SAMPATH BANK RECORDS RESiLiENT FiNANCiAL PERFORMANCE



Harsha Amarasekera, Chairman, Sampath Bank.



Nanda Fernando, Managing Director, Sampath Bank.

With the COVID–19 pandemic, the Bank’s financial results suffered with low interest rates, restrictions on fee-based income, and subdued economic activities locally and globally. The Bank adopted a more conservative approach to making a significant amount of additional impair- ment provisions on foreign currency denominated government bonds and on loans and advances, which together have been responsible for a sizable profit erosion. The Bank took action to imple- ment the COVID–19 relief schemes for the benefit of customers. Accordingly, approximately 50 percent of the Bank’s customers enjoyed the moratorium relief. The Bank participated in the government-led refinance scheme and granted approximately eight billion rupees worth of working capital loans. Going beyond the Government’s relief measures, the Bank took independent action to evaluate the customer require- ments on a case by case basis and pro- vided customized and affordable solu- tions. The Government has extended the moratorium granted to performing customers by a further period of six months commencing from October 2020. According to the circular the eligible customers are required to apply for this moratorium before November 30, 2020. The Bank recorded a profit before tax (PBT) of 6.99 billon rupees and a profit after tax (PAT) of 5.09 billion rupees for the nine months ended September 30, 2020. The Bank recorded PBT of 1.66 billion rupees and a PAT of 1.12 billion rupees during the third quarter from July 1, 2020 to September 30, 2020, a drop of 64.2 percent and 53.8 percent respectively compared to Q3 of 2019. PBT and PAT of the Group for the first nine months of the

year stood at 7.31 billion rupees and 5.21 billion rupees respectively. The Central Bank of Sri Lanka continued to implement monetary easing measures including, several policy rates cut in a bid to stimulate an economic recovery. These measures, together with relief measures granted to customers under the moratorium schemes by charging lower interest rates below the market rates, significantly affected the Bank's Net Interest Income (NII) in the nine months ended September 30, 2020. The NII declined by 15.5 percent to 25.99 billion rupees. Interest income for the period under review decreased by 9.67 billion rupees in the first nine months of 2020 to 68.02 billion rupees. The Net Interest Margin for the period under review decreased to 3.46 percent compared to 4.46 percent reported in 2019. Low credit demand due to the economic downturn affected the credit related fee income. The low usage of credit cards due to the pandemic situation affected the credit card related commission income. Fee and commission income from digital products reported a substantial growth compared to the corresponding period in 2019 driven by higher usage of the Bank's digital products during the lockdown period and thereafter. Trade related commission income too reported a marginal growth due to increased acceptances and documentary credit volumes. Net other operating income recorded a significant YoY increase of 197.5 percent during the nine months ended September 30, 2020 to 3.10 billion rupees, from 1.04 billion rupees reported for the corresponding period in 2019. The Bank assisted customers operating in vulnerable/risk elevated industries such as tourism, apparel, vehicle import, overseas lending, transportation and condominium constructions. This required the Bank to absorb an additional charge under collective impairment in the third quarter. Sampath Bank's total asset base grew by 10.9 percent (annualized 14.6 percent) during the period under review and stood at 1.1 trillion as at September 30, 2020. Gross loans and advances grew by 4.6 percent (annualized 6.2 percent) to reach 753 billion rupees as at September 30, 2020, recording a growth of 33 billion rupees for the period under review. The total deposit base increased by 128 billion rupees for the same period, to reach 846 billion rupees as at the reporting date, a growth of 17.8 percent (annualized 23.8 percent).