



# Investor Presentation

## September 2019

# Vision

## *Vision:*

*“Our Vision is to be the innovator of Banking Solutions to the wider Corporate, SME and Retail Segments and to be their Bank of choice, through professional and empowered people”.*

## *Mission:*

- *To our customers we provide the means of economic up liftment through customized banking and financial services.*
- *To our shareholders we provide a return on their investment above industry norm.*
- *To our staff we are a learning and innovative organization providing opportunities for faster career progression within a pleasant work environment.*
- *We adhere to the practice of good Corporate Governance in the eyes of the regulatory authorities.*
- *We are conscious of the need to be a responsible corporate citizen for the betterment of our society.*



## CEO's message

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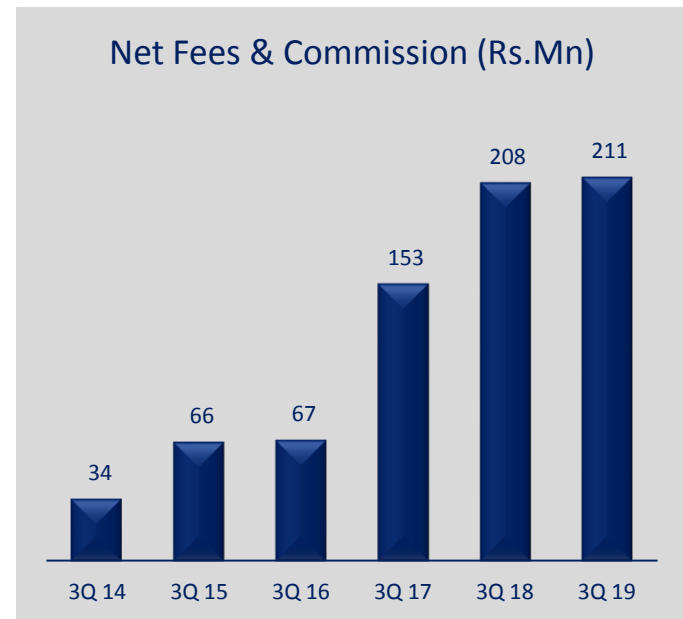
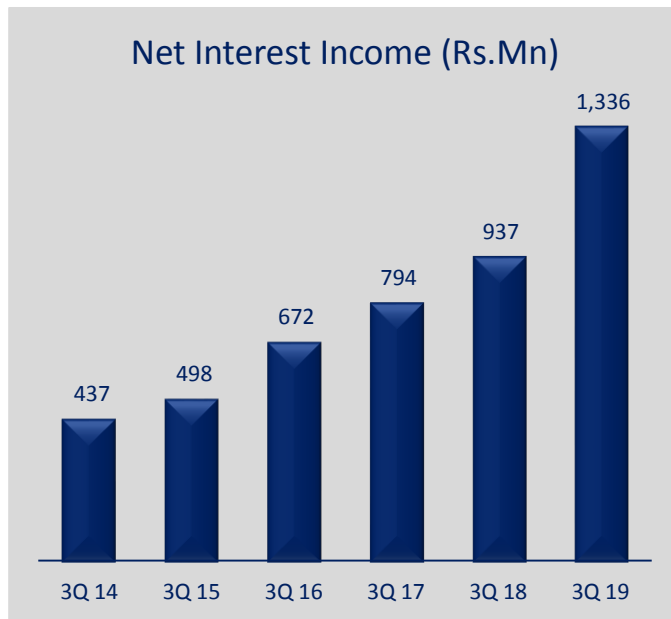
*“I am pleased to share this resilient 9 months' performance of Union Bank amidst a challenging economic backdrop and high tax regime, which is a clear assertion of the Bank's successful strategic direction that has helped withstand such tough conditions. I believe that the Bank's continued focus on operational efficiency, digital banking lead and inclusive portfolio expansion will augur well for the 4th and final lap of the year, in which we will continue to build on these growth dynamics and strive for more insistent business growth with a view to successfully meet our strategic objectives for 2019”*

## UBC continues with a 58% growth in Profit Before all Taxes in Q3

Income Statement (Rs.Mn)	3Q 2019	3Q 2018	Growth %	9M 2019	9M 2018	Growth %
Net interest income	1,336	937	43%	3,466	2,722	27%
Net fee and commission income	211	208	1%	624	578	8%
Net Trading and other Operating income	190	204	-7%	547	609	-10%
<b>Total operating income</b>	<b>1,738</b>	<b>1,349</b>	<b>29%</b>	<b>4,637</b>	<b>3,908</b>	<b>19%</b>
Impairment Charges	215	56	287%	354	214	66%
Operating cost	986	938	5%	2,960	2,821	5%
<b>Results from operating activities</b>	<b>537</b>	<b>356</b>	<b>51%</b>	<b>1,323</b>	<b>874</b>	<b>51%</b>
Share of subsidiary profits	36	7	386%	98	48	107%
<b>Profit Before all Taxes</b>	<b>573</b>	<b>363</b>	<b>58%</b>	<b>1,422</b>	<b>921</b>	<b>54%</b>
Taxes ( including VAT & NBT, DRL )	337	226	49%	889	531	67%
<b>Net profit for the period</b>	<b>235</b>	<b>137</b>	<b>72%</b>	<b>533</b>	<b>390</b>	<b>37%</b>

- *Confirmed resilient performance amidst challenging macro-economic and market conditions and recorded an impressive profit before all taxes of Rs. 1,422 Mn, a 54% growth YoY for the period ended September 2019.*
- *Profit share from subsidiaries was reported at Rs.98Mn which was a Rs.51Mn increase YoY. UB Finance Limited is the major contributor for the above increase.*
- *Profit after Tax (PAT) was Rs. 533Mn, 37% growth YoY. The total comprehensive income of the Bank was Rs.867Mn and was an increase of 469% YoY..*

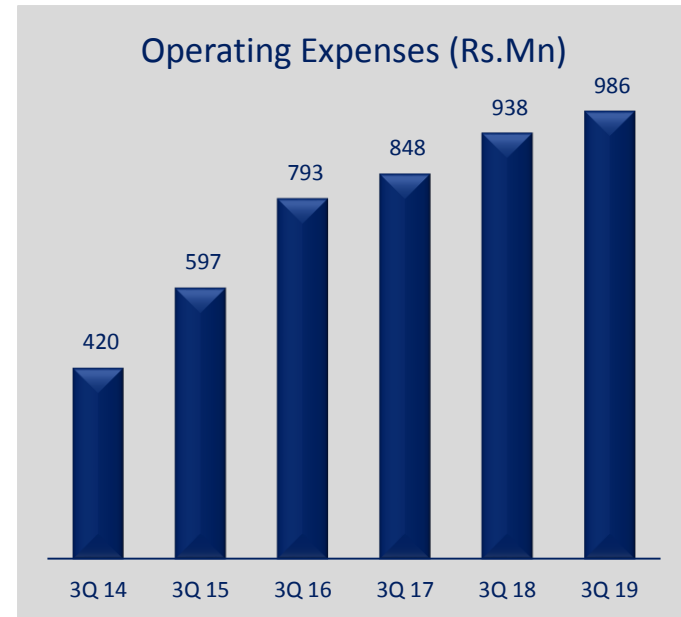
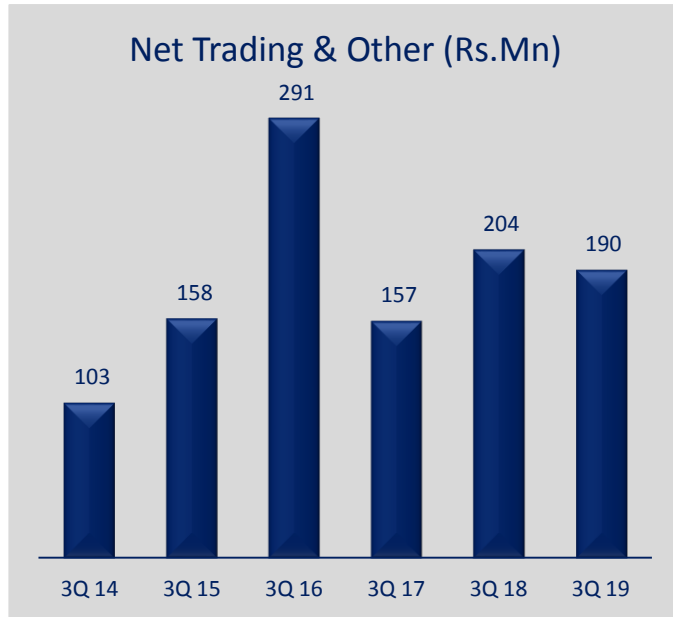
# NIM improved to 3.8%



- Continuous focus on revenue optimisation through portfolio re-alignment within and across business units resulted in a 27% YoY growth in Net Interest Income (NII) which was Rs.3,466 Mn for the period.
- Net Interest Margin improved to 3.8% from 3.0% in the comparative quarter.

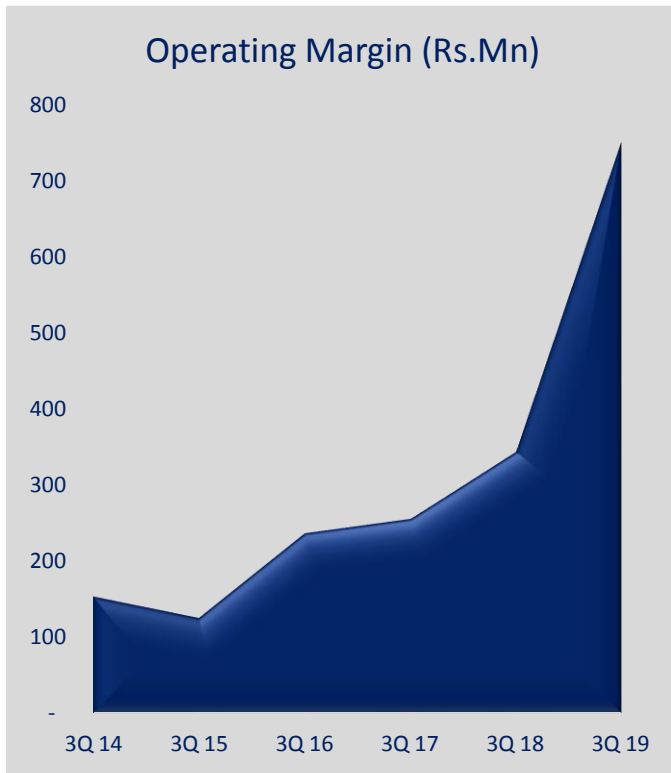
- Fee Income growth continued throughout the reporting period, resulting in a 12% YoY growth to Rs. 784Mn.
- The growth is mainly attributed to the credit card processing fees, the newest addition to the product portfolio which made its debut in late 2018

## YoY increase in capital gains by 83%

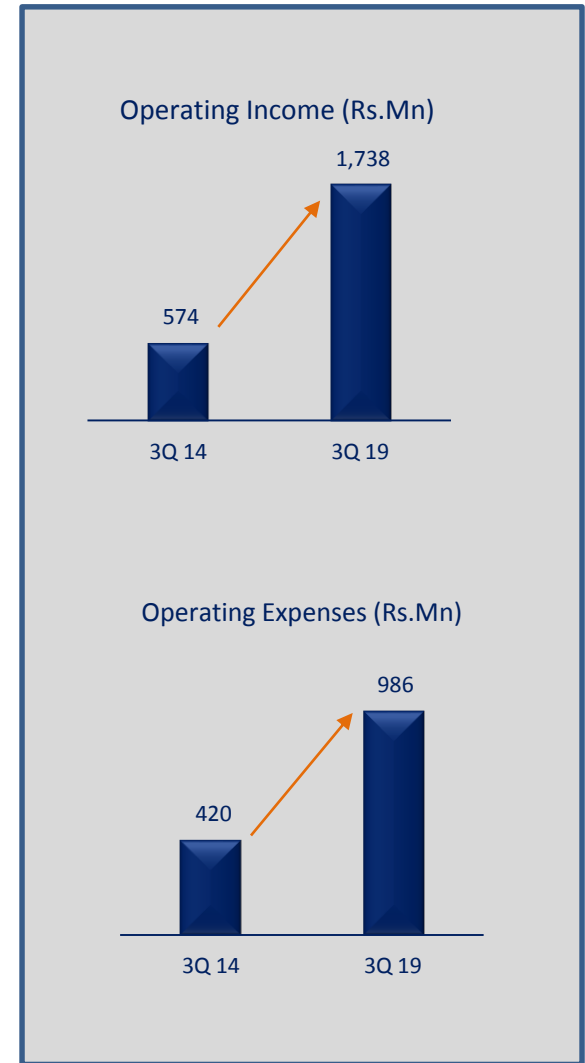


- Treasury performance was notable and recorded Rs. 380 Mn in capital gains YoY, which is a significant increase of 83%.
- Other Operating Income declined on the back of exchange rate deflation and due to a significant increase in the number of funding swaps entered in to during the review period . A decline in trade volumes stemming from adverse macro economic conditions was also contributory to the above.
- Supported by prudent cost management strategy, Operating Expenses of the Bank increased only by 5% YoY to Rs. 2,960 Mn.

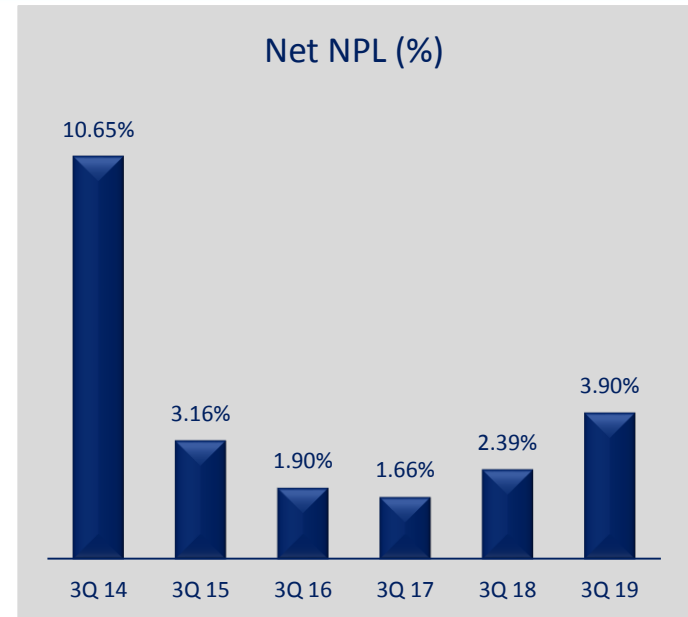
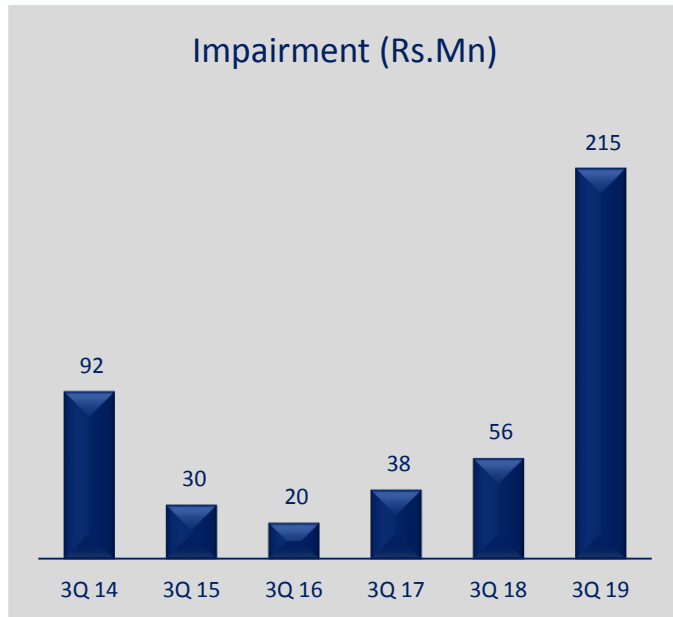
# Operating margin increased by 54%



- *Total Operating Income of the Bank continued to rise, reporting Rs.4,637 Mn a sharp increase of 19% YoY whereas Operating Expenses of the Bank increased only by 5% YoY*



# Net NPL ratio is 3.9%



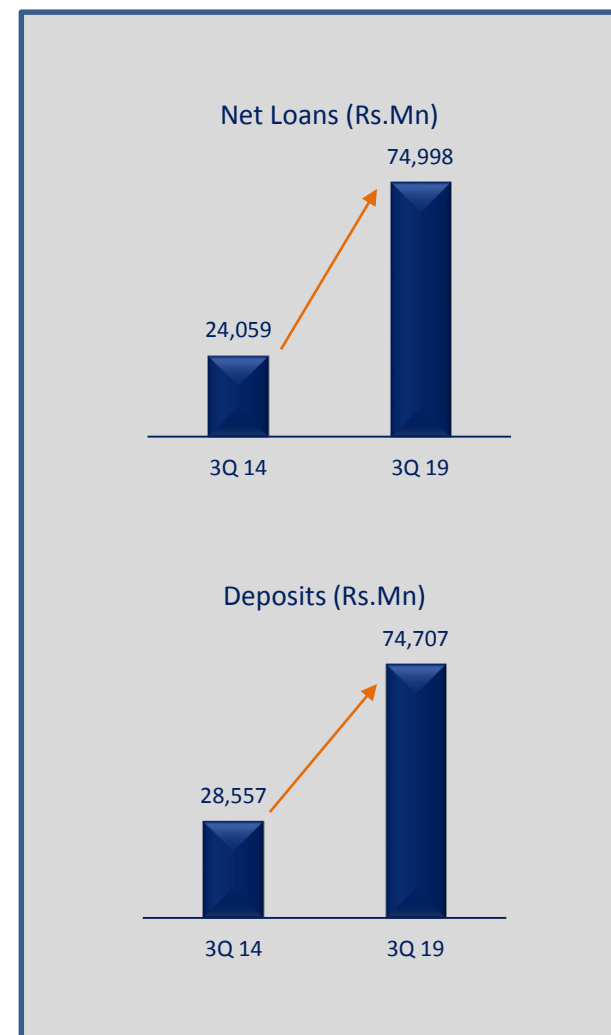
- *Collective impairment charge for the period ended 30 September 2019 has been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whilst prior period charge was prepared in accordance with LKAS 39 (Financial Instruments).*

- *Reflecting the stress due to macro economic challenges, the Gross NPL ratio of the Bank deteriorated to 5.2% from 3.7% in December 2018. The Net NPL ratio is 3.9%.*

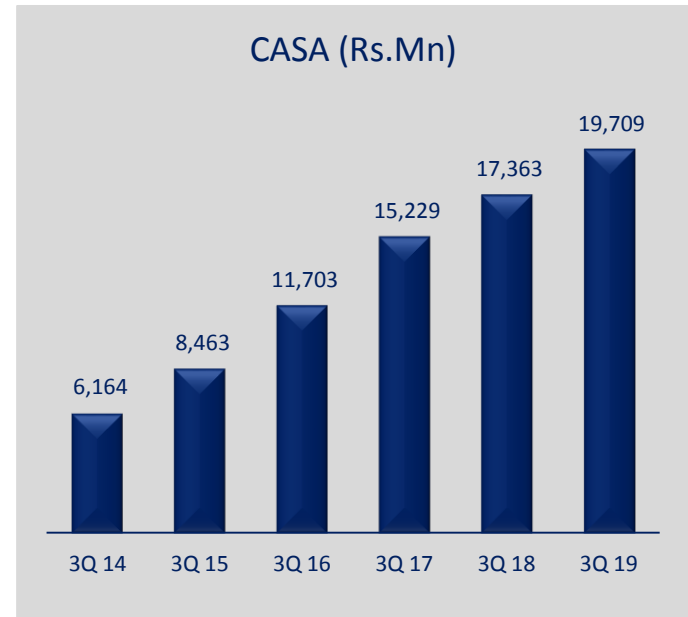
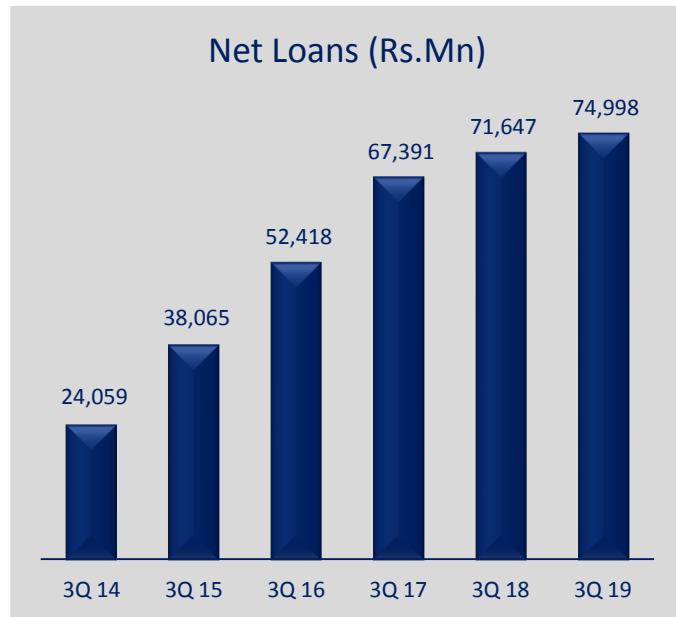
# Statement of Financial Position - Bank

Balance Sheet (Rs.Mn)	3Q 2019	4Q 2018	Growth %
Treasury Assets	31,791	40,884	-22%
Loans & Advances	74,998	73,749	2%
Cash & Balance with CB	4,571	7,138	-36%
Other Assets	4,214	4,149	2%
<b>Total Assets</b>	<b>115,574</b>	<b>125,920</b>	<b>-8%</b>
Borrowings	21,636	28,240	-23%
Customer Deposits	74,707	79,251	-6%
Other Liabilities	1,855	1,802	3%
Equity	17,376	16,627	5%
<b>Total Equity &amp; Liabilities</b>	<b>115,574</b>	<b>125,920</b>	<b>-8%</b>

- *Total assets of the Bank stood at Rs.115,574 Mn as at 30 September.*
  - *The Bank's loans and receivables stood at Rs. 74,998Mn*
  - *Deposits base was Rs.74,707 Mn as at the end of the quarter.*



# YoY average CASA growth of 22%



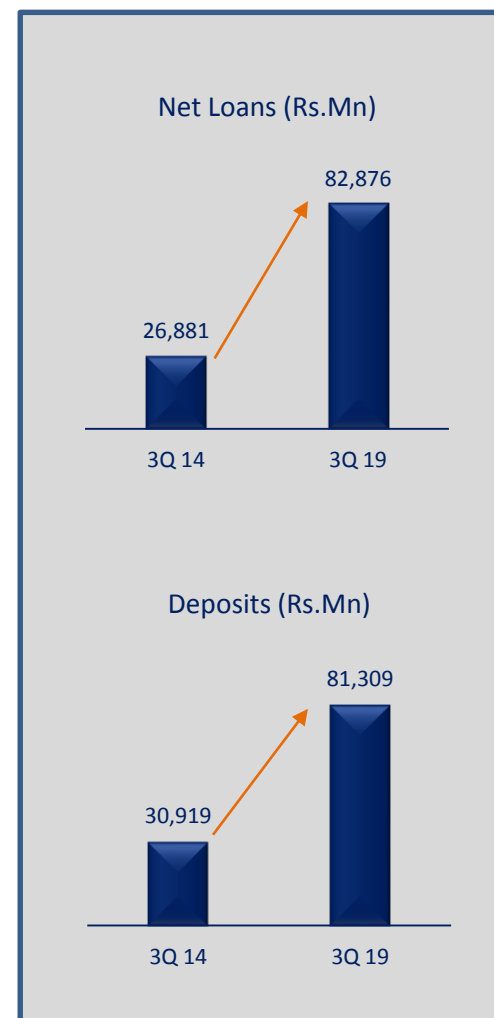
- *YTD Net Loans growth is only 2%.*
- *Key focus was placed mainly on portfolio realignment rather than the growth.*
- *Total average CASA grew to Rs.18,923 Mn which reflected a growth of 22% YoY. Efforts of maintaining a healthy CASA inflow was supported through focused acquisition strategies driven by retail, corporate and SME banking segments.*

# Group's profit after all taxes increased by 36% YoY

Income Statement (Rs.Mn)	3Q 2019	3Q 2018	Growth %
Net interest income	1,516	1,151	32%
Net fee and commission income	238	235	1%
Net Trading and other Operating income	204	213	-4%
<b>Total operating income</b>	<b>1,959</b>	<b>1,599</b>	<b>22%</b>
Impairment Charges	194	105	85%
Operating cost	1,118	1,075	4%
<b>Profit Before all Taxes</b>	<b>647</b>	<b>420</b>	<b>54%</b>
Taxes ( including VAT & NBT, DRL )	388	268	45%
<b>Net profit for the period</b>	<b>259</b>	<b>152</b>	<b>71%</b>

	9M 2019	9M 2018	Growth %
Net interest income	4,033	3,342	21%
Net fee and commission income	700	675	4%
Net Trading and other Operating income	575	631	-9%
<b>Total operating income</b>	<b>5,309</b>	<b>4,648</b>	<b>14%</b>
Impairment Charges	499	340	47%
Operating cost	3,363	3,218	5%
<b>Profit Before all Taxes</b>	<b>1,446</b>	<b>1,090</b>	<b>33%</b>
Taxes ( including VAT & NBT, DRL )	840	643	31%
<b>Net profit for the period</b>	<b>606</b>	<b>446</b>	<b>36%</b>

Balance Sheet (Rs.Mn)	3Q 2019	4Q 2018	Growth %
Treasury Assets	31,637	40,844	-23%
Loans & Advances	82,876	82,120	1%
Cash & Balance with CB	4,955	7,526	-34%
Other Assets	4,593	4,541	1%
<b>Total Assets</b>	<b>124,061</b>	<b>135,032</b>	<b>-8%</b>
Borrowings	23,069	30,045	-23%
Customer Deposits	81,309	86,266	-6%
Other Liabilities	2,389	2,248	6%
Equity	17,294	16,473	5%
<b>Total Equity &amp; Liabilities</b>	<b>124,061</b>	<b>135,032</b>	<b>-8%</b>



# Key performance indicators

Item	BANK		GROUP	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
<b>Regulatory Capital - Rs '000</b>				
Common Equity Tier 1 (Basel III)	14,252,615	15,031,473	14,700,666	15,557,644
Tier 1 Capital / Core Capital (Basel III)	14,252,615	15,031,473	14,700,666	15,557,644
Total Capital / Total Capital Base (Basel III)	14,549,508	15,031,473	15,409,031	15,557,644
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2019 - 7%, 2018 - 6.375% )	16.13%	17.41%	15.52%	16.47%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2019 - 8.5%, 2018 - 7.875%)	16.13%	17.41%	15.52%	16.47%
Total Capital Ratio (Minimum Requirement as per Basel III 2019 - 12.5%, 2018- 11.875%)	16.46%	17.41%	16.27%	16.47%
Leverage Ratio (Minimum Requirement - 3%)	10.93%		10.24%	
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	5.22%	3.68%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)	3.90%	2.51%		
<b>Profitability</b>				
Interest Margin, %	3.83%	2.98%		
Return on Assets (Before Tax), %	0.98%	0.63%		
Return on Assets (After Tax), %	0.59%	0.39%		
Return on Equity (After Tax), %	4.18%	2.74%		

# Corporate Information

## Board of Directors

Name	Title
Atul Malik	Chairman/Non-Ind. Non-Exec. Director
Priyantha Fernando	Deputy Chairman/ Ind. Non Exec. Director
Indrajit Wickramasinghe	Exec. Director/CEO
Sabry Ghouse	Independent, Non Executive Director
Ranvir Dewan	Non Independent, Non Executive Director
Gaurav Trehan	Non Independent, Non Executive Director
Puneet Bhatia	Non Independent, Non Executive Director
Michael J. O'Hanlon	Non Independent, Non Executive Director
Trevine Fernandopulle	Independent, Non Executive Director
Dilshani Wijayawardana	Independent, Non Executive Director
Sarath Wikramanayake	Independent, Non Executive Director
Sanjeev Mehra	Alternate Director to Puneet Bhatia

## Leadership Team

Name	Title
Indrajit Wickramasinghe	Director/ Chief Executive Officer
Hiranthi de Silva	Vice President Wholesale Banking
Malinda Samaratunga	Chief Financial Officer
Ravi Jayasekera	Vice President Human Resources
S. Sri Ganendran	Vice President Operations
Chaya Jayawardena	Vice President Retail Banking
Suhen Vanigasooriya	Chief Risk Officer
Wije Dambawinna	Vice President – Head of Treasury
Nisala Kodippili	Vice President/Chief Information Officer
Asanka Ranhotty	Vice President SME & Transaction Banking
Inoka Jayawardhana	AVP – Head of Legal and Company Secretary

## Legal Form

A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 17 of 1982. Re-registered under the Companies Act No. 7 of 2007. Listed as a public quoted Company at the Colombo Stock Exchange in 2011.

A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

## Credit Ratings

ICRA : (SL) BBB Stable  
Fitch : BBB- (lka) Stable Rating

## Date of Incorporation

February 2nd, 1995

## Auditors

Ernst & Young  
Chartered Accountants,  
No. 201, De Saram Place  
Colombo 10