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Fitch Rates HNB Finance's Sub-Debt Issue 'A-(lka)(EXP)'

Fitch Ratings-Colombo-01 July 2019: Fitch Ratings has assigned HNB Finance Limited's (HFL, A(lka)/Stable) proposed Sri Lanka rupee-denominated subordinated unsecured debentures an expected National Long-Term Rating of 'A-(lka)(EXP)'.

The proposed issuance is to total LKR2 billion. The proposed debentures are to mature in five years and carry fixed coupons. The company plans to use the proceeds to strengthen its Tier II capital base and support its loan-book expansion. The proposed debentures are to be listed on the Colombo Stock Exchange.

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

Key Rating Drivers

The proposed subordinated debentures are rated one notch below HFL's National Long-Term Rating to reflect the subordination to senior unsecured obligations.

HFL's National Long-Term Rating was affirmed on 22 February 2019. The rating reflects Fitch's expectation that support would be forthcoming from Hatton National Bank PLC (HNB, AA-(lka)/Stable), which owns 51% of HFL and is involved in HFL's strategic direction through board representation and the common HNB brand. The two-notch rating differential between the two entities reflects HFL's limited role in the group. HFL is engaged mainly in microfinance, which is not a major product for HNB. Furthermore, there is limited operational integration between the entities.

Rating Sensitivities

The rating of the proposed notes will move in tandem with HFL's National Long-Term Rating.

HFL's ratings are sensitive to changes in Fitch's assessment of HNB's ability and propensity to provide support.

HNB Finance Limited

---subordinated; National Long Term Rating; Expected Rating; A-(EXP)(Ika)

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Additional information is available on www.fitchratings.com

Applicable Criteria

[Bank Rating Criteria \(pub. 12 Oct 2018\)](#)

[National Scale Ratings Criteria \(pub. 18 Jul 2018\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub. 12 Oct 2018\)](#)

Additional Disclosures

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