

02nd July 2019

Our ref: MBSL/HO/SE/2019/051

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

Dear Sir,

ANNOUNCEMENT

MERCHANT BANK OF SRI LANKA & FINANCE PLC

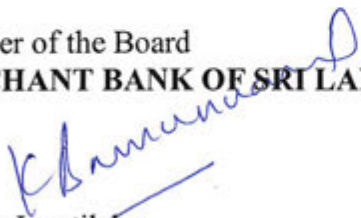
In terms of Rule 7.5 (d) (11) (4) of the Listing Rules of the Colombo Stock Exchange (CSE) we wish to inform you the following:

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. Consequent to the remedial action taken by MBSL as the parent company of MBSLI to revive the said company, MBSL together with the strategic investor United Capital Holdings Ltd. (UCH) has completed the capital infusion of LKR1.2Bn in MBSLI, in order to satisfy the minimum capital requirements stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL). As a result of which the License of MBSLI has been restored with effect from 3rd April 2019, by the IRCSL.
3. 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 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.

4. We are currently taking steps to get MBSL transferred out from the Watch List and intends to make an announcement in this regard to the market via the CSE shortly.

By Order of the Board

MERCHANT BANK OF SRI LANKA & FINANCE PLC


Karnika Jayatilake

Company Secretary/ DGM Legal