

## HNB Group records sustainable growth in 2024

- Total tax expense of Rs 60.4 Bn for the Group
- Bank Assets cross Rs 2.0 Tn
- Rs 117.8 Bn growth in Gross Loans and Advances
- Rs 135.7 Bn growth in Deposits
- Stage 3 Ratio improves to 1.88% from 3.76% in 2023
- Affirms commitment to uplift MSME sector
- Declares a cash dividend of Rs 15.00 per share

Hatton National Bank PLC (HNB) posted robust overall performance in the year 2024, demonstrating marked improvement on all fronts. Group Profit After Tax (PAT) improved to Rs 44.8 Bn in 2024, up from Rs 23.6 Bn in 2023 while Bank's PAT increased to Rs 41.3 Bn, compared to Rs 20.3 Bn in the previous year.

Commenting on the performance in 2024, Mr. Nihal Jayawardena, Chairman of HNB PLC stated that "with the improving economic landscape in 2024 providing the impetus for renewed business confidence and financial sector expansion, HNB leveraged its strong foundation to prove its leadership in the local banking industry. HNB's solid capital position, strong liquidity, and digital-first strategy, enabled the Bank to respond swiftly to emerging opportunities for business expansion, culminating in to an exceptional financial performance in 2024. I would like to extend my heartfelt gratitude to all our stakeholders for their continuous support and for the trust and confidence placed in us during good and bad times".

Bank recorded an impressive 11.3% YoY growth in loans and advances during 2024. Despite the growth in loan book, interest income of the Bank experienced a YoY decline of 21.6%, primarily due to the gradual relaxation of monetary policy, which led to the average yields on loans and government securities dropping by nearly 45% in 2024 compared to 2023. However, the decrease in net interest income was moderated towards the latter part of the year, as the reduction in interest expenses outpaced the drop in income, owing to lower rates and the focus on driving CASA deposits.

Net fee and commission income of the Bank saw a notable YoY increase of 12.7% to Rs 17.8 Bn. Growth in fee income was driven primarily by the growth in transactional volumes across digital platforms and card services compensating for the drop in commission income from trade services. Trade commission dropped by over 25% YoY despite notable growth in trade volumes as the tariffs continued to adjust downwards reflecting higher foreign currency liquidity amongst the banks. The appreciation of the Sri Lankan rupee against the dollar resulted in an exchange loss of Rs 2.9 Bn.

The gradual improvement of the economic environment supported by the concerted efforts on rehabilitation and recovery efforts led to much improved asset quality. This resulted in positive movements in both stage 2 and stage 3 loans. Nevertheless, on a prudent basis the Bank recognised a total impairment of Rs 11.5 Bn on loans and receivables. Accordingly, the Bank's Net Stage 3 ratio improved to 1.88% from 3.76% in the previous year, while the Stage 3 Provision Coverage ratio improved to 74.4%, from 57.5% in 2023.

With the International Sovereign Bond (ISB) restructure in December 2024, the Bank opted for the 'Local option', which included 30% of the ISB exposure being exchanged to LKR bonds, with the balance 70% in USD bonds being subject to a 10% haircut. As a result, the Bank reversed the provisions of Rs 91.6 Bn that had been made previously on account of the exposure to ISB. Simultaneously the Bank recognised a loss of Rs 49.5 Bn as losses arising from derecognition of ISBs which included the haircut on previously held ISBs and the day one loss on the new instruments. The restructure resulted in an increase of Rs 38.0 Bn in profit before taxes. With the reversal of the impairment provisions made previously on ISBs, a net deferred tax asset of Rs 26.2 Bn was charged resulting in a net positive impact of Rs 11.8 Bn in PAT. Excluding the impact of the ISB restructure the YoY growth in Bank's PAT would be 45% YoY.

Mr. Damith Pallewatte, Managing Director / Chief Executive Officer of HNB PLC stated that "we are pleased to report our performance for the year 2024 which reflects the outcomes of our strategic actions as the operating environment stabilised. Focus on supporting all key sectors of the economy, efforts to combat pressure on margins, and aggressive focus on asset quality contributed towards the sound performance in our core banking operations. In alignment with the national vision of uplifting the MSME sector of Sri Lanka, we provided support to revive these businesses through multifaceted rehabilitation programmes. We also introduced many initiatives such as HNB Sarusara which caters to the quintessential agriculture sector – the lifeline of the rural economy, provided access to domestic and export markets while enabling transactions through a range of digital platforms driving a cashless eco-system for the value chains. These efforts have provided much needed impetus to these entrepreneurs to scale up to the next level."

"Looking ahead, I am filled with optimism for the future, especially with the Sri Lankan economy now poised for significant growth acceleration over the next few years. The completion of the external debt restructuring process, the resultant sovereign upgrade and the progress on the reform agenda are also positive signals that will undoubtedly boost investor confidence, benefiting both the country and the banking sector in the years to come. We are well positioned to capture this growth potential with our comprehensive range of products and services channelled through our diverse physical and digital presence. Our latest acquisition of 100% control of Acuity Partners Pvt Ltd, which was rebranded HNB Investment Bank Private Ltd (HNBIB), indicates HNB's foray into fully fledged investment banking, further solidifying our position. As we remain committed to continue our legacy of being a true 'partner in progress' to all our customers, we will also pursue opportunities to extend our footsteps beyond our borders with the objective of enhancing the value we create for all our stakeholders".

In 2024, the Bank's Asset base exceeded Rs 2.0 Tn, reflecting a 7.5% YoY expansion. Total Gross Loans and Advances grew by Rs 117.8 Bn during the year, reaching a total of Rs 1.16 Tn despite a Rs 26.5 Bn drop witnessed in the first quarter of 2024. Additionally, the Bank's deposit base increased by 8.6% YoY to Rs 1.7 Tn. CASA deposits led this growth, with an impressive increase of Rs 113.5 Bn, raising the CASA ratio to 34.2% from 29.9% in 2023.

The Bank recorded strong capital buffers with Tier 1 and Total Capital Adequacy ratios at 19.59% and 23.96%, respectively, against the minimum statutory requirements of 9.5% and 13.5%. This increase was driven by higher profitability, a Tier II capital infusion, and the

favourable impact on capital from the reversal of deferred tax assets due to the reversal of provisions on ISBs. Additionally, the Bank maintained a strong liquidity position, with an all currency Liquidity Coverage Ratio of 331.5%, well above the regulatory minimum requirement of 100%.

HNB's voting share traded within a high Rs 319.75 and a low of Rs 155.00 during the year 2024 while the non-voting share ranged between a high and low of Rs 256.75 and Rs 128.00, respectively. The Net Book Value per share for the Group improved to Rs 457.07 as at end of December 2024 from Rs 371.17 in the previous year. On 21<sup>st</sup> February 2025, the Board of Directors of HNB PLC proposed a final cash dividend of Rs 15.00 per share, applicable to both voting and non-voting shares, subject to approval of the shareholders.

HNB's credit rating was upgraded to AA-(lka) by Fitch Ratings Lanka Ltd, subsequent to the rating recalibration, post completion of the external debt restructuring programme. HNB was ranked as the 'No. 1 corporate in Sri Lanka' under 'Business Top 40' rankings in 2024 and was recognised as the 'Best Bank in Sri Lanka' and 'The Best SME Bank in Sri Lanka' by Euromoney. Other major accolades include being recognised as the "Best Retail Bank in Sri Lanka" by 'The Asian Banker'.