

The logo consists of the letters 'HNB' in a bold, black, sans-serif font. The letter 'H' has a yellow square in its upper right quadrant and a blue square in its lower left quadrant. The letter 'N' has a yellow triangle in its upper right and a blue triangle in its lower left. The letter 'B' has a yellow rounded rectangle in its upper right and a blue rounded rectangle in its lower left.

HNB

YOUR PARTNER IN PROGRESS

Investor Update

19th Nov 2020

Operating Environment

COVID Situation

- Sri Lanka presently undergoing second wave of COVID pandemic
- HNB – most branches opened with a few in isolated areas closed. Head Office operating under split / WFH arrangements.
- All health & safety measures adhered to
- Driving digital – digital payment channels (SOLO, MOMO, IPG, Appigo), Bank on Wheels, internet / mobile banking, 24x7 Omni channel contact centre

Economic Environment

- Q1 2020 – contracted by 1.6%
- Monetary policy relaxed with AWPLR dropping by approx. 400bps during 2020
- No tourist arrivals since April 2020
- Economy expected to contract by approx. 5% in 2020 and grow by 3-5% (as per WB, IMF, ADB)

National Budget 2021

- Budget deficit at 8.9%
- To be funded mainly through domestic borrowings which could drive interest rates up
- Concessions given to drive many sectors (including exports, manufacturing, agriculture, dairy, renewal energy, pharmaceutical and start-ups)
- Corporate Tax rate for banking sector at 24%
- Capital gains and interest income from investments of over USD 100Mn in sovereign bonds by commercial banks to be free of tax.

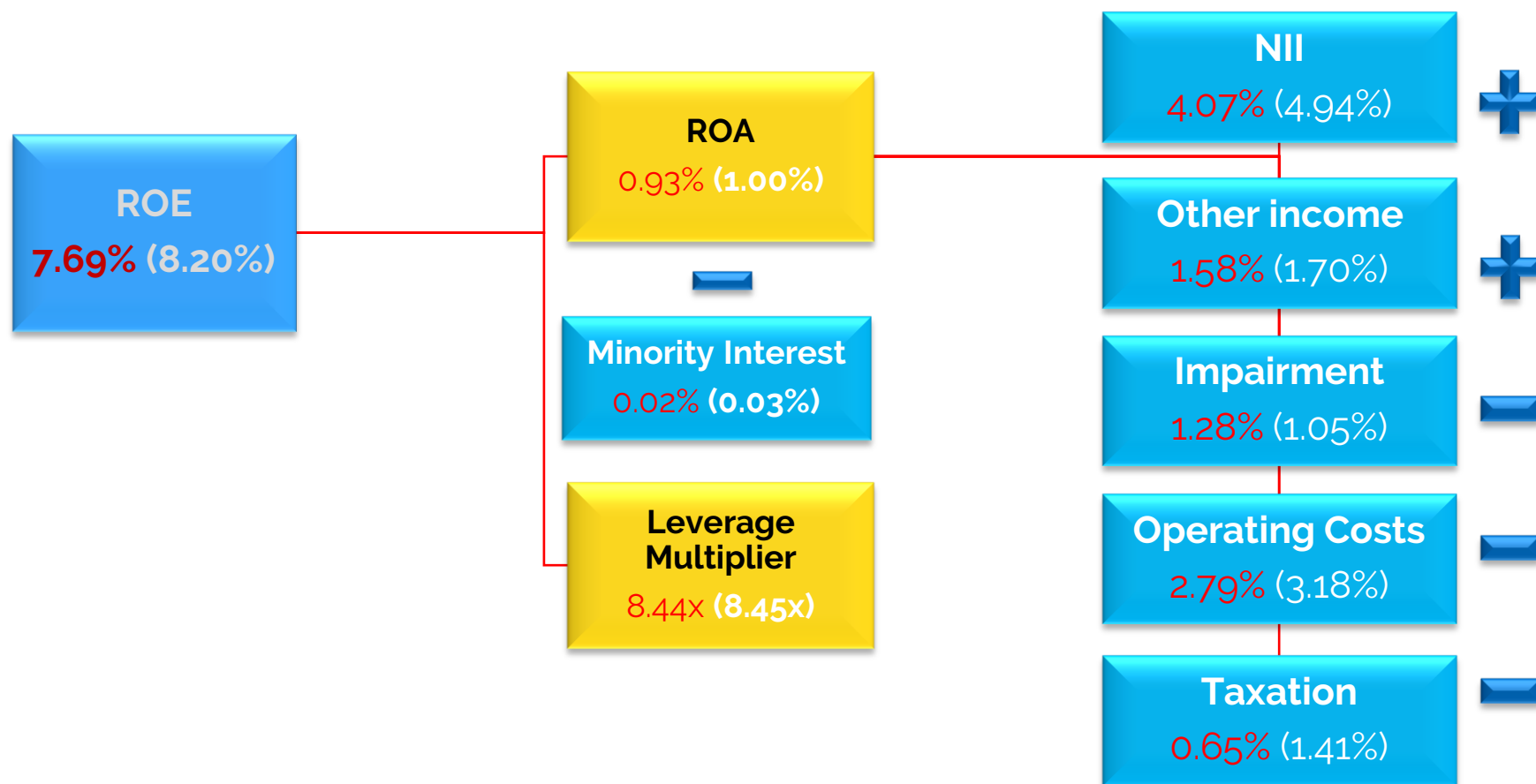
Net Operating Income - Group

| | 9M 20 (Rs Bn) | 9M 19 (Rs Bn) | Growth % |
|-----------------------|------------------|------------------|--|
| Interest Income | 86.2 | 93.9 |  8% |
| Interest Expenses | (47.8) | (51.1) |  6% |
| NII | 38.4 | 42.9 |  10% |
| Net Fee Income | 5.8 | 7.4 |  22% |
| Net Insurance Premium | 6.4 | 6.1 |  5% |
| Other Income | 2.5 | 1.1 |  128% |
| Impairment | (12.1) | (9.1) |  33% |
| Net Operating Income | 41.0 | 48.3 |  15% |

Expenses & Profits - Group

| | gM 20 (Rs Bn) | gM 19 (Rs Bn) | Growth % |
|-------------------------------------|------------------|------------------|---|
| Operating Expenses | (26.3) | (27.6) |  4% |
| VAT, NBT & DRL | (3.0) | (6.3) |  53% |
| PBT | 12.0 | 14.6 |  18% |
| Income Tax | (3.2) | (5.9) |  46% |
| PAT | 8.8 | 8.7 |  1% |
| Profit Attributable to Shareholders | 8.6 | 8.4 |  2% |

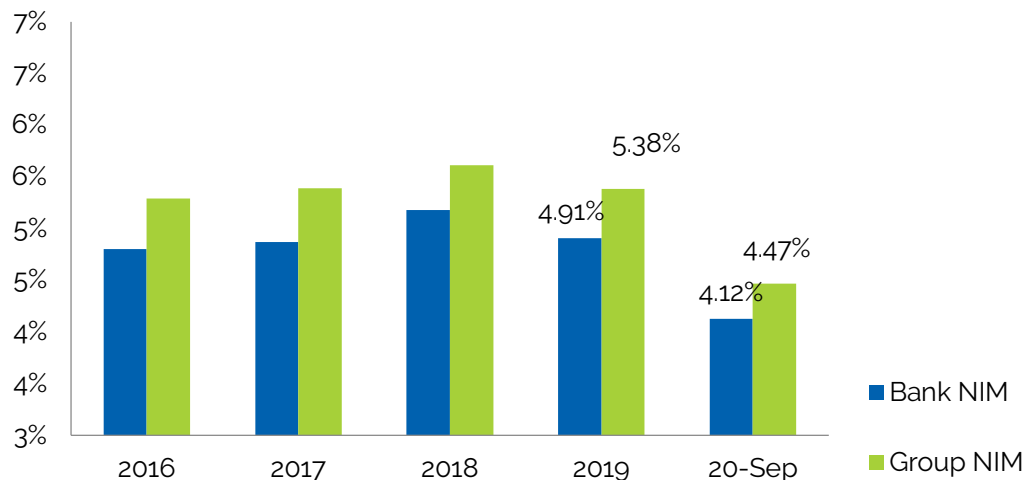
DuPont Analysis – Group



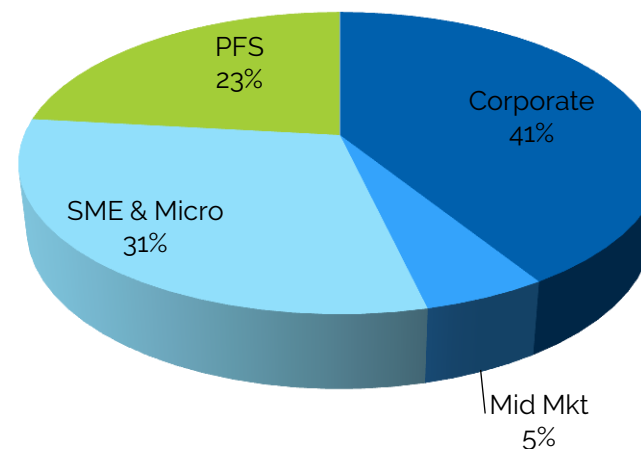
9M 20
9M 19

Core Banking

NIM Movement



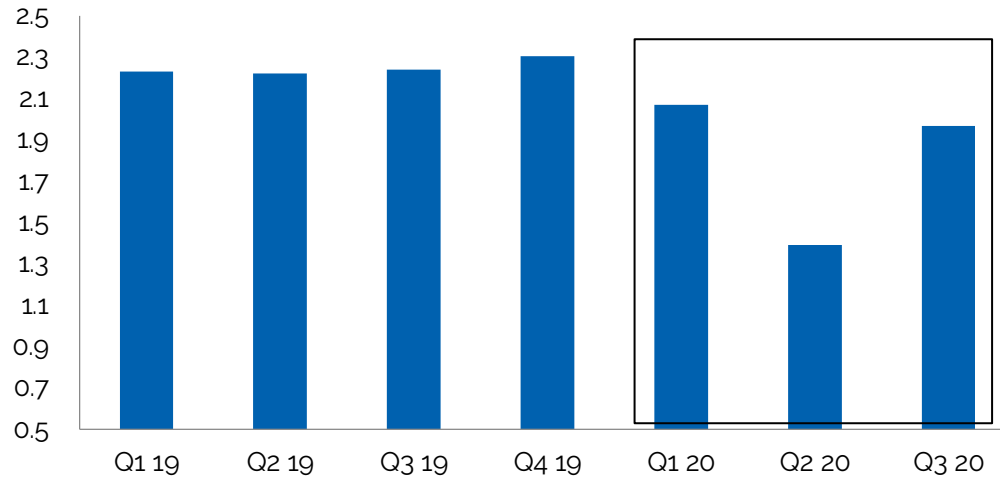
Balanced Exposure to High Yield SBU's



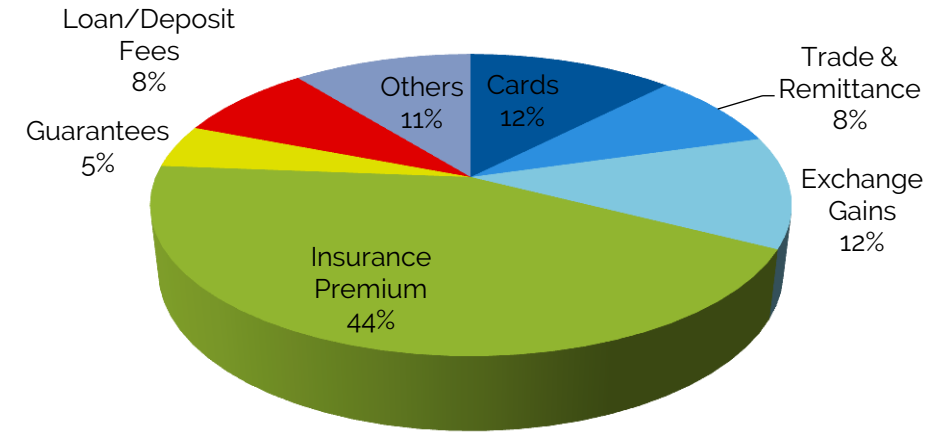
- **HNB NIM dip mirrors falling market rates**
- **Interest Ceilings on certain products – Cards, Pawning, etc.**
- **AWPLR dropped by 400bps since Jan 2020**
- **We continue to maintain balanced exposure - 54% in higher yielding segments**
- **NIM's still at the higher end of Peers Banks/Industry**

Non Fund Income

Quarterly Bank Fee Income (Rs Bn)



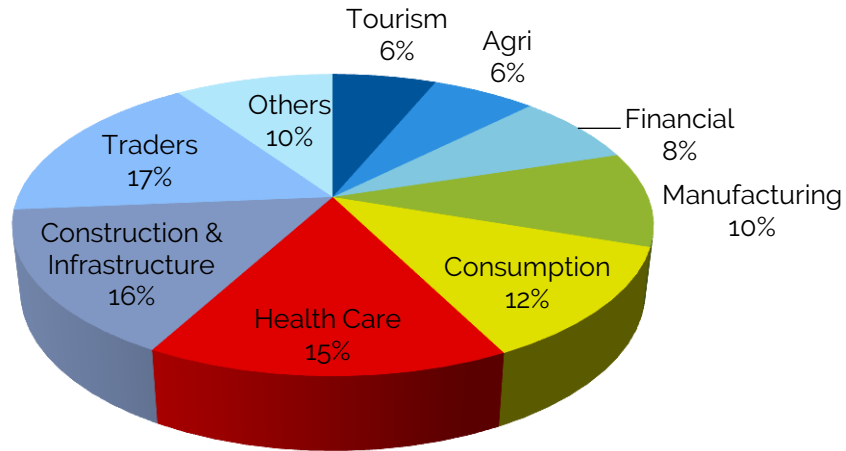
Non Fund Income Composition



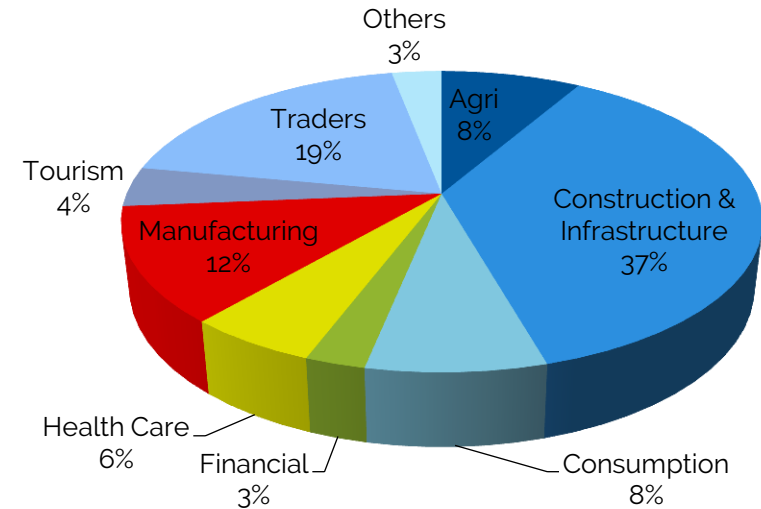
- HNB Quarterly Fee Income follows trend in Import/Export volumes, lower card usage and CBSL restriction on fees etc.
- Stronger Q3 for Bank fees
- HNB among better Diversified Groups in Country – Sizable Insurance contribution to TOI
- No exceptional gains for gM through sale of bonds
- Significant improvement in net gains / losses from trading due to lower swap cost

Asset Quality

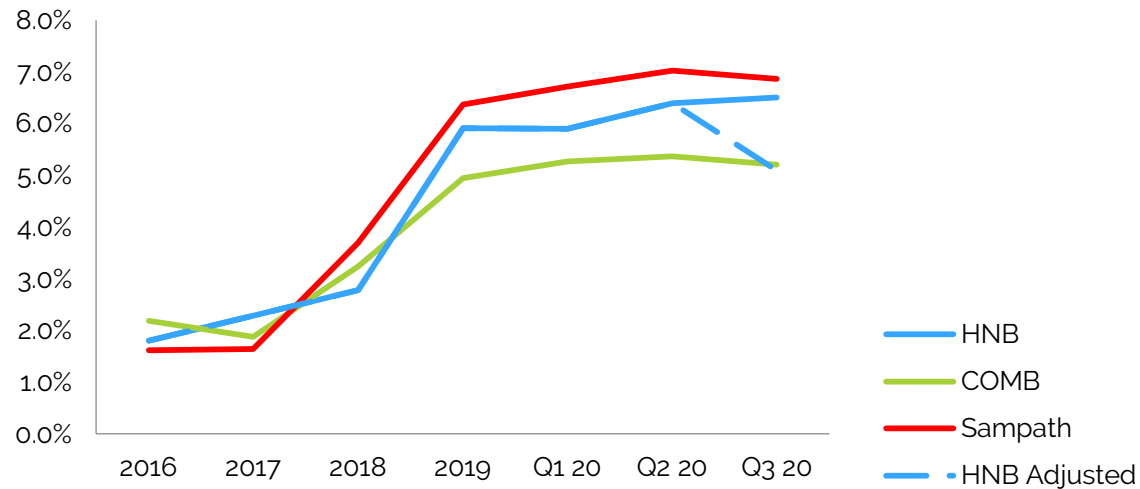
Diversified Loan Book



NPA Composition

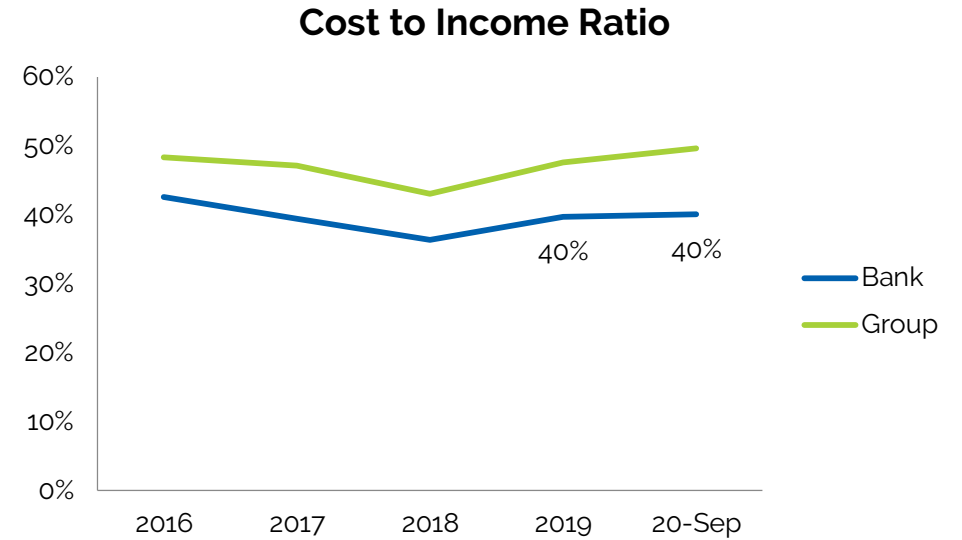
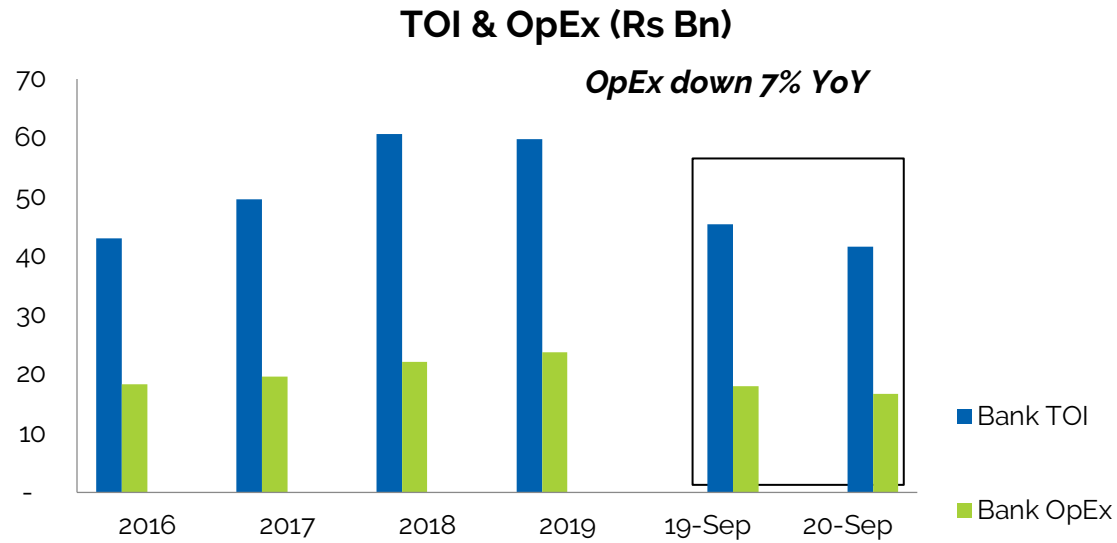


Gross NPA vs. Peers



- Outstanding Exposure to SOE recovered in October. Adjusting September HNB NPA to reflect recovery brings ratio down by 140 bps which is best among peers
- Moratoriums extended till March 2021 by CBSL

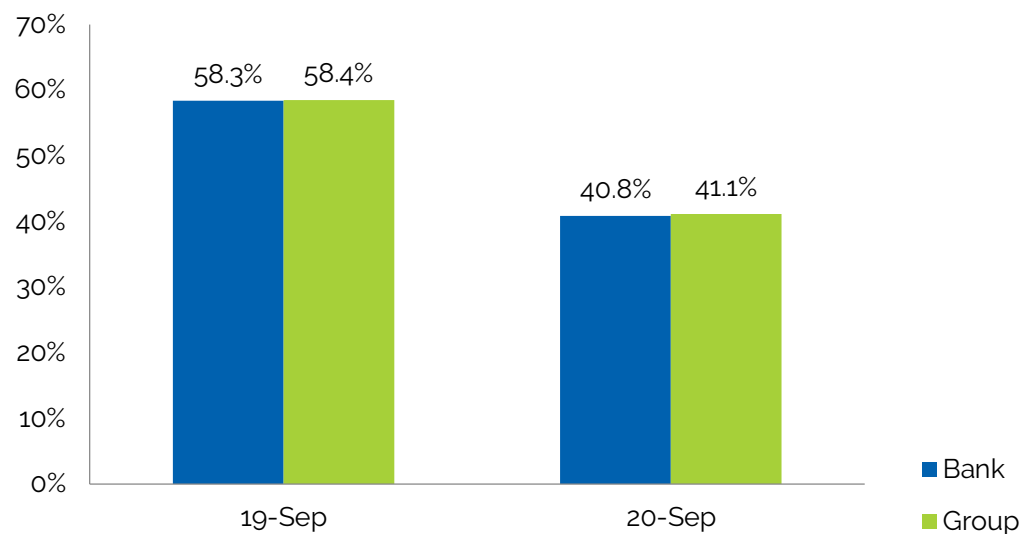
Efficiency



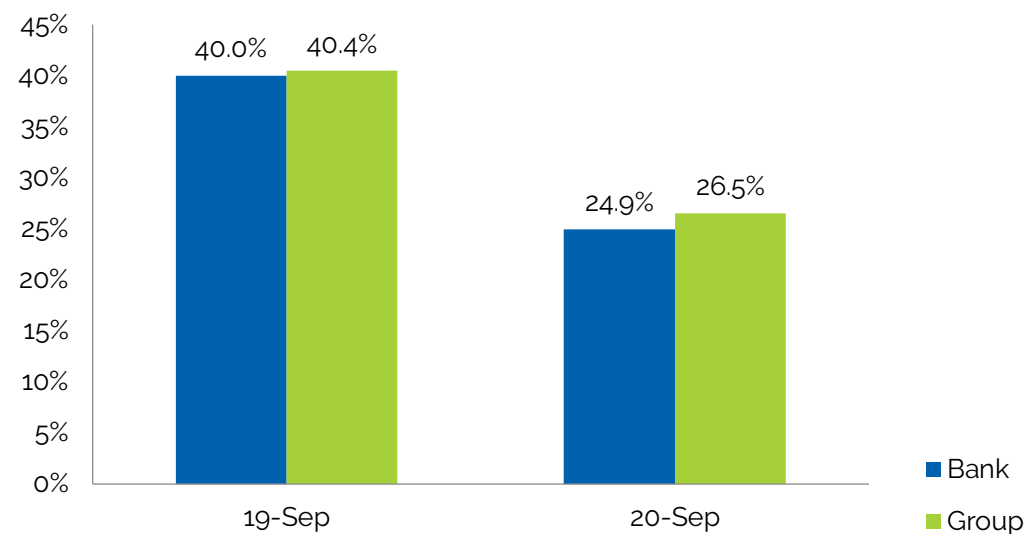
- **Concerted effort to reduce OpEx to mitigate COVID impact**
- **Operating Expenses lower by Rs 1.3 Bn YoY**
- **Bank Cost to Income maintained at 40%; similar to level attained for the first 9 months of 2019**

Effective Tax Rates

Total Effective Tax Rate



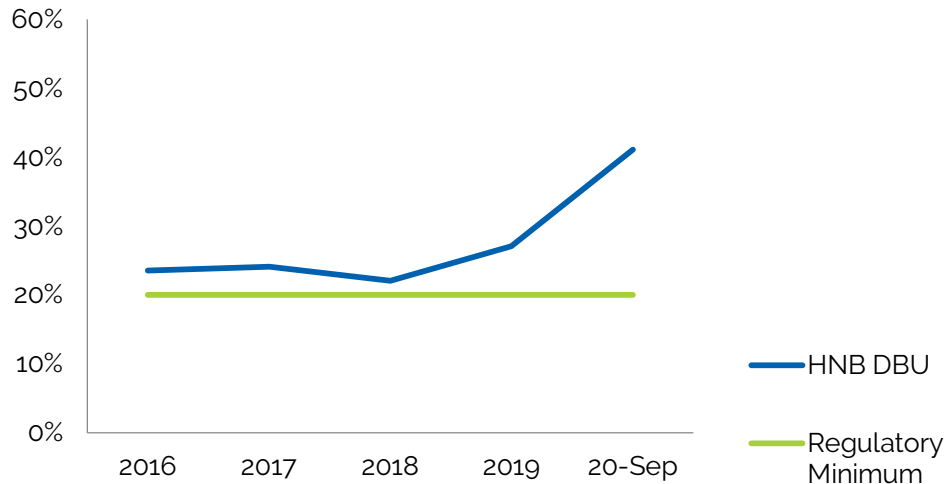
Effective Income Tax Rate



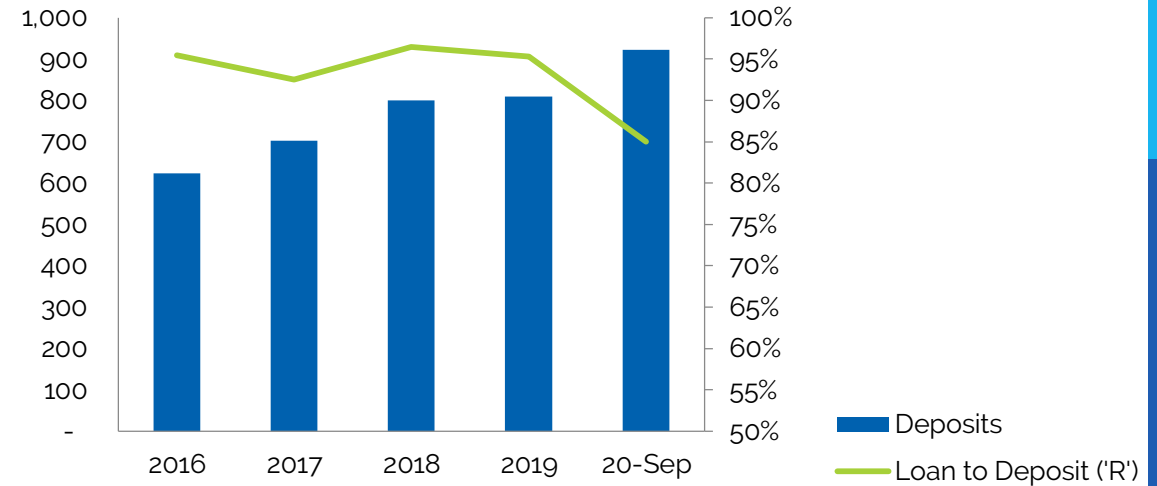
- Effective tax rate reduced with the removal of DRL, NBT and exemption given on interest income on SLDBs.

Liquidity

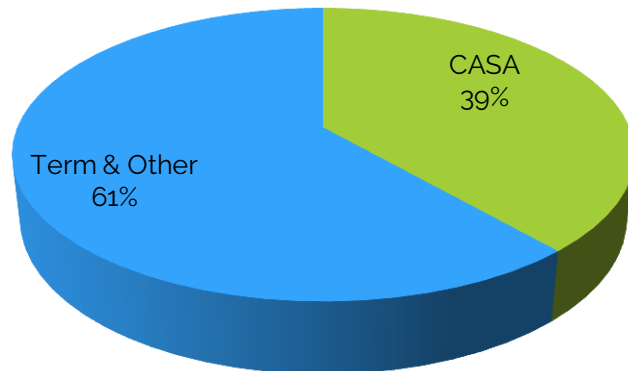
Statutory Liquidity



Deposits (Rs Bn)

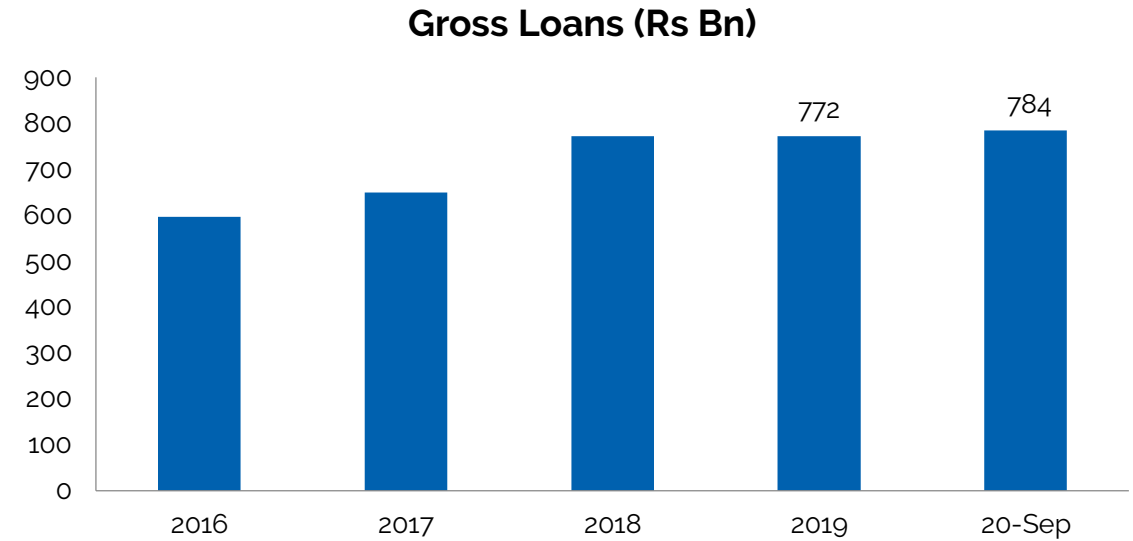
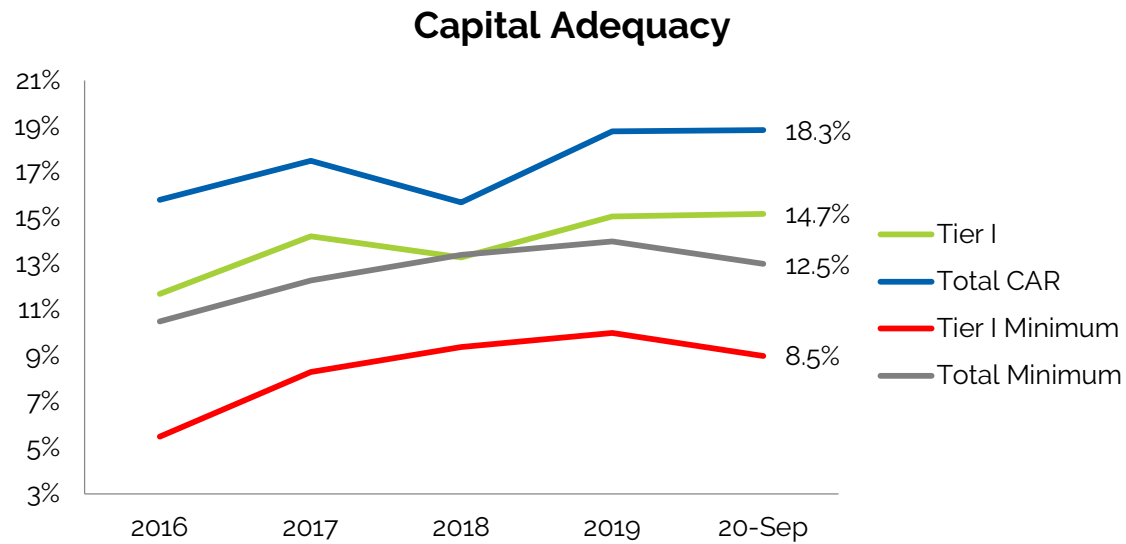


CASA Ratio



- **Rs 71 Bn CASA growth in 9 months; 24.8% growth**
- **Total Deposits grow Rs 112.4 Bn; 13.9% growth**
- **LKR CASA Ratio highest in the industry**

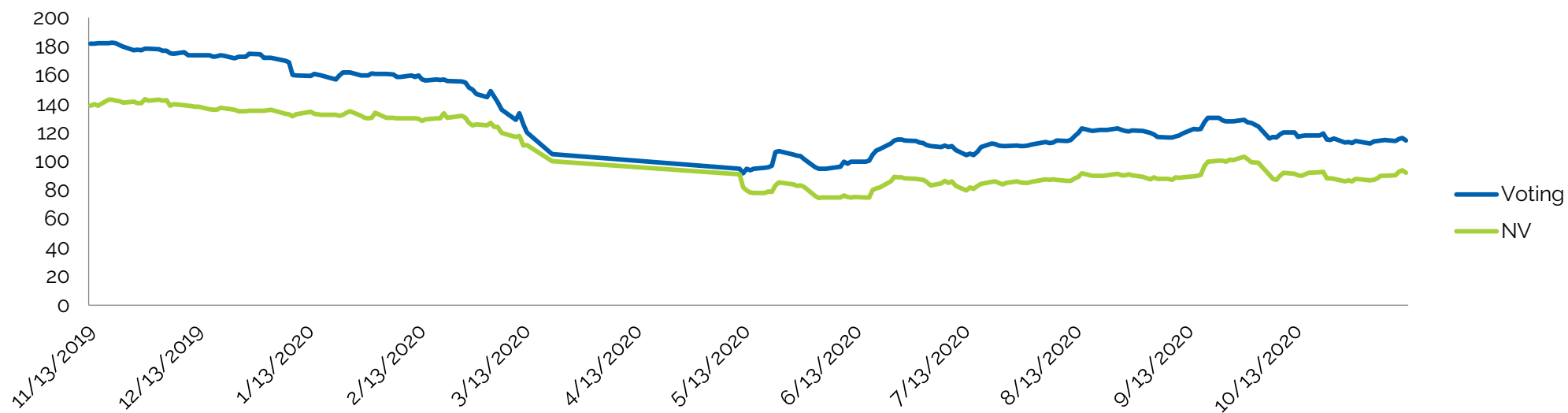
Balance Sheet and Funding



- HNB continues to be among the best capitalized banks; complementing its strong liquidity position
- Bank obtained USD 60 Mn long tenor funding from the French Development Agency PROPARCO despite volatility in local and macro economic fundamentals; A resounding endorsement of Bank's financial position and business model.– New Funds to flow into SME growth
- Cautious approach to lending with substantial Moratoriums continuing to be in place; growth of 1.6% for the 9 months.
- Approx. Rs 24Bn of facilities processed under renaissance funding; CBSL relief and HNB own funds

Movement in Share Price

12 Month Share Prices (Rs)



| Multiples/Yield | Voting | NV |
|-----------------|--------|-------|
| PE | 5.11 | 4.12 |
| PBV | 0.38 | 0.31 |
| Div Yield | 7.0% | 8.7% |
| Earnings Yield | 19.6% | 24.3% |

| Movement | Voting | NV |
|--|--------|--------|
| 12 Months | -37.1% | -33.6% |
| 2020 | -33.5% | -31.9% |
| Since May 11 th (Market Reopen) | +20.5% | +1.4% |

Key Recent Accolades

- Best Retail Bank in Sri Lanka for the 11th time in 2020 by Asian Banker Magazine
- Best Managed Bank during COVID – Asian Banker Magazine 2020
- Top 1000 World Bank by the UK based The Banker magazine
- No 1 Company in Sri Lanka in the 'Business Today' Top 30 Rankings
- Strongest Bank in Sri Lanka 2019 - Asian Banker Magazine
- Best Managed Bank in Sri Lanka 2019 – Asian Banker Magazine
- No 1 Bank in Sri Lanka in the LMD Club 100
- 7 Awards at the 'Best Corporate Citizens' Awards by the Ceylon Chamber of Commerce 2019
- 'Top 10' most admired companies in Sri Lanka – by CIMA and ICCSL



Thank you