

## HNB Group records Rs 16.2 Bn in PAT for 6 months

- Bank PAT of Rs 15.4 Bn
- Loans grow by Rs 28 Bn in Q2
- Rs 58 Bn growth in rupee CASA in 1H
- Maintains strong capital and liquidity levels

Hatton National Bank PLC posted a profit before tax of Rs 25.8 Bn and a profit after tax of Rs 15.4 Bn during the six months ended June 2024. The Group recorded a consolidated PBT and PAT of Rs 27.0 Bn and Rs 16.2 Bn, respectively for the period.

Commenting on the performance Chairman Mr. Nihal Jayawardene stated that "Sri Lanka has come a long way since the devastating economic crisis, and has taken steady steps towards stabilization. While uncertainties and challenges prevail, we reiterate our commitment to deliver sustainable growth for all our stakeholders".

The Bank's interest income recorded a YoY decline of 24.2% during the first six months, owing to the sharp drop in AWPLR by over 10 percentage points from 19.47% to 8.78% over the 12-month period up to 30<sup>th</sup> June 2024, in line with CBSL's expansionary monetary policy. Interest expense declined at a similar pace, resulting in a 23.1% YoY drop in net interest income to Rs 45.6 Bn. Bank's fee and commission income grew by 5.5% YoY to Rs 8.6 Bn primarily fueled by card and digital channel transactions. While the foreign exchange transactions were encouraging, the marginal appreciation of the Sri Lankan rupee against the US dollar during the period resulted in the Bank having to record an exchange loss of Rs 1.3 Bn for the six months.

Reducing interest rates and improvement in economic activity as well as the proactive actions taken by the Bank facilitated rehabilitation of stressed borrowers. While this led to an improvement in collections and recovery, impairment on account of investments in International Sovereign Bonds (ISBs), reduced significantly, as the Bank maintained its provision cover on ISBs since December 2023. As a result, the total impairment charge was Rs 1.5Bn for the 6 months ended June 2024. HNB's asset quality remained above the industry levels, with net stage 3 ratio at 4.09% and stage 3 provision cover at 56.1%.

HNB's operating expenses rose by 12.1% YoY to Rs 19.8 Bn on staff cost and other related expenses. The Bank's total effective tax rate remained largely unchanged at 53.4%.

Mr. Damith Pallewatte, Acting Chief Executive Officer of the Bank, expressed that "our performance during the first half underpins the concerted efforts on key areas. In the backdrop of narrowing margins, our focus on CASA has enabled us to partly cushion the impact. Commitment and meticulous efforts in supporting business revival of our customers has yielded positive results. The demand for loans, which was subdued, indicated signs of recovery especially in the second quarter.

The unprecedented events that we experienced over the past, has emphasized the need to be innovative, agile and sustainable. As this expands our horizon we remain positive and committed on the future prospects, for our bank and in driving HNB to the next level".

Bank's asset base improved to Rs 1.95 Tn as at June 2024. Significant reduction in market lending rates in line with Central Bank's relaxed monetary policy and the resultant increase in demand for credit has enabled the Bank to record a Rs 27.6 Bn growth in gross loans during the quarter. Meanwhile the Bank's deposit base further expanded to Rs 1.59 Tn as at end of June 2024.

HNB's Tier I and Total Capital Adequacy Ratios improved to 16.17% and 19.69% against the minimum statutory requirements of 9.5% and 13.5% respectively. The Bank continued to maintain a strong liquidity position as well, with an all currency Liquidity Coverage Ratio recorded at 383.9%.

HNB is rated A (lka) by Fitch Ratings and was adjudged the "Best Retail Bank in Sri Lanka" for the 14<sup>th</sup> occasion by the Asian Banker magazine during the year. Furthermore, HNB has being declared the "Best Bank in Sri Lanka" and "Best SME Bank" by Euromoney Magazine in 2024.