

## **HNB Group 9 months post tax profits crosses Rs 11 Bn**

- NPA improves to 2.18%
- Cost to Income ratio down by 500 bps
- Rs 8 Bn paid as tax by the Group

HNB continued its trailblazing performance in 2016 with the Group's nine month PAT growing by 54.2% to exceed Rs 11 Bn. Group performance mirrored that of the Bank which reported an increase of 52.6% Year-on-Year (YoY) in profit before VAT and taxes to Rs 17.3 Bn and an increase in PAT by 48% YoY to Rs 10.1 Bn.

Core banking operations contributed strongly to HNB's results with net interest income growing by 28.8% YoY to Rs 24.9 Bn. Growth in the Bank's interest income was driven by robust growth of 21% YoY in assets. Despite 2016 witnessing a substantial shift towards higher yielding deposits, the Bank was able to maintain a LKR CASA ratio of 38.4%. The total deposit base grew by 16.8% YoY to Rs 580.5 Bn.

Net Fee and Commission income grew by 22.7% YoY to exceed Rs 5 Bn with credit cards and trade finance being the main contributors.

Superior credit underwriting skills and aggressive recovery efforts enabled HNB to continuously drive down its NPA ratio which, as at last September, had recorded further improvements to reach 2.18% representing a decline of 25 bps during the year and 80 bps over the last 12 months.

Relentless efforts in process efficiency and cost optimization have resulted in continuous improvement in cost to income ratio. While operating expenses grew marginally by 10.1% YoY, the cost to income ratio dropped from 48.5% in September 2015 to 43.6% as at the end of 9 months this year, representing an improvement of nearly 500 bps.

The increase in profits to Rs 10.1 Bn resulted in the Bank yet again delivering a high ROE of 19.64%, significantly higher than the 14.62% achieved in the corresponding period of the previous year.

All group companies performed strongly during the period resulting in a Group PBT and PAT of Rs 16.1 Bn and Rs 11.2 Bn respectively, thereby enabling a ROA of 1.86% and ROE of 17.94%. Group assets grew by 13% during the first nine months of the year and by 21.6% YoY.

Commenting on the Group's most recent financial performance MD/CEO of HNB Mr. Jonathan Alles said: "We are delighted with the Bank's outstanding nine month performance. Our efforts to adopt a dynamic service and sales culture combined with an unwavering commitment towards maintaining asset quality and operational excellence has resulted in a very strong all round performance. I would like to thank all our staff for their untiring efforts and contribution towards finalising an aggressive five year strategic plan. I have no doubt that this strategic plan would enable us to consolidate our leadership position in the financial services industry over the next five years."

HNB has been recognized by many renowned international and local institutions this year for excellence in diverse business and support functions. In early 2016 HNB was recognized by the prestigious 'Asian Banker Magazine' as the 'Best Retail Bank in Sri Lanka' for the 8th time. The Bank's Islamic Finance arm was bestowed upon the 'Deal of the Year' Silver Award and the 'Entity of the Year' Bronze Award at the Islamic Finance Forum of South Asia organized by UTO EDU Consult. HNB also won the 'Asia's Best Employer Brand Award for Best HR Strategy in line with Business 2016' and the 'Asia Excellence in Training & Development Award 2016' for the 5th consecutive year. The Bank was also recognized as the 'Silver Award' winner at the CFA Sri Lanka Capital Market Awards 2016 for 'Best Investor Relations'. The National Productivity Secretariat adjudged HNB as the winner of the 'National Productivity Award 2015'. The Bank was ranked third with first and second place not being awarded. HNB was also ranked third by Business Today recently.

HNB is also 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.