

The logo graphic consists of a yellow horizontal bar on top, a light blue square to its right, and a dark blue vertical bar extending downwards from the light blue square.

HNB

YOUR PARTNER IN PROGRESS

Investor Update

25th August 2023

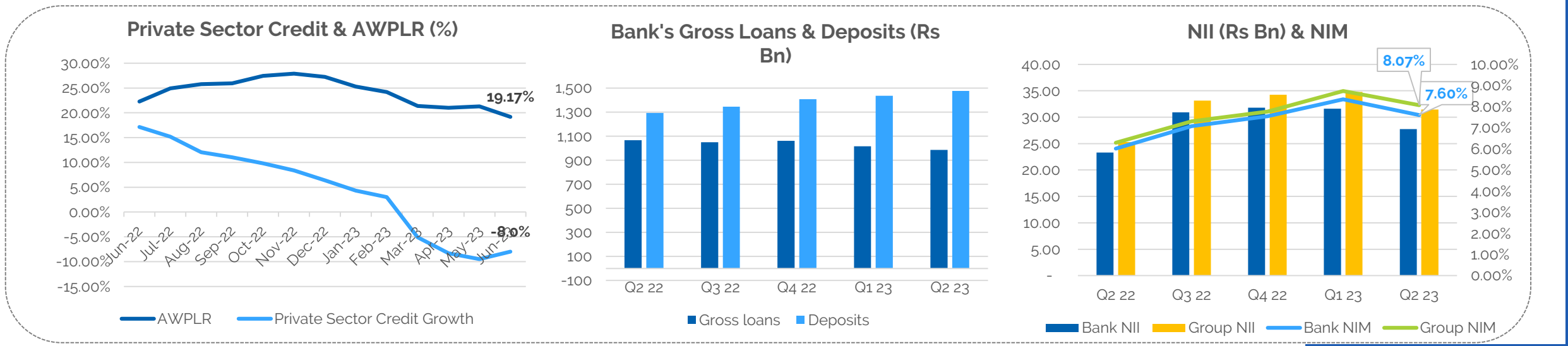
Financial Highlights

1H 2023

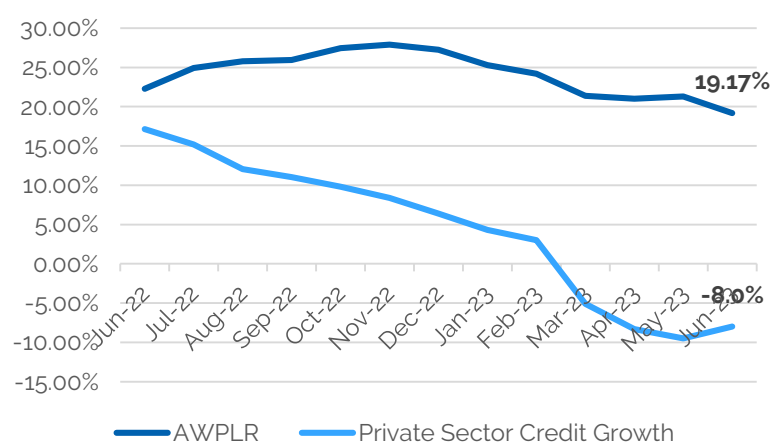
Fund Based Income

Rs Bn	1H 2023	1H 2022	% change
Interest Income	162.0	79.3	104.4
Interest Expenses	95.7	35.1	172.8
NII	66.3	44.2	50.0

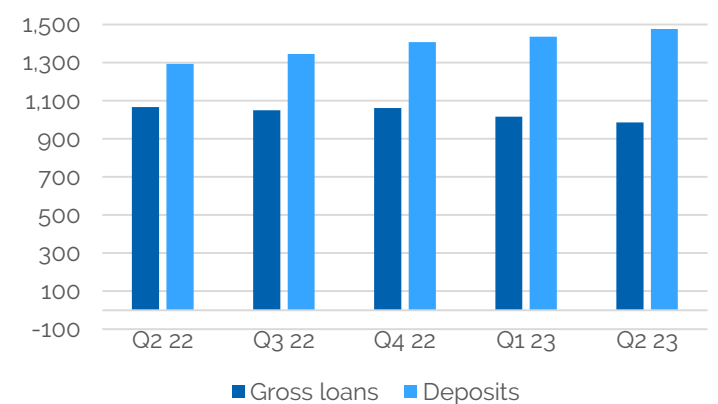
- AWPLR decreased by eight percentage points in the first six months of 2023, signalling easing credit conditions
- Bank's deposit base grew by 4.9% YTD
- Although LKR deposits have increased by Rs 103 Bn in 2023, there is an ongoing shift towards CASA as FD yields fall
- Gross loan book contracted by 7.1% in 1H 2023
- NIM remains one of the best in the industry



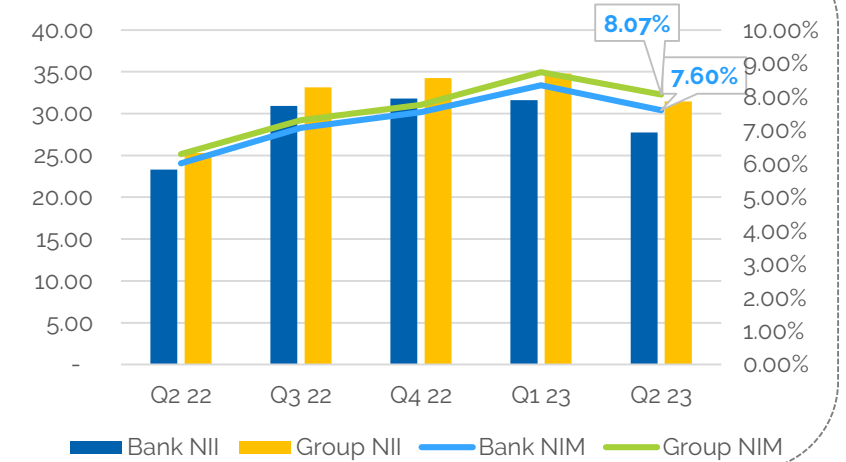
Private Sector Credit & AWPLR (%)



Bank's Gross Loans & Deposits (Rs Bn)



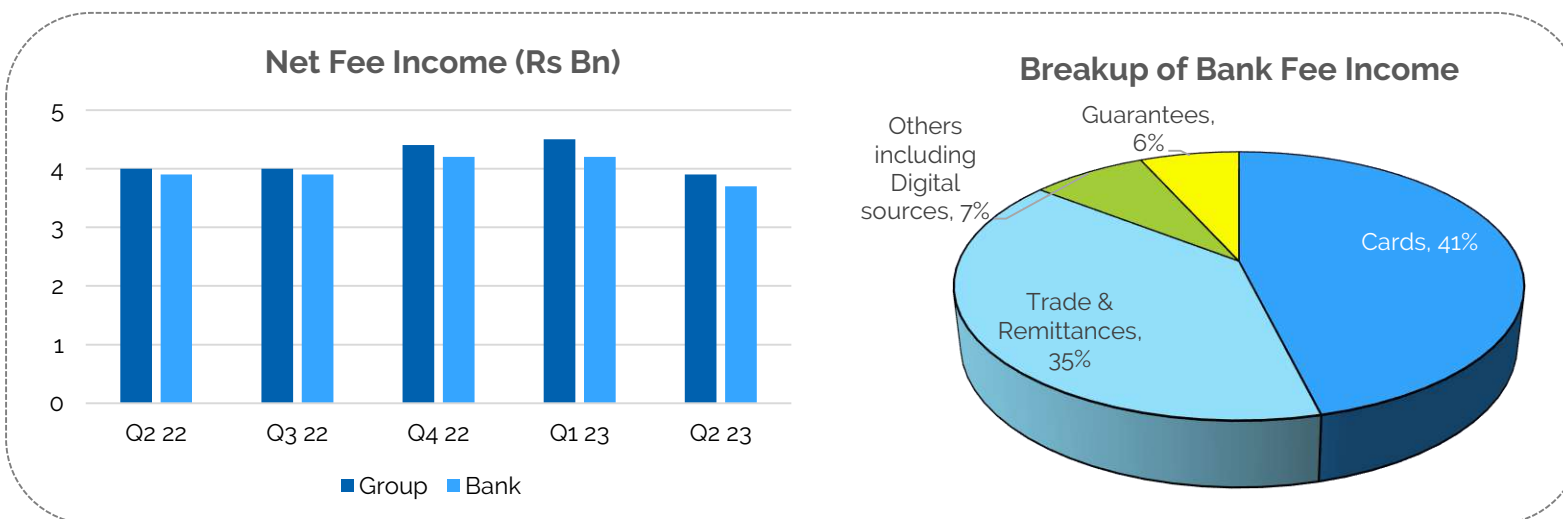
NII (Rs Bn) & NIM



Non-Fund Based Income

Rs Bn	1H 2023	1H 2022	% change
Net Fee & Commission Income	8.4	7.5	12.4
Other gains/ (losses)	-3.1	16.4	-118.9
Insurance Premium	7.1	6.1	16.5
Total Income	78.7	74.3	6.0

- Fee income from Cards, Trade and Digital Channels resulted in a 12% YoY growth in Net Fee income
- LKR appreciation in June 2023 led to heavy exchange losses amounting to Rs 3.8 Bn



Impairment & Asset Quality

Rs Bn	1H 2023	1H 2022	% change
Impairment on Financial Assets	24.0	21.4	12.1
Loans and Other	5.5	19.4	-71.7
Total Impairment	29.5	40.8	-27.7

- Maintained a healthy Stage 3 ratio and a Stage 3 coverage ratio
- Having made significant provisions on account of foreign GSEC in 2022, the Bank made an additional provision amounting to Rs 24 Bn in 1H 2023

Stage 3 ratio

4.77%

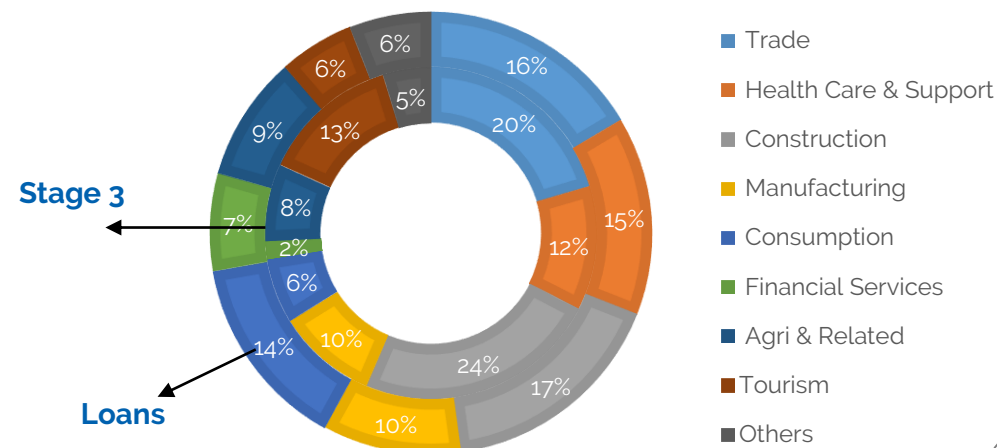
Among the best in the industry

Stage 3 coverage ratio

51.35%

Among the best in the industry

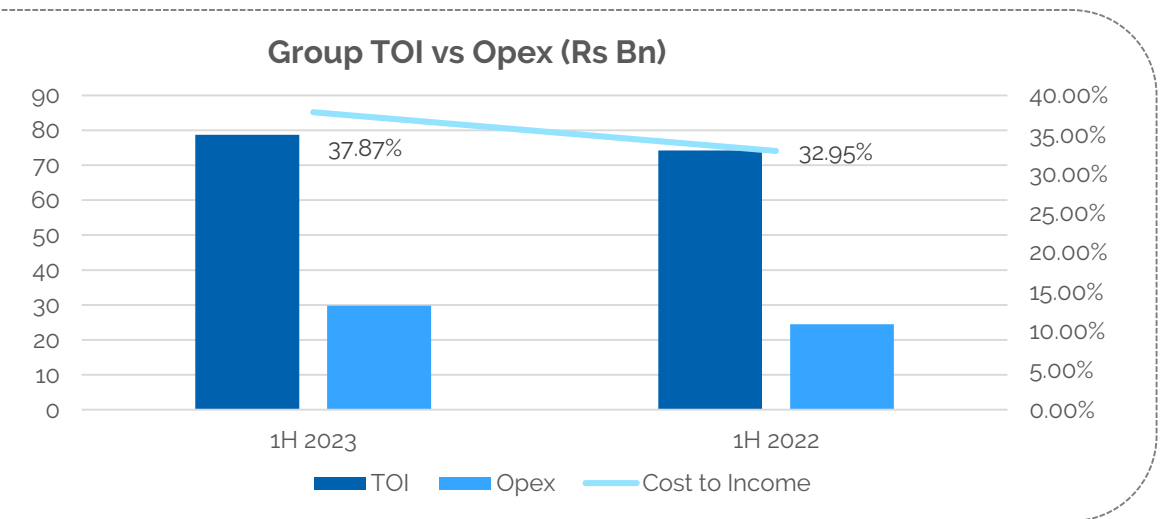
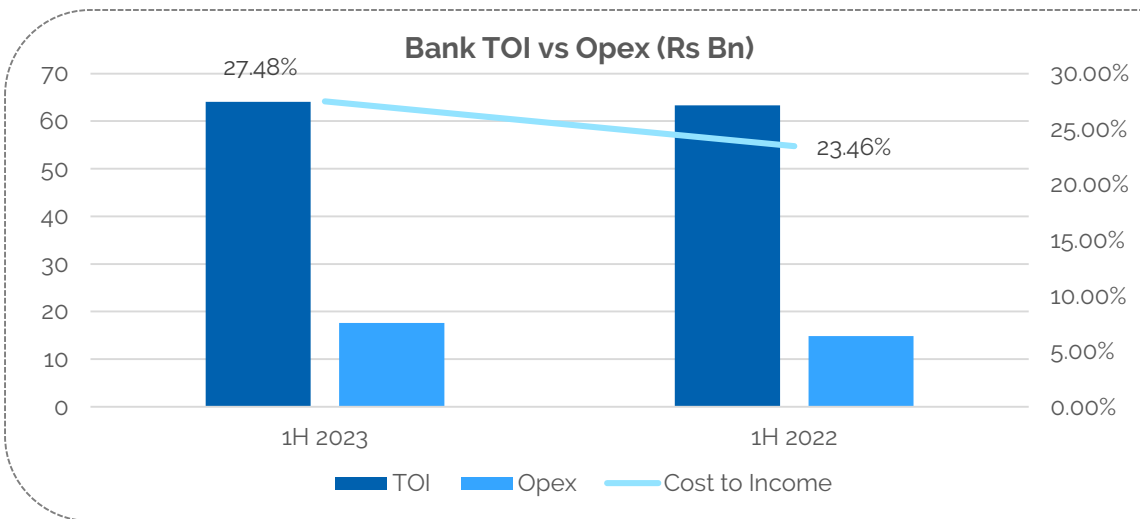
SECTOR WISE BREAKUP



Operational Expenses

Rs Bn	1H 2023	1H 2022	% change
Personnel Expenses	10.6	9.1	16.2
Insurance Costs	8.0	6.1	32.1
Other Expenses	9.6	7.8	23.5
Total Operating Expenses	30.0	24.5	21.9

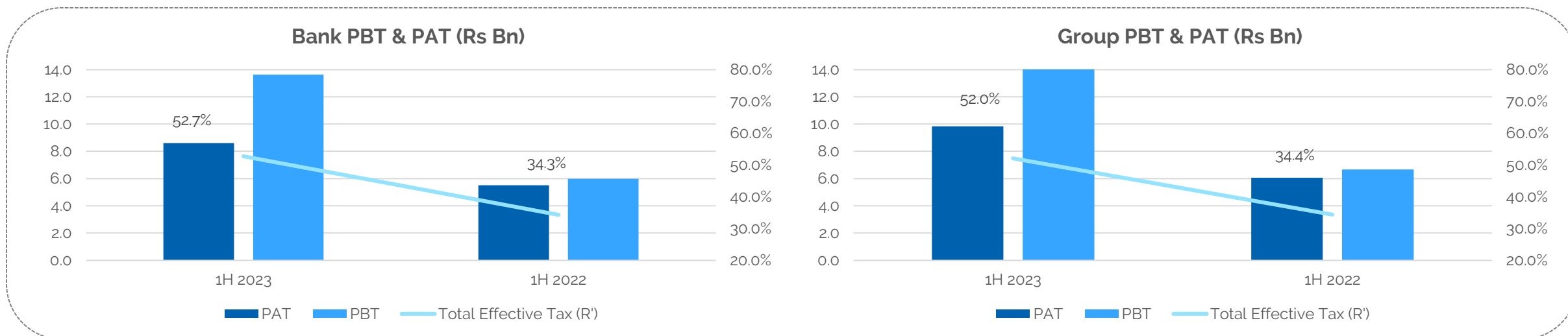
- Despite a 21.9% growth in operating expenses, the Bank and Group maintained Cost to Income ratios at 27.5% and 37.9% respectively.



Taxation and Profitability

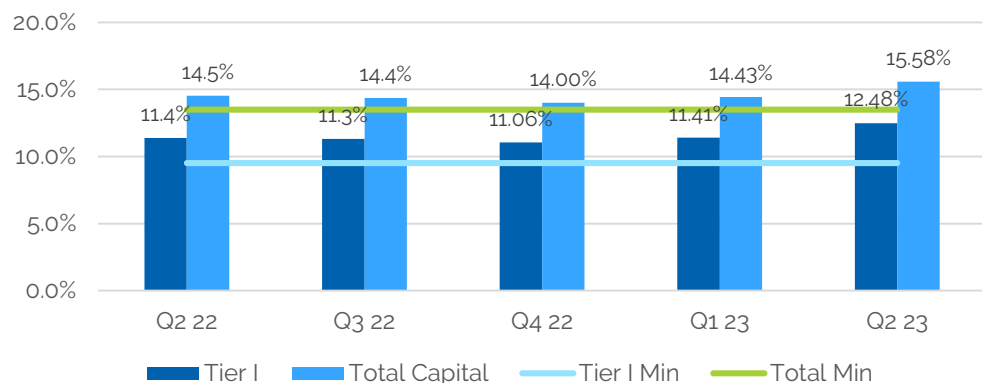
Rs Bn	1H 2023	1H 2022	% change
FSVAT & SSC	4.8	2.5	90.6
Profit Before Income Tax	15.2	6.7	127.9
Income Tax Expense	5.4	0.6	787.8
Total Group PAT	9.8	6.1	62.3

- The total effective tax rate for 1H 2023 increased to 52.7% from 34.3% last year, on account of the Bank's standard tax being revised from 24% to 30% coupled with the 2.5% Social Security Contribution Levy



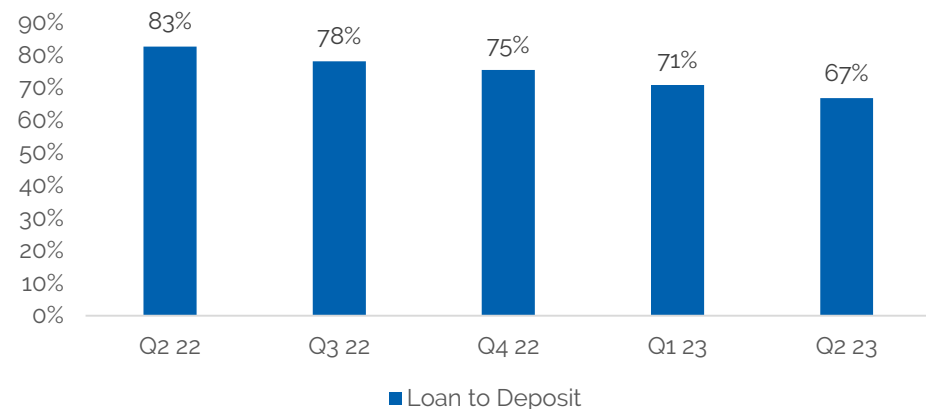
Soundness Indicators

Capital Adequacy



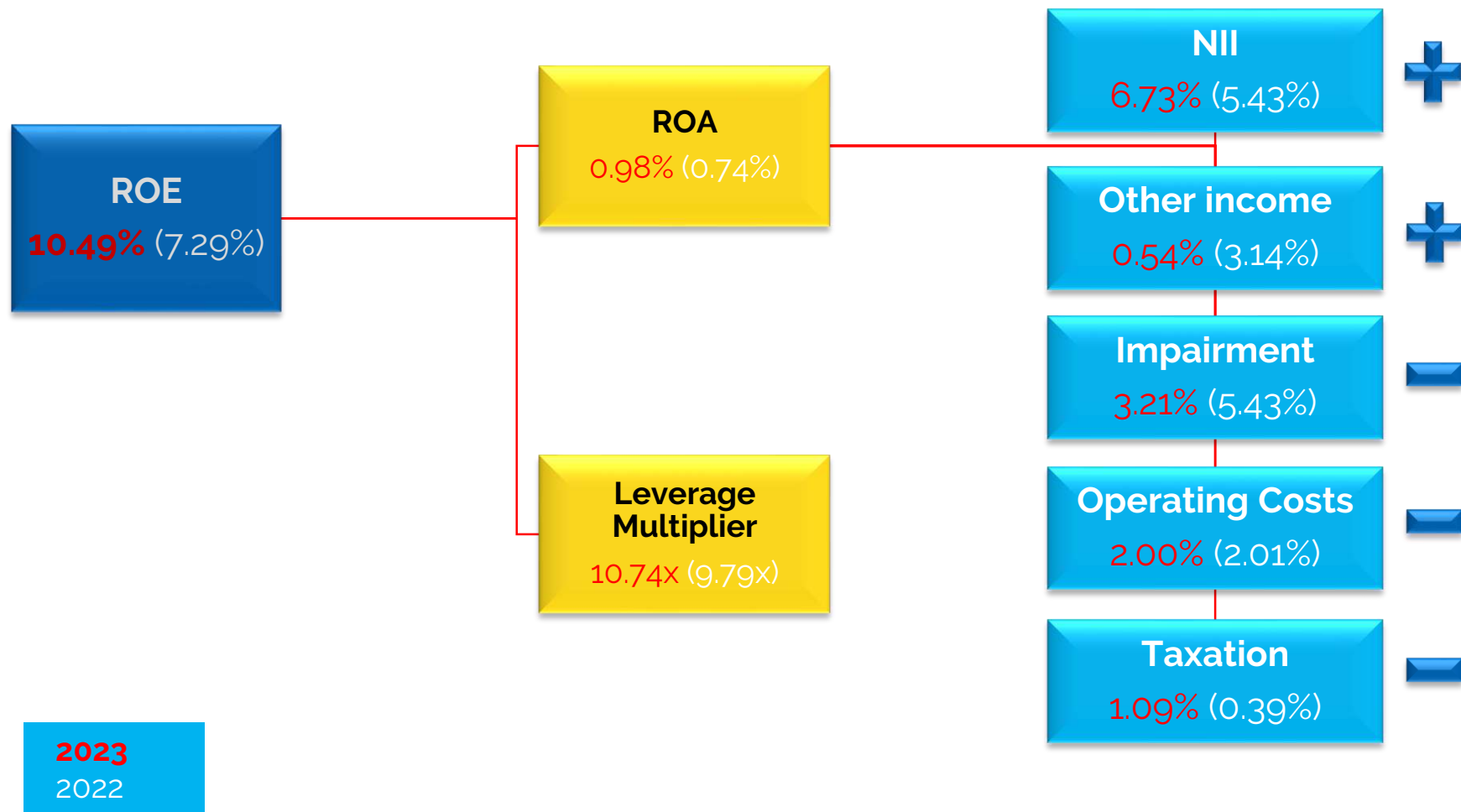
- Capital buffers improved during Q2 2023 and remains well above the minimum levels applicable
- Further leeway provided by CBSL to drawdown up to 250 bps from the statutory levels of 9.5% and 13.5% for tier I and total capital

Loan to Deposit



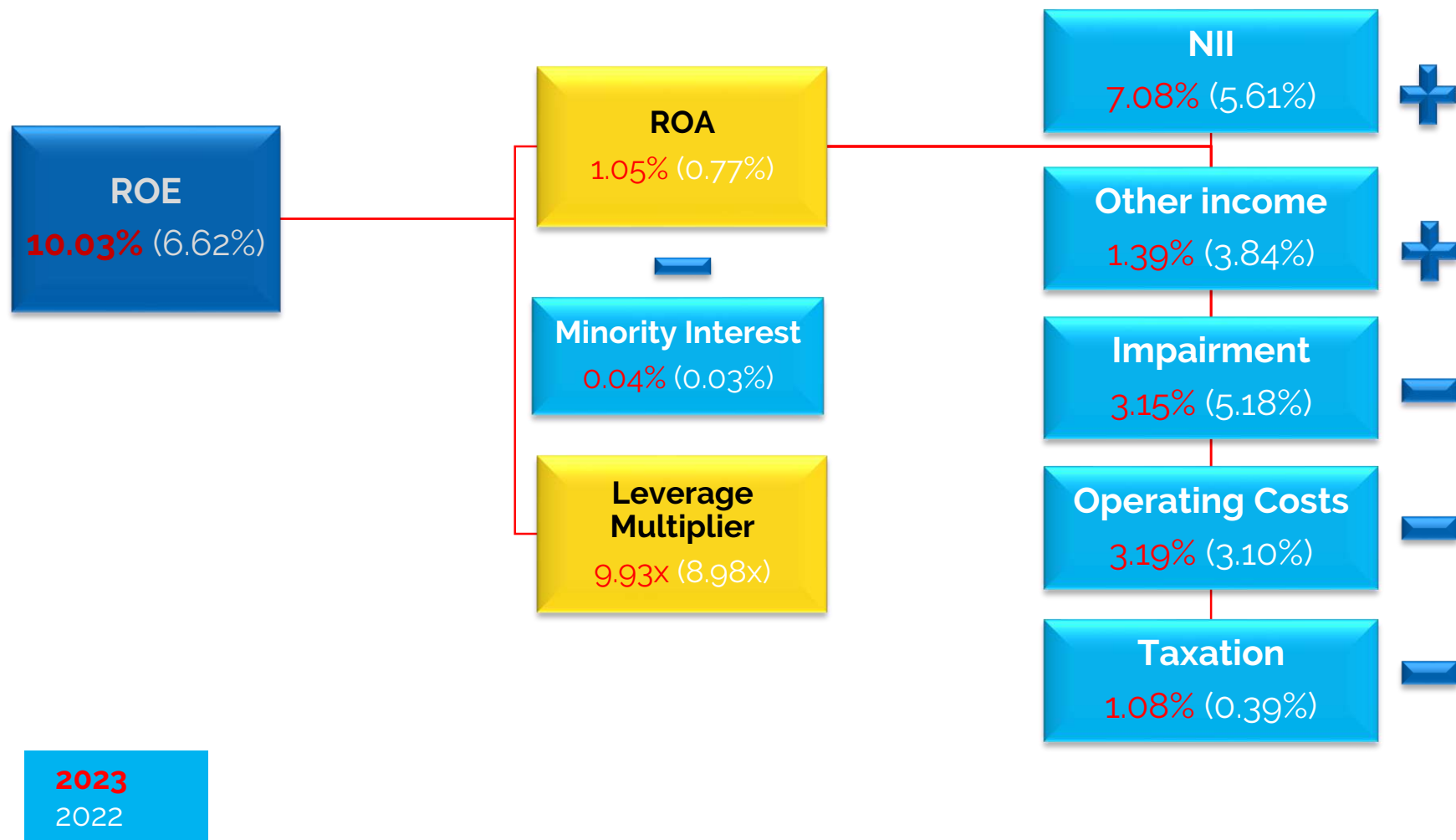
Ratio	HNB	Requirement
LCR (All)	341.50%	100%
SLAR (DBU)	41.29%	20%

DuPont Analysis - Bank



2023
2022

DuPont Analysis - Group



Awards and Recognition

- Declared as the **Best Corporate Citizen in Sri Lanka in 2022** by the Ceylon Chamber of Commerce
- Recognised as one of the **Top Ten Most Admired Companies** by ICCSL, CIMA and DailyFT
- Declared the country's **Best SME Bank** by Asiamoney Magazine
- Crowned the **Best Retail Bank** by the Asian Banker for the 13th consecutive time
- Ranked among the **Top 5 corporates in Business Today's Top 40** list
- Awarded the **Best Service in Trade Finance (Asia Banks)** and **Market Leader in Trade Finance (Asia Banks)** for 2023 by Asiamoney Magazine



THE CEYLON CHAMBER OF COMMERCE

Corporate Citizen Sustainability Award 2022
 "Best Corporate Citizen Sustainability Award 2022"

Category of Ten Best Corporate Citizens Awarded to

Winner Hatton National Bank PLC

Hatton National Bank

Thank You

Hatton National Bank PLC