

HNB reaches 2.5 trillion rupees asset milestone, marking a strong start to 2026



Damith Pallewatte, MD/CEO,
HNB.

The Bank recorded a Profit After Tax (PAT) of 9.95 billion rupees in Q1 2026, reflecting disciplined balance sheet expansion and sustained improvements in asset quality. At the group level, performance remained resilient, with PAT reaching 10.35 billion rupees for the quarter. In Q1 2026, interest income grew ten percent YoY, outpacing the rise in funding costs and driving Net Interest Income (NII) to 26.9 billion rupees.

Margin expansion remained a key highlight, with Net Interest Margin (NIM) improving from 4.26 to 4.45 percent and NII increasing 13.5 percent YoY, supported by disciplined balance sheet growth, expanding loans, and a stable funding mix. Net fee and commission income rose to 6.8 billion rupees, up 40.9 percent YoY from 4.8 billion rupees in Q1 2025, driven by strong momentum in the leasing segment, building on the expansion achieved in the previous year. Growth was further supported by expansion of the loan book, improved card performance, and higher transaction banking activity, including increased adoption of enhanced digital solutions.

Exchange income also increased by six percent YoY to 1.6 billion rupees, reflecting higher customer activity and improved trade flows. Overall, Total Operating Income for the first quarter of 2026 increased to 36.1 billion rupees, compared to 30.8 billion rupees recorded in the corresponding period of 2025, reflecting a YoY growth of 17.2 percent. Total operating expenses increased by 19.6 percent YoY, primarily due to higher customer activity levels, including increased card-related volumes, higher loan originations and credit assessments, contributing to an increase in routine operational expenses, and mandatory levies associated with priority-sector and agriculture-related lending. Effective cost management was maintained, with the cost-to-income ratio standing at 37.15 percent in Q1 2026, broadly stable year-on-year compared to 36.41 percent in Q1 2025.

In light of prevailing economic conditions, the Bank adopted a prudent and forward-looking credit risk management approach, recording impairment provisions of 2.6 billion rupees in Q1 2026, compared to a reversal of 379.7 million rupees in Q1 2025, reflecting a cautious risk stance amid economic challenges and global uncertainties. Despite the increase in provisions, asset quality indicators remained stable. The net Stage 3 ratio edged up marginally by 9 bps to 1.18 percent as of the end of March 2026, compared to the end of December 2025. Stage 3 provision coverage remained strong at 73.29 percent, providing adequate buffers and supporting overall balance sheet resilience.

Damith Pallewatte, MD/CEO, HNB, stated, “The operating environment during the first quarter of 2026 remained subject to heightened uncertainty, shaped by global geopolitical developments and their spillover effects on local economic conditions. During these times, our foremost responsibility is to remain close to our customers and stakeholders across all segments, Retail, SMEs, Corporates, and the Microfinance sector, understanding their evolving needs and standing with them as conditions change. During the period, we continued to work alongside our customers as they managed cost pressures and funding needs in a volatile environment, while advancing responsible lending, digital solutions, and financial inclusion, particularly for communities most affected by economic and climate-related challenges. The Bank maintained a careful balance between customer support and prudence, with continued emphasis on risk discipline and balance sheet resilience. While navigating a cautious operating environment, we remain focused on sustainable growth, longterm partnerships, and our transformation journey. I extend my sincere gratitude to our customers, employees, and stakeholders for their continued trust and support.” With Total Assets surpassing 2.5 trillion rupees,

the Bank delivered strong growth during the quarter, with gross loans and advances increasing by 113.8 billion rupees and deposits rising by 61.7 billion rupees, reflecting continued customer confidence and prudent balance sheet management. The Bank reported a strong capital and liquidity position, with Tier I at 15.03 percent, Total Capital at 18.07 percent, and an all-currency LCR of 194.44 percent, providing substantial regulatory headroom.

The Board and the Management wish to express their appreciation to K. V. Nihal Jayawardena, PC, for his contribution during his tenure, and extend their best wishes to Suresh Shah on his appointment as Chairman.