

HNB Shines: Group PAT Surpasses Rs 10Bn

- Group PAT grows by 29% ; Assets cross Rs 600Bn
- ROA 1.7% ; ROE 16%
- Declares a total dividend of Rs 8.50 per share

Hatton National Bank recorded another year of outstanding performance with Group Profit After Tax (PAT) increasing by 29% to Rs 10.1Bn while, the Bank's PAT recorded a growth of 28% exceeding Rs 9Bn

Commenting on the performance, the Chairperson, Dr Ranees Jayamaha stated that "we are very pleased to announce that the Bank has once again demonstrated resilience and posted an all-round exceptional performance notwithstanding the challenging global environment, adverse impacts on the pawning portfolio and a substantial reduction in interest margins. These were amply compensated by the proactive strategies adopted by the Bank in driving fee income, aggressive recovery action, improved productivity and cost management. In pursuance of our goal of reaching a Rs 1 Trillion balance sheet, the Group successfully crossed Rs 600 Bn in assets during the year". She further stated that "the Bank's performance has steadily improved over the last 3 years recording impressive growth in deposits and advances".

The Bank recorded a strong growth of over 28% in Current Accounts and Savings Accounts (CASA) which supported in funding the impressive growth of over 20% in its loan book (excluding pawning). The CASA ratio exceeded 45% in December 2014 compared to 38% in 2013 and helped towards cushioning the impact from the drop in interest margins during the year due to the decline in Average Prime Lending Rate (AWPLR) by approximately 600 bps and the significant drop in the pawning portfolio to 5% of the loan book from 13% as at end of 2013.

Fee and commission income increased by 16.7% to Rs 4.9 Bn for the year 2014. In addition to the growth in the card acquiring business, fees from trade, guarantees and the rapid increase in the uptake of digital banking facilitated this growth in fee income.

Net gain from financial investments increased to Rs 1.4 Bn, driven by profits from sale of investments and increased dividend income from the Bank's long term equity investments while the gains recorded on treasury bonds and bills contributed positively to improve the net trading position compared to the previous year. Accordingly, the total operating income of the Bank grew by 10% to Rs 32.4 Bn for the year ended 2014.

Provisioning costs for the year reduced considerably by Rs 1.8 Bn, in line with the reduction in non-performing loans. Aggressive recovery efforts throughout the year have consistently driven down the NPA ratio of the Bank and during the year, the Bank was successful in recovering a couple of large Maldivian loans which were non-performing over the last few years. Accordingly, as at end 2014 the Bank's NPA ratio improved to 3.16% compared to 3.6% in 2013. This is the lowest NPA ratio in HNB's recent history and is significantly lower than the

industry average of 4.2% for 2014.

The year on year increase in operating expenses adjusted for extra ordinary items stood at 2.1%, which is the lowest increase the Bank has witnessed in the recent past. Accordingly the cost to income ratio for 2014 stood at 47.4% which is a significant improvement compared to the 2013 adjusted cost to income ratio of 52%. The improvement in the cost to income ratio is a testament of the Bank's commitment to achieving process efficiency and operational excellence.

Financial VAT for the period increased by 51% to Rs 2.5 Bn driven by higher operating profits while the introduction of Nation Building Tax of 2% also contributed towards the increase. The effective corporate tax rate reduced from 30.0% in 2013 to 25.4% in 2014 mainly due to higher qualifying payment benefit.

The strong performance for 2014 enabled the Bank to post healthy improvements in key performance indicators. Accordingly, ROA improved to 1.7% compared to 1.5% in 2013, while the ROE of the Bank improved to 16% compared to 14.3% for the previous year. The Bank continued to remain as one of the best capitalised banks in the industry with tier I capital adequacy ratio at 12.1% and total capital adequacy ratio at 14.8%.

Dr Raneer Jayamaha added that "healthy capital ratios recorded continuously are testaments to the safety and soundness of the Bank. Along with an interim dividend of Rs 1.50 per share the Bank has proposed a final dividend of Rs 7.00 per share which would result in a total dividend of Rs 8.50 for the year 2014. Accordingly, HNB is one of the best dividend payers to its shareholders".

The market capitalisation of HNB exceeded Rs 62Bn as at end of 2014 from Rs 47 Bn in 2013, with the voting share price improving from Rs 147.00 in 2013 to Rs 194.90 as at end 2014.

All Group companies recorded the best ever performance in terms of profitability during the year with HNB Assurance PLC, Sithma Development Pvt Ltd and Acuity Partners Pvt Ltd recording profit growth of 7%, 35% and 85% respectively.

Mr Jonathan Alles, Managing Director / CEO of HNB stated that "the exceptional performance recorded by the Bank in 2014 is attributable to the strategic initiatives implemented by the Bank over the past few years. The process improvement initiatives launched during 2013 have begun to gather momentum and the Bank will reap the full benefit of these initiatives in the years ahead. The technological thrust has strengthened the Bank's competitive advantage with our New World Banking offering which complement our network of customer service centres. We are actively promoting a sales culture and service excellence as key strategic initiatives of the Bank. Buoyed by the progress we have made in establishing a sound platform for growth during the past few years, we look ahead with new vigour to capitalise on the opportunities in the future".