

26 Sep 2019 | Affirmation

Fitch Affirms Serendib Finance at 'A+(lka)'

Fitch Ratings-Colombo-26 September 2019:

Fitch Ratings has affirmed Serendib Finance Limited's National Long-Term Rating of 'A+(lka)'. The Outlook is Stable.

Key Rating Drivers

Serendib's rating is driven by Fitch's view that its parent, Commercial Bank of Ceylon PLC (CB; AA(lka)/Stable), the largest private commercial bank in Sri Lanka, would provide Serendib with extraordinary support, if required. CB's ability to support Serendib is reflected in its credit profile, which is underpinned by its standalone strength and Serendib's relatively small size. The support assessment also takes into account CB's 100% ownership of Serendib, track record of support via multiple equity infusions and the subsidiary's increased level of integration with its parent.

Serendib is rated two notches below its parent because of the subsidiary's limited role within the CB group with Serendib accounting for less than 1% of CB's consolidated gross loans at end-March 2019. It also reflects the absence of a common brand and Serendib's weak performance.

We see Serendib's intrinsic credit profile as being considerably weaker than its support-driven rating. We expect CB to inject equity capital to enable Serendib to meet the minimum regulatory capital of LKR2.5 billion by 1 January 2021. Serendib's profitability continued to be weak as a result of high impairment charges with its reported gross non-performing loan ratio remaining significantly higher than that of the industry. Serendib's funding profile has limited diversity due to its total reliance on bank borrowings.

Serendib accounted for only 0.4% of sector assets at end-March 2019.

RATING SENSITIVITIES

Weakening links with the parent or a downgrade of CB's National Long-Term Rating could trigger a rating downgrade on Serendib.

A rating upgrade would most likely result from an upgrade of CB or a significant increase in Serendib's strategic importance to its parent through an increase in its role within the group.

Serendib Finance Limited; National Long Term Rating; Affirmed; A+(lka); RO:Sta

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Additional information is available on www.fitchratings.com

Applicable Criteria

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

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

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