

INTERIM FINANCIAL STATEMENTS
For the Six months ended 30 June 2014



Union Bank invests for next phase of growth

Union Bank of Colombo PLC highlighting its performance for the 2Q, 2014 stated that the Bank is on a trajectory to strengthen its position as the SME specialist in Sri Lanka. Its unrelenting focus continues to remain on steady fast growth, through rapid expansion, technology innovation and an unparalleled service. A prudent strategic direction, thus far yielding positively towards its success, with the bank being ranked as one of Sri Lanka's most valuable brands by "Brand Finance" consecutively in 2014.

Mr. Anil Amarasuriya, Director/Chief Executive Officer of Union Bank stated "the ever changing market dynamics have increased competition amongst Banks, and is a factor that drives us to ensure Union Bank is geared to face the challenges of tomorrow and move to the next phase of growth. With a sound financial standing, with regulatory capital adequacy requirements comfortably met beyond 2015, Union Bank's focus in 2014 has been to consolidate on its operational efficiencies. As such Union Bank continued to invest significantly in developing its branch network, systems and processes, all of which will contribute to its performance. With a commitment to invest for the future a long term objective is fulfilled. This can only happen with investments that has its challenges in the short term."

Highlighting a noticeable upward momentum in the Bank's progress during first half the Bank opened 7 branches, adding to the 11 new branches opened in 2013 taking the rapidly expanding branch network to 60 branches by July 2014. The bottom line challenges from these new branches and the low private sector credit growth which prevailed during the first six months of the year did curtail to some limit on yield aspirations in the first half. The Bank's branch network is expected to penetrate to several new areas, reaching 70 branches by end 2014. A new core banking system, at an investment in excess of Rs. 850 Mn, was made operational in April 2014 placing UBC at the helm of information technology capabilities, which in the short term will increase its depreciation charge. Seen as an integral element in its development phase, the new system will contribute significantly to the operational efficiencies of the Bank.

Performance Highlights – Q2, 2014

Union Bank of Colombo PLC stating its performance for the first 6 months ending 30th June 2014 reported a profit of Rs 58Mn for the group and Rs. 19Mn for the Bank respectively.

Net interest income for the Bank recorded a growth of 52% to Rs. 399 for the quarter and a 26% to Rs. 729Mn for the first six months in comparison to the corresponding periods of last year. Aggressive liquidity management initiatives at the Bank can be identified as the main driver for this strong performance. The Net Interest Income at the Group level recorded a 69% increase to Rs. 431Mn for the quarter and a 34% increase to Rs.815Mn for the first six months in relation to the comparative periods.

Total operating income of the Bank grew by 17% to Rs. 986Mn during the first six months of 2014 excluding the one off share disposal gain recorded in the first half of 2013. There were no one off significant transactions reported during first half of 2014. At group level total operating income increased by 34% to reach Rs.698mn and for the six months by 26% to reach Rs.1,263Mn.

The strong operating income reported has been impacted by impairment charges of Rs.186mn, and an increase of Rs.154Mn in relation to operating expenses at the Bank during the reporting period.

A large percentage of the above impairment charge relates to Pawning. The comparative period had no impairment charges as the Gold prices commenced their decline only in the second half of 2013. The Bank's exposure to pawning portfolio is currently stands at 10%. The group adopts a prudent policy with regards to impairment.

The main drivers for the 25% increase in Operating Expenses are the strategic branch expansion program and the implementation of the new core banking system. It is noteworthy that the Branch network has expanded by 50% since the first half of 2013.

Despite the lower credit growth in the economy, Loans & Receivables of the Bank increased by Rs. 460Mn during the first half of 2014. The deposits base of the Bank increased by Rs. 231Mn during the same period.

At the Group level the deposit base increased by Rs. 1,082 Mn recording a 3.7% growth whilst loans & Receivables increased by Rs. 889 Mn, recording a 3.5% growth. These have contributed to an increase in the total asset base of the Bank and the Group to record Rs. 1.57 Bn (an increase of 5%) and Rs. 2.9 Bn (an increase of 7.8%) during the first half respectively.

INCOME STATEMENT

Period ended 30 June 2014

	BANK						GROUP					
	For the six months ended		Change %	For the quarter ended		Change %	For the six months ended		Change %	For the quarter ended		Change %
	30.06.2014 Rs.000	30.06.2013 Rs.000		30.06.2014 Rs.000	30.06.2013 Rs.000		30.06.2014 Rs.000	30.06.2013 Rs.000		30.06.2014 Rs.000	30.06.2013 Rs.000	
Interest income	1,979,475	2,064,442	(4)	977,507	1,039,049	(6)	2,194,672	2,157,563	2	1,071,534	1,069,476	0
Less: Interest expenses	1,250,167	1,484,961	(16)	578,118	776,750	(26)	1,379,391	1,548,181	(11)	640,323	814,193	(21)
Net interest income	<u>729,308</u>	<u>579,481</u>	26	<u>399,388</u>	<u>262,299</u>	52	<u>815,281</u>	<u>609,382</u>	34	<u>431,211</u>	<u>255,283</u>	69
Fee and commission income	80,306	80,941	(1)	42,212	39,435	7	152,742	120,231	27	80,790	61,147	32
Less: Fee and commission expenses	22,078	17,533	26	11,918	8,867	34	32,671	19,385	69	18,009	10,080	79
Net fee and commission income	<u>58,229</u>	<u>63,408</u>	(8)	<u>30,294</u>	<u>30,568</u>	(1)	<u>120,071</u>	<u>100,846</u>	19	<u>62,782</u>	<u>51,066</u>	23
Net gain from trading	46,998	52,502	(10)	23,954	35,273	(32)	50,701	55,939	(9)	27,657	36,476	(24)
Other operating income (net)	151,114	247,585	(39)	78,838	186,149	(58)	277,379	238,589	16	176,792	176,500	0
Total operating income	<u>985,648</u>	<u>942,977</u>	5	<u>532,475</u>	<u>514,288</u>	4	<u>1,263,432</u>	<u>1,004,756</u>	26	<u>698,441</u>	<u>519,326</u>	34
Less: Impairment for Loans & Other losses												
Individual Impairment	14,090	10,052	(40)	4,961	11,273	56	(20,283)	9,682	309	(29,683)	10,903	372
Collective Impairment	144,057	40,893	252	82,368	28,707	187	176,058	40,893	331	109,990	22,977	379
Write Off	28,054	-		23,692	-		28,054	-		23,692	-	
Net operating income	<u>799,447</u>	<u>892,032</u>	(10)	<u>421,454</u>	<u>474,309</u>	(11)	<u>1,079,603</u>	<u>954,181</u>	13	<u>594,441</u>	<u>485,445</u>	22
Less: Personnel Expenses	306,653	246,074	25	154,326	123,912	25	373,561	290,228	29	188,089	142,269	32
Depreciation & Amortization	116,750	77,715	50	69,197	39,961	73	135,608	93,443	45	79,635	49,494	61
Other expenses	341,572	287,027	19	183,695	157,823	16	415,564	345,515	20	215,609	191,268	13
Operating profit/(loss) before value added tax (VAT) on Financial Services	<u>34,472</u>	<u>281,216</u>	(88)	<u>14,237</u>	<u>152,613</u>	(91)	<u>154,870</u>	<u>224,995</u>	(31)	<u>111,109</u>	<u>102,415</u>	8
Less: Value added tax (VAT) on financial services	17,858	52,116	(66)	3,403	28,263	(88)	35,436	52,728	(33)	17,767	28,875	(38)
Profit before tax	<u>16,614</u>	<u>229,100</u>	(93)	<u>10,834</u>	<u>124,350</u>	(91)	<u>119,433</u>	<u>172,267</u>	(31)	<u>93,342</u>	<u>73,539</u>	27
Less: Tax expenses	(5,743)	39,728	(114)	(1,866)	(2,054)	(9)	58,153	64,999	(11)	57,220	19,409	195
Crop Insurance Levy	73	-		476	-		73	-		476	-	
Nation Building Tax	2,976	-		567	-		2,976	-		567	-	
Profit for the period	<u>19,308</u>	<u>189,372</u>	(90)	<u>11,656</u>	<u>126,404</u>	(91)	<u>58,231</u>	<u>107,268</u>	(46)	<u>35,079</u>	<u>54,130</u>	(35)
Profit Attributable to:												
Owners of the parent	19,308	189,372	(90)	11,656	126,404	(91)	27,657	134,855	(79)	9,012	77,068	(88)
Non controlling interests	-	-		-	-		30,574	(27,587)	(211)	26,067	(22,937)	(214)
	<u>19,308</u>	<u>189,372</u>	(90)	<u>11,656</u>	<u>126,404</u>	(91)	<u>58,231</u>	<u>107,268</u>	(46)	<u>35,079</u>	<u>54,130</u>	(35)
Earnings per share on profit	0.06	0.54	(90)	0.03	0.36	(91)	0.08	0.39	(79)	0.03	0.22	(88)

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2014

	BANK						GROUP					
	For the six months ended			For the quarter ended			For the six months ended			For the quarter ended		
	30.06.2014 Rs.'000	30.06.2013 Rs.'000	Change %	30.06.2014 Rs.'000	30.06.2013 Rs.'000	Change %	30.06.2014 Rs.'000	30.06.2013 Rs.'000	Change %	30.06.2014 Rs.'000	30.06.2013 Rs.'000	Change %
Profit for the period	19,308	189,371	(90)	11,656	126,404	(91)	58,231	107,268	(46)	35,079	54,130	(35)
Other comprehensive income/(expenses)												
Actuarial gains and losses on defined benefit plans	-	-		-	-		1,570	-		1,570	-	
Gains and losses on re-measuring available-for-sale financial assets	(1,136)	2,071	(155)	285	(336)	(185)	347	10,265	(97)	(79)	3,304	(102)
Other comprehensive income for the period, net of taxes	(1,136)	2,071	(155)	285	(336)	(185)	1,917	10,265	(81)	1,491	3,304	(55)
Total comprehensive income for the period	<u>18,172</u>	<u>191,442</u>	(91)	<u>11,941</u>	<u>126,068</u>	(91)	<u>60,148</u>	<u>117,534</u>	(49)	<u>36,570</u>	<u>57,435</u>	(36)
Attributable to:												
Owners of the parent	18,172	191,442	(91)	11,941	126,068	(91)	28,372	141,105	(80)	10,206	78,588	(87)
Non-controlling interest	-	-		-	-		31,776	(23,571)	(235)	26,364	(21,153)	(225)
	<u>18,172</u>	<u>191,442</u>	(91)	<u>11,941</u>	<u>126,068</u>	(91)	<u>60,148</u>	<u>117,534</u>	(49)	<u>36,570</u>	<u>57,435</u>	(36)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	BANK			GROUP		
	30.06.2014	31.12.2013	Change	30.06.2014	31.12.2013	Change
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Assets						
Cash and cash equivalents	2,961,963	3,043,408	(3)	3,611,100	3,183,541	13
Balances with Central Bank	1,150,300	1,117,871	3	1,150,300	1,117,871	3
Placements with Banks	107,591	314,545	(66)	1,921,268	1,809,800	6
Derivative financial instruments	14	1,458	(99)	14	1,458	(99)
Other financial assets held-for-trading	71,048	312,150	(77)	71,048	312,150	(77)
Loans and receivables to banks	-	-	-	15,919	15,020	6
Loans and receivables to other customers	23,922,405	23,461,925	2	26,255,576	25,365,783	4
Deep discounted bond	2,421,834	2,375,111	2	-	-	-
Financial investments – Available-for-sale	2,577,517	1,736,728	48	2,679,570	1,829,826	46
Financial investments – Held-to-maturity	139,870	139,556	0	139,870	139,556	0
Investments in subsidiaries	892,364	892,364	0	-	-	-
Property, plant and equipment	768,094	1,025,088	(25)	890,588	1,147,115	(22)
Investment in real estate	-	-	-	250,569	340,147	(26)
Goodwill and intangible assets	967,088	53,951	1693	1,315,132	407,576	223
Income tax recoverable	116,169	94,515	100	116,169	94,515	100
Deferred tax assets	-	-	-	518,114	520,774	(1)
Other assets	492,364	442,293	11	792,879	539,623	47
Total assets	36,588,621	35,010,962	5	39,728,115	36,824,753	8
Liabilities						
Due to banks	1,140,729	163,448	598	1,266,722	192,429	558
Due to other customers	28,700,032	28,469,137	1	30,671,721	29,589,425	4
Other borrowings	-	-	-	776,269	668,154	16
Current tax liabilities	-	-	-	205,150	163,604	25
Deferred tax liabilities	23,964	23,964	0	24,518	24,518	0
Other liabilities	1,335,535	897,127	49	1,626,766	992,903	64
Total liabilities	31,200,476	29,553,677	6	34,571,361	31,631,034	9
Equity						
Stated capital/Assigned capital	4,979,791	4,979,791	0	4,979,791	4,979,791	0
Statutory reserve fund	59,893	58,928	2	68,835	63,272	9
Retained earnings	134,238	203,208	(34)	(423,422)	(351,933)	20
Investment fund reserve	213,717	213,717	0	222,198	214,889	3
Available-for-sale-reserve	506	1,642	(69)	13,850	14,174	(2)
Total shareholders' equity	5,388,145	5,457,285	(1)	4,861,252	4,920,193	(1)
Non-controlling interests	-	-	-	295,502	273,526	-
Total equity	5,388,145	5,457,285	(1)	5,156,754	5,193,719	(1)
Total equity and liabilities	36,588,621	35,010,962	5	39,728,115	36,824,753	8
Contingent liabilities and commitments	24,404,846	20,811,865	17	24,404,846	20,811,865	17
Net Asset Value per Ordinary Share	15.43	15.63	(1)	13.92	14.09	(1)
Memorandum Information						
Number of Employees	728	691	-	-	-	-
Number of Branches	58	51	-	-	-	-

Union Bank of Colombo PLC

STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2014

BANK	Ordinary Voting	Reserve Fund	Investment Fund	Retained	Available-For-Sale	Total
	Shares			Earnings	Reserve	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January 2013 (Restated)	4,979,791	53,299	146,322	286,452	(1,451)	5,464,414
Net Profit for the period	-	-	-	189,371	-	189,371
Transfers during the period	-	9,469	48,898	(58,367)	-	-
Dividend Paid	-	-	-	(122,238)	-	(122,238)
Other Comprehensive Income	-	-	-	-	2,071	2,071
Balance as at 30 June 2013	<u>4,979,791</u>	<u>62,767</u>	<u>195,220</u>	<u>295,219</u>	<u>620</u>	<u>5,533,618</u>
Balance as at 1 January 2014	4,979,791	58,928	213,717	203,208	1,642	5,457,285
Net Profit for the period	-	-	-	19,308	-	19,308
Transfers during the period	-	965	-	(965)	-	-
Dividend Paid	-	-	-	(87,313)	-	(87,313)
Other Comprehensive Income	-	-	-	-	(1,136)	(1,136)
Balance as at 30 June 2014	<u>4,979,791</u>	<u>59,893</u>	<u>213,717</u>	<u>134,238</u>	<u>506</u>	<u>5,388,145</u>

GROUP	Ordinary Voting	Reserve Fund	Investment Fund	Retained	Available-For-Sale	Total	Non-Controlling	Total Equity
	Shares			Earnings	Reserve		Interest	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January 2013 (Restated)	4,979,791	53,299	147,494	(255,131)	10,601	4,936,053	274,257	5,210,310
Net Profit for the year	-	-	-	134,855	-	134,855	(27,587)	107,268
Loss of control	-	-	-	3,405	-	3,405	(5,093)	(1,688)
Transfers during the year	-	9,469	48,898	(58,367)	-	-	-	-
Dividend Paid	-	-	-	(131,154)	-	(131,154)	8,917	(122,238)
Other Comprehensive Income	-	-	-	-	6,250	6,250	4,016	10,265
Balance as at 30 June 2013	<u>4,979,791</u>	<u>62,767</u>	<u>196,392</u>	<u>(306,392)</u>	<u>16,850</u>	<u>4,949,410</u>	<u>254,510</u>	<u>5,203,918</u>
Balance as at 1 January 2014	4,979,791	63,272	214,889	(351,933)	14,174	4,920,193	273,526	5,193,719
Net Profit for the period	-	-	-	27,657	-	27,657	30,574	58,231
Transfers during the period	-	5,564	7,309	(12,872)	-	-	-	-
Dividend Paid	-	-	-	(87,313)	-	(87,313)	(9,800)	(97,113)
Other Comprehensive Income	-	-	-	1,039	(324)	715	1,202	1,917
Balance as at 30 June 2014	<u>4,979,791</u>	<u>68,835</u>	<u>222,198</u>	<u>(423,422)</u>	<u>13,850</u>	<u>4,861,252</u>	<u>295,502</u>	<u>5,156,754</u>

Certain amounts shown here do not correspond to the Quarter 2 Financial Statements - 2013 and reflect adjustments made in accordance with the amended LKAS 19 (Employee Benefits)

Union Bank of Colombo PLC

STATEMENT OF CASH FLOWS

Period ended 30 June 2014

	BANK		GROUP	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Cash Flow from Operating Activities				
Interest Received	1,894,205	2,024,306	2,134,003	2,117,427
Fees and Commission Receipts	58,229	63,408	120,071	100,846
Interest Paid	(1,476,871)	(1,408,939)	(1,603,375)	(1,472,159)
Receipts from Other Operating Activities	191,665	230,486	330,819	234,207
Payments on Other Operating Activities	(688,886)	(630,762)	(846,977)	(733,646)
Operating Profit before changes in Operating Assets & Liabilities	(21,658)	336,049	134,540	304,224
(Increase)/Decrease in Operating Assets:				
Balance with Central Bank of Sri Lanka	(32,429)	123,583	(32,429)	123,583
Funds Advanced to Customers	(588,433)	(3,874,323)	(1,065,980)	(4,370,313)
Others	(48,627)	(65,716)	(251,812)	88,102
	(669,489)	(3,816,456)	(1,350,221)	(4,158,628)
Increase/(Decrease) in Operating Liabilities:				
Due to Other customers	457,689	3,213,285	1,312,461	3,642,016
Other Liabilities	(204,616)	434,664	(29,239)	551,578
	253,074	3,647,949	1,283,222	4,193,594
Net Cash used in Operating Activities before Income Tax	(438,074)	167,542	67,541	339,190
Retiring Gratuity paid	(2,299)	(206)	(2,299)	(206)
Income Tax (Paid) / Refunds	(14,954)	(54,858)	(14,954)	(54,451)
Net Cash used in Operating Activities	(455,327)	112,477	50,287	284,533
Cash Flow from/(used in) Investing Activities				
Dividends Received	10,613	12,052	1,428	2,772
Net investment in Other Financial Assets held-for-trading	247,810	(860,912)	247,810	(858,922)
Net increase in investment in Financial Assets held-to-maturity	(38)	(34)	(38)	(34)
Net increase in investment in Financial Assets available-for-sale	(843,061)	(321,447)	(850,312)	(392,798)
Net investment in Real Estates	-	-	89,578	-
Purchase of Property & Equipment	(131,490)	(153,335)	(142,788)	(171,575)
Purchase of Intangible Assets	(4,878)	(5,180)	(7,566)	5,443
Net Cash from/(used in) Investing Activities	(721,044)	(1,308,856)	(661,889)	(1,395,114)
Cash Flow from/(used in) Financing Activities				
Increase/Decrease in Borrowings	930,924	(2,361)	1,145,835	67,027
Net Cash from/(used in) Financing Activities	843,612	(124,598)	1,048,723	(64,127)
Net Increase/(Decrease) in Cash and Cash Equivalents	(332,759)	(1,320,977)	437,121	(1,174,708)
Cash and Cash Equivalents at Beginning of the year	3,308,143	2,934,848	3,419,295	2,965,215
Cash and Cash Equivalents at end of the year	2,975,384	1,613,871	3,856,416	1,790,507
Reconciliation of Cash and Cash Equivalents				
Cash & Cash Equivalents	2,962,140	1,181,733	3,606,278	1,358,370
Placements with Banks	107,591	432,137	357,591	432,137
Due to Banks	(94,348)	-	(107,453)	-
	2,975,384	1,613,871	3,856,416	1,790,507

Union Bank of Colombo PLC

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014

1 LOANS AND RECEIVABLES TO OTHER CUSTOMERS

	Bank		Group	
	30.06.2014 Rs.'000	31.12.2013 Rs.'000	30.06.2014 Rs.'000	31.12.2013 Rs.'000
Gross loans and receivables (Note 1.1)	24,523,285	23,994,426	27,693,971	27,076,184
(Less): Individual impairment charges (Note 1.2)	(166,434)	(165,628)	(671,761)	(1,043,342)
Collective impairment charges (Note 1.2)	(434,446)	(366,872)	(766,634)	(667,058)
Net loans and receivables	23,922,405	23,461,925	26,255,576	25,365,783

1.1 Loans and Receivables to other customers - by product

Overdrafts	6,921,889	6,642,056	6,921,889	6,642,056
Trade finance	5,501,106	4,613,724	5,501,106	4,613,724
Pawning	2,200,414	2,665,854	2,210,459	2,666,417
Staff loans	252,823	233,412	255,691	233,569
Term loans	8,174,875	8,313,025	9,304,003	9,545,786
Lease and Hire-purchase	1,065,165	1,157,998	2,308,233	2,162,833
Factoring	407,014	368,356	816,349	689,298
Investments in Debentures	-	-	18,148	18,000
Others	-	-	358,091	504,501
Gross Loans and Receivables	24,523,285	23,994,426	27,693,971	27,076,184

1.2 Movements in Individual and Collective Impairment Charges during the Period

Individual impairment charges

Opening balance	165,628	330,457	1,043,342	330,457
Charge/(Write back) to income statement	14,090	33,558	(20,283)	20,647
Net write-off during the year	(13,284)	(198,387)	(351,299)	(198,387)
Other movements	-	-	-	890,624
Closing balance	166,434	165,628	671,761	1,043,342

Collective impairment charges

Opening balance	366,872	87,656	667,058	699,813
Charge/(Write back) to income statement	144,057	293,362	176,058	269,795
Net write-off during the year	(76,483)	(14,146)	(76,483)	(14,146)
Other movements	-	-	-	(288,403)
Closing balance	434,446	366,872	766,634	667,058
Total Impairment	600,880	532,500	1,438,394	1,710,401

2 LOANS AND RECEIVABLES TO BANKS

Investments in Debentures	-	-	15,919	15,020
	-	-	15,919	15,020

Union Bank of Colombo PLC

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014

	Bank		Group	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
3 DUE TO OTHER CUSTOMERS				
Deposits Liability (Note 3.1)	28,505,814	28,339,687	30,562,684	29,462,271
Repurchased agreements	194,218	129,450	109,037	127,154
	<u>28,700,032</u>	<u>28,469,137</u>	<u>30,671,721</u>	<u>29,589,425</u>
3.1 Deposits Liability				
Demand deposits (Current accounts)	1,892,427	1,943,945	1,888,952	1,922,901
Savings deposits	3,795,444	3,493,917	3,791,672	3,492,166
Fixed deposits	19,669,159	19,570,531	21,733,276	20,715,909
Other deposits - CDs	3,148,784	3,331,295	3,148,784	3,331,295
	<u>28,505,814</u>	<u>28,339,687</u>	<u>30,562,684</u>	<u>29,462,271</u>

Union Bank of Colombo PLC

EXPLANATORY NOTES

Period ended 30 June 2014

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 2013.

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

3 The final dividend of Rs.0.25 per share (in the form of cash) for the ordinary shares of the Bank for the year ended 31 December 2013 was paid on 4 April 2014.

4 The Bank announced to the Market on 14th August mentioning that the Board of Directors of the Bank has resolved to issue by way of a private placement 742,156,249 ordinary voting shares of the Bank at a consideration of Rs.15.30 per share and also resolved to issue to the investor, simultaneously with the issue of the Private Placement Shares, 218,281,250 warrants at a consideration of Rs.0.30 per Warrant conferring the Investor with the right to subscribe to one new ordinary voting share per Warrant within a period of six years from the issue of such Warrants at a exercising price of Rs.16.00 per share.

5 No material events have been taken place subsequent to the reporting period that require disclosures or/ and adjustment in the Financial Statements except stated above.

6 Information on Ordinary Shares

Market Value	30.06.2014	30.06.2013
	Rs.	Rs.
Market value	21.50	17.50
Highest price for the quarter	22.10	23.70
Lowest price for the quarter	20.60	16.70

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2014

SEGMENTAL ANALYSIS - GROUP

For the six months ended 30 June

	Corporate		Treasury		SME		Other Group Companies		Total	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Interest Income	537,642	668,410	176,446	239,565	1,198,300	1,111,528	282,284	138,061	2,194,672	2,157,563
Inter-Segment Interest Income	(159,049)	(330,142)	52,865	(21,963)	106,184	352,105	-	-	-	0
Total Interest Income	378,593	338,267	229,311	217,602	1,304,484	1,463,633	282,284	138,061	2,194,672	2,157,563
Less: Interest Expense	176,252	240,675	38,151	95,020	1,029,278	1,137,385	135,711	75,101	1,379,391	1,548,181
Net Interest Income	202,341	97,593	191,160	122,582	275,206	326,248	146,574	62,960	815,281	609,382
Other Income	55,859	23,446	80,269	207,759	86,472	138,533	258,224	45,020	480,823	414,758
Total Net Income	258,200	121,039	271,429	330,341	361,677	464,781	404,797	107,980	1,296,103	1,024,140
Less: Other Expenses	40,610	21,439	6,533	11,209	453,836	298,061	206,623	127,975	707,602	458,685
Unallocated other expenses	-	-	-	-	-	-	-	-	433,631	340,461
Segmental Results	217,590	99,599	264,896	319,132	(92,159)	166,719	198,174	(19,996)	154,870	224,995
Less: VAT on Financial Services									35,436	52,728
Less: Taxation									58,153	64,999
Less: Crop Insurance Levy									73	-
Less: NBT									2,976	-
Profit after Taxation									58,231	107,268
Other Information										
Segment Assets	9,892,675	11,116,062	5,188,082	6,172,312	16,825,772	11,315,251	6,267,705	4,390,129	38,174,234	32,993,755
Unallocated									1,553,881	3,033,701
Consolidated Total Assets									39,728,115	36,027,456
Segment Liabilities	4,178,618	4,706,696	1,033,681	716,924	24,895,606	22,096,053	3,510,320	1,749,028	33,618,225	29,268,701
Unallocated									953,136	1,556,380
Consolidated Total Liabilities									34,571,361	30,825,080
Cash flow from operating activities	23,504	88,148	7,714	31,593	52,386	146,585	12,341	18,207	95,944	284,533
Cash flow from investing activities	(162,147)	(432,204)	(53,214)	(154,906)	(361,394)	(718,731)	(85,134)	(89,272)	(661,889)	(1,395,114)
Cash flow from financing activities	245,727	(19,866)	80,644	(7,120)	547,678	(33,037)	129,017	(4,103)	1,003,066	(64,127)

Union Bank of Colombo PLC

INFORMATION ON ORDINARY SHARES OF THE BANK

As at 30 June 2014

TOP 20 SHAREHOLDERS

Name of Shareholder	No. of shares As at 30.06.2014	% holding
1 Vista Knowledge (Pvt) Ltd.	64,677,973	18.5%
2 Sampath Bank PLC	26,347,027	7.5%
3 Associated Electrical Corporation Ltd.	26,101,489	7.5%
4 Select Gain Ltd.	23,369,409	6.7%
5 Mr. Alexis Indrajit Lovell	22,743,780	6.5%
6 Mr. C.P.A Wijeyesekera	18,508,468	5.3%
7 EXSAB International Holding Co. for Trading Development	15,000,000	4.3%
8 Mr. D.A.J Warunakulasuriya	14,842,730	4.2%
9 Rosewood (Pvt) Ltd.	9,493,698	2.7%
10 Mr. S.P.Khattar	9,337,124	2.7%
11 Ashyaki Holdings (Pvt) Ltd.	7,792,506	2.2%
12 Mr. I.S.Ong	7,550,000	2.2%
13 Seylan Bank PLC/Capital Trust Holdings (Pvt) Ltd	5,338,806	1.5%
14 Commercial Agencies (Ceylon) Ltd.	4,320,888	1.2%
15 Ajita de Zoysa & Company Ltd.	4,320,887	1.2%
16 Seylan Bank PLC/ Malik Devapriya Samarawickrama	4,000,000	1.1%
17 Mr. M. D. Samarawickrama	3,660,582	1.0%
18 Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	3,655,900	1.0%
19 Mr. T.Nadesan	2,799,757	0.8%
20 Ms. N.N. Kumbukage	2,100,000	0.6%
	275,961,024	79.0%
Other share holders	73,288,976	21.0%
Total	349,250,000	100.0%

Percentage of public holding as at 30 June 2014

63.79%

DIRECTORS' HOLDING IN SHARES

Director's Name	No. of shares held As at 30.06.2014
Mr. Alexis Indrajit Lovell	22,743,780
Mr. Bodahandi Asoka Keerthi de Silva	8,900
H. R. H Prince Faisal Al Abdullah Al Faisal Al Saud	None
Mr. David Nigel Bartholomeusz (Alternate Director to H.R.H Prince Faisal Al Abdullah Al Faisal Al Saud)	90,000
Dr. Liyanamohottige Joseph Sri Harsha Cabral	None
Mr. Anil Suneetha Amarasuriya	63,552
Mr. Kin Leong Chong	None
Ms. Sow Lin Chiew (Alternate Director to Mr. Kin Leong Chong)	None
Mr. Priyantha Damian Joseph Fernando	None
Mr. Sunil Karunanayake	None
Mr. Hiran Arjuna Suren Madanayake	None
Mr. Mohamed Hisham Sabry Ghouse	None
Mr. Hussain Imtiaz Muhseen	None

Union Bank of Colombo PLC

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2014

MEASUREMENT OF FINANCIAL INSTRUMENTS

a. Bank - 2014

	HFT	HTM	L & R	AFS	Others	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
ASSETS						
Cash and cash equivalents	1,434,890	-	1,527,073	-	-	2,961,963
Balances with Central Bank	-	-	1,150,300	-	-	1,150,300
Placements with Banks	-	-	107,591	-	-	107,591
Derivative Financial Instruments	14	-	-	-	-	14
Other financial assets held-for-trading	71,048	-	-	-	-	71,048
Loans and receivables to other customers	-	-	23,922,405	-	-	23,922,405
Deep Discounted Bond	-	-	2,421,834	-	-	2,421,834
Financial investments – Available-for-sale	-	-	-	2,577,517	-	2,577,517
Financial investments – Held-to-maturity	-	139,870	-	-	-	139,870
Total financial assets	1,505,951	139,870	29,129,203	2,577,517	-	33,352,541

	HFT	Amortised cost	Others	Total
	Rs.000	Rs.000	Rs.000	Rs.000
LIABILITIES				
Due to banks	-	1,140,729	-	1,140,729
Due to other customers	-	28,700,032	-	28,700,032
Total financial liabilities	216	29,840,762	-	29,840,977

b. Bank - 2013

	HFT	HTM	L & R	AFS	Others	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
ASSETS						
Cash and cash equivalents	677,056	-	2,366,352	-	-	3,043,408
Balances with Central Bank	-	-	1,117,871	-	-	1,117,871
Placements with Banks	-	-	314,545	-	-	314,545
Derivative Financial Instruments	1,458	-	-	-	-	1,458
Other financial assets held-for-trading	312,150	-	-	-	-	312,150
Loans and receivables to other customers	-	-	23,461,925	-	-	23,461,925
Deep Discounted Bond	-	-	2,375,111	-	-	2,375,111
Financial investments – Available-for-sale	-	-	-	1,736,728	-	1,736,728
Financial investments – Held-to-maturity	-	139,556	-	-	-	139,556
Total financial assets	990,664	139,556	29,635,803	1,736,728	-	32,502,751

	HFT	Amortised cost	Others	Total
	Rs.000	Rs.000	Rs.000	Rs.000
LIABILITIES				
Due to banks	-	163,448	-	163,448
Due to other customers	-	28,469,137	-	28,469,137
Total financial liabilities	-	28,632,586	-	28,632,586

Union Bank of Colombo PLC

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2014

MEASUREMENT OF FINANCIAL INSTRUMENTS

a. Group - 2014

	HFT Rs.000	HTM Rs.000	L & R Rs.000	AFS Rs.000	Others Rs.000	Total Rs.000
ASSETS						
Cash and cash equivalents	1,434,890	-	2,176,210	-	-	3,611,100
Balances with Central Bank	-	-	1,150,300	-	-	1,150,300
Derivative Financial Instruments	14	-	-	-	-	14
Placements with Banks	-	-	1,921,268	-	-	1,921,268
Other financial assets held-for-trading	71,048	-	-	-	-	71,048
Loans and receivables to banks	-	-	15,919	-	-	15,919
Loans and receivables to other customers	-	-	26,255,576	-	-	26,255,576
Financial investments – Available-for-sale	-	-	-	2,679,570	-	2,679,570
Financial investments – Held-to-maturity	-	139,870	-	-	-	139,870
Total financial assets	1,505,951	139,870	31,519,274	2,679,570	-	35,844,665

	HFT Rs.000	Amortised cost Rs.000	Others Rs.000	Total Rs.000
LIABILITIES				
Due to banks	-	1,266,722	-	1,266,722
Due to other customers	-	30,671,721	-	30,671,721
Other Borrowings	-	776,269	-	776,269
Total financial liabilities	216	32,714,712	-	32,714,928

b. Group - 2013

	HFT Rs.000	HTM Rs.000	L & R Rs.000	AFS Rs.000	Others Rs.000	Total Rs.000
ASSETS						
Cash and cash equivalents	677,056	-	2,506,484	-	-	3,183,541
Balances with Central Bank	-	-	1,117,871	-	-	1,117,871
Derivative Financial Instruments	1,458	-	-	-	-	1,458
Placements with Banks	-	-	1,809,800	-	-	1,809,800
Other financial assets held-for-trading	312,150	-	-	-	-	312,150
Loans and receivables to banks	-	-	15,020	-	-	15,020
Loans and receivables to other customers	-	-	25,365,783	-	-	25,365,783
Financial investments – Available-for-sale	-	-	-	1,829,826	-	1,829,826
Financial investments – Held-to-maturity	-	139,556	-	-	-	139,556
Total financial assets	990,664	139,556	30,814,958	1,829,826	-	33,775,004

	HFT Rs.000	Amortised cost Rs.000	Others Rs.000	Total Rs.000
LIABILITIES				
Due to banks	-	192,429	-	192,429
Due to other customers	-	29,589,425	-	29,589,425
Other Borrowings	-	668,154	-	668,154
Total financial liabilities	-	30,450,008	-	30,450,008

Union Bank of Colombo PLC

SELECTED PERFORMANCE INDICATORS

As at 30 June 2014

Item	Bank	
	30-Jun-14	31-Dec-13 (Audited)
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital), Rs. '000	4,109,549	5,111,078
Total Capital Base, Rs. '000	3,817,855	4,820,464
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 5%)	14.39%	17.91%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum Requirement, 10%)	13.37%	16.89%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio, % (net of interest in suspense)	12.36%	8.24%
Net-Non Performing Advances,% (net of interest in suspense and provision)	11.76%	7.80%
Profitability		
Interest Margin, %	4.07%	3.51%
Return on Assets (before tax), %	0.09%	0.32%
Return on Equity, %	0.71%	2.07%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000		
Domestic Banking Unit	6,391,720	6,282,885
Off-Shore Banking Unit	268,662	276,197
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)		
Domestic Banking Unit	21.01%	22.01%
Foreign Currency Banking Unit	22.62%	23.09%

CERTIFICATION:

We, the undersigned, being the Chairman, Director, 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

Sgnd.
Kusal Perera
AVP Finance

Sgnd.
Malinda Samaratinga
Chief Financial Officer

Sgnd.
Hussain Imtiaz Muhseen
Director

Sgnd.
Alexis Indrajit Lovell
Chairman

Date: 15.08.2014