HNB Records Growth



Dinesh Weerakkody, Chairman, HNB.



Jonathan Alles, MD/CEO, HNB.

HNB posted resilient financial results for the first half of 2020 amidst the COVID-19 pandemic. The Group PAT for 1H increased by 6.8 percent YoY to 5.5 billion rupees while the bank level PAT declined by seven percent YoY to 4.5 billion rupees.

“Sri Lanka’s performance in managing the transmission of COVID-19 has been outstanding. The health impact has been largely contained and the economic impact of the pandemic will remain a challenge in the near term, given the depressed global conditions it has given rise to. To address these economic challenges, the Government has taken bold steps to support the affected by relaxing Monetary Policy in an effective way to revive economic activity, and extending debt moratoriums to those affected – measures that may need further support from the Government given that the recovery will most likely be a protracted one across most sectors, both regionally and globally. Consequently, the medium-term economic recovery will be closely correlated with the pace at which the COVID-19 pandemic is managed globally,” stated Dinesh Weerakkody,

Chairman of HNB.

As a result of the low-interest rate regime, the prime lending rate (AWPLR) reduced by 130 bps from December 2019, compounded by low demand for credit. This in turn impacted 1H interest income, which declined 8.8 percent YoY to 53.8 billion rupees. Interest expenses also declined by 5.2 percent YoY to 31.4 billion rupees leading to a drop in Net Interest Income by 13.3 percent YoY to 22.4 billion rupees. The restrictions on non-essential imports, overall declined in exports and reduced shopping, drove Net Fee Income down by 22.2 percent YoY to 3.5 billion rupees. However, a strong surge in demand for digital banking services enabled an increase in fees from digital channels.

“With the outbreak of COVID-19, we had to move rapidly to reassess our priorities and restructure operations in alignment

with the ‘new normal’. Our key focus has been to support customers in need, while ensuring maximum health and safety measures for our staff and customers, while maintaining stability of HNB and intensifying our pursuit of digital and technological transformation. As a responsible domestic systemically important bank (D-SIB) we have supported over 80,000 customers who were affected economically during the pandemic by way of moratoriums on loan repayments during the past few months. The bank has provided working capital financing under the CBSL relief schemes and through the five billion rupees fund set up by HNB to assist affected SMEs. During the lockdown period, we supported both customers and merchants to carry out transactions through our digital payment channels including SOLO, MoMo and IPG. We have also launched the AppiGo app in May 2020 to support businesses to rapidly set up their own e-commerce presence. Our breakthrough Payments

App, HNB SOLO was enhanced with added features and this continues to be an ongoing process. In August, we upgraded our core- banking system to the latest version of Finacle, enabling us to provide a superior experience to our customers,” said Jonathan Alles, MD/CEO, HNB.

With effective cost management being a key focus area under the ‘new nor- mal’, the bank recorded a decline of six percent YoY in Total Operating Expenses to 11.2 billion rupees in 1H 2020. The total tax charge for 1H 2020 declined by 57.1 percent

YoY to 3.1 billion rupees while the bank recorded a PAT of 4.5 billion rupees, representing a decline of seven percent YoY. Gross loans remained flat when compared against December 2019 at 772.5 billion rupees.

Notwithstanding the unprecedented circum- stances during the year, HNB's total deposits grew by 55.3 billion rupees to 865.3 billion rupees while the low cost CASA base grew by an impressive 34.4 billion rupees to 319.1 billion rupees during 1H 2020. Total Assets grew by four percent to 1.17 trillion rupees, during 1H 2020 and HNB continued to remain among the best capitalized in the industry, with Tier I Capital and Total Capital Adequacy ratios at 15.25 percent and 19.07 percent.

HNB Group recorded a PAT of 5.5 billion rupees for the period. The YoY growth of 6.8 percent in group profits was driven largely by the robust performance of the primary dealership arm of the investment bank, Acuity Partners and HNB Assurance.