HNB 9 month Group PAT at Rs 14.5 Bn

- Cost to Income improves by 360 bps
- Group pays Rs 11.8 Bn in Taxes

Hatton National Bank PLC (HNB) reported a Profit After Tax (PAT) of Rs 14.5 Bn at Group level for the nine months to September 2018 recording a growth of 23% YoY, while the Bank’s PAT for the period amounted to Rs 13.1 Bn growing by 21% YoY.

Prudent asset and liability management facilitated a 15.5% YoY growth to Rs 34.2 Bn in Net Interest Income (NII) for the period, despite challenging market conditions.

Net Fee and Commission Income grew moderately by 10.8% YoY to Rs 6.8 Bn in the period to September with Credit Cards, Trade Finance & Remittance businesses contributing to more than 50% of the fee and commission income.

Net losses from trading which reflecting principally the revaluation of forex swaps, reduced significantly by 55% to Rs 1.2 Bn from a higher depreciated rupee and low volumes of swaps compared to the previous year. Other operating income too witnessed a sizable growth of 23% to Rs 3.4 Bn as a result of exchange gains on position revaluations and higher exchange income from forex transactions.

Reflecting on macro and industry conditions which have precipitated delays across the industry in collections; the Bank’s Gross NPA ratio as at the end of the third quarter increased to 3.1% from 2.9% reported in June, albeit remaining below industry norms. The resulting increase in provisioning requirements led to impairment on facilities deemed individually significant rising by 49.0% YoY to just under Rs 1.5 Bn for the period ending September whilst collective impairment charges rose to Rs 2.1 Bn, from Rs 1.3 Bn in the commensurate period of 2017.

The sustained pursuit of the Bank’s initiatives in centralization and digitalization has yielded a continuous improvement in HNB’s Cost to Income ratio, which improved to 36.9% for the nine months ending September 2018, exceeding that recorded during the corresponding period of 2017 by 360 bps. The Total Operating Expenses for the nine months increased to Rs 16.0 Bn with growth being contained at 10.0% YoY.

Bank made a Profit Before Tax (PBT) of Rs 19.3 Bn during the period while the Rs 13.1 Bn PAT generated a Return on Assets (ROA) of 1.76% and Return on Equity (ROE) of 15.57% for the period.
Total advances grew to Rs 717.8 Bn, supported by a nine month growth of 10.7% in the deposit base to Rs 776.3 Bn. The Bank remains strongly capitalized with Tier I Capital at 13.02% and Total Capital ratio at 15.62%, 415 bps and 275 bps above the respective regulatory requirements.

Commenting on the Bank’s performance Mr. Jonathan Alles, MD/CEO of HNB stated that “We are once again pleased with our performance amidst challenging market and economic conditions. The sustained level of performance delivered by the Bank is a testament to the dedicated efforts of the ‘HATNA Family’ in persistently raising the bar in excellence”.

Mr. Alles added that “In the current backdrop we will continue our intense focus on NPA management, mobilizing CASA and diligently forging ahead with digital transformation while continuing to enhance the overall value proposition to all our stakeholders. Moreover, as a foremost financial institution in Sri Lanka we are committed to establish ourselves as a true ‘partner in progress’ to the nation”.

All Group companies were profitable during the period and contributed to HNB Group profitability with PBT rising to Rs 21.5 Bn. The Group PAT of Rs 14.5 Bn represented a Group ROA and ROE of 1.84% and 14.62% respectively. Group assets reported a nine month growth of 8.2% to Rs 1.1 Trillion.

In 2018 HNB was placed first, in over ten banking awarding forums in Retail, Forex, Payments, Cash Management, SME Banking, Digital Banking, Sustainable Reporting, Islamic Finance and the ‘Best Sharia compliant window’ by the Banker Magazine. The Bank was also recognised as the ‘Best private sector organization for promoting women in the workplace’ at the Women in Management, Top 50 Professional & Career Women Awards 2018.

HNB is 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. In 2018, HNB had the distinction of becoming the No. 1 Bank in Sri Lanka in the Top 1000 World Banks 2018, ranked by the UK’s ‘The Banker’ magazine and the No. 1 Bank in Business Today rankings for 2017/18.