



Fitch Assigns Hatton National Bank's Basel III Subordinated Debt Final 'BBB+(lka)'

Fitch Ratings - Colombo - 05 Aug 2024: Fitch Ratings has assigned Hatton National Bank PLC's (HNB, A(lka)/Stable) proposed Sri Lankan rupee-denominated Basel III-compliant subordinated debentures of up to LKR12 billion a final National Long-Term Rating of 'BBB+(lka)'.

The final rating is the same as the expected rating assigned on 4 April 2024 and follows the receipt of documents conforming to information already received.

KEY RATING DRIVERS

The proposed debentures will mature in five, seven and 10 years and will be listed on the Colombo Stock Exchange. HNB plans to use the proceeds to further strengthen its Tier 2 capital base, support loan growth and reduce maturity mismatches in the balance sheet.

The bank expects the proposed debentures to qualify as Basel III-compliant regulatory Tier 2 capital. The debentures include a non-viability clause whereby they convert to ordinary voting shares upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

HNB's Sri Lankan rupee-denominated subordinated debt is rated two notches below the bank's National Long-Term Rating anchor. This reflects Fitch's baseline notching for loss severity for this type of debt and expectation of poor recoveries. There is no additional notching for non-performance risk, as the notes do not incorporate going-concern loss-absorption features.

HNB's National Long-Term Rating is used as the anchor rating for this instrument because it reflects the bank's standalone financial strength and best indicates the risk of the bank becoming non-viable.

For details of the key rating drivers and rating sensitivities of HNB's National Long-Term Rating, see [Fitch Affirms Hatton National Bank at 'A\(lka\)'; Outlook Stable](#), published on 6 June 2024.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

HNB's subordinated debt would be downgraded if the bank's National Long-Term Rating is downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

HNB's subordinated debt would be upgraded if the bank's National Long-Term Rating is upgraded.

DATE OF RELEVANT COMMITTEE

05 June 2024

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
<input type="text"/>	<input type="text"/>	<input type="text"/>
Hatton National Bank PLC		
subordinated	Natl LT	BBB+(Ika)
	New Rating	BBB+(EXP)(Ika)

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[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Bank Rating Criteria \(pub. 16 Mar 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

- [Solicitation Status](#)
- [Endorsement Policy](#)
- [Potential Conflicts Resulting from Revenue Concentrations](#)

ENDORSEMENT STATUS

Hatton National Bank PLC -

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