



HNB Records 6.9 billion PAT in First Quarter of 2023



Aruni Goonetilleke, Chairperson, HNB.



Jonathan Alles, MD/CEO, HNB.

Following a turbulent year marred by the country facing its most profound economic crisis post-independence, Hatton National Bank made a resilient start to 2023, posting a PBT of 10.7 billion rupees, up 80 percent YoY, while PAT stood at 6.9 billion rupees in the first quarter, growing 42 percent YoY. The Group made a consolidated PBT and PAT of 11.3 billion rupees and 7.3 billion rupees, respectively.

Aruni Goonetilleke, Chairperson of Hatton National Bank, stated that “Despite the country still reeling from last year’s economic, social and political disruptions, the Bank recorded a solid performance for the first three months of 2023, reflecting our steadfast focus, prudent decision making and agility in the face of changes. Although uncertainties prevail, the positive developments on the country’s macroeconomic front are encouraging. I want to reiterate our unwavering commitment to safeguarding the interest of our stakeholders and supporting the economic recovery.”

Relatively high-interest rates compared to Q1 2022 facilitated the Bank to report a net interest income of 31.6 billion rupees during 1Q 2023, reflecting an 87 percent

YoY growth. With higher card volumes and increased adoption of our digital services, net fee and commission income grew by 31 percent YoY to 4.2 billion rupees.

The positive sentiments brought on by the IMF program and the improved foreign exchange liquidity gave way to a part relaxation of foreign exchange controls. This led to the appreciation of the Sri Lankan Rupee by approx. 10 percent during the three months up to March 2023. This resulted in the Bank recording a net exchange loss of approximately two billion rupees for the quarter due to revaluation losses.

Despite vulnerabilities in the operating income, the Bank maintained one of the best asset quality positions in the industry, with the net stage III loan ratio at 3.8 percent and stage III provision cover at 55.5 percent as of the end of March 2023. Having made significant provisions on account of impairment in 2022, the Bank made a total impairment of 11.4 billion rupees for the quarter. This consisted of impairment on loans and advances and other off-balance sheet exposures of 6.7 billion rupees and impairment of 4.7 billion rupees on foreign currency-denominated government securities.

Operating expenses increased by 26 percent in 1Q 2023, driven mainly by the impact of the higher inflation compared to the corresponding period of 2022. However, income growth outperformed cost, translating to a cost-to-income ratio of 26 percent for the first quarter of 2023.

Jonathan Alles, Managing Director and Chief Executive Officer of Hatton National Bank, noted that “Following an unprecedented year mired in challenges, with the banking sector wrestling with multiple headwinds, we are pleased to see HNB’s performance in the first quarter of 2023. Securing the IMF Extended Fund Facility will bring in the much-needed credibility to restore investor confidence, gradually allowing Sri Lanka to regain access to foreign capital markets. Moving forward, the debt restructuring framework must be finalized, ensuring that the financial sector’s stability is safeguarded.”

“In the current backdrop, our prime focus has been on managing asset quality, capital, and liquidity levels. The success of our delivery is reflected in our above-par indicators. We have continued to stand by our customers. We support them through challenging times to stay afloat, and we look forward to supporting their growth as the operating environment improves. The pandemic led to a shift towards online channels, which enabled exponential growth in our digital adoption levels.

We expect to see further growth as we continue to add value to our digital banking platforms for our retail and wholesale banking clients."

"The foundation of HNB's success rests with our people, and I am truly grateful to be part of a fantastic team with unwavering dedication. While the road ahead may not be smooth, we look forward to the opportunities that arise with optimism."

The effective tax rate for the quarter increased to 36 percent from 19 percent in Q1 2022, mainly due to the increase in corporate tax rate from 24 percent to 30 percent and the introduction of social security contribution levy with effect from October 2022.

Since December 2022, the asset base has grown to 1.7 trillion rupees as of 1Q 2023. As a result of low demand for credit due to high-interest rates and a stronger Rupee, the Bank's gross loan book dropped by four percent to 1.0 trillion rupees during the quarter. On the other hand, Bank deposits continued its growth trajectory, expanding by 29 billion rupees to reach 1.4 trillion rupees.

The Bank reported Tier I and Total Capital Adequacy Ratios of 11.41 percent and 14.43 percent against the minimum statutory requirements of 9.5 percent and 13.5 percent, respectively. The Bank has a provision to draw down further up to 250bps on the capital conservation buffer under the concessions granted by the Central Bank of Sri Lanka. HNB's liquidity levels remained strong and well above the minimum regulatory requirements, with Statutory Liquid Assets and all currency Liquidity Coverage ratios at 39.31 percent and 353.42 percent, respectively.

HNB has secured a Top 5 position on Business Today's Top 40 rankings for 2022.