

Announcement: Moody's extends review for downgrade on three Sri Lankan banks' ratings

21 Jul 2020

Singapore, July 21, 2020 -- Moody's Investors Service has today extended its review for downgrade on Bank of Ceylon's (BOC), Hatton National Bank PLC's (HNB) and Sampath Bank PLC's (Sampath) long-term local currency deposit and foreign currency issuer ratings of B2.

A full list of the ratings and assessments on review is provided at the end of this press release.

RATINGS RATIONALE

The extension of the review for downgrade on the banks' ratings follows the review for downgrade that remains in place on Sri Lanka's B2 sovereign rating. Moody's believes that there is a high level of dependency between the creditworthiness of the banks and that of the sovereign, given that the banks operate mainly within the country and hold significant amounts of sovereign debt. Furthermore, the government's ability to support the banks in times of need is a key input to Moody's assessment of the banks' ratings.

Moody's had earlier initiated the review for downgrade on the banks' ratings following its placement of the sovereign rating on review for downgrade. For more information on the sovereign rating action, please refer to the announcement at: https://www.moody's.com/research/Moodys-places-Sri-Lankas-B2-ratings-on-review-for-downgrade--PR_422296

WHAT COULD CHANGE THE RATING UP/DOWN

Given the review for downgrade, the banks' Baseline Credit Assessments (BCAs) and long-term ratings are unlikely to be upgraded during the review period. Nevertheless, Moody's could confirm the ratings if Sri Lanka's sovereign rating is confirmed.

A downgrade of the sovereign rating could lead to a downgrade of the banks' BCAs and long-term ratings. Moody's could also downgrade the banks' BCAs if there is a material deterioration in asset quality. A significant decline in capitalization could also exert downward pressure on the banks' BCAs.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at https://www.moody's.com/research/Banks-Methodology--PBC_1147865. Alternatively, please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

Bank of Ceylon, headquartered in Colombo, reported total assets of LKR2,603 billion at 31 March 2020.

Hatton National Bank PLC, headquartered in Colombo, reported total assets of LKR1,219 billion at 31 March 2020.

Sampath Bank PLC, headquartered in Colombo, reported total assets of LKR1,028 billion at 31 March 2020.

The full list of ratings and assessments on review is as shown below:

Issuer: Bank of Ceylon

.... b3 Adjusted Baseline Credit Assessment

.... b3 Baseline Credit Assessment

.... B2(cr) Long-term Counterparty Risk Assessment

.... B2 Long-term Counterparty Risk Rating (Foreign and Local Currency)

.... B2 Long-term Issuer Rating (Foreign Currency)

.... B3 Long-term Deposit Rating (Foreign Currency)

.... B2 Long-term Deposit Rating (Local Currency)

.... Outlook, Rating Under Review

Issuer: Hatton National Bank Ltd.

.... b2 Adjusted Baseline Credit Assessment

.... b2 Baseline Credit Assessment

.... B1(cr) Long-term Counterparty Risk Assessment

.... B1 Long-term Counterparty Risk Rating (Foreign and Local Currency)

.... B2 Long-term Issuer Rating (Foreign Currency)

.... B3 Long-term Deposit Rating (Foreign Currency)

.... B2 Long-term Deposit Rating (Local Currency)

.... Outlook, Rating Under Review

Issuer: Sampath Bank PLC

.... b2 Adjusted Baseline Credit Assessment

.... b2 Baseline Credit Assessment

.... B1(cr) Long-term Counterparty Risk Assessment

.... B1 Long-term Counterparty Risk Rating (Foreign and Local Currency)

.... B2 Long-term Issuer Rating (Foreign Currency)

.... B3 Long-term Deposit Rating (Foreign Currency)

.... B2 Long-term Deposit Rating (Local Currency)

.... Outlook, Rating Under Review

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Tengfu Li
Analyst
Financial Institutions Group
Moody's Investors Service Singapore Pte. Ltd.
50 Raffles Place #23-06
Singapore Land Tower
Singapore 48623
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Graeme Knowd
MD - Banking
Financial Institutions Group
JOURNALISTS: 852 3758 1350

Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Singapore Pte. Ltd.
50 Raffles Place #23-06
Singapore Land Tower
Singapore 48623
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077



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