

HNB 9 Months profit up by 20% to LKR 6.8 BN

Hatton National Bank PLC (HNB) continued its strong performance in 2015 with 9 months profit after tax increasing by 20.1% YOY over the corresponding period of 2014 to reach LKR 6.8 Bn. The Bank also reported a considerable growth of 21.6% YOY in assets up to September 2015.

Commenting on the 9 months performance, HNB Managing Director/CEO, Mr. Jonathan Alles stated that “We concluded yet another successful quarter with significant growth witnessed in profits as well as a robust growth in the balance sheet. During the third quarter alone advances and deposits grew by approximately Rs 35 Bn which represents an annualised growth of over 30%. We also supplemented our deposit drive by obtaining long term borrowings from foreign institutions, where we concluded a US\$ 35 Mn borrowing with DEG during the third quarter while signing an agreement for a further US\$ 50 Mn from Proparco more recently”

Despite margins continuing to be under pressure, the Bank was able to grow its Net Interest Income by 5.6% YOY to Rs 19.4 Bn through mobilisation of low cost deposits with growth in CASA reaching 21.8%. The impressive 26% YOY growth in the loan book also contributed towards this end.

Net income from Fees and Commissions grew by 15.2% YOY to Rs 4.2 Bn and was derived mainly from trade financing, guarantee commissions and electronic delivery channels.

Net trading gains/ (losses) showed a significant gain due to the revaluation of forwards and swaps which are taken to hedge the on balance sheet positions. The corresponding impact of the rupee depreciation is shown under other income. Overall the exchange gain for the Bank more than doubled in 2015 compared to the corresponding period last year. The drop in investment income is due to the absence of a one off capital gain made in 2014 from the disposal of Bank’s investment in Visa & Master cards.

The collective impairment charge has reduced by nearly Rs 1 Bn, on account of significant decline in losses on pawning and lower non performing portfolio. Aggressive and multi-pronged recovery efforts have helped improve the Bank’s NPA ratio to 2.98% as at the end of September 2015 from 3.24% recorded in June 2015.

The Bank’s focus on cost optimization initiatives continues to reap dividends with the total operating expenses growing by only 7.4% YOY. This has been achieved despite a 14% increase in personnel costs while the increase in other expenses has been contained to 4%.

The improvement in profit after tax by 20.1% to Rs 6.8 Bn also enabled the Bank to improve its ROA and ROE to 1.45% and 14.62% respectively.

The Group also witnessed steady growth with the newly acquired HNB Grameen Micro Finance Ltd and Sithma Development in particular contributing strongly to post a growth in profit before tax of 18.4% to Rs 10.3 Bn and a post-tax profit growth of 13%. Total Group assets increased by 23.3% YOY to Rs 704.4 Bn.

HNB in 2015 was the recipient of the ‘Best Retail Bank in Sri Lanka’ award at the Asian Banker’s ‘Excellence in Retail Financial Services Awards’ and won the Gold Award in the Banking Category at the 11th ‘ACCA Sri Lanka Sustainability Reporting Awards’. HNB is the

first Sri Lankan bank to obtain an international credit rating from Moody's Investors Service and has been assigned a foreign currency issuer rating of B1 on par with the sovereign rating, while having a national long term rating of AA- (lka) by Fitch Ratings (Lanka) Ltd.