

HATTON NATIONAL BANK PLC. PROFILE AND FLAGSHIP PROJECTS

Overview

History

The Bank is a public limited liability company, which was incorporated on March 5, 1970 under the Companies Ordinance (Cap. 145, Revised Legislative Enactment 1956) in Colombo, Sri Lanka, and has been issued a license under the provisions of the Banking Act No. 30 of 1988. The Bank was established in 1888 as the "Hatton Bank" to cater to the flourishing tea industry in the central region of Sri Lanka. Subsequently the Bank amalgamated with selected branches of National & Grindlays Bank and was renamed Hatton National Bank in 1970.

Markets

The Hatton National Bank PLC is a premier private-sector bank in Sri Lanka in terms of assets, deposits, branches and employees. As at December 31, 2007, the Bank had total assets of LKR 232,906 million (US\$ 2,143million), total customer deposits of LKR 175,660 million (US\$ 1,616million) and operated through 167 Customer Centres in Sri Lanka and two representative offices in India and Pakistan.

The Bank and its subsidiaries are engaged in providing a range of financial services including corporate and investment banking, retail banking, international banking, development finance, equities, fixed income and insurance. The Bank services almost all market segments from large corporates and high net-worth individuals to SMEs, mass-market retail and micro-finance. The Bank, with its service presence across diverse market segments, diversified revenue streams and varied product offerings is positioned as the largest private sector "universal bank" in Sri Lanka.

The Bank's traditional delivery channel in the form of a network of fully computerised and linked branches known as "Hatna.net", supported by a network of `onsite and offsite ATMs, telephone banking, SMS banking and a comprehensive internet banking product named "Hatna-i", comprise the Bank's "anywhere banking" platform in Sri Lanka. Corporate banking activities currently represent the bulk of the Bank's income and credit portfolio, accounting for approximately 67% of total advances as at end Financial Year 2007. HNB maintains banking relationships with most Sri Lankan blue-chip companies and many foreign multinationals operating within the country.

HNB has also involved in Stock Brokering, Insurance, property development and primary dealership in government securities through its subsidiaries HNB Stock Brokers (Pvt) Ltd, HNB Assurance Ltd., Sithma Developments Ltd and HNB Securities (Pvt) Ltd.

Employees

As at December 31, 2007, the Bank had 4,334 employees, which includes 117 field officers who are actively engaged in rural banking activities.

Important Milestones

- In 1974, the business of the Mercantile Bank was taken over by HNB.
- In 1989, Colombo branch of Emirates International Bank UAE came under the wings of HNB.
- In 1997, acquisition of business of Banque Indosuez in Colombo.
- In 2002, HNB took over the operations of Habib Bank AG Zurich.

Awards Received

- HNB, Sri Lanka's premier private commercial bank, was awarded the Bank of the Year 2006 by the prestigious publication, 'The Banker'.

HNB involvement in Rural financing

The HNB enter into the area of Rural financing came almost immediately after its establishment. In 1973 the bank in association with a consortium of private companies named "Agrohope Limited" together with a few government agencies undertook a village adoption programme in the down south of Monaragala district.

In 1979, the bank commenced SME lending by participating in government sponsored refinanced credit lines funded by international donor agencies. In 1989 the bank introduced its own micro financing programme known as "Gami Pubuduwa" (Village Awakening) with the aim of alleviation of poverty among the rural community focussing more as educated rural youth and women

The current Bank's Rural & Micro Finance portfolio is in the region of LKR 5.4 Bn with a 95% of recovery rate.

Bank has been an active participating credit institution for almost all credit lines funded by the Asian Development Bank (ADB), World Bank, International Fund for Agriculture Development (IFAD), Japanese Bank for International Corporation (JBIC) as well as concessionary credit lines introduced by the Government of Sri Lanka.



Flagship Projects

HNB Microfinance – “ Gamipubuduwa” (village awakening Programme)

Hatton National Bank being an indigenous financial institution in Sri Lanka has been involved in rural development almost from the time of its inception as a fully-fledged commercial bank, and has since then provided financial services to rural communities for a variety of activities such as cultivation, animal husbandry, trading and other self-employment projects.

During the period 1988/89, Sri Lanka experienced an island-wide youth unrest mainly due to unemployment and aggravation of poverty. HNB, having realized the gravity of this social and economic upheaval, initiated a micro-finance programme under the brand name of “Gami Pubuduwa” with a view to extending banking assistance to the rural youth in exploring self-employment activities.

The core objectives & Focus

- To develop a sustainable programme which will give a new orientation to the village folks' upliftment and rural development, and to encourage participation in rural awakening and regeneration activities by identifying the strengths, weaknesses and resources available amongst them and to offer financial assistance as appropriate.
- To give an opportunity to the thousands of village folk who have hitherto considered banks as places inaccessible to them, in obtaining financial and other assistance.
- To develop a close relationship and eliminate the 'barrier' between the villages and the Bank.
- Linking the Bank with the village community and other organizations and promoting economic activity.
- To assist the village community in getting involved in the economic progress of their villages and encouraging them to move towards more productive activities by evolving a practical Rural Credit Delivery and Savings Mobilization system.

Implementation Details & Success Factors

- First time in the commercial banking history of Sri Lanka. Hatton National Bank introduced a barefoot banker named 'Gami Pubuduwa' (Village Awakening Advisor) with the sole objective of bringing banking to the doorstep of the villagers
- Gami Pubuduwa Scheme was formulated not only with a view of extending credit facilities, but also to give a package of banking facilities. The main ingredients of the scheme constitute of rural savings mobilisation and social development while extending credit.
- One of the strongest factors is the higher collection performance, apart from the overall evaluation & monitoring of the scheme, the relationship the GPU field officer maintains with his borrowers.
- Furthermore, bank has involved in organizing trade fares to establish a market for the products manufactured by Gami Pubuduwa clients and has introduced modern technology by linking expert organizations with borrowers to improve product quality. Expansion of small industries has also created more employment opportunities in rural areas
- Gami Pubuduwa' microfinance scheme provides assistance for any income generating self employment activity up to LKR 1 Mn with a maximum repayment period of 4 years. There are 110 'Gami Pubuduwa' rural banking units operating throughout the country where most of the units are stationed in remote rural areas of the country.

Partnerships

The Bank in collaboration with Savings Bank Foundation for International Cooperation (SBFIC), which is the advisory body to one of the largest financial groups worldwide housing an umbrella of 670 Savings bank groups and joint institutions, launched a micro finance programme under Gami Pubuduwa in the Tsunami affected areas in 2005.

2,720 clients were directly financed from the German Savings refinance funds out of this 742 are totally new clients. Over 7,000 new employment opportunities were created by these entrepreneurs. Overall, over 9,000 families, amounting to over 50,000- of the population were directly benefited from the partnership microfinance program.

Micro Insurance Product under Gami Pubuduwa Scheme "

The bank together with HNB Assurances Ltd has introduced a "Micro Finance Insurance scheme" as the newest value addition to the GP concept. This is the first of its kind in Sri Lanka and has been designed to cover both life & liability of borrowers. Any micro entrepreneur, who wishes to obtain credit facilities under Gami Pubuduwa scheme will be eligible for the product. A notable feature of the scheme is that the bank would bear 50% of the cost of single premium on behalf of the borrowers.

In the event of death or total permanent disability of a borrower, the HNB Assurance Ltd will settle the outstanding due of the loan to the bank and also pay the sum assured to nominee/ bank as life cover.



IMPACT TO THE NATION

Gami Pubuduwa (Village awakening) scheme emphasizes harnessing the inherent skills of the rural community thereby assisting them to become self-reliant.

During the period of last 18 years over 70,000- small loans have been sanctioned amounting to approx. LKR. 4.3 BN & 1.2Bn rural deposits successfully mobilized. Gami Pubuduwa programme has touched the lives of over 500,000- people directly and indirectly all over the island, giving them better opportunities for employment, education and success.

R Theagarajah – Managing Director/CEO

Hatton National Bank PLC,
HNB Towers, 479, T B Jayah Mawatha
Colombo 10, Sri Lanka.
Tele.+9411-2662717, +94112661303
Fax. +94 (0)11-2662735
e-Mail theaga@hnb.lk