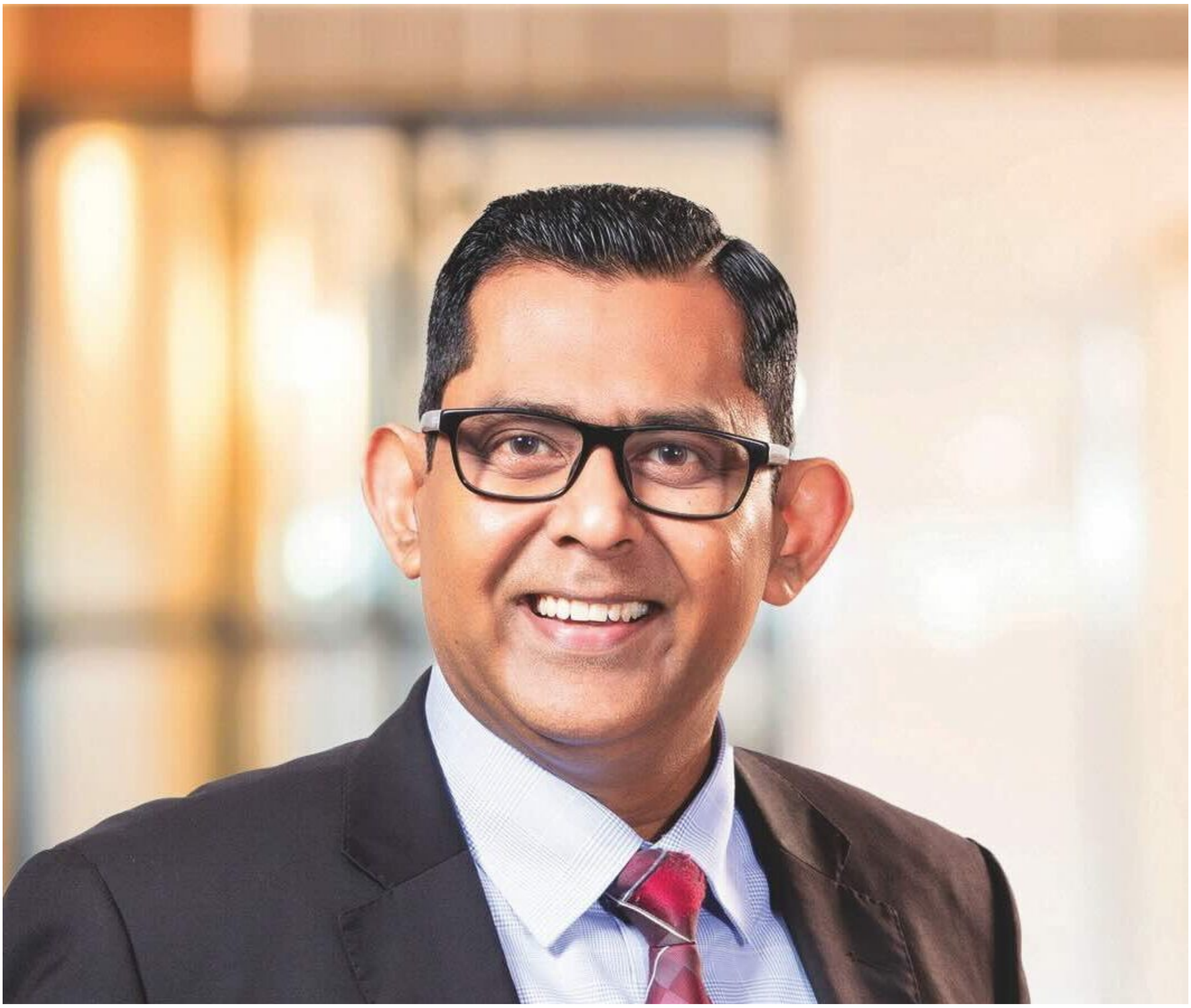
HNB reports strong first-half growth with a 224 billion rupee increase in advances



Damith Pallewatte, MD/CEO, HNB and Sanjay Wijemanne, COO, HNB.

Hatton National Bank (HNB) recorded strong growth across its core banking operations during the first half of 2026, navigating a period marked by economic volatility and inflationary pressures while maintaining sound asset quality, capital and liquidity.

For the six months ended June 2026, HNB Group reported a Profit After Tax (PAT) of 22.5 billion rupees, while the Bank recorded a PAT of 23.1 billion rupees.

The performance was supported by significant balance sheet expansion, with advances increasing by 224 billion rupees and deposits growing by 138 billion rupees during the period. Despite the rapid expansion of its lending portfolio, the Bank maintained strong asset quality, recording a Net Stage 3 ratio of 1.17 percent.

The Bank’s Net Interest Income increased by 21 percent year-on-year to 55.2 billion rupees, supported by strong lending momentum. The increase in interest income from loans and advances helped offset funding cost pressures arising from the evolving interest rate envi ronment. Consequently, the Net Interest Margin improved to 4.40 percent from 4.26 percent in 2025.

HNB also recorded strong growth in its non-interest income streams, with net fee and commission income increasing by 30 percent year-on-year. The growth was driven by increased digital banking activity, higher card-related transactions and strong contributions from transaction banking and leasing businesses.

The combined growth in net interest and non-interest income resulted in Total Operating Income increasing by 27 percent year-on-year to 76.7 billion rupees. While operating expenses increased moderately, primarily due to higher foreign-currency-denominated technology and payment-processing costs, disciplined expense management enabled the Bank to improve its annualized cost-to-income ratio to 34.48 percent from 38.56 percent in 2025.

Reflecting the substantial expansion of the lending portfolio, impairment provisions amounted to 4.1 billion rupees during the first half of 2026, compared with an impairment reversal recorded during the corresponding period of the previous year.

Commenting on the results, Damith Pallewatte, Managing Director/Chief Executive Officer of HNB, said the performance reflected the consistency of the Bank’s execution and the continued confidence placed in HNB by its customers.

Despite a challenging operating environment, he noted that HNB continued to expand both its lending and deposit portfolios while maintaining sound asset quality and healthy capital and liquidity levels. This financial strength, he said, has enabled the Bank to support the ambitions of its customers while preserving the resilience of its balance sheet. Pallewatte emphasized that HNB remains committed to helping individuals and businesses navigate changing market conditions through responsible financial solutions, stronger digital capabilities, and continued improvements to the customer experience.

The Bank is also investing in its people and technology to improve efficiency, strengthen governance and establish a stronger platform for long-term growth.

Looking ahead to the second half of 2026, HNB will remain focused on executing its strategic priorities while supporting Sri Lanka's economic recovery and growth.

With a strong balance sheet and a clear long-term direction, the Bank aims to continue building a more resilient institution capable of creating sustainable value for customers, shareholders and communities.

HNB's balance sheet strengthened further during the first six months of the year, with total assets exceeding 2.55 trillion rupees. Gross loans and advances increased by 224 billion rupees to reach 1.7 trillion rupees, reflecting sustained demand and lending momentum across the Bank's customer segments.

Customer deposits increased by 138 billion rupees to surpass 2.1 trillion rupees. The Bank maintained a CASA base of approximately 34 percent, highlighting the strength of its low-cost deposit franchise and stable funding base. The growth in deposits alongside the expansion in lending reflected continued customer confidence and the Bank's disciplined approach to balance sheet management.

Capital and liquidity indicators also remained comfortably above regulatory requirements. HNB reported a Tier I Capital Ratio of 15.44 percent and a Total Capital Ratio of 18.18 percent. Its all-currency Liquidity Coverage Ratio stood at 186.69 percent, providing the Bank with considerable capacity to support future business expansion while maintaining financial resilience.

Alongside its financial performance, HNB continued to receive international and local recognition for its banking franchise.

Rated AA-(lka) by Fitch Ratings, HNB was named “Best Bank for Large Corporates in Sri Lanka 2026” by Euromoney during the period, further strengthening its standing in the corporate banking segment.

The Bank has also been recognized as “Best Bank in Sri Lanka” by The Banker (UK) and “Sri Lanka’s Strongest Bank” by The Asian Banker. Across its key business segments, HNB was named “Best Retail Bank in Sri Lanka” for the 16th time by The Asian Banker, reflecting its longstanding position in the country’s retail banking sector. Global Business Magazine also recognized HNB as “Best Retail Bank and Best SME Bank” for 2026, highlighting its performance in serving both individual customers and small and medium-sized enterprises. In addition, the Bank was honored as “Sri Lanka’s Best Corporate Citizen 2025” by the Ceylon Chamber of Commerce.

With continued growth in lending, deposits and income, together with strong asset quality, capital and liquidity, HNB entered the second half of 2026 from a position of financial strength.

The Bank remains focused on balancing growth with prudent risk management while continuing to invest in digital capabilities, operational efficiency and customer service to support its long-term growth strategy.