



SEYLAN BANK PLC [SEYB.N0000]

MAINTAIN BUY

“STRONG FUNDAMENTALS, COMPELLING UPSIDE”

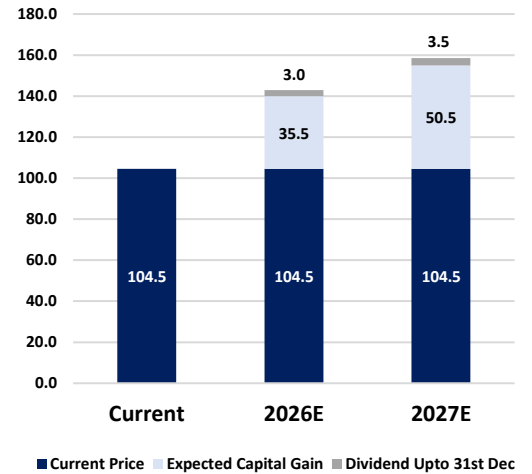
Fair Value: 2026E - LKR 140.0 [+34%]

2027E - LKR 155.0 [+48%]

Total Return with DPS: 2026E - 37% [AER 57%]

2026E - 52% [AER 28%]

SEYB reported a Net Profit of LKR 3.8Bn in 4Q2025 (+9.4%YoY), bringing full-year earnings to LKR 12.2Bn (+20.3%YoY), exceeding FCR's forecast by 5.4% and reinforcing a sustained improvement in underlying performance. Net Interest Income expanded to LKR 11.3Bn (+18.3%YoY), supported by an 8.3%YoY increase in interest income alongside a marginal 0.4%YoY contraction in interest expenses, reflecting favorable funding dynamics. This performance was underpinned by robust loan growth of 29.6%YoY (+12.4%QoQ), with net loans reaching LKR 599.8Bn, approximately 4.4% above expectations, while non-interest income also recorded a strong uplift, further supporting earnings diversification. Looking ahead, FCR anticipates a moderation in loan growth, reflecting a gradual slowdown in broader economic activity, while the monetary easing cycle appears to have largely bottomed out, suggesting emerging pressure on margins. Nevertheless, these dynamics have been largely factored into FCR's forward assumptions, as evidenced by the expected moderation in earnings growth, moving ahead. Accordingly, FCR projects Net Profit of LKR 15.9Bn (+30.8%YoY) in 2026E and LKR 18.4Bn (+15.6%YoY) in 2027E. Reflecting broader market re-rating dynamics, 2026E fair value has been revised to LKR 140.00 (from LKR 150.00), implying a PER of 6.0x (previously 7.0x), while a 2027E fair value of LKR 155.00 has been introduced, indicating upside potential of 37.0% and 52.0%, respectively. **MAINTAIN BUY.**



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LKR (Mn)	4Q2024	4Q2025	YoY	2024	2025	YoY
Earnings (LKR 'Mn)						
NII	9,544	11,292	+18%	37,090	38,634	+4%
Total Operating Income	9,304	14,059	+51%	42,965	48,529	+13%
Net Operating Income	11,776	13,955	+19%	41,539	47,780	+15%
Pre Tax Profit	5,521	6,914	+25%	16,235	19,837	+22%
Net Profit (equity share holders)	3,509	3,837	+9%	10,113	12,168	+20%
Balance Sheet (LKR 'Mn)						
Loans	462,951	599,802	+30%	462,951	599,802	+30%
Shareholders' Equity	72,605	84,116	+16%	72,605	84,116	+16%
NAVPS	114.2	132.3		114.2	132.3	

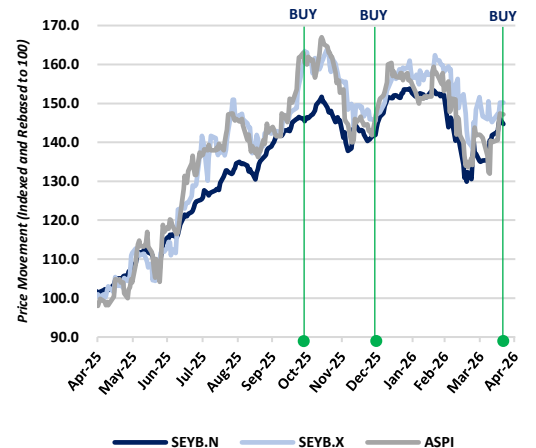
4Q2025 earnings advance by 9.4%YoY

SEYB reported a Net Profit of LKR 3.8Bn in 4Q2025 (+9.4%YoY), bringing full-year earnings to LKR 12.2Bn (+20.3%YoY), exceeding FCR's forecast by 5.4% and underscoring a continued strengthening in underlying performance. Net Interest Income expanded to LKR 11.3Bn (+18.3%YoY), supported by an 8.3%YoY increase in interest income alongside a marginal 0.4%YoY contraction in interest expenses, reflecting improved funding dynamics. Net Fee and Commission Income also recorded robust growth of 21.8%YoY, driven by higher activity across cards, remittances, and international trade segments. Total Operating Income increased sharply by 51.1%YoY, largely reflecting the absence of ISB restructuring-related losses that weighed on performance in 4Q2024, thereby normalizing earnings capacity. Operating expenses rose at a more measured pace of 9.0%YoY, primarily due to higher personnel costs and depreciation charges. Despite a notable increase in taxation, with VAT rising by 23.5%YoY and income tax by 53.2%YoY, SEYB sustained positive bottom-line growth, highlighting the resilience of its core operations. FCR broadly maintains its earnings outlook, with minor adjustments to reflect recent performance trends, and expects Net Profit to reach LKR 15.9Bn (+30.8%YoY) in 2026E and LKR 18.4Bn (+15.6%YoY) in 2027E.

Credit expansion and funding efficiency drive NII growth

SEYB reported an 18.3%YoY expansion in Net Interest Income (NII), supported by an 8.3%YoY increase in interest income alongside a marginal 0.4%YoY contraction in interest expenses, reflecting improved funding dynamics. The growth in interest income was underpinned by a robust 29.6%YoY (+12.4%QoQ) expansion in the loan book during 4Q2025, with net loans reaching LKR 599.8Bn, approximately 4.4% above FCR's prior expectations. On the liability side, the deposit base expanded by 13.3%YoY, driven primarily by growth in local currency deposits, while the repricing of FX-denominated deposits amid LKR depreciation also contributed. Notably, within LKR deposits, a favorable shift in mix, characterized by growth in demand and savings deposits alongside a contraction in fixed deposits, helped contain funding costs despite overall balance sheet expansion. Notably, SEYB's CASA ratio stood anchored at 30.0% during the period under review. Margin dynamics remained relatively stable, with Net Interest Margin (NIM) at 4.50% in 4Q2025, compared to 4.90% in 4Q2024, reflecting the lower interest rate environment that prevailed through much of 2025. However, NIM improved modestly from 4.48% in 3Q2025, indicating early signs of improving margins.

Price movement of SEYB vs ASPI and past recommendations



Source: CSE

Minimum Return for BUY:

Buy Below for 2025E [AER of 18% with DPS]: LKR 117.95
SEYB 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 SEYB during the five trading days prior to the issuance of this document.

Asset quality strengthens amid normalizing impairments

SEYB recorded an impairment charge on loans and advances of LKR 122.4Mn in 4Q2025, representing a sharp 95.1% YoY contraction, reflecting a continued normalization in credit costs. The Bank also recognized a modest ISB-related reversal of LKR 18.2Mn, significantly lower than the elevated levels observed in 4Q2024, further underscoring the dissipation of one-off adjustments linked to Sri Lanka’s external debt restructuring. These trends collectively indicate a transition towards more stable and sustainable impairment provisioning. Concurrently, asset quality metrics strengthened, with the Stage 3 loan ratio improving to 1.03% in 4Q2025 from 2.10% a year earlier, signaling a sustained recovery in the underlying credit profile.

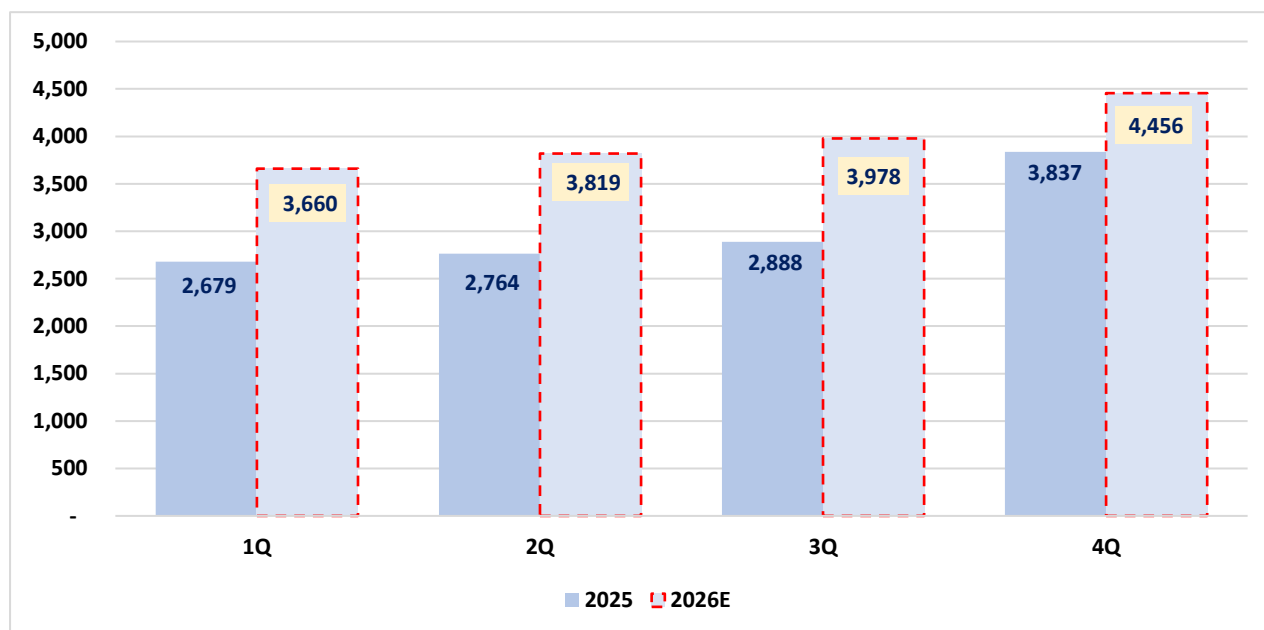
Robust capital and liquidity buffers supplement SEYB’s performance

The Bank’s Capital Adequacy Ratios remained well above the minimum regulatory requirements, underscoring its strong capital position and prudent balance sheet management. As at the reporting date, both the Common Equity Tier 1 (CET 1) Capital Ratio and the Total Tier 1 Capital Ratio stood at 12.39%, while the Total Capital Ratio was a healthy 17.89%, comfortably exceeding the minimum thresholds prescribed by the regulator. The Bank also maintained robust liquidity buffers, with the Liquidity Coverage Ratio (LCR) remaining well above statutory requirements. The All-Currency LCR Ratio stood at an elevated 229.92%, while the Rupee LCR Ratio was maintained at 227.99%, reaffirming the Bank’s sound liquidity management and balance sheet resilience.

TP for 2027E estimated at LKR 155.0 for SEYB.N and LKR 115.0 for SEYB.X – MAINTAIN BUY

Looking ahead, FCR expects loan growth to normalize amid a gradual easing in broader economic momentum, while the monetary easing cycle appears to have reached its trough, indicating the onset of margin pressures. However, supported by persistently strong fundamentals, SEYB’s outlook remains compelling even amid a potential softening in the aggregate economy. While 2026E fair values have been revised to LKR 140.00 (from LKR 150.00) for SEYB.N and LKR 100.00 (from LKR 115.00) for SEYB.X, this reflects a broader market re-rating amid moderating economic activity. FCR also introduces 2027E fair values of LKR 155.00 and LKR 115.00, for SEYB.N and SEYB.X respectively. **MAINTAIN BUY.**

Quarterly Earnings



Estimate Revision

In LKR Mn	2026E - O	2026E - R	% Change	2027E - O	2027E - R	% Change
Earnings Estimate						
Net Interest Income	44,945	44,709	-1%	51,644	50,391	-2%
Total Operating Incom	56,923	57,850	+2%	64,718	64,939	+0%
Net Operating Income	55,347	56,051	+1%	62,340	62,133	-0%
Pre Tax Profit	32,215	33,644	+4%	29,432	29,938	+2%
Net Profit	15,428	15,913	+3%	18,406	18,397	-0%
Adjusted EPS	24.2	25.0		24.2	28.9	
Growth YoY	34%	31%		19%	16%	
Balance Sheet Estimate						
Shareholders' Equity	94,658	95,646	+1%	108,649	110,180	+1%
Adjusted NAVPS	144.1	150.5		165.1	173.3	
Ratio Estimate						
ROE (%)	17.9%	17.7%		18.7%	17.9%	
PER (x)	4.7	4.2		3.9	3.6	
PBV (x)	0.8	0.7		0.7	0.6	

Valuation Table

Y/E 31 December	2021	2022	2023	2024	2025	2026E	2027E	2028E
Estimates (LKR 'Mn)								
Net Interest Income	23,904	40,887	40,452	37,090	38,634	44,709	50,391	57,301
Total Operating Income	31,729	51,379	49,845	44,132	48,529	57,850	64,939	73,264
Net Profit	4,653	4,574	6,321	10,113	12,168	15,913	18,397	20,945
Net Recurring Profits	4,653	4,574	6,321	6,710	12,168	15,913	18,397	20,945
Adjusted EPS (LKR)	7.3	7.2	9.9	10.6	19.1	25.0	28.9	33.0
YoY Growth (%)	53.1%	-1.7%	38.2%	6.2%	81.3%	30.8%	15.6%	13.8%
Valuations								
PER (x)	14.3x	14.5x	10.5x	9.9x	5.5x	4.2x	3.6x	3.2x
PBV (x)	1.0x	1.1x	1.0x	0.9x	0.8x	0.7x	0.6x	0.5x
DPS (LKR)	3.0	2.0	3.0	3.5	3.0	3.0	3.5	3.5
Dividend Payout	16.7%	25.5%	18.3%	15.2%	18.3%	20.0%	21.0%	21.0%
DY (%)	2.9%	1.9%	2.9%	3.8%	2.9%	2.9%	3.3%	3.3%
NAVPS	101.1	97.3	101.4	114.2	132.3	150.5	173.3	199.4

Ratio Analysis

		2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth	Asset	9.0%	10.6%	6.7%	8.6%	18.1%	6.9%	9.1%	10.0%
	Deposit	11.0%	12.0%	8.1%	9.3%	13.3%	7.0%	9.0%	10.0%
	Net Loans	13.8%	5.3%	1.4%	5.6%	26.4%	15.0%	12.0%	10.0%
Profitability	Return on Equity	8.9%	8.3%	10.7%	15.0%	15.5%	17.7%	17.9%	17.7%
	Return on Average Assets	0.8%	0.7%	0.9%	1.4%	1.4%	1.7%	1.8%	1.9%
	Net Interest Spread	4.1%	6.7%	6.3%	5.1%	4.4%	4.4%	4.5%	4.6%
	Net Interest Margin	5.0%	8.4%	8.2%	7.1%	6.2%	5.9%	6.0%	6.2%
Funding & Liquidity	Loan/ Deposits	90.4%	81.2%	74.0%	71.6%	81.8%	91.8%	93.8%	93.8%
	Loan/ Assets	72.7%	66.0%	60.9%	59.3%	65.1%	73.1%	74.6%	74.7%
	Deposit/ Liabilities	88.4%	88.9%	90.4%	91.6%	87.7%	88.4%	88.8%	89.3%
	CASA	35.4%	23.8%	25.1%	25.1%	29.9%	28.0%	27.0%	25.0%

Valuation Summary

Expected SEYB price for	2026E	2027E
Justified PBV based target price	133.0	155.0
PER Valuation based target price	150.2	165.0
RI Valuation based target price	132.2	156.6
Average Target Price	138.5	158.9
Target Price after Rounding off	140.0	155.0

Return	2026E	2027E
Target Price	140.0	155.0
Current Price	104.5	104.5
Capital Gain (LKR)	35.5	50.5
Dividends upto 31st Dec (LKR)	3.0	3.5
Capital Gain %	34%	48%
Dividend Yield %	3%	3%
Total Return %	37%	52%
Annualized Return %	57%	28%

Residual Income Valuation

Residual Income based Valuation	2026E	2027E
PV of Residual Income	-92.9	-90.1
No. of Shares ('Mn)	636	636
RI per Share	-0.1	-16.7
Opening Book value per Share	132.3	150.5
Value per Share	132.2	156.6

COE	2026E	2027E
Rf	10.0%	10.0%
Rm	18.0%	18.0%
Growth %	3.0%	3.0%
β	1.0	1.0
$Ke=Rf+\beta(Rm-Rf)$	19.6%	19.6%

Justified PBV Valuation

Justified PBV based Valuation	2026E	2027E
ROAE	17.7%	17.9%
Growth	3.0%	3.0%
COE	19.6%	19.6%
PBV	0.9	0.9
NAVPS	150.5	173.3
Target Price	133.0	155.0

PER Valuation

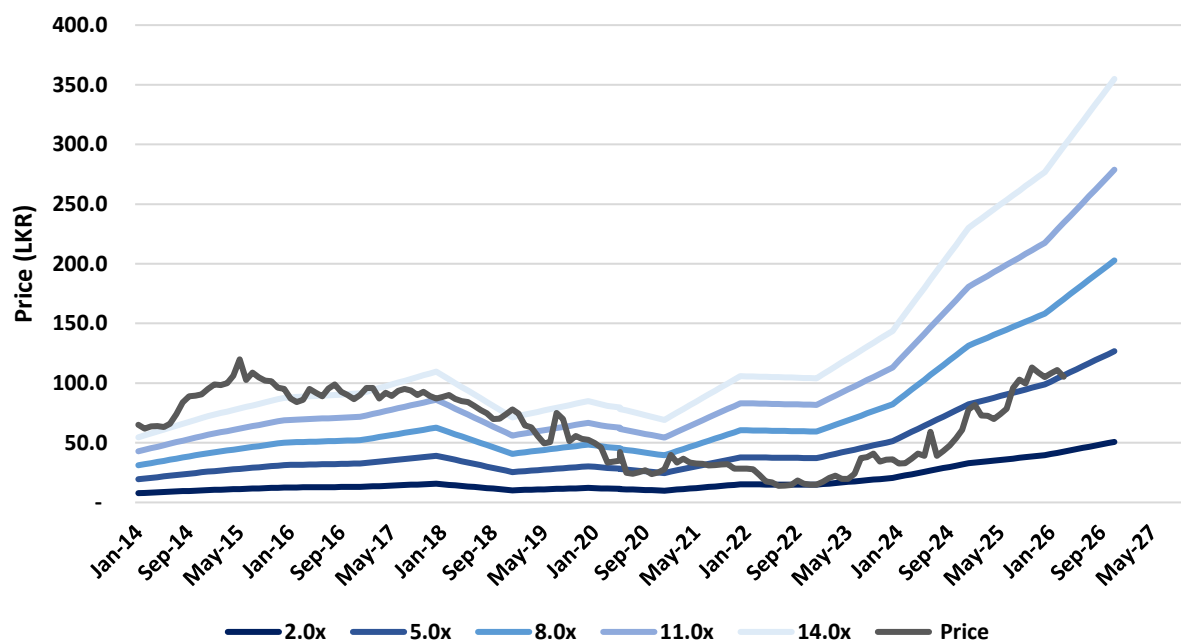
PER based Valuation	2026E	2027E
Earnings (LKR 'Mn)	15,913	18,397
No. of Shares ('Mn)	636	636
EPS	25.0	28.9
Expected PER	6x	6x
Price at 6.0x Earnings	150.2	165.0

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	15.00%	11.00%	11.00%
Grade B	Rest of the Companies	18.00%	13.00%	13.00%
Grade C	Companies less than LKR 1Bn Market Cap	21.00%	16.00%	16.00%

PER Chart



Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn)	2021	2022	2023	2024	2025	2026E	2027E	2028E
P/E 31st December								
Interest Income	46,781	86,106	107,168	84,363	82,428	94,191	105,700	119,768
Less : Interest Expenses	22,877	45,219	66,717	47,273	43,794	49,482	55,308	62,467
Net Interest Income	23,904	40,887	40,452	37,090	38,634	44,709	50,391	57,301
Fee & Other Income	7,826	10,492	9,393	7,042	9,896	13,141	14,548	15,962
Total Operating Income	31,729	51,379	49,845	44,132	48,529	57,850	64,939	73,264
Impairment (Charges)/ Reversal	-10,422	-26,433	-17,005	-1,749	-750	-1,799	-2,807	-4,410
Net Operating Income	21,308	24,946	32,840	42,382	47,780	56,051	62,133	77,674
Less : Operating expenses								
Staff Cost	6,946	8,007	9,194	10,242	11,304	12,208	13,062	14,107
Depreciation of PPE	1,479	1,416	1,348	1,366	1,465	1,002	823	826
Other Operating Expenses	4,763	5,951	8,093	9,161	8,843	9,197	9,565	9,995
Total Operating Expenses	13,188	15,375	18,635	20,768	21,612	22,407	23,450	24,928
Operating Profit Before Taxes	8,119	9,571	14,205	21,614	26,168	33,644	38,683	52,746
VAT, NBT & DRL	1,935	2,774	3,935	5,379	6,331	7,749	8,745	9,807
Profit Before Tax	6,185	6,797	10,269	16,235	19,837	25,895	29,938	42,938
Income Tax Expense	1,449	2,219	3,869	6,082	7,610	9,934	11,485	13,089
Profit for the Year	4,736	4,578	6,401	10,153	12,227	15,961	18,453	29,850
Less : Non-Controlling Interest	83	3	80	39	59	48	55	84
Profit attributable to Equity Holders	4,653	4,574	6,321	10,113	12,168	15,913	18,397	29,766
EPS	7.6	7.4	9.9	15.9	19.1	25.0	28.9	33.0

Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn)	2021	2022	2023	2024	2025	2026E	2027E	2028E
As at 31st December								
Assets								
Cash and Cash Equivalents	16,079	40,255	48,322	17,384	18,203	13,651	8,238	6,361
Balances with Central Bank of Sri Lanka	8,726	16,784	7,028	8,719	11,218	6,902	7,523	8,275
Placements with Banks and Finance Companies:	13,507	20,120	50,436	71,627	47,166	43,279	47,177	54,716
Loans and Advances to Customers	441,977	444,220	437,532	462,951	599,802	719,794	801,894	882,084
Financial Assets	107,322	123,616	144,913	192,931	213,657	172,539	179,519	197,471
Property, Plant and Equipment	7,064	6,463	6,627	7,923	8,503	8,086	7,855	8,223
Other Assets	13,416	21,378	23,135	18,531	22,362	20,173	22,207	24,420
Total Assets	608,090	672,835	717,993	780,067	920,910	984,475	1,074,464	1,181,601
Liabilities								
Due to Banks	24,722	13,065	12,129	8,143	23,905	26,994	29,687	32,656
Due to Customers	488,653	547,316	591,623	646,817	732,960	784,268	854,852	940,337
Other Borrowings	24,287	33,569	26,847	26,614	45,351	46,629	47,370	48,094
Tax Liabilities	2,194	7,434	2,720	1,980	8,634	4,002	4,430	4,803
Other Liabilities	12,947	13,985	20,977	22,838	24,843	25,340	26,100	26,883
Total Liabilities	552,803	615,369	654,295	706,391	835,694	887,232	962,439	1,052,772
Shareholders Funds								
Stated Capital	18,324	19,926	20,909	21,693	21,693	21,693	21,693	21,693
Statutory Reserve Fund	2,333	2,568	2,881	3,384	3,989	4,819	5,778	6,872
Retained Earnings	29,967	31,698	35,541	42,361	52,133	62,442	74,176	87,535
Other Reserves	3,334	2,010	3,051	5,167	6,301	6,692	8,532	10,626
Shareholders Funds	53,958	56,202	62,382	72,605	84,116	95,646	110,180	126,726
Minority Interest	1,329	1,264	1,316	1,071	1,100	1,596	1,845	2,103
	55,287	57,466	63,698	73,676	85,216	97,242	112,025	128,829
Total Liabilities & Shareholders' Funds	608,090	672,835	717,993	780,067	920,910	984,475	1,074,464	1,181,601
NAVPS	101.1	97.3	101.4	114.2	132.3	150.5	173.3	199.4



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