



# Investor Presentation

June 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



“The Bank’s growth momentum in the second quarter of 2021 was impacted by the sudden outbreak of the third wave and its resultant impacts on the operating environment. With the development of the third wave, our key priority had to be adjusted once more towards extending the CBSL recommended credit relief to impacted customers in a bid to support them to cope with the continued financial pressures. During this challenging period while managing its bottom line, the Bank remained mindful in maintaining its healthy liquidity position, strong capital adequacy and ensuring the safety of customers and staff as a part of its sustainable business strategy. In the remainder of the year, while providing the much-needed financial impetus to our customers across Retail, Corporate and SME segments we will continue the focused growth initiatives to drive performance while taking all due precautions to maintain optimum safety levels of our staff and customers.”

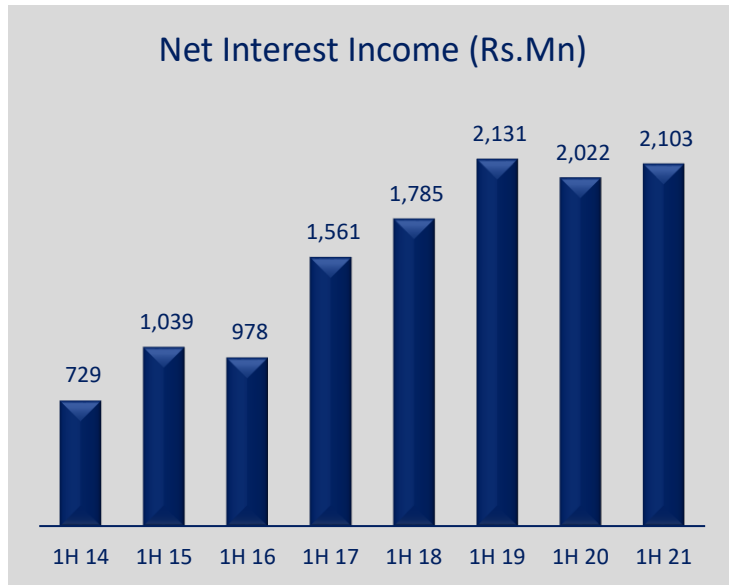
**Indrajit Wickramasinghe**  
**Director/ Chief Executive Officer**

# Union Bank records steady performance in 1H 2021

| Income Statement (Rs.Mn)                 | 1H 2021      | 1H 2020      | Inc/Dec (%) |
|--|--------------|--------------|-------------|
| Net Interest Income                      | 2,103        | 2,022        | 4%          |
| Net Fee & Commission Income              | 407          | 287          | 42%         |
| Net Trading & Other Operating Income     | 527          | 642          | -18%        |
| <b>Total Operating Income</b>            | <b>3,036</b> | <b>2,951</b> | <b>3%</b>   |
| Impairment Charge                        | 436          | 281          | 55%         |
| Total Operating Expenses                 | 1,809        | 1,914        | -6%         |
| <b>Results from Operating Activities</b> | <b>791</b>   | <b>755</b>   | <b>5%</b>   |
| Share of Subsidiary Profits              | (9)          | (23)         | -59%        |
| <b>Profit Before all Taxes</b>           | <b>782</b>   | <b>732</b>   | <b>7%</b>   |
| Taxes (including VAT & NBT, DRL)         | 327          | 416          | -21%        |
| <b>Net profit for the period</b>         | <b>455</b>   | <b>316</b>   | <b>44%</b>  |

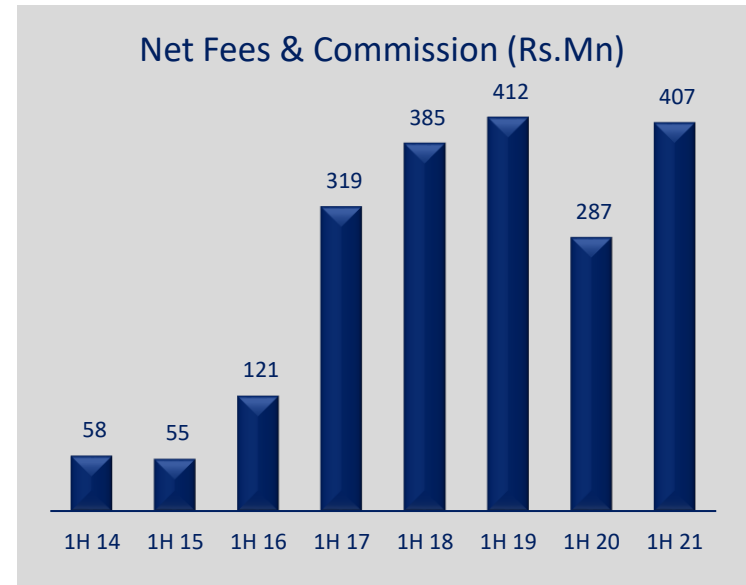
- Union Bank stood resilient despite the economic setbacks resulting from the pandemic in 2020 and re-aligned its strategy for recovery and growth, reporting a strong performance during the first quarter of 2021 with favourable returns and increased revenue.
- The Profit after Tax of the Bank for the period under review grew by 44% to Rs. 455 Mn signaling its steady progress during the first half of 2021.
- The total comprehensive income of the Bank was **Rs. 265 Mn.**

# Net Fee Income increased by 42%



## Net Interest Margin improved to 3.44% from 3.23% in the comparative period

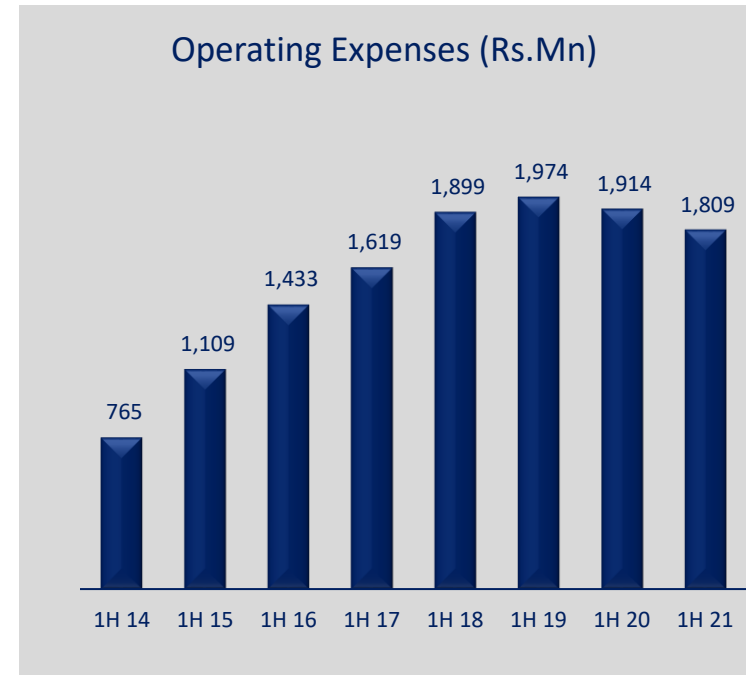
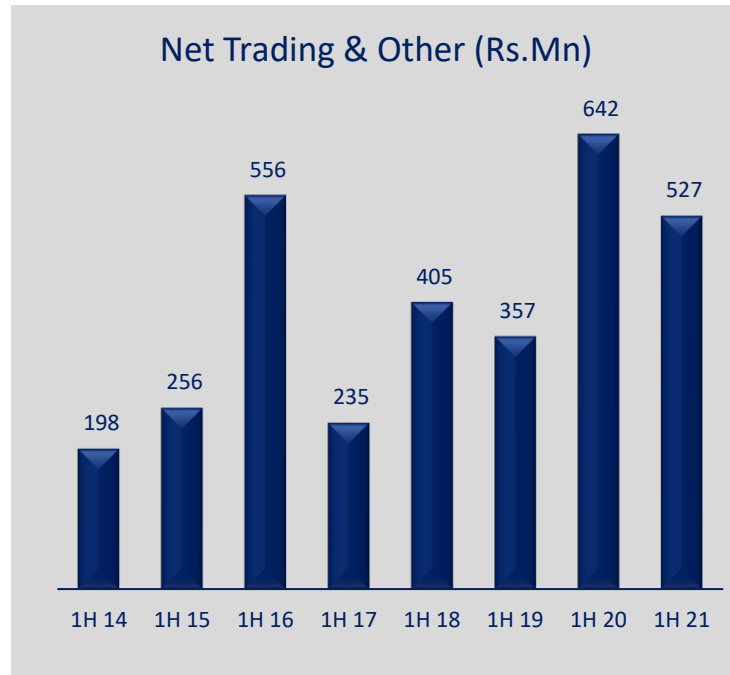
- NII reported a growth of 4% YoY.
- Average AWPLR declined approximately by 364 bps YoY
- Interest rates on various lending products including credit cards noted a downward revision.
- Treasury bill rates also continued on a downward trend.
- Timely re-pricing of liabilities resulted in offsetting the negative impact of the above to a certain extent.



## Net Fee Income increased by 42%

- Increase in fee income was recorded predominantly from credit card fees followed by trade and remittances .
- In-line with CBSL relief measures, late payment and other fees were waived off for impacted customers until August 2021.
- Fee income in 2021 was impacted by Import restrictions, late payment fees and other fee waivers in addition to the impact from the COVID 19 relief schemes granted in 2020.

# Operating Expenses declined by 6% YoY



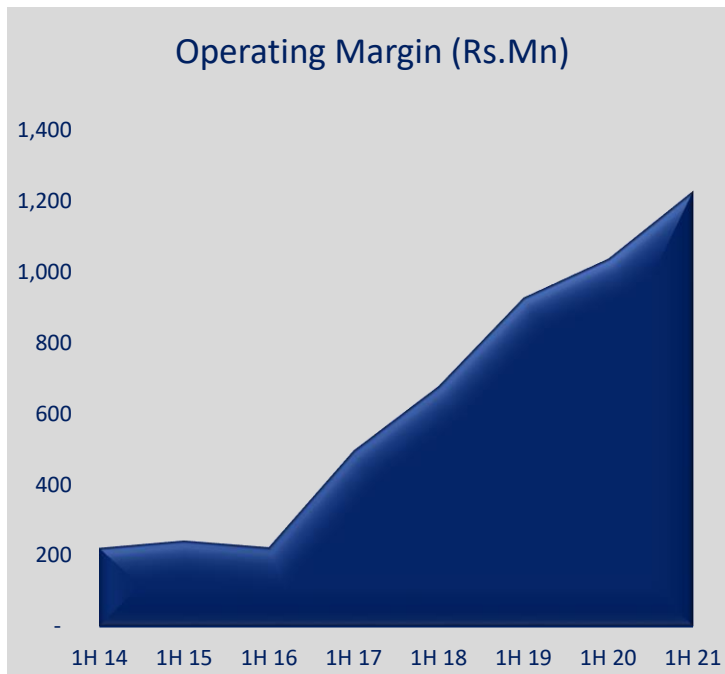
## Total other income dropped by 18% YoY

- Total capital gains including investments in unit income declined by 43% to Rs. 310 Mn.
- Exchange gains increased by 117% YoY largely driven by exchange rate deflation by 8% and rate fluctuations.

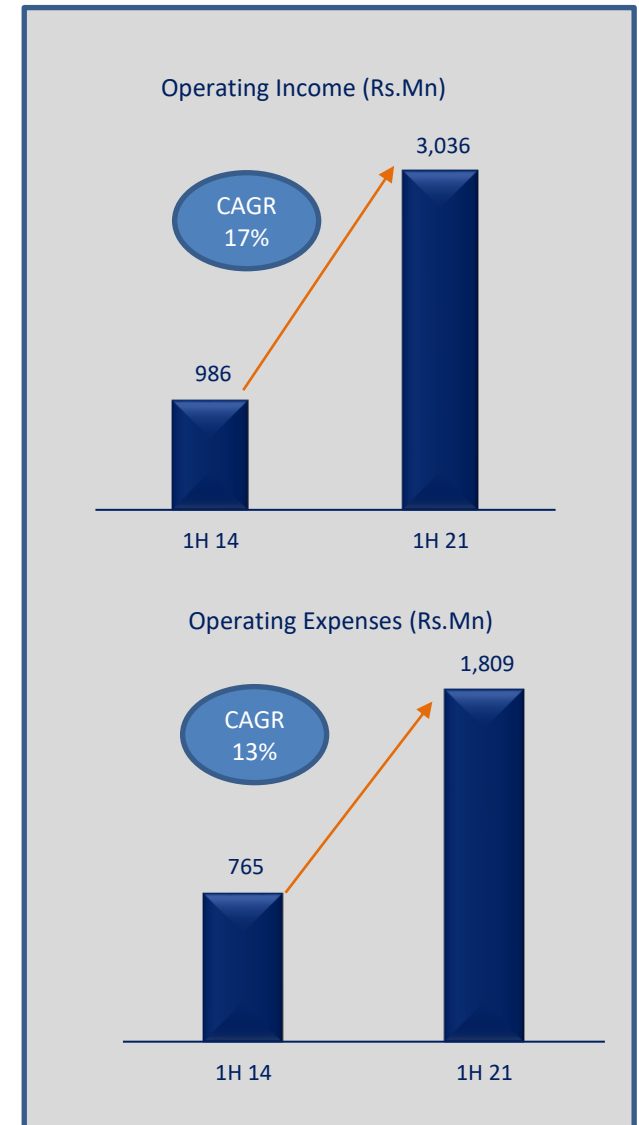
## Operating expenses decreased by 6% YoY

- This is attributed to continued focus and efforts on prudent cost management across the bank.

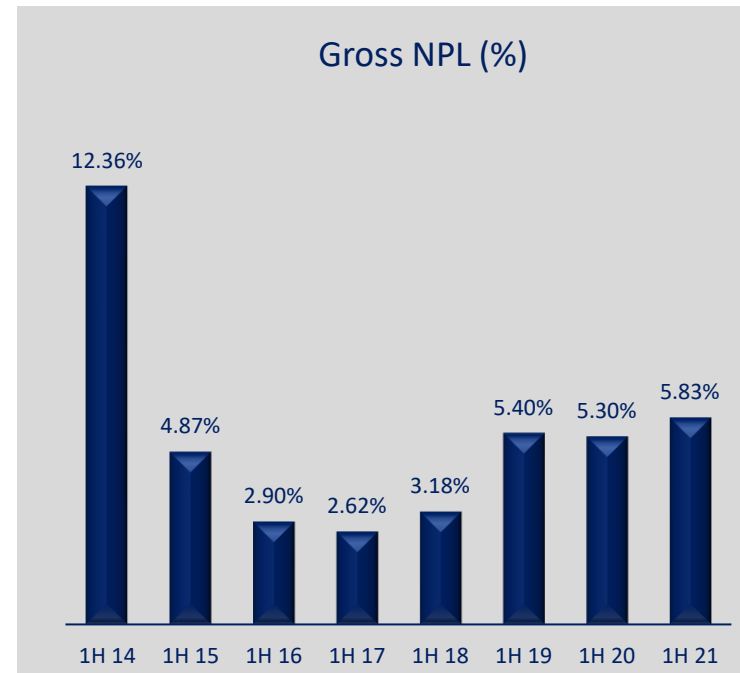
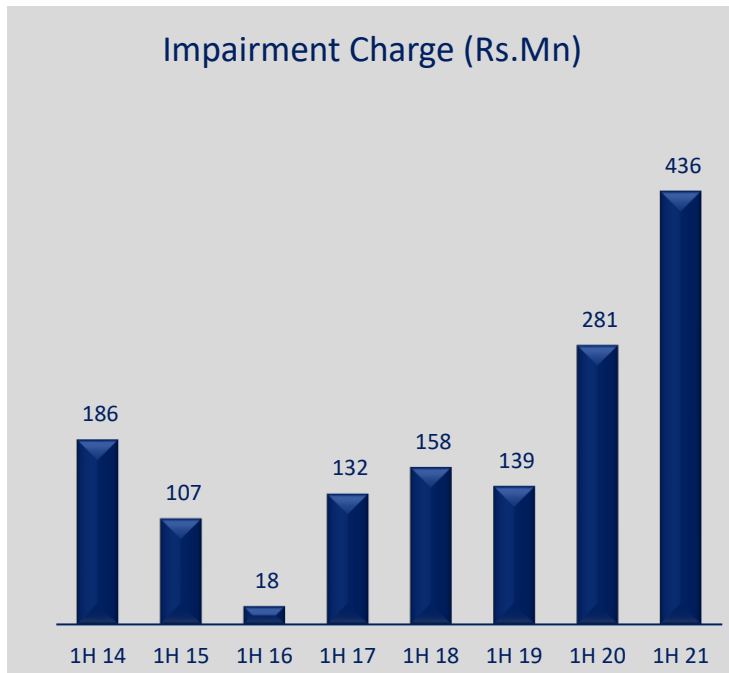
# Operating Margin increased by 18.4% YoY



- Total operating income increased by 3% to Rs. 3,036 Mn.
- Total operating expenses reduced by 6% YoY to Rs. 1,809 Mn.
- Accordingly, the Operating margin increased by 18.4% YoY to Rs. 1,227 Mn.
- Cost to Income ratio improved to 60% from 65% in the comparative period.



# Gross NPL Ratio improved to 5.85%



## Impairment Charge increased by 55.1% YoY

- The Bank continued to consider customers operating in risk elevated industries.
- Higher weightage that is applied to the worst-case macro-economic scenario was continuously applied in the expected credit loss calculations.

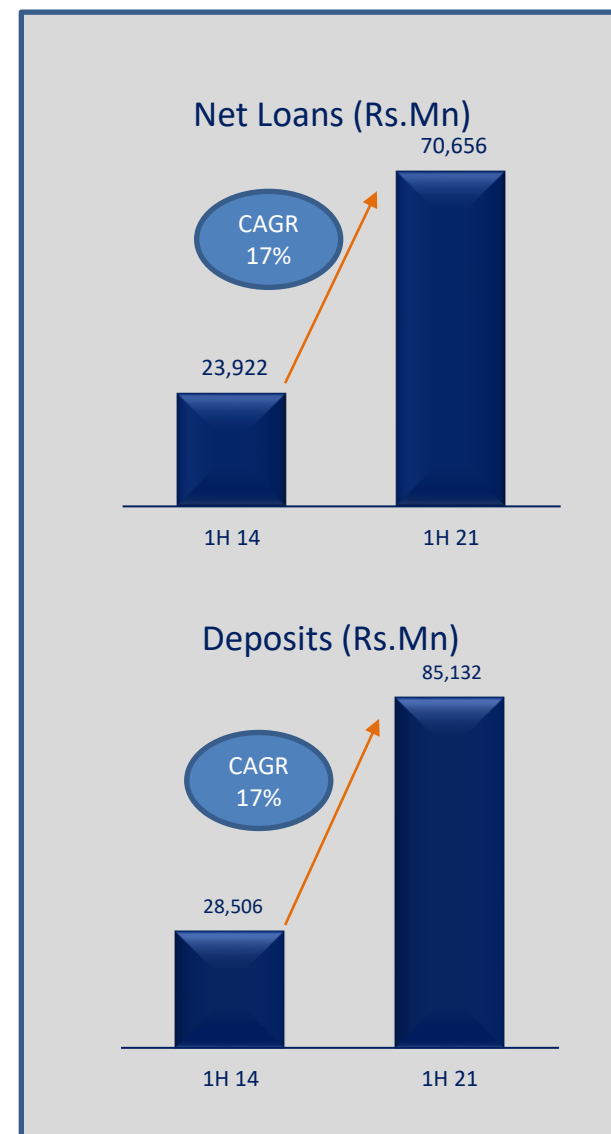
## The gross NPL ratio is 5.83%

\* The gross NPL ratio of the Bank improved to 5.83% in June 2021 compared to 6.05% as of December 2020

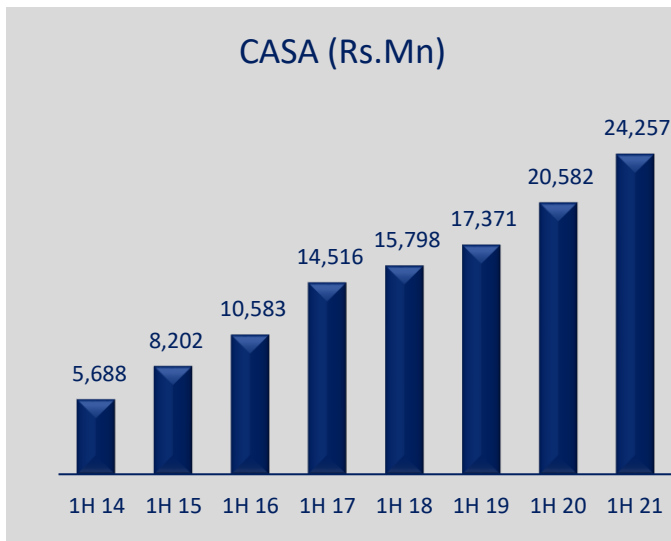
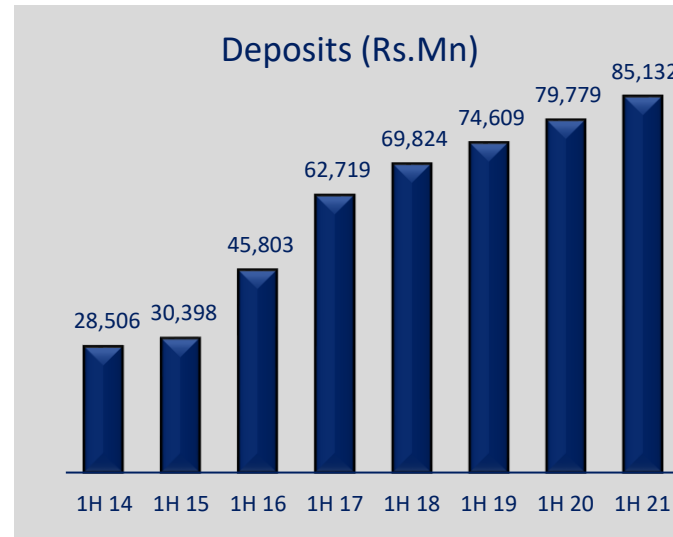
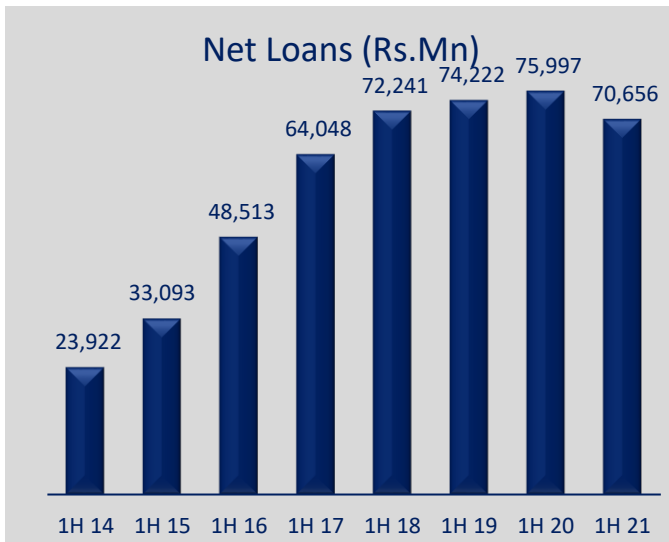
## Balance Sheet - Bank

| Balance Sheet (Rs.Mn)               | Jun 2021       | Dec 2020       | Growth (%) |
|-------------------------------------|----------------|----------------|------------|
| Treasury Assets                     | 42,412         | 47,750         | -11%       |
| Loans & Advances                    | 70,656         | 67,518         | 5%         |
| Cash & Balances with CB             | 3,270          | 3,128          | 5%         |
| Other Assets                        | 4,906          | 4,547          | 8%         |
| <b>Total Assets</b>                 | <b>121,244</b> | <b>122,943</b> | <b>-1%</b> |
| Borrowings                          | 15,854         | 20,194         | -21%       |
| Customer Deposits                   | 85,132         | 82,384         | 3%         |
| Other Liabilities                   | 2,044          | 2,275          | -10%       |
| Equity                              | 18,215         | 18,090         | 1%         |
| <b>Total Equity &amp; Liability</b> | <b>121,244</b> | <b>122,943</b> | <b>-1%</b> |

- Total assets of the Bank were Rs. 121,244 Mn.
- Loans & advances grew by 5% to Rs. 70,656Mn
- Deposits grew by 3% to Rs. 85,132Mn.
- L:D ratio was 83%
- Total CAR was 15.88% - well above the regulatory requirements.



# CASA Ratio stood at 28.5%



- Total deposits increased by 3% YTD.
- Average CASA grew by 11% over the comparative period.
- EOP CASA ratio stood at 28.5%.



# Strong Capital Adequacy ratio of 15.88%

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- **Capital Adequacy Ratio**

- The Bank continued to maintain high capital adequacy ratios.
- The total capital ratio as at June 2021 was 15.88% - well above the statutory requirement of 12%.

- **Liquidity Coverage**

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

## Income Statement - Group

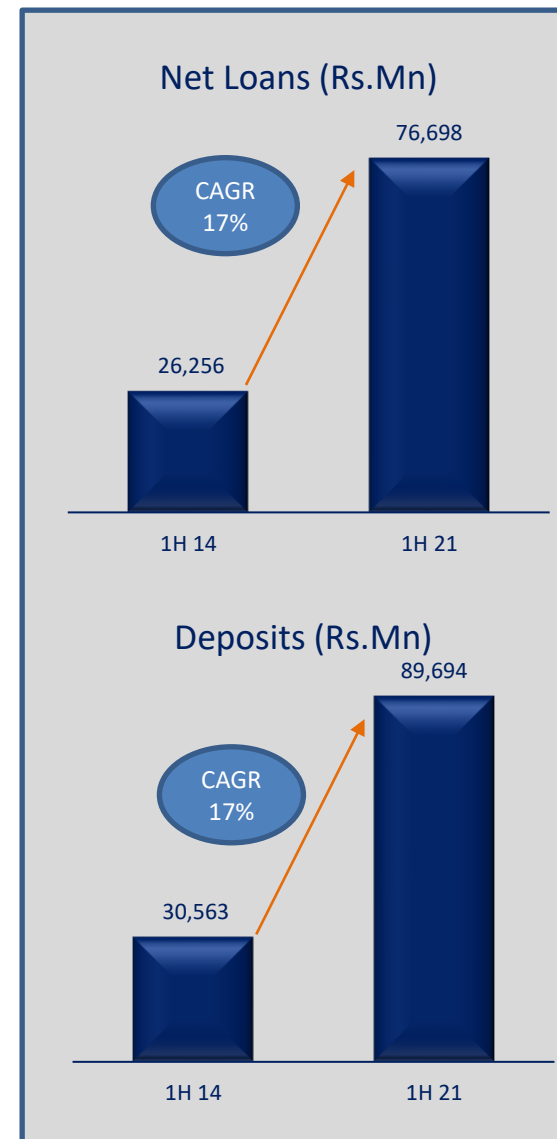
| Income Statement (Rs.Mn)             | 1H 2021      | 1H 2020      | Inc/Dec (%) |
|--------------------------------------|--------------|--------------|-------------|
| Net Interest Income                  | 2,510        | 2,301        | 9%          |
| Net Fee & Commission Income          | 464          | 332          | 40%         |
| Net Trading & Other Operating Income | 565          | 687          | -18%        |
| <b>Total Operating Income</b>        | <b>3,538</b> | <b>3,321</b> | <b>7%</b>   |
| Impairment Charge                    | 548          | 385          | 43%         |
| Total Operating Expenses             | 2,052        | 2,140        | -4%         |
| <b>Profit Before all Taxes</b>       | <b>938</b>   | <b>796</b>   | <b>18%</b>  |
| Taxes (including VAT & NBT, DRL)     | 456          | 460          | -1%         |
| <b>Net profit for the period</b>     | <b>482</b>   | <b>336</b>   | <b>43%</b>  |

- The Profit after Tax of the Group increased by **43.5% 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)               | Jun 2021       | Dec 2020       | Growth (%) |
|-------------------------------------|----------------|----------------|------------|
| Treasury Assets                     | 42,127         | 47,382         | -11%       |
| Loans & Advances                    | 76,698         | 73,777         | 4%         |
| Cash & Balances with CB             | 3,431          | 3,555          | -3%        |
| Other Assets                        | 5,105          | 4,857          | 5%         |
| <b>Total Assets</b>                 | <b>127,361</b> | <b>129,570</b> | <b>-2%</b> |
|                                     |                |                |            |
| Borrowings                          | 17,009         | 21,625         | -21%       |
| Customer Deposits                   | 89,694         | 87,104         | 3%         |
| Other Liabilities                   | 2,438          | 2,777          | -12%       |
| Equity                              | 18,220         | 18,065         | 1%         |
| <b>Total Equity &amp; Liability</b> | <b>127,361</b> | <b>129,570</b> | <b>-2%</b> |

- Total assets of the Group were Rs. 127,361 Mn of which 95% was represented by the Bank.
- The Group maintained a healthy Total Capital Ratio of 16.49% as at quarter-end.



# Key Performance Indicators

| Item  | BANK        |             | GROUP       |             |
|---|-------------|-------------|-------------|-------------|
|   | 30 Jun 2021 | 31 Dec 2020 | 30 Jun 2021 | 31 Dec 2020 |
| <b>Regulatory Capital - Rs '000</b>   |             |             |             |             |
| Common Equity Tier 1 (Basel III)  | 14,632,010  | 15,415,491  | 15,726,600  | 16,024,248  |
| Tier 1 Capital / Core Capital (Basel III)   | 14,632,010  | 15,415,491  | 15,726,600  | 16,024,248  |
| Total Capital/ Total Capital Base (Basel III)                                       | 14,896,582  | 15,680,987  | 16,371,800  | 16,677,537  |
| <b>Regulatory Capital Ratios (%)</b>  |             |             |             |             |
| Common Equity Tier 1 Capital Ratio<br>(Minimum Requirement as per Basel III - 6.5%) | 15.59%      | 16.66%      | 15.84%      | 16.34%      |
| Tier 1 Capital Ratio<br>(Minimum Requirement as per Basel III - 8%)                 | 15.59%      | 16.66%      | 15.84%      | 16.34%      |
| Total Capital Ratio<br>(Minimum Requirement as per Basel III - 12%)                 | 15.88%      | 16.95%      | 16.49%      | 17.00%      |
| Leverage Ratio<br>(Minimum Requirement - 3%)  | 10.49%      | 10.23%      | 10.70%      | 10.14%      |
| <b>Regulatory Liquidity</b>   |             |             |             |             |
| Statutory Liquid Assets   |             |             |             |             |
| Domestic Banking Unit, Rs. '000   | 26,093,647  | 26,629,637  |             |             |
| Foreign Currency Banking Unit, USD '000   | 20,403      | 18,585      |             |             |
| Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)                         |             |             |             |             |
| Domestic Banking Unit   | 28.52%      | 29.08%      |             |             |
| Foreign Currency Banking Unit   | 24.98%      | 21.93%      |             |             |
| Liquidity Coverage Ratio (%), Rupee<br>(Minimum Requirement - 90%)                  | 534.00%     | 861.13%     |             |             |
| Liquidity Coverage Ratio (%), All Currency<br>(Minimum Requirement 90%)             | 228.35%     | 459.60%     |             |             |
| Net Stable Funding Ratio (%)<br>(Minimum Requirement - 90%)                         | 126.99%     | 121.05%     |             |             |
| <b>Assets Quality (Quality of Loan Portfolio)</b>                                   |             |             |             |             |
| Gross Non-Performing Advances Ratio, %<br>(Net of interest in suspense)             | 5.83%       | 6.05%       |             |             |
| Net Non-Performing Advances, %<br>(Net of interest in suspense and provision)       | 3.16%       | 3.54%       |             |             |
| <b>Profitability</b>  |             |             |             |             |
| Interest Margin, %  | 3.44%       | 3.16%       |             |             |
| Return on Assets (Before Tax), %  | 0.93%       | 0.77%       |             |             |
| Return on Assets (After Tax), %   | 0.75%       | 0.47%       |             |             |
| Return on Equity (After Tax), %   | 5.01%       | 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        |
| Roshan Anne Perera      | 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                 |
| 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                                 |
| Indika Mendis           | Vice President – Treasury                          |

## 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