

Merchant Bank of Sri Lanka & Finance PLC

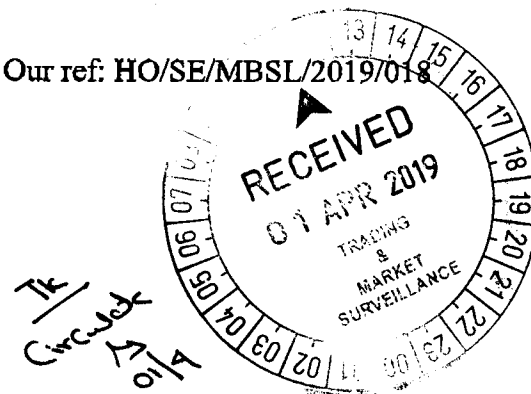
Co.Reg.No. PQ 10

1st April 2019

Mr. Renuka Wijewardena,
Chief Regulatory Officer,
Colombo Stock Exchange,
#04-01, West Block,
World Trade Centre, Echelon Square,
Colombo 01.

Dear Sir,

Our ref: HO/SE/MBSL/2019/018

**ANNOUNCEMENT****MERCHANT BANK OF SRI LANKA & FINANCE PLC**

In terms of Rule 7.5 (d) (11) (4) of the Listing Rules of the Colombo Stock Exchange (CSE) we wish to inform you the following:

1. The Securities of Merchant Bank of Sri Lanka & Finance PLC (MBSL) has been transferred to the Watch List by the CSE with effect from 17.07.2018 as the Audited Financial Statements of MBSL for the Financial Year ended 31.12.2017 contains an emphasis of matter ongoing concern pertaining to MBSL's Subsidiary, MBSL Insurance Company Limited (MBSLI). As at 31/12/2017 MBSL has made an impairment provision of 95.9% of the investment in MBSLI.
2. (a) Consequent to the remedial action taken by MBSL as the parent company of MBSLI to revive the said company, MBSLI has entered into an Investment Agreement on 31/12/2018 with a strategic investor for the purpose of capital infusion of LKR.700Mn in MBSLI.
- (b) Simultaneously, MBSL has agreed to invest a sum of LKR.500Mn in MBSLI to meet the balance regulatory capital requirement of MBSLI to facilitate the restoration of the license of MBSLI, which is currently suspended.
- (c) MBSL and the strategic investor have now deposited their respective investments amounting to a total sum of LKR 1.2 Bn in an Escrow Account and is currently awaiting the restoration of the License of MBSLI to conclude the transaction.
3. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the CSE within one (01) Market Day from the date of obtaining the approval of the Board of Directors of MBSL for such deviation.
4. In the event the matters giving rise to the emphasis of matter on going concern are not resolved within a period of fifteen (15) months from the date of transferring the

Bank of Ceylon Merchant Tower, 28, St. Michael's Road, Colombo 3, Sri Lanka.

Tel: +94 11 4711711, Fax: +94 11 4711716, E-mail: mbslbank@mbslbank.com, Website: www.mbslbank.com

A Finance company licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011

A Subsidiary of the Bank of Ceylon

In alliance with SRI Capital Markets Limited of India





Securities of MBSL to the Watch List, the trading of Securities of MBSL shall be suspended. In the event the trading suspension continues for a period in excess of twelve (12) months, the securities of MBSL shall be delisted by the Board of Directors of the CSE in terms of Rule 10.3 (a) of the Listing Rules.

5. In the event the matters giving rise to the emphasis of matter on going concern are resolved and such fact is independently verified by an auditor during the period the Securities of MBSL are on the Watch List, it shall be announced to the Market via the CSE forthwith.

By Order of the Board
MERCHANT BANK OF SRI LANKA & FINANCE PLC


Kamika Jayatilake
Company Secretary/ DGM Legal