

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

3rd March 2022

Financial Highlights

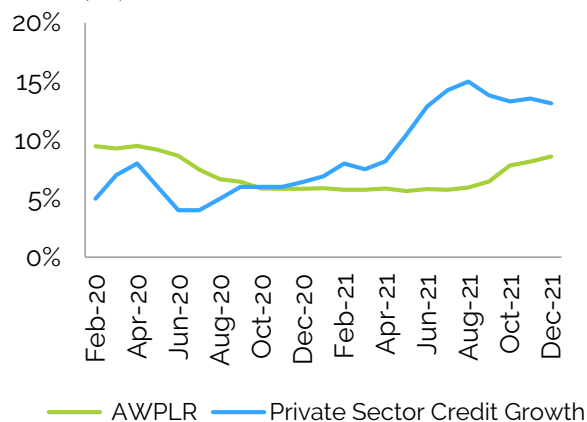
2021

Fund Based income

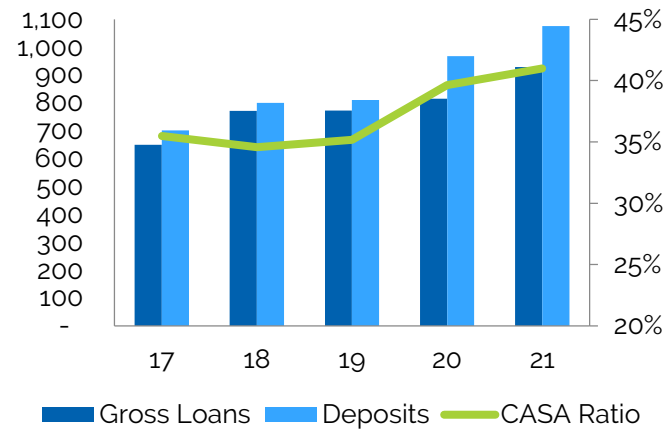
Rs Bn	2021	2020	% change
Interest Income	107.4	112.8	(4.8)
Interest Expenses	50.9	62.0	(17.8)
NII	56.5	50.8	11.1

- Private Credit up 13% in 2021
- Loan growth : 14%
- Deposit growth : 11%, cross Rs 1 Trillion
- CASA growth : 15%
- CASA ratio : 41%
- AWPLR in 2021 approx. 160 bps below 2020 level on average
- AWPLR has increased by nearly 300bps since policy rate hike

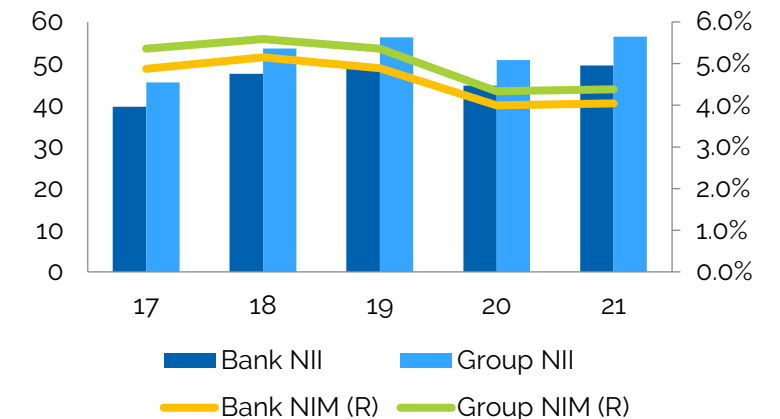
Private Sector Credit (%) & PLR (%)



Gross Loans & Deposits (Rs Bn)



NII (Rs Bn) & NIM

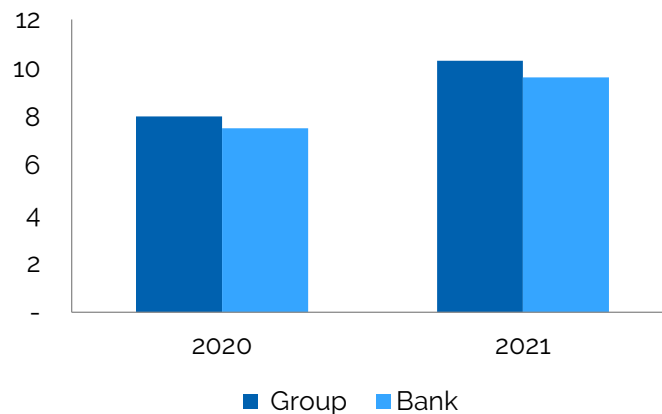


Non -Fund Based income

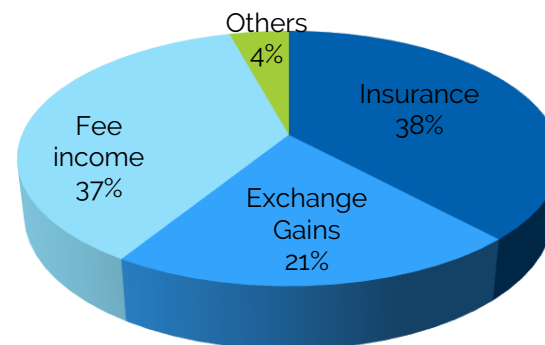
Rs Bn	2021	2020	% change
Net Fee & Commission Income	10.3	8.0	28.5
Exchange Gains	5.8	2.4	141.2
Insurance Premium	10.6	8.9	19.5

- Strong growth in Fees despite on-going trade restrictions
- 7.5% LKR depreciation leading to position revaluations
- Insurance accounts for 38% of non fund income

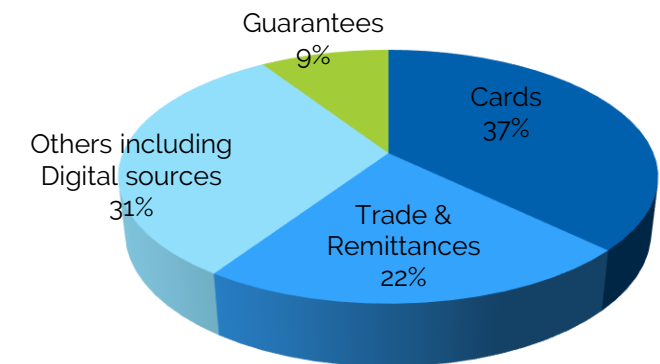
Fee Income (Rs Bn)



Composition of all Non Fund Income



Breakup of Bank level Fee Income

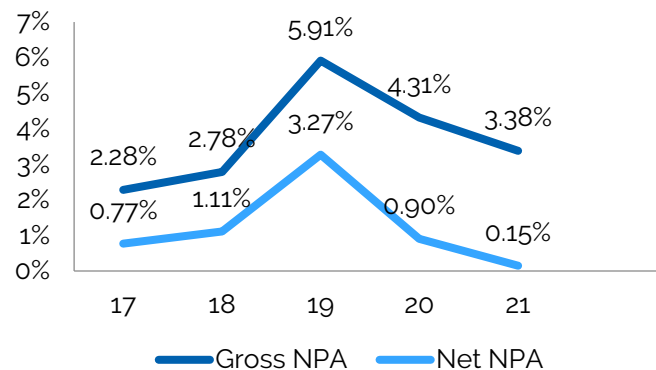


Impairment & Asset Quality (Bank)

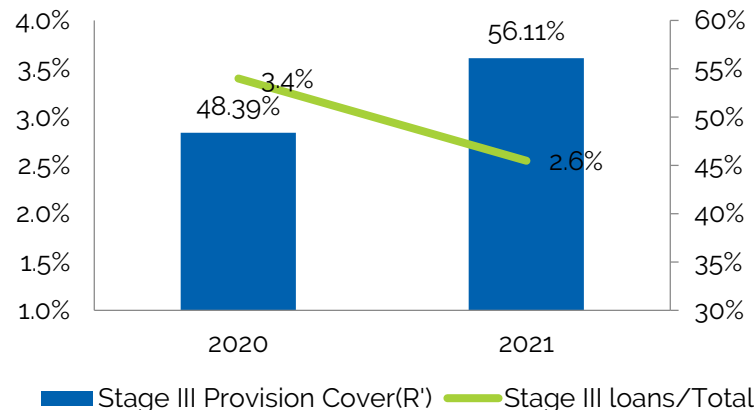
Rs Bn	2021	2020	% change
Loans	11.7	12.4	(5.5)
Other	7.1	2.9	144.9
Total Impairment	18.8	15.3	23.1

- Best NPA ratios among peers
- Rs 7 Bn impairment on account of sovereign downgrades
- Significant 'Management Overlay'
- Stage III loans improved to 2.6% of gross loans.
- Over 56% provision cover over Stage III loans
- Well diversified loan book

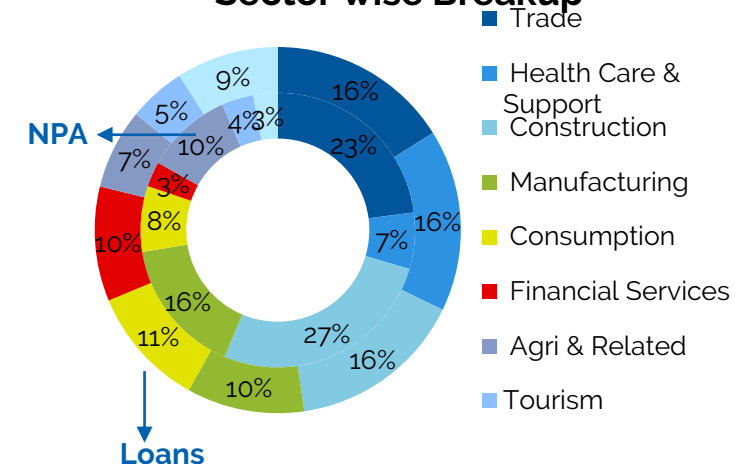
Continuous improvement in NPA



Stage III



Sector wise Breakup

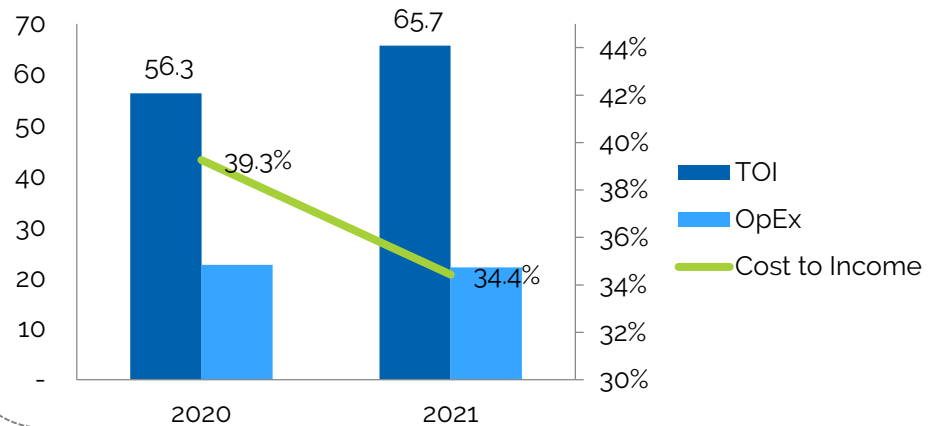


Operational Expenses

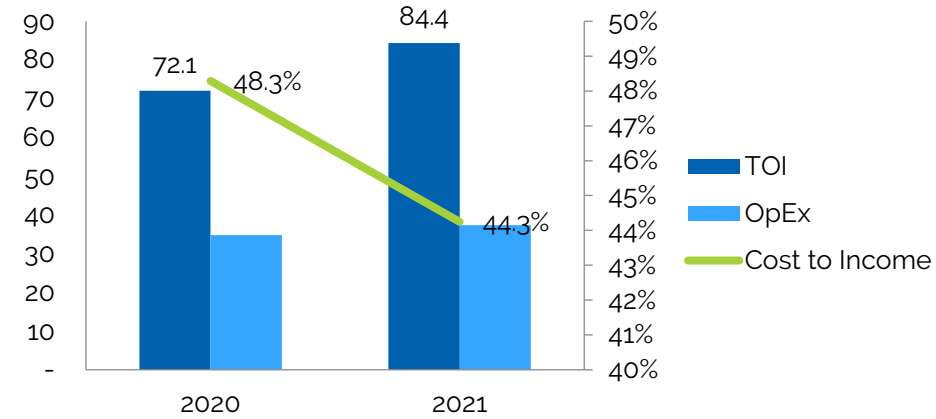
Rs Bn	2021	2020	% change
Personnel expenses	13.7	13.9	(1.6)
Insurance Costs	9.0	7.4	21.4
Other expenses	14.7	13.5	8.8
Total operating expenses	37.3	34.8	7.3

- Personnel expenses down by 1.6% due to Rs 2.3Bn reversal on account of provision for pension and retirement benefits with the extension of retirement age to 60 years
- Other expenses increased by 8.8%, however still 4% lower than pre-pandemic 2019 level.
- Cost to income excluding the pension fund reversal : 47 % for the Group and 37.9% for the Bank approximately a 140bps improvement

TOI (Rs Bn) vs. OpEx (Rs Bn) - Bank



TOI (Rs Bn) vs. OpEx (Rs Bn) - Group

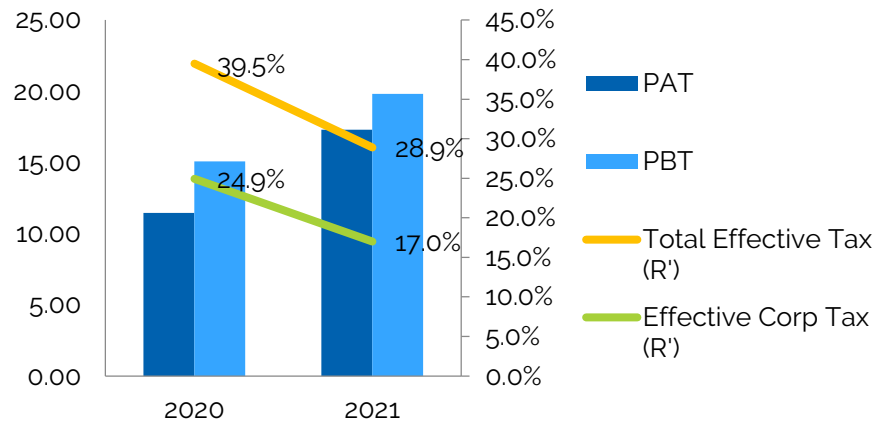


Taxation & Profitability

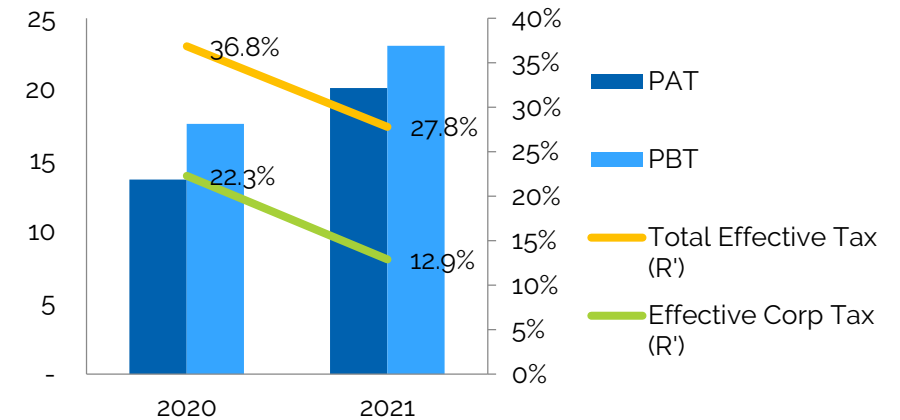
Rs Bn	2021	2020	% change
Tax on Financial Services	4.8	4.0	17.6
Profit before income tax	22.8	17.2	32.5
Income tax expense	3.0	3.9	(24.2)
Total Group PAT	20.1	13.7	47.0

- Effective tax rate reduced to 28% with the reduction in corporate tax rate to 24% from 28%, settlement of taxes for previous years where higher provisions were made and exemptions on interest income from investments in SLDBs.

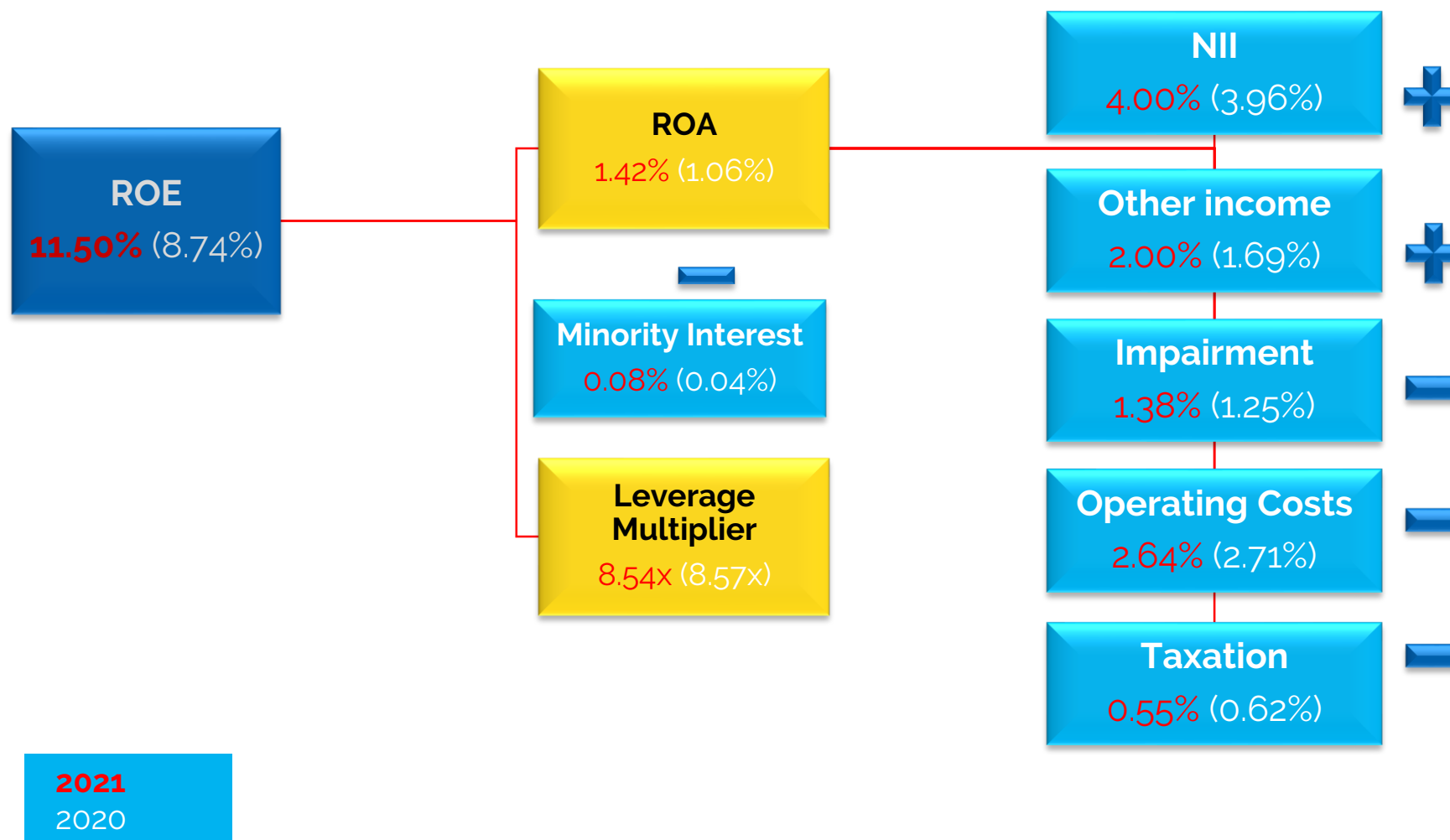
Bank PBT & PAT (Rs Bn)



Group PBT & PAT (Rs Bn)

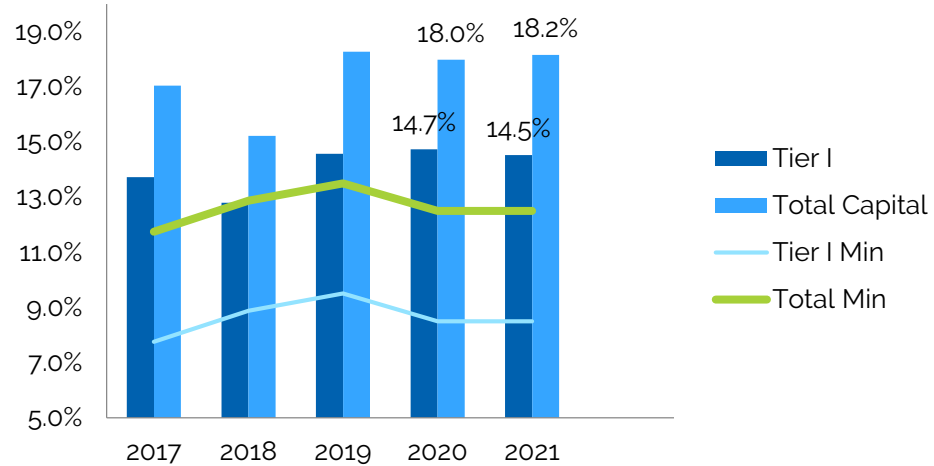


DuPont Analysis – Group



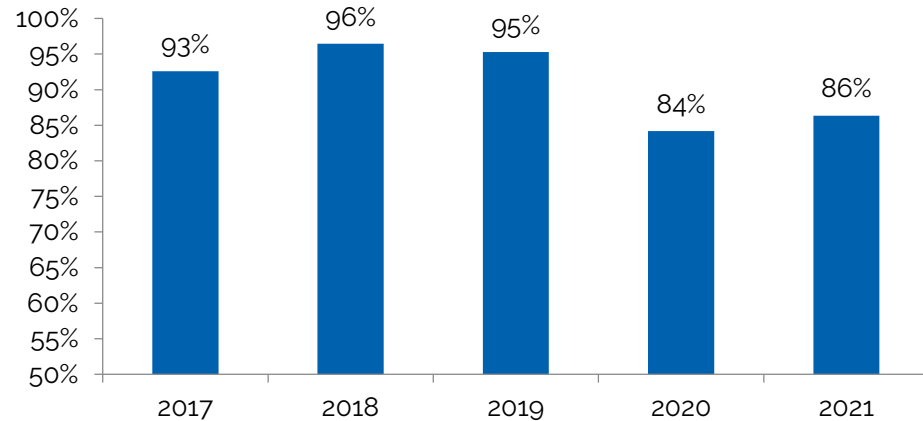
Soundness Indicators

Strong on Capital Adequacy



- HNB continues to be among the best capitalized in the industry
- Rs 7 Bn 10 year Debenture in July boosts Total CAR further
- LDR at only 86%
- Strong Liquidity Position continues to be maintained

Loan to Deposit



Ratio	HNB	Requirement
LCR (All)	208%	100%
SLAR (DBU)	28%	20%

Stable returns

	2021	2020
Dividend Per Share (Rs)	9.00	8.00
Cash Dividend Per Share (Rs)	6.50	4.50
Total Dividend Yield (%)	6.7%	6.3%
Cash Dividend Yield (%)	4.8%	3.6%
Net Book Value (Rs)	335.93	293.30
Price to Book Value (times)	0.40	0.43
Earnings Per Share (Rs)	36.18	24.90
PE Ratio (times)	3.7	5.1

Thank you