

HNB records a Group PBT of Rs 38.7 Bn for the first nine months of 2024

- Customer deposits cross Rs 1.6 Tn
- Contribution to Government revenue by way of taxes exceeds Rs 25 Bn for 9M
- Continues to maintain strong capital and liquidity levels
- Asset quality further strengthened with net stage 3 ratio at 3.32% and provision coverage ratio at 60%

HNB Group recorded a PAT of Rs 23.7 Bn growing by 26% YoY, while the Bank's Profit After Tax increased by 34% YoY to Rs 22.2 Bn for the nine months ended September 2024.

Commenting on the performance, Mr. Nihal Jayawardene, Chairman of Hatton National Bank PLC, stated that "having experienced five years of extreme volatility and unprecedented challenges, Sri Lanka has witnessed macro-economic stability during the year. We believe, that the completion of the external debt restructuring as announced, as well as progression in the reform agenda, will boost investor confidence, auguring well for the country and the banking sector".

Mr. Damith Pallegatte, Acting Chief Executive Officer of Hatton National Bank PLC, added that "Sri Lanka's key macro variables continued to move in the right trajectory during the first nine months of the year. However, at bank level, these variables resulted in mixed financial outcomes. The overall improvement in the operating environment created a conducive environment for businesses and individuals leading to better credit growth and debt serviceability by the borrowers. However, steep drop in market rates impacted both yields from the loans and advances and investment portfolio negatively exerting pressure on interest margins. While strengthening of the LKR against the USD resulted in improved economic activity on the imports front, this also resulted in bank having to recognize an exchange loss on the revaluation of foreign exchange reserves. Nonetheless, in this backdrop, Bank's core focus remained on sustainable growth through responsible lending, mobilization of low-cost deposits, growing non-interest income and improving asset quality".

Decline in AWPLR by nearly 50% compared to last year and remaining at an average level of 10% for the first 9 months directly reflected in the loan yields as the loan book repriced at lower rates leading to a considerable 25% decline in Gross Interest Income for the period. The Interest Expense also recorded a 29% drop in line, supported by the strong growth in CASA deposits. The resultant NII for the period was recorded at Rs. 68.5 Bn, reflecting an 18% YoY contraction.

Bank's efforts to minimize the impact of interest rate volatility, resulted in a 10% YoY growth in Net Fee and Commission income despite trade income being relatively lower compared to the previous year with the normalizing of the trade tariff to pre-crisis levels. The growth in fee income was largely driven by higher cards and digital transactions in line with the efforts to drive a cashless economy,

The support extended to customers to revive their businesses, concerted efforts on collection and the overall improvement in economic activity enabled the Bank to record superior asset quality compared to the industry. The net stage 3 ratio improved to 3.32% while the stage 3 provision coverage ratio improved to 60.50%, during the quarter, compared to 4.09% and 56.08% recorded in 1H 2024. The total impairment charge for the nine months amounted to Rs 3.2 Bn, compared to Rs 32.4 Bn for the same period in 2023. The impairment charge for the previous period included an amount of Rs 25 Bn on account of Bank's investments in international sovereign bonds (ISBs). With the agreement on the external debt restructuring, in line with the industry practice, the Bank maintained its provision cover of 52% on the investments in ISBs. This together with the positive movement in stage-wise loans, led to a significant reduction in the impairment charge for the period.

As of 30th September 2024, the Bank's gross loans and advances which saw a drop in the first quarter recorded a net growth of Rs 91.1 Bn since, reaching Rs 1.1 Tn. The Bank's deposit base continued to grow significantly, reaching Rs 1.62 Tn, driven by a remarkable increase of Rs 79.9 Bn in LKR CASA over the nine months of 2024. This has elevated the LKR CASA ratio to 35.8% from 31.8% in December 2023.

HNB's Tier I and Total Capital Adequacy Ratios stood at 15.51% and 20.01% against the minimum statutory requirements of 9.5% and 13.5% respectively. The tier II ratio was further strengthened during the quarter, by the successful issuance of Basel III compliant subordinated debentures, amounting to Rs 12 Bn. HNB continued to maintain a strong liquidity position with an all currency Liquidity Coverage Ratio of 297.39%, against the minimum statutory requirements 100%.

Outlining his vision for the Bank, Acting CEO stated that "Our goal is to continue building on our legacy of strength, stability and innovation. By leveraging best in class customer service, emerging technologies, and unparalleled suite of products and services, we aim to partner the progress of our people, while exploring new market opportunities for expansion.

HNB is rated A (lka) by Fitch Ratings and was adjudged the "Sri Lanka's Best Bank" and "Sri Lanka's Best Bank for SMEs" by Euromoney Magazine in 2024. In addition, HNB was also recognized as the "Best Retail Bank in Sri Lanka" for the 14th occasion and "Best Automobile Financing for Asia Pacific" by the Asian Banker. HNB was ranked the Number 1 Company in Sri Lanka by Business Today in its Top 40 Businesses ranking for 2023-24. HNB was recognized as one of the Top 25 Corporates at the LMD Awards which was held honouring 25 most awarded Sri Lankan Corporates.