



Fitch Rates Seylan Bank's Basel III Subordinated Debt 'BBB(EXP)(lka)'

Fitch Ratings - Colombo - 16 May 2024: Fitch Ratings has assigned Seylan Bank PLC's (A-(lka)/Stable) proposed Sri Lankan rupee-denominated, Basel III-compliant subordinated debentures of up to LKR10 billion an expected National Long-Term Rating of 'BBB(EXP)(lka)'.

The proposed debentures, which will have maturities of five and seven years, will be listed on the Colombo Stock Exchange. The bank plans to use the proceeds to strengthen its Tier 2 capital, support the expansion of its loan book and reduce maturity mismatches in the balance sheet.

The bank expects the proposed debentures to qualify as Basel III-compliant regulatory Tier 2 capital. The debentures include a non-viability clause whereby they convert to ordinary voting shares subject to the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

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

KEY RATING DRIVERS

Fitch rates the proposed Basel III Tier 2 notes two notches below the bank's National Long-Term Rating to reflect Fitch's baseline notching for loss severity for this type of debt and expectation of poor recoveries. There is no additional notching for non-performance risk, as the proposed notes do not incorporate going-concern loss-absorption features.

Seylan's National Long-Term Rating is used as the anchor rating for the instrument, because the rating reflects the bank's standalone financial strength and best indicates the risk of the bank becoming non-viable.

Fitch affirmed Seylan's National Long-Term Rating, removed it from Rating Watch Negative and assigned a Stable Outlook on 5 October 2023; see [Fitch Affirms Ratings on 15 Sri Lankan Banks; Removes Watch Negative; CBL on Negative Outlook](#)

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Seylan's subordinated debt would be downgraded if the bank's National Long-Term Rating is downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Seylan's subordinated debt would be upgraded if the bank's National Long-Term Rating is upgraded.

DATE OF RELEVANT COMMITTEE

04 October 2023

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕
<input type="text"/>	<input type="text"/>
Seylan Bank PLC	
subordinated	Natl LT BBB(EXP)(lka) Expected Rating

PREVIOUS Page 1 of 1 10 rows ▼ NEXT

[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Bank Rating Criteria - Effective from 1 September 2023 to 15 March 2024 \(pub. 02 Sep 2023\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

- [Solicitation Status](#)

- [Endorsement Policy](#)
- [Potential Conflicts Resulting from Revenue Concentrations](#)

ENDORSEMENT STATUS

Seylan Bank PLC -

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating s

READ MORE

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.