

HNB Forges ahead with strong 1H performance; PAT grows by 27.5%

Hatton National Bank PLC posted a strong performance in the first half of 2015 with profit after tax increasing by 27.5% YOY to LKR 4.3 Bn and total assets increasing by 19.0% YOY to LKR 635.2 Bn.

Commenting on the first half results, HNB Managing Director/CEO, Mr. Jonathan Alles stated that "HNB has continued its robust performance notwithstanding a lacklustre macro economic environment, stifled business and investment climate challenging the national and corporate growth aspirations. Our drive in digital banking, sales orientation, process optimization & efficiency together with increased focus on improving asset quality and productivity has enabled the Bank to forge ahead and record this impressive performance for first half of 2015." He further went on to say "With elections around the corner, it is envisaged that a strong economic and development strategy will be put forward supported by an enabling budget that would propel the nation with development plans laid out to stimulate and grow existing and new industries while containing bureaucracy and wastage leading to more opportunities for all Sri Lankans".

The Bank was able to grow its 'Net Interest Income' by 3.9% to LKR 12.9 Bn in a low interest environment driven by the growth in CASA deposits by 28.6% YOY. The impact on interest income from the decline in rates was mitigated largely by a 21.4% growth in the loan book YOY with interest income falling by only 7.2% compared to the corresponding period last year.

Net income from 'Fees and Commissions' grew by 11.4% to LKR 2.7 Bn to compliment the growth in NII and was derived mainly from credit cards, remittances and trade finance. Trading, investment and Other Operating Income collectively declined by 22.6% largely due to an extraordinary income of approximately LKR 900 Mn being received in 2014 on account of sale of shares in VISA and Master. The decline was to an extent offset by dividend income and revaluation gains on foreign exchange positions resulting in 'Other Operating Income' increasing by 96.6% to LKR 1.6 Bn.

Impairment costs decreased significantly by 47.3% from 2014 and was mainly on account of interest write off on pawning advances being only LKR 25 Mn as against LKR 1.7 Bn recorded in the corresponding period last year. However, individual impairment costs which constitute a component of the total impairment charge increased by LKR 328.5 during this year. The Bank improved its NPA ratio to 3.24% at the end of Q2, compared to 4.06% in the corresponding period last year and 3.62% recorded in 1Q 2015. The Bank has reaped the benefits of cost optimization and process improvement initiatives implemented over the past 12 months with operating costs increasing by only 4.9%.

The improvement in profit after tax by 27.5% to LKR 4.3 Bn also enabled the Bank to boost its ROA and ROE to 1.4% and 14% respectively from a ROA of 1.25% and ROE of 12.2% reported in Q1 2015. The HNB group also performed well in Q2 2015 with all subsidiaries, including the newly acquired HNB Grameen Micro Finance Ltd and Acuity Partners contributing strongly to post a growth in profit before tax of 23.1% to LKR 6.5 Bn and a post-tax profit growth of 18%. Total group assets increased by 20.8% YOY to LKR 661.3 Bn.

HNB has won several awards throughout 2015 with the 'Best Retail Bank in Sri Lanka' award from the Asian Banker and the 'Gold Award' at the 'ACCA Sri Lanka Sustainability Reporting Awards' being among the most significant. Affirmation of performance and confidence regarding growth prospects were in further evidence via the agreement with the Asian Development Bank signed in Q2 2015 whereby the Bank was granted a loan of US\$ 100 Mn to finance infrastructure projects. HNB was the first internationally rated Bank in the Country with a foreign currency issuer rating of B1, which is on par with the sovereign rating, by Moody's Investor Services while the Bank's national long term rating of AA- (Ika) was recently reaffirmed by Fitch Ratings (Lanka) Ltd.