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# Investor Update

26<sup>th</sup> November 2024

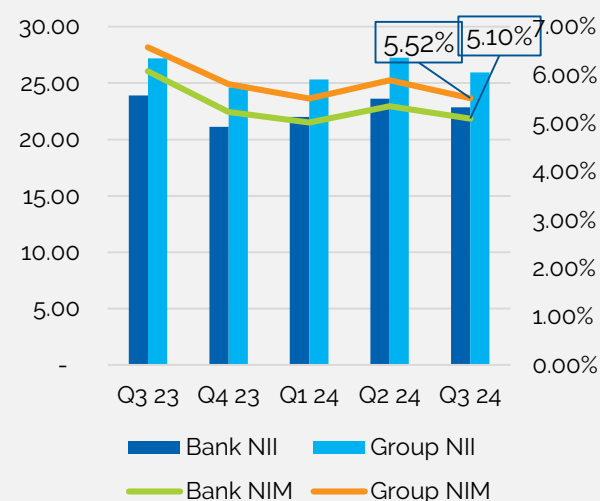
# Financial Highlights

## 9M 2024

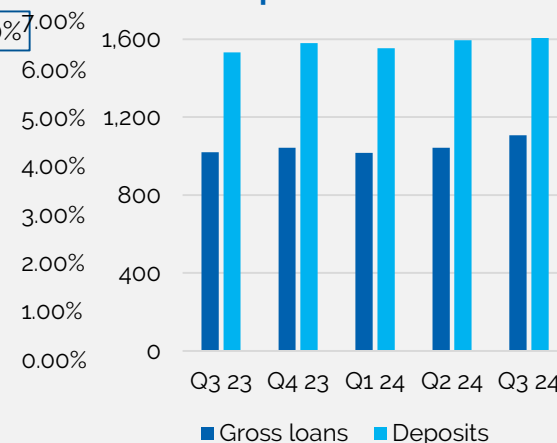
# Fund Based Income

Rs Bn	9M 2024	9M 2023	% change
Interest Income	179.21	236.36	-24.18
Interest Expense	100.68	142.91	-29.55
NII	78.53	93.45	-15.97

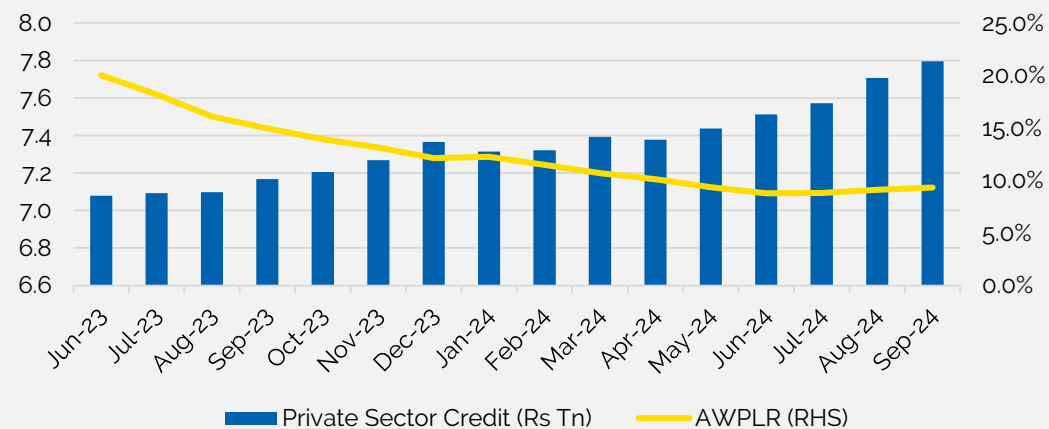
NII (Rs Bn) and Quartely NIM



Bank's Gross Loans & Deposits (Rs Bn)



Private Credit (Rs. Tn) & AWPLR



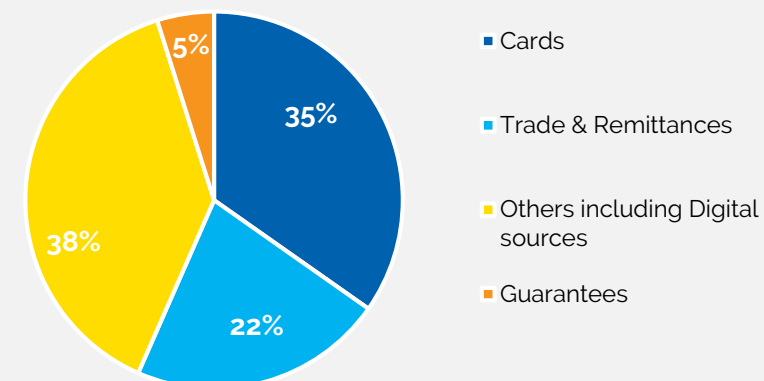
- Interest Income experienced a YoY decline of 24%, largely due to the decline in the Average Weighted Prime Lending Rate (AWPLR) by more than 50% during the first nine months of 2024, compared to the previous year. Similarly, Interest Expense declined by 30%, supported by favorable growth in CASA deposits
- The Bank's Gross Loan book, which contracted in Q1 2024, saw a notable increase of more than Rs 90 Bn since Q2 2024
- The bank's deposit book grew by Rs 41 Bn aided by the strong growth in LKR CASA which recorded an increase of Rs 80 Bn up to Q3 2024

# Non-Fund Based Income

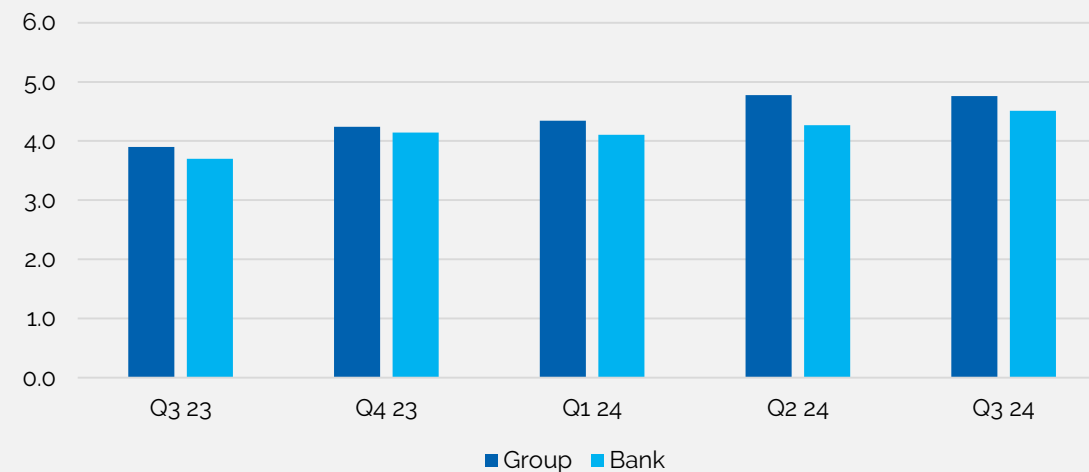
Rs Bn	9M 2024	9M 2023	% change
Net Fee and Commission Income	13.87	12.33	12.47
Other Gains/ (Losses)	-0.08	-1.43	-94.18
Insurance Premium	13.21	11.03	19.76
Total Operating Income	105.53	115.38	-8.54

- The Group's Total Non Interest Income recorded an increase of 20% aided by growth in fee and commission income and an uptick in insurance premiums
- The growth in Net Fee and Commission Income was driven by higher card income and commission from digital sources
- However, the Total Operating Income recorded a decline weighed down by the contraction in the Net Interest Income

### Breakup of Bank Fee Income



### Net Fee Income (Rs Bn)



# Impairment and Asset Quality

Rs Bn	9M 2024	9M 2023	% change
Impairment on Financial Assets	3.18	26.54	-88.01
Loans and Other	1.09	7.30	-85.05
Total Impairment	4.27	33.84	-87.37

- The Bank achieved superior asset quality compared to the industry, with the Net Stage 3 ratio and the Stage 3 coverage ratio, improving to 3.32% and 60.5% during the quarter, compared to 4.09% and 56.08%, respectively, in 1H 2024
- During 2024, the Group's total impairment charge significantly decreased to Rs. 4.3 Bn, compared to Rs. 33.8 Bn for the same period in 2023, primarily owing to the previous year's high impairment charge on investments in ISBs
- The Bank continued to maintain its provision cover on ISB investments at 52%

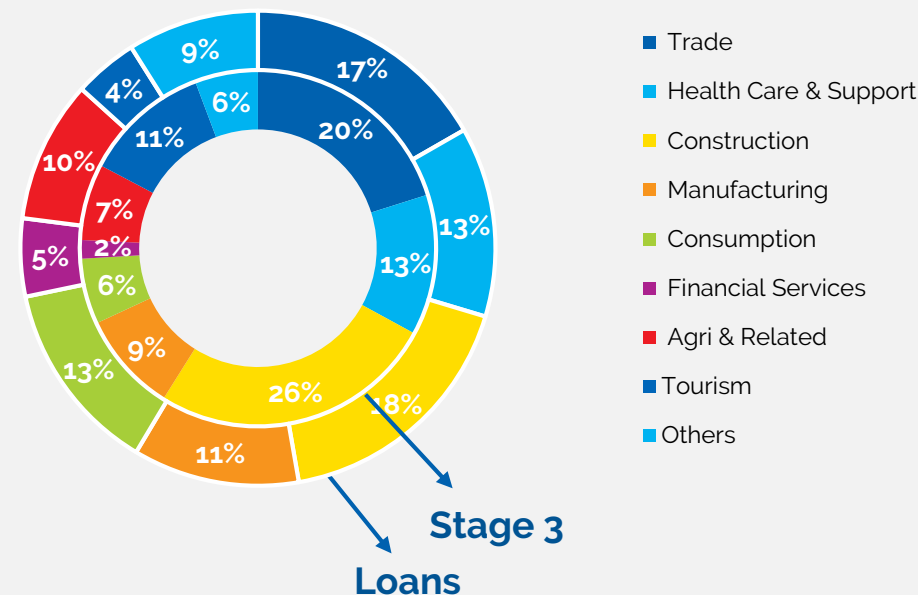
3.32%

Net Stage 3 ratio

60.50%

Stage 3 coverage ratio

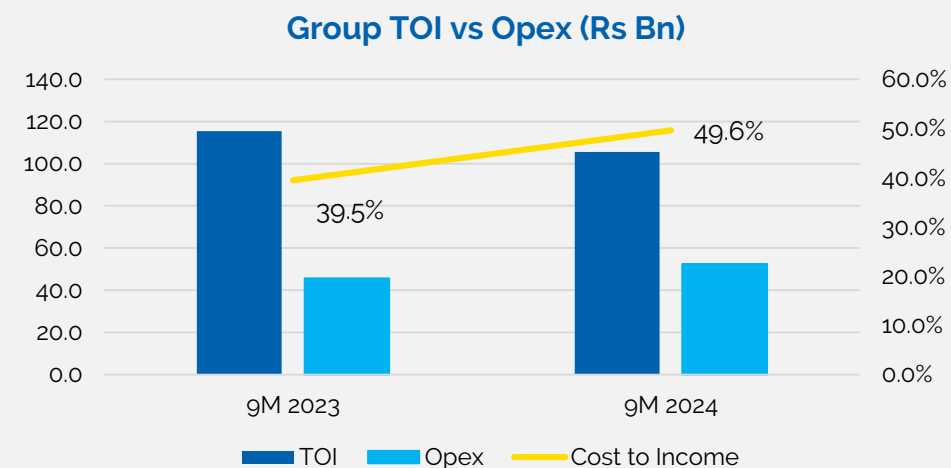
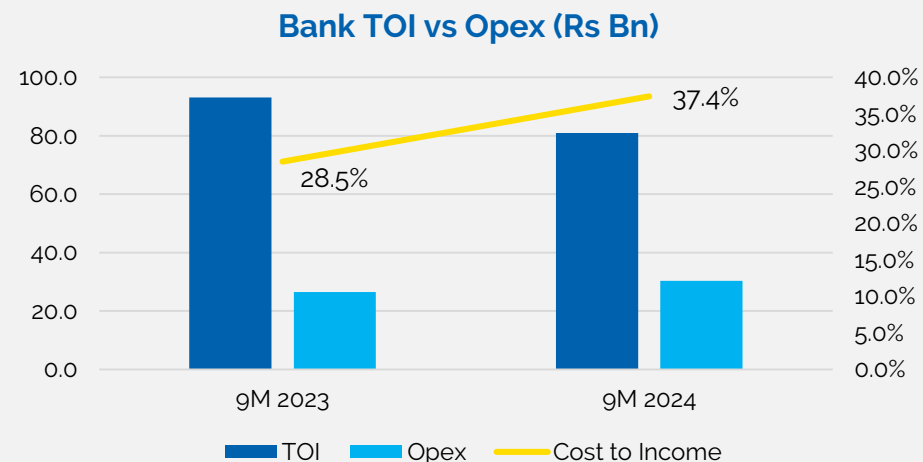
## Sector Wise Breakup



# Operational Expenses

Rs Bn	9M 2024	9M 2023	% change
Personnel Expenses	18.38	15.70	17.09
Insurance Costs	13.76	12.31	11.79
Other Expenses	20.23	17.56	15.20
<b>Total Operating Expenses</b>	<b>52.37</b>	<b>45.57</b>	<b>14.93</b>

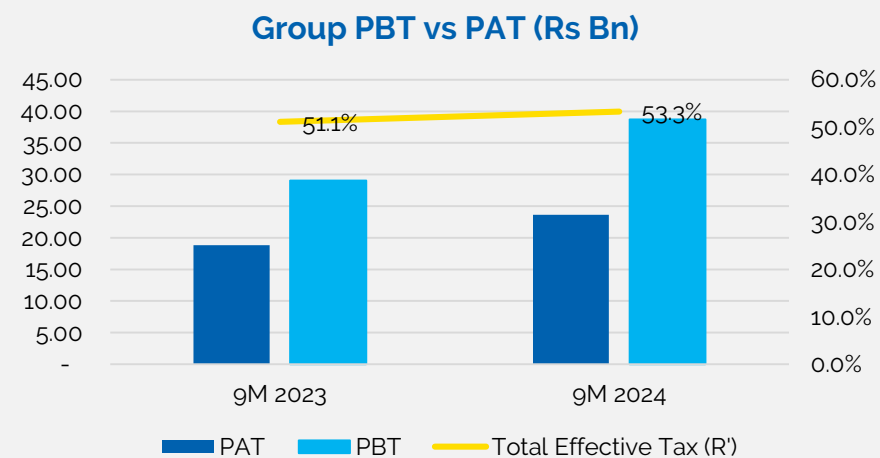
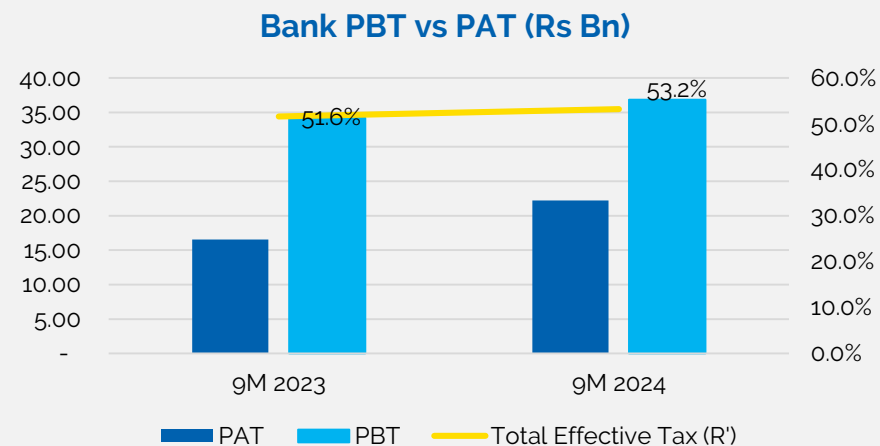
- The Total Operating Expenses increased primarily due to a 17% rise in personnel expenses. Other Operating Expenses also saw a 16% increase. Furthermore, Insurance Expenditure rose by 12%, mainly due to higher claims and underwriting costs
- The increase in the Cost-to-Income ratio was primarily attributed to the contraction in Total Operating Income, coupled with a 15% YoY rise in Total Operating Expenses



# Taxation and Profitability

Rs Bn	gM 2024	gM 2023	% change
FSVAT and SSCL	11.00	8.20	34.09
Profit Before Income Tax	38.71	29.04	33.30
Income Tax Expense	15.05	10.19	47.73
Total Group PAT	23.66	18.85	25.53

- Effective Tax Rate for the Group and Bank stood at 53%
- HNB Group reported a PAT of Rs 23.7 Bn, reflecting a 26% increase compared to the previous year. The Bank's PAT grew by 34% to Rs 22.2 Bn

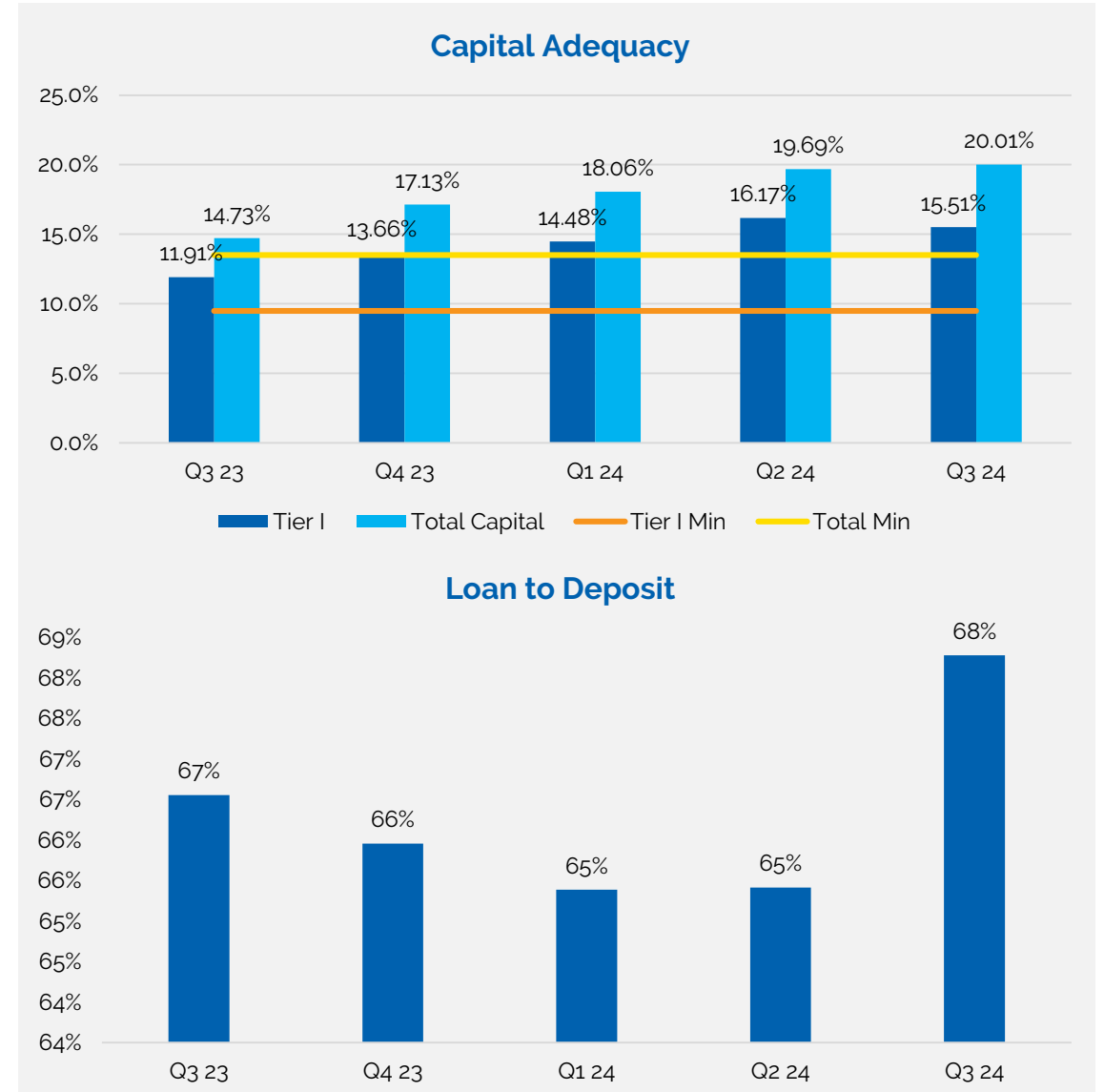




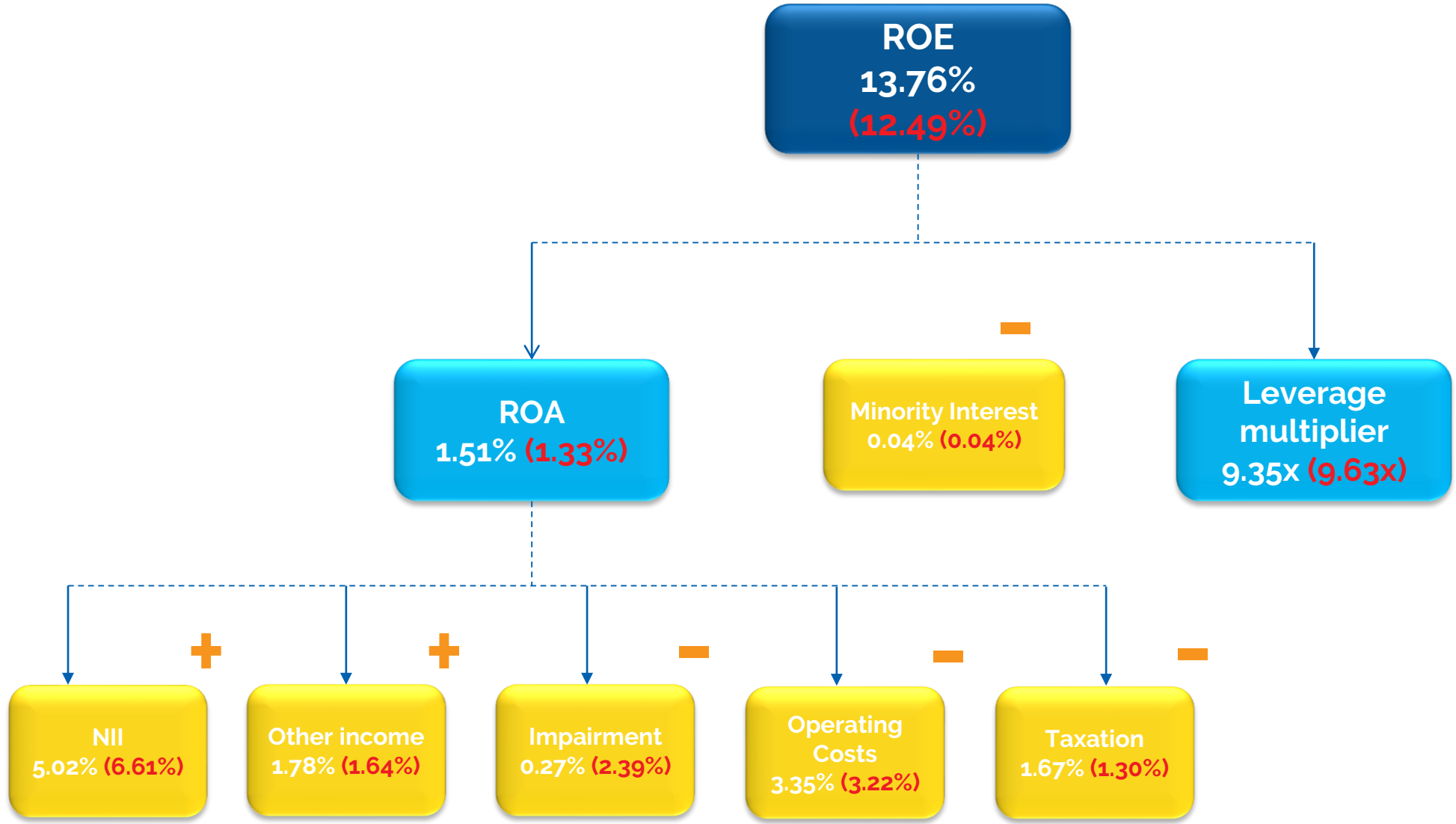
# Soundness Indicators – Bank Level

Ratio	HNB	Requirement
LCR (All)	<b>297.39%</b>	<b>100%</b>
LCR (LKR)	<b>313.84%</b>	<b>100%</b>

- HNB's Tier I and Total Capital Adequacy Ratios stood at 15.51% and 20.01% respectively, well above the required minimum level of 9.5% and 13.5%
- The Tier II capital ratio was further strengthened by the successful introduction of Basel III compliant subordinated debentures, amounting to Rs 12 Bn
- HNB maintained a sound liquidity position with an all-currency Liquidity Coverage Ratio of 297.39%, well above the statutory requirement of 100%



# Group – DuPont Analysis



9M 2024  
9M 2023

# Recent Key Highlights

# Recent Key Highlights

- HNB was ranked the **Number 1 Company in Sri Lanka** by **Business Today** in its Top 40 Businesses ranking for 2023/24
- 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 14<sup>th</sup> occasion by the Asian Banker
- HNB was honored with the **“Best Bank – Sri Lanka”** award at the **2nd Emerging Asia Banking Conclave & Awards**, organized by the Indian Chamber of Commerce (ICC).
- **Unveiled HNB Self – Onboarding Platform**, a transformative digital banking solution that allows customers to open bank accounts online.



# Thank You

Hatton National Bank PLC