
Hatton Bank Targets Sri Lanka North, Infrastructure as War Ends

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By Anusha Ondaatjie July 3 (Bloomberg) -- Hatton National Bank Ltd., Sri Lanka's second-biggest non-state lender by assets, plans to add branches and finance rebuilding in the island's north and east following an end to three decades of civil war.

Hatton aims to open three new branches next year in the northern Wannu region, where the military fought its final battles against the Liberation Tigers of Tamil Eelam, Chief Executive Officer Rajendra Theagarajah said in a phone interview from Colombo yesterday. The bank is also in talks to lend funds for rebuilding roads and ports in areas where the LTTE was routed, Theagarajah said. President Mahinda Rajapaksa is seeking aid and investments to help turn the war-ravaged east and north of Sri Lanka into productive parts of the economy. The central bank this week raised its growth forecast for 2009 as slowing inflation helps ease borrowing costs and the island rebuilds after declaring victory over the separatist rebels on May 16. "There has to be a fair amount of infrastructure development which will spur demand for credit in the months to come," Theagarajah said. "We are confident in the postwar situation." Hatton National shares were unchanged yesterday at 120 rupees in Colombo trading. The stock has risen 72 percent this year, compared with a 60 percent gain in the benchmark Colombo All-Share Index. Interest Rates Sri Lanka's \$32 billion economy is expected to grow between 3.5 percent and 4.5 percent this year, up from a 2.5 percent expansion forecast in April, central bank Governor Nivard Cabraal said July 1. The central bank still has "reasonable space" to be flexible in monetary policy and will use "moral suasion" to encourage lending, Cabraal said on June 17. Sri Lanka's LMD-Nielson business confidence index, prepared by the Nielson Co. and Lanka Monthly Digest, nearly doubled this month from June, when it rose the first time in three months. Cabraal lowered the reverse repurchase rate to 11 percent from 11.5 percent on June 16 and cut the repurchase rate to 8.5 percent from 9 percent in the third such move this year to spur spending and investment. "We are pretty sure to do better than last year," Theagarajah said. "Loan re-pricing will follow deposits, and we could see more people venture into projects in the coming months." Hatton National's net income fell 10 percent to 2.83 billion rupees (\$24.6 million) in the year ended Dec. 31, from 3.15 billion rupees a year earlier, as high interest rates curbed demand for loans. Courtesy: bloomberg.com