



First Capital

EQUITY | SRI LANKA | BANKS

EARNINGS UPDATE | 5 JAN 2026

NATIONS TRUST BANK PLC [NTB.N0000]

UPGRADE TO BUY

“LENDING SURGE & HSBC RETAIL DEAL REFRAMES GROWTH TRAJECTORY”

Fair Value: 2026E - LKR 450.00 [+44%]

Total Return with DPS: 2026E - 47% [AER 48%]

2027E - LKR 570.00 [+83%]

2026E - 86% [AER 37%]

NTB has delivered a decisive earnings inflection, reinforcing its investment appeal and underpinning a clear upgrade to target valuations. Reported 3Q2025 earnings of LKR 6.1Bn exceeded forecasts by a wide margin, extending a year-long trajectory of consistent outperformance. This strength has prompted an upward revision to earnings expectations across the forecast horizon, with net profits now projected at LKR 21.2Bn in 2025E, rising to LKR 25.2Bn in 2026E and LKR 30.7Bn in 2027E. Importantly, this momentum has been achieved against a softer interest rate backdrop. Net interest income expanded 14.0% YoY, supported by a robust 42.4% YoY expansion in the loan book, while net fee and commission income and other operating income grew at double-digit rates. Prudent balance sheet management, including an impairment reversal of LKR 945.2Mn, further bolstered profitability, offsetting higher operating costs linked to elevated business volumes. Looking ahead, the planned acquisition of HSBC Sri Lanka's retail banking arm adds a compelling structural growth lever, positioning NTB to deepen its franchise, accelerate fee income, and consolidate its standing as a leading, diversified banking platform. Thus, FCR has upgraded NTB's target price for 2026E and 2027E to LKR 450.0 and LKR 570.0 respectively, denoting a total return of 47% for 2026E and 86% for 2027E. UPGRADE TO BUY.



FIRST CAPITAL RESEARCH

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LKR (Mn)	3Q2024	3Q2025	YoY	9M2024	9M2025	YoY
Earnings (LKR 'Mn)						
NII	8,584	9,788	+14%	26,639	28,825	+8%
Total Operating Income	11,163	13,174	+18%	35,221	38,717	+10%
Net Operating Income	11,764	14,119	+20%	34,844	39,073	+12%
Profit Before Tax	6,492	8,240	+27%	18,949	21,910	+16%
Net Profit	4,141	6,118	+48%	12,167	14,911	+23%
Balance Sheet (LKR 'Mn)						
Loans	293,542	417,907	+42%	293,542	417,907	+42%
Shareholders' Equity	72,208	93,357	+29%	72,208	93,357	+29%
NAVPS	221.4	282.4	+28%	221.4	282.4	+28%

Earnings momentum ignites target price upgrade

NTB's 3Q2025 earnings, which came in at an impressive LKR 6.1Bn (47.7% YoY) marked an outperformance of FCR's forecast for the quarter, which stood at LKR 5.3Bn. Considering not just NTB's stellar performance in 3Q2025 but also the earnings momentum the Bank has sustained through the year, FCR has upgraded NTB's annual net earnings forecasts for 2025E and 2026E after careful deliberation, in turn prompting an upward revision of its target prices. Despite the subdued interest rate environment that prevailed through the quarter, NTB boasted a 14.0% YoY (LKR 9.9Bn) uptick in net interest income (NII), predominantly fueled by a 42.4% YoY (15.7% QoQ) incline in its loan book. NTB also sustained the growth momentum that was evident in the net fee and commission segment across the year, achieving an expansion of 18.3% YoY in Sep-25. The Bank also demonstrated prudent management of its trading book, reinforcing other operating income (+18.0% YoY). Moreover, an impairment reversal of LKR 945.2Mn was recognized which further strengthened the bottom line. However, the Bank registered an 18.2% YoY uptick in its operating expenses, a likely result of heightened activity levels. All in all, NTB registered LKR 14.9Bn in net profits for the first nine months of the year. Owing to NTB's persistent earnings strength, FCR has upgraded its earnings forecasts for 2025E and 2026E. Consequently, net earnings forecast for 2025E now stands at LKR 21.2Bn (from LKR 20.0Bn) while that of 2026E and 2027E stand at LKR 25.2Bn (from LKR 21.3Bn) and LKR 30.7Bn respectively.

Strategic strength delivers sustained loan growth

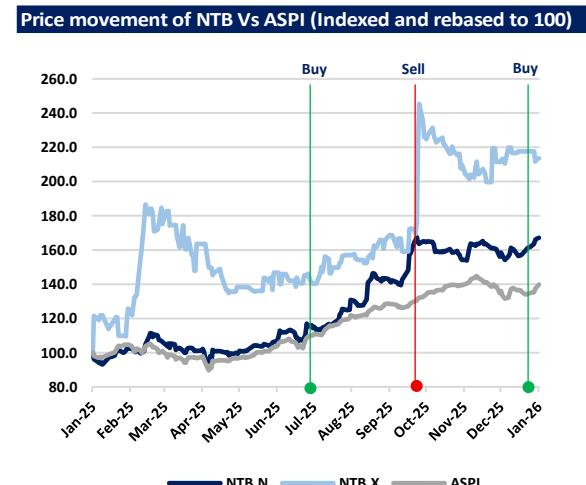
NTB posted a striking 42.4% YoY expansion in its loan book, reflecting a combination of clear strategic intent and well-timed execution. Growth was led by trade finance, which rose 45.1% YoY (14.1% QoQ), alongside a 46.0% YoY increase in term loans (26.2% QoQ), together forming the backbone of the bank's credit momentum. The bank has visibly aligned itself with prevailing economic currents, strengthening its presence in fast-growing segments such as international trade and NBFI. On the funding side, NTB's deposit base grew by 25.1% YoY (4.2% QoQ), supported by expansions in both savings and fixed deposits. The bank also demonstrated a pragmatic approach to balance-sheet funding, selectively tapping surplus liquidity within the aggregate banking apparatus. Borrowings from banks and via repurchase agreements increased 160.7% YoY and 203.3% YoY, respectively, allowing the bank to optimize its funding mix. This measured deployment of liquidity appears to have kept interest costs in check, enhancing the pass-through of interest income into net interest income and sustaining a healthy net interest margin of 6.15% (3Q2024: 6.96% and 2Q2025: 6.37%) in an easing rate environment.

Capital buffers and liquidity levels remain robust

NTB's financial strength continues to be underpinned by a healthy capital base, with the CET1 ratio at 18.43% and the Total Capital Ratio at 19.55% as of Sep-25, comfortably above the regulatory minimums of 7.0% and 12.5%, respectively. Liquidity levels also remain sound, with a Liquidity Coverage Ratio of 192.23% (all currency) and 302.93% (rupee), well in excess of the 100% regulatory threshold. The full impact of NTB's acquisition of HSBC's retail arm, which is anticipated to be finalized by 2026, on its capital buffers and liquidity levels remains to be determined.

Asset quality sustains further progress

NTB's Stage 3 loan ratio improved further to 1.03%, down from 1.74% in Sep-24 and 1.24% in the Jun-25 quarter, reflecting sustained progress in the credit quality of the Bank's client base. This continued strength in asset quality underscores both the broad-based recovery of Sri Lanka's overall economy and the successful execution of the Bank's lending strategy. During the Sep-25 quarter, NTB recorded a reversal of LKR 945.2Mn in impairments, fully attributable to its lending portfolio, further highlighting the Bank's proactive and disciplined approach to risk management.



Source: CSE

Minimum Return for BUY:

Buy Below for 2025E [AER of 14.0% with DPS]: LKR 392.3
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.

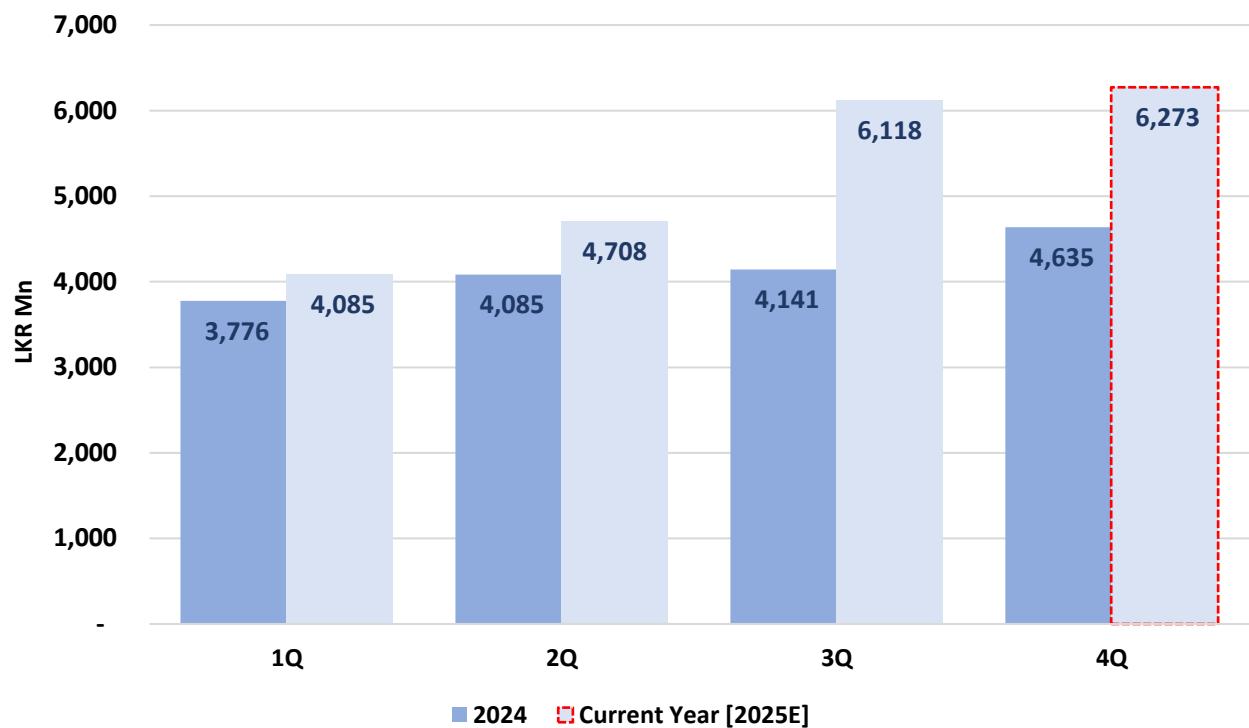
NTB to acquire HSBC Sri Lanka's retail banking arm for LKR 18.0Bn

On 24 Sep-2025, NTB signed a Sale and Purchase Agreement with HSBC Sri Lanka to acquire its retail banking business for LKR 18.0Bn. The Bank has confirmed that the transaction will be fully funded through internally generated resources. Subject to approval by the Central Bank of Sri Lanka, the deal is expected to conclude during 2026. Both NTB and HSBC remain optimistic that regulatory approval will be duly granted. This acquisition is set to add approximately 200,000 customers across deposits, loans, and credit cards. As of the end of 2024, HSBC's credit card portfolio was valued at LKR 22.1Bn, representing roughly 11% of its total loan book. While NTB may not retain the entirety of this customer base, the transaction will position the Bank as a dominant player within both the retail and corporate banking sectors. Significant benefits are anticipated, particularly through enhanced fee and commission income, which will strengthen NTB's presence in premium banking. Additionally, the transaction structure includes the transfer of HSBC staff to ensure a seamless customer experience.

FCR upgrades NTB.N to Buy, FV for 2026E revised to LKR 450.0

NTB has delivered a clear earnings inflection, materially exceeding 3Q2025 forecasts and extending a year of sustained outperformance. Strong loan growth, resilient net interest income, double-digit fee income expansion, and disciplined balance sheet management have driven upward revisions to earnings for both 2026E and 2027E. Accordingly, FCR has revised NTB's target prices upward to LKR 450.0 for 2026E and LKR 570.0 for 2027E, implying annualized expected returns of 48% and 37%, respectively. Upgraded target price for NTB.X stands at LKR 500.0 for 2026E and LKR 625.0 for 2027E.

UPGRADE TO BUY.

Quarterly Earnings

Estimate Revision

In LKR Mn	2025E - O	2025E - R	% Change	2026E - O	2026E - R	% Change
Earnings Estimate						
Net Interest Income	37,405	37,686	+1%	44,526	47,544	+7%
Total Operating Income	53,192	58,549	+10%	63,918	73,135	+14%
Net Operating Income	52,368	54,365	+4%	59,869	66,623	+11%
Profit Before Tax	28,625	30,262	+6%	29,987	35,525	+18%
Net Profit	20,037	21,184	+6%	21,291	25,222	+18%
Adjusted EPS	62.7	64.1		66.6	76.3	
Growth YoY	38%	45%		6%	19%	
Balance Sheet Estimate						
Shareholders' Equity	87,581	89,512	+2%	103,393	108,855	+5%
Adjusted NAVPS	268.7	270.7		317.2	329.2	
Ratio Estimate						
ROE (%)	24.0%	25.1%		22.3%	25.4%	
PER (x)	4.9	4.9		4.6	4.1	
PBV (x)	1.2	1.2		1.0	0.9	

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	37,686	47,544	54,152
Total Operating Income	21,241	23,269	38,867	45,032	44,402	58,549	73,135	88,398
Net Profit	4,055	6,694	7,228	11,471	16,802	21,184	25,222	30,684
Net Recurring Profit	4,055	6,694	7,228	11,471	14,565	21,184	25,222	30,684
Adjusted EPS (LKR)	12.3	20.2	21.9	34.7	44.1	64.1	76.3	92.8
YoY Growth (%)	6%	65%	8%	59%	27%	45%	19%	22%
Valuations								
PER (x)	25.4x	15.4x	14.3x	9.0x	7.1x	4.9x	4.1x	3.4x
PBV (x)	2.8x	2.5x	2.2x	1.6x	1.3x	1.2x	0.9x	0.8x
DY (%)	0.7%	0.6%	1.1%	0.8%	1.6%	2.1%	2.4%	3.6%
Adjusted NAVPS	109.9	125.6	144.0	191.2	243.6	270.7	329.2	399.5
DPS (LKR)	2.30	2.00	3.29	2.50	4.90	6.41	7.63	11.14
Payout ratio	18.8%	9.9%	15.1%	7.2%	11.1%	10.0%	10.0%	12.0%

Ratio Analysis

		2021	2022	2023	2024	2025E	2026E	2027E
Growth	Asset	12.1%	8.4%	25.3%	5.7%	27.4%	29.9%	14.5%
	Deposit	11.4%	10.9%	17.0%	10.6%	25.0%	36.4%	15.0%
	Net Loans	17.6%	-2.5%	12.0%	6.1%	50.3%	23.5%	11.1%
Profitability	Return on Equity	17.8%	16.8%	21.4%	23.9%	25.1%	25.4%	25.5%
	Return on Average Assets	1.9%	1.8%	2.5%	3.2%	3.4%	3.2%	3.2%
	Net Interest Spread	3.7%	8.3%	8.5%	6.7%	5.6%	5.6%	5.4%
	Net Interest Margin	5.3%	9.9%	10.1%	9.1%	7.9%	7.7%	7.5%
Funding & Liquidity	Loan/ Deposits	92.5%	81.4%	77.9%	74.7%	89.8%	81.4%	78.6%
	Loan/ Assets	65.3%	58.7%	52.5%	52.7%	62.1%	59.1%	57.3%
	Deposit/ Liabilities	79.0%	80.6%	76.4%	82.5%	79.4%	82.5%	83.5%
	CASA	39.9%	31.6%	31.2%	31.1%	34.0%	34.0%	32.0%

Valuation Summary

Expected NTB.N price	2026E	2027E
Justified PBV based target price	473.4	575.5
PER Valuation based target price	457.7	556.8
RI Valuation based target price	425.4	581.6
Average Target Price	452.1	571.3
Target Price after Rounding off	450.0	570.0

Return	2026E	2027E
Target Price	450.0	570.0
Current Price	312.0	312.0
Capital Gain (LKR)	138	258
Dividends upto 31st Dec (LKR)	7.6	11.1
Capital Gain %	44%	83%
Dividend Yield %	2%	4%
Total Return %	47%	86%
Annualized Return %	48%	37%

Justified PBV Valuation

Justified PBV based Valuation	2026E	2027E
ROAE	25.4%	25.5%
Growth	3%	3%
COE	18.6%	18.6%
PBV	1.4	1.4
NAVPS	329.2	399.5
Target Price	473.4	575.5

PER Valuation

PER based Valuation	2026E	2027E
Earnings (LKR 'Mn)	25,222	30,684
No. of Shares ('Mn)	331	331
EPS	76.3	92.8
Expected PER	6x	6x
Price at 6x Earnings	457.7	556.8

Residual Income based Valuation	2026E	2027E
PV of Residual Income	51,125.0	83,427.8
No. of Shares ('Mn)	330.6	330.6
RI per Share	154.6	252.3
Opening Book value per Share	270.7	329.2
Value per Share	425.4	581.6

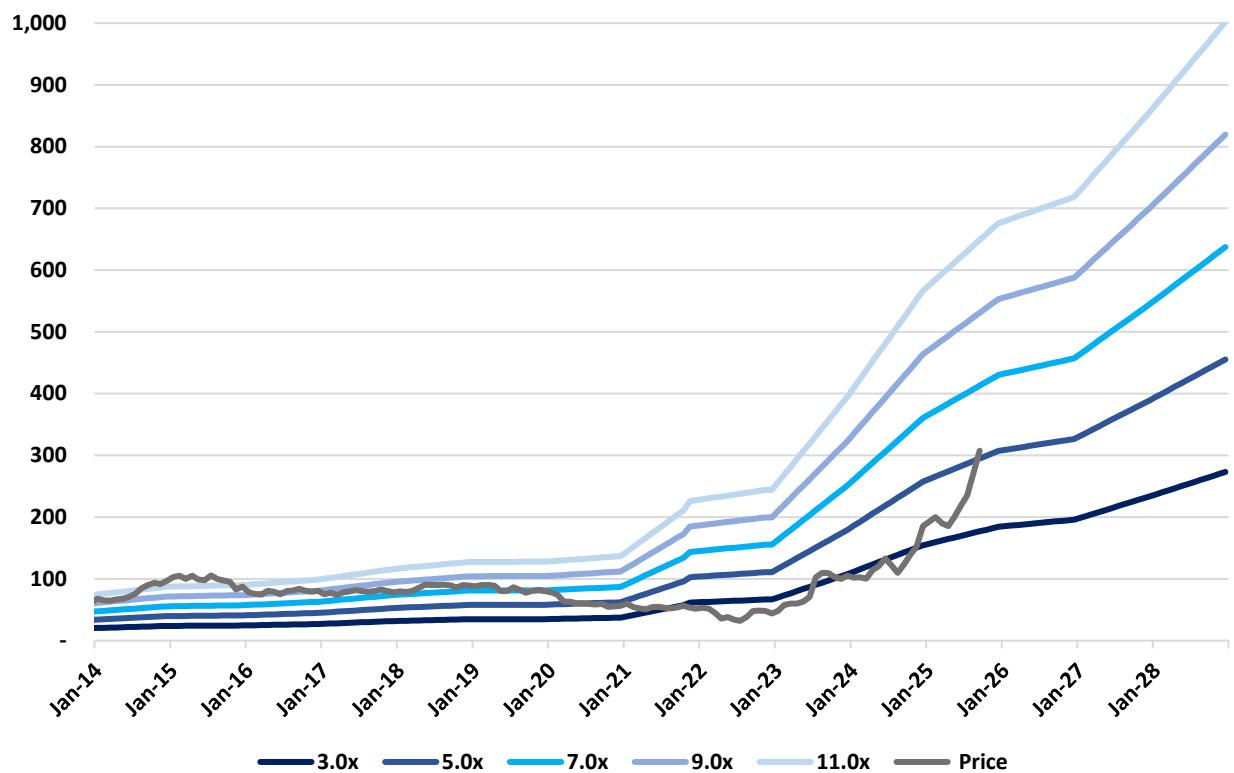
COE	2026E	2027E
Rf	9%	9%
Rm	17%	17%
Growth %	3%	3%
β	1.2	1.2
$Ke=Rf+\beta(Rm-Rf)$	18.6%	18.6%

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	28,657	54,308	70,558	64,013	67,977	86,552	109,106
Interest Expense	(14,580)	(25,007)	(35,607)	(28,097)	(30,292)	(39,007)	(54,955)
Net Interest Income	14,078	29,301	34,951	35,916	37,686	47,544	54,152
Fees and Commission Income	6,670	7,738	8,335	9,502	16,385	20,101	29,038
Fees and Commission Expense	(529)	(944)	(1,234)	(1,436)	(2,458)	(3,015)	(4,356)
Net Fees and Commission Income	6,140	6,794	7,100	8,066	13,927	17,086	24,682
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	5,653	7,132	8,123
Total Operating Income	23,269	38,867	45,032	44,402	58,549	73,135	88,398
Impairment (Charge) / Reversal for Loans and Advances	(3,742)	(13,842)	(7,500)	3,196	(4,185)	(6,512)	(8,201)
Net Operating Income	19,527	25,025	37,532	47,599	54,365	66,623	80,198
Personnel Expenses	4,620	5,999	7,441	8,563	9,117	11,989	14,015
Depreciation of Property, Plant and Equipment	436	346	248	242	304	257	251
Amortization of Intangible Assets	339	279	329	331	427	1,129	1,764
Other Operating Expenses	3,333	4,547	5,663	5,447	5,610	7,293	8,387
Less: Total Operating Expenses	9,122	11,559	14,079	14,974	15,458	20,668	24,418
Operating Profit Before Value Added Tax (VAT)	10,405	13,466	23,453	32,624	38,907	45,954	55,780
Less: Value Added Tax (VAT) on Financial Services	1,985	3,021	5,145	6,888	8,644	10,430	12,563
Profit Before Income Tax	8,420	10,445	18,308	25,737	30,262	35,525	43,217
Less: Income Tax Expense	1,726	3,217	6,837	8,934	9,079	10,302	12,533
Profit for the Year	6,694	7,228	11,471	16,802	21,184	25,222	30,684
EPS	20.2	21.9	35.9	51.5	64.1	76.3	92.8

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	12,027	23,227	45,244
Balances with Central Bank of Sri Lanka	6,915	6,074	2,684	1,183	1,923	2,459	2,828
Reverse Repurchase Agreements	3,001	1,502	1,502	2,389	1,433	1,462	1,491
Derivative Financial Instruments	473	103	4	224	648	800	889
Financial Assets - Held for Trading	6,151	3,734	10,934	17,195	19,233	32,789	41,478
Financial Assets - Available for Sale	67,521	30,350	79,923	107,015	120,205	163,944	188,536
Financial Assets - Held to Maturity	26,140	59,928	97,358	96,796	96,164	115,397	132,706
Other Financial Assets	-	-	3,144	863	907	952	1,000
Loans and Advances to Customers	247,986	241,910	270,945	287,363	431,858	533,475	592,653
Other Assets	2,047	3,400	3,378	4,966	4,319	5,335	5,927
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	18,603	17,239
Total Assets	379,819	411,842	516,134	545,586	695,193	903,386	1,034,753
Liabilities							
Due to Banks	2,016	3,989	49,682	27,403	49,326	56,725	62,397
Repurchase Agreements	35,305	33,533	6,631	19,529	32,677	33,331	33,997
Derivative Financial Instruments	166	39	659	372	380	387	395
Due to Customers	267,988	297,253	347,769	384,655	480,819	655,777	754,143
Debt Issued and Other Borrowed Funds	12,353	12,355	27,187	15,098	16,004	21,804	22,676
Current Tax Liabilities	2,461	5,243	5,667	4,640	7,263	6,181	7,520
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	605,681	794,531	902,648
Equity Attributable to Equity Holders of the Parent							
Stated Capital	9,408	10,401	11,427	12,106	13,008	13,008	13,008
Statutory Reserve Fund	1,882	2,228	2,784	3,610	4,516	5,235	6,109
Retained Earnings	28,073	32,027	41,624	55,917	70,034	88,365	110,471
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	89,512	108,855	132,105
Total Liabilities and Equity	379,552	414,944	516,135	545,586	695,193	903,386	1,034,753
NAVPS	125.6	144.0	191.2	243.6	270.7	329.2	399.5



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