

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 1H 2020

# Financial Highlights 1H 2020








## Net Operating Income - Group

	1H 20 (Rs Bn)	1H 19 (Rs Bn)	Growth %
Interest Income	58.5	63.6	 8%
Interest Expenses	(32.7)	(34.4)	 5%
NII	25.9	29.2	 11%
Net Fee Income	3.7	4.9	 26%
Net Insurance Premium	3.9	3.9	 1%
Other Income	2.2	0.02	 10690%
Impairment	(9.3)	(7.0)	 32%
Net Operating Income	26.1	31.0	 16%

## Expenses & Profits - Group

	1H 20 (Rs Bn)	1H 19 (Rs Bn)	Growth %
Operating Expenses	(17.1)	(18.1)	 6%
VAT, NBT & DRL	(1.9)	(4.0)	 54%
PBT	7.4	9.0	 18%
Income Tax	(1.9)	(3.8)	 50%
PAT	5.5	5.1	 7%
Profit Attributable to Shareholders	5.2	4.9	 5%

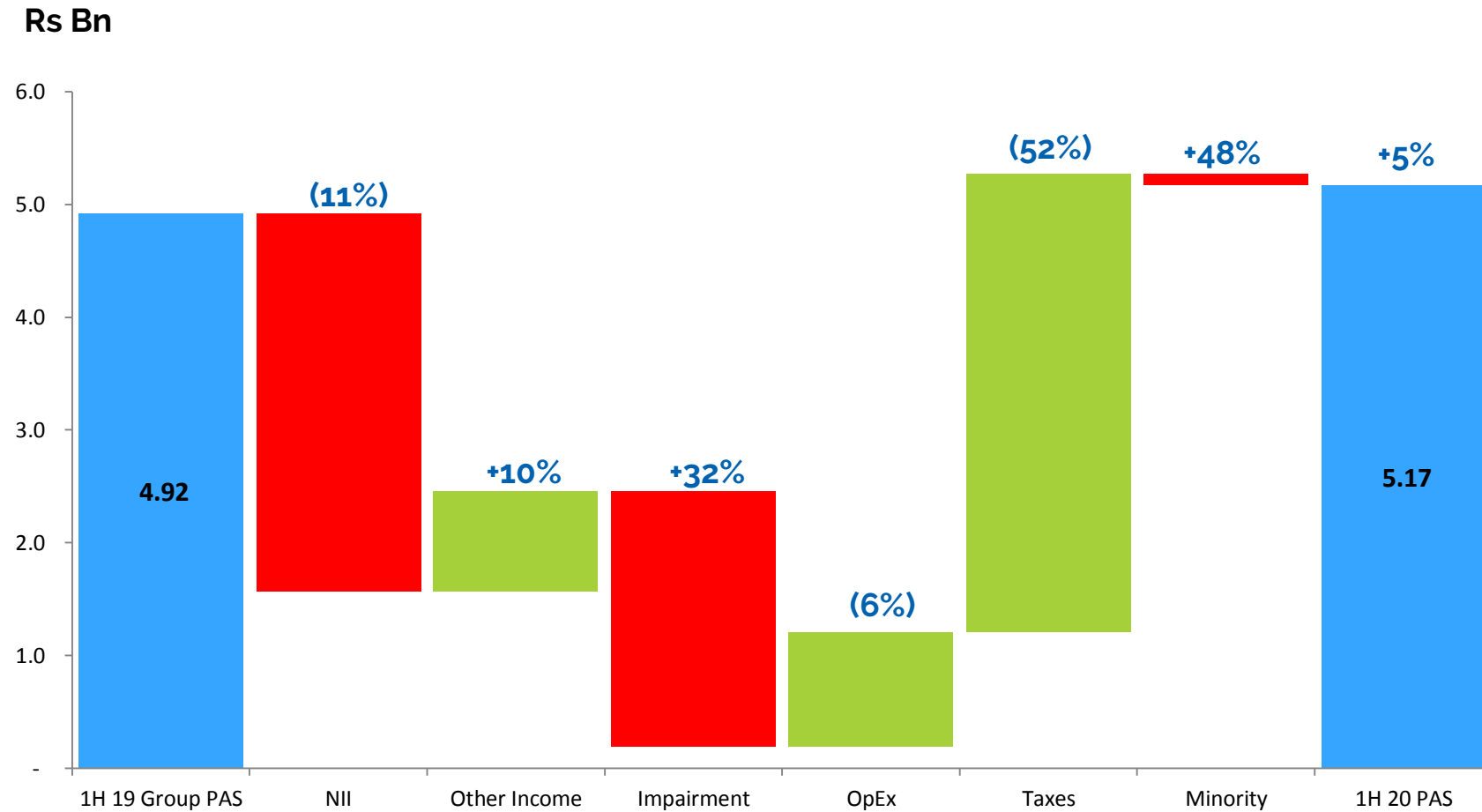
## Net Operating Income - Bank

	1H 20 (Rs Bn)	1H 19 (Rs Bn)	Growth %
Interest Income	53.8	59.0	 9%
Interest Expenses	(31.4)	(33.1)	 5%
NII	22.4	25.9	 13%
Net Fee Income	3.5	4.4	 22%
Other Income	2.0	(0.1)	 2001%
Impairment	(9.1)	(6.3)	 45%
Net Operating Income	18.8	24.0	 22%

## Expenses & Profits - Bank

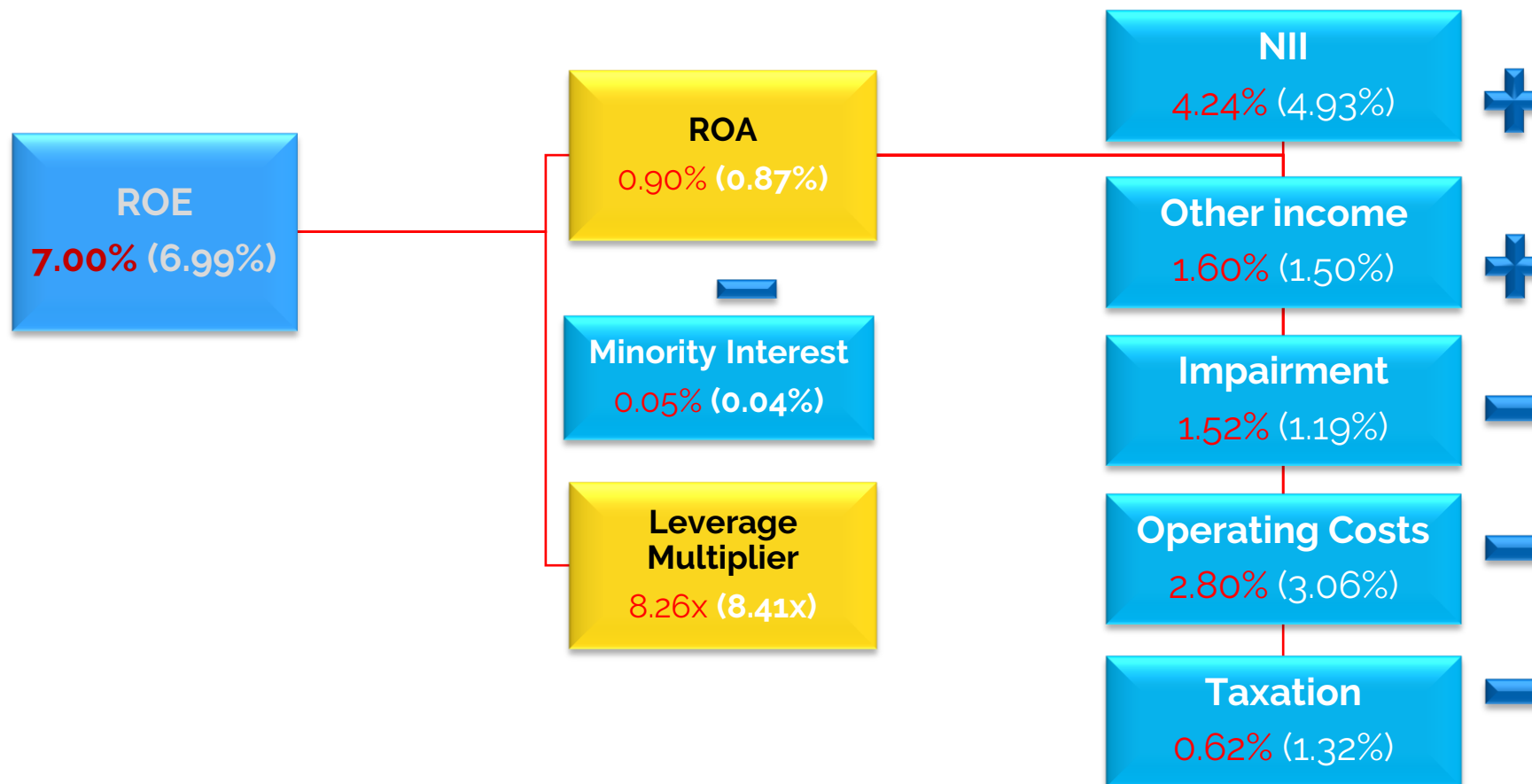
	1H 20 (Rs Bn)	1H 19 (Rs Bn)	Growth %
Operating Expenses	(11.2)	(11.9)	 6%
VAT, NBT & DRL	(1.7)	(3.8)	 55%
PBT	5.9	8.3	 29%
Income Tax	(1.4)	(3.5)	 60%
PAT	4.5	4.8	 7%

# Movement in Group Profit Attributable to Shareholders





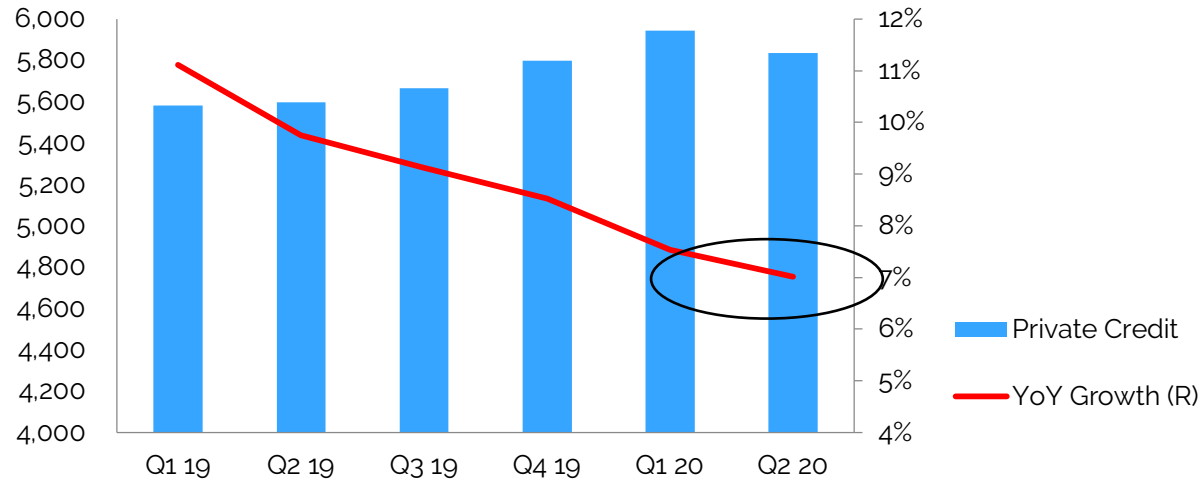
# DuPont Analysis – Group



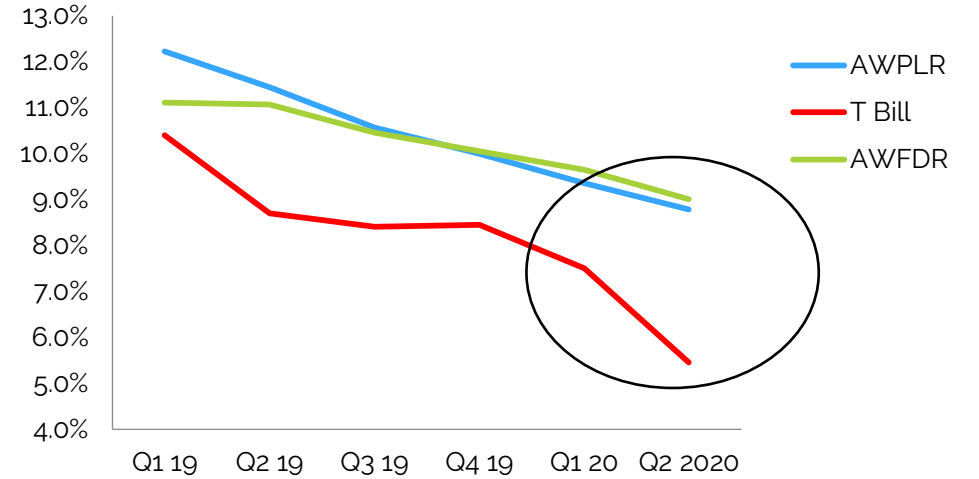
**1H 20**  
1H 19

# Market Rates & NIMs

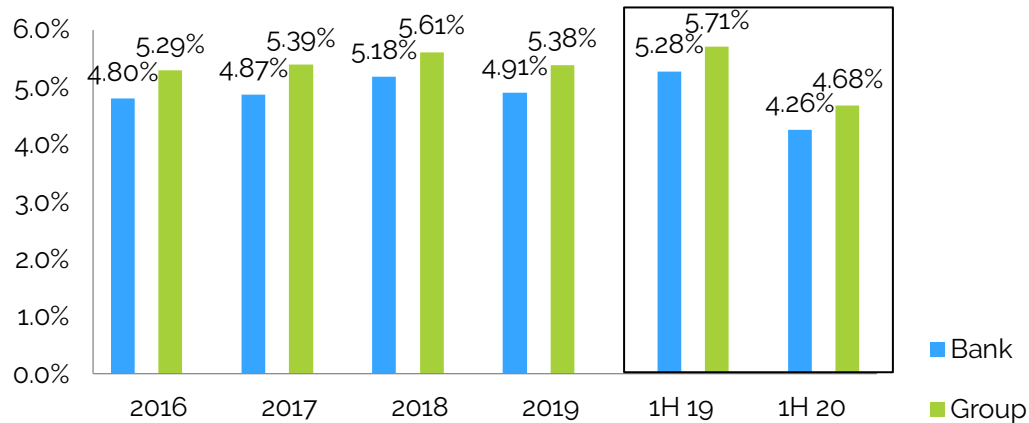
### Pvt Credit (Rs Bn)



### Market Rates



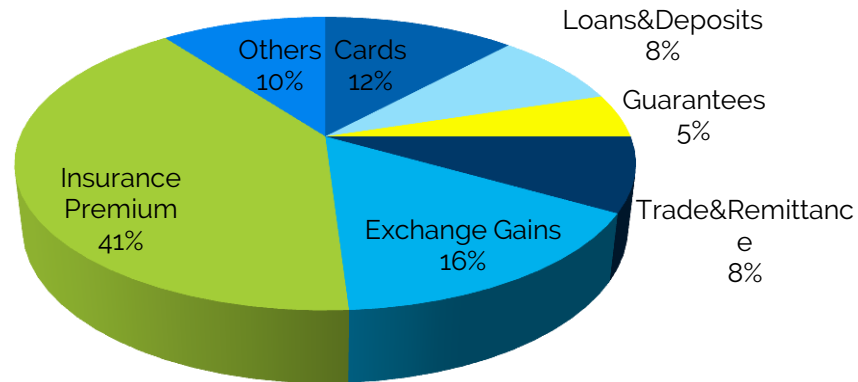
### NIM



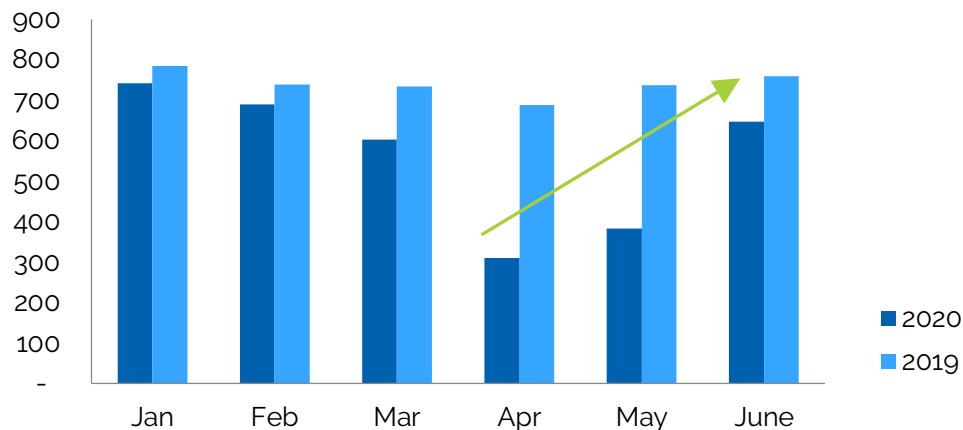
- **Market rates drop steeply amid monetary loosening**
- **No commensurate pick up in credit due to uncertainty**
- **Leads to 100 bps YoY drop in HNB NIM's at Bank & Group level**

# Non Fund Income

Composition of Non Fund Income



Month wise Fee & Commission (Rs Mn)



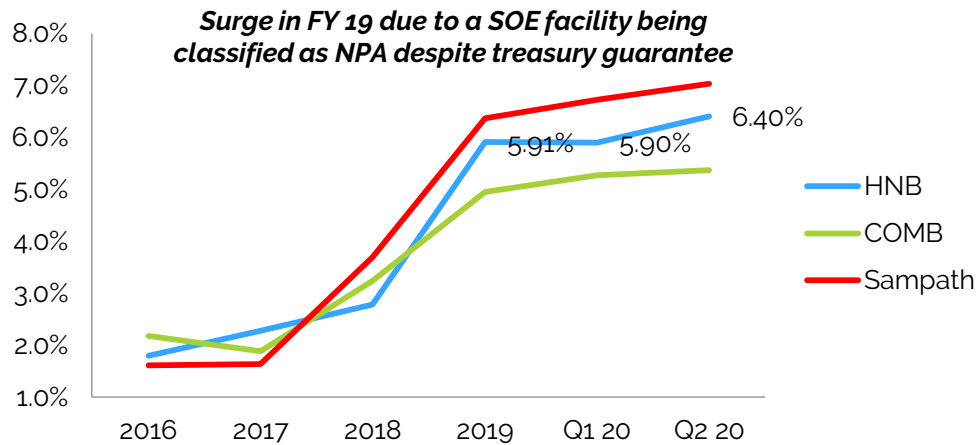
- COVID 19 - total embargo on non essential imports, Exports down, Lower Credit Card usage, etc.
- Restrictions on charging fees by CBSL – Cheque Returns, Late Payments on Credit Cards, etc. till 30<sup>th</sup> Sept 2020
- Affects Fee & Commission income significantly – down 22.2% YoY to Rs 3.5 Bn at Bank level
- However May/ June witness fee income levels returning to normalcy
- Exchange income improves by Rs 2.1Bn YoY
- Reduction in SWAP cost
- Total Non fund Income grows 8.2% YoY to Rs 9.5 Bn

## Digital Initiatives

- HNB SOLO, AppiGo, HNB MOMO, etc. boost fees from Digital Channels
- Increased usage of IPG services
- Increased uptake among merchants for SOLO, AppiGo

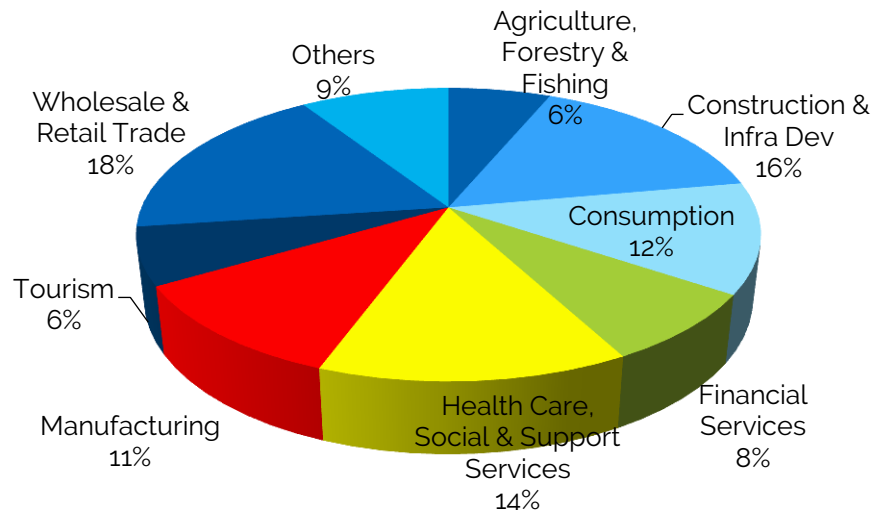
# Asset Quality

## Gross NPA

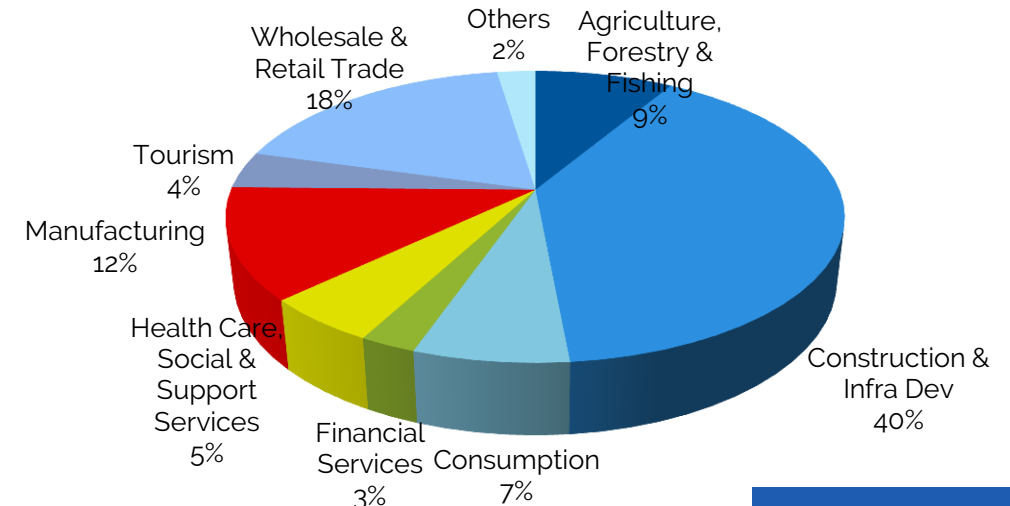


- *Balance between assistance to clientele/economy and asset quality as well as sustainable business under scenario of increased credit risk faced by sector – 40% of loan book under moratoriums*
- *Set up of Special Asset Management Unit to proactively assist struggling clients*
- *Comprehensive revision of Credit Policy during COVID*
- *NPA up 50 bps in 1H*
- *Slightly increasing trend in Consumption related NPA*

## Sector Wise Loans

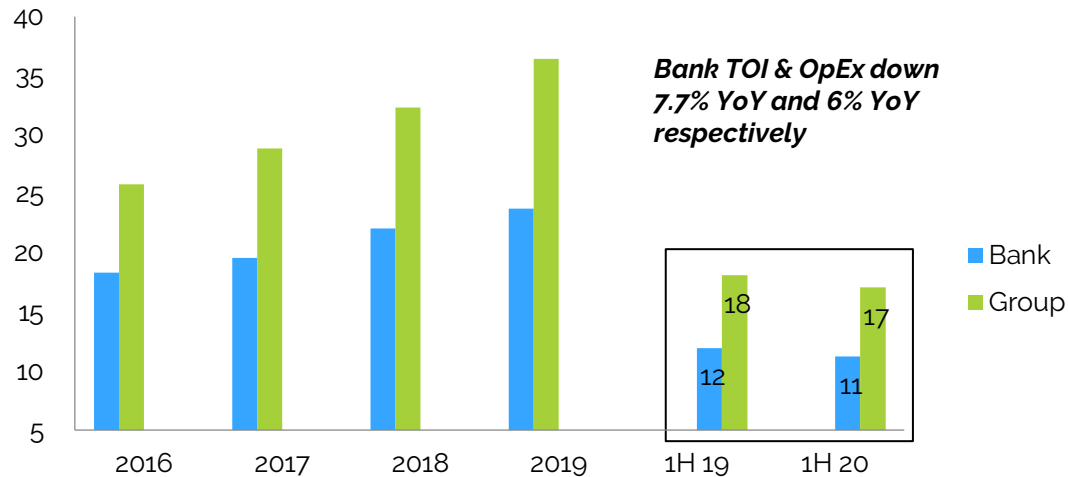


## Sector Wise NPA

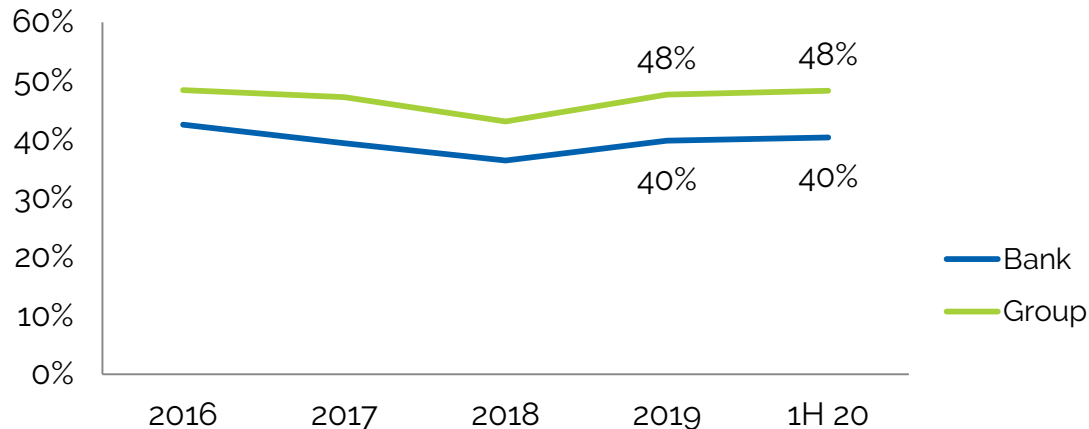


# TOI & Operating Costs

## Operating Expenses (Rs Bn)

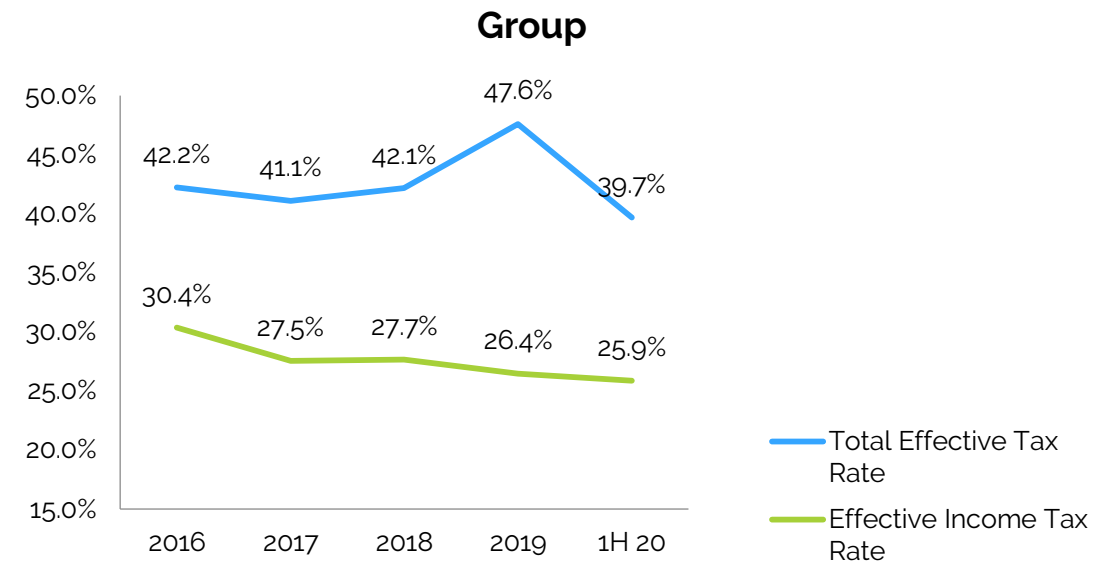
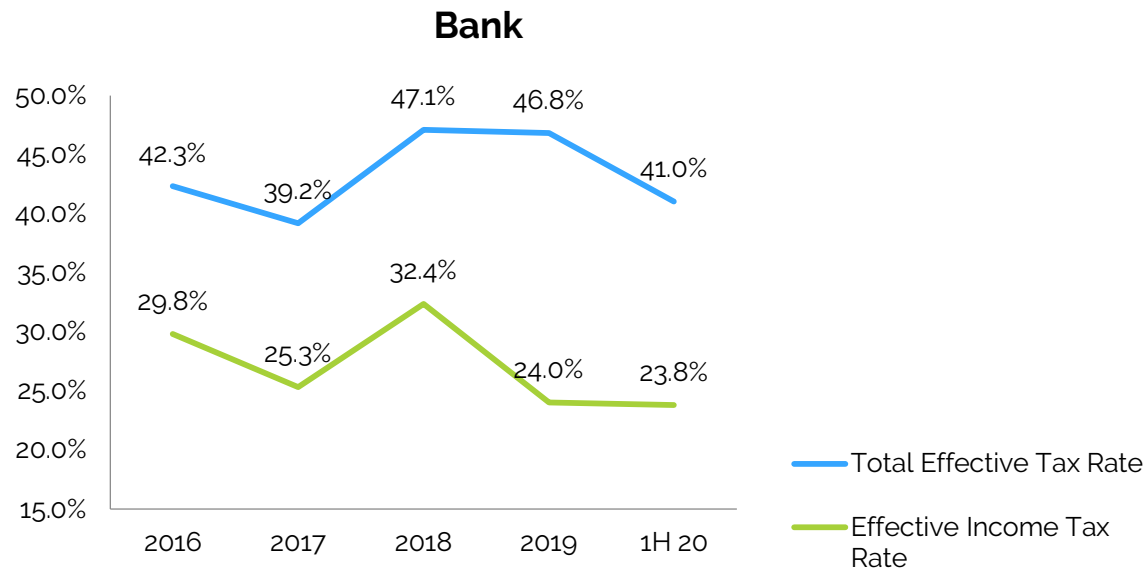


## Cost to Income



- *Concerted effort to reduce OpEx to mitigate COVID impact*
- *Outsourcing and supplier agreements revised*
- *Discretionary budgets revised - Temporary curtailing of advertising, promotions etc.*
- *Suspension of intern / outsourced staff contracts until the business growth improves*
- *We however pursued critical IT investments such as New Core Banking, BI Visualization, LOS, etc. Core Banking was successfully rolled out in August*
- *Cost to Income unchanged from FY 2019 at Bank and Group level*

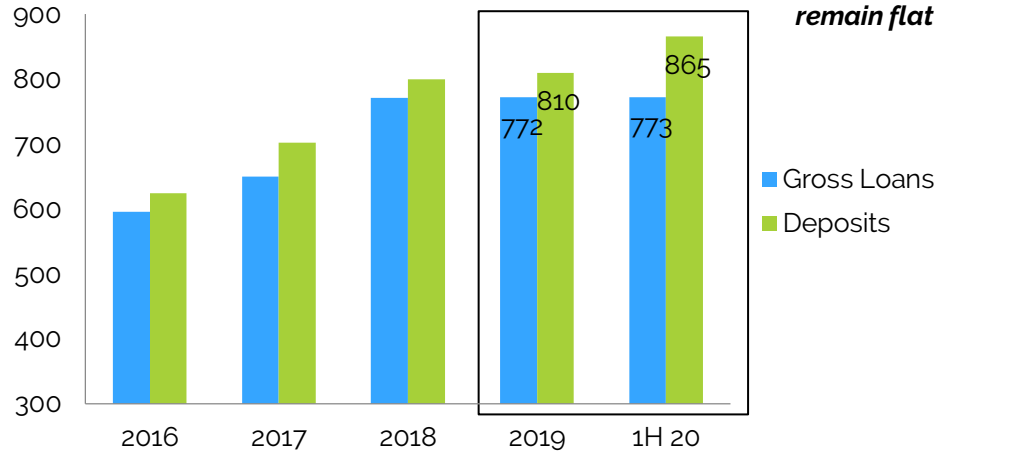
# Taxes



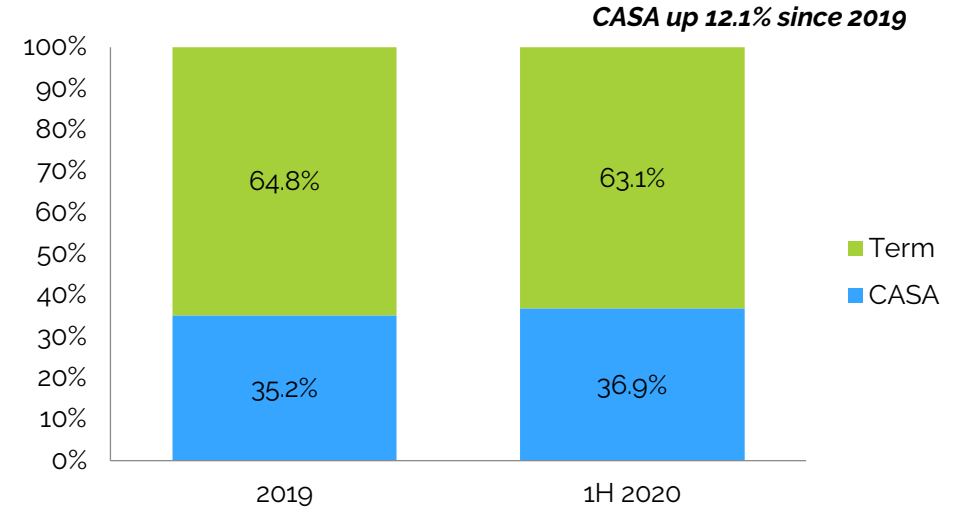
- *Abolishing of DRL & NBT provides relief to COVID impacted banking sector.*
- *DRL & NBT not being allowable expenses for Corporate Tax resulted in significantly high effective tax rate of 60.1% for 1H 19.*

# Lending & Deposits

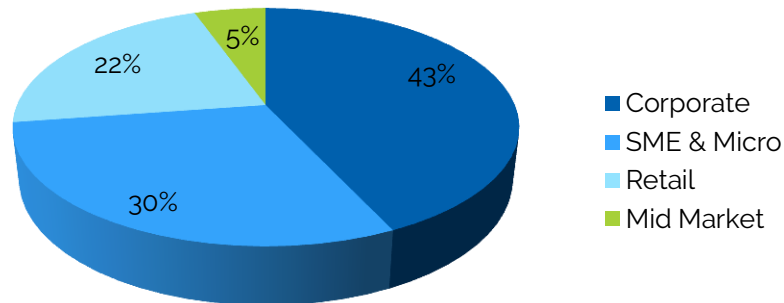
## Loans & Deposits (Rs Bn)



## Deposit Mix (Rs Bn)



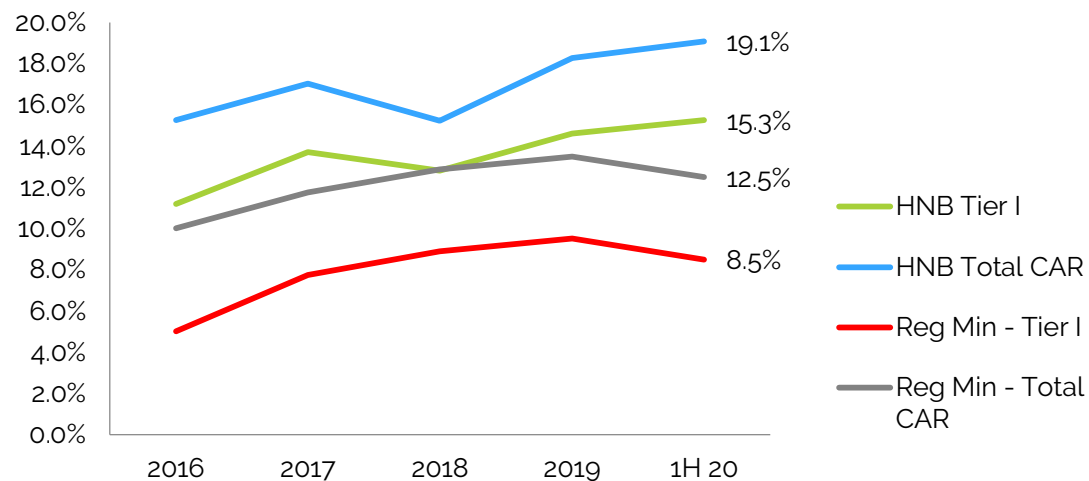
## Loan Mix



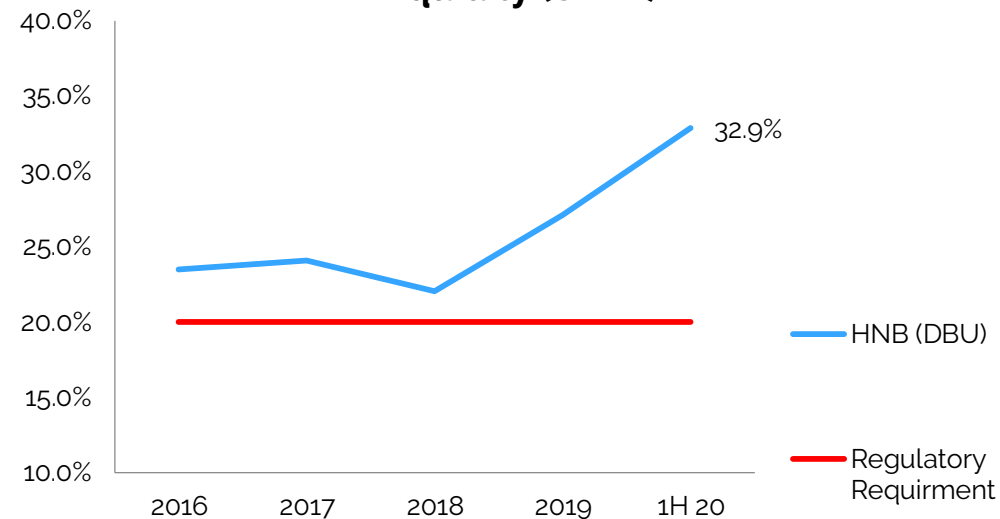
- *Loan growth mirrors decline in Private Credit as borrowers defer capital investments, seek working capital funds*
- *Healthy mix maintained in loan book*
- *Impressive CASA growth of Rs 34 Bn during tumultuous 1H.*
- *CASA ratio up 170 bps in 6 months to 36.9%*
- *Facilities totalling over Rs 11.5 Bn approved under the CBSL relief scheme at present*

# Capital & Liquidity

## Capital Adequacy



## Liquidity (SLAR)

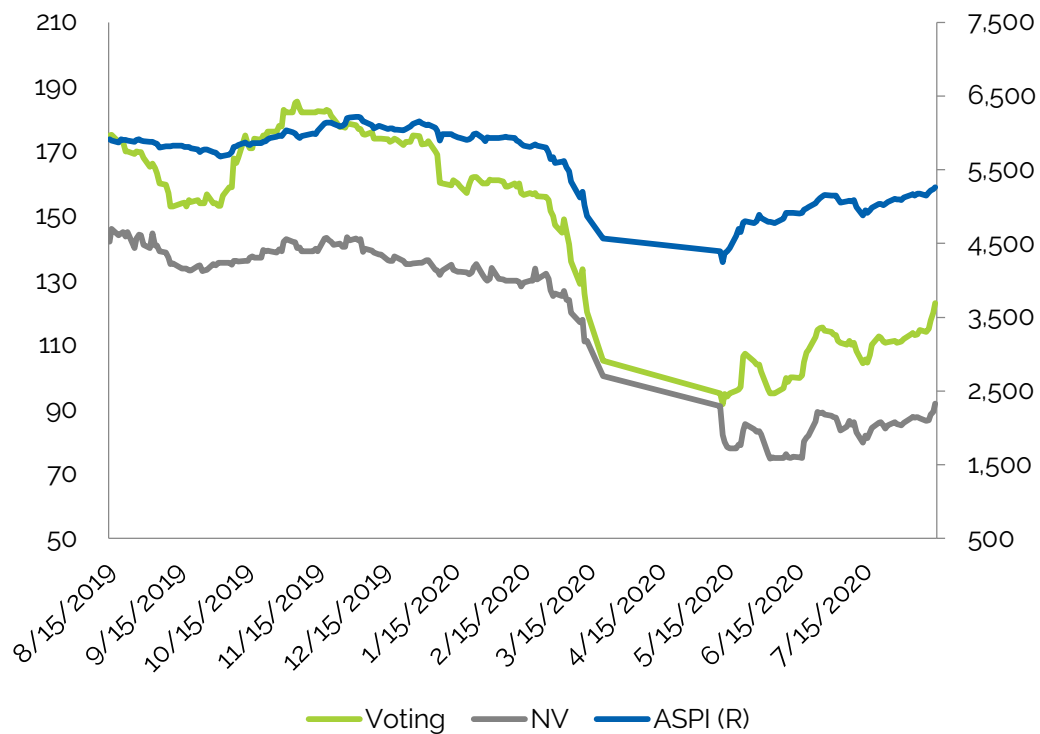


- *Liquidity Risk committee set up during lockdown with weekly meetings chaired by CEO; Increase in frequency of ALCO monitoring*
- *Fresh borrowings being finalised with foreign DFIs, extension on loan repayments received*
- *SLAR at 32.9%, well above 20% regulatory minimum*
- *CAR ratios well in excess of minimum*



# Market Value

Share Prices (Rs)



Multiples/Yield	Voting	NV
PE	6.09	4.55
PBV	0.42	0.31
Div Yield	6.5%	8.7%
Earnings Yield	16.42%	21.98%

Movement	Voting	NV	ASPI
12 Months	-30%	-35%	-11%
2020	-29%	-32%	-14%
Since Aug 5 <sup>th</sup> (election)	9%	5%	2%

**Thank you**