



## **Fitch Rates Commercial Bank of Ceylon's Basel III Sub Debt Final 'AA-(lka)'**

Fitch Ratings-Colombo-03 July 2018: Fitch Ratings has assigned Commercial Bank of Ceylon PLC's (CB, AA(lka)/Stable) proposed Basel III-compliant subordinated unsecured debentures a final National Long-Term Rating of 'AA-(lka)'.

The final rating is the same as the expected rating assigned on 14 February 2018 and follows the receipt of documents conforming to information already received.

The debentures, totalling LKR10 billion, have maturities of five and 10 years, carry fixed coupons and will be listed on the Colombo Stock Exchange. The notes include a non-viability clause and will qualify as regulatory Tier 2 capital for the bank. The bank plans to use the proceeds to strengthen its Tier 2 capital base and support its loan book expansion.

### **KEY RATING DRIVERS**

Fitch rates the Basel III Tier 2 notes one notch below the bank's National Long-Term Rating of 'AA(lka)' to reflect the notes' higher loss-severity risks compared with senior unsecured instruments due to their 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.

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

Fitch has not differentiated the notching on the notes from the notching on CB's legacy Tier 2 notes, as it is assumed that the authorities would step in late, moving the point of non-viability close to liquidation.

Fitch has not applied additional notching to the notes for non-performance risk, according to our criteria, as the notes have no going-concern loss-absorption features.

### **RATING SENSITIVITIES**

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

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

Applicable Criteria

Bank Rating Criteria (pub. 22 Jun 2018)

National Scale Ratings Criteria (pub. 07 Mar 2017)

Additional Disclosures

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