Sampath Bank (SAMP.N)

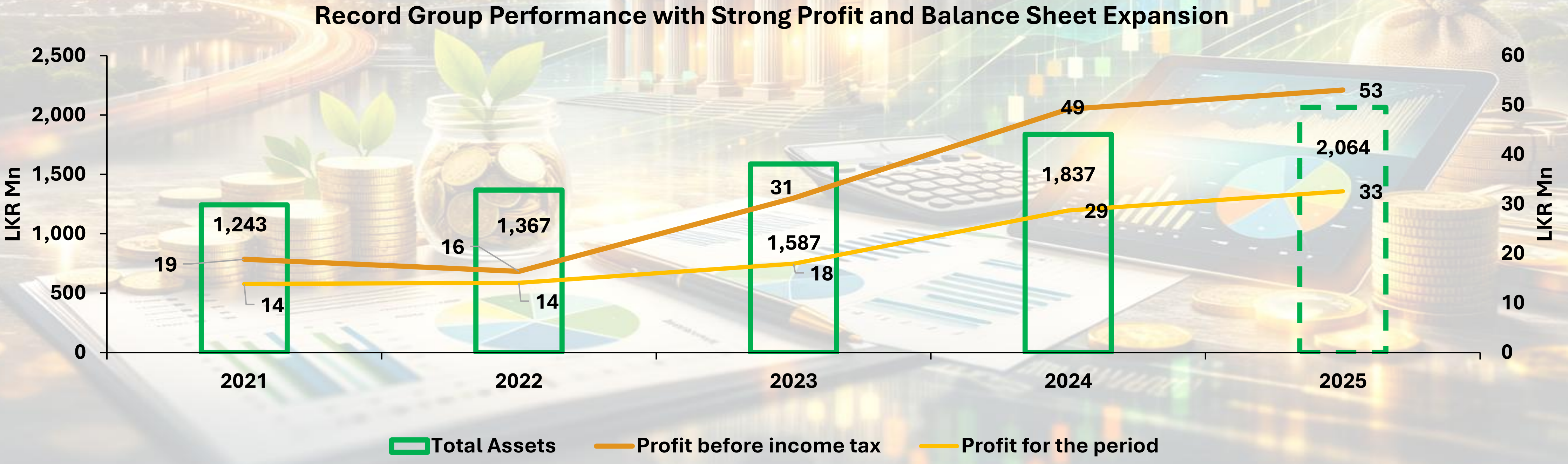
SenFin SECURITIES
Associate Company of SENKADAGALA FINANCE PLC

FY2025 Investor Highlights & 2026 Outlook

Sampath Bank Delivers Historic FY2025 Performance Driven by Profit Expansion and Loan Growth

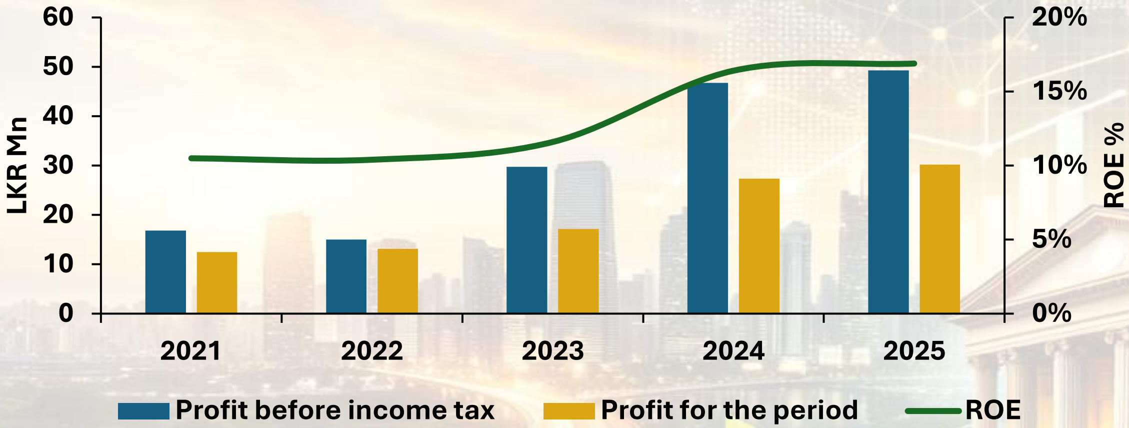
Group (FY2025)

- PBT: Rs. 53.0 Bn | PAT: Rs. 32.6 Bn (YoY +8% / +13%)
- Total Assets: Surpassed Rs. 2 Tn (YoY +12%)



Sampath Bank Delivers Historic FY2025 Performance Driven by Profit Expansion and Loan Growth

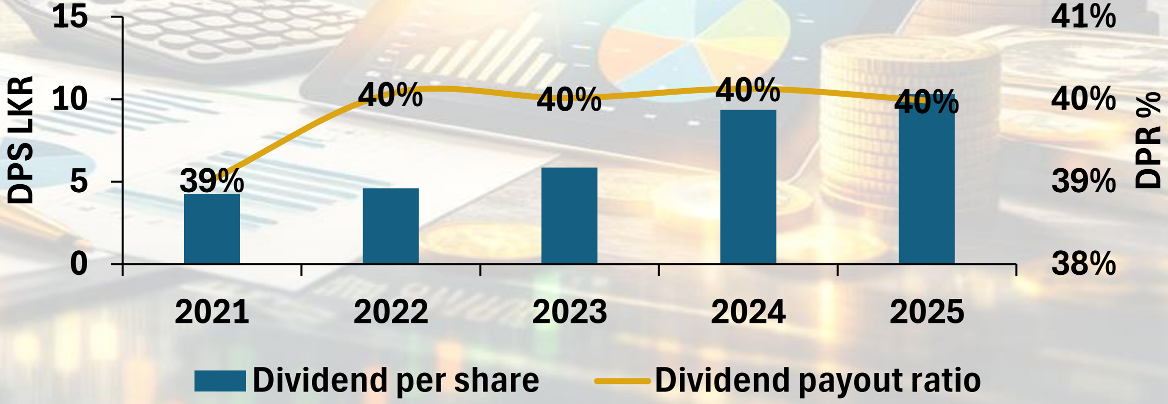
Bank Delivers Resilient FY2025 Performance with Strong Profit Growth and ROE Expansion



Sampath Bank reported a strong FY2025 performance with PBT reaching Rs. 49.3 Bn (+5% YoY) and PAT rising faster to Rs. 30.2 Bn (+11% YoY), reflecting improved profitability and margin strength. The loan book expanded sharply to Rs. 1.2 Tn (+27% YoY, +Rs. 259 Bn), indicating robust credit growth and strengthening core income outlook. Profitability remained solid with ROE improving to 17.93%, demonstrating efficient capital utilization. The bank also enhanced shareholder returns, increasing the dividend to Rs. 10.30 per share (+10% YoY) while maintaining a stable payout ratio, highlighting strong earnings sustainability and balance sheet confidence.

Total gross loans and advances

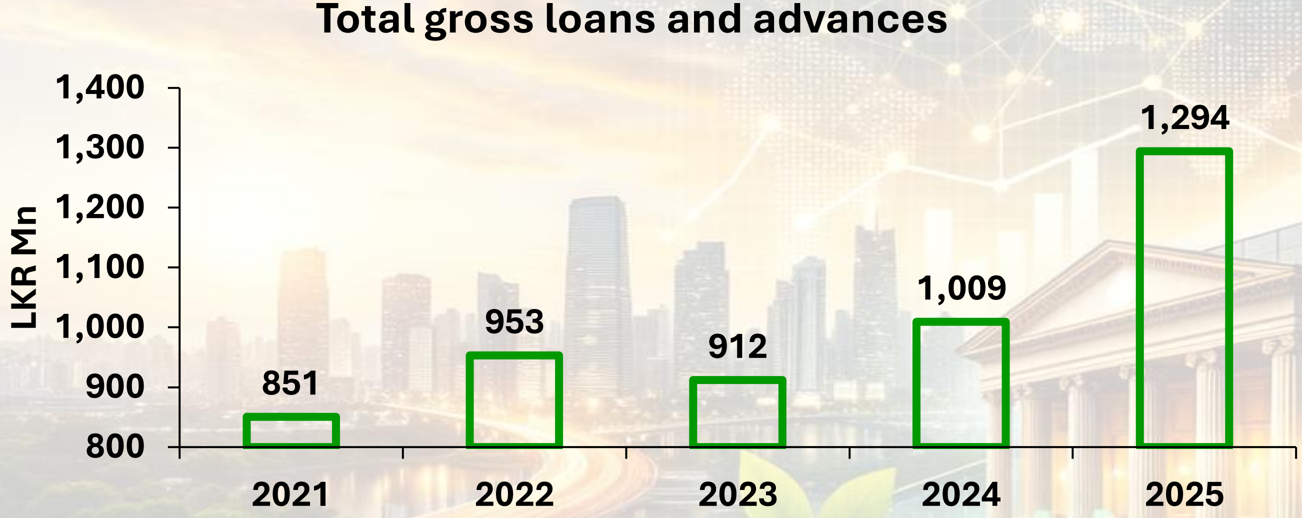
Sustained dividend expansion supported by consistent 40% payout strategy

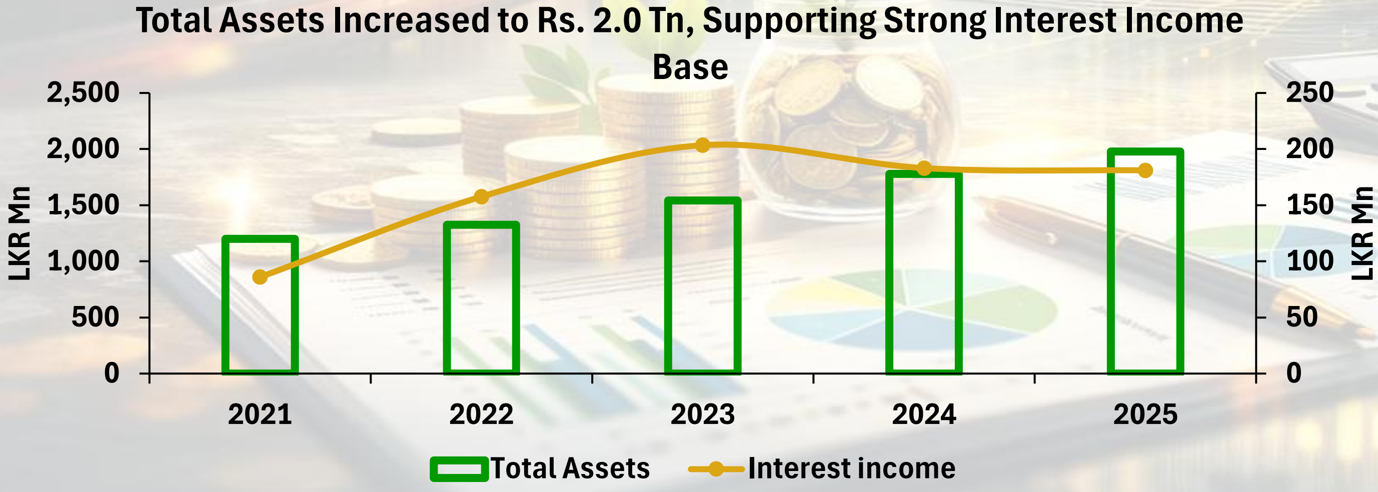


Senfin Research

Strategic Targets vs Actual Results(FY25): Assessing Operational Performance

Credit Growth Acceleration



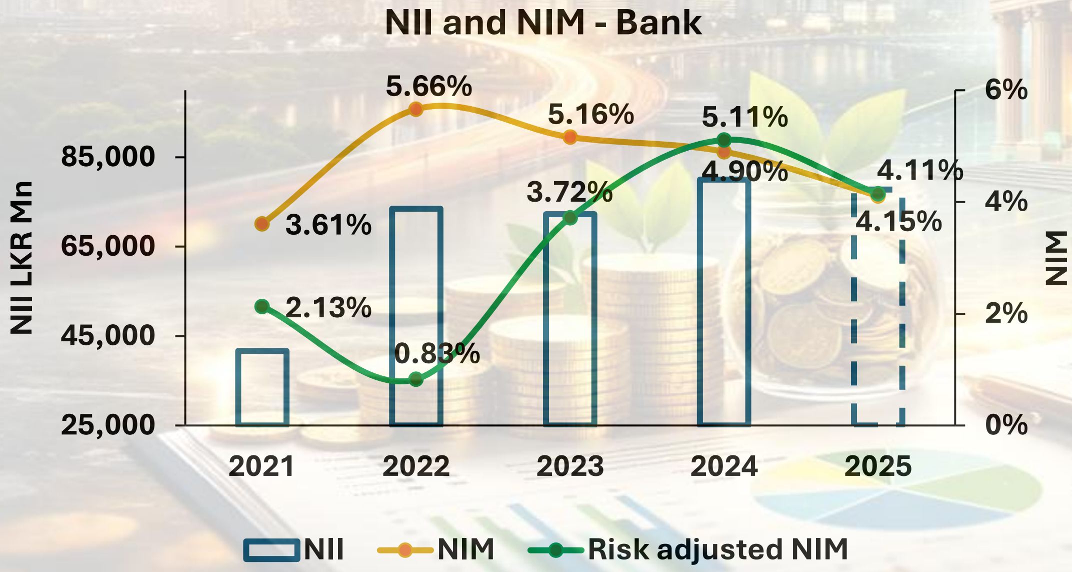


Sampath Bank successfully delivered on its strategic objective of accelerating credit growth in FY2025 while maintaining disciplined underwriting standards, as reflected in the gross loan book expanding to Rs. 1.2 Tn (+27% YoY). The acceleration was particularly evident in the latter part of the year, with average monthly loan growth rising to Rs. 36.5 Bn since August 2025, signaling strong recovery in private sector credit demand and improved borrower confidence amid declining interest rates and stabilizing macroeconomic conditions. The Q4 performance indicates that lending momentum strengthened meaningfully, positioning the bank to drive higher net interest income and earnings growth into FY2026, while maintaining asset quality discipline and avoiding excessive risk expansion.

Strategic Targets vs Actual Results(FY25): Assessing Operational Performance

Protect profitability despite the rate down-cycle

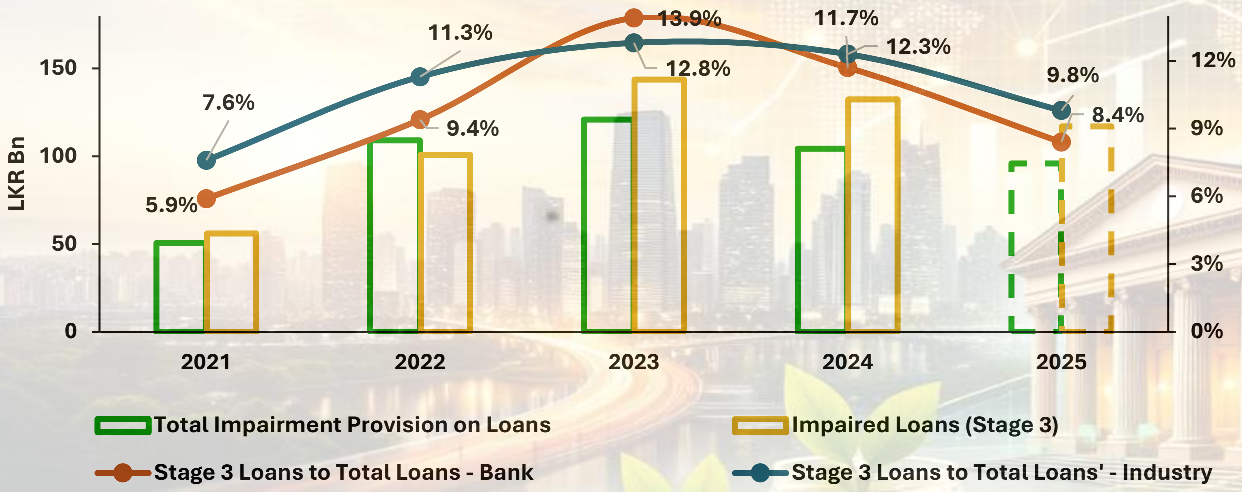
- NII: Rs. 77.8 Bn (down 3%)
- NIM: 4.11% (from 4.90% in 2024; -79 bps)



Sampath Bank aimed to protect profitability during the interest rate down-cycle by improving its business mix, strengthening productivity, and expanding fee-based income streams, even as lending yields moderated. In 2025, Net Interest Income declined slightly by 3% YoY to Rs. 77.8 Bn, while Net Interest Margin compressed to 4.11% from 4.90% in 2024 reflecting the repricing impact of lower market rates. Despite this margin normalization, profitability reached record highs at both Bank and Group levels, supported by balance sheet optimization and stronger non-funded income. Over the medium term, NII and NIM trends show normalization from the peak rate environment of 2022 (NIM 5.66%) toward more sustainable levels, with risk-adjusted NIM stabilizing at 4.15% in 2025 compared to 5.11% in 2024, indicating improved earnings quality despite tighter spreads.

Strategic Targets vs Actual Results(FY25): Assessing Operational Performance

Improve asset quality and reduce impairment pressure



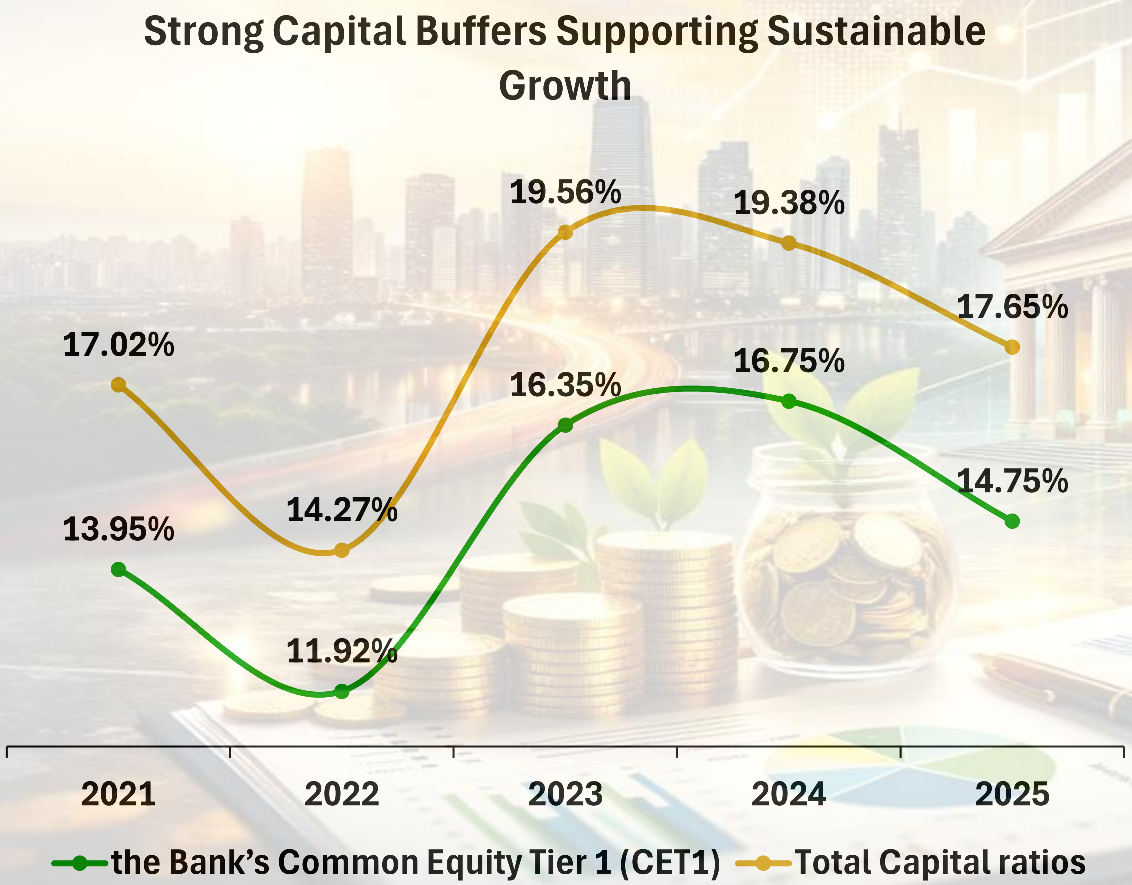
Provision Cover

	FY25	FY24
Stage1	1.60%	1.40%
Stage 2	9.90%	9.90%
Stage 3	60.40%	60.10%
Total	7.80%	10.80%

In 2025, Sampath Bank successfully improved asset quality and reduced impairment pressure through enhanced collections, better underwriting practices, and the use of analytics with early-warning signals. Management reported declines in both Stage 2 and Stage 3 loans, with Stage 3 loans falling to 8.4% of total loans, below the industry average of 9.8%, supported by a provision cover of 7.8%. Impairment charges normalized sharply, with Rs. 1.4 Bn recorded in 1H2025 (down 78% YoY) and Rs. 2.0 Bn in 9M2025 (down 62% YoY), contributing to a cost of risk of just 0.09%, compared with 0.31% in 2024. This reflects disciplined credit risk management and a strengthened balance sheet position.

Strategic Targets vs Actual Results(FY25): Assessing Operational Performance

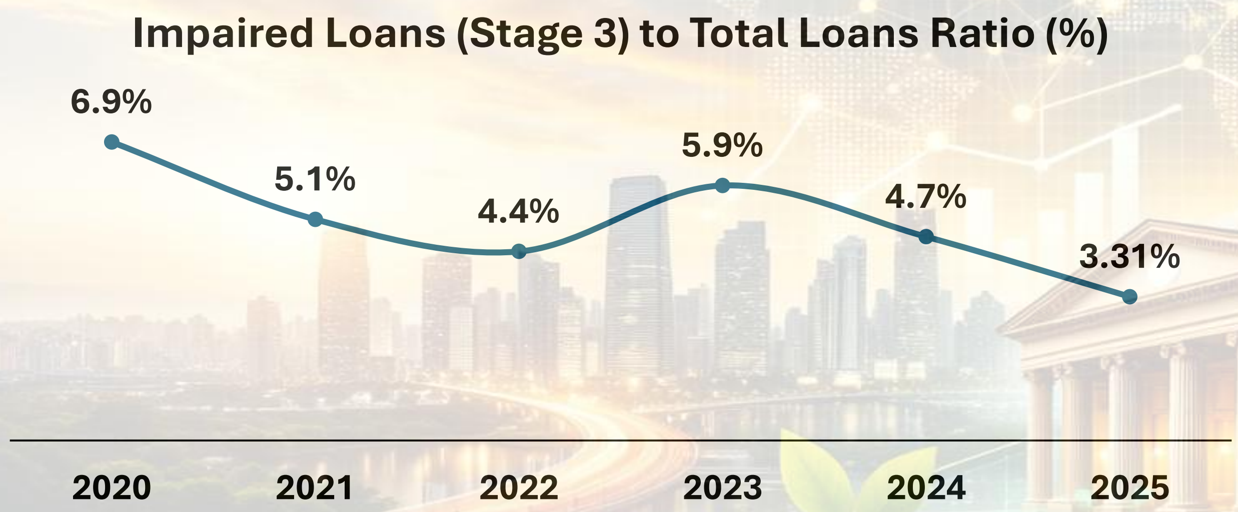
Strengthen capital buffers

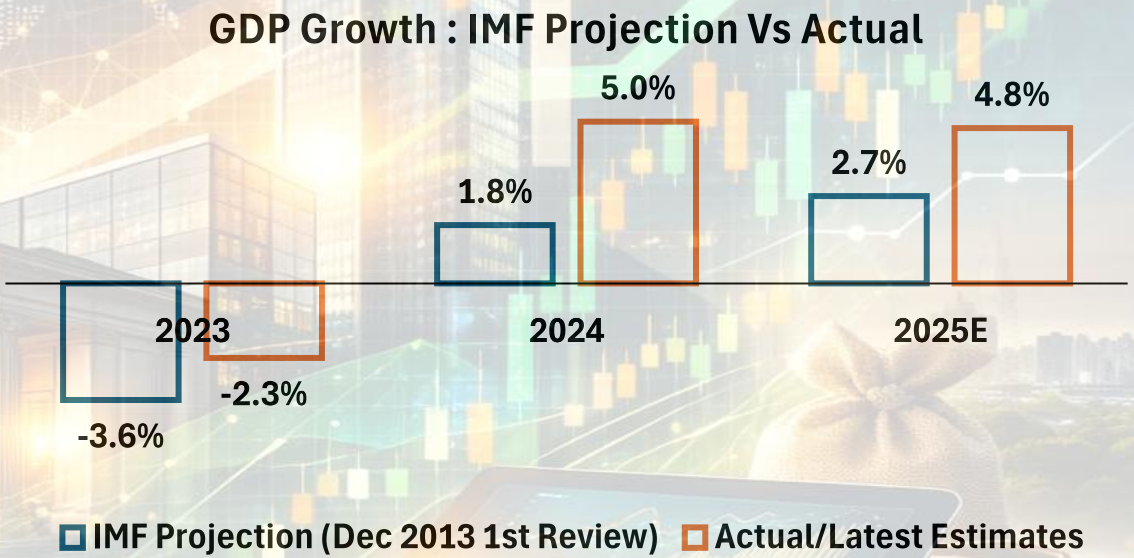


Sampath Bank successfully met its strategic objective of strengthening capital buffers in FY2025, maintaining capital adequacy ratios well above regulatory minimum requirements. The bank reported a Tier 1 CAR of 14.75% and Total CAR of 17.65%, reflecting a strong capital position despite accelerated loan growth of 27% during the year. While the Tier 1 ratio moderated from 16.75% in FY2024, this was primarily due to balance sheet expansion and increased risk-weighted assets rather than capital weakness, indicating active credit deployment to support earnings growth. Importantly, the bank remains "comfortably above regulatory thresholds," demonstrating prudent capital management and sufficient buffer capacity to absorb potential credit risks while supporting future loan expansion and sustainable profitability.

Outlook and Projections

Asset Quality

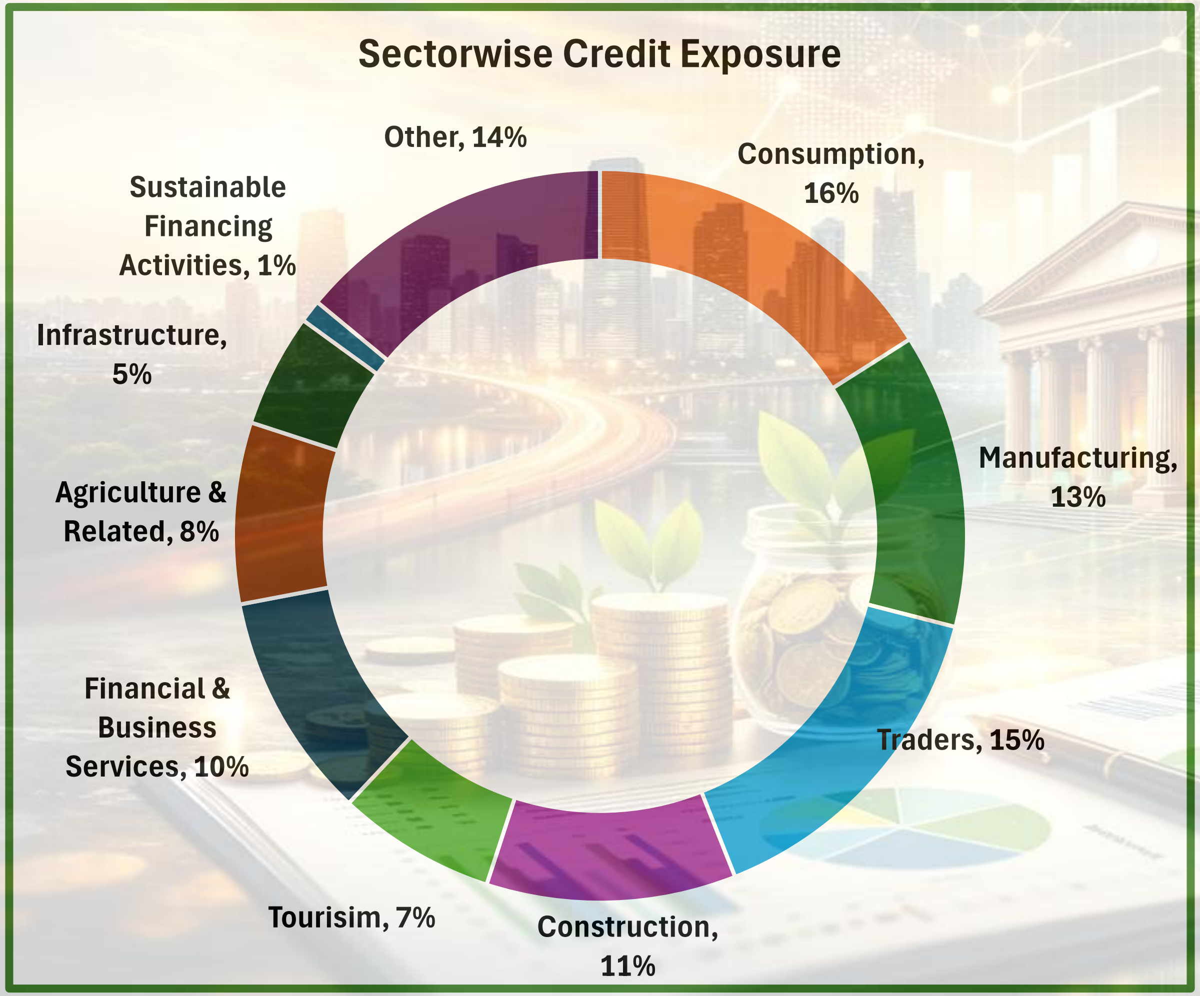




Despite a late-quarter uptick in non-performing loans, Sampath Bank expects near-term stabilisation and a gradual medium-term decline in NPLs, supported by easing interest rates and improving macroeconomic conditions. The economy demonstrated strong resilience, with GDP growth of 5.0% in 2024 almost three times the IMF's projection of 1.8% driven by nine consecutive quarters of expansion from Q3 2023. Momentum continued into 2025 H1, with GDP growth at 4.8%, underpinning improved credit performance and supporting management's outlook for sustainable asset quality improvement.

Outlook and Projections

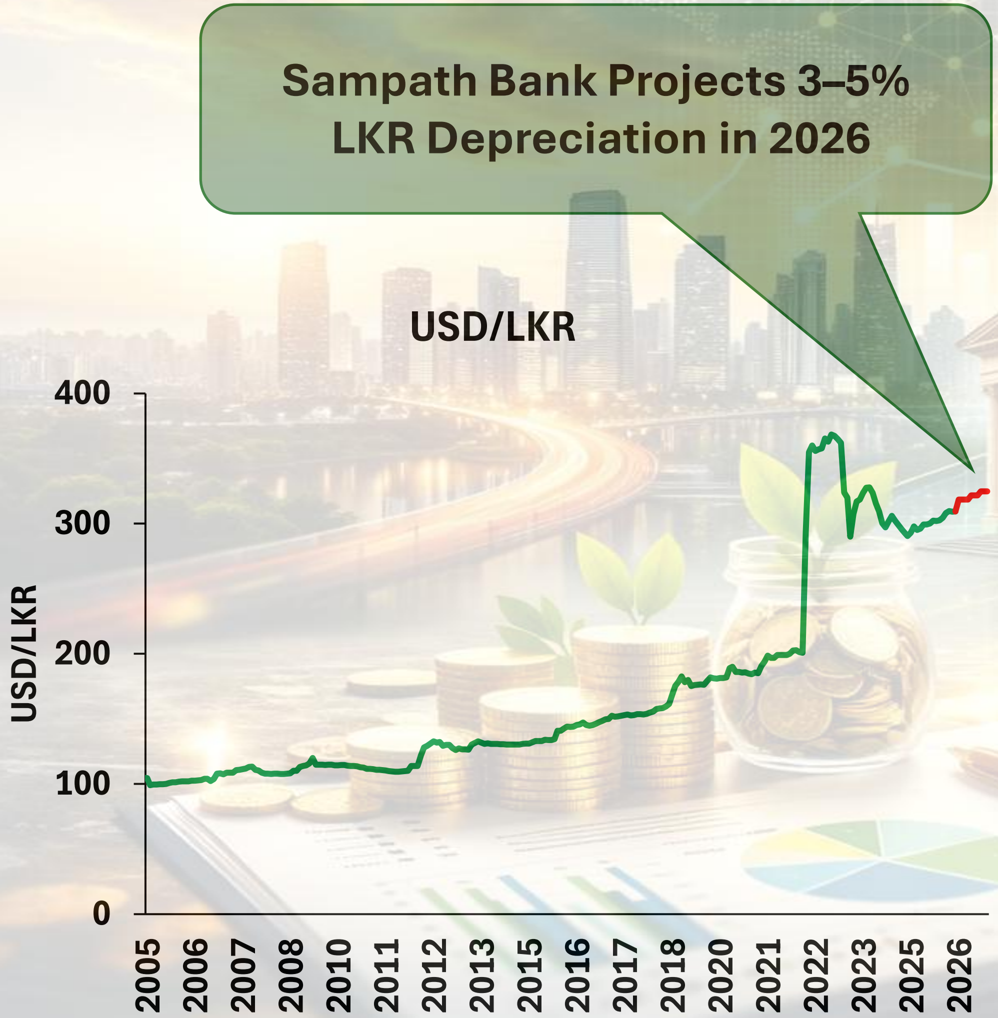
Growth Engine



Sampath Bank's credit growth in FY2025 is primarily driven by consumption (16%), trading (15%), and manufacturing (13%), reflecting a broad-based recovery in domestic economic activity and private sector confidence. The strong exposure to consumption and trading sectors highlights rising consumer spending, improved retail demand, and normalization of import–export activity, supported by declining interest rates and stabilizing inflation in Sri Lanka during 2025. Meanwhile, construction (11%) and financial & business services (10%) indicate renewed investment activity and business expansion, aligned with infrastructure revival and improving corporate liquidity conditions reported across the banking sector. The bank's diversified exposure across tourism (7%), agriculture (8%), and infrastructure (5%) further strengthens earnings resilience while positioning it to benefit from Sri Lanka's ongoing economic recovery, increased credit penetration, and strengthening business sentiment.

Outlook and Projections

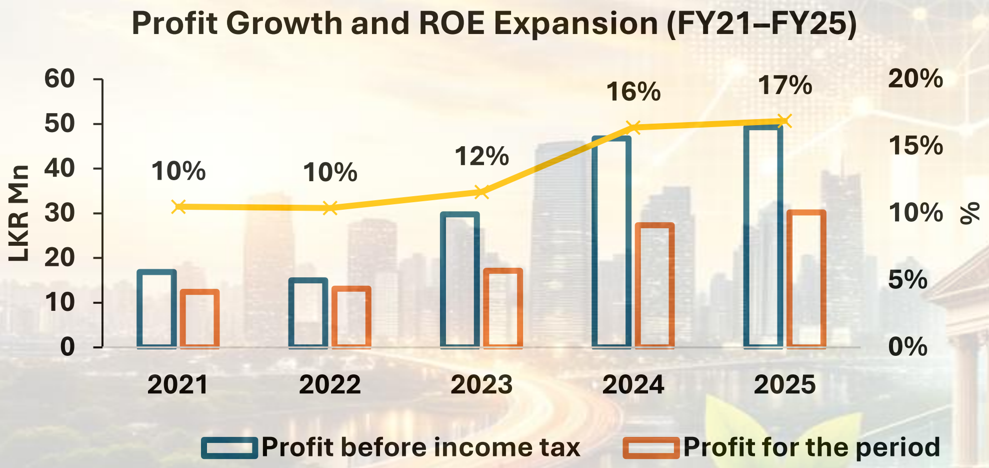
Funding / liquidity mobilisation

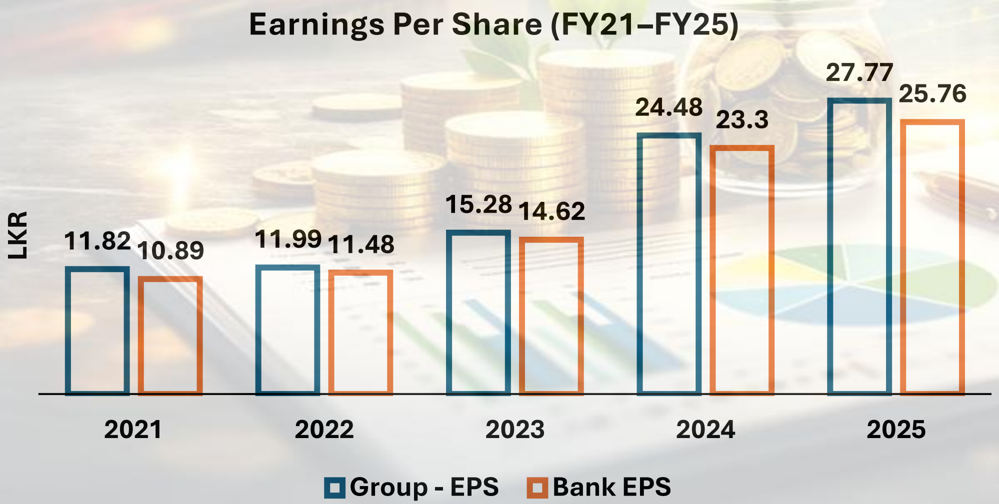


Sampath Bank expects a potential 3 - 5% depreciation in the Sri Lankan rupee, which is likely to influence its funding and liquidity strategy by reinforcing its preference for domestic resource mobilization. As rupee depreciation increases the effective cost of foreign currency borrowings, the bank is expected to rely more on local deposits, which remain relatively cheaper and carry no currency risk, supporting stable funding costs and protecting profitability. While the bank remains open to DFI and international funding, such borrowings will likely be selectively utilized, particularly if concessional terms or hedging mechanisms are available to mitigate currency risk. Overall, the anticipated rupee depreciation underscores Sampath Bank's prudent liquidity management approach, prioritizing domestic funding strength while maintaining flexibility to access diversified funding sources to support continued credit growth.

Investor Takeaway: Performance Strength and Future Growth Outlook

Strong earnings, improving asset quality, and AI-led growth





With robust loan growth (Rs. 1.2 Tn, +27% YoY) and higher fee-based income, Sampath Bank reached historic FY2025 profitability amid margin compression following the rate downcycle. The reduction in Stage 2 and Stage 3 loans and a substantial decrease in impairment costs have contributed to a surge in asset quality. Capital levels stayed strong (Tier 1: 14.75%, Total: 17.65%), and plans were made to use Tier 2 capital to fortify buffers. With AI-led underwriting, predictive collections, and better macroeconomic circumstances, the bank has the potential for controlled expansion in the future. NPLs are also anticipated to stabilize.

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