



Sampath Bank Maintains Its Sustainable Growth Trajectory



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Sampath Bank produced solid results for the nine months ended 30th September 2021, despite the challenges caused by the prolonged impact of the COVID -19 pandemic. Due to the strategic initiatives and target orienting business plans, the Bank could steer through volatile economic conditions created by the pandemic to record a sizable 76.4 percent improvement in profit after taxes, compared with the last year.

Sampath Bank supported its customers and employees in dealing with the disruption from the challenging times. The Bank's digitalization strategy continued to prove its worth by ensuring a more effortless and safer banking experience for customers and enabling employees to seamlessly switch to the work from the home environment during the period of lockdown. Further expediting its digitalization strategy in response to the pandemic, the Bank introduced touchless Cash withdrawals at ATMs for the first time in Sri Lanka and possibly in the region. The revolutionary technology of the touchless ATM eliminates the need to physically touch the surface of the ATM, which minimizes the risk of virus transmission to the user through contaminated surfaces, thus proving to be the ideal solution for withdrawing cash from ATMs during the current global COVID-19 pandemic.

To further reiterate its commitment to support customers and help ease their financial burdens during the prolonged economic crisis, the Bank actively engaged in identifying eligible customers for the latest cycle (phase IV) of the moratorium announced by the government. Meanwhile, the Bank continues to deliver its commitments to the agriculture sector in continuing its program by restoring a further three water tanks under the “Wewata Jeewayak” program.

Financial results declared by Sampath Group for the Nine months ended 30th September 2021 during which the Bank reported a profit after tax (PAT) of 8.98 billion rupees and profit before tax (PBT) of 12.32 billion rupees for the period under review, denoting significant growth of 76.4 percent each over the corresponding period in 2020. The Sampath Group also posted significant growth in the first nine months of the current financial year, with Group PBT and PAT growing by 84.6 percent and 87.9 percent, respectively. In the period under review, the Group recorded a PBT of 13.48 billion rupees and PAT of 9.79 billion rupees compared to the PBT of 7.30 billion rupees and PAT of 5.21 billion rupees recorded in the corresponding period.

A lower interest rate regime prevailed during the period caused the interest income to decrease compared to the corresponding period in the previous year. Although the pressure on interest income was partly absorbed by increased interest income generated from other investment securities, total interest income decreased by seven percent to 63.2 billion rupees compared to 68 billion rupees recorded for the corresponding period in the previous year. Further, subdued credit demand during the period too negatively affected the growth of interest income.

Customer deposits on current and savings (CASA) accounts grew by 81.5 billion rupees. This coupled with lower interest rates that prevailed in the first nine months of 2021, saw the Bank’s interest expenses decline by 20.2 percent for the period under review.

The drop in interest expenses offset the drop in interest income. Therefore, on an overall basis, Net interest income for the first nine months of the year grew to reach 29.69 billion as at 30th September 2021, up by 14.2 percent compared to 25.99 billion rupees reported for the same period in 2020. Consequently, Net interest margin (NIM) improved marginally compared to 31st December 2020. However, interest rates started increasing in the latter part of the third quarter with the increase of policy rates by the Central Bank of Sri Lanka.

Net fee and commission income (NFCI) grew by 30.9 percent from the figure reported in the corresponding period of the previous year. This segment comprises income from various sources such as credit cards, trade, and electronic channels. Growth in online transaction volumes and slightly higher seasonal economic activity in April 2021 were the main reasons for fee and commission income growth. In addition, the trade-related commission income also contributed to the growth mentioned above.

The Bank recorded a net trading loss of 98 million rupees in the period. Net gain on de-recognition of financial assets for the first nine months of 2021 stood at 116 million rupees. Meanwhile, Net other operating income for the period stood at 4.29 billion rupees, an increase of 38.3 percent compared to the corresponding period in the previous year. This growth was mainly attributed to the higher realized exchange income stemming from the 8.2 percent depreciation of the Sri Lankan Rupee against the US Dollar.

Total operating expenses for the reporting period under review were 16.57 billion rupees, an increase of 11.4 percent compared with the corresponding period in the last year. The Bank recorded a 13.9 percent increase in personnel expenses for the period under review, mainly because of salary increments and increases in other personnel expenses.

The Bank maintained all capital ratios well above the minimum regulatory requirements at the end of Q3 2021. At the end of September 2021, the Bank’s CET 1, Tier 1 and Total Capital ratios were at 12.32 percent, 12.32 percent and 15.56 percent, compared to 13.44 percent, 13.44 percent, and 16.41 percent at the end of 2020 respectively. The movement in the total capital ratio during the reporting period was driven mainly by an increase in the total risk-weighted assets and dividends paid for 2020. The Bank did not consider the PAT generated for the period when computing the Capital ratios mentioned above. Had the Bank thought the PAT for the period, the ratios would have improved.

As a result of the growth recorded in PAT, the Return on Average Shareholders’ Equity (ROE) increased by 318 bps to 10.76 percent as at 30th September 2021 compared to 7.58 percent reported at the end of the year 2020. Return on Average Assets (ROA) also increased to 1.42 percent as at 30th September 2021 against the 1.09 percent reported for 2020.

Net loans and advances increased by 7.3 percent (annualized) in the period under

review, compared to the figure reported at the end of 2020. At the end of 30th September 2021, the Bank's Gross Advance portfolio stood at 807 billion rupees compared to 759 billion rupees as of 31st December 2020. Consequently, Sampath Bank's total Asset base increased to 1.18 trillion rupees at the end of 30th September 2021 from 1.11 trillion rupees recorded at the end of last year.

Meanwhile, the Bank's deposit base recorded a growth of 10.86 percent (annualized) from the level reported at the end of 2020. The total Deposit base at the end of 30th September 2021 stood at 959 Billion rupees compared to 887 billion rupees reported at the end of 2020.