



First Capital

EQUITY | SRI LANKA | BANKS

EARNINGS UPDATE | 28 JUL 2025

NATIONS TRUST BANK PLC [NTB.N0000]

MAINTAIN BUY

“DRIVING GROWTH WITH DISCIPLINED PRECISION”

Fair Value: 2025E - LKR 270.00 [+15%]

Total Return with DPS: 2025E - 17% [AER 45%]

2026E - LKR 300.00 [+28%]

2026E - 30% [AER 20%]

NTB achieved an 8.2% YoY increase in PAT, reaching LKR 4.1Bn in 1Q25, driven by disciplined margin management and the timely execution of a targeted lending strategy amid declining interest rates. Market interest rates underwent a persistent downward adjustment during the quarter, mirrored by AWPR which stood at 8.4% in Mar-25 compared to 10.7% during the same period of 2024. However, NTB secured a 2.1% YoY growth in NII fostered by faster repricing of the deposit base and an impressive 18.8% expansion in its loan book. FCR anticipates loan growth to sustain through 2025E and 2026E, supported by focused expansion within core banking segments. Retail lending is set to accelerate, particularly through rising demand for leasing products and credit cards. NTB's bottom-line growth also benefited from a robust 8% YoY rise in Net Fee and Commission Income, fueled by strong Consumer Banking momentum, higher transaction volumes, and enhanced cross-selling that diversified revenue streams. Moreover, asset quality appears to have reverted to pre-crisis levels, particularly owing to the conclusion of Sri Lanka's ISB restructuring in Dec-2024 while capital buffers and liquidity levels remain well above regulatory levels. These fundamentals, combined with disciplined execution, position NTB to leverage an improving macroeconomic environment and sustain earnings momentum, prompting an upward revision of earnings targets. Accordingly, we revise the 2025E fair value to LKR 270.0 (LKR 260.0 for NTB.X) and 2026E fair value to LKR 300.0 for NTB.N (LKR 290.0 for NTB.X). **MAINTAIN BUY.**

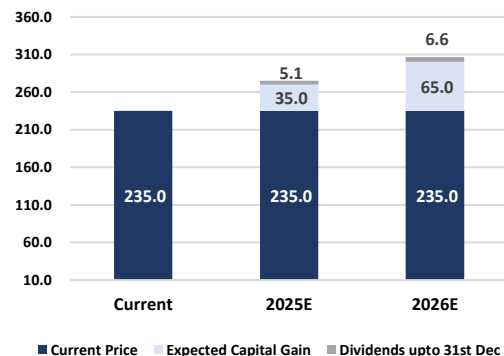
LKR (Mn)	1Q2024	1Q2025	YoY	2023	2024	YoY
Earnings (LKR 'Mn)						
NII	9,092	9,280	+2%	34,951	35,916	+3%
Total Operating Income	11,702	12,372	+6%	45,032	44,402	-1%
Net Operating Income	11,144	11,927	+7%	37,532	47,599	+27%
Profit Before Tax	5,911	6,308	+7%	18,308	25,737	+41%
Net Profit	3,776	4,085	+8%	11,471	16,802	+46%
Balance Sheet (LKR 'Mn)						
Loans	268,175	318,662	+19%	270,945	287,363	+6%
Shareholders' Equity	65,009	82,562	+27%	61,126	79,477	+30%
NAVPS	199.3	249.7	+25%	191.2	243.6	+27%

Astute tackling of margin pressure and enhanced cross-selling bolster earnings

NTB delivered an 8.2% YoY increase in Net Profit, with PAT rising to LKR 4.1Bn in 1Q25 from LKR 3.8Bn in 1Q24. Amid a macro environment defined by declining interest rates throughout the first quarter of the year, NTB adeptly managed margin compression, aided by faster repricing of deposits compared to loans. This together with enhanced credit growth supported a 2.1% rise in Net Interest Income. Leveraging the resurgence in real economic activity, NTB also enhanced its Fee and Commission Income, particularly within Consumer Banking, which translated to a robust 8% increase in Net Fee and Commission Income. NTB remains poised to harness the opportunities arising from the revitalized momentum evident in consumer activity within the domestic economic apparatus, particularly given its position as issuer and sole acquirer of American Express Cards in Sri Lanka. Following the conclusion of Sri Lanka's ISB restructuring in Dec-24, NTB's asset quality has shown signs of returning to pre-crisis levels with the proportion of Stage 3 loans having reduced in 1Q25, both on a QoQ and YoY perspective. Given this setting NTB registered a 20% YoY downturn in impairment provisions. During the quarter, Operating Expenses also underwent a YoY downward adjustment of 7%, partly owing to lower personal expenses given the deflationary atmosphere that prevailed through the quarter. NTB's outlook remains constructive, supported by economic recovery, stronger credit demand, and its unique lending approach. FCR projects Recurring Net Profit growth of 40% YoY in 2025E and 19% in 2026E.

Lending improves on the back of well-defined strategic lending

NTB's loan book expanded to LKR 318.7Bn in 1Q25 from LKR 268.2Bn in 1Q24, reflecting steady YoY growth. The Bank consistently targets strategic, well-defined segments across Consumer, Commercial, and Corporate Banking. Within Consumer Banking, NTB emphasizes focused lending and deeper penetration in the affluent and mass affluent segments. The revival of real economic activity, higher disposable incomes amid subdued inflation, and the gradual reopening of the vehicle import market underpin a positive outlook, with Credit Cards and leasing poised as key growth drivers. In Commercial Banking, NTB has prioritized opportunities in the export sector and domestic manufacturers engaged in import substitution. Meanwhile, its Corporate Banking strategy is said to center on supporting business expansion and value chain development, particularly within export and manufacturing industries. The 18.8% loan book growth recorded in 1Q25 highlights the effectiveness of NTB's targeted lending approach. NTB's improved foreign currency liquidity position in the Mar-25 quarter set the stage for this uptick, particularly against the same period of 2024, where credit demand was just gathering heightened momentum. Given this backdrop, FCR forecasts loan book growth of 7.3% for 2025E and 7.6% for 2026E.

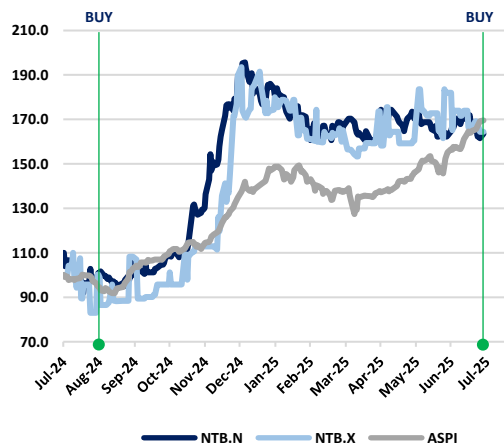


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Price movement of NTB Vs ASPI (Indexed and rebased to 100)



Source: CSE

Minimum Return for BUY:

Buy Below for 2025E [AER of 19.0% with DPS]: LKR 255.3
NTB categorized as 'Grade A' counter

Disclosure on Shareholding:

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

Capital buffers and liquidity levels remain robust

The Bank's financial strength is anchored by its solid capital position, with Tier I Capital standing at 19.39% and a Total Capital Adequacy Ratio at 20.56% as of 1Q25, which is well above the regulatory thresholds of 8.5% and 12.5%, respectively. In addition, a strong liquidity position was sustained during the period, reflected in a Liquidity Coverage Ratio of 270%, comfortably exceeding the regulatory minimum of 100%. These robust capital and liquidity positions reinforce our confidence that NTB is well positioned to capitalize on emerging opportunities as Sri Lanka progresses steadily along its path to economic recovery.

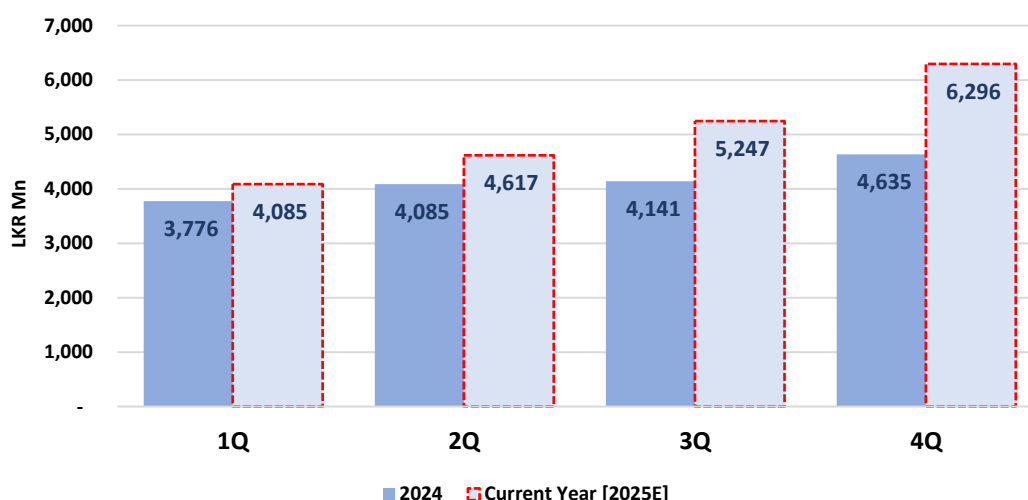
Asset quality on track for steady recovery

Stage 3 Loans ratio improved to 1.38% in 1Q25 from 1.60% in the 4Q24 quarter, in turn leading to a heightened provisions cover scenario. Looking ahead, FCR anticipates a continued improvement in NTB's asset quality, with impairment levels expected to normalize to pre-crisis benchmarks of 1–3% of gross loans. Supported by its niche clientele and disciplined, targeted lending approach, NTB has consistently demonstrated superior asset quality. FCR is confident that this strength will not only be maintained but further enhanced throughout the remainder of 2025E and into 2026E.

FV for 2025E estimated at LKR 270.0 for NTB.N and LKR 260.0 for NTB.X

Looking ahead, NTB's prospects remain robust, underpinned by a strengthening macroeconomic environment and sustained credit demand amid easing interest rates. Supported by disciplined execution and diversified revenue streams, we raise the 2025E earnings target to LKR 20.2Bn (up from LKR 15.2Bn) and revise the fair value for 2025E to LKR 270.0 (from LKR 200.0) for NTB.N, while adjusting NTB.X's fair value to LKR 260.0 (from LKR 190.0) reflecting current valuation discounts. **MAINTAIN BUY.**

Quarterly Earnings



Estimate Revision

In LKR Mn	2025E - O	2025E - R	% Change	2026E - O	2026E - R	% Change
Earnings Estimate						
Net Interest Income	33,275	37,728	+13%	34,689	41,951	+21%
Total Operating Income	44,583	53,553	+20%	46,657	60,477	+30%
Net Operating Income	41,962	52,729	+26%	44,799	59,174	+32%
Profit Before Tax	21,373	28,921	+35%	21,918	33,836	+54%
Net Profit	15,175	20,245	+33%	15,561	24,024	+54%
Adjusted EPS	46.5	62.1		47.7	73.7	
Growth YoY	7%	20%		3%	19%	
Balance Sheet Estimate						
Shareholders' Equity	74,738	88,172	+18%	83,855	106,679	+27%
Adjusted NAVPS	229.1	275.9		257.1	333.8	
Ratio Estimate						
ROE (%)	20.3%	22.5%		18.6%	22.1%	
PER (x)	2.7	3.7		2.6	3.1	
PBV (x)	0.5	0.9		0.5	0.7	

Valuation Table

P/E 31 December	2020	2021	2022	2023	2024	2025E	2026E	2027E
Estimates (LKR 'Mn)								
Net Interest Income	13,672	14,078	29,301	34,951	35,916	37,728	41,951	46,777
Total Operating Income	21,241	23,269	38,867	45,032	44,402	53,553	60,477	68,394
Net Profit	4,055	6,694	7,228	11,471	16,802	20,245	24,024	27,166
Net Recurring Profit	4,055	6,694	7,228	11,471	14,565	20,245	24,024	27,166
Adjusted EPS (LKR)	12.7	20.9	22.6	35.9	45.6	63.3	75.2	85.0
YoY Growth (%)	9%	65%	8%	59%	27%	39%	19%	13%
Valuations								
PER (x)	8.3x	5.0x	4.6x	6.5x	5.2x	3.7x	3.1x	2.8x
PBV (x)	1.0x	0.8x	0.7x	1.2x	1.0x	0.9x	0.7x	0.6x
DY (%)	2.2%	1.9%	3.1%	1.1%	2.1%	2.1%	2.8%	3.2%
Adjusted NAVPS	109.9	125.6	144.0	191.2	243.6	270.5	327.2	391.6
DPS (LKR)	2.30	2.00	3.29	2.50	4.90	4.97	6.63	7.50
Payout ratio	18.1%	9.6%	14.6%	7.0%	10.7%	7.8%	8.8%	8.8%

Valuation Summary

Expected NTB.N price	2025E	2026E
Justified PBV based target price	277	312
PER Valuation based target price	284	331
RI Valuation based target price	242	271
Average Target Price	268	304
Target Price after Rounding off	270	300

Return	2025E	2026E
Target Price	270	300
Current Price	235	235
Capital Gain (LKR)	35	65
Dividends upto 31st Dec (LKR)	5.1	6.6
Capital Gain %	15%	28%
Dividend Yield %	2%	3%
Total Return %	17%	30%
Annualized Return %	45%	20%

Residual Income Valuation

Residual Income based Valuation	2025E	2026E
PV of Residual Income	-484	-254
No. of Shares ('Mn)	326	326
RI per Share	-1.5	-0.8
Opening Book value per Share	244	271
Value per Share	242.2	270.6

COE	2025E	2026E
Rf	10%	10%
Rm	18%	18%
Growth %	3%	3%
β	110%	110%
$Ke = Rf + \beta(Rm - Rf)$	18.8%	18.8%

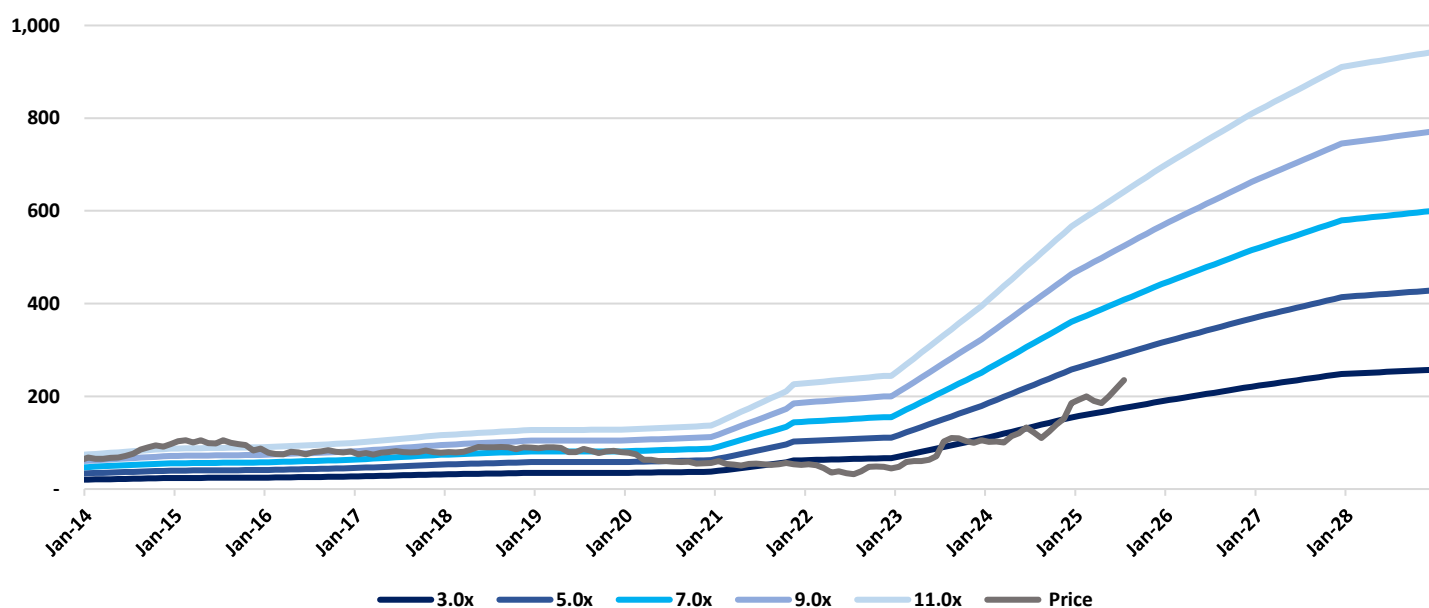
Justified PBV Valuation

Justified PBV based Valuation	2025E	2026E
ROAE	24.5%	24.6%
Growth	3%	3%
COE	18.8%	18.8%
PBV	1.0	1.0
NAVPS	271.4	328.1
Target Price	276.8	311.7

PER Valuation

PER based Valuation	2025E	2026E
Earnings (LKR 'Mn)	20,582	23,991
No. of Shares ('Mn)	326	326
EPS	63.1	73.6
Expected PER	4.5x	4.5x
Price at 4.5x Earnings	284.1	331.2

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	28,657	54,308	70,558	64,013	65,705	71,684	81,483
Interest Expense	(14,580)	(25,007)	(35,607)	(28,097)	(27,977)	(29,733)	(34,706)
Net Interest Income	14,078	29,301	34,951	35,916	37,728	41,951	46,777
Fees and Commission Income	6,670	7,738	8,335	9,502	11,782	13,269	16,030
Fees and Commission Expense	(529)	(944)	(1,234)	(1,436)	(1,767)	(1,990)	(2,404)
Net Fees and Commission Income	6,140	6,794	7,100	8,066	10,014	11,279	13,625
Net Trading Income	2,472	14,233	(1,267)	(1,712)	1,284	1,374	1,442
Other Operating Income	79	(11,490)	3,775	5,268	4,527	5,873	6,549
Total Operating Income	23,269	38,867	45,032	44,402	53,553	60,477	68,394
Impairment (Charge) / Reversal for Loans and Advances	(3,742)	(13,842)	(7,500)	3,196	(824)	(1,303)	(2,378)
Net Operating Income	19,527	25,025	37,532	47,599	52,729	59,174	66,015
Personnel Expenses	4,620	5,999	7,441	8,563	9,117	9,528	10,506
Depreciation of Property, Plant and Equipment	436	346	248	242	304	257	251
Amortization of Intangible Assets	339	279	329	331	427	256	223
Other Operating Expenses	3,333	4,547	5,663	5,447	5,610	5,779	6,068
Less: Total Operating Expenses	9,122	11,559	14,079	14,974	15,458	15,819	17,048
Operating Profit Before Value Added Tax (VAT)	10,405	13,466	23,453	32,624	37,271	43,355	48,967
Less: Value Added Tax (VAT) on Financial Services	1,985	3,021	5,145	6,888	8,350	9,519	10,705
Profit Before Income Tax	8,420	10,445	18,308	25,737	28,921	33,836	38,262
Less: Income Tax Expense	1,726	3,217	6,837	8,934	8,676	9,813	11,096
Profit for the Year	6,694	7,228	11,471	16,802	20,245	24,024	27,166
EPS	20.5	22.2	35.9	51.5	62.1	73.7	83.3

Appendix II: Statement of Financial Position

Statement of Financial Position (LKR Mn)	2021	2022	2023	2024	2025E	2026E	2027E
As at 31st December							
Assets							
Cash and Cash Equivalents	13,428	58,748	40,180	20,814	47,550	26,097	30,518
Balances with Central Bank of Sri Lanka	6,915	6,074	2,684	1,183	1,662	1,761	3,910
Reverse Repurchase Agreements	3,001	1,502	1,502	2,389	2,401	2,449	2,523
Derivative Financial Instruments	473	103	4	224	616	664	709
Financial Assets - Held for Trading	6,151	3,734	10,934	17,195	16,617	22,018	29,328
Financial Assets - Available for Sale	67,521	30,350	79,923	107,015	103,857	110,088	131,974
Financial Assets - Held to Maturity	26,140	59,928	97,358	96,796	99,703	123,299	136,862
Other Financial Assets	-	-	3,144	863	907	952	1,000
Loans and Advances to Customers	247,986	241,910	270,945	287,363	308,134	331,955	354,472
Other Assets	2,047	3,400	3,378	4,966	4,622	4,979	4,254
Property, Plant and Equipment	3,299	3,495	3,500	4,084	3,736	3,393	3,057
Intangible Assets	1,506	1,286	1,354	1,409	1,332	1,476	1,754
Total Assets	379,819	411,842	516,134	545,586	592,546	630,682	702,065
Liabilities							
Due to Banks	2,016	3,989	49,682	27,403	13,702	6,851	5,481
Repurchase Agreements	35,305	33,533	6,631	19,529	32,677	33,331	33,997
Derivative Financial Instruments	166	39	659	372	409	450	486
Due to Customers	267,988	297,253	347,769	384,655	415,428	440,353	488,792
Debt Issued and Other Borrowed Funds	12,353	12,355	27,187	15,098	16,004	16,804	17,476
Current Tax Liabilities	2,461	5,243	5,667	4,640	6,941	5,888	6,658
Other Liabilities	9,675	12,629	16,163	12,941	13,459	13,997	14,557
Deferred Tax Liabilities	-	-	-	-	-	-	-
Total Liabilities	339,393	368,903	455,008	466,109	504,373	524,003	574,409
Equity Attributable to Equity Holders of the Parent							
Stated Capital	9,408	10,401	11,427	12,106	12,106	12,106	12,106
Statutory Reserve Fund	1,882	2,228	2,784	3,610	4,476	5,161	5,935
Retained Earnings	28,073	32,027	41,624	55,917	69,636	87,165	107,098
Other Reserves	796	1,384	5,292	7,844	1,954	2,247	2,517
Total Equity	40,159	46,041	61,126	79,477	88,172	106,679	127,656
Total Liabilities and Equity	379,552	414,944	516,135	545,586	592,546	630,682	702,065
NAVPS	125.6	144.0	191.2	243.6	270.5	327.2	391.6



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