

	BANK						GROUP					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2018 Rs.000	31.12.2017 Rs.000	Change %	31.12.2018 Rs.000	31.12.2017 Rs.000	Change %	31.12.2018 Rs.000	31.12.2017 Rs.000	Change %	31.12.2018 Rs.000	31.12.2017 Rs.000	Change %
<b>Gross income</b>	13,910,425	11,937,763	17	3,679,308	3,237,715	14	16,075,953	13,899,368	16	4,219,693	3,778,842	12
Interest income	12,142,268	10,498,284	16	3,215,261	2,852,656	13	14,120,894	12,194,010	16	3,712,178	3,329,986	11
Less: Interest expenses	8,490,006	7,452,377	14	2,287,835	2,125,414	8	9,655,390	8,492,442	14	2,588,611	2,417,809	7
<b>Net interest income</b>	<b>3,652,262</b>	<b>3,045,907</b>	<b>20</b>	<b>927,426</b>	<b>727,242</b>	<b>28</b>	<b>4,465,504</b>	<b>3,701,568</b>	<b>21</b>	<b>1,123,568</b>	<b>912,177</b>	<b>23</b>
Fee and commission income	968,008	783,217	24	269,774	211,513	28	1,120,153	972,671	15	303,721	262,662	16
Less: Fee and commission expenses	135,158	109,748	23	37,169	33,273	12	162,578	145,646	12	43,450	43,078	1
<b>Net fee and commission income</b>	<b>832,850</b>	<b>673,469</b>	<b>24</b>	<b>232,605</b>	<b>178,240</b>	<b>31</b>	<b>957,575</b>	<b>827,025</b>	<b>16</b>	<b>260,271</b>	<b>219,584</b>	<b>19</b>
Net fair value gains / (losses) from financial instruments at fair value through profit or loss / Net trading income	309,519	428,848	(28)	82,746	128,158	(35)	309,519	428,690	(28)	82,746	128,000	(35)
Net gains/ (losses) from financial investments	173,026	141,531	22	(2,982)	22,371	(113)	174,559	143,515	22	(4,481)	22,371	(120)
Net gain/ (loss) from financial instruments designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income	317,604	85,883	270	114,509	23,017	398	350,828	160,482	119	125,528	35,823	250
<b>Total operating income</b>	<b>5,285,261</b>	<b>4,375,638</b>	<b>21</b>	<b>1,354,305</b>	<b>1,079,027</b>	<b>26</b>	<b>6,257,985</b>	<b>5,261,280</b>	<b>19</b>	<b>1,587,632</b>	<b>1,317,955</b>	<b>20</b>
<b>Less: Impairment for loans and other losses</b>												
Loans and advances to customers	305,407	248,929	23	91,445	37,214	146	543,403	377,508	44	203,745	86,200	136
Other financial assets	3,150	-	100	3,150	-	100	4,480	-	100	4,480	-	100
Non financial assets	33,725	-	100	33,725	-	100	28,456	-	100	28,456	-	100
										(100)	-	-
<b>Net operating income</b>	<b>4,942,979</b>	<b>4,126,709</b>	<b>20</b>	<b>1,225,984</b>	<b>1,041,813</b>	<b>18</b>	<b>5,681,646</b>	<b>4,883,772</b>	<b>16</b>	<b>1,350,951</b>	<b>1,231,755</b>	<b>10</b>
Less: Personnel expenses	1,821,782	1,598,410	14	467,068	415,762	12	2,058,923	1,816,442	13	508,376	453,497	12
Depreciation and amortisation	382,573	399,545	(4)	72,162	105,683	(32)	415,895	428,810	(3)	87,016	112,164	(22)
Other expenses	1,525,120	1,346,917	13	346,924	369,153	(6)	1,791,648	1,612,984	11	430,058	470,636	(9)
<b>Total operating expenses</b>	<b>3,729,475</b>	<b>3,344,872</b>	<b>11</b>	<b>886,156</b>	<b>890,598</b>	<b>(0)</b>	<b>4,266,466</b>	<b>3,858,236</b>	<b>11</b>	<b>1,025,451</b>	<b>1,036,297</b>	<b>(1)</b>
<b>Results from operating activities</b>	<b>1,213,504</b>	<b>781,837</b>	<b>55</b>	<b>339,830</b>	<b>151,215</b>	<b>125</b>	<b>1,415,180</b>	<b>1,025,536</b>	<b>38</b>	<b>325,500</b>	<b>195,458</b>	<b>67</b>
Share of profit of equity accounted investees, net of tax	34,614	55,801	(38)	(12,990)	16,331	(180)	-	-	-	-	-	-
<b>Profit before value added tax (VAT), nation building tax (NBT) and debt repayment levy (DRL) on financial services</b>	<b>1,248,118</b>	<b>837,638</b>	<b>49</b>	<b>326,840</b>	<b>167,546</b>	<b>95</b>	<b>1,415,180</b>	<b>1,025,536</b>	<b>38</b>	<b>325,500</b>	<b>195,458</b>	<b>67</b>
Less: VAT, NBT and DRL on financial services	470,724	303,520	55	149,581	70,291	113	521,775	348,202	50	157,309	78,101	101
<b>Profit before tax</b>	<b>777,394</b>	<b>534,118</b>	<b>46</b>	<b>177,259</b>	<b>97,255</b>	<b>82</b>	<b>893,405</b>	<b>677,334</b>	<b>32</b>	<b>168,192</b>	<b>117,357</b>	<b>43</b>
Less: Tax expenses	304,846	73,500	315	94,541	(21,917)	531	358,755	126,205	184	79,974	(23,604)	439
<b>Profit after tax</b>	<b>472,548</b>	<b>460,618</b>	<b>3</b>	<b>82,718</b>	<b>119,172</b>	<b>(31)</b>	<b>534,650</b>	<b>551,129</b>	<b>(3)</b>	<b>88,217</b>	<b>140,961</b>	<b>(37)</b>
<b>Profit Attributable to:</b>												
Equity holders of the parent	472,548	460,618	3	82,718	119,172	(31)	517,750	514,776	1	93,028	130,436	(29)
Non-controlling interest	-	-	-	-	-	-	16,900	36,353	(54)	(4,811)	10,525	(146)
<b>Profit after tax</b>	<b>472,548</b>	<b>460,618</b>	<b>3</b>	<b>82,718</b>	<b>119,172</b>	<b>(31)</b>	<b>534,650</b>	<b>551,129</b>	<b>(3)</b>	<b>88,217</b>	<b>140,961</b>	<b>(37)</b>
<b>Earnings per share</b>												
Earnings per share - Basic	0.43	0.42	3	0.08	0.11	(31)	0.47	0.47	1	0.09	0.12	(29)
Earnings per share - Diluted	0.43	0.42	3	0.08	0.11	(31)	0.47	0.47	1	0.08	0.12	(29)

The amounts for the year ended 31 december 2018 have been prepared in accordance with Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments), where prior period amounts have not been restated. The additional provision relating to the year 2018 arising from application of SLFRS 9 has been charged to the quarter ended 31 December 2018.

	BANK						GROUP					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
<b>Profit for the period</b>	472,548	460,618	3	82,718	119,172	(31)	534,650	551,129	(3)	88,217	140,961	(37)
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>												
<i>Debt instruments at fair value through other comprehensive income</i>												
Net change in fair value during the year	(840,798)	-	(100)	(513,579)	-	(100)	(840,798)	-	(100)	(501,285)	-	(100)
Changes in allowance for expected credit loss	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification to the income statement	199,740	-	100	108,119	-	100	199,740	-	100	104,676	-	100
Less: Income tax effect on above	179,497	-	100	181,173	-	100	179,497	-	100	179,497	-	100
Net gains/(losses) on financial investments at fair value through other comprehensive income	(461,561)	-	(100)	(224,288)	-	(100)	(461,561)	-	(100)	(217,112)	-	(100)
<b>Available for sale financial assets</b>												
Gains/ (losses) on re-measuring available for sale financial assets	-	781,723	(100)	-	(9,695)	100	-	795,511	(100)	-	(12,719)	100
Net amount transferred to profit or loss (available for sale financial assets)	-	(223,491)	100	-	-	-	-	(236,152)	100	-	-	-
Less: Income tax effect on gains/ (losses) on re-measuring available for sale financial assets	-	(156,305)	100	-	2,714	(100)	-	(156,305)	100	-	2,714	(100)
Net gains/(losses) on available for sale financial investments	-	401,927	(100)	-	(6,981)	100	-	403,054	(100)	-	(10,005)	100
Share of other comprehensive income of equity accounted investees, net of tax	-	538	(100)	-	(1,152)	100	-	-	-	-	-	-
<b>Total items that will be reclassified to the statement of profit or loss</b>	(461,561)	402,465	(215)	-	(8,133)	(100)	(461,561)	403,054	(215)	(217,112)	(10,005)	(100)
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>												
Actuarial gains/ (losses) on defined benefit plans	(9,051)	7,214	(225)	(9,051)	7,214	(225)	(3,724)	8,184	100	(9,102)	8,184	(211)
Revaluation gains/ (losses) on equity instruments at fair value through other comprehensive income	-	-	-	-	-	100	(28,650)	-	100	(28,650)	-	(100)
Less: Income tax effect on above	2,534	(2,019)	226	2,534	(2,020)	225	1,041	(2,291)	145	2,547	(2,292)	211
Share of other comprehensive income of equity accounted investees, net of tax	(11,805)	427	(2865)	(11,805)	-	(100)	-	-	-	-	-	-
<b>Total items that will not be reclassified to the statement of profit or loss</b>	(18,322)	5,622	(426)	(18,322)	5,194	(453)	(31,333)	5,893	100	(35,206)	5,892	(697)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	(479,883)	408,087	(218)	(242,610)	(2,939)	(8,155)	(492,894)	408,947	(221)	(252,317)	(4,113)	(6035)
<b>Total comprehensive income for the period, net of tax</b>	(7,335)	868,705	(101)	(159,892)	116,233	(238)	41,756	960,076	(96)	(164,100)	136,849	(220)
<b>Attributable to:</b>												
Equity holders of the parent	(7,335)	868,705	(101)	(159,892)	116,233	(238)	37,867	922,863	(96)	(149,582)	127,497	(217)
Non-controlling interest	-	-	-	-	-	-	3,889	37,213	(90)	(14,518)	9,351	(255)
<b>Total comprehensive income for the period, net of tax</b>	(7,335)	868,705	(101)	(159,892)	116,233	(238)	41,756	960,076	(96)	(164,100)	136,849	(220)

The amounts for the year ended 31 december 2018 have been prepared in accordance with Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments), where prior period amounts have not been restated. The additional provision relating to the year 2018 arising from application of SLFRS 9 has been charged to the quarter ended 31 December 2018.

**INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018

	BANK			GROUP		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
<b>Assets</b>						
Cash and cash equivalents	2,917,866	4,697,738	(38)	3,306,393	5,057,422	(35)
Balances with Central Bank of Sri Lanka	4,219,932	3,785,679	11	4,219,932	3,785,679	11
Placements with banks	3,265,425	716,147	356	3,265,425	866,690	277
Reverse repurchased agreements	417,146	1,795		950,998	301,297	216
Derivative financial instruments	34,274	2,760	1142	34,274	2,760	1142
Financial investments at fair value through profit or loss	2,863,121	-	100	2,863,121	-	100
Financial investments - held for trading	-	5,949,023	(100)	-	5,949,023	(100)
Financial assets at amortised cost - loans and advances to customers	73,749,208	-	100	82,120,068	-	100
Loans and receivables to other customers	-	70,577,923	(100)	-	79,220,956	(100)
Financial assets at amortised cost - debt and other instruments	16,567,940	-	100	15,942,404	-	100
Other loans and receivables	-	9,609,639	(100)	-	8,674,102	(100)
Financial investments - held to maturity	-	2,546,553	(100)	-	2,546,553	(100)
Financial investments at fair value through other comprehensive income	17,735,959	-	100	17,787,621	-	100
Financial investments - available for sale	-	16,453,207	(100)	-	16,604,761	(100)
Current tax assets	336,167	436,279	(23)	336,167	436,284	(23)
Investments in real estate	-	-	100	118,633	152,914	(22)
Investments in subsidiaries	835,373	1,262,612	(34)	-	-	100
Goodwill and intangible assets	1,202,532	1,220,999	(2)	1,550,544	1,568,398	(1)
Property, plant and equipment	789,158	888,359	(11)	1,013,541	1,058,067	(4)
Deferred tax assets	115,596	-	100	517,374	433,728	19
Other assets	870,457	858,695	1	1,005,213	942,198	7
<b>Total assets</b>	<b>125,920,154</b>	<b>119,007,408</b>	<b>6</b>	<b>135,031,708</b>	<b>127,600,832</b>	<b>6</b>
<b>Liabilities</b>						
Due to banks	9,348,209	17,208,641	(46)	9,515,547	17,298,727	(45)
Derivative financial instruments	71,750	4,867	1374	71,750	4,867	1374
Repurchased agreements	17,585,912	10,381,193	69	17,535,900	10,218,055	72
Due to customers	79,251,073	70,325,594	13	86,266,123	76,747,977	12
Other borrowed funds	1,234,220	1,224,812	1	2,921,647	2,968,233	(2)
Current tax liabilities	-	-	100	188,001	173,207	9
Deferred tax liabilities	-	144,922	(100)	1,436	145,278	(99)
Other liabilities	1,801,642	1,859,682	(3)	2,058,270	2,202,772	(7)
<b>Total liabilities</b>	<b>109,292,806</b>	<b>101,149,711</b>	<b>8</b>	<b>118,558,674</b>	<b>109,759,116</b>	<b>8</b>

**INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018

	BANK			GROUP		
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	Change %	31.12.2018 Rs.'000	31.12.2017 Rs.'000	Change %
<b>Equity</b>						
Stated 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	139,883	116,256	20	157,569	131,519	20
ESOP reserve	52,816	35,848	47	52,816	35,848	47
Available for sale reserve	-	150,570	100	-	155,377	100
FVOCI reserve	(310,991)	-	100	(306,184)	-	100
Retained earnings	345,374	1,154,757	(70)	(43,734)	714,444	(106)
<b>Total equity attributable to equity holders of the bank</b>	<b>16,627,348</b>	<b>17,857,697</b>	<b>(7)</b>	<b>16,260,733</b>	<b>17,437,454</b>	<b>(7)</b>
Non-controlling interests	-	-	-	212,301	404,262	(47)
<b>Total equity</b>	<b>16,627,348</b>	<b>17,857,697</b>	<b>(7)</b>	<b>16,473,034</b>	<b>17,841,716</b>	<b>(8)</b>
<b>Total equity and liabilities</b>	<b>125,920,154</b>	<b>119,007,408</b>	<b>6</b>	<b>135,031,708</b>	<b>127,600,832</b>	<b>6</b>

<b>Commitments and contingencies</b>	34,337,204	26,313,733	30	34,528,827	26,313,733	31
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<b>Net asset value per share (Rs.)</b>	15.23	16.36		14.90	15.98	
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**Memorandum information**

Number of Employees	1,266	1,269	
Number of Branches	67	67	

The amounts for the year ended 31 december 2018 have been prepared in accordance with Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments), where prior period amounts have not been restated.

**CERTIFICATION:**

We, the undersigned, being the Chairman, Director/ Chief Executive Officer and Chief Financial Officer 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 audited financial statements of the Bank and the Group.

.....  
Malinda Samaratinga  
Chief Financial Officer

.....  
Indrajit Wickramasinghe  
Director/ Chief Executive Officer

.....  
Atul Malik  
Chairman

Date: 26 February 2019

BANK	Stated Capital		Statutory Reserve		Available for Sale		FVOCI reserve	Retained Earnings	Total Equity
	Rs.'000	Share Warrants Rs.'000	Fund Rs.'000	ESOP Reserve Rs.'000	Reserve Rs.'000	Rs.'000			
<b>Balance as at 1 January 2017</b>	16,334,782	65,484	95,439	17,836	(251,895)	-	821,568	17,083,214	
<b>Total comprehensive income for the year</b>									
Net profit for the year	-	-	-	-	-	-	460,618	460,618	
Other comprehensive income	-	-	-	-	402,465	-	5,622	408,087	
<b>Total Comprehensive Income</b>	-	-	-	-	402,465	-	466,240	868,705	
<b>Transactions with equity holders, recognised directly in equity</b>									
Change in control	-	-	-	-	-	-	(3,093)	(3,093)	
Fair value of ESOP	-	-	-	18,012	-	-	-	18,012	
Transfers during the year	-	-	20,817	-	-	-	(20,817)	-	
Dividends to equity holders	-	-	-	-	-	-	(109,141)	(109,141)	
<b>Balance as at 31 December 2017</b>	16,334,782	65,484	116,256	35,848	150,570	-	1,154,757	17,857,697	
<b>Balance as at 1 January 2018</b>	16,334,782	65,484	116,256	35,848	150,570	-	1,154,757	17,857,697	
Transitional adjustment on the implementation of SLFRS 9 - Bank	-	-	-	-	(150,570)	150,570	(952,085)	(952,085)	
Transitional adjustment on the implementation SLFRS 9 - Subsidiaries	-	-	-	-	-	-	(403,355)	(403,355)	
Deferred tax on Transitional adjustment	-	-	-	-	-	-	224,599	224,599	
<b>Restated opening balance as at 1 January 2019 under SLFRS 9</b>	16,334,782	65,484	116,256	35,848	-	150,570	23,916	16,726,856	
<b>Total comprehensive income for the year</b>									
Net profit for the year	-	-	-	-	-	-	472,548	472,548	
Other comprehensive income	-	-	-	-	-	-	(461,561)	(18,322)	
<b>Total comprehensive Income</b>	-	-	-	-	-	-	(461,561)	(7,335)	
<b>Transactions with equity holders, recognised directly in equity</b>									
Fair value of ESOP	-	-	-	16,968	-	-	-	16,968	
Transfers during the year	-	-	23,627	-	-	-	(23,627)	-	
Dividends to equity holders	-	-	-	-	-	-	(109,141)	(109,141)	
<b>Balance as at 31 December 2018</b>	16,334,782	65,484	139,883	52,816	-	(310,991)	345,374	16,627,348	

GROUP	Stated Capital		Statutory Reserve		Available for Sale		FVOCI reserve	Retained Earnings	Total Equity	Non-controlling	
	Rs.'000	Share Warrants Rs.'000	Fund Rs.'000	ESOP Reserve Rs.'000	Reserve Rs.'000	Rs.'000				Rs.'000	Rs.'000
<b>Balance as at 1 January 2017</b>	16,334,782	65,484	107,602	17,836	(247,088)	-	330,197	16,608,813	356,579	16,965,392	
<b>Total comprehensive income for the year</b>											
Net profit for the period	-	-	-	-	-	-	514,776	514,776	36,353	551,129	
Other comprehensive income	-	-	-	-	402,465	-	5,622	408,087	859	408,946	
<b>Total comprehensive Income</b>	-	-	-	-	402,465	-	520,398	922,863	37,212	960,075	
<b>Transactions with equity holders, recognised directly in equity</b>											
New share rights issued	-	-	-	-	-	-	-	-	19,628	19,628	
Change in control	-	-	-	-	-	-	(3,093)	(3,093)	3,093	-	
Fair value of ESOP	-	-	-	18,012	-	-	-	18,012	-	18,012	
Transfers during the period	-	-	23,917	-	-	-	-	(23,917)	-	-	
Dividends to equity holders	-	-	-	-	-	-	(109,141)	(109,141)	(12,250)	(121,391)	
<b>Balance as at 31 December 2017</b>	16,334,782	65,484	131,519	35,848	155,377	-	714,444	17,437,454	404,262	17,841,716	
<b>Balance as at 1 January 2018</b>	16,334,782	65,484	131,519	35,848	155,377	-	714,444	17,437,454	404,262	17,841,716	
Transitional adjustment on the implementation of SLFRS 9	-	-	-	-	(155,377)	155,377	(1,347,014)	(1,347,014)	(146,850)	(1,493,864)	
Deferred tax on Transitional adjustment	-	-	-	-	-	-	224,599	224,599	-	224,599	
<b>Restated opening balance as at 1 January 2019 under SLFRS 9</b>	16,334,782	65,484	131,519	35,848	-	155,377	(407,971)	16,315,039	257,412	16,572,451	
<b>Total comprehensive income for the year</b>											
Net profit for the year	-	-	-	-	-	-	517,750	517,750	16,900	534,650	
Other comprehensive income	-	-	-	-	-	-	(461,561)	(18,322)	(479,883)	(13,011)	
<b>Total comprehensive Income</b>	-	-	-	-	-	-	(461,561)	499,428	37,867	41,756	
<b>Transactions with equity holders, recognised directly in equity</b>											
Fair value of ESOP	-	-	-	16,968	-	-	-	16,968	-	16,968	
Transfers during the year	-	-	26,050	-	-	-	-	(26,050)	-	-	
Dividends to equity holders	-	-	-	-	-	-	(109,141)	(109,141)	(49,000)	(158,141)	
<b>Balance as at 31 December 2018</b>	16,334,782	65,484	157,569	52,816	-	(306,184)	(43,734)	16,260,733	212,301	16,473,034	

**INTERIM FINANCIAL STATEMENTS**
**STATEMENT OF CASH FLOWS**

Period ended 31 December 2018

	BANK		GROUP	
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	31.12.2018 Rs.'000	31.12.2017 Rs.'000
<b>Cash flow from operating activities</b>				
Interest receipts	11,889,016	10,043,039	13,703,475	11,084,899
Fee and commission receipts	832,850	673,471	957,575	827,027
Interest payments	(8,055,095)	(6,616,336)	(9,164,848)	(7,616,916)
Receipts from other operating activities	1,393,556	650,496	1,584,492	732,964
Payments on other operating activities	(3,750,393)	(3,196,926)	(4,299,259)	(3,720,552)
<b>Operating profit before changes in operating assets &amp; liabilities</b>	<b>2,309,934</b>	<b>1,553,743</b>	<b>2,781,435</b>	<b>1,307,422</b>
<b>(Increase)/decrease in operating assets:</b>				
Balances with Central Bank of Sri Lanka	(434,253)	(1,297,874)	(434,253)	(1,297,874)
Financial assets at amortised cost - loans and advances/ Loans and receivables to other customers	(4,278,727)	(15,181,731)	(4,709,728)	(16,288,170)
Others	(43,274)	(199,659)	(60,246)	(111,782)
	(4,756,254)	(16,679,264)	(5,204,227)	(17,697,826)
<b>Increase /(decrease) in operating liabilities:</b>				
Due to banks	(127,214)	(12,851)	(127,214)	(12,851)
Due to customers	8,423,480	17,787,019	9,024,538	18,496,583
Repurchased agreements	7,227,481	73,167	7,340,608	53,129
Others	(181,971)	185,157	(414,073)	33,179
	15,341,776	18,032,492	15,823,859	18,570,040
<b>Net cash from/(used in) operating activities before income tax</b>	<b>12,895,457</b>	<b>2,906,971</b>	<b>13,401,067</b>	<b>2,179,636</b>
Retirement benefit obligation paid	(18,836)	(12,052)	(23,694)	(12,688)
Income tax paid	(27,420)	(64,184)	(37,722)	(84,342)
<b>Net cash from operating activities</b>	<b>12,849,201</b>	<b>2,830,735</b>	<b>13,339,651</b>	<b>2,082,606</b>
<b>Cash flow from/(used in) investing activities</b>				
Dividends received	46,732	12,221	2,303	2,684
Financial investments at fair value through profit or loss	3,100,762	-	3,100,762	-
Financial investments - held for trading	-	(4,555,008)	-	(4,555,008)
Financial investments at fair value through other comprehensive income	(1,946,055)	-	(1,846,163)	-
Financial investments - available for sale	-	568,180	-	591,858
Financial assets at amortised cost - debt and other instruments	(4,295,962)	-	(4,482,627)	-
Financial investments - held to maturity	-	(2,386,348)	-	(2,386,348)
Net increase in debt securities	-	(1,725,538)	-	(1,725,538)
Investment in subsidiaries	-	(280,432)	-	-
Purchase of property, plant & equipment	(143,050)	(243,053)	(231,317)	(272,045)
Purchase of intangible assets	(62,336)	(232,854)	(65,454)	(231,675)
Proceeds from Sale of property, plant & equipment	13,381	16,537	16,284	29,961
<b>Net cash used in investing activities</b>	<b>(3,286,528)</b>	<b>(8,826,295)</b>	<b>(3,506,212)</b>	<b>(8,546,111)</b>
<b>Cash flow from/(used in) financing activities</b>				
Proceeds from shares	-	-	-	19,628
Increase/decrease in borrowings	(8,353,520)	6,139,694	(8,633,418)	7,133,795
Dividend paid	(109,141)	(109,141)	(158,141)	(121,391)
<b>Net cash from/ (used in) financing activities</b>	<b>(8,462,661)</b>	<b>6,030,553</b>	<b>(8,791,559)</b>	<b>7,032,032</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>1,100,012</b>	<b>34,994</b>	<b>1,041,879</b>	<b>568,527</b>
Cash and cash equivalents at beginning of the year	5,225,418	5,190,479	6,039,341	5,470,814
<b>Cash and cash equivalents at end of the year</b>	<b>6,325,430</b>	<b>5,225,473</b>	<b>7,081,220</b>	<b>6,039,341</b>
<b>Reconciliation of cash and cash equivalents</b>				
Cash in hand and at banks	2,917,866	4,697,738	3,306,393	5,057,422
Placements with banks	3,265,382	716,147	3,266,132	866,690
Due to banks	(274,669)	(190,207)	(442,007)	(186,068)
Reverse repurchased agreements	416,851	1,795	950,702	301,297
<b>Total cash and cash equivalents at end of the year</b>	<b>6,325,430</b>	<b>5,225,473</b>	<b>7,081,220</b>	<b>6,039,341</b>

The amounts for the year ended 31 december 2018 have been prepared in accordance with Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments), where prior period amounts have not been restated.

**STATEMENT OF CASH FLOWS**

Period ended 31 December 2018

**Reconciliation of liabilities arising from financing activities;**

For the period ended 31 December 2018	Cash change		Non cash change	
	31 Dec 2018 Rs.'000	- Cash flow Rs.'000	- Foreign exchange movement Rs.'000	1 Jan 2018 Rs.'000
<b>BANK</b>				
Due to banks	8,941,756	(8,388,448)	121,563	17,208,641
Other borrowed funds	1,234,220	9,408	-	1,224,812
Less : Unfavorable balances with banks	(274,669)	(84,462)	-	(190,207)
Less : Interest payable	(34,480)	109,982	-	(144,462)
<b>Total</b>	<b>9,866,827</b>	<b>(8,353,520)</b>	<b>121,563</b>	<b>18,098,784</b>
<b>GROUP</b>				
Due to banks	9,109,094	(8,311,196)	121,563	17,298,727
Other borrowed funds	2,921,647	(46,586)	-	2,968,233
Less : Unfavorable balances with banks	(442,007)	(255,939)	-	(186,068)
Less : Interest payable	(203,917)	(19,697)	-	(184,220)
<b>Total</b>	<b>11,384,817</b>	<b>(8,633,418)</b>	<b>121,563</b>	<b>19,896,672</b>
<b>For the period ended 31 December 2017</b>				
	31 Dec 2017 Rs.'000	Cash change - Cash flow Rs.'000	Non cash change - Foreign exchange movement Rs.'000	1 Jan 2017 Rs.'000
<b>BANK</b>				
Due to banks	17,208,641	5,044,308	4,089	12,160,244
Other borrowed funds	1,224,812	1,224,812	-	-
Less : Unfavorable balances with banks	(190,207)	(54,794)	-	(135,413)
Less : Interest payable	(144,462)	(74,631)	-	(69,831)
<b>Total</b>	<b>18,098,784</b>	<b>6,139,694</b>	<b>4,089</b>	<b>11,955,000</b>
<b>GROUP</b>				
Due to banks	17,298,727	4,524,441	4,089	12,770,197
Other borrowed funds	2,968,233	2,135,138	-	833,095
Less : Unfavorable balances with banks	(186,068)	559,298	-	(745,366)
Less : Interest payable	(184,220)	(85,081)	-	(99,139)
<b>Total</b>	<b>19,896,672</b>	<b>7,133,795</b>	<b>4,089</b>	<b>12,758,787</b>

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2018

**MEASUREMENT OF FINANCIAL INSTRUMENTS**

**a. Bank - As at 31 December 2018**

	Fair Value Through P&L Rs.000	Fair Value Through OCI Rs.000	Amortised cost Rs.000	Total Rs.000
<b>ASSETS</b>				
Cash and cash equivalents	-	-	2,917,866	2,917,866
Balances with Central Bank of Sri Lanka	-	-	4,219,932	4,219,932
Placements with banks	-	-	3,265,425	3,265,425
Reverse repurchased agreements	-	-	417,146	417,146
Derivative financial instruments	34,274	-	-	34,274
Financial investments at fair value through profit or loss	2,863,121	-	-	2,863,121
Financial assets at amortised cost - loans and advances to customers	-	-	73,749,208	73,749,208
Financial assets at amortised cost - debt and other instruments	-	-	16,567,940	16,567,940
Financial investments at fair value through other comprehensive income	-	17,735,959	-	17,735,959
Other financial assets	-	-	153,865	153,865
<b>Total financial assets</b>	<b>2,897,395</b>	<b>17,735,959</b>	<b>101,291,382</b>	<b>121,924,737</b>

	Fair Value Through P&L Rs.000	Amortised cost Rs.000	Total Rs.000
<b>LIABILITIES</b>			
Due to banks	-	9,348,209	9,348,209
Derivative financial instruments	71,750	-	71,750
Repurchased agreements	-	17,585,912	17,585,912
Due to customers	-	79,251,073	79,251,073
Other borrowed funds	-	1,234,220	1,234,220
Other financial liabilities	-	972,330	972,330
<b>Total financial liabilities</b>	<b>71,750</b>	<b>108,391,744</b>	<b>108,463,494</b>

**b. Bank - As at 31 December 2017**

	Held for Trading Rs.000	Held to Maturity Rs.000	Loans & Receivables Rs.000	Available for sale Rs.000	Total Rs.000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	4,697,738	-	4,697,738
Balances with Central Bank of Sri Lanka	-	-	3,785,679	-	3,785,679
Placements with banks	-	-	716,147	-	716,147
Reverse repurchased agreements	-	-	1,795	-	1,795
Derivative financial instruments	2,760	-	-	-	2,760
Financial investments - held for trading	5,949,023	-	-	-	5,949,023
Loans and receivables to customers	-	-	70,577,923	-	70,577,923
Other loans and receivables	-	-	9,609,639	-	9,609,639
Financial investments - available for sale	-	-	-	16,453,207	16,453,207
Financial investments - held to maturity	-	2,546,553	-	-	2,546,553
Other financial assets	-	-	133,308	-	133,308
<b>Total financial assets</b>	<b>5,951,783</b>	<b>2,546,553</b>	<b>89,522,229</b>	<b>16,453,207</b>	<b>114,473,772</b>

	Held for Trading Rs.000	Amortised cost Rs.000	Total -
<b>LIABILITIES</b>			
Due to banks	-	17,208,641	17,208,641
Derivative financial instruments	4,867	-	4,867
Repurchased agreements	-	10,381,193	10,381,193
Due to customers	-	70,325,594	70,325,594
Other borrowed funds	-	1,224,812	1,224,812
Other financial liabilities	-	1,402,968	1,402,968
<b>Total financial liabilities</b>	<b>4,867</b>	<b>100,543,208</b>	<b>100,548,075</b>

The amounts for the year ended 31 December 2018 have been prepared in accordance with Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments), where prior period amounts have not been restated.

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2018

**MEASUREMENT OF FINANCIAL INSTRUMENTS**

**a. Group - As at 31 December 2018**

	Fair Value Through P&L Rs.000	Fair Value Through OCI Rs.000	Amortised Cost Rs.000	Total Rs.000
<b>ASSETS</b>				
Cash and cash equivalents	-	-	3,306,393	3,306,393
Balances with Central Bank of Sri Lanka	-	-	4,219,932	4,219,932
Placements with banks	-	-	3,265,425	3,265,425
Reverse repurchased agreements	-	-	950,998	950,998
Derivative financial instruments	34,274	-	-	34,274
Financial investments at fair value through profit or loss	2,863,121	-	-	2,863,121
Financial assets at amortised cost - loans and advances to customers	-	-	82,120,068	82,120,068
Financial assets at amortised cost - debt and other instruments	-	-	15,942,404	15,942,404
Financial investments at fair value through other comprehensive income	-	17,787,621	-	17,787,621
Other financial assets	-	-	235,267	235,267
<b>Total financial assets</b>	<b>2,897,395</b>	<b>17,787,621</b>	<b>110,040,484</b>	<b>130,725,500</b>

	Fair Value Through P&L Rs.000	Amortised Cost Rs.000	Total Rs.000
<b>LIABILITIES</b>			
Due to banks	-	9,515,547	9,515,547
Derivative financial instruments	71,750	-	71,750
Repurchased agreements	-	17,535,900	17,535,900
Due to customers	-	86,266,123	86,266,123
Other borrowed funds	-	2,921,647	2,921,647
Other financial liabilities	-	1,046,167	1,046,167
<b>Total financial liabilities</b>	<b>71,750</b>	<b>117,285,384</b>	<b>117,357,134</b>

**b. Group - As at 31 December 2017**

	Held for Trading Rs.000	Held to Maturity Rs.000	Loans & Receivables Rs.000	Available for sale Rs.000	Total Rs.000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	5,057,422	-	5,057,422
Balances with Central Bank of Sri Lanka	-	-	3,785,679	-	3,785,679
Placements with banks	-	-	866,690	-	866,690
Reverse repurchased agreements	-	-	301,297	-	301,297
Derivative financial instruments	2,760	-	-	-	2,760
Financial investments - held for trading	5,949,023	-	-	-	5,949,023
Loans and receivables to customers	-	-	79,220,956	-	79,220,956
Other loans and receivables	-	-	8,674,102	-	8,674,102
Financial investments - available for sale	-	-	-	16,604,761	16,604,761
Financial investments - held to maturity	-	2,546,553	-	-	2,546,553
Other financial assets	-	-	199,925	-	199,925
<b>Total financial assets</b>	<b>5,951,783</b>	<b>2,546,553</b>	<b>98,106,071</b>	<b>16,604,761</b>	<b>123,209,168</b>

	Held for Trading Rs.000	Amortised cost Rs.000	Total Rs.000
<b>LIABILITIES</b>			
Due to banks	-	17,298,727	17,298,727
Derivative financial instruments	4,867	-	4,867
Repurchased agreements	-	10,218,055	10,218,055
Due to customers	-	76,747,977	76,747,977
Other borrowed funds	-	2,968,233	2,968,233
Other financial liabilities	-	1,562,527	1,562,527
<b>Total financial liabilities</b>	<b>4,867</b>	<b>108,795,519</b>	<b>108,800,386</b>

The amounts for the year ended 31 december 2018 have been prepared in accordance with Sri Lanka Accounting Standard-SLFRS 9 (Financial Instruments), where prior period amounts have not been restated.

- 1 There are no changes to the accounting policies and methods of computation since the publication of annual accounts for the year 2018.
- 2 Based on the “Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements” issued by The Institute of Chartered Accountants of Sri Lanka, the Bank continued to prepare the interim financial statements for the first three quarters of the year 2018 with the application of LKAS 39 (Financial Instruments: Recognition and Measurement), along with relevant disclosures on the impact to the Statement of Comprehensive Income for the period, if SLFRS 9 has been applied.
- 3 The Bank prepared the Annual Financial Statements for the year ended December 31, 2018 based on SLFRS 9. The comparative information for 2017 is reported under LKAS 39 and is not comparable to the information presented for 2018. The total additional impairment provision arising from SLFRS 9 for the year 2018 has been recognised in the 4th quarter of 2018. The impact of adopting SLFRS 9 at transition date, January 01, 2018, on the Statement of Financial Position, and equity are given in the Note 9 under Transition Disclosures.
- 4 These Interim financial statements are presented in accordance with LKAS 34 - "Interim Financial Reporting" and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.
- 5 There are no material changes during the period in the composition of assets, liabilities and contingent liabilities. All known expenditure items have been provided for.
- 6 The Group financial statements comprise a consolidation of the 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.
- 7 No material events have been taken place subsequent to the reporting period that require disclosures or/ and adjustment in the Financial Statements.

8 Information on Ordinary Shares

<b>Market Value</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Last traded price	11.00	13.20
Highest price for the quarter	12.90	15.00
Lowest price for the quarter	10.70	13.10

**9 TRANSITION DISCLOSURES**

The following disclosure set out the impact of adopting SLFRS 9 on the statement of financial position and retained earnings including the effect of replacing LKAS 39 incurred credit loss calculations with SLFRS 9 expected credit losses.

**9.1 BANK**

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1 January 2018;

Assets/ Liabilities	Ref	LKAS 39		Re-classification	Remeasurement	SLFRS 09	
		Category	Amount Rs.'000			Category	Amount Rs.'000
Cash and cash equivalents		L & R	4,697,738	-	-	AC	4,697,738
Balances with the Central Bank of Sri Lanka		L & R	3,785,679	-	-	AC	3,785,679
Placements with banks		L & R	716,147	-	-	AC	716,147
Less: Collective Impairment	A		-	-	(22)		(22)
							716,125
Reverse repurchased agreements		L & R	1,795	-	-	AC	1,795
Derivative financial instruments	A	FVPL	2,760	-	-	FVPL	2,760
To: Financial investments at fair value through profit or loss			-	5,949,023	-	FVPL	5,949,023
From: Financial investments - held for trading		FVPL	5,949,023	(5,949,023)	-		-
To: Financial assets at amortised cost - loans and advances to customers			-	71,493,285	-	AC	71,493,285
From: Loans and receivables to other customers		L & R	71,493,285	(71,493,285)	-		-
Less: Collective Impairment	A		(399,916)	-	(866,060)		(1,265,976)
Less: Individual Impairment			(515,446)	-	-		(515,446)
			70,577,923	-	-		69,711,863
To: Financial assets at amortised cost - debt and other instruments			-	12,156,192	-	AC	12,156,192
From: Other loans and receivables		L & R	9,609,639	(9,609,639)	-		-
From: Financial investments - held to maturity	C	HTM	2,546,553	(2,546,553)	-		-
Less: Collective Impairment	A		-	-	(38,715)		(38,715)
			-	-	-		12,117,477
To: Financial investments at fair value through other comprehensive income	B		-	16,453,207	-	FVOCI	16,453,207
From: Financial investments - available for sale		AFS	16,453,207	(16,453,207)	-		-
Other liabilities - Non-financial liabilities							
Collective Impairment on commitment and contingencies	A		-	-	(47,288)		(47,288)
Deferred tax assets/ (liabilities)	D		(144,922)	-	224,599		79,676
Investments in subsidiaries			-	-	(403,355)		(403,355)
Retained Earnings	9.1.1		1,154,757	-	(1,130,841)		23,916

**A** The adoption of SLFRS 9 has fundamentally changed the Bank's credit loss impairment method by replacing incurred loss approach based on LKAS 39 with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with commitments and contingencies.

**B** As of 1 January 2018, the Bank has assessed its liquidity portfolio which had previously been classified as AFS debt instruments. The Bank concluded that, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Bank has classified these investments as debt instruments measured at FVOCI.

**C** As of 1 January 2018, the Bank did not have any debt instruments that did not meet the SPPI criterion within its held to maturity portfolio. Therefore, it is elected to classify all of these instruments as debt instruments measured at amortised cost.

**D** The impact of adopting SLFRS 9 on deferred tax.

**9.1.1 The impact of transition to SLFRS 9 on retained earnings:**

	Rs. '000
Retained Earnings	
Closing balance under LKAS 39 (31 December 2017)	1,154,757
Transitional adjustment on the implementation of SLFRS 9 - Bank (refer Note 9.1.2)	(952,085)
Transitional adjustment on the implementation of SLFRS 9 - Subsidiaries	(403,355)
Deferred tax on Transitional adjustments - Bank	224,599
Opening balance under SLFRS 9 (1 January 2018)	23,916

**9.1.2 Reconciliation of the aggregate opening loan loss provision allowances under LKAS 39 to the expected credit loss provision under SLFRS 9.**

	Loan loss provision under LKAS 39 at 31 December 2017	Remeasurement	Expected credit loss under SLFRS 9 at 1 January 2018
<b>Impairment on Financial Assets/ Liabilities</b>			
Placements with banks	-	(22)	(22)
Financial assets at amortised cost - loans and advances to customers	(915,362)	(866,060)	(1,781,421)
Financial assets at amortised cost - debt and other instruments	-	(38,715)	(38,715)
Commitment and contingencies	-	(47,288)	(47,288)
<b>Total</b>	(915,362)	(952,085)	(1,867,446)

**9.1.3 Impact on Capital Adequacy Ratio**

As per the Direction No. 4 of 2018 issued by Central Bank of Sri Lanka on "Adoption of Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments" for the purpose of calculating capital adequacy ratio, Bank shall stagger additional credit loss provision arising from SLFRS 9 at the transition date, 1 January 2018. The Bank has charged only 25% of the first day impact Rs. 282.7Mn against the Retained Earnings of the Bank for the purpose of calculating capital adequacy ratio as at 31 December 2018. If this was 100% charged, the total Tier I capital ratio and total capital ratio will be declined by 0.99%.

9.2 GROUP

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1 January 2018;

Assets/ Liabilities	Ref	LKAS 39		Re-classification	Remeasurement	SLFRS 09	
		Category	Amount Rs.'000			Category	Amount Rs.'000
Cash and cash equivalents		L & R	5,057,422	-	-	AC	5,057,422
Balances with the Central Bank of Sri Lanka		L & R	3,785,679	-	-	AC	3,785,679
Placements with banks		L & R	866,690	-	-	AC	866,690
Less: Collective Impairment	A		-	-	(22)		(22)
							866,668
Reverse repurchased agreements		L & R	301,297	-	-	AC	301,297
Derivative financial instruments	A	FVPL	2,760	-	-	FVPL	2,760
To: Financial investments at fair value through profit or loss			-	5,949,023	-	FVPL	5,949,023
From: Financial investments - held for trading		FVPL	5,949,023	(5,949,023)	-		-
To: Financial assets at amortised cost - loans and advances to customers			-	80,645,569	-	AC	80,645,569
From: Loans and receivables to other customers		L & R	80,645,569	(80,645,569)	-		-
Less: Collective Impairment	A		(732,369)	-	(1,413,457)		(2,145,826)
Less: Individual Impairment			(692,244)	-	-		(692,244)
			79,220,956	-	-		77,807,499
To : Financial assets at amortised cost - debt and other instruments			-	11,220,655	-	AC	11,220,655
From : Other loans and receivables		L & R	8,674,102	(8,674,102)	-		-
From : Financial investments - held to maturity	C	HTM	2,546,553	(2,546,553)	-		-
Less : Collective Impairment	A		-	-	(33,096)		(33,096)
			-	-	-		11,187,559
To: Financial investments at fair value through other comprehensive income	B		-	16,604,761	-	FVOCI	16,604,761
From: Financial investments - available for sale		AFS	16,604,761	(16,604,761)	-		-
Other liabilities - Non-financial liabilities							
Collective Impairment on commitment and contingencies	A		-	-	(47,288)		(47,288)
Deferred tax assets/ (liabilities)	D		288,450	-	224,599		513,049
Retained Earnings	9.2.1		714,444	-	(1,122,415)		(407,971)
Non Controlling Interest	9.2.1		404,262	-	(146,850)		257,412

- A The adoption of SLFRS 9 has fundamentally changed the Group's credit loss impairment method by replacing LKAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with commitments and contingencies.
- B As of 1 January 2018, the Group has assessed its portfolio which had previously been classified as AFS debt instruments. The Group concluded that these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these investments as debt instruments measured at FVOCI.
- C As of 1 January 2018, the Group did not have any debt instruments that did not meet the SPPI criterion within its held to maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.
- D The impact of adopting SLFRS 9 on deferred tax.

9.2.1 The impact of transition to SLFRS 9 on retained earnings:

	Rs. '000
<b>Retained Earnings</b>	
Closing balance under LKAS 39 (31 December 2017)	714,444
Transitional adjustment on the implementation of SLFRS 9	(1,347,014)
Deferred tax on Transitional adjustments	224,599
Opening balance under SLFRS 9 (1 January 2018)	<u>(407,971)</u>
<b>Non Controlling Interest</b>	
Closing balance under LKAS 39 (31 December 2017)	404,262
Transitional adjustment on the implementation of SLFRS 9	(146,850)
Deferred tax on Transitional adjustments	-
Opening balance under SLFRS 9 (1 January 2018)	<u>257,412</u>

9.2.2 Reconciliation of the aggregate opening loan loss provision allowances under LKAS 39 to the expected credit loss provision under SLFRS 9.

Impairment on Financial Assets/ Liabilities	Loan loss provision	Remeasurement	Expected credit
	under LKAS 39 at 31 December 2017		loss under SLFRS 9 at 1 January 2018
Placements with banks	-	(22)	(22)
Financial assets at amortised cost - loans and advances to customers	(1,424,613)	(1,413,458)	(2,838,071)
Financial assets at amortised cost - debt and other instruments	-	(33,096)	(33,096)
Commitment and contingencies	-	(47,288)	(47,288)
<b>Total</b>	<u>(1,424,613)</u>	<u>(1,493,864)</u>	<u>(2,918,477)</u>

9.2.3 Impact on Capital Adequacy Ratio

As per the Direction No. 4 of 2018 issued by Central Bank of Sri Lanka on "Adoption of Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments" for the purpose of calculating capital adequacy ratio, Bank shall stagger additional credit loss provision arising from SLFRS 9 at the transition date, 1<sup>st</sup> January 2018. The Bank has charged only 25% of the first day impact Rs. 280.6Mn against the Retained Earnings of the Bank for the purpose of calculating capital adequacy ratio as at 31 December 2018. If this was 100% charged, the total Tier I capital ratio and total capital ratio will be declined by 0.89%.

**10. ANALYSIS OF LOANS & ADVANCES TO CUSTOMERS AND IMPAIRMENT**

**10.1 Product-wise Gross Loans & Advances**

	BANK		GROUP	
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	31.12.2018 Rs.'000	31.12.2017 Rs.'000
Term loans	41,034,410	38,168,530	42,729,945	39,799,490
Overdrafts	11,904,826	11,851,333	11,851,545	11,847,164
Trade finance	5,908,911	6,057,397	5,908,911	6,057,397
Lease and hire purchase	1,192,136	1,614,104	7,199,578	7,170,123
Factoring	725,547	521,601	2,543,911	2,248,966
Pawning	459,792	680,156	508,288	680,156
Credit Card	243,428	-	243,428	-
Staff loans	854,000	824,246	854,000	824,308
Others	-	-	148,950	242,047
<b>By Product - Local Currency</b>	<b>62,323,050</b>	<b>59,717,367</b>	<b>71,988,556</b>	<b>68,869,651</b>
Term loans	5,982,306	4,436,302	5,982,306	4,436,302
Overdrafts	133,632	46,067	133,632	46,067
Trade finance	7,348,048	7,293,549	7,348,048	7,293,549
<b>By Product - Foreign Currency</b>	<b>13,463,985</b>	<b>11,775,918</b>	<b>13,463,985</b>	<b>11,775,918</b>
<b>Total Loans and Receivables</b>	<b>75,787,035</b>	<b>71,493,285</b>	<b>85,452,541</b>	<b>80,645,569</b>

**10.2 Stage-wise impairment on loans & advances to customers**

	BANK		GROUP	
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	31.12.2018 Rs.'000	31.12.2017 Rs.'000
Gross loans and advances (Note 10.1)	75,787,035	71,493,285	85,452,541	80,645,569
Less: Accumulated impairment under stage 1	(605,502)	-	(666,168)	-
Accumulated impairment under stage 2	(89,109)	-	(187,695)	-
Accumulated impairment under stage 3	(1,343,216)	-	(2,478,610)	-
Less: Individual impairment	-	(515,446)	-	(692,244)
Collective impairment	-	(399,916)	-	(732,369)
<b>Net value of loans and advances</b>	<b>73,749,208</b>	<b>70,577,923</b>	<b>82,120,068</b>	<b>79,220,956</b>

**10.3 Movement of impairment during the period for Loans and Advances to customers**

As at 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
<b>BANK</b>				
Opening balance	659,080	40,224	1,082,118	1,781,422
Charge to statement of profit or loss	(53,456)	48,885	309,978	305,407
Net write-off during the year	(122)	-	(48,880)	(49,002)
Closing balance	605,502	89,109	1,343,216	2,037,827
<b>GROUP</b>				
Opening balance	715,392	122,434	2,000,244	2,838,070
Charge to statement of profit or loss	(49,202)	65,261	527,344	543,403
Net write-off during the year	(122)	-	(48,878)	(49,000)
Closing balance	666,168	187,695	2,478,610	3,332,473

**11. DUE TO OTHER CUSTOMERS**

	BANK		GROUP	
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	31.12.2018 Rs.'000	31.12.2017 Rs.'000
<b>Local Currency Deposits</b>				
Demand deposits	3,634,418	3,080,341	3,634,287	3,080,171
Savings deposits	11,784,873	11,495,645	11,723,271	10,865,945
Fixed deposits	49,275,332	43,806,062	56,352,115	50,858,315
Other deposits	2,483,518	2,623,412	2,483,518	2,623,412
<b>Total</b>	<b>67,178,141</b>	<b>61,005,460</b>	<b>74,193,191</b>	<b>67,427,843</b>
<b>Foreign Currency Deposits</b>				
Demand deposits	408,737	178,115	408,737	178,115
Savings deposits	2,891,468	1,555,768	2,891,468	1,555,768
Fixed deposits	8,772,727	7,586,251	8,772,727	7,586,251
<b>Total</b>	<b>12,072,932</b>	<b>9,320,134</b>	<b>12,072,932</b>	<b>9,320,134</b>
<b>Total Deposits</b>	<b>79,251,073</b>	<b>70,325,594</b>	<b>86,266,123</b>	<b>76,747,977</b>

**12. ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT**

**12.1 Product-wise Commitments and Contingencies**

	BANK		GROUP	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Undrawn loan commitments	8,909,109	8,441,291	9,006,300	8,441,291
Guarantees	6,916,823	4,485,286	6,916,823	4,485,286
Letters of credit	36,516	31,111	36,516	31,111
Forward contracts	1,390,760	389,465	1,390,760	389,465
Cheque pending for realisation	887,413	788,861	887,413	788,861
Spot contracts	-	435,601	-	435,601
Other contingent items	1,834,905	845,364	1,929,337	845,364
<b>By Product - Local Currency</b>	<b>19,975,526</b>	<b>15,416,979</b>	<b>20,167,149</b>	<b>15,416,979</b>
Undrawn loan commitments	4,647,081	4,200,407	4,647,081	4,200,407
Guarantees	1,131,188	1,498,269	1,131,188	1,498,269
Letters of credit	1,924,537	2,960,582	1,924,537	2,960,582
Forward contracts	4,350,969	401,031	4,350,969	401,031
Spot contracts	540,168	131,435	540,168	131,435
Acceptances	758,373	784,138	758,373	784,138
Forward Bonds	-	108,368	-	108,368
Other contingent items	1,009,362	812,525	1,009,362	812,525
<b>By Product - Foreign Currency</b>	<b>14,361,678</b>	<b>10,896,754</b>	<b>14,361,678</b>	<b>10,896,754</b>
<b>Commitments and Contingencies</b>	<b>34,337,204</b>	<b>26,313,733</b>	<b>34,528,827</b>	<b>26,313,733</b>

**12.2 Stage-wise impairment on commitment and contingencies**

	BANK		GROUP	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Commitments and Contingencies (Note 12.1)	34,337,204	26,313,733	34,528,827	34,528,827
Less: Accumulated impairment under stage 1	(42,049)	-	(43,089)	-
Accumulated impairment under stage 2	(2,874)	-	(3,300)	-
Accumulated impairment under stage 3	(35,359)	-	(52,818)	-
Less: Collective impairment	-	-	-	-
<b>Net value of commitments and contingencies</b>	<b>34,256,922</b>	<b>26,313,733</b>	<b>34,429,620</b>	<b>34,528,827</b>

**12.3 Movement of impairment during the period for Commitments & Contingencies**

As at 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
<b>BANK</b>				
Opening balance	21,816	344	25,128	47,288
Charge to statement of profit or loss	20,233	2,530	10,231	32,994
Net write-off during the year	-	-	-	-
Closing balance	42,049	2,874	35,359	80,282
<b>GROUP</b>				
Opening balance	21,816	344	25,128	47,288
Charge to statement of profit or loss	21,273	2,956	27,690	51,919
Net write-off during the year	-	-	-	-
Closing balance	43,089	3,300	52,818	99,207

SEGMENT INFORMATION

	Corporate		Treasury		SME		Retail		Other Group Companies		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>For the year ended 31 December</b>												
Interest income	4,101,481	3,373,374	1,262,498	2,373,679	3,531,927	2,945,176	3,061,133	1,605,180	2,163,855	1,896,601	14,120,894	12,194,010
Inter-segment interest income	-	-	1,557,741	-	-	-	2,665,441	4,182,709	-	-	4,223,182	4,182,709
<b>Total interest income</b>	4,101,481	3,373,374	2,820,239	2,373,679	3,531,927	2,945,176	5,726,574	5,787,889	2,163,855	1,896,601	18,344,076	16,376,719
Interest expense	1,086,651	936,322	1,739,355	1,175,011	1,029,809	948,922	4,634,936	4,368,222	1,164,641	1,063,965	9,655,390	8,492,442
Inter-segment interest expense	2,437,619	1,917,213	-	919,198	1,785,563	1,346,298	-	-	-	-	4,223,501	4,182,709
<b>Total interest expense</b>	3,524,270	2,853,535	1,739,355	2,094,209	2,815,371	2,295,220	4,634,936	4,368,222	1,164,641	1,063,965	13,878,572	12,675,151
Net interest income	577,211	519,839	1,080,884	279,470	716,556	649,957	1,091,638	1,419,667	999,215	832,636	4,465,504	3,701,568
Total other income	213,754	164,068	757,283	605,791	446,305	363,969	268,814	190,393	106,326	235,491	1,792,482	1,559,712
<b>Total net income</b>	790,965	683,907	1,838,167	885,261	1,162,861	1,013,925	1,360,452	1,610,060	1,105,541	1,068,127	6,257,985	5,261,280
<b>Less :</b>												
Impairment	41,073	12,008	-	-	390,439	221,227	10,950	15,693	133,877	128,580	576,339	377,508
Depreciation & amortisation	10,153	63,836	55,955	64,236	91,501	135,736	222,218	135,736	36,069	29,266	415,895	428,810
Other expenses	334,490	422,838	464,622	388,581	926,047	948,097	1,676,082	1,187,039	449,329	482,871	3,850,571	3,429,426
<b>Segmental results</b>	405,248	185,225	1,317,589	432,443	(245,125)	(291,135)	(548,797)	271,591	486,265	427,412	1,415,180	1,025,536
Less: VAT, NBT and DRL on financial services											521,775	348,202
Less: Taxation											358,755	126,205
<b>Profit after taxation</b>											534,650	551,129
<b>Other information</b>												
<b>As at 31 December</b>												
Segment assets	35,406,353	32,628,443	37,210,326	28,872,071	25,384,702	27,824,893	14,460,465	18,547,363	18,128,094	15,289,387	130,589,939	123,162,157
Unallocated assets											4,441,768	4,438,675
<b>Consolidated total assets</b>											135,031,708	127,600,832
Segment liabilities	13,715,836	14,254,252	27,340,775	27,492,849	11,540,011	9,321,555	52,078,882	44,770,964	11,635,464	11,398,239	116,310,968	107,237,859
Unallocated liabilities											2,247,696	2,521,257
<b>Consolidated total liabilities</b>											118,558,664	109,759,116
<b>For the year ended 31 December</b>												
Cash flow from operating activities	5,201,723	461,019	12,088,573	596,751	7,647,478	683,483	8,946,923	1,085,336	(20,545,046)	(743,984)	13,339,651	2,082,606
Cash flow from investing activities	(77,729)	(120,662)	(3,275,162)	(8,242,680)	(114,276)	(178,888)	(133,693)	(284,064)	94,648	280,183	(3,506,212)	(8,546,111)
Cash flow from financing activities	-	-	(8,462,660)	6,034,643	-	-	-	-	(328,897)	997,389	(8,791,559)	7,032,032

## INTERIM FINANCIAL STATEMENTS

### INFORMATION ON ORDINARY SHARES OF THE BANK

As at 31st December 2018

#### TOP 20 SHAREHOLDERS

Name	No. of shares as at 31.12.2018	% holding
1 Culture Financial Holdings Ltd	763,984,374	70.00%
2 Vista Knowledge Pte Ltd	64,677,973	5.93%
3 Associated Electrical Corporation Ltd	29,237,387	2.68%
4 Mr. A.I. Lovell	24,371,269	2.23%
5 Mr. C.P.A. Wijeyesekera	18,508,468	1.70%
6 Dr. T. Senthilvel	17,480,977	1.60%
7 Mr. D.A.J. Warnakulasuriya	14,842,730	1.36%
8 Ashyaki Holdings (Pvt) Ltd	7,792,806	0.71%
9 Mr. M.D. Samarawickrama	7,660,582	0.70%
10 Mr. S.P. Khattar	7,323,365	0.67%
11 Sterling Holdings (Private) Ltd	7,207,557	0.66%
12 Soflogia Life Insurance PLC – A/C 05 (Non Participating Fund)	6,023,317	0.55%
13 Anverally and Sons (Pvt) Ltd A/C No 01	4,783,702	0.44%
14 Commercial Agencies (Ceylon) Ltd	4,050,833	0.37%
15 Ajita De Zoysa & Company Limited	4,050,832	0.37%
16 Mr. W. Jinadasa	3,985,100	0.37%
17 Ideal Motors (Private) Limited	3,300,000	0.30%
18 Mr. A.I.T. Hettiarachchi	3,032,000	0.28%
19 Rosewood (Pvt) Limited - A/C No 01	2,774,542	0.25%
20 Ceylon Investment Plc A/C # 01	1,801,454	0.17%
	<b>996,889,268</b>	<b>91.34%</b>
Other shareholders	94,516,981	8.66%
<b>Total</b>	<b>1,091,406,249</b>	<b>100.00%</b>

#### As at 31 December 2018

Number of shares in public holding	327,282,075
Number of public shareholders	31,212
Percentage of public holding	29.99%
Market capitalisation (Rs.)	12,005,468,739
Float adjusted market capitalisation	3,600,103,922
Required minimum public holding percentage under option 4 of rule 7.13.1 (a) of the Listing Rules of Colombo Stock Exchange	10%

#### DIRECTORS' INDIVIDUAL HOLDING IN SHARES

Name	No. of shares held as at 31.12.2018
Mr. Atul Malik	None
Mr. Priyantha Fernando	None
Ms. Sow Lin Chiew (Alternate Director Ms. Yoke Sun Woon )	None
Mr. Sabry Ghouse	None
Mr. Ranvir Dewan	None
Mr. Gaurav Trehan	None
Mr. Puneet Bhatia	None
Mr. Michael J. O'Hanlon	None
Mr. Indrajit Wickramasinghe	None
Mr. Yudhishtan Kanagasabai (Resigned on 31.12.2018)	None
Mr. Trevine Fernandopulle	None
Ms. Dilshani Wijayawardana	None
Ms. Yoke Sun Woon (alternate to Ms. Sow Lin Chiew)	None
Mr. Keshav Thakkar (alternate to Mr. Puneet Bhatia)	None

The Minimum Public Holding of Union Bank of Colombo PLC as at 31st December 2018 complied with option 4 of rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange.

**INTERIM FINANCIAL STATEMENTS**  
**SELECTED PERFORMANCE INDICATORS**

Item	BANK		GROUP	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
<b>Regulatory Capital - Rs '000</b>				
Common Equity Tier 1 (Basel III)	15,031,473	15,357,209	15,557,644	16,332,655
Tier 1 Capital /Core Capital (Basel III)	15,031,473	15,357,209	15,557,644	16,332,655
Total Capital /Total Capital Base (Basel III)	15,031,473	15,357,209	15,557,644	16,332,655
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2018 - 6.375%, 2017 -5.75% )	17.41%	18.85%	16.47%	18.09%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III 2018 - 7.875%, 2017- 7.25%)	17.41%	18.85%	16.47%	18.09%
Total Capital Ratio (Minimum Requirement as per Basel III 2018- 11.875%, 2017- 11.25%)	17.41%	18.85%	16.47%	18.09%
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets				
Domestic Banking Unit, Rs. '000	18,006,765	16,953,184		
Foreign Currency Banking Unit, USD '000	12,791	12,168		
Statutory Liquid Assets Ratio, % (Minimum Requirement, 20%)				
Domestic Banking Unit	21.77%	21.27%		
Foreign Currency Banking Unit	21.14%	21.13%		
Liquidity Coverage Ratio (%), Rupee (Minimum Requirement -2018 - 90% & 2017 - 80%)	335.43%	160.14%		
Liquidity Coverage Ratio (%), All Currency (Minimum Requirement - 2018 - 90% & 2017 - 80%)	131.50%	83.02%		
<b>Assets Quality (Quality of Loan Portfolio)</b>				
Gross Non-Performing Advances Ratio, % (Net of interest in suspense)	3.68%	2.69%		
Net Non-Performing Advances,% (Net of interest in suspense and provision)	2.51%	1.76%		
<b>Profitability</b>				
Interest Margin, %	2.98%	2.87%		
Return on Assets (Before Tax), %	0.63%	0.50%		
Return on Assets (After Tax), %	0.39%	0.43%		
Return on Equity (After Tax), %	2.74%	2.64%		

**Name of Company**

Union Bank of Colombo PLC

**Legal Form**

A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 17 of 1982. Re-registered under the Companies Act No. 7 of 2007. Listed as a public quoted Company at the Colombo Stock Exchange. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

**Date of Incorporation**

February 2nd, 1995

**Company Registration Number**

PB 676 PQ

**Accounting Year-end**

December-31

**Subsidiary Companies**

National Asset Management Ltd

UB Finance Company Ltd

**Tax Payer Identity Number (TIN)**

134005610

**VAT Registration Number**

134005610-7000

**Credit Rating**

Fitch : BB+ (lka) Positive Rating

ICRA : (SL) BBB Stable Rating

**Registered Office & Principal Place of Business**

No. 64, Galle Road,

Colombo 03, Sri Lanka.

Telephone : +94 11 2374100

Fax: +94 11 2370971

E-mail: [ubc@unionb.com](mailto:ubc@unionb.com)

Web Address: [www.unionb.com](http://www.unionb.com)

**Auditors**

M/s. Ernst & Young

Chartered Accountants,

No. 201, De Saram Place,

Colombo 10.