



## **Fitch Rates Sampath Bank's Basel III Sub Debt Final 'A(lka)'**

Fitch Ratings-Colombo-07 February 2019: Fitch Ratings has assigned Sampath Bank PLC's (A+(lka)/Stable) proposed Basel III-compliant subordinated debentures a National Long-Term Rating of 'A(lka)'.

The notes, which will total LKR7 billion and mature in five years, include a non-viability clause and will qualify as regulatory Tier II capital for the bank. The bank plans to use the proceeds to strengthen its Tier II capital base and support its loan-book expansion. The debentures are to be listed on the Colombo Stock Exchange.

The final rating is the same as the expected rating assigned on 17 December 2018, and follows the receipt of documents conforming to information already received.

### **Key Rating Drivers**

Fitch rates the proposed Tier II instrument one notch below the bank's National Long-Term Rating of 'A+(lka)' 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.

Sampath's National Long-Term Rating is used as the anchor rating because the rating reflects the bank's standalone financial strength. Fitch believes that the bank's standalone credit profile best indicates the risk of 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.

Sampath's National Long-Term Rating was affirmed on 28 September 2018, and incorporates its evolving franchise, high-risk appetite and improving-but lower-than-peer capitalisation.

### **Rating Sensitivities**

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

Failure to maintain capital buffers commensurate with the bank's risk profile could pressure Sampath's rating. Conversely, Sampath's ratings could be upgraded if the bank strengthens its capitalisation significantly and restrains its growth trajectory at the same time.

### **Date of Relevant Committee**

27-Sep-2018

### **Sampath Bank PLC**

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

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#### Applicable Criteria

Bank Rating Criteria - Effective from 22 June 2018 to 12 October 2018 (pub. 22 Jun 2018)  
National Scale Ratings Criteria (pub. 18 Jul 2018)

#### Additional Disclosures

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