HNB Group PBT tops Rs 10Bn

- Group PAT Rs 7Bn
- Asset quality continues to improve; NPA down to 2.25%

HNB Group continued its outstanding performance with Group PBT improving to Rs 10Bn in 1H 2016. The Bank’s PBT for the period improved to Rs 9.1 Bn by 50% while the Bank’s PAT grew to Rs 6.4 Bn by 48.6% yoy.

The Bank’s interest income grew by 34.5% yoy to Rs 33.5 Bn, driven primarily by the 23% yoy growth in the loan book. The Bank also grew its deposits by 20.8% over the last 12 months and maintained a rupee CASA ratio of over 40% amidst the industry-wide shift witnessed towards higher yielding deposits in the backdrop of rising interest rates. Accordingly the Bank grew its net interest income by 23.5% to Rs 15.9 Bn.

The net fee and commission income recorded an increase of Rs 691Mn which is a growth of 26% yoy. The improvement in card business, trade finance as well as loan administration fees contributed towards this impressive growth in net fee income.

HNB’s relentless efforts in recoveries and continuous improvement in underwriting standards has enabled the Bank to improve its NPA ratio quarter on quarter. As at end of 1H 2016, the NPA ratio improved to 2.25% compared to 3.24% recorded in 1H 2015 and from 2.41% in 1Q 2016.

The Bank’s operating expenses increased by 11.9% largely owing to revisions effected through the collective agreements. However our continuous focus on cost optimization enabled to record a cost to income ratio of 45.2% for 1H 2016, which is nearly 300 bps lower than the corresponding period last year.

The Bank’s operating profit before VAT, NBT and corporate taxes increased to Rs 10.8 Bn, by 48.3% yoy, while the total tax charge for 1H 2016 was Rs 4.4 Bn. Accordingly the Bank recorded a PAT of Rs 6.4 Bn resulting in a ROA of 1.7% and a ROE of 19.4% for 1H 2016. The asset base of the bank grew by 24.8% yoy and 9.4% during the first six months of the year to reach Rs 793.1 Bn.

Commenting on HNB’s performance, MD/CEO of HNB Mr. Jonathan Alles stated that “we are delighted with our remarkable 1H performance which was driven by robust growth in core banking. This exceptional performance is attributed to the unwavering commitment of my high performance team and I am truly grateful to each and every member of Team HNB for espousing transformational change. Our continuous investments in developing world class talent, adopting state of the art technology, best in class systems and processes as well as our focus on building lasting bonds with our customers will enable us to reach greater heights in the near future”. Mr.
Alles further stated that “while thanking our loyal customers for their continued patronage of HNB business, we hope that the envisioned fiscal reforms and enactment of sound monetary policy will lead to strong economic growth and stability. We at HNB remain focused and well positioned to be a key partner in the development of the nation through our strategic direction.”

The HNB Group also recorded outstanding performance with Group PAT growing by 54% yoy to reach Rs 7 Bn. All group companies contributed to the performance with HNB Grameen leading the way. Group assets grew by 25.3% yoy to reach Rs 828.9 Bn by end of 1H 2016.

During the first 6 months, HNB has been recognized by many renowned international and local institutions for excellence in diverse business and support functions. In early 2016 HNB was recognized by the prestigious ‘Asian Banker Magazine’ as the ‘Best Retail Bank in Sri Lanka’ for the 8th time. The Bank’s Islamic Finance arm was bestowed upon the ‘Deal of the Year’ Silver Award and the ‘Entity of the Year’ Bronze Award at the Islamic Finance Forum of South Asia organized by UTO EDU Consult. HNB also won the ‘Asia’s Best Employer Brand Award for Best HR Strategy in line with Business 2016’ and the ‘Asia Excellence in Training & Development Award 2016’ for the 5th consecutive year. Recently the Bank was recognized as the ‘Silver Award’ winner at the CFA Sri Lanka Capital Market Awards 2016 for ‘Best Investor Relations’.

HNB is also the first local Bank in Sri Lanka to receive an international rating on par with the sovereign from Moody’s Investor Services while maintaining a national long term rating of AA -(lka) from Fitch Ratings Lanka Ltd.