



**YOUR PARTNER IN PROGRESS**

# Investor Update

**7<sup>th</sup> March 2023**

# Financial Highlights

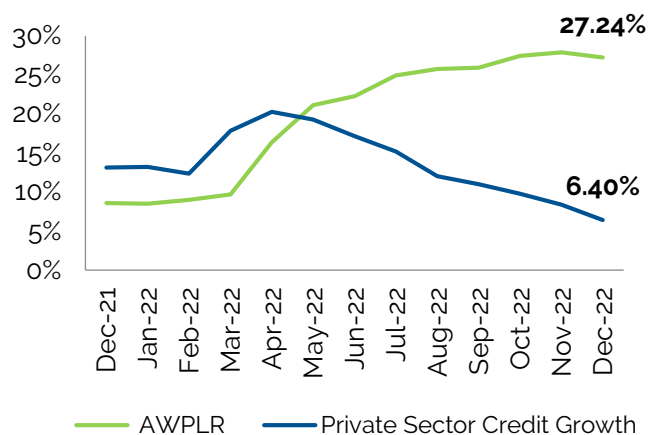
## 2022

# Fund Based Income

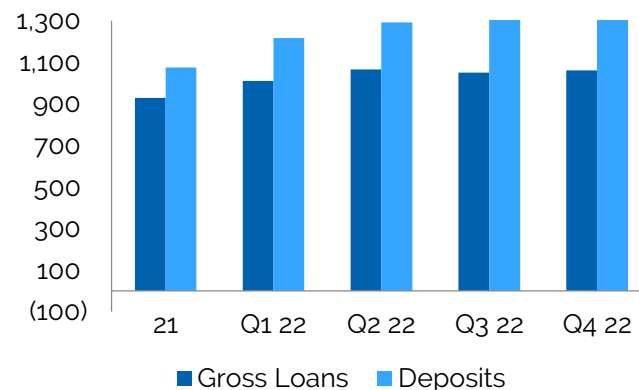
Rs Bn	2022	2021	% change
Interest Income	220.6	107.4	105.4
Interest Expenses	109.0	50.9	114.0
NII	111.6	56.5	97.6

- Bank's deposits grew by 31%
- Bank's LKR deposits grew by 23%; highest among key peers
- CASA shifted towards high yielding FDs
- One of the best NIMs in the Industry

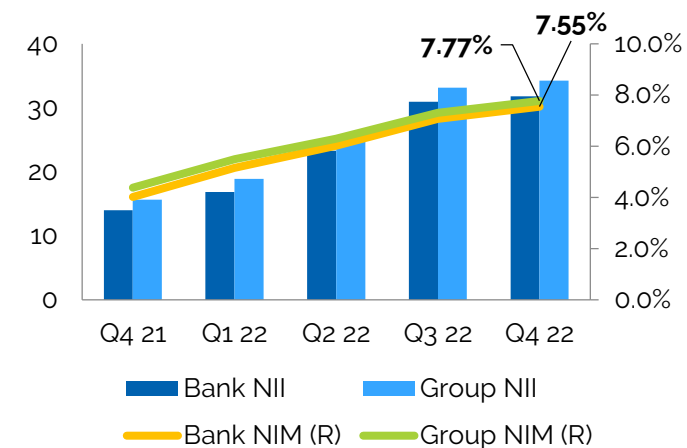
Private Sector Credit & AWPLR (%)



Bank's Gross Loans & Deposits (Rs Bn)



NII (Rs Bn) & NIM

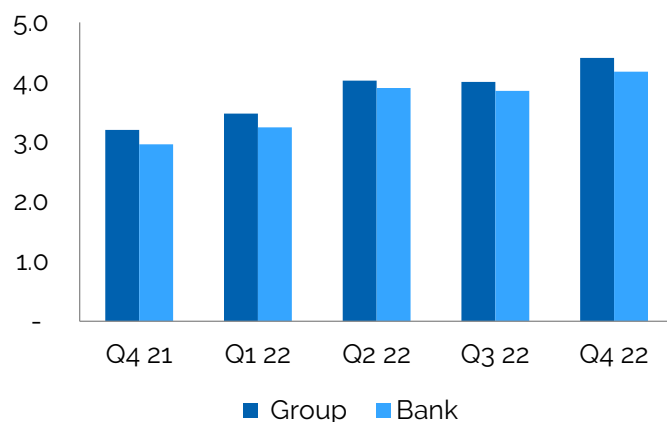


# Non-Fund Based Income

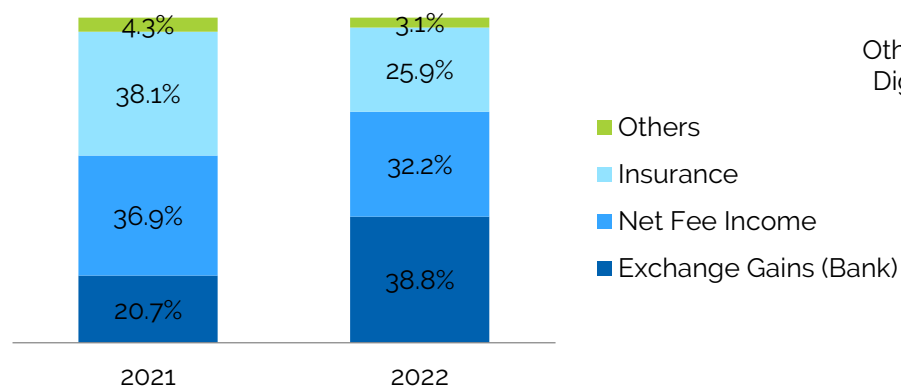
Rs Bn	2022	2021	% change
Net Fee & Commission Income	15.9	10.3	54.1
Exchange Gains (Bank)	19.1	5.8	231.3
Insurance Premium	12.8	10.6	19.8
Total Income	160.9	84.4	90.6

- Fee income from Cards, Trade and Digital Channels resulted in a 54% YoY growth in Net Fee Income
- LKR depreciation of approx. 80% has boosted exchange gains

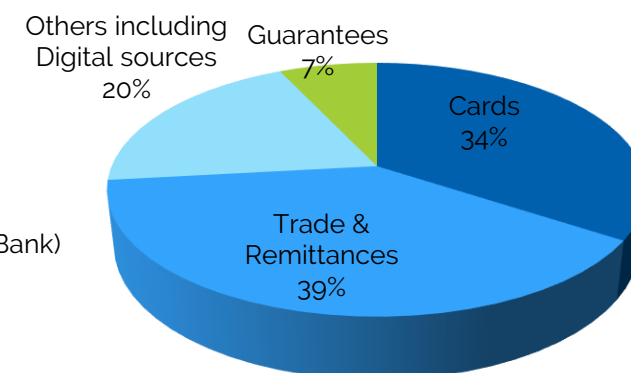
Net Fee Income (Rs Bn)



Group Composition of Non Fund Income



Breakup of Bank Level Fee Income



# Impairment & Asset Quality

Rs Bn	2022	2021	% change
Impairment on Financial Assets	59.3	7.1	732.5
Loans & Other	32.5	12.4	161.6
Total Impairment	91.7	19.5	369.6

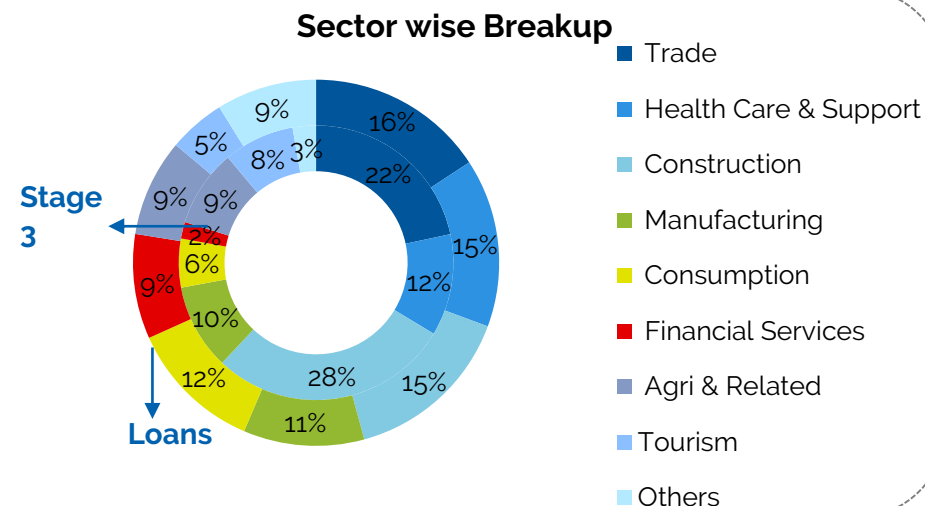
- Highest Stage III coverage ratio, among key peers
- Approx. 65% of total impairment during the year on account of ISBs, increasing the cumulative provision on ISBs to 35%

Stage 3 ratio  
**3.40%**

Among the best in the Industry

Stage 3 coverage ratio  
**56.99%**

Highest among key peers

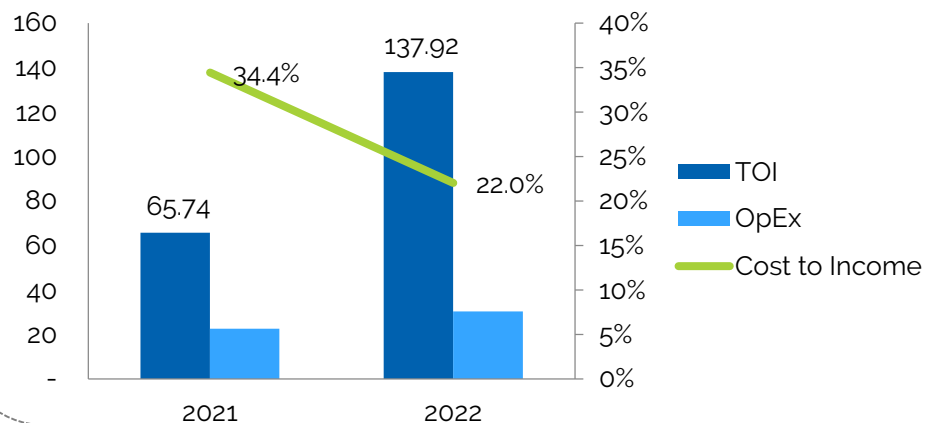


# Operational Expenses

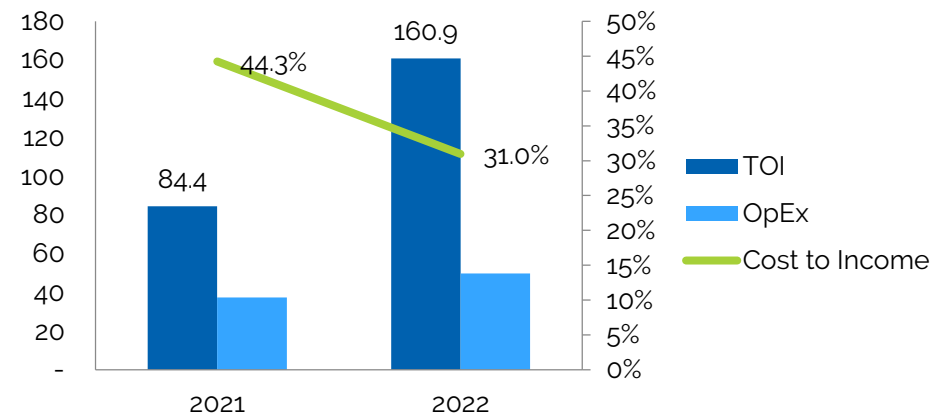
Rs Bn	2022	2021	% change
Personnel Expenses	18.5	13.7	35.2
Insurance Costs	11.7	9.0	30.8
Other Expenses	19.6	14.7	33.2
<b>Total Operating Expenses</b>	<b>49.8</b>	<b>37.3</b>	<b>33.3</b>

- Industry leading bank-level Cost to Income ratio of 22.0% aided by significant increase in TOI
- Adjusted for an one-off reversal of Rs 2.3 Bn on account of the extension of retirement age to 60 years, the Bank-level operating expenses increased by 22%

TOI vs. OpEx (Rs Bn) - Bank



TOI vs. OpEx (Rs Bn) - Group

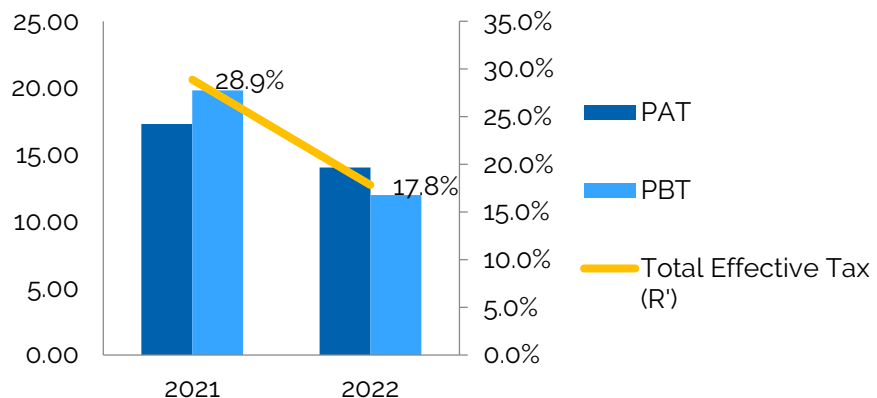


# Taxation & Profitability

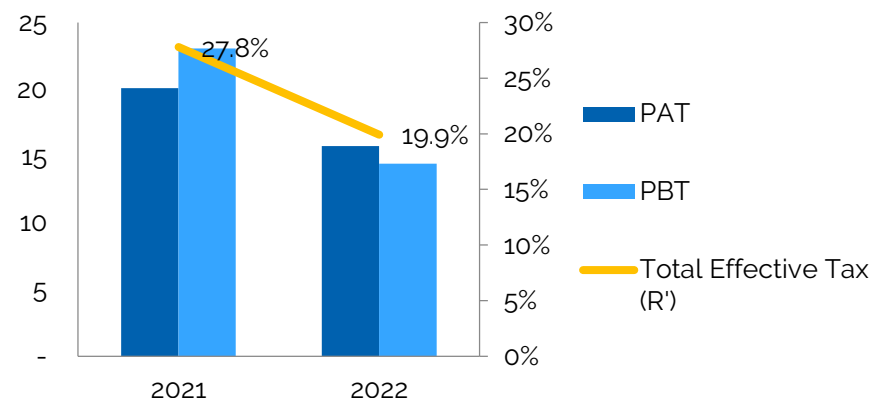
Rs Bn	2022	2021	% change
Tax on Financial Services	5.2	4.8	10.2
Profit Before Income Tax	14.4	23.1	-37.4
Income Tax Expense	-1.3	3.0	-144.7
Total Group PAT	15.7	20.1	-21.6

- Financial VAT charge revised to 18% from 15% since January 2022. Bank's standard tax revised from 24% to 30%
- Imposed a Social Security Contribution Levy of 2.5% from October 2022 onward
- Negative Group income tax charge due to reversal of excess tax provisions on settlement of previous year's tax settlements and an increase in deferred tax recognised

Bank PBT & PAT (Rs Bn)



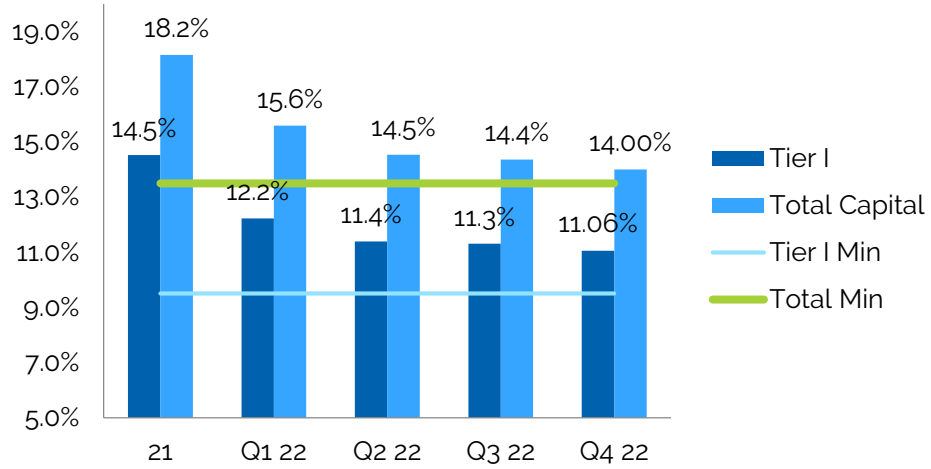
Group PBT & PAT (Rs Bn)





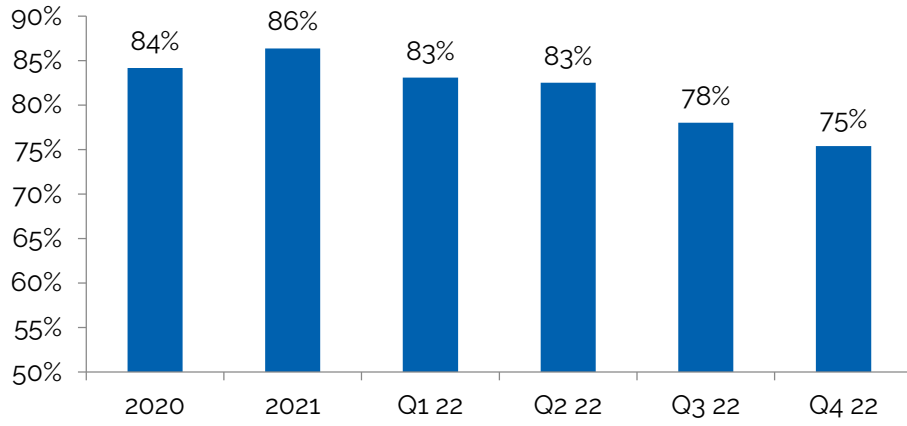
# Soundness Indicators

## Capital Adequacy



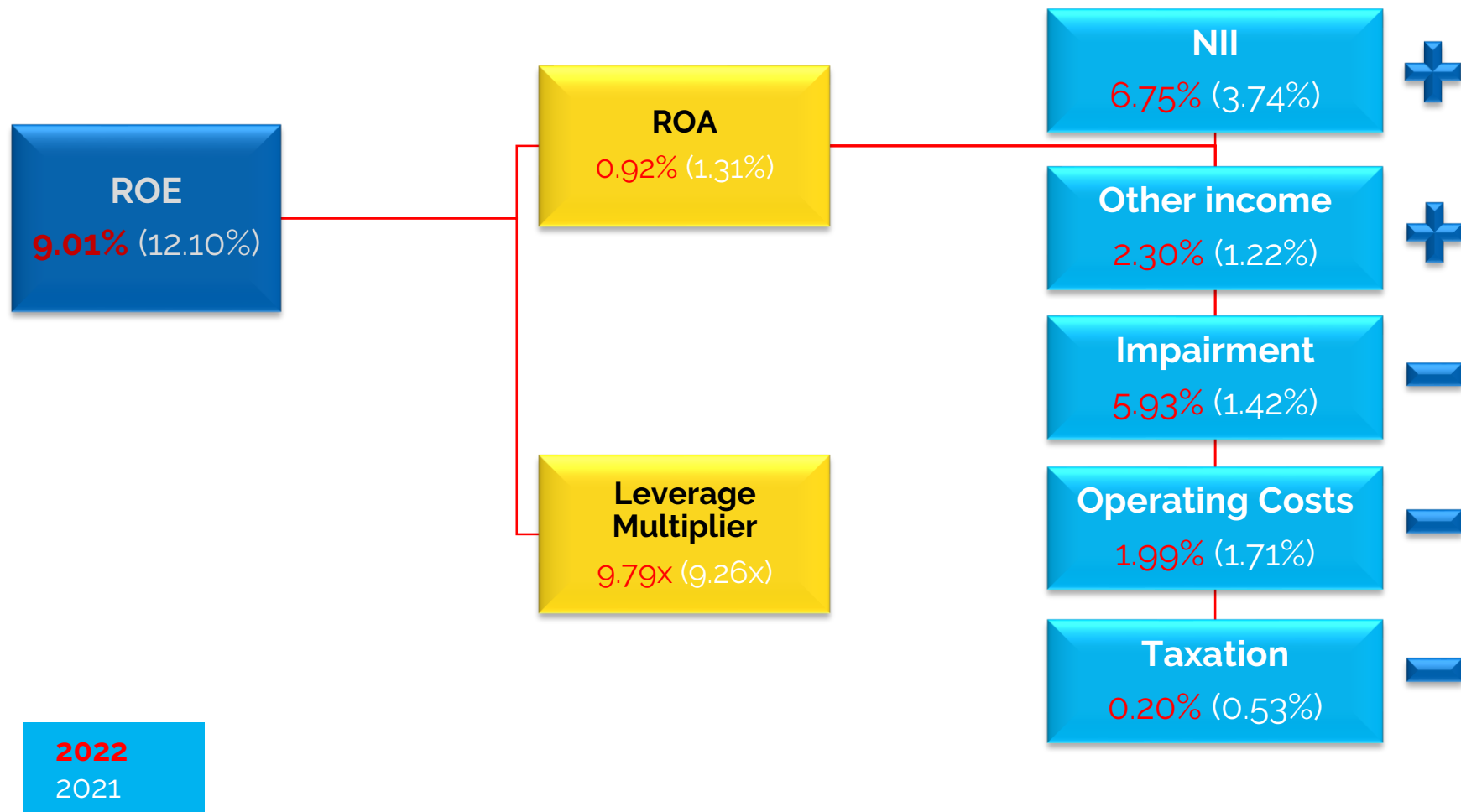
- Capital maintained above the minimum levels applicable
- Further leeway provided by CBSL to drawdown up to 250bps from the statutory levels of 9.5% and 13.5% for tier I and total capital

## Loan to Deposit

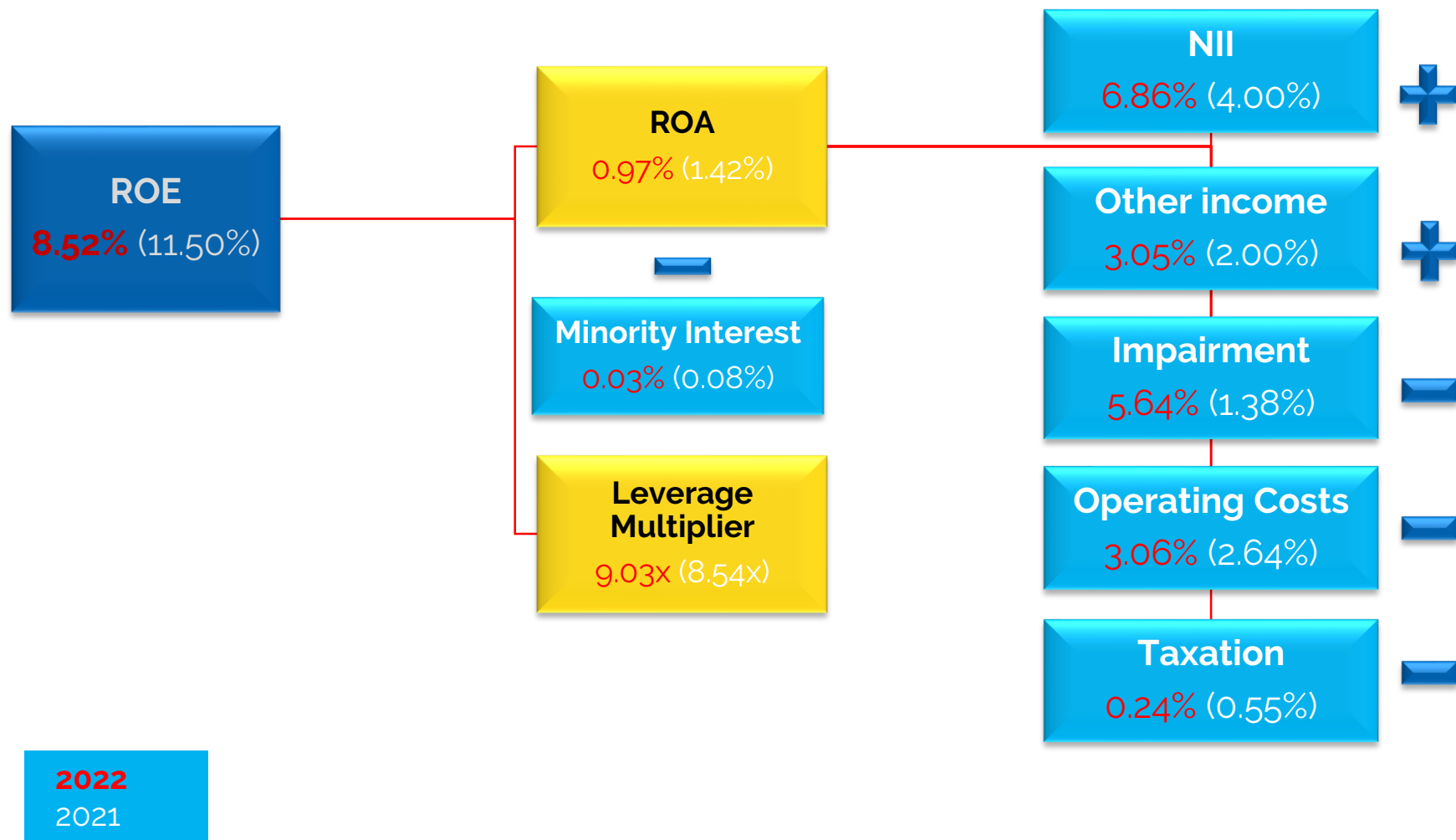


Ratio	HNB	Requirement
LCR (All)	519%	100%
SLAR (DBU)	31%	20%

# DuPont Analysis - Bank



# DuPont Analysis - Group



# Best Corporate Citizen in Sri Lanka

Top 10 Best Corporate Citizens

Winner – Corporate Governance category

Winner – Banking Sector

2<sup>nd</sup> Runner up for 'Demonstrating Resilient Practices during COVID'



THE CEYLON CHAMBER OF  
COMMERCE

*"Best Corporate Citizen  
Sustainability Award 2022"*

Sector Award

Winner

Hatton National Bank  
PLC

THE CEYLON CHAMBER OF  
COMMERCE

*"Best Corporate Citizen  
Sustainability Award 2022"*

Category of  
Ten Best Corporate Citizens  
Awarded to

Hatton National Bank

THE CEYLON CHAMBER OF  
COMMERCE

*"Best Corporate Citizen  
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Hatton National Bank  
PLC

# Best Corporate Citizen Awards 2022

Ceylon Chamber of Commerce



# Thank You

Hatton National Bank PLC