



SEYLAN BANK PLC [SEYB.N0000]

MAINTAIN BUY

“LENDING RESILIENCE ANCHORS STABILITY”

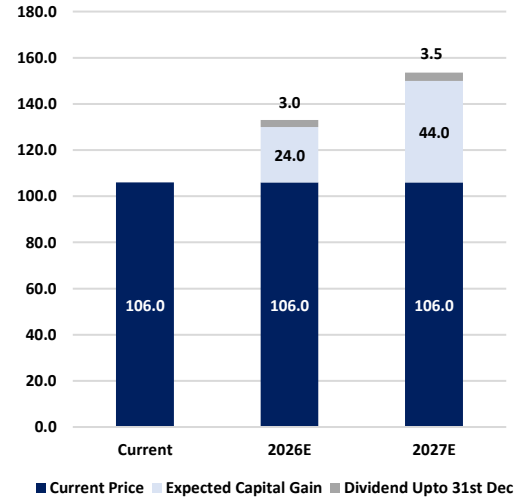
Fair Value: 2026E - LKR 130.0 [+23%]

Total Return with DPS: 2026E - 25% [AER 43%]

2027E - LKR 150.0 [+42%]

2027E - 45% [AER 25%]

SEYB reported a Net Profit of LKR 2.8Bn in 1Q2026, representing a moderate 4.9%YoY increase, as the Bank continued to demonstrate underlying earnings resilience despite profitability falling short of FCR's quarterly expectation of LKR 3.7Bn. The robust credit momentum witnessed throughout 2025 extended into 1Q2026, with Net Loans expanding by a strong 33.9%YoY (+4.7%QoQ), supported primarily by accelerated growth in international trade-related lending and term loan facilities. Against this backdrop, Net Interest Income (NII) recorded a healthy 13.2%YoY increase during the quarter, complemented by a stronger 24.0%YoY growth in Net Fee and Commission Income. On the cost front, impairment charges declined sharply by 55.6%YoY, providing a meaningful offset to the 19.5%YoY increase in operating expenses. Meanwhile, VAT and SSCL expenses increased by 11.3%YoY, while Income Tax expenses rose at a relatively faster pace of 14.0%YoY. Importantly, the Bank's Capital Adequacy and Liquidity Coverage Ratios remained comfortably above minimum regulatory requirements, underscoring SEYB's strong capital position and prudent balance sheet management. Taking into account the cost pressures visible in the current operating environment, FCR has revised SEYB's earnings forecasts for 2026E and 2027E to LKR 13.5Bn (from LKR 15.9Bn) and LKR 15.3Bn (from LKR 18.4Bn) respectively. Given the material impact of this adjustment, FCR has revised the FV of SEYB.N to LKR 130.0 (from LKR 140.0) and SEYB.X to LKR 90.0 (from LKR 100.0) for 2026E. Similarly, the FV for 2027E has also been revised to LKR 150.0 (from LKR 155.0) for SEYB.N and LKR 110.0 (from LKR 115.0) for SEYB.X. Despite these revisions, SEYB's upside remains attractive, with an estimated AER of 43% for 2026E and 25% for 2027E. **MAINTAIN BUY.**



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LKR (Mn)	1Q2025	1Q2026	YoY	2024	2025	YoY
Earnings (LKR 'Mn)						
NII	8,682	9,831	+13%	37,090	38,634	+4%
Total Operating Income	10,989	12,367	+13%	42,965	48,529	+13%
Net Operating Income	10,763	12,267	+14%	41,539	47,780	+15%
Pre Tax Profit	4,152	4,485	+8%	16,235	19,837	+22%
Net Profit (equity share holders)	2,679	2,810	+5%	10,113	12,168	+20%
Balance Sheet (LKR 'Mn)						
Loans	468,820	627,728	+34%	462,951	599,802	+30%
Shareholders' Equity	73,188	84,011	+15%	72,605	84,116	+16%
NAVPS	115.1	132.2		114.2	132.3	

1Q2026 earnings register modest uptick amid cost pressures

SEYB reported a Net Profit of LKR 2.8Bn in 1Q2026, reflecting a moderate 4.9%YoY growth, supported by a healthy 13.2%YoY expansion in Net Interest Income (NII) and a stronger 24.0%YoY increase in Net Fee and Commission Income. Nevertheless, overall earnings were weighed down by a loss in trading income and a moderation in gains from the derecognition of financial assets, primarily due to lower mark-to-market gains on government securities and equity investments amid prevailing movements in market interest rates and asset prices, although exchange income improved on the back of higher forex trading volumes. On the expense front, impairment charges declined sharply by 55.6%YoY, partially offsetting a 19.5%YoY increase in operating expenses driven by higher personnel, depreciation, and other operating costs. Meanwhile, VAT and SSCL expenses rose by 11.3%YoY, while Income Tax expenses increased at a comparatively higher rate of 14.0%YoY. Although SEYB's profitability remained fundamentally resilient during 1Q2026, earnings fell short of FCR's quarterly forecast of LKR 3.7Bn. Taking into account the cost pressures visible in the current operating environment, FCR has revised SEYB's earnings forecasts for 2026E and 2027E to LKR 13.5Bn (from LKR 15.9Bn) and LKR 15.3Bn (from LKR 18.4Bn) respectively.

SEYB sustains robust credit growth

The resilience in credit growth observed throughout 2025 persisted into 1Q2026, with Net Loans expanding by a strong 33.9%YoY (+4.7%QoQ), driven primarily by notable growth in international trade-related lending and term loans. This expansion in the loan portfolio, coupled with relatively higher interest rates prevailing during 1Q2026 compared to the corresponding period last year, supported a 17.0%YoY increase in interest income to LKR 22.8Bn. Meanwhile, SEYB's deposit base grew by 14.7%YoY (+1.3%QoQ), led predominantly by growth in local currency fixed deposits, resulting in a marginal moderation in the CASA ratio to 28% in 1Q2026 from 29% recorded in 1Q2025. However, the upward repricing of deposits alongside the larger fixed deposit base contributed to a 20.0%YoY increase in interest expenses. Consequently, Net Interest Margin (NIM) moderated to 4.23% in 1Q2026, compared to 4.45% in the corresponding period last year and 4.50% in the previous quarter.

Price movement of SEYB vs ASPI and past recommendations



Source: CSE

Minimum Return for BUY:

Buy Below for 2027E [AER of 18% with DPS]: LKR 115.43
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 remains resilient amid moderating impairments

SEYB recorded an impairment charge of LKR 100.2Mn in 1Q2026, marking a significant YoY decline of 55.6%. The improvement reflects the continued normalization and strengthening of asset quality, particularly against the backdrop of robust expansion in the Bank’s loan portfolio. Accordingly, the stage 3 loans ratio improved further to 1.01% during the quarter, compared to 1.03% in the preceding quarter and 1.98% in 1Q2025. Meanwhile, the impairment coverage ratio strengthened to 86.23%, relative to 80.74% recorded during the corresponding period last year.

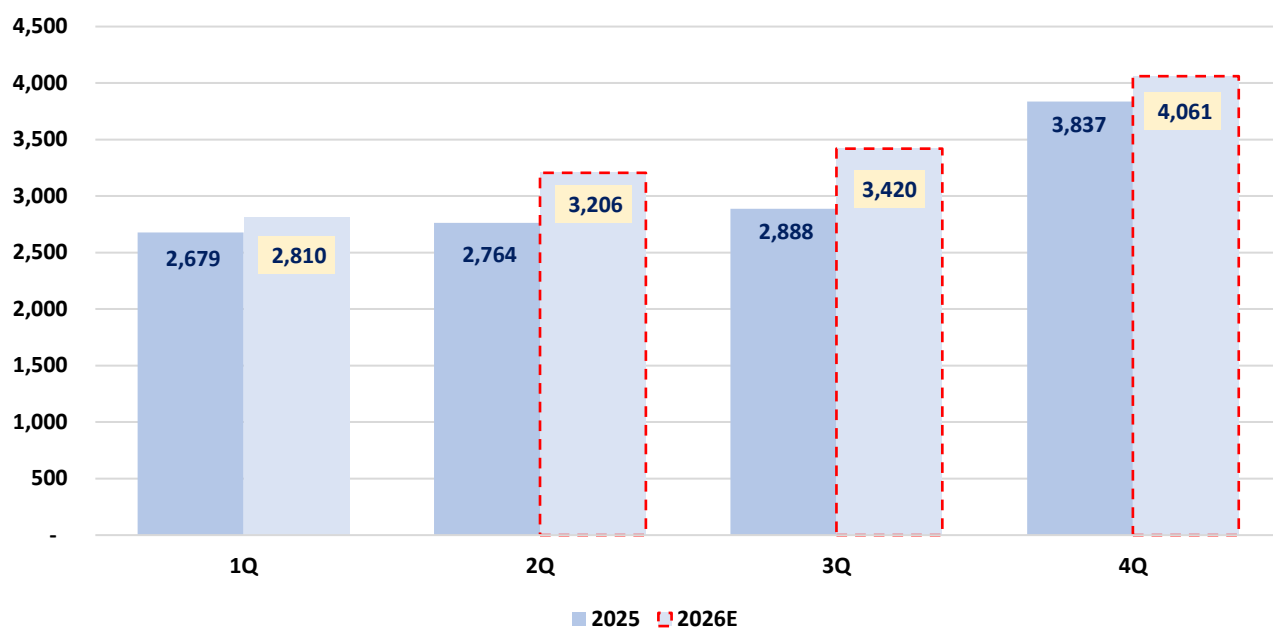
Capital adequacy remains strong amid robust liquidity buffers

The Bank’s Capital Adequacy Ratios remained comfortably above the minimum regulatory thresholds, reflecting its strong capital base and disciplined balance sheet management. During 1Q2026, both the Common Equity Tier 1 (CET 1) Capital Ratio and the Total Tier 1 Capital Ratio stood at 11.40%, while the Total Capital Ratio was recorded at a healthy 16.38%, providing a substantial buffer above the regulatory minimums. In parallel, the Bank continued to maintain robust liquidity buffers, with the Liquidity Coverage Ratio (LCR) remaining well in excess of statutory requirements. The All-Currency LCR stood at a strong 192.49%, while the Rupee LCR was maintained at 188.30%, underscoring the Bank’s prudent liquidity management and resilient balance sheet position.

FV revised to LKR 130.00 for 2026E and LKR 150.00 for 2027E – MAINTAIN BUY

SEYB’s resilient operating fundamentals, underpinned by healthy fee income generation, sharply lower impairment charges, and prudent balance sheet management, continue to support a constructive medium-term earnings outlook. Although SEYB’s profitability remained broadly resilient during 1Q2026, earnings came in below FCR’s quarterly forecast of LKR 3.7Bn. Considering the cost pressures evident in the current operating environment, FCR has revised SEYB’s earnings forecasts for 2026E and 2027E to LKR 13.5Bn (from LKR 15.9Bn) and LKR 15.3Bn (from LKR 18.4Bn), respectively. The material nature of this adjustment has warranted a subsequent revision of FV to LKR 130.0 (SEYB.X: LKR 90.0) and LKR 150.0 (SEYB.X: LKR 115.0) for 2026E and 2027E respectively. In spite of this revision, SEYB offers an attractive total upside of 25% for 2026E and 45% for 2027E. **MAINTAIN BUY.**

Quarterly Earnings



Estimate Revision

In LKR Mn	2026E - O	2026E - R	% Change	2027E - O	2027E - R	% Change
Earnings Estimate						
Net Interest Income	44,709	42,948	-4%	50,391	48,355	-4%
Total Operating Income	57,850	55,327	-4%	64,939	62,491	-4%
Net Operating Income	56,051	52,448	-6%	62,133	58,481	-6%
Pre Tax Profit	33,644	29,073	-14%	29,938	24,838	-17%
Net Profit	15,913	13,496	-15%	18,397	15,264	-17%
Adjusted EPS	25.0	21.2		28.9	24.0	
Growth YoY	31%	11%		16%	13%	
Balance Sheet Estimate						
Shareholders' Equity	95,646	93,983	-2%	110,180	106,499	-3%
Adjusted NAVPS	150.5	147.9		173.3	167.5	
Ratio Estimate						
ROE (%)	17.7%	15.2%		17.9%	15.2%	
PER (x)	4.2	5.0		3.7	4.4	
PBV (x)	0.7	0.7		0.6	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	42,948	48,355	54,732
Total Operating Income	31,729	51,379	49,845	44,132	48,529	55,327	62,491	70,135
Net Profit	4,653	4,574	6,321	10,113	12,168	13,496	15,264	17,476
Net Recurring Profits	4,653	4,574	6,321	6,710	12,168	13,496	15,264	17,476
Adjusted EPS (LKR)	7.3	7.2	9.9	10.6	19.1	21.2	24.0	27.5
YoY Growth (%)	53.1%	-1.7%	38.2%	6.2%	81.3%	10.9%	13.1%	14.5%
Valuations								
PER (x)	14.5x	14.7x	10.7x	10.0x	5.5x	5.0x	4.4x	3.9x
PBV (x)	1.0x	1.1x	1.0x	0.9x	0.8x	0.7x	0.6x	0.6x
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%	18.0%	18.0%	18.0%
DY (%)	2.8%	1.9%	2.8%	3.8%	2.8%	3.6%	4.1%	4.7%
NAVPS	101.1	97.3	101.4	114.2	132.3	147.9	167.5	190.1

Ratio Analysis

		2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth	Asset	9.0%	10.6%	6.7%	8.6%	18.1%	7.5%	9.7%	11.4%
	Deposit	11.0%	12.0%	8.1%	9.3%	13.3%	8.0%	10.0%	12.0%
	Net Loans	13.8%	5.3%	1.4%	5.6%	26.4%	15.0%	12.0%	9.0%
Profitability	Return on Equity	8.9%	8.3%	10.7%	15.0%	15.5%	15.2%	15.2%	15.4%
	Return on Average Assets	0.8%	0.7%	0.9%	1.4%	1.4%	1.4%	1.5%	1.5%
	Net Interest Spread	4.1%	6.7%	6.3%	5.1%	4.4%	4.2%	4.3%	4.5%
	Net Interest Margin	5.0%	8.4%	8.2%	7.1%	6.2%	5.7%	5.7%	5.9%
Funding & Liquidity	Loan/ Deposits	90.4%	81.2%	74.0%	71.6%	81.8%	90.9%	92.1%	89.6%
	Loan/ Assets	72.7%	66.0%	60.9%	59.3%	65.1%	72.7%	73.8%	72.2%
	Deposit/ Liabilities	88.4%	88.9%	90.4%	91.6%	87.7%	88.5%	89.0%	89.7%
	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	127.4	144.1
RI Valuation based target price	132.2	147.8
Average Target Price	130.9	149.0
Target Price after Rounding off	130.0	150.0

Return	2026E	2027E
Target Price	130.0	150.0
Current Price	106.0	106.0
Capital Gain (LKR)	24.0	44.0
Dividends upto 31st Dec (LKR)	3.0	3.5
Capital Gain %	23%	42%
Dividend Yield %	3%	3%
Total Return %	25%	45%
Annualized Return %	43%	25%

Residual Income Valuation

Residual Income based Valuation	2026E	2027E
PV of Residual Income	-111.2	-106.2
No. of Shares ('Mn)	636	636
RI per Share	-0.2	-19.7
Opening Book value per Share	132.3	147.9
Value per Share	132.2	147.8

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+β(Rm-Rf)	19.6%	19.6%

Justified PBV Valuation

Justified PBV based Valuation	2026E	2027E
ROAE	15.2%	15.2%
Growth	3.0%	3.0%
COE	19.6%	19.6%
PBV	0.9	0.9
NAVPS	147.9	167.5
Target Price	133.0	155.0

PER Valuation

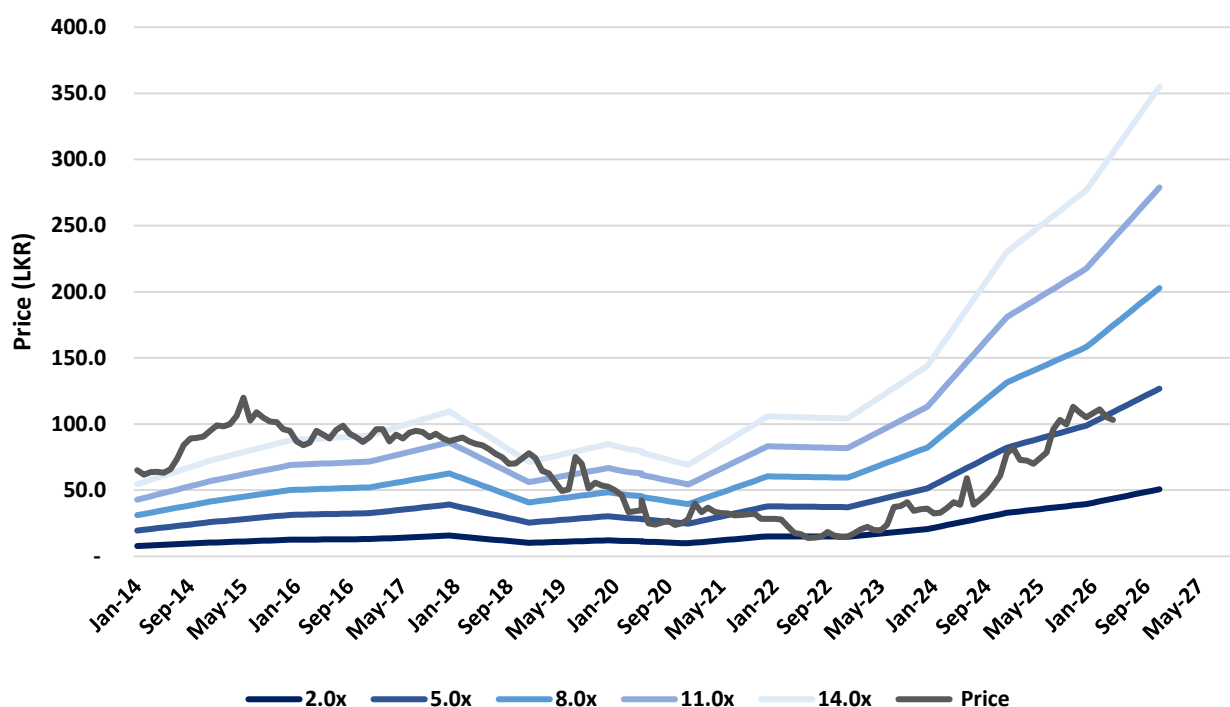
PER based Valuation	2026E	2027E
Earnings (LKR 'Mn)	13,496	15,264
No. of Shares ('Mn)	636	636
EPS	21.2	24.0
Expected PER	6x	6x
Price at 6.0x Earnings	127.4	144.1

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	92,631	104,332	119,612
Less : Interest Expenses	22,877	45,219	66,717	47,273	43,794	49,684	55,976	64,880
Net Interest Income	23,904	40,887	40,452	37,090	38,634	42,948	48,355	54,732
Fee & Other Income	7,826	10,492	9,393	7,042	9,896	12,379	14,135	15,403
Total Operating Income	31,729	51,379	49,845	44,132	48,529	55,327	62,491	70,135
Impairment (Charges)/ Reversal	-10,422	-26,433	-17,005	-1,749	-750	-2,879	-4,009	-4,370
Net Operating Income	21,308	24,946	32,840	42,382	47,780	52,448	58,481	74,506
Less : Operating expenses								
Staff Cost	6,946	8,007	9,194	10,242	11,304	12,999	14,819	16,745
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	9,374	9,936	10,532
Total Operating Expenses	13,188	15,375	18,635	20,768	21,612	23,375	25,578	28,104
Operating Profit Before Taxes	8,119	9,571	14,205	21,614	26,168	29,073	32,904	46,402
VAT, NBT & DRL	1,935	2,774	3,935	5,379	6,331	7,110	8,065	9,195
Profit Before Tax	6,185	6,797	10,269	16,235	19,837	21,963	24,838	37,207
Income Tax Expense	1,449	2,219	3,869	6,082	7,610	8,426	9,529	10,921
Profit for the Year	4,736	4,578	6,401	10,153	12,227	13,537	15,309	26,286
Less : Non-Controlling Interest	83	3	80	39	59	41	46	70
Profit attributable to Equity Holders	4,653	4,574	6,321	10,113	12,168	13,496	15,264	26,216
EPS	7.6	7.4	9.9	15.9	19.1	21.2	24.0	27.5

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	17,001	15,807	33,519
Balances with Central Bank of Sri Lanka	8,726	16,784	7,028	8,719	11,218	6,966	7,663	8,582
Placements with Banks and Finance Companies	13,507	20,120	50,436	71,627	47,166	43,682	48,052	56,739
Loans and Advances to Customers	441,977	444,220	437,532	462,951	599,802	719,794	801,894	874,065
Financial Assets	107,322	123,616	144,913	192,931	213,657	174,151	182,859	204,802
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	24,244
Total Assets	608,090	672,835	717,993	780,067	920,910	989,905	1,086,388	1,210,226
Liabilities								
Due to Banks	24,722	13,065	12,129	8,143	23,905	27,001	29,701	32,687
Due to Customers	488,653	547,316	591,623	646,817	732,960	791,597	870,757	975,248
Other Borrowings	24,287	33,569	26,847	26,614	45,351	46,629	47,370	48,022
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	894,569	978,359	1,087,642
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	4,693	5,489	6,401
Retained Earnings	29,967	31,698	35,541	42,361	52,133	61,146	71,340	83,010
Other Reserves	3,334	2,010	3,051	5,167	6,301	6,450	7,977	9,724
Shareholders Funds	53,958	56,202	62,382	72,605	84,116	93,983	106,499	120,829
Minority Interest	1,329	1,264	1,316	1,071	1,100	1,354	1,531	1,755
Total Liabilities & Shareholders' Funds	608,090	672,835	717,993	780,067	920,910	989,905	1,086,388	1,210,226
NAVPS	101.1	97.3	101.4	114.2	132.3	147.9	167.5	190.1



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