



INTERIM FINANCIAL STATEMENTS

for the period ended 31 December 2018

Union Bank reports impressive 49% growth in profit before all taxes in FY18

Bank

- Net Interest Income up by 19.9% YoY to Rs. 3,652 Mn
- Net Fee and Commission Income up by 23.7% YoY to Rs. 833 Mn
- Total Operating Income grew by 20.8% YoY to Rs. 5,285 Mn
- Profit before all taxes grew by 49.0% YoY to Rs.1,248 Mn
- Total Assets grew by 5.8% YTD to Rs. 125,920 Mn
- Strong Balance Sheet with Total Capital Adequacy Ratio at 17.4%

Group

- Net Interest Income up by 20.6% YoY to Rs. 4,466 Mn
- Net Fee and Commission Income up by 15.8% YoY to Rs. 958 Mn
- Total Operating Income grew by 18.9% YoY to Rs.6,258Mn
- Profit before all taxes grew by 38.0% YoY to Rs.1,415 Mn
- Total Assets grew by 5.8% YTD to Rs. 135,032 Mn

In the year 2018 Union Bank showcased an impressive performance aided by its robust strategic plan, particularly excelling in core banking operations despite a challenging macroeconomic framework.

The Bank concluded 2018 recording an impressive profit before all taxes of Rs. 1,248 Mn. More importantly, the core-income of the Bank, excluding the capital gains and the negative impact due to the investments on the newly launched credit cards, reflected a 124% growth year on year (YoY). This was despite the withdrawal of notional tax credit on the interest on government securities.

However, Profit after Tax (PAT) was affected by the significant changes of tax regulations subsequent to enforcement of the new Inland Revenue Act. The Bank was a holding significant amount of investments in Sri Lanka Development Bonds, Debentures and Unit Trusts and hence, the removal of the tax exemption on profits derived out of these instruments bore a significant impact on the effective tax rate.

Introduction of the Debt Repayment Levy (DRL) during the last quarter of the year under assessment further amplified the negative impact on the effective tax rate.

The PAT of the Bank was Rs.473 Mn and was only a 2.6% growth YoY. Total Assets of the Bank grew by 5.8% to Rs. 125,920 Mn.

The Bank continued to maintain its robust Capital Adequacy ratio which was well above the limits even after adoption of SLFRS 9.

Financial Performance Analysis

The Net Interest Income of the Bank reached Rs.3,652 Mn in 2018. This is a significant improvement of Rs. 606 Mn which translated to an increase of 19.9%. Net Interest Margins (NIM) increased to 3.0% compared to 2.9% recorded in 2017. NIM for the current period would have been 3.2% if the return on investment in units were considered. Cost of funding of investments in units was accounted under interest expense of the Bank. The Returns from investment in units was Rs. 246Mn and was recorded under capital gains under Net fair value gains/ (losses) from financial instruments at fair value through profit or loss. Withdrawal of notional tax credit of the government securities portfolio had a significant negative impact on the NII of the current year.

The Bank continued to make significant efforts to improve its fees and commission income using the key enablers articulated in the strategy. Fee and commission income which mainly comprise of deposit related fees, trade and remittances, loans, cards and other fees stood at Rs. 968 Mn recording an impressive growth of Rs. 185 Mn which translated to a 23.6% growth YoY.

The Bank reported net trading and other income of Rs. 800 Mn, which was a 21.9% growth over the previous year. This comprised of capital gains from Government Securities and investment in Units as well as exchange gains.

Despite the weakening of currency towards the end of the year, the Bank's exchange income showed a noteworthy growth of 73.6% YoY. Income from Investments in Units were 23.5% lower YoY, as a result of lower investments made in Units during the year.

Reflecting the overall improvement in core-banking operations of the Bank, capital gains on government securities as a percentage of profit before all taxes declined to 18.9% from prior period's 29.6%. This is a significant reduction of dependency on income of one-off nature on profitability. The total capital gains of Rs. 236 Mn was marginally lower by 4.9% YoY.

The Bank had no trading equities and has not invested in any equity funds as at Balance Sheet Date. The overall growth in core banking activities and consistent performance across all areas resulted in a 20.8% growth YoY in total operating income which was reported at Rs. 5,285 Mn.

The Bank adopted SLFRS 9 with effect from 1st January 2018. The comparative impairment numbers have been calculated based on the previous standard LKAS 39. Impairment charge for the year was Rs. 342 Mn, an increase of 37.5%. In addition to impairment for loans and receivables, the total impairment of the year under review, comprised of the impairment on treasury instruments as well.

Operating Expenses of the Bank were prudently managed to see an increase of only 11.5% to Rs. 3,729. Current period expenses were mainly driven by increased investment in human resources to support the Bank's growing business requirements and included the expenses incurred on Credit Cards, which was a new initiative launched during the second half of 2018. The sound cost management adopted throughout the year was well reflected in the Cost to Income Ratio which improved to 71% from 76% in 2017.

The Bank has accounted Rs. 776 Mn as Financial Services VAT, NBT, DRL on financial services and Corporate Taxes during the year under review. This was a formidable 105.7% increase YoY. Effective tax rate (all taxes and DRL as a percentage of operating income) in 2018 increased to 62% compared to 45% in 2017. As changes to taxes occurred over the year, full year impact of tax changes are yet to be reflected in the P&L. The Increase in effective tax rate was mainly due to withdrawal of tax exemptions on profits made out of investment in units, SLDB and corporate debt instruments invested prior to the tax changes together with newly introduced Debt Repayment Levy (DRL).

Profit after tax for the year was Rs. 473 Mn compared to Rs. 461 Mn recorded in 2017.

The Group, consisting of the Bank and its two subsidiaries, UB Finance Company Limited and National Asset Management Limited reported a PAT of Rs. 535 Mn in 2018, supported by a growth of 38.0% in results from operating activities. Total assets of the Group stood at Rs. 135,032 Mn.

The Bank's loans and receivables stood at Rs. 73,749 Mn. The increase of Rs. 3,171 Mn was a 4.5% growth in comparison to the previous year. During the year under review, key focus was placed mainly on portfolio realignment rather than the growth. The new growth in the portfolio was subdued as a result of a conscious decisions made with regard to exiting from selected segments. Proactive steps taken towards realignment further assisted the prudent management of the overall portfolio quality of the Bank. Loans to deposits ratio improved to 93% from 100% in 2017.

The Deposit Base stood at Rs. 79,251 Mn by the year end. This increase of Rs. 8,925 Mn was a 12.7% growth in comparison to 2017. The growth was primarily supported by the Retail Banking segment which pursued a focused strategy with enhanced relationship management driven through identified key segments during the year under review. CASA recorded Rs. 2,410 Mn growth which translated to an increase of 14.8% over the previous year.

The Bank's gross NPL ratio was 3.7% and the Net NPL ratio was 2.5%. Gross and Net NPL ratios of the comparative period were 2.7% and 1.8% respectively. The Bank's prudent risk management in credit assessment, proactive and focused monitoring of the portfolios and regionally driven remedial strategies have been instrumental in preserving the asset quality and preventing potential loan losses.

A year of resilience and growth

Union Bank remained resilient against the macroeconomic effects of the year 2018 to record indomitable growth in all areas of business.

The Corporate Banking business of the Bank grew on the back of strengthened corporate relationships and enhanced focus on Union Bank Biz Direct - the cutting-edge transaction banking technology offered by the Bank to its corporate and SME segments. The Bank continued to support the SME Banking segment with customised banking facilities and advisory services delivered across a regional strategy that placed focus on this nationally important segment.

The Treasury of the Bank continued to perform at its optimum making significant contributions towards the Bank's revenue through its prudent operations.

Retail banking business of the Bank saw significant growth with the focused efforts in expansion of retail deposits and CASA coming to fruition within the year. Union Bank shifted its focus to the Home Equity market in the year under review, thus driving the growth of Home Loans and Loans against Property portfolios of the Bank. The launch of Credit Cards was a key highlight of the year, which opened up a new avenue of revenue growth while complementing the personal banking offering of the Bank with the addition of this versatile solution to its gamut of banking solutions.

The Bank continued to deliver enhanced value and convenience through its diverse delivery channels including digital banking solutions that saw significant take-up and usage during the year under review. Union Bank's comprehensive delivery strategy geared to deliver improved levels of service was recognised and awarded with the title of 'Best Bank for Seamless Backend Operations' at the Lanka Pay Technovation Awards 2018.

Commenting on the performance of the Bank, Director/Chief Executive Officer of Union Bank Mr. Indrajit Wickramasinghe stated "2018 was a year that placed heavy demands on the banking industry which faced multiple headwinds in the economic and political spheres. With cohesive strategic realignment, Union Bank remained resilient and showcased impressive progress and financial performance with outstanding growth in its core banking operations. Our aim is to further strengthen our position as one of Sri Lanka's fastest growing Banks and become the preferred Retail/ SME and transactional Bank by 2021, a virtue that will be built on trust and partnerships. We will build on this growth and carry the momentum during the year 2019, with focused commitment on meeting the strategic growth objectives of the 2nd year of our three-year strategic growth plan."

INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS

Period 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 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 %
Gross income	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
Net interest income	3,652,262	3,045,907	20	927,426	727,242	28	4,465,504	3,701,568	21	1,123,568	912,177	23
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
Net fee and commission income	832,850	673,469	24	232,605	178,240	31	957,575	827,025	16	260,271	219,584	19
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
Total operating income	5,285,261	4,375,638	21	1,354,305	1,079,027	26	6,257,985	5,261,280	19	1,587,632	1,317,955	20
Less: Impairment for loans and other losses												
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	-	-	28,456	-	-	28,456	-	-
								(100)		-	-	-
Net operating income	4,942,979	4,126,709	20	1,225,984	1,041,813	18	5,681,646	4,883,772	16	1,350,951	1,231,755	10
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)
Total operating expenses	3,729,475	3,344,872	11	886,156	890,598	(0)	4,266,466	3,858,236	11	1,025,451	1,036,297	(1)
Results from operating activities	1,213,504	781,837	55	339,830	151,215	125	1,415,180	1,025,536	38	325,500	195,458	67
Share of profit of equity accounted investees, net of tax	34,614	55,801	(38)	(12,990)	16,331	(180)	-	-	-	-	-	-
Profit before value added tax (VAT), nation building tax (NBT) and debt repayment levy (DRL) on financial services	1,248,118	837,638	49	326,840	167,546	95	1,415,180	1,025,536	38	325,500	195,458	67
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
Profit before tax	777,394	534,118	46	177,259	97,255	82	893,405	677,334	32	168,192	117,357	43
Less: Tax expenses	304,846	73,500	315	94,541	(21,917)	531	358,755	126,205	184	79,974	(23,604)	439
Profit after tax	472,548	460,618	3	82,718	119,172	(31)	534,650	551,129	(3)	88,217	140,961	(37)
Profit Attributable to:												
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)
Profit after tax	472,548	460,618	3	82,718	119,172	(31)	534,650	551,129	(3)	88,217	140,961	(37)
Earnings per share												
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	%
Profit for the period	472,548	460,618	3	82,718	119,172	(31)	534,650	551,129	(3)	88,217	140,961	(37)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:												
<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)
Available for sale financial assets												
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	-	-	-	-	-	-
Total items that will be reclassified to the statement of profit or loss	(461,561)	402,465	(215)	-	(8,133)	(100)	(461,561)	403,054	(215)	(217,112)	(10,005)	(100)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:												
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)	-	-	-	-	-	-
Total items that will not be reclassified to the statement of profit or loss	(18,322)	5,622	(426)	(18,322)	5,194	(453)	(31,333)	5,893	100	(35,206)	5,892	(697)
Other comprehensive income/(loss) for the year, net of tax	(479,883)	408,087	(218)	(242,610)	(2,939)	(8,155)	(492,894)	408,947	(221)	(252,317)	(4,113)	(6035)
Total comprehensive income for the period, net of tax	(7,335)	868,705	(101)	(159,892)	116,233	(238)	41,756	960,076	(96)	(164,100)	136,849	(220)
Attributable to:												
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)
Total comprehensive income for the period, net of tax	(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	%
Assets						
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
Total assets	125,920,154	119,007,408	6	135,031,708	127,600,832	6
Liabilities						
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)
Total liabilities	109,292,806	101,149,711	8	118,558,674	109,759,116	8

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	%
Equity						
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)
Total equity attributable to equity holders of the bank	16,627,348	17,857,697	(7)	16,260,733	17,437,454	(7)
Non-controlling interests	-	-	-	212,301	404,262	(47)
Total equity	16,627,348	17,857,697	(7)	16,473,034	17,841,716	(8)
Total equity and liabilities	125,920,154	119,007,408	6	135,031,708	127,600,832	6
Commitments and contingencies	34,337,204	26,313,733	30	34,528,827	26,313,733	31
Net asset value per share (Rs.)	15.23	16.36		14.90	15.98	

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:

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
- (b) the information contained in these statements have been extracted from the audited financial statements of the Bank and the Group.

Sgd

Malinda Samaratunga
Chief Financial Officer

Sgd

Indrajit Wickramasinghe
Director/ Chief Executive Officer

Sgd

Atul Malik
Chairman

Date: 26 February 2019

BANK	Statutory Reserve		Available for Sale		FVOCI reserve	Retained Earnings	Total Equity
	Stated Capital Rs.'000	Share Warrants Rs.'000	Fund Rs.'000	ESOP Reserve Rs.'000	Reserve Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January 2017	16,334,782	65,484	95,439	17,836	(251,895)	-	17,083,214
Total comprehensive income for the year	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	460,618	460,618
Other comprehensive income	-	-	-	-	402,465	5,622	408,087
Total Comprehensive Income	-	-	-	-	402,465	466,240	868,705
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-
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)
Balance as at 31 December 2017	16,334,782	65,484	116,256	35,848	150,570	1,154,757	17,857,697
Balance as at 1 January 2018	16,334,782	65,484	116,256	35,848	150,570	-	17,857,697
Transitional adjustment on the implementation of SLFRS 9 - Bank	-	-	-	-	(150,570)	150,570	(952,085)
Transitional adjustment on the implementation SLFRS 9 - Subsidiaries	-	-	-	-	-	(403,355)	(403,355)
Deferred tax on Transitional adjustment	-	-	-	-	-	224,599	224,599
Restated opening balance as at 1 January 2019 under SLFRS 9	16,334,782	65,484	116,256	35,848	-	150,570	16,726,856
Total comprehensive income for the year	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	472,548	472,548
Other comprehensive income	-	-	-	-	-	(18,322)	(479,883)
Total comprehensive Income	-	-	-	-	-	(461,561)	(7,335)
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-
Fair value of ESOP	-	-	-	16,968	-	-	16,968
Transfers during the year	-	-	23,627	-	-	(23,627)	-
Dividends to equity holders	-	-	-	-	-	(109,141)	(109,141)
Balance as at 31 December 2018	16,334,782	65,484	139,883	52,816	-	(310,991)	16,627,348

GROUP	Statutory Reserve		Available for Sale		FVOCI reserve	Retained Earnings	Total Equity	Non-controlling	
	Stated Capital Rs.'000	Share Warrants Rs.'000	Fund Rs.'000	ESOP Reserve Rs.'000	Reserve Rs.'000	Rs.'000	Rs.'000	Interest Rs.'000	Total Equity Rs.'000
Balance as at 1 January 2017	16,334,782	65,484	107,602	17,836	(247,088)	-	16,608,813	356,579	16,965,392
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
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
Total comprehensive Income	-	-	-	-	402,465	520,398	922,863	37,212	960,075
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
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)
Balance as at 31 December 2017	16,334,782	65,484	131,519	35,848	155,377	-	17,437,454	404,262	17,841,716
Balance as at 1 January 2018	16,334,782	65,484	131,519	35,848	155,377	-	17,437,454	404,262	17,841,716
Transitional adjustment on the implementation of SLFRS 9	-	-	-	-	(155,377)	155,377	(1,347,014)	(146,850)	(1,493,864)
Deferred tax on Transitional adjustment	-	-	-	-	-	-	224,599	-	224,599
Restated opening balance as at 1 January 2019 under SLFRS 9	16,334,782	65,484	131,519	35,848	-	155,377	16,315,039	257,412	16,572,451
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	517,750	517,750	16,900	534,650
Other comprehensive Income	-	-	-	-	-	(461,561)	(479,883)	(13,011)	(492,894)
Total comprehensive Income	-	-	-	-	-	(461,561)	499,428	3,889	41,756
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
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)
Balance as at 31 December 2018	16,334,782	65,484	157,569	52,816	-	(306,184)	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
Cash flow from operating activities				
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)
Operating profit before changes in operating assets & liabilities	2,309,934	1,553,743	2,781,435	1,307,422
(Increase)/decrease in operating assets:				
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)
Increase /(decrease) in operating liabilities:				
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
Net cash from/(used in) operating activities before income tax	12,895,457	2,906,971	13,401,067	2,179,636
Retirement benefit obligation paid	(18,836)	(12,052)	(23,694)	(12,688)
Income tax paid	(27,420)	(64,184)	(37,722)	(84,342)
Net cash from operating activities	12,849,201	2,830,735	13,339,651	2,082,606
Cash flow from/(used in) investing activities				
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
Net cash used in investing activities	(3,286,528)	(8,826,295)	(3,506,212)	(8,546,111)
Cash flow from/(used in) financing activities				
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)
Net cash from/ (used in) financing activities	(8,462,661)	6,030,553	(8,791,559)	7,032,032
Net Increase/(decrease) in cash and cash equivalents	1,100,012	34,994	1,041,879	568,527
Cash and cash equivalents at beginning of the year	5,225,418	5,190,479	6,039,341	5,470,814
Cash and cash equivalents at end of the year	6,325,430	5,225,473	7,081,220	6,039,341
Reconciliation of cash and cash equivalents				
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
Total cash and cash equivalents at end of the year	6,325,430	5,225,473	7,081,220	6,039,341

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
BANK				
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)
Total	9,866,827	(8,353,520)	121,563	18,098,784
GROUP				
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)
Total	11,384,817	(8,633,418)	121,563	19,896,672
For the period ended 31 December 2017	Cash change		Non cash change	
	31 Dec 2017 Rs.'000	- Cash flow Rs.'000	- Foreign exchange movement Rs.'000	1 Jan 2017 Rs.'000
BANK				
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)
Total	18,098,784	6,139,694	4,089	11,955,000
GROUP				
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)
Total	19,896,672	7,133,795	4,089	12,758,787

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
ASSETS				
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
Total financial assets	2,897,395	17,735,959	101,291,382	121,924,737

	Fair Value Through P&L Rs.000	Amortised cost Rs.000	Total Rs.000
LIABILITIES			
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
Total financial liabilities	71,750	108,391,744	108,463,494

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
ASSETS					
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
Total financial assets	5,951,783	2,546,553	89,522,229	16,453,207	114,473,772

	Held for Trading Rs.000	Amortised cost Rs.000	Total -
LIABILITIES			
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
Total financial liabilities	4,867	100,543,208	100,548,075

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
ASSETS				
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
Total financial assets	2,897,395	17,787,621	110,040,484	130,725,500

	Fair Value Through P&L Rs.000	Amortised Cost Rs.000	Total Rs.000
LIABILITIES			
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
Total financial liabilities	71,750	117,285,384	117,357,134

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
ASSETS					
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
Total financial assets	5,951,783	2,546,553	98,106,071	16,604,761	123,209,168

	Held for Trading Rs.000	Amortised cost Rs.000	Total Rs.000
LIABILITIES			
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
Total financial liabilities	4,867	108,795,519	108,800,386

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

Period ended 31 December 2018

- 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

Market Value	31.12.2018	31.12.2017
	Rs.	Rs.
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:

Retained Earnings	Rs. '000
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
Impairment on Financial Assets/ Liabilities			
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)
Total	(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%.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2018

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
Retained Earnings	
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)	(407,971)
Non Controlling Interest	
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)	257,412

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 under LKAS 39 at 31 December 2017	Remeasurement	Expected credit 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)
Total	(1,424,613)	(1,493,864)	(2,918,477)

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, 1st 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	31.12.2017	31.12.2018	31.12.2017
	Rs.'000	Rs.'000	Rs.'000	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
By Product - Local Currency	62,323,050	59,717,367	71,988,556	68,869,651
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
By Product - Foreign Currency	13,463,985	11,775,918	13,463,985	11,775,918
Total Loans and Receivables	75,787,035	71,493,285	85,452,541	80,645,569

10.2 Stage-wise impairment on loans & advances to customers

	BANK		GROUP	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Rs.'000	Rs.'000	Rs.'000	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)
Net value of loans and advances	73,749,208	70,577,923	82,120,068	79,220,956

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
BANK				
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
GROUP				
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	31.12.2017	31.12.2018	31.12.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Local Currency Deposits				
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
Total	67,178,141	61,005,460	74,193,191	67,427,843
Foreign Currency Deposits				
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
Total	12,072,932	9,320,134	12,072,932	9,320,134
Total Deposits	79,251,073	70,325,594	86,266,123	76,747,977

12. ANALYSIS OF COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

12.1 Product-wise Commitments and Contingencies

	BANK		GROUP	
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	31.12.2018 Rs.'000	31.12.2017 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
By Product - Local Currency	19,975,526	15,416,979	20,167,149	15,416,979
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
By Product - Foreign Currency	14,361,678	10,896,754	14,361,678	10,896,754
Commitments and Contingencies	34,337,204	26,313,733	34,528,827	26,313,733

12.2 Stage-wise impairment on commitment and contingencies

	BANK		GROUP	
	31.12.2018 Rs.'000	31.12.2017 Rs.'000	31.12.2018 Rs.'000	31.12.2017 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	-	-	-	-
Net value of commitments and contingencies	34,256,922	26,313,733	34,429,620	34,528,827

12.3 Movement of impairment during the period for Commitments & Contingencies

As at 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
BANK				
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
GROUP				
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
For the year ended 31 December												
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
Total interest income	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
Total interest expense	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
Total net income	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
Less :												
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
Segmental results	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
Profit after taxation											534,650	551,129
Other information												
As at 31 December												
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
Consolidated total assets											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
Consolidated total liabilities											118,558,664	109,759,116
For the year ended 31 December												
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 Soflogie 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%
	996,889,268	91.34%
Other shareholders	94,516,981	8.66%
Total	1,091,406,249	100.00%

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
Regulatory Capital - Rs '000				
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
Regulatory Capital Ratios (%)				
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%
Regulatory Liquidity				
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%		
Assets Quality (Quality of Loan Portfolio)				
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%		
Profitability				
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

Web Address: www.unionb.com

Auditors

M/s. Ernst & Young

Chartered Accountants,

No. 201, De Saram Place,

Colombo 10.