



Mercantile Investments
and Finance PLC

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Est. 1964

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12th May 2020

Mr. Renuke Wijayawardhane,
Chief Regulatory Officer,
Colombo Stock Exchange,
04-01, West Block, World Trade Center,
Echelon Square,
Colombo 01.

Dear Sir,

IMPACT OF COVID-19 ON BUSINESS

The outbreak of COVID-19 pandemic is unprecedented, expanding across the borders and has disrupted lives and livelihoods of our customers, impacting their income sources unexpectedly. Despite this challenging environment, the Board of Directors of our company is focused and committed on managing our business prudently to protect investor value and same time support customers during this difficult period.

Imposing country wide lockdown and curfew amid the outbreak halted our typical business operations and the corporate activities were quickly arranged to be in line with the "new normal". During this epidemic, we affirmed deposit interest payments promptly, making them in advance to support those who require urgent funds to meet immediate spending during the lockdown. We are also working with the regulator to provide possible relief to our borrowers who come under the COVID-19 Re-financing Moratorium. We continue to operate with limited staffing, making way for technology to facilitate the measures of working from home, for the safety of our staff.

As the world is struggling to overcome the pandemic with no foreseen end yet, the outlook of the business will remain challenging with the vastly disturbed local economy and global economic landscape. However, being a NBFI with a strong capital base, we will stand strong during the upcoming period, and will carry out necessary remedial strategies to minimize the risk exposure and to sustain business and strive to expand operations wherever possible. We expect the situation to stabilize and that government intervention will support gradual upliftment of the local economy through relaxed fiscal and monetary policy changes and other relief measures to the industry as well.

Quantifying the effects of COVID-19 pandemic on our books of accounts has been difficult with the volatile circumstances and limited resources. However, we hope to coordinate with the regulator and auditors to reflect the resultant impacts in our financial statements to be issued in due course with adequate disclosures.

Yours faithfully,



Gerard G. Ondaatjie
Managing Director