



# INTERIM FINANCIAL STATEMENTS

For the period ended 31 March 2015



## INCOME STATEMENT

Period ended 31 March 2015

|  | BANK                       |                |        | GROUP                      |                |        |
|--|----------------------------|----------------|--------|----------------------------|----------------|--------|
|  | For the three months ended |                |        | For the three months ended |                |        |
|  | 31.03.2015                 | 31.03.2014     | Change | 31.03.2015                 | 31.03.2014     | Change |
|  | Rs.000                     | Rs.000         | %      | Rs.000                     | Rs.000         | %      |
| Interest income  | 958,009                    | 1,001,968      | (4)    | 1,140,545                  | 1,116,078      | 2      |
| Less: Interest expenses  | 430,074                    | 672,049        | (36)   | 525,631                    | 732,008        | (28)   |
| <b>Net interest income</b>   | <u>527,935</u>             | <u>329,919</u> | 60     | <u>614,914</u>             | <u>384,070</u> | 60     |
| Fee and commission income  | 36,562                     | 38,094         | (4)    | 77,133                     | 71,952         | 7      |
| Less: Fee and commission expenses  | 11,441                     | 10,160         | 13     | 14,731                     | 14,663         | 0      |
| <b>Net fee and commission income</b>   | <u>25,122</u>              | <u>27,934</u>  | (10)   | <u>62,402</u>              | <u>57,289</u>  | 9      |
| Net gain from trading  | 26,364                     | 23,044         | 14     | 26,364                     | 23,044         | 14     |
| Other operating income (net)   | 83,077                     | 72,275         | 15     | 97,725                     | 100,588        | (3)    |
| <b>Total operating income</b>  | <u>662,497</u>             | <u>453,173</u> | 46     | <u>801,405</u>             | <u>564,991</u> | 42     |
| Less: Impairment for Loans & Other losses  |                            |                |        |                            |                |        |
| Individual Impairment  | 13,029                     | 9,129          | 43     | 39,221                     | 9,400          | (317)  |
| Collective Impairment  | 45,423                     | 66,051         | (31)   | 39,700                     | 70,429         | (44)   |
| <b>Net operating income</b>  | <u>604,045</u>             | <u>377,993</u> | 60     | <u>722,483</u>             | <u>485,162</u> | 49     |
| Less: Personnel Expenses   | 232,792                    | 152,328        | 53     | 272,728                    | 185,472        | 47     |
| Depreciation & Amortization  | 77,343                     | 47,554         | 63     | 83,561                     | 55,973         | 49     |
| Other expenses   | 235,988                    | 157,474        | 50     | 280,249                    | 199,552        | 40     |
| <b>Operating profit before value added tax (VAT) and national building tax (NBT) on financial services</b> | <u>57,922</u>              | <u>20,639</u>  | 181    | <u>85,946</u>              | <u>44,165</u>  | 95     |
| Less: VAT and NBT on financial services  | 23,754                     | 16,864         | 41     | 28,036                     | 20,079         | 40     |
| <b>Profit before tax</b>   | <u>34,169</u>              | <u>3,775</u>   | 805    | <u>57,909</u>              | <u>24,086</u>  | 140    |
| Less: Tax expenses   | 9,073                      | (3,877)        | 334    | 20,031                     | 933            | 2046   |
| <b>Profit for the period</b>   | <u>25,096</u>              | <u>7,652</u>   | 228    | <u>37,878</u>              | <u>23,152</u>  | 64     |
| <b>Profit Attributable to:</b>   |                            |                |        |                            |                |        |
| Owners of the parent   | 25,096                     | 7,652          | 228    | 31,813                     | 18,645         | 71     |
| Non controlling interests  | -                          | -              |        | 6,065                      | 4,507          | 35     |
|  | <u>25,096</u>              | <u>7,652</u>   | 228    | <u>37,878</u>              | <u>23,152</u>  | 64     |
| <b>Earnings per share on profit</b>  |                            |                |        |                            |                |        |
| Earnings per share - Basic   |                            |                |        | 0.03                       | 0.05           | (45)   |
| Earnings per share - Diluted   |                            |                |        | 0.02                       | -              | 100    |

## STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2015

|   | BANK                       |              |        | GROUP                      |               |        |
|---|----------------------------|--------------|--------|----------------------------|---------------|--------|
|   | For the three months ended |              |        | For the three months ended |               |        |
|   | 31.03.2015                 | 31.03.2014   | Change | 31.03.2015                 | 31.03.2014    | Change |
|   | Rs.'000                    | Rs.'000      | %      | Rs.'000                    | Rs.'000       | %      |
| <b>Profit for the period</b>  | 25,096                     | 7,652        | 228    | 37,878                     | 23,152        | 64     |
| <b>Other comprehensive income/(expenses)</b>                            |                            |              |        |                            |               |        |
| <i>Other comprehensive income to be reclassified to profit or loss:</i> |                            |              |        |                            |               |        |
| Gains and losses on re-measuring available-for-sale financial assets    | (1,627)                    | (1,421)      | 14     | (3,572)                    | 426           | (939)  |
| <b>Other comprehensive income for the period, net of taxes</b>          | (1,627)                    | (1,421)      | 14     | (3,572)                    | 426           | (939)  |
| <b>Total comprehensive income for the period</b>                        | <u>23,469</u>              | <u>6,231</u> | 277    | <u>34,306</u>              | <u>23,577</u> | 46     |
| <b>Attributable to:</b>   |                            |              |        |                            |               |        |
| Owners of the parent  | 23,469                     | 6,231        | 277    | 29,194                     | 18,166        | 61     |
| Non-controlling interest  | -                          | -            |        | 5,112                      | 5,412         | (6)    |
|   | <u>23,469</u>              | <u>6,231</u> | 277    | <u>34,306</u>              | <u>23,577</u> | 46     |

Union Bank of Colombo PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

|   | BANK              |                   |           | GROUP             |                   |           |
|---|-------------------|-------------------|-----------|-------------------|-------------------|-----------|
|   | 31.03.2015        | 31.12.2014        | Change    | 31.03.2015        | 31.12.2014        | Change    |
|   | Rs.'000           | Rs.'000           | %         | Rs.'000           | Rs.'000           | %         |
| <b>Assets</b>                                 |                   |                   |           |                   |                   |           |
| Cash and cash equivalents                     | 9,442,712         | 12,684,927        | (26)      | 9,628,204         | 13,064,744        | (26)      |
| Balances with Central Bank                    | 993,582           | 949,105           | 5         | 993,582           | 949,105           | 5         |
| Placements with Banks                         | 53,601            | 73,995            | (28)      | 63,750            | 186,430           | (66)      |
| Derivative Financial Instruments              | -                 | 4,150             | (100)     | -                 | 4,150             | (100)     |
| Other financial assets held-for-trading       | 2,165,828         | 1,902,118         | 14        | 2,165,828         | 1,902,118         | 14        |
| Loans and receivables to banks                | -                 | -                 | 0         | 15,501            | 16,004            | (3)       |
| Loans and receivables to other customers      | 29,258,427        | 25,944,570        | 13        | 32,867,220        | 29,217,857        | 12        |
| Other loans and receivables                   | 2,494,411         | 2,470,115         | 1         | 1,784,938         | 1,649,134         | 8         |
| Financial investments – Available-for-sale    | 1,637,082         | 1,647,686         | (1)       | 2,007,113         | 1,800,750         | 11        |
| Financial investments – Held-to-maturity      | 137,954           | 140,027           | (1)       | 137,954           | 140,027           | (1)       |
| Investments in subsidiaries                   | 892,364           | 892,364           | 0         | -                 | -                 | -         |
| Property, plant and equipment                 | 816,037           | 754,548           | 8         | 948,770           | 875,933           | 8         |
| Investment in Real Estate                     | -                 | -                 | -         | 237,543           | 258,887           | (8)       |
| Goodwill and intangible assets                | 953,636           | 951,750           | 0         | 1,305,418         | 1,304,027         | 0         |
| Income Tax Recoverable                        | 172,364           | 149,448           | 15        | 172,364           | 149,448           | 15        |
| Deferred tax assets                           | -                 | -                 | -         | 514,487           | 515,838           | (0)       |
| Other assets                                  | 423,889           | 430,318           | (1)       | 506,739           | 523,918           | (3)       |
| <b>Total assets</b>                           | <b>49,441,888</b> | <b>48,995,121</b> | <b>1</b>  | <b>53,349,413</b> | <b>52,558,371</b> | <b>2</b>  |
| <b>Liabilities</b>                            |                   |                   |           |                   |                   |           |
| Due to banks                                  | 1,627,900         | 2,090,588         | (22)      | 1,689,155         | 2,145,832         | (21)      |
| Derivative Financial Instruments              | 4,598             | -                 | 100       | 4,598             | -                 | 100       |
| Due to other customers                        | 29,805,341        | 28,925,381        | 3         | 32,368,176        | 31,419,544        | 3         |
| Other Borrowings                              | -                 | -                 | -         | 968,999           | 845,085           | 15        |
| Current tax liabilities                       | -                 | -                 | -         | 190,718           | 181,442           | 5         |
| Deferred tax liabilities                      | 34,357            | 25,284            | 36        | 34,988            | 25,915            | 35        |
| Other liabilities                             | 1,195,939         | 1,203,584         | (1)       | 1,561,442         | 1,443,521         | 8         |
| <b>Total liabilities</b>                      | <b>32,668,135</b> | <b>32,244,837</b> | <b>1</b>  | <b>36,818,075</b> | <b>36,061,339</b> | <b>2</b>  |
| <b>Equity</b>                                 |                   |                   |           |                   |                   |           |
| Stated capital/Assigned capital               | 16,334,782        | 16,334,782        | 0         | 16,334,782        | 16,334,782        | 0         |
| Share warrants                                | 65,484            | 65,484            | 0         | 65,484            | 65,484            | 0         |
| Statutory reserve fund                        | 63,037            | 61,782            | 2         | 70,423            | 69,169            | 2         |
| Retained earnings                             | 312,155           | 288,314           | 8         | (268,296)         | (298,854)         | (10)      |
| Investment fund reserve                       | -                 | -                 | -         | -                 | -                 | -         |
| Available-for-sale-reserve                    | (1,705)           | (78)              | 2073      | 11,466            | 14,085            | (19)      |
| Total shareholders' equity                    | 16,773,753        | 16,750,284        | 0         | 16,213,860        | 16,184,665        | 0         |
| Non-controlling interests                     | -                 | -                 | -         | 317,479           | 312,366           | -         |
| <b>Total equity</b>                           | <b>16,773,753</b> | <b>16,750,284</b> | <b>0</b>  | <b>16,531,338</b> | <b>16,497,032</b> | <b>0</b>  |
| <b>Total equity and liabilities</b>           | <b>49,441,888</b> | <b>48,995,121</b> | <b>1</b>  | <b>53,349,413</b> | <b>52,558,371</b> | <b>2</b>  |
| <b>Contingent liabilities and commitments</b> | <b>27,226,700</b> | <b>24,188,914</b> | <b>13</b> | <b>27,226,700</b> | <b>24,188,914</b> | <b>13</b> |
| <b>Net Asset Value per Ordinary Share</b>     | <b>15.37</b>      | <b>15.35</b>      |           | <b>14.86</b>      | <b>14.83</b>      |           |
| <b>Memorandum Information</b>                 |                   |                   |           |                   |                   |           |
| Number of Employees                           | 795               | 724               |           |                   |                   |           |
| Number of Branches                            | 62                | 61                |           |                   |                   |           |

## STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2015

| BANK                                | Stated Capital | Share Warrants | Statutory Reserve | Investment Fund | Retained            | Available-for-sale | Total      |
|-------------------------------------|----------------|----------------|-------------------|-----------------|---------------------|--------------------|------------|
|                                     | Rs.'000        | Rs.'000        | Fund<br>Rs.'000   | Rs.'000         | Earnings<br>Rs.'000 | Reserve<br>Rs.'000 | Rs.'000    |
| <b>Balance as at 1 January 2014</b> | 4,979,791      | -              | 58,928            | 213,717         | 203,208             | 1,642              | 5,457,285  |
| Net Profit for the period           | -              | -              | -                 | -               | 7,652               | -                  | 7,652      |
| Other Comprehensive Income          | -              | -              | -                 | -               | -                   | (1,421)            | (1,421)    |
| Total comprehensive income          | -              | -              | -                 | -               | 7,652               | (1,421)            | 6,231      |
| Transfers during the period         | -              | -              | 383               | -               | (383)               | -                  | -          |
| <b>Balance as at 31 March 2014</b>  | 4,979,791      | -              | 59,310            | 213,717         | 210,477             | 221                | 5,463,516  |
| <b>Balance as at 1 January 2015</b> | 16,334,782     | 65,484         | 61,782            | -               | 288,314             | (78)               | 16,750,284 |
| Net Profit for the period           | -              | -              | -                 | -               | 25,096              | -                  | 25,096     |
| Other Comprehensive Income          | -              | -              | -                 | -               | -                   | (1,627)            | (1,627)    |
| Total comprehensive income          | -              | -              | -                 | -               | 25,096              | (1,627)            | 23,469     |
| Transfers during the period         | -              | -              | 1,255             | -               | (1,255)             | -                  | -          |
| <b>Balance as at 31 March 2015</b>  | 16,334,782     | 65,484         | 63,037            | -               | 312,155             | (1,705)            | 16,773,753 |

| GROUP                               | Stated Capital | Share Warrants | Statutory Reserve | Investment Fund | Retained            | Available-for-sale | Total      | Non-controlling     | Total equity |
|-------------------------------------|----------------|----------------|-------------------|-----------------|---------------------|--------------------|------------|---------------------|--------------|
|                                     | Rs.'000        | Rs.'000        | Fund<br>Rs.'000   | Rs.'000         | Earnings<br>Rs.'000 | Reserve<br>Rs.'000 | Rs.'000    | Interest<br>Rs.'000 | Rs.'000      |
| <b>Balance as at 1 January 2014</b> | 4,979,791      | -              | 63,272            | 214,889         | (351,933)           | 14,174             | 4,920,193  | 273,526             | 5,193,719    |
| Net Profit for the period           | -              | -              | -                 | -               | 18,645              | -                  | 18,645     | 4,507               | 23,152       |
| Other Comprehensive Income          | -              | -              | -                 | -               | -                   | (479)              | (479)      | 905                 | 426          |
| Total comprehensive income          | -              | -              | -                 | -               | 18,645              | (479)              | 18,166     | 5,412               | 23,577       |
| Transfers during the period         | -              | -              | 394               | -               | (394)               | -                  | -          | -                   | -            |
| <b>Balance as at 31 March 2014</b>  | 4,979,791      | -              | 63,666            | 214,889         | (333,682)           | 13,695             | 4,938,358  | 278,938             | 5,217,296    |
| <b>Balance as at 1 January 2015</b> | 16,334,782     | 65,484         | 69,169            | -               | (298,854)           | 14,085             | 16,184,665 | 312,366             | 16,497,032   |
| Net Profit for the period           | -              | -              | -                 | -               | 31,813              | -                  | 31,813     | 6,065               | 37,878       |
| Other Comprehensive Income          | -              | -              | -                 | -               | -                   | (2,619)            | (2,619)    | (953)               | (3,572)      |
| Total comprehensive income          | -              | -              | -                 | -               | 31,813              | (2,619)            | 29,194     | 5,112               | 34,306       |
| Transfers during the period         | -              | -              | 1,255             | -               | (1,255)             | -                  | -          | -                   | -            |
| <b>Balance as at 31 March 2015</b>  | 16,334,782     | 65,484         | 70,423            | -               | (268,296)           | 11,466             | 16,213,860 | 317,479             | 16,531,338   |

Union Bank of Colombo PLC  
**STATEMENT OF CASH FLOWS**  
 Period ended 31 March 2015

|  | BANK               |                    | GROUP              |                  |
|--|--------------------|--------------------|--------------------|------------------|
|  | 2015<br>Rs.'000    | 2014<br>Rs.'000    | 2015<br>Rs.'000    | 2014<br>Rs.'000  |
| <b>Cash Flow from Operating Activities</b>                                   |                    |                    |                    |                  |
| Interest Received  | 946,394            | 949,445            | 1,119,251          | 1,018,898        |
| Fees and Commission Receipts   | 25,122             | 27,934             | 62,402             | 57,289           |
| Interest Paid  | (535,057)          | (716,927)          | (644,226)          | (989,498)        |
| Receipts from Other Operating Activities                                     | 82,715             | 94,827             | 97,363             | 123,139          |
| Payments on Other Operating Activities                                       | (488,209)          | (326,396)          | (576,688)          | (404,834)        |
| <b>Operating Profit before changes in Operating Assets &amp; Liabilities</b> | <b>30,965</b>      | <b>28,883</b>      | <b>58,103</b>      | <b>(195,006)</b> |
| <b>(Increase)/Decrease in Operating Assets:</b>                              |                    |                    |                    |                  |
| Balance with Central Bank of Sri Lanka                                       | (44,477)           | (73,365)           | (44,477)           | (73,365)         |
| Funds Advanced to Customers  | (3,382,373)        | (2,031,231)        | (3,845,178)        | (2,055,320)      |
| Others   | 10,580             | 5,042              | 21,329             | (167,724)        |
|  | (3,416,269)        | (2,099,553)        | (3,868,326)        | (2,296,409)      |
| <b>Increase /(Decrease) in Operating Liabilities:</b>                        |                    |                    |                    |                  |
| Due to Other customers   | 987,931            | 1,286,721          | 1,081,938          | 1,823,321        |
| Other Liabilities  | (7,373)            | (252,469)          | 119,853            | (192,985)        |
|  | 980,558            | 1,034,252          | 1,201,790          | 1,630,336        |
| <b>Net Cash used in Operating Activities before Income Tax</b>               |                    |                    |                    |                  |
| Tax  | (2,404,746)        | (1,036,418)        | (2,608,432)        | (861,080)        |
| Retiring Gratuity paid   | -                  | 81                 | (1,659)            | 81               |
| Income Tax (Paid) / Refunds  | (22,916)           | (7,661)            | (20,247)           | (7,661)          |
| <b>Net Cash used in Operating Activities</b>                                 | <b>(2,427,662)</b> | <b>(1,043,999)</b> | <b>(2,630,338)</b> | <b>(868,660)</b> |
| <b>Cash Flow from/(used in) Investing Activities</b>                         |                    |                    |                    |                  |
| Dividends Received   | 57                 | 1,288              | 57                 | 1,288            |
| Net investment in Other Financial Assets held-for-trading                    | (237,435)          | 246,747            | (237,435)          | 246,747          |
| Net increase in investment in Financial Assets held-to-maturity              | 410                | (17)               | 410                | (17)             |
| Net increase in investment in Financial Assets available-for-sale            | 12,416             | 185,462            | (207,169)          | 180,233          |
| Net investment in Real Estates   | -                  | -                  | 21,343             | 5,504            |
| Purchase of Property & Equipment   | (114,149)          | (47,715)           | (128,339)          | (58,736)         |
| Purchase of Intangible Assets  | (27,942)           | (4,839)            | (29,452)           | (3,498)          |
| <b>Net Cash from/(used in) Investing Activities</b>                          | <b>(365,850)</b>   | <b>380,926</b>     | <b>(579,790)</b>   | <b>371,521</b>   |
| <b>Cash Flow from/(used in) Financing Activities</b>                         |                    |                    |                    |                  |
| Increase/Decrease in Borrowings  | (405,815)          | 677,490            | (306,769)          | 685,819          |
| <b>Net Cash from/(used in) Financing Activities</b>                          | <b>(405,815)</b>   | <b>677,490</b>     | <b>(306,769)</b>   | <b>685,819</b>   |
| Net Increase/(Decrease) in Cash and Cash Equivalents                         | (3,199,327)        | 14,417             | (3,516,897)        | 188,680          |
| Cash and Cash Equivalents at Beginning of the year                           | 12,612,344         | 3,308,143          | 13,049,562         | 3,419,295        |
| <b>Cash and Cash Equivalents at end of the period</b>                        | <b>9,413,017</b>   | <b>3,322,559</b>   | <b>9,532,666</b>   | <b>3,607,975</b> |
| <b>Reconciliation of Cash and Cash Equivalents</b>                           |                    |                    |                    |                  |
| Cash & Cash Equivalents  | 9,441,310          | 3,289,739          | 9,625,207          | 3,574,432        |
| Placements with Banks  | 53,601             | 152,738            | 63,750             | 153,461          |
| Due to Banks   | (81,894)           | (119,918)          | (156,292)          | (119,918)        |
|  | 9,413,017          | 3,322,559          | 9,532,666          | 3,607,975        |

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

## 1 LOANS AND RECEIVABLES TO OTHER CUSTOMERS

|  | Bank                  |                       | Group                 |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31.03.2015<br>Rs.'000 | 31.12.2014<br>Rs.'000 | 31.03.2015<br>Rs.'000 | 31.12.2014<br>Rs.'000 |
| Gross loans and receivables (Note 1.1)   | 29,727,214            | 26,558,875            | 34,172,960            | 30,648,646            |
| (Less): Individual impairment (Note 1.2) | (139,339)             | (126,310)             | (800,899)             | (761,678)             |
| Collective impairment (Note 1.2)         | (329,448)             | (487,995)             | (504,840)             | (669,111)             |
| <b>Net loans and receivables</b>         | <b>29,258,427</b>     | <b>25,944,570</b>     | <b>32,867,220</b>     | <b>29,217,857</b>     |

## 1.1 Loans and Receivables to other customers - by product

|                                    |                   |                   |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Overdrafts                         | 7,505,543         | 7,489,641         | 7,480,535         | 7,489,641         |
| Trade finance                      | 6,204,170         | 5,803,521         | 6,204,170         | 5,803,521         |
| Pawning                            | 579,197           | 1,354,728         | 589,242           | 1,363,721         |
| Staff loans                        | 373,124           | 321,698           | 376,145           | 324,706           |
| Term loans                         | 13,755,715        | 10,276,602        | 14,875,539        | 11,393,744        |
| Lease and Hire Purchase            | 928,460           | 954,207           | 3,090,559         | 2,883,753         |
| Factoring                          | 381,005           | 358,479           | 1,145,816         | 978,606           |
| Others                             | -                 | -                 | 410,954           | 410,954           |
| <b>Gross Loans and Receivables</b> | <b>29,727,214</b> | <b>26,558,875</b> | <b>34,172,960</b> | <b>30,648,646</b> |

## 1.2 Movements in Individual and Collective Impairment during the Period

## Individual impairment

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>Opening balance as at 1 January 2015</b> | 126,310        | 165,628        | 761,678        | 1,043,342      |
| Charge/(Write back) to income statement     | 13,029         | 92,804         | 39,221         | 188,472        |
| Net write-off during the period             | -              | (132,122)      | -              | (470,137)      |
| <b>Closing balance as at 31 March 2015</b>  | <b>139,339</b> | <b>126,310</b> | <b>800,899</b> | <b>761,678</b> |

## Collective impairment

|   |                |                |                  |                  |
|---|----------------|----------------|------------------|------------------|
| <b>Opening balance as at 1 January 2015</b> | 487,995        | 366,872        | 669,111          | 667,058          |
| Charge/(Write back) to income statement     | 45,423         | 372,580        | 39,700           | 253,509          |
| Net write-off during the period             | (203,971)      | (251,456)      | (203,971)        | (251,456)        |
| <b>Closing balance as at 31 March 2015</b>  | <b>329,448</b> | <b>487,995</b> | <b>504,840</b>   | <b>669,111</b>   |
| <b>Total Impairment Balance</b>             | <b>468,787</b> | <b>614,305</b> | <b>1,305,740</b> | <b>1,430,789</b> |

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

|                                    | <b>Bank</b>       |                   | <b>Group</b>      |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | <b>31.03.2015</b> | <b>31.12.2014</b> | <b>31.03.2015</b> | <b>31.12.2014</b> |
|                                    | <b>Rs.'000</b>    | <b>Rs.'000</b>    | <b>Rs.'000</b>    | <b>Rs.'000</b>    |
| <b>2 DUE TO OTHER CUSTOMERS</b>    |                   |                   |                   |                   |
| Deposit Liability (Note 2.1)       | 29,201,127        | 27,808,891        | 31,849,874        | 30,323,850        |
| Repurchased agreements             | 604,214           | 1,116,489         | 518,302           | 1,095,694         |
|                                    | <u>29,805,341</u> | <u>28,925,381</u> | <u>32,368,176</u> | <u>31,419,544</u> |
| <b>2.1 Deposit Liability</b>       |                   |                   |                   |                   |
| Demand deposits (Current accounts) | 2,608,445         | 2,206,541         | 2,608,405         | 2,202,984         |
| Savings deposits                   | 5,169,437         | 4,707,269         | 5,171,101         | 4,702,632         |
| Fixed deposits                     | 18,793,024        | 18,141,270        | 21,440,147        | 20,664,423        |
| Other deposits - CDs               | 2,630,220         | 2,753,812         | 2,630,220         | 2,753,812         |
|                                    | <u>29,201,127</u> | <u>27,808,891</u> | <u>31,849,874</u> | <u>30,323,850</u> |

## Union Bank of Colombo PLC

### EXPLANATORY NOTES

Period ended 31 March 2015

- 1 The figures are provisional, unless otherwise stated as audited.
- 2 Interim financial statements are presented in accordance with LKAS 34 - Interim Financial Reporting applicable after 01 January 2012 and there are no changes to the accounting policies and methods of computation as against those disclosed in the Annual Report for the year ended 31 December 2014.

The Group financial statements comprise a consolidation of the financial statements of the Bank and its subsidiary National Asset Management Limited & UB Finance Company Limited and the Special Purpose Entity, Serandib Capital (Private) Limited.

- 3 No material events have been taken place subsequent to the reporting period that require disclosures or/ and adjustment in the Financial Statements other than stated below;
- 3.1 The Board of directors of the Bank has decided to establish and implement an Employee Share Option Plan (ESOP). The total number of shares to be issued is 45.6Mn which amounts to 4.17% of total issued shares of the Bank. This was announced to the CSE on 31.03.2015.
- 3.2 Mr.Sumedh Jog was appointed as an alternate Director to Mr. Michael J O'Hanlon, a Non Independent Non Executive Director of the Board for a period of two years from the date of approval from the Central Bank of Sri Lanka. This was announced to the CSE on 02.04.2015.

#### 4 Information on Ordinary Shares

| <b>Market Value</b>           | <b>31.03.2015</b> | <b>31.03.2014</b> |
|-------------------------------|-------------------|-------------------|
|                               | <b>Rs.</b>        | <b>Rs.</b>        |
| Market value                  | 24.10             | 18.70             |
| Highest price for the quarter | 30.30             | 20.80             |
| Lowest price for the quarter  | 23.60             | 16.70             |

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2015

## SEGMENTAL ANALYSIS - GROUP

For the three months ended 31 March

|   | Corporate       |                 | Treasury        |                 | SME             |                 | Other Group Companies |                 | Total           |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|
|   | 2015<br>Rs.'000 | 2014<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 | 2015<br>Rs.'000       | 2014<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 |
| Interest Income                         | 186,814         | 308,924         | 220,969         | 112,824         | 530,682         | 550,342         | 202,079               | 143,988         | 1,140,545       | 1,116,078       |
| Add: Inter-Segment Interest Income      | -               | -               | 9,821           | 59,477          | 131,066         | 106,473         | -                     | -               | 140,887         | 165,950         |
| Total Interest Income                   | 186,814         | 308,924         | 230,790         | 172,302         | 661,748         | 656,815         | 202,079               | 143,988         | 1,281,432       | 1,282,029       |
| Less: Interest Expense                  | 29,686          | 100,268         | 27,116          | 16,425          | 370,316         | 549,079         | 98,513                | 66,236          | 525,631         | 732,008         |
| Less: Inter-Segment Interest Expenses   | 140,887         | 165,950         | -               | -               | -               | -               | -                     | -               | 140,887         | 165,950         |
| Net Interest Income                     | 16,242          | 42,706          | 203,674         | 155,877         | 291,432         | 107,736         | 103,566               | 77,752          | 614,914         | 384,070         |
| Other Income                            | 13,912          | 18,939          | 55,753          | 38,265          | 62,493          | 62,762          | 54,333                | 75,617          | 186,491         | 195,583         |
| Total Net Income                        | 30,154          | 61,645          | 259,427         | 194,141         | 353,925         | 170,498         | 157,899               | 153,369         | 801,405         | 579,653         |
| Less: Expenses including Impairment     | 118,935         | 98,782          | 123,604         | 88,596          | 362,036         | 245,157         | 110,884               | 102,955         | 715,459         | 535,490         |
| Segmental Results                       | (88,781)        | (37,137)        | 135,822         | 105,546         | (8,111)         | (74,659)        | 47,014                | 50,414          | 85,946          | 44,165          |
| Less: VAT and NBT on Financial Services |                 |                 |                 |                 |                 |                 |                       |                 | 28,036          | 20,079          |
| Less: Taxation                          |                 |                 |                 |                 |                 |                 |                       |                 | 20,031          | 933             |
| Profit after Taxation                   |                 |                 |                 |                 |                 |                 |                       |                 | 37,878          | 23,152          |
| Cash flow from operating activities     | (475,286)       | (331,776)       | (617,116)       | (121,170)       | (1,335,260)     | (591,052)       | (202,676)             | 175,339         | (2,630,338)     | (868,660)       |
| Cash flow from investing activities     | (71,626)        | 121,056         | (93,000)        | 44,212          | (201,224)       | 215,658         | (213,941)             | (9,404)         | (579,790)       | 371,521         |
| Cash flow from financing activities     | (79,450)        | 215,302         | (103,159)       | 78,632          | (223,206)       | 383,556         | 99,047                | 8,330           | (306,769)       | 685,819         |
| <b>As at 31 March</b>                   |                 |                 |                 |                 |                 |                 |                       |                 |                 |                 |
| <b>Other Information</b>                |                 |                 |                 |                 |                 |                 |                       |                 |                 |                 |
| Segment Assets                          | 12,292,276      | 10,572,344      | 13,296,749      | 4,758,704       | 18,846,087      | 17,449,257      | 7,091,773             | 4,754,320       | 51,526,884      | 37,534,625      |
| Unallocated                             |                 |                 |                 |                 |                 |                 |                       |                 | 1,822,528       | 1,417,087       |
| Consolidated Total Assets               |                 |                 |                 |                 |                 |                 |                       |                 | 53,349,413      | 38,951,712      |
| Segment Liabilities                     | 2,476,465       | 4,701,415       | 19,774,147      | 1,251,555       | 27,160,041      | 24,675,334      | 4,457,107             | 1,982,090       | 36,071,025      | 32,610,394      |
| Unallocated                             |                 |                 |                 |                 |                 |                 |                       |                 | 747,050         | 1,124,022       |
| Consolidated Total Liabilities          |                 |                 |                 |                 |                 |                 |                       |                 | 36,818,075      | 33,734,416      |

Union Bank of Colombo PLC

INFORMATION ON ORDINARY SHARES OF THE BANK

As at 31 March 2015

**TOP 20 SHAREHOLDERS**

| Name  | No. of shares<br>As at 31.03.2015 | % holding    |
|---|-----------------------------------|--------------|
| 1 Culture Financial Holdings Ltd                                  | 763,984,374                       | 70.0%        |
| 2 Vista Knowledge (Pvt) Ltd.                                      | 64,677,973                        | 5.9%         |
| 3 Associated Electrical Corporation Ltd.                          | 25,970,146                        | 2.4%         |
| 4 Mr. Alexis Indrajit Lovell                                      | 22,743,780                        | 2.1%         |
| 5 Mr. C.P.A Wijeyesekera  | 18,508,468                        | 1.7%         |
| 6 Select Gain Limited   | 15,202,531                        | 1.4%         |
| 7 Mr. D.A.J Warnakulasuriya                                       | 14,842,730                        | 1.4%         |
| 8 EXSAB International Holding Co. for Trading Development         | 8,902,139                         | 0.8%         |
| 9 Ashyaki Holdings (Pvt) Ltd.                                     | 7,792,506                         | 0.7%         |
| 10 Rosewood (Pvt) Ltd.  | 7,700,698                         | 0.7%         |
| 11 Mr. Malik Devapriya Samarawickrama                             | 7,660,582                         | 0.7%         |
| 12 Mr. I.S.Ong  | 7,550,000                         | 0.7%         |
| 13 Mr. S.P. Khattar   | 7,343,365                         | 0.7%         |
| 14 Asian Alliance Insurance PLC - A/C 02 (Life Fund)              | 5,827,256                         | 0.5%         |
| 15 Commercial Agencies (Ceylon) Ltd.                              | 4,050,833                         | 0.4%         |
| 16 Ajita de Zoysa & Company Ltd.                                  | 4,050,832                         | 0.4%         |
| 17 Standard Chartered Bank Singapore S/A HL Bank Singapore Branch | 2,875,149                         | 0.3%         |
| 18 Anverally and Sons (Pvt) Ltd A/C 01                            | 2,432,600                         | 0.2%         |
| 19 Ceylon Biscuits Limited  | 2,000,000                         | 0.2%         |
| 20 Mr. K.A.S.R. Nissanka  | 1,437,283                         | 0.1%         |
|   | <b>995,553,245</b>                | <b>91.2%</b> |
| Other share holders   | 95,853,004                        | 8.8%         |
| Total   | 1,091,406,249                     | 100.0%       |

**As at 31 March 2015**

|                                    |             |
|------------------------------------|-------------|
| Number of shares in public holding | 224,070,169 |
| Number of public shareholders      | 34,118      |
| Percentage of public holding       | 20.53%      |

**DIRECTORS' HOLDING IN SHARES**

| Name                                 | No. of shares held<br>As at 31.03.2015 |
|--------------------------------------|--|
| Mr. Alexis Indrajit Lovell           | 22,743,780                             |
| Mr. Bodahandi Asoka Keerthi de Silva | 8,900                                  |
| Ms. Sow Lin Chiew                    | None                                   |
| Mr. Priyantha Damian Joseph Fernando | None                                   |
| Mr. Hussain Imtiaz Muhseen           | None                                   |
| Mr. Mohamed Hisham Sabry Ghouse      | None                                   |
| Ms. Ayomi Aluwihare                  | None                                   |
| Mr. Ranvir Dewan                     | None                                   |
| Mr. Gaurav Trehan                    | None                                   |
| Mr. P.Jayendra Nayak                 | None                                   |
| Mr. Puneet Bhatia                    | None                                   |
| Mr. Michael J. O'Hanlon              | None                                   |
| Mr. Indrajit Wickramasinghe          | None                                   |

## MEASUREMENT OF FINANCIAL INSTRUMENTS

## a. Bank - 2015

|  | HFT              | HTM            | L & R             | AFS              | Others   | Total             |
|--|------------------|----------------|-------------------|------------------|----------|-------------------|
|  | Rs.              | Rs.            | Rs.               | Rs.              | Rs.      | Rs.               |
| <b>ASSETS</b>                              |                  |                |                   |                  |          |                   |
| Cash and cash equivalents                  | 759,562          | -              | 8,683,150         | -                | -        | 9,442,712         |
| Balances with Central Bank                 | -                | -              | 993,582           | -                | -        | 993,582           |
| Placements with banks                      | -                | -              | 53,601            | -                | -        | 53,601            |
| Financial assets - held for trading        | 2,165,828        | -              | -                 | -                | -        | 2,165,828         |
| Loans and receivables to other customers   | -                | -              | 29,258,427        | -                | -        | 29,258,427        |
| Other loans and receivables                | -                | -              | 2,494,411         | -                | -        | 2,494,411         |
| Financial investments - Available for sale | -                | -              | -                 | 1,637,082        | -        | 1,637,082         |
| Financial investments - Held to maturity   | -                | 137,954        | -                 | -                | -        | 137,954           |
| Other assets                               | -                | -              | 24,674            | -                | -        | 24,674            |
| <b>Total financial assets</b>              | <b>2,925,390</b> | <b>137,954</b> | <b>41,507,846</b> | <b>1,637,082</b> | <b>-</b> | <b>46,208,272</b> |

|                                    | HFT          | Amortised cost    | Others   | Total             |
|------------------------------------|--------------|-------------------|----------|-------------------|
|                                    | Rs.          | Rs.               | Rs.      | Rs.               |
| <b>LIABILITIES</b>                 |              |                   |          |                   |
| Due to banks                       | -            | 1,627,900         | -        | 1,627,900         |
| Derivative Financial Instruments   | 4,598        | -                 | -        | 4,598             |
| Due to other customers             | -            | 29,805,341        | -        | 29,805,341        |
| Other liabilities                  | -            | 340,648           | -        | 340,648           |
| <b>Total financial liabilities</b> | <b>4,598</b> | <b>31,773,889</b> | <b>-</b> | <b>31,778,487</b> |

## b. Bank - 2014

|  | HFT              | HTM            | L & R             | AFS              | Others   | Total             |
|--|------------------|----------------|-------------------|------------------|----------|-------------------|
|  | Rs.              | Rs.            | Rs.               | Rs.              | Rs.      | Rs.               |
| <b>ASSETS</b>                              |                  |                |                   |                  |          |                   |
| Cash and cash equivalents                  | 682,354          | -              | 12,002,573        | -                | -        | 12,684,927        |
| Balances with Central Bank                 | -                | -              | 949,105           | -                | -        | 949,105           |
| Placements with banks                      | -                | -              | 73,995            | -                | -        | 73,995            |
| Derivative Financial Instruments           | 4,150            | -              | -                 | -                | -        | 4,150             |
| Financial assets - held for trading        | 1,902,118        | -              | -                 | -                | -        | 1,902,118         |
| Loans and receivables to other customers   | -                | -              | 25,944,570        | -                | -        | 25,944,570        |
| Other loans and receivables                | -                | -              | 2,470,115         | -                | -        | 2,470,115         |
| Financial investments - Available for sale | -                | -              | -                 | 1,647,686        | -        | 1,647,686         |
| Financial investments - Held to maturity   | -                | 140,027        | -                 | -                | -        | 140,027           |
| Other assets                               | -                | -              | 16,462            | -                | -        | 16,462            |
| <b>Total financial assets</b>              | <b>2,588,622</b> | <b>140,027</b> | <b>41,456,820</b> | <b>1,647,686</b> | <b>-</b> | <b>45,833,155</b> |

|                                    | HFT      | Amortised cost    | Others   | Total             |
|------------------------------------|----------|-------------------|----------|-------------------|
|                                    | Rs.      | Rs.               | Rs.      | Rs.               |
| <b>LIABILITIES</b>                 |          |                   |          |                   |
| Due to banks                       | -        | 2,090,588         | -        | 2,090,588         |
| Due to other customers             | -        | 28,925,381        | -        | 28,925,381        |
| Other liabilities                  | -        | 855,678           | -        | 855,678           |
| <b>Total financial liabilities</b> | <b>-</b> | <b>31,871,646</b> | <b>-</b> | <b>31,871,646</b> |

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2015

## MEASUREMENT OF FINANCIAL INSTRUMENTS

## a. Group - 2015

|  | HFT<br>Rs.       | HTM<br>Rs.     | L & R<br>Rs.      | AFS<br>Rs.       | Others<br>Rs. | Total<br>Rs.      |
|--|------------------|----------------|-------------------|------------------|---------------|-------------------|
| <b>ASSETS</b>                              |                  |                |                   |                  |               |                   |
| Cash and cash equivalents                  | 759,562          | -              | 8,868,643         | -                | -             | 9,628,204         |
| Balances with Central Bank                 | -                | -              | 993,582           | -                | -             | 993,582           |
| Placements with banks                      | -                | -              | 63,750            | -                | -             | 63,750            |
| Financial assets - held for trading        | 2,165,828        | -              | -                 | -                | -             | 2,165,828         |
| Loans and receivables to banks             | -                | -              | 15,501            | -                | -             | 15,501            |
| Loans and receivables to other customers   | -                | -              | 32,867,220        | -                | -             | 32,867,220        |
| Other loans and receivables                | -                | -              | 1,784,938         | -                | -             | 1,784,938         |
| Financial investments - Available for sale | -                | -              | -                 | 2,007,113        | -             | 2,007,113         |
| Financial investments - Held to maturity   | -                | 137,954        | -                 | -                | -             | 137,954           |
| Other assets                               | -                | -              | 24,674            | -                | -             | 24,674            |
| <b>Total financial assets</b>              | <b>2,925,390</b> | <b>137,954</b> | <b>44,618,307</b> | <b>2,007,113</b> | <b>-</b>      | <b>49,688,765</b> |

|                                    | HFT<br>Rs.   | Amortised cost<br>Rs. | Others<br>Rs. | Total<br>Rs.      |
|------------------------------------|--------------|-----------------------|---------------|-------------------|
| <b>LIABILITIES</b>                 |              |                       |               |                   |
| Due to banks                       | -            | 1,689,155             | -             | 1,689,155         |
| Derivative Financial Instruments   | 4,598        | -                     | -             | 4,598             |
| Due to other customers             | -            | 32,368,176            | -             | 32,368,176        |
| Other borrowed funds               | -            | 968,999               | -             | 968,999           |
| Other liabilities                  | -            | 340,648               | -             | 340,648           |
| <b>Total financial liabilities</b> | <b>4,598</b> | <b>35,366,978</b>     | <b>-</b>      | <b>35,371,575</b> |

## b. Group - 2014

|  | HFT<br>Rs.       | HTM<br>Rs.     | L & R<br>Rs.      | AFS<br>Rs.       | Others<br>Rs. | Total<br>Rs.      |
|--|------------------|----------------|-------------------|------------------|---------------|-------------------|
| <b>ASSETS</b>                              |                  |                |                   |                  |               |                   |
| Cash and cash equivalents                  | 682,354          | -              | 12,382,390        | -                | -             | 13,064,744        |
| Balances with Central Bank                 | -                | -              | 949,105           | -                | -             | 949,105           |
| Derivative Financial Instruments           | 4,150            | -              | -                 | -                | -             | 4,150             |
| Placements with banks                      | -                | -              | 186,430           | -                | -             | 186,430           |
| Financial assets - held for trading        | 1,902,118        | -              | -                 | -                | -             | 1,902,118         |
| Loans and receivables to banks             | -                | -              | 16,004            | -                | -             | 16,004            |
| Loans and receivables to other customers   | -                | -              | 29,217,857        | -                | -             | 29,217,857        |
| Financial assets - held for trading        | -                | -              | 1,649,134         | -                | -             | 1,649,134         |
| Financial investments - Available for sale | -                | -              | -                 | 1,800,750        | -             | 1,800,750         |
| Financial investments - Held to maturity   | -                | 140,027        | -                 | -                | -             | 140,027           |
| Other assets                               | -                | -              | 28,812            | -                | -             | 28,812            |
| <b>Total financial assets</b>              | <b>2,588,622</b> | <b>140,027</b> | <b>44,429,733</b> | <b>1,800,750</b> | <b>-</b>      | <b>48,959,132</b> |

|                                    | HFT<br>Rs. | Amortised cost<br>Rs. | Others<br>Rs. | Total<br>Rs.      |
|------------------------------------|------------|-----------------------|---------------|-------------------|
| <b>LIABILITIES</b>                 |            |                       |               |                   |
| Due to banks                       | -          | 2,145,832             | -             | 2,145,832         |
| Due to other customers             | -          | 31,419,544            | -             | 31,419,544        |
| Other borrowed funds               | -          | 845,085               | -             | 845,085           |
| Other borrowed funds               | -          | 855,678               | -             | 855,678           |
| <b>Total financial liabilities</b> | <b>-</b>   | <b>35,266,139</b>     | <b>-</b>      | <b>35,266,139</b> |

Union Bank of Colombo PLC

SELECTED PERFORMANCE INDICATORS

As at 31 March 2015

| Item   | Bank       |            |
|--|------------|------------|
|  | 31-Mar-15  | 31-Dec-14  |
| <b>Regulatory Capital Adequacy</b>   |            |            |
| Core Capital (Tier 1 Capital), Rs. '000  | 15,450,810 | 15,485,556 |
| Total Capital Base, Rs. '000   | 15,170,378 | 15,199,541 |
| Core Capital Adequacy Ratio, as % of Risk Weighted Assets<br>(Minimum Requirement, 5%)   | 38.11%     | 41.70%     |
| Total Capital Adequacy Ratio, as % of Risk Weighted Assets<br>(Minimum Requirement, 10%) | 37.42%     | 40.93%     |
| <b>Assets Quality (Quality of Loan Portfolio)</b>  |            |            |
| Gross Non-Performing Advances Ratio, %<br>(net of interest in suspense)                  | 5.75%      | 8.25%      |
| Net-Non Performing Advances,%<br>(net of interest in suspense and provision)             | 4.97%      | 7.44%      |
| <b>Profitability</b>   |            |            |
| Interest Margin, %   | 4.29%      | 4.20%      |
| Return on Assets (before Tax), %   | 0.28%      | 0.14%      |
| Return on Equity, %  | 0.60%      | 0.70%      |
| <b>Regulatory Liquidity</b>  |            |            |
| Statutory Liquid Assets, Rs. '000  |            |            |
| Domestic Banking Unit  | 14,239,270 | 15,298,157 |
| Off-Shore Banking Unit   | 410,112    | 364,972    |
| Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)                              |            |            |
| Domestic Banking Unit  | 46.06%     | 51.12%     |
| Foreign Currency Banking Unit  | 22.35%     | 22.51%     |

**CERTIFICATION:**

We, the undersigned, being the Chairman, Chief Executive officer, Chief Financial Officer and AVP Finance of Union Bank of Colombo PLC certify jointly that:

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka.
- the information contained in these statements have been extracted from the unaudited financial statements of the Bank and the Group unless indicated as audited.

Signed

Kusal Perera  
AVP Finance

Signed

Malinda Samaratunga  
Chief Financial Officer

Signed

Indrajit Wikramasinghe  
Chief Executive Officer

Signed

P. Jayendra Nayak  
Chairman

Date: 22 April 2015

---

## UNION BANK SHOWS STRONG 1Q15 RESULTS.

### Results at a Glance

#### Bank

- Operating income for 1Q15 grew by 46% YoY to Rs 662.5Mn.
- Net Profit grew by 228% YoY to Rs 25.1Mn
- CASA grew by 12% YTD to Rs 7.8Bn
- Customer Deposits grew by 5% YTD to Rs 29.2Bn
- Loans and advances grew by 13% YTD to Rs 29.3Bn
- Significant improvement in asset quality with Net NPA at 4.97%

#### Group

- Operating Income for 1Q15 grew by 42% YoY to Rs 801.4Mn
- Net Profit grew by 64% YoY to Rs 37.9Mn

### A Bold New World of Opportunities and Growth

The significant capital infusion of Rs. 11.4Bn received from Culture Financial Holdings, an affiliate of TPG, one of the largest private global investment firms in the latter part of 2014 placed Union Bank (UBC) within the top five private sector Banks in Sri Lanka, in terms of market capitalisation which paved the way for a complete transformation in its business strategy.

Union Bank's first quarter results in 2015 have been very positive, which is a clear reflection of the new strategy that is in place. Subsequent to the change in strategy, the Bank's rapid transition to a fully fledged commercial Bank with wider focus on Retail, SME and Corporate sectors saw several key changes.

These included, the reconstitution of the Board of Directors with Dr. P Jayandra Nayak, an experienced Banker, taking the helm as Chairman and the appointment of new local and international directors of the highest professional acumen. Further the Management Team was strengthened complementing the existing management team with several new appointments in key areas to drive the Bank to its new aspirations. The Management Team is led by Mr. Indrajit Wickramasinghe, Director/Chief Executive Officer, an experienced Banker who was appointed in November 2014.

There has been a significant upward momentum of the Bank's expansion initiatives. This saw a total revamping of the Bank's business strategy bringing a more customer centric layout and experience to its new and existing branches. The new outlook was unveiled at its head office in January this year and in the opening of a new branch in Rajagiriya and is now being cascaded throughout the network on a planned basis. Alternate delivery channels are also being launched including customer focused sales teams.

Technology continues to be a key enabler for UBC with significant investment being made to upgrade the existing systems as well as introduce new systems resulting in greater efficiencies in processes and delivery systems.

In keeping with further enhancing the process efficiencies, a project was initiated for process re-engineering of Wholesale Banking with the global consulting firm McKinsey, addressing several areas including the credit process, risk rating and other process improvements.

The Bank's product and service portfolio is also being revamped and will provide end-to-end financial solutions to support personal and business needs. This will see the launch of several new products in the near future.

Mr. Indrajit Wickramasinghe, Director / Chief Executive Officer of UBC stated that, "Post the landmark investment and the transition to be within the top 5 private commercial banks in Sri Lanka in terms of market capitalisation, the bank has realigned its infrastructure, human capital, systems and processes and is confidently gearing to take on the challenges of the highly

competitive Banking industry. We are pleased to see the recent restructuring efforts yielding very satisfactory performances already during the first quarter of 2015”

The Board of Directors of UBC approved the financial results for the quarter ended 31<sup>st</sup> March 2015 at its meeting held in Colombo on 22<sup>nd</sup> April 2015.

## **1Q15 Performance**

### **Operating Revenue & Net Profit**

The Bank recorded a significant increase in revenues for the 1Q15 in comparison to the corresponding quarter in 2014. Total operating income for 1Q15 grew by 46% YoY to Rs 662.5Mn. The primary reasons for this were the strong growth in loans and advances, improvement in margins and the quality of the loan book.

**Figure 1: Reported operating income - Bank**

| <b>(Rs Mn)</b>                         | <b>1Q14</b>  | <b>1Q15</b>  | <b>Growth</b> |
|--|--------------|--------------|---------------|
| Net interest income                    | 329.9        | 527.9        | 60%           |
| Net fee and commission income          | 27.9         | 25.1         | -10%          |
| Net trading and other operating income | 95.3         | 109.4        | 15%           |
| <b>Total operating income</b>          | <b>453.2</b> | <b>662.5</b> | <b>46%</b>    |

The Group also recorded a significant increase in revenues for the 1Q15 in comparison to the corresponding quarter in 2014. Total operating income for 1Q15 grew by 42% YoY to Rs 801.4Mn

**Figure 2: Reported operating income - Group**

| <b>(Rs Mn)</b>                | <b>1Q14</b> | <b>1Q15</b> | <b>Growth</b> |
|-------------------------------|-------------|-------------|---------------|
| Net interest income           | 384.1       | 614.9       | 60%           |
| Net fee and commission income | 57.3        | 62.4        | 9%            |

|  |              |              |            |
|--|--------------|--------------|------------|
| Net trading and other operating income | 123.6        | 124.1        | 0%         |
| <b>Total operating income</b>          | <b>565.0</b> | <b>801.4</b> | <b>42%</b> |

In 1Q15 Operating expenses increased to Rs 546.1Mn from Rs 357.4Mn, up 53% YoY, due to investments in customer reach expansions, technology and investments in staff, in keeping with the strategic changes.

The Bank reported a profit before impairment of Rs 116.4Mn up 21% YoY in comparison to the corresponding period of last year; furthermore the Bank reported a Net profit after tax of Rs 25.1Mn for the quarter up 228% YoY. This is despite the significant investments that have been made, which are in line with the new strategic initiatives.

The Group reported a profit before impairment of Rs 164.9Mn 33% YoY in comparison to the corresponding period of last year; furthermore the group reported a Net profit after tax of Rs 37.9Mn for the quarter up 64% YoY, signalling a robust growth.

### **Net Interest income & Interest margin**

The Bank's Net interest income accounted for majority of the reported income and grew by 60% YoY to Rs 527.9 Mn. Interest margins in 1Q15 also showed positive signs of growth as the Bank reported an interest margin of 4.3% as opposed to 3.7% in the corresponding quarter of the previous year.

The Group's Net interest income also grew by 60% YoY to Rs 614.9Mn.

### **Other Income**

In 1Q15 the Bank's Net fees and commission income declined by 10% YoY to Rs 25.1Mn & Net trading and other operating income grew by 15% YoY to Rs 109.4 Mn.

The Group's Net fees and commission income grew by 9% YoY to Rs 62.4Mn & Net trading and other operating income grew by 0.4% YoY to Rs 124.1 Mn

### **Balance Sheet: As at 31<sup>st</sup> March 2015**

The total assets of the Bank stood at Rs 49.4Bn and the total assets of the Group stood at Rs 53.3Bn as at 31st March 2015.

Loans and advances of the Bank, grew 13% YTD to Rs 29.3Bn as at 31st March 2015. Term Loans grew 34% YTD and stood at Rs 13.8Bn as at 31st March 2015 and accounted for 46% of the gross loan portfolio. Overdrafts and Trade finance accounted for 25% and 21% of the gross loan portfolio.

The customer deposits of the Bank increased by 5% YTD to Rs 29.2Bn, while the focus on CASA showed a strong growth of 12% YTD

### **Capital Adequacy and Shareholders' Funds**

The shareholders' funds of the Bank stood at Rs 16.8Bn as at 31st March 2015. The Bank is well capitalised as indicated by its regulatory capital adequacy ratio. In 1Q15 the bank reported a Core Capital Adequacy Ratio of 38.11% and Total Capital Adequacy Ratio of 37.42%.

### **Asset Quality**

The Bank's Net NPAs for 1Q15 stood at 4.97% in comparison to 8.80% that it reported in its corresponding quarter of the previous year. This is a significant improvement and is an area that management has identified and focused on improving which has yielded very positive results in a short period.

### **Network**

The bank continued to expand its customer reach. The Bank's delivery channels accounted for 62 branches and 63 ATMs covering all provinces by the end of 1Q15. The Bank's alternate

channels include Internet & Mobile Banking. A direct sales team was also setup to compliment the other channels.

*Union Bank is one of Sri Lanka's leading Bank's supported by the strength of TPG, the US based global private investment firm with US\$65 billion in capital under management and an extensive global network with significant presence in Asia and Europe. TPG's investment of US\$117 million in Union Bank marked a milestone in the financial services industry as one the largest foreign direct investments to Sri Lanka. With a solid foundation etched with financial stability and international know-how, Union Bank is amongst the top 5 private commercial Banks in market capitalization in Sri Lanka, offering a full range of products and services to personal and commercial financial sectors.*