



Investor Presentation

March 2021

Overview

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 upliftment 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



“We are off to a positive start in 2021, and the 1st quarter performance signifies the Bank’s capacity to reach the growth targets set for the year. We are continuing to support our customers who have been impacted by the COVID-19 pandemic and will be focused to achieve the desired strategic growth across Retail, SME, and Corporate banking segments. With the backing of a strong capital base and a focused strategic business plan, Union Bank is geared to take on the unfolding challenges and opportunities of the market.”

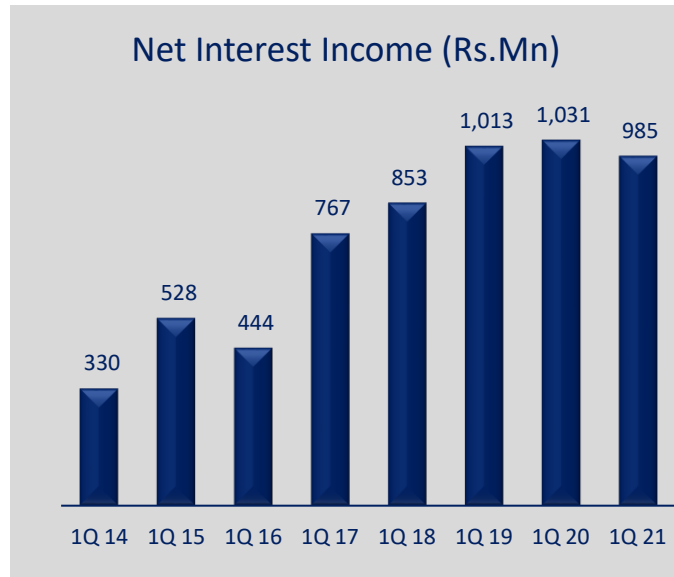
Indrajit Wickramasinghe
Director/ Chief Executive Officer

Steady growth in 1Q 2021

Income Statement (Rs.Mn)	1Q 2021	1Q 2020	Inc/Dec (%)
Net Interest Income	985	1,031	-4.4%
Net Fee & Commission Income	216	201	7.3%
Net Trading & Other Operating Income	320	267	19.8%
Total Operating Income	1,521	1,498	1.5%
Impairment Charge	196	93	111.3%
Total Operating Expenses	907	1,001	-9.4%
Results from Operating Activities	418	405	3.2%
Share of Subsidiary Profits	8	0	2151.1%
Profit Before all Taxes	426	405	5.2%
Taxes (including VAT & NBT, DRL)	144	225	-36.2%
Net profit for the period	282	180	56.9%

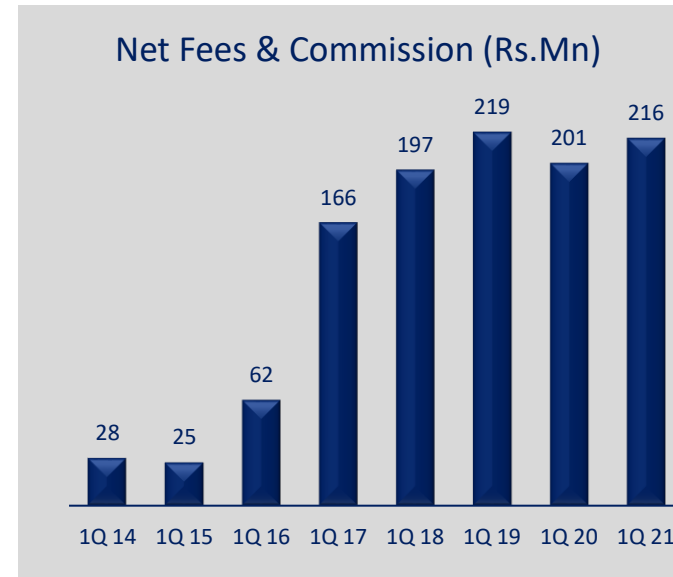
- Union Bank ended 1Q2021 with a strong performance, reflecting steady growth and fueling favourable expectations.
- The performance was propelled by focused efforts on strategically significant products & services.
- Bank's post tax profit including its ownership share of subsidiaries was **Rs. 282Mn & was a 57% increase YoY**. This represented the positive impact from the Bank and the negative impact that came through the deferred tax asset recorded in UB Finance Co. Limited's books as a result of the change in corporate tax rate.
- The total comprehensive income of the Bank was **Rs. 137 Mn**.

Net Fee Income increased by 7.3%



Net Interest Margin was 3.2% - impacted by

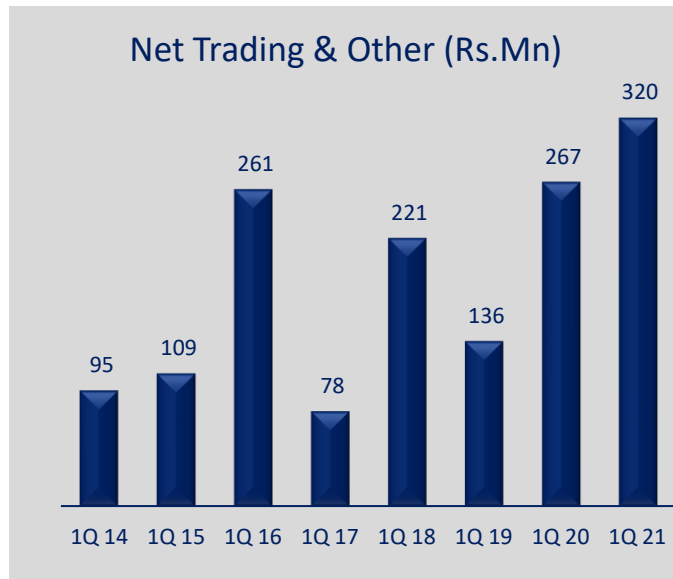
- Lower AWPLR
- Continued interest rate rebates and rate caps offered along with concessionary lending programmes.



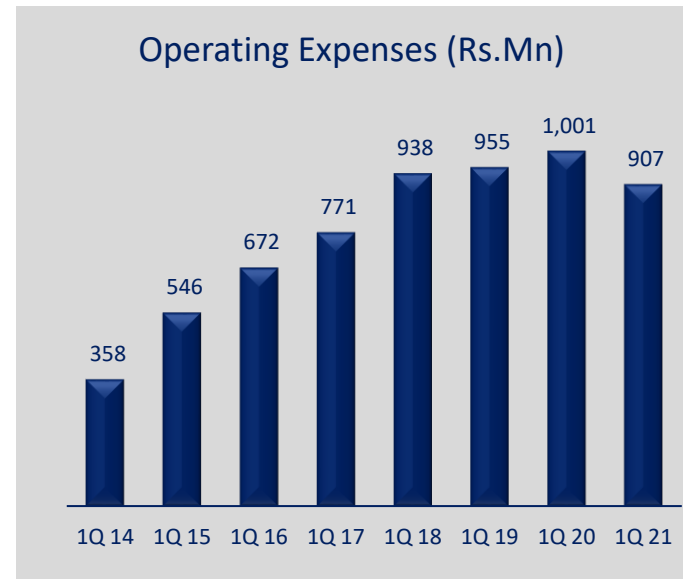
Net Fee Income increased by 7.3% - supported by

- growth in business lending, credit cards and trade related transactions.

Operating Expenses declined by 9.4% YoY

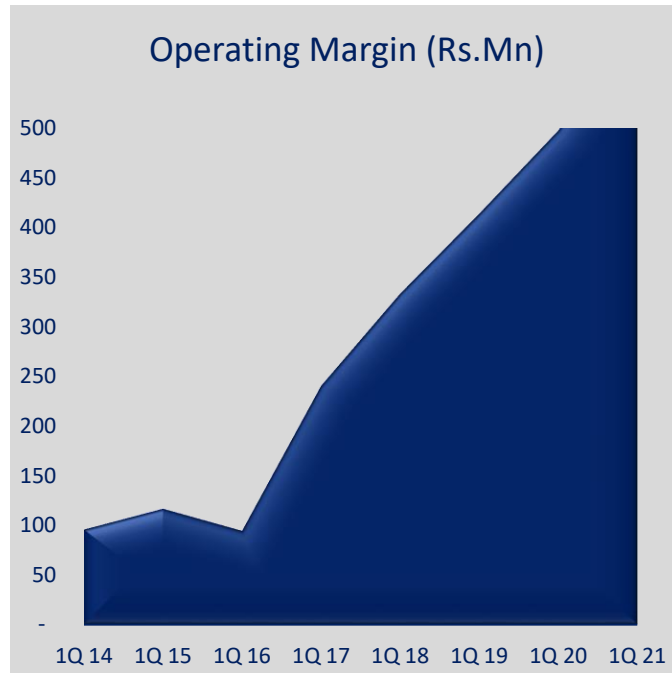


- Improved treasury performance with resultant capital and exchange gains.
- 73% increase in Other Operating Income backed by exchange rate fluctuations.

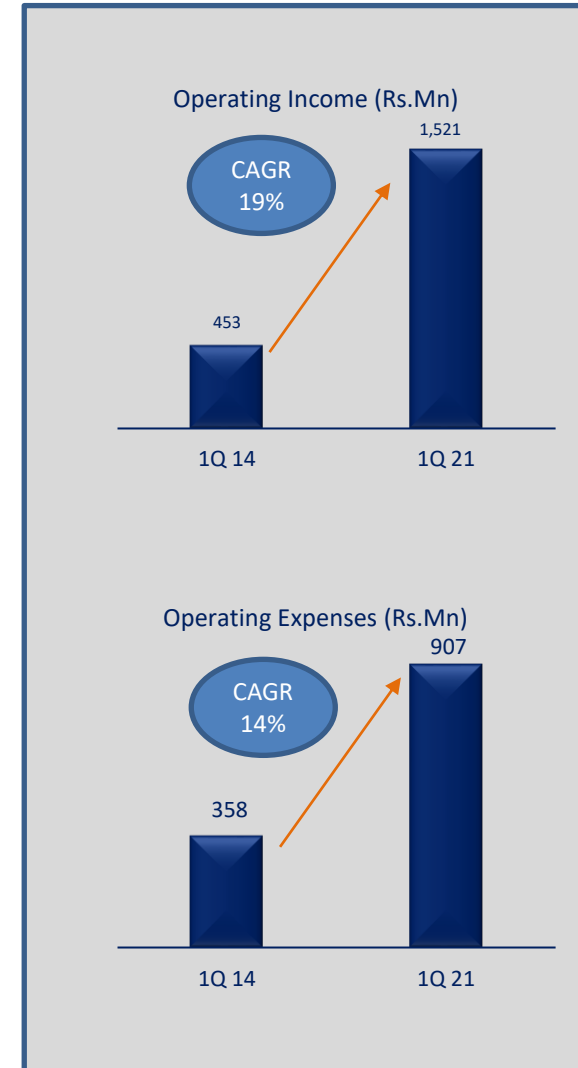


- Operating expenses decreased by 9.4% YoY to Rs. 907 Mn due to operational efficiency and cost management initiatives.

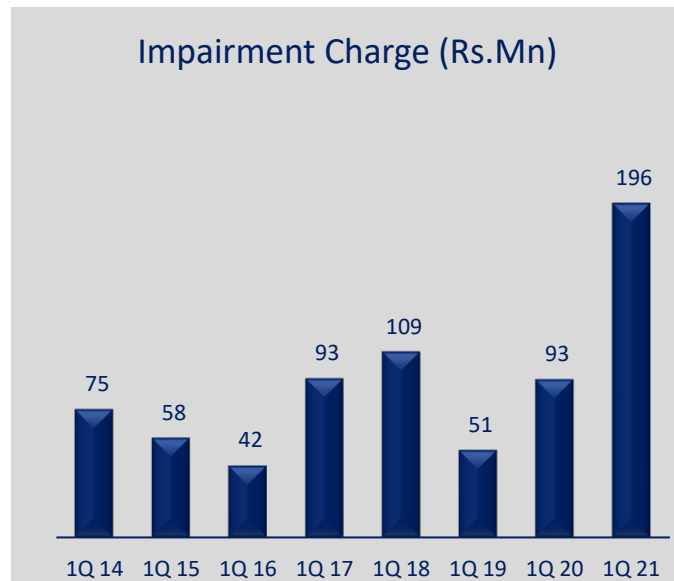
Operating Margin increased by 23.4% YoY



- Total operating income increased by 1.5% to Rs. 1,521 Mn
- Total operating expenses reduced by 9.4% YoY.
- Consequently, the Operating margin increased by 23.4% YoY to Rs. 614 Mn.

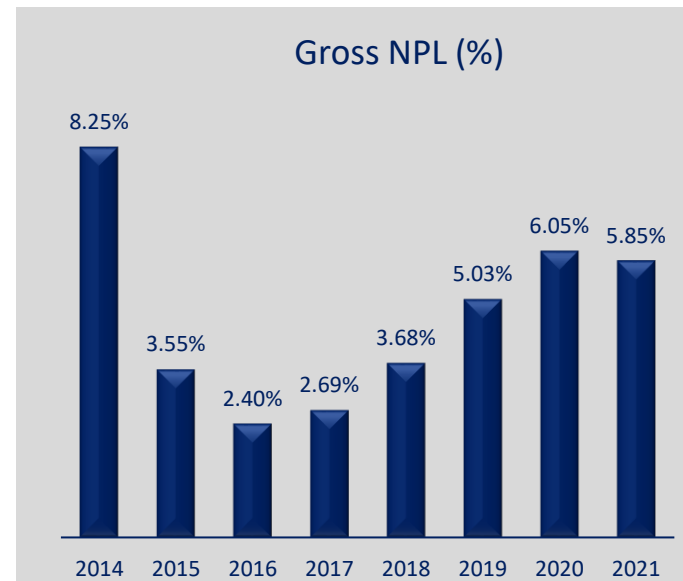


Gross NPL Ratio improved to 5.85%



Impairment Charge increased by 111.3% YoY

- In line with prevalent macro-economic stresses and the additional lockdowns, the Bank conservatively provided impairment charges .



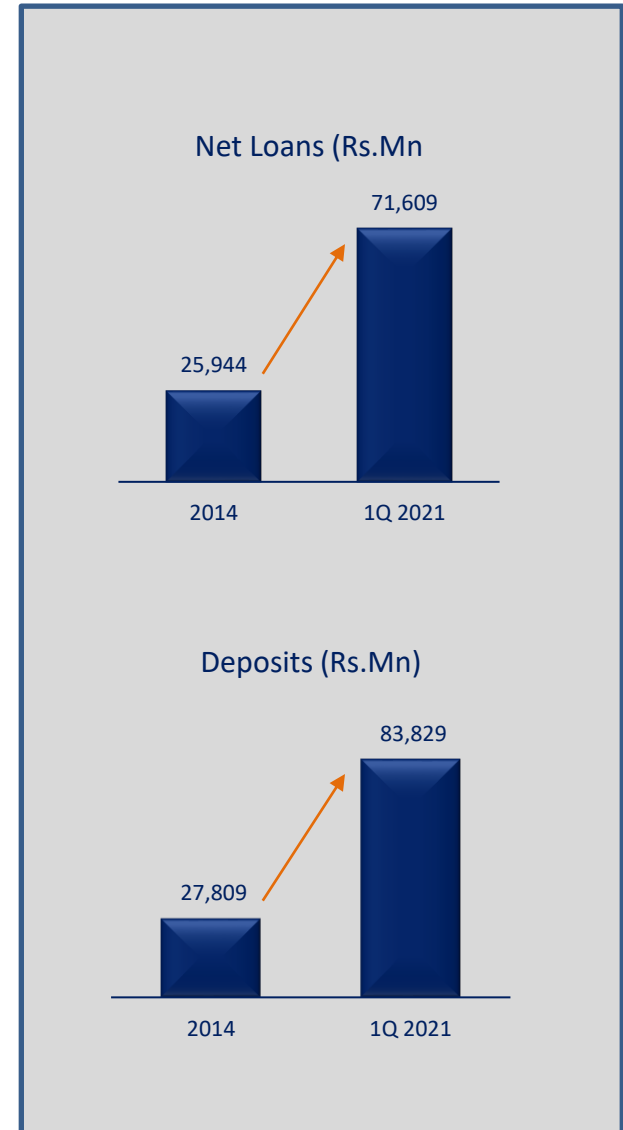
The gross NPL ratio improved to 5.85% from 6.05% in Dec 2020

- Propelled by focused recovery efforts and an overall improvement of repayments & loan growth.

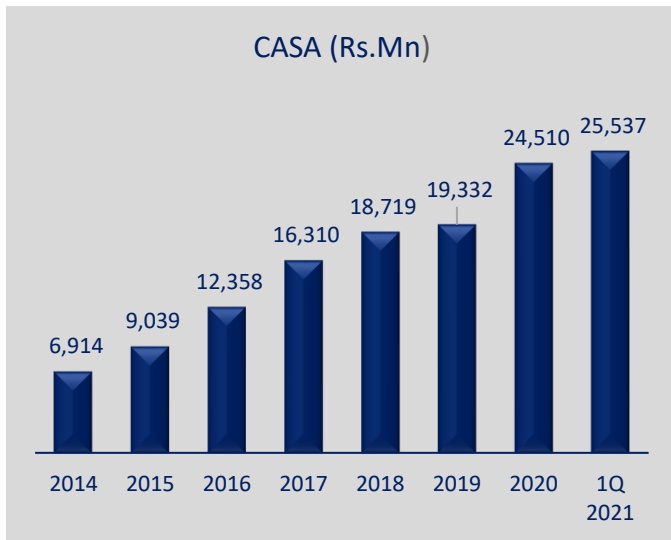
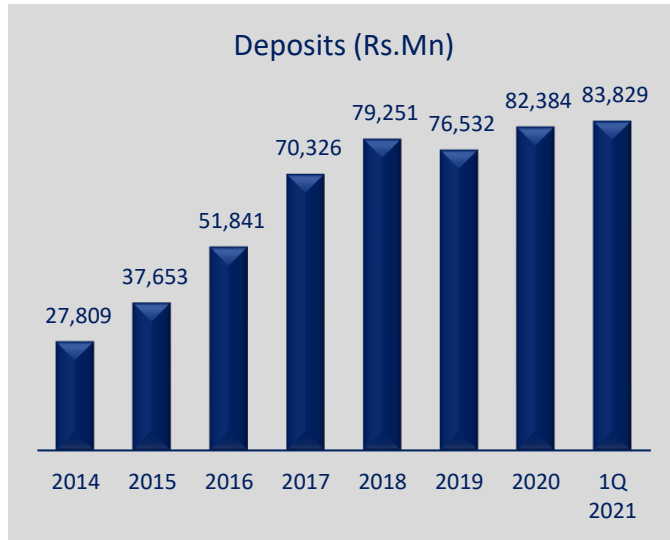
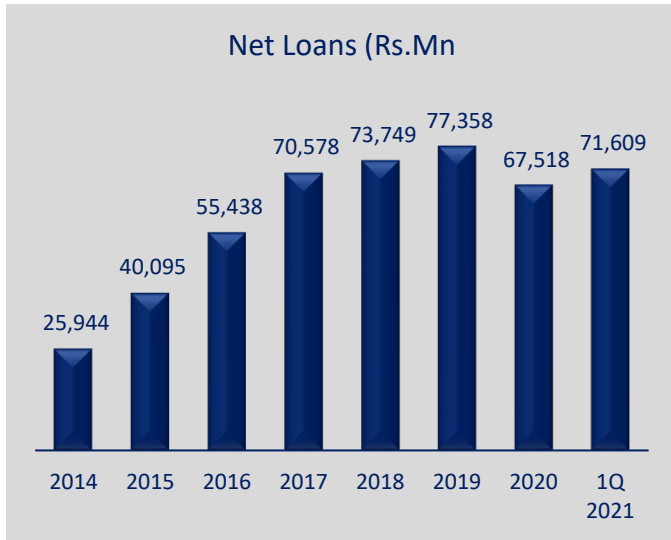
Balance Sheet - Bank

Balance Sheet (Rs.Mn)	Mar 2021	Mar 2020	Growth (%)
Treasury Assets	44,989	47,750	-5.8%
Loans & Advances	71,609	67,518	6.1%
Cash & Balances with CB	3,278	3,128	4.8%
Other Assets	4,920	4,547	8.2%
Total Assets	124,796	122,943	1.5%
Borrowings	20,676	20,194	2.4%
Customer Deposits	83,829	82,384	1.8%
Other Liabilities	2,064	2,275	-9.3%
Equity	18,227	18,090	0.8%
Total Equity & Liability	124,796	122,943	1.5%

- Total assets of the Bank were Rs. 124,796 Mn.
- Loans & advances grew by 6.1% to Rs. 71,609Mn
- Deposits grew by 1.8% to Rs. 83,829Mn.
- L:D ratio was 85%
- Total CAR was 15.75% - well above the regulatory requirements.



CASA Ratio stood at 30.5%



- Total EOP CASA grew by 4.2% YTD.
- Total deposits increased by 1.8% YTD.
- EOP CASA ratio stood at 30.5%



Strong Capital Adequacy ratio of 15.75%

- **Capital Adequacy Ratio**

- The Bank continued to maintain high capital adequacy ratios.
- The total capital ratio as at end 2020 was 15.75% - well above the statutory requirement of 12%.

- **Liquidity Coverage**

- The Bank maintains a very strong position of LKR Liquidity.
- The USD liquidity also remains at comfortable levels at present.

Income Statement - Group

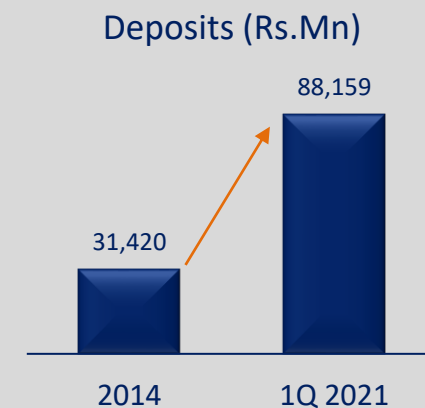
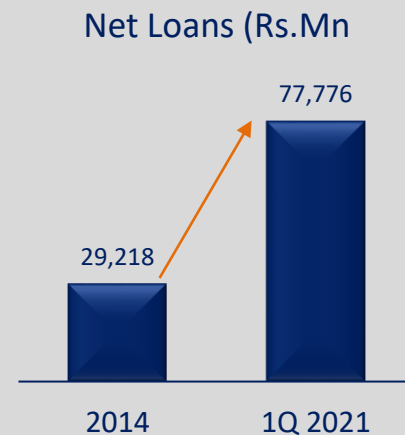
Income Statement (Rs.Mn)	1Q 2021	1Q 2020	Inc/Dec (%)
Net Interest Income	1,223	1,188	3.0%
Net Fee & Commission Income	244	226	8.3%
Net Trading & Other Operating Income	341	288	18.4%
Total Operating Income	1,808	1,701	6.3%
Impairment Charge	238	136	74.4%
Total Operating Expenses	1,025	1,121	-8.6%
Profit Before all Taxes	545	443	23.0%
Taxes (including VAT & NBT, DRL)	244	248	-1.7%
Net profit for the period	301	195	54.5%

- The Profit after Tax of the Group increased by **54% YoY**.
- The Group consists of the Bank & its two subsidiaries UB Finance Company Limited and National Asset Management Limited & the Special purpose entity – Serendib Capital (Private) Ltd.

Balance Sheet - Group

Balance Sheet (Rs.Mn)	Mar 2021	Mar 2020	Growth (%)
Treasury Assets	44,431	47,141	-5.7%
Loans & Advances	77,776	73,777	5.4%
Cash & Balances with CB	3,690	3,555	3.8%
Other Assets	5,409	5,098	6.1%
Total Assets	131,305	129,570	1.3%
Borrowings	22,232	21,625	2.8%
Customer Deposits	88,159	87,104	1.2%
Other Liabilities	2,694	2,777	-3.0%
Equity	18,221	18,065	0.9%
Total Equity & Liability	131,305	129,570	1.3%

- Total assets of the Group were Rs. 131,305 Mn of which 95% was represented by the Bank.
- The Group maintained a healthy Total Capital Ratio of 15.83% as at quarter-end.



Key Performance Indicators

Item	BANK		GROUP	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Regulatory Capital - Rs '000				
Common Equity Tier 1 (Basel III)	15,384,043	15,415,491	15,975,177	16,024,248
Tier 1 Capital / Core Capital (Basel III)	15,384,043	15,415,491	15,975,177	16,024,248
Total Capital / Total Capital Base (Basel III)	15,647,206	15,680,987	16,621,378	16,677,537
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III - 6.5%)	15.49%	16.66%	15.22%	16.34%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III - 8%)	15.49%	16.66%	15.22%	16.34%
Total Capital Ratio (Minimum Requirement as per Basel III - 12%)	15.75%	16.95%	15.83%	17.00%
Leverage Ratio (Minimum Requirement - 3%)	10.54%	10.23%	10.42%	10.14%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit, Rs. '000	24,868,251	26,629,637		
Foreign Currency Banking Unit, USD '000	19,530	18,585		
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	27.71%	29.08%		
Foreign Currency Banking Unit	23.24%	21.93%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement - 90%)	307.04%	861.13%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement 90%)	192.95%	459.60%		
Net Stable Funding Ratio (%) (Minimum Requirement - 90%)	110.07%	121.05%		
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	5.85%	6.05%		
Net Non-Performing Advances, % (Net of interest in suspense and provision)	3.29%	3.54%		
Profitability				
Interest Margin, %	3.18%	3.16%		
Return on Assets (Before Tax), %	1.02%	0.77%		
Return on Assets (After Tax), %	0.91%	0.47%		
Return on Equity (After Tax), %	6.22%	3.24%		

Corporate Information

Board of Directors

Name	Title
Atul Malik	Chairman/Ind. Non-Exec. Director
Sabry Ghouse	Deputy Chairman/ Ind. Non-Exec. Director
Indrajit Wickramasinghe	Exec. Director/CEO
Puneet Bhatia	Non -Independent, Non-Executive Director
Michael J. O'Hanlon	Non-Independent, Non-Executive Director
Trevine Fernandopulle	Senior 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 on 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