

HNB continues growth momentum

- Group PBT Rs 4.9Bn
- Group PAT Rs 3.5 Bn

HNB PLC recorded robust growth in Q1 2016 with the Bank's profit after tax (PAT) growing by 68% YOY to Rs 3.1 Bn driven by core banking operations, while Group PAT improved to Rs 3.5 Bn, which is an increase of 73% from Q1 2015.

Strong growth of 26% YOY in the Bank's advances portfolio resulted in a 29% YOY growth in interest income whereas the deposit base recorded a YOY growth of 22% while maintaining a healthy CASA ratio of 43.5%. Accordingly, the Bank's net interest income grew by 19.2% YOY to Rs 7.4 Bn.

Net Fee and Commission income of the Bank grew by 28.6% over Q1 2015 to Rs 1.7 Bn with Trade Finance, Credit Card business and fees on loans and advances contributing significantly. The foreign exchange income of the Bank also recorded a significant growth of 125% YOY propelled by volatile market conditions.

The Bank's relentless efforts to achieve high credit quality and effectiveness in recoveries resulted in a NPA ratio of 2.41% as at the end of Q1 2016, continuing with the declining trend witnessed over the recent years.

HNB's operating costs increased by 11.5% YOY to Rs 4.4 Bn mainly due to the revisions to collective agreements resulting in a higher personnel cost. Nevertheless the Bank's cost to income ratio continued to improve driven by cost optimization and process improvement initiatives which enabled impressive topline growth while containing cost. The cost to income ratio which was at 50.5% in Q1 2015 improved to 45.6% in Q1 2016.

The asset base of the Bank increased to Rs 760Bn as at end of Q1 2016 which is a growth of 27% YOY. Further to the USD 185 Mn raised via multilateral financial institutions in 2015, HNB in Q1 2016 successfully raised LKR 7 Bn through a Subordinated Debenture issue which was oversubscribed on the day of opening.

Commenting on the first quarter performance Mr. Jonathan Alles MD/CEO of HNB PLC stated that "Our excellent first quarter performance and the continuous improvement in key performance indicators is testimony to the effectiveness of our strategic direction and business model". He further stated that "we will continue our focus on driving sustainable growth by understanding the needs of our customers from all walks of life and by providing superior solutions. We have transformed the livelihoods of millions of Sri Lankans over generations through our commitment towards this end and provided more choice and convenience to our customers through an array of alternate channels. Our untiring efforts in business development and service excellence will be enabled through our constant focus on improving process efficiency, our persistent pursuit of adopting state of the art technology as well as through continuous development of our human capital".

The HNB Group also performed well with all Group companies contributing to the growth in profit after tax to Rs 3.5 Bn. HNB General Insurance business which was impacted due to high claims last year, turned around during Q1 2016 while the microfinance subsidiary HNB Grameen Finance Ltd recorded superior results. The Group assets improved by 27% YOY to Rs 792.7Bn which is a growth of 4.6% compared to the December 2015. The cost to income ratio of the Group improved substantially from 56.5% in Q1 2015 to 51.4% in Q1 2016 while ROA and ROE stood at 1.7% and 17.7% respectively for the Group.

During the first quarter of 2016 HNB was recognized by the prestigious 'Asian Banker Magazine' as the Best Retail Bank in Sri Lanka for the 8th time. HNB is also the first Bank to receive a rating on par with the sovereign from Moody's Investor Services while maintaining national long term rating of AA-(lka) from Fitch Ratings Lanka Ltd.