

HNB Sustains Superior Performance in Q1 2017

- Group PBT grows by 18% to Rs 5.8 Bn
- Group PAT surpasses Rs 4 Bn
- Bank Cost to income improves to 41.9% by 372 bps yoy

HNB continued its growth momentum during the first quarter of 2017 with Group PAT growing by 16.4% yoy to surpass Rs 4 Bn while Bank PAT grew by 18.1% yoy to be recorded at Rs 3.65 Bn.

Growth in advances coupled with the rise in interest rates enabled interest income growth in excess of 45% yoy to Rs 22.6 Bn. While interest expenses were also higher on account of funds moving into higher yielding deposits, the Bank's substantial CASA base of Rs 228 Bn cushioned the impact on interest costs partly. As a result, the Net Interest income grew by 25.9% to Rs 9.3 Bn during the first quarter of 2017.

Net fee and commission income also performed well, supplementing core banking performance with a contribution of approximately Rs 2 Bn which is a 15.9% growth from Q1 2016. Credit Cards, Trade Finance and Current Account services contributed strongly towards the growth.

The Bank's asset quality remained strong with the NPA ratio being at 1.85% as at the end of the first quarter of 2017, compared to the industry average of 2.7%. The provision coverage of the Bank improved from 73.4% in Q1 2016 to 79.5% in March 2017.

Operational excellence initiatives continued to yield transformational benefits for the Bank which improved its cost to income ratio by 372 bps yoy to 41.9%. Operating profits before VAT and Taxes grew by 22.1% yoy to Rs 6.35 Bn. Charges for VAT and NBT increased by 52.5% as a direct result of the revision in the rate of VAT from 11% to 15%. Subsequently the Bank's PBT grew by 16.5% to Rs 5.1 Bn. The PAT of Rs 3.65 Bn represented a ROA of 1.7% and a ROE of 18.8%.

The Bank also reported efficient balance sheet growth, boosting its asset base by 18.7% yoy to surpass Rs 900 Bn in total assets. The Bank's deposit base increased by Rs 107.9 Bn over the 12 month period to March 2017, to finance the Rs 101 Bn growth in advances during the same period.

Commenting on the first quarter performance MD/CEO of HNB Mr. Jonathan Alles stated that "We are pleased to have begun the year on a strong note and carried on in the same vein from where we ended 2016. The first quarter of 2017 saw us further strengthening our presence in the digital space. Following the implementation of our payment and cash management and distributor financing solutions last year, we opened a few digital branches during 2017. We will

forge ahead with our investments in technology while maintaining our focus on service and operational excellence." Mr. Alles further added that "The dedication and commitment of our competent team has been the cornerstone of our success. As such we will continue to drive the best and most employee centric corporate culture at HNB, which we consider to be of paramount importance".

HNB Group performance was on par with that of the Bank with Group assets growing by 19.3% to Rs 945.9 Bn. All group companies performed well to compliment the Bank's performance. Group PBT grew by 18% to Rs 5.8 Bn while the Rs 4 Bn in Group PAT represented a ROA of 1.8%. Profit attributable to the equity holders of the parent grew by 15.9% to Rs 3.8 Bn and resulted in generating a ROE of 16.6%.

HNB continued to win many accolades with the 'Asian Banker' adjudging it to be the 'Best Retail Bank in Sri Lanka' for the ninth time in 2017, while also recognizing the Bank with the 'Best Micro Finance Product' award for the Asia Pacific Region. The Bank was also awarded by 'Asiamoney' in 2017 as the 'Best Bank for SME' and the 'Best Bank for CSR' in Sri Lanka. Locally, HNB won the Runners up award in the Banking category at the Association of Chartered Certified Accountants (ACCA) Sustainability Reporting Awards 2017 held in February.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services while maintaining a national long term rating of AA - (lka) from Fitch Ratings Lanka Ltd.