



Media Release

RAM Ratings Lanka downgrades Asian Finance's ratings

RAM Ratings Lanka has downgraded the long- and short-term financial institution ratings of Asian Finance Limited's ("AFL" or "the Company"), to D. Concurrently the Rating Watch (with a developing outlook) on the Company's ratings has been lifted. The steep downgrade is premised on AFL's inability to repay its depositors on time.

AFL is a registered finance company within the larger Ceylinco Group ("the Group"). The Company falls under the purview of the Central Bank, and had benefited from the Ceylinco franchise. Since the crash of Golden Key Credit Card Company (also under the Group), however, public confidence in Ceylinco-related finance companies has waned significantly, resulting in panic withdrawals.

Against this backdrop, AFL had returned approximately LKR 531 million to its depositors between January and March 2009. To restore confidence, management control over the Company had initially been vested with Lankaputhra Development Bank ("LDB"). In June 2009, Merchant Bank of Sri Lanka was given the mandate to act as AFL's "managing agent".

Despite the vesting of management control to state-linked enterprises, AFL has been unable to withstand the acute pressure arising from the panic runs. The Company has therefore had to formulate a repayment plan to satisfy its depositors' demands. We understand that approximately 1,700 depositors – accounting for LKR 650 million of AFL's 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.

Nonetheless, AFL is currently seeking to resume its normal operations; the Company is awaiting receipt of LKR 100 million. RAM Ratings Lanka will continue close monitoring of the Company's progress in this matter.

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