



RATINGS

Media Release

RAM Ratings Lanka Downgrades Asian Finance's ratings

RAM Ratings Lanka has downgraded the long-term financial institutions rating of Asian Finance Limited's ("AFL" or "the Company") to D. At the same time its short-term rating has also been downgraded to D. Concurrently the Company's Rating Watch, with a developing outlook has been lifted. The sharp descent to default ratings category is due to the Company's inability to punctually repay its depositors.

AFL is a Central Bank regulated finance company, which is a part of the Ceylinco Group. The Company benefited from the group franchise, however, since the crash of Golden Key Credit Card Company, public confidence in Ceylinco related finance companies waned significantly, resulting in panic withdrawals. Amid this pressure, the Company had paid off approximately LKR 531 million from January to March 2009. In addition, to restore confidence, the management control of the Company was initially vested with Lankaputhra Development Bank ("LDB") and in June 2009 the Merchant Bank of Sri Lanka was given the mandate to function as its "managing agent"

However, despite the vesting of management control to state linked enterprises AFL was unable to meet withdrawal pressure. Consequently, AFL had formulated a repayment plan to repay its depositors. Under this scheme, RAM Ratings Lanka understands that approximately 1700 depositors representing LKR 650 million of deposits have accepted the Company's repayment scheme. As this arrangement constitutes a distressed exchange, it falls within RAM Ratings Lanka's definition of default.

That said, AFL is currently seeking to resume its usual operations and the Company is awaiting receipt of LKR 100 million. In this regard, RAM Ratings Lanka will monitor the Company's progress.

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