

## HNB reiterates its commitment to support grassroots led economic revival

- Bank's PBT Rs 14.7Bn; PAT Rs 12.2Bn
- Group's PBT Rs 16.4Bn; PAT Rs 13.4Bn
- Gross loans cross Rs 900Bn
- Gross NPA improves to 3.92%
- Maintains strong Capital Adequacy and Liquidity ratios
- Continues supporting business revival through debt moratoria and disbursements

A resilient business model and continued focus on sustainable growth was reaffirmed as Hatton National Bank PLC (HNB) reported Rs 12.2Bn in Profit After Tax (PAT) for the nine-month period ended September 2021. HNB Group recorded Rs 13.4Bn in PAT for the period.

The loan book recorded a sound growth of 15% during the past 12 months with an increase of Rs 118Bn. The Prime Lending Rate (PLR) picked up following the upward revision in policy rates in August 2021. However, the average PLR between January to September this year was approx. 300 bps lower than the average rate which prevailed in the corresponding period of 2020. As a result, Interest Income for the nine months declined by 8.9% YoY to Rs 72.5Bn.

Similar trend in average cost of deposits combined with zealous focus on CASA which grew by Rs 52.9Bn to Rs 436.6Bn as of September led to interest expenses being lower by 19.3% YoY to Rs 37Bn. Resulting Net Interest Income exhibited a 5.2% growth to Rs 35.6Bn. The CASA mobilization efforts also facilitated total deposit growth just under 15% YoY over 12 months since September 2020.

Mrs. Aruni Goonetilleke, Chairperson of HNB commented that "I am pleased to note that HNB has continued to display resolve and stability within a context of rapidly changing macro dynamics. I wish to place on record my sincere gratitude to our loyal customers for their continuing patronage, every member of Team HNB for their commitment and dedication in navigating through multiple challenges and all our stakeholders for their continuing support and trust."

"As Sri Lanka enters a path of recovery, we believe that necessary measures are being taken to address macro concerns, create stability and a conducive environment for the banking sector to optimize their support to sustainable economic growth. HNB remains very committed to supporting our clients and to the development agenda of the Country".

Despite periodic disruptions to business activity in 2021 owing to lockdowns, the Bank was able to grow Fee and Commission income by 22.8% YoY to Rs 6.7Bn. Cards and Trade Business demonstrated strong growth along with digital channel driven fees and commissions.

The depreciation of the Rupee relative to last year resulted in net exchange gains, largely stemming from on balance sheet positions and FCBU earning revaluations, increasing by Rs

2.8Bn over the corresponding period, a substantial portion of which is reflected in 'Other Operating Income'.

Consistent focus on credit quality enabled HNB to improve its Gross NPA ratio to 3.92% by September 2021 compared to 4.31% as at end Dec 2020. Stage III loans as a percentage of total loans also improved by 43 bps over nine months to 2.97%. The Bank made an impairment of Rs 11.2Bn for the nine months, including a significant management overlay, considering the uncertainties stemming from the COVID 19 pandemic. The impairment charge also included an additional provision due to the sovereign downgrade by Moody's from Caa1 to Caa2. Accordingly, the Stage III Provision coverage ratio improved from 48.4% in December to 54.2% by September 2021.

Commenting on HNB's performance MD/CEO Mr. Jonathan Alles stated that "the banking sector of Sri Lanka has demonstrated resilience over a prolonged period of extreme uncertainty. As a domestic systemically important bank, HNB has been in the forefront recording superior asset quality, capital and liquidity levels while delivering sound and sustainable returns."

"The pandemic has also proven the need to be agile and future ready. Our continuous focus on business transformation has been a key factor which has enabled us to stay ahead. During the year we have enhanced the capabilities of our digital platforms and this would continue to be a key focus area as we proceed our journey to enhance value delivered to all our stakeholders".

Mr. Alles further stated that "since the Easter Sunday attacks in 2019 we have continued to support our customers through debt moratoria, and extended concessionary rate financing and grants. Despite the impact of lockdowns, we are pleased to note that majority of our customers have shown signs of recovery. With economic activity returning to near normalcy, we hope that most of the sectors would be operating close to capacity levels and customers would commence repayment to reduce their debt burden. This would in turn enable us to focus on more needy sectors of the economy".

"With the proactive steps taken by the Government in rolling out vaccinations rapidly, we expect our economy to bounce back stronger over the next couple of years. We see great potential in many sectors including agriculture, green energy, health, pharmaceutical, education, IT and would like to reiterate our commitment to drive grassroot level resurgence in our country by supporting micro and SME sectors and especially women entrepreneurs."

The Bank's Cost to Income ratio improved by over 225 bps to 37.84% although Operating Expenses rose by 7.8% YoY to Rs 18Bn due to total Operating Income exhibiting strong growth of 14.2% to Rs 47.5Bn.

Profit Before taxes (PBT) rose by 43% YoY to Rs 14.7Bn. The total effective tax rate reduced from 40.84% for the Nine months ending 2020 to 33.17% as 24% in lieu of 28% was applicable

as the Corporate Tax rate for the current period as well as for the deferred tax component. The resulting PAT of Rs 12.2Bn generated a ROA of 1.23%

Strong growth in the third quarter fueled nine-month gross loan growth of 10.7% to Rs 901.7Bn. HNB also continues to be a preferred Bank for clients with Rs 52.9Bn CASA mobilized during the period, which boosted the deposit base by 9.5% to Rs 1.06 Trillion. The CASA ratio improved by over 150 bps since December 2020 to 41.2%. Total assets expanded by 4.7% to Rs 1.35 Trillion. Tier I Capital Adequacy ratio remained strong at 14.43% against the regulatory requirement of 8.50%, while the Total Capital Adequacy ratio improved further in 2020 to 18.22% due to the Rs 7Bn Basel III compliant debenture issue in the third quarter.

HNB Group Companies were also profitable during the nine-month period, complementing the Group PBT and PAT of Rs 16.4Bn and 13.4Bn respectively while profit attributable to the shareholders rose to Rs 13Bn. Group assets grew by 4.6% since 2020 to Rs 1.43 Trillion by end September 2021.

HNB is rated AA- (lka) by Fitch Ratings and has been ranked among the Top 1000 Banks in the World over five consecutive years by the acclaimed UK based "The Banker Magazine". HNB was once again recognised among the Top 10 'Most Admired Corporates of Sri Lanka' at the CIMA/ICCSL awards, a recognition bestowed for the fourth successive year. HNB is also a 11-time winner of the 'Best Retail Bank in Sri Lanka' award by the Asian Banker Magazine and is ranked as No. 3 Company in Sri Lanka by the 'Business Today' Magazine.