



# Investor Presentation

December 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



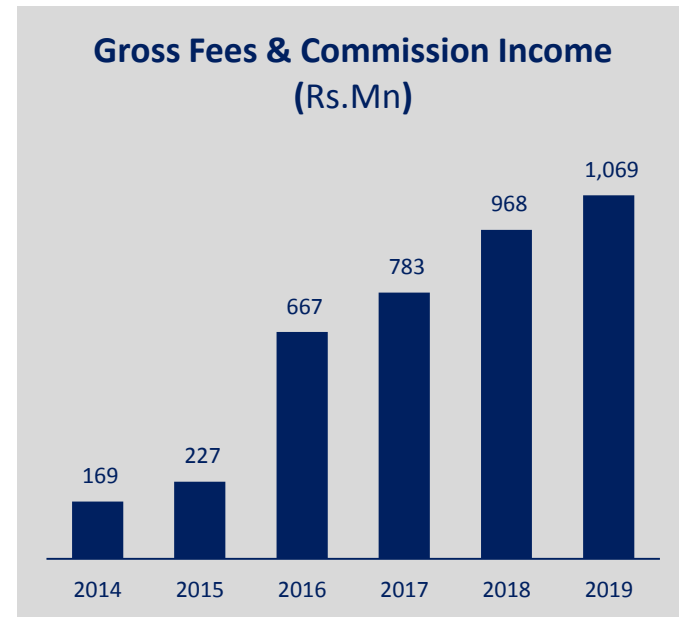
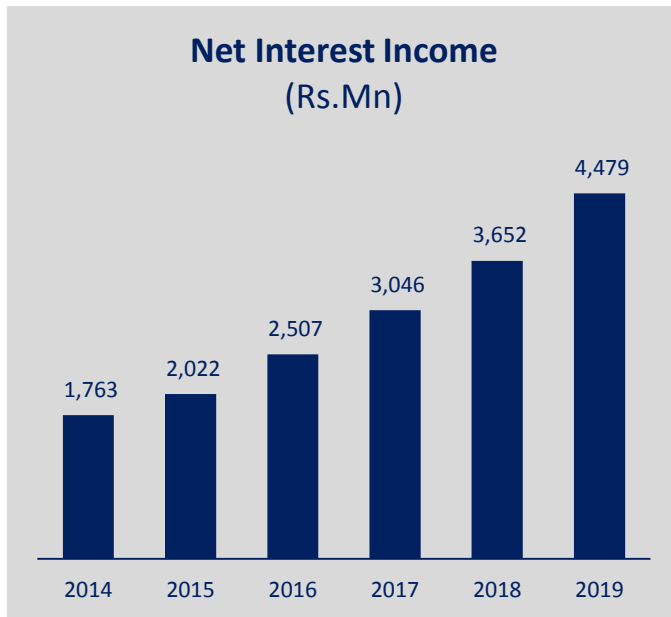
*“I’m pleased to present Union Bank’s strong performance during a challenging year. Amidst many macro-economic challenges, the Bank had improved its core banking growth with focus on interest income, portfolio realignment and prudent cost management, reporting a resultant rise in profits. Union Bank marks its 25th anniversary in 2020 – a significant milestone that indicates our successful journey of growth over the years. During the year 2020 the Bank’s mid-term growth strategy will be furthered with a view to become a preferred banking partner to the target client segments served. We envision the business landscape to improve in the year 2020 and the Bank will continue to reinforce its Retail, Corporate, SME and Treasury businesses while capitalising on its clear competitive advantages to generate sustainable earnings. The focus on strategic growth segments, prudent portfolio expansion and inclusive banking approaches would pave the way for Union Bank’s progress in the year 2020.”*

## UBC recorded significant increase of 50.3% in Profit after tax

Income Statement (Rs.Mn)	2019	2018	Growth (%)
Net Interest Income	4,479	3,652	22.6%
Net Fee & Commission Income	855	833	2.7%
Net Trading & Other Operating Income	686	800	-14.2%
<b>Total Operating Income</b>	<b>6,021</b>	<b>5,285</b>	<b>13.9%</b>
Impairment Charge	390	342	14.0%
Total Operating Expenses	3,830	3,729	2.7%
<b>Results from Operating Activities</b>	<b>1,800</b>	<b>1,214</b>	<b>48.4%</b>
Share of Subsidiary Profits	104	35	199.9%
<b>Profit Before all Taxes</b>	<b>1,904</b>	<b>1,248</b>	<b>52.6%</b>
Taxes (including VAT & NBT, DRL)	1,194	776	53.9%
<b>Net profit for the period</b>	<b>710</b>	<b>473</b>	<b>50.3%</b>

- *Union Bank demonstrated strong performance amidst a challenging macro-economic environment in year 2019 recording a significant increase of 50.3% in profit after tax. Amidst the sector shocks that prevailed throughout, the Bank strived for revenue optimization through portfolio re-alignment and prudent cost management.*
- *Despite market challenges, the core banking operations of the Bank performed consistently on the back of focused strategic initiatives implemented across Corporate, SME and Retail Banking segments, supported by an impressive Treasury performance. NII and total income of the bank increased year on year (YoY) by 22.6% and 13.9% respectively. The profit before taxes increased by 52.6% YoY.*

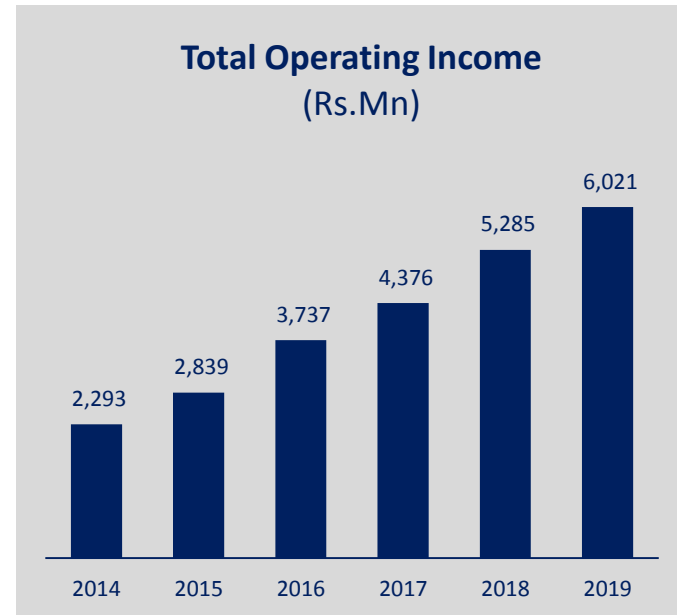
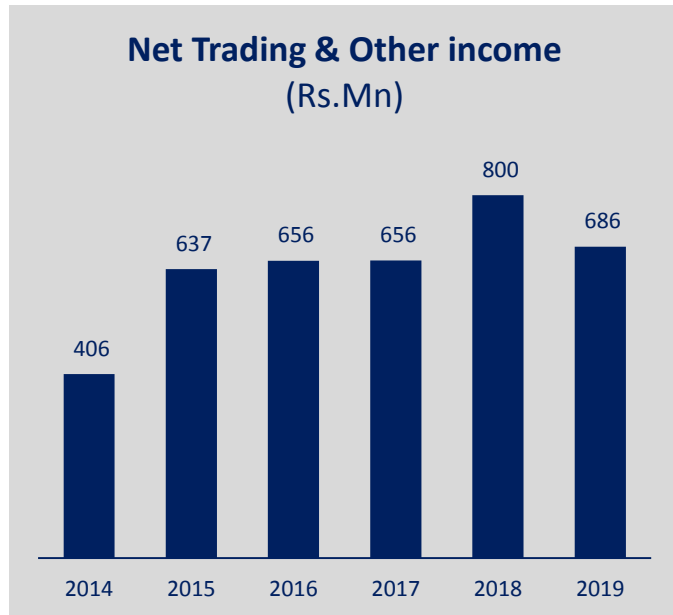
# NIM improved to 3.6% from 3.0%



- The net interest income of the Bank grew significantly by Rs. 827Mn which was a 22.6% growth YoY.
- Net interest margin (NIM) of the Bank was 3.6% and was an increase from the 3.0% recorded in 2018 as a result of effective fund management strategies.

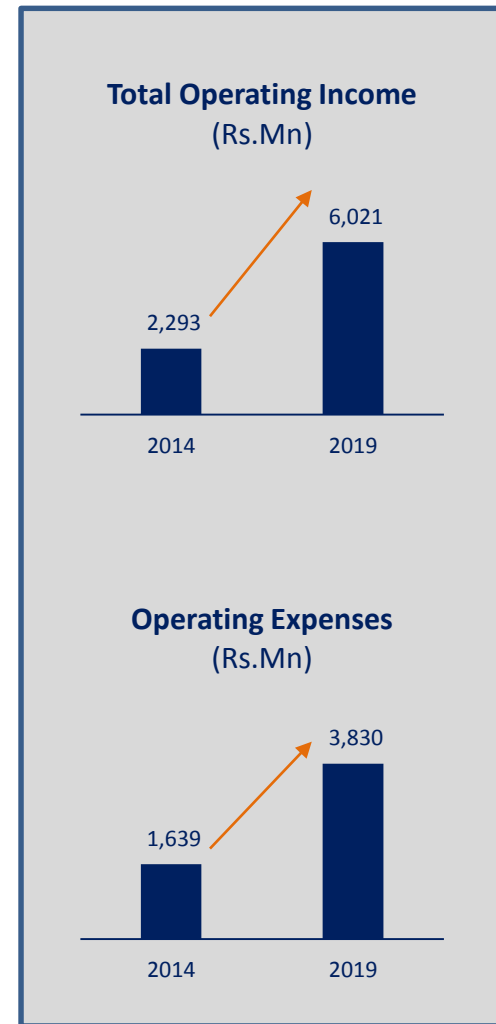
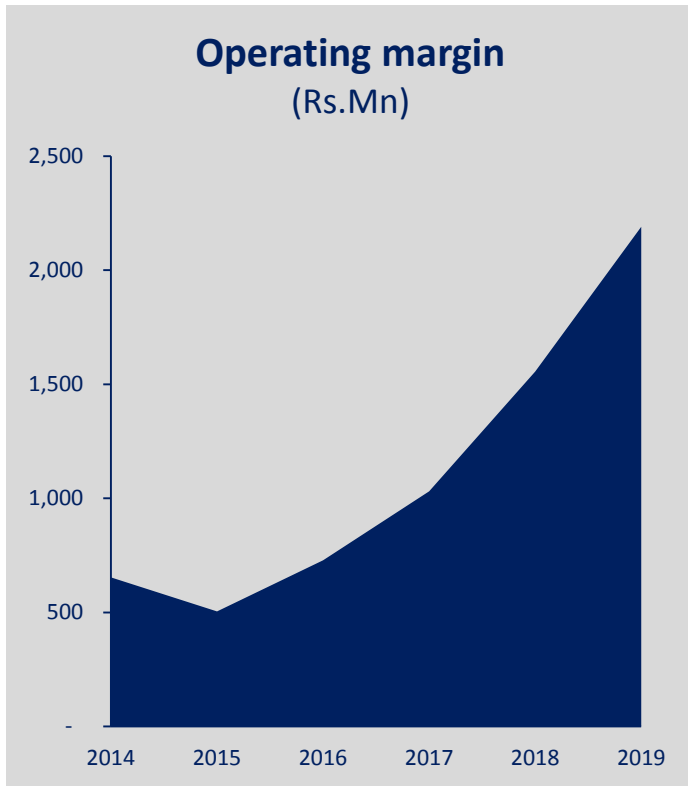
- The growth was mainly attributable to fee income generated from credit cards fees due to focused acquisition efforts on this product along with the increase of Bancassurance fee income followed by guarantee income.
- The increase in net fee and commission income was somewhat curtailed due to a parallel increase in fee and commission expenses arising from cards and brokerage.

# Operating income increased by 13.9%



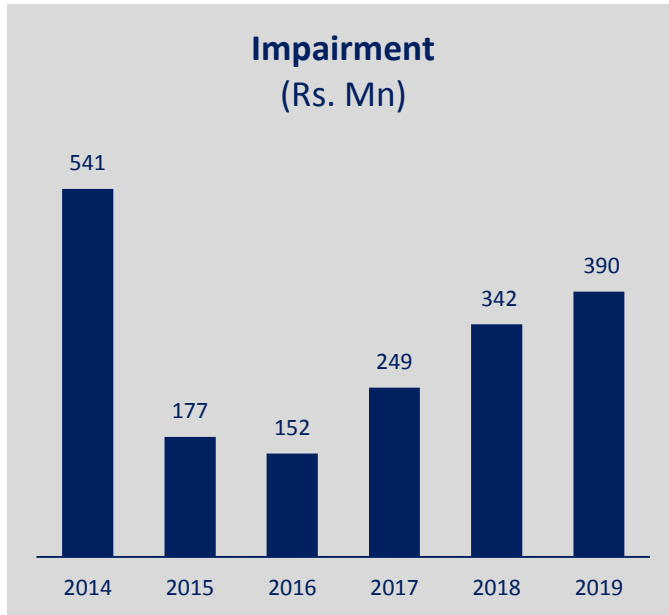
- Net trading and other income reduced by 14.2% over the previous year.
  - This reduction was primarily due to the reduction in exchange gains.
- A significant increase of 89.4% in capital gains was recorded which was reported as Rs. 446Mn.
- Income from investments in units remained flat at Rs. 227Mn.
- The overall growth in core banking activities and the consistent financial performance which was mainly attributable to increase in NII, led to a 13.9% growth in total operating income of the Bank which was recorded as Rs.6,021Mn.

# Operating margin increased by 40.8%

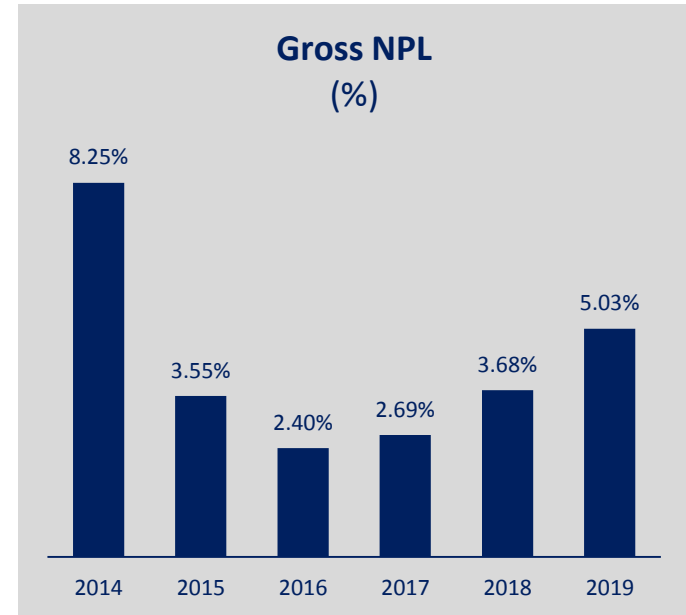


- *The operating margin increased to Rs.2,191Mn, which is a 40.8% growth YoY.*
  - *Total operating income increased by 13.9%*
  - *Operating cost increased only by 2.7%*

# Gross NPL ratio was 5.03%



- *Impairment charge of the year was Rs.390Mn, and was a 14.0% increase YoY.*
- *The Bank assesses approximately 75% of the portfolio under individual impairment.*

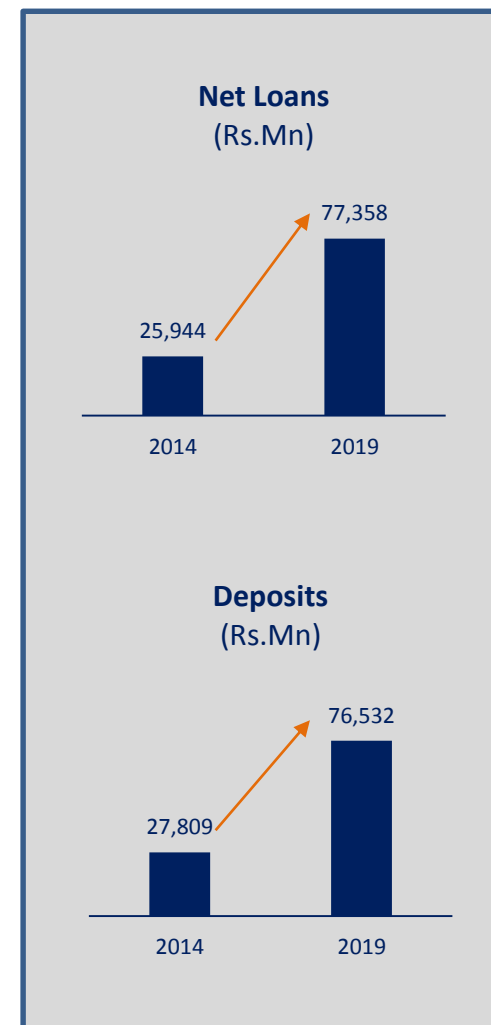


- *Reflecting the macro-economic challenges, the Bank's non-performing loans ratio, which has been on an upward trend since end of 2018 increased to 5.03% in 2019 in line with the increase in the NPL ratios in banking industry.*
- *The SME banking segment of the Bank showed the highest deterioration in NPL ratio during the year.*

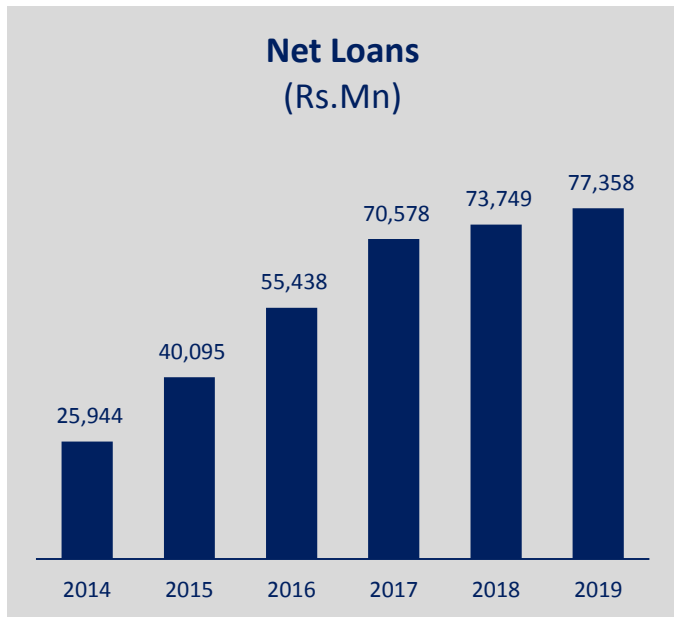
# Statement of Financial Position - Bank

As at 31 December	2019 (Rs.Mn)	2018 (Rs.Mn)	Growth (%)
Treasury Assets	34,700	40,884	-15.1%
Loans & Advances	77,358	73,749	4.9%
Cash & Balances with CB	5,033	7,138	-29.5%
Other Assets	4,662	4,149	12.4%
<b>Total Assets</b>	<b>121,754</b>	<b>125,920</b>	<b>-3.3%</b>
Borrowings	24,838	28,240	-12.0%
Customer Deposits	76,532	79,251	-3.4%
Other Liabilities	2,873	1,802	59.4%
Equity	17,510	16,627	5.3%
<b>Total Equity &amp; Liability</b>	<b>121,754</b>	<b>125,920</b>	<b>-3.3%</b>

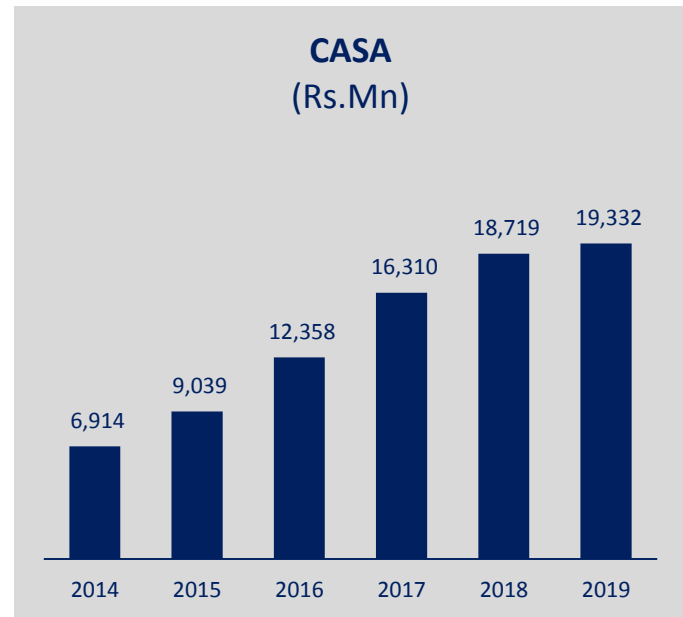
- *Despite policy rate revisions, the demand for private credit remained subdued, affecting the balance sheet growth.*
- *The Bank's strategic focus for deposits was shifted towards the acquisition of low-cost deposits which requisitioned a strategic re-alignment of the deposits base.*



# YoY average CASA growth of 16.3%



- *The Bank's Loans and advances grew only by 4.9%*
  - *The growth is mainly attributable to the contribution from the loans in the Retail segment, including a significant increase in the credit cards portfolio and the expansion of the corporate portfolio.*



- *The growth momentum of the CASA portfolio was continued throughout the year, with focused expansion of key products including children's savings, investment plans and institutional CASA through intense sales drives across branches, relationship managers and dedicated sales teams.*
- *The average CASA portfolio growth YoY was 16.3%.*

# Group's profit after taxes increased by 50.4% YoY

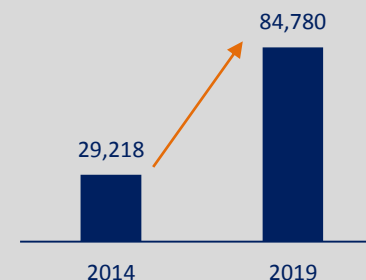
## Income Statement

For the year ended 31 December	2019 (Rs.Mn)	2018 (Rs.Mn)	Growth (%)
Net Interest Income	5,234	4,466	17.2%
Net Fee & Commission Income	958	958	0.1%
Net Trading & Other Operating Income	724	835	-13.3%
<b>Total Operating Income</b>	<b>6,916</b>	<b>6,258</b>	<b>10.5%</b>
Impairment Charge	580	576	0.7%
Total Operating Expenses	4,353	4,266	2.0%
<b>Profit Before all Taxes</b>	<b>1,983</b>	<b>1,415</b>	<b>40.1%</b>
Taxes (including VAT & NBT, DRL)	1,179	881	33.9%
<b>Net profit for the year</b>	<b>804</b>	<b>535</b>	<b>50.4%</b>

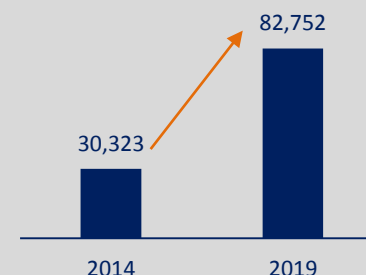
## Statement of Financial Position

As at 31 December	2019 (Rs.Mn)	2018 (Rs.Mn)	Growth (%)
Treasury Assets	34,567	40,844	-15.4%
Loans & Advances	84,780	82,120	3.2%
Cash & Balances with CB	5,419	7,526	-28.0%
Other Assets	5,074	4,541	11.7%
<b>Total Assets</b>	<b>129,840</b>	<b>135,032</b>	<b>-3.8%</b>
Borrowings	26,237	30,045	-12.7%
Customer Deposits	82,752	86,266	-4.1%
Other Liabilities	3,653	2,460	48.5%
Equity	17,199	16,261	5.8%
<b>Total Equity &amp; Liability</b>	<b>129,840</b>	<b>135,032</b>	<b>-3.8%</b>

### Net Loans (Rs.Mn)



### Deposits (Rs.Mn)



# Capital Adequacy Ratio is 16.75%

Key Performance Indicators	BANK		GROUP	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>Regulatory Capital - Rs '000</b>				
Common Equity Tier 1 (Basel III)	15,286,211	15,031,473	15,810,228	15,557,644
Tier 1 Capital / Core Capital (Basel III)	15,286,211	15,031,473	15,810,228	15,557,644
Total Capital / Total Capital Base (Basel III)	15,413,097	15,031,473	16,050,219	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%)	16.61%	17.41%	16.12%	16.47%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2019 - 8.5%, 2018 - 7.875%)	16.61%	17.41%	16.12%	16.47%
Total Capital Ratio (Minimum Requirement as per Basel III 2019 - 12.5%, 2018- 11.875%)	16.75%	17.41%	16.36%	16.47%
Leverage Ratio (Minimum Requirement - 3%)	10.64%	N/A	10.36%	N/A
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets				
Domestic Banking Unit, Rs. '000	19,095,889	18,006,765		
Foreign Currency Banking Unit, USD '000	13,587	12,791		
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	22.95%	21.77%		
Foreign Currency Banking Unit	21.95%	21.14%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement 2019 - 100%, 2018- 90%)	225.57%	335.43%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement 2019 - 100%, 2018- 90%)	154.70%	131.50%		
Net Stable Funding Ratio (%) (Minimum Requirement - 100%)	113.08%	N/A		
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	5.03%	3.68%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)	3.55%	2.51%		
<b>Profitability</b>				
Interest Margin, %	3.62%	2.98%		
Return on Assets (Before Tax), %	0.96%	0.63%		
Return on Assets (After Tax), %	0.57%	0.39%		
Return on Equity (After Tax), %	4.16%	2.74%		

# Awards / Ratings

Fitch Rating Upgraded  
UB to BBB- (Ika) with  
stable outlook



Best Cash Management Bank  
Sri Lanka  
Global Business Outlook  
Awards 2019

Best website  
Finance category  
DotComm Awards 2019  
USA.



# 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
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
Wije Dambawinne	Vice President - Head of Treasury
Hiranthi de Silva	Vice President - Wholesale Banking
Sri Ganendran	Vice President – Operations
Ravi Jayasekera	Vice President - Human Resources
Chaya Jayawardane	Vice President - Retail Banking
Inoka Jayawardhana	Vice President Head of Legal and Company Secretary
Nisala Kodippili	Chief Information Officer
Asanka Ranhotty	Vice President -SME & Transaction Banking
Suhen Vanigasooriya	Chief Risk Officer

## 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

## Date of Incorporation

February 2nd, 1995

## Auditors

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