

IPO

KEY HIGHLIGHTS

Financial Advisor to the Issue



Initial Public Offering
of LKR 55 Mn
2023

Key Investment Highlights

Backed by a Leading, Foreign Shareholder Backed
Commercial Bank



UBF is 91.8 % owned by Union Bank of Colombo PLC. As per the disclosure on the CSE on December 01, 2022, an acquisition of the parent of UBC by multinational conglomerate CG Corp Global from TPG is under way. The continued confidence in the Union Bank brand by foreign shareholders highlights the Group's strength and widespread acceptance.

The company offers its customers the unique business proposition of the versatility of a finance company backed by a bank.

Loan Book Revitalised by Capital Infusion

9.7 Bn

Gross Loan Book
As at December 2022

98%

Collateral Backed
Portfolio

Secured loans with high recoverability in an increasingly volatile macroeconomic environment.

UBF expects to utilize the IPO proceeds for portfolio growth.

Among the Highest Capitalised NBFIs

28.6%

Tier 1 Capital Ratio as
at December 2022

2.6 Bn

Unimpaired
Core Capital as at
December 2022

UBF comfortably exceeds the minimum core capital requirement of the CBSL, whilst maintaining healthy capital & liquidity ratios to reinforce the stability and resilience of the company.

Attractive and Affordable Pricing

LKR 1

IPO Price

LKR 1

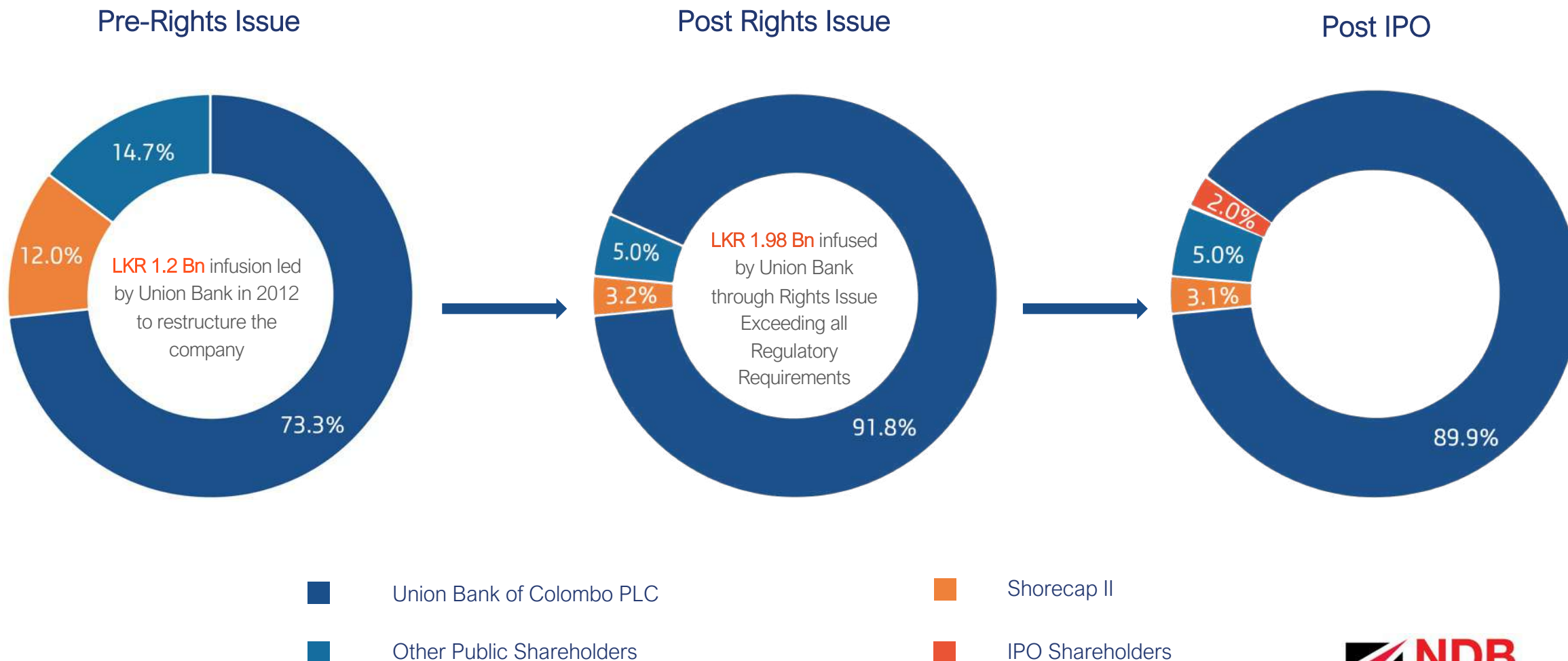
Recent Rights
Issue Price

Conservatively priced, bearing retail affordability in mind and the intention of providing maximum liquidity.



Shareholding Structure

Union Bank Reasserted its Confidence in UBF by Subscribing to the Recent Rights Issue



UB FINANCE

At a Glance



- UBF is a licensed Finance Company established in 1961 and registered under the monetary board of CBSL.
- The Company has established itself as a premier financial solutions provider and offers a wide range of diversified products to the SME and retail sector through its island wide branch network.
- The Company was **fully capitalized** with the capital infusion of **LKR 2 Bn** by the parent company in October 2021 exceeding all regulatory thresholds.
- Fitch Ratings assigned a National Long-Term Rating of 'BB(lka)' to UBF in May 2023
- UBF is listing on the CSE only to meet the CBSL requirement to list all the finance companies.



25,000 + Customers
across the country



217+ customer touch points. (17 Branches, 200 dealer points)



300 + employees with
extensive experience



Over 98% collateral
backed portfolio



Total asset base of
LKR 10 Bn +



LKR 2.6 Bn + Equity,
exceeding the
regulatory capital
adequacy requirement

One of the Highest Capital adequacy ratios in the NBFI Sector, having both Tier 1 capital adequacy ratios & Total capital adequacy ratios at **28.6%**.



Board of Directors

Comprising of Highly Experienced Professionals with Diverse Backgrounds



MR. ATUL MALIK

Chairman / Non Executive / Non Independent

Mr. Malik acts as a Senior Advisor at TPG for its financial services portfolio and as the Chairman of Union Bank of Colombo PLC. He has extensive experience and an impressive track record in establishing, expanding and managing businesses across Asian developed and emerging markets. He holds an MBA from the Rice University, USA and a Bachelor of Technology Degree from IIT Bombay.



MR. MICHAEL J O'HANLON

Non Executive / Non Independent

Mr. O'Hanlon is a Senior Advisor to TPG focusing on its financial institution investments and Non-Executive Director of Union Bank of Colombo PLC. He currently is a Director of Roosevelt Management Company LLC and Rushmore Loan Management Services, LLC. He holds an MBA Finance & Accounting from State University of New York at Albany (NY) and a BS in Business Administration from The College of St. Rose.



MS. LISA THOMAS

Non-Executive / Non-Independent

Ms. Thomas has more than 15 years of experience in venture capital and private equity investing, governance, and operations in emerging markets; having worked with companies in more than 20 countries in Africa, Asia, and the Caucasus. Ms. Thomas holds an MBA from the University of Chicago Booth School of Business and a Bachelor of Science (Honors) from the University of Oregon.



MR. INDRAJIT WICKRAMASINGHE

Non-Executive / Non-Independent

He counts over 32 years of Management experience having worked in the financial and consumer sectors in both local and multinational companies. He currently serves as a Director/Chief Executive Officer of Union Bank of Colombo PLC, Director of Namal Asset Management Limited and Financial Ombudsman Sri Lanka (Guarantee) Limited. He holds an MBA from the University of Sri Jayewardenepura and is a Fellow of the CIM UK, a Member of the Association of Professional Bankers and a Member of the Oxford Business Alumni, University of Oxford.



MR. SABRY GHOUSE

Non-Executive / Independent

Mr. Ghouse has a banking career spanning over 27 years with leading international Banks. He counts over 10 years of experience serving in overseas markets. He also sits on the Boards of Shah Associates Limited. He holds an MBA from the University of Western Sydney, Australia. He also has a Diploma in Computer Systems & Designing, National Institute of Business Management (NIBM).



MR. MOAHAN BALENDRA

Non-Executive / Independent

Mr. Balendra's areas of expertise are Commercial and Corporate law and inward investment. He heads the law firm Sinnadurai Sundaralingam & Balendra. He also sits on the Boards of Serendib S B Corporates (Private) Limited and S B Realtors (Private) Limited. He is an Attorney at Law, Fellow of the Association of Chartered Certified Accountants (FCCA) and a Justice of the Peace.



MR. JAYENDRA SETUKAVALAR

Non-Executive / Independent

Mr. Setukavalal has over 48 years of experience in the field of Auditing, Accounting and Finance. He also serves on the Board of Ceylinco Life Insurance Limited as an Independent Non-Executive Director and a member of the Board of Governors of the CMS Schools in Sri Lanka. He is a Fellow of the Institute Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants-UK, Certified Global Management Accountants (CGMA), Certified Management Accountants Sri Lanka, and a Fellow of the Institute of Certified Professional Managers (FCPMSL).



MR. RANSITH KARUNARATNE

Chief Executive Officer / Executive / Non-Independent

Mr. Karunaratne counts over two decades of experience in the financial services sector. Mr. Karunaratne holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is also a Fellow Member of the Chartered Institute of Management Accountants - FCMA (UK) and in February 2021 he was recognized as one of the 50 top CIMA Icons & Trailblazers in the Country.

Management Team

Dynamic Leadership Team with Wealth of Industry Experience

Corporate Management



MS. HIMALI PERERA
Deputy General Manager
Credit & Operations



MR. ASANKA UDUGAMA
Deputy General Manager
Finance



MR. PRADEEP ROSHANTHA
Assistant General Manager
Channels



MR. CHAMINDA WEERASINGHE
Assistant General Manager
Recoveries

Divisional Heads

MS. SAMANTHI SENEVIRATNE
Chief Manager
Operations

MS. SOORIYA NAGULANATHAN
Senior Manager
Finance

MR. CHINTHAKA GAMAGE
Senior Manager
Marketing Communication

MS. DILINI PAIVA
Senior Manager
Executive PA

MR. PIYAL WEERAKOON
Head of Legal

MR. SHADWELL WEERASINGHE
Senior Manager
Investments

MR. SUGATH KUMARA
Senior Manager
Region 1

MR. DESHAL WEERAGE
Senior Manager
Region 2

MR. RAMESH FONSEKA
Head of Compliance

MR. JOY FERNANDO
Senior Manager
Credit

MS. VILASHANI BANDARA
Senior Manager
Financial Reporting

MR. SANDUN ANURADA
Manager
Information Technology

MS. JENITA JEEVAKUMARAN
Manager
Human Resources

MR. PRABASH KALUPAHANA
Manager
Administration

Product Portfolio

Evolving with the Requirements of its Client Base



Investment Products

UBF has built a **loyal deposit base** offering versatile investment options on the pillars of strong corporate brand backed by a premier commercial bank



A product that offers competitive interest rates for fixed term deposits



A product that allows customers to save excess money with interest



A product that offers flexible terms for cash deposits



An investment product that allows a periodic cash build - up



An investment product with upfront interest payout

Lending Products

UBF Offers a Wide range of asset backed financing options to meet customer needs while ensuring service excellence



The flagship product of UBF providing financing for commercial and personal vehicles



Short term vehicle backed credit facility, with flexible settlement options



Assets backed credit facility that caters short term working capital requirements with flexible settlement options



Loan against gold articles to fulfill urgent cash requirements



Facilities provided against rent receivables, for short term working capital requirements



A loan granted against an immovable property as a security under a mortgage agreement



Financing for brand new and registered three-wheelers








Term loans backed by an asset



Boosting Performance with Enhanced Capital Base

All the figures are in Millions

	FY19	FY20	FY21	FY22	YTD FY23*
 Net Interest Income	721.5	593.3	592.3	843.3	519.2
 Profit Before VAT on FS & IT	99.4	101.3	77.5	224.6	-156.3
 Profit After Tax	20.1	5.4	-41.1	81.1	-169.5
 Net Interest Margin	6.4%	5.9%	7.0%	9.8%	6.6%
 Growth in Assets	-0.2%	-16.0%	-12.4%	23.2%	-0.3%

Based on Unaudited Interim Financial of UBF as of December 31, 2022

Financial performance of UBF as of December 31, 2022 was severely hampered by the prevailing unfavourable macro-economic conditions of the country especially for the Financial Services Sector. As a lender to SMEs, UBF suffered from high interest rates which led to decreased demand, high levels of provisions owing to more loans recognized under Non-Performing category which are reflected in its year-to-date financial ratios above. However, with the economy showing signs of improvement UBF has been able to see improvements in its performance over the past few months. The Company has been able to book a profit for the final quarter of FY 2023.

Given its healthy capitalization level following the Rights Issue in October 2021, UBF's performance in FY22 illustrates that it is capable of delivering impressive financial performance as the macro-economic situation gradually normalizes.

Priced to Maximize Affordability and Liquidity

- The Justified PBV method was selected as a valuation method, to reflect the value of UBF on a long-term steady state basis
- UBF is on better footing in comparison to its peers in terms of current capital structure and funding mix and is therefore primed to outperform the peer group
- The affordable issue price coupled with its competitive advantages are expected to drive positive market sentiment and facilitate market gains

Justified Price to Book Multiple based Valuation

Long Term ROE (%)	20.0%
Sustainable Growth Rate (%)	3.0%
Required Rate of Return on Equity (%)	17.44%
Justified PBV Ratio (x)	1.18
Equity Value per Share (LKR)	1.15

Note: A risk premium of 6% was applied on the 10-year Secondary Market Yield Average of 10-year Bonds which stood at 11.4%

Peer P/B Multiple based Valuation

Mean Peer Multiple*	0.79
NAVPS as at December 31, 2022	0.98
Peer PBV Based per Share Valuation	0.78

Note: Please refer annexure for peer group

Net Asset Value Based Valuation

Total Net Asset Value as at December 31, 2022 (LKR Mn)	2,641.9
Total Number of Shares as at December 31, 2022	2,699,687,318
Equity Value per Share (LKR)	0.98

Valuation Summary

Valuation Method	Per Share Valuation (LKR)	Discount / (Premium) on Offer Price
Justified PBV	1.15	15.2%
Peer PBV	0.78	(22.4%)
NAV	0.98	(2.1%)

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Annexure – Valuations

Peer PBV based Valuation

- The following peer companies categorised under Diversified Financial Services Sector were considered in arriving at a valuation for UBF. Given the large number of listed entities categorised under the Diversified Financial Services Sector, the peer group was narrowed down in order to include only the NBFIs. Senkadagala Finance PLC, Multi Finance PLC and Dialog Finance PLC were excluded in arriving at the average Peer PBV since they deemed as outliers given the heightened multiples that they are trading at

Company	PBV (x)
Abans Finance PLC	0.65
Alliance Finance Company PLC	0.33
Asia Asset Finance PLC	0.33
Associated Motor Finance Company PLC	0.30
Citizens Development Business Finance PLC	0.76
Commercial Credit and Finance PLC	0.44
HNB Finance PLC	1.93
Lanka Credit and Business Finance PLC	0.66
LB Finance PLC	0.83
LOLC Finance PLC	1.23
Merchant Bank of Sri Lanka & Finance PLC	0.45
Nation Lanka Finance PLC	1.02
Orient Finance PLC	0.46
People's Leasing & Finance PLC	0.40
People's Merchant Finance PLC	0.70
Sarvodaya Development Finance PLC	0.51
Singer Finance (Lanka) PLC	0.45
SMB Finance PLC	2.28
Softlogic Finance PLC	1.39
Vallibel Finance PLC	0.73
Mean Peer Multiple	0.79

Justified PBV based Valuation

Valuation Assumptions

Long Term ROE (%)	20.0%
Sustainable Growth Rate (%)	3.0%
Required Rate of Return on Equity (%)	17.44%

- Based on the indicative business plans of the management of UBF and the long-term performance of the similar sized entities in the NBFi sector, medium to long term ROE is expected to be 20%
- A long-term sustainable growth rate of 3.0% was estimated based on long term GDP growth rate.
- A risk premium of 6% was applied on the 10-year Secondary Market Yield Average of 10-year Bonds which stood at 11.4%