



Fitch Assigns DFCC Bank's Basel III Subordinated Debt Final 'BBB(lka)'

Fitch Ratings - Colombo/Mumbai - 05 Dec 2023: Fitch Ratings has assigned DFCC Bank PLC's (A-(lka)/Stable) proposed Sri Lankan rupee-denominated Basel III-compliant subordinated debentures of up to LKR8 billion a final National Long-Term Rating of 'BBB(lka)'.

The final rating is the same as the expected rating assigned on 19 October 2023 and follows the receipt of documents conforming to information already received.

The proposed debentures will mature in five and seven years and will be listed on the Colombo Stock Exchange. DFCC plans to use the proceeds to strengthen its Tier 2 capital base and support loan growth. 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 upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

KEY RATING DRIVERS

DFCC's Sri Lankan rupee-denominated subordinated debt is rated two notches below the bank's National Long-Term Rating anchor. This reflects 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 notes do not incorporate going-concern loss-absorption features.

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

For further details of the key rating drivers and rating sensitivities for DFCC, see the [rating action commentary](#) published on 5 October 2023.

RATING SENSITIVITIES

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

DFCC'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

DFCC'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 ↕	PRIOR ↕
<input type="text"/>	<input type="text"/>	<input type="text"/>
DFCC Bank PLC		
subordinated	Natl LT BBB(lka) New Rating	BBB(EXP)(lka)

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[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Bank Rating Criteria \(pub. 02 Sep 2023\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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

ENDORSEMENT STATUS

DFCC Bank PLC -

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