

HNB Group records Rs 18.8 Bn in PAT for 9 months

- Bank PAT of Rs 16.6 Bn
- Deposits cross Rs 1.5 Trillion
- Loans grow by Rs 34Bn in Q3 2023 to cross Rs 1 Trillion
- Provides over Rs 32 Bn for Impairment
- Maintains sound capital and liquidity levels

Hatton National Bank PLC posted a profit before tax of Rs 26.3 Bn and a profit after tax of Rs 16.6 Bn during the nine months ended September 2023. The Group recorded a consolidated PBT and PAT of Rs 29.0 Bn and Rs 18.8 Bn, respectively for the period.

Commenting on the performance, Mr Nihal Jayawardene, Chairman of Hatton National Bank PLC, stated that "Sri Lanka has progressed well during the year with signs of recovery as indicated by most macro-economic variables. While we remain positive on the country's journey ahead, as a premier bank in Sri Lanka, we are delighted to have surpassed Rs 1.5 trillion in deposits. It is noteworthy to mention that a growth of Rs 500 Bn in deposits, has been achieved since June 2021, and we would like to place on record our sincere gratitude to our valued customers for their unwavering trust and confidence, despite extremely turbulent macro conditions experienced during this period".

The Bank's interest income recorded a YoY growth of 63.5%, reaching Rs 220.7 Bn during the first nine months, in the background of a sharp decline in interest rates during the third quarter. Interest expense increased at a faster pace of 115% YoY, resulting in a 17.1% YoY growth in net interest income which improved to Rs 83.2 Bn. Bank's net fee and commission income grew by 6.3% YoY to Rs 11.7 Bn primarily fueled by cards and digital channels. The appreciation in the Sri Lankan rupee against the US dollar by approx. 12%, during the period resulted in the Bank having to record an exchange loss of Rs 2.5 for the nine months.

HNB continued to maintain its asset quality well above the industry, with net stage 3 ratio at 4.9% and stage III provision cover at 50.7%. The Bank recognised a total impairment charge of Rs 32.4 Bn during the first nine months of 2023, which comprised of impairment on account of loans and advances and foreign currency denominated government securities.

HNB's cost to income ratio stood at 28.5% for the nine months, despite, operating expenses increasing by 16.1% YoY to Rs 26.5 Bn mainly driven by inflationary pressure.

Mr Jonathan Alles, Managing Director and Chief Executive Officer of Hatton National Bank PLC stated that, "As the country displays signs of recovery, we are pleased to record robust overall performance for the nine months, which outlines the proactive and prudent actions taken during adverse times. I would like to extend my heartfelt gratitude to the entire team at HNB for their continued dedication and commitment amidst many challenges."

"We believe that the external debt restructuring programme would also be concluded soon, taking in to account the strain on the banking sector, which has incurred significant impairment charges of nearly Rs 580Bn since 2022 and the increased effective tax rate of over 50% for the industry. Preserving banking sector stability and capital would be critical to enable banking sector to play a catalytic role in the revival of the nation and its people. We eagerly look forward to partner this resurgence as a responsible systemically important bank in the country".

The Bank's total effective tax rate increased to 51.6% from 37.4% in the previous year, due to the increase in corporate tax rate from 24% to 30% and the introduction of social security contribution levy with effect from October 2022.

Bank's asset base improved to Rs 1.86 Tn as at end September 2023. Significant reduction in market lending rates in line with Central Bank's relaxed monetary policy has enabled the Bank to record a Rs 34 Bn growth in gross loans, to surpass Rs 1.0 Tn in the third quarter. The Bank reached a significant milestone as its deposit base crossed the Rs 1.5 Trillion mark for the first time.

HNB recorded Tier I and Total Capital Adequacy Ratios of 11.91% and 14.73% against the minimum statutory requirements of 9.5% and 13.5% respectively, with the provision to drawdown a further 250 bps from the Capital Conversation Buffer. The Bank has continued to maintain a strong liquidity position with a Statutory Liquid Asset Ratio and an all currency Liquidity Coverage Ratio, which are both well above regulatory minimum requirements of 20% and 100% respectively.

HNB is rated A (lka) by Fitch Ratings and was awarded the esteemed title of "Sri Lanka's Best Corporate Citizen" for 2022 by the Ceylon Chamber of Commerce. Other major accolades include, being adjudged the "Best Retail Bank in Sri Lanka" for the 13th occasion by the Asian Banker, being declared the "Best SME Bank" by Asiamoney Magazine, as well as securing a Top 5 position on Business Today's Top 40 rankings for 2022. HNB was also ranked among Sri Lanka's Top 10 Most Admired companies in 2022 by the Chartered Institute of Management Accountants, in collaboration with the International Chamber of Commerce Sri Lanka.