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Fitch Rates Hatton National Bank's Basel III Sub-Debt Final 'A+(lka)'

Fitch Ratings-Colombo-22 August 2019:

Fitch Ratings Lanka has assigned Hatton National Bank PLC's (HNB, AA-(lka)/Stable) proposed Sri Lanka rupee-denominated Basel III-compliant subordinated debentures a final National Long-Term Rating of 'A+(lka)'.

The final rating is the same as the expected rating assigned on 5 March 2019, and follows the receipt of documents conforming to information already received.

The debentures, totalling LKR10 billion, will have maturities of five and seven years and carry fixed coupons. The notes include a non-viability clause and will qualify as regulatory Tier 2 capital for the bank. HNB plans to use the proceeds to support its balance sheet growth and to improve its capital adequacy in light of new regulatory requirements.

Key Rating Drivers

Fitch rates the Tier 2 instrument one notch below the bank's National Long-Term Rating to reflect the notes' subordinated status and higher loss-severity risks relative to senior unsecured instruments. The notes would convert to equity upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

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 has not applied additional notching to the notes for non-performance risk, as they have no going-concern loss-absorption features, in line with Fitch's criteria.

RATING SENSITIVITIES

The rating of the notes would move in tandem with HNB's National Long-Term Rating.

Hatton National Bank PLC

---subordinated; National Long Term Rating; New Rating; A+(lka)

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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 \(pub. 18 Jul 2018\)](#)

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