

ICRA Lanka assigns Provisional [SL]A+(SO) and Provisional [SL]A-(SO) rating to the Guaranteed senior redeemable debenture programmes of Sanasa Development Bank PLC; outlook stable

November 30, 2015

| Instrument | | | Amount | Rating Action |
|--|-----|---------------|--|---------------|
| Guaranteed Senior Redeemable Debenture, type A,B,C | LKR | 2,000 Million | Provisional [SL]A+(SO); assigned with stable Outlook | |
| Guaranteed Senior Redeemable Debenture, type D,E,F | LKR | 2,000 Million | Provisional [SL]A-(SO); assigned with stable Outlook | |

ICRA Lanka has assigned the Provisional [SL]A+(SO) (pronounced Provisional SL A plus Structured Obligation) rating with stable outlook to the LKR 2,000 Million Guaranteed Senior Redeemable Debentures of type A, type B and type C and Provisional [SL]A-(SO) (pronounced Provisional SL A minus Structured Obligation) rating with stable outlook to the LKR 2,000 Million Guaranteed Senior Redeemable Debentures of type D, type E and type F Programme of Sanasa Development Bank PLC (SANASA or the Company). The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. The SO rating does not represent ICRA Lanka's opinion on the general credit quality of the issuer concerned. ICRA Lanka has an issuer rating of [SL]BBB- (pronounced SL triple B minus) with positive outlook for SANASA.

The rating for the Guaranteed Senior Redeemable Debentures is based on the strength of the unconditional and irrevocable guarantees from Sampath Bank PLC (Sampath) and Seylan Bank PLC (SEYB) covering the principal and two interest instalments (Semi Annual) of the proposed issue. As the guarantor, Sampath Bank undertakes the obligation to pay, on demand from the Trustee for Guaranteed Senior Redeemable Debentures type A, type B and Type C amounting to Rs.2,000 Million, and two semi-annual interest instalments and Seylan Bank undertakes the obligation to pay, on demand from the Trustee for Guaranteed Senior Redeemable Debentures type D, type E and type F amounting to Rs.2,000 Million, and, two semi-annual interest instalment of the proposed Guaranteed Senior Redeemable Debentures. The rating also assumes that the guarantees will be duly invoked by the Trustee, as per the terms of the underlying Trust deed and guarantee agreements, in case there is a default in payment by SANASA (Issuer).

The Provisional rating is subject to the fulfillment of all conditions under the structure and review of all the final documentation pertaining to this transaction by ICRA Lanka.

Please refer to ICRA Lanka Rationale dated August 31, 2015 on the issuer for more details on the issuer.

Company Profile:

Established in the year 1997, as the key credit institution for the SANASA movement, SANASA Development Bank Plc (SDB/the bank) is a Licensed Specialised Bank. The bank has a primary listing on the Colombo Stock Exchange. Close to about 46% of the total shareholding is with the SANASA affiliate entities, which includes, Cooperative Societies, Trusts and other institutions. SDB had a network of 82 branches, about 1004 employees and mobile banking services with 43 field officers as in December 2014. The target market segments include the agriculture, micro, small and medium enterprises and other retail segments. In the year ended 2014, the bank reported a net profit of about Rs. 504 Mn on a total asset base of about Rs. 41 Bn. The total net worth of the bank as on December 31, 2014 was about Rs. 4.7 Bn. The bank' Gross NPA stood at 3.8% as on December 2014

In the six months ended June 2015, the bank reported a net profit of Rs. 414 Mn on a total asset base of Rs. 51 Bn.



Guarantor Profile:**Sampath Bank PLC**

Sampath Bank Plc (Sampath) is one of the larger private sector commercial banks in the country with total assets of LKR 432.0Bn as at Dec 2014. Sampath accounted for 7.3% of the industry assets, 8.92% of the sector loans and advances and 8.69% of sector deposits as at Dec 2014. The bank commenced operations as a licensed commercial bank in 1987. Major institutional shareholders include Vallibal One PLC with a 14.95% and Employees Provident Fund with a 9.97% stake. The bank recorded net profits of LKR 4.9 Billion on a total asset base of LKR 432.0 Billion for the FYE Dec 2014 and LKR 3.0 Billion on a total asset base of LKR 461.0 Billion for the period ended June 2015, which resulted in ROA (post tax) of 1.68% and 1.97% for the respective periods. The bank had gross NPA ratios of 1.93% and 1.71% as at FYE Dec 2014 and period ending June 2015 and net NPA ratios of 0.53% and 0.47% for the said periods. The bank had a net worth of LKR 30.9 Billion as at December 2014 with tier 1 capital adequacy ratio of 8.83% and total capital adequacy ratio of 13.62%.

The Sampath Bank Group recorded consolidated net profits of LKR 5.3 Billion on a total asset base of LKR 442.7 Billion for the FYE Dec 2014 and LKR 3.2 Billion on a total asset base of LKR 472.9 Billion for the period ended June 2015.

Seylan Bank PLC

Seylan Bank PLC (Seylan) with total asset base of LKR 249.3 Billion as in Dec 2014 accounted for about 4.2% of sector assets; it also accounted for 4.5% of sector loans and advances and 4.7% of the sector deposits as in Dec 2014. The bank was incorporated in the year 1987. Sri Lanka Insurance Corporation Ltd (15.0%), Browns and Company PLC (13.9%), Employee Provident Fund (9.9%), LOLC Investments Limited (9.6%), NDB Bank (8.7%) and Bank of Ceylon (7.5%) are the major voting shareholders of the bank. The bank recorded net profits of LKR 3,079 Million on a total asset base of LKR 249.3 Billion for the FYE Dec 2014 and LKR 1,740 Million on a total asset base of LKR 263.1 Billion for the period ended June 2015, which resulted in ROA (post tax) of 1.33% and 1.36% for the respective periods. The bank had gross NPA ratios of 9.08% and 7.63% as at FYE Dec 2014 and period ending June 2015 respectively and net NPA ratios of 7.69% and 6.53% respectively for the said periods. The bank had a net worth (excluding revaluation reserve) of LKR 23.3Billion as at December 2014 with core capital adequacy ratio of 13.8% and total capital adequacy ratio of 14.7%.

The Seylan Bank Group recorded consolidated net profits of LKR 3,252 Million on a total asset base of LKR 251 Billion for the FYE Dec 2014 and LKR 1,724Million on a total asset base of LKR 265 Billion for the period ended June 2015.

November 2015

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