



SEYLAN BANK PLC [SEYB.N0000]

MAINTAIN BUY

“RESILIENT CREDIT, ROBUST RETURNS”

Fair Value: 2025E - LKR 120.0 [+6%]

Total Return with DPS: 2025E - 9% [AER 65%]

2026E - LKR 150.0 [+33%]

2026E - 35% [AER 30%]

SEYB delivered a near 40% YoY surge in net profit for 3Q2025, with LKR 2.9Bn attributable to equity holders, bringing nine-month earnings to LKR 8.3Bn (+26.1% YoY) and achieving nearly 75% of FCR's 2025E forecast. The growth was supported by a 7.2% YoY increase in NII to LKR 9.4Bn, underpinned by over 20% YoY loan growth amid continued declines in market interest rates. Net Fee and Commission Income rose 16.9% YoY (LKR 2.4Bn), reflecting stronger activity in cards, remittances, international trade, and other financial services. While trading income moderated, higher other operating income helped drive a 20.0% YoY increase in Net Operating Income to LKR 11.9Bn. The loan portfolio expanded 20.9% YoY to LKR 533.8Bn, with notable contributions from trade-related loans, lease rentals, and pawning receivables. Deposits grew 12.9% YoY, with CASA stable at 29%, and NIM moderated to 4.48%. Finally, The Bank maintained a strong capital position and robust liquidity buffers, reflecting prudent balance sheet management and financial resilience. SEYB is thus well positioned to achieve FCR's 2025E net profit target of LKR 11.5Bn, with 2026E projected at LKR 15.4Bn (+33.7% YoY). Consequently, the fair value estimate for 2025E is maintained at LKR 120.0 (SEYB.X: LKR 85.0) while that of 2026E is also maintained at LKR 150.0 (SEYB.X: LKR 115.0). This denotes an AER of 65% and 30% for 2025E and 2026E respectively.

LKR (Mn)	3Q2024	3Q2025	YoY	9M2024	9M2025	YoY
Earnings (LKR 'Mn)						
NII	8,761	9,390	+7%	27,546	27,341	-1%
Total Operating Income	11,097	12,163	+10%	34,516	35,383	+3%
Net Operating Income	9,903	11,881	+20%	30,366	34,611	+14%
Pre Tax Profit	3,343	4,456	+33%	10,714	12,923	+21%
Net Profit (equity share holders)	2,066	2,888	+40%	6,604	8,330	+26%
Balance Sheet (LKR 'Mn)						
Loans	441,508	533,755	+21%	441,508	533,755	+21%
Shareholders' Equity	68,240	80,300	+18%	68,240	80,300	+18%
NAVPS	107.4	126.3		107.4	126.3	

Bottom-line surges by nearly 40% YoY in 3Q2025

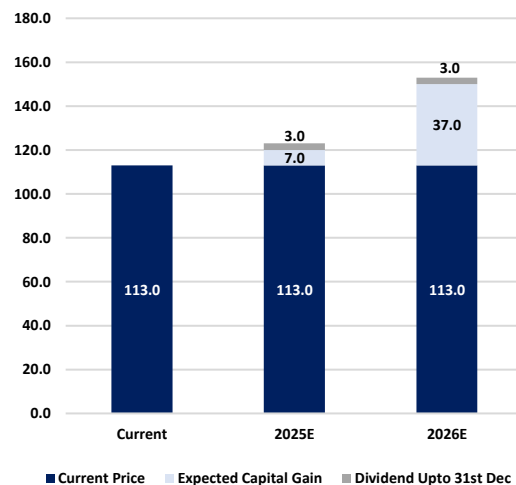
During 3Q2025, SEYB registered a YoY bottom-line surge of nearly 40%, as its Net Profits attributable to equity holders rose to LKR 2.9Bn. Moreover, during the first 9 months of the year, SEYB saw its Net Profits rise to 8.3Bn (+26.1% YoY), achieving nearly 75% of FCR's bottom-line forecast for 2025E. During the quarter under review the Bank saw its NII rise to LKR 9.4Bn, denoting a YoY uptick of 7.2%, propelled by a YoY loan growth of over 20%. Moreover, a 16.9% YoY (LKR 2.4Bn) improvement in Net Fee and Commission Income also reinforced bottom-line strength. According to the Bank, revived inflows from cards, remittances, international trade and other financial services fueled this growth. While 3Q2025 saw trading income adjust downward, improved other operating income helped mitigate its impact, in turn prompting a 20% uptick (LKR 11.9Bn) in Net Operating Income. Impairment allocations continued to trend downward, in line with FCR's expectations and registered a YoY dip of 76.4% while operating expenses inched higher by 11.2% YoY on the back of heightened operations. Consequently, SEYB remains well on track to meet FCR's earnings target for 2025E which stands at LKR 11.5Bn, implying a 71.5% YoY rise in net recurring profits. Moreover, FCR holds its Net Profit forecast for 2026E unchanged at LKR 15.4Bn (+33.7% YoY).

Sustained loan growth maintained amid favorable market dynamics

SEYB recorded a 20.9% YoY expansion in its loan portfolio, with total loans and advances rising to LKR 533.8Bn. This growth was underpinned by stronger credit demand stemming from lower borrowing costs and ample liquidity within the banking system, which supported broad-based loan growth. In particular, SEYB experienced a notable increase in international trade-related facilities and lease rental receivables, broadly aligning with FCR's expectations. Furthermore, the upward trend in global gold prices contributed to an increase in the Bank's pawning receivables, adding further momentum to loan book expansion. On the funding front, SEYB's deposit base expanded by 12.9% YoY, while the CASA ratio remained at a stable 29%, reflecting a well-balanced funding mix. Meanwhile, the Net Interest Margin (NIM) moderated in line with the monetary easing cycle, settling at 4.48% in 3Q2025 compared to 5.03% a year earlier.

Proactive provisioning sharpens SEYB's risk resilience

The Bank reported an impairment charge of LKR 281.3Mn for 3Q2025, reflecting a substantial decline of 76.4% YoY compared to LKR 1,194.1Mn recorded in 3Q2024. This sharp reduction underscores the continued improvement in the credit environment and the effectiveness of the Bank's risk management and recovery strategies. According to the Bank, impairment provisions have been prudently maintained, incorporating developments in both global and domestic economic conditions, evolving customer credit risk profiles, and the overall credit quality of the loan portfolio. As a result, asset quality metrics have strengthened further, with the Impaired Loan (Stage 3) Ratio improving to 1.48% from 3.05% a year earlier while the Stage 3 Provision Cover Ratio stood at a robust 83.22% against the 72.85% level seen in 3Q2024.

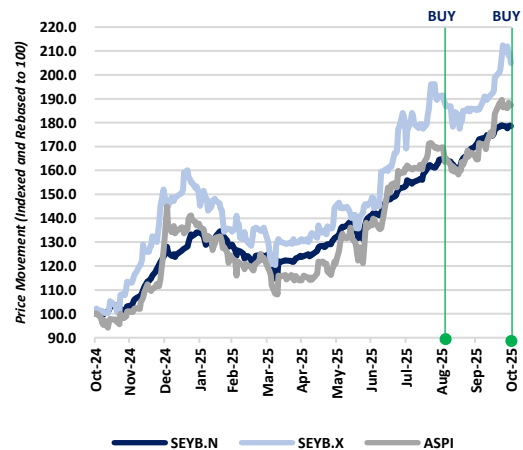


FIRST CAPITAL RESEARCH

Akna Tennakoon +94 11 263 9866

akna@firstcapital.lk

Price movement of SEYB vs ASPI and past recommendations



Source: CSE

Minimum Return for BUY:

Buy Below for 2025E [AER of 17% with DPS]: LKR 115.66
SEYB categorized as 'Grade B' counter

Disclosure on Shareholding:

First Capital Group do not hold shares in SEYB and will not trade in this share for three trading days following the issue of this document.

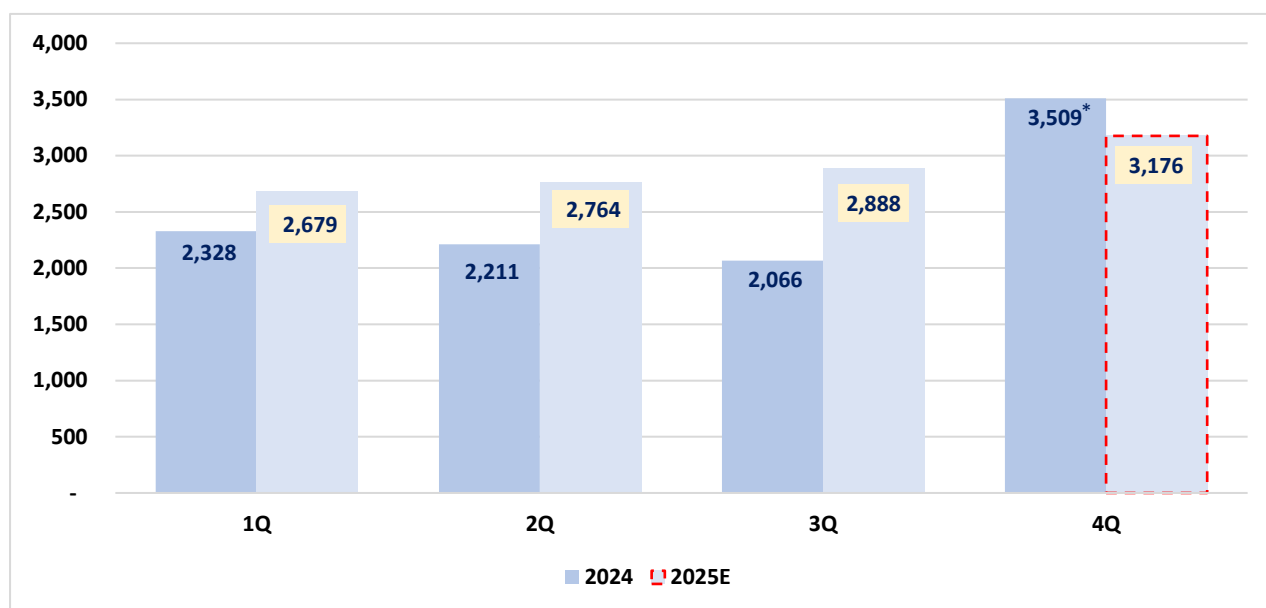
Robust capital buffers reinforce Bank’s strong position

The Bank’s Capital Adequacy Ratios remained well above the regulatory minimum 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 12.24%, while the Total Capital Ratio was a healthy 18.34%, 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 317.20%, while the Rupee LCR Ratio was maintained at 276.57%, reaffirming the Bank’s sound liquidity management and balance sheet resilience.

FV maintained at LKR 150.0 for SEYB.N and LKR 115.0 for SEYB.X in 2026E – MAINTAIN BUY

Driven by SEYB’s strong near 40% YoY net profit growth in 3Q2025, with LKR 2.9Bn attributable to equity holders and nine-month earnings up 26.1% YoY, the Bank’s outlook remains compelling. The 2025E fair value is maintained at LKR 120.0 for SEYB.N and LKR 85.0 for SEYB.X, with the 2026E fair value also maintained at LKR 150.0 for SEYB.N and LKR 115.0 for SEYB.X. Thus, we continue to maintain our recommendation on SEYB at **MAINTAIN BUY**.

Quarterly Earnings



*Note: 4Q2024 Earnings include impairment reversals resulting from the conclusion of Sri Lanka's ISB restructuring under external debt restructuring.

Estimate Revision

In LKR Mn	2025E - O	2025E - R	% Change	2026E - O	2026E - R	% Change
Earnings Estimate						
Net Interest Income	37,507	37,507	0%	44,945	44,945	0%
Total Operating Income	48,031	48,031	0%	56,923	56,923	0%
Net Operating Income	46,884	46,884	0%	55,347	55,347	0%
Pre Tax Profit	25,024	25,024	0%	24,670	24,670	0%
Net Profit	11,506	11,506	0%	15,382	15,382	0%
Adjusted EPS	18.1	18.1		24.2	24.2	
Growth YoY	71%	71%		34%	34%	
Balance Sheet Estimate						
Shareholders' Equity	80,651	80,651	0%	91,572	91,572	0%
Adjusted NAVPS	126.9	126.9		144.1	144.1	
Ratio Estimate						
ROE (%)	15.0%	15.0%		17.9%	17.9%	
PER (x)	6.2	6.2		4.7	4.7	
PBV (x)	0.9	0.9		0.8	0.8	

Valuation Table

Y/E 31 December	2021	2022	2023	2024	2025E	2026E	2027E
Estimates (LKR 'Mn)							
Net Interest Income	23,904	40,887	40,452	37,090	37,507	44,945	51,644
Total Operating Income	31,729	51,379	49,845	44,132	48,031	56,923	64,718
Net Profit	4,653	4,574	6,321	10,113	11,506	15,382	18,350
Net Recurring Profits	4,653	4,574	6,321	6,710	11,506	15,382	18,350
Adjusted EPS (LKR)	7.3	7.2	9.9	10.6	18.1	24.2	28.9
YoY Growth (%)	53%	-2%	38%	6%	71%	34%	19%
Valuations							
PER (x)	15.4x	15.7x	11.4x	10.7x	6.2x	4.7x	3.9x
PBV (x)	1.1x	1.2x	1.1x	1.0x	0.9x	0.8x	0.7x
DPS (LKR)	3.0	2.0	3.0	3.5	3.0	3.0	3.5
Dividend Payout	21%	25%	29%	22%	25%	29%	27%
DY (%)	2.7%	1.8%	2.7%	3.5%	2.7%	2.7%	3.1%
NAVPS	101.1	97.3	101.4	114.2	126.9	144.1	165.1

Ratio Analysis

		2021	2022	2023	2024	2025E	2026E	2027E
Growth	Asset	9.0%	10.6%	6.7%	8.6%	6.9%	8.1%	9.1%
	Deposit	11.0%	12.0%	8.1%	9.3%	6.5%	7.5%	9.0%
	Net Loans	13.8%	5.3%	1.4%	9.0%	12.0%	10.0%	8.0%
Profitability	Return on Equity	8.9%	8.3%	10.7%	15.0%	15.0%	17.9%	18.7%
	Return on Average Assets	0.8%	0.7%	0.9%	1.4%	1.4%	1.8%	1.9%
	Net Interest Spread	4.1%	6.7%	6.3%	5.1%	4.5%	4.9%	5.2%
	Net Interest Margin	5.0%	8.4%	8.2%	7.1%	6.4%	6.9%	7.2%
Funding & Liquidity	Loan/ Deposits	90.4%	81.2%	74.0%	71.6%	83.2%	85.1%	84.2%
	Loan/ Assets	72.7%	66.0%	60.9%	59.3%	68.8%	69.9%	69.1%
	Deposit/ Liabilities	88.4%	88.9%	90.4%	91.6%	91.8%	91.8%	92.3%
	CASA	35.4%	23.8%	25.1%	25.1%	31.0%	33.0%	29.0%

Valuation Summary

Expected SEYB price for	2025E	2026E
Justified PBV based target price	114.0	152.0
PER Valuation based target price	121.3	162.1
RI Valuation based target price	126.0	144.0
Average Target Price	120.4	152.7
Target Price after Rounding off	120.0	150.0

Return	2025E	2026E
Target Price	120.0	150.0
Current Price	113.0	113.0
Capital Gain (LKR)	7.0	37.0
Dividends upto 31st Dec (LKR)	3.0	3.0
Capital Gain %	6%	33%
Dividend Yield %	3%	3%
Total Return %	9%	35%
Annualized Return %	65%	30%

Residual Income Valuation

Residual Income based Valuation	2025E	2026E
PV of Residual Income	-7,484	-12,772
No. of Shares ('Mn)	635,647	635,647
RI per Share	-0.01	-0.04
Opening Book value per Share	126.9	144.1
Value per Share	126.0	144.0

COE	2025E	2026E
Rf	9%	9%
Rm	17%	17%
Growth %	3%	3%
β	1.0	1.0
Ke=Rf+β(Rm-Rf)	17%	17%

Justified PBV Valuation

Justified PBV based Valuation	2025E	2026E
ROAE	15.0%	17.9%
Growth	3%	3%
COE	17%	17%
PBV	0.9	1.1
NAVPS	126.9	144.1
Target Price	114.0	152.0

PER Valuation

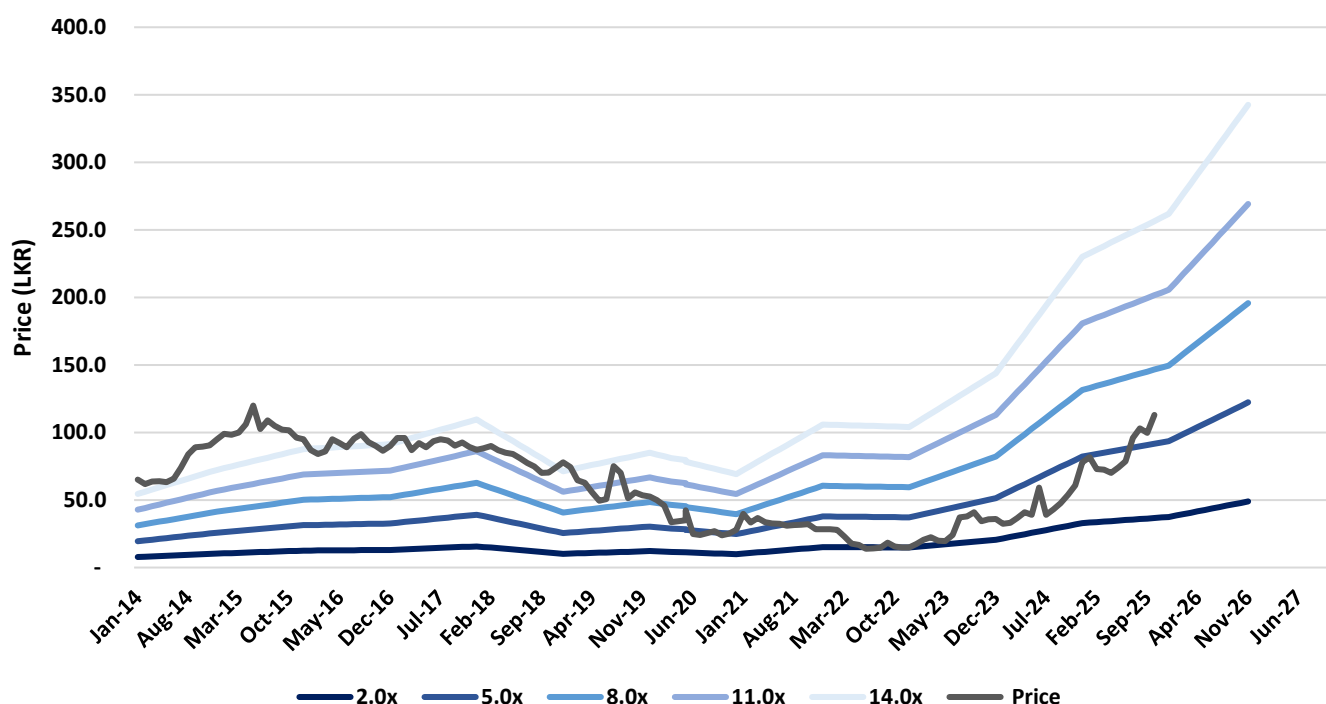
PER based Valuation	2025E	2026E
Earnings (LKR 'Mn)	11,506	15,382
No. of Shares ('Mn)	636	636
EPS	18.1	24.2
Expected PER	7x	7x
Price at 7.0x Earnings	121.3	162.1

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	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 (LKR Mn)	2021	2022	2023	2024	2025E	2026E	2027E
P/E 31st December							
Interest Income	46,781	86,106	107,168	84,363	85,111	96,593	107,746
Less : Interest Expenses	22,877	45,219	66,717	47,273	47,605	51,648	56,102
Net Interest Income	23,904	40,887	40,452	37,090	37,507	44,945	51,644
Fee & Other Income	7,826	10,492	9,393	7,042	10,524	11,978	13,074
Total Operating Income	31,729	51,379	49,845	44,132	48,031	56,923	64,718
Impairment (Charges)/ Reversal	10,422	26,433	17,005	1,749	1,147	1,575	2,378
Net Operating Income	21,308	24,946	32,840	42,382	46,884	55,347	62,340
Less : Operating expenses							
Staff Cost	6,946	8,007	9,194	10,242	11,266	12,167	13,019
Depreciation of PPE	1,479	1,416	1,348	1,366	975	961	790
Other Operating Expenses	4,763	5,951	8,093	9,161	9,619	10,004	10,404
Total Operating Expenses	13,188	15,375	18,635	20,768	21,860	23,132	24,213
Operating Profit Before Taxes	8,119	9,571	14,205	21,614	25,024	32,215	38,127
VAT, NBT & DRL	1,935	2,774	3,935	5,379	6,532	7,545	8,695
Profit Before Tax	6,185	6,797	10,269	16,235	18,492	24,670	29,432
Income Tax Expense	1,449	2,219	3,869	6,082	6,928	9,243	11,026
Profit for the Year	4,736	4,578	6,401	10,153	11,564	15,428	18,406
Less : Non-Controlling Interest	83	3	80	39	58	46	55
Profit attributable to Equity Holders	4,653	4,574	6,321	10,113	11,506	15,382	18,350
EPS	7.6	7.4	9.9	15.9	18.1	24.2	28.9

Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn)	2021	2022	2023	2024	2025E	2026E	2027E
As at 31st December							
Assets							
Cash and Cash Equivalents	16,079	40,255	48,322	17,384	28,968	16,001	23,051
Balances with Central Bank of Sri Lanka	8,726	16,784	7,028	8,719	27,279	29,325	28,412
Placements with Banks and Finance Companies	13,507	20,120	50,436	71,627	51,722	63,071	68,746
Loans and Advances to Customers	441,977	444,220	437,532	462,951	573,426	630,122	679,483
Financial Assets	107,322	123,616	144,913	192,931	127,439	136,997	153,363
Property, Plant and Equipment	7,064	6,463	6,627	7,923	7,528	7,152	6,952
Other Assets	13,416	21,378	23,135	18,531	17,400	18,727	23,381
Total Assets	608,090	672,835	717,993	780,067	833,761	901,446	983,440
Liabilities							
Due to Banks	24,722	13,065	12,129	8,143	8,699	9,296	9,858
Due to Customers	488,653	547,316	591,623	646,817	688,860	740,525	807,172
Other Borrowings	24,287	33,569	26,847	26,614	28,005	31,440	31,935
Tax Liabilities	2,194	7,434	2,720	1,980	2,167	2,230	2,296
Other Liabilities	12,947	13,985	20,977	22,838	23,066	23,297	23,530
Total Liabilities	552,803	615,369	654,295	706,391	750,797	806,788	874,791
Shareholders Funds							
Stated Capital	18,324	19,926	20,909	21,693	21,693	21,693	21,693
Statutory Reserve Fund	2,333	2,568	2,881	3,384	3,962	4,579	5,131
Retained Earnings	29,967	31,698	35,541	42,361	49,262	57,258	67,349
Other Reserves	3,334	2,010	3,051	5,167	5,735	8,042	10,794
Shareholders Funds	53,958	56,202	62,382	72,605	80,651	91,572	104,968
Minority Interest	1,329	1,264	1,316	1,071	2,313	3,086	3,681
	55,287	57,466	63,698	73,676	82,964	94,658	108,649
Total Liabilities & Shareholders' Funds	608,090	672,835	717,993	780,067	833,761	901,446	983,440
NAVPS	101.1	97.3	101.4	114.2	126.9	144.1	165.1



First Capital
A Janashakthi Group Company

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Dilhari Dias	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866	Manusha Kandanaarachchi	+94 11 2639 866
		Salaama Sanoon	+94 11 2639 866

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
--------------------	-------------------

EQUITY SALES

CEO	Jaliya Wijeratne	+94 71 5329 602	Equity Branches		
			Negombo	Priyanka Anuruddha	+94 77 4546 070
Colombo				Priyantha Wijesiri	+94 77 9065 779
Isuru Jayawardana	+94 76 7084 953		Jaffna	Gratian Nirmal	+94 77 4510 000
Nishantha Mudalige	+94 77 3204 929				
Anushka Buddhika	+94 71 4310 600				
Thushara Pathiraja	+94 77 0076 314		Agents		
Dayan Fernando	+94 77 7354 081		Colombo	Kithsiri Jayasinghe	+94 77 7790 657
Anjelo LaBrooy	+94 77 7546 645		Anuradhapura	Amila Luwishewa	+94 71 0628 195
Dillon Lowe	+94 76 6160 647		Galle	Nuwan Abeynayake	+94 77 7288 274
Evelyn John	+94 77 779 2452		Kandy	Ajith Ihalawatta	+94 77 8477 530
Yudheshan Kannadasan	+94 77 415 5809		Embilipitiya	Ruwan Wanniarachchi	+94 77 3877 734
Yumeth Samarakoon	+94 72 4444 135				
Amash Ranasinghe	+94 77 7820 168				

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
---------------------	-----------------	-----------------------	-----------------

BRANCHES

Kandy	Kurunegala	Matara	Negombo
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	CSE Branch Office, 1st Floor, E.H.Coaray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 4937 072

Disclaimer:

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the accuracy, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or a connected person or associated person may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.

About us:

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.