



HNB Supports Economic Revival and Business Recovery



Nihal Jayawardene, Chairman, HNB.



Damith Pallewatte, Acting CEO, HNB.

Hatton National Bank (HNB) recorded a Profit Before Tax (PBT) of 9.8 billion rupees during the first quarter of 2024, while Profit After Tax (PAT) amounted to 6.2 billion rupees. At the Group level, PBT and PAT were at 11.2 billion rupees and 7.4 billion rupees, respectively.

The substantial monetary policy loosening adopted by the Central Bank of Sri Lanka to revive the economy resulted in a drop in AWPLR by 50 percent from 21.40 to 10.69 percent during the 12 months up to March 2024. This caused interest income to decline by 20 percent YoY to 60.2 billion rupees. Interest expense declined at a slower pace of 13 percent YoY to 38.2 billion rupees due to the lag effect in repricing deposits. The Bank also provided sizable interest rebates to support the most vulnerable sectors of the economy. As a result, the net interest income declined by 30 percent YoY during 1Q 2024.

Nihal Jayawardene, Chairman of Hatton National Bank, stated, “We are pleased to note that the country is making strong and steady progress in its recovery path as

reflected in macro- economic indicators. I believe that the external debt restructuring program will also be concluded soon, safeguarding the interest of the banking sector and enabling the country to bolster its growth prospects."

"At HNB, we have further strengthened our governance structure with the appointment of three prominent leaders to the Board, and with Damith Pallewatte assuming duties as the Acting CEO of HNB in April 2024, we would like to reiterate our commitment to enhancing value to all our stakeholders."

The bank's total non-interest income for the quarter was two billion rupees, compared to 2.5 billion rupees in the corresponding 2023 quarter, mainly due to the rupee's appreciation during the quarter and the reversion of trade tariffs to pre-crisis levels. Nevertheless, fees from all retail and corporate digital channels recorded sound growth, indicating a transition into cashless transactions in line with HNB's vision of driving a cash-minimal economy.

HNB recognized an incremental impairment charge of 1.4 billion rupees during the quarter, compared to 11.4 billion rupees provided during the first quarter of last year. This was backed by the Bank's continuous focus on supporting customers to revive their businesses and the improvement in economic conditions. The Bank's net stage three ratio stood at 4.02 percent and remains superior to the industry level.

Damith Pallewatte, Acting Chief Executive Officer of Hatton National Bank, stated that, "HNB's performance during the quarter was largely in line with movement in macro variables. The significant reduction in interest rates narrowed interest margins, while the rupee appreciation led to our on-balance sheet positions being revalued. However, we believe that with AWPLR being under 10 percent currently, the demand for credit would improve going forward, positively contributing towards the net interest income."

"HNB, with its rich legacy, has demonstrated resilience, strength, and stability amid extreme volatility. This has been possible due to the robust risk management, control, and governance framework, which has continued to evolve. We will build on these strengths as we drive the next growth phase at HNB, further consolidating our position in the industry".

As of the end of March 2024, the bank's asset base stood at 1.9 trillion rupees, with Group assets at over two trillion rupees. The Bank maintained its gross loans at over

one trillion rupees, with deposits of over 1.5 trillion rupees. LKR’s CASA base grew by 22 percent YoY, improving the CASA ratio to 31 percent as of the end of March 2024.

HNB has also secured a top-five position on Business Today’s Top 40 rankings for 2023.