



## Lanka Rating Agency

# Rating Report

First Capital Treasuries PLC - Listed, Rated, Subordinated, Unsecured, Redeemable Debenture up to LKR 3 Bn - Tenure 5 years

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### Rating History

| Dissemination Date | Long Term Rating | Outlook | Action      | Rating Watch |
|--------------------|------------------|---------|-------------|--------------|
| 05-Jun-2026        | A                | Stable  | Initial     | -            |
| 05-Mar-2025        | A                | Stable  | Preliminary | -            |

### Rating Rationale and Key Rating Drivers

The rating reflects FCT's established position as a non-bank standalone Primary Dealer in Sri Lanka, supported by strong capitalization, stable ownership through FCH and the Janashakthi Group, and a track record of earnings generation across interest rate cycles. The Company remains exposed to interest rate volatility and cyclical nature of the industry that impacts performance. In 9MFY26, FCT recorded net profit of LKR ~1.6bn (9MFY25: LKR ~2.5bn), a 33% YoY decline. This can principally be attributed to Mark to Market valuation on the government securities portfolio.

The investment portfolio has shifted structurally toward long-duration T-bonds, now comprising ~82.8% of total investments at LKR ~53.9bn (FY22: ~84.7% T-bills) as the interest rates were declining. However, this also amplifies the higher MTM sensitivity to yield movements due to higher tenor of portfolio. The Company also undertakes spread transactions (reverse repos and others) to supplement income.

Capitalization remained strong, with CAR at ~19.96% in 9MFY26 against the ~10% regulatory minimum. The CAR however remained below the non-bank primary dealer peer average as at FY25. The April 2025 issuance of LKR ~3.0bn in Listed, Rated, Subordinated, Unsecured, Redeemable Debentures further strengthened the capital base.

Funding is concentrated in repurchase agreements at ~93.0% of total liabilities (9MFY26: LKR ~54.6bn; FY25: LKR ~71.5bn), consistent with the primary dealer model and supported by a highly liquid government securities asset base, though the Company remains exposed to rollover risk. Credit risk is minimal given near-total sovereign asset concentration, with residual reverse repo exposure mitigated by G-Sec collateral with haircuts.

The rating remains sensitive to the Company's ability to sustain its market leadership within the Primary Dealer Sector and to manage interest rate risk prudently through the cycle. An adverse and sustained movement in interest rates resulting in material MTM losses, or a deterioration in the capital adequacy position would exert negative pressure on the rating. Conversely, consistent earnings and performance supported by disciplined portfolio and duration management, creating further capitalization buffers would provide positive impetus over the medium term.

### Disclosure

|                              |   |
|------------------------------|---|
| <b>Name of Rated Entity</b>  | First Capital Treasuries PLC - Listed, Rated, Subordinated, Unsecured, Redeemable Debenture up to LKR 3 Bn - Tenure 5 years |
| <b>Type of Relationship</b>  | Solicited   |
| <b>Purpose of the Rating</b> | Debt Instrument Rating  |
| <b>Applicable Criteria</b>   | Methodology   Debt Instrument Rating(Aug-24)  |
| <b>Related Research</b>      | Sector Study   Primary Dealer(Mar-26)   |
| <b>Rating Analysts</b>       | Ruwanthi Sylva   ruwanthi@lra.com.lk   +94 114 500099   |



**Profile** First Capital Treasuries PLC ("FCT" or "the Company") was incorporated on 19 August 1982 as a public limited liability company under the Companies Act, No. 07 of 2007. The Company is domiciled in Sri Lanka, and the registered office of the Company is located at No. 02, Deal Place, Colombo 03, Sri Lanka. The Company was incorporated on 19th August 1982 as a money brokering company and was appointed as a Primary Dealer (PD) in Government Securities by the Central Bank of Sri Lanka (CBSL) in the year 1992. FCT operates as a CBSL-appointed primary dealer, dealing in government securities through primary auction participation, secondary market trading, and in-depth research encompassing pre-policy analysis and economic commentary.

**Ownership** The majority of FCT's (~89.36%) shareholding vests with First Capital Holdings PLC (FCH) through First Capital Limited (FCL), which is a 100% subsidiary of FCH. The Schaffter brothers, being the ultimate owners through Janashakthi Limited, own ~58.02% of First Capital Holdings PLC directly. FCT draws stability from the ownership of First Capital Holdings PLC, which has held a major stake in the Company for over a decade and is, in turn, owned by Janashakthi Limited. The diversification and overall success of the sponsoring entities is a positive contributor to FCT. The ultimate owner Janashakthi Limited as a holding company has invested in sectors of Financial Services, Non-Banking Financial Institutions, and Insurance. As the ultimate parent company of FCT, Janashakthi Limited has a strong consolidated asset base of LKR~167.5bn supported by an equity base of LKR~17.3bn as at FY25. In FY25, consolidated revenue stood at LKR~24.8bn.

**Governance** The Board of FCT consists of eight directors, of which seven are non-executive directors with three independent directors. The Board comprises directors with a balanced mix of skills and experience. Ms. Manjula Mathews serves as Non-Independent Non-Executive Chairperson, bringing over three decades of experience in finance, marketing, and general management. The Board comprises six board committees, namely, i) Audit Committee ii) Related Party Transactions Review Committee iii) Remuneration Committee iv) Investment, Asset and Liability Committee v) Board Integrated Risk Management Committee, and vi) Nominations Committee. The Board Audit Committee is headed by Ms. Cilani Wijesinghe. KPMG is the external auditor of the Company. They have given an unqualified opinion on the financial statements for the year-end 31st March 2025 (FY25).

**Management** The Company has a centralized organizational structure that flows from FCH and is divided into seven main departments, all of whom report to the Chief Executive Officer (CEO). The management team is headed by Director/CEO Mr. Sachith Perera, who is an ACIFMA Financial Markets professional with over 25 years of experience in the finance sector, appointed in February 2023. FCT has in place a well-qualified team comprising industry experts. FCT has a Management Committee (FCT MANCO) in place since January 2024, represented by the CEO and heads of each department. Performance evaluations are conducted biannually, and committee meetings are held biweekly. FCT utilises DealNet and SasiaNet for operational monitoring and reporting. DealNet is a web-based platform covering the full spectrum of fixed-income activities, including outright purchases and sales, repurchase agreements, and reverse repurchase agreements, through to accounting. The internal audit function of the Company is outsourced to Ernst & Young and is conducted every six months in coordination with the Head of Risk and Compliance. Additionally, Janashakthi Limited implements further internal audit controls. Daily control measures are in place to ensure a smooth flow of operations and risk mitigation.

**Business Risk** In CY25, total assets of standalone PDs grew ~13.9% to LKR ~338.5bn, with the government securities investment portfolio rising ~11.6% to LKR ~309.9bn. Sector profitability moderated, with PAT declining to LKR ~8.2bn (CY24: LKR ~13.7bn), and ROA and ROE compressing to ~4.0% and ~17.8% respectively (CY24: ~8.4% and ~32.8%). The RWCAR remained well above the regulatory minimum of 10% at ~16.8% (CY24: ~18.7%). FCT accounted for ~19.6% of total primary dealer industry assets at LKR ~66.4bn and ~20.9% of total industry investments in 9MFY26 (9MFY25: ~22.3% and ~22.0% respectively), reflecting a modest moderation in relative market position though broadly stable over a longer horizon. FCT's direct income comprises interest income, trading income, and fee income, with interest income on financial investments accounting for ~71.5% of total income in FY25. Direct income grew ~6.8% YoY to LKR ~9.2bn in 9MFY26, while direct expenses rose ~5.7% to LKR ~5.0bn (9MFY25: LKR ~4.8bn). The declining interest rate environment in 9MFY26 supported trading gains on government securities, driving net trading income up ~8.3% to LKR ~4.1bn (9MFY25: LKR ~3.8bn). On a full-year basis, total income contracted ~59.3% to LKR ~10.8bn in FY25 (FY24: LKR ~26.6bn), largely reflecting reduced trading gains and lower interest income. PAT declined ~33.3% to LKR ~1.6bn in 9MFY26 (9MFY25: LKR ~2.5bn), primarily driven by MTM losses of LKR ~1.1bn on the government securities portfolio. ROE and ROA moderated to ~26.0% and ~2.9% respectively in 9MFY26. On a full-year basis, PAT contracted ~72.7% to LKR ~3.0bn in FY25 (FY24: LKR ~11.1bn), with ROE and ROA declining to ~36.2% and ~4.1% respectively (FY24: ~169.6% and ~19.1%). FCT's sustainability commitment is anchored in FCH Group's vision of enhancing the lives of Sri Lankans through financial solutions, with initiatives spanning financial literacy, capital market awareness, and SDG-aligned partnerships including Habitat for Humanity Sri Lanka. The Company additionally plans to expand into Bangladesh by FY27.

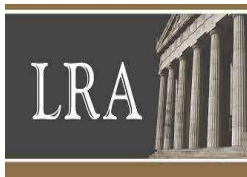
**Financial Risk** The Company's credit risk remains minimal since ~93.9% of its assets are invested in Government Securities. Minor credit risk arises from investments in securities purchased under resale agreements. However, due to the presence of collateral in the form of Government Securities with sufficient haircuts, the credit risk remains nominal. FCT's investment portfolio is entirely concentrated in government securities (~81.5% of total assets in 9MFY26; FY25: ~93.9%), with a pronounced structural shift toward long-duration T-bonds, now comprising ~82.8% of investments at LKR ~53.9bn (FY22: ~84.7% T-bills). Total portfolio size peaked at LKR ~81.4bn in FY25 before contracting to LKR ~65.1bn in 9MFY26, partly reflecting MTM losses. T-Bond Reverse Repos surged ~307.6% to LKR ~10.6bn (FY25: LKR ~2.6bn), reflecting an opportunistic carry strategy though introducing incremental counterparty and rollover risk. Funding is predominantly sourced through repurchase agreements, constituting ~93.0% of total liabilities at LKR ~54.6bn in 9MFY26 (FY25: LKR ~71.5bn; FY24: LKR ~48.5bn), with the asset base remaining highly liquid, comprising largely government securities and reverse repos. FCT's total equity stood at LKR ~7.7bn in 9MFY26, well above the CBSL minimum of LKR ~2.5bn. CAR remained comfortably above the ~10% regulatory floor at ~19.96% (FY25: ~15.55%; FY24: ~22.76%), with the debt-to-equity ratio at ~7.6x (FY25: ~8.1x; FY24: ~7.4x). Dividends were declared at LKR ~2.6 per share in FY25 (FY24: LKR ~14.50), reflecting a cumulative distribution of LKR ~1.6bn.

## Instrument Rating Considerations

**About The Instrument** FCT has issued Listed, Rated, Subordinated, Unsecured, Redeemable Debenture up to LKR~ 3bn. The tenure of the debentures is five years. The objective of the issue was to optimize capital, which has increased Tier II capital of the Company.

**Relative Seniority/Subordination Of Instrument** The claims of the Debenture holders shall in the event of winding up of the Company rank after all the claims of the secured and other unsecured creditors of the Company and any preferential claims under any statutes governing the Company but in priority to and over the claims and rights of the shareholders of the Company.

**Credit Enhancement** The debenture is not underwritten. The debenture spans up to 5 years from the date of allotment and coupon will be paid on an annual/semi-annual basis and principal amount will be paid at the maturity date.



## Lanka Rating Agency

First Capital Treasuries PLC  
Listed Company

LKR mln

| Dec-25 | Mar-25 | Mar-24 | Mar-23 |
|--------|--------|--------|--------|
| 9M     | 12M    | 12M    | 12M    |

### A BALANCE SHEET

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| 1 Total Finance-net / Related Party Exposures | 5             | 28            | 5             | 4             |
| 2 Investments                                 | 65,118        | 81,415        | 61,276        | 51,936        |
| 3 Other Earning Assets                        | -             | -             | -             | -             |
| 4 Non-Earning Assets                          | 1,244         | 1,702         | 3,275         | 384           |
| 5 Non-Performing Finances-net                 | -             | -             | -             | -             |
| <b>Total Assets</b>                           | <b>66,368</b> | <b>83,145</b> | <b>64,556</b> | <b>52,324</b> |
| 6 Funding                                     | 57,817        | 72,300        | 49,598        | 44,758        |
| 7 Other Liabilities                           | 872           | 1,723         | 7,279         | 2,102         |
| <b>Total Liabilities</b>                      | <b>58,688</b> | <b>74,023</b> | <b>56,878</b> | <b>46,860</b> |
| <b>Equity</b>                                 | <b>7,679</b>  | <b>9,121</b>  | <b>7,679</b>  | <b>5,464</b>  |

### B INCOME STATEMENT

|                                   |              |              |               |              |
|-----------------------------------|--------------|--------------|---------------|--------------|
| 1 Mark Up Earned                  | 6,389        | 7,744        | 10,777        | 9,887        |
| 2 Mark Up Expensed                | (4,975)      | (6,031)      | (7,611)       | (6,289)      |
| 3 Non Mark Up Income              | 1,627        | 3,665        | 15,249        | 1,156        |
| <b>Total Income</b>               | <b>3,040</b> | <b>5,378</b> | <b>18,415</b> | <b>4,754</b> |
| 4 Non-Mark Up Expenses            | (644)        | (906)        | (2,377)       | (1,001)      |
| 5 Provisions/Write offs/Reversals | -            | -            | -             | -            |
| <b>Pre-Tax Profit</b>             | <b>2,396</b> | <b>4,472</b> | <b>16,038</b> | <b>3,753</b> |
| 6 Taxes                           | (761)        | (1,430)      | (4,895)       | (867)        |
| <b>Profit After Tax</b>           | <b>1,635</b> | <b>3,042</b> | <b>11,143</b> | <b>2,886</b> |

### C RATIO ANALYSIS

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>1 PERFORMANCE</b>   |        |        |        |        |
| a Non-Mark Up Expenses / Total Income  | 21.2%  | 16.8%  | 12.9%  | 21.1%  |
| b ROE  | 26.0%  | 36.2%  | 169.6% | 52.8%  |
| <b>2 CREDIT RISK</b>   |        |        |        |        |
| a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| b Accumulated Provisions / Non-Performing Advances   | N/A    | N/A    | N/A    | N/A    |
| <b>3 FUNDING &amp; LIQUIDITY</b>   |        |        |        |        |
| a Liquid Assets / Funding  | 112.7% | 112.9% | 123.5% | 116.0% |
| b Borrowings from Repurchase Agreement Borrowings / Funding  | 94.4%  | 98.9%  | 97.9%  | 98.3%  |
| <b>4 MARKET RISK</b>   |        |        |        |        |
| a Investments / Equity   | 848.1% | 892.6% | 797.9% | 950.5% |
| b (Equity Investments + Related Party) / Equity  | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| <b>5 CAPITALIZATION</b>  |        |        |        |        |
| a Equity / Total Assets (D+E+F)  | 11.6%  | 11.0%  | 11.9%  | 10.4%  |
| b Capital formation rate (Profit After Tax - Cash Dividend) / Equity                                       | -21.1% | 18.8%  | 40.6%  | 35.9%  |



### 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   |
|---------------------|--|
| AAA                 | Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments  |
| AA+<br>AA<br>AA-    | Very high credit quality. 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.   |
| A+<br>A<br>A-       | High credit quality. 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.  |
| BBB+<br>BBB<br>BBB- | Good credit quality. 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.   |
| BB+<br>BB<br>BB-    | Moderate risk. 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.                           |
| B+<br>B<br>B-       | High credit risk. 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.  |
| CCC<br>CC<br>C      | Very high credit risk. 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. |
| D                   | Obligations are currently in default.  |

| Scale | Short-Term Rating   |
|-------|---|
| 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. |

### Rating Modifiers | Rating Actions

|   |   |  |  |   |
|---|---|--|--|---|
| <p><b>Outlook (Stable, Positive, Negative, Developing)</b><br/>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'.</p> | <p><b>Rating Watch</b><br/>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.</p> | <p><b>Suspension</b><br/>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.</p> | <p><b>Withdrawn</b><br/>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) LRA finds it impractical to surveil the opinion due to lack of requisite information.</p> | <p><b>Harmonization</b><br/>A change in rating due to revision in applicable methodology or underlying scale.</p> |
|---|---|--|--|---|

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. Rating actions may include "maintain", "upgrade", or "downgrade".

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

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

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Regulatory and Supplementary Disclosure

| Nature of Instrument   | Size of Issue (LKR) | Tenor  | Security  | Quantum of Security | Nature of Assets | Trustee                  | Book Value of Assets as at 9MFY26 (LKR) |
|--|---------------------|--------|-----------|---------------------|------------------|--------------------------|---|
| Listed, Rated, Subordinated, Unsecured, Redeemable Debenture | 3,000,000,000.00    | 5 Year | Unsecured | N/A                 | N/A              | Hatton National Bank PLC | N/A                                     |

|                       |  |
|-----------------------|--|
| <b>Name of Issuer</b> | First Capital Treasuries PLC   |
| <b>Issue Date</b>     | 25th April 2025  |
| <b>Maturity</b>       | 25th April 2030  |
| <b>Coupon Basis</b>   | Bi-annual (Fixed)/ Annual (Fixed and Floating)   |
| <b>Repayment</b>      | Coupon will be paid on a annual/semi-annual basis and principal amount will be paid at the maturity date |
| <b>Option</b>         |  |

First Capital Treasuries PLC

| Due Date Principal | Opening Principal | Principal Repayment | Coupon Due Date | Fixed Rate            | Coupon                | Principal Outstanding |  |
|--------------------|-------------------|---------------------|-----------------|-----------------------|-----------------------|-----------------------|--|
|                    | LKR               |                     |                 |                       | YYYY-MM-DD            | LKR                   |  |
| <b>Type A</b>      |                   |                     |                 |                       | <b>Fixed</b>          |                       |  |
|                    |                   |                     | 25-Apr-26       | 12.00%                | 294,037,200.00        | 2,450,310,000         |  |
|                    |                   |                     | 25-Apr-27       | 12.00%                | 294,037,200.00        | 2,450,310,000         |  |
|                    |                   |                     | 25-Apr-28       | 12.00%                | 294,037,200.00        | 2,450,310,000         |  |
|                    |                   |                     | 25-Apr-29       | 12.00%                | 294,037,200.00        | 2,450,310,000         |  |
|                    |                   | 2,450,310,000       | 25-Apr-30       | 12.00%                | 294,037,200.00        |                       |  |
| <b>Type B</b>      |                   |                     |                 |                       | <b>Fixed</b>          |                       |  |
|                    |                   |                     | 25-Oct-25       | 11.66%                | 31,899,718.70         | 545,670,000           |  |
|                    |                   |                     | 25-Apr-26       | 11.66%                | 31,725,403.30         | 545,670,000           |  |
|                    |                   |                     | 25-Oct-26       | 11.66%                | 31,899,718.70         | 545,670,000           |  |
|                    |                   |                     | 25-Apr-27       | 11.66%                | 31,725,403.30         | 545,670,000           |  |
|                    |                   |                     | 25-Oct-27       | 11.66%                | 31,899,718.70         | 545,670,000           |  |
|                    |                   |                     | 25-Apr-28       | 11.66%                | 31,812,561.00         | 545,670,000           |  |
|                    |                   |                     | 25-Oct-28       | 11.66%                | 31,899,718.70         | 545,670,000           |  |
|                    |                   |                     | 25-Apr-29       | 11.66%                | 31,725,403.30         | 545,670,000           |  |
|                    |                   |                     | 25-Oct-29       | 11.66%                | 31,899,718.70         | 545,670,000           |  |
|                    |                   | 545,670,000         | 25-Apr-30       | 11.66%                | 31,725,403.30         |                       |  |
| <b>Type C</b>      |                   |                     |                 |                       | <b>Floating</b>       |                       |  |
|                    |                   |                     | 25-Apr-26       | 1 Year T-bill + 2.25% | 432,954.00            | 4,020,000             |  |
|                    |                   |                     | 25-Apr-27       | 1 Year T-bill + 2.25% | 1 Year T-bill + 2.25% | 4,020,000             |  |
|                    |                   |                     | 25-Apr-28       | 1 Year T-bill + 2.25% | 1 Year T-bill + 2.25% | 4,020,000             |  |
|                    |                   |                     | 25-Apr-29       | 1 Year T-bill + 2.25% | 1 Year T-bill + 2.25% | 4,020,000             |  |
|                    |                   | 4,020,000           | 25-Apr-30       | 1 Year T-bill + 2.25% | 1 Year T-bill + 2.25% |                       |  |