



Lanka Rating Agency

Rating Report

First Capital Treasuries PLC	Report Contents
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Rating History				
Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
05-Jun-2026	A+	Stable	Maintain	-
05-Mar-2025	A+	Stable	Upgrade	-
02-May-2024	A	Positive	Maintain	-
27-Jun-2023	A	Stable	Maintain	Yes
24-Jan-2023	A	Stable	Initial	-

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

Name of Rated Entity	First Capital Treasuries PLC
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Non-Banking Financial Institution Rating(Jul-24)
Related Research	Sector Study Primary Dealer(Mar-26)
Rating Analysts	Ruwanthi Sylva ruwanthi@lra.com.lk +94 114 500099

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Profile

Structure 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.

Background 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.

Operations 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

Ownership Structure 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.

Stability 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.

Business Acumen 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.

Financial Strength 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

Board Structure The Board of FCT consists of eight directors, of which seven are non-executive directors with three independent directors.

Members' Profile 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.

Board Effectiveness 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.

Financial Transparency 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

Organizational Structure 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).

Management Team 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.

Effectiveness 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.

MIS 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.

Risk Management Framework 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

Industry Dynamics 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%).

Relative Position 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.

Revenues 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.

Performance 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%).

Sustainability 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.

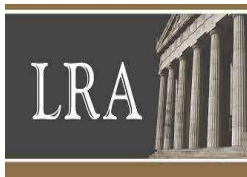
Financial Risk

Credit 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.

Market Risk 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.

Liquidity And Funding 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.

Capitalization 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.



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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	-	-	-	-
Total Assets	66,368	83,145	64,556	52,324
6 Funding	57,817	72,300	49,598	44,758
7 Other Liabilities	872	1,723	7,279	2,102
Total Liabilities	58,688	74,023	56,878	46,860
Equity	7,679	9,121	7,679	5,464

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
Total Income	3,040	5,378	18,415	4,754
4 Non-Mark Up Expenses	(644)	(906)	(2,377)	(1,001)
5 Provisions/Write offs/Reversals	-	-	-	-
Pre-Tax Profit	2,396	4,472	16,038	3,753
6 Taxes	(761)	(1,430)	(4,895)	(867)
Profit After Tax	1,635	3,042	11,143	2,886

C RATIO ANALYSIS

1 PERFORMANCE				
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%
2 CREDIT RISK				
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
3 FUNDING & LIQUIDITY				
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%
4 MARKET RISK				
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%
5 CAPITALIZATION				
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+ AA 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+ A 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+ BBB 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+ BB 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+ B 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 CC 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>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'.</p>	<p>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.</p>	<p>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.</p>	<p>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) LRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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

(Rules applicable to Credit Rating Agencies, No. 19 of 2021 - issued on 15th March 2022)

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/credit-rating-agency/>

Conflict of Interest

(2) i. LRA will disclose to the Commission all other business activities it is engaged in at the time of applying for its licence and inform the Commission in writing prior to engaging in any other business activity after obtaining a licence from the Commission. (Section 34 – Rules applicable to Credit Rating Agencies)

(2) ii. LRA will 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 35 – Rules applicable to Credit Rating Agencies)

(2) iii. In the conduct of any such other business activity, the LRA will ensure that proper processes are in place to have a clear demarcation of the different functions pertaining to such businesses. (Section 36 – Rules applicable to Credit Rating Agencies)

Restrictions

(3) (i) LRA will not be outsource any part of its work, which has a direct bearing on the function of rating. (Section 24 – Rules applicable to Credit Rating Agencies)

(3) (ii) LRA will enter into a written agreement with the party to whom any work is outsourced. Such agreement contains an undertaking from the party to whom any work is outsourced that they shall comply with the laws, rules, and directives that the LRA is bound to follow. (Section 25 – Rules applicable to Credit Rating Agencies)

(4) The LRA will not appoint any individual as a member of the rating committee who:

(a) has a business development function of the Credit Rating Agency; or

(b) who initiates or participates in discussions regarding fees or payments with any Client of the LRA. (Section 28 – Rules applicable to Credit Rating Agencies)

Conduct of Business

(5) Prior to the commencement of a rating or during such process the LRA will not promise, assure or guarantee to a Client that a particular rating will be assigned. (Section 39 – Rules applicable to Credit Rating Agencies)

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies will be made available to the Commission for perusal, upon request. (Section 41 – Rules applicable to Credit Rating Agencies)

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 will 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 35 – Rules applicable to Credit Rating Agencies)

(9) LRA will structure its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 47 – Rules applicable to Credit Rating Agencies)

Monitoring and review

(10) For purposes of transparency the LRA will publish 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 shall also be disclosed. (Section 44 – Rules applicable to Credit Rating Agencies)

LRA maintain the following records pertaining to Clients:

(a) all internal records to support its credit rating opinions;

(b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and

(c) a written record of all complaints received from Clients and action taken thereon by the LRA. (Section 48 – Rules applicable to Credit Rating Agencies)

(11) LRA maintains confidentiality of all non-public information entrusted to it by Clients at all times including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law, or unless authorised by the Client to disclose such information. (Section 50 – Rules applicable to Credit Rating Agencies)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the Credit Rating Agency 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 53 – Rules applicable to Credit Rating Agencies)

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

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