



## Fitch Affirms Siyapatha Finance at 'A-(lka)'; Outlook Stable

Fitch Ratings-Colombo-22 February 2019: Fitch Ratings has affirmed Siyapatha Finance PLC's National Long-Term Rating of 'A-(lka)'. The Outlook is Stable. The agency has also affirmed the National Long-Term Rating on Siyapatha's senior unsecured debentures at 'A-(lka)' and subordinated debentures at 'BBB+(lka)'.

### Key Rating Drivers

Siyapatha's rating reflects Fitch's expectation that support for the Sri Lanka-based finance company would be forthcoming from Sampath Bank PLC (A+(lka)/Stable), which owns 100% of Siyapatha and is involved in the strategic direction of the subsidiary through board representation.

Siyapatha is rated two notches below its parent because of its limited role in the group's core business. Sampath Bank's leasing book accounted for just 7.4% of group loans at end-September 2018, of which half came from Siyapatha. The subsidiary is a small contributor to group profit, accounting for 4.0% of group pretax profit for 9M18. The rating also reflects Siyapatha's limited operational integration with the parent and their separate brand identities.

Siyapatha's intrinsic financial profile is weak due to its heightened risk appetite, which was reflected in aggressive loan growth with CAGR of 42% over 2015-2017. The rapid growth has put pressure on the company's already-thin capital buffers and this is also not helped by its weak internal capital generation.

Our assessment also captures the company's rising non-performing loan ratio, which spiked to 5.6% by end-3Q18 from 2.9% at end-2017.

Siyapatha's regulatory capital buffers are weaker than that of its peers with a Tier 1 ratio of 7.6% at end-3Q18 and it will require additional capital infusions to meet enhanced regulatory capital ratios by 1 July 2021. We expect Sampath Bank to support Siyapatha's capitalisation needs, when required.

Siyapatha's senior unsecured debentures are rated at the same level as the company's National Long-Term Rating as they constitute direct, unconditional, unsecured and unsubordinated obligations of the company.

Siyapatha's subordinated debentures are rated one notch below its National Long-Term Rating to reflect their subordination to senior unsecured debt.

### Rating Sensitivities

Siyapatha's rating could change if Sampath Bank's rating changes or if Siyapatha's strategic importance to the bank changes.

Narrower notching could result from higher importance to the group through greater synergies, shared branding and closer operational integration while remaining majority-owned by Sampath Bank.

The senior and subordinated debt ratings will move in tandem with Siyapatha's National Long-Term Rating.

Siyapatha Finance PLC; National Long Term Rating; Affirmed; A-(lka); RO:Sta  
----subordinated; National Long Term Rating; Affirmed; BBB+  
----senior unsecured; National Long Term Rating; Affirmed; A-

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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)

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