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Investor Update

21st August 2024

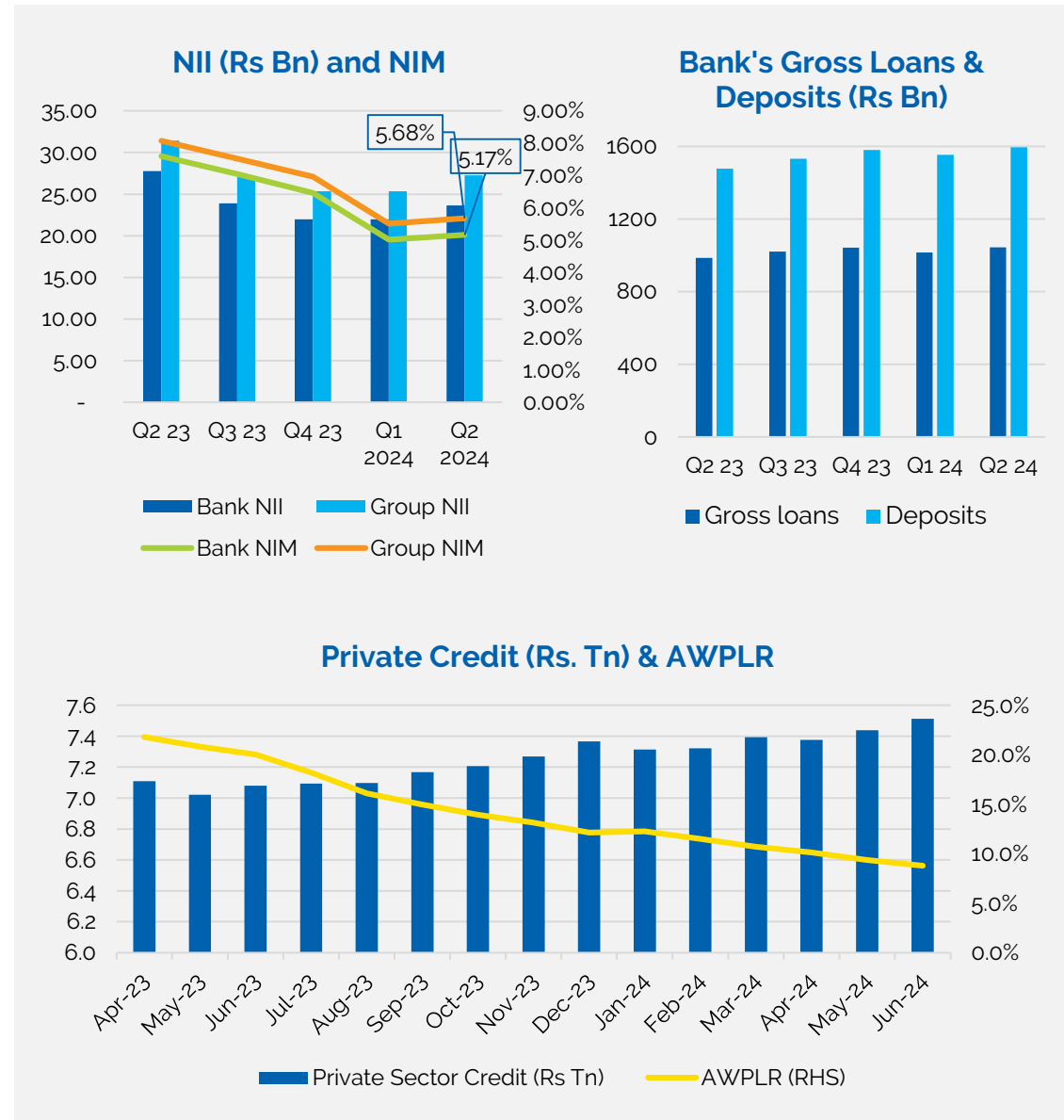
Financial Highlights

H1 2024

Fund Based Income

Rs Bn	1H 2024	1H 2023	% change
Interest Income	123.92	161.98	-23.49
Interest Expense	71.34	95.71	-25.47
NII	52.59	66.26	-20.64

- Interest income for the H1 of 2024 saw a contraction of 24% YoY as a result of the drop in AWPLR by over 10 percentage points over the 12 months. Similarly, interest expense saw a YoY contraction of 25% with NII dropping by 21% YoY
- On a YoY basis, Bank level and Group level NIMs declined to 5.17% and 5.68%, respectively. However, on QoQ basis, NIMs saw an increase after four consecutive quarters of decline, reaching 5.35% and 5.89%, on a Bank and Group level, respectively
- The bank's gross loan book expanded by Rs 28 Bn during the quarter while the YTD growth was muted. Furthermore, on a quarterly basis, deposits grew by Rs 42 Bn, while YTD growth amounted to Rs 15 Bn. During 1H 2024, LKR CASA deposits saw a growth of Rs 64 Bn

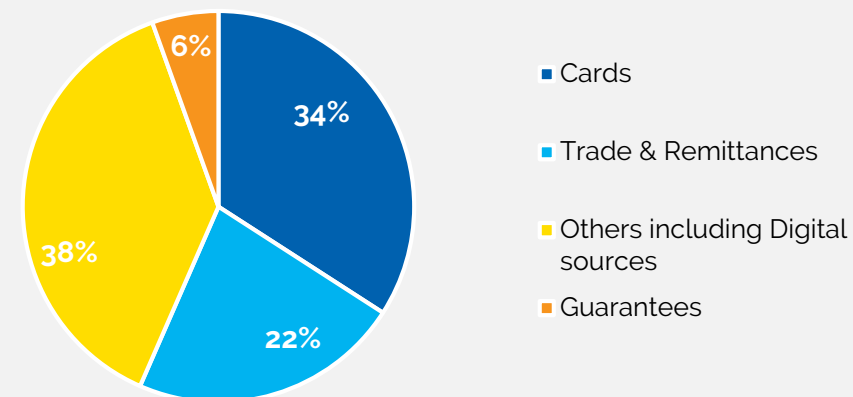


Non-Fund Based Income

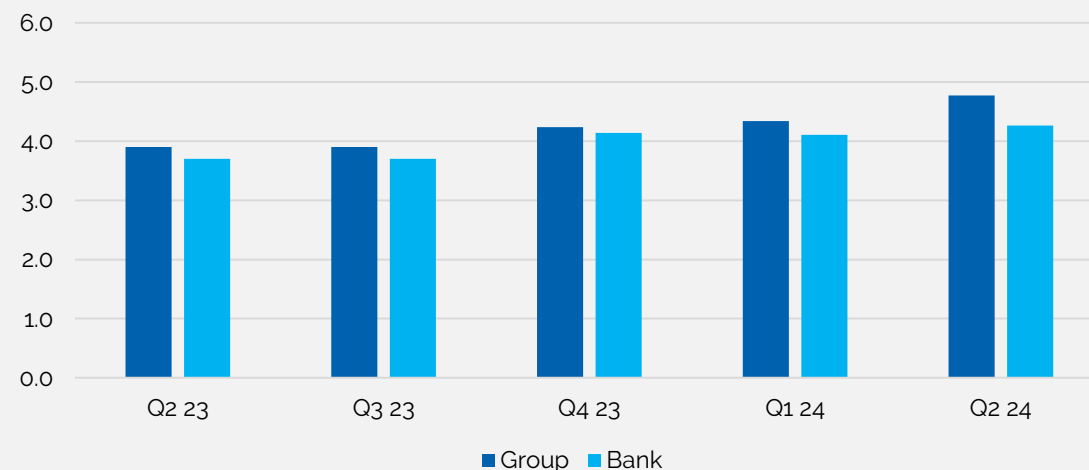
Rs Bn	1H 2024	1H 2023	% change
Net Fee and Commission Income	9.12	8.42	8.22
Other Gains/ (Losses)	0.13	-3.10	104.3
Insurance Premium	8.52	7.15	19.13
Total Operating Income	70.35	78.73	-10.65

- Net fee and commission income grew largely on higher card volumes and increased revenue from digital sources
- The Group's total non-interest income grew by 43% YoY, aided by contained negative currency impact compared to 1H 2023 on Sri Lanka Rupee appreciation, and positive contribution from the insurance and joint venture businesses
- However, total operating income declined by 11% YoY, driven by the downward trend in net interest income

Breakup of Bank Fee Income



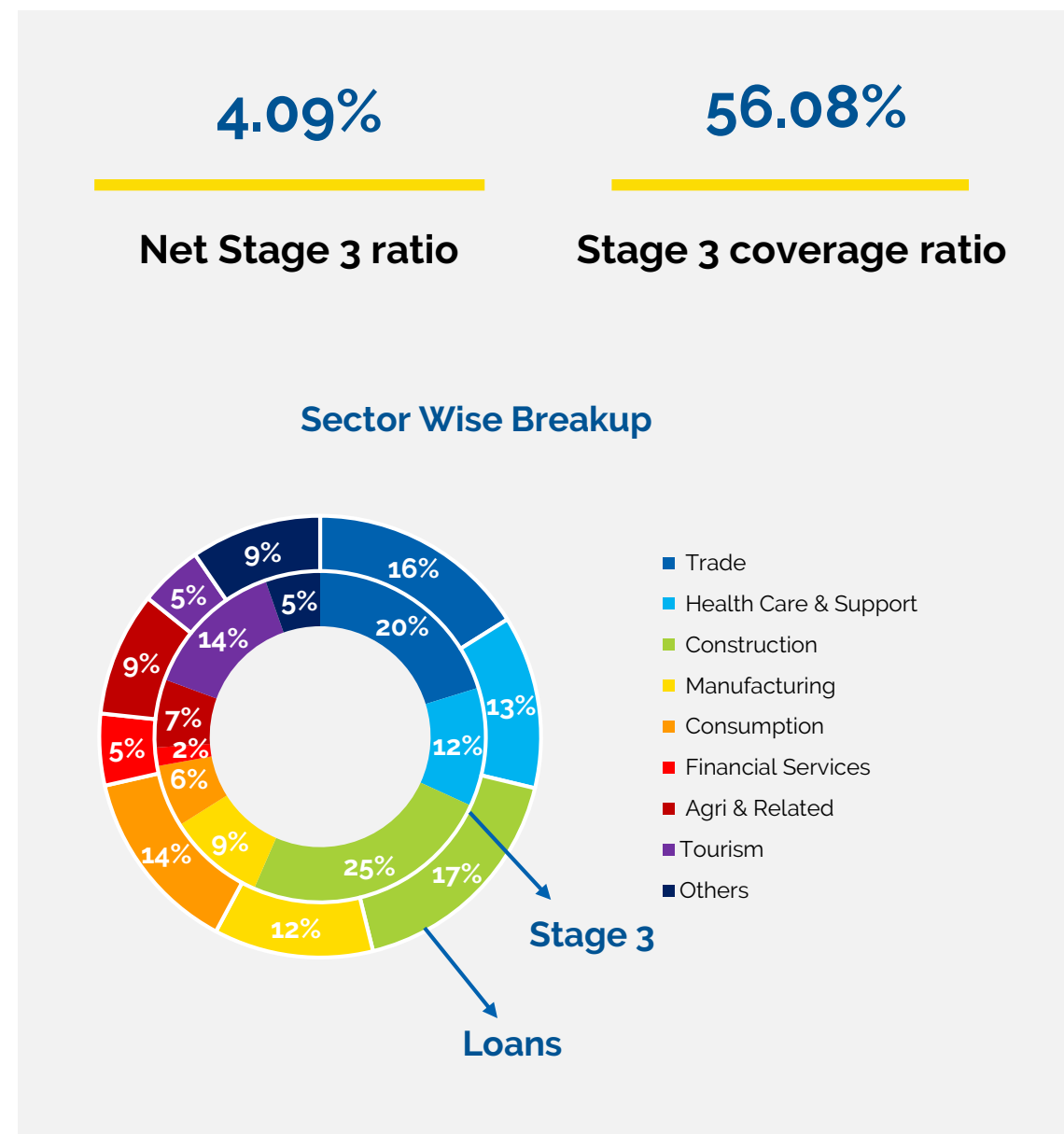
Net Fee and Commission Income (Rs Bn)



Impairment and Asset Quality

Rs Bn	1H 2024	1H 2023	% change
Impairment on Financial Assets	2.39	24.00	-90.05
Loans and Other	0.06	5.49	-98.88
Total Impairment	2.45	29.49	-91.69

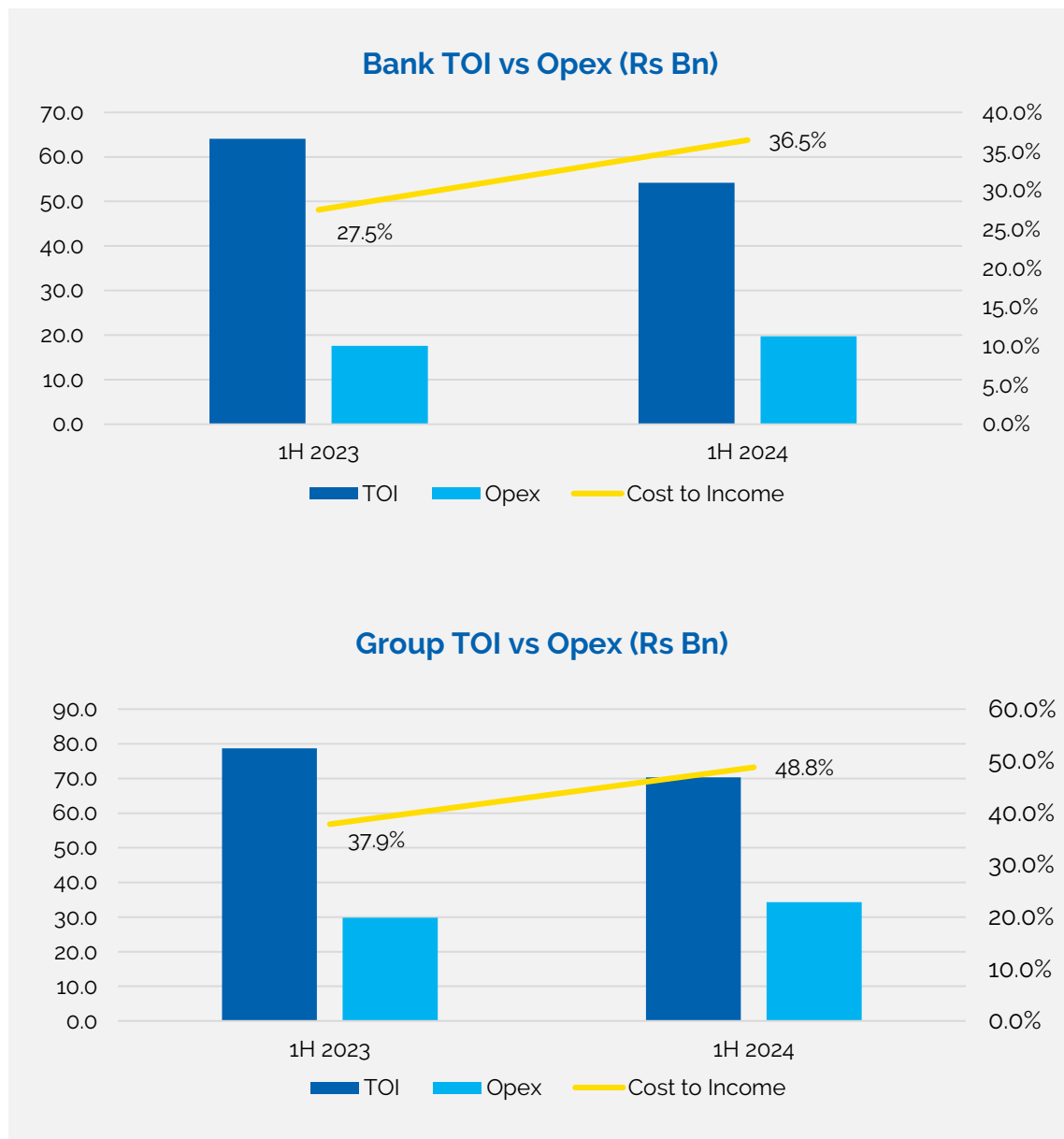
- For the 6 months ended June 2024, the Bank's total impairment charge was Rs 1.5 Bn, a significant decline compared to the Rs 28.3 Bn recorded in the 1H 2023 which included a provision of Rs 24Bn on account of ISBs. The Bank maintaining its provision cover on ISBs at 52% during the year and the improvement in the operating environment enabled the drop in impairment charge.
- Net stage 3 ratio and the stage 3 provision coverage ratio continued to remain above the industry average.



Operational Expenses

Rs Bn	1H 2024	1H 2023	% change
Personnel Expenses	11.88	10.61	11.99
Insurance Costs	9.15	8.02	14.07
Other Expenses	13.31	11.19	18.99
Total Operating Expenses	34.34	29.82	15.17

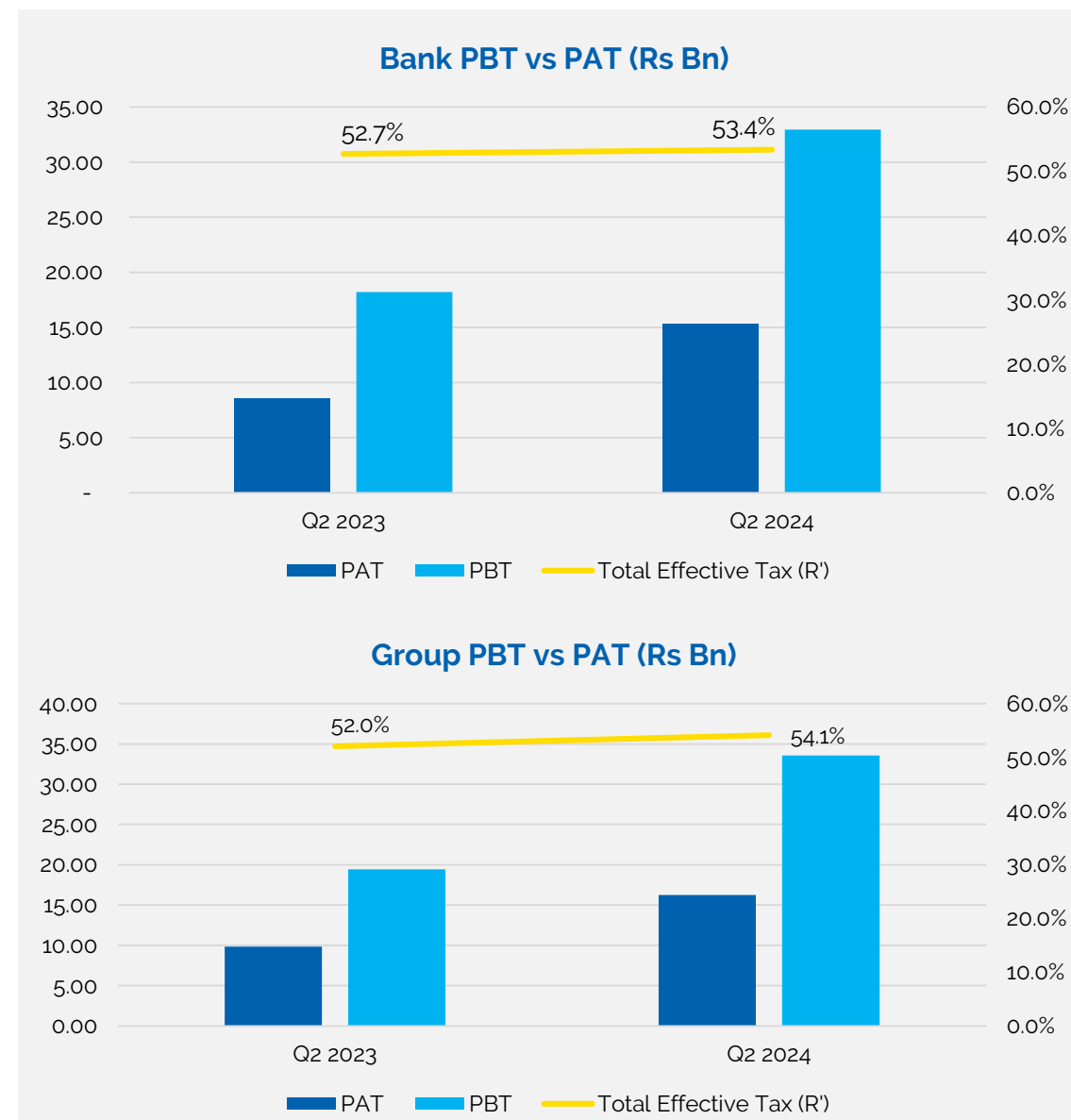
- Personnel costs increased by 12% YoY while insurance expenses which contribute to 27% of the total expenses, increased by 14% YoY. Other expenses increased by 19% YoY as result of higher payment to VISA and Mastercard's due to increased transaction volumes, and higher depreciation and amortization expenses, resulting in an increase of 15% in total operating expenses
- The cost to income ratio saw a decline at both Group and Bank level as the income dropped on a YoY basis, primarily due to the drop in net interest income as a result of the significant drop in interest rates



Taxation and Profitability

Rs Bn	1H 2024	1H 2023	% change
FSVAT and SSCL	7.41	4.75	55.94
Profit Before Income Tax	27.01	15.19	77.75
Income Tax Expense	10.76	5.36	100.87
Total Group PAT	16.25	9.84	65.16

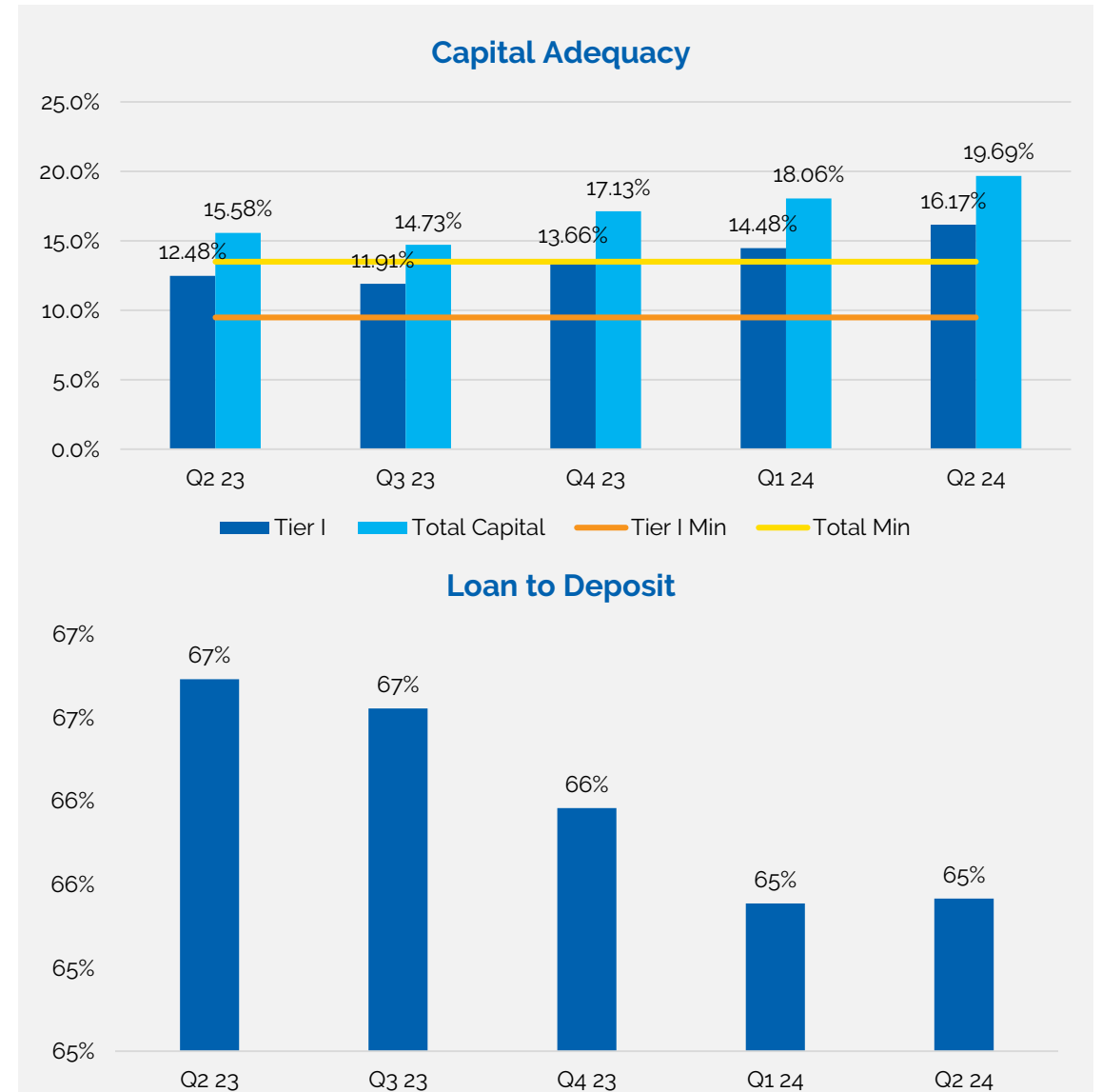
- Effective Tax Rate for the Group and Bank was 54% and 53%, respectively
- The Group recorded a PAT of Rs 16.3 Bn for 1H 2024, an increase of 65% YoY while the Bank recorded a PAT of Rs 15.4 Bn, an increase of 79% YoY.



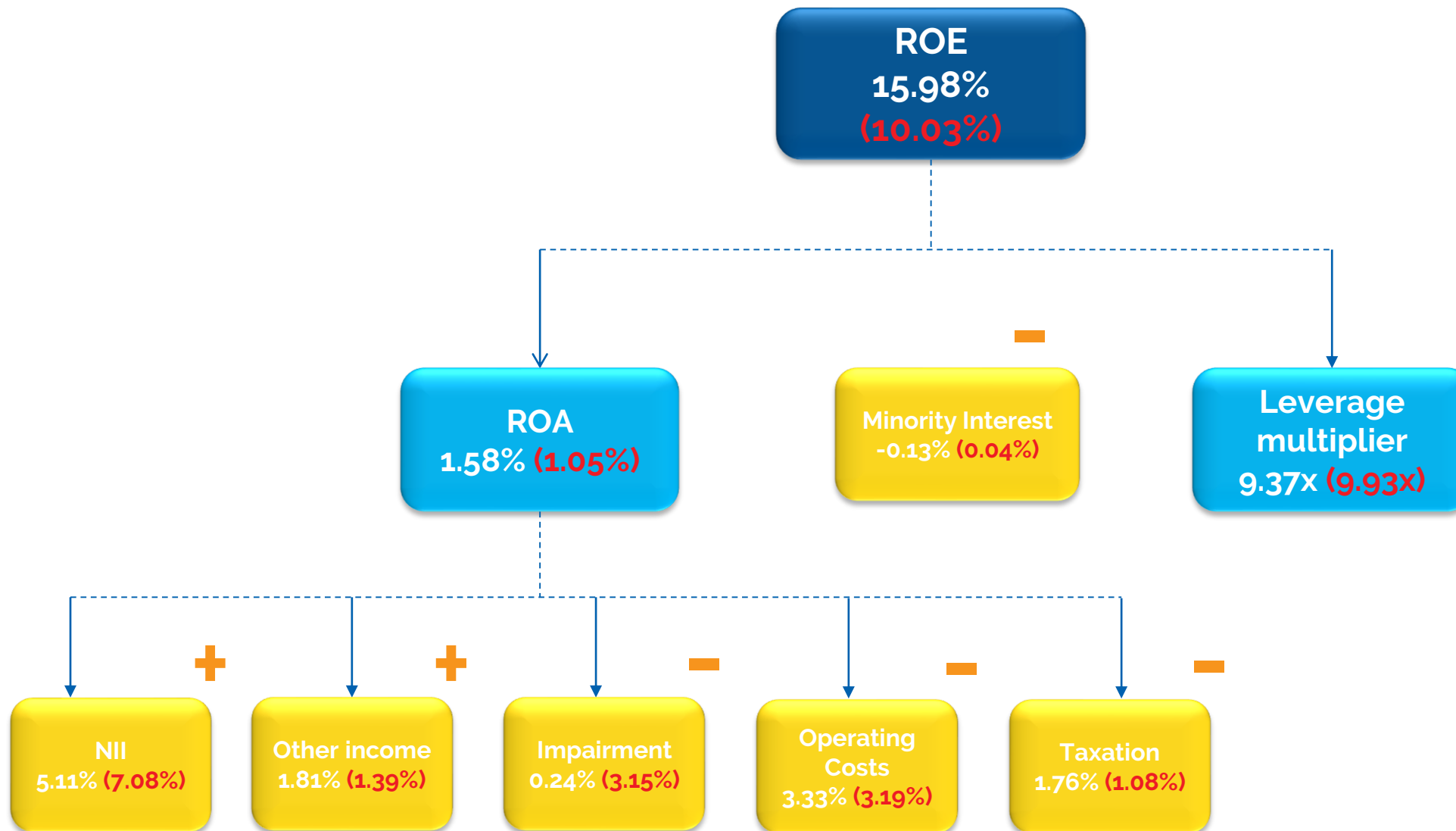
Soundness Indicators – Bank Level

Ratio	HNB	Requirement
LCR (All)	384.0%	100%
LCR (LKR)	389.99%	100%

- HNB continues to maintain its soundness indicators well above the requirement levels.
- Tier 1 and Total Capital stood at 16.17% and 19.69%, respectively, well above the 9.50% and 13.50% requirements. Additional Rs 12Bn raised through Basel III compliant debenture issue.
- Loan to Deposit Ratio saw a marginal increase compared to March 2024
- CBSL has discontinued the requirement to maintain the Statutory Liquid Assets Ratio w.e.f 15th June 2024.
- The LCR remained well above the statutory requirement



Group – DuPont Analysis



1H 2024
1H 2023

Recent Key Highlights

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- HNB was recognized as the “**Best Bank in Sri Lanka**” and the “**Best SME Bank in Sri Lanka**” by the Euromoney, Awards for Excellence 2024
- “**Best Retail Bank in Sri Lanka**” for the 14th occasion by the Asian Banker
- HNB was honored as the “**Best Automobile Financing in Asia-Pacific**” by Asian Banker Global Excellence in Retail Financial Services Awards 2024
- HNB was awarded the Bronze Award for the “**Best Investor Relations Mid to Large CAP Companies**” at the CFA Society Sri Lanka, Capital Market Awards 2024
- Successful attainment of **ISO 9001:2015** certification for Centralized Credit Operations and Credit Administration Departments



Thank You

Hatton National Bank PLC