DFCC BANK Keep Growing

DFCC BANK PLC (DFCC.N)

ACS CAPITAL (PVT) LTD.

Member of the Colombo Stock Exchange

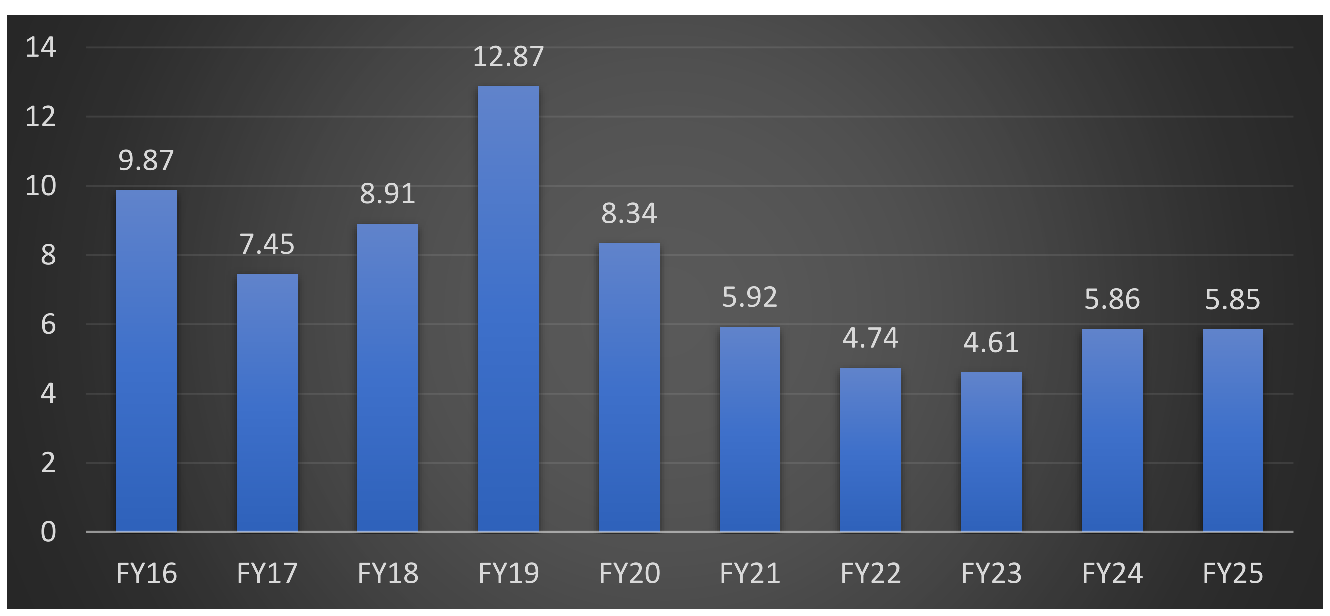
Buy | **Target Price : 187.80** | **Sector: Banks**

Key Statistics

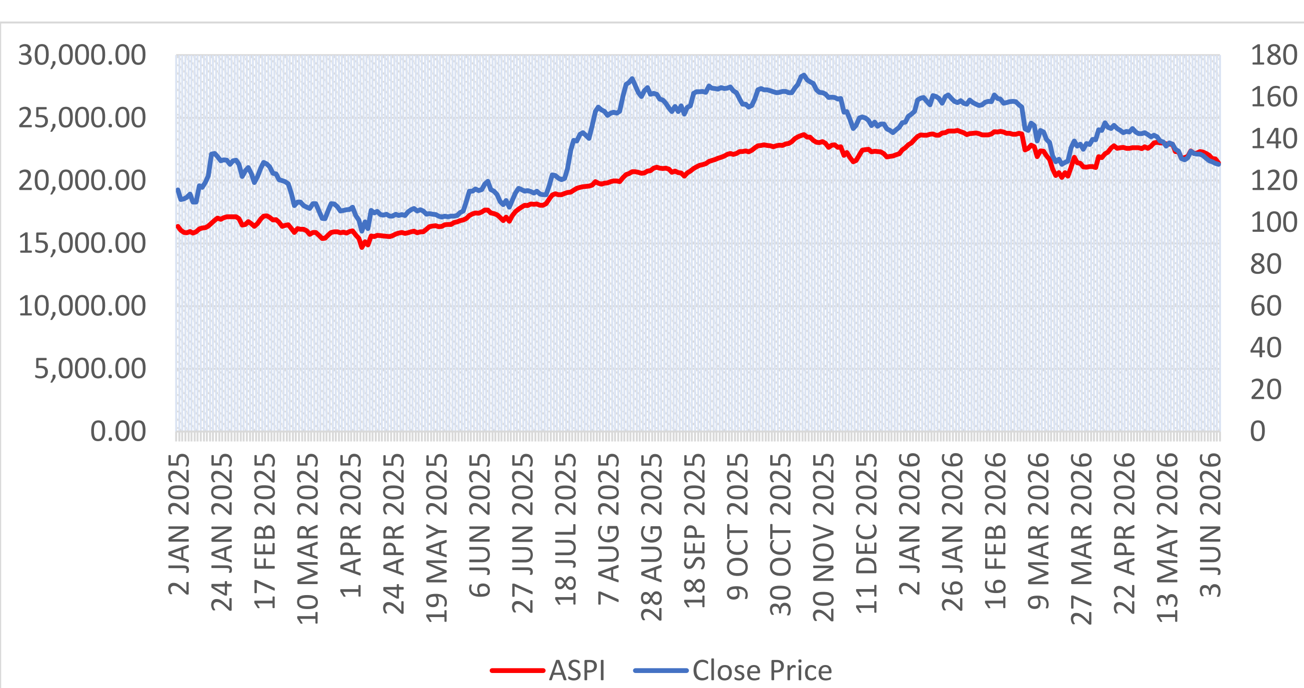
Recommendation	BUY
Target Price (LKR)	187.80
Market Price (LKR)	132.00
Upside (%)	43%

GICS Subsector	Diversified Banks
CSE Ticker	DFCC.N
Close price (23.06.2026)	132.00
Market Cap (LKR Mn)	57,917
Market Cap (USD Mn)	170
No of Shares (Mn)	450
52 week high/low (LKR)	175.00/95.00
Public Float (%)	77.04
TTM EPS (LKR)	22.2

Price Earning (PE) Ratio



Price vs ASPI



Price to Book Value (PBV) Ratio

DFCC Bank PLC is a leading commercial bank in Sri Lanka, offering a wide range of financial services across corporate, SME, and retail banking. Originally established in 1955 as a development finance institution, DFCC has evolved into a diversified bank with a strong focus on sustainable growth and digital innovation. We reiterate a **BUY recommendation on DFCC Bank PLC (DFCC.N) with a 12-month target price of LKR 187.80**, signaling a highly attractive **43% upside** from the current trading price of **LKR 132.00**. Our valuation is structurally anchored on a fundamental Justified P/B multiple of **0.70x** applied to the bank's forecasted Net Asset Value (NAV) of **LKR 266.67**.

1Q'26 Financial Performance

Strong Operating Performance Amid Profitability Headwinds

DFCC achieved robust topline growth in 1Q'26 underpinned by surge of NII by 12% YoY to LKR 8.3 Bn in 1Q'26. This growth reflects disciplined margin management, growth in the loan portfolio, funding cost optimization and strategic focus on high quality asset growth. Further, income growth was aided by the surge of net fee and commission income by 34% YoY to LKR 2.0 Bn supported by DFCC's strategic focus on trade related commission and expansion of credit card portfolio.

Despite the growth in operating income DFCC recorded a PAT decline by 40% compared to 1Q'25. This decline was primarily driven by elevated Impairment provisioning and net losses from trading due to high volatility of global financial markets.

In addition, the CASA portfolio increased by 6% from 31 December 2025, with the CASA ratio improving to 24.20% as at 31 March 2026, indicating a stronger deposit mix and improved cost efficiency. Net Interest Margin was maintained at 3.88 % in March 2026, compared to 3.96% in December 2025, reflecting competitive pressures and prevailing market dynamics.

Loan Growth Supported by Prudent Risk Management

DFCC's total assets increased by 3% YoY to LKR 885 Bn mainly driven from the expansion of loan portfolio by 5% YoY to LKR 535 Bn. This performance underscores the Bank's ongoing shift from government securities and back into high-quality private sector credit. By focusing on selective retail customer acquisition and revitalizing its legacy core in commercial/SME project financing, this strategic repositioning is expected to support margin expansion and sustainable earnings growth.

The Bank also maintained adequate provision in line with the accelerated growth in its lending portfolio. As a result, impairment charges increased by 183% YoY to LKR 2.4 Bn. These provisions have been established to safeguard the Bank's financial strength and reflect a more conservative assessment of potential credit risks, considering prevailing macroeconomic conditions and the potential impact of the geopolitical environment.

Strategic Acquisition Strengthens Long-Term Growth Prospects

DFCC Bank's acquisition of Standard Chartered Sri Lanka's Wealth and Retail Banking operations represents a significant strategic milestone, through its transition toward a more diversified, fee-income–driven franchise with enhanced long-term earnings potential. The deal significantly enhances DFCC's access to an affluent, higher-yielding customer segment, strengthening its CASA base, improving cross-sell opportunities, and expanding its wealth management capabilities. Over the long term, successful integration could meaningfully uplift non-interest income contribution while improving overall funding mix efficiency, supporting more stable and higher-quality earnings.

Outlook and key expectations

We expect DFCC Bank to deliver positive earnings growth, supported by sustained operating income momentum. The acquisition of Standard Chartered Sri Lanka's Wealth and Retail Banking operations enables DFCC to shift from a traditional lending bank to a more diversified bank with stronger fee income, better-quality customers, lower funding costs, and more stable long-term earnings.in addition to that CBSL monetary policy changes (increase of OPR by 100 basis points to 8.75%) to support long term income generation on elevated loan portfolio .Also we expect elevated impairment charges to normalize over time, thereby enhancing earnings conversion and overall profitability outlook.

Source: Company annual reports, CSE,CBSL,Economy Next

DFCC BANK PLC (DFCC.N)

Buy	Target Price : 187.80	Sector: Banks

Financial Performance

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Total income (LKR Mn)	26,754	35,942	39,154	43,297	43,300	42,649	74,960	106,883	89,559	96,696
Income Growth (%)	33	34	9	11	0	-2	76	43	-16	8
Profit after tax (LKR Mn)	3,289	4,415	2,768	2,074	2,388	3,222	2,513	7,220	8,353	11,060
PAT Growth (%)	-26	34	-37	-25	15	35	-22	187	16	32
Return on equity (%)	11	13.4	7.6	7.6	5.6	7.1	5.1	12.8	12.9	14.5
Return on total assets (%)	1.3	1.5	0.8	0.8	0.8	0.9	0.5	1.8	2	2
Dividend cover (times)	5	3.7	2.1	2.2	2.6	3.5	2.6	9	4	4.3
Liquidity coverage (%)	168.8	108.5	113.5	140.5	204.4	136.2	202.3	597.5	280.3	184.1
Market value per share (LKR)	122.5	124	93	91.9	65.3	60	32	79.6	113.75	148
Earnings per share (LKR)	12.41	16.65	10.44	7.14	7.83	10.14	6.75	17.27	19.4	25.3
Price earnings ratio (times)	9.87	7.45	8.91	12.87	8.34	5.92	4.74	4.61	5.86	5.85
Earnings yield (%)	10.13	13.43	11.23	7.77	11.99	16.9	21.09	21.7	17.05	17.09
Dividend per share (LKR)	4.5	5	3.5	3	2.98	3	2	5	6	7.5
Dividend Yield (%)	4	4	4	3	5	5	6	6	5	5
Net asset per share (LKR)	177	185	171	162	169	161	134	171	207	247

Top 20 Shareholders

	Name of Shareholder/Company	Shareholding (LKR)	%
1	Hatton National Bank PLC A/C No 1	56,217,170	12.47
2	Bank of Ceylon-No2 A/C (BOC PTF)	47,150,696	10.46
3	Seylan Bank PLC / Phantom Investments (Pvt) Ltd	45,029,948	9.99
4	Mr. M.A.Yaseen	40,047,763	8.88
5	Sri Lanka Insurance Corporation Ltd-Life Fund	34,181,983	7.58
6	Commercial Bank of Ceylon PLC/Ambeon Holdings PLC	27,758,187	6.15
7	Melstacorp PLC	27,744,561	6.15
8	Seafeld International Limited	21,960,020	4.87
9	Renuka City Hotels PLC	9,125,939	2.02
10	Ambeon Holdings PLC	5,438,564	1.2
11	Renuka Hotels PLC	5,048,339	1.12
12	Metrocorp (Pvt) Ltd	4,999,156	1.1
13	Employees Trust Fund Board	4,549,907	1
14	Hatton National Bank PLC/ Colombo City Holdings PLC	4,215,132	0.93
15	Cargo Boat Development Company PLC	3,413,953	0.75
16	Sampath Bank PLC/Ambeon Holdings PLC	3,084,243	0.68
17	Seylan Bank PLC /Ambeon Holdings PLC (Margin Trading)	3,069,228	0.68
18	Akbar Brothers Pvt Ltd	2,723,725	0.6
19	Sri Lanka Insurance Corporation Ltd- General Fund	2,669,572	0.59
20	Stassen Exports (Pvt) Limited	2,351,075	0.52

Source: Company annual reports, CSE,CBSL,Economy Next

Disclaimer: