



Investor Presentation

September 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 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 have placed a steady focus on maintaining a healthy liquidity position while engaging with our customers to provide them with the necessary impetus to navigate through these difficult times. The 3rd quarter results display the resilience of Union Bank against a challenging landscape. As we steer with prudence and continuously adjust our sails to withstand the extreme volatilities which have become the new-norm in the current times, we hope to continue the engagement with customers and provide tailored financial solutions that would better-suit their unique financial needs and challenges while ensuring the well-being of our staff and customers at all times. Maintaining a healthy liquid position, driving profitability and prudent portfolio growth will be key focus areas of the Bank during the last lap of this year.”

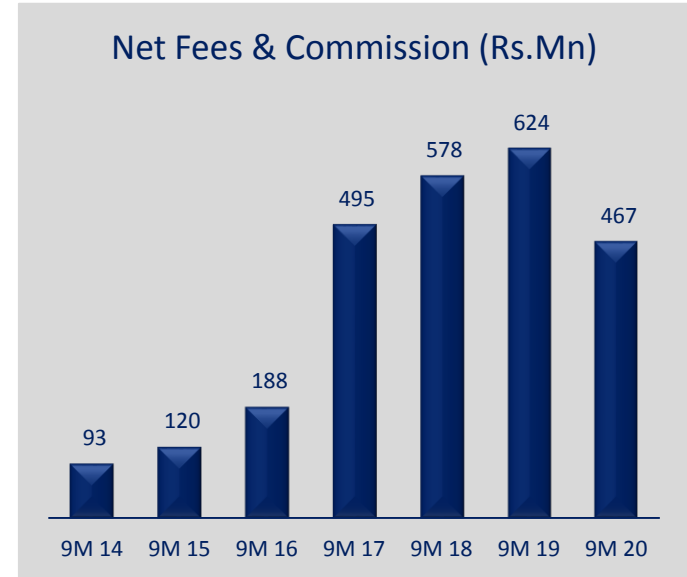
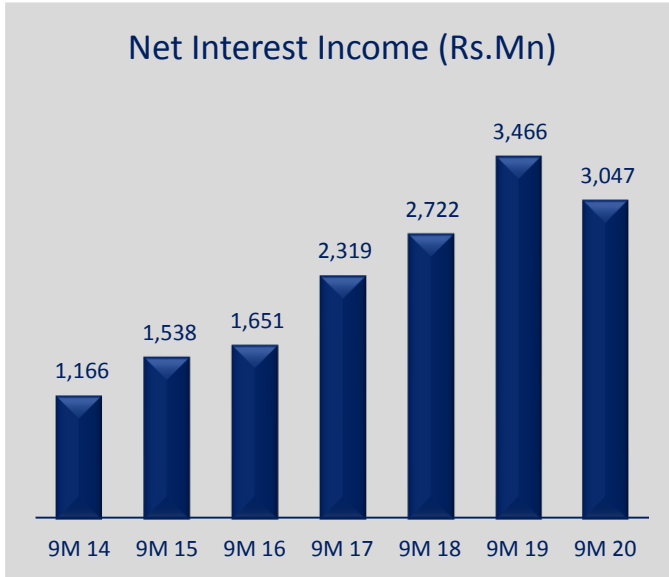
Indrajit Wickramasinghe
Director/ Chief Executive Officer

Performance Snapshot Q3 2020

Income Statement (Rs.Mn)	9M 2020	9M 2019	Growth (%)
Net Interest Income	3,047	3,466	-12.1%
Net Fee & Commission Income	467	624	-25.1%
Net Trading & Other Operating Income	1,129	547	106.4%
Total Operating Income	4,643	4,637	0.1%
Impairment Charge	562	354	58.5%
Total Operating Expenses	2,855	2,960	-3.5%
Results from Operating Activities	1,226	1,323	-7.4%
Share of Subsidiary Profits	(20)	98	-120.1%
Profit Before all Taxes	1,206	1,422	-15.2%
Taxes (including VAT & NBT, DRL)	656	889	-26.2%
Net profit for the period	550	533	3.3%

- The Covid-19 outbreak weakened the country outlook substantially and affected the overall business landscape of the country.
- The Bank extended loans at concessionary rates for Working Capital requirements of SMEs and exporters by participating in CBSL credit schemes including Saubhagya Covid-19 Renaissance Facility.
- Downward interest rate revisions on various lending products including credit cards came into effect in line with CBSL directives and the drop in cost of funding.
- The Bank increased its liquidity buffers on a prudent basis and continued to maintain a strong excess liquidity position.
- Due to a drop-in tax rates and prudent management of reserves, the Bank including its share of ownership in its subsidiaries was able to increase PAT by 3% YoY.

NII is Rs.3Bn

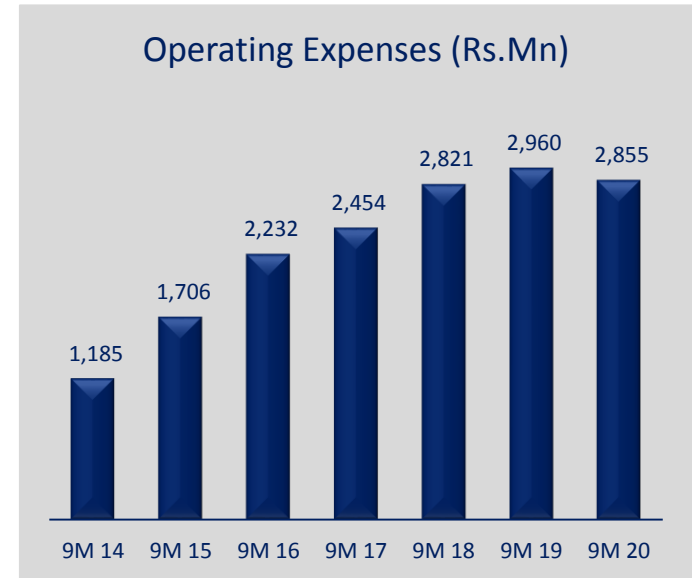
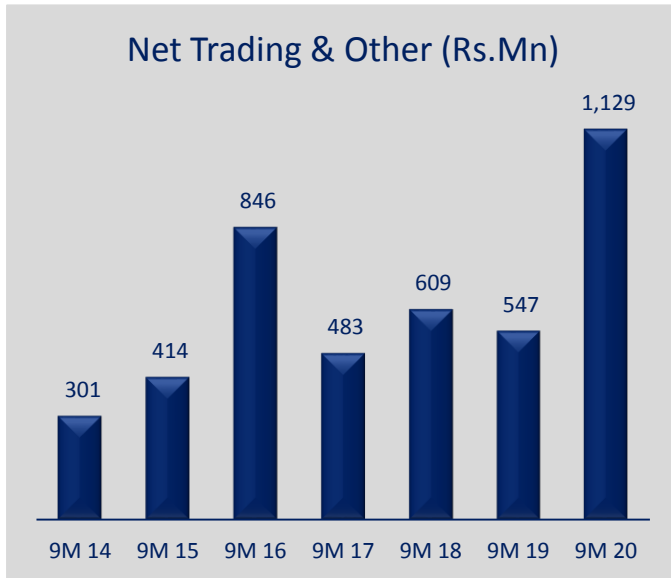


- **Net Interest Margin declined from 3.8% to 3.3%**

- The AWPLR dropped by approx. 400bps.
- Treasury Bill rates continued on a downward trend.
- Downward interest rate revisions on various lending products including credit cards came into effect in line with CBSL directives and the drop in cost of funding.
- Timely re-pricing of the deposits book & an increase in average CASA by 25% partially negated the above impacts.

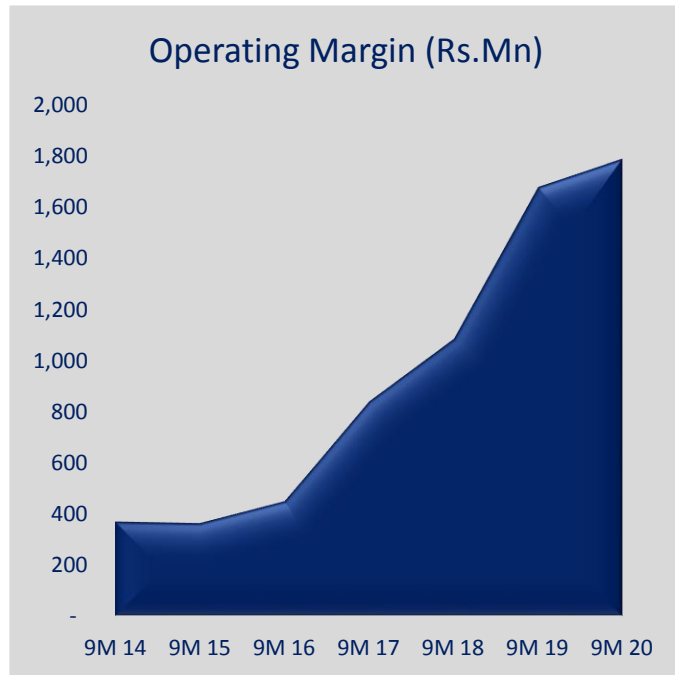
- Overall fee income declined by 25% against the comparative quarter due to selected fee waivers offered as relief to customers as per CBSL directives, alongside a general decline in economic activity.

Operating Expenses declined by 4% YoY



- Treasury recorded a notable performance with Rs.789 Mn in capital gains.
- Other Operating Income increased on the back of exchange rate deflation and recorded a Rs.111 Mn.
- Operating Expenses were prudently managed and reduced by 4% YoY to Rs. 2,855 Mn.

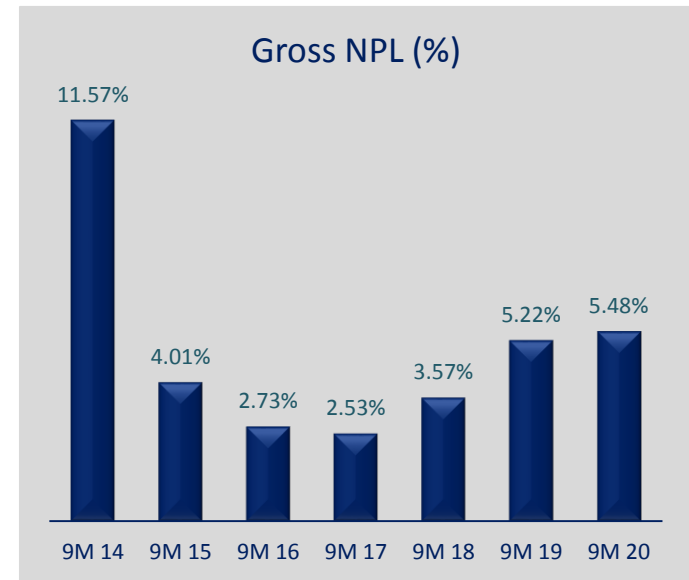
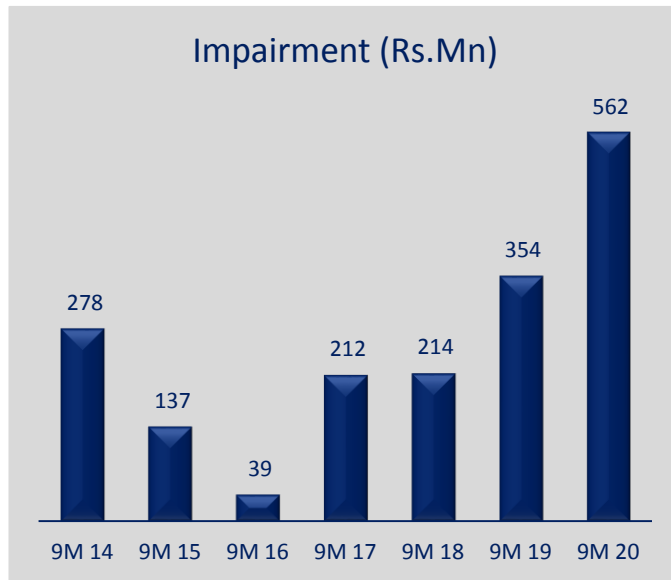
Operating Margin increased by 7% YoY



- Total Operating Income was Rs. 4,643 Mn and was similar to that of the comparative period.
- Total Operating Expenses were prudently managed & reduced by 4% YoY.
- Operating Margin improved by 7% YoY to Rs.1,787 Mn.



Gross NPL Ratio is 5.48%



- **Impairment Charge increased by 59% YoY;**

- Significant provisions were made through management overlays to account for the deteriorating environment.
- Actual credit losses remained low.
- The entire day one loss on account of Covid-19 moratoriums was recorded under the impairment charge as per the non-substantial modification method which is in line with the Sri Lanka Accounting Standard – 9 (SLFRS 9).

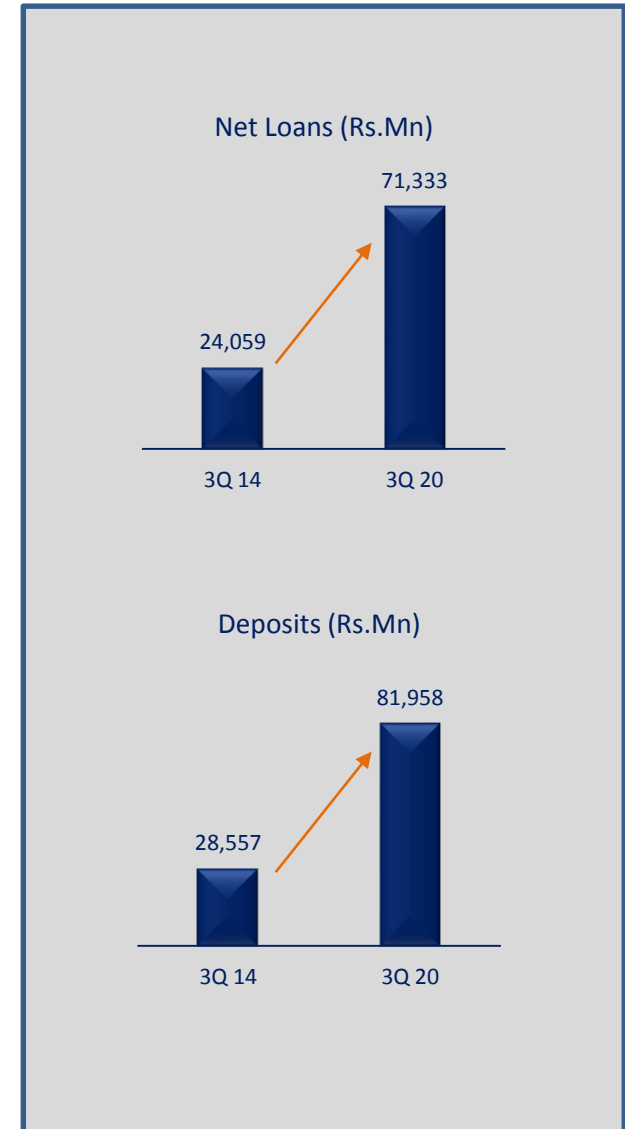
- The gross NPL ratio was 5.48% by end of the reporting period.

- The Bank's prudent approaches for managing portfolio quality proved favourable in containing NPLs in a weak environment.

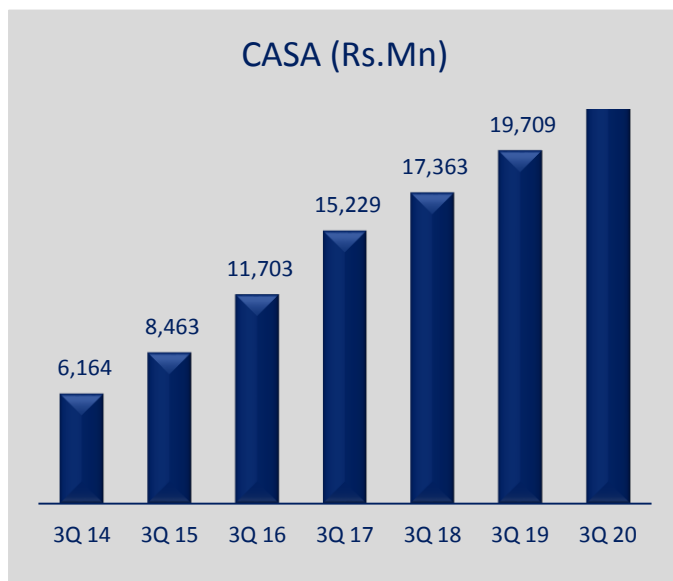
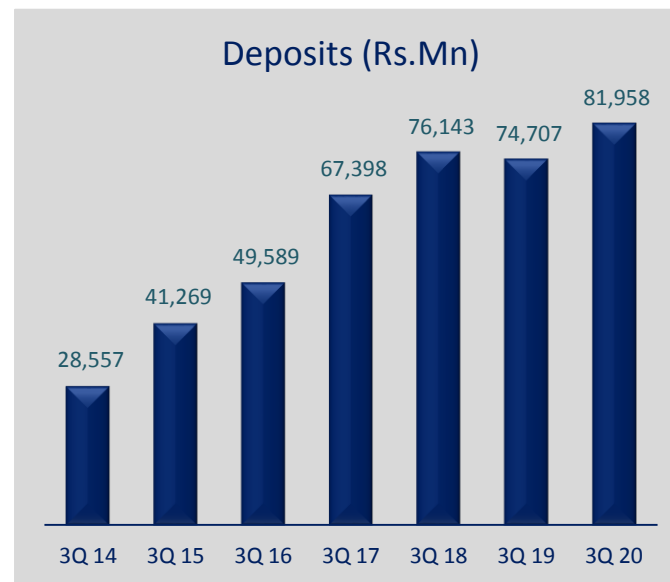
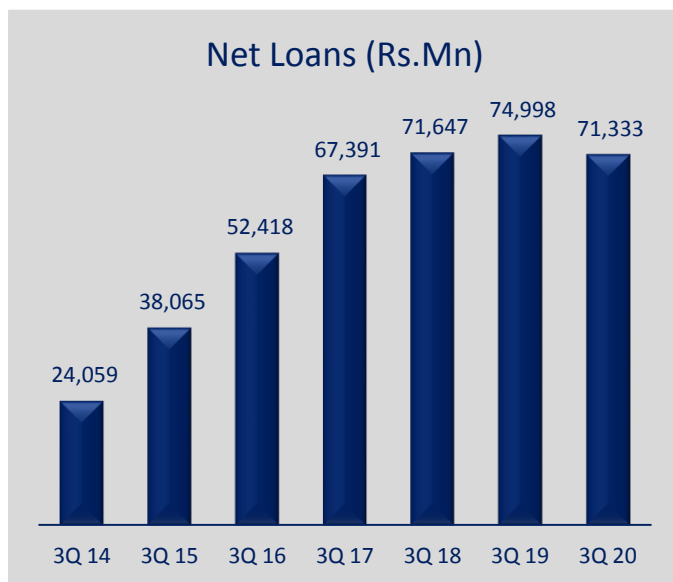
Balance Sheet - Bank

Balance Sheet (Rs.Mn)	Sep-20	Sep-19	Growth (%)
Treasury Assets	43,147	34,700	24.3%
Loans & Advances	71,333	77,358	-7.8%
Cash & Balances with CB	3,231	5,033	-35.8%
Other Assets	4,580	4,662	-1.8%
Total Assets	122,291	121,754	0.4%
Borrowings	18,481	24,838	-25.6%
Customer Deposits	81,958	76,532	7.1%
Other Liabilities	3,677	2,873	
Equity	18,175	17,510	3.8%
Total Equity & Liability	122,291	121,754	0.4%

- Total assets of the Bank were Rs. 122,291 Mn.
- The Bank's loans and receivables were Rs. 71,333 Mn YTD. Deposits base was Rs. 81,958 Mn and expanded by 7%.
- The Bank maintains a robust capital adequacy ratio, with a total capital ratio of 16.26% against the regulatory capital ratio of 12%.
- The Bank's robust liquidity position and stability were further affirmed with the confirmation of its current rating by Fitch Ratings in their latest ratings review.



YTD strong CASA growth of 26%



- Total EOP CASA grew by 26% YTD.
- Fixed deposits increased by 1% YTD.
- Total average CASA ended at Rs.23,805 Mn, an increase of 18% over last year.
- EOP CASA ratio increased to 30% from 25% in Dec 2019.



Capital Adequacy ratio is 16.26%

- **Capital Adequacy Ratio**

- The Bank continued to maintain high capital adequacy ratios.
- The ratio as at end Sep 2020 was 16.26% - well above the statutory requirement of 12%.

- **Liquidity Coverage**

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

Income Statement - Group

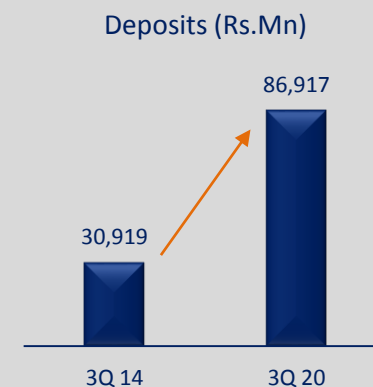
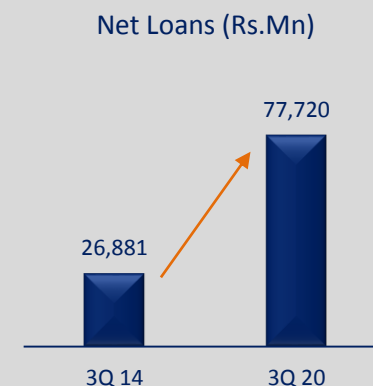
Income Statement (Rs.Mn)	9M 2020	9M 2019	Growth (%)
Net Interest Income	3,507	4,033	-13.0%
Net Fee & Commission Income	533	700	-24.0%
Net Trading & Other Operating Inco	1,185	575	106.0%
Total Operating Income	5,224	5,309	-1.6%
Impairment Charge	726	499	45.5%
Total Operating Expenses	3,192	3,363	-5.1%
Profit Before all Taxes	1,306	1,446	-9.7%
Taxes (including VAT & NBT, DRL)	730	840	-13.0%
Net profit for the period	576	606	-5.0%

- The Profit after Tax of the Group declined by 5% in comparison to the corresponding period of last year.
- A one-off tax reversal was also reported at UB Finance in the comparative period of last year.
- If the impact of the tax reversal was excluded, then the comparative increase in PAT would have been 26%.

Balance Sheet - Group

Balance Sheet (Rs.Mn)	3Q 2020	3Q 2019	Growth (%)
Treasury Assets	42,755	34,567	23.7%
Loans & Advances	77,720	84,780	-8.3%
Cash & Balances with CB	3,541	5,419	-34.7%
Other Assets	4,993	5,074	-1.6%
Total Assets	129,009	129,840	-0.6%
Borrowings	19,706	26,237	-24.9%
Customer Deposits	86,917	82,752	5.0%
Other Liabilities	4,489	3,653	
Equity	17,897	17,199	4.1%
Total Equity & Liability	129,009	129,840	-0.6%

- Total assets of the Group were Rs. 129,008 Mn of which 95% was represented by the Bank.
- The Group maintained a healthy Core Capital Ratio of 16.75% as at reporting date.



Key Performance Indicators

Item	BANK		GROUP	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Regulatory Capital - Rs '000				
Common Equity Tier 1 (Basel III)	15,019,492	15,286,211	15,670,190	15,810,228
Tier 1 Capital / Core Capital (Basel III)	15,019,492	15,286,211	15,670,190	15,810,228
Total Capital / Total Capital Base (Basel III)	15,309,250	15,413,097	16,327,746	16,050,219
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2020 - 6.5%, 2019 - 7%)	15.95%	16.61%	15.75%	16.12%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2020 - 8%, 2019 - 8.5%)	15.95%	16.61%	15.75%	16.12%
Total Capital Ratio (Minimum Requirement as per Basel III 2020 - 12%, 2019 - 12.5%)	16.26%	16.75%	16.41%	16.36%
Leverage Ratio (Minimum Requirement - 3%)	10.98%	10.64%	10.85%	10.36%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit, Rs. '000	29,807,975	19,095,889		
Foreign Currency Banking Unit, USD '000	16,100	13,587		
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	33.21%	22.95%		
Foreign Currency Banking Unit	21.58%	21.95%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement 2020 - 90%, 2019 100%)	662.00%	225.57%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement 2020- 90% 2019-100%)	383.82%	154.70%		
Net Stable Funding Ratio (%) (Minimum Requirement 2020- 90% 2019-100%)	119.28%	113.08%		
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	5.48%	5.03%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)	3.25%	3.55%		
Profitability				
Interest Margin, %	3.33%	3.62%		
Return on Assets (Before Tax), %	0.96%	0.96%		
Return on Assets (After Tax), %	0.60%	0.57%		
Return on Equity (After Tax), %	4.11%	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 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