LRA

Our Ref. No: LRA/003/2015

05th January 2015

Mr K M Jabir
Chief Executive Officer
Richard Pieris Finance Limited
Hyde Park Corner,
Colombo 2.

Dear Mr. Jabir,

<u>Richard Pieris Finance Limited- Rating Review</u>

Lanka Rating Agency has reaffirmed Richard Pieris Finance Limited's long-term financial institution rating at **BBB-** and short term rating at **P3.** Concurrently, the outlook on the long-term ratings continues to be **Stable.**

The long-term rating of **BBB-** reflects

> *"a moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category."*

The short-term rating of **P3** reflects

> "a moderate capacity to meet its short-term financial obligations. The financial institution is more likely to be weakened by the effects of deteriorating circumstances than those in the higher-rated category. This is the lowest investment-grade category."

<u>Surveillance</u>

Lanka Rating Agency will continue to keep your Company under surveillance and request you to keep us informed of any material events that affect your organization. Further, please forward us the quarterly information as per the mandate in the format already forwarded.

Use of the rating

You should not use this rating for advertising or make reference to the rating in any public documents or any other documents that are circulated to any third party or to the public or convey the rating in any manner other than to the Central Bank of Sri Lanka, prior to Lanka Rating Agency first publishing the commentary/summary in the media and uploading the rationale on its website www.lra.com.lk.

We are also pleased to enclose a copy of the draft rating rationale for your perusal. Lanka Rating Agency provides the draft rationale solely to allow you to check for factual accuracy or the presence of non-public information. Lanka Ratings Agency shall duly evaluate any comments made by you. However, you may not propose any drafting or editorial changes to the draft rationale provided, other than to correct factual errors or remove references to non-public information.

Please peruse the rationale and revert to us in writing by 19th January 2015. In the event we do not hear from you within this period, Lanka Rating Agency will consider the rating rationale to be in order and will finalise and forward the final rationale to you.

Finally, we would like to thank your staff for the co-operation extended to us during the rating review.

Thanking you,

Yours faithfully,

Adrian Perera
Managing Director/CEO

Material Events

1. Change in ownership / composition over 5%
2. Change in senior management positions and board.
3. Acquisitions and mergers
4. Commencement/Discontinuation of a product or business
5. New credit lines and withdrawals of such lines.
6. New issues of shares, debentures, loans
7. Large investments or disposal of such (10% and over of the share holders' funds)

CREDIT RATING RATIONALE

Richard Pieris Finance Limited

- Financial Institution Ratings

January 2015

LRA

Lanka Rating Agency Limited
No 11,
Melbourne Avenue,
Colombo 4

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CREDIT RATING RATIONALE

FINANCIAL INSTITUTIONS RATINGS

January 2015

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Analysts:

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Associate
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Principal Activity:
Hire-purchase and leasing facilities, Islamic finance, provision of term loans and acceptance of public deposits

Ratings:
Long-term: BBB- [Reaffirmed]
Short-term: P3 [Reaffirmed]

Rating Outlook:
Stable [Reaffirmed]

Last Rating Action:
April 2014

RICHARD PIERIS FINANCE LIMITED – Rating Review

Methodology Used: LRA – Financial Institutions Ratings Methodology

Summary

Lanka Rating Agency ("LRA"), former RAM Rating Lanka's, technical partner is CRISIL India ("CRISIL"). CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL is India's leading ratings agency and is also the foremost provider of high-end research to the world's largest banks and leading corporations. CRISIL's majority shareholder is Standard and Poor's ("S&P"). S&P, a part of McGraw Hill Financial (formerly The McGraw-Hill Companies) (NYSE:MHFI), is the world's foremost provider of credit ratings.

Lanka Rating Agency reaffirms the long- and short-term financial institution ratings of BBB- and P3 to Richard Pieris Finance Limited ("RPAF" or the Company). The outlook on the long-term rating is stable. Meanwhile, the ratings are moderated by the Company's short operating history as well as its relatively small size. On the other hand, the ratings are upheld by the financial flexibility it derives from its ultimate parent Richard Pieris and Company PLC ("Richard Pieris" or the "Group") which is rated AA-/P1/Stable by LRA.

RPAF was incorporated in August 2011 and obtained the license to operate as a licensed finance company ("LFC") in November 2012 and comes under the purview of the Central Bank of Sri Lanka ("CBSL"). Given its short operating history, the Company accounted for less than 1% of the LFC industry assets as at end-March 2014. At present RPAF Operates with 1 branch, its main activities include the provision of leasing and hire-purchase facilities, term loans, Islamic finance and acceptance of customer deposits.

The Group infused around LKR 400 million in share capital to RPAF in the first year of operations, enabling the Company to exceed the minimum core capital requirement of LKR 400 million set by the CBSL. Further, the Group is expected to infuse additional capital to increase RPAF's core capital to LKR 1 billion by end-

January 2015 in order for RPAF to be in compliance with the requirements of CBSL sector consolidation plan. Moreover, RPAF has access to LKR 1.00 billion credit line, directly as a result of the corporate guarantee provided by its parent. Thus, we opine that the Group is highly unlikely to remain passive should RPAF require financial support, given the strength of the parent, the demonstrated commitment shown and the reputation risk to the Group.

The Company's asset base expanded to LKR 4.34 billion as at end-September 2014 driven by robust credit asset growth. Consequently, RPAF's net loans and advances accounting for around 84.43% of the asset mix. RPAF's credits assets are dominated by vehicle financing collectively accounting for around 60% of its credit assets as at end-September 2014 followed by business loans and equipment financing. The Company recorded no absolute NPLs in its first year of operations, reflected in a gross NPL ratio of 0.00% as at end-March 2014. However, NPLs grew to LKR 50.71 million as at end-September 2014 amidst the seasoning of credit assets. Subsequently, RPAF's gross NPL ratio stood at 1.30% as at end-September 2014, comparing better than LFC industry peers'. Elsewhere, RPAF's gross NPL coverage stood at a good 98.99% as at end-September 2014 reflective of impairment provisions keeping pace with the increase in NPLs. Nevertheless, despite RPAF's good asset quality indicators at present, looking ahead, we expect NPLs to trickle in amidst the seasoning of credit assets. Moreover, in view of RPAF's relatively short lending history, we opine that it is premature to comment on the Company's underwriting and monitoring standards. We will monitor developments in this regard as the Company expands its loan book.

The Company's net interest income grew to LKR 149.43 million in FY Mar 2014 the first financial year of operations, expanding a further 118.14% in 1H-FY Mar 2015 supported by the rapid growth in credit assets over the same period. RPAF's NIM stood at 10.12% in FY Mar 2014, declining slightly to 9.92% in 1H FY Mar 2015. Looking ahead, we expect RPAF's NIM to improve in the short term following the capital infusion which would reduce the funding cost of RPAF. RPAF's cost-to-income ratio stood at 46.55% in FY March 2014, improving to 41.60% in 1H-FY Mar 2015 comparing better than industry peers', largely reflective of its cost synergies derived from the Group as well as its limited operation confined only to a single location during the same period. Despite being in operation for only short period, RPAF has recorded a pre-tax profit of LKR 76.32 million in FY Mar 2014 the first year of operation, expanding a further 101.40% y-o-y in 1H-FY Mar 2015, reflective of the rapid expansion in its credit assets, as well as its cost control measures and cost synergies derived from the Group. Subsequently, RPAF's ROA stood at 4.45% in 1H-FY Mar 2015 comparing better than LFC industry peers'. Overall, RPAF's performance is viewed to be improving, supported by above average performance indicators and increase in overall profitability. Looking ahead, we expect RPAF's overall performance to improve in line with the expansion of its credit assets.

RPAF's funding mix is dominated by borrowings accounting for around 54% as at end-September 2014 (end-December 2013: 56%) (Chart 5), reflective of funds being raised in the form of bank borrowings to support the rapid credit growth attained over a short operating history. Further, we note the ability of RPAF to raise bank borrowings despite having a short operating history is largely reflective of the financial flexibility it derives from the Group, this is evident in RPAF's bank over draft facility of LKR 1.00 billion which is guaranteed by the parent. Meanwhile, customer deposits grew around 4 folds from end-December 2013 (LKR 341.43 million) to end-September (LKR 1314.21) supported by greater visibility and the ability to lever on Group synergies and brand name to get closer to customers to raise funds, in particular RPAF uses Arpico super centres to advertise for customers deposits, giving it access to a very large clientele. RPAF's liquidity position is deemed adequate. Its liquid asset ratio improved to 18.27% as at end-September 2014 from 10.57% end-December 2013. Moreover, we are comforted by RPAF's ability to rely on its parent in the event of any urgent liquidity requirements, further reflective of the financial flexibility derived from the Group.

Lanka Rating Agency opines that RPAF's capitalisation levels are average. Its tier-1 and overall risk-weighted capital-adequacy ratios (RWCARs) declined to 12.28% as at end-September 2014 from 22.00% as at end-December 2013, reflective of the aggressive credit asset growth during the period. Looking ahead, RPAF capitalisation is expected to improve following capital infusion by the Group in order to increase RPAF core capital to 1.00 billion as outlined by the CBSL sector consolidation plan.

RPAF acquired around 85.60% of Chilaw Finance PLC ("Chilaw") as at end-December 2014. Chilaw Finance is a small LFC predominantly engaged in Leasing and Hire-purchase business operating with 4 branches. Its Total asset base stood at LKR 1.34 billion and net asset value stood at LKR 0.52 billion as at end-September 2014. RPAF financed the acquisition of Chilaw through borrowings. However, the full investment value is expected to be converted to equity with the infusion of fresh capital from the Group by end-January 2015. The acquisition done in support of the CBSL sector consolidation plan is expected to increase the geographical reach and customer base of RPAF. Following the acquisition, we expect the merged entity's consolidated key performance indicators to remain in line with similar rated peers'.

Company Background

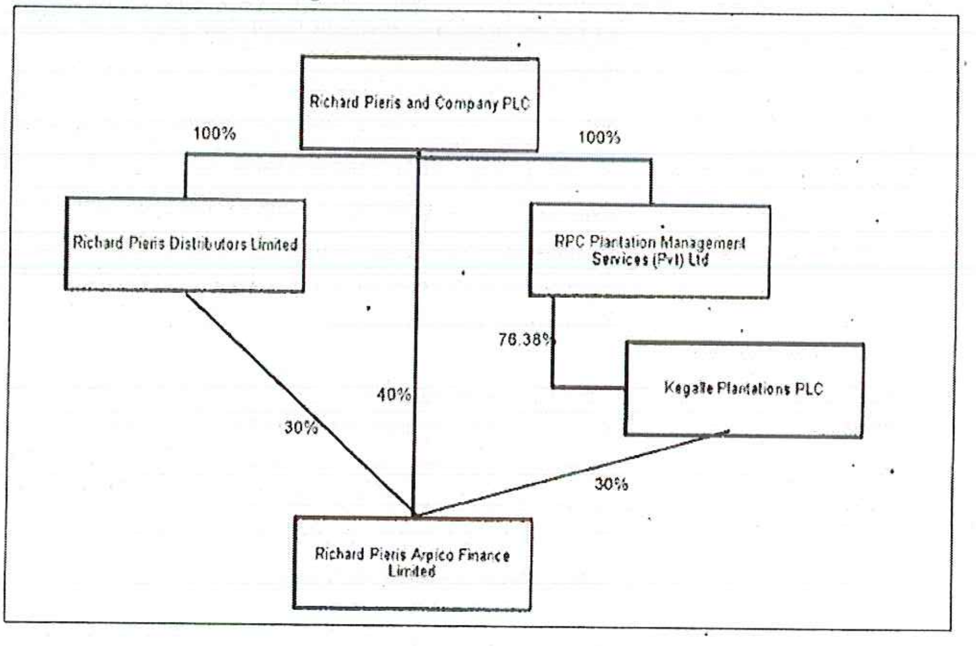
Short operating history

RPAF was incorporated in August 2011 and obtained the license to operate as a licensed finance company ("LFC") in November 2012 and comes under the purview of the Central Bank of Sri Lanka ("CBSL"). Given its short operating history, the Company accounted for less than 1% of the LFC industry assets as at end-March 2014. At present RPAF Operates with 1 branch, its main activities include the provision of leasing and hire-purchase facilities, term loans, Islamic finance and acceptance of customer deposits.

Part of Richard Pieris Group

RPAF is a part of the Richard Pieris Group (rated AA-/P1/Stable by LRA), one of the leading conglomerate in the country with over 80 years in operating history having diversified business interest in retail, plantations, rubber, tyre, plastics and other services. Richard Pieris & Company PLC directly owns 40.00% of RPAF, whereas other group companies own the remaining 60.00% of the shares (Chart 1).

Chart 1: RPAF's shareholding structure



Substantial synergies through the Group

Being part of the Richard Pieris Group, RPAF leverages on the brand name "Richard Pieris" which is one of the most trusted and well recognised franchises in the country. Further, consistent with RPAF future plans on expansion, all branches of RPAF are expected to be built inside Arpico super centres, which are located in prime real estate in many of the leading cities in the country, having ample space and parking. Moreover, RPAF will get direct access to a large customer and supplier base that have been loyal to the Richard Pieris Group throughout a period of time.

Financial flexibility derived from parent

The Group infused around LKR 400 million in share capital to RPAF in the first year of operations, enabling the Company to exceed the minimum core capital requirement of LKR 400 million set by the CBSL. Further, the Group is expected to infuse additional capital to increase RPAF's core capital to LKR 1 billion by end-December 2014 in order for RPAF to be in compliance with the requirements of CBSL sector consolidation plan. Moreover, RPAF has access to LKR 1.00 billion credit line, directly as a result of the corporate guarantee provided by its parent. Thus, we opine that the Group is highly unlikely to remain passive should RPAF require financial support, given the strength of the parent, the demonstrated commitment shown and the reputation risk to the Group.

Management Strategies

Experienced management team

RPAF's board comprises of 4 members, all are independent non-executive directors. The board is supported by audit, remuneration and integrated risk management committees. The Company is helmed by CEO Mr KMM Jabir, he has over 28 years of industry experience and was employed at a leading financial institute in the capacity of deputy general manager prior to joining RPAF. He is ably supported by an experienced management team who have been recruited from leading financial institutions.

Focus on Vehicle financing and business loans

The present focus of the Company is largely on vehicle financing and working capital financing for SME's. Going forward, vehicle financing segment focus is expected to be on personnel vehicles such as electric and hybrid cars. Despite plans by management to expand in to other lending segments through new products in the future, we expect RPAF's main forte to continue to remain as vehicle financing followed by business loans.

Branch reach to expand

The Company operations are currently carried out through a single branch in Colombo. The operations of RPAF were confined to a single location initially in order to streamline controls, systems and processes as well as to control operating costs. Looking ahead, the management intends to open 3 more branches in Gall, Kandy and Gampaha in the current financial year. Further, it also expects to refurbish the 4 branches acquired with the purchase of Chilaw Finance PLC.

Advertising and marketing to increase in the future

RPAF during its short operating history has been able to grow its asset base to LKR 4.34 billion as at end-September 2014. This rapid growth was largely driven by employees, who were able to bring business to RPAF using their experience and client network developed in working in the same industry as well as having access to a large customer base associated with the Richard Pieris Group. However, looking ahead, parallel to the planned branch expansion, the Company intends to improve its visibility through increased marking and advertising efforts, enhancing credit asset growth and deposit garnering ability.

Group synergies to assist in new product development

The Group has a supplier base of over 1,500 who provide a vast range of products to the Richard Pieris Group. Taking advantage of this unique position, the management intends to develop working capital financing solution for this segment such as factoring/ invoice financing, where the debtor for the financed/factored invoices will be a Richard Pieris Group Company, reducing the credit risk associated with the product to a large extent.

Acquisition of Chilaw Finance PLC in line with CBSL sector consolidation plan

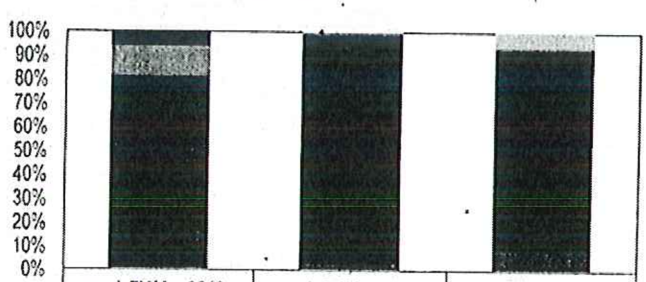
RPAF acquired around 85.60% of Chilaw Finance PLC as at end-December 2014. Chilaw Finance is a small LFC predominantly engaged in Leasing and Hire-purchase business operating with 4 branches. Its Total asset base stood at LKR 1.34 billion and net asset value stood at LKR 0.52 billion as at end-September 2014. RPAF financed the acquisition of Chilaw through borrowings. However, the full investment value is expected to be converted to equity with the infusion of fresh capital from the Group by end-January 2015. The acquisition done in support of the CBSL sector consolidation plan is expected to increase the geographical reach and customer base of RPAF. Following the acquisition, we expect the merged entity's consolidated key performance indicators to remain in line with similar rated peers'.

Asset Quality

Credit assets dominate asset mix

The Company's asset base expanded to LKR 4.34 billion as at end-September 2014 driven by robust credit asset growth. Consequently, RPAF's net loans and advances accounting for around 84.43% of the asset mix (Chart 2). Meanwhile, the Company's investment approach is viewed to be relatively conservative, with investments primarily comprising treasury bills, bonds and deposits with other financial institutions. Although an equity investment of around LKR 765.60 million (as at end-December 2014) was made to acquire shares of Chilaw Finance PLC in line with CBSL sector consolidation plan, subsequent to the amalgamation of assets and liabilities of Chilaw with RPAF, the equity investment in the financials of RPAF will be replaced by the consolidation of assets and liabilities of Chilaw.

Chart 2: RPAF's asset composition



	end-FY Mar 2013	end-FY Mar 2014	end-1H FY Mar 2015
Other Assets	0.00%	0.70%	6.40%
Property, Plant & Equipment	0.00%	0.73%	0.45%
Net Loans and Advances	6.40%	95.68%	84.43%
Investment Securities	0.00%	1.00%	6.26%
Dealing Securities	12.56%	0.00%	0.00%
Cash & Short-Term Funds	81.04%	1.90%	2.46%

Sources: RPAF, LRA

Vehicle financing dominate credit asset mix

RPAF's credits assets are dominated by vehicle financing collectively accounting for around 60% of its credit assets as at end-September 2014 (Table 1) followed by business loans and equipment financing. Meanwhile, vehicle financing facilities granted for cars generally cater to individual vehicle owners, buses (motor coaches) cater to transport sector - and vans, lorries cater mainly to the trading and construction sectors which are susceptible to business cycle volatility and changes in the macroeconomic environment (Table 1). While Business loans are granted for working capital requirements of SME's as such exposes RPAF to volatilities in business cycles. Despite plans by management to expand in to other lending segments through new products in the future, we expect RPAF's main forte to continue to remain as vehicle financing in the short to medium term.

Table 1: RPAF's Asset wise lending composition and delinquencies

	Loan %		Delinquency %
	end-Mar 2014	end-Sep 2014	end-Sep 2014
Cars	31.52%	27.47%	3.01%
Vans	4.75%	9.03%	2.92%
Trucks	16.27%	11.93%	0.00%
Three Wheelers	0.53%	0.42%	0.00%
Motor Bikes	0.37%	0.46%	0.00%
Machinery/Equipment	10.77%	10.29%	0.00%
Motor Coaches	12.24%	10.74%	0.00%
Land Mortgages	0.32%	0.46%	0.00%
Loans given to the group staff	1.23%	0.87%	0.00%
Business loans on personal guarantees	22.00%	28.17%	0.79%
Loans against FD	0.00%	0.15%	0.00%

Sources: RPAF, LRA

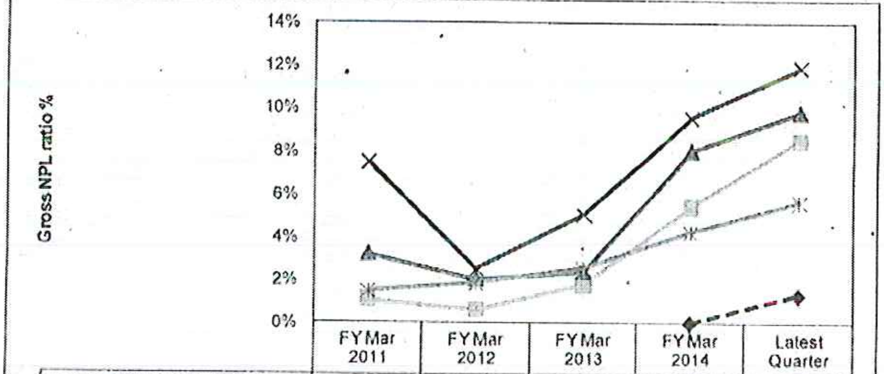
Above average asset quality indicators

RPAF recorded no absolute NPLs in its first year of operations, reflected in a gross NPL ratio of 0.00% as at end-March 2014. However, NPLs grew to LKR 50.71 million as at end-September 2014 amidst the seasoning of credit assets. Subsequently, RPAF's gross NPL ratio stood at 1.30% as at end-September 2014, comparing better than LFC industry peers'. Elsewhere, RPAF's gross NPL coverage stood at a good 98.99% as at end-September 2014' reflective of impairment provisions keeping pace with the increase in NPLs.

Short lending track record

Nevertheless, despite RPAF's good asset quality indicators at present, looking ahead, we expect NPLs to trickle in amidst the seasoning of credit assets. Moreover, in view of RPAF's relatively short lending history, we opine that it is premature to comment on the Company's underwriting and monitoring standards. We will monitor developments in this regard as the Company expands its loan book.

Chart 3: Trends in RPAF's gross NPL ratio compared to peers'



	FY Mar 2011	FY Mar 2012	FY Mar 2013	FY Mar 2014	Latest Quarter
RPAF (BBB-/P3/Stable)				0.00%	1.30%
SLF (BBB-/P3/Stable)	1.08%	0.61%	1.75%	5.48%	8.54%
Arpico (BB/NP/RW-Dev)	3.22%	2.02%	2.39%	8.05%	9.85%
BFL (BB/NP/RW-Positive)	7.45%	2.48%	5.06%	9.56%	11.88%
Vallibel (BBB-/P3/Stable)	1.47%	1.81%	2.55%	4.26%	5.66%

Sources: RPAF, LRA

SLF = Softlogic; Finance PLC; Arpico = Arpico Finance PLC; BFL =Bartleet Finance PLC; Vallibel = Vallibel Finance PLC

Performance

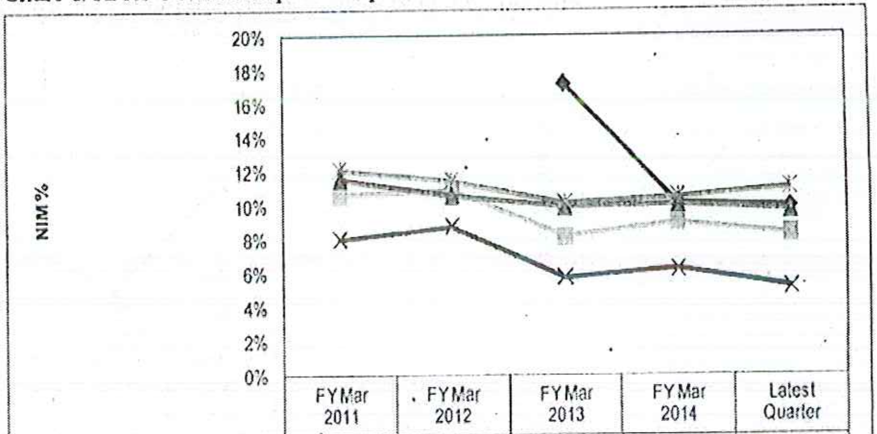
Net Interest income dominates gross income

The Company's net interest income grew to LKR 149.43 million in FY Mar 2014 the first financial year of operations, expanding a further 118.14% in 1H-FY Mar 2015 supported by the rapid growth in credit assets over the same period. Consequently, net interest income accounted for 87.84%% of its gross income mix in FY Mar 2015. Meanwhile, the bulk of RPAF's non-interest income stems from fees and commission on lease and loan facilities, which are linked to business volumes. Looking ahead, we expect the income mix to remain relatively unchanged, reflective of the managements focus on expanding its credit assets.

NIM in line with peers'

RPAF's NIM stood at 10.12% in FY Mar 2014, declining slightly to 9.92% in 1H FY Mar 2015. Looking ahead, we expect RPAF's NIM to improve in the short term following the capital infusion which would reduce the funding cost of RPAF. That said, in the medium to long term , considering the credit asset mix of RPAF which is dominated by vehicle financing, and the funding mix expected to tilt more toward customer deposits, we anticipate NIM of the Company to continue to compare in line with LFC peers' who are predominantly engaged in leasing and hire-purchase business.

Chart 4: RPAF's NIM compared to peers'



	FY Mar 2011	FY Mar 2012	FY Mar 2013	FY Mar 2014	Latest Quarter
RPAF (BBB-/P3/Stable)			17.15%	10.12%	9.92%
SLF (BBB-/P3/Stable)	10.65%	10.92%	8.19%	8.99%	8.34%
Arpico (BB/NP/RW-Dev)	11.51%	10.56%	9.86%	10.02%	9.65%
BFL (BB/NP/RW-Positive)	8.00%	8.73%	5.73%	6.19%	5.14%
Vallibel (BBB-/P3/Stable)	12.10%	11.45%	10.16%	10.45%	11.06%

Sources: RPAF, LRA

Low cost-to-income ratio

RPAF's cost-to-income ratio stood at 46.55% in FY March 2014, improving to 41.60% in 1H-FY Mar 2015 comparing better than industry peers', largely reflective of its cost synergies derived from the Group as well as its limited operation confined only to a single location during the same period. That said, looking ahead, we expect the ratio to increase from current levels in the short-term in view of increased operating overheads stemming from branch expansion. Nevertheless, considering the cost synergies derived from the Group, the ratio is expected to remain better than its LFC peers'.

Pre-tax profit increases

Despite being in operation for only short period, RPAF has recorded a pre-tax profit of LKR 76.32 million in FY Mar 2014 the first year of operation, expanding a further 101.40% y-o-y in 1H-FY Mar 2015, reflective of the rapid expansion in its credit assets, as well as its cost control measures and cost synergies derived from the Group. Subsequently, RPAF's ROA stood at 4.45% in 1H-FY Mar 2015 comparing better than LFC industry peers'.

Improving Performance

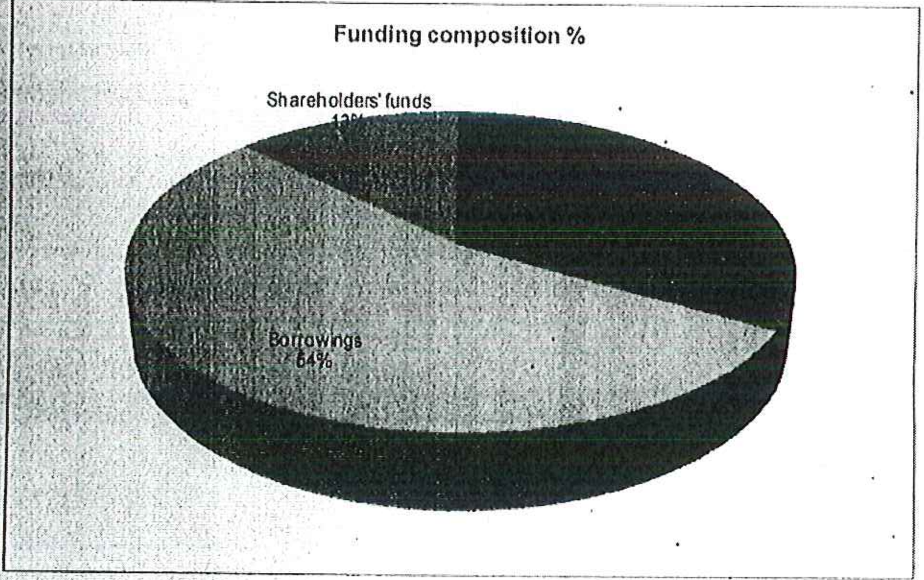
Overall, RPAF's performance is viewed to be improving, supported by above average performance indicators and increase in overall profitability. Looking ahead, we expect RPAF's overall performance to improve in line with the expansion of its credit assets.

Funding and Liquidity

Bank borrowings dominate funding mix

RPAF's funding mix is dominated by borrowings accounting for around 54% as at end-September 2014 (end-December 2013: 56%) (Chart 5), reflective of funds being raised in the form of bank borrowings to support the rapid credit growth attained over a short operating history. Further, we note the ability of RPAF to raise bank borrowings despite having a short operating history is largely reflective of the financial flexibility it derives from the Group, this is evident in RPAF's bank over draft facility of LKR 1.00 billion which is guaranteed by the parent. Meanwhile, customer deposits grew around 4 folds from end-December 2013 (LKR 341.43 million) to end-September (LKR 1314.21) supported by greater visibility and the ability to lever on Group synergies and brand name to get closer to customers to raise funds, in particular RPAF uses Arpico super centres to advertise for customers deposits, giving it access to a very large clientele. Looking ahead, the management envisages majority of its funding to be met through customer deposit mobilisation, supported by greater visibility met through advertising and promotional campaigns coupled with branch expansion. In view of this, we expect the loans-to-deposit ratio, although improving as expected, which is still at a high around 282.96% as at end-September 2014 (end-December 2013: 526.46%) reflective of borrowings dominated funding mix, to improve further in the medium to long term.

Chart 5: RPAF's funding composition



Sources: RPAF, LRA

Adequate liquidity position

RPAF's liquidity position is deemed adequate. Its liquid asset ratio improved to 18.27% as at end-September 2014 from 10.57% end-December 2013. Moreover, we are comforted by RPAF's ability to rely on its parent in the event of any urgent liquidity requirements, further reflective of the financial flexibility derived from the Group.

Capital Adequacy

Average Capitalisation

Lanka Rating Agency opines that RPAF's capitalisation levels are average. Its tier-1 and overall risk-weighted capital-adequacy ratios (RWCARs) declined to 12.28% as at end-September 2014 from 22.00% as at end-December 2013, reflective of the aggressive credit asset growth during the period. Looking ahead, RPAF capitalisation is expected to improve following capital infusion by the Group in order to increase RPAF core capital to 1.00 billion by end-January 2015 as outlined by the CBSL sector consolidation plan.

Corporate Information- Richard Pieris Finance Limited

Date of Incorporation:	09 August 2011		
Commencement of Business:	May 2013		
Major Shareholders (as at 30 September 2014):	Richard Pieris and Company PLC Richard Pieris Distributors Limited Kegalle Plantations PLC	40.00% 30.00% 30.00%	
Directors:	Mr J F Fernandopulle Mr J Hewavitharana Mr A Hettiarachchy Mr C P Abeywickrema	Acting chairman Non executive director Non executive director Non executive director	
Auditor:	Messrs Ernst & Young		
Listing:	Not listed		
Key Management: As at end-Sep 2014	Mr K M M Jabir Mr J Gamage Mr S Fernando Mr A Ranasinghe Mr A Imruz Kamil	Chief Executive Officer Head of Fund Mobilization Head of Leasing and Asset Finance Head of Finance Head of Islamic Finance	
Major Subsidiaries:	Chilaw Finance PLC (Expected to be merged with RPAF going forward)		

Capital History:

Year	Remarks	Amount (LKR million)	Cumulative Total (LKR million)
2013	B/f	400.000	400.000

FINANCIAL SUMMARY
Richard Pieris Finance Limited

STATEMENT OF FINANCIAL POSITION (RM million)	31-Mar-13	31-Mar-14	unaudited 30-Sep-14
Cash & Short-Term Funds	343.61	13.07	0.37
Deposits & Placements with Financial Institutions	0.00	35.55	106.38
Securities Purchased Under Resale Agreements	0.00	0.00	0.00
Financial Investments at Fair Value Through Profit or Loss	53.26	0.00	0.00
Financial Investments Available-For-Sale	0.00	25.56	271.80
Financial Investments Held-To-Maturity	0.00	0.00	0.00
Gross Loans/Financing & Advances	27.12	2,472.35	3,718.69
Collective Impairment Provisions	*0.00*	*(12.83)*	*(50.20)*
Individual Impairment Provisions	*0.00*	*(5.87)*	0.00
Net Loans/Financing & Advances	27.12	2,453.65	3,668.49
Statutory Deposits	0.00	0.00	0.00
Investments in Subsidiaries/Associates/Jointly-Controlled Entitie	0.00	0.00	0.00
Goodwill & Intangibles	0.00	0.00	0.00
Property, Plant & Equipment	0.00	18.60	19.50
Other Assets	0.00	18.06	278.27
Total Assets	**423.99**	**2,564.49**	**4,344.81**
Customer Deposits	0.00	542.70	1,314.21
Current Account Deposits	*0.00*	*0.00*	0.00
Savings Account Deposits	*0.00*	*0.00*	0.00
Fixed/Investment Deposits	*0.00*	*542.70*	1,314.21
Negotiable Instruments of Deposits	*0.00*	*0.00*	0.00
Other Deposits	*0.00*	*0.00*	0.00
Interbank Deposits	0.00	0.00	0.00
Bills & Acceptances Payable	0.00	0.00	0.00
Securities Sold Under Repurchase Agreements	0.00	0.00	0.00
Senior Debt/Islamic Securities	0.00	0.00	0.00
Subordinated Debt/Islamic Securities	0.00	0.00	0.00
Hybrid Capital/Islamic Securities	0.00	0.00	0.00
Other Borrowings/Sources of Funds	0.00	1,372.24	2,118.32
Other Liabilities	9.14	184.45	399.55
Total Liabilities	**9.14**	**2,099.40**	**3,832.08**
Equity Share Capital	400.00	400.00	400.00
Share Premium	0.00	0.00	0.00
Treasury Shares	0.00	0.00	0.00
Statutory Reserve	0.00	0.00	2.48
Revaluation Reserve	0.00	0.00	0.00
Available-For-Sale Reserve	0.00	0.00	0.00
Other Reserves	2.22	9.75	9.75
Retained Profits/(Accumulated Losses)	12.63	55.35	100.50
Non-Controlling Interests	0.00	0.00	0.00
Total Equity	**414.85**	**465.10**	**512.73**
Total Liabilities + Total Equity	**423.99**	**2,564.49**	**4,344.81**
Additional Disclosure:			
Commitments & Contingencies	0.00	0.00	0.00
Risk-Weighted Assets	0.00	2,478.92	4,177.88
Tier-1 Capital Base *	0.00	465.10	513.23
Total Capital Base *	0.00	465.10	513.23

FINANCIAL SUMMARY
Richard Pieris Finance Limited

STATEMENT OF COMPREHENSIVE INCOME (RM million)	31-Mar-13	31-Mar-14	unaudited 30-Sep-14 6 months
Interest/Finance Income	36.37	253.66	305.62
Interest/Finance Expense	0.00	(104.23)	(142.64)
Net Interest/Finance Income	**36.37**	**149.43**	**162.99**
Income from Islamic Banking Operations	0.00	0.00	0.00
Fee Income	0.00	15.40	9.80
Investment Income	0.00	0.00	0.00
Other Income	0.00	12.92	12.75
Gross Income	**36.37**	**177.76**	**185.54**
Personnel Expenses	(7.16)	(44.13)	(34.20)
Other Operating Expenses	(8.55)	(38.61)	(42.99)
Operating Income before Impairment Charges	**20.66**	**95.02**	**108.35**
Net Impairment Charges on Loans/Financing	0.00	(18.70)	(31.50)
Net Impairment Charges on Financial Investments	0.00	0.00	0.00
Net Impairment Charges on Commitments, Contingencies & Other Assets	0.00	0.00	0.00
Operating Income after Impairment Charges	**20.66**	**76.32**	**76.85**
Non-Recurring Items	0.00	0.00	0.00
Share of Associates/Jointly-Controlled Entities Profits/(Losses)	0.00	0.00	0.00
Pre-Tax Profit/(Loss)	**20.66**	**76.32**	**76.85**
Taxation & Zakat	(5.80)	(26.76)	(29.22)
Net Profit/(Loss)	**14.85**	**49.56**	**47.63**
Gain/(Loss) on Available-For-Sale Financial Investments	0.00	0.00	0.00
Changes in Cash Flow & Net Investment Hedges	0.00	0.00	0.00
Foreign Currency Translation Differences	0.00	0.00	0.00
Share of Other Comprehensive Income/(Loss) of Associates/Jointly-Controll	0.00	0.00	0.00
Income Tax Relating to Other Comprehensive Income/(Loss)	0.00	0.00	0.00
Other Components of Comprehensive Income/(Loss)	0.00	0.00	0.00
Total Comprehensive Income/(Loss)	**14.85**	**49.56**	**47.63**

FINANCIAL RATIOS

Richard Pieris Finance Limited

			unaudited
KEY RATIOS	**31-Mar-13**	**31-Mar-14**	**30-Sep-14**
PROFITABILITY (%)			
Net Interest/Financing Margin	17.15%	10.12%	9.92%
Non-Interest/Financing Income to Gross Income	0.00%	15.93%	12.16%
Cost to Income	43.20%	46.55%	41.60%
Return on Assets	9.74%	5.11%	4.45%
Return on Equity	9.96%	17.35%	31.44%
Dividend Payout Ratio	0.00%	0.00%	0.00%
ASSET QUALITY (%)			
Gross Impaired Loan/Financing Ratio		0.00%	1.30%
Net Newly Classified Impaired Loan/Financing Ratio	0.00%	0.00%	0.00%
Credit Cost Ratio	0.00%	1.50%	2.04%
Impairment Charge Ratio	0.00%	1.45%	1.94%
Gross Impaired Loan/Financing Coverage Ratio	NA	NA	98.99%
Loan/Financing Loss Reserve Coverage Ratio	0.00%	0.76%	1.35%
Collective Loan/Financing Loss Reserve Coverage Ratio	0.00%	0.52%	1.35%
LIQUIDITY & FUNDING (%)			
Liquid Asset Ratio		12.82%	18.27%
Interbank Deposits to Total Interest/Profit Bearing Funds	NA	0.00%	0.00%
Customer Deposits to Total Interest/Profit Bearing Funds	NA	28.34%	38.29%
CASA Deposits to Total Deposits	NA	0.00%	0.00%
Loans/Financing to Deposits Ratio	NA	455.57%	282.96%
CAPITALISATION & LEVERAGE (%)			
Internal Rate of Capital Generation	7.16%	11.26%	19.49%
Leverage Ratio (times)	1.02	5.51	8.47
Common Equity Ratio	NA	18.37%	11.98%
Tier-1 Regulatory Risk-Weighted Capital Adequacy Ratio	NA	18.76%	12.28%
Overall Regulatory Risk-Weighted Capital Adequacy Ratio	NA	18.76%	12.28%

Notes:

* annualised

NA = Not Available / Not Applicable

RATIO DEFINITIONS
Richard Pieris Finance Limited

KEY RATIOS	FORMULAE
PROFITABILITY (%)	
Net Interest Margin	Net Interest Income / Average Interest Earning Assets
Non-Interest Income to Gross Income	Non-Interest Income / Gross Income
Cost to Income	(Personnel Expenses + Other Operating Expenses) / Gross Income
Return on Assets	Pre-Tax Profit/(Loss) / Average Total Assets
Return on Equity	Pre-Tax Profit/(Loss) / Average Total Equity
Dividend Payout Ratio	Dividends / Net Profit/(Loss)
Non-Interest Income	Fee Income + Investment Income + Other Income
Interest Earning Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Securities Purchased Under Resale Agreements + Total Financial Investments + Net Loans & Advances
Total Financial Investments	Financial Investments at Fair Value Through Profit or Loss + Financial Investments Available-For-Sale + Financial Investments Held-To-Maturity
ASSET QUALITY (%)	
Gross NPLs Ratio	Total Impaired Loans / Gross Loans & Advances
Net Newly Classified Impaired Loan Ratio	Net Newly Classified Impaired Loans / Average Gross Loans & Advances
Credit Cost Ratio	Net Impairment Charges on Loans / Average Gross Loans & Advances
Impairment Charge Ratio	(Net Impairment Charges on Loans + Net Impairment Charges on Financial Investments) / (Average Gross Loans & Advances + Average Total Financial Investments)
Gross Impaired Loan Coverage Ratio	Total Provisions / Gross Loans & Advances
Collective Loan Loss Reserve Coverage Ratio	Collective Impairment Provisions / (Gross Loans & Advances - Individual Impairment Provisions)
Total Provisions	Collective Impairment Provisions + Individual Impairment Provisions
Net Newly Classified Impaired Loans	Newly Classified Impaired Loans - Recoveries on Impaired Loans - Impaired Loans Reclassified As Performing
LIQUIDITY & FUNDING (%)	
Liquid Asset Ratio	Liquid Assets / (Customer Deposits + Short-Term Funds)
Interbank Deposits to Total Interest Bearing Funds	Interbank Deposits / Interest Bearing Funds
Customer Deposits to Total Interest Bearing Funds	Customer Deposits / Interest Bearing Funds
CASA Deposits to Total Deposits	(Current Account + Savings Account Deposits) / Customer Deposits
Loans to Deposits Ratio	Gross Loans & Advances / Customer Deposits
Liquid Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Quoted Financial Investments (excluding Financial Investments Held-To-Maturity)
Short-Term Funds	Interbank Deposits + Bills & Acceptances Payable + Securities Sold Under Repurchase Agreements
Interest Bearing Funds	Customer Deposits + Interbank Deposits + Bills & Acceptances Payable + Securities Sold Under Repurchase Agreements + Total Borrowings
Total Borrowings	Senior Debt Securities + Subordinated Debt Securities Hybrid Capital Securities + Other Borrowings
CAPITALISATION & LEVERAGE (%)	
Internal Rate of Capital Generation	(Net Profit/(Loss) - Dividends) / Average Total Equity
Leverage Ratio (times)	Total Assets / Total Equity
Common Equity Ratio	(Equity Share Capital + Share Premium + Retained Profits/(Accumulated Losses)) / Risk-Weighted Assets
Tier-1 Regulatory Risk-Weighted Capital Adequacy Ratio	(Tier-1 Capital Base - Proposed Dividends) / Risk-Weighted Assets
Overall Regulatory Risk-Weighted Capital Adequacy Ratio	(Total Capital Base - Proposed Dividends) / Risk-Weighted Assets

CREDIT RATING DEFINITIONS

Financial Institution Ratings

A Financial Institution Rating ('FIR') is Lanka Rating Agency's current opinion on the overall capacity of a financial institution to meet its financial obligations. The opinion is not specific to any particular financial obligation, as it does not take in to account the expressed terms and conditions of any specific financial obligation.

Long-Term Ratings

AAA	A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term FIR assigned by LRA.
AA	A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	A financial institution rated BBB has a moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
BB	A financial institution rated BB has a weak capacity to meet its financial obligations. The financial institution is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	A financial institution rated B has a very weak capacity to meet its financial obligations. The financial institution has a limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
C	A financial institution rated C has a high likelihood of defaulting on its financial obligations. The financial institution is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations.
D	A financial institution rated D is currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

Short-Term Ratings

P1	A financial institution rated P1 has a strong capacity to meet its short-term financial obligations. This is the highest short-term FIR assigned by LRA.
P2	A financial institution rated P2 has an adequate capacity to meet its short-term financial obligations. The financial institution is more susceptible to the effect of deteriorating circumstances than those in the highest-rated category.
P3	A financial institution rated P3 has a moderate capacity to meet its short-term financial obligations. The financial institution is more likely to be weakened by the effects of deteriorating circumstances than those in the higher-rated category. This is the lowest investment-grade category.
NP	A financial institution rated NP has a doubtful capacity to meet its short-term financial obligations. The financial institution faces major uncertainties that could compromise its capacity for payment of financial obligations.
D	A financial institution rated D is currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

For long-term ratings, LRA applies signs plus (+), flat or minus (-) in each category from AA to C. The sign plus (+) indicates that the financial institution ranks at the higher end of its generic rating category; the sign flat indicates a mid-ranking; and the sign minus (-) indicates that the financial institution ranks at the lower end of its generic rating category.

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