



HNB

HNB PLC

Investor Update

Q2 2015

Financial Highlights – Group P&L (LKR Mn)

	H1 2015	H1 2014	% Change
Net Interest Income	14,386.6	12,725.6	13%
Net Fee Income	2,555.8	2,210.5	16%
Other Income	3,128.6	3,473.7	(10%)
Total Income	20,071.0	18,409.8	9%
Impairment Charge	(1,453.5)	(2,692.3)	(46%)
Operating Expenses	(10,822.9)	(9,413.2)	15%
VAT & NBT	(1,310.1)	(1,036.2)	26%
PBT	6,484.5	5,268.0	23%
Corporate Tax	(1,928.3)	(1,575.5)	22%
PAT attributable to Equity holders	4,301.3	3,647.3	18%

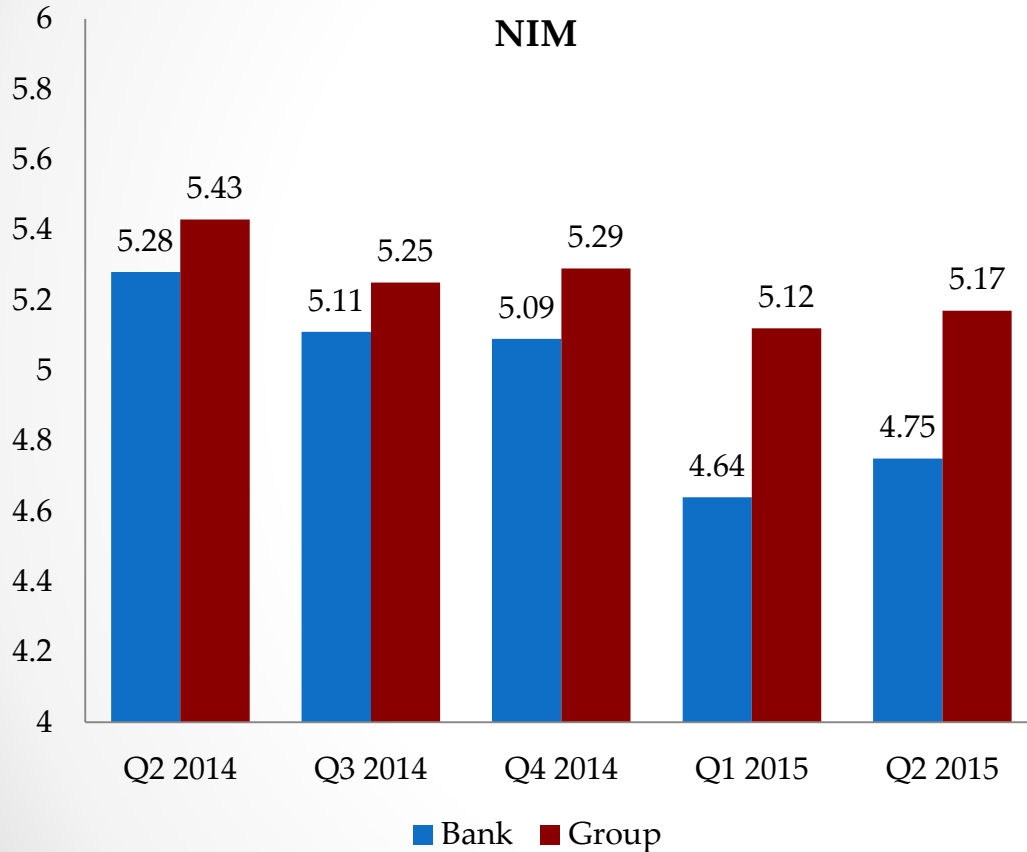
Financial Highlights – Group Balance Sheet (LKR Mn)

	June 2015	Dec 2014	% Change
Total Assets	661,299.7	600,056.2	10%
Net Loans	434,194.7	401,062.7	8%
Liabilities	589,944.5	530,417.5	11%
Deposits	468,834.5	425,620.4	10%

Financial Highlights – Bank P&L and Balance Sheet

P & L	H1 2015	H1 2014	% Change
Net Interest Income	12,857.0	12,368.9	4%
Net Fee Income	2,654.6	2,382.3	11%
Other Income	1,243.9	1,606.5	(23%)
Impairment Charge	(1,419.8)	(2,692.3)	(47%)
Operating Expenses	(8,057.6)	(7,683.8)	5%
PBT	6,077.6	4,945.2	23%
Corporate Tax	(1,765.6)	(1,562.1)	13%
PAT	4,311.9	3,383.1	27%
Balance Sheet	June 2015	Dec 2014	% Change
Assets	635,234.8	576,416.8	10%
Net Loans	426,954.8	395,480.1	8%
Liabilities	572,728.5	515,518.1	11%
Deposits	461,201.5	419,327.1	10%

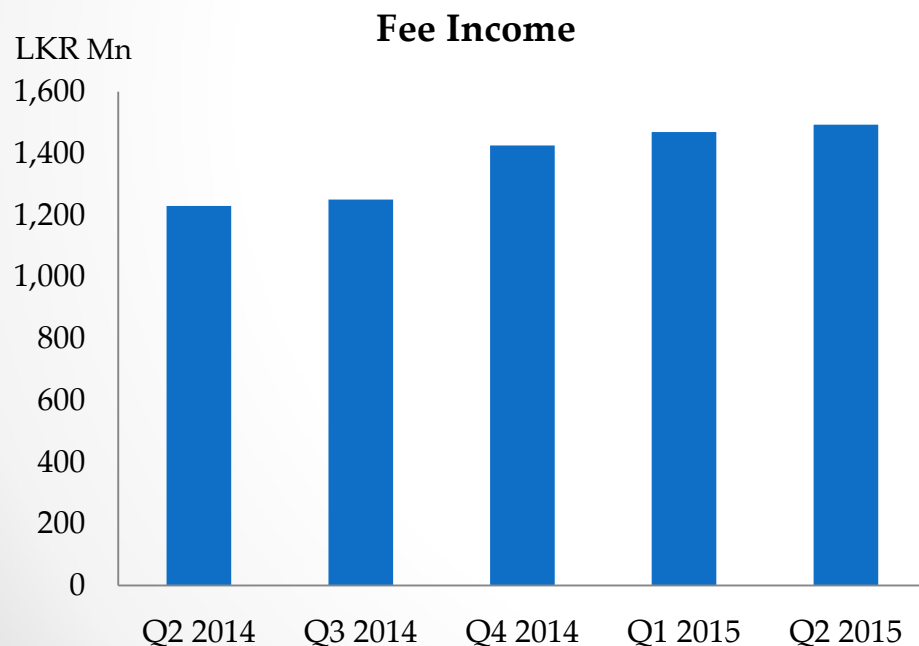
Continuing pressure on margins



- AWPLR continues to be approx. 100 bps lower than 12 months ago.
- Gold backed loan portfolio which was yielding high margins has almost halved since last year.
- HNB NIM still remains ahead of competition

Growth in Fee Income (LKR Mn)

	Q2 2015	% growth YoY
Fee Income	2,962.4	18.8%
Expenses on Fees	(406.6)	43.3%
Net Fee Income	2,555.8	15.6%

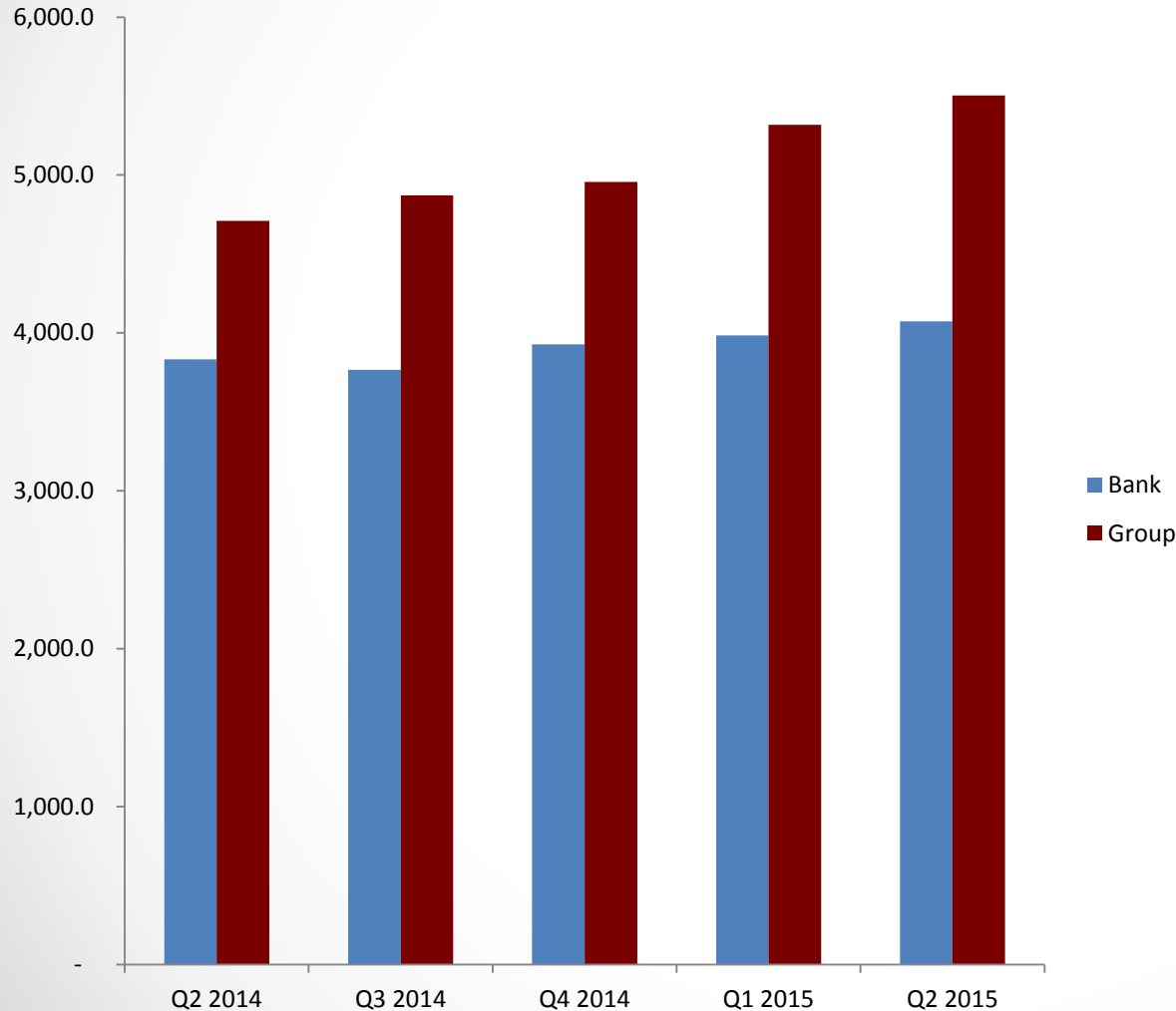


Main fee drivers :

- Trade Finance
- Credit Cards
- Leasing
- Current & Savings Accounts
- Guarantees

Containing increase in Operating Expenses

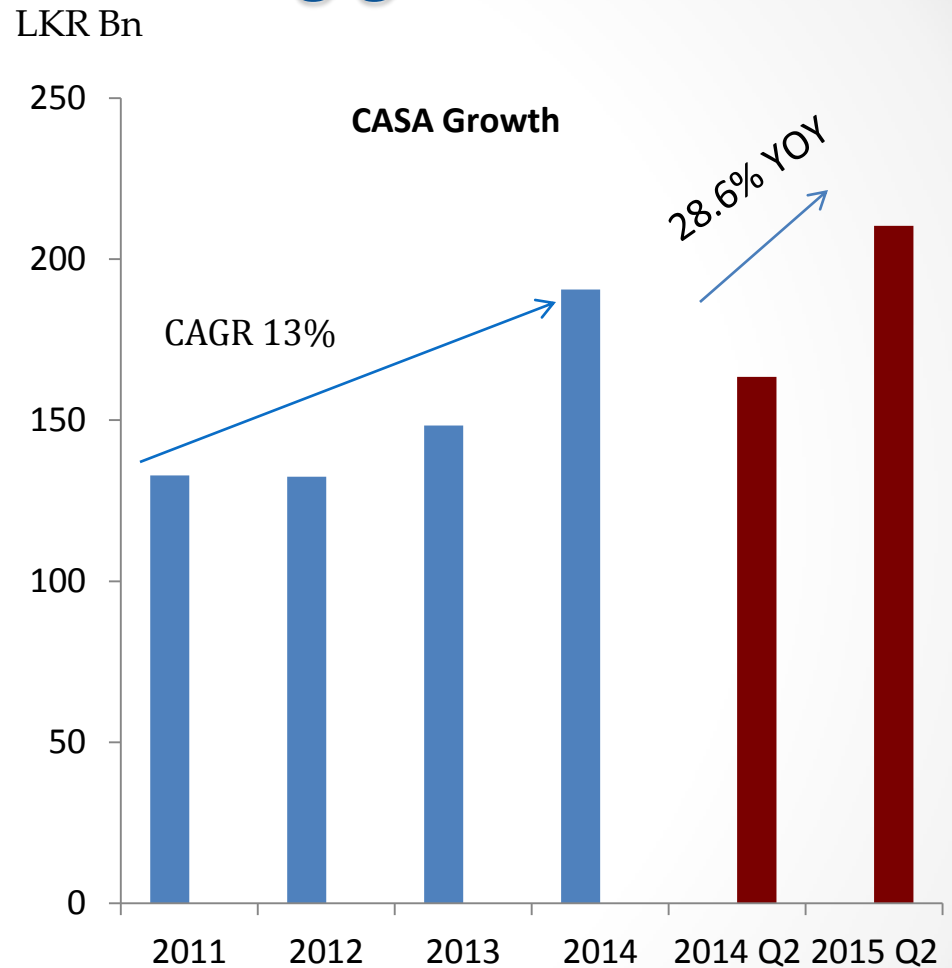
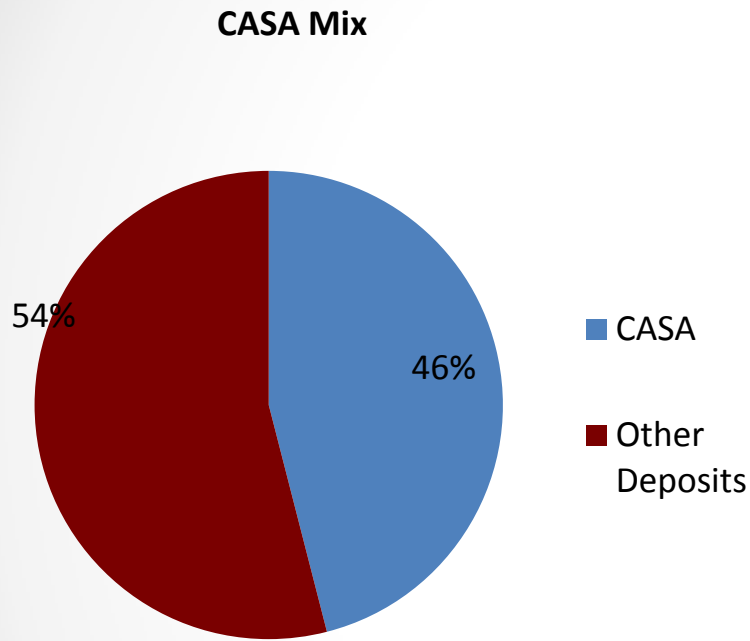
LKR Mn



BPR initiatives curtailing operating expenses

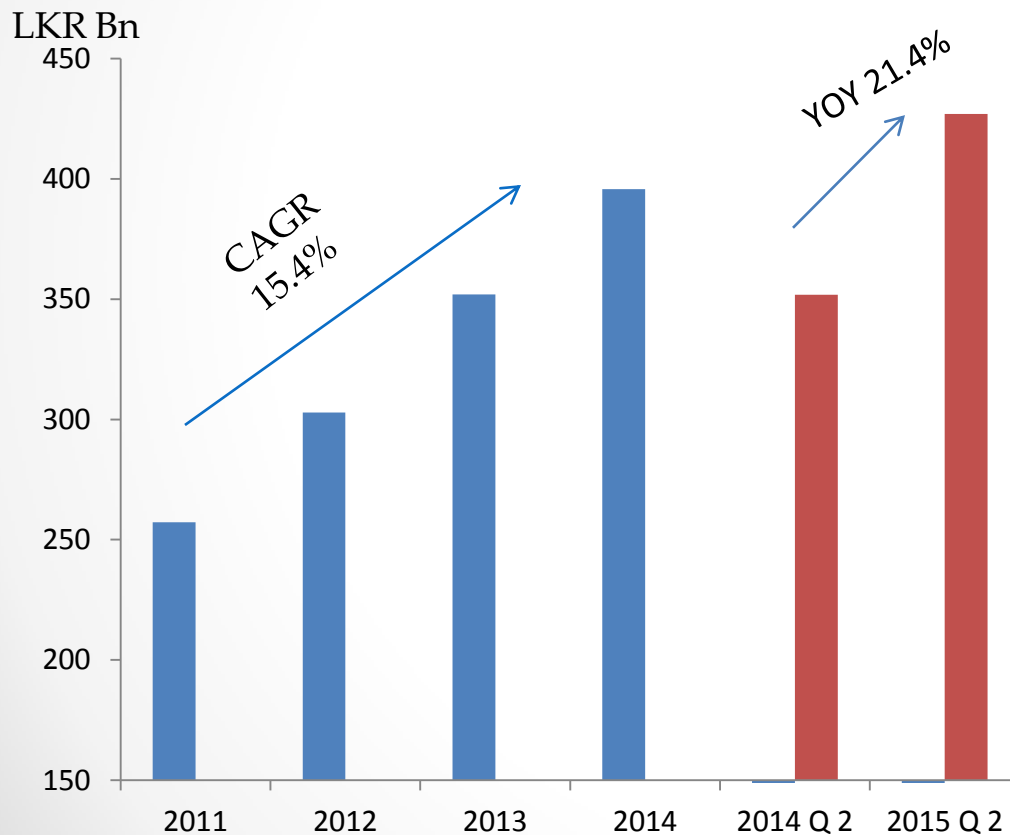
- 60% of retail credit processing & underwriting centralized
- Balance to be completed before year end
- SME cells in the regions
- Branch Target Operating Model

Low cost deposit base funding growth

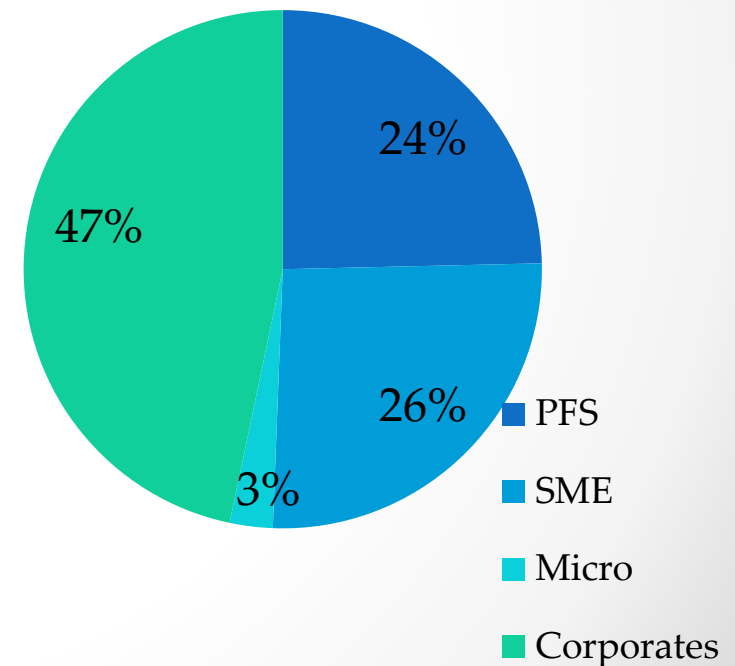


Sound growth in advances

27.8% YOY growth in advances net of gold backed loans



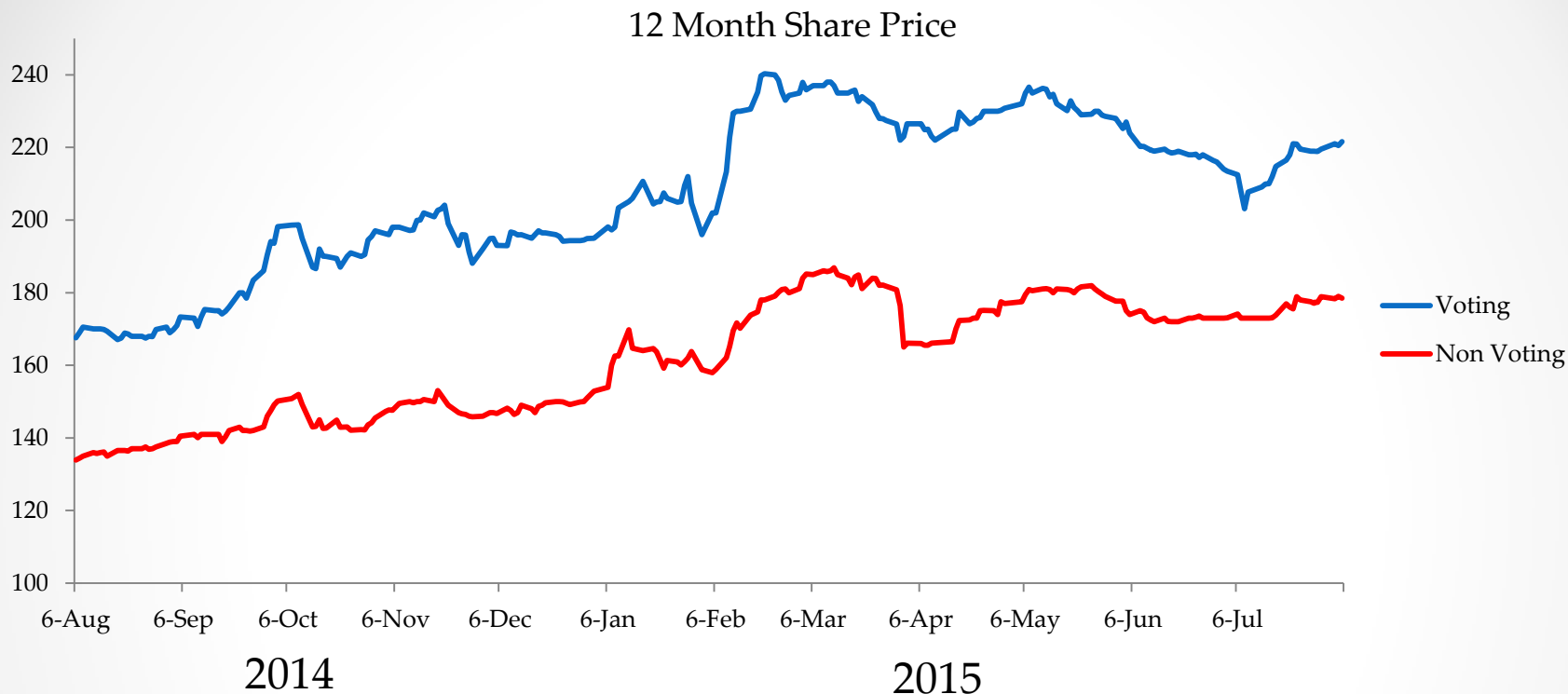
Segmental Distribution



DuPont Analysis

	1 H 2015	1 H 2014
NII/ Average Assets	4.31%	4.70%
Other Income / Average Assets	1.69%	2.09%
Net Income/ Average Assets	6.00%	6.78%
Operating Cost/ Average Assets	3.24%	3.48%
Provisions / Average assets	0.44%	0.99%
Taxation/ Average assets	0.97%	0.96%
Return on Average Assets	1.36%	1.36%
Equity Multiplier	9.18	9.20
Return on Average Equity	12.53%	12.54%

Shareholder Value Creation



- PE of 10.44x Industry PE 12.9x
- PBV of 1.3x Industry PBV 1.6x
- Total Shareholder Return significantly over the ASPI growth of 8% during the past 12 months
 - Voting - 36%
 - Non Voting - 38%

Key Achievements Q1 - 2015



- Awarded as the 'Best Retail Bank in Sri Lanka' by the Asian Banker for the 7th time.
- ACCA Sustainability Reporting – Gold Award in the Banking Category.
- HRM 'Gold' Award at the HRM Awards 2014 organized by the Association of Human Resource Professionals
- The Golden Globe Tigers Awards – For Excellence & Leadership in Branding & Marketing (HNB MOMO).

Thank you

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