



First Capital
A Janashakthi Group Company

EQUITY | SRI LANKA | DIVERSIFIED FINANCIALS

EARNINGS UPDATE | 12 NOV 2025

COMMERCIAL CREDIT & FINANCE PLC [COCR.N0000]

MAINTAIN BUY

“ON THE ROAD TO SUSTAINED GROWTH”

Fair Value: FY26E - LKR 160.0 [+18%]

FY27E - LKR 200.0 [+47%]

Total Return with DPS: FY26E - 23% [AER 74%]

FY27E - 54% [AER 37%]

COCR delivered a strong performance in 2QFY26, with net profit surging 79.4%YoY to LKR 2.1Bn (2QFY25: LKR 1.2Bn), bringing 1H FY26 earnings to LKR 4.2Bn, up 127.8%YoY. The robust bottom-line growth was underpinned by a 22.0%YoY increase in Net Interest Income (NII) to LKR 5.3Bn, driven by solid lending growth and improved asset yields amid easing funding costs. Net Operating Income rose 47.3%YoY to LKR 6.6Bn, supported by healthy fee income and a rebound in trading gains, while operating expenses increased 19.0%YoY to LKR 4.7Bn owing to higher personnel and admin costs, though operating leverage improved with revenue growth. Meanwhile, impairment charges contracted 155.5%YoY to a reversal of LKR 392.2Mn, reflecting enhanced recoveries and stronger asset quality, lifting operating profit by 71.2%YoY to LKR 4.1Bn. COCR's loan book continued its expansion momentum with a 34.4%YoY increase in 2QFY26, aided by the easing of vehicle import restrictions and stronger SME credit uptake. With NIMs expected to normalize slightly in FY26E before widening in FY27E as rate spreads stabilize, COCR's earnings outlook remains positive. Backed by its strong interim performance, sound capital position, and supportive macro environment, FCR maintains earnings, however a subsequent upgrade to the target prices due to a reduction in the risk free rate by 100bps has culminated in a fair value of LKR 160.0 for FY26E and LKR 200.0 for FY27E, implying an AER of 73.8% and 36.8% (with DPS), respectively, from the current LKR 136.0 level - **MAINTAIN BUY**.

LKR (Mn)	2QFY25	2QFY26	YoY	1H FY25	1H FY26	YoY
Earnings (LKR 'Mn)						
Net interest income	4,298	5,245	+22%	7,754	10,549	+36%
Total operating income	5,167	6,177	+20%	9,394	12,303	+31%
Net operating income	4,460	6,570	+47%	8,070	13,260	+64%
PBT	1,880	3,238	+72%	3,007	6,643	+121%
Net Profit	1,171	2,101	+79%	1,857	4,230	+128%
Balance Sheet (LKR 'Mn)						
Shareholders' Equity	24,949	30,824	+24%	24,949	30,824	+24%
Loans and Advances	21,994	29,566	+34%	21,994	29,566	+34%
NAVPS	78.5	96.9	+24%	78.5	96.9	+24%

COCR's profitability surges 79.4%YoY in 2QFY26, driven by strong NII growth and lower impairments

COCR sustained its growth momentum into 2QFY26, delivering another solid quarter with net profit rising 79.4%YoY to LKR 2.1Bn from LKR 1.2Bn in the corresponding period last year, bringing 1H FY26 cumulative earnings to LKR 4.2Bn (+127.8%YoY). The earnings acceleration was primarily driven by a 22.0%YoY increase in Net Interest Income (NII) to LKR 5.3Bn during the quarter, supported by broad-based loan expansion and easing funding costs as interest rates stabilized. Net fee and commission income improved marginally by 1.2%YoY, while impairment charges reversed sharply by 155.5%YoY, recording a write-back of LKR 392.2Mn compared to a provision of LKR 707.0Mn in 2QFY25, reflecting stronger recoveries and improved credit quality. Net Operating Income advanced 47.3%YoY to LKR 6.5Bn, underpinned by higher core income streams and better asset quality, while operating expenses grew 19.0%YoY to LKR 2.4Bn, led by personnel cost(+54.2%YoY) though operating efficiency improved amid strong revenue growth. PBT climbed 72.2%YoY to LKR 3.2Bn, while income tax expense rose 60.4%YoY to LKR 1.1Bn, partly offsetting operational gains. Overall, COCR's 2QFY26 performance highlights its strong earnings leverage, improving credit dynamics, and resilience in a gradually normalizing rate environment. Continued loan growth, especially in SME and vehicle leasing segments, together with stabilizing funding conditions, position COCR for sustained profitability in the coming quarters.

Loan growth up 34.4% YoY in 2QFY26; leasing to normalize as pent-up demand fades

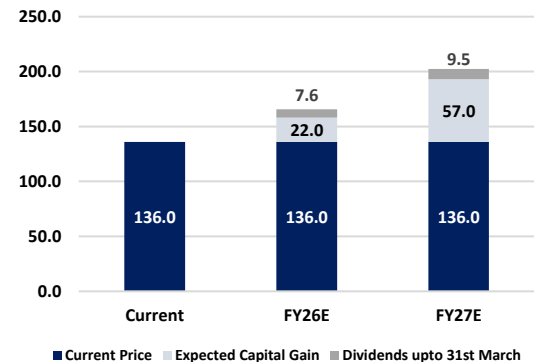
COCR's loan book expanded 34.4%YoY to LKR 29.6Bn in Sep-25, driven by stronger private-sector credit demand, improved liquidity conditions, and easing inflationary pressures. The leasing and hire-purchase portfolio grew 2.4%YoY to LKR 56.5Bn, reflecting sustained demand following the lifting of vehicle import restrictions earlier in the year. However, with the initial wave of pent-up demand now tapering, growth in the leasing segment is expected to normalize over the coming quarters. The CBSL's 50.0% LTV cap for three-wheelers continues to ensure affordability while curbing excessive risk-taking, and the removal of the 2.5% SSCL is expected to boost disposable income and mid-income credit appetite. Overall, FCR anticipates steady but more measured credit expansion through FY26E as consumption recovers under a stabilizing macro backdrop.

Solid capital and asset quality support dividend resilience amid tightening liquidity

COCR's strong capital position and earnings recovery underpin its ability to sustain shareholder returns, with equity up 23.5%YoY to LKR 30.8Bn and an LKR 6.00 dividend already declared for FY26E, reflecting confidence in recurring profitability. Despite an 8.7%YoY contraction in deposits to LKR 53.2Bn, liquidity remains comfortable, supported by efficient asset-liability management and funding diversification. Asset quality continues to improve, evidenced by impairment reversals and strengthened collections, reinforcing balance-sheet stability in a moderating rate environment. Looking ahead, COCR's focus on maintaining prudent liquidity buffers, improving funding efficiency, and leveraging its solid capital base positions it to sustain steady dividends and quality-led growth through FY26E/FY27E.

FV targets for FY26E and FY27E unlock upside potential and highlight COCR as an undervalued catalyst

FCR expects COCR's earnings to grow by 30.6%YoY to LKR 8.0Bn in FY26E and by 25.6%YoY to LKR 10.1Bn in FY27E, driven by a solid loan book growth supported by a lower interest rate environment and the recovery in vehicle imports. FCR anticipates a gradual moderation in NIMs in FY26E followed by a slight improvement as interest rates begin to spread out in FY27E, after which a gradual stabilization is expected. This positive earnings trajectory is likely to further reinforce the company's capital adequacy position. Consequently, ROE is set to improve by 199bps in FY26E to 25.8% and a further 124bps in FY27E to 27.0% according to FCR projections. Given the favourable macroeconomic backdrop, including the expectation of interest rate stabilization in 2025, COCR's robust financial position and strategic outlook underpin its attractive valuation. FCR maintains earnings, however a subsequent upgrade to the target prices due to a reduction in the risk free rate by 100bps has culminated in a fair value of LKR 160.0 for FY26E and LKR 200.0 for FY27E, implying an AER of 73.8% and 36.8% (with DPS), respectively, from the current LKR 136.0 level. **MAINTAIN BUY**



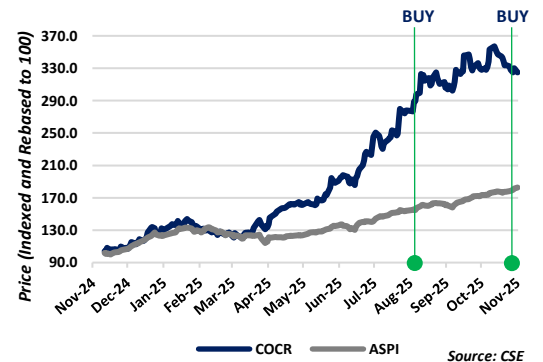
FIRST CAPITAL RESEARCH

Salaama Sanoon

+94 11 263 9863

salaama@firstcapital.lk

Price Movement of COCR vs ASPI (Indexed and Rebased to 100)



Minimum Return for BUY:

Buy Below FY27E - [AER of 17.0% with DPS]: LKR 168.8
COCR.N categorized as 'Grade B' counter

Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of COCR during five trading days prior to the issuance of this document.

Key risks associated with our recommendation

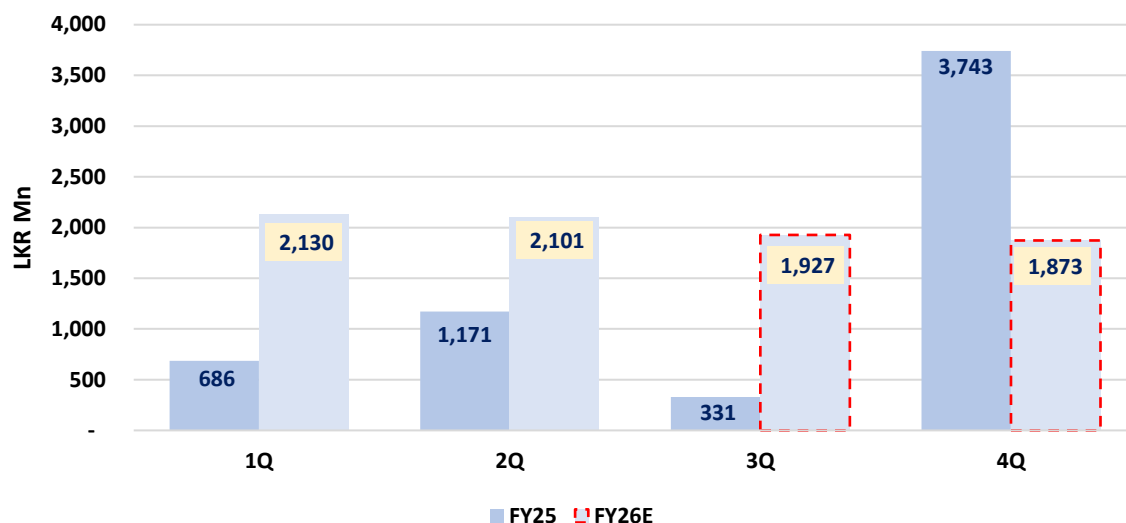
Downside risks

- Interest and exchange rate risk
- Regulatory risk
- Lower LTV ratio may dampen the loan growth

Upside risks

- Greater than anticipated demand for vehicles
- Increase in gold prices due to global economic uncertainty
- Further easing of CBSL's monetary policy stance

Quarterly Earnings



Estimate Revision

In LKR Mn	FY26E - O	FY26E - R	% Change	FY27E - O	FY27E - R	% Change
Earnings Estimate						
Net Interest Income	20,623	20,623	0.0%	25,542	25,542	0.0%
Total Operating Income	26,198	26,198	0.0%	32,251	32,251	0.0%
Pre Income Tax Profit	11,480	11,480	0.0%	14,419	14,419	0.0%
Net Profit	8,030	8,030	0.0%	10,086	10,086	0.0%
Adjusted EPS	25.2	25.2	0.0%	31.7	31.7	0.0%
<i>Growth YoY</i>						
Balance Sheet Estimate						
Loans and Advances	35,858	35,858	0.0%	44,156	44,156	0.0%
Equity attributable to equity holders	34,455	33,812	-1.9%	42,322	40,872	-3.4%
Adjusted NAVPS	108.3	108.3		133.1	133.1	
Ratio Estimate						
ROE (%)	25.5%	25.5%		26.3%	26.3%	
PER (x)	5.0x	5.5x		4.0x	4.4x	

Valuation Table

P/E 31 March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Estimates (LKR'Mn)							
Net Interest Income	11,949	11,107	14,898	17,884	20,623	25,542	28,875
Other Revenue	1,797	2,968	2,572	2,645	4,003	4,839	5,396
Total Operating Income	15,404	15,049	18,824	22,165	26,198	32,251	36,363
Net Profit	4,520	2,616	3,641	6,147	8,030	10,086	11,869
Adjusted EPS (LKR)	14.2	8.2	11.4	19.3	25.2	31.7	37.3
YoY Growth %	94%	-42%	39%	69%	31%	26%	18%
Valuations							
PER (X)	9.6	16.5	11.9	7.0	5.4	4.3	3.6
PBV (X)	2.3	2.1	1.9	1.5	1.3	1.1	0.9
Dividend Yield (%)	1.8%	1.5%	0.7%	2.9%	5.6%	7.0%	8.2%
NAVPS	60.3	64.1	72.9	89.6	106.3	128.5	154.6
DPS (LKR)	2.5	2.0	1.0	4.0	7.6	9.5	11.2
Dividend Payout (%)	18%	24%	9%	21%	30%	30%	30%

Ratio Analysis

		FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth	Asset	2.7%	9.1%	3.7%	4.1%	20.0%	12.6%	8.4%
	Deposit	0.2%	23.2%	4.9%	-10.4%	20.8%	7.6%	3.2%
	Loan	2.1%	10.7%	13.2%	-6.9%	61.8%	23.1%	3.5%
Profitability	Return on Average Equity	26.1%	13.2%	16.7%	23.8%	25.8%	27.0%	26.4%
	Return on Average Assets	4.9%	2.7%	3.5%	5.7%	6.6%	7.2%	7.6%
	Net Interest Spread	13.6%	10.4%	11.7%	18.4%	20.6%	20.2%	19.8%
	Net Interest Margin	14.8%	13.1%	16.6%	19.7%	20.2%	20.9%	21.2%
Funding & liquidity	Loan / Deposits	153.9%	128.6%	128.1%	125.5%	138.5%	151.9%	160.6%
	Loan / Total Assets	79.0%	74.5%	75.1%	63.4%	70.4%	73.8%	74.2%
	Deposit / Liabilities	64.6%	72.4%	75.1%	68.1%	68.3%	66.9%	66.4%

Valuation Summary

Expected COCR price	FY26E	FY27E
Justified PBV based target price	166.3	211.9
Residual Income based target price	162.4	184.1
PER based target price	151.5	190.3
Average Target Price	160.0	195.4
Average Target Price after Rounding off	160.0	200.0

Return	FY26E	FY27E
Target Price	160.0	200.0
Current Price	136.0	136.0
Capital Gain (LKR)	24.0	64.0
Dividend (LKR)	7.6	9.5
Capital Gain %	18%	47%
Dividend Yield %	6%	7%
Total Return %	23%	54%
Annualized Return %	74%	37%

Residual Income Valuation

Residual Income Valuation	FY26E	FY27E
PV of Residual Income (LKR Mn)	23,152	24,757
No of Shares (Mn)	318	318
RI per share	72.8	77.8
Opening book value per share	89.6	106.3
Value per Share	162.4	184.1

COE	FY26E	FY27E
Rf	9%	9%
Rm	17%	17%
Growth %	3%	3%
β	1.1	1.1
$Ke=Rf+\beta(Rm-Rf)$	18%	18%

Justified PBV Valuation

Justified PBV based Valuation	FY26E	FY27E
ROAE	25.8%	27.0%
Growth	3.0%	3.0%
COE	18%	18%
PBV	1.6	1.6
NAVPS	106.3	128.5
Target Price	166.3	211.9

PER Valuation

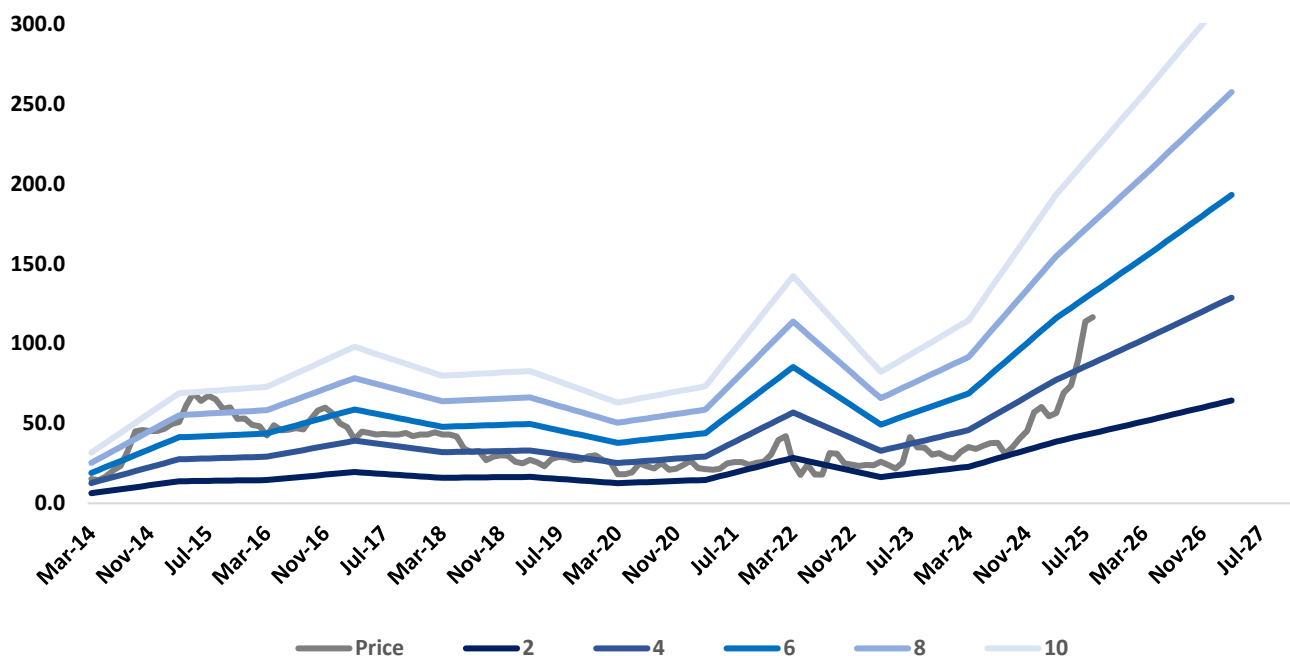
PER based Valuation	FY26E	FY27E
Earnings (LKR 'Mn)	8,030	10,086
No. of Shares ('Mn)	318	318
EPS	25.2	31.7
Forward PER	6.0x	6.0x
Price at 6.0x Earnings	151.5	190.2

Recommendation Criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	14.00%	10.00%	10.00%
Grade B	Rest of the Companies	17.00%	12.00%	12.00%
Grade C	Companies less than LKR 1Bn Market Cap	20.00%	15.00%	15.00%

PER Chart



Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest income	18,365	25,055	29,329	27,338	28,540	34,997	39,376
Interest expense	6,416	13,948	14,431	9,454	7,918	9,455	10,500
Net interest income	11,949	11,107	14,898	17,884	20,623	25,542	28,875
Net fee and commission income	1,797	2,968	2,572	2,645	4,003	4,839	5,396
Net income from Real estate sales	8	2	-	-	-	-	-
Net gain/(loss) from trading	23	28	(3)	(25)	40	43	43
Other operating income	1,424	907	981	930	1,031	1,277	1,444
Change in fair value of Investment property	203	38	376	731	500	550	605
Total operating income	15,404	15,049	18,824	22,165	26,198	32,251	36,363
Impairment charge/ (reversal) for loans and other losses	(1,778)	(3,423)	(4,235)	(1,652)	(2,889)	(3,583)	(3,064)
Net operating income	13,661	11,628	14,581	20,513	23,309	28,667	33,299
Less: Operating Expenses							
Personnel costs	2,787	3,569	2,874	3,410	3,790	4,273	4,838
Depreciation of Property, Plant and Equipment	537	321	509	571	628	722	866
Other operating expenses	2,535	2,673	3,984	4,708	5,172	6,532	7,540
Total operating expenses	5,858	6,563	7,367	8,689	9,589	11,527	13,244
Operating profit before value added tax	7,803	5,066	7,214	11,824	13,720	17,141	20,055
Value Added Tax (VAT) on financial services	-	-	-	(2,217)	(2,800)	(3,395)	(3,894)
Operating profit after value added tax	6,402	3,845	5,555	9,300	10,919	13,746	16,161
Income tax expense	(1,871)	(1,270)	(2,098)	(3,475)	(3,276)	(4,124)	(4,848)
Profit for the year	4,520	2,616	3,641	6,147	8,030	10,086	11,869
EPS	14.2	8.2	11.4	19.3	25.2	31.7	37.3

Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets							
Cash and Bank balances	2,632	2,455	2,163	4,732	3,184	1,516	940
Placement with banks	1,812	2,667	3,790	4,707	4,034	4,270	4,331
Financial instruments - Held for trading	5,088	8,437	6,883	6,741	8,069	8,541	8,662
Loans and Advances	18,990	21,028	23,797	22,164	35,858	44,156	45,713
Lease rentals receivable & Stock out on hire	55,003	55,142	55,791	47,721	57,245	65,819	74,194
Debt and other instruments	3	-	588	9,381	8,443	7,599	9,119
Financial assets at fair value through OCI	-	3	57	138	138	138	138
Other financial assets	462	203	171	232	232	232	232
Other assets	1,780	2,170	2,221	2,198	2,671	2,820	2,932
Investment property	1,494	1,220	2,438	4,223	4,655	5,499	5,995
Property, plant and equipment	4,827	6,460	6,797	6,691	6,997	7,642	8,553
Deferred Tax Asset	700	1,163	765	752	752	752	752
Total Assets	93,630	102,193	105,937	110,270	132,278	148,984	161,561
Liabilities							
Due to banks	19,229	16,260	12,607	15,116	17,695	20,105	21,035
Due to customers	48,078	59,244	62,121	55,682	67,240	72,378	74,675
Debt instruments issued and Other borrowed funds	1,296	1,296	1,296	1,296	1,322	1,348	1,375
Unsecured subordinated term loan	-	-	-	1,500	1,500	1,500	1,500
Other Liabilities	4,306	3,362	4,356	4,439	6,813	8,125	8,228
Post employment benefit obligations	334	366	496	709	265	299	339
Tax Liabilities	1,193	1,290	1,865	3,026	3,631	4,357	5,228
Total liabilities	74,437	81,817	82,741	81,768	98,466	108,111	112,380
Shareholders' Funds							
Stated capital	2,151	2,151	2,151	2,151	2,151	2,151	2,151
Retained earnings	12,620	13,671	11,357	20,778	24,793	29,836	35,771
Reserves	4,423	4,554	9,689	5,574	6,869	8,886	11,260
Total Shareholders' Funds	19,193	20,376	23,197	28,502	33,812	40,872	49,181
Total Liabilities and Shareholders' Funds	93,630	102,193	105,937	110,270	132,278	148,984	161,561
NAVPS	60.3	64.1	72.9	89.6	106.3	128.5	154.6



First Capital
A Janashakthi Group Company

First Capital Holdings PLC

**No.2, Deal Place,
Colombo 3**

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Dilhari Dias	+94 11 2639 866
Charith Gamage	+94 11 2639 863	Imashi Sellaperuma	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866	Manusha Kandanaarachchi	+94 11 2639 866
		Salaama Sanoon	+94 11 2639 866

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 71 5329 602	Equity Branches		
Colombo			Negombo	Priyanka Anuruddha	+94 77 4546 070
Isuru Jayawardana	+94 76 7084 953			Priyantha Wijesiri	+94 77 9065 779
Nishantha Mudalige	+94 77 3204 929		Jaffna	Gratian Nirmal	+94 77 4510 000
Anushka Buddhika	+94 71 4310 600				
Thushara Pathiraja	+94 77 0076 314		Agents		
Dayan Fernando	+94 77 7354 081		Colombo	Kithsiri Jayasinghe	+94 77 7790 657
Anjelo LaBrooy	+94 77 7546 645		Anuradhapura	Amila Luwishewa	+94 71 0628 195
Dillon Lowe	+94 76 6160 647		Galle	Nuwan Abeynayake	+94 77 7288 274
Evelyn John	+94 77 779 2452		Kandy	Ajith Ihalawatta	+94 77 8477 530
Yudheshan Kannadasan	+94 77 415 5809		Embilipitiya	Ruwan Wanniarachchi	+94 77 3877 734
Yumeth Samarakoon	+94 72 4444 135				
Amash Ranasinghe	+94 77 7820 168				

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy	Kurunegala	Matara	Negombo
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 4937 072

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