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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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Financial Sector Consolidation Update - August 2014

During August 2014, many banks and finance and leasing companies (NBFIs) were actively involved in the consolidation process having understood the importance of meeting the set timelines.

- Several banks and NBFIs, viz., Asian Finance Ltd and TKS Finance Ltd., Capital Alliance Finance PLC and Cargills Bank Ltd., Commercial Credit and Finance PLC and Trade Finance and Investments PLC, Bartleet Finance PLC and Orient Finance PLC, Prime Grameen Micro Finance Ltd and Hatton National Bank PLC, and Senkadagala Finance PLC & Newest Capital Ltd, made public announcements of agreed consolidation arrangements.
- The Monetary Board approved, in-principle, another 10 consolidation proposals submitted by banks and NBFIs, and the respective entities were proceeding with the merger/acquisition processes. Hitherto, 29 proposals of 7 banks and 22 NBFIs have been approved by the Central Bank. Further, consolidation plans of 7 NBFIs and one bank are being finalised and will be announced in the coming days.
- TPG Global LLC, US - based global private investment firm through their subsidiary has committed a significant capital infusion to Union Bank of

Colombo PLC. Considering the importance of having strong strategic partners to drive the consolidation process, the Monetary Board approved this investment.

- Mergers of DFCC Bank, DFCC Vardhana Bank PLC and the National Development Bank PLC, as well as Merchant Bank of Sri Lanka PLC, MBSL Savings Bank Ltd., and MCSL Financial Services Ltd., continued to progress during the month with a view to completing the transactions by last quarter of this year. Several other NBFIs were also proceeding with their consolidation plans.
- The Panel of Audit Firms continued to assist in transaction management, by advising Banks and NBFIs on transactions as well as on the smooth transition. The Central Bank has met the professional fees on account of the services rendered by these Firms to ensure consistency and independence of the work carried out. In the meantime, banks and NBFIs continued to engage local and international experts to assist in their endeavours to effectively merge and ensure smooth transition after the consolidation.
- The Guidelines on Taxation in terms of the Inland Revenue (Amendment) Act No. 8 of 2014 and Value Added Tax (Amendment) Act No. 7 of 2014 on the tax incentives to support the consolidation process, are being finalised through stakeholder engagement.
- The Central Bank is closely monitoring the progress made by banks and NBFIs which are earmarked for consolidation and the timelines indicated in the consolidation plans with a view to expeditiously drive the financial sector consolidation programme.