COUNTER RESEARCH

COMMERCIAL BANK OF CEYLON PLC

(COMB.N / COMB.X)

SENFIN RESEARCH 07 OCTOBER 2026

Company snapshot

VOTING SHARE PRICE
Rs. 202.00
2 Oct 2026 ·

NON-VOTING PRICE
Rs. 185.00
6 Oct 2026 · 8% discount

MARKET CAP
Rs. 336 Bn
US$ 1.0 Bn

SHARES IN ISSUE
1,650 Mn
Voting + non-voting

P/E (2025 EPS 36.86)
5.5x
TTM EPS 39.5 → 5.1x

P/BV (NAV 203.04)
0.99x
Dec-25 group NAV

CASH DIVIDEND YIELD
4.0%
Rs. 8.00 cash + Rs. 2.50 scrip

ROE 2025
19.6%
Group

2025 PROFIT AFTER TAX
Rs. 60.9 Bn
Group; +44% vs normalised 2024

TOTAL ASSETS
Rs. 3.38 Tn
Group, Dec-25 (+17%)

NET INTEREST MARGIN
4.51%
Bank 2025 (2024: 4.27%)

STAGE 3 RATIO (NET)
1.54%
Bank, Dec-25 (2024: 2.76%)

CET1 RATIO
13.04%
Bank; minimum 8.5%

TOTAL CAPITAL RATIO
16.70%
Bank; minimum 14.0%

CREDIT RATING
AA-(lka)
Fitch, Stable

1H 2026 PAT
Rs. 35.4 Bn
Group, +13.7% YoY

Key observations

COMB is earning close to 20% on equity again and trades at roughly book value and about 5x earnings. Loans grew 36% in a year; the key question is how that new book performs as the cycle matures.

What has improved

- **Profitability restored:** Bank ROE 19.5% in 2025 vs 9.8% in 2023; NIM 4.51%, above the industry's 4.34%.
- **Asset quality:** net Stage 3 ratio fell from 5.85% (2023) to 1.54% (2025) and 1.38% (Jun-26); coverage rose to 73.5%.
- **Efficiency:** cost-to-income (excl. taxes) 29.7% vs 37.3% for the industry; CASA 39.7% vs 31.6%.
- **1H 2026:** Group PAT +13.7% to Rs. 35.4 Bn; deposits passed Rs. 3 Tn.

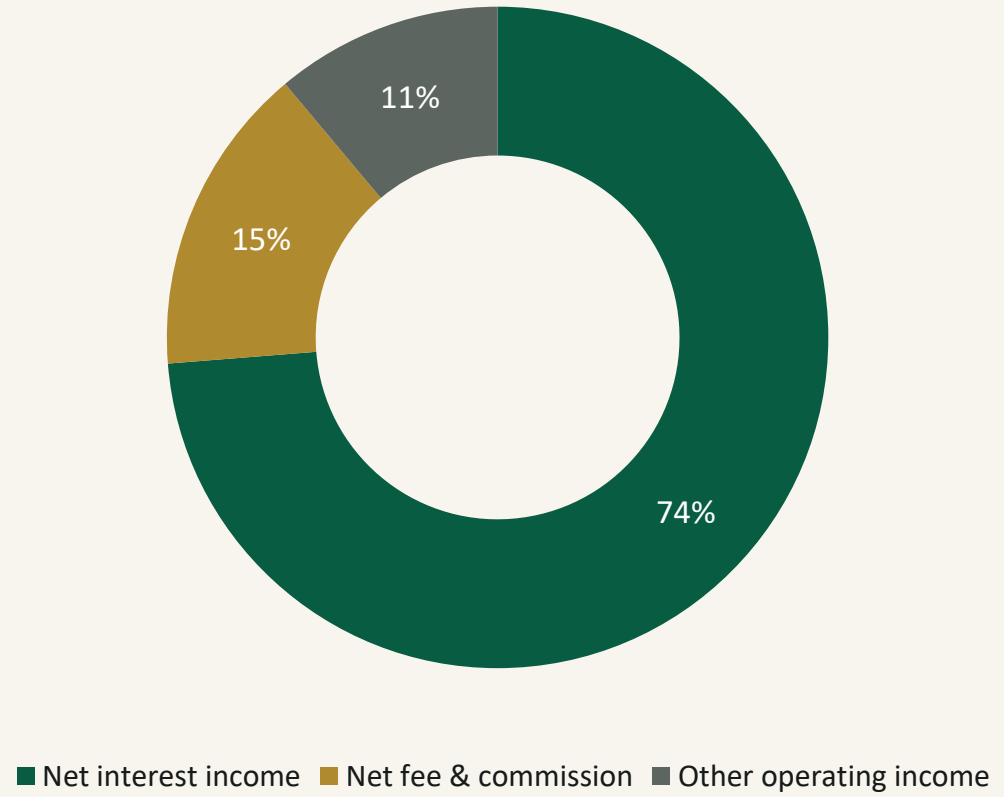
What needs watching

- **Rapid loan growth:** gross loans +36% in 2025 and +36% YoY to Jun-26; new loans have not yet been through a downturn.
- **Capital use:** CET1 fell from 14.23% to 13.04% and total capital from 18.14% to 16.70% in 2025.
- **Provisions rising:** 1H26 impairment +33%; Q2 impairment +193% QoQ as a buffer against global risks.
- **Reported vs normalised:** 2024's reported PAT was lifted by sovereign-bond restructuring effects, so headline growth comparisons mislead.

Business overview

- **Franchise:** largest private-sector bank in Sri Lanka and the CSE's largest company by market cap among banks; 272 delivery points and 978 ATMs in Sri Lanka.
- **Overseas:** 20 branches in Bangladesh, plus a Maldives subsidiary and a Myanmar presence. Bank is 96% of group assets and profit.
- **SME leader:** largest lender to SMEs, about 30% of SME loans among 16 banks.
- **Market share:** about 13.30% of banking-sector assets and deposits

Group operating income 2025 (Rs. 191.2 Bn)



How COMB compares with the industry, 2025

Indicator (2025)	COMB (Bank)	Banking industry
Return on equity	19.51%	17.49%
Return on assets (pre-tax)	2.96%	2.51%
Net interest margin	4.51%	4.34%
Cost to income (excl. taxes on FS)	29.66%	37.30%
CASA ratio	39.65%	31.57%
Total impairment coverage ratio	6.13%	7.74%
Total impairment coverage ratio	16.70%	18.58%
Total impairment coverage ratio	288.58%	259.99%
Share of industry deposits	13.26%	
Share of industry assets	13.30%	

- COMB beats the industry on every listed profitability and efficiency measure.
- A higher CASA share means cheaper funding; this supports the margin when rates fall.
- Peer valuations are not presented: the CSE has several listed banks, but comparable, dated multiples could not be verified here.

Four drivers of the 2025 result

+36%

gross loans, 2025

Loan growth

Loans crossed Rs. 2 Tn. Market share rose in home loans, leasing, pawning and personal loans; agriculture and microfinance units doubled to 64.

4.51%

net interest margin

Margin

Up from 4.27% as deposit costs fell faster than loan yields. Interest-earning assets grew 15%; asset yield fell 61 bps.

+22%

net fee & commission

Fees

Rs. 29.0 Bn at Group level; cards, trade and digital channels. Fees are about 15% of operating income.

1.29%

cost of credit risk

Credit cost

Down from 1.65%. Impairment charge Rs. 23.1 Bn (−20%). Stage 3 coverage up to 73.5%.

Reading 2024 correctly

Rs. 55.7 Bn	Rs. 42.2 Bn	Rs. 60.9 Bn	+44%
2024 Group PAT as reported	2024 Group PAT normalised	2025 Group PAT	2025 vs normalised 2024

- **What happened:** Sri Lanka's international sovereign bonds were restructured in 2024. The Bank booked a derecognition loss but reversed large impairment provisions, lifting reported profit.
- **Company's view:** on a normalised basis 2024 ROE was 16.57% (Bank), so 2025's 19.51% is an improvement, not the decline the reported 22.06% suggests.
- **Tax:** 2025 income tax of Rs. 31.8 Bn plus Rs. 17.8 Bn of taxes on financial services took about 45% of operating profit.
- **Implication:** use normalised 2024 for growth comparisons; reported 2024 EPS (37.94) overstates the base.

Operating environment

Indicator	Latest	Period
Sri Lanka		
Real GDP growth	4.2%	Q2 2026 (Q1: 5.1%)
CCPI headline inflation	8.0%	Sep 2026
Overnight Policy Rate	8.75%	Held 30 Sep 2026
Policy move	Raised	May 2026
12-month T-bill yield	9.95%	30 Sep 2026
LKR / US$ (buying)	326.09	5 Oct 2026
Banking assets (industry)	Rs. 24.5 Tn	2025

What it means for COMB

- Rising policy rates and T-bill yields can lift asset yields, but deposit costs usually follow; the net effect on NIM depends on repricing speed.
- CBSL noted credit growth moderating after the May 2026 tightening, which would slow loan growth from 36%.
- Middle East conflict, energy prices and lower remittances could stress SME and retail borrowers.
- Management calls the outlook 'more constructive than in recent years' but exposed to external shocks.

Five-year performance (Bank)

Bank, Rs. Mn (year to 31 Dec)	2021	2022	2023	2024	2025
Net interest income	64,611	81,744	83,103	114,558	136,294
Profit before tax	32,001	22,598	31,880	95,534	89,378
Profit after tax	**23,606**	**22,970**	**20,461**	**54,073**	**58,488**
Loans to customers (net)	1,014,619	1,130,443	1,176,360	1,384,525	1,903,430
Customer deposits	1,443,093	1,914,359	2,085,046	2,236,567	2,608,852
Ratios (reported)					
Net interest margin	3.51%	3.74%	3.32%	4.27%	4.51%
Return on equity	14.66%	12.46%	9.78%	22.06%	19.51%
Cost to income (incl. taxes on FS)	38.08%	29.31%	40.44%	42.00%	39.20%
Net Stage 3 ratio	3.85%	5.25%	5.85%	2.76%	1.54%
Total capital ratio	15.65%	14.66%	15.15%	18.14%	16.70%

FOUR-YEAR CAGR, 2021–2025

20.5%
Net interest income

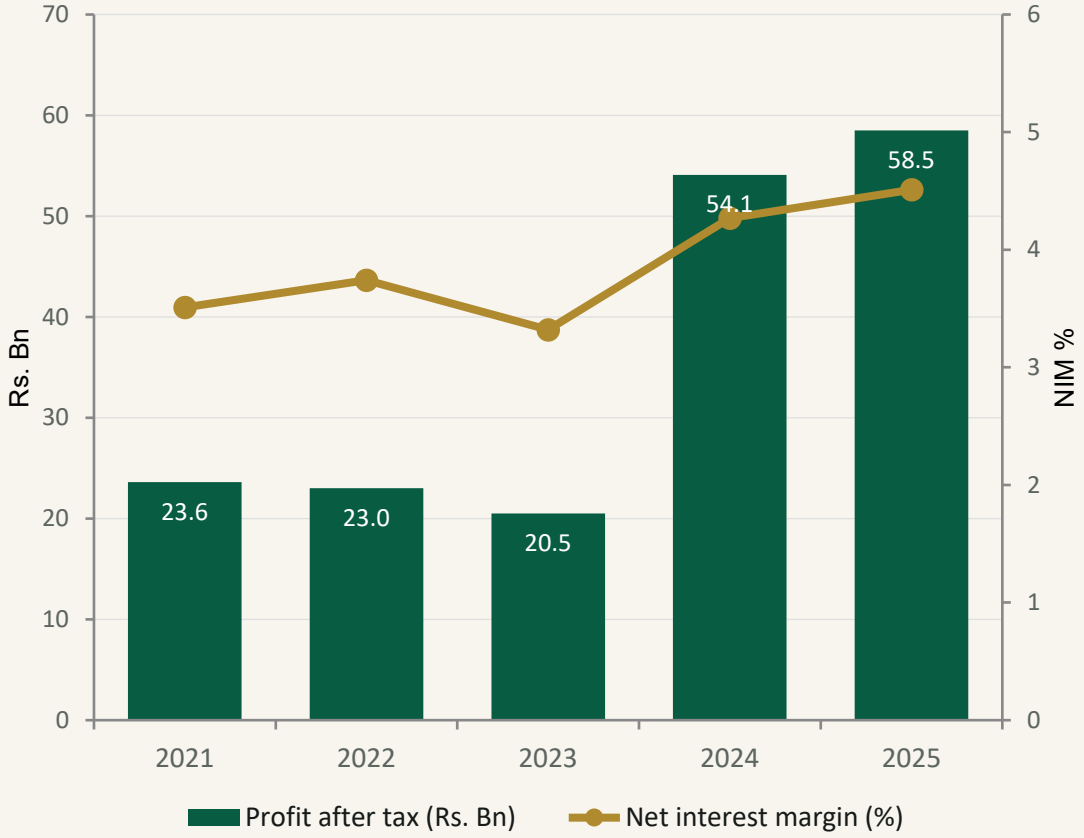
25.5%
Profit after tax

17.0%
Net loans

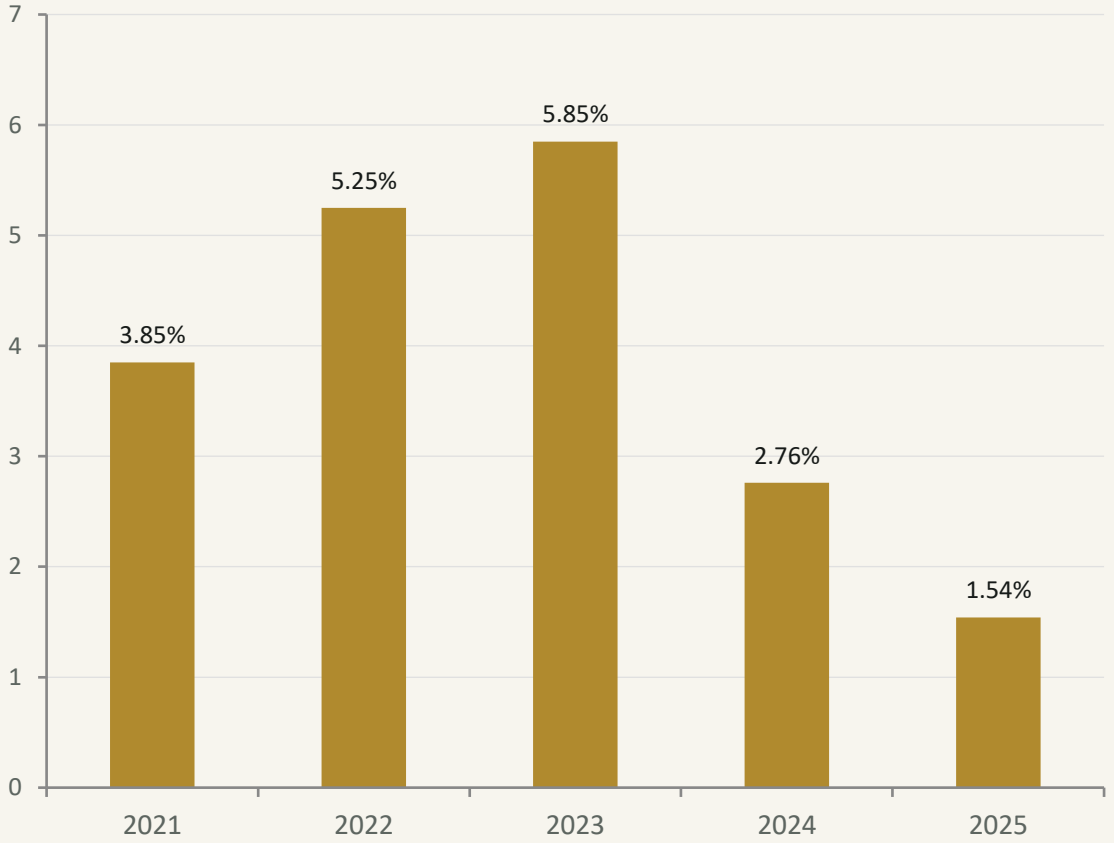
16.0%
Deposits

Margin up, bad loans down

Bank PAT (Rs. Bn) and NIM (%, right axis)



Net impaired (Stage 3) loans ratio, Bank (%)



Reading the 2025 result (Group)

Net interest income +19%

Rs. 141.0 Bn as interest expense rose only 2% while interest income rose 9.5% on 15% more earning assets.

Other income doubled

Other operating income Rs. 21.2 Bn (+114%), mainly FX gains, alongside fees +22% to Rs. 29.0 Bn.

Lower impairment, tight costs

Impairment Rs. 23.1 Bn (−20%); operating expenses +11%. Cost-to-income (excl. taxes) 29.7%.

Heavy tax take

Taxes on financial services Rs. 17.8 Bn and income tax Rs. 31.8 Bn; effective income tax 34% of PBT.

Latest results: 1H 2026

Group, six months to 30 June 2026	1H 2026	YoY
Gross income (Rs. Bn)	209.16	+18.3%
Net interest income	79.69	+15.8%
Total operating income	109.07	+17.9%
Impairment charges	(14.85)	+33.4%
Operating expenses	(30.61)	+18.5%
Profit before tax	53.05	+13.3%
Profit after tax	**35.42**	**+13.7%**
Total assets (Rs. Tn)	3.74	+19.4%
Deposits / loans (Rs. Tn)	3.02 / 2.36	+20.3% / +36.1%

ROE 1H 2026

20.28%

NIM 4.51%

STAGE 3 RATIO

1.38%

Dec-25: 1.54%

- Q2 PAT Rs. 17.5 Bn (+8% QoQ) despite Q2 impairment of Rs. 11.7 Bn (+193% QoQ), described as a prudent buffer.
- Tier 1 13.23% and total capital 16.58%; CASA 39.17%; cost-to-income 27.8% excl. taxes.
- Earnings are growing more slowly than the balance sheet, as provisions and costs absorb part of the volume growth.

Balance sheet, liquidity and capital

Bank, at 31 December	2023	2024	2025
Total assets (Rs. Bn)	2,580	2,790	3,258
Net loans to customers (Rs. Bn)	1,176	1,385	1,903
Debt securities at amortised cost + FVOCI (Rs. Bn)	937	969	907
Customer deposits (Rs. Bn)	2,085	2,237	2,609
Advances to deposits	60.3%	66.1%	77.3%
CET1 ratio (min 8.5%)	11.44%	14.23%	13.04%
Total capital ratio (min 14%)	15.15%	18.14%	16.70%
LCR – all currency (min 100%)	n/a	454%	289%
Net stable funding ratio (min 100%)	n/a	187%	164%
NAV per share (Rs.)	**164**	**171**	**198**

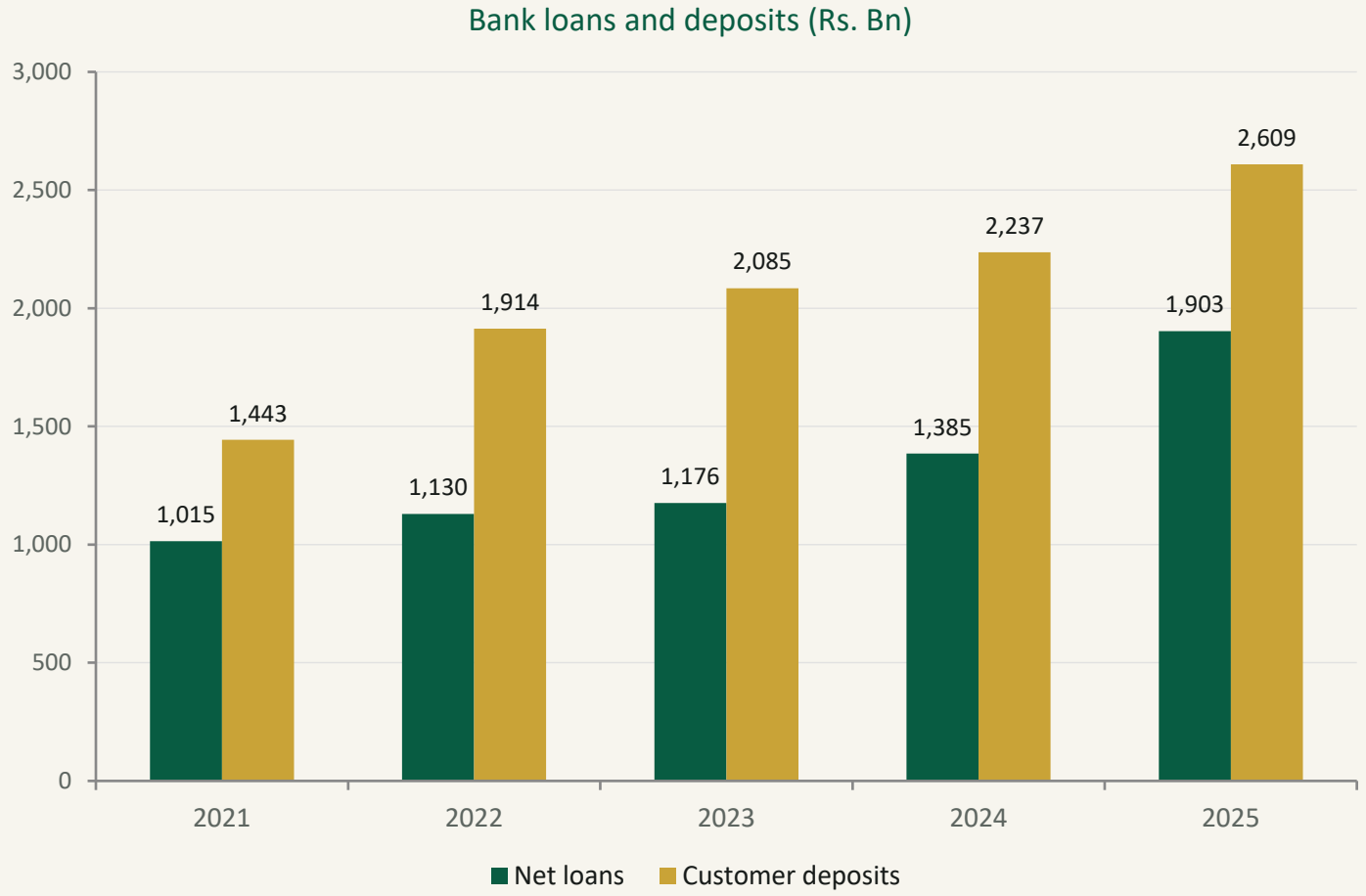
Strengths

- Capital and liquidity ratios well above minimums.
- Stage 3 coverage 73.5%; total impairment 6.1% of gross loans.
- Fitch AA-(lka), Stable.

Pressure points

- Loan growth used capital: CET1 −119 bps and LCR down sharply in 2025.
- Debt securities (largely government) 28% of Bank assets: sovereign concentration.

Balance sheet growth



LOANS 2025

+37%

Rs. 1.90 Tn (net)

DEPOSITS 2025

+17%

CASA 39.7%

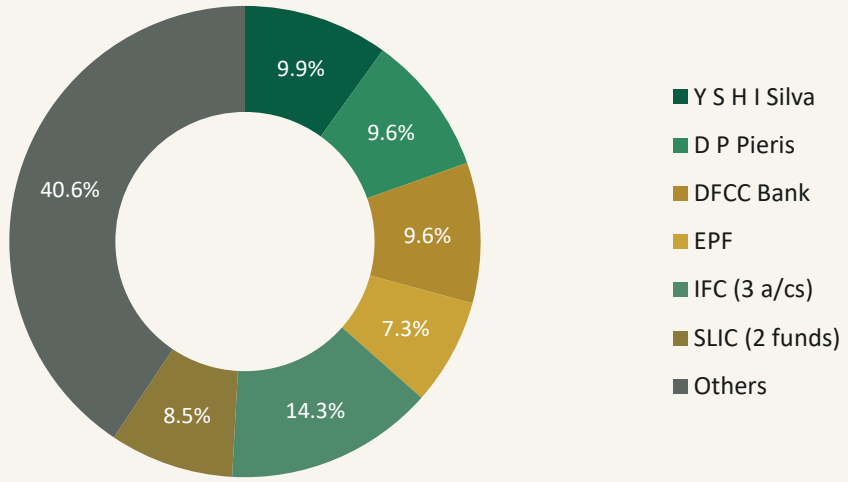
- Loan growth was flat in 2022–2023 during the crisis, then accelerated in 2024–2025 as rates fell and demand recovered.
- Loans grew more than twice as fast as deposits in 2025, lifting advances-to-deposits from 66% to 77%.
- Further growth at this pace would need more deposits, capital or a shift out of government securities.

Dividends and ownership

Bank	2021	2022	2023	2024	2025
Dividend per share (Rs.)	7.50	4.50	6.50	9.50	10.50
Cash – Rs. Per share	4.50	-	4.50	7.50	8.00
Scrip – Rs. Per share	3.00	4.50	2.00	2.00	2.50
Voting price, year-end (Rs.)	66.30	43.60	87.80	139.90	198.90
Non-voting price (Rs.)	59.00	35.20	73.30	111.00	188.60

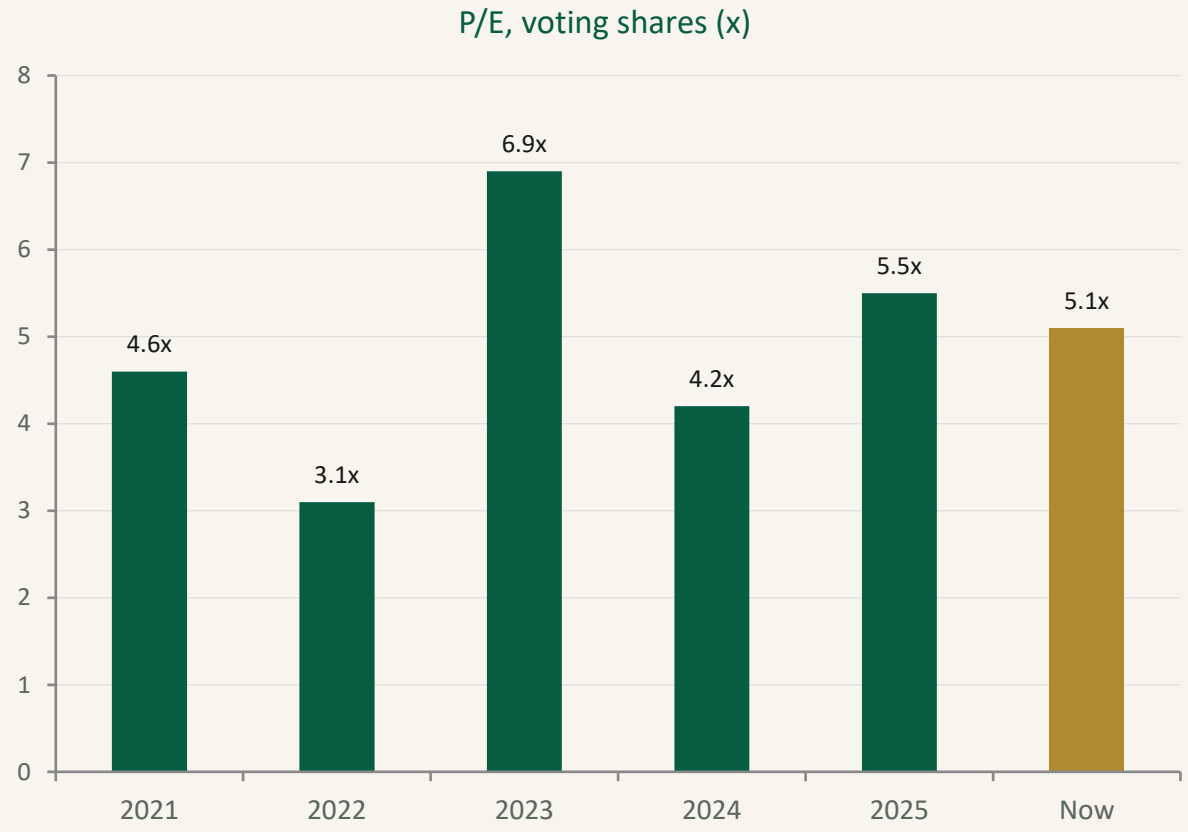
- 2025 dividend Rs. 10.50: Rs. 8.00 cash + Rs. 2.50 in shares (scrip); gross Rs. 17.2 Bn; cash payout 22%.
- Cash yield at Rs. 202: 4.0%; including scrip 5.2%.
- Scrip dividends retain capital for loan growth but dilute shareholders who sell their scrip.
- As at 7 October 2026, COMB voting shares traded at Rs. 200.00, while non-voting shares traded at Rs. 183.25

Voting shareholders, 31 Dec 2025 (%)



- No controlling shareholder; public holding 99.83% (voting). 1,539 Mn voting shares.
- IFC holds about 14% across three accounts; Norges Bank 1.6%.

Valuation context



Metric at Rs. 202.00	Value
P/E on 2025 Group EPS (36.86)	5.5x
P/E on TTM EPS (about 39.5)	5.1x
Earnings yield (TTM)	about 19.6%
12-month T-bill yield (30 Sep 2026)	9.95%
P/BV (Dec-25 NAV 203.04)	0.99x
P/BV (book about 216, mid-2026)	about 0.93x
Dividend yield (cash / incl. scrip)	4.0% / 5.2%
ROE 2025 (Group)	19.6%
Non-voting discount to voting	about 8%

A bank earning about 20% ROE at about 1x book implies the market expects returns to fall, or prices in sovereign and credit-cycle risk.

Earnings sensitivity at today's price

How the P/E at Rs. 202.00 changes under different 2026 earnings outcomes. These are illustrations, not forecasts.

Credit stress

2026 EPS Rs. 34

5.9x

implied P/E

Impairment jumps as new loans season; NIM narrows

1H pace holds

2026 EPS Rs. 39

5.2x

implied P/E

PAT about +12% on 2025, as in 1H 2026

Strong year

2026 EPS Rs. 43

4.7x

implied P/E

Loan growth continues with stable credit costs

Upside year

2026 EPS Rs. 47

4.3x

implied P/E

Lower provisions plus wider margins

Opportunities and catalysts

1 Credit recovery

Private-sector credit demand is recovering after the crisis; COMB has the largest SME franchise.

2 Low-cost funding

CASA 39.7% vs industry 31.6% protects margins as competition for deposits rises.

3 Overseas contribution

Management aims to increase overseas earnings (Bangladesh, Maldives) to diversify.

4 Digital scale

OneApp and a unified customer data platform planned for 2026; digital channels cut costs.

5 Green finance

Green portfolio Rs. 71 Bn, target Rs. 100 Bn by 2030; IFC partnership.

6 Asset quality tailwind

Stage 3 at 1.38% and 73.5% coverage give room if write-backs continue.

Key risks

HIGH

Credit quality after fast growth

Loans +36% in a year; new loans are unseasoned. 1H26 impairment +33% and Q2 +193% QoQ.

HIGH

Sovereign exposure

Debt securities (largely government) about 28% of Bank assets; 2024 showed the P&L impact of a sovereign restructuring.

MEDIUM

Capital consumption

CET1 fell 119 bps in 2025; sustained growth may need retained earnings, scrip dividends or new Tier 2.

MEDIUM

Interest-rate and margin risk

OPR raised in May 2026; deposit repricing could narrow the 4.51% NIM.

MEDIUM

Tax burden

Income tax plus taxes on financial services take about 45% of operating profit; changes hit EPS directly.

MEDIUM

Macro and external shocks

Middle East conflict, energy prices and remittance flows affect borrowers and FX liquidity.

LOWER

Overseas operations

Bangladesh and Myanmar carry political, currency and regulatory risk.

LOWER

Cyber and operational

Rapid digitalisation raises cyber exposure; the Bank is expanding its security operations centre.

Outlook and what to monitor

Management's stated direction

- Preserve capital strength and liquidity leadership
- Disciplined growth in productive sectors with strong risk controls
- Scale digital transformation; launch OneApp in 2026
- Strengthen cyber resilience and platform reliability
- Increase overseas contribution to diversify earnings
- Grow green finance toward Rs. 100 Bn by 2030

Checklist for the next results

- **9M 2026** (due by mid-November): impairment trend after Q2's jump.
- **NIM:** does it hold near 4.5% after the May rate rise?
- **Stage 3:** still below 1.5% as the new loan book seasons?
- **Capital:** CET1 vs 13.04% at Dec-25; any Tier 2 issuance.
- **Loan growth:** slowing from 36% as CBSL expects credit to moderate?
- **Policy:** next CBSL review 20 Nov 2026; tax changes in Budget 2027.

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