



First Capital
A Janashakthi Group Company

EQUITY | SRI LANKA | BANKS

EARNINGS UPDATE | 09 DEC 2025

COMMERCIAL BANK OF CEYLON PLC [COMB.N0000]

MAINTAIN BUY

“ROBUST DELIVERY, OUTLOOK INTACT”

Fair Value: 2025E - LKR 210.0 [+6%]

Total Return with DPS: 2025E - 15% [AER 696%]

2026E - LKR 225.0 [+13%]

2026E - 23% [AER 22%]

COMB delivered a markedly stronger-than-expected financial performance in 3Q2025, with net earnings rising 32.6%YoY to LKR 16.6Bn, exceeding the projected LKR 13.9Bn. The outperformance was largely driven by a 14.2%YoY increase in Net Interest Income (NII) to LKR 34.7Bn, supported by healthier-than-expected loan expansion in a declining interest rate environment, alongside growth in Net Fee and Commission Income and Operating Income. While loan growth exceeded expectations, the reported Net Interest Margin (NIM) of 4.53% fell slightly below forecast. As a result, earnings forecasts have been raised only slightly to LKR 62.9Bn for 2025E (from LKR 60.2Bn) and LKR 70.6Bn for 2026E (from LKR 66.5Bn). The modest adjustment also reflects expectations of moderating loan growth in the coming quarters as demand for vehicle financing normalizes. Target prices remain unchanged at LKR 210.0 for 2025E and LKR 225.0 for 2026E. Given COMB's robust fundamentals, sustained earnings trajectory, and the prevailing valuation discount, the recommendation is reaffirmed at **MAINTAIN BUY.**

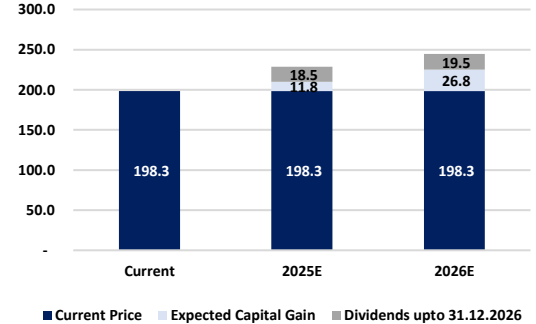
LKR (Mn)	3Q2024	3Q2025	YoY	9M2024	9M2025	YoY
Earnings (LKR 'Mn)						
NII	30,359	34,672	+14%	88,979	103,483	+16%
Total Operating Income	38,461	47,740	+24%	115,719	140,498	+21%
Net Operating Income	37,459	44,700	+19%	95,700	126,126	+32%
PBT	21,222	26,537	+25%	50,340	73,351	+46%
Net Profit	12,516	16,596	+33%	31,072	47,352	+52%
Balance Sheet (LKR 'Mn)						
Shareholder's Equity	256,413	317,200	+24%	256,413	317,200	+24%
NAVPS	157.3	194.5	+24%	157.3	194.5	+24%

COMB earnings jump by 32.6%YoY during 3Q2025

COMB delivered a strong financial performance in 3Q2025, with net earnings rising 32.6%YoY to LKR 16.6Bn, exceeding our quarterly forecast of LKR 13.9Bn. The outperformance was driven primarily by stronger-than-expected NII growth. NII increased 14.2%YoY to LKR 34.7Bn, supported by a 10.3%YoY rise in interest income, reflecting healthier loan expansion in a declining interest rate environment. As a result, NIMs improved to 4.53%, up from 4.38% in 3Q2024, though slightly below the 4.63% recorded in 2Q2025. Net Fee and Commission Income posted a solid 25.1%YoY increase, supported by higher digital transaction volumes and the easing of vehicle import restrictions. Meanwhile, Other Operating Income grew 79.5%YoY to LKR 3.2Bn. Impairment charges rose over 200%YoY, largely reflecting the expansion in loan volumes, although they declined 25.9%QoQ compared to 2Q2025. On the cost side, upward pressure persisted, with total operating expenses rising 12.9%YoY, VAT on financial services increasing 9.1%YoY, and corporate tax expenses up by 12.8%YoY. Despite these headwinds, COMB delivered a resilient performance in 3Q2025.

Gross loan book accelerates during 3Q2025

COMB's gross loan portfolio posted a robust expansion of 34.6%YoY (10.1%QoQ), reaching LKR 1.9Tn in 3Q2025. This growth was largely supported by the strong performance of the domestic lending segment, which increased by 36.8%YoY (12.5%QoQ) to LKR 1.4Bn. The acceleration in credit demand was driven by the easing interest rate environment, with the Average Weighted Prime Lending Rate (AWPR) declining to 8.05% at end-3Q2025 from 8.11% in 2Q2025, alongside a broad-based recovery in economic activity. Additionally, the depreciation of the LKR against the USD contributed positively to foreign currency-denominated lending, which expanded by 29.0%YoY (4.4%QoQ) to LKR 520.6Bn. As anticipated, asset quality continued to strengthen. The Non-Performing Loan (NPL) ratio improved to 1.79% in 3Q2025, compared with 2.27% in 2Q2025, and significantly below the 4.08% recorded in 3Q2024.



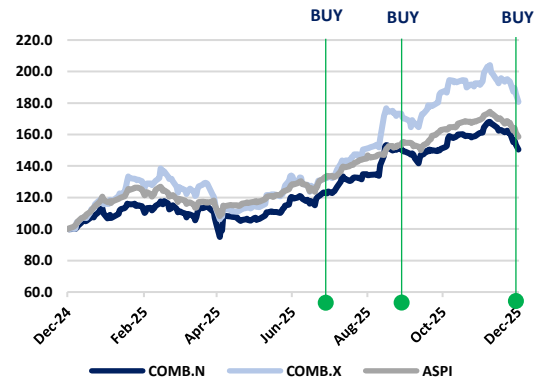
FIRST CAPITAL RESEARCH

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



Source: CSE

Minimum Return for BUY:

Buy Below 2026E - [AER of 14% with DPS]: LKR 212.8
COMB.N categorized as 'Grade A' counter

Disclosure on Shareholding:

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

COMB deposit base expanded by 16.3%YoY to LKR 2.6Tn

COMB's deposit base expanded by 16.3%YoY to LKR 2.6Tn in 3Q2025, driven primarily by growth in local currency deposits, which increased by 17.0%YoY and 2.7%QoQ to LKR 1.8Tn. This performance reflected broad-based expansion across deposit products and customer segments. The depreciation of the LKR further supported deposit growth, contributing to a 14.6%YoY and 4.8%QoQ increase in foreign currency denominated deposits during the quarter. Meanwhile, continued growth in the LC-denominated current and savings account base strengthened COMB's CASA ratio, which rose to 40.17% in 3Q2025 from 39.94% in 3Q2024. The improvement in the CASA ratio also contributed to the enhancement of NIMs over the period.

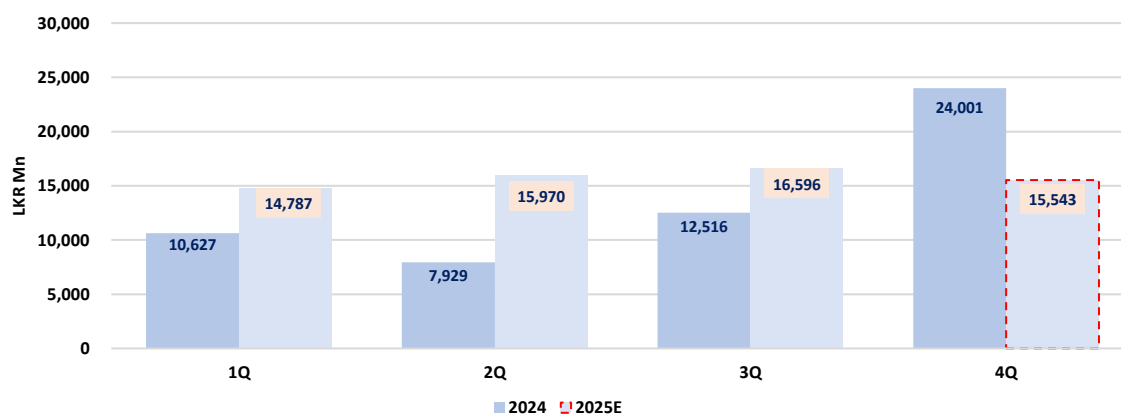
Capital adequacy soars past regulatory hurdles

The Bank's Tier 1 Capital Ratio as at 30th September 2025 was 13.39% while its Total Capital Ratio stood at 17.28%, both comfortably above the regulatory minimum ratios of 10% and 14% respectively. A Tier 2 Green Bond issue of LKR 15.0Bn concluded in early August is expected to further strengthen the Bank's Tier 2 capital, taking it closer to 19.00%.

Earnings revised up; TP upgraded

Following COMB's strong performance in 3Q2025, supported primarily by stronger than expected NII, we have revised our earnings outlook upward. While loan growth outpaced expectations, the reported NIM of 4.53% came in slightly below forecast. As a result, earnings forecasts have been increased only modestly to LKR 62.9Bn for 2025E (from LKR 60.2Bn) and to LKR 70.6Bn for 2026E (from LKR 66.5Bn). The measured revision also reflects expectations of moderating loan growth in the coming quarters as vehicle-financing demand normalizes. Additionally, impairment charges may rise in the near term due to the recent adverse weather events, which are likely to have affected both the loan book and wider economic activity. The bank's extensive exposure to the country's SME sector further amplifies this risk, and as the sector's largest lender, it is likely to feel a greater impact from the recent cyclone. Despite these adjustments, COMB remains well positioned to capture incremental growth opportunities. Supported by strong fundamentals and sustained earnings momentum, we maintain a constructive outlook on the bank. Reflecting the incremental revisions to our forecasts, we have maintained our target prices at LKR 210.0 for 2025E and LKR 225.0 for 2026E for COMB.N, and LKR 175.0 and LKR 190.0 for 2025E and 2026E, respectively, for COMB.X. Considering the current market price continues to trade at a discount to our target prices, we reiterate our recommendation, **MAINTAIN BUY**.

Quarterly Earnings



Note: 4Q2024 earnings include the impact of impairment reversals on ISB holdings

Estimate Revision

In LKR Mn	2025E-O	2025E-R	% Change	2026E-O	2026E-R	% Change
Earnings Estimate						
NII	135,165	137,445	+2%	147,450	158,739	+8%
Total Operating Income	177,546	180,380	+2%	195,793	208,312	+6%
Net Operating Income	159,246	162,366	+2%	174,180	187,463	+8%
Profit before Tax	87,819	90,758	+3%	96,898	101,897	+5%
Net Profit	60,244	62,895	+4%	66,472	70,614	+6%
Adjusted EPS	35.1	36.7		36.4	38.7	
Balance Sheet Estimate						
Loans & Advances	1,631,530	1,837,759	+13%	1,820,436	2,052,143	+13%
Shareholders' Equity	300,444	302,170	+1%	348,098	352,392	+1%
Adjusted NAVPS	175.2	176.2	+1%	190.6	192.9	+1%
Ratio Estimate						
ROE (%)	20.7%	21.6%		20.5%	21.6%	
PER (x)	5.5	5.4		5.3	5.1	
PBV (x)	1.1	1.1		1.0	1.0	

Valuation Table

P/E 31st December	2021	2022	2023	2024	2025E	2026E	2027E
Estimates (LKR 'Mn)							
Net Interest Income	66,416	84,665	86,415	118,135	137,445	158,739	179,082
Total Operating Income	93,598	136,637	122,070	107,059	180,380	208,312	234,201
Net Profit: Equity Holders	24,062	23,812	21,115	55,073	62,895	70,614	84,121
Recurring Net Profit: Equity Holders	21,961	23,812	17,573	23,055	62,895	70,614	84,121
Adjusted EPS (LKR)	13.6	14.8	10.9	14.3	36.7	38.7	43.2
YoY Growth (%)	30%	8%	-26%	31%	156%	5%	12%
Valuations							
PER (x)	14.5x	13.4x	18.2x	13.8x	5.4x	5.1x	4.6x
PBV (x)	2.0x	1.6x	1.5x	1.2x	1.1x	1.0x	0.9x
DY (%)	3.8%	2.3%	3.3%	4.3%	9.3%	9.8%	11.0%
Adjusted NAVPS (LKR)	97.7	121.8	128.6	163.9	176.2	192.9	211.5
DPS (LKR)	7.5	4.5	6.5	8.5	18.5	19.5	21.8
Dividend Payout (%)	55.0%	30.4%	59.6%	59.4%	50.5%	50.5%	50.5%

Note: Recurring net profit for 2024 indicates reported net profit adjusted for impairment reversal on ISB holdings and net losses from derecognition of financial assets. 2023 and 2021 earnings have been adjusted for net gains / losses from derecognition of financial assets.

Ratio Analysis

		2021	2022	2023	2024	2025E	2026E	2027E
Growth	Asset	12.6%	26.0%	6.2%	8.3%	13.3%	10.4%	10.6%
	Deposit	14.5%	34.3%	8.6%	7.4%	12.0%	9.5%	9.7%
	Net Loans	13.2%	12.2%	4.3%	17.9%	29.3%	11.7%	10.7%
Profitability	Return on Equity	14.8%	12.7%	9.8%	22.0%	21.6%	21.6%	22.0%
	Return on Average Assets	1.3%	1.1%	0.8%	2.0%	2.1%	2.1%	2.2%
	Net Interest Spread	3.7%	3.7%	3.2%	4.1%	4.2%	4.3%	4.3%
	Net Interest Margin	5.0%	6.0%	5.7%	6.6%	6.4%	6.4%	6.5%
Funding & Liquidity	Loan/ Deposits	69.9%	58.4%	56.1%	61.6%	71.2%	72.6%	73.2%
	Loan/ Assets	51.9%	46.2%	45.4%	49.4%	56.4%	57.0%	57.1%
	Deposit/ Liabilities	81.2%	86.5%	88.4%	89.0%	87.5%	87.3%	87.1%
	CASA	48.0%	39.0%	39.7%	38.3%	42.0%	40.0%	39.0%

Valuation Summary

Expected COMB.N Price	2025E	2026E
Justified PBV based target price	202.6	221.9
PER Valuation based target price	236.5	249.4
RI Valuation based target price	202.1	218.1
Average Target Price	213.7	229.8
Target Price after Rounding off	210.0	225.0

Return	2025E	2026E
Target Price	210.0	225.0
Current Price	198.3	198.3
Capital Gain (LKR)	11.8	26.8
Dividends upto 31st Dec (LKR)	18.5	19.5
Capital Gain %	6%	13%
Dividend Yield %	9%	10%
Total Return %	15%	23%
Annualized Return %	696%	22%

Justified PBV Valuation

Justified PBV based Valuation	2025E	2026E
ROAE	21.6%	21.6%
Growth	3.0%	3.0%
COE	20.2%	20.2%
PBV	1.2	1.2
NAVPS	176.2	192.9
Target Price	202.6	221.9

PER Valuation

PER based Valuation	2025E	2026E
Earnings (LKR 'Mn)	62,895	70,614
No. of Shares ('Mn)	1,715	1,826
EPS	36.7	38.7
Expected PER	6.5x	6.5x
Price at 6.5x Earnings	236.5	249.4

Residual Income Valuation

Residual Income based Valuation	2025E	2026E
PV of Residual Income	65,412	76,493
No. of Shares ('Mn)	1,715	1,826
RI per Share	38.1	41.9
Opening Book Value per Share	163.9	176.2
Value per Share	202.1	218.1

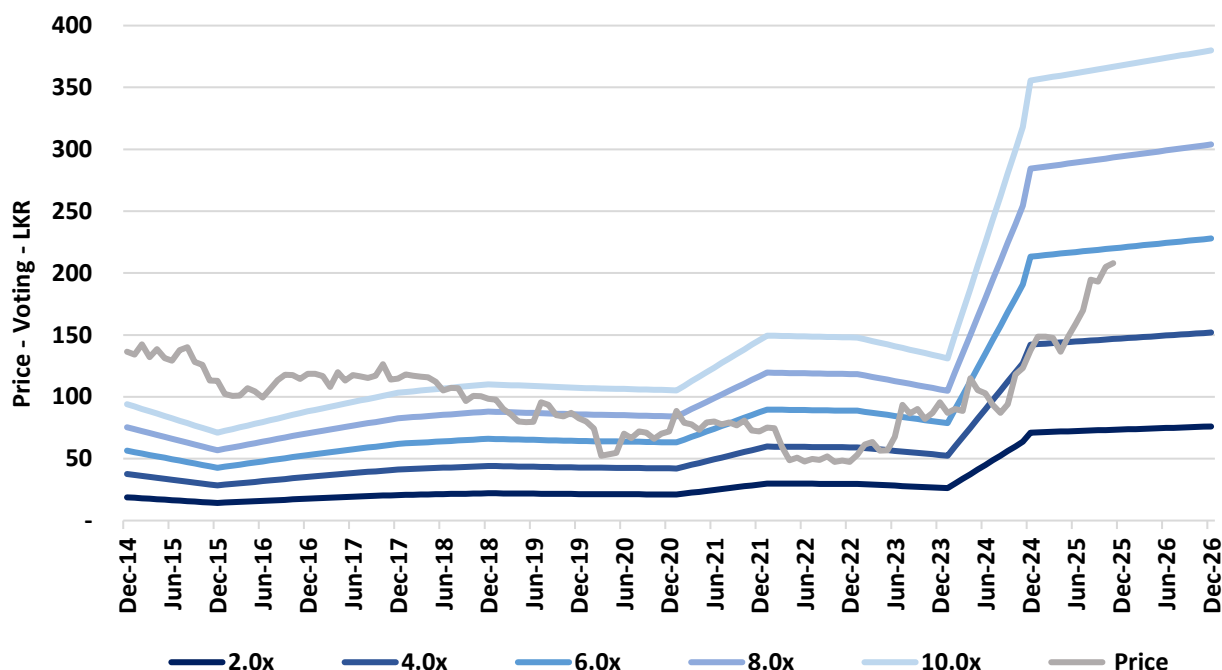
COE	2025E	2026E
Rf	9.0%	9.0%
Rm	17.0%	17.0%
Growth %	3.0%	3.0%
β	1.4	1.4
$K_e = R_f + \beta(R_m - R_f)$	20.2%	20.2%

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 P/E 31st December	2021	2022	2023	2024	2025E	2026E	2027E
Gross Income	163,675	280,387	341,566	274,976	350,251	424,777	482,478
Interest Income	132,818	222,393	297,646	275,217	292,862	357,971	408,576
Less: Interest Expenses	66,402	137,728	211,231	157,082	155,417	199,233	229,494
Net Interest Income	66,416	84,665	86,415	118,135	137,445	158,739	179,082
Net Fee and Commission Income	12,242	20,169	22,387	23,646	30,715	32,003	34,883
Total Operating Income	93,598	136,637	122,070	107,059	180,380	208,312	234,201
Less: Impairment Charge/(Reversal) for Loans	25,140	71,924	38,895	(62,295)	18,015	20,849	21,132
Net Operating Income	68,458	64,712	83,175	169,354	162,366	187,463	213,069
Less : Operating Expense							
Personnel Expenses	16,799	19,788	22,810	27,907	26,308	33,505	33,458
Other Operating Expenses	12,859	16,494	21,480	23,931	26,243	30,018	33,017
Total Operating Expenses	29,658	36,282	44,290	51,838	52,550	63,523	66,475
Operating Profit before Value Added Tax (VAT)	38,801	28,430	38,885	117,515	109,815	123,939	146,594
Less: Value Added tax on Financial Services	5,845	3,921	4,961	19,707	19,057	22,042	25,207
Operating Profit after Value Added Tax (VAT)	32,955	24,509	33,924	97,809	90,758	101,897	121,387
Profit before Income Tax	32,957	24,505	33,927	97,808	90,758	101,897	121,386
Less: Income Tax Expense	8,667	106	12,027	42,122	27,227	30,569	36,416
Profit for the Year	24,290	24,399	21,900	55,686	63,530	71,328	84,970
Non-Controlling Interest	228	588	785	613	635	713	850
Profit Attributable to Equity Holders	24,062	23,812	21,115	55,073	62,895	70,614	84,121
Recurring Profit Attributable to Equity Holders	21,961	23,812	17,573	23,055	62,895	70,614	84,121
Adjusted EPS	13.6	14.8	10.9	14.3	36.7	38.7	43.2

Appendix II: Statement of Financial Position

Statement of Financial Position	2021	2022	2023	2024	2025E	2026E	2027E
P/E 31st December							
ASSETS							
Cash and Cash Equivalents	69,335	151,109	159,702	89,615	81,076	70,967	67,365
Balances with Central Banks	56,777	78,597	62,634	55,990	62,446	69,050	75,720
Placements with Banks	12,499	96,083	81,507	101,105	85,939	90,236	94,748
Derivative Financial Instruments	3,245	8,345	7,226	4,264	5,036	5,515	6,053
Other Financial Assets Held-For-Trading	23,436	24,873	29,450	91,677	77,484	84,845	108,637
Loans and Receivables to Other Customers	1,029,584	1,155,493	1,204,866	1,421,004	1,837,759	2,052,143	2,272,517
Financial Investments - Available-for-sale	335,954	118,652	287,733	303,218	309,937	339,381	372,471
Property, Plant & Equipment	24,745	27,447	28,997	30,670	32,277	33,510	34,370
Intangible Assets	2,273	4,113	4,289	4,758	4,387	3,969	3,501
Other Assets	27,083	40,811	37,736	29,917	38,742	42,423	46,559
Total assets	1,983,491	2,499,554	2,655,612	2,875,993	3,258,504	3,597,856	3,979,970
LIABILITIES							
Securities Sold Under Repurchase Agreements	151,425	97,726	111,187	112,461	147,021	164,171	181,801
Due to Other Customers	1,472,640	1,977,744	2,147,907	2,306,079	2,582,809	2,828,176	3,103,923
Subordinated Term Debts	38,303	61,401	36,483	57,708	55,133	61,564	68,176
Total liabilities	1,813,939	2,286,581	2,430,637	2,590,173	2,951,009	3,239,426	3,561,717
EQUITY							
Stated Capital	54,567	58,150	62,948	88,017	98,484	110,189	123,277
Statutory Reserves	10,590	12,080	13,587	16,470	19,646	23,213	27,461
Retained Earnings	9,891	6,790	9,943	17,534	35,322	55,294	79,086
Other Reserves	92,427	131,846	133,993	159,109	148,718	163,696	181,540
Total Equity to Equity Owners of the Bank	167,475	208,865	220,471	281,129	302,170	352,392	411,364
Non-Controlling Interest	2,078	4,107	4,504	4,690	5,325	6,039	6,888
Total Equity	169,553	212,973	224,974	285,819	307,495	358,430	418,253
	1,983,491	2,499,554	2,655,612	2,875,993	3,258,504	3,597,856	3,979,970
Adjusted NAVPS	97.7	121.8	128.6	163.9	176.2	192.9	211.5

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