



## **Fitch Rates Hatton National Bank's Basel III Subordinated Debt 'BBB+(EXP)(lka)'**

Fitch Ratings - Colombo - 04 Apr 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 an expected National Long-Term Rating of 'BBB+(EXP)(lka)'.

The proposed debentures, which will have maturities of five, seven and 10 years, will be listed on the Colombo Stock Exchange. The bank plans to use the proceeds to further strengthen its Tier 2 capital base, support loan growth and reduce maturity mismatches in the balance sheet. It expects the proposed debentures to qualify as Basel III-compliant regulatory Tier 2 capital. The debentures include a non-viability clause whereby they will convert to ordinary voting shares subject to the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

The final rating is subject to the receipt of final documentation conforming to information already received.

### **KEY RATING DRIVERS**

Fitch rates the proposed Basel III Tier 2 notes two notches below the bank's National Long-Term Rating of 'A(lka)'. This reflects Fitch's baseline notching for loss severity for this type of debt and our expectations of poor recoveries. There is no additional notching for non-performance risks, as the proposed 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 the rating reflects the bank's standalone financial strength and best indicates the risk of the bank becoming non-viable.

Fitch affirmed HNB's National Long-Term Rating of 'A(lka)', removed it from Rating Watch Negative and assigned a Stable Outlook on 5 October 2023. Details can be found in "[Fitch Affirms Ratings on 15 Sri Lankan Banks; Removes Watch Negative; CBL on Negative Outlook](#)".

### **RATING SENSITIVITIES**

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

A downgrade of the bank's National Long-Term Rating would lead to a downgrade of the expected subordinated debt rating.

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

An upgrade of the bank's National Long-Term Rating would lead to an upgrade of the expected subordinated debt rating.

## DATE OF RELEVANT COMMITTEE

04 October 2023

## 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 ↕
<input type="text"/>	<input type="text"/>
Hatton National Bank PLC	
subordinated	Nat LT BBB+(EXP)(lka) Expected Rating

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[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## APPLICABLE CRITERIA

- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Bank Rating Criteria - Effective from 1 September 2023 to 15 March 2024 \(pub. 02 Sep 2023\) \(including rating assumption sensitivity\)](#)

## ADDITIONAL DISCLOSURES

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

## ENDORSEMENT STATUS

Hatton National Bank PLC -

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