

HNB Group Records 16.2 billion in PAT for Six Months



Nihal Jayawardene, Chairman, HNB.



Damith Pallewatte, Acting CEO, HNB.

Hatton National Bank posted a profit before tax of 25.8 billion rupees and a profit after tax of 15.4 billion rupees during the six months ended June 2024. The Group recorded a consolidated PBT and PAT of 27 billion and 16.2 billion rupees, respectively.

Nihal Jayawardene, Chairman of HNB, stated that “Sri Lanka has come a long way since the devastating economic crisis and has taken steady steps towards stabilization. While uncertainties and challenges prevail, we reiterate our commitment to deliver sustainable growth for all our stakeholders.”

The Bank’s interest income recorded a YoY decline of 24.2 percent during the first six months, owing to the sharp drop in AWPLR by over ten percentage points from 19.47 percent to 8.78 percent over the 12 months up to June 30, 2024, in line with CBSL’s expansionary monetary policy. Interest expense declined similarly, resulting in a 23.1 percent YoY drop in net interest income to 45.6 billion rupees. Bank’s fee and commission income grew by 5.5 percent YoY to 8.6 billion rupees, primarily fueled by card and digital channel transactions. While the

foreign exchange transactions were encouraging, the marginal appreciation of the Sri Lankan rupee against the US dollar resulted in the Bank recording an exchange loss of 1.3 billion rupees for the six months.

Reducing interest rates and improving economic activity, as well as the proactive actions taken by the Bank, facilitated the rehabilitation of stressed borrowers. While this led to an improvement in collections and recovery, impairment on account of investments in International Sovereign Bonds (ISBs) reduced significantly, as the Bank maintained its provision cover on ISBs since December 2023. As a result, the total impairment charge was 1.5 billion rupees for the six months ended June 2024. HNB's asset quality remained above the industry levels, with net stage three ratio at 4.09 percent and stage three provision cover at 56.1 percent.

HNB's operating expenses rose by 12.1 percent YoY to 19.8 billion rupees on staff costs and other related expenses. The Bank's total effective tax rate remained essentially unchanged at 53.4 percent.

Damith Pallewatte, Acting CEO of the Bank, expressed that "Our performance during the first half underpins the concerted efforts on key areas. Despite narrowing margins, our focus on CASA has enabled us to cushion the impact partly. Commitment and meticulous efforts in supporting the business revival of our customers have yielded positive results. The demand for loans, which was subdued, indicated signs of recovery, especially in the second quarter. The unprecedented events that we have experienced over the past have emphasized the need to be innovative, agile, and sustainable. As this expands our horizons, we remain positive and committed to the future prospects for our bank and to driving HNB to the next level. "

The bank's asset base improved to 1.95 trillion rupees as of June 2024. A significant reduction in market lending rates in line with the central bank's relaxed monetary policy and the resultant increase in demand for credit enabled the Bank to record a 27.6 billion rupees growth in gross loans during the quarter. Meanwhile, the Bank's deposit base further expanded to 1.59 trillion rupees as of June 2024.

HNB's Tier I and Total Capital Adequacy Ratios improved to 16.17 and 19.69 percent, respectively, against the minimum statutory requirements of 9.5 and

13.5 percent. The Bank also continued to maintain a strong liquidity position, with an all-currency Liquidity Coverage Ratio recorded at 383.9 percent.