



Media Release

RAM Ratings Lanka puts Merchant Bank of Sri Lanka on Rating Watch

RAM Ratings Lanka has placed the ratings of Merchant Bank of Sri Lanka PLC ("MBSL" or "the Company") on Rating Watch, with a "developing outlook". MBSL currently carries long- and short-term ratings of AA- and P1, respectively.

The Rating Watch, triggered by MBSL's announcement that it intended to acquire Ceylinco Savings Bank Ltd ("CSB"), will be resolved once the acquisition has been finalised and accepted by the stakeholders, together with the mode of financing. RAM Ratings Lanka notes that if MBSL is successful in acquiring CSB, the Company will gain access to public deposits and thus diversify its funding base. At present, MBSL has a specialised leasing-company licence from the Central Bank of Sri Lanka, which precludes it from accepting public deposits.

RAM Ratings Lanka's Rating Watch highlights a possible change in rating. It focuses on identifiable events such as mergers, acquisitions, regulatory changes and operational developments that place a rated entity/ issue under special surveillance by RAM Ratings Lanka. In a broader sense, it covers any event that may result in changes in the risk factors relating to the repayment of principal and interest.

Issues will appear on RAM Ratings Lanka's Rating Watch when some of the above events are expected to or have occurred. Appearance on RAM Ratings Lanka's Rating Watch, however, does not inevitably mean that the existing rating will be changed. It only means that a rating is under evaluation by RAM Ratings Lanka and a final affirmation is expected to be announced. A "positive" outlook indicates that a rating may be raised while a "negative" outlook indicates that a rating may be lowered. A "developing" outlook refers to those unusual situations in which future events are so unclear that the rating may potentially be raised or lowered.

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