HNB continues to demonstrate resilience under stressed conditions



Aruni Goonetilleke , Chairperson, HNB.



Jonathan Alles, MD/CEO, HNB.

In the backdrop of turbulent market conditions, Hatton National Bank continued to demonstrate resilience, strength, and stability.

Hatton National Bank recorded a profit before tax of 5.9 billion rupees and a profit after tax of 4.8 billion for the first quarter of 2022, recording a YOY growth of seven percent and three percent respectively. PBT and PAT were at 6.4 billion rupees and 5.4 billion rupees at the Group level, respectively.

Commenting on the first quarter performance, Aruni Goonetilleke, Chairperson of Hatton National Bank, stated, “As Sri Lanka goes through unprecedented times, HNB has demonstrated resilience. I wish to reiterate our commitment to all our stakeholders at this critical time. As a responsible Domestic Systemically Important Bank, ensuring safety, stability, and sustainability is our prime focus.”

With the tightening of the monetary policy since August 2021, the AWPLR increased by nearly 400 bps over the 12 months up to March 2022. This enabled the Bank to record a 59 percent increase in NII during 1Q 2022 compared to the corresponding period of the previous year. The Net Fee income grew by 42 percent YoY to 3.2 billion rupees for the first quarter of 2022, driven mainly by improved card transactions and trade income.

Compared to the previous year, the significant devaluation of the rupee as of March 2022 resulted in trading gains of approximately 7.5 billion rupees in the first quarter of 2022. The Bank also booked an impairment of 7.4 billion rupees against the impact of the currency devaluation on foreign currency-denominated loans and investments, which was set off against the position revaluations.

The Bank’s net stage III loan ratio improved from 2.55 percent as at December 2021 to 2.41 percent as at end March 2022 while stage III provision cover increased to 59 percent, maintaining its position as one of the best in the industry in asset quality. However, considering the significant volatility in macro-economic factors in 1Q 2022, the Bank recognized a higher impairment charge of 13.4 billion rupees.

Jonathan Alles, the Managing Director and CEO of Hatton National Bank, stated that “Sri Lanka has been traveling through a tough terrain over the past few years commencing from adverse weather conditions experienced in 2017-2018 to unfortunate Easter Sunday attacks in 2019. Then the most unprecedented

COVID-19 pandemic impacted the entire globe. The banking sector of Sri Lanka and HNB has weathered these challenges and emerged strong and stable. Today, Sri Lanka as a nation is facing one of the most challenging times in its history. The next few months would be even more challenging. As responsible Sri Lankans at the individual, organizational, and country levels, we must play our part. We believe that the authorities would take necessary steps to ensure political, social, economic, and financial stability enabling successful conclusion of discussions with International Monetary Fund, the multilateral organizations, and supporting nations to secure much-needed funding." Adding further, he said, "It is equally important that we focus on the real economy and sustainable foreign exchange earning avenues that will support us over the medium to long term. Providing necessary support to drive exports, remittances, tourism, manufacturing, and industrial development would be key. At the same time, diversifying foreign exchange earning sources would also be important. It would also be vital to focus on Sri Lanka as an education hub and promote agri-preneurs, IT, KPO, and BPO industries. We need to be cautious about our spending and purchase local products to support our micro, small and medium enterprises. At the same time, at the Government, institutional and corporate level, adopt very tight cost containment measures and slash budgets. As we encounter many obstacles in our day-to-day life, I would like to place on record my sincere gratitude to every member of the HNB team for their continuous commitment and dedication to delivering essential banking services to our valued customers. As a bank that has supported the lives and livelihoods of our nation for over a century through many peaks and troughs, HNB will continue to extend its unwavering support to rebuild our country."

The Balance sheet recorded strong growth in the first quarter of 2022; however, this was driven mainly by the significant devaluation of the rupee as the foreign currency assets and liabilities were revalued at the end of March 2022. Accordingly, advances recorded a growth of 8.8 percent since December 2021 to surpass one trillion rupees, while deposits grew by 13 percent during the three months to reach 1.2 trillion rupees. The Bank's CASA ratio stood at 40 percent despite interest rates continuing to increase during the period under review.

ROA as at end of March 2022 was at 1.34 percent. ROE as at end of 1Q 2022 stood at 12.7 percent compared to 12.1 percent as at end December 2021. All subsidiaries across the group performed well amidst challenging conditions recording a Group PBT of 6.4 billion rupees. The Bank constituted 90 percent of the Group PAT of 5.36 billion rupees. Total Group Assets improved to 1.6 trillion rupees,

recording a 16 percent YoY expansion.