

HNB Group surpasses Rs 5 Bn in PBT for the first six months; PAT grows by 8%

HNB recorded a healthy performance during the first half of 2014, with PAT of the Bank as well as the Group growing by 8% to Rs. 3.38Bn and Rs. 3.69Bn respectively. This growth was achieved despite lower margins experienced during H1 of 2014 as a result of the drop in lending rates and over Rs 1.5 Bn of interest written off on account of pawning. The margins for the second half are expected to improve with re-pricing of deposits in line with the lending rates and the tapering off of the adverse impact from pawning.

Commenting on the performance in H1 2014, Dr Ranee Jayamaha, Chairperson of HNB Plc stated that "the solid performance recorded in the first 6 months of 2014 is attributable to the strategic focus, adoption of prudent policies, untiring efforts of staff at all levels, as well as the confidence placed on us by our valued customers."

Despite industry credit growth continuing to remain sluggish with a yoy growth of 4.4%, the Bank was successful in recording a yoy credit growth of 8.3% as at end of Q2 2014 through a focused sales drive. This growth was achieved notwithstanding a drop of approximately 40% in the pawning portfolio during the period.

The strong brand image as well as efforts of an effective sales force enabled the Bank to improve the total deposit base by over Rs. 22Bn during the first half of 2014, with the growth in low cost deposit base accounting for over 68% of the total growth. As a result, the local currency CASA ratio improved to 41.5% as at end of Q2 2014.

Though net interest income witnessed a drop inline with the industry as a result of lower margins, the Bank's continuing focus on enhancing fee based income enabled to record a robust growth of 20% in fee income with increase in card volumes, guarantee commission contributing towards the growth.

The increase in net gain from financial investments to Rs. 1,074Mn in the period under review was mainly due to the gains from disposal of shares held in Visa Inc and MasterCard Worldwide.

The impairment provision for the period recorded a significant improvement over the corresponding period of the previous year, propelled by the aggressive recovery efforts initiated by the Bank. The reduction in impairment provision by approximately Rs. 1.7Bn was largely due to provision reversals effected in H1 2014 on account of pawning. The focus on recoveries also resulted in the NPA ratio as at end of June 2014 improving to 4.06% in comparison to 4.53% recorded in March 2014 despite industry NPA levels remaining high at 6.2%.

The Bank was successful in curtailing the increase in other expenses to 4% during the period.

The increase recorded in personnel expenses was due to same being exceptionally low in 2013 as a result of the reversal of provision amounting to Rs. 1.5Bn effected in H1 of 2013 on account of Employee Share Benefit Trust (ESBT), consequent to the decision to windup same during this period.

Accordingly, the Bank recorded a PBT of Rs 4.94Bn for the period compared to Rs 4.69Bn recorded in the corresponding period of the previous year while, the HNB group posted a PBT of Rs 5.27Bn as against the PBT of Rs 5Bn recorded in H1 2013.

Mr. Jonathan Alles, Managing Director/CEO of HNB Plc stated that "HNB has once again showcased its resilience backed by a very sustainable business model and strong strategic intent. Considering the expected changes in the macro conditions, the market potential and the opportunity for HNB to propel growth we have already commenced the process of formulating our strategic plan for the next three years. Our concerted efforts on driving a strong sales culture, continuously improving internal processes, achieving excellence in service delivery and leveraging on significant investments made in technology combined with the more positive outlook for the second half will undoubtedly enable HNB to reach greater heights in the future".

He further added that "HNB's recent announcement to acquire a 51% stake in Prime Grameen Micro Finance Ltd will complement the Bank's investments in insurance and capital markets and further strengthen the position of HNB Group in the financial services sector".