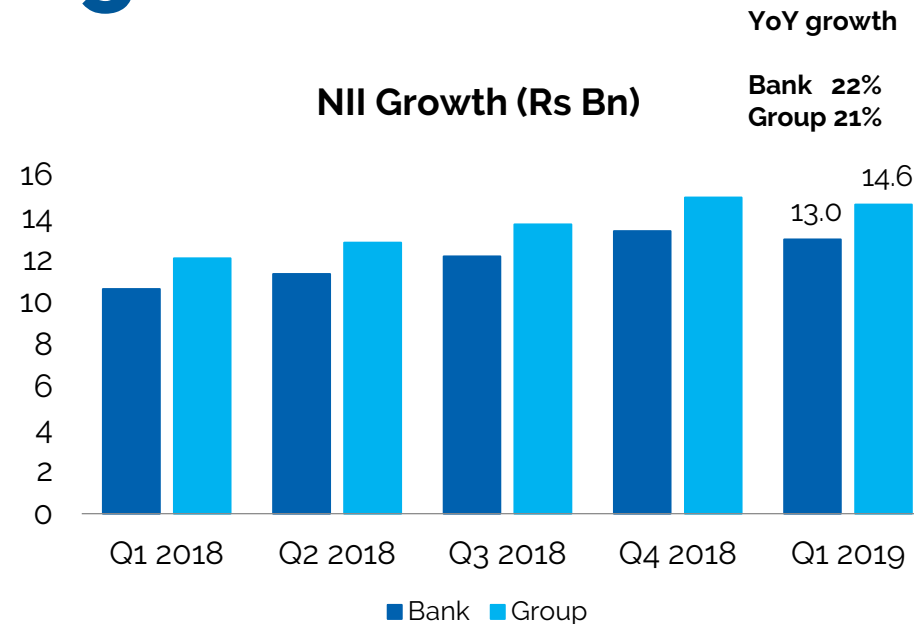
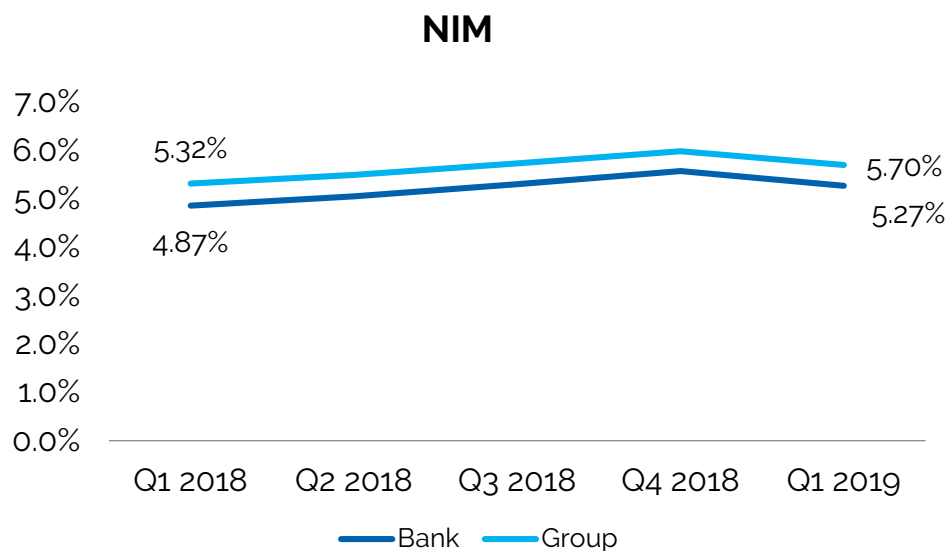
PAT - Rs 67 Mn
ROE - 6.3%

**Sithma
Development**

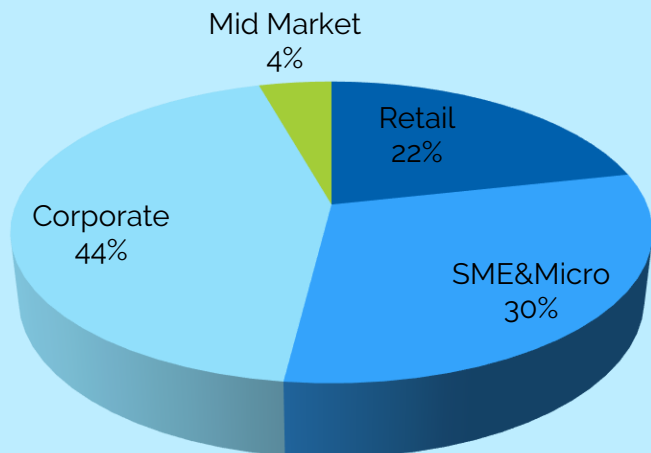
100%
Real Estate

PAT - Rs 68 Mn
ROE - 3.9%

Strong Core Banking Amid Challenges



Segment-wise loan book



CASA base of Rs 280 Bn

Balanced portfolio with 52% in higher yielding segments

Prudent ALM Management

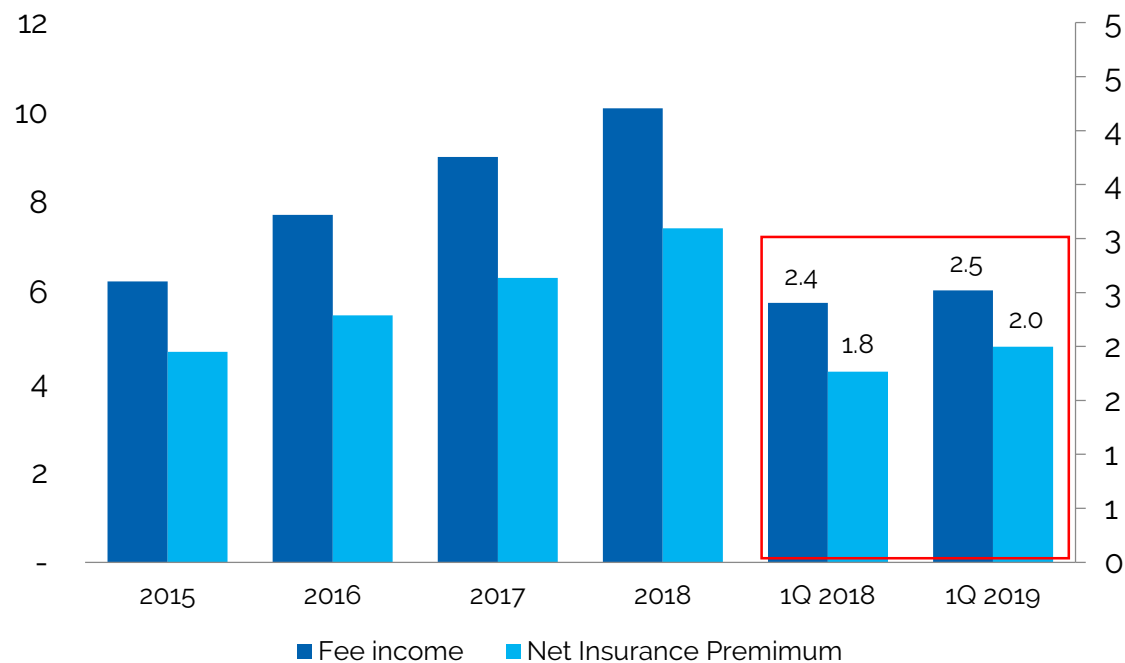
NIM prioritized over growth at lower margins

9% of Group NII from HNB Finance

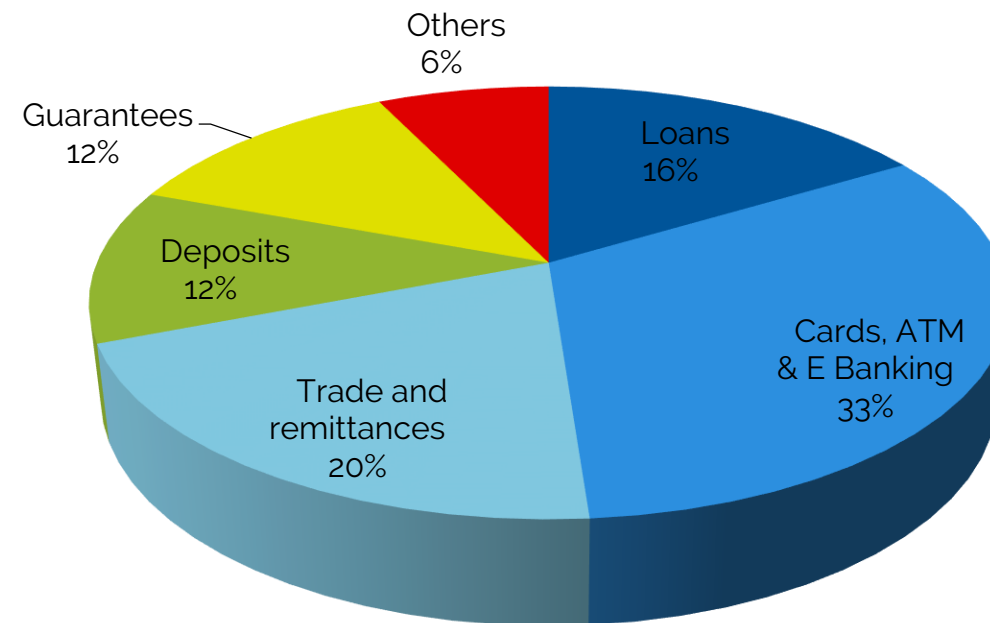
Non Fund Income

- Net fee Income amounts to 15% of Bank TOI
- Fees and Insurance income collectively contribute 24% of Group TOI
- Cards, ATM & E Banking collectively account for 33% of fee income

Group Fee & Insurance Income (Rs Bn)

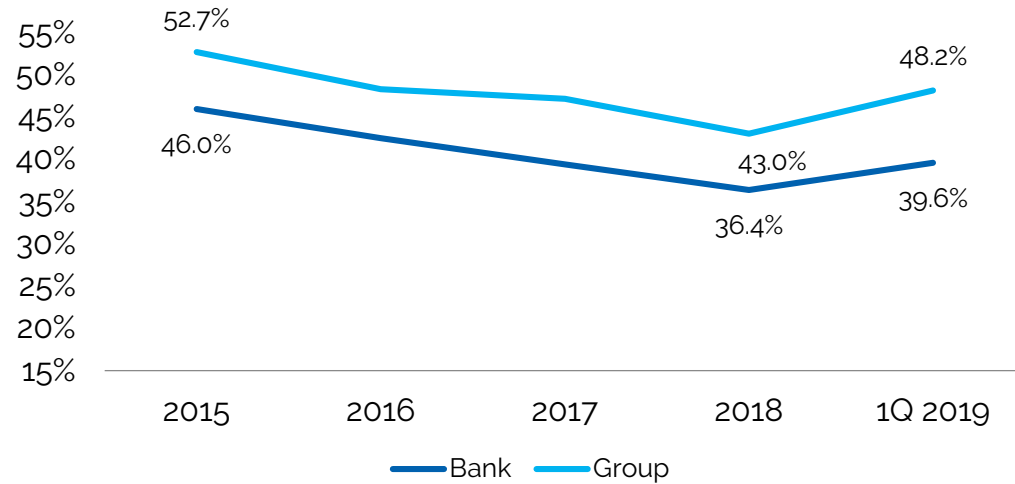


Fee Income Sources

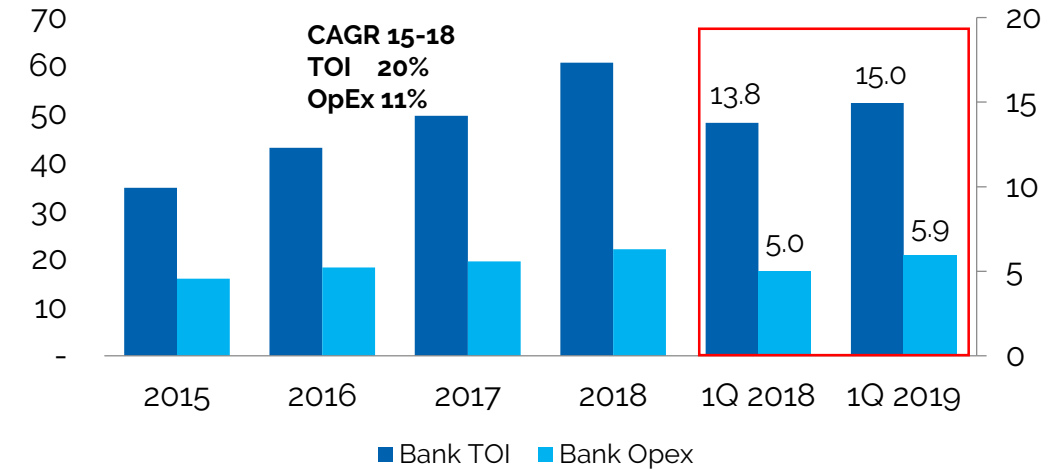


Operational Excellence

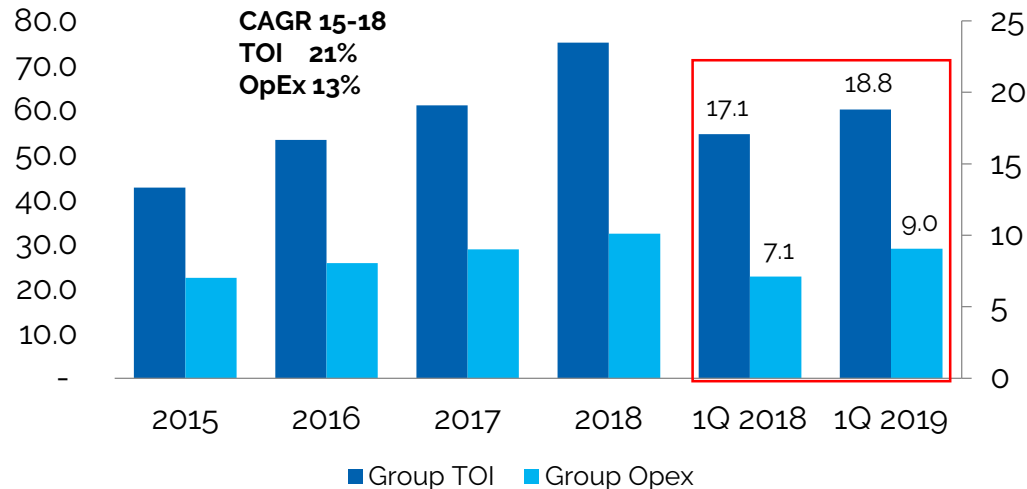
Cost to Income



Bank - TOI vs. Opex (Rs Bn)



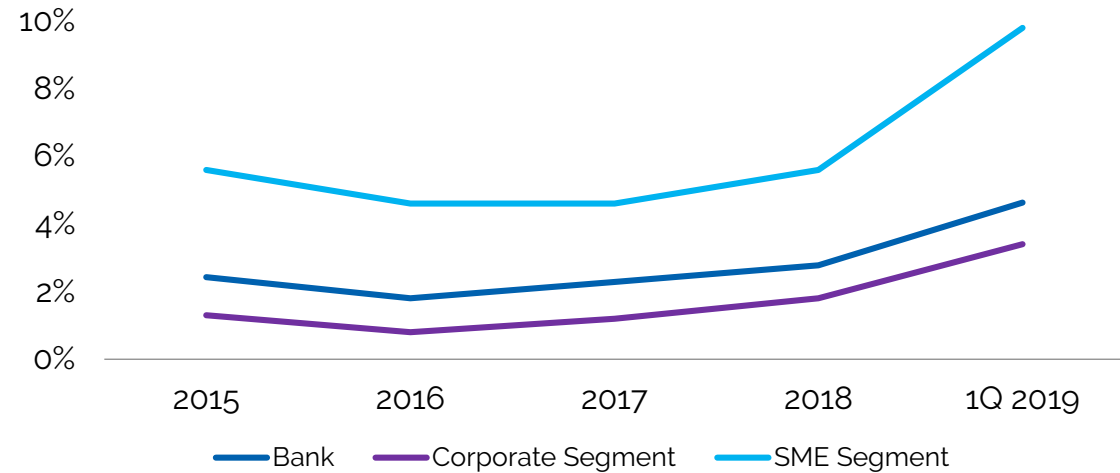
Group - TOI vs. Opex (Rs Bn)



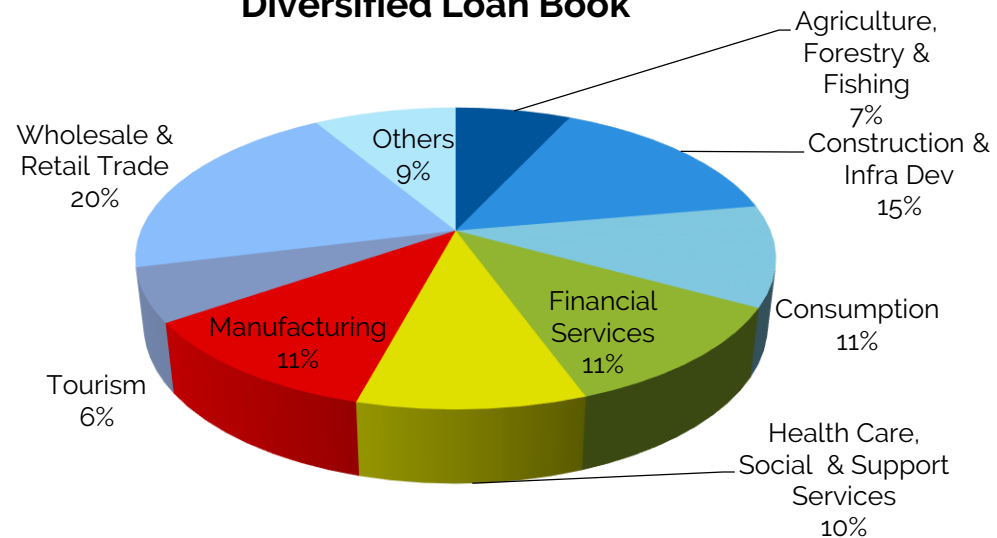
- **Group and Bank Cost to Income ratios improve by nearly 10% between 2015-2018**
- **Staff expenses rise on account of revision to collective agreements in April 2018.**
- **Cost increase is expected to normalize from 2Q onwards**
- **Process Reengineering, Automation, Seamless Integration, etc. continues to be pursued**

Asset Quality & Credit Cost

Gross NPA



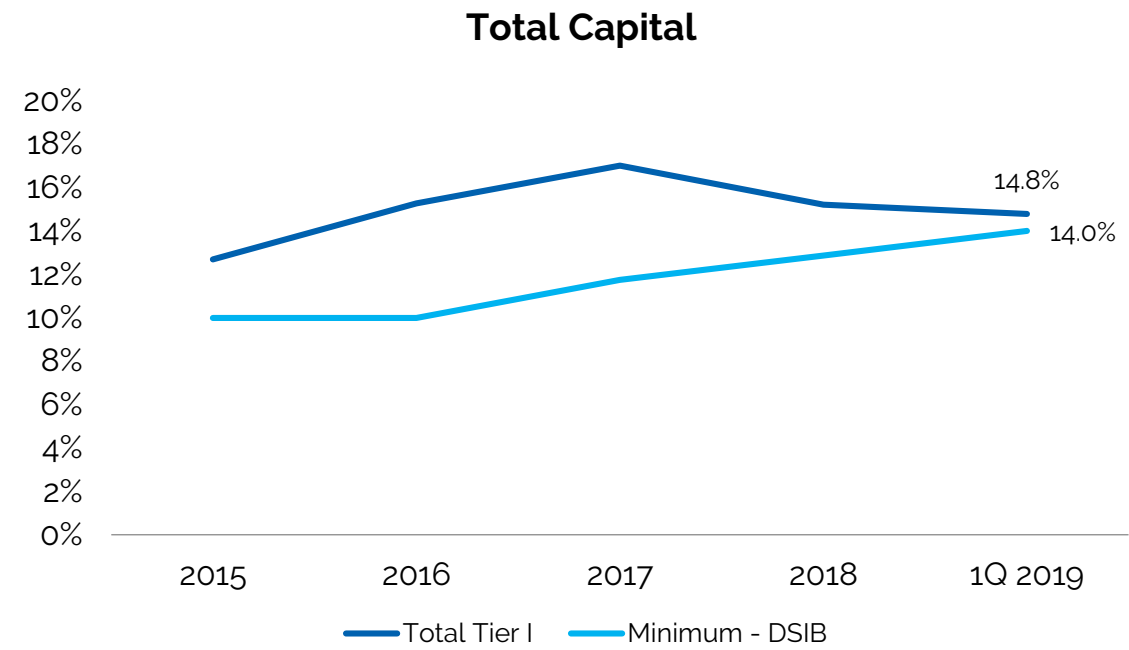
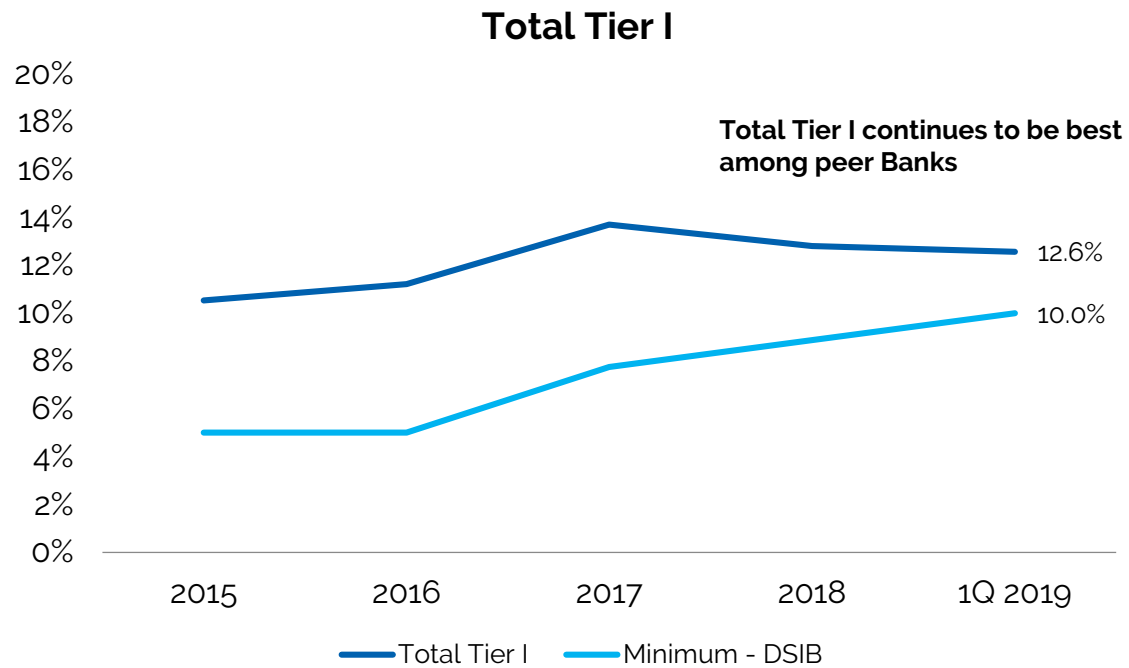
Diversified Loan Book



- Stressed market conditions affect repayment capacity, particularly within SME segment
- Easter Day may add further pressure on the Economy
- CBSL issued circular giving relief measures to companies in Tourism sector
- Concentration risk remains low at HNB with well diversified loan book
- Exposure to Tourism <6%
- Construction & Infrastructure collectively at 15%.

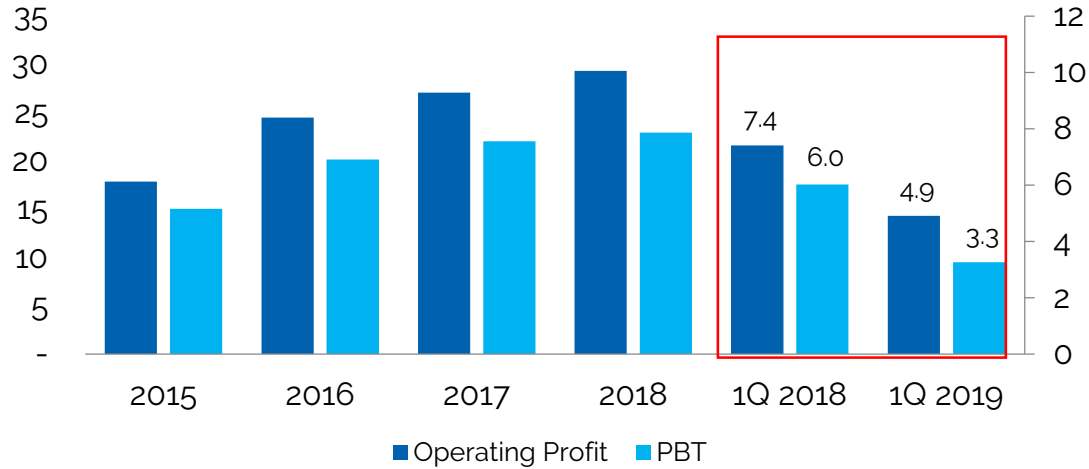
Sound Capitalization

- Capital Adequacy maintained above requirements despite higher credit costs and taxes affecting internal capital generation.
- Impending Debenture Issue of Rs 7 Bn to strengthen Total Capital

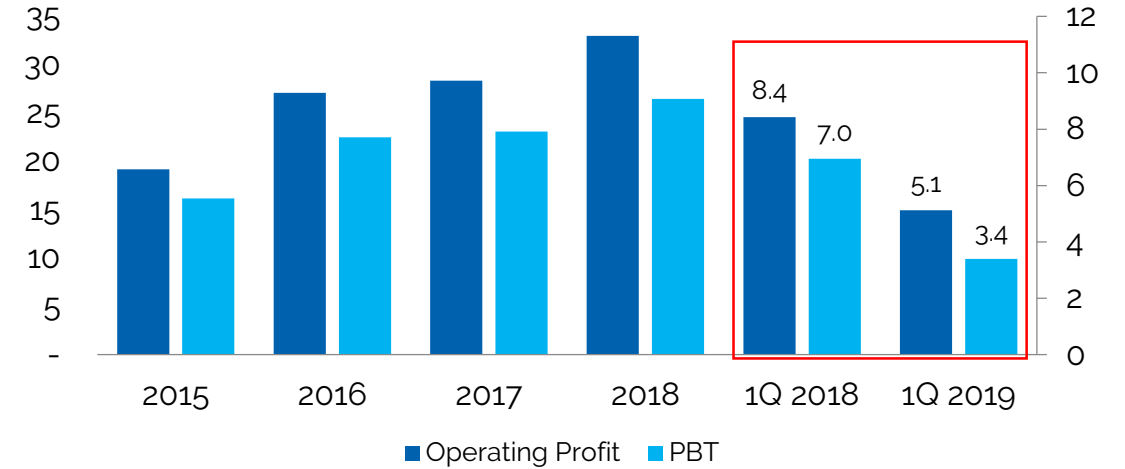


Profitability & Impact of Taxes

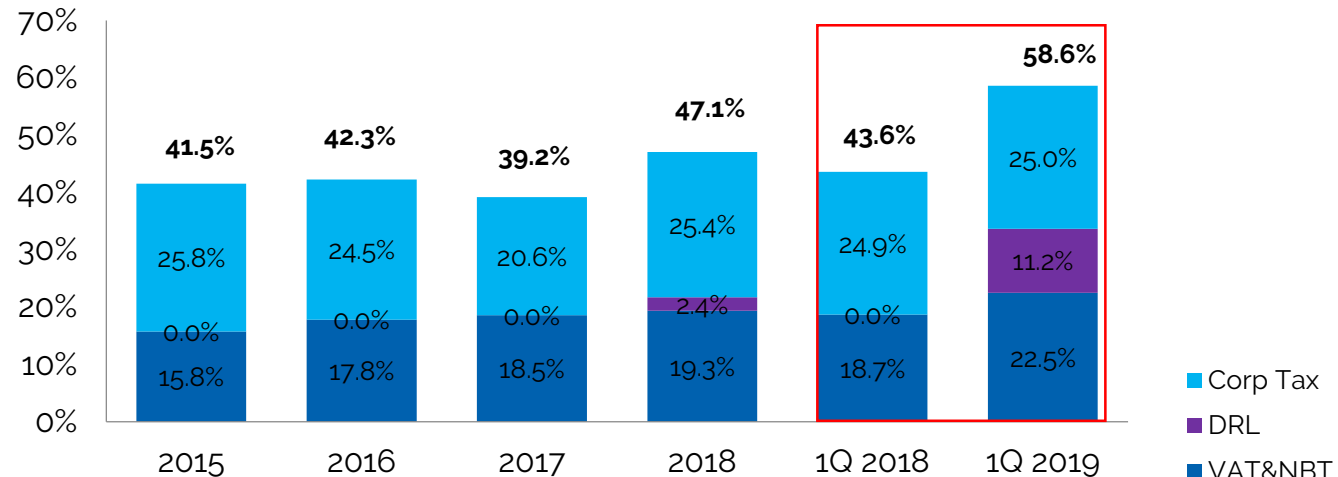
Bank Operating Profit & PBT (Rs Bn)



Group Operating Profit & PBT (Rs Bn)

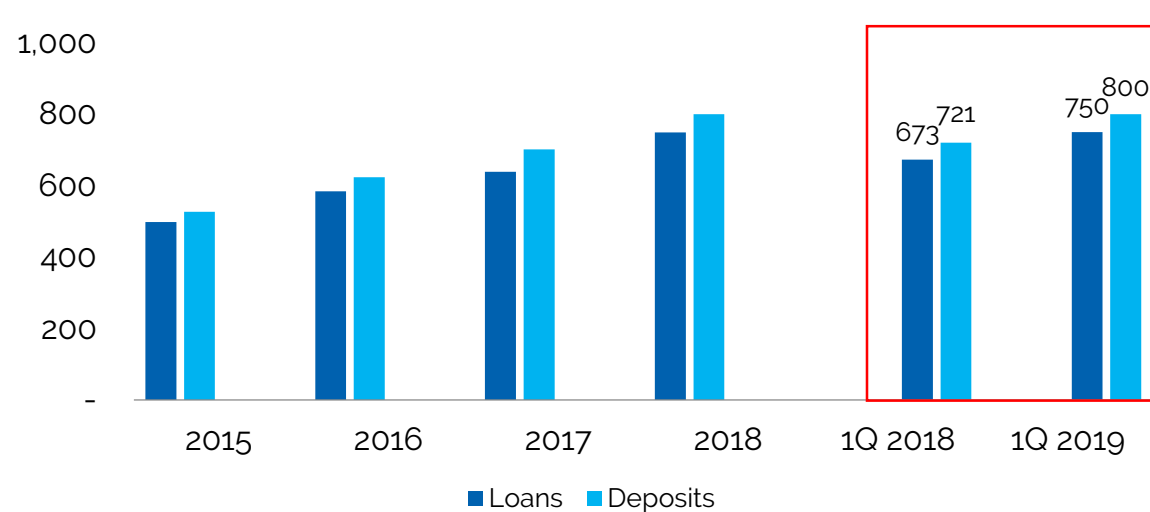


Breakup of Total Effective Tax Rate

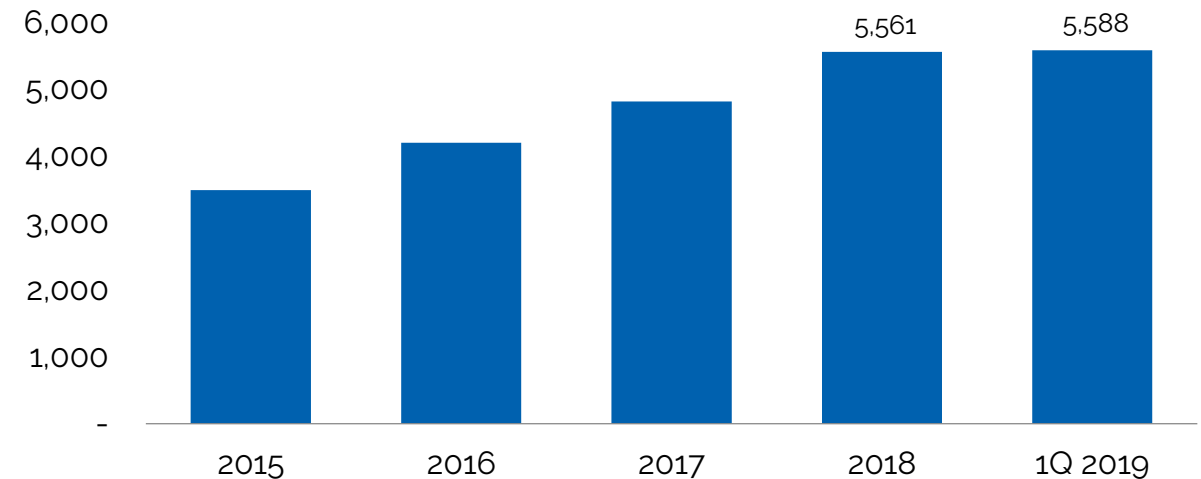


Strong Balance Sheet

Loans & Deposits (Rs Bn)



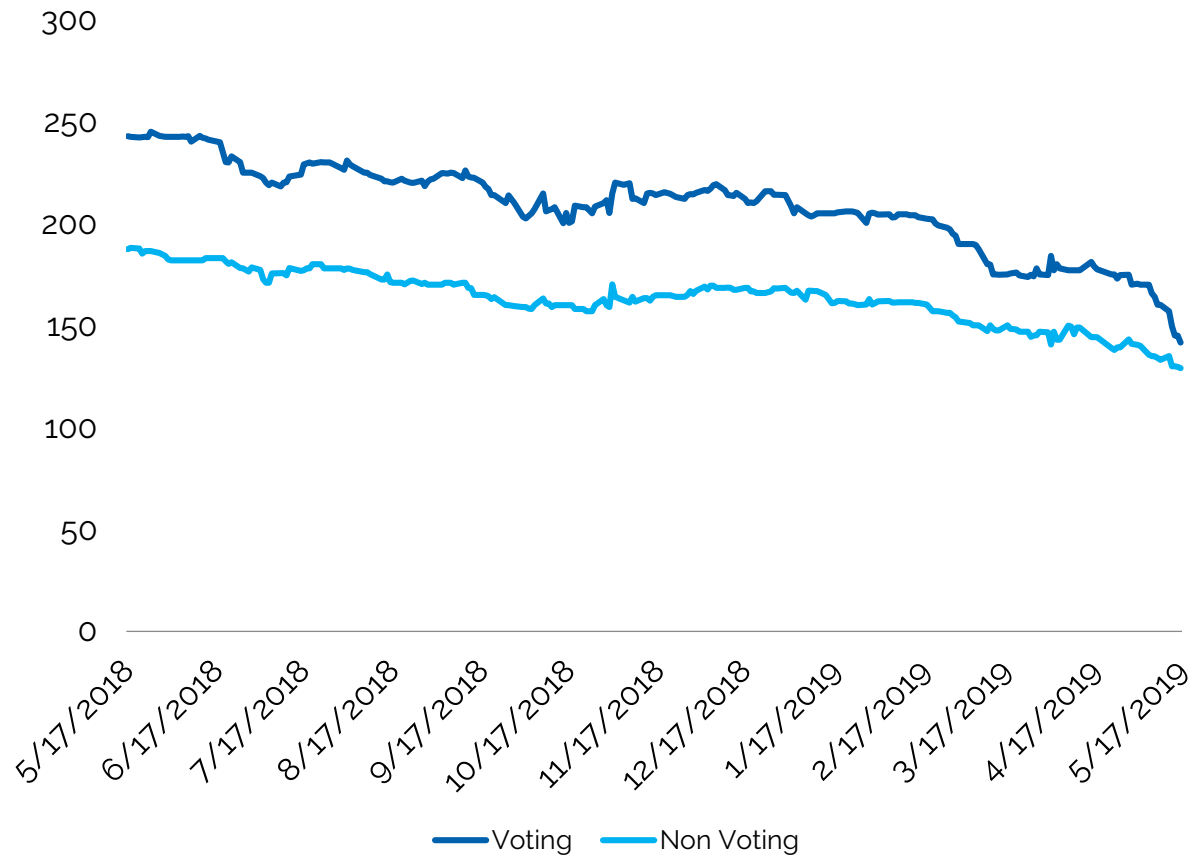
Private Credit Extended by Commercial Banks (Rs Bn)



- Quarterly Private Credit Growth flat owing to difficult market conditions. – Trend mirrored in HNB quarterly growth
- QoQ growth flat for Deposits, Loans up by 0.11%
- However YoY growth in loan book and deposits amount to 11.4% and 11% respectively for HNB.

Shareholder Return

12 Month Share Movement-Rs (May 17)



Annualized EPS (Rs)	15.56
BVPS (Rs)	264.71
PBV (X)	0.53
PE (X)	9.10
Total Dividends (Rs)	8.50
Dividend Yield (%)	6.0 (N) & 6.6 (X)

Thank you

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