



First Capital
A Janashakthi Group Company

EQUITY | SRI LANKA | BANKS

EARNINGS UPDATE | 20 Jun 2025

SAMPATH BANK PLC [SAMP.N0000]

MAINTAIN BUY

“CLIMBING HIGHER ON THE PILLARS OF STABILITY AND GROWTH”

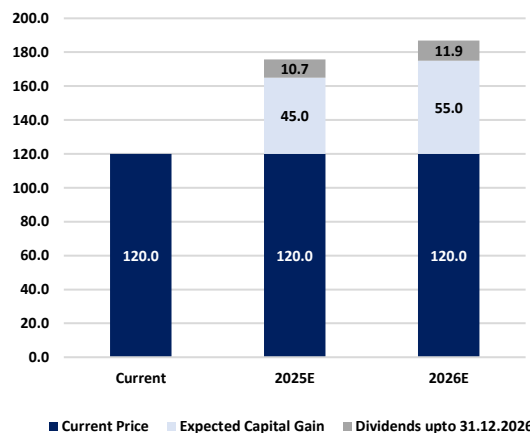
Fair Value: 2025E - LKR 165.00 [+38%]

2026E - LKR 175.00 [+46%]

Total Return with DPS: 2025E - 46% [AER 105%]

2026E - 56% [AER 34%]

SAMP reported a Net Profit of LKR 8.9Bn for 1Q2025, marking a substantial 135.0%YoY increase from LKR 3.8Bn in 1Q2024, significantly outperforming FCR’s initial expectation for the quarter by approximately 40%. The Bank’s non-interest income soared during the quarter, driven primarily by capital gains from strategic trading of Treasury instruments. This helped the Bank effectively tackle the 5.1% (YoY) dip in NII that was seen during the quarter, owing to easing policy rates and compression of yields. Given the favorable macroeconomic backdrop, including the expectation of interest rate stabilization in 2025 and a potential uptick from 2H2026E, SAMP’s robust financial position and strategic outlook underpin its attractive valuation. The Group delivered strong net profits of LKR 28.7Bn for 2024, representing a 60% YoY increase, once again surpassing our forecast for the year, which stood at LKR 22.3Bn. Given this backdrop, FCR has revised SAMP’s earnings forecasts for both 2025E and 2026E, with net profits expected to reach LKR 32.1Bn and LKR 35.4Bn respectively. Capital adequacy remains solid, with Tier 1 and Total Capital Ratios at 16.80% and 20.43% respectively as of 1Q2025, comfortably exceeding regulatory requirements, complemented by its designation as a Domestic Systemically Important Bank (D-SIB) effective April 2025, further reinforcing its systemic resilience and growth capacity. FCR derives target prices of LKR 165.0 for 2025E and LKR 175.0 for 2026E from the current LKR 120.0 share price. These targets imply a 46% upside in 2025E and a 56% upside in 2026E, culminating in an AER of approximately 34% by 2026E. **MAINTAIN BUY.**

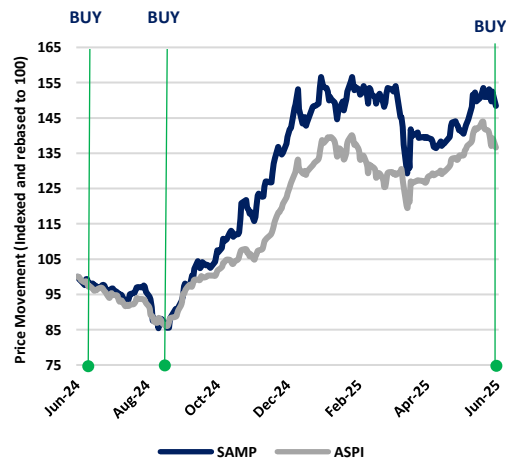


FIRST CAPITAL RESEARCH

Akna Tennakoon +94 11 263 9866

akna@firstcapital.lk

Price Movement of SAMP vs ASPI and past recommendations



LKR (Mn)	1Q2024	1Q2025	YoY	2023	2024	YoY
Earnings (LKR 'Mn)						
NII	21,563	20,459	-5%	75,443	84,662	+12%
Total Operating Income	22,707	29,777	+31%	95,463	94,089	-1%
Net Operating Income	18,301	29,951	+64%	75,253	105,960	+41%
Profit Before Tax	6,905	14,322	+107%	31,202	49,188	+58%
Net Profit	3,794	8,925	+135%	17,924	28,703	+60%
Balance Sheet (LKR 'Mn)						
Loans	807,473	902,202	+12%	807,473	902,202	+12%
Shareholders' Equity	156,841	173,064	+10%	156,841	173,064	+10%
NAVPS	133.7	147.6	+10%	133.7	147.6	+10%

SAMP capitalized on non-fund income to deliver 135% YoY profit jump

SAMP delivered strong earnings in 1Q2025, with net profits rising 135% YoY to LKR 8.9Bn. While the downward shift in interest rates reflected by the AWLR easing to 11.8% in Mar-25 from 13.4% in Mar-24, and a similar trend in treasury yields moderated interest income, a few key factors delivered a partial offsetting of its impact. Subsequently, the compression in interest expenses outpaced that of income, acted as a cushion against a sharper decline in NII. Moreover, sustained domestic credit growth, underpinned by improving macro fundamentals, also acted as a buffer. Moving ahead, a key driver of earnings was non-fund-based income, propelled by strategic portfolio rebalancing amidst the rate downturn. Timely positioning in financial instruments unlocked meaningful capital gains, lifting profitability. Fee and commission income also posted an 8.2% YoY increase, supported by a rebound in real sector activity and higher transaction volumes. While some one-off benefits including exchange gains and impairment reversals also contributed, FCR expects earnings momentum to persist through 2025E and 2026E. With policy rates likely to remain stable until a potential uptick in 2H2026E, net interest margins are expected to improve. Coupled with GDP growth of 4 to 5% projected for 2025E, FCR anticipates continued loan demand, stronger fee income, and a more benign credit environment, setting the stage for 12% and 10% YoY profit growth in 2025E and 2026E, respectively.

Credit momentum holds firm propelled by revival in key sectors

Despite the margin compression seen in NII, the Bank’s domestic loan book continued to expand, supported by the ongoing recovery in macroeconomic conditions. Owing to the persistent revitalization of the local economy, momentum is returning to key sectors such as construction and international trade. SAMP’s portfolio reflects this trend, with Import Loans, Housing Loans, and Leasing segments registering growth in 1Q2025, while overdrafts and refinancing activity also picked up, signaling stronger consumer and business credit appetite.

Minimum Return for BUY:

Buy Below for 2026E [AER of 18.0% with DPS]: LKR 145.1
SAMP categorized as ‘Grade A’ counter

Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of SAMP during the five trading days prior to the issuance of this document.



Historical trends, especially in the pre-crisis period, indicate that SAMP has a pattern of aggressively expanding credit during upcycles. Its past loan portfolio is heavily weighted toward sectors now experiencing strong growth, construction, tourism, and international trade. This positions SAMP to once again exceed average lending activity, in line with its historical behavior, particularly amid the anticipated momentum in these core sectors.

FCR believes interest rates have reached their near-term floor, with rates likely to remain broadly stable through 2025E and well into 2026E, before a potential upward adjustment in 2H2026E. In this context, SAMP's loan growth is expected to hold firm, supported by gradually improving spreads and sustained credit demand. Moreover, SAMP capitalized on what appears to be the trough of the current monetary easing cycle by issuing a debenture in March 2025. This strategic move was aimed at locking in lower funding costs ahead of a potential upswing in rates anticipated in the second half of 2026, while also bolstering capital buffers in anticipation of rising credit demand, particularly from 2025 onward, as indicated by the bank. Given this backdrop, FCR expects an improvement in SAMP's NIMs to 4.00% in 2025E with further improvement in the books for 2026E.

SAMP's asset quality strengthens with major impairment gains in 1Q2025

SAMP recorded a notable LKR 173.7Mn impairment reversal in 1Q2025, marking a 104% YoY reduction in impairment charges and delivering a strong boost to profitability. Of this, LKR 53.4Mn stemmed from reversals on loans and advances, largely driven by improved credit quality across sectors previously perceived as 'high-risk'. A key contributor has been the sustained recovery in the construction sector, reflected by a 10.7% GDP growth in 1Q2025. This is particularly impactful given that nearly 20% of SAMP's loan book is tied to construction and infrastructure. The conclusion of Sri Lanka's external debt restructuring, including ISBs finalized in Dec-24, further supports asset stability, with a one-off net gain of LKR 7.4Bn (LKR 15.8Bn impairment reversal offset by LKR 8.4Bn mark-to-market loss on new bonds) being recorded in Dec-24. As a result, impairment volatility is expected to subside, and FCR anticipates asset quality to normalize to pre-crisis levels, materially reducing the risk of elevated provisioning eroding earnings over the near to medium term.

Strong capital and liquidity buffers sustained in 1Q2025

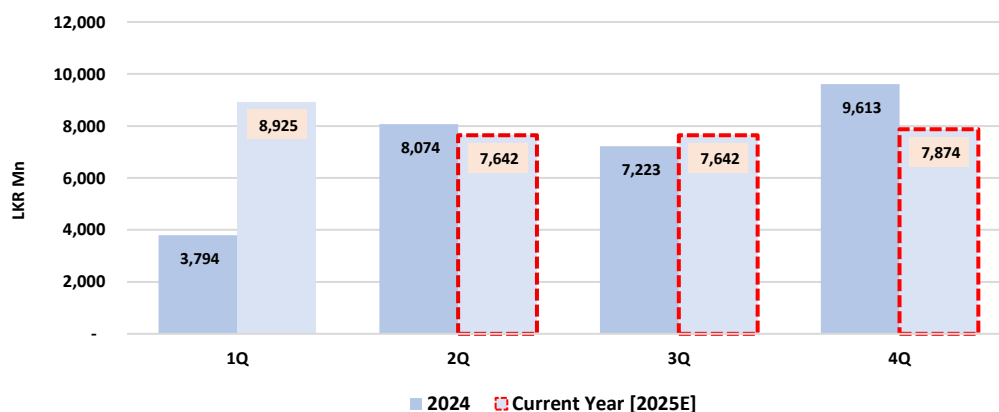
The Bank maintain both capital and liquidity metrics well above the regulatory requirement across 1Q2025. By end period, its reported Common Equity Tier 1, Tier 1, and Total Capital Ratios of 16.51%, 16.51%, and 20.30%, respectively, comfortably exceeding the regulatory minima and slightly lower than the 16.75%, 16.75%, and 19.38% recorded in 1Q2024. The Bank also fully met the additional 1% capital buffer requirements applicable to Domestic Systemically Important Banks (D-SIBs). Liquidity remained strong, with the All-Currency Liquidity Coverage Ratio at 305.2% and the Net Stable Funding Ratio at 198.0% as of 1Q2025, broadly stable compared to 307.4% and 198.7% at end 2024.

FV for 2025E estimated at LKR 165.00 – MAINTAIN BUY

Driven by SAMP's strong outperformance relative to our 2024 and 1Q2025 targets, FCR has revised upward its net earnings forecasts for 2025E and 2026E. Net profit is now projected at LKR 32.1Bn for 2025E, up from the previous estimate of LKR 24.6Bn, while the 2026E forecast has been raised to LKR 35.4Bn from LKR 28.8Bn. Notably, SAMP has capitalized on the ongoing credit expansion to such an extent that it nearly met our prior 2026E target price in 2024. Against this backdrop, we have revised our target price for SAMP to LKR 165.0 for 2025E and LKR 175.0 for 2026E. MAINTAIN BUY.



Quarterly Earnings



Note: 4Q2024 earnings include the impact of impairment reversals on ISB holdings.

Estimate Revision

In LKR Mn	2025E - O	2025E - R	% Change	2026E - O	2026E - R	% Change
Earnings Estimate						
Net Interest Income	82,027	94,261	+15%	90,106	104,116	+16%
Total Operating Income	109,643	118,974	+9%	118,029	131,236	+11%
Net Operating Income	95,226	115,013	+21%	100,607	123,856	+23%
Profit Before Tax	41,047	53,471	+30%	41,098	58,967	+43%
Net Profit	24,628	32,082	+30%	28,769	35,380	+23%
Adjusted EPS	21.0	27.4		24.5	30.2	
Growth YoY	10%	12%		17%	10%	
Balance Sheet Estimate						
Loans & Advances	922,376	1,024,148	+11%	1,012,834	1,130,309	+12%
Shareholders' Equity	173,475	188,350	+9%	183,073	198,556	+8%
Adjusted NAVPS	147.9	160.6		156.1	169.3	
Ratio Estimate						
ROE (%)	14.7%	17.0%		16.1%	17.8%	
PER (x)	3.3	4.4		2.9	4.0	
PBV (x)	0.5	0.7		0.4	0.7	

Valuation Table

P/E 31 December	2020	2021	2022	2023	2024	2025E	2026E	2027E
Estimates (LKR 'Mn)								
Net Interest Income	36,827	45,518	76,042	75,443	84,662	94,261	104,116	112,971
Total Operating Income	50,066	64,399	114,768	95,463	94,089	118,974	131,236	142,732
Net Profit	8,443	13,856	14,061	17,924	28,703	32,082	35,380	39,139
Recurring Net Profits	8,443	13,056	14,061	15,404	23,523	32,082	35,380	39,139
Adjusted EPS (LKR)	7.2	11.1	12.0	13.1	20.1	27.4	30.2	33.4
YoY Growth (%)	-28%	55%	8%	10%	53%	36%	10%	11%
Valuations								
PER (x)	16.7x	10.8x	10.0x	9.1x	6.0x	4.4x	4.0x	3.6x
PBV (x)	1.2x	1.1x	1.0x	0.9x	0.8x	0.7x	0.7x	0.7x
DY (%)	2.2%	3.5%	3.7%	4.9%	7.8%	8.9%	9.9%	11.1%
Adjusted NAVPS	97.6	108.5	115.6	134.6	151.7	160.6	169.3	177.0
Adjusted DPS (LKR)	2.7	4.1	4.5	5.9	9.3	10.7	11.9	13.3
Dividend Payout	37.3%	37.3%	37.4%	44.5%	46.6%	39.0%	39.5%	39.8%

Note: Recurring net profit for 2024 indicates reported net profit adjusted for impairment reversal on ISB holdings and net losses from derecognition of financial assets. 2023 and 2021 earnings have been adjusted for net gains / losses from derecognition of financial assets.



Valuation Summary

Expected SAMP price	2025E	2026E
Justified PBV based target price	160.6	186.2
PER Valuation based target price	164.1	181.0
RI Valuation based target price	141.7	159.0
Average Target Price	155.5	175.4
Target Price after Rounding off	165.0	175.0

Return	2025E	2026E
Target Price	165.0	175.0
Current Price	120.0	120.0
Capital Gain (LKR)	45.0	55.0
Dividends upto 31st Dec (LKR)	10.7	11.9
Capital Gain %	38%	46%
Dividend Yield %	9%	10%
Total Return %	46%	56%
Annualized Return %	105%	34%

Residual Income based Valuation	2025E	2026E
PV of Residual Income	-11,755	-1,857
No. of Shares ('Mn)	1,173	1,173
RI per Share	-10.0	-1.6
Opening Book value per Share	151.7	160.6
Value per Share	141.7	159.0

COE	2025E	2026E
Rf	10.0%	10.0%
Rm	18.0%	18.0%
Growth %	3.0%	3.0%
β	1.15	1.15
$K_e = R_f + \beta(R_m - R_f)$	19.2%	19.2%

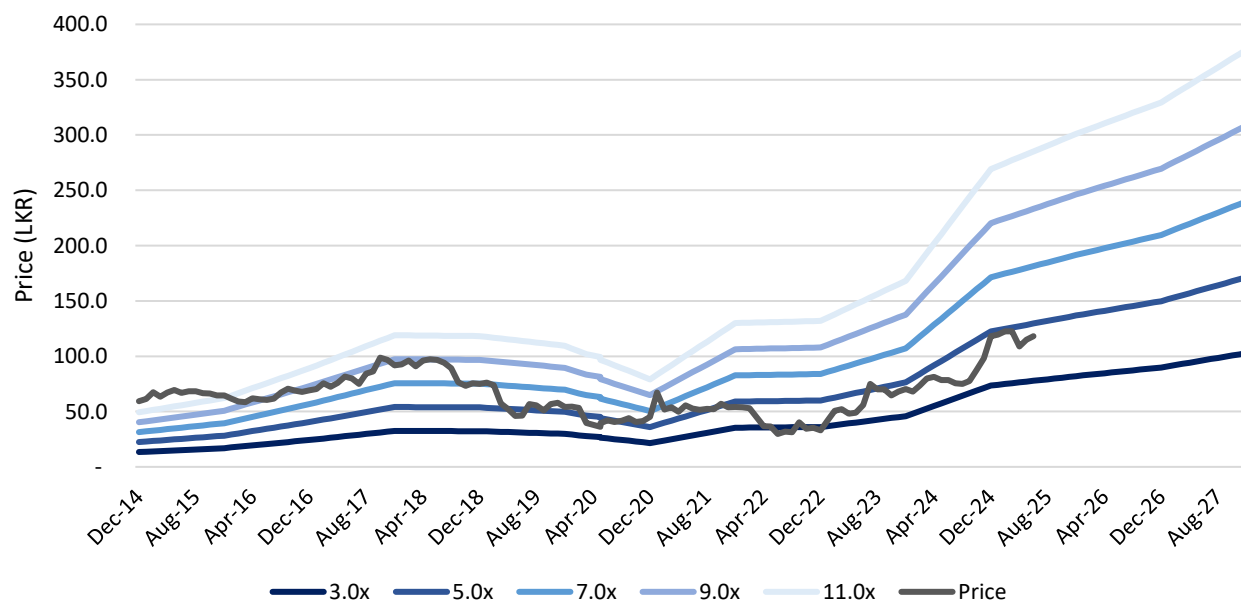
Justified PBV Valuation

Justified PBV based Valuation	2025E	2026E
ROAE	17.5%	18.3%
Growth	3.0%	3.0%
COE	19.2%	19.2%
PBV	1.0	1.1
NAVPS	160.6	169.3
Target Price	160.6	186.2

PER Valuation

PER based Valuation	2025E	2026E
Earnings (LKR 'Mn)	32,082	35,380
No. of Shares ('Mn)	1,173	1,173
EPS	27.4	30.2
Expected PER	6.0x	6.0x
Price at 6.0x Earnings	164.1	181.0

PER Chart





Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn) P/E 31st December	2020	2021	2022	2023	2024	2025E	2026E	2027E
Gross Income	109,183	113,075	206,002	236,504	208,273	245,162	268,395	291,267
Interest Income	94,647	92,428	164,776	212,459	192,359	214,710	235,134	256,160
Interest Expenses	57,820	46,910	88,734	137,016	107,697	120,449	131,018	143,189
Net Interest Income	36,827	45,518	76,042	75,443	84,662	94,261	104,116	112,971
Fee & Other Income	13,239	18,881	38,726	20,020	9,427	24,713	27,120	29,760
Total Operating Income	50,066	64,399	114,768	95,463	94,089	118,974	131,236	142,732
Impairment (Charges)/ Reversal	-13,201	-18,559	-62,908	-20,210	11,871	-3,961	-7,380	-8,143
Net Operating Income	36,866	45,840	51,860	75,253	105,960	115,013	123,856	134,588
Less : Operating expenses								
Staff Cost	11,227	10,916	13,879	15,826	20,434	21,231	21,974	22,853
Other Operating Expenses	10,354	11,803	16,010	19,140	22,369	22,790	23,929	25,843
Total Operating Expenses	21,582	22,719	29,888	34,966	42,802	44,020	45,903	48,696
Profit from operations	15,284	23,121	21,971	40,287	63,158	70,993	77,953	85,892
VAT on Financial Services & DRL	3,394	4,296	5,577	9,085	13,970	17,522	18,986	20,662
Profit Before Tax	11,890	18,825	16,395	31,202	49,188	53,471	58,967	65,231
Income Tax Expense	3,447	4,969	2,334	13,277	20,485	21,388	23,587	26,092
Profit for the Year	8,443	13,856	14,061	17,924	28,703	32,082	35,380	39,139
Minority Interest	0	0	0	0	0	0	0	0
Profit attributable to Equity Holders	8,443	13,856	14,061	17,924	28,703	32,082	35,380	39,139
EPS	7.2	11.8	12.0	15.3	24.5	27.4	30.2	33.4

Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn) As at 31st December	2020	2021	2022	2023	2024	2025E	2026E	2027E
Assets								
Cash and cash equivalents	29,219	23,028	79,345	79,530	46,501	20,441	23,831	50,490
Financial instruments	17,732	10,169	15,167	5,579	11,717	7,594	7,990	9,892
Loans to & Deposits with Banks	16,563	33,614	42,506	48,205	42,826	45,798	48,183	50,567
Loans and Receivables	752,438	795,804	839,977	787,356	901,950	1,024,148	1,130,309	1,222,083
Debt and other instruments	275,126	294,667	284,238	373,900	405,616	431,645	468,335	510,485
Property, plant & equipment	15,891	16,338	19,067	19,961	22,013	20,534	19,230	18,096
Other Assets	42,716	69,013	87,020	272,845	406,372	411,429	417,652	425,178
Total Assets	1,149,685	1,242,633	1,367,320	1,587,376	1,836,995	1,961,589	2,115,531	2,286,791
Liabilities								
Due to other customers	902,499	994,318	1,115,156	1,276,551	1,487,149	1,598,685	1,734,573	1,890,684
Due to banks	42,905	31,532	15,255	17,345	30,068	31,974	34,691	37,814
Debt issued and other borrowed funds	56,906	56,474	45,779	72,961	76,316	80,304	84,897	87,304
Current tax liabilities	4,793	8,376	19,186	16,689	15,312	14,547	14,547	14,547
Other liabilities	28,168	24,748	36,392	46,000	50,268	47,730	48,266	48,826
Total Liabilities	1,035,271	1,115,447	1,231,768	1,429,545	1,659,113	1,773,239	1,916,974	2,079,174
Shareholders' Funds								
Stated Capital	47,622	47,622	47,622	48,741	48,741	48,741	48,741	48,741
Reserves	58,891	65,696	74,364	92,378	108,011	114,308	119,030	122,142
Retained earnings	7,901	13,867	13,565	16,712	21,130	25,301	30,785	36,734
Shareholders' Funds	114,415	127,186	135,551	157,830	177,882	188,350	198,556	207,617
Minority Interest	0	0	0	0	0	0	0	0
Total Liabilities & Shareholders' Funds	1,149,685	1,242,633	1,367,320	1,587,376	1,836,995	1,961,589	2,115,531	2,286,791
Adjusted NAVPS	97.6	108.5	115.6	134.6	151.7	160.6	169.3	177.0

RESEARCH

Dimantha Mathew	+94 11 2639 853	Akna Tennakoon	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Manusha Kandanaarachchi	+94 11 2639 866
Shahana Kanagaratnam	+94 11 2639 866	Salaama Sanoon	+94 11 2639 866

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
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EQUITY SALES

		Equity Branches		
CEO	Jaliya Wijeratne	+94 71 5329 602	Negombo	Priyanka Anuruddha +94 77 4546 070 Priyantha Wijesiri +94 77 9065 779
Colombo				
Rasika Vidanalage	+94 77 7072 698			
Isuru Jayawardana	+94 76 7084 953			
Nishantha Mudalige	+94 77 3204 929			
Anushka Buddhika	+94 71 4310 600	Agents		
Thushara Pathiraja	+94 77 0076 314	Colombo	Kithsiri Jayasinghe	+94 77 7790 657
Anjelo LaBrooy	+94 77 7546 645	Anuradhapura	Amila Luwishewa	+94 71 0628 195
Dillon Lowe	+94 76 6160 647	Galle	Nuwan Abeynayake	+94 77 7288 274
Evelyn John	+94 77 779 2452	Kandy	Ajith Ihalawatta	+94 77 8477 530
Yudheshan Kannadasan	+94 77 415 5809	Embilipitiya	Ruwan Wanniarachchi	+94 77 3877 734

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy	Kurunegala	Matara	Negombo
CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	CSE Branch Office, 1st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 4937 072

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