

## **HNB Group demonstrate resilience and growth momentum**

- Sets a strong foundation for robust growth
- Maintains strong capital buffers of over 800 bps against the regulatory requirement
- Asset quality continues to improve further with Net Stage 3 ratio at 1.82%
- Integrates the fully owned investment banking business under the group

HNB continued its growth trajectory in Q1 2025, recording a YoY growth of 49% in Group Profit After Tax (PAT) and a 64% growth in Bank PAT with Group and Bank PAT at Rs 11.1 Bn and Rs 10.2 Bn, respectively.

Bank's Net Interest Income (NII) grew by 7.7% YoY to Rs 23.7 Bn during the first quarter in the backdrop of lower interest rates compared to the corresponding period of 2024. Despite the loan book growing by Rs 159 Bn YoY, interest income recorded a drop of 14.4% YoY. Nevertheless, the interest expenses dropped at a higher rate of 27.1% YoY supported by a steady growth in CASA deposits, resulting in the growth in NII.

Commenting on the performance, Mr. Nihal Jayawardena, Chairman of HNB PLC stated that "I am pleased to report our performance in the first quarter of 2025, as the economy continued its path towards stability. Over the years, HNB has played a pivotal role in the economy, as a true partner in progress to our stakeholders, especially during their time of need. As a Domestic Systemically Important Bank in the country, we remain committed to continuing our journey of uplifting the lives and livelihoods of Sri Lankans".

Net fee and commission income experienced a 17.0% YoY increase, largely driven by higher card usage and a surge in digital transactions, underscoring HNB's continued commitment to promoting a cashless economy. Additionally, other income comprising largely of exchange income surged to Rs 2.3 Bn, mainly due to the depreciation of the Sri Lankan rupee, from a loss of Rs 2.1 Bn recorded in the corresponding period of 2024.

Driven by the Bank's robust risk management framework and intensified recovery efforts, asset quality continued to show notable improvement. Reflecting the success of these initiatives, the Bank witnessed a positive movement in its stage 3 portfolio resulting in a total impairment reversal of Rs 379.7 Mn, compared to a charge of Rs 1.4 Bn in the corresponding period last year. Accordingly, the Net Stage 3 ratio improved to 1.82%, from 1.88% in December 2024, while the Stage 3 coverage ratio strengthened to 75.12%.

The total operating expenses rose by 13.5% YoY primarily driven by the increase in staff cost as a result of the realignment of compensation and the performance-based pay structure.

Mr. Damith Pallewatte, Managing Director / Chief Executive Officer added that "HNB's performance in the first quarter of 2025 reflects our unwavering commitment to strategic focus. Despite prevailing uncertainties in the global environment, HNB remains resilient—supported by strong fundamentals in asset quality, liquidity, and capital adequacy—which enable us to confidently serve diverse market segments across the Country and navigate challenges in the operating environment."

"As a Bank that has shaped the financial services sector landscape in the country, we take pride in leading Sri Lanka's transition toward a cashless economy. Our drive on eliminating

Merchant Discount Rates (MDR) for LANKAQR transactions, is one such initiatives in empowering SMEs and microentrepreneurs, who form the backbone of our economy, to actively engage in the digital financial ecosystem. We also partnered with the Road Development Authority to introduce Sri Lanka's first card-based toll payment system, reflecting our commitment to innovation and enhancing public convenience. This initiative streamlines daily transactions, reduces congestion, and strengthens our vision for a digitally-enabled, future-ready nation."

"As we continue to navigate the evolving landscape, due to underlying pressures in domestic and global markets, changing customer needs, digital disruption as well as regulatory environment, our focus remains on delivering sustainable value to all our stakeholders while supporting national economic progress."

During the first quarter of 2025, the Bank's asset base surpassed Rs 2.1 Tn, reflecting a 3.4% expansion up to March 2025. Total gross loans and advances grew by Rs 14.4 Bn during the quarter, in contrast to the Rs 26.5 Bn contraction recorded in Q1 2024. Additionally, the Bank's deposit base grew by Rs 7.8 Bn, reaching Rs 1.72 Tn.

During the quarter, the Bank completed the acquisition of the remaining 50% stake in HNB Investment Bank from DFCC PLC and took part in HNB Finance PLC's rights issue—further solidifying its standing as the most diversified financial services conglomerate in the Country. Despite these strategic investments, the Bank maintained strong capital buffers with Tier 1 and Total Capital Adequacy ratios at 17.60% and 21.89%, respectively, well above the minimum statutory requirements of 9.5% and 13.5%. Additionally, the Bank maintained a strong liquidity position, with an all currency Liquidity Coverage Ratio of 364.49%, well above the regulatory minimum requirement of 100%.

Following the completion of the external debt restructuring program, Fitch Ratings Lanka Ltd upgraded HNB's credit rating to AA-(lka) as part of the rating recalibration in January 2025. In 2024, HNB was honoured as the 'No. 1 Corporate in Sri Lanka' in the 'Business Today Top 40' rankings. Other significant accolades include being named the 'Best Retail Bank in Sri Lanka' by The Asian Banker, marking the 15<sup>th</sup> occasion the Bank has received this coveted title.