

## HNB Group posts Rs 3.3 Bn PAT for Q1 2020

- Bank PAT Rs 2.6 Bn
- Deposits grow by Rs 31 Bn to Rs 841 Bn
- Rolls out relief measures in line with CBSL guidelines

Hatton National Bank PLC (HNB) posted a Profit After Tax (PAT) of Rs 2.6 Bn for Q1 2020, representing an increase of Rs 607 Mn over Q1 2019.

The interest income of the Bank dropped by 7.2% YoY to Rs 27.2 Bn, due to the drop in AWPLR by nearly 300 bps over the past 12 months up to March 2020. Interest expense also dropped similarly by 3.5% YoY to Rs 15.8 Bn. Accordingly, Net Interest Income for the period was at Rs 11.4 Bn which is 11.9% below the level attained in the corresponding quarter of 2019.

Net Fee and Commission Income of Rs 2.1 Bn compared to Rs 2.2Bn in 2019, contributed 14% to the Bank's Total Operating Income (TOI). Relatively lower trade and economic activity even prior to the COVID 19 pandemic resulted in fee income being marginally lower. Nevertheless, revenue from digital channels continued to be encouraging.

The rupee depreciated significantly since mid-March triggered by COVID-19 recording a depreciation of over 4% during the first quarter. This was reflected in the net other operating income of Rs 1.9 Bn against the Rs 1.1 Bn loss recorded in Q1 2019.

The non-performing advances ratio for the Bank remained flat at 5.9% compared to December 2019. In Q1 2019, the Bank made substantial impairment provisions of Rs 4.1 Bn with asset quality deteriorating industry wide. Similarly, given the implications of COVID-19, the Bank has incorporated initial adjustments based on the limited information available in line with the guidelines issued by CA Sri Lanka and has made an impairment provision of Rs 4.7 Bn for the first quarter of 2020.

Operating Expenses growth remained flat YoY at Rs 5.9 Bn while the Cost to Income ratio also remained almost unchanged from Q1 2019 at 39.65%, well below industry average. Given the challenging operating environment, optimizing cost would remain a key priority this year.

The operating profit before VAT and taxes declined by 13.5% to Rs 4.2 Bn compared to Rs 4.9 Bn in the corresponding period of 2019. The removal of Nations Building Tax (NBT) and Debt Repayment Levy

(DRL) with effect from December 2019 and January 2020 respectively resulted in a lower total effective tax rate and contributed to Profit Before Tax (PBT) increasing by 2.4% YoY to Rs 3.3 Bn. Income taxes were also much lower as NBT & DRL payments did not qualify for relief in income tax charge assessment for Q1 2019 and resulted in a PAT of Rs 2.6 Bn for the period compared to Rs 2 Bn in Q1 2019.

The loan book which remained almost flat in 2019, grew by Rs 12.2 Bn during the quarter to Rs 754 Bn while deposit growth outpaced loans, rising by Rs 31 Bn within the quarter to Rs 841.1 Bn. HNB mobilizes one of the largest CASA bases in the industry, which grew by 6.8% during Q1 to surpass Rs 300 Bn (Rs 304.1 Bn), with the CASA ratio improving to 36.2% compared to 35.2% as at end of December 2019. The trust placed by customers in the Bank during these uncertain times speaks volumes about HNB's brand as one of the strongest and trusted banks in the Country. HNB also continues to be among the best capitalized banks in Sri Lanka, with Tier I and Total Capital ratios at 13.85% and 17.25% respectively as against the present regulatory minimum requirements of 8.50% and 12.50% applicable as a domestic systemically important bank.

All HNB Group companies contributed to the Group PAT of Rs 3.3 Bn which improved in line with the performance of the Bank. The Bank recorded a ROA of 0.93% while the Group ROA was at 1.09%. The Group's total asset base expanded by Rs 22.6 Bn during the quarter, representing a 1.9% increase since December to Rs 1.2 Trillion.

HNB is the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody's Investor Services and has a national long term rating of AA- (lka) from Fitch Ratings. The Bank is also ranked amongst the 'Top 1000 World banks 'as published by the prestigious Banker Magazine UK, a recognition bestowed upon HNB since 2017. HNB was recognized as Sri Lanka's Best Bank by Euromoney Magazine in 2019 while 'Business Today 'ranked HNB as the Number One Corporate in its prestigious and most recent Top 30 rankings.