








Hatton National Bank

Investor Presentation

1Q 2018





Financial Performance – Bank

Net Operating Income

| | 1Q 2018 (Rs Bn) | 1Q 2017 (Rs Bn) | Growth % |
|-------------------------------------|--------------------|--------------------|--|
| Interest Income | 24.9 | 22.6 |  10.5% |
| Interest Expenses | (14.3) | (13.3) |  7.2% |
| NII | 10.7 | 9.3 |  15.1% |
| Net Fee Income | 2.2 | 2.0 |  11.6% |
| Net Trading Gain/Loss | (0.3) | 0.5 |  150.5% |
| Net Gain from Financial Investments | 0.2 | 0.2 |  6.4% |
| Other Operating Income | 1.0 | (0.3) | |








Financial Performance – Bank

Expenses & Profits

| | 1Q 2018 (Rs Bn) | 1Q 2017 (Rs Bn) | Growth % |
|----------------------|--------------------|--------------------|---|
| Impairment | (1.1) | (0.5) |  122.0% |
| Net Operating Income | 12.8 | 11.3 |  13.4% |
| Operating Expenses | (5.0) | (4.9) |  2.1% |
| VAT & NBT | (1.4) | (1.2) |  15.8% |
| PBT | 6.3 | 5.1 |  23.6% |
| Income Tax | (1.8) | (1.5) |  26.5% |
| PAT | 4.5 | 3.7 |  22.5% |









Financial Performance – Group

Net Operating Income

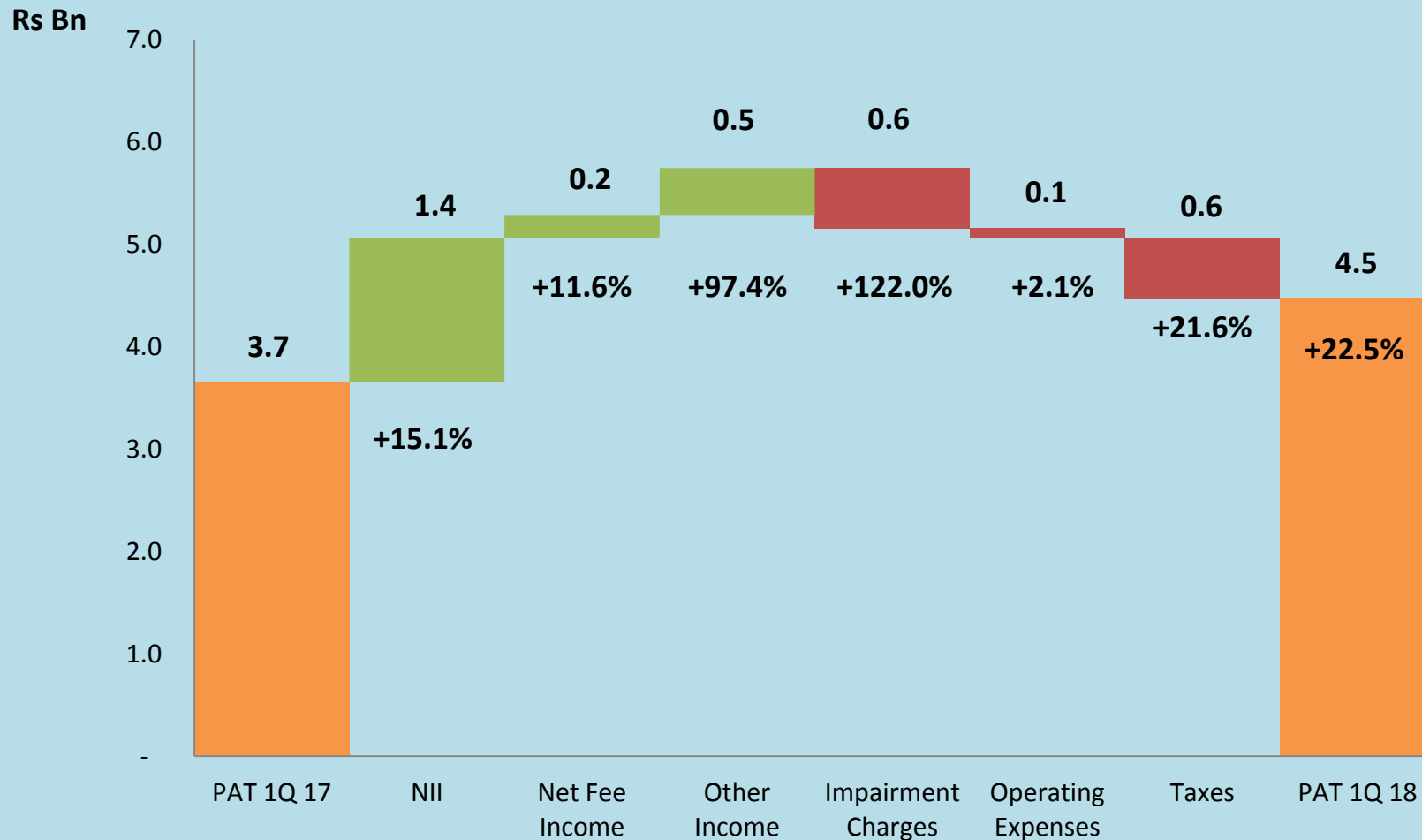
| | 1Q 2018 (Rs Bn) | 1Q 2017 (Rs Bn) | Growth % |
|--|--------------------|--------------------|---|
| Interest Income | 27.0 | 24.4 |  10.7% |
| Interest Expenses | (14.9) | (13.7) |  8.6% |
| NII | 12.2 | 10.7 |  13.4% |
| Fee Income | 2.4 | 2.2 |  11.6% |
| Trading Gain/Loss | (0.3) | 0.5 |  151.6% |
| Net Gain from Financial Investments | 0.2 | 0.2 |  13.1% |
| Net Insurance Premium | 1.8 | 1.5 |  17.0% |
| Other Operating Income | 0.9 | (0.3) | |

Financial Performance – Group

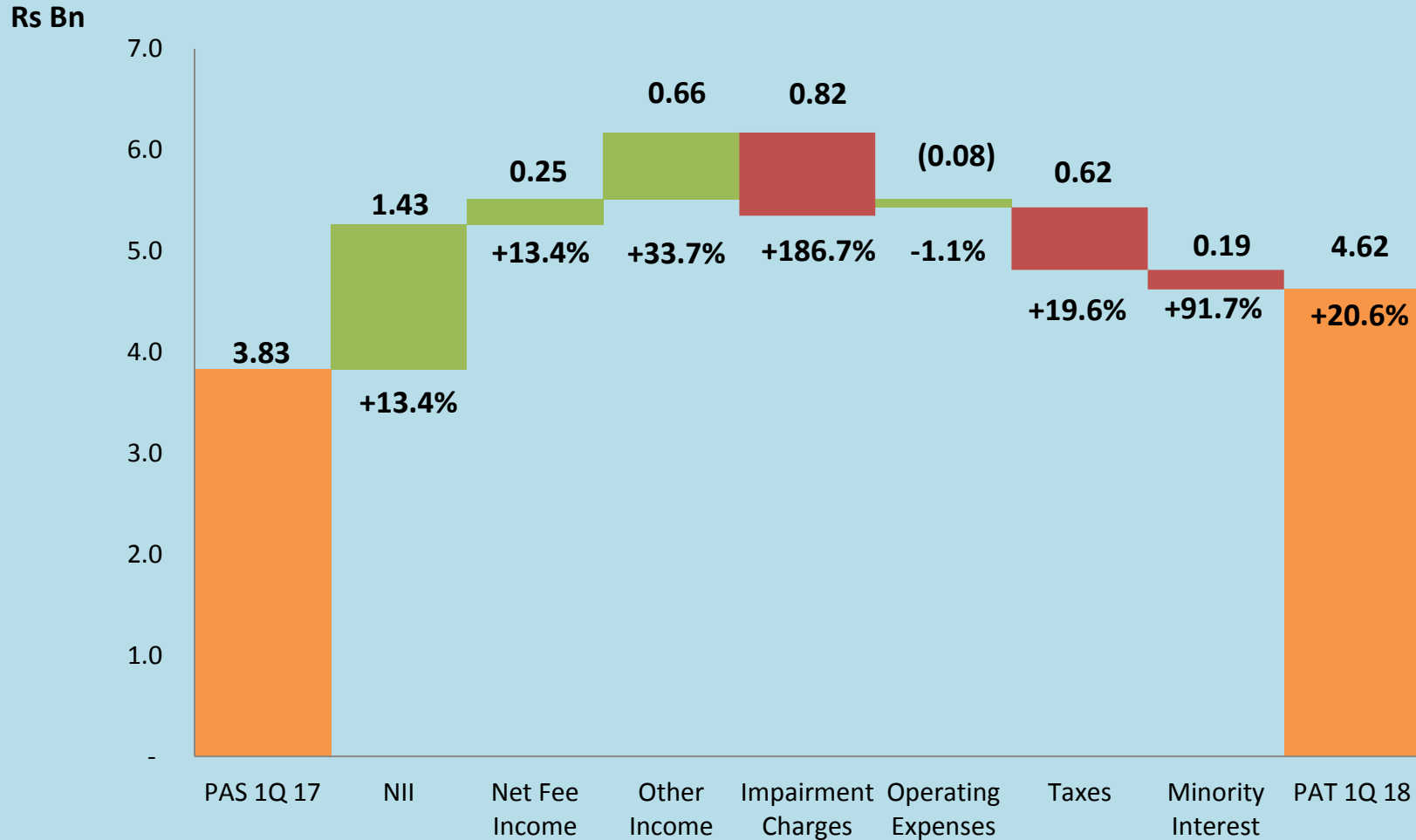
Expenses & Profits

| | 1Q 2018 (Rs Bn) | 1Q 2017 (Rs Bn) | Growth % |
|-------------------------------------|--------------------|--------------------|---|
| Impairment | (1.3) | (0.4) |  186.7% |
| Net Operating Income | 15.9 | 14.4 |  10.5% |
| Operating Expenses | (7.1) | (7.2) |  1.1% |
| VAT & NBT | (1.5) | (1.4) |  12.2% |
| PBT | 7.2 | 5.8 |  24.7% |
| Income Tax | (2.2) | (1.8) |  25.4% |
| PAT | 5.0 | 4.0 |  24.3% |
| Profit Attributable to Shareholders | 4.6 | 3.8 |  20.6% |

Financial Performance – Bank

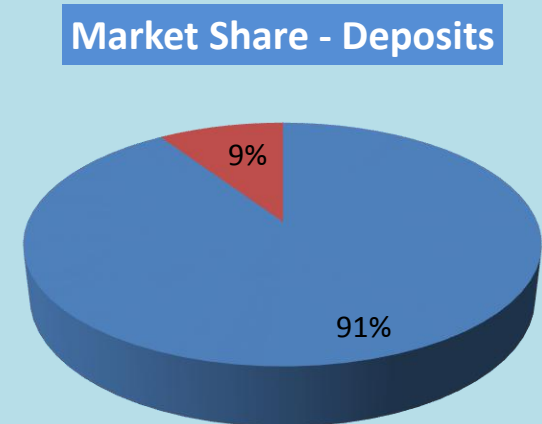
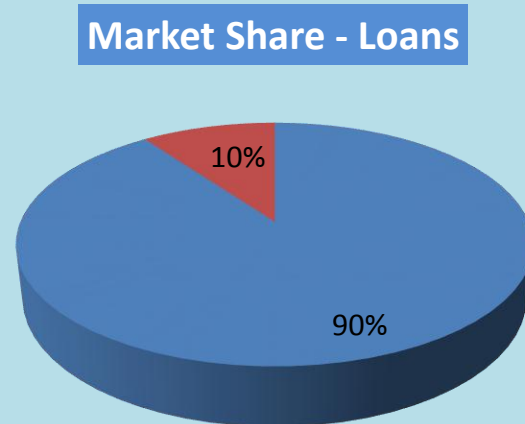
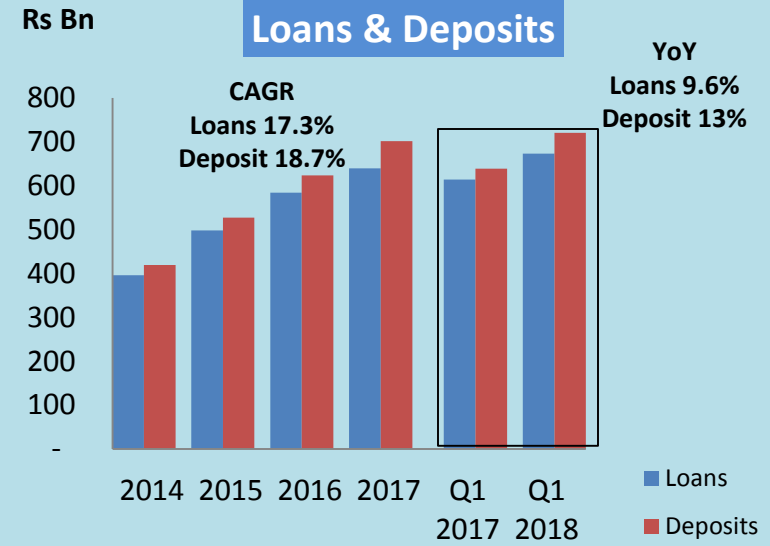
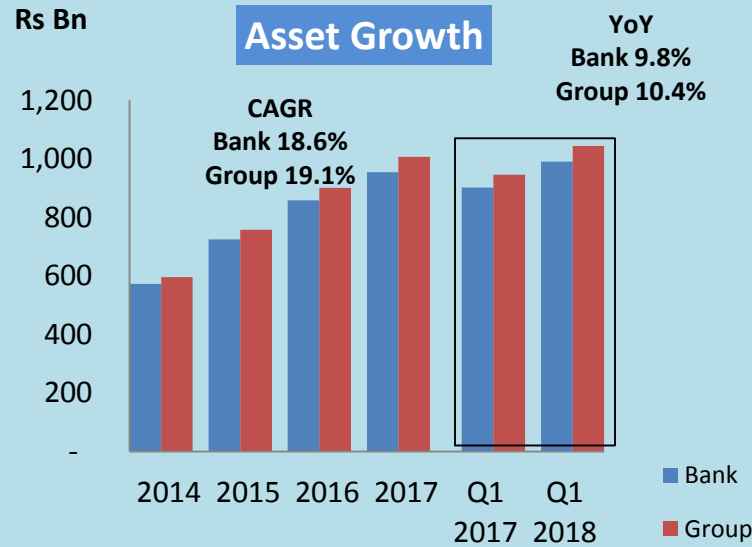


Financial Performance – Group



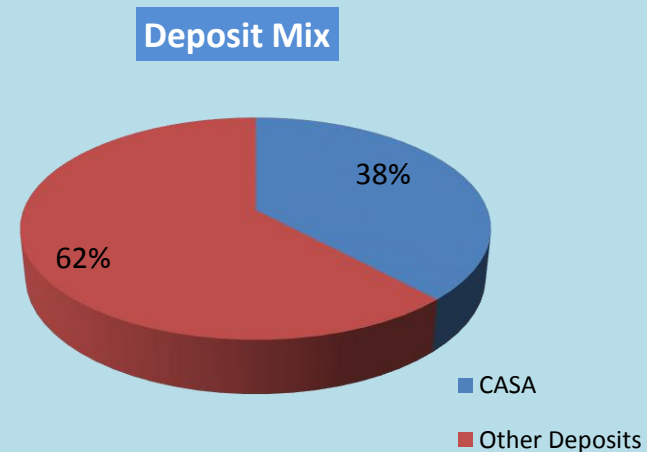
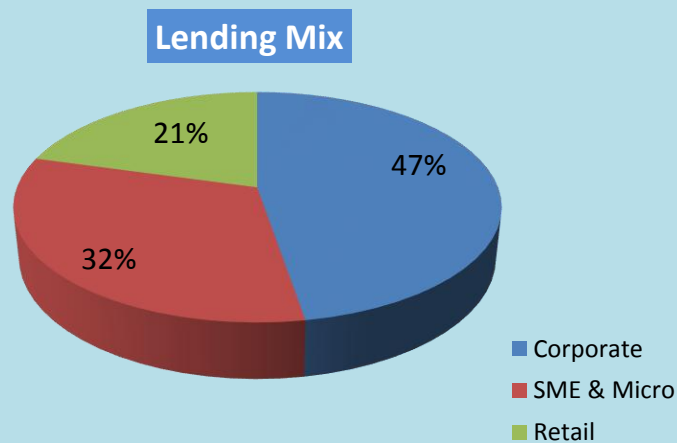
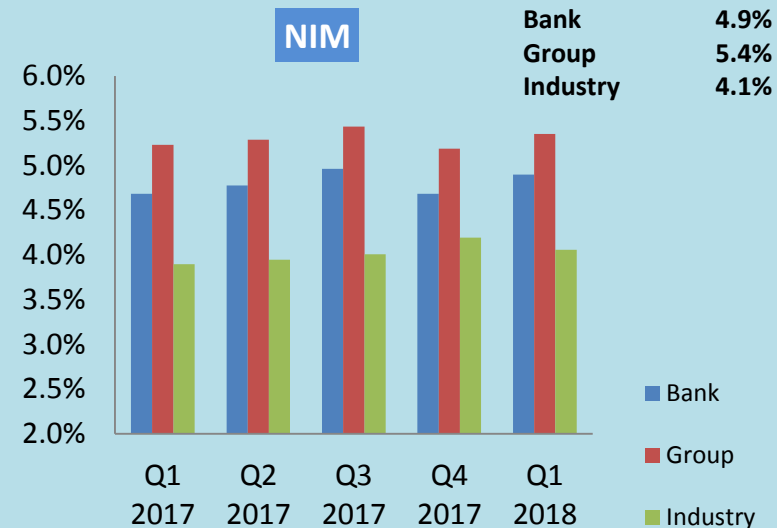
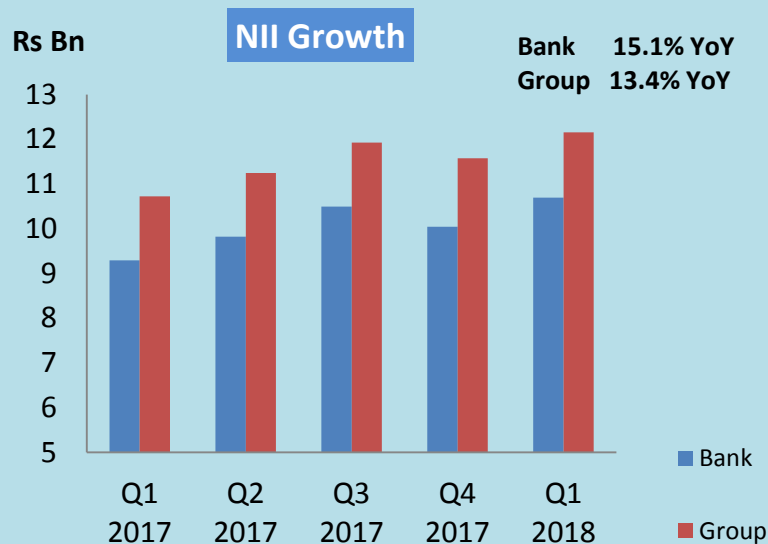
Profitable Balance Sheet Growth

- Quarterly Loan Growth of 5.3%
- Group Assets up by Rs 37 Bn
- Bank loan book at Rs 673 Bn
- Deposit base of Bank grows to Rs 721 Bn by 2.7%



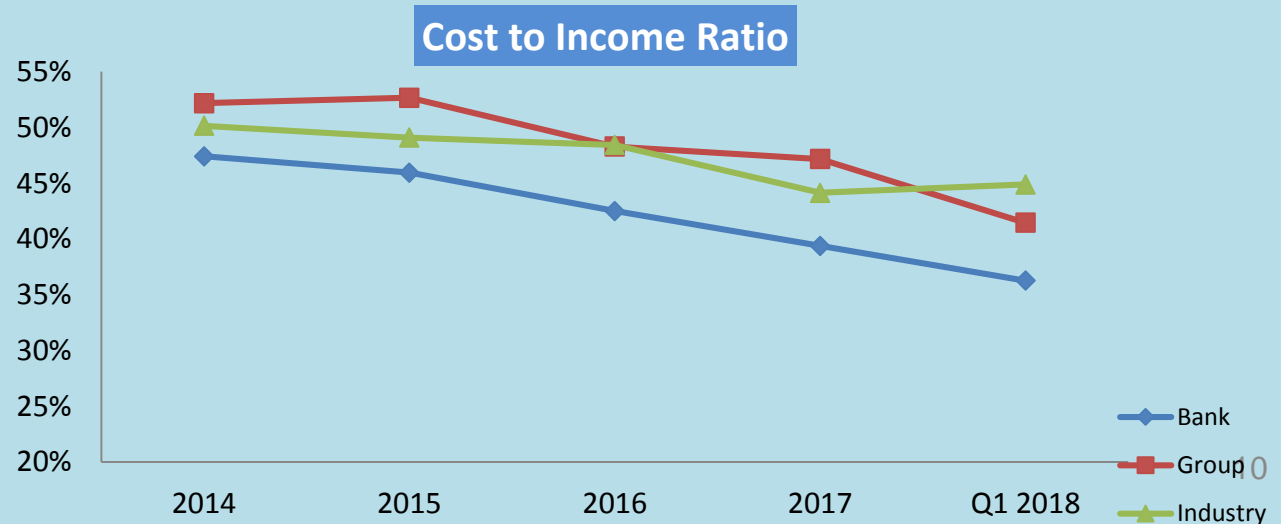
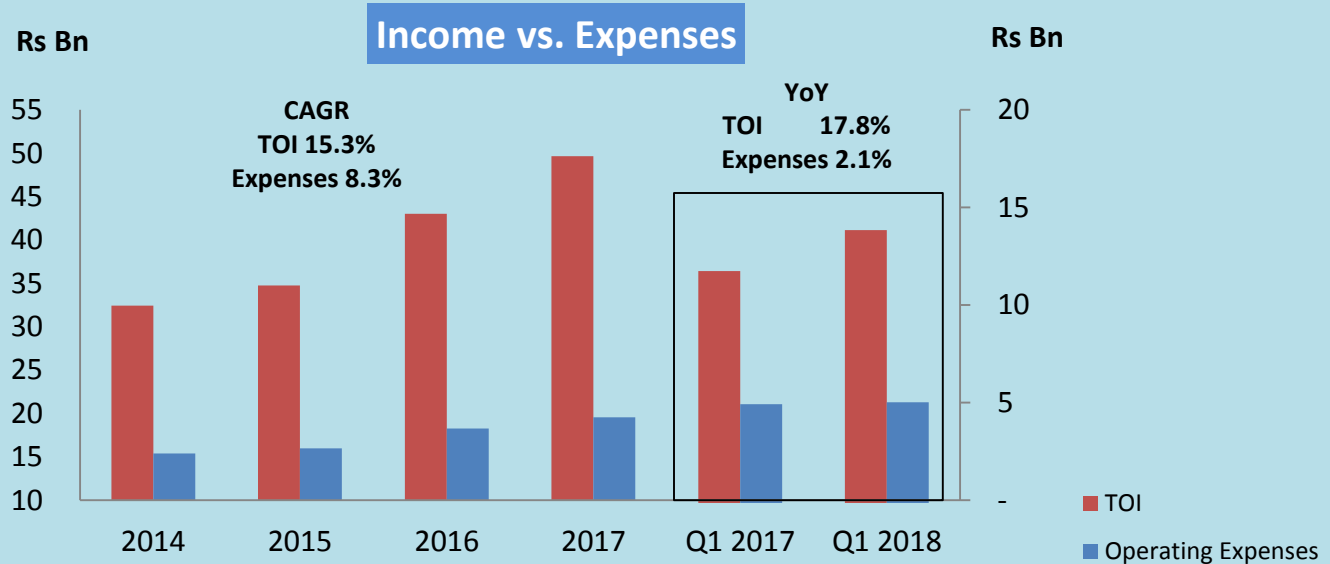
Superior NIMs

- Exposure to High Yield Segments
- Bank NIM up by 22 bps YoY, Group by 12 bps
- Substantial 10% quarterly growth in CASA
- CASA ratio rises from 35.5% in Dec 2017 to 38% (LKR CASA at 39%)



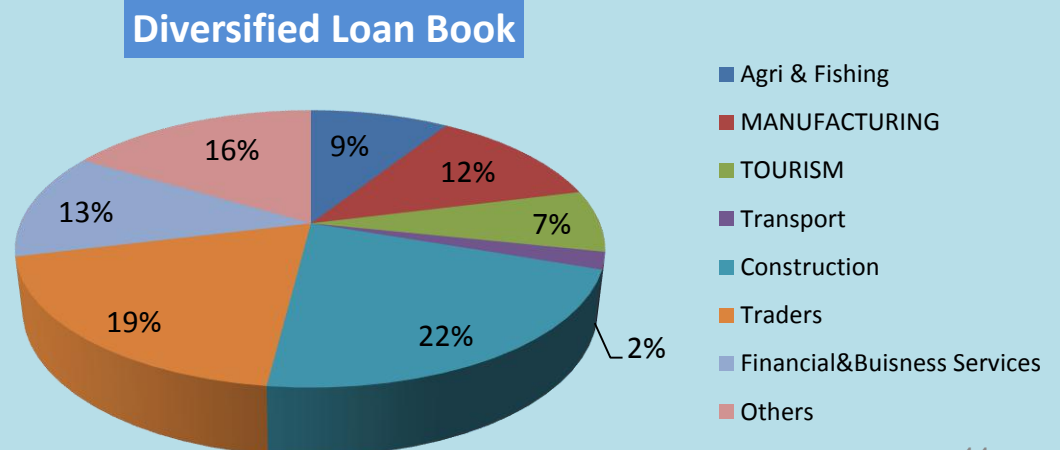
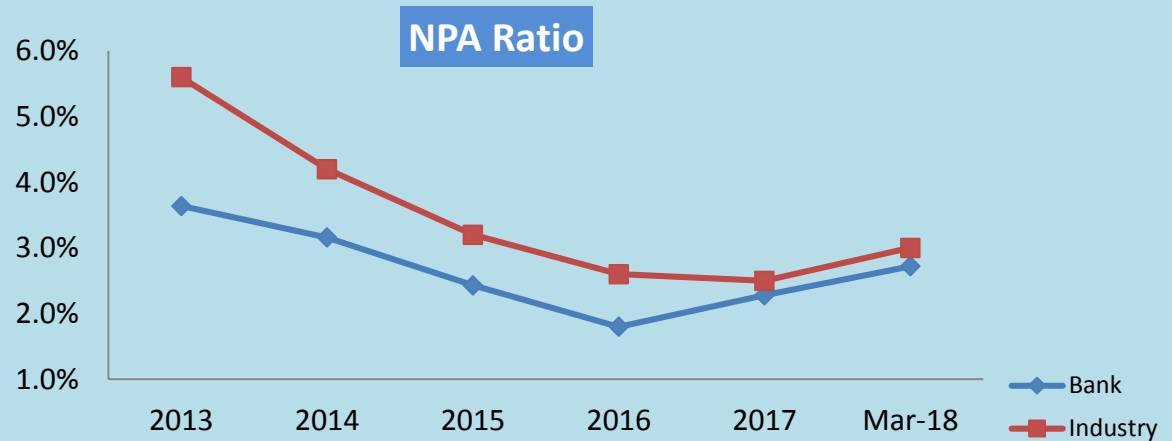
Operational Excellence

- Bank Cost to Income improves from 41.9% in Q1 2017 to 36.3%.
- Best among Peers
- Group Cost to Income improves from 48.5% to 41.5% over the 12 months
- Group Operating Expenses decline YoY by 1%



Asset Quality

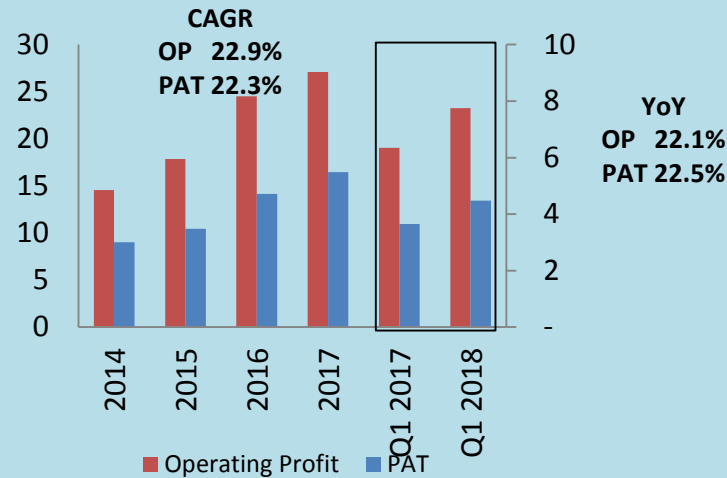
- HNB gross NPA slid slightly from Dec 2017 as industry is still witnessing weather related constraints on borrower capacities
- Well Diversified across sectors – Low concentration risk



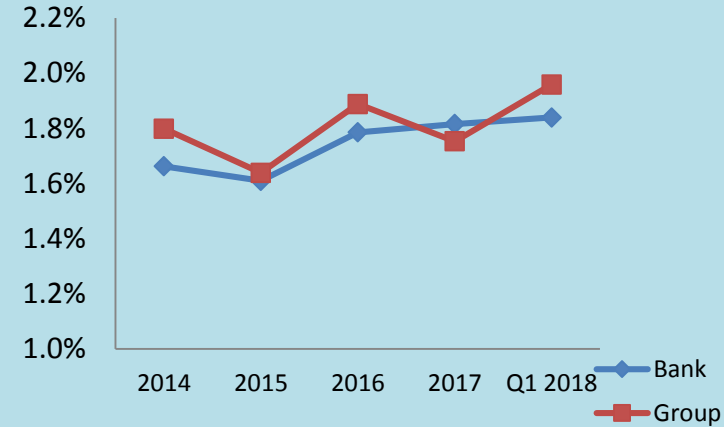
Profitability

- Bank ROA up 18 bps YoY to 1.84%. Group by 19 bps to 1.96%
- Bank & Group ROE still relatively lower at 16.4% and 15.1% respectively due to large capital base from rights issue

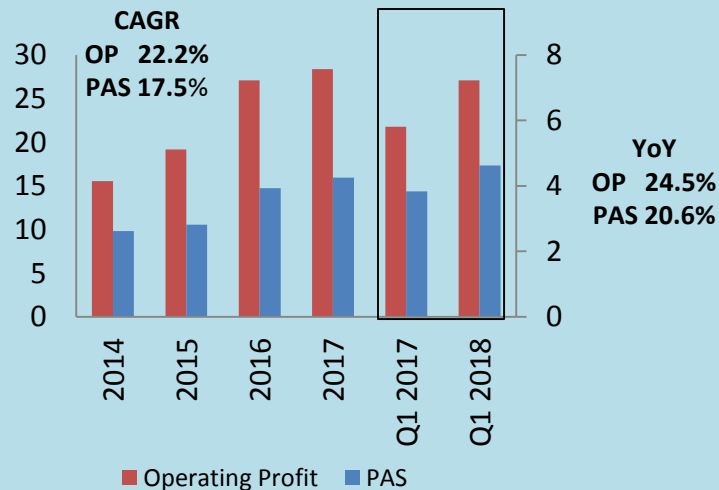
Bank Operating Profit & PAT (Rs Bn)



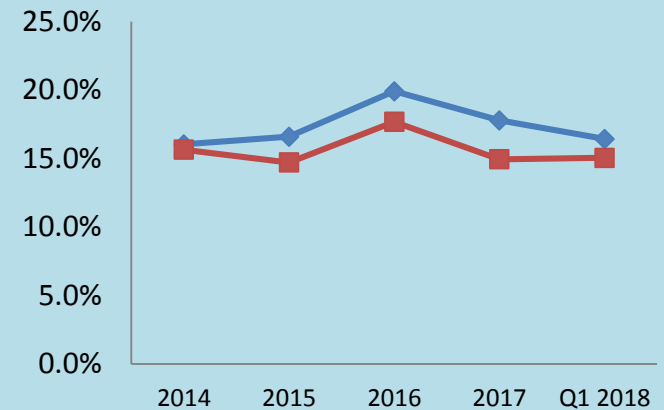
ROA



Group Operating Profit & PAT (Rs Bn)

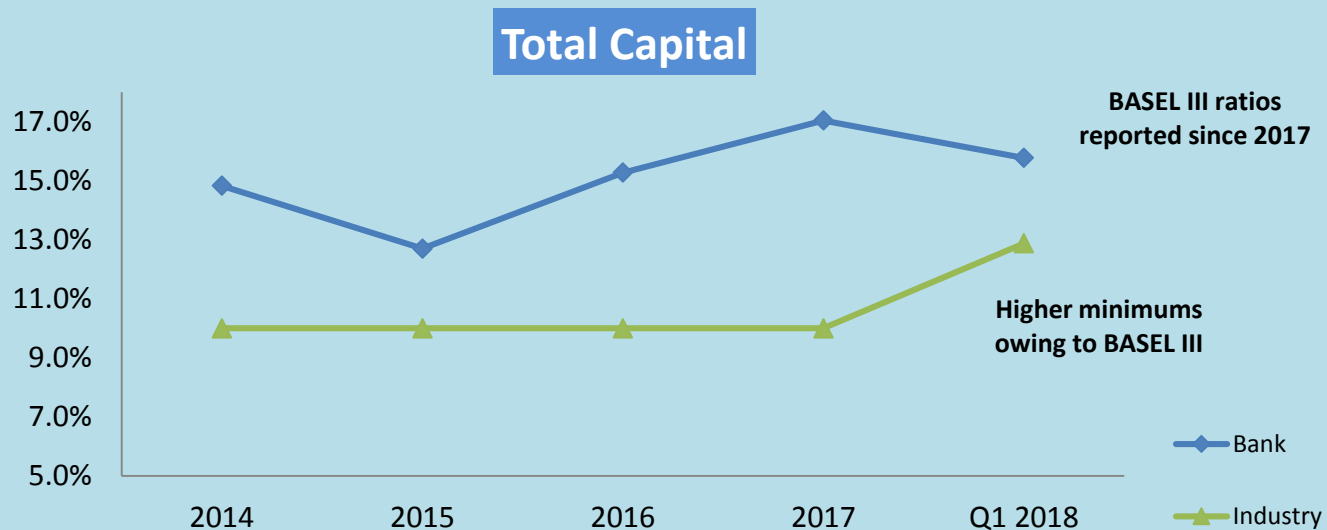
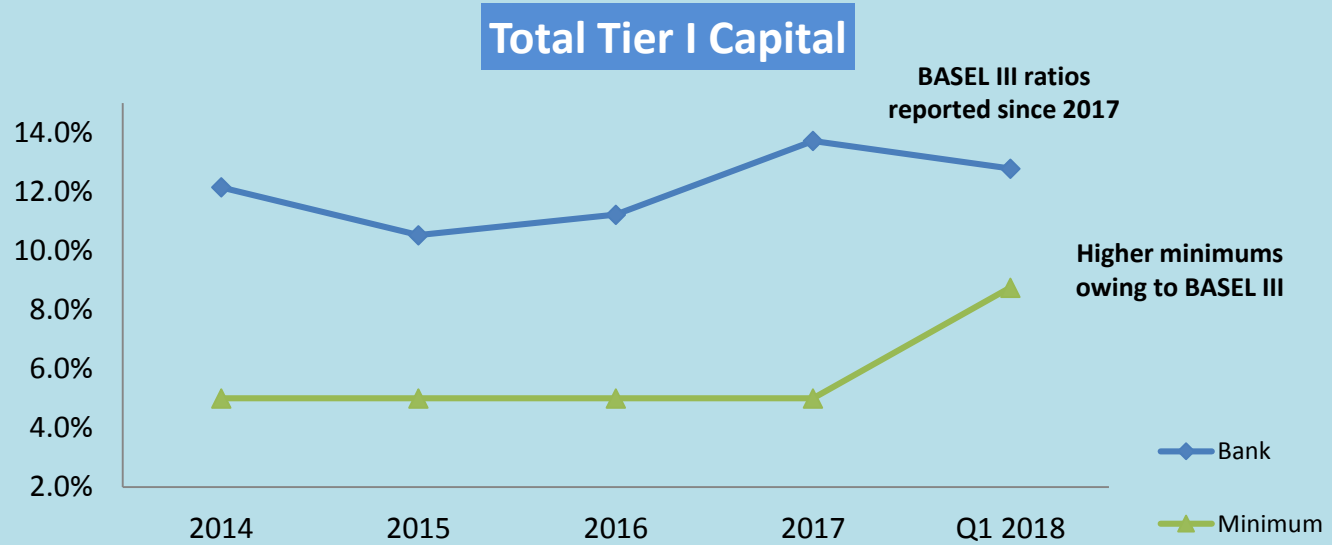


ROE

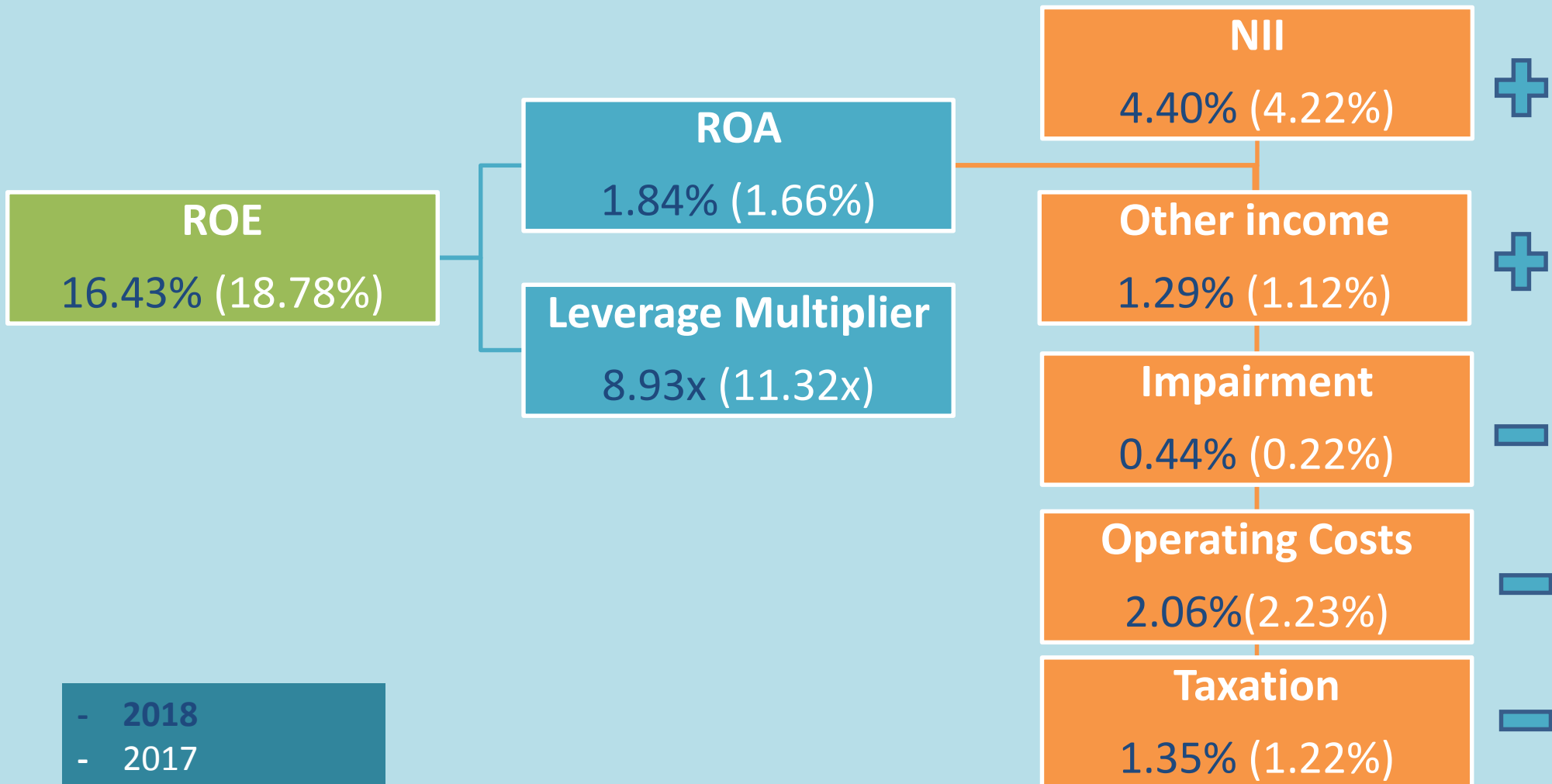


Well Capitalized

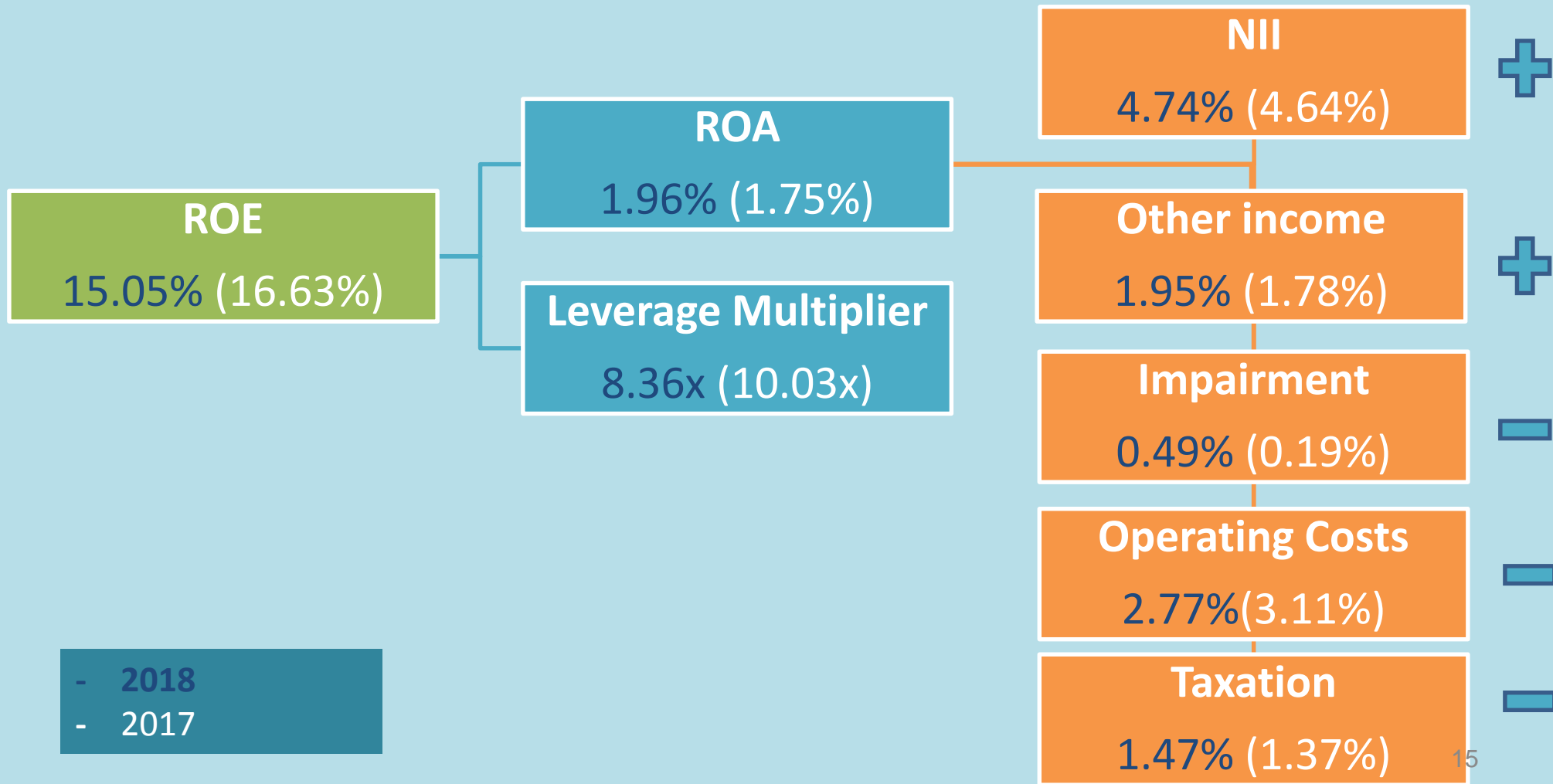
- The rights issue funds of Rs 14.5 Bn is the largest such capital raising by a private bank and boosts Capital
- Total Tier I > 400 bps above minimum
- Total Capital nearly 300 bps above minimum



DuPont Analysis - Bank



DuPont Analysis - Group



Shareholder Return – 12 Months



| | |
|-------------------------------------|--------------------------------|
| | 4.8% growth vs. (1.2%) in ASPI |
| Growth : Voting share | (1.2%) |
| Growth : Non Voting share | (2.4%) |
| DPS (Rs) | Rs 8.50 |
| Cash DPS | Rs 6.50 |
| EPS (Rs) | Rs 37.52 |
| BVPS (Rs) | Rs 250.79 |
| PBV (X) | 0.96 |
| PE (X) | 6.42 |
| Total Shareholder Return Voting | 8.5% |
| Total Shareholder Return Non Voting | 2.0% |

Awards & Accolades



- 'Best Retail Bank in Sri Lanka' for the 10th time by The Asian Banker
- 'Best SME Bank', 'Best Digital Bank' & 'Best Cash Management Bank' in Sri Lanka by Asiamoney
- Gold Award Banking Category & Overall Runner Up - ACCA Sri Lanka Sustainability Reporting Awards
- 'Islamic Finance Entity of the Year', 'Gold Award for Islamic Banking Window of the Year' & 'Silver Award for Islamic Finance Deal of the Year' – Sri Lanka Islamic Banking & Finance Industry Awards
- 'Bank of the Year' by The Banker in 2017
- 'Top 1000 Banks in the World' by The Banker
- Highest ranked bank in Sri Lanka by LMD and Business Today
- 5th Most valued Brand in Sri Lanka by Interbrand
- Emerging Technologies Led Innovation award – HNB FIT account (mid-size bank category) by Infosys India

Thank you