



YOUR PARTNER IN PROGRESS

Investor Update

22nd November 2023

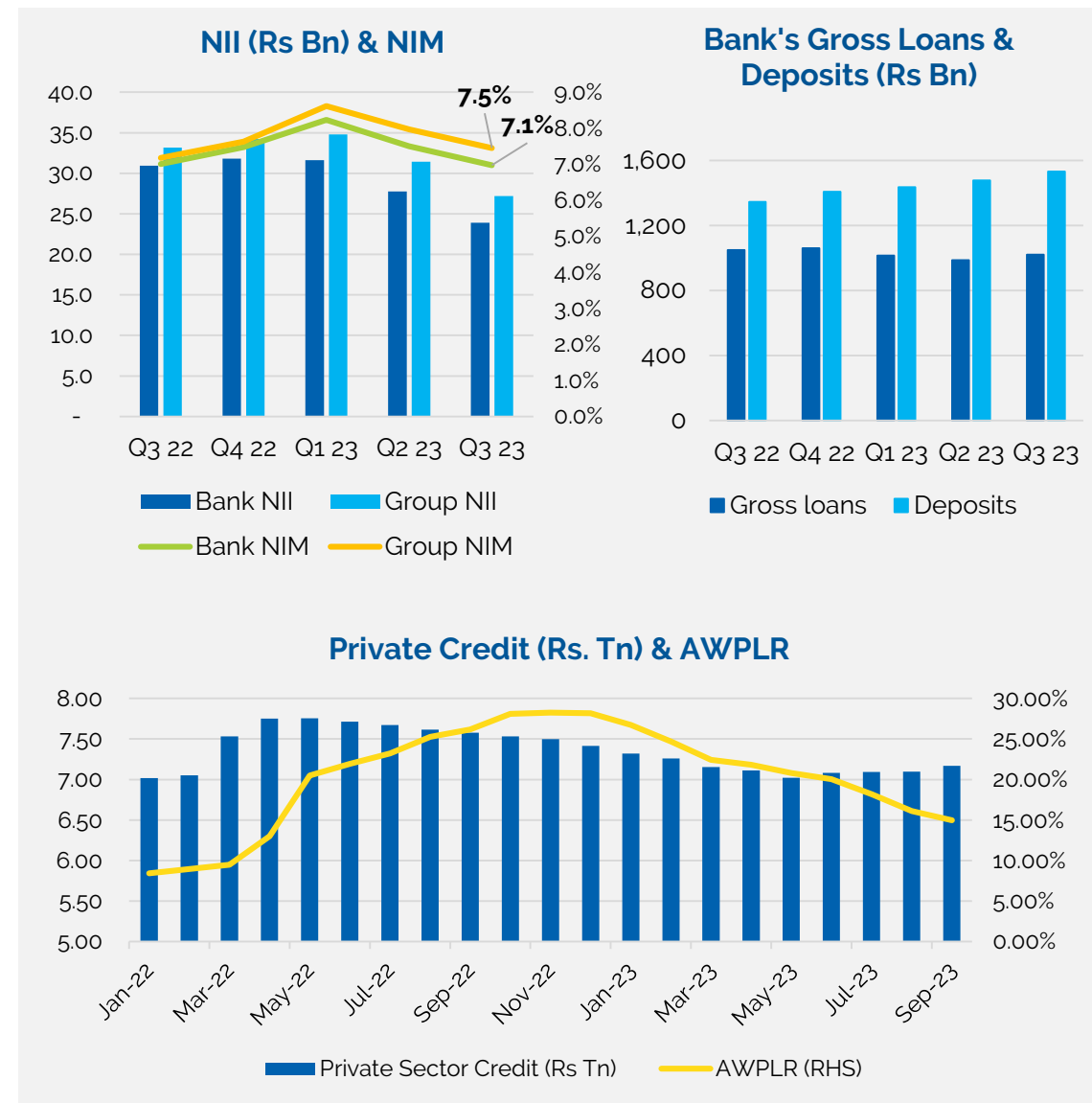
Financial Highlights

9M 2023

Fund Based Income

Rs Bn	9M 2023	9M 2022	% change
Interest Income	236.36	144.30	63.8
Interest Expense	142.91	66.97	113.4
NII	93.45	77.33	20.8

- AWPLR reduced by 12 percentage points in the first nine months of 2023, signaling the relaxation of monetary policy. Nevertheless the average AWPLR during the first 9 months of 2023 remained higher compared to the previous year.
- The Bank's deposit base grew by 8.8% YTD and surpassed the Rs 1.5 Tn mark for the first time. This growth is further underscored by the fact that the Bank has added Rs 500 Bn to its deposit base during the last nine quarters.
- The Bank's Gross loan book has contracted by 3.9% in 9M 2023. However, during Q3 2023 gross loans grew by 3.4% (by Rs 34Bn)

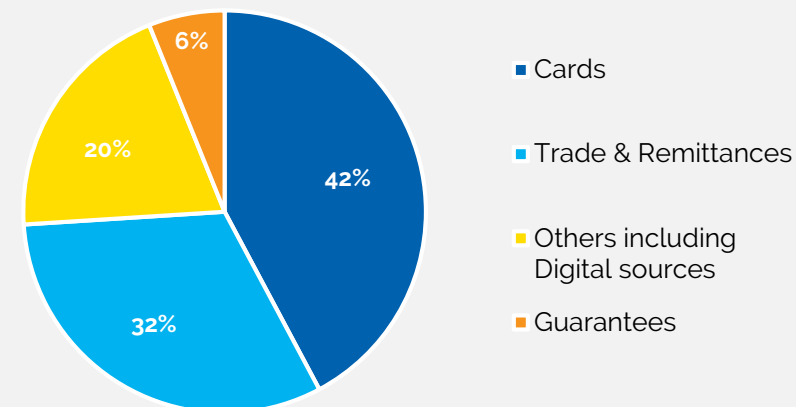


Non-Fund Based Income

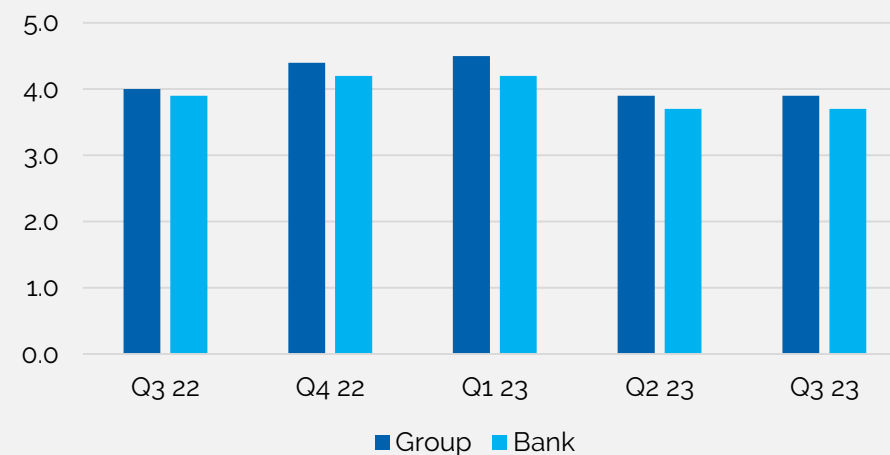
Rs Bn	9M 2023	9M 2022	% change
Net Fee & Commission Income	12.33	11.50	7.3
Other gains/ (losses)	-1.43	18.08	-107.8
Insurance Premium	11.03	9.52	15.9
Total Operating Income	115.38	116.43	-0.9

- Fee income from Cards, Trade and Digital Channels resulted in a 7.3% YoY growth in Net Fee income.
- The Bank recorded a net exchange loss during 9M 2023, which is a significant drop compared to the net exchange gain recorded during the corresponding period in 2022. This loss was due to a 12% appreciation of LKR against USD.

Breakdown of Bank Fee Income



Net Fee Income (Rs Bn)



Impairment and Asset Quality

Rs Bn	9M 2023	9M 2022	% change
Impairment on Financial Assets	26.54	41.23	-35.6
Loans and Other	7.30	20.18	-63.8
Total Impairment	33.84	61.41	-44.9

- The Bank maintained a net stage 3 ratio and stage 3 coverage ratio of 4.90% and 50.74% respectively, still holding one of the best positions in the industry.
- At Bank level, HNB recognised a total impairment charge of Rs 32.4 Bn during the first nine months of 2023, which comprised of impairments of loans and advances and foreign currency denominated government securities, compared to Rs 60.3 Bn recorded in 9M 2022.

Stage 3 ratio

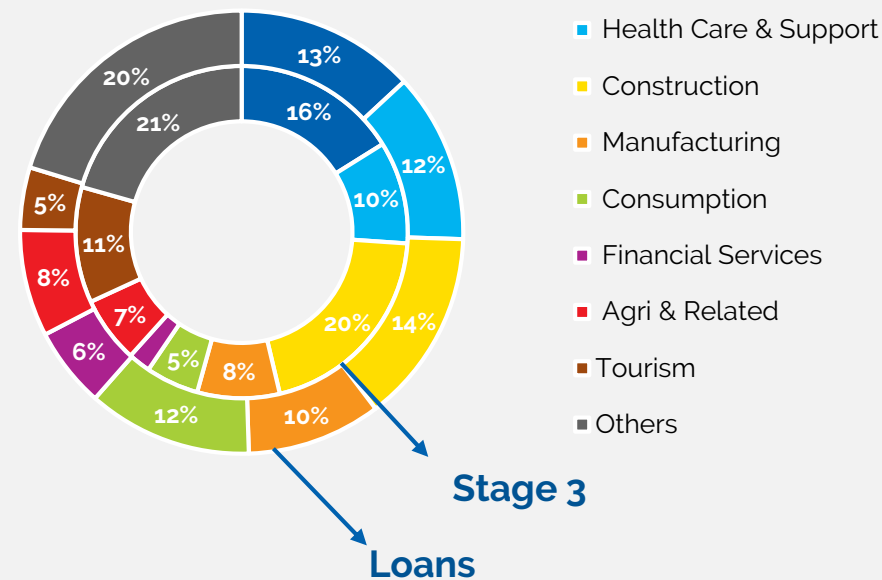
4.90%

Among the best in the industry

Stage 3 coverage ratio

50.74%

Sector Wise Breakup

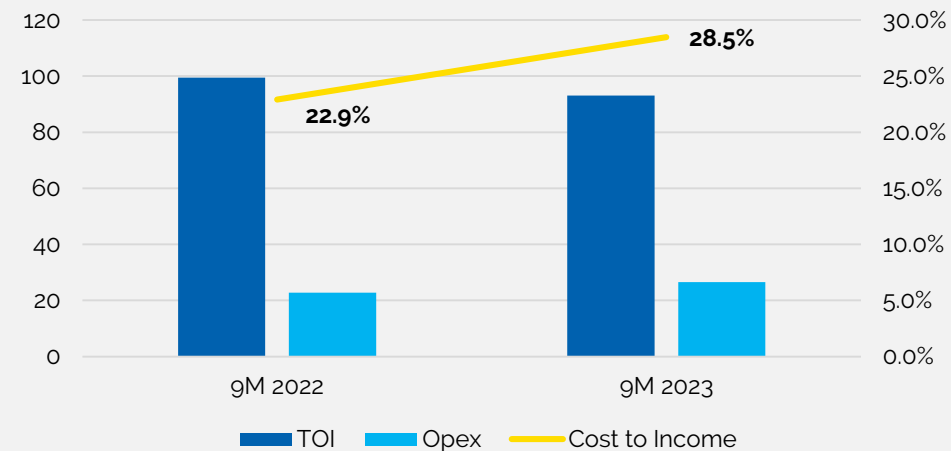


Operational Expenses

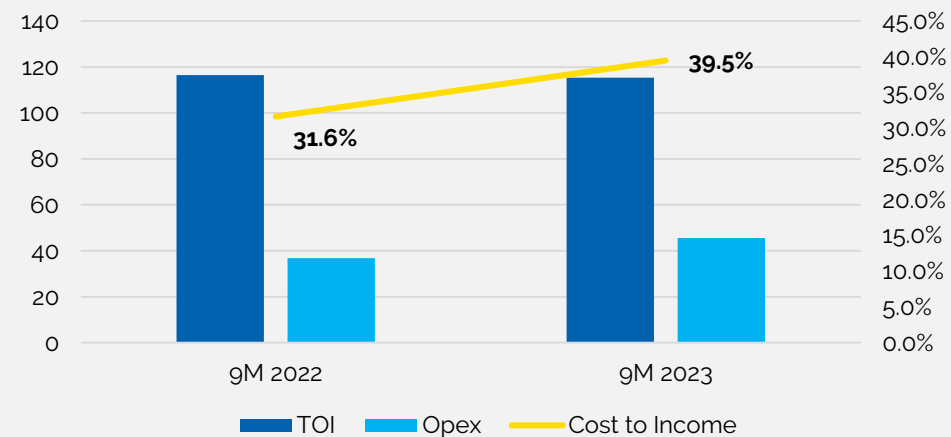
Rs Bn	gM 2023	gM 2022	% change
Personnel Expenses	15.70	14.12	11.2
Insurance Costs	12.31	8.34	47.6
Other Expenses	15.03	11.99	25.4
Total Operating Expenses	45.57	36.82	23.7

- Despite the increase in total operating expenses by 23.7%, the Bank and the Group maintained a cost to income ratio of 28.5% and 39.5% respectively.
- The Bank's operating expenses increased by 16.1% YoY to Rs 26.5 Bn primarily driven by inflationary pressure.

Bank TOI vs Opex (Rs Bn)



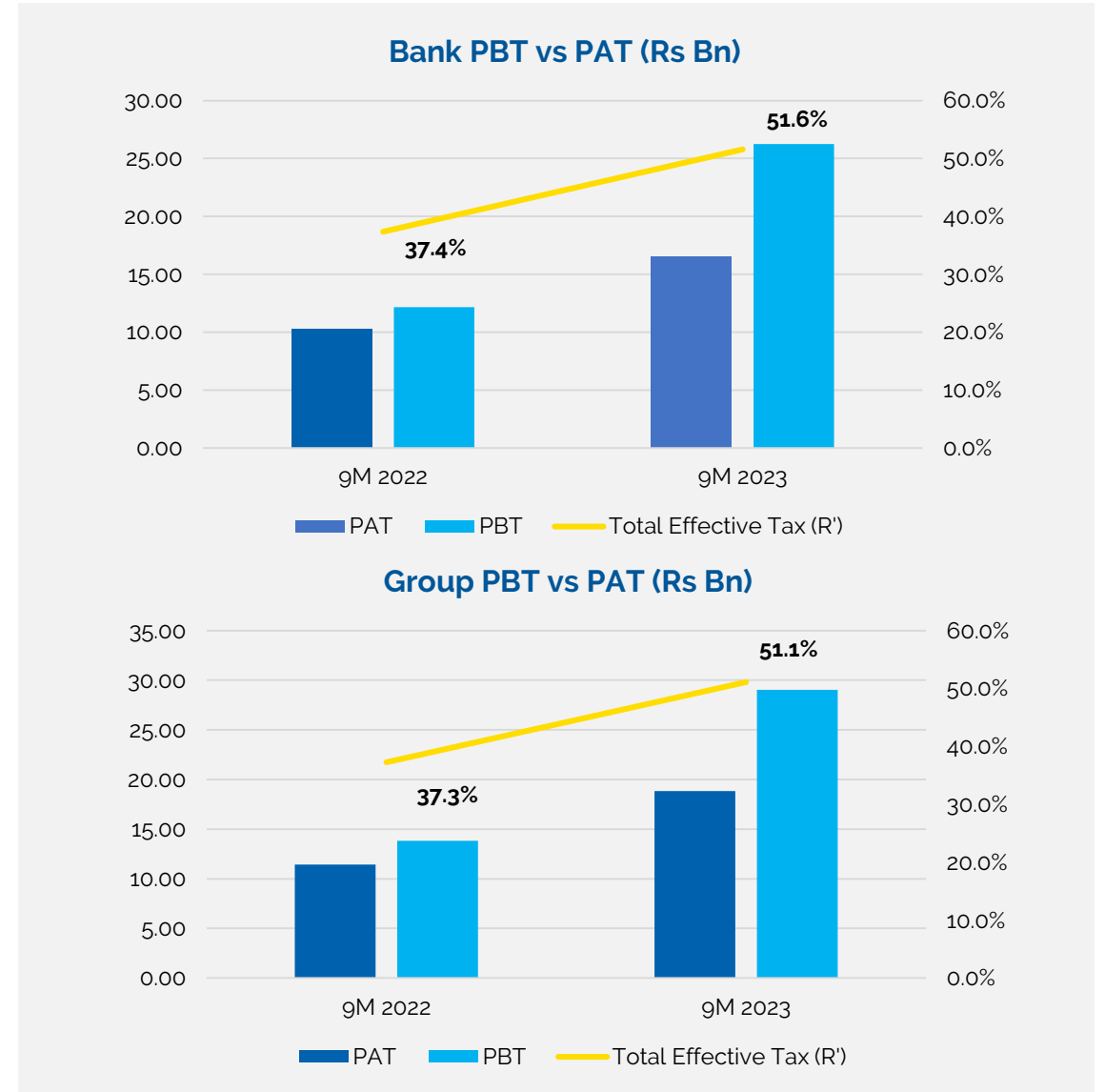
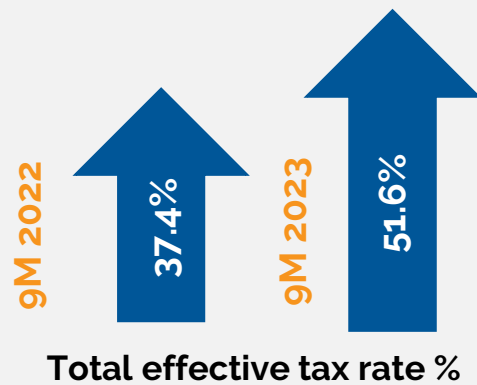
Group TOI vs Opex (Rs Bn)



Taxation and Profitability

Rs Bn	9M 2023	9M 2022	% change
FSVAT & SSCL	8.20	4.39	86.4
Profit Before Income Tax	29.04	13.82	110.1
Income Tax Expense	10.19	2.40	324.6
Total Group PAT	18.85	11.42	65.1

- The Bank's total effective tax rate increased to 51.6% from 37.4% in the previous year, on account of the revision in the corporate tax rate from 24% to 30% and the introduction of the social security contribution levy established in October 2022.

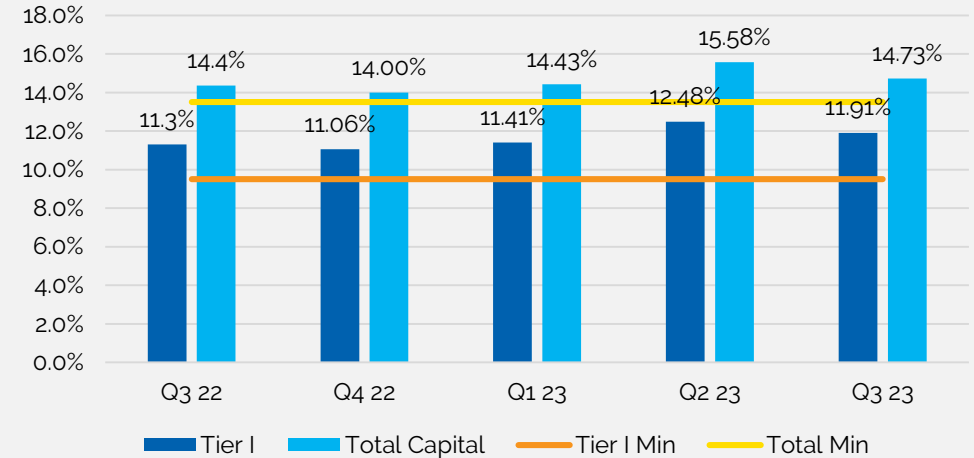


Soundness Indicators

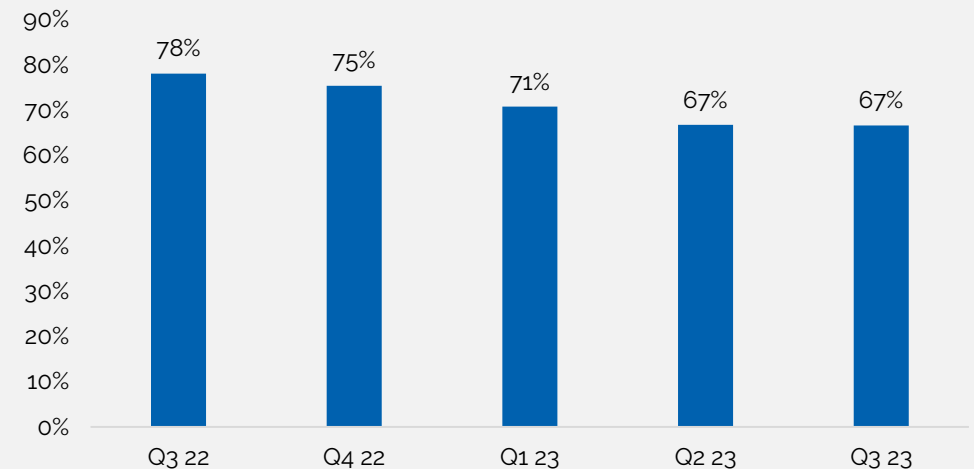
Ratio	HNB	Requirement
LCR (All)	509.01	100%
SLAR (DBU)	49.04	20%
SLAR (Consolidated)	48.02	20%

- Bank recorded Tier 1 and Total Capital Adequacy Ratios of 11.91% and 14.73% against the minimum statutory requirements of 9.5% and 13.5% respectively.
- There is provision to drawdown 250bps from the Capital Conservative Buffer.
- HNB's liquidity levels are strong and well above regulatory minimum requirements.

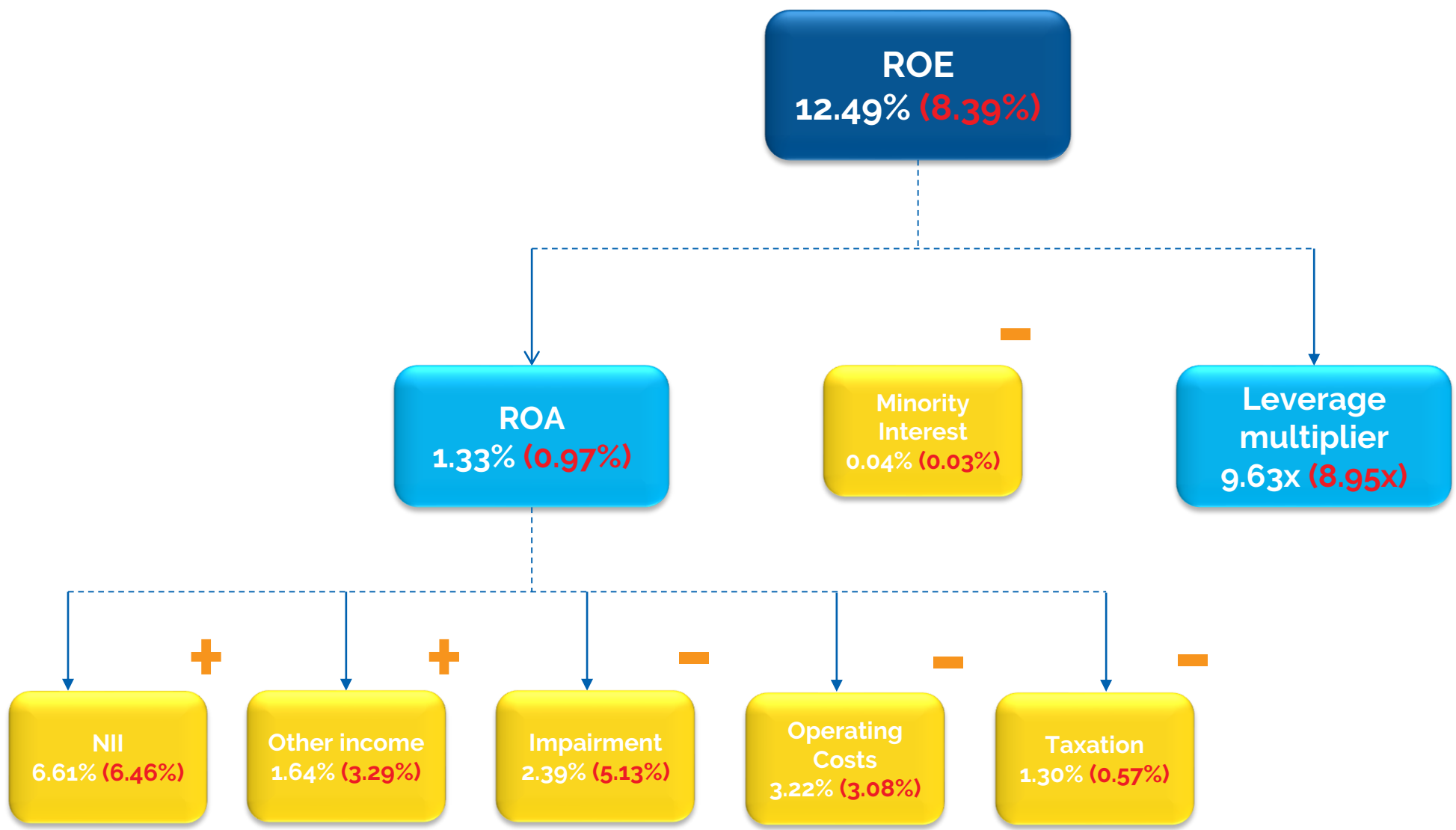
Capital Adequacy



Loan to Deposit



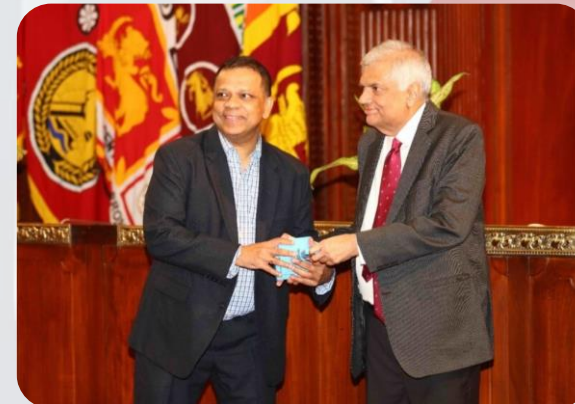
Group – DuPont Analysis



2023
2022

Awards and Recognition

- Awarded the esteemed title of “Sri Lanka’s Best Corporate Citizen” for 2022 by the Ceylon Chamber of Commerce.
- “Best Retail Bank in Sri Lanka” for the 13th occasion by the Asian Banker.
- Declared the “Best SME Bank” by Asiamoney Magazine.
- Awarded the Best Service in Trade Finance (Asia Banks) and Market Leader in Trade Finance (Asia Banks) for 2023 by Asiamoney Magazine.
- Secured a Top 5 position on Business Today’s Top 40 rankings for 2022.
- Ranked among Sri Lanka’s Top 10 Most Admired companies in 2022 by the Chartered Institute of Management Accountants, in collaboration with the International Chamber of Commerce Sri Lanka.
- Awarded the Sri Lanka Technology Excellence Award for Robotics Banking at the Asian Technology Excellence Awards 2023 for integration of Robotic Process Automation (RPA) with the Custody Banking and Trustee Service.



BEST CORPORATE
CITIZEN -
MANUFACTURING
SECTOR

Thank You

Hatton National Bank PLC