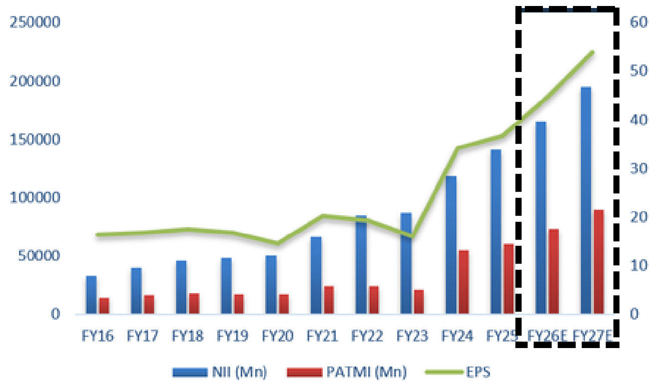
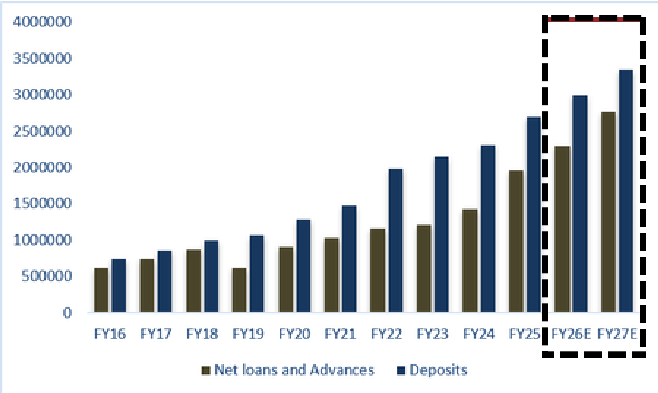
COMMERCIAL BANK OF CEYLON PLC (COMB.N)

ACS CAPITAL (PVT) LTD.
Member of the Colombo Stock Exchange

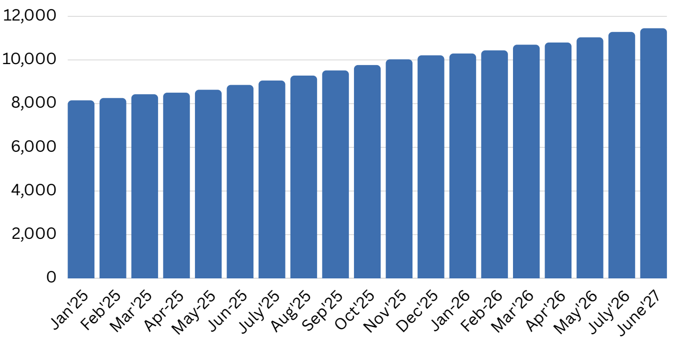
Recommendation - BUY | **Target Price - FY26E :230.00 FY27E :267.00** | **Current Price - 203.00**

GICS Industry	Banks
Market Cap (LKR Bn)	337.22
52 week high/low (LKR)	234.50/182.72
Market P/E (x)	11.0
Market PBV (x)	1.3
COMB.N P/E (x)	5.2
COMB.N PBV (x)	0.9
COMB.X P/E (x)	4.8
COMB.X PBV (x)	0.9





Private Sector Credit Demand



Valuation Summary

	FY26E	FY27E
Justified PBV based target price	231.00	260.00
PER valuation based target price	227.00	275.00
Blended target price	230.00	267.00
Current market price	203.00	203.00
Upside	13%	32%

Commercial Bank of Ceylon PLC (COMB) is one of Sri Lanka's leading private-sector banks and the largest bank by market capitalization, at approximately USD 1 Bn. The Bank operates more than 270 branches and an extensive island-wide ATM network, supported by a growing international presence across Bangladesh, Maldives, Myanmar and the Dubai.

We maintain our **BUY** recommendation on COMB.N with target prices of LKR 230.00 for FY26E and LKR 267.00 for FY27E, implying 13% and 32% upside from the current market price of LKR 203.00, respectively. Our positive outlook is supported by strong earnings momentum, sustained loan portfolio growth, and robust capital and liquidity buffers.

Core earnings continue to gain momentum

COMB recorded a strong earnings performance in FY25, with profit attributable to equity holders increasing by 9% YoY to LKR 60.1 Bn, primarily supported by growth in Net Interest Income by 19% YoY to LKR 140.9 Bn and net fee and commission income by 23% YoY to LKR 28.9 Bn respectively.
The earnings momentum continued into FY26, with profits attributable to equity holders increasing by 14% YoY to LKR 34.9 Bn in 1H26. The growth was primarily driven by a 16% YoY increase in NII to LKR 79.6 Bn, supported by 13% YoY growth in the loan portfolio. Meanwhile, net fee and commission income increased by 13% YoY to LKR 15.0 Bn, mainly driven by growth in card-related services. The Bank also maintained a strong ROE of approximately 20%, highlighting its ability to generate attractive returns for shareholders.
We expect the earnings momentum to continue, albeit at a more moderate pace, as the recent policy rate increase to 8.75% could weigh on private-sector credit demand and consequently moderate loan growth. Accordingly, we forecast NII to increase to LKR 165.1 Bn in FY26E and LKR 195.1 Bn in FY27E, while profit attributable to equity holders is expected to increase to approximately LKR 73.3 Bn in FY26E and LKR 89.6 Bn in FY27E.

Gross loan portfolio expanded to 2.4Bn in 1H26

COMB's loan portfolio continued to expand strongly in 1H26, with gross loans and advances increasing by 13% YTD to approximately LKR 2.4 Tn. The growth was primarily driven by the domestic loan portfolio, which increased by 12% YTD to LKR 1.7 Tn, reflecting continued expansion in private-sector credit demand. In addition, recent LKR depreciation boosted value of USD dominated Loans.
The NPL ratio declined to 1.38% in 2Q26 from 2.27% in 2Q25, indicating an improvement in the quality of the loan portfolio despite the rapid pace of credit expansion. At the same time, Provision for impairment charges and other losses increased by 33.44% YoY to LKR 14.8 Bn during 1H26, reflecting a prudent approach to provisioning amid continued geopolitical and macroeconomic uncertainties. Meanwhile, for the first time in the industry COMB surpassed the LKR 3 Tn gross deposit milestone providing stable and diversified funding base to fund future loan growth.
We expect loan growth to moderate during 2H26 as the 100bps increase in the CBSL Overnight Policy Rate to 8.75% in May 2026, together with tighter LTV requirements, is expected to weigh on private-sector credit demand. Accordingly, we forecast net loans and advances to reach approximately LKR 2.3 Tn in FY26E and LKR 2.7 Tn in FY27E.

Strong capital and liquidity position provides headroom for growth

The Bank maintained a strong capital position as of 30 June 2026, with a Tier 1 Capital Ratio of 13.23% and a Total Capital Ratio of 16.58%, comfortably above the regulatory minimum requirements of 10% and 14%, respectively. This provides capital buffers to support continued balance-sheet expansion while maintaining compliance with Basel III requirements. The Bank's liquidity coverage ratio as at 30th June 2026 stood at 444.92% for LKR and 253.94% for all currencies, both well above the statutory minimum ratios of 100%.

We value COMB using a combination of jutified Price-to-Book Value (P/BV) and Price-to-Earnings (P/E) approaches, assigning an equal 50% weighting to each methodology to derive a blended valuation.
Based on our valuation, we maintain our FY26E target prices at LKR 230.00 for COMB.N and LKR 208.00 for COMB.X, implying approximately 13% upside. While our FY27E target prices at LKR 267.00 for COMB.N and LKR 243.00 for COMB.X, implying approximately 32% upside.Therefore, maintains BUY.

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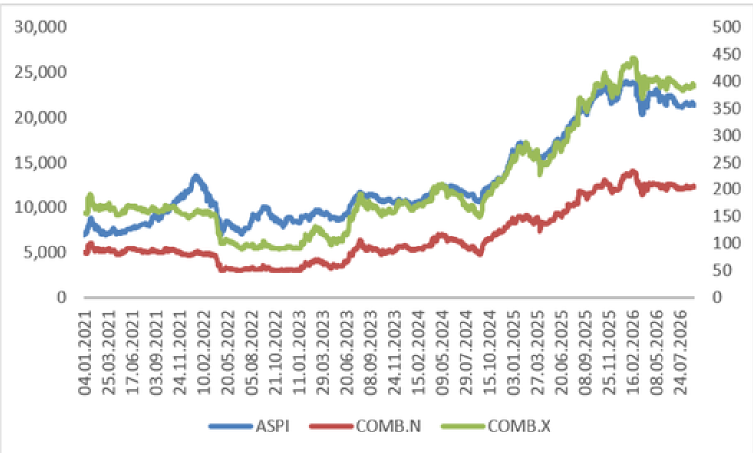
Financial Performance & Forecast

LKR Mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	81315	104049	118551	129288	124088	132818	222213	297646	275217	301367	367965	406014
Interest Expenses	48186	64482	72933	80931	73219	66402	137728	211231	157082	160406	202798	210917
Net Interest Income	33128	39567	45618	48356	50869	66416	84485	86415	118135	140961	165167	195097
Growth	8%	19%	15%	6%	5%	31%	27%	2%	37%	19%	17%	18%
Net Operating Income	42815	48548	56031	56355	55310	68460	70555	83175	169542	168529	191786	227766
Operating Expenses	18991	20374	23887	26125	26263	29658	36282	44290	51838	57503	63780	70232
Profit Before Tax	23831	28177	32150	30240	29051	38804	34269	38888	117703	111025	128005	157533
Profit After Tax	14466	16627	17863	22984	17087	24292	30242	21900	55874	61424	74371	91527
Equity holders Profit	14510	16606	17735	17263	16940	24062	23812	21115	55073	60110	73308	89696
Growth	22%	14%	7%	-3%	-2%	42%	-1%	-11%	161%	9%	22%	22%
Net loans and Advances	620129	742444	867612	509923	909829	1029584	1155493	1204866	1421007	1958361	2300333	2764969
Deposits	743311	857270	994371	1068983	1286616	1472640	1977744	2147907	2306079	2700027	2997489	3351832
Total Assets	1020984	1155821	1319912	882183	1762496	1983491	2499474	2655014	2875995	3379261	3798395	4066329
Total Liabilities	941168	1046954	1199315	1192015677	1601547	1813939	2286581	2430637	2590173	3041279	3252020	3653048
Equity Attributable to Equity Holders	78992	107995	119398	211260	159193	167475	208865	220471	281129	332066	381557	454267
Total Equity	79815	108867	120597	212849	160949	169553	212973	224974	285819	337586	387899	461817
EPS (LKR)	16.29	16.67	17.55	16.80	14.52	20.15	19.21	16.07	34.20	36.75	44.56	53.87
P/E (x)	8.90	8.14	6.55	5.65	5.57	3.94	2.61	5.94	4.23	5.46	5.15	4.97
NAV (LKR)	88.68	108.44	118.13	205.60	136.42	140.24	168.47	167.77	174.58	203.04	231.95	272.83
PBV (x)	1.64	1.25	0.97	0.46	0.59	0.57	0.30	0.57	0.83	0.99	0.99	0.98
DPS (LKR)	6.50	6.50	6.50	6.50	6.50	7.50	4.50	6.50	9.50	10.50	11.50	13.50
DY (%)	4%	5%	6%	7%	8%	9%	9%	7%	7%	5%	5%	5%

ASPI vs Price Performance



Top 20 Shareholders (as at 30.06.2026)

Name of the Shareholder	No. of Shares
01. Mr. Y. S. H. I. Silva	154,440,268
02. Mr. D. P. Pieris	149,795,501
03. DFCC Bank PLC A/C 1	149,672,661
04. Employees' Provident Fund	113,573,180
05. CB NY S/A International Finance Corporation	109,739,482
06. Sri Lanka Insurance Corporation Ltd - Life Fund	77,851,257
07. Melstacorp PLC	64,282,453
08. CB NY S/A IFC Emerging Asia Fund. LP	56,574,271
08. CB NY S/A IFC Financial Institutions Growth Fund LP	56,574,271
10. Sri Lanka Insurance Corporation Ltd - General Fund	54,592,226
11. Renuka Hotels PLC	20,544,596
12. Cargo Boat Development Company PLC	14,428,429
13. Est. of Late M. J. Fernando	13,867,151
14. BNYMSANV Re-Magna Umbrella Fund PLC	13,017,310
15. Renuka Consultants & Services Limited	12,405,928
16. Hatton National Bank PLC/Phantom Investments (Private) Limited	11,897,885
17. Metrocorp (Pvt) Ltd	11,299,335
18. Ayenka Holdings (Private) Limited	10,198,578
19. DFCC Bank PLC/Y. S. H. R. S. Silva	9,788,330
20. Employees Trust Fund Board	9,569,985
Subtotal	1,114,113,097
Shares held by Directors	619,295
Other Shareholders	441,495,801
Total	1,556,228,193