



Investor Presentation

December 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



“Our agility and apt business continuity execution have allowed Union Bank to weather the macroeconomic storm in good shape. the Bank has safeguarded the interests of its stakeholders amidst challenges and maintained healthy liquidity levels, and stands strongly capitalised to withstand the adverse environment in which we operate in. We will continue on a path of cost optimisation and enhanced operational efficiency in the year 2021 in which we have re-strategised for stronger growth and will continue to leverage on our key strengths - while ensuring the health and safety of our customers and staff as a priority when navigating in the new normal.”

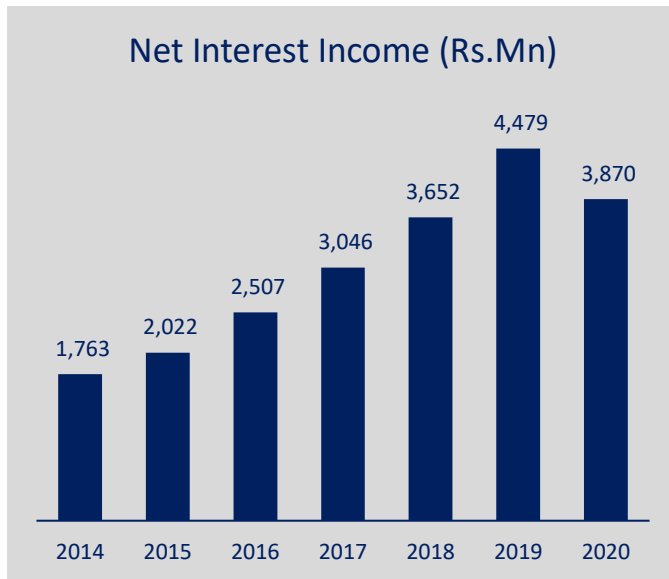
Indrajit Wickramasinghe
Director/ Chief Executive Officer

Performance Snapshot 2020

Income Statement (Rs.Mn)	2020	2019	Growth (%)
Net Interest Income	3,870	4,479	-13.6%
Net Fee & Commission Income	703	855	-17.8%
Net Trading & Other Operating Income	1,318	686	92.0%
Total Operating Income	5,890	6,021	-2.2%
Impairment Charge	736	390	88.5%
Total Operating Expenses	3,772	3,830	-1.5%
Results from Operating Activities	1,382	1,800	-23.2%
Share of Subsidiary Profits	(29)	104	-127.9%
Profit Before all Taxes	1,353	1,904	-28.9%
Taxes (including VAT & NBT, DRL)	777	1,194	-34.9%
Net profit for the period	577	710	-18.8%

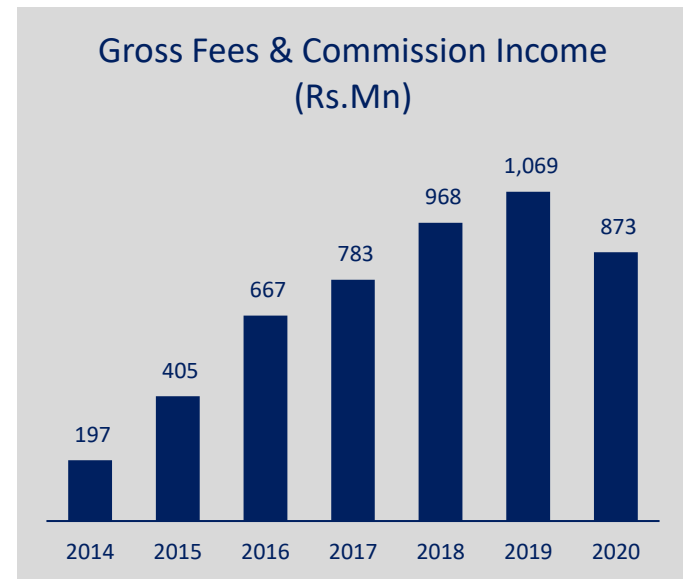
- Union Bank completed 25 years of service to the nation in 2020, displaying its grit and foundation under trying circumstances and unprecedented challenges.
- Cost optimisations, effective resource/productivity management & prudent portfolio management were key strategic priorities of 2020.
- Liquidity buffers were increased prudently while maintaining a strong excess liquidity position.
- Fitch ratings SL affirmed the Bank's current rating (2020) – the rating was backed by the strong liquidity and capital.
- A pivotal focus was placed on rolling out the CBSL recommended relief measures to the corporate, SME & retail banking customers affected by the Covid-19 pandemic.
- Profit of the Bank including its share of ownership in subsidiaries was Rs. 577 Mn in 2020 and was a decline of 18.8% over the previous year- mainly because of the one-off income recorded at UB Finance in 2019
 - The 'Bank-only' profit for 2020 was Rs. 605 Mn and was on par with the previous year.

NII was s.3.8 Bn



Net Interest Margin declined from 3.6% to 3.2%

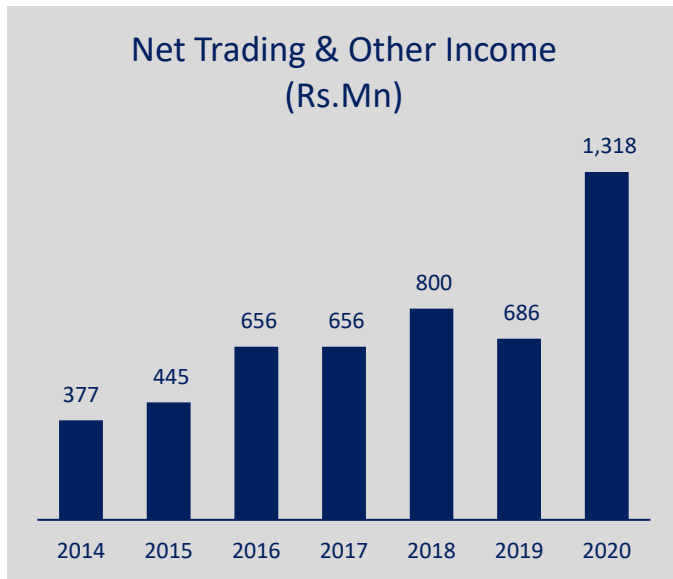
- AWPLR dropped by approx. 400bps in 2020.
- Treasury Bill rates continued on a downward trend.
- The Bank supported moratoriums on capital and interest payments as per CBSL directives.
- The interest impact from concessionary 7% cap imposed on the EMI loans portfolio under 60-day moratorium period have been accounted under NII.



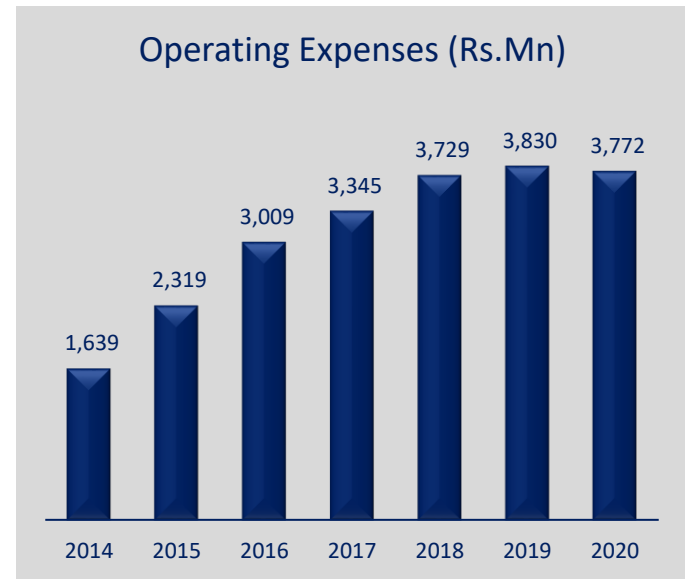
Fee income declined by 18.4%

- Significantly impacted by the numerous fee waivers extended to customers under the CBSL recommended financial relief packages.
- Trade related income was impacted by import restrictions.
- Loan related fees recorded a drop due to the industry-wide decline of credit growth.
- Guarantee, trade & commission fees reduced due to a slowdown in economic activity and the restriction in imports.

Operating Expenses declined by 1.5% YoY

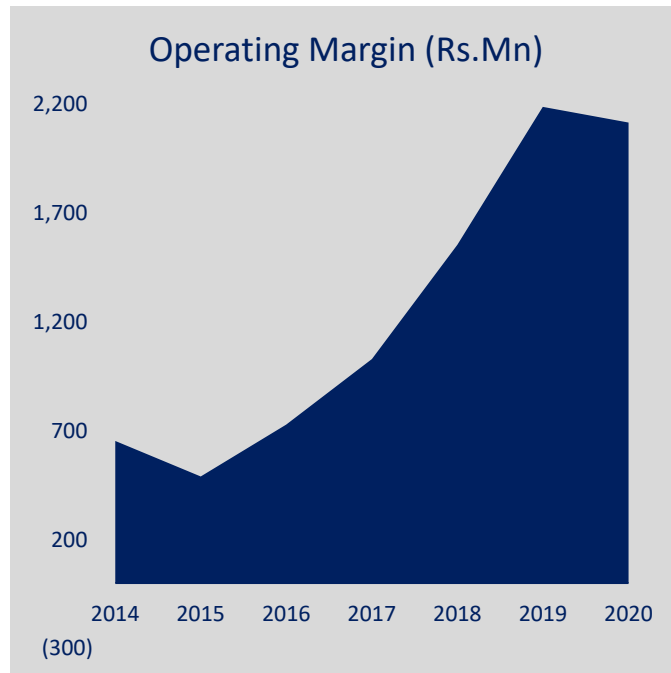


- Treasury recorded a notable performance with Rs. 822 Mn in capital gains.
- Other operating income increased due to increased business volumes and exchange rate deflation and recorded Rs.174 Mn.
- Income from investment in units increased by 41% to Rs. 321 Mn.

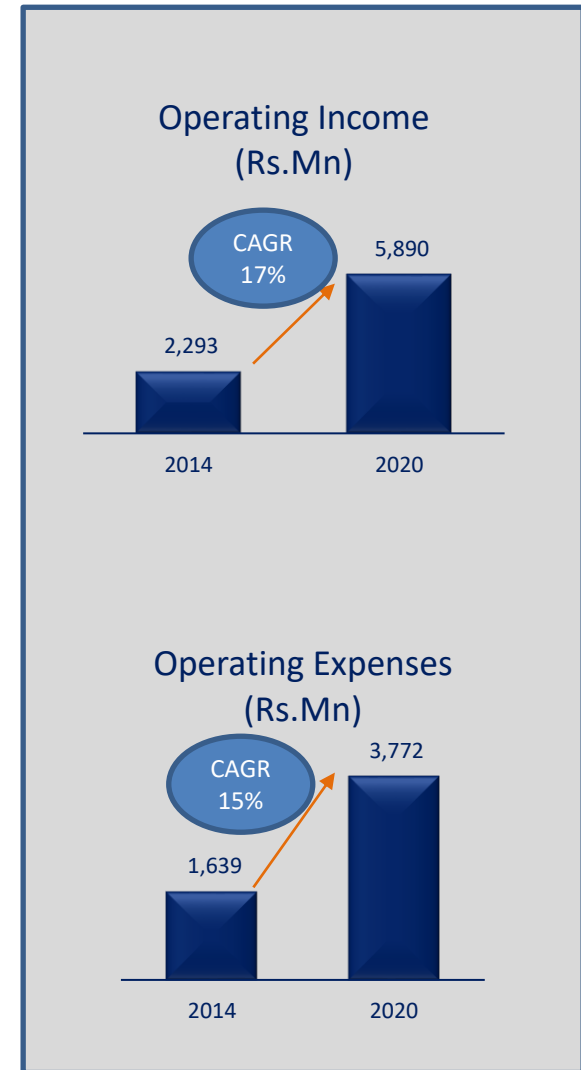


- Operating expenses were prudently managed and reduced by 1.5% YoY to Rs. 3,772 Mn.

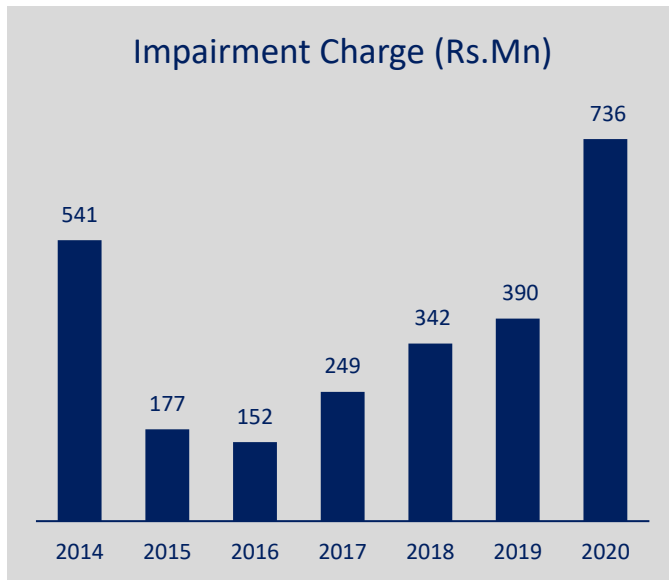
Operating Margin dropped by 3.3% YoY



- Total operating income reduced by 2% to Rs. 5,890 Mn
- Total operating expenses reduced by 1.5% YoY.
- Operating margin dropped by 3.3% YoY to Rs.2,118 Mn.
- Excluding the impact of the 60 days' moratorium on EMI Loans, operating margin would have increased by 3.4%

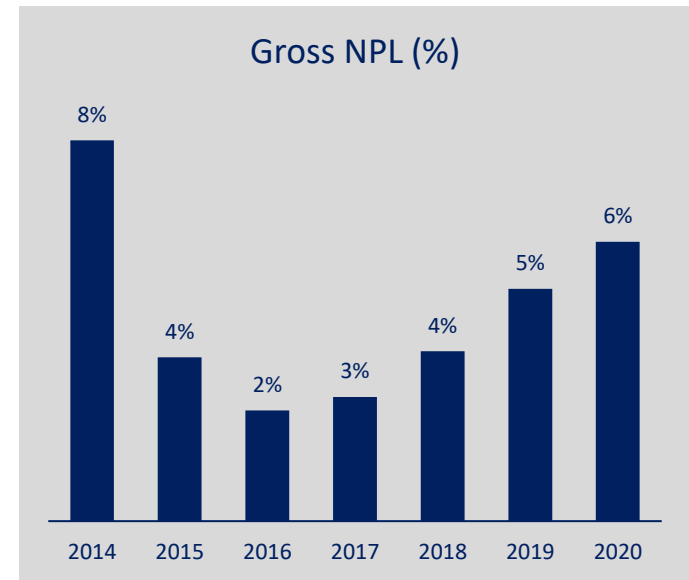


Gross NPL Ratio was 6%



Impairment Charge increased by 89% YoY

- Significant provisions were made, to account for the deteriorating environment.
 - *Additional provisions made for 03 identified risk elevated industries.*
 - *Economic Factor Adjustment (EFA) -weightages assigned to the worst-case scenario, increased with the transferring of weightages from best-case to worst-case*
 - *Treasury impairment figures increased due to investments in foreign currency denominated Government Securities based on the country rating downgrade.*
- Entire modification loss on account of COVID-19 moratorium scheme was recorded under the impairment charge as per Sri Lanka Accounting Standards



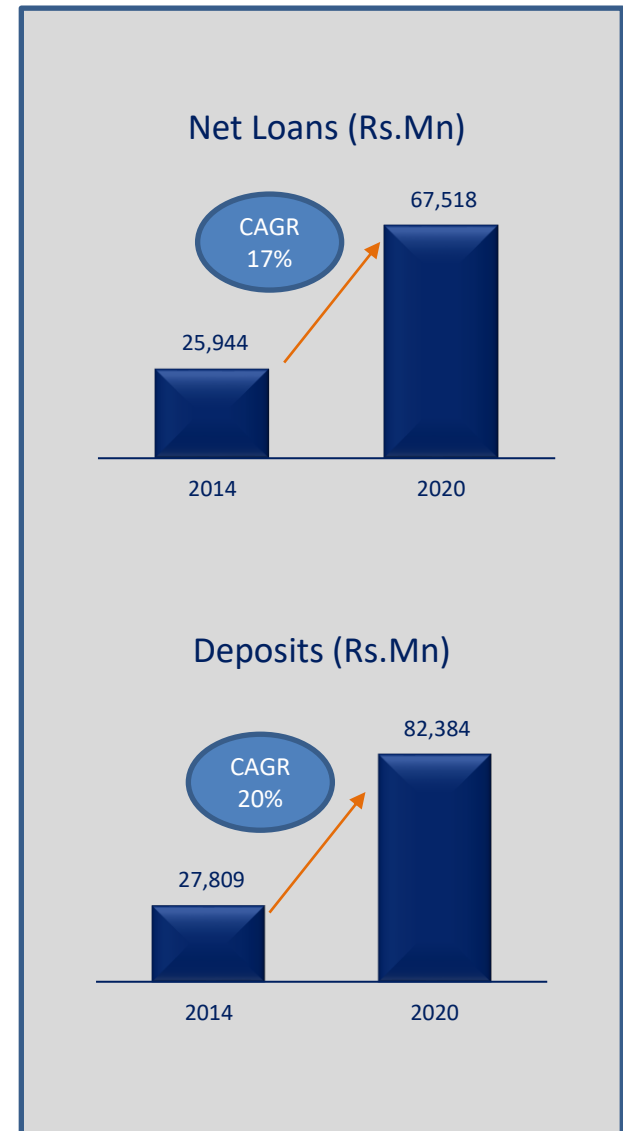
The gross NPL ratio increased to 6% from 5% in 2019.

- The absolute NPL increase was however Rs. 230 Mn
- overall reduction in the loan portfolio caused the ratio to reflect an increase.

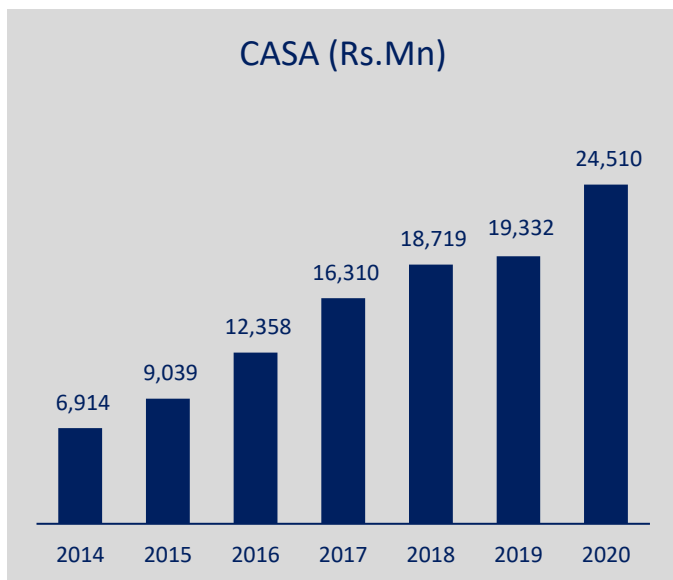
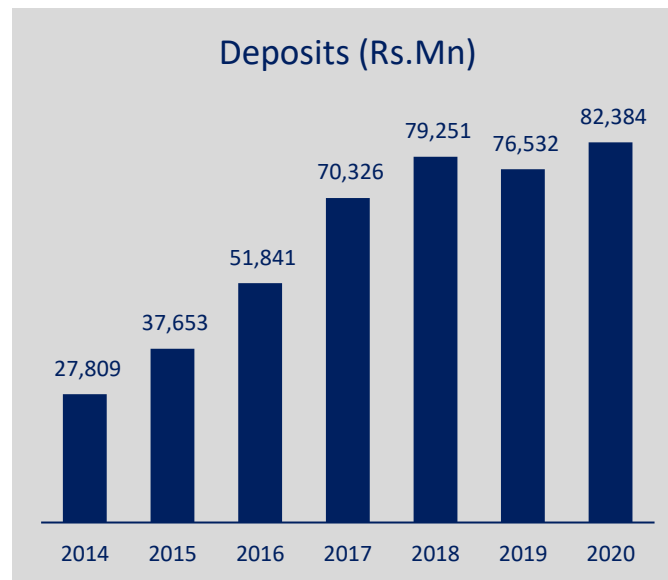
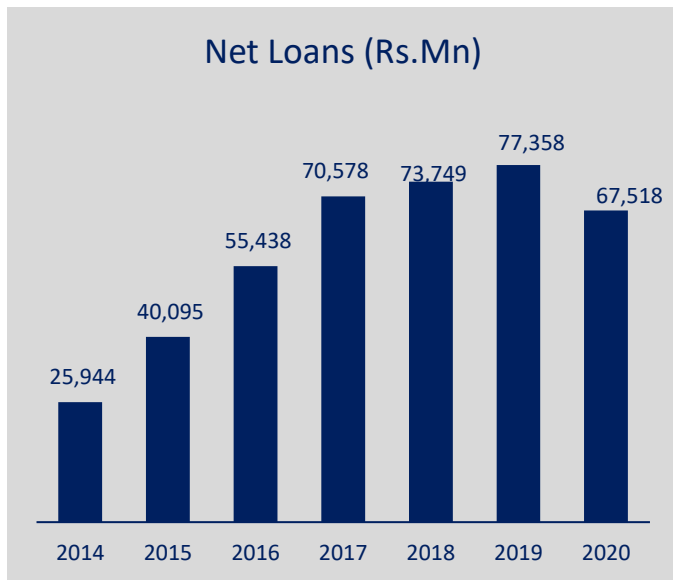
Balance Sheet - Bank

Balance Sheet (Rs.Mn)	Dec-20	Dec-19	Growth (%)
Treasury Assets	47,750	34,700	37.6%
Loans & Advances	67,518	77,358	-12.7%
Cash & Balances with CB	3,128	5,033	-37.9%
Other Assets	4,547	4,662	-2.5%
Total Assets	122,943	121,754	1.0%
Borrowings	20,194	24,838	-18.7%
Customer Deposits	82,384	76,532	7.6%
Other Liabilities	2,275	2,873	
Equity	18,090	17,510	3.3%
Total Equity & Liability	122,943	121,754	1.0%

- Total assets of the Bank were Rs. 122,943 Mn.
- Loans and receivables were Rs. 67,518 Mn YTD. Deposits stood at Rs. 82,384 Mn and expanded by 8%.
 - L:D ratio improved to 85% from 104% in the previous year.
- The Bank maintains a robust CAR with 16.95% Total Capital Ratio against the required regulatory capital ratio of 12%.
- Fitch affirmed the Bank's national long-term rating at BBB-(lka) with a stable outlook.



Strong CASA growth of 27% YTD



- Total EOP CASA grew by 27% YTD.
- Total deposits increased by 7.6% YTD.
- EOP CASA ratio increased to 30% from 25% in Dec 2019.



Strong Capital Adequacy ratio of 16.95%

- **Capital Adequacy Ratio**

- The Bank continued to maintain high capital adequacy ratios.
- The total capital ratio as at end 2020 was 16.95% - 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

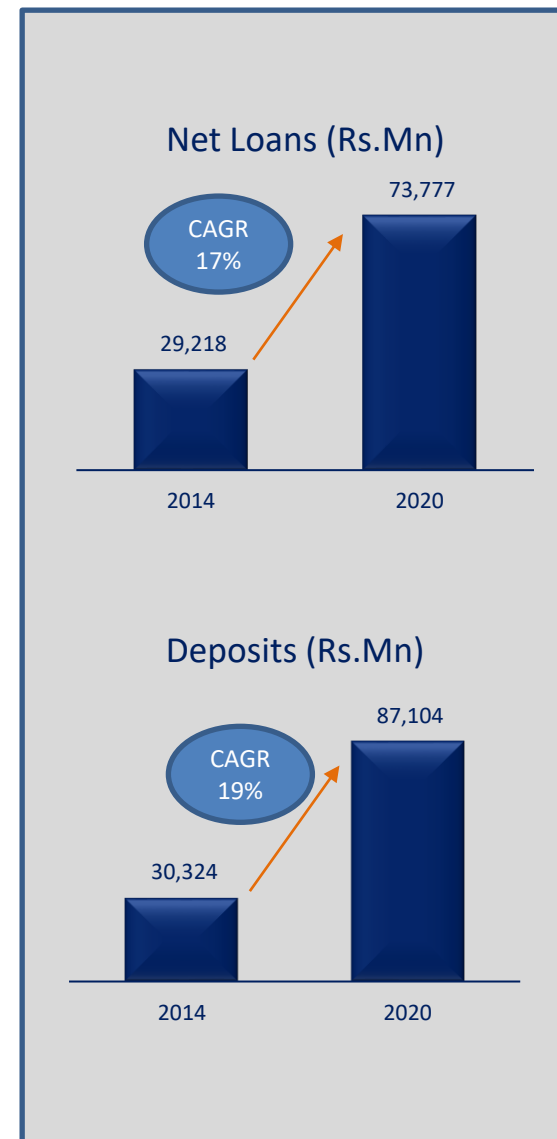
Income Statement (Rs.Mn)	2020	2019	Growth (%)
Net Interest Income	4,538	5,234	-13.3%
Net Fee & Commission Income	792	958	-17.3%
Net Trading & Other Operating Inco	1,359	724	87.7%
Total Operating Income	6,688	6,916	-3.3%
Impairment Charge	948	580	63.4%
Total Operating Expenses	4,231	4,353	-2.8%
Profit Before all Taxes	1,509	1,983	-23.9%
Taxes (including VAT & NBT, DRL)	886	1,179	-24.8%
Net profit for the period	623	804	-22.6%

- The Profit after Tax of the Group declined by 23% in comparison to the corresponding year of last year.
- *The drop was mainly due to the one-off income recorded at UB Finance in 2019*
- 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)	Dec-20	Dec-19	Growth (%)
Treasury Assets	47,382	34,567	37.1%
Loans & Advances	73,777	84,780	-13.0%
Cash & Balances with CB	3,555	5,419	-34.4%
Other Assets	4,857	5,074	-4.3%
Total Assets	129,570	129,840	-0.2%
Borrowings	21,625	26,237	-17.6%
Customer Deposits	87,104	82,752	5.3%
Other Liabilities	2,777	3,412	
Equity	18,065	17,439	3.6%
Total Equity & Liability	129,570	129,840	-0.2%

- Total assets of the Group were Rs. 129,570 Mn of which 95% was represented by the Bank.
- The Group maintained a healthy total capital ratio of 17.00% as at reporting date.



Key Performance Indicators

Item	BANK		GROUP	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Regulatory Capital - Rs '000				
Common Equity Tier 1 (Basel III)	15,415,491	15,286,211	16,024,248	15,810,228
Tier 1 Capital / Core Capital (Basel III)	15,415,491	15,286,211	16,024,248	15,810,228
Total Capital/ Total Capital Base (Basel III)	15,680,987	15,413,097	16,677,537	16,050,219
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2020 - 6.5%, 2019 - 7%)	16.66%	16.61%	16.34%	16.12%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2020 - 8%, 2019 - 8.5%)	16.66%	16.61%	16.34%	16.12%
Total Capital Ratio (Minimum Requirement as per Basel III 2020 - 12%, 2019 - 12.5%)	16.95%	16.75%	17.00%	16.36%
Leverage Ratio (Minimum Requirement - 3%)	10.23%	10.64%	10.14%	10.36%
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit, Rs. '000	26,629,637	19,095,889		
Foreign Currency Banking Unit, USD '000	18,585	13,587		
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	29.08%	22.95%		
Foreign Currency Banking Unit	21.93%	21.95%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement 2020 - 90%, 2019 100%)				
	861.13%	225.57%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement 2020- 90%,2019-100%)				
	459.60%	154.70%		
Net Stable Funding Ratio (%) (Minimum Requirement 2020- 90%,2019-100%)				
	121.05%	113.08%		
Assets Quality (Quality of Loan Portfolio)				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)				
	6.05%	5.03%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)				
	3.54%	3.55%		
Profitability				
Interest Margin, %				
	3.16%	3.62%		
Return on Assets (Before Tax), %				
	0.77%	0.96%		
Return on Assets (After Tax), %				
	0.47%	0.57%		
Return on Equity (After Tax), %				
	3.24%	4.16%		

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