HNB Yet Again Delivers Sustainable Business Performance



Nilanth De Silva, Chairman, HNB.



Jonathan Alles, MD/CEO, HNB.

Hatton National Bank continued to demonstrate resilience amidst volatile conditions, posting a Profit Before Tax (PBT) of 10.9 billion rupees and a Profit After Tax (PAT) of 9.1 billion rupees. The Group profits also improved in line, with PBT and PAT at 12 billion rupees and 9.8 rupees. The loan book recorded a growth of 8.6 percent over the past 12 months to June 2021. Despite the same, the reduction of over 280 bps in AWPLR over the same period resulted in a 10.6 percent YoY drop in 1H interest income to 48.1 billion rupees. Strong CASA mobilization efforts led to a 27.1 percent YoY growth in the CASA base, which improved to 405.5 billion rupees at the end of June 2021. Together with the low deposit rates, this growth contributed to a 20.4 percent YoY drop in interest expenses to 25 billion rupees.

Accordingly, Net Interest Income for the first half of 2021 exhibited a 3.2 percent YoY growth to 23.2 billion rupees. Fee and Commission income continued its uptrend in 2021, increasing to 4.4 billion rupees, a 27.7 percent YoY growth over the corresponding six months in 2020, a period in which considerable disruption to business activities were witnessed. Card and Trade businesses were key contributors towards this growth, while fees from digital banking also improved significantly, driven by the higher level of adoption.

Nilanth De Silva, Chairman of HNB, commented that, “The Nilanth De Silva, Chairman, HNB. Jonathan Alles, MD/CEO, HNB. operating environment has continued to be uncertain with many challenges for the nation and the industry for almost two years. The re-emergence of higher numbers of COVID-positive patients and the fast spread of the Delta variant threaten macro fundamentals and industry dynamics. We greatly appreciate the efforts expended by the authorities in rapidly rolling out the vaccinations across the country, which is the most sustainable solution in winning the war against COVID. In this backdrop, I would like to place on record my sincere appreciation to all our stakeholders for their continued patronage and especially our staff for their untiring efforts and unwavering commitment in serving our valuable clients.”

The Bank successfully contained the increase in Operating Expenses to 5.2 percent YoY, despite the Operating Expenses for 1H 2020 being six percent below the corresponding period of 2019. This, together with the healthy growth of 13.3 percent YoY in Total Operating Income, resulted in an improvement of 289 bps in

the Cost to Income ratio, which stood at 37.4 percent as of the end of June 2021.

Jonathan Alles, Managing Director and Chief Executive Officer of HNB, stated that, “HNB has yet again demonstrated resilience, stability, and strength in a highly volatile environment. We are proud to have crossed the one trillion rupees landmark in deposits, which clearly shows the continued trust and confidence placed in us by our customers. We remain the best-capitalized bank among domestic systemically important banks, which has been further bolstered by the Basel III compliant debenture issue, which was oversubscribed on day one. Our asset quality continues to be ahead of the industry while our liquidity levels are well above the statutory levels. This has been possible through our relentless focus on ensuring that we remain on a solid foundation built on strong governance, risk management, and compliance, which has enabled us to intensify our transformation efforts on Digitalization, Process Efficiency, and People Development in our pursuit to be future ready.”

“As a responsible D-SIB, supporting revival and sustainability of our customers has also been a key priority for us. We have continued to grant moratoriums to customers under stress over the past two years and have provided necessary working capital financing through CBSL schemes and our own funds. We extended grants to 200 microfinance clients to support the recovery of their business operations.”

Alles further commented that, “Sri Lanka is at a crucial juncture and a national-level action plan is the need of the hour to revive the economy. As a true ‘partner in progress’ for the nation and its people, HNB has supported national development for over a century by financing micro and SME clients, funding infrastructure development projects, facilitating international trade and remittances, and having stood by our customers during most challenging times, HNB remains committed to playing a pivotal role in rebuilding Sri Lanka.”

In line with the reduction in Corporate Tax Rate to 24 percent from 28 percent, the current tax liability and the deferred tax asset as at the end of 2020 were reassessed. Accordingly, the effective tax rate for the period improved compared to the corresponding period of 2020. PAT of 9.1 billion rupees translated to a Return on Assets of 1.4 percent and a Return on Equity of 13.2 percent. Strong second-quarter growth facilitated a three percent expansion in the loan book during the first half to 839 billion rupees.

Total deposits increased to 1.032 trillion rupees as at the end of 1H 2021 recording a growth of 6.7 percent. The Bank is also among the best capitalized and most liquid in the industry as demonstrated by a Tier I Capital Adequacy Ratio of 15.31 percent, Total Capital Adequacy Ratio of 18.42 percent, a Liquid Coverage Ratio of 273.7 percent, and a Loan to Deposit ratio 81.2 percent. The CASA ratio also stood at 39.3 percent as at the end of 1H 2021. Total assets expanded by 3.5 percent in the six months ended June 2021 to 1.337 trillion rupees, while Group assets grew to 1.417 trillion rupees.

All Group companies complemented the Bank in enabling the Group to post a PAT of 9.8 billion rupees and a profit attributable to shareholders of 9.5 billion rupees. Accordingly, the Group recorded a ROA and ROE of 1.4 percent and 12 percent, respectively.

HNB is ranked amongst the top three companies in Sri Lanka by Business Today.