

 UNION BANK

Key Regulatory Ratios-Capital and Liquidity				
As at	BANK		GROUP	
	30-Jun-2020	31-Dec-2019	30-Jun-2020	31-Dec-2019
Regulatory Capital (LKR '000)				
Common Equity Tier 1	15,120,938	15,286,211	15,850,322	15,810,228
Tier 1 Capital	15,120,938	15,286,211	15,850,322	15,810,228
Total Capital	15,292,847	15,413,097	16,408,080	16,050,219
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2020-6.5% & 2019 -7.0%)	15.88%	16.61%	15.75%	16.12%
Tier 1 Capital Ratio (Minimum Requirement- 2020 - 8.0% & 2019 - 8.5%)	15.88%	16.61%	15.75%	16.12%
Total Capital Ratio (Minimum Requirement- 2020 - 12.0% & 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 (LKR'000)	25,280,283	19,095,889		
Off-Shore Banking Unit (USD'000)	14,591	13,587		
Statutory liquid Assets Ratio % (Minimum Requirement-20%)				
Domestic Banking Unit (%)	27.18%	22.95%		
Off -Shore Banking Unit (%)	21.74%	21.95%		
Liquidity Coverage Ratio (%)				
Rupee (Minimum Requirement - 2020 - 90% & 2019 - 100%)	200.49%	225.57%		
All Currency (Minimum Requirement- 2020-90% & 2019- 100%)	144.07%	154.70%		
Net Stable Funding Ratio (Minimum Requirement - 90%)	115.35%	113.08%		

Basel III Computation of Capital Ratio				
As at	30-Jun-2020		31-Dec-2019	
	BANK	GROUP	BANK	GROUP
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Common Equity Tier I (CET1) Capital after Adjustments	15,120,938	15,850,322	15,286,211	15,810,228
Total Common Equity Tier I (CET1) Capital	17,951,599	17,744,483	18,118,854	17,923,453
Equity capital or stated capital/assigned capital	16,334,782	16,334,782	16,334,782	16,334,782
Reserve fund	175,400	200,020	175,400	200,020
Published retained earnings/(Accumulated retained losses)	1,111,182	759,335	1,278,438	925,538
Published Accumulated other comprehensive income (OCI)	213,324	213,324	213,324	213,324
General and other disclosed reserves	116,910	116,910	116,910	116,910
Ordinary shares issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-	120,111	-	132,879
Total Adjustments to CET1 Capital	2,830,661	1,894,160	2,832,644	2,113,224
Goodwill (net)	-	113,031	-	113,031
Other intangible assets (net)	1,327,253	1,562,558	1,329,791	1,565,636
Deferred tax assets (net)	-	218,571	-	434,557
Shortfall of the cumulative impairment to specific provisions	-	-	-	-
Significant investments in the capital of financial institutions where the bank owns more than 10 per cent of the issued ordinary share capital of the entity	722,135	-	744,378	-
Shortfall of capital in financial subsidiaries	781,273	-	758,475	-
Additional Tier 1 (AT1) Capital after Adjustments	-	-	-	-
Total Additional Tier 1 (AT1) Capital	-	-	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-	-	-
Instruments issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-	-	-	-
Total Adjustments to AT1 Capital	-	-	-	-
Regulatory adjustments applied to AT1 due to insufficient Tier 2 capital to cover adjustments	-	-	-	-
Tier 2 Capital after Adjustments	171,909	557,757	126,886	239,991
Total Tier 2 Capital	471,909	557,757	426,886	239,991
Qualifying Tier 2 Capital Instruments	-	-	-	-
Revaluation gains	-	-	-	-
General provisions	471,909	557,757	426,886	239,991
Instruments issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-	-	-	-
Total Adjustments to Tier 2 Capital	300,000	-	300,000	-
Investment in own shares	0	-	-	-
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	300,000	-	300,000	-
CET1 Capital	15,120,938	15,850,322	15,286,211	15,810,228
Total Tier 1 Capital	15,120,938	15,850,322	15,286,211	15,810,228
Total Capital	15,292,847	16,408,080	15,413,097	16,050,219

As at	30-Jun-20		31-Dec-2019	
	BANK	GROUP	BANK	GROUP
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Risk Weighted Amount (RWA)	95,211,800	100,632,381	92,045,633	98,097,743
RWAs for Credit Risk	78,024,344	82,219,476	78,348,894	83,190,868
RWAs for Market Risk	10,615,337	10,690,220	7,672,787	7,751,862
RWAs for Operational Risk	6,572,118	7,722,685	6,023,952	7,155,013
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs)(%)	15.88%	15.75%	16.61%	16.12%
of which : Capital Conservation Buffer (%)	2.00%	2.00%	2.50%	2.50%
of which : Countercyclical Buffer (%)	-	-	-	-
of which : Capital Surcharge on D-SIBs (%)	-	-	-	-
Total Tier 1 Capital Ratio (%)	15.88%	15.75%	16.61%	16.12%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs)(%)	16.06%	16.30%	16.75%	16.36%
of which : Capital Conservation Buffer (%)	2.00%	2.00%	2.50%	2.50%
of which : Countercyclical Buffer (%)	-	-	-	-
of which : Capital Surcharge on D-SIBs (%)	-	-	-	-

Computation of Leverage Ratio		
As at	30-Jun-2020	
	BANK	GROUP
	Rs.'000	Rs.'000
Total Exposure	155,425,595	163,478,805
On-balance sheet items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	125,243,851	133,261,046
Derivative Exposures	6,725,540	6,725,540
Securities Financing Transaction Exposures	17,959,826	17,959,826
Other Off -Balance Sheet Exposures	5,496,378	5,532,393
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	9.73%	9.70%

Basel III Computation of Liquidity Coverage Ratio				
As at	30-Jun-2020		31-Dec-2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total stock of High -Quality Liquid Assets (HQLA)	18,983,491	17,342,424	14,356,196	14,276,051
Total Adjusted Level 1A Assets	18,983,491	18,983,491	14,356,196	14,276,051
Level 1 Assets	17,342,424	17,342,424	14,276,051	14,276,051
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	108,280,617	17,474,907	108,742,620	20,220,691
Deposits	60,249,715	5,424,685	59,714,794	5,722,068
Unsecured Wholesale Funding	18,124,412	10,685,453	21,535,751	13,291,069
Secured funding transaction	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	29,906,490	1,364,769	27,492,075	1,207,554
Additional requirements	-	-	-	-
Total Cash inflows	7,645,323	5,437,652	18,121,070	10,992,504
Maturing secured lending transactions backed by the following collateral	226,549	226,549	1,858,269	1,858,269
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	6,967,958	5,206,196	15,818,467	9,132,521
Operational deposits	445,908	-	442,620	-
Other cash inflows	4,907	4,907	1,714	1,714
Liquidity Coverage Ratio, (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days)*100		144%		155%

Main Features of Regulatory Capital Instruments		
As at	30-Jun-20	
	BANK	GROUP
	Rs.'000	Rs.'000
Description of the Capital Instrument	-	-
Issuer	-	-
Unique Identifier	-	-
Governing Law(s) of the Instrument	-	-
Original Date of Issuance	-	-
Par Value of Instrument	-	-
Perpetual or Dated	-	-
Original Maturity Date,if Applicable	-	-
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	15,292,847*	16,408,080**
Accounting Classification (Equity/Liability)	Equity	Equity
Issuer Call subject to Prior Supervisory Approval	-	-
Optional Call Date,Contingent Call Dates and Redemption Amount (LKR '000)	-	-
Subsequent Call Dates, if Applicable	-	-
Coupons/Dividends	-	-
Fixed or Floating Dividend/Coupon	-	-
Coupon Rate and any Related Index	-	-
Non-Cumulative or Cumulative	-	-
Convertible or Non-Convertible	-	-
If Convertible ,Conversion Trigger (s)	-	-
If Convertible ,Fully or Partially	-	-
If Convertible ,Mandatory or Optional	-	-
If Convertible ,Conversion Rate	-	-

Note :

* Tier 1 & Tier 2 Instruments not yet issued.

Current and Future Capital Requirement	
Overview of Capital planning and assessment process	The capital management plan of the Bank is integrated with the Bank's rolling strategic plan and the Internal Capital Adequacy Assessment Process (ICAAP). In the planning process, the Bank is actively realigning portfolios to optimise capital utilisation.
Material risk exposures in line with strategic plan	Strategic plan is sensitive to stability of external variables such as GDP, interest rates, exchange rate and also tax regulations.
Current and future capital needs, anticipated capital expenditure and desirable capital sources.	The Bank is sufficiently capitalised and does not see a capital requirement for the foreseeable future to comply with the minimum capital requirement of Rs. 20 Bn commencing 31.12.2020.
Internal and External capital sources	The primary source of capital is through the internally generated capital. In addition, during the financial year ended 31 December 2014, the Bank had issued 218,281,250 warrants to the main shareholder to be exercised within a period of 6 years at a price of Rs.16 per warrant. Right issue or a debenture issue could also be an option.
Assesment of the adequacy of Bank's capital commensurate with and unexpected events such as raising additional capital, restricting and unexpected events such as raising additional capital, restricting business activities or using risk mitigation techniques.	Management monitors capital adequacy ratios on a regular basis and ensure that it operates well above the regulatory limit and the Bank is sufficiently capitalised to cover the Basel III minimum capital ratios. Currently the Bank is adequately capitalised. In an unlikely event of capital requirement the above mentioned sources can be used.

Credit Risk under Standardised Approach-Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects						
30-Jun-20	BANK					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post (CCF) and CRM		RWA and RWA Density	
	Amount	Amount	Amount	Sheet Amount	RWA	RWA Density
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	%
Claims on Central Government and Central Bank of Sri Lanka	15,943,511	-	15,943,511	-	703,894	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	796,297	159,821	796,297	159,821	540,141	56%
Claims on Financial Institutions	7,027,780	65,691	7,027,780	65,691	5,990,901	84%
Claims on Corporates	26,163,372	10,390,605	26,163,372	1,414,586	25,926,824	94%
Retail Claims	28,758,525	23,881,423	19,952,114	3,665,239	20,277,476	86%
Claims Secured by Residential Property	9,065,687	-	9,065,687	-	8,857,222	98%
Claims Secured by Commercial Real Estate	6,074,945	-	6,074,945	-	6,074,945	100%
Non-Performing Assets (NPAs)	4,994,047	-	4,994,047	-	6,187,887	124%
Higher-risk Categories	166,243	-	166,243	-	415,609	250%
Cash Items and Other Assets	5,419,835	294,461	4,987,262	294,461	3,049,446	58%
Total	104,410,241	34,792,000	95,171,257	5,599,797	78,024,344	82%

Market Risk under Standardised Measurement Method		
30-Jun-2020	Risk Weighted Assets	
	BANK	GROUP
	Rs.'000	Rs.'000
(a)RWA for Interest Rate Risk	632,802	632,802
General Interest Rate Risk	632,802	632,802
(I) Net Long or Short Position	632,802	632,802
(II) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b)RWA for Equity	632,197	641,183
(i) General Equity Risk	316,099	320,721
(ii) Specific Equity Risk	316,099	320,462
(C)RWA for Foreign Exchange & Gold	8,841	8,841
Capital Charge for Market Risk [(a)+(b)+(c)] * CAR	10,615,337	10,690,220

Difference between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories-Bank Only					
30-Jun-2020	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets	128,643,235	128,508,841	92,448,983	24,187,077	11,288,373
Cash and cash equivalents	2,546,829	2,557,110	2,557,110	-	-
Balances with Central Bank of Sri Lanka	721,714	721,714	721,714	-	-
Placements with Banks	91,707	91,707	91,707	-	-
Reverse repurchased agreements	541,865	541,682	541,682	-	-
Derivative financial instruments	27,041	-	-	-	-
Financial investments at fair value through profit or loss	3,953,426	3,923,584	-	3,923,584	-
Financial assets at amortised cost - loans and advances to customers	75,996,595	75,740,352	66,501,378	-	9,238,985
Financial assets at amortised cost - debt and other instruments	19,467,635	19,293,090	18,993,090	-	300,000
Financial investments at fair value through other comprehensive income	20,676,234	20,266,023	2,530	20,263,493	-
Investments in subsidiaries	888,378	1,172,797	166,243	-	422,135
Goodwill and intangible assets	1,327,253	1,327,253	-	-	1,327,253
Property, plant and equipment	1,330,470	650,304	650,304	-	-
Deferred tax assets	-	-	-	-	-
Other assets	1,074,086	2,223,226	2,223,226	-	-
Liabilities	110,423,767	110,171,396	-	-	-
Due to Banks	10,155,741	8,886,281	-	-	-
Derivative financial instruments	22,134	-	-	-	-
Repurchased agreements	16,357,862	-	-	-	-
Due to other customers	79,778,939	78,356,094	-	-	-
Other borrowings	1,245,016	17,631,174	-	-	-
Current tax liabilities	215,766,243	-	-	-	-
Deferred tax liabilities	230,960	-	-	-	-
Other liabilities	2,417,348	5,297,846	-	-	-
Off -balance sheet liabilities	34,674,796	34,674,796	34,674,796	-	-
Guarantees	5,196,913	5,196,913	5,196,913	-	-
Performance bonds	2,759,870	2,759,870	2,759,870	-	-
Letter of credits	2,315,092	2,315,092	2,315,092	-	-
Other contingent items	5,234,577	5,234,577	5,234,577	-	-
Undrawn loan commitments	4,824,934	4,824,934	4,824,934	-	-
Other commitments	14,343,410	14,343,410	14,343,410	-	-
Equity					
Stated capital	16,334,782	16,334,782	-	-	-
Share warrants	65,484	65,484	-	-	-
Statutory reserve fund	191,213	95,439	-	-	-
ESOP reserve	54,603	54,603	-	-	-
Fair value reserve	585,820	-	-	-	-
Retained earnings	987,566	1,787,138	-	-	-
Total equity attributable to equity holders of the bank	18,219,468	18,337,446	-	-	-
Total equity	18,219,468	18,337,446	-	-	-
Total equity and liabilities	128,643,235	128,508,841	-	-	-
Note-	The reasons for more than 1% variances between (a) and (b) are SLFRS related adjustments on the carrying value reported in Published Financial Statements.				