



Investor Presentation

June 2020

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



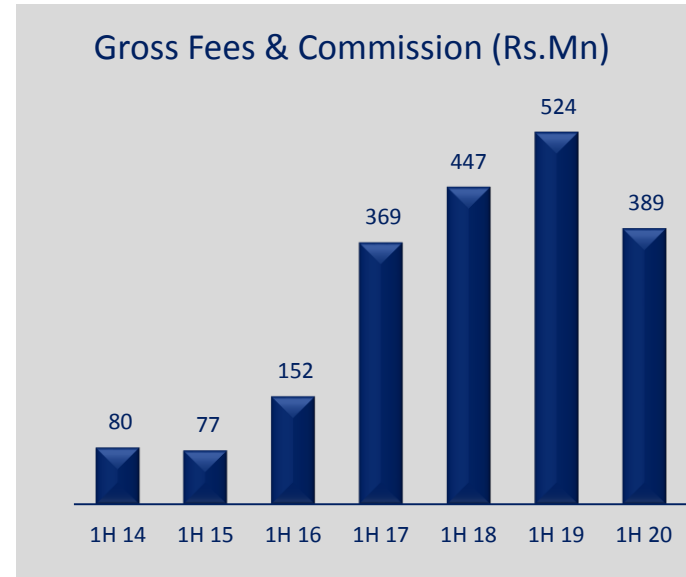
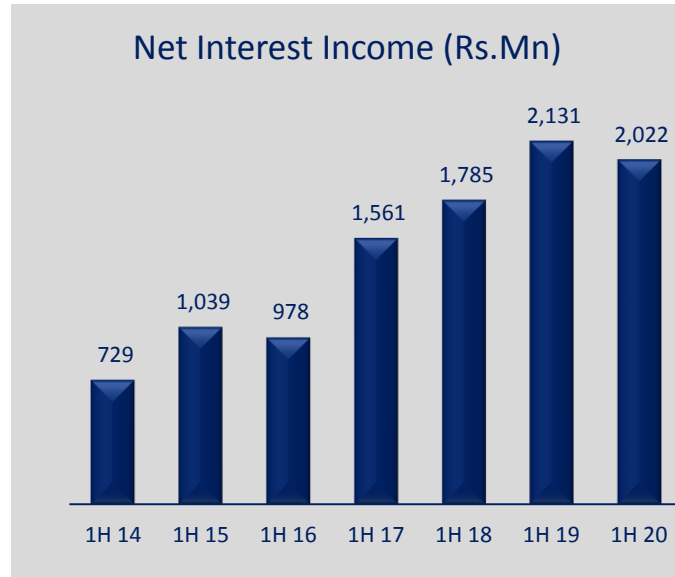
“Our key focus during the second quarter of the year has been on the efficient roll -out of the relief programmes to support our customers affected by the Covid-19 pandemic through continuous engagement with customers at branch/regional level to identify their unique challenges and provide suitable solutions. The first half results of the Bank reflect the very challenging conditions in which we operated in. I’m pleased to state that the results also indicate the strong liquidity and capital position of the Bank despite the external pressures. We will continue to provide the much-needed financial impetus to our customers across Retail, Corporate and SME segments while ensuring the health and well-being of our customers as well as our staff which are key focus areas of the Bank while we operate in the new normal.”

Union Bank recorded 6% growth in Profit After Taxes in a challenging environment

Income Statement (Rs.Mn)	1H 2020	1H 2019	Growth (%)
Net Interest Income	2,022	2,131	-5.1%
Net Fee & Commission Income	287	412	-30.5%
Net Trading & Other Operating Income	642	357	80.0%
Total Operating Income	2,951	2,900	1.8%
Impairment Charge	281	139	101.7%
Total Operating Expenses	1,914	1,974	-3.0%
Results from Operating Activities	755	787	-4.0%
Share of Subsidiary Profits	(23)	62	-136.7%
Profit Before all Taxes	732	849	-13.7%
Taxes (including VAT & NBT, DRL)	416	551	-24.5%
Net profit for the period	316	297	6.3%

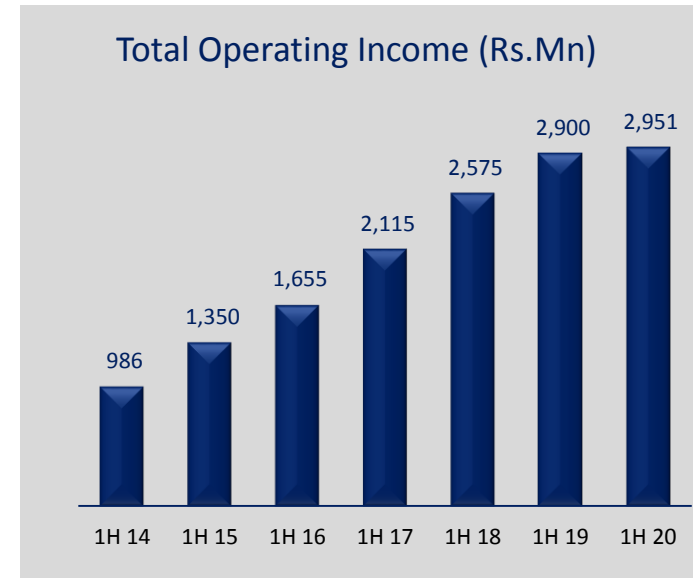
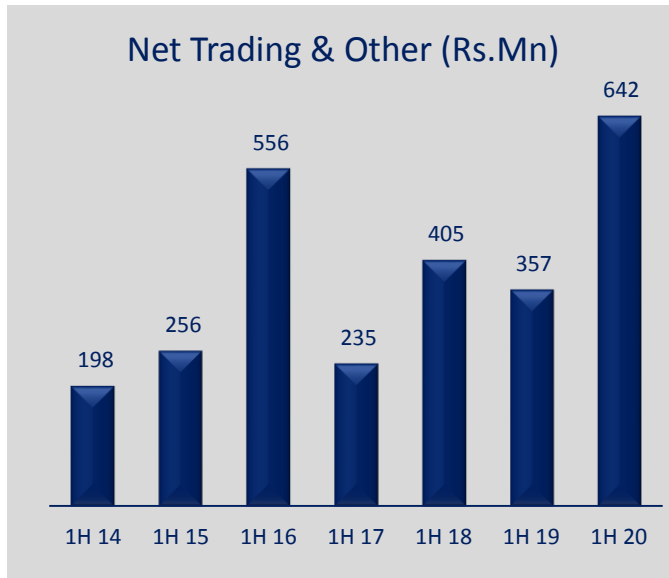
- The COVID 19 outbreak has caused disruptions to businesses and created uncertainty in global and local economies.
- Union Bank strictly adhered to guidelines and directions issued by health authorities and CBSL when conducting its operations amidst the COVID 19 pandemic.
- From April 2020, the Bank focused on rolling out customer relief measures including deferment of repayment terms of credit facilities, offering concessionary interest rates to eligible loan products and waiving off fees including late payment fees on credit cards, while prioritizing the safety of customers and staff by establishment strict health and hygiene standards.
- Although the relief measures had negative impacts on earnings and cash flows of the Bank, the Bank had prudently managed its liquidity buffers and continued to maintain a strong excess liquidity position
- The Bank reported a 6% increase in PAT during 1H2020. This would have been 68% YoY growth, without the one-off tax reversal reported at UB Finance in the comparative period last year.

NII is Rs.2 Bn



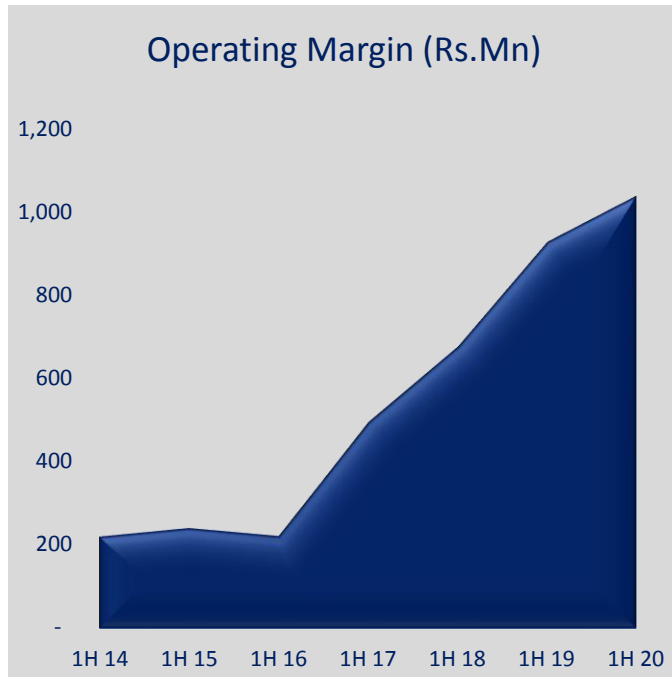
- Net Interest Margins declined from 3.4% to 3.2%
 - AWPLR dropped by 250bps approx
 - Treasury Bill rates showed a declining trend
 - The Bank implemented a downward interest rate revision on various lending schemes in-line with CBSL directives
 - Timely re-pricing of deposit book and increase in average CASA by 13% partially set-off the above negative impacts
- Overall fee income reduced by approx. 26% due to Credit Card late payment fees & other fee waivers issued to customers until Sep 2020 as a part of the CBSL relief package.

Total Operating Income up by 2% in a challenging environment

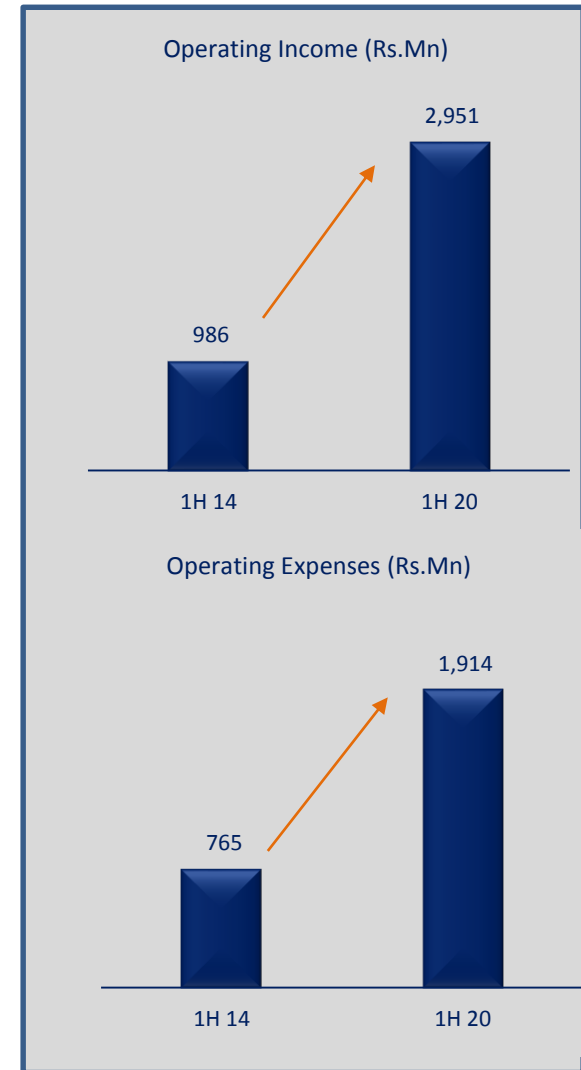


- The Bank's Treasury contributed to a significant YoY increase of 68% in capital gains
- Income from investments in units grew by 4% YoY
- Other Operating Income of the Bank increased by 6% on the back of exchange rate deflation
- The Bank has no exposure to equity portfolio
- Despite challenges, the Operating Income of the Bank for the period increased by 2% YoY

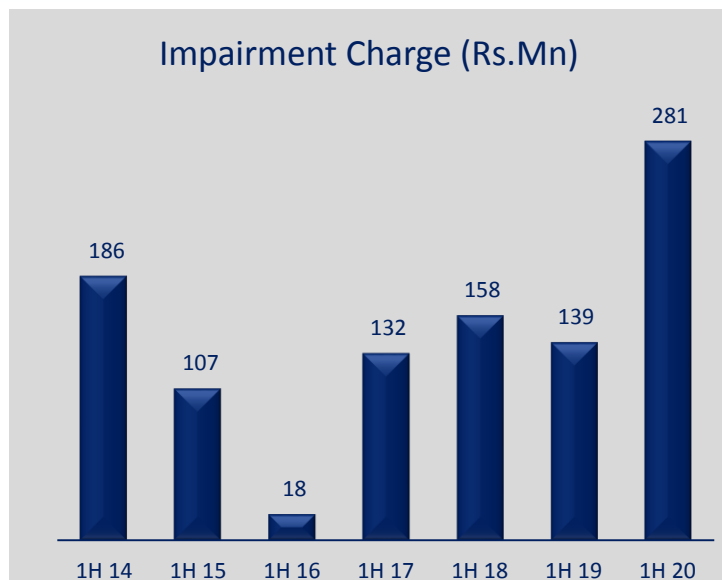
Operating Margin increased by 12%



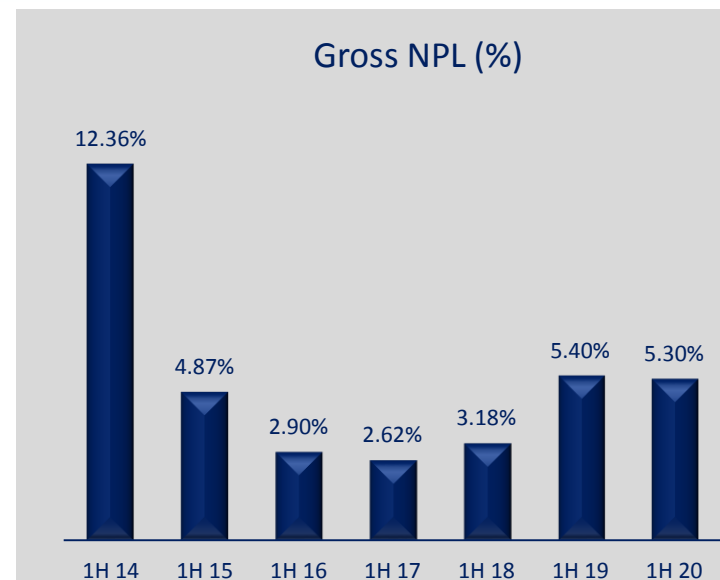
- Total Operating Income was Rs.2,951 Mn - a marginal increase of 2% YoY.
- Total Operating Expenses were prudently managed & reduced by 3% YoY.
- Operating Margin improved by 12% YoY to Rs.1,036 Mn



Gross NPL Ratio is 5.3%



- Significant provisions booked in order to account for the deteriorating environment led to a 102% increase in impairment charges over previous year.

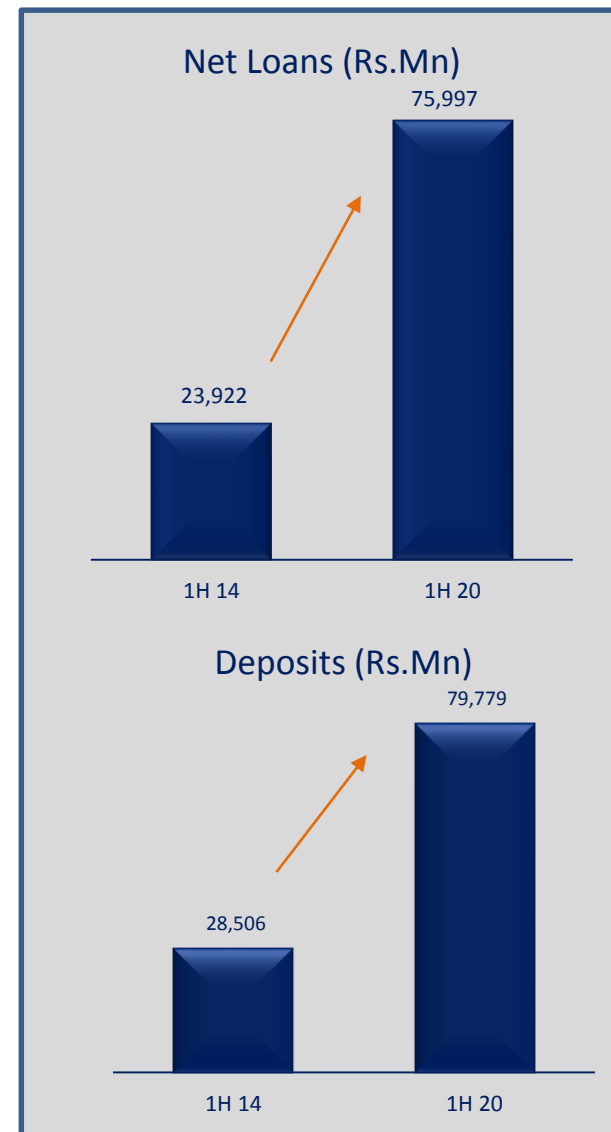


- The gross NPL ratio was 5.3% by end of the reporting period compared to 5.03% as of last year.

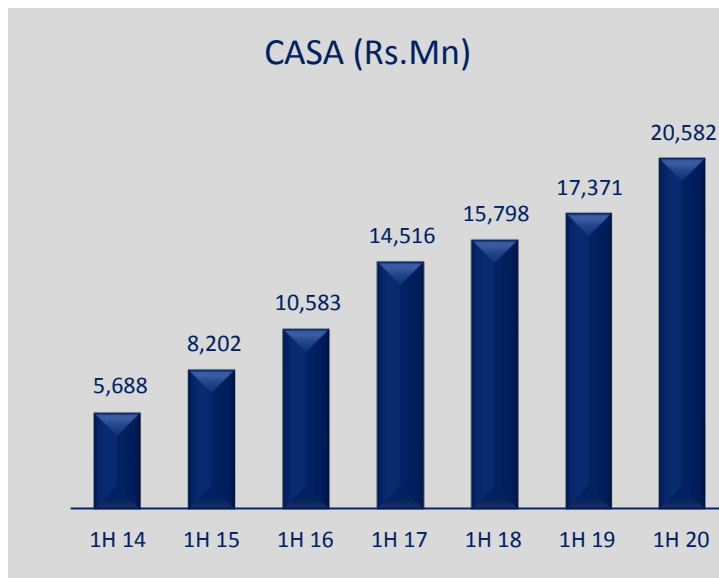
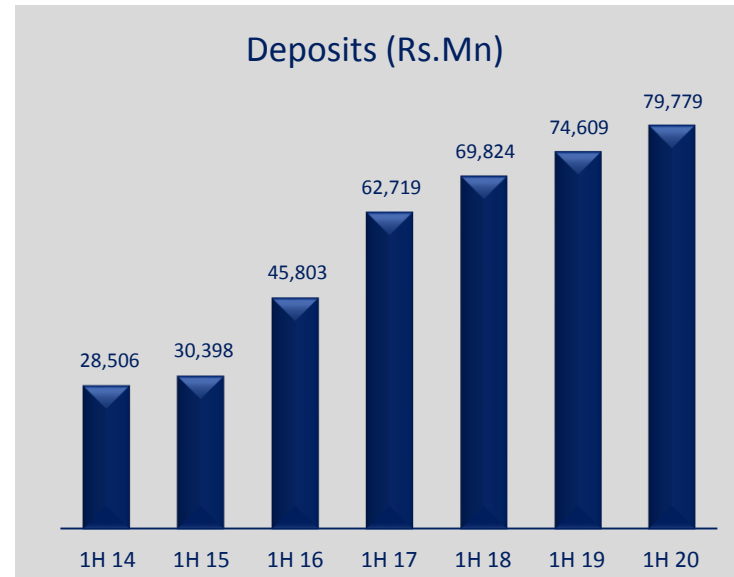
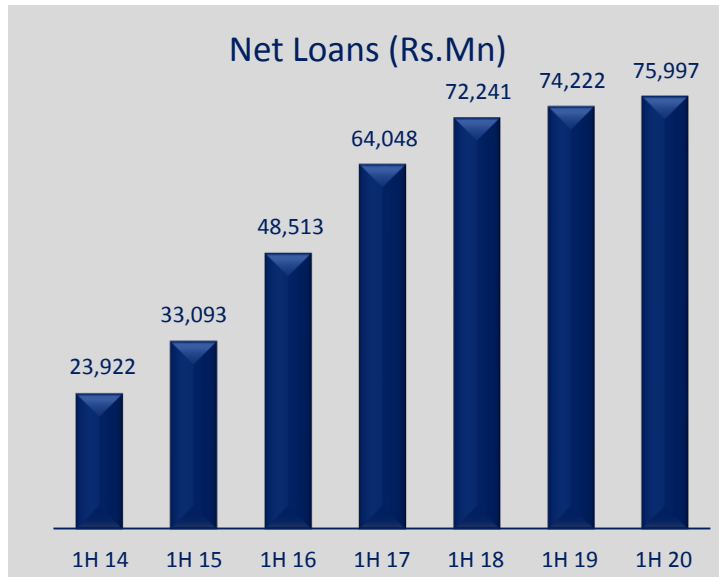
Bank - Balance Sheet

Balance Sheet (Rs.Mn)	1H 2020	1H 2019	Growth (%)
Treasury Assets	44,731	34,694	28.9%
Loans & Advances	75,997	77,358	-1.8%
Cash & Balances with CB	3,269	5,033	-35.1%
Other Assets	4,647	4,668	-0.5%
Total Assets	128,643	121,754	5.7%
Borrowings	27,759	24,834	11.8%
Customer Deposits	79,779	76,532	4.2%
Other Liabilities	2,886	2,878	0.3%
Equity	18,219	17,510	4.0%
Total Equity & Liability	128,643	121,754	5.7%

- Total assets of the Bank increased by 6% YTD
- The Bank's loans and receivables stood at Rs. 75,997 Mn YTD
- The Bank's deposit base increased by 4% to Rs.79,779Mn
 - The CASA ratio of the Bank was 25.8%
- The bank maintains a robust capital adequacy ratio, reporting a total capital ratio of 16.06% as against the regulatory capital ratio of 12%
- The Bank currently maintains strong liquidity ratios and plans to maintain high liquidity levels through out - until the situation returns to normalcy.



YoY strong CASA growth of 18%



- Total EOP CASA grew 18% YoY
- From January to June 2020, the average fixed deposits remained stable
- Total average CASA ended at Rs. 21,444 Mn, an increase of 13% over last year
- The CASA ratio of the Bank increased from 23.3% as at 1H2019 to 25.8% by end of the reporting period.



Capital Adequacy ratio is 16.06%

- **Capital Adequacy Ratio**

- The Bank continued to maintain high capital adequacy ratios
- The ratio as at end June 2020 was 16.06% - well above the statutory requirement of 12%

- **Liquidity Coverage**

- The Bank maintains a very strong position of LKR Liquidity
- Operates with Rs.6 billion additional amount invested in Sri Lanka Government Securities and in Investments in Units
- The USD liquidity also remains well-heeled state at present

Income Statement - Group

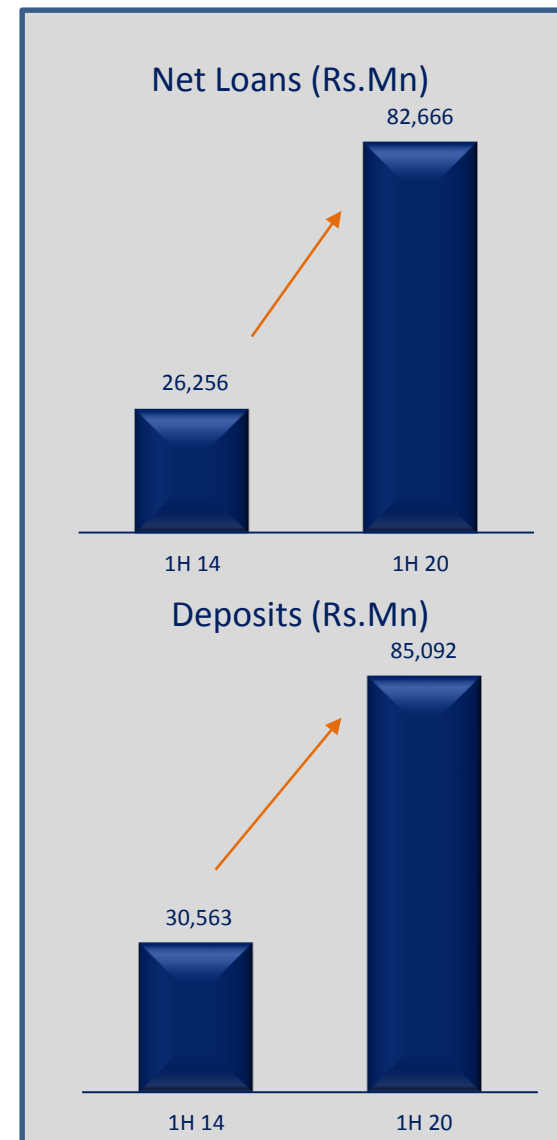
Income Statement (Rs.Mn)	1H 2020	1H 2019	Growth (%)
Net Interest Income	2,301	2,516	-8.5%
Net Fee & Commission Income	332	462	-28.1%
Net Trading & Other Operating Income	687	372	85.0%
Total Operating Income	3,321	3,350	-0.9%
Impairment Charge	385	306	25.9%
Total Operating Expenses	2,140	2,245	-4.7%
Profit Before all Taxes	796	799	-0.4%
Taxes (including VAT & NBT, DRL)	460	452	1.7%
Net profit for the period	336	347	-3.2%

- The Profit after Tax of the Group in comparison to the corresponding period last year declined by 3%
- This was due to the one-off tax reversal reported at UB Finance in the comparative period last year
- Without the impact of the tax reversal the increase in PAT would have been 70%

Group - Balance Sheet

Balance Sheet (Rs.Mn)	1H 2020	1H 2019	Growth (%)
Treasury Assets	44,311	34,561	28.2%
Loans & Advances	82,666	84,780	-2.5%
Cash & Balances with CB	3,731	5,419	-31.2%
Other Assets	4,565	4,582	-0.4%
Total Assets	135,274	129,342	4.6%
Borrowings	29,001	26,232	10.6%
Customer Deposits	85,092	82,752	2.8%
Other Liabilities	3,464	3,417	
Equity	18,167	17,439	4.2%
Total Equity & Liability	135,274	129,342	4.6%

- Total assets of the Group were Rs. 135,724 Mn of which 95% was represented by the Bank
- The Group maintained a healthy Core Capital Ratio of 16.30% as at reporting date



Key Performance Indicators

Item	BANK		GROUP	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Regulatory Capital - Rs '000				
Common Equity Tier 1 (Basel III)	15,120,938	15,286,211	15,850,322	15,810,228
Tier 1 Capital / Core Capital (Basel III)	15,120,938	15,286,211	15,850,322	15,810,228
Total Capital / Total Capital Base (Basel III)	15,292,847	15,413,097	16,408,080	16,050,219
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2020 - 6.5%, 2019 - 7%)	15.88%	16.61%	15.75%	16.12%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2020 - 8%, 2019 - 8.5%)	15.88%	16.61%	15.75%	16.12%
Total Capital Ratio (Minimum Requirement as per Basel III 2020 - 12%, 2019 - 12.5%)	16.06%	16.75%	16.30%	16.36%
Leverage Ratio (Minimum Requirement - 3%)	9.73%	10.64%	9.70%	10.36%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit, Rs. '000	25,280,283	19,095,889		
Foreign Currency Banking Unit, USD '000	14,591	13,587		
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	27.18%	22.95%		
Foreign Currency Banking Unit	21.74%	21.95%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement 2020 - 90%, 2019 100%)	200.49%	225.57%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement 2020- 90% 2019-100%)	144.07%	154.70%		
Net Stable Funding Ratio (%) (Minimum Requirement 2020- 90% 2019-100%)	115.35%	113.08%		
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	5.30%	5.03%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)	3.31%	3.55%		
Profitability				
Interest Margin, %	3.23%	3.62%		
Return on Assets (Before Tax), %	0.83%	0.96%		
Return on Assets (After Tax), %	0.51%	0.57%		
Return on Equity (After Tax), %	3.54%	4.16%		

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
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