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RATING ACTION COMMENTARY

Fitch Upgrades Three Sri Lanka Bank-Owned NBFIs Following Parent Rating Upgrades; Outlooks Stable

Wed 04 Nov, 2026 - 4:20 AM ET

Fitch Ratings - Singapore/Colombo - 04 Nov 2026: Fitch Ratings has upgraded the National Long-Term Ratings of three Sri Lankan bank-supported non-bank financial institutions (NBFIs) following the upgrade of their parent banks' ratings.

-- People's Leasing and Finance PLC (PLC) has been upgraded to 'AA-(lka)' from 'A(lka)'; Outlook Stable

-- Merchant Bank of Sri Lanka & Finance PLC (MBSL) has been upgraded to 'AA-(lka)' from 'A(lka); Outlook Stable

-- CBC Finance PLC (CBCF) has been upgraded to 'A+(lka)' from 'A(lka)'; Outlook Stable

The upgrades follow the rating upgrades of the parent banks of PLC, MBSL and CBCF: People's Bank (Sri Lanka) (PB, AA+(lka)/Stable), Bank of Ceylon (BOC, B-/AA+(lka)/Stable) and Commercial Bank of Ceylon PLC (COMB, AA(lka)/Stable), respectively, and reflect our view of the parents' improved ability to support their subsidiaries. Please see "Fitch Takes Action on 8 Sri Lankan Banks' National Ratings on Updated Scale After Sovereign Upgrade", dated 30 October 2026, on the parent bank ratings.

National scale ratings are a risk ranking of issuers in a particular market designed to help local investors differentiate risk. Sri Lanka's national scale ratings are denoted by the unique identifier '(lka)'. Fitch adds this identifier to reflect the unique nature of the Sri Lankan national scale. National scales are not comparable with Fitch's international rating scales or with other countries' national rating scales.

KEY RATING DRIVERS

The National Long-Term Ratings of PLC, MBSL and CBCF are driven by Fitch's expectation of extraordinary support from their parent banks, based on an assessment of their parent banks' credit profiles as well as their ability and propensity to support the NBFI subsidiaries.

We believe the parent banks would provide extraordinary support to their subsidiaries, if needed, given their high ownership stakes (PB owns 75% of PLC, BOC owns 84.4% of MBSL and COMB owns 100% of CBCF), shared branding in certain cases and management oversight. These factors increase the reputational risk to the parents if the subsidiaries were to fail.

Our expectation of shareholder support for PLC takes into consideration its longstanding and largely successful role as the PB group's leasing arm, which strengthens PB's propensity to provide support, if required. This is balanced against PLC's significant balance-sheet size relative to that of its parent.

MBSL plays a more limited role in the BOC group. Its record of high growth and variable profitability has put pressure on regulatory capitalization and leverage, which may weigh on the parent's propensity to support the subsidiary. Nonetheless, BOC has provided shareholder support when needed in the past, and we expect this support to remain available to meet the subsidiary's growth and regulatory capital needs over the near to medium term.

CBCF's modest group role and variable performance potentially limits the strength of the parent's propensity to support the subsidiary, although recent earnings and asset quality performance have improved

RATING SENSITIVITIES

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

The support-driven ratings are sensitive to changes in the parents' credit profiles as well as Fitch's opinion around the parents' ability and propensity to extend timely extraordinary support. Any negative action on the parents' National Ratings could result in similar action on the NBFI subsidiaries' ratings.

Sustained poor performance or weakened linkages with the parent could reduce the parent's motivation to support the NBFI subsidiary, putting pressure on the support-driven ratings. A significant increase in the subsidiary's balance sheet relative to that of its parent

could also constrain the parent's capacity to provide extraordinary support, and may result in a rating downgrade.

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

Positive action on the support-driven ratings may be driven by an improvement in their parent banks' credit profiles or an increase in the subsidiaries' role and contribution within their parent groups.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

The outstanding and proposed Sri Lankan rupee-denominated subordinated debt instruments of PLC, MBSL and CBCF are rated two notches below the entities' National Long-Term Ratings. We have applied our Bank Rating Criteria to these instruments because we consider the prudential capital framework for Sri Lankan finance companies to be closer to that of banks.

The ratings reflect our baseline notching for loss-severity for this debt class due to our expectations of poor recoveries in the event of default. There is no additional notching for non-performance risk as the debentures have no going-concern loss-absorption features, in line with Fitch criteria.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

Any action on the entities' National Long-Term Ratings will result in similar action on their outstanding and proposed subordinated debt instrument ratings.

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.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of PLC, MBSL and CBCF are linked to the National Long-Term Ratings of their parent banks, PB, BOC, and COMB, respectively.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR

Merchant Bank of Sri Lanka & Finance PLC	Natl LT	AA-(lka) Rating Outlook Stable	Upgrade	A(lka) Rating Outlook Stable
subordinated	Natl LT	A(lka)	Upgrade	BBB+(lka)
subordinated	Natl LT	A(EXP)(lka)	Upgrade	BBB+(EXP)(lka)
People's Leasing & Finance PLC	Natl LT	AA-(lka) Rating Outlook Stable	Upgrade	A(lka) Rating Outlook Stable
subordinated	Natl LT	A(lka)	Upgrade	BBB+(lka)
CBC Finance PLC	Natl LT	A+(lka) Rating Outlook Stable	Upgrade	A(lka) Rating Outlook Stable
subordinated	Natl LT	A-(lka)	Upgrade	BBB+(lka)
subordinated	Natl LT	A-(EXP)(lka)	Upgrade	BBB+(EXP)(lka)

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Bank Rating Criteria (pub. 09 May 2026) (including rating assumption sensitivity)

Non-Bank Financial Institutions Rating Criteria (pub. 26 Sep 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

Potential Conflicts Resulting from Revenue Concentrations

ENDORSEMENT STATUS

People's Leasing & Finance PLC	EU Endorsed, UK Endorsed

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