Resilience amidst geopolitical headwinds: Sampath Bank posts 6.2 billion rupees PAT in Q1 2026

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Sampath Bank reported a mixed financial performance for the quarter ended March 31, 2026, posting steady growth in core banking income while profitability declined due to significantly higher impairment provisions and reduced one-off capital gains.

Despite these pressures, the Bank achieved a major milestone by surpassing two trillion rupees in total assets for the first time, supported by strong loan growth during the quarter.

The Bank recorded Total Operating Income of 28.5 billion rupees for the first quarter of 2026, underpinned by a five percent year-on-year increase in Net Interest Income

(NII) and a strong 28 percent rise in Net Fee and Commission Income.

However, Profit After Tax (PAT) fell by 26 percent to 6.2 billion rupees as the Bank adopted a more conservative provisioning strategy amid growing geopolitical uncertainties and rapid expansion of its loan portfolio.

Sampath Group reported a Profit Before Tax (PBT) of 9.4 billion rupees and a Profit After Tax of 6.8 billion rupees for the quarter. Total interest income increased by six percent year-on-year to 46.5 billion rupees, driven mainly by the growth in the Bank’s lending portfolio and a rise in the Average Weighted Prime Lending Rate (AWPLR).

Interest expenses also rose by six percent to 26.4 billion rupees due to higher deposit and borrowing volumes. Consequently, NII reached 20.1 billion rupees, reflecting a five percent improvement compared to the corresponding period last year.

The Bank’s Net Interest Margin (NIM) marginally declined to 4.09 from 4.11 percent recorded in 2025, mainly due to lower yields from government securities investments. Non-fund-based income declined by four percent to 8.3 billion rupees during the quarter, primarily because capital gains from Treasury bills and bonds dropped sharply from 2.7 billion rupees in 1Q 2025 to 0.7 billion rupees in 1Q 2026. Nevertheless, fee and commission income recorded robust growth, reaching 6.1 billion rupees, supported by increased lending activity, higher trade volumes and stronger card usage.

The Bank also reported a foreign exchange gain of 1.5 billion rupees, a 24 percent increase year-on-year, mainly due to the depreciation of the Sri Lankan Rupee against the US Dollar during the quarter. A key factor affecting profitability was the sharp rise in impairment provisions.

Sampath Bank recorded a total impairment charge of 4.5 billion rupees during the quarter, compared to a reversal of 0.2 billion rupees in the corresponding period last year. Of this, 4.1 billion rupees related to loans and advances, driven largely by the Bank’s significant loan growth and the associated collective impairment requirements. In line with its prudent risk management approach, the Bank also recognized an additional overlay allowance of 1.5 billion rupees to mitigate risks arising from geopolitical uncertainties and global economic conditions. Furthermore, provisions were allocated following a detailed review of customers affected by international sanctions and related exposures.

Operating expenses increased by 19 percent year-on-year due to salary revisions, expansion of staff cadre, technology investments and costs linked to new strategic initiatives. As a result, the cost-to-income ratio deteriorated to 45 percent from 38.8 percent in 1Q 2025. Despite increased costs and provisions, the Bank maintained strong balance sheet growth.

Total assets expanded by six percent during the quarter to 2.1 trillion rupees, supported by a 127.5 billion rupees increase in gross loans, which rose to 1.35 trillion rupees.

Deposit growth also remained healthy, increasing by 69 billion to 1.72 trillion rupees. The Bank’s capital and liquidity positions remained comfortably above regulatory minimums. As at 31 March 2026, the CET 1, Tier 1, and Total Capital ratios stood at 13.17, 13.17, and 15.79 percent respectively, while liquidity ratios remained strong with the All-Currency Liquidity Coverage Ratio at 187.87 and the Net Stable Funding Ratio at 161.30 percent.