4 DECADES OF PROVEN EXCELLENCE

MBSL Merchant Bank of Sri Lanka & Finance PLC

Co.Reg.No. PQ 10

4th May 2026

Ms. Nilupa Perera
Chief Regulatory Officer
Colombo Stock Exchange
04-01, West Block
World Trade Centre
Colombo 01.

Dear Madam,

<u>MERCHANT BANK OF SRI LANKA AND FINANCE PLC (MBSL) - RIGHTS ISSUE</u>

Pursuant to Section 5.2(b) of the Listing Rules of the Colombo Stock Exchange ("CSE"), we write to inform you that the Board of Directors of MBSL on 30th April 2026, resolved to recommend to the shareholders; to increase the Stated Capital of MBSL by LKR. 999,123,120/- by the issue of -

Non-Redeemable Non-Convertible Non-Cumulative Preference Shares of the value of Rupees Ten (LKR 10.00) per share at a variable Non-Cumulative Dividend subject to review every Five (05) years, determined based on the prevailing Five (05) year Government Securities yield plus a premium of 100 basis points, subject to a maximum cap of LKR 1.05 per share in any financial year [Preference Shares]

via a Rights Issue of Preference Shares to existing Ordinary voting Shareholders.

subject to

(1) the CSE in the first instance, granting a waiver in terms of Rule 5.1.1 c of the Listing Rules of the CSE, in respect of the Application to be made by the Company, for the issuance of the proposed Preference Shares, due to the proposed Preference Shares, which comes under the classification of "Other Classes of Shares" [vis a vis the Ordinary Voting Shares of the Company in issue;] the total value of which exceeds the threshold limit placed by the said Rule of fifteen percent (15%) of the Entity's Shareholders Funds.

(2) CSE approving in principle the listing of the Preference Shares via a Rights Issue in terms of section 5 [illegible] and

(3) the Shareholders approving the issue of Preference Shares via a Rights Issue, at an Extraordinary General Meeting.

The details of the Rights Issue are as follows: -

Instrument	Non-redeemable, Non-Convertible, Non-Cumulative Preference Shares carrying a variable Non-Cumulative Dividend subject to review every Five (05) years, determined based on the prevailing Five (05) year

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MBSL

	Government Securities yield plus a premium of 100 basis points, subject to a maximum cap of LKR1.05 per share in any financial year (Preference Shares). (The payment of the Dividend shall be subject to profit being adequate to support such payment, as stipulated in the Finance Business Act No. 42 of 2011, under the definition of Core Capital)
No. of Preference Shares to be issued	99,912,312 Preference Shares
Value of a Preference Share	LKR 10.00 per share
Value of the issue	LKR 999,123,120/-
Existing shareholding (No. of ordinary shares as at 31.12.2025)	524,539,637
Entitlement ratio	4:21 Four new Preference Shares for existing 21 ordinary shares
Dividend per share	A variable Non-Cumulative Dividend subject to review every Five (05) years, determined based on the prevailing Five (05) year Government Securities yield plus a premium of 100 basis points, subject to a maximum cap of LKR.1.05 per share in any financial year.
Current Stated Capital of the MBSL	LKR. 4,276,447,883.16
Purpose of the Rights Issue	To increase the Tier I capital of MBSL in order to; (1) be compliant with the Finance Companies Direction No.3 of 2018; which Direction; MBSL could not satisfy during the quarter ended 31st March 2026. (2) accommodate and facilitate future business growth. Due to the recent non-compliance as aforesaid, the Central Bank on 17th April 2026, imposed certain regulatory restrictions on the business, until MBSL is able to meet with the Regulatory Capital Requirement. With the proposed Rights Issue to increase the Tier I capital, and the commitment by the parent company to invest in the Rights Issue, MBSL will comply with the Regulatory Capital Requirements.

Yours faithfully,

MERCHANT BANK OF SRI LANKA AND FINANCE PLC

Dammika Hapuhinna

Chief Executive Office