



Lanka Rating Agency

## Rating Report

### Fixed Income Investment III (Pvt) Ltd - TBond securitization LKR 5.052Bn

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1. Rating Analysis
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#### Rating History

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action      | Rating Watch |
|--------------------|------------------|-------------------|---------|-------------|--------------|
| 25-Aug-2023        | A                | -                 | Stable  | Preliminary | -            |

#### Rating Rationale and Key Rating Drivers

Fixed Income Investment III (Pvt) Ltd is a Special Purpose Vehicle that securitizes treasury bonds of up to LKR 5,052,163,273.76 Investment Value. The rating reflects the robust securitization structure that ensures regular interest and principle repayments to the investors. The credit risk is considered minimal as the securitization is for Government of Sri Lanka's long-term fixed rate treasury bonds (less than 10 years maturity). The Tbond securitization is resilient to the recent domestic debt optimization in Sri Lanka. The interest rate fluctuation can impact the value of the bond and give rise to market risk. However, this risk, along with early repayment, will be undertaken by the investors as clearly mentioned in the offering document. With declining interest rates, the bonds has strong demand, reducing the market risk. The entire transaction will be routed through a trustee to ensure timely and secured payments. Further, LRA has taken into account the ability of the Tbond securitization promoter (Capital Alliance Holdings Limited Rated A- by LRA). The promoter's past experience in managing funds and Capital Markets will facilitate its smooth execution.

There is a built-in curing period (3 days), in case a payment is missed. The investors will receive fixed return only if they hold their positions until maturity and not in case of early redemption. Every approximate 100 days, the investors will have the option to roll over or pre-terminate the bond at market value. The weighted average return on the trust certificates offered by the T-Bond securitization stands at of 13.27% (net of fees) will be provided only if the instrument is held to maturity and all settlements would be made through the Fixed Income Investment III (Pvt) Ltd account maintained with the Trustee (Peoples Bank). All settlements would be under the direct supervision of the trustee. Until all the agreed payments are made to the trust receipt owners, any excess will not be withdrawn. The Trustee will ensure timely payments and other legal aspects of the transaction.

#### Disclosure

|                              |  |
|------------------------------|--|
| <b>Name of Rated Entity</b>  | Fixed Income Investment III (Pvt) Ltd - TBond securitization LKR 5.052Bn |
| <b>Type of Relationship</b>  | Solicited  |
| <b>Purpose of the Rating</b> | Debt Instrument Rating   |
| <b>Applicable Criteria</b>   | Methodology   Debt Instrument Rating(Jun-22)                             |
| <b>Related Research</b>      | Sector Study   Capital Markets(May-23)                                   |
| <b>Rating Analysts</b>       | Tharika Prabashwari Kodikara   tharika@lra.com.lk   +92-42-35869504      |



## Issuer Profile

**Profile** Fixed Income Investment III (Pvt) Ltd (FII III ) is the legal entity that will be borrowing funds from investors by way of trust receipts which are collateralized with treasury bonds. This arrangement is considered as a true securitization.

**Ownership** FII III is a 100% owned subsidiary of Capital Alliance Holdings Limited (CALH)

**Governance** Mr. Tharindra Kulasinghe has been appointed as the Director by CALH. KPMG will be the external auditors and Nithya Partners are the lawyers. Peoples Bank will be the trustee/custodian to the issue.

**Management** Management of the Company will be steered by CALH.

**Business Risk** During FY23, the interest rates have picked up a reverse trajectory. The bond is expected to receive strong demand considering the declining interest rates has begun. Since there is a voluntary domestic debt optimization program underway, the possible potential haircuts on the Government securities will have an impact on bond's yield and maturity. The management has incorporated measures to minimize the capital loss arising due to this. In case of a restructuring, the offering documents shall also reflect accordingly.

**Financial Risk** The Company bears minimal credit risk as the securitization is for the Government of Sri Lanka's long-term fixed rate treasury bonds, that is around less than 10 years maturity. The interest rate fluctuation can impact the value of the bond and give rise to market risk. The interest rate and market risk will remain with the trust certificate investor in case of early redemption. The tranche's simple annualized return is approximately 13.27% which can be obtained only if the certificates are held to maturity. The existence of curing period provides support to the structure.

## Instrument Rating Considerations

**About The Instrument** Fixed Income Investment III will buy T bonds and securitize them. FII III will issue trust receipts to investors against these securitized bonds. The total size of the fund is LKR 5.052Bn with a weighted average gross return of 13.27% on the trust certificates, net of fees, if held to maturity.

**Relative Seniority/Subordination Of Instrument** The instrument is secured senior debt.

**Credit Enhancement** There will be no credit enhancement furthered since it is already secured via treasury bonds.

**Regulatory and Supplementary Disclosure**

| Nature of Instrument  | Size of Issue (LKR) | Tenor  | Security  | Quantum of Security | Nature of Assets   | Trustee       | Book Value of Assets (LKR mn) |
|-----------------------|---------------------|--|---|---------------------|--|---------------|-------------------------------|
| T-bond Securitization | LKR 4,463,720,000   | until 01 May 2027   15 Sep 2027   01 May 2028<br>(Maturities of the T-bonds) | Treasury bonds (Maturities - 01 May 2027   15 Sep 2027   01 May 2028) | LKR 4,463,720,000   | Government of Sri Lanka issued treasury bonds will be the underlying asset to this transaction | People's Bank | LKR 5,052,163,273.76          |

|                       |   |
|-----------------------|---|
| <b>Name of Issuer</b> | Fixed Income Investment III (Pvt) Ltd   |
| <b>Issue Date</b>     | 24th August 2023  |
| <b>Maturity</b>       | 01-05-2027   15-09-2027   01-05-2028  |
| <b>Coupon Basis</b>   | The papers are in maturity of less than 100 days. At the end of each paper, the investor has the ability to decide whether to sell the T-bonds and get the repayment (at which it will be sold in the market at market rates and the selling value will be paid to the investors net of any due fees), or the investor has the ability to rollover to the next paper. |
| <b>Repayment</b>      | Either after the maturity of each paper (if the investor opts to sell the asset), or at 01 May 2027   15 Sep 2027   01 May 2028 (the maturities of the T-bonds)   |
| <b>Option</b>         |   |

|                                       |                     |
|---------------------------------------|---------------------|
| Fixed Income Investment III (Pvt) Ltd |                     |
| FV: 1,430,000,000                     | Maturity: 15-Sep-27 |

| Due Date Principal | Opening Principal (LKR) | Coupon Due Date | Gross Rate | LKR             |                          |  |   |                  |  |
|--------------------|-------------------------|-----------------|------------|-----------------|--------------------------|--|---|------------------|--|
|                    |                         |                 |            | Interest earned | Cash inflow from coupons | Costs to be paid out of securitization | Interest earned (to be paid to investors) | Net cashflow     | Capital Outstanding at the end of maturity |
| 24-Aug-23          | 1,780,136,930.00        | 15-Sep-23       | 13.1473%   | 14,106,490.75   |                          |  |   |                  |  |
| 15-Sep-23          | 1,652,316,380.00        | 14-Dec-23       | 14.4958%   | 59,059,000.00   | 143,000,000              | 1,072,959                              | 14,106,490.75                             | 127,820,550.00   | 1,652,316,380                              |
| 14-Dec-23          | 1,711,375,380.00        | 15-Mar-24       | 12.5567%   | 54,164,681.53   |                          |  | 59,059,000.00                             | (59,059,000.00)  | 1,711,375,380                              |
| 15-Mar-24          | 1,630,927,870.00        | 13-Jun-24       | 14.3353%   | 57,649,020.00   | 143,000,000              | 8,387,808                              | 54,164,681.53                             | 80,447,510.00    | 1,630,927,870                              |
| 13-Jun-24          | 1,688,576,890.00        | 15-Sep-24       | 12.4214%   | 54,016,480.25   |                          |  | 57,649,020.00                             | (57,649,020.00)  | 1,688,576,890                              |
| 15-Sep-24          | 1,607,963,500.00        | 14-Dec-24       | 14.5772%   | 57,796,310.00   | 143,000,000              | 8,370,130                              | 54,016,480.25                             | 80,613,390.00    | 1,607,963,500                              |
| 14-Dec-24          | 1,665,759,810.00        | 15-Mar-25       | 12.6253%   | 52,432,658.28   |                          |  | 57,796,310.00                             | (57,796,310.00)  | 1,665,759,810                              |
| 15-Mar-25          | 1,583,310,300.00        | 13-Jun-25       | 14.3350%   | 55,964,480.00   | 143,000,000              | 8,117,832                              | 52,432,658.28                             | 82,449,510.00    | 1,583,310,300                              |
| 13-Jun-25          | 1,639,274,780.00        | 15-Sep-25       | 12.4217%   | 52,440,473.25   |                          |  | 55,964,480.00                             | (55,964,480.00)  | 1,639,274,780                              |
| 15-Sep-25          | 1,556,841,000.00        | 14-Dec-25       | 14.5772%   | 55,958,760.00   | 143,000,000              | 8,125,747                              | 52,440,473.25                             | 82,433,780.00    | 1,556,841,000                              |
| 14-Dec-25          | 1,612,799,760.00        | 15-Mar-26       | 12.6254%   | 50,765,971.15   |                          |  | 55,958,760.00                             | (55,958,760.00)  | 1,612,799,760                              |
| 15-Mar-26          | 1,528,425,470.00        | 13-Jun-26       | 14.3352%   | 54,025,400.00   | 143,000,000              | 7,859,739                              | 50,765,971.15                             | 84,374,290.00    | 1,528,425,470                              |
| 13-Jun-26          | 1,582,450,870.00        | 15-Sep-26       | 12.4217%   | 50,622,906.74   |                          |  | 54,025,400.00                             | (54,025,400.00)  | 1,582,450,870                              |
| 15-Sep-26          | 1,497,917,850.00        | 14-Dec-26       | 14.5768%   | 53,839,500.00   | 143,000,000              | 7,844,073                              | 50,622,906.74                             | 84,533,020.00    | 1,497,917,850                              |
| 14-Dec-26          | 1,551,757,350.00        | 15-Mar-27       | 12.6252%   | 48,844,089.03   |                          |  | 53,839,500.00                             | (53,839,500.00)  | 1,551,757,350                              |
| 15-Mar-27          | 1,465,163,700.00        | 13-Jun-27       | 14.0711%   | 50,835,070.00   | 143,000,000              | 7,562,261                              | 48,844,089.03                             | 86,593,650.00    | 1,465,163,700                              |
| 13-Jun-27          | 1,515,998,770.00        | 15-Sep-27       | 12.6746%   | 49,484,281.58   |                          |  | 50,835,070.00                             | (50,835,070.00)  | 1,515,998,770                              |
| 15-Sep-27          |                         |                 |            |                 | 1,573,000,000.00         | 7,516,948                              | 49,484,281.58                             | 1,515,998,770.00 | -  |

|                 |                       |
|-----------------|-----------------------|
| FV: 140,000,000 | Maturity: 01-May-2027 |
|-----------------|-----------------------|

| Due Date Principal | Opening Principal LKR | Coupone Due Date | Gross Rate | Principal Outstanding |                          |  |   |                |  |
|--------------------|-----------------------|------------------|------------|-----------------------|--------------------------|--|---|----------------|--|
|                    |                       |                  |            | LKR                   |                          |  |   |                |  |
|                    |                       |                  |            | Interest earned       | Cash inflow from coupons | Costs to be paid out of securitization | Interest earned (to be paid to investors) | Net cashflow   | Capital Outstanding at the end of maturity |
| 24-Aug-23          | 160,488,580           | 1-Nov-23         | 13.2769%   | 4,028,071             |                          |  |   |                |  |
| 1-Nov-23           | 152,220,040           | 30-Jan-24        | 14.4955%   | 5,440,680             | 12,600,000               | 303,389                                | 4,028,071                                 | 8,268,540.00   | 152,220,040                                |
| 30-Jan-24          | 157,660,720           | 1-May-24         | 12.5568%   | 4,989,952             | -                        |  | 5,440,680                                 | (5,440,680.00) | 157,660,720                                |
| 1-May-24           | 150,823,400           | 30-Jul-24        | 14.3353%   | 5,331,200             | 12,600,000               | 772,728                                | 4,989,952                                 | 6,837,320.00   | 150,823,400                                |
| 30-Jul-24          | 156,154,600           | 1-Nov-24         | 12.4216%   | 4,995,355             | -                        |  | 5,331,200                                 | (5,331,200.00) | 156,154,600                                |
| 1-Nov-24           | 149,324,000           | 30-Jan-25        | 14.5770%   | 5,367,180             | 12,600,000               | 774,045                                | 4,995,355                                 | 6,830,600.00   | 149,324,000                                |
| 30-Jan-25          | 154,691,180           | 1-May-25         | 12.6254%   | 4,869,235             | -                        |  | 5,367,180                                 | (5,367,180.00) | 154,691,180                                |
| 1-May-25           | 147,714,280           | 30-Jul-25        | 14.3353%   | 5,221,300             | 12,600,000               | 753,865                                | 4,869,235                                 | 6,976,900.00   | 147,714,280                                |
| 30-Jul-25          | 152,935,580           | 1-Nov-25         | 12.4214%   | 4,892,312             | -                        |  | 5,221,300                                 | (5,221,300.00) | 152,935,580                                |
| 1-Nov-25           | 145,985,980           | 30-Jan-26        | 14.5770%   | 5,247,200             | 12,600,000               | 758,088                                | 4,892,312                                 | 6,949,600.00   | 145,985,980                                |
| 30-Jan-26          | 151,233,180           | 1-May-26         | 12.6254%   | 4,760,367             | -                        |  | 5,247,200                                 | (5,247,200.00) | 151,233,180                                |
| 1-May-26           | 144,130,560           | 30-Jul-26        | 14.3356%   | 5,094,740             | 12,600,000               | 737,013                                | 4,760,367                                 | 7,102,620.00   | 144,130,560                                |
| 30-Jul-26          | 149,225,300           | 1-Nov-26         | 12.4215%   | 4,773,643             | -                        |  | 5,094,740                                 | (5,094,740.00) | 149,225,300                                |
| 1-Nov-26           | 142,138,640           | 30-Jan-27        | 14.3120%   | 5,016,060             | 12,600,000               | 739,697                                | 4,773,643                                 | 7,086,660.00   | 142,138,640                                |
| 30-Jan-27          | 147,154,700           | 1-May-27         | 12.8869%   | 4,727,942             | -                        |  | 5,016,060                                 | (5,016,060.00) | 147,154,700                                |
| 1-May-27           |                       |                  |            |                       | 152,600,000              | 717,358                                | 4,727,942                                 | 147,154,700.00 | -  |

|                   |                     |
|-------------------|---------------------|
| FV: 1,293,720,000 | Maturity: 01-May-28 |
|-------------------|---------------------|

| Due Date Principal | Opening Principal | Coupone Due Date | Gross Rate | Principal Outstanding |                          |  |   |                  |  |
|--------------------|-------------------|------------------|------------|-----------------------|--------------------------|--|---|------------------|--|
|                    |                   |                  |            | LKR                   |                          |  |   |                  |  |
|                    |                   |                  |            | Interest earned       | Cash inflow from coupons | Costs to be paid out of securitization | Interest earned (to be paid to investors) | Net cashflow     | Capital Outstanding at the end of maturity |
| 24-Aug-23          | 1,106,076,264     | 1-Nov-23         | 12.7549%   | 26,669,751            |                          |  |   |                  |  |
| 1-Nov-23           | 1,076,619,553     | 30-Jan-24        | 13.9631%   | 37,067,665            | 58,217,400.00            | 2,090,938.69                           | 26,669,751                                | 29,456,710.68    | 1,076,619,553.08                           |
| 30-Jan-24          | 1,113,687,219     | 1-May-24         | 12.0225%   | 33,748,285            | -                        |  | 37,067,665                                | (37,067,665.44)  | 1,113,687,218.52                           |
| 1-May-24           | 1,094,679,884     | 30-Jul-24        | 13.8090%   | 37,273,367            | 58,217,400.00            | 5,461,780.38                           | 33,748,285                                | 19,007,334.24    | 1,094,679,884.28                           |
| 30-Jul-24          | 1,131,953,251     | 1-Nov-24         | 11.8932%   | 34,670,769            | -                        |  | 37,273,367                                | (37,273,366.92)  | 1,131,953,251.20                           |
| 1-Nov-24           | 1,114,020,998     | 30-Jan-25        | 14.0416%   | 38,570,968            | 58,217,400.00            | 5,614,377.95                           | 34,670,769                                | 17,932,252.92    | 1,114,020,998.28                           |
| 30-Jan-25          | 1,152,591,966     | 1-May-25         | 12.0884%   | 34,737,109            | -                        |  | 38,570,968                                | (38,570,968.08)  | 1,152,591,966.36                           |
| 1-May-25           | 1,134,732,162     | 30-Jul-25        | 13.8089%   | 38,636,948            | 58,217,400.00            | 5,620,486.54                           | 34,737,109                                | 17,859,804.60    | 1,134,732,161.76                           |
| 30-Jul-25          | 1,173,369,110     | 1-Nov-25         | 11.8931%   | 35,938,897            | -                        |  | 38,636,948                                | (38,636,947.80)  | 1,173,369,109.56                           |
| 1-Nov-25           | 1,156,910,404     | 30-Jan-26        | 14.0417%   | 40,056,159            | 58,217,400.00            | 5,819,797.01                           | 35,938,897                                | 16,458,705.84    | 1,156,910,403.72                           |
| 30-Jan-26          | 1,196,966,562     | 1-May-26         | 12.0880%   | 36,073,186            | -                        |  | 40,056,159                                | (40,056,158.64)  | 1,196,966,562.36                           |
| 1-May-26           | 1,180,659,222     | 30-Jul-26        | 13.8090%   | 40,201,055            | 58,217,400.00            | 5,836,873.79                           | 36,073,186                                | 16,307,340.60    | 1,180,659,221.76                           |
| 30-Jul-26          | 1,220,860,277     | 1-Nov-26         | 11.8933%   | 37,394,238            | -                        |  | 40,201,055                                | (40,201,055.28)  | 1,220,860,277.04                           |
| 1-Nov-26           | 1,206,092,463     | 30-Jan-27        | 14.0416%   | 41,758,694            | 58,217,400.00            | 6,055,347.84                           | 37,394,238                                | 14,767,813.80    | 1,206,092,463.24                           |
| 30-Jan-27          | 1,247,851,157     | 1-May-27         | 12.0883%   | 37,607,798            | -                        |  | 41,758,694                                | (41,758,694.16)  | 1,247,851,157.40                           |
| 1-May-27           | 1,233,326,563     | 30-Jul-27        | 13.8090%   | 41,994,151            | 58,217,400.00            | 6,085,007.59                           | 37,607,798                                | 14,524,594.44    | 1,233,326,562.96                           |
| 30-Jul-27          | 1,275,320,714     | 1-Nov-27         | 11.8929%   | 39,060,818            | -                        |  | 41,994,151                                | (41,994,151.20)  | 1,275,320,714.16                           |
| 1-Nov-27           | 1,262,489,599     | 30-Jan-28        | 13.7177%   | 42,703,110            | 58,217,400.00            | 6,325,466.79                           | 39,060,818                                | 12,831,114.96    | 1,262,489,599.20                           |
| 30-Jan-28          | 1,305,192,709     | 1-May-28         | 12.2627%   | 40,341,902            | -                        |  | 42,703,110                                | (42,703,109.76)  | 1,305,192,708.96                           |
| 1-May-28           |                   |                  |            |                       | 1,351,937,400.00         | 6,402,788.85                           | 40,341,902                                | 1,305,192,708.96 | -  |

|                 |                       |
|-----------------|-----------------------|
| FV: 500,000,000 | Maturity: 15-Sep-2027 |
|-----------------|-----------------------|

| Due Date Principal | Opening Principal | Coupone Due Date | Gross Rate | Principal Outstanding |                          |  |   |                 |  |
|--------------------|-------------------|------------------|------------|-----------------------|--------------------------|--|---|-----------------|--|
|                    |                   |                  |            | LKR                   |                          |  |   |                 |  |
|                    |                   |                  |            | Interest earned       | Cash inflow from coupons | Costs to be paid out of securitization | Interest earned (to be paid to investors) | Net cashflow    | Capital Outstanding at the end of maturity |
| 24-Aug-23          | 629,881,000       | 15-Sep-23        | 12.7283%   | 4,832,346             |                          |  |   |                 |  |
| 15-Sep-23          | 585,093,000       | 14-Dec-23        | 14.0601%   | 20,284,500            | 50,000,000               | 379,654                                | 4,832,346                                 | (5,212,000.00)  | 635,093,000                                |
| 14-Dec-23          | 605,377,500       | 15-Mar-24        | 12.1198%   | 18,493,422            | -                        |  | 20,284,500                                | 29,715,500.00   | 555,377,500                                |
| 15-Mar-24          | 576,839,500       | 13-Jun-24        | 13.9045%   | 19,777,000            | 50,000,000               | 2,968,578                              | 18,493,422                                | (21,462,000.00) | 626,839,500                                |
| 13-Jun-24          | 596,616,500       | 15-Sep-24        | 11.9894%   | 18,421,664            | -                        |  | 19,777,000                                | 30,223,000.00   | 546,616,500                                |
| 15-Sep-24          | 567,997,000       | 14-Dec-24        | 14.1392%   | 19,802,500            | 50,000,000               | 2,958,836                              | 18,421,664                                | (21,380,500.00) | 617,997,000                                |
| 14-Dec-24          | 587,799,500       | 15-Mar-25        | 12.1858%   | 17,857,987            | -                        |  | 19,802,500                                | 30,197,500.00   | 537,799,500                                |
| 15-Mar-25          | 558,523,500       | 13-Jun-25        | 13.9045%   | 19,149,000            | 50,000,000               | 2,866,013                              | 17,857,987                                | (20,724,000.00) | 608,523,500                                |
| 13-Jun-25          | 577,672,500       | 15-Sep-25        | 11.9897%   | 17,837,114            | -                        |  | 19,149,000                                | 30,851,000.00   | 527,672,500                                |
| 15-Sep-25          | 548,374,500       | 14-Dec-25        | 14.1389%   | 19,118,000            | 50,000,000               | 2,864,886                              | 17,837,114                                | (20,702,000.00) | 598,374,500                                |
| 14-Dec-25          | 567,492,500       | 15-Mar-26        | 12.1861%   | 17,241,499            | -                        |  | 19,118,000                                | 30,882,000.00   | 517,492,500                                |
| 15-Mar-26          | 537,501,000       | 13-Jun-26        | 13.9043%   | 18,428,000            | 50,000,000               | 2,767,001                              | 17,241,499                                | (20,008,500.00) | 587,501,000                                |
| 13-Jun-26          | 555,929,000       | 15-Sep-26        | 11.9895%   | 17,165,448            | -                        |  | 18,428,000                                | 31,572,000.00   | 505,929,000                                |
| 15-Sep-26          | 525,851,500       | 14-Dec-26        | 14.1391%   | 18,333,000            | 50,000,000               | 2,757,052                              | 17,165,448                                | (19,922,500.00) | 575,851,500                                |
| 14-Dec-26          | 544,184,500       | 15-Mar-27        | 12.1860%   | 16,533,146            | -                        |  | 18,333,000                                | 31,667,000.00   | 494,184,500                                |
| 15-Mar-27          | 513,371,000       | 13-Jun-27        | 13.6557%   | 17,286,000            | 50,000,000               | 2,653,354                              | 16,533,146                                | (19,186,500.00) | 563,371,000                                |
| 13-Jun-27          | 530,657,000       | 15-Sep-27        | 12.2276%   | 16,710,530            | -                        |  | 17,286,000                                | 532,714,000.00  | (19,343,000)                               |
| 15-Sep-27          |                   |                  |            |                       | 550,000,000              | 2,632,470                              | 16,710,530                                | 530,657,000.00  | -  |

|                   |                       |
|-------------------|-----------------------|
| FV: 1,000,000,000 | Maturity: 15-Sep-2027 |
|-------------------|-----------------------|

| Due Date Principal | Opening Principal | Coupone Due Date | Gross Rate | Principal Outstanding |                          |  |   |                  |  |
|--------------------|-------------------|------------------|------------|-----------------------|--------------------------|--|---|------------------|--|
|                    |                   |                  |            | LKR                   |                          |  |   |                  |  |
|                    |                   |                  |            | Interest earned       | Cash inflow from coupons | Costs to be paid out of securitization | Interest earned (to be paid to investors) | Net cashflow     | Capital Outstanding at the end of maturity |
| 24-Aug-23          | 1,259,762,000     | 15-Sep-23        | 12.7283%   | 9,664,691             |                          |  |   |                  |  |
| 15-Sep-23          | 1,170,186,000     | 14-Dec-23        | 14.0601%   | 40,569,000            | 100,000,000              | 759,309                                | 9,664,691                                 | (10,424,000.00)  | 1,270,186,000                              |
| 14-Dec-23          | 1,210,755,000     | 15-Mar-24        | 12.1198%   | 36,986,844            | -                        |  | 40,569,000                                | 59,431,000.00    | 1,110,755,000                              |
| 15-Mar-24          | 1,153,679,000     | 13-Jun-24        | 13.9045%   | 39,554,000            | 100,000,000              | 5,937,156                              | 36,986,844                                | (42,924,000.00)  | 1,253,679,000                              |
| 13-Jun-24          | 1,193,233,000     | 15-Sep-24        | 11.9894%   | 36,843,328            | -                        |  | 39,554,000                                | 60,446,000.00    | 1,093,233,000                              |
| 15-Sep-24          | 1,135,994,000     | 14-Dec-24        | 14.1392%   | 39,605,000            | 100,000,000              | 5,917,672                              | 36,843,328                                | (42,761,000.00)  | 1,235,994,000                              |
| 14-Dec-24          | 1,175,599,000     | 15-Mar-25        | 12.1858%   | 35,715,973            | -                        |  | 39,605,000                                | 60,395,000.00    | 1,075,599,000                              |
| 15-Mar-25          | 1,117,047,000     | 13-Jun-25        | 13.9045%   | 38,298,000            | 100,000,000              | 5,732,027                              | 35,715,973                                | (41,448,000.00)  | 1,217,047,000                              |
| 13-Jun-25          | 1,155,345,000     | 15-Sep-25        | 11.9897%   | 35,674,228            | -                        |  | 38,298,000                                | 61,702,000.00    | 1,055,345,000                              |
| 15-Sep-25          | 1,096,749,000     | 14-Dec-25        | 14.1389%   | 38,236,000            | 100,000,000              | 5,729,772                              | 35,674,228                                | (41,404,000.00)  | 1,196,749,000                              |
| 14-Dec-25          | 1,134,985,000     | 15-Mar-26        | 12.1861%   | 34,482,999            | -                        |  | 38,236,000                                | 61,764,000.00    | 1,034,985,000                              |
| 15-Mar-26          | 1,075,002,000     | 13-Jun-26        | 13.9043%   | 36,856,000            | 100,000,000              | 5,534,001                              | 34,482,999                                | (40,017,000.00)  | 1,175,002,000                              |
| 13-Jun-26          | 1,111,858,000     | 15-Sep-26        | 11.9895%   | 34,330,895            | -                        |  | 36,856,000                                | 63,144,000.00    | 1,011,858,000                              |
| 15-Sep-26          | 1,051,703,000     | 14-Dec-26        | 14.1391%   | 36,666,000            | 100,000,000              | 5,514,105                              | 34,330,895                                | (39,845,000.00)  | 1,151,703,000                              |
| 14-Dec-26          | 1,088,369,000     | 15-Mar-27        | 12.1860%   | 33,066,292            | -                        |  | 36,666,000                                | 63,334,000.00    | 988,369,000                                |
| 15-Mar-27          | 1,026,742,000     | 13-Jun-27        | 13.6557%   | 34,572,000            | 100,000,000              | 5,306,708                              | 33,066,292                                | (38,373,000.00)  | 1,126,742,000                              |
| 13-Jun-27          | 1,061,314,000     | 15-Sep-27        | 12.2276%   | 33,421,060            | -                        |  | 34,572,000                                | 1,065,428,000.00 | (38,686,000)                               |
| 15-Sep-27          |                   |                  |            |                       | 1,100,000,000            | 5,264,940                              | 33,421,060                                | 1,061,314,000.00 | -  |

|                 |                       |
|-----------------|-----------------------|
| FV: 100,000,000 | Maturity: 01-May-2027 |
|-----------------|-----------------------|

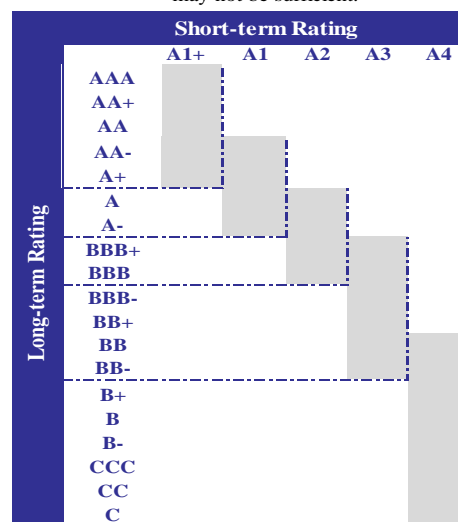
| Due Date Principal | Opening Principal LKR | Coupons Due Date | Gross Rate | Principal Outstanding |                          |  |   |                |  |
|--------------------|-----------------------|------------------|------------|-----------------------|--------------------------|--|---|----------------|--|
|                    |                       |                  |            | LKR                   |                          |  |   |                |  |
|                    |                       |                  |            | Interest earned       | Cash inflow from coupons | Costs to be paid out of securitization | Interest earned (to be paid to investors) | Net cashflow   | Capital Outstanding at the end of maturity |
| 24-Aug-23          | 115,818,500           | 1-Nov-23         | 12.8971%   | 2,823,755             |                          |  |   |                |  |
| 1-Nov-23           | 109,861,200           | 30-Jan-24        | 14.1083%   | 3,821,800             | 9,000,000                | 218,945                                | 2,823,755                                 | 5,957,300.00   | 109,861,200                                |
| 30-Jan-24          | 113,683,000           | 1-May-24         | 12.1687%   | 3,486,866             | -                        |  | 3,821,800                                 | (3,821,800.00) | 113,683,000                                |
| 1-May-24           | 108,727,300           | 30-Jul-24        | 13.9525%   | 3,740,600             | 9,000,000                | 557,434                                | 3,486,866                                 | 4,955,700.00   | 108,727,300                                |
| 30-Jul-24          | 112,467,900           | 1-Nov-24         | 12.0374%   | 3,486,562             | -                        |  | 3,740,600                                 | (3,740,600.00) | 112,467,900                                |
| 1-Nov-24           | 107,512,200           | 30-Jan-25        | 14.1876%   | 3,761,100             | 9,000,000                | 557,738                                | 3,486,562                                 | 4,955,700.00   | 107,512,200                                |
| 30-Jan-25          | 111,273,300           | 1-May-25         | 12.2348%   | 3,394,180             | -                        |  | 3,761,100                                 | (3,761,100.00) | 111,273,300                                |
| 1-May-25           | 106,210,000           | 30-Jul-25        | 13.9525%   | 3,654,000             | 9,000,000                | 542,520                                | 3,394,180                                 | 5,063,300.00   | 106,210,000                                |
| 30-Jul-25          | 109,864,000           | 1-Nov-25         | 12.0376%   | 3,405,875             | -                        |  | 3,654,000                                 | (3,654,000.00) | 109,864,000                                |
| 1-Nov-25           | 104,814,700           | 30-Jan-26        | 14.1874%   | 3,666,700             | 9,000,000                | 544,825                                | 3,405,875                                 | 5,049,300.00   | 104,814,700                                |
| 30-Jan-26          | 108,481,400           | 1-May-26         | 12.2350%   | 3,309,092             | -                        |  | 3,666,700                                 | (3,666,700.00) | 108,481,400                                |
| 1-May-26           | 103,319,400           | 30-Jul-26        | 13.9523%   | 3,554,500             | 9,000,000                | 528,908                                | 3,309,092                                 | 5,162,000.00   | 103,319,400                                |
| 30-Jul-26          | 106,873,900           | 1-Nov-26         | 12.0376%   | 3,313,203             | -                        |  | 3,554,500                                 | (3,554,500.00) | 106,873,900                                |
| 1-Nov-26           | 101,717,100           | 30-Jan-27        | 13.9365%   | 3,495,400             | 9,000,000                | 529,997                                | 3,313,203                                 | 5,156,800.00   | 101,717,100                                |
| 30-Jan-27          | 105,212,500           | 1-May-27         | 12.4828%   | 3,274,380             | -                        |  | 3,495,400                                 | (3,495,400.00) | 105,212,500                                |
| 1-May-27           |                       |                  |            |                       | 109,000,000              | 513,120                                | 3,274,380                                 | 105,212,500.00 | -  |

## Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

| Scale | Long-term Rating Definition   |
|-------|---|
| AAA   | <b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments  |
| AA+   |   |
| AA    | <b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.   |
| AA-   |   |
| A+    |   |
| A     | <b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.  |
| A-    |   |
| BBB+  |   |
| BBB   | <b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.   |
| BBB-  |   |
| BB+   | <b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.                           |
| BB    |   |
| BB-   |   |
| B+    |   |
| B     | <b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.  |
| B-    |   |
| CCC   |   |
| CC    | <b>Very high credit risk.</b> Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default. |
| C     |   |
| D     | Obligations are currently in default.   |

| Scale | Short-term Rating Definition  |
|-------|---|
| A1+   | The highest capacity for timely repayment.  |
| A1    | A strong capacity for timely repayment.   |
| A2    | A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.                  |
| A3    | An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.                |
| A4    | The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient. |



\*The correlation shown is indicative and, in certain cases, may not hold.

**Outlook (Stable, Positive, Negative, Developing)** Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

**Rating Watch** Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

**Suspension** It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn** A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s):

- a) Broker Entity Rating
- b) Corporate Rating
- c) Debt Instrument Rating
- d) Financial Institution Rating
- e) Holding Company Rating
- f) Independent Power Producer Rating
- g) Microfinance Institution Rating
- h) Non-Banking Finance Companies Rating

**Disclaimer:** LRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. LRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of LRA documents may be used, with due care and in the right context, with credit to LRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

**Rating Team Statements**

(1) Credit Rating Agency means a body corporate engaged in the business of assessing and evaluating the credit- worthiness of any issuer or a specific issue of securities. (<https://www.sec.gov.lk/index.php/credit-rating-agency/>)

**2) Conflict of Interest**

i. LRA shall not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained (Section 33- Draft Rules Credit Rating Agency - 2021)

**Restrictions**

(3) LRA is not entitled to outsource any part of its work, which has a direct bearing on the act of rating. However, if any other function other than the core function of rating is to be outsourced, such fact shall be brought to the attention of the Client and be included in the Credit Rating Agreement entered into with the Client. (Section 22- Draft Rules Credit Rating Agency - 2021)

(4) LRA cannot appoint any individual as a member of the Rating Committee who has a business development function of the Credit Rating Agency, or who initiates or participates in discussions regarding fees or payments with any Client of Credit Rating Agency. (Section 26- Draft Rules Credit Rating Agency -2021)

**Conduct of Business**

(5) Prior to the commencement of a rating, LRA does not promise, assure or guarantee to a client that a particular rating will be assigned.

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies shall be made available to the Commission for perusal, upon request. (Section 39- Draft Rules Credit Rating Agency -2021)

**Independence & Conflict of interest**

(7)LRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on LRA's opinions or other analytical processes. In all instances, LRA is committed to preserving the objectivity, integrity and independence of its ratings.

(8)LRA does not engage in any other business activity which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained (Section 33- Draft Rules Credit Rating Agency -2021)

(9) LRA structures its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 45 - Draft Rules Credit Rating Agency -2021)

**Monitoring and review**

(10) For purposes of transparency, LRA publishes sufficient information about an entity/security rated, frequency of default and whether a rating grade assigned has changed over time. The definitions and computation methods for the default rates stated in the default studies are also be disclosed. (Section 42- Draft Rules Credit Rating Agency -2021) LRA monitors below factors specifically, (a) all internal records to support our credit rating opinions; (b) all particulars relating to Clients at our office which shall include the name and registered address and contact numbers of such Client's, names and addresses of their Directors as at the date of rating, its issued share capital and the nature of business; and (c) a comprehensive written record of all complaints received from Clients and action taken thereon by LRA.

(11) LRA ensures confidentiality of all information at all times relating to Clients including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law. (Section 48 - Draft Rules Credit Rating Agency -2021)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the LRA which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination. (Section 51 - Draft Rules Credit Rating Agency - 2021).

**Probability of Default**

(13) LRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability).

**Proprietary Information**

(14) All information contained herein is considered proprietary by LRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without LRA's prior written consent