

# ANNUAL REPORT 2013



United we achieve

**UCB**



# ANNUAL REPORT '13



*United we achieve*

**UCB**

**United Commercial Bank Limited**

Corporate Head Office  
Plot - CWS(A) - 1, Road - 34  
Gulshan Avenue, Dhaka - 1212  
Phone: +880 -2- 8852500  
Website: [www.ucbl.com](http://www.ucbl.com)



## Letter of Transmittal

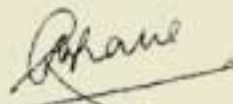
To  
All Shareholders  
Bangladesh Securities and Exchange Commission  
Registrar of Joint Stock Companies & Firms  
Dhaka Stock Exchange Limited  
Chittagong Stock Exchange Limited

**Subject : Annual Report for the year ended December 31, 2013.**

Dear Sir (s),

We are pleased to enclose a copy of the Annual Report of United Commercial Bank Limited together with the Audited Financial Statements as at December 31, 2013 for kind information & record.

Yours sincerely



**Mirza Mahmud Rafiqur Rahman**  
Additional Managing Director & Company Secretary



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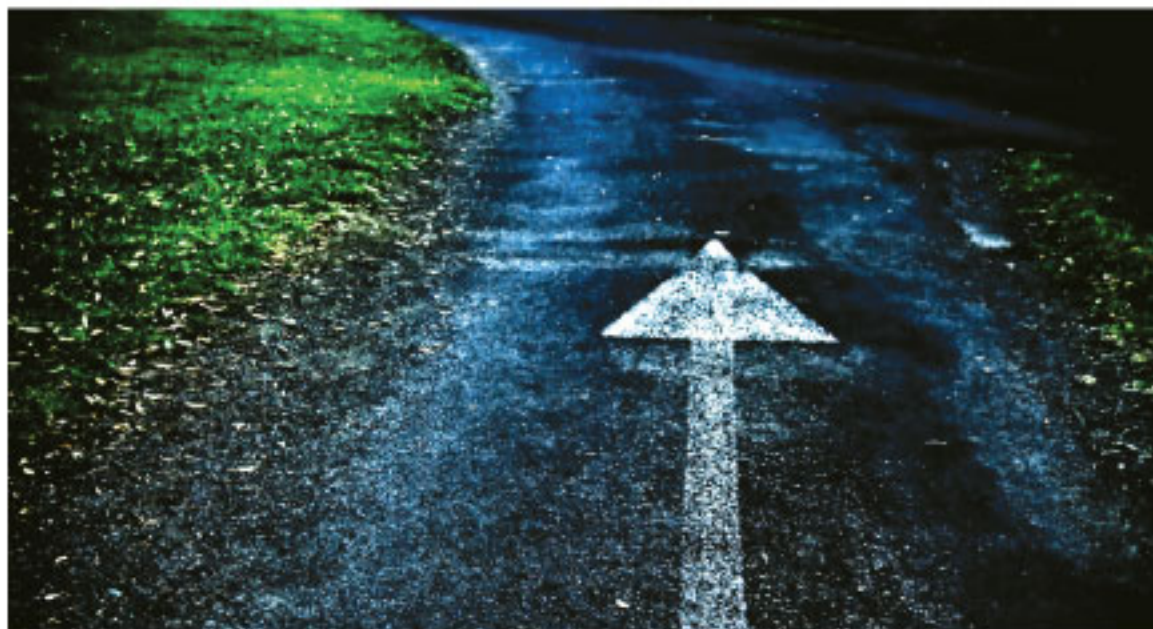
# General Information

**This section contains:**

- Forward Looking Statements
- Vision, Mission, Core Values
- Strategic Priority
- Corporate Profile
- UCB's Milestones
- Five Years' Financial Summary
- Graphical Review
- Group Corporate Structure



## Forward Looking Statement



This announcement constitutes forward-looking statements about the bank, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations or forecasts.

These statements include statements regarding our intent, belief or current expectations regarding our customer base, estimates regarding future growth in our different business lines and our overall business, market share, financial results and other aspects of our activity and situation relating to the bank. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by the forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements, by their nature, are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.

Neither this presentation nor any of the information contained herein constitutes an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, or any advice or recommendation with respect to UCB. Moreover, be informed that this document may contain summarized information or information that has not been audited. In this sense, this information is subject to, and must be read in conjunction with, all other publicly available information, including if it is necessary, any disclosure documents published by the bank.

Finally, we caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our future oriented statement, to make any decision with respect to the bank, investors and other should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any future oriented statement, whether written or oral that may be made from time to time by us on our behalf.



Our **Vision**  
is to be the **bank**  
**of first choice** through  
maximizing value for our **clients**,  
**shareholders** & employees and  
contributing to the **national economy**  
with **social commitments**. Our **Mission** is to  
offer financial solutions that **create**,  
**manage** and **increase** our clients' wealth  
while improving the **quality of life** in  
the communities we serve.

**Core Values** We put our customers first  
We emphasize on **professional ethics**  
We maintain **quality at all levels** We believe  
in being a **responsible** corporate citizen  
We say what **we believe in**  
We foster participative  
management



## Vision

To be the bank of first choice through maximizing value for our clients, shareholders & employees and contributing to the national economy with social commitments

## Mission

To offer financial solutions that create, manage and increase our clients' wealth while improving the quality of life in the communities we serve

## Core Values

- We put our customers first
- We emphasize on professional ethics
- We maintain quality at all levels
- We believe in being a responsible corporate citizen
- We say what we believe in
- We foster participative management



## Strategic **Priority**

To make all the stakeholders happy and to make the entire banking process an **enjoyable experience** for everyone

To be **compliant** with all the rules and regulations applicable in Bangladesh

To foster creativity, **innovation and diversity** with the view to sustainable business growth

Continuous development without compromising **needs of future generation**

To ensure satisfaction of all the UCB's customers through delivering services with the implementation of **world class IT infrastructure**

To establish **good governance**

Ensuring effective **risk management** system within entire phases of activities

Focusing on **Corporate Social Responsibilities** (CSR) in a responsible manner

To build & enhance brand **image**

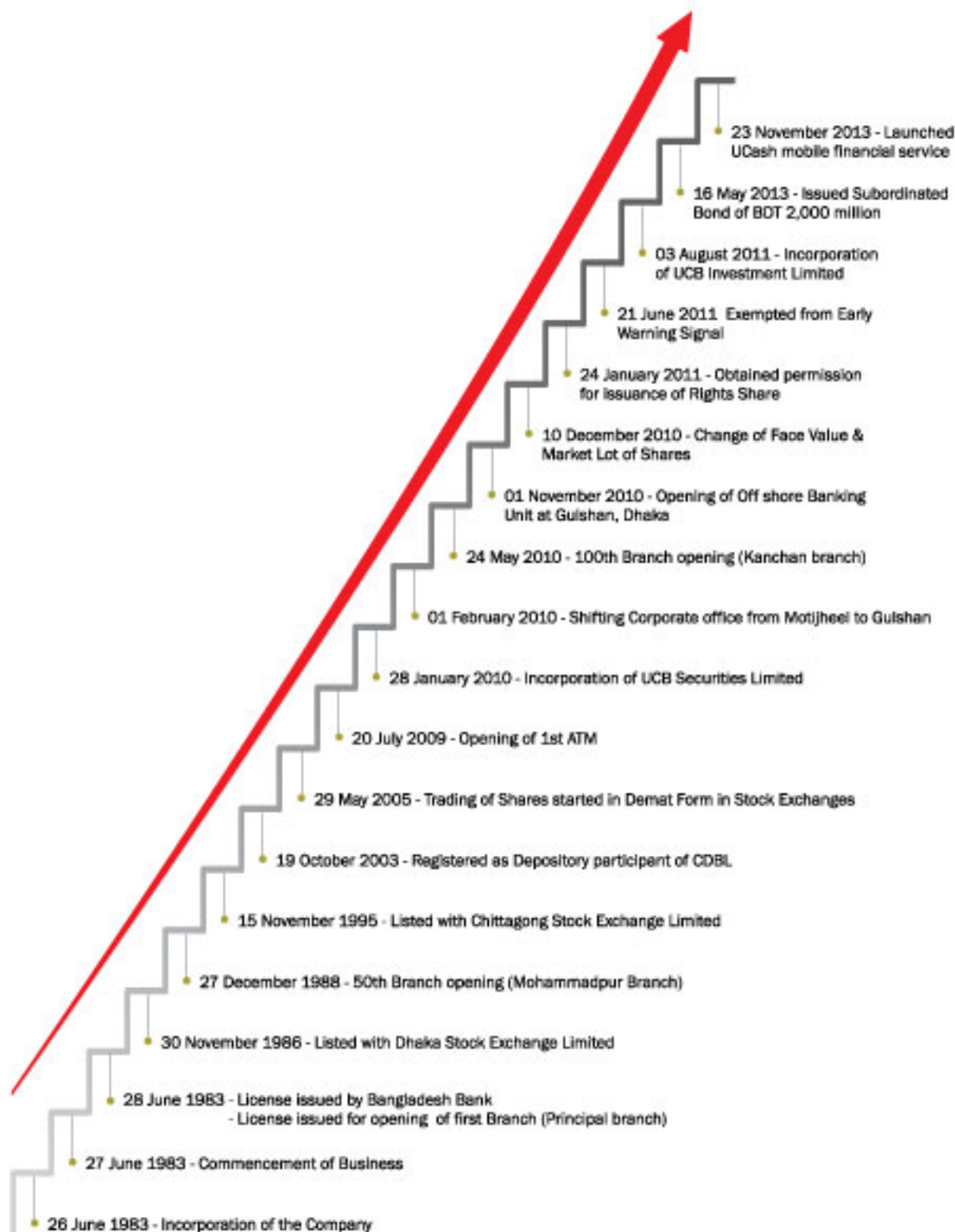


## Corporate Profile

Registered Name	United Commercial Bank Limited
Legal Status	Public Limited Company
Date of Incorporation	26 June 1983
Date of Commencement of Business	27 June 1983
Chairman	M. A. Hashem
Vice Chairman	Sharif Zahir
Managing Director	Muhammed Ali
Company Secretary	Mirza Mahmud Rafiqur Rahman
Chief Financial Officer	Mohammad Habibur Rahman Chowdhury FCA
Date of Listing with DSE	30 November 1986
Date of Listing with CSE	15 November 1995
Authorized Capital	BDT 15,000 million
Paid up Capital	BDT 8,366 million
Total Manpower	3,445
Number of Branches	139
Number of AD Branches	25
Number of Agri. Branches	02
Number of ATM Booths	101
Auditors	Hoda Vasi Chowdhury & Co. BTMC Bhaban (8th Floor), 7-9 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh
Tax Consultants	Mr. Md. Mosharrof Hossain, Advocate 28A, Kakrail (3rd Floor), Room No-20, Dhaka.
Legal Consultant	T.I.N. Nurun Nabi Chowdhury
Rating Agency	Credit Rating Information & Services Ltd. (CRISL) Nakshi Homes (4th & 5th Floor) 6/1A, Segunbagicha, Dhaka 1000, Bangladesh
Registered office	CWS(A) -1 , Gulshan Avenue Dhaka-1212 , Bangladesh
Telephone	02 8852500
E-mail	info@ucbl.com
Website	www.ucbl.com
SWIFT	UCBL BDDH
Trading Symbol	UCBL



## UCB's Milestones





## Five Years' Financial Summary

	2013	2012	2011	2010	2009
<b>Results of operation</b>					
Interest income	22,999.36	21,318.92	15,351.63	9,468.36	6,965.32
Interest expense	15,919.86	14,705.21	10,203.21	5,632.95	4,348.23
Net interest income	7,079.50	6,613.71	5,148.42	3,835.41	2,617.09
Non-interest income	5,319.08	3,563.95	4,145.95	4,018.47	2,574.97
Non-interest expenses	5,272.21	4,415.44	3,321.46	3,120.76	2,066.89
Operating revenue	12,398.58	10,177.66	9,294.37	7,853.88	5,192.06
Operating profit	7,126.37	5,762.22	5,972.91	4,733.12	3,125.17
Profit before tax	5,887.32	3,739.06	5,172.91	3,632.60	1,541.86
Net profit after tax	3,065.41	1,586.13	2,945.80	2,182.43	932.90
<b>Balance Sheet</b>					
Authorized capital	15,000.00	15,000.00	8,000.00	8,000.00	1,000.00
Paid up capital	8,366.12	8,366.12	7,274.88	2,909.95	1,193.83
Shareholders' equity	20,504.97	18,171.02	15,966.41	7,817.27	5,705.47
Deposits	184,896.85	170,530.54	139,484.75	113,070.78	77,730.40
Loans and advances	148,664.86	136,071.65	115,506.33	93,560.70	61,692.22
Investments	35,587.25	26,090.32	19,383.42	15,048.23	9,346.39
Fixed assets	7,957.31	5,222.78	3,288.09	1,966.35	1,305.81
Off-balance sheet exposure	67,094.06	52,153.26	40,255.37	40,797.74	22,098.19
Total assets	226,333.13	207,448.38	168,891.78	129,877.03	90,483.78
Total liabilities	205,828.17	189,277.37	152,925.36	122,059.76	84,778.32
<b>Share related information</b>					
Market price per share (of Tk. 100 each)	n/a	n/a	n/a	n/a	3,190.00
Market price per share (of Tk. 10 each)	25.10	23.60	43.90	226.70	n/a
No. of shares outstanding (of Tk. 100 each)	n/a	n/a	n/a	n/a	11.94
No. of shares outstanding (of Tk. 10 each)	836.61	836.61	727.49	291.00	n/a
Earnings per share (of Tk. 10 each)	3.66	1.90	4.20	7.50	31.18
Earnings per share (of Tk. 10 each) restated	3.66	1.90	3.52	2.61	1.12
Dividend	20%	10%	15% B 12%	25% B	30% B
Net asset value per share (of Tk. 10 each)	24.51	21.72	21.95	26.86	47.79
Price earning ratio (times)	6.85	12.45	10.45	30.23	10.23
Market capitalization (in million Taka)	20,998.95	19,744.03	31,936.74	65,968.65	38,083.08



## Five Years' Financial Summary

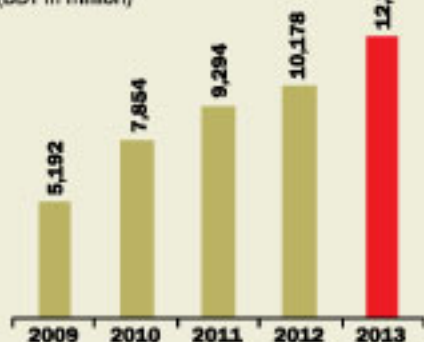
	2013	2012	2011	2010	2009
<b>Financial ratios (%)</b>					
Cost-income ratio	42.52	43.38	35.74	39.74	39.81
Credit-deposit ratio	80.40	79.79	82.81	82.75	79.37
Debt equity ratio (times)	9.19	9.45	8.74	14.46	13.62
Non-performing loans	4.03	3.69	1.79	1.20	2.63
Return on assets	1.41	0.84	1.97	1.98	1.20
Return on equity	15.85	9.29	24.77	32.28	18.49
Burden coverage ratio	100.89	80.72	124.82	128.77	124.58
Cost of fund	11.66	12.46	11.09	9.81	10.72
Yield on advance	16.21	16.23	14.81	12.89	13.78
<b>Other informations</b>					
No. of branches	139	130	115	107	98
No. of ATM	101	81	77	54	12
No. of employees	3,445	3,374	2,982	2,738	2,508
No. of foreign correspondents	363	357	333	296	274
<b>Other business (In million Taka):</b>					
Import	117,542.90	94,843.80	90,919.70	86,666.50	58,857.00
Export	94,288.50	78,309.10	76,962.80	50,712.10	38,519.00
Remittance	10,788.07	14,848.30	16,802.80	5,452.10	4,914.00
<b>Capital measures (In million Taka):</b>					
Total Risk Weighted Assets	197,380.55	177,900.41	155,231.89	144,080.55	65,440.12
Total Capital (core & supplemental capital)	22,758.76	18,455.74	16,877.06	9,085.83	6,035.00
Capital Adequacy Ratio (%)	11.53	10.37	10.87	6.31	9.22



## Graphical Review

### Operating Revenue

(BDT in million)



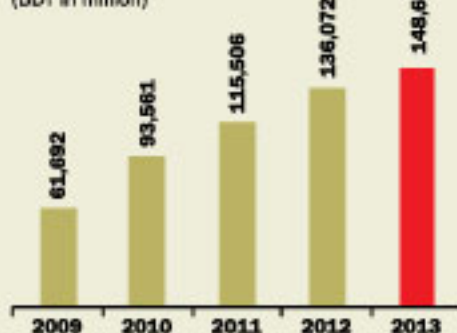
### Shareholders' Equity

(BDT in million)



### Loans and Advances

(BDT in million)



### Capital Adequacy Ratio

(Percent)



### Operating Profit

(BDT in million)



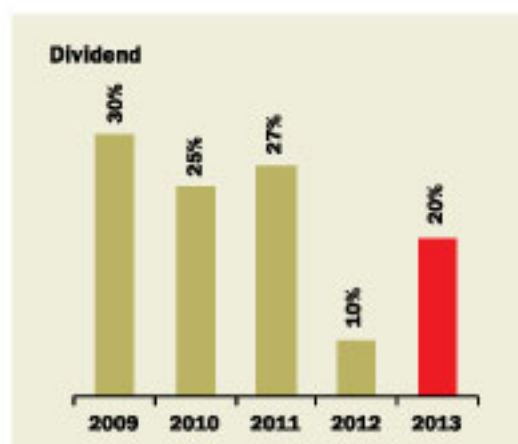
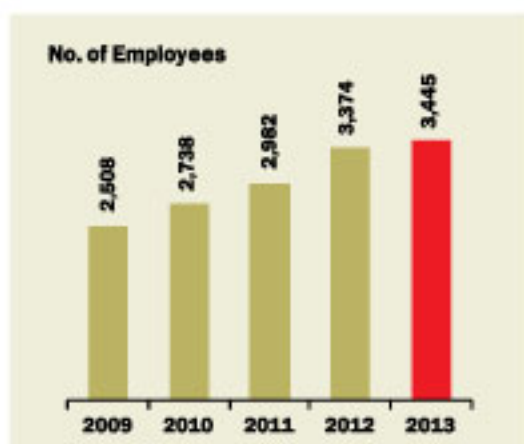
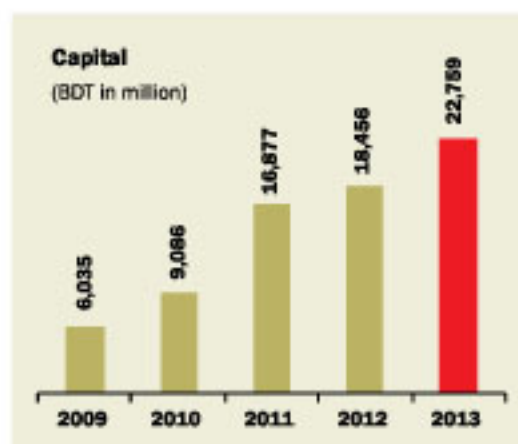
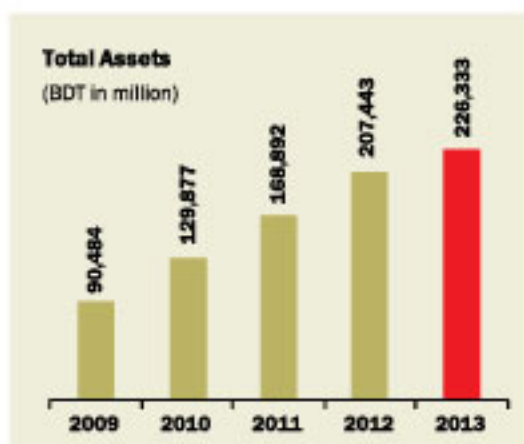
### Deposits

(BDT in million)



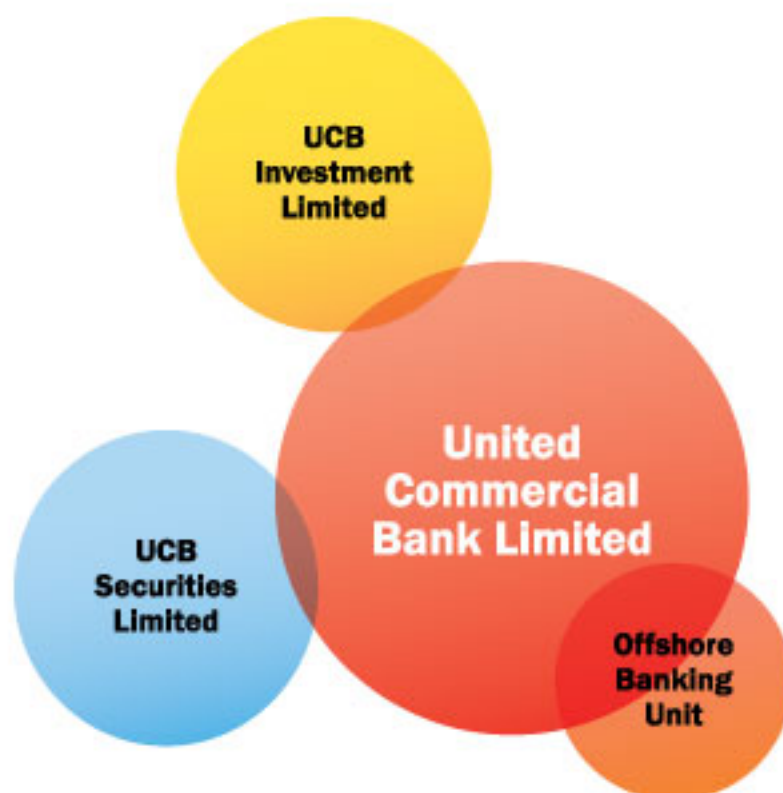


## Graphical Review





## Group Corporate Structure



### Offshore Banking Unit (OBU):

The Bank obtained permission for opening of Off-shore Banking Unit (OBU) vide letter no. BRPD (P-3) 744 (117)/2010-2577 dated 9th June 2010. Presently the bank has one unit in Dhaka in full pledged functioning which formally commenced its operation on 10 November 2010.


### UCB Investment Limited:

The UCB Investment Limited, another subsidiary of the bank was incorporated in Bangladesh as a private limited company on 3 August 2011 under the Companies Act 1994. The vision of the company is to be one of the best merchant bank in Bangladesh.

### UCB Securities Limited:

The UCB Securities Limited, a subsidiary of UCB was incorporated in Bangladesh as a private limited company on 28 January 2010 under the Companies Act 1994. The main objective of the company is to provide stock brokerage and other related services to its clients.



A stylized white wind turbine is positioned on the left side of the page, extending from the bottom to the top. The background is divided into three horizontal bands: a light beige top band, a middle band with a grey and beige diamond pattern, and a light beige bottom band. The turbine's blades are spread out, with one blade pointing towards the top left and another towards the top right.

# Board and Management Profile

**This section contains:**

- Board of Directors and its Committee
- Directors' Profile
- Key Management Profile
- Executives



## Board of Directors & Its Committee

### Board of Directors

Name of the Directors	Status in the Board
M.A. Hashem	Chairman
Sharif Zahir	Vice-Chairman
Anisuzzaman Chowdhury	Chairman-Executive Committee
Lt. Gen ATM Zahirul Alam, rds, psc (Retd)	Chairman-Audit Committee (Independent Director)
M.A. Sabur	Chairman-Risk Management Committee
Showkat Aziz Russell	Director
Md. Jahangir Alam Khan	Director
Hajee Yunus Ahmed	Director
Hajee M.A. Kalam	Director
Nur Nahar Zaman	Director
Shabbir Ahmed	Director
Md. Tanvir Khan	Director
Asifuzzaman Chowdhury	Director
Sultana Rezia Begum	Director
Ahmed Arif Billah	Director
Md. Abdul Karim	Independent Director
Dr. Salim Mahmud	Independent Director
Syed Mohammed Nuruddin	Independent Director

### Executive Committee

Name of the Directors	Status in the Committee
Anisuzzaman Chowdhury	Chairman
M.A. Sabur	Member
Showkat Aziz Russell	Member
Md. Jahangir Alam Khan	Member
Hajee Yunus Ahmed	Member
Hajee M.A. Kalam	Member
Shabbir Ahmed	Member

### Audit Committee

Name of the Directors	Status in the Committee
Lt. Gen ATM Zahirul Alam, rds, psc (Retd)	Chairman
Ahmed Arif Billah	Member
Md. Abdul Karim	Member
Dr. Salim Mahmud	Member

### Risk Management Committee

Name of the Directors	Status in the Committee
M.A. Sabur	Chairman
Showkat Aziz Russell	Member
Md. Jahangir Alam Khan	Member
Hajee Yunus Ahmed	Member

### Managing Director

Muhammed Ali

### Company Secretary

Mirza Mahmud Rafiqur Rahman



## Directors' Profile



**M. A. Hashem**  
Chairman

Mr. M. A. Hashem, Prominent business tycoon of the country & Former Member of Parliament, is the Chairman of UCB. He is also the founder of Partex Group, one of the largest conglomerates in the private sector manufacturing and service based enterprises in Bangladesh.

Mr. Hashem, son of Late Al-Haj Abdul Aziz, was born in a respectable Muslim family of Wasaapur, Begumganj in the district of Noakhali. In the development tale of Bangladesh, his prudential initiatives & entrepreneurship will be remembered for a long time.

A reputed industrialist and humanitarian, Mr. Hashem is actively associated with many educational and socio-cultural organizations of the country. He is also the founder and member of Trustee Board of North South University, member of Board of Trustees of the IBAIS University. He is also the founder of M. A. Hashem Diabetic Hospital, Chowmuhan, M. A. Hashem University College, Kazirhat, Begumganj and Al-haj Abdul Aziz Lillah Boarding & Orphanage at Chowmuhan, Noakhali. He patronizes a number of social, cultural, charitable & sporting organizations of the country as well.



**Sharif Zahir**  
Vice Chairman

Mr. Sharif Zahir, promising industrialist of the country, is the Vice Chairman of UCB.

Mr. Sharif Zahir is at the same time Managing Director of Ananta Casual Wear Ltd, Ananta Properties Ltd, Ananta Energy Resources Ltd, National Finance Ltd, Confidence Industries Ltd, Ananta Apparels Ltd, Ananta Denim Technology Ltd. He attained his Graduation from University of Texas at Austin, USA in Finance & Economics. Government of Bangladesh has honored Mr. Sharif Zahir as CIP (Commercially Important Person) for his contribution to the national economy.

With intensity & originality in thought, he is contributing in transforming UCB as a transparent & accountable organization



**Anisuzzaman Chowdhury**  
Director & Chairman,  
Executive Committee

Mr. Anisuzzaman Chowdhury, a young and dynamic industrialist of the country is the Chairman of Executive Committee of UCB.

He is also Director of Ronny Chemical Industries Ltd. He holds Graduation in Business Administration from Palm Beach Atlantic College of USA. Mr. Anisuzzaman Chowdhury, was born in a glorious & highly respectable Muslim family of Anwara under Chittagong District of the country.

With his brilliance and prudence, he has been contributing in UCB to reach its vision through exploring new opportunities and horizon of business procurement in this competitive market and providing best banking services in the Country.



## Directors' Profile



**Lt. Gen Abu Tayeb Muhammad Zahirul Alam, rcds, psc (Retd.)**

Independent Director &  
Chairman, Audit Committee

Lieutenant General Abu Tayeb Muhammad Zahirul Alam, rcds, psc (retd.), one of the Independent Directors of UCB, is the Chairman of Audit Committee.

He served Bangladesh Military for long 35 years with great honor and dignity. He was adjudged as the best all round Gentleman Cadet and was awarded the "Sword of Honor" in Bangladesh Military Academy. In his career, he held the appointment of Director of Military Training, commanded two Infantry Divisions and had been the Commandant of National Defense College (NDC), Bangladesh. He is also a peace keeper and has two United Nations Peacekeeping Missions to his credit. In the final leg of his career, he held the appointment of Force Commander of the United Nation Multinational Peace Keeping Force in Liberia, West Africa.

He holds a Master's Degree in Arts from King's College London, United Kingdom and is a graduate of prestigious Royal College of Defense Studies (RCDS), United Kingdom. He also attended a short course at Harvard University, USA. After retirement, besides teaching in National Defense College, he has interest in playing golf.



**M. A. Sabur**

Director & Chairman,  
Risk Management Committee

Mr. M. A. Sabur, leading Industrial entrepreneur is the Chairman of Risk Management Committee of UCB. He is also the Chairman of Masco Group and Maxim Group, a leading export house in textile sector of the country.

An MBA, Mr. Sabur is the son of Late Alhaj Raham Ali. He belongs to a respectable Muslim family and hails from Kanchon of Narayanganj district. He is a member of IBA Alumni Association & also a golfer being lifetime member of Kurmitola Golf Club, Dhaka and Bhatiary Golf Club, Chittagong. Mr. Sabur is actively associated with various educational & socio-cultural organizations of Dhaka & Chittagong.

This illustrious personality is guiding the Bank to set a mark of excellence for the banking industry of Bangladesh through assuring asset quality in modern banking system.



**Showkat Aziz Russell**

Director

Mr. Showkat Aziz Russell, one of the very brilliant, young & potential business personalities of contemporaneous generation is the Director & immediate past Vice-Chairman of UCB. Concurrently he is the Managing Director of Partex Holding Ltd, Amber Cotton Mills Ltd, Partex Rotor Mills Ltd, Partex Energy Ltd, Partex Spinning Mills Ltd, Partex Board Mills Ltd.

He is the Chairman of Board of Trustees of IBAIS University, Member of Board of Governing body of National Institute of Textile Training Research & Design (NITTRAD) and Vice-Chairman of Bangladesh Textile Mills Association.

He is also involved in promoting games and sports of the country and presently is the Director of Bangladesh Cricket Board (BCB), Chairman-Football Governing Body and member- Executive Committee of Lt. Sheikh Jamal Dhanmondi Club Ltd.

Mr. Showkat Aziz Russell comes of a well reputed Muslim family of Begumgonj in Noakhali. He was born on 16 November, 1972. Being an MBA, he studied at home & abroad. He obtained his BBA degree from UK.

This visionary personality is making his contribution towards economy by introducing modern technology, innovative ideas, upgraded management system & generating employment in various sectors. He also patronizes different socio cultural organizations to bring some meaningful changes in the society.



## Directors' Profile



**Md. Jahangir Alam Khan**  
Director

Mr. Md. Jahangir Alam Khan, eminent industrialist, is Director of UCB. He is also the Chairman & Managing Director of J.K. Group of Industries, a leading business house in Textile sector.

Mr. Md. Jahangir Alam Khan, son of Late Md. Salamat Khan was born in a highly respectable Muslim family of Gohira, Raojan in the district of Chittagong. He is the founder of J.K. Memorial Hospital (Charitable) at Gohira established under J.K. Foundation. Mr. Khan is also the lifetime member of Bhatiary Golf Club, Chittagong & Bangladesh Red Crescent Society, Chittagong. He was also the president of Chittagong Samity, Dhaka for consecutive two terms. For accelerating positive social changes, he maintains a strong rapport with many other educational & socio-cultural organizations. Government of Bangladesh has honored Mr. Khan as CIP (Commercially Important Person) for his contribution to the national economy.

Mr. Khan is mentoring the Bank to ensure accountability & protect all the interest of the Bank to achieve desired standards.



**Hajee Yunus Ahmed**  
Director

Hajee Yunus Ahmed, eminent industrialist of the country is one of the Sponsor Directors of UCB. At the same time he is the Chairman & Managing Director of Yunusco Group, Managing Director of Shore to Shore BD Limited & Adapt ID Bangladesh Limited.

Hajee Yunus Ahmed, son of Late Hajee Gura Miah Sowdagar was born in a respectable Muslim family of Rasulabad, Satkania in the District of Chittagong. A reputed philanthropist, Hajee Yunus is actively associated with many educational and socio-cultural organizations of Chittagong and Dhaka.



**Hajee M. A. Kalam**  
Director

Hajee M. A. Kalam, one of the Sponsor Directors of UCB. This distinguished businessman is the Chairman of M. A. Kalam Ltd, United Overseas (BD) Ltd. and Arab Plantation Ltd.

Hajee M. A. Kalam, son of Late Al-haj Mvi. Mohammad Hashem was born in a highly regarded Muslim family of Sedar, Kotwali in the District of Chittagong. He is devotedly associated with many educational and socio-cultural organizations of Chittagong. He is the founder of Hajee M. A. Kalam Degree College at Naikhongchari, Banderban and is the President of Arakan Historical Society of Bangladesh.



## Directors' Profile



**Nur Nahar Zaman**

Director

Mrs. Nur Nahar Zaman is a Sponsor Director of UCB and wife of Bank's Promoter & former Chairman as well as esteemed politician of the country Late Akhtaruzzaman Chowdhury.

She is also the Director of Ronny Chemical Industries Limited & Synthetic Resin Products (Pvt.) Ltd. This magnanimous women entrepreneur is associated with a number of educational & cultural organizations.



**Shabbir Ahmed**

Director

Mr. Shabbir Ahmed is one of the Directors of UCB. He is the son of Late Farid Ahmed, a Sponsor Director of UCB. Mr. Shabbir Ahmed was born on December 25, 1969 in Chandgaon, Chittagong.

This Promising Business personality is also the Director of Farid Level & Accessories, Sharafat & Brothers, Kashfi Knitting Ltd. and East End Automobiles Ltd. He also maintains strong relation with various educational & social organizations.



**Md. Tanvir Khan**

Director

Promising & young Director of UCB, Mr. Md. Tanvir Khan was born on September 14, 1983. He attained his BBA & MBA both from University of Toronto, Canada.

He is at the same time director of J.K. Fabrics Ltd, J.K. Knit Composite Ltd. This budding Industrialist is exploring new ideas to improve the business environment for the contemporaries.



## Directors' Profile



**Asifuzzaman Chowdhury**  
Director

Mr. Asifuzzaman Chowdhury is one of the young & promising Directors of UCB. He comes of a very prestigious family of Anowara, Chittagong. He attained his BBA from Atlantic University, Florida, USA.

Mr. Asifuzzaman Chowdhury is also the Director of Synthetic Resin Products (Pvt.) Ltd. and Ronny Chemicals Ltd. This young entrepreneur with his modern and innovative ideas is contributing to the nation at large.



**Sultana Rezia Begum**  
Director

One of the leading Women entrepreneurs of the country Mrs. Sultana Rezia Begum is the Director of UCB. She is the Wife of former MP and State Minister Late Abul Khair Chowdhury who was one of the Sponsor Directors of UCB.

Mrs. Sultana Rezia Begum is also the Director of Somudra Jatra Shipping Lines Ltd, a pioneer enterprise in Shipping of the country. This magnanimous donor unconditionally gives support to a number of charitable organizations.



**Ahmed Arif Billah**  
Director

Leading young entrepreneur of Bangladesh Mr. Ahmed Arif Billah is one of our Directors. He is the son of Mr. M. A. Sabur, sponsor Director & previous Chairman of UCB. Mr. Arif was born on July 29, 1982.

Mr. Ahmed Arif Billah is also the Managing Director of Masco Industries Ltd, Masco Cottons Ltd, Mascotex Ltd, MPL Wear Ltd, Masco Printing & Embroidery Ltd, Tasniah Fabrics Ltd, Masco Poultry Ltd, Masco Linens Ltd, Masco Yarn Dyeing & Printing Ltd, Shanta Expressions Ltd, Masco Exports Ltd, Masco Overseas Ltd, Vargin Grace Ltd, Masco Services Ltd, Concept Knitting Ltd, Masco Picasso Ltd, Masco Shares & Securities Ltd and Masco Properties Ltd.

In generating massive employment, Mr. Arif has an incomparable contribution towards economy & the country.



## Directors' Profile



**Md. Abdul Karim**  
Independent Director

Mr. Md. Abdul Karim, former Principal Secretary to the Government of People's Republic of Bangladesh, is one of the Independent Directors of UCB who is also the Managing Director of PKSF.

Earlier, Mr. Karim served as the Secretary in different ministries, namely Ministry of Fisheries and Livestock; Ministry of Commerce; Ministry of Home Affairs and Ministry of Communication. Besides, he had been the Chairman of National Board of Revenue (NBR), Bangladesh and Bangladesh Petroleum Corporation. He also served as the Economic Counselor in the Bangladesh Embassy in Belgium. He obtained his M.Sc. degree in Chemistry from Chittagong University in 1974. Later, he earned an M.S.S. degree in Development Administration from the University of Birmingham in 1987. He was involved in many organizations apart from his duties in Government service. Presently, he is the Chairman of Bangladesh Scouts and Bangladesh Table Tennis Federation.



**Dr. Salim Mahmud**  
Independent Director

Dr. Salim Mahmud is one of the Independent Directors of UCB, a young & energetic personality with distinct wisdom. He is also the faculty member of Dhaka University. Prior to that he was also faculty member in the University of Chittagong. Presently, he is a Member (commissioner) of Bangladesh Energy Regulatory Commission.

Dr. Salim Mahmud obtained his PhD in Energy Law & Policy from university of Dundee.

This visionary personality is immensely contributing in the energy sector through facilitating exploration of natural resources by our local expertise.



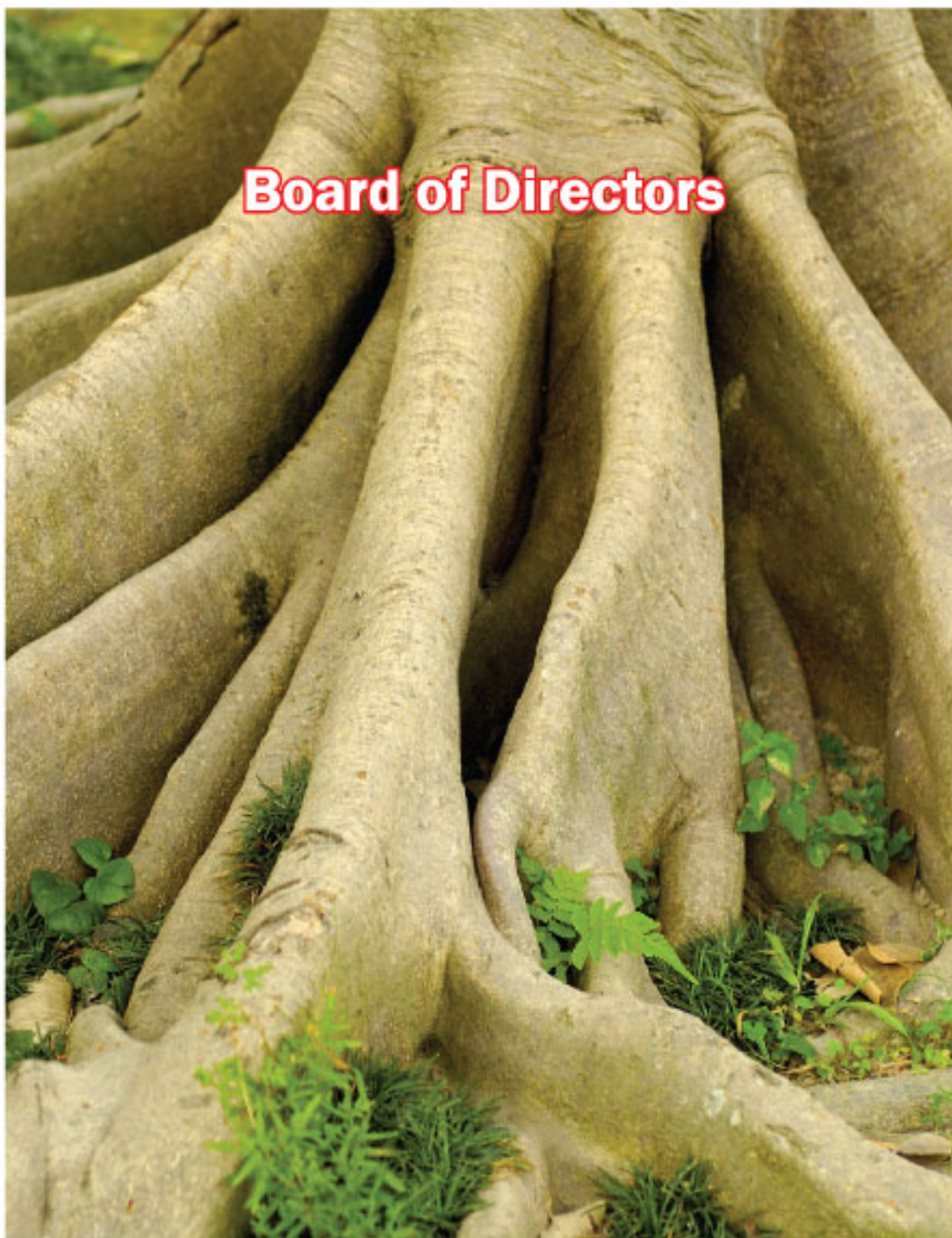
**Syed Mohammed Nuruddin**  
Independent Director

Syed Mohammed Nuruddin, a multilateral business personality of the country, is one of the independent directors of UCB.

This visionary personality is also the Managing Director of Allport Cargo Services (Ocean) Ltd, Mariners Cargo Services Ltd, Mariners Trading Corporation Ltd, Sundaram Tiles Ltd and Director of Mariners (Bangladesh) Ltd and Chittagong Shipyard Limited. He is also a former Director of Chittagong Chamber of Commerce & Industry.

Mr. Nuruddin is the member of Chittagong Club, Bhatary golf & country club and Chittagong boat club.







## Board of Directors



Hon'ble  
Directors  
not present  
in the group  
photograph





## Executive Committee



## Audit Committee



Hon'ble Directors  
not present in the  
group photograph





## Risk Management Committee



## Key Management





## Key Management Profile



**Muhammed Ali**  
Managing Director

Mr. Muhammed Ali, a prominent and professional banker with more than 36 years of rewarding multi-dimensional experience in banking and other fields of management, has joined UCB on 1st November 2012 as Managing Director and CEO. Prior to joining UCB, he was the Managing Director of Social Islami Bank and before that he was the Managing Director of Shahjalal Islami Bank.

Mr. Ali started his career with Sonali Bank as a probationary officer in 1977. In the process of career progression, he capitalized the opportunities to work with many other banks like, National Bank, National Credit Ltd (subsequently emerged as NCC bank), Standard Bank, Shahjalal Islami Bank and Social Islami Bank.

Throughout his career Mr. Ali has held different senior management positions in the arena of Credit, Foreign Exchange, Treasury, International Division, General Banking Operations, Human Resources Development including commendable exposure in branch banking and financial administration. It is worth mentioning that Mr. Ali demonstrated his

capabilities to work as the Head of Credit, Head of Treasury, Head of International Division and Head of Human Resources Development in few of the banks he worked for.

Mr. Muhammed Ali has proven track record in leading various teams in different banks contributing in business policy formulation and strategy management. His intellectual competence reflects in his writings and publications in the national dailies covering socio-economic and business development issues - 27 of such articles worth mentioning. Amongst other achievements, he was awarded with prestigious gold medal twice, including 6 other awards for his contributions in banking industry. Mr. Ali has attended a host of professional training programs including leadership both at home and abroad.

Mr. Ali is a post graduate in Economics with honors from the University of Chittagong and has keen interest in CSR, loves building relationship with people and believes in professionalism in business management.



## Key Management Profile



**M. Shahidul Islam**  
Additional Managing Director

Mr. M. Shahidul Islam, a prolific banker who started his career in banking as a Management Trainee in National Bank Limited in 1984. He served National Bank Limited for fourteen years with his intelligence and prudence. Mr. Islam contributed in almost all the areas of banking encompassing Corporate Credit, Foreign Exchange, Consumer Banking, Financial Administration Division and the most challenging- as Head of Branch.

In 1997, Mr. Islam joined Prime Bank Limited as Senior Assistant Vice President and served that Bank for eleven years. During his tenure in Prime Bank Limited, he actively and assiduously contributed to the growth and development of the Bank by playing substantial role as Head of Branch of some high profile branches and Head of different Divisions at Head Office. Subsequently, he was elevated to the rank of Senior Executive Vice President. Before joining UCBL, Mr. Islam was the Head of Credit of Prime Bank Ltd.

In 2008, Mr. Islam joined UCBL as Deputy Managing Director. Since joining in UCB, he has worked unremittingly to take the Bank to its new height of excellence. In March 2011, he was elevated to the rank of Additional Managing Director in recognition of his contribution to UCB.



**Mirza Mahmud Rafiqur Rahman**  
Additional Managing Director &  
Company Secretary

Graduated from Dhaka University (Hon's & Masters in English Literature & Linguistics), Mr. Mirza Mahmud Rafiqur Rahman started his Banking Career in 1988. In his long 26 years of Banking Career, he has held many responsible management positions in Corporate Affairs, Business Development, Human Resources, Public Relations and Company Secretariat etc. in reputed Banks like UCB, The City Bank Ltd. and many other esteemed organizations. Prior to joining the Banking Industry, he served in Cadet Colleges of the Country as Lecturer in English and also served abroad with dignified status.

His insight, aesthetic sense and visionary leadership combined with profound knowledge led to continuous growth in every organization he worked for. He is an eloquent speaker and regularly attends financial institutions, press and electronic media and other business forums as resource person. His involvement with many social and cultural activities earned him recognitions from a number of socio-cultural organizations. His commitment to work and creativity commensurate with excellent knowledge has contributed substantially in various areas of businesses and social works. He is an avid writer and contributes on business and cultural topics in national dailies and periodicals frequently.



**A. E. Abdul Muhaimen**  
Additional Managing Director

Mr. A.E.A. Muhaimen has joined UCB on July 9th 2013 as the Additional Managing Director. Prior to his joining UCB, he was the Managing Director of National Finance Limited.

Mr. Muhaimen started his career with ANZ Grindlays Bank as a Management Trainee in 1986. Mr. Muhaimen is a senior banking professional with over 27 years of multi-functional experience with six banks in Asia and the Middle East. He has earlier worked as Chief Executive Officer & Managing Director of Brac Bank and also held senior management positions in ANZ Grindlays Bank, Standard Chartered Bank, The City Bank Limited in Bangladesh.

Mr. Muhaimen has broad senior management experience being in the roles of CEO, CFO, HO-Consumer Bank, HO-Human Resources, Head of Cards and Chief Operating Officer.

Mr. Muhaimen has a post graduate degree in MBA from Institute of Business Administration (IBA), Dhaka. He has trained at INSEAD in Singapore, Mount Eliza of Monash University, Australia and Harvard University, USA. He has served as a director on the board of four companies- BracEPL, Brac EPSL, bKash (mobile banking company) and IIDFC (Non Banking Financial Institution) in Bangladesh.



## Key Management Profile



**Mohammad Abu Abdullah**  
Deputy Managing Director

Mr. Mohammad Abu Abdullah, has joined United Commercial Bank Limited as the Deputy Managing Director (HRM & Organization) as of 15th November, 2011. Mr. Abdullah is well-known in HR profession in Bangladesh with track record of about 40 years of experience in HRM & IR both at home & abroad.

Mr. Abdullah has completed B.A. (Hons.), M.A in Economics from the University of Dhaka and Post Graduation in HRM from BIM, Dhaka besides his professional education abroad.

He gained rewarding experience in Research, Training & Teaching HR & Industrial Relations with Bangladesh Institute of Management during his early career in the profession. He got citation and recognition by IBM (The then BMDC) for his research work in labor laws case studies and publication. He served as a member of the 1st & 2nd Labor Court of Bangladesh for about 8 years in his mid career and made commendable contribution. He spent prime period of his professional career with Unilever Bangladesh Limited of which last 10 years, he served as a member of the Board of Directors with HR & OD portfolios. While with Unilever, he had the opportunity to travel many countries in Asia & Europe where Unilever operates with short term project assignments to work & operational attachments to see best HR practices and gain professional expertise. His competence as a professional trainer and mentor worth mentioning.

Mr. Abdullah opted for early retirement from Unilever in 2005 and thereafter had the opportunity to work for Prime Bank Limited, AB Bank Limited including Abul Khair Group on contractual basis.

He is happily married and blessed with a daughter & a son.



**Md. Tariqul Azam**  
Deputy Managing Director

Mr. Md. Tariqul Azam, a versatile banker, has been regarded as one of the highest contributing members of the senior management of the Bank. A prudent risk manager by virtue of possessing diverse knowledge-base, deep insight into both the financial and real sector, natural ability in prudent decision making, and the real pragmatism, Mr. Tariqul Azam has been holding the position of Deputy Managing Director since May 30, 2012. He has since been assigned the responsibilities of several key Divisions of the Bank. Side by side, he is the Chief Risk Officer (CRO) of the Bank.

Mr. Azam started his banking career, after completing MBA (Major in Finance) from the IBA of University of Dhaka in 1979, by joining Sonali Bank as Senior Officer on probation in 1980. He served there for long 26 years. In these long 26 years, he worked at both Branch and Head Office levels spanning over all facets of banking business namely General Banking, Credit Management that includes specialty credit such as Foreign Trade Financing, Syndicated/Club Financing, and such, Legal Affairs, Finance & Accounts, and Research & Development; in all possible capacities i.e. from Desk Officer to Branch Manager to Head of Divisions. Such all round banking expertise eventually led him to join in UCB as a member of senior management in the year of 2006.

During this long career, he has attended many local and foreign trainings/ workshops/ seminars. He was/is also a regular trainer/facilitator at Sonali Bank Staff College, Uttara Bank Training Institute, BASIC Bank Training Institute, BIM, and of course at UCB Learning & Development Center. He is also a Diplomaed Associate of IBB (DAIBB).



**Mohammad Shawkat Jamil**  
Deputy Managing Director

Prominent Banker Mr. Mohammad Shawkat Jamil is serving as Deputy Managing Director of United Commercial Bank Limited from May 30, 2012. Since then he has been leading many core divisions of the Bank.

Born in a reputed Muslim family in Chittagong in 1958, Mr. Jamil has completed his MSS from University of Dhaka in 1982. He started his career as "Probationary Officer" in United Commercial Bank Limited in 1983. He has demonstrated experience in managerial and leadership positions including 21 years as Branch manager. He had been serving as Senior Executive Vice President and Head of Principal Branch of the bank, prior to taking over higher responsibility.

Mr. Jamil has attended different training programmes and seminars at home and abroad. Among them, the foremost to be mentioned is the month long training programme on "Finance & Banking Management for South Asia Federation of AOTS Alumni Societies" held in Osaka, Japan in 1997. He has also visited many countries including Thailand, Malaysia, Hong Kong, Singapore and Australia.



## Executives

### Managing Director

Muhammed Ali

### Additional Managing Director

M. Shahidul Islam  
Mirza Mahmud Rafiqur Rahman  
A. E. Abdul Muhaimen

### Deputy Managing Director

M. A. Abdullah  
Md. Tariqul Alam  
Mohammad Shawkat Jamil

### Senior Executive Vice President

Md. Sohrab Mustafa  
Md. Zahirul Alam  
Golam Awlia  
Mian Quamrul Hasan Chowdhury  
Badiul Alam

### Executive Vice President

Abul Alam Ferdous  
Md. Ahaduzzaman  
Md. Habibur Rahman  
Md. Ehsanul Kabir  
M. Habibur Rahman Chowdhury FCA  
Sarder Akhter Hamed  
N. Mustafa Tarek  
Mohammed Faruque  
Md. Shams-Uddin Ahmed  
Mir Jahir Uddin Ahmed  
Md. Ziaullah Khan  
Niamat Uddin Ahmed  
Khondkar Rafiq Uz Zaman

### Senior Vice President

Abu Sadeque Miah  
Mahmudul Bashar Khan  
Md. Ekram Ullah  
Md. Delwar Hossain Mazumder  
Mohammad Iqbal  
Md. Jasim Uddin  
Md. Faruque Amin Chowdhury  
Md. Shamsul Alam Khan  
A.K.M. Khurshed Alam  
Md. Shahidul Ameen  
Iqbal Hasan  
Md. Habibur Morsalin  
Ahmed Saiful Huda  
Syeda Arjuman Banu  
Mohammed Khorshed Alam  
Md. Forhad Hossain  
S. M. Wali Ul Morshed  
Md. Habib Uddin Bhuiyan  
Kazi Muzibul Islam  
Abu Shamim Mohammad Arif  
Md. Didarul Islam  
Md. Abdullah Al Mamoon

### First Vice President

Md. Daulat Mesh Chowdhury

Md. Fazle Karim Khan  
Saha Pratul Chandra  
S.M. Jahangir Kabir  
Saiful Alam  
Nasimul Islam  
Munir Uddin Chowdhury  
Md. Mainul Islam Chowdhury  
Md. Abdul Mannan Chowdhury  
Kazi Md. Lokman Hakim  
A. Wadud Miah  
Lisa Islam  
Md. Golam Sarwar  
Md. Aminul Islam  
Mohammad Nesar Alam  
Faridul Hoque  
Md. Wahaduzzaman  
Md. Abdul Maied  
Md. Khalequzzaman Chowdhury  
Manjur Murshed Chowdhury  
Chowdhury Bodluzzaman  
Md. Ahsan Mozlish  
Md. Zakaria  
Md. Abdus Salam Chowdhury  
Md. Showkat Karim  
Chowdhury Md. Showkat Ali  
Md. Sowkat Abdullah  
Kh. Zibnur Rahman (Nadim)  
Mohammad Monabbir Ahmed Khan  
Md. Amiruzzaman  
Tunku Humayun Md. Morshed  
Md. Tofazzal Hossain  
Md. Aman Ullah  
Mohammad Nurul Islam  
Md. Salim Reza Khan  
Mohammad Abdul Based  
Javed Iqbal  
Amalendu Roy  
Md. Mosleh Uddin Mansur  
Masudur Rahman Sannamot  
Mohammad Anisur Rahman

### Vice President

Akter Banu Anju  
Md. Anwar Iqbal Chowdhury  
Mohammed Abdullah-Al-Mamun  
Md. Monjurul Islam  
Abdul Monaf  
Md. Wais Ahmed Khan  
Md. Shafiqul Islam  
Nirmalendu Deb  
Mohammad Shohel Haider  
Sarwar Mortuza Chowdhury  
Md. Shafinur Rahman  
Kamrun Naher  
Md. Abul Hashem  
Shah Bashiruddin Ahmed  
Mohammad Ikles Uddin  
Md. Enamul Hoque  
Md. Shamsul Hoque Khandaker

Md. Abdul Basith  
Md. Mofazzal Hossain Patwary  
Shaheed Hossain Chowdhury  
Md. Ibrahim Khan  
Md. Abdul Hakim  
Md. Mazibur Rahman  
Md. Al Tamas  
Mohammad Al-Amin  
Abu Taiyab Md. Tajmilur Rahman  
Abul Hasan Muhammad Azim  
Ikram Farid Chowdhury  
Emtiaz Haque  
Md. Khairul Alam Chowdhury  
Md. Anis Ur Rahman  
Muhammad Hafizur Rahman ACA  
Shahadat Hussain Chowdhury  
Mohammad Jashim Uddin  
Shamsul Alam  
H.A.M. Nizamuddin  
A. K. M. Zillur Rahman  
Ahsanul Hoque  
Md. Nurul Amin  
Sultan Ahmed Shah Chowdhury  
Md. Lokman Miah  
Jennyfar Yousuf  
Aminul Haque Chowdhury  
Tofael Haider  
Mohammad Monwar Hossain  
Ikhtear Uddin Ahmed  
Mohammad Abu Hanif  
Md. Jahangir Hossain  
Md. Nizam Uddin  
Major Kamal Mustafa (Retd.)  
A. T. M. Tahmiduzzaman ACS  
Md. Nurur Rahman Khan  
Minu Ara Begum  
Md. Abul Hossain Howlader  
Md. Shamim Ferdous  
Syedur Rahman  
Partho Kumar Bagchi  
Saiful A. Chowdhury  
Md. Manirul Islam  
Ahmed Baker Imam  
Md. Salahuddin  
Momtaz Sobhan  
Alamgir Kabir  
Md. Shafiqur Rahman  
Mosliuddin Husain  
Md. Shakhawat Hossain  
Mohammad Nur Nobil ACA  
Md. Shafiqul Islam  
Md. Jahangir Alam  
Mohammad Sarwar Alam  
Ikramul Haque Bhuiyan  
Mohammed Abdul Gofran  
Mohammad Mosleuddin  
Sazzad Yussouf  
Md. Belayet Hossain



## Executives

Mohammad Abdur Rahim  
Chitra Chowdhury  
Md. Badshah Gazi  
Sk. Ashraf Alam  
Kamrul Majid Mahmud  
Jinnatun Bakla  
Md. Munjur Kadher Chowdhury  
Abu Jamil Md. Abdul Alim  
A. B. Moinul Karim  
Kh. A.R.M. Kamrul Hasan  
Mumtaz Ahmed  
Md. Faruk Hossain  
Naunehal Ashraf Huda  
Mohammad Mahbubul Alam  
Md. Anwar Hossain  
Mohammad Jahir Uddin  
Mohammad Taher Hasan Al Mamun  
Muhammad Arifur Rahman  
Mohammad Aktar Hossain  
Md. Taiyub Hossain  
Dewan Abdul Bakki  
Muhammad Fazle Rabbi  
Shamsun Lora Karim  
Md. Moazzam Hossain Chowdhury  
Md. Nazim Uddin  
Syed Kamruzzaman  
Yousuf Habib  
Md. Ibne Khaled  
Abu Sayed Md. Ashrafuzzaman  
Achinta Kumar Saha  
Kashef Rahman  
Najmus Sakeb Jamil  
Sheikh Nahid Reza  
Md. Nurul Absar  
A.Y.M. Mostafa  
Md. Zafrul Hoque  
Debashish Roy  
Javed Moin  
Md. Mofizul Alam  
Ajit Kumar Baidya  
Iqbal Ahmed  
Md. Muzibur Rahman Chowdhury  
Md. Jahangir Ahmed  
Zahirul Islam Chowdhury  
Md. Hasan Murad Chowdhury  
Golam Sarwar Bhuiyan  
Mohammad Abdul Ahad

### First Assistant Vice President

Farid Uddin Ahmed  
Kafiluddin Bhuiyan  
Mohammed Hasan  
A. N. M. Saiful Islam  
Md. Shamsul Alam  
Md. Mustofa Kamal  
Jahangir Alam  
Mohammed Monjur Alam  
Md. Kamal Pasha  
Md. Masud Hasan Chowdhury  
Zahir Uddin Ahmed

Afroze Ahmed  
A.A.M. Mutasim Billah  
S. M. Masum  
Somen Saha  
Shyma Akthar  
Md. Mohsin  
Md. Abdul Hai  
Kamrul Ahsan Moin  
Ashfaq Mohammad  
Syed Nizamul Islam  
Md. Manirul Bashar  
Sujoy Kumar Das  
Anwar Hossain Pathan  
Mostaque Ahmed  
Md. Belayet Hossain Bhuiyan  
Maksud Ahmed  
Saifur Rahman Chowdhury  
Md. Amin Faroque Sharif  
Mohd Kamal Uddin Faruque  
Md. Shamsul Huq Mir  
Shireen Sultana  
Md. Gias Uddin  
Mohammad Liakat Hussain  
Aklina Akter  
Mohammad Reaz Ahmad  
Md. Nazrul Islam  
Mohammad Zamal Uddin  
Mohammad Arif Uddin  
Mohammed Ramjan Ali  
Md. Salah Uddin  
Anup Kumar Roy  
Md. Mohsinur Rahman  
Md. Jashim Uddin Chowdhury  
Md. Zafar Iqbal  
Mohammed Shafiul Alam  
Asma Begum  
Md. Marufur Rahman Khan  
Md. Habibur Rahman  
Md. Kabir Uddin Ahmed  
Jamil Faruque  
Md. Mokhlesur Rahman  
Md. Suruzzaman  
Reshadul Hannan  
Salina Akther  
Md. Momtaz Hasan  
Md. Mosharraf Hossain  
Md. Mahabub Faruque  
Md. Mahabubul Alam  
Md. Mehedi Hasan  
Md. Moshfiqur Rahman  
Md. Kawsar Jamil  
Md. Mahmudul Haq  
Monsurul Ahsan  
Gaziul Haider Mazumder  
Tawhidul Haque Chowdhury  
Altaf Ali Khan  
Md. Golam Sarwar Jahan  
Golam Mostafa  
Burhan Uddin Mohammed Jahangir  
Mujibur Rahman

Mohammed Ibrahim  
Mahmudur Rahman  
Md. Ashfaq Ahmed  
Gowtom Kumar Ghosh  
Sankar Kumar Mitra  
Mohd. Salahuddin  
Chowdhury Jafarullah Sarafat  
Arfanul Islam  
Md. Billal Ali Shaikh  
Md. Helal Uddin  
Azam Chowdhury  
Mahbubul Hoque  
Mohd. Nurul Afsar  
Shireen Akhter  
Md. Aref Ullah  
Md. Abul Bashar Chowdhury  
Md. Sabbir Hossain  
Mohammad Monir Hossain  
Mohammed Rezaur Rahman  
Mohammad Siful Islam  
Md. Saifulallah  
Md. Lutfur Rahman  
Mohammad Monowar Hossain  
Md. Ashiquzzaman  
Mohammad Kamrul Islam  
Md. Parvej Ahmed ACA  
S.F. Shah Farhad Hossain  
Md. Ibrahim Meah  
Md. Hashan Miah  
Syed Ghulam Mostaque  
Md. Murad Morshed  
Fakir Aktarul Alam  
Israt Fatema  
Kazi Kamal Uddin Ahmed  
Md. Hasan  
Md. Akhter Hossain  
Abdul Motalib Miah  
Md. Harun-Ur-Rashid  
Habib Mohammed Enayet  
Md. Rahim Uddin  
Golam Mohammed  
Syed Hasan Afzal  
Md. Anwarul Islam  
Md. Tareq Uddin  
Ashfaq Ali Chowdhury  
Syed Alam  
Md. Hasibul Asad  
A. S. M. Naushad Alam  
Mohammad Asif Qureshi  
Bishanat Sharder  
Mohammad Fazle Mahmood  
Md. Abul Kalam  
Md. Shah Newaz Chowdhury  
Mohammad Imtiaz Kabir  
Halimur Rashid  
Md. Masudul Alam  
Mohammad Mahbub Ur Rashid  
Md. Al-Hechan Khan  
Md. Dabir Uddin  
Mohammad Moinuddin Ripon





# Message from the Chairman and Managing Director

**This section contains:**

- Chairman's Message
- Managing Director & CEO's Round up







## Chairman's Message

Dear Shareholders,

It gives me great pleasure to place before you the highlights of your Bank's performance. We are pleased to account that 2013 was a successful year for United Commercial Bank Limited both in financial performance and achievements. We can be proud that we have made significant progress in the development of our business activities. In 2013, in the face of uncertainties and challenges due to rapidly evolving business conditions, UCB continued to implement changes to strengthen its different area of operations to ensure customer satisfaction in order to remain competitive and successful in the market. We can now confidently claim that UCB has leaped into higher position of development and growth.

We have achieved a total deposit of Taka 18,489 Crore, total loans & advances of Taka 14,866 Crore and total operating profit of Taka 713 Crore in 2013. We have also extended our network of 139 Branches and 101 ATMs in 2013.

Having completed 30 years of meaningful existence, UCB is determined to deliver best in class banking service to its customers. UCB has always been innovative and proactive in meeting the needs of its valued customers. We have already launched our mobile financial services named UCash. This service is designed to bring the unbanked people in economic services. We want to see a modern UCB where technology comes to open new horizon of opportunities for our valued clients. We are implementing best technology driven services. We are going to implement Oracle FLEXCUBE UBS as Core Banking Software very soon.

United Commercial Bank Limited applies the highest standard of ethics in the management of all its businesses. A set of corporate governance policies shapes and guides our management practices. We intend to develop, and continually improve, all aspects of the corporate governance of the Bank and ensure that our practices not only meet or exceed all local requirements, but also are fully in line with international best practice. Besides corporate governance, UCB has

long been practicing CSR into its core strategic business planning and translated it into action across different areas and community of the country. We have adopted CSR practices in a structured manner in line with our organizational vision to help the disadvantaged population of our country by socially responsible initiatives. UCB has organized its activities for social development around seven main areas: Education, Health, Disaster Management, Environment, Sports, Art and Culture and Socio-Economic Development. We have spent an amount of Taka 2,88,89,200/- only (In Words: Taka Two Crore Eighty Eight Lac Eighty Nine Thousand Two Hundred only) in year 2013 on CSR activities. We expect continuing to contribute in all important CSR areas.

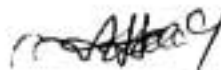
Now, we are now going to shift the paradigm to diversity which will lead us out of conventional method of Banking. We have already focused on SME, MFS and many other unconventional practice of modern banking. The coming era of UCB will reveal many more. Diversity will be our paramount apparatus to bring substantial and potential benefits.

We ought to be focused on proper tracking and monitoring system alongside diversity as well. A perfect tracking and monitoring system can ensure sustainable and diverse approach.

Hence, our focus for the coming year is on Diversity and Tracking.

In conclusion, I would like to acknowledge the continued confidence and encouragement of our shareholders; the trust of our clients and business partners; and the commitment and professionalism of our management and staff. I also express my appreciation to Bangladesh Bank for their continued guidance and support.

Thanking You.



**M. A. Hashem**  
Chairman







## Managing Director & CEO's Round up

Honorable Shareholders, Respected Members of the Board of Directors and my beloved Team Members of UCBL.

Assalamu Alaikum

The year 2013 was a milestone for UCBL as the bank attained a remarkable achievement with solid foundation to accomplish robust growth by adopting strategic business policy despite the economic and political challenges. The Bank has done well in terms of profit as well as maintaining the quality of the asset portfolio and keeping NPL low in 2013. The overall performance of UCBL compared to its peers in the industry is incredible. We have substantially advanced UCBL in all the strategic dimensions.

Our diverse experiences have efficiently supported to make business strategy of UCBL and the success in 2013 achieved diligently in securing a steady growth with excellent performance utilizing talent and skill of working team.

The business growth was a direct result of the major strategic initiatives taken in early 2013, which were: highly focused on SME Lending shifting from Corporate lending/ Increased focus on Export-Import Centric Business / Activation of OBU's Business / Adoption of Core Banking System/Introduction of Mobile Financial Service / Creation of RMG Division for export boost up / Formation of Special Assets Management Division for targeted recovery / Focus on Low Cost-No Cost Deposits with broader base financial inclusion.

UCBL has the strength to manage & operate the Bank in the most effective manner with satisfactory capital adequacy/ good asset quality/ sound liquidity position/ good financial performance/ satisfactory operating efficiency / diversified product line and experienced rich management team.

UCBL is now committed to moving forward with a clear strategy and new financial targets for 2014 – focused on our vision to become a number one customer centric first choice bank in the country.

The business strategies of the year -2014 would be enhancing fee based income, raising low costs deposits, reducing costs, maintain high quality asset portfolio and enhancing the performance for establishing a sustainable bank.

### **UCBL Strategy & assumption for 2014:**

We will cherish our corporate goals with realistic business strategy by a highly inspired & skilled management team. I would now like to highlight the key strategy & assumptions for 2014:

#### **a) Emphasis on SME Loan:**

SME sector is the most potential sector for expansion of credit. It also generates high yields. On the other hand, corporate credit market in Bangladesh is highly competitive and risky. Therefore, the Bank has decided to expand SME sector credit and strategically reduce corporate sector operations.

#### **b) Focus on Import/Export business:**

As our country is extensively dependent on imports, there is ample opportunity to tap into the import businesses of clients. These businesses provide high non-funded return. Side by side the foreign currency earning, export sector is another mainstay of the economy as well as being a key profit earner for the banking industry. The Bank has focused on both import and export business by tapping into the new customer bases as well as customers of other Banks while nurturing existing customers.

#### **c) Ready-Made Garments (RMG):**

The economy of Bangladesh is largely dependent on the RMG industry. It has been the biggest earner of foreign currency since long. The RMG sector has experienced exponential growth since the 1980s. The sector contributes significantly to the GDP. It also provides employment to large sections of women community thereby enfranchising an otherwise underutilised work force.

Despite the recent global financial crisis, tarnished image of the sector due to untoward incidents in factories as of and the threat of withdrawal of tariff advantages from developed countries, the RMG sector is expected to grow further.



## Managing Director & CEO's Round up

As China is finding it challenging to produce textile and foot wear items cheaply, many foreign investors are coming to Bangladesh to take advantage of the low labor costs and a rapidly growing backward linkage industry. The RMG sector also generates huge non-funded income for the Banks. Considering all these, we have increased our focus in this sector.

### d) Commercial Lending:

Commercial Lending is the most preferred sector for the commercial banks of the country. Likewise, our Credit exposure has been focused on commercial lending i.e. International & Domestic trade finance, contractor/supply Finance etc. Over the years we have developed core competence in these areas. One of the features of these finances is that they provide huge fee-based income.

### e) Agriculture:

Bangladesh is still primarily an agrarian economy. Agriculture is the single largest producing sector of the economy since it comprises 18.6% of the country's GDP and employs around 45% of the total labor force. In recent years, investment in Agro-based products has increased.

The performance of the Agricultural sector has an overwhelming impact on major macroeconomic factors such as employment generation, poverty alleviation, human resources development and food security. Bangladesh Bank has long been pursuing the Banking industry to extend credit to this sector and we have done so accordingly.

### f) Focus on Green Banking and Eco-friendly financing:

As a part of the commitment to keep the environment green and to safeguard the planet from warming, the Bank has approved Green Banking Policy as well as Environmental Risk Management Policy. The Bank has already introduced paperless banking in its inter office communication under green banking programme. This initiative will open the door to more efficient operations, lower costs and improve compliance.

### g) Off Shore Banking:

The Offshore Banking Unit (OBU) has been activated which mainly deals with non-resident Bangladeshi citizen, exclusively maintaining foreign currency transaction, borrow and lend in Foreign currency with

any other local and international Banks.

OBU offers limited trade transactions such as Bill financing & discounting and finance mainly to fully Foreign Owned companies, and in limited cases to Joint Venture Companies subject to permission from the Board of Investment (BOI).

### The Year - 2014:

The Year 2014 is expected to be a year of both opportunities and challenges. The Bank while stressing on upholding the asset quality declared that the year - 2014 will be the year of Consolidation/Diversification & Tracking.

UCBL has drawn a business plan which exploits the increased globalization of the banking sector. Our ultimate goal being maximum penetration of UCBs products and services into emerging markets which will be implemented through the initiatives outlined below subject to approval of Bangladesh Bank and other Regulatory Authorities of respective countries:

- 1) Open Representative office in Singapore with the ultimate objective of establishing a fund management company to create an apparatus through which foreign funds may flow into the Bangladeshi economy.
- 2) Open a leasing company in Hong Kong to facilitate business with greater China and Hong Kong.
- 3) Establish an Exchange House in Malaysia for the inflow of remittance to Bangladesh.

### Global- Local Economy:

Now let me put the Global & Local economy in context, which had impact in 2013 and will have residual continuation in 2014.

The global economy is yet to shake off the fallout of the world recession. A sharper than expected world recession and continued downward price spiral in the global market had an obvious impact on the industrial production and export growth. The Bangladesh economy ended 2013 with good strides despite what appeared to be insurmountable odds. It saw moderate macro-economic growth despite challenges. GDP growth is expected to remain more or less at the same level, inflation was under control, remittances flow were



## Managing Director & CEO's Round up

at all time high, exports and imports also did well. The Forex Reserves crossed USD 19 billion now which is also a milestone in the episode of banking industry of Bangladesh.

### Export:

Total export earnings during the financial year 2012-2013 were USD 27,027.36 million. During July to December 2013-2014 FY export earnings fetched an amount of USD 14,685.81 million with growth rate of 16.56%.

Analyzing commodity wise export earnings, during the July-December of 2013-2014 FY, Export of RMG was 40.74%, Knitwear 40.51%, Frozen Foods 2.57%, Jute and Jute goods 2.84%, Hides & skin 1.63%, Home Textile 2.38%, Footwear 1.95% and Agri-products 1.81% which was 94.43% of the total export earnings.

Major export trading partners were USA with 19.00%, German 15.94%, UK 9.32%, France 5.63%, Spain 5.10%, Italy 4.20%, Canada 3.70%, Belgium 2.23%, Japan 3.03%, Netherland 2.99%, Turkey 2.96%, China 2.24%, India 1.24% and Singapore with 0.44%.

### Import:

Import in July-October of FY 2013-14 was USD 11,648.66 million against USD 10,715.64 million in the same period of FY 2012-2013 recording increase of 8.71%. According to Bangladesh Bank, during July-October of FY 2013-2014, import of consumer goods was USD 1,527.98 million while Intermediate goods- USD 1,031.47 million, Petroleum products- USD 1,152.06 million, Capital machinery - USD 715.43 million and import of other industrial machinery was 1,163.13 million.

### Foreign Remittance:

Remittances from Bangladeshi nationals working abroad recorded USD 14.50 billion reflecting higher growth in the last financial year (2012-13). During the first 4(four) months of the present financial year, foreign remittance recorded USD 4.50 billion.

According to Bangladesh Bank data, the remittance received during the last financial year was USD 1.2 billion in July, USD 1.1 billion in August and USD 1.4

billion each in September & October while USD 1.1 billion in November, USD 1.2 billion in December, 2013.

### UCBL's Glimpse:

UCB is now operating with 139 branches and expected to open 08 more branches in 2014. It has solid deposit bucket of BDT 184,896.85 million against BDT 148,664.86 million in loans & advance while the bank fetched BDT 117,542.90 million as import & BDT 94,288.50 million as export with BDT 10,788.07 million as remittance in foreign exchange business.

The Bank registered an operating profit of BDT 7,126.37 million in the year 2013. The Classified Advance was BDT 5,985.17 million with 4.03% of total Loans & Advances.

### a) Information Technology : Core Banking System (CBS):

The operations of the bank are now highly IT intensive. UCBL is therefore, aiming at providing better and time befitting services to the clients adopting Core Banking System (CBS). The CBS is an integrated Banking System - one system for all branches. The CBS will go live in June 2014 in some pilot branches of the Bank gradually to transform all branches within 15 months time period.

UCBL will be a IT driven banking organization centralizing its information collection, processing, storage and dissemination with a prime objective to provide cost effective banking service for maximizing the customer's satisfaction through state of the art technology.

UCBL products & services are strongly backed by IT infrastructure, which are upgraded & expanded on continuous basis. ATM booths were installed in key branches and places, which will be expanded regularly.

### b) Core Risks Management :

UCBL has now been adopting the Risks Management Guidelines of Bangladesh Bank. The Risk Management Division of the bank is functioning to ensure practice of core management system in the bank. UCBL furthermore adopted core risk guidelines on Money Laundering Risk along with other core risks guidelines in order to establish compliance culture in the bank.



## Managing Director & CEO's Round up

The Bank has its own Credit Risk Management policies and procedures; and using various process of Credit risk management. The bank is now capable of proactively manage Credit portfolios in order to minimize losses and earn an acceptable level of return for shareholders and thus to ensure quality asset of the bank.

### c) Human Resources Development:

UCBL has adopted a very realistic people strategy to create a responsible Human Resource culture in the Bank. A comprehensive HR strategy has been drawn up to face all challenges in an integrated manner through a focused HR plan. The bank's policy on Human Resource Management is proactive.

UCBL believes that investment in Human Resource Development is the key to maintaining continued growth of the Bank. The HR mission will be the preferred employer of the choice. The HR pool of the bank will be guided to harness the maximum benefits from the alternative delivery channel.

The bank recruits people from all sections of the society, as it believes that competent human resources are vital to growth & success of the bank. The bank is offering congenial working environment & competitive compensation package.

The management team of the bank has always been working for business excellence of the bank with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance.

### d) Mobile Financial Services:

As a first generation bank-UCBL seeks to explore new approach and regularly pursues diversified initiatives towards the way to business growth. UCBL is seeking to provide banking services with all modern technologies to its customers. In line with central bank steps to incorporate the country's unbanked people into the

mainstreams banking sector ( as only 20 to 25 percent people are linked with the formal financial sector), UCBL is moving towards Alternative Delivery Channel (ADC) throughout the country.

### e) Corporate Social Responsibility (CSR):

UCBL believes that any kind of social & philanthropic activities would improve the quality of the lives of the poor masses of the country. The Bank aims to be a responsible corporate citizen, by identifying opportunities for service to the community and exploiting such for common good.

In fact, Corporate Social Responsibility has moved from a cost or a charitable deed to source of opportunity, innovation and competitive advantage. UCBL is therefore, strongly supporting the society in need as we believe that a healthy society creates good business environment with good human soul to set the sustainable macro-economic trend of the country.

I on behalf of the management team most humbly submit to the greatness of Almighty Allah (SWT) soliciting Thy's mercy to pave the journey towards glorious success of the Bank and side by side seek the continued guidance and support of the Board Members to achieve our common goal. I would also take the privilege to seek cooperation & support of the Shareholders, Valued clients, well wishers, patrons as well as the regulatory bodies i.e. Bangladesh Bank, Bangladesh Securities and Exchange Commissions, Stock Exchange, National Board of Revenue etc. to reach the corporate goals.



**Muhammed Ali**  
Managing Director & CEO



The image features a stylized illustration of two wind turbines. The turbine in the foreground is white with three blades, and its tower is a dark olive green. A second, smaller turbine is visible behind it. The background is divided into three horizontal sections: a solid olive green top section, a middle section with a diamond or quilted pattern in shades of olive and grey, and a bottom section with a light olive green to white gradient. The text "Directors' Report" is written in red, bold, sans-serif font, positioned to the right of the main turbine's hub.

# **Directors' Report**



## Directors' Report

The Board of Directors is pleased to present the Annual Report and the audited financial statements of the bank for the year ended 31 December 2013 together with the Auditors' Report thereon. This is a humble presentation for consideration and approval of our valued shareholders.

The Directors' Report has been prepared in compliance with the section 184 of the Companies Act 1994, BSEC Notification, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, guidelines of Bangladesh Bank and other applicable rules and regulations. Moreover, the Directors are pleased to explain and disclose some issues, which they consider relevant to ensure more transparency in this regard. The Directors believe the Report will give captivating insights of the bank's performance during the year under review.

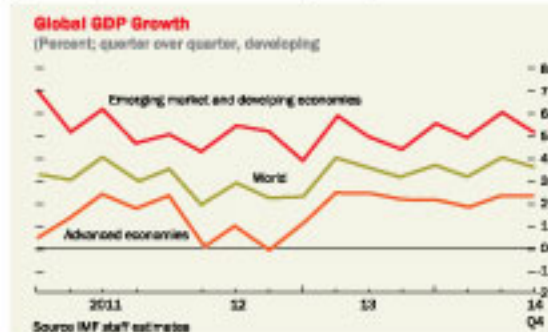
### World Economy

Five years after the global financial crisis, the world economy is showing signs of bouncing back this year, pulled along by a recovery in high-income economies. "Global activity strengthened during the second half of 2013 and it is expected to improve further in 2014-15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015. But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain". **IMF World Economic Outlook (January 2014).**

Advanced economies are expanded broadly as expected; much of the upward surprise in growth is due to higher inventory demand. In emerging market economies an export rebound was the main driver behind better activity, while domestic demand generally remained subdued, except in China. Growth



in the United States is expected to be 2.8 percent in 2014, up from 1.9 percent in 2013. On the other hand, the euro area is turning the corner from recession to recovery. Growth is projected to strengthen to 1 percent in 2014 and slightly higher 1.4 percent in 2015, but the recovery may be uneven. The pickup will generally be more modest in economies under stress, despite some upward revisions including Spain. High debt, both public and private, and financial fragmentation will hold back domestic demand, while exports should further contribute to growth. Elsewhere in Europe, activity in the United Kingdom has been buoyed by easier credit conditions and increased confidence. Growth is expected to average 2.4 percent in 2014-15, but economic slack will remain high.



"Global economic indicators show improvement. But one does not have to be especially astute to see there are dangers that lurk beneath the surface. The Euro Area is out of recession but per capita incomes are still declining in several countries. We expect developing country growth to rise above 5 percent in 2014, with some countries doing considerably better, with Angola at 8 percent, China 7.7 percent, and India at 6.2 percent. But it is important to avoid policy stasis so that the green shoots don't turn into brown stubble."

**Kaushik Basu**  
Senior Vice President and Chief Economist, World Bank



## Directors' Report

## World GDP growth

(year on-year, in percent)

	Year 2012	Year 2013	Year 2014	Year 2015
			<i>projected</i>	<i>projected</i>
World	3.1	3.0	3.7	3.9
Advanced Economies	1.4	1.3	2.2	2.3
Other advanced economies	1.9	2.2	3.0	3.2
Euro Area	-0.7	-0.4	1.0	1.4
USA	2.8	1.9	2.8	3.0
United Kingdom	0.3	1.7	2.4	2.2
Emerging market and Developing Economies	4.9	4.7	5.1	5.4
China	7.7	7.7	7.5	7.3
India	3.2	4.4	5.4	6.4

Source: IMF World economic outlook (January 2014)

## Bangladesh Economy

Bangladesh economy has remained resilient to the global headwinds and disruptive politics in FY13. Disruptions caused by political strife, deepening political tensions relating to the impending political transition. However, macroeconomic situation in Bangladesh has been quite stable for a considerable period of time in recent years and proved resilient to global financial crisis posting GDP growth rate averaging 6.2 percent during the past five years.

**Gross Domestic Product (GDP) Growth:** Bangladesh GDP growth in FY 13 decelerated, for the second year in a row, to six percent. Using the 1995-96 base year the Bangladesh economy achieved GDP growth of 6.0 percent in FY13, and 6.2 percent using the 2005-06 base. Substantial remittance inflows and export activities helped to achieve this solid economic growth rate.

Year	GDP growth rate (in percent)
2008-09	5.14
2009-10	5.82
2010-11	6.85
2011-12	6.48
2012-13(p)	6.18

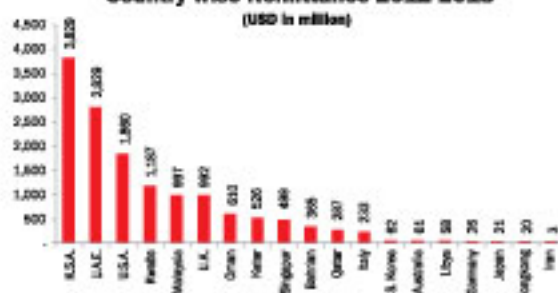
Source: BB Website, P=Projected, GDP base year 1995-96

## Remittance

Remittance growth started slowing in H2FY13 and became negative in H1FY14. Remittance growth of 12.6% in FY13 was higher than the 10.2% growth in FY12, though this growth did slow to 4.2% during the second half of the year compared to the first half of FY13 when remittance growth was 22%. This slow-down is primarily a function of a 36% drop in the number of workers migrating in FY13.

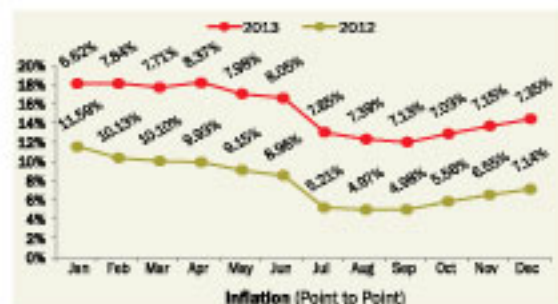
## Country wise Remittance 2012-2013

(USD in million)



**Inflation:** Inflation decelerated but remained high with annual average inflation declining from 8.7 percent in FY12 to 6.8 percent in FY13. This reflects a decline in both food and non-food prices. Softer international prices helped reduce food inflation. Increased production, declining demand from large importers and increasing food stocks in international markets exerted downward pressures on international prices. The conduct of monetary policy improved remarkably in FY13, which helped further to reduce non-food price decreases.

**Financial system:** The financial system remains under stress and capital market activities have been weak. Several financial scams and resultant loan defaults in the state-owned commercial banks (SCBs) moved them into a very serious concern. Capital market activities remained also weak throughout the year FY13.





## Directors' Report

### Forex reserve

Improved external balances are reflected in the accumulation of international reserves of about USD2.5 billion during H1FY14 with gross reserves of over USD 18 billion at the end of December 2013 sufficient to cover about 5.5 months of projected imports as against USD 12.75 billion at the end 2012. The Taka: USD nominal exchange rate remained stable in H1FY14 and BB's interventions in the foreign exchange market have significantly limited the loss of external competitiveness by stemming the appreciation of the Taka.



### Risks & concerns

Traditional risks remain while newer challenges mount: The global economy is slowly getting back on its feet, albeit with some hesitancy and unevenness. Bangladesh's growth outlook depends on internal stability and structural reforms.

The outlook is subject to several macro vulnerabilities: further growth slowdown due to internal strife, the prospect of resurgent inflation due to disruptions in supply chain and wage push factors, decline in exports and remittance growth, fiscal expansion due to increased recurrent expenditures in response to political pressures, and failure of financial intermediation. Overall, the Bangladesh economy is moving into a more volatile phase. "The risks stemming from the impending political transition have grown significantly while new risks and challenges have gained prominence, including notably the risks associated with the damaged image of Bangladesh's major manufacturing success story - the garments industry."

*The dynamic ready-made garments sector has been a key contributor to Bangladesh's strong economic performance and to women's empowerment. But this industry is now at a critical crossroads, as recent high-fatality factory fires and a building collapse have exposed the hazards workers face and also severely tarnished the industry's image: Bangladesh must act now to articulate and enforce improved standards for building safety and worker health and security, so that the garments industry can continue to grow and other industries can follow its example.*

**Johannes Zutt**  
Country Director,  
World Bank Bangladesh

The overall outlook for the Bangladesh economy is favorable over the medium term in light of a growing working age population and likely continued global demand for Bangladeshi products. Faster growth of beyond 7 percent will require sustained investments in infrastructure especially in the energy sector. BB's projections suggest that the GDP growth outlook for FY14 is unlikely to deviate significantly from the last 10 years' average of 6.2 percent. This is based on current and projected trends of a number of variables including global growth, exports, investments, imports, remittances etc. The monetary stance of BB in FY14 will target a monetary growth path which aims to bring average inflation down to 7 percent while ensuring that credit growth is sufficient to stimulate inclusive growth.

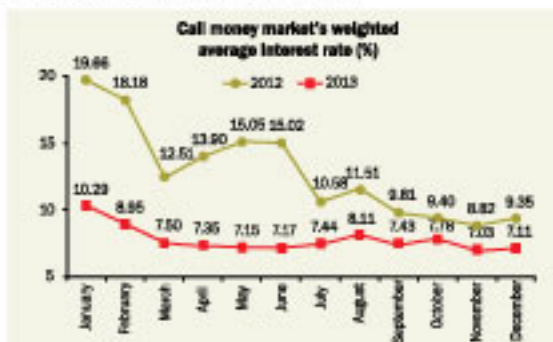
### Banking Industry Outlook

Presently, there are 56 scheduled banks in Bangladesh which are fully under the supervision of Bangladesh Bank of which 4 State Owned Commercial Banks, 4 Specialized Banks, 31 Conventional Private Commercial Banks, 8 Islami Shariah based Private Commercial Banks and 9 Foreign Commercial Banks. With the growth of country economy, banking industry achieved a significant growth in 2013. In the beginning of 2013, banking industry was in liquidity position when inter-bank call money rate was about 9.35 percent which came down to 7.11 percent in December 2013. Banking industry has achieved a significant growth in deposit mobilization and also in rational approach for loan disbursement. In 2013, banks achieved 15.98 percent deposit growth and 8.56 percent loan growth. In 2013, some financial scams have been identified which marked a question to internal control and compliance culture of banks, especially for state owned banks. Overall non-performing loan has been decreased mainly due to relaxation for classification against SME sector. Among the profitability measures, overall return on asset (ROA) in the banking sector



## Directors' Report

decline from 0.64 percent at the end of 2012 to 0.61 percent at the end of September 2013. This was primarily due to decrease of cost of fund and NPL as well as lower provisioning requirement.



The ratio of gross NPL to total loans of the banking sector decreased from 10.03 percent at the end of 2012 to 8.93 percent at the end 2013.



### Brief History of UCB

UCB started its journey in the year 1983 with an initial paid up capital of Tk 35.50 million with the objective of excellence in customer service with pleasure and happiness. Its vision is to be the best in all terms; sustainable inclusive business growth by ensuring efficiency, regulatory compliance, good asset quality, combination of experience and professional talents, consistent profitability and of course good governance. The bank formally started its commercial operation on 27 June in the same year. During the year 2013 the bank set record indeed in terms of advance, deposit and expansion of business through its continuous diversification.

It was listed with Dhaka Stock Exchange (DSE) in the year 1986 and with the Chittagong Stock Exchange (CSE) in the year 1995. The bank obtained license to open offshore banking unit on 9 June 2010. The bank has two subsidiaries; 'UCB Securities Limited' - established in January 2010 with the objective of

providing stock brokerage and other related services and 'UCB Investment Limited' established in August 2011 with a vision to be a leading merchant bank in the country. As on 31 December 2013, the bank feel proud of having 139 branches and 101 ATM throughout the country.

### Principal activities

Sustainable development is not possible without continuous diversification of business. UCB's core competencies may be classified into two segments interest earning activities in the form of providing loans and advances and investment activities.

#### ✓ Interest earning activities:

United Commercial Bank has an attractive basket of loan product which covers time loan, project finance, LTR, overdraft facility, cash credit, home loan, car loan, lease finance, any purpose loan and many more .....

#### ✓ Local and foreign trade activities:

United Commercial Bank facilitates its valued clients in their local and foreign trade activities i.e. import and export business. These import and export business are one of the highest revenue-generating segments of UCB.

#### ✓ Remittance activities:

UCB also facilitates inward and outward remittance facilities to expatriates, different organizations and individuals through branches, agents and correspondences.

#### ✓ Guarantee activities:

UCB provides financial guarantee to different individuals and organizations which also important source of commission earning of the bank.

#### ✓ Investment activities:

- Money market- the bank invests in the treasury bills & bond which is considered as secured investment and ensures a certain amount of return of the bank. Considering the liquidity position, the bank also participates in the call money market;

- Capital market- the bank has significant presence in capital market through direct equity participation. The bank has also two subsidiaries with an aim to active participation in capital market through brokerage, portfolio management, investment banking etc.



## Directors' Report

### Preparation of Financial Statements

The financial statements of the bank have been prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity under the historical cost convention and in accordance with the First Schedule (section-38) of the Bank Companies (Amendment) Act 2013, related Bangladesh Bank Circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Listing Regulations of the Stock Exchanges, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh.

The financial statements of 2013 have been reviewed by the Audit Committee of the Board of Directors of the bank and then referred to the Board of Directors for its consideration. The external auditor, Hoda Vasi Chowdhury & Co., Chartered Accountants was appointed by the shareholders have certified the fairness of the financial statements for the year ended 31 December 2013.

### Maintaining proper books of account

UCB maintained proper books of account for its financial transactions occurred during 2013. For recording the transactions the bank has followed the Bangladesh Accounting Standards (BAS). The books of account have also reviewed by the external auditor, Hoda Vasi Chowdhury & Co., Chartered Accountants with an opinion that proper books of accounts as required by the law have been properly maintained.

### Appropriate Accounting policies

Appropriate accounting policies have been consistently applied, except for the changes disclosed in the financial statements in preparation of financial statements and that the accounting estimates are based on reasonable and prudent judgment. Bank records financial transaction on accrual basis with required disclosures and also prepare the financial statements accordingly.

### Follow up of IAS & IFRS in preparation of financial statements

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as

applicable in Bangladesh, have been followed in preparation of financial statements and any departure there from has been adequately disclosed in notes to the financial statements. In addition to IAS and IFRS, First Schedule (section-38) of the Bank Companies (Amendment) Act 2013, related Bangladesh Bank circulars, the Companies Act 1994, the Listing Regulations of the Stock Exchanges, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh were also followed for preparation of financial statements.

### Internal control & compliance

The Board retain ultimate responsibility for its operations, though has delegated to review of the effectiveness of the system of internal controls to the Audit Committee. Such a system however, is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss and of the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate rules and regulations and best practices and the identification and management of business risk. The internal audit function reporting to the Audit Committee operates independently of the other aspects of the company's management structure. It continually reviews the company's system of internal controls. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards. The system of internal control is sound in design and has been effectively implemented and monitored.





## Directors' Report

**Going concern**

After reviewing the company's business growth, annual budget, performance, liquidity position, plans and financing arrangement, the Directors are satisfied that the Company has adequate resources to continue to operate in the foreseeable future and confirm that there is no material issue threatening to the going concern. For this reason Directors continue to adopt the going concern basis in preparing these financial statements. There are no significant doubts upon the bank's ability to continue as a going concern. **A separate report highlighting key financial track record, good practices in business and operations indicating to continuity as a**

**going concern has been attached with the Annual Report.**

**Top management**

The bank is lead by Mr. Muhammed Ali, Managing Director. He is a prominent and professional banker with 35+ years of rewarding multi-dimensional experience in banking and other fields of management. Mr. Ali has proven track record in leading various teams in different banks contributing in business policy formulation and strategy management. There are some other veteran and prominent banker serving the bank and contributing their expertise to the continuous growth of the bank.

Name	Designation	Joining with UCB
1. Muhammed Ali	Managing Director	01 November 2012
2. M. Shahidul Islam	Additional Managing Director	15 September 2008
3. Mirza Mahmud Rafiqur Rahman	Additional Managing Director	20 June 1993
4. A.E. Abdul Muhaimen	Additional Managing Director	9 July 2013
5. Mohammad Abu Abdullah	Deputy Managing Director	15 November 2011
6. Md. Tariqul Azam	Deputy Managing Director	03 April 2006
7. Mohammad Shawkat Jamil	Deputy Managing Director	20 June 1983

**Analysis of key operating and financial data for last 5 (five) years**

UCB recorded a remarkable growth in last five years in term of business volume and profitability. At the end of 2009 total assets of the bank was BDT 90,483.78

million whereas in 2013 it stood BDT 226,333.13 million recording a growth of more than 150 percent. During last five year deposit growth was 138 percent and loans & advances growth was 141 percent.

(amount in million taka)

Particulars	Change (2013 vs. 2012)		2013	2012	2011	2010	2009
	(%)	(Taka)					
Paid up capital	-	-	8,366.12	8,366.12	7,274.88	2,909.95	1,193.83
Shareholders' equity	12.84	2,333.94	20,504.96	18,171.02	15,966.41	7,817.27	5,705.47
Deposits and other accounts	8.42	14,366.31	184,896.85	170,530.54	139,484.75	113,070.78	77,730.40
Loans and advances	9.25	12,593.21	148,864.86	136,071.65	115,508.33	93,560.70	61,692.22
Off balance sheet exposure	28.65	14,940.80	67,094.06	52,153.26	40,255.37	40,797.74	22,098.19
Total assets	9.10	18,884.75	226,333.13	207,448.38	168,891.78	129,877.03	90,483.78
Total liabilities	8.74	16,550.80	205,828.16	189,277.36	152,925.36	122,059.76	84,778.32

With the increase of business volume, the profitability of the bank has also increased significantly. In 2009, operating profit of the bank was BDT 3,125.17 million whereas it was BDT 7,126.37million in 2013 recording a

growth of more than 128 percent. During last five years, interest income increased by 230 percent and interest expense increased by 266 percent.

(amount in million taka)

Particulars	Change (2013 vs. 2012)		2013	2012	2011	2010	2009
	(%)	(Taka)					
Interest income	7.88	1,680.44	22,999.36	21,318.92	15,351.63	9,468.36	6,965.32
Interest	8.26	1,214.65	15,919.86	14,705.21	10,203.21	5,632.95	4,348.23
Net interest income	7.04	465.78	7,079.49	6,613.71	5,148.42	3,835.41	2,617.09
Non interest income	49.25	1,755.14	5,319.08	3,583.94	4,145.95	4,018.47	2,574.97
Non interest expenses	19.40	858.77	5,272.21	4,415.44	3,321.46	3,120.78	2,068.89
Operating profit	23.67	1,364.15	7,126.37	5,762.22	5,972.91	4,733.12	3,125.17
Profit before tax	57.45	2,148.26	5,887.32	3,739.06	5,172.91	3,632.60	1,541.86
Net profit	93.26	1,479.28	3,065.41	1,586.13	2,945.80	2,182.43	932.90

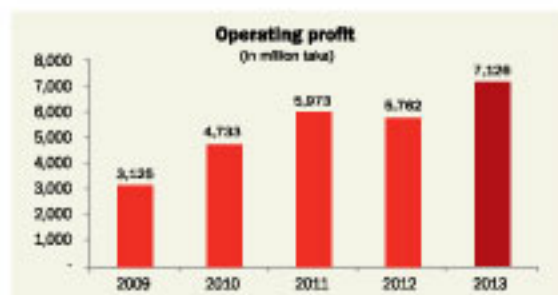
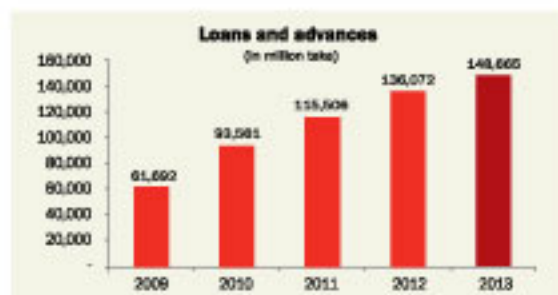
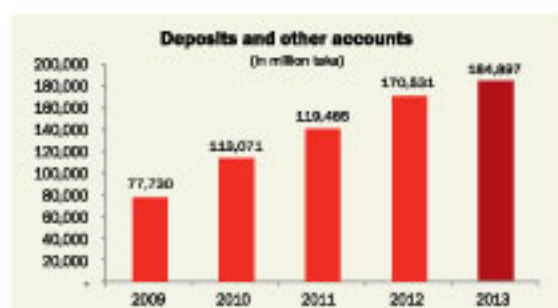


## Directors' Report

Details of operating and financial data of UCB in last five years are shown separately in pages from 12 to 15 of this annual report with graphical view.

### Key performance ratio

Particulars	2013	2012	2011	2010	2009
Operating profit margin (%)	57.48	56.62	64.26	60.26	60.19
Net profit margin (%)	24.72	15.58	31.69	27.79	17.97
Earnings per share	3.66	1.90	4.20	7.50	3.12
Earnings per share (restated)	3.66	1.90	3.52	2.61	1.12
Dividend (%)	20 C	10 C	15 B, 12 C	25 B	30 B



### Significant deviations from operating results of 2012

Bank's operating profit has increased by Tk. 1,364.15 million from Tk. 5,762.22 million in 2012 to Tk. 7,126.37 million in 2013 representing a growth of 23.67 percent and on the other hand net profit after tax also increased significantly by an amount of Tk. 1,479.28 million from Tk. 1,586.13 million to Tk. 3,065.41 million represents more than 90 percent growth over previous year. Besides from normal business growth, the main reasons behind the deviations are:

- Significant increase of bank's investment income from government securities by Tk. 1,755.14 million reflects a growth of 49.25 percent over last year; and
- Reduction in loans loss provision by Tk. 784 million from previous year resulted from improvement in non-performing loans and advances;

### Subsidiary & Associates:

UCB has two major subsidiaries; UCB Securities Limited and UCB Investment Limited. UCB Securities Limited is engaged in brokerage activities which has already started its operations in Dhaka under the license of Dhaka Stock Exchange Limited in the name of UCB Capital Management Limited whereas UCB Investment Limited is formed with the vision to be one of the leading Merchant Bank in the country, which is yet to start its operations.

### Mobile Financial Services; UCash

With the view to bring the unbanked people to the banking facilities UCB started full-fledged operation of Mobile Banking Services under the brand name "UCash" in the year 2013. The bank obtained the license from Bangladesh Bank for mobile banking



## Directors' Report

business vide letter no. DCMP/PSD/37(T)/2012-217 dated 19 April 2012. The Board expect it will add significantly to the performance of the bank in the coming days.

### Risk and concerns for the banking industry

The year 2014 will be more challenging for banking industry in Bangladesh. Though banking industry is not much affected by the world economic and internal political turmoil and there are some other external and internal factors which may affect this industry. Major challenges in 2014 for the banking industry are mentioned as under;

■ Bank Company Acts 1991 has been amended in where capital market exposure has been restricted to 25 percent of capital (Paid up Capital, Statutory Reserve, Share Premium and Retained Earning) by June 22, 2016. Thus, banks need to prepare from now to reduce the capital market exposure.

■ After a period of political turmoil, the business environment seems to be stable but not certain. Thus, it will take time to build up confidence among local and foreign investors and businessmen. Therefore, the growth of business of banks may be slowed in first half of 2014.

■ Government Revenue collection is not at targeted level. Thus, to meet up the expenditure, Government may borrow fund from banking sector in 2014 which may impact the growth of loans and advances of banks.

■ In line with global practice of risk management, Bangladesh Bank will also implement Basel III for the banks which will affect the capital adequacy of the banks.

### Risk Based Capital Framework

Risk based capital adequacy namely Basel II framework has fully come into force from January 01, 2010 as stipulated by Bangladesh Bank. Under the new risk based capital adequacy framework, bank calculates its capital requirement on quarterly basis. UCB is maintaining its capital level above the minimum requirement and also providing adequate disclosure as per pillar III (market discipline) of Basel II guideline. Basel II constituted with three pillars.

### Minimum Capital Requirement

From very beginning of implementation of Basel II in Bangladesh, UCB has been continuing to calculate minimum capital requirement (MCR). The summary of pillar I (Minimum Capital Requirement) on solo basis of UCB is as under:

Particulars	(amount in million taka)	
	2013	2012
Tier I Capital (Core Capital)	17,269.97	15,041.18
Tier II Capital (Supplementary Capital)	5,488.79	3,414.56
Total Eligible Capital	22,758.76	18,455.74
Risk Weighted Assets	197,380.55	177,900.41
<b>Capital Adequacy Ratio (%)</b>	<b>11.53</b>	<b>10.37</b>
Capital Surplus/(Deficit)	3,020.71	665.70

UCB has strong core capital base of BDT 17,269.97 million which was 8.75 percent of risk weighted assets as on December 31, 2013. Bank's supplementary capital was BDT 5,488.79 million at the end of 2013, which was 2.78 percent of risk weighted assets against 1.92 percent in 2012. Supplementary capital increased mainly due to issuance of sub-ordinated bond of BDT 2,000.00 million. Against the minimum requirement of 10 percent, UCB is consistently maintaining the CAR above the requirement since 2011.

### Supervisory Review Process

Under supervisory review process, the bank identifies and measures different risks in addition to credit risk, market risk and operational risk. The bank also in way of preparing internal capital adequacy assessment process (ICAAP) documents. The ICAAP document will cover all the existing and potential risks inherent in the banking business. Presently, the bank identifies and measures the following risks in terms of capital requirement.

- |                                      |                       |
|--------------------------------------|-----------------------|
| a) Liquidity risk                    | f) Country risk       |
| b) Residual risk                     | g) Strategic risk     |
| c) Credit Concentration risk         | h) Legal risk         |
| d) Interest Risk in the Banking Book | i) Reputational risk  |
| e) Legal Risk                        | j) Environmental risk |

### Market Discipline

Under market discipline, the bank discloses its risk exposures in different area of activities on yearly basis. Generally, the bank discloses risks and related facts and figures so that stakeholders can easily understand risk status of the bank. The aim of market discipline is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets. For the said purpose, bank has developed a set of disclosure containing the key pieces of information on the assets, risk exposures, risk assessment processes, and hence the capital adequacy to meet the risks.



## Directors' Report

UCB provides all required disclosures in both qualitative and quantitative form in its annual report and official web site. Banks also submit a copy of these disclosures to Bangladesh Bank. Qualitative disclosures provide a general summary of a bank's risk management objectives and policies, reporting system and definitions whereas quantitative disclosures deal with figures of related risks.

### Focusing on the Future Requirement

Aiming to maintain adequate capital, UCB has issued subordinated bond of BDT 2,000 million in 2013. Instead of raising capital fund from external sources, the bank is emphasizing on risk assets management and capital generation from internal sources like increasing reserve. For risk assets management, the bank is emphasizing on risk of corporate, medium and small customers by external rating agencies and also emphasizing on restructuring of asset portfolio to low risk base assets.

Moreover, the bank has also build up a platform to transfer from the standardized approach of risk measurement to more advanced version of Internal Risk Based Approach in evaluation of risk exposure of the bank. Side by side, the bank is in preparation for transitional phase from Basel II to Basel III framework. As a part of this preparation, the Bank has calculated Liquidity Coverage Ratio and Net Stable Funding Ratio concerning about its liquidity risks.

### Credit Rating

With a view to safeguard the interest of the prospective investors, depositors and creditors and to improve the functioning of the capital market of the country, Bangladesh Bank vide BRPD Circular No.06 dated July 05, 2006 has made it mandatory for the Bank's to have themselves credit rated. Accordingly Credit Rating of United Commercial Bank Limited was done by Credit Rating Information Services Limited (CRISL) based on audited Financial Statements as on December 31, 2012. The rating report is summarized as under;

Particulars	Long Term	Short Term
<b>Entity Rating</b>	<b>A+</b>	<b>ST-2</b>
Date of Rating	June 30, 2013	
Based on Financial Statement	December 31, 2012	

CRISL has assigned the Long Term Rating of "A+" (pronounced as single A plus) and reaffirmed the Short Term Rating of "ST-2" to United Commercial Bank Limited through an in-depth analysis of the operational and

financial performance of the bank along with all its relevant quantitative and qualitative factors. The basis of the evaluation was financials of the bank up to December 31, 2012 and other prevailing factors up to the date of rating.

The Bank continues to maintain its stable financial performance over the year as reflected through the financial results. The Bank continued to maintain adequate provision against its classified investments to keep it almost safe from loss that might arise from the counterparty defaults. The Bank has been operating within the level of loan-deposit ratio against the limit as prescribed by the central bank.

Bank rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a bank with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The Short Term rating indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors.

CRISL also views the bank with "Stable Outlook" for its performance being in line with the pace of industry.

### Events occurring after the reporting date

The directors are not aware of any matter or circumstance that has arisen since the end of the year 2013 upto the date of approval of financial statements by the Board of Directors of the Bank that has significantly affected or may significantly affect the operations of the bank, the results of its operations or its state of affairs, which is not already reflected in this report other than "on 27 February 2014, the Board of Directors of the Bank recommended 20 percent cash dividend" which is subject to approval of the shareholders in the next Annual General Meeting to be held on 17 April 2014.





## Directors' Report

### Corporate responsibility

As one of the leading bank, we acknowledge our responsibilities towards the society as a whole in which we live. We care for all stakeholders, ethical functioning, respect for employee's rights and welfare, respect for human beings, respect for environment and disseminate information on CSR policy. We are focused on offering a strong, safe and responsible service that contributes to the economic progress of society as a whole. We want to be seen as a company that is making a possible contribution to the society. We are committed to managing and reporting our operational impacts on the society and physical environments in which we operate and we are continually striving to improve and develop our corporate responsibility policies and performance. We realize that sustainable development is an ongoing journey. We are confident that we are well positioned and prepared to deliver against our responsibilities in the short, medium and long term. **A separate report on Corporate Social Responsibility has been attached with the annual report.**

### Corporate governance

The bank focuses on ethics, innovation and transparency. The establishment of well founded corporate governance within the company will continue to be important in order to ensure a continuous profitable return to shareholders and a solid reputation amongst clients and partners.

We strive to maintain full compliance with the laws, rules and regulations that govern our business. The main objective of UCB's corporate governance is to develop a strong, sustainable and competitive company in the best interest of its shareholders, employees, business associates and society at large. Successful value added business is profoundly dependent upon transparency, internal and external confidence and trust. UCB believes that this is achieved by developing a conspicuous reputation based on our financial performance, our business practices and our communication with the market, all founded on transparency and ethical standards. **A separate report on corporate governance has been attached with this Annual Report.**

### Report on the compliance of the conditions of SEC's notification

In exercise of the power conferred by section 200 of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Bangladesh Securities and Exchange

Commission (BSEC) issued notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 to comply certain conditions for corporate governance. The notification was issued for establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. **A statement on the compliance with the SEC's conditions has been attached with the Annual Report with compliance certificate.**

### Business ethics

United Commercial Bank has a reputation for delivering innovation, performance and solutions. The key element to our long-term success is something less tangible and less easily illustrated with figures. These are integrity and honesty in our business dealings, a factor that contributes to our long-term relationships with clients. All of our employees are expected to behave ethically in their work, and our expectations to them are set out in ethical principles. The objective of the policy is to make UCB a good Company to work for; to maintain our reputation for exceptional client service and ethical business dealings, to compete ethically and to ensure that the business is managed to a high standard consistently.

### Contribution to the National exchequer and the economy

United Commercial Bank Limited always upholds its responsibilities to the development of the society and the country as a whole. During the year 2013, the bank has provided (provision for tax expense) an amount of Tk. 2,821.91 million as tax expense as against Tk. 2,152.93 million of previous year. A detailed report on the contribution to national economy and **a report on distribution of value addition by the bank have been attached with the annual report.**





## Directors' Report

### Meeting of the Board of Directors and attendance

During the year 2013 total 16 no. of Board of Director's meeting held while 15 no. of Executive Committee meeting and 8 no. of Audit Committee meeting held in 2013.

### Attendance of Board of Directors in Board Meeting 2013

Sl No	Composition of the Board	Status	Total Meeting Held	Attended
1	M.A. Hashem	Chairman	16	16
2	Sharif Zahir	Vice-Chairman	16	15
3	Saifuzzaman Chowdhury, MP	Chairman-Executive Committee	16	13
4	Lt. Gen ATM Zahirul Alam, rcds, psc (Retd)	Chairman-Audit Committee (Independent Director)	16	10
5	Showkat Aziz Russell	Director	16	11
6	M.A. Sabur	Director	16	15
7	Md. Jahangir Alam Khan	Director	16	14
8	Hajee Yunus Ahmed	Director	16	13
9	Hajee M.A. Kalam	Director	16	15
10	Nur Nahar Zaman	Director	16	3
11	Shabbir Ahmed	Director	16	15
12	Md. Tanvir Khan	Director	16	11
13	Anisuzzaman Chowdhury	Director	16	13
14	Asifuzzaman Chowdhury	Director	16	14
15	Sultana Rezia Begum	Director	16	16
16	Ahmed Arif Billah	Director	16	13
17	Md. Abdul Karim	Independent Director	16	8
18	Dr. Salim Mahmud	Independent Director	16	9
19	Syed Mohammed Nuruddin	Independent Director	16	3
20	Muhammed Ali	Managing Director	16	15

### Attendance in Executive Committee (E.C) Meeting during the year 2013

Sl.No	Name of the Directors	Status	Total Meeting Held	Attended
1	Saifuzzaman Chowdhury, MP	Chairman (appointed as Chairman on 16.06.2013)	15	15
2	Showkat Aziz Russell	Member (appointed on 16.06.2013)	15	7
3	M. A. Sabur	Member (continued as Chairman till 16.06.2013)	15	13
4	Md. Jahangir Alam Khan	Member	15	11
5	Hajee Yunus Ahmed	Member (appointed on 16.06.2013)	15	9
6	Hajee M.A. Kalam	Member	15	14
7	Shabbir Ahmed	Member (appointed on 16.06.2013)	15	7
8	M. A. Hashem	Member (continued till 16.06.2013)	15	5

### Attendance in Audit Committee Meeting during the year 2013

Sl.No	Name	Status	Total Meeting Held	Attended
1	Lt. Gen ATM Zahirul Alam rcds, psc (Retd)	Chairman (appointed on 16.06.2013)	8	4
2	Anisuzzaman Chowdhury	Member (appointed on 16.06.2013)	8	4
3	Ahmed Arif Billah	Member (appointed on 16.06.2013)	8	3
4	Md. Abdul Karim	Member (appointed on 16.06.2013)	8	4
5	Dr. Salim Mahmud	Member (appointed on 16.06.2013)	8	4
6	Md. Jahangir Alam Khan	Remained as Chairman till 16.06.2013	8	4
7	Hajee M.A. Kalam	Member (Continued till 16.06.2013)	8	3
8	Saifuzzaman Chowdhury, MP	Member (Continued till 16.06.2013)	8	3
9	Sharif Zahir	Member (Continued till 16.06.2013)	8	4



## Directors' Report

## Pattern of Shareholding as on 31.12.2013

Fully paid up shares issued to	No of Shares	Amount in Taka	% of Shares
Sponsors/Promoters	304575249	3,045,752,490	36.41
Institution (Financial & Others)	41325479	413,254,790	4.94
General Public	483925330	4,839,253,300	57.84
Govt. of Peoples Republic of Bangladesh	6785573	67,855,730	0.81
<b>Total</b>	<b>836611631</b>	<b>8,366,116,310</b>	<b>100</b>

## a) Share held by parent/subsidiary/associated companies:

Name of the parent/subsidiary/associate	Status	Shareholding
UCB Securities Limited	Subsidiary	Nil
UCB Investment Limited	Subsidiary	Nil

## b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children :

Sl. No.	Name of Directors	Shares held as on 31.12.2013
i)	Directors	
	M.A. Hashem (Chairman) and Spouse	20183457
	Sharif Zahir (Vice-Chairman) and Spouse	16763503
	Saifuzzaman Chowdhury, MP (Chairman-Executive Committee) and Spouse	21090120
	Lt. Gen ATM Zahirul Alam, psc (Retd) (Independent Director & Chairman-Audit Committee) and Spouse	-
	Showkat Aziz Russell (Director) and Spouse	16803463
	M.A. Sabur (Director) and Spouse	16799851
	Md. Jahangir Alam Khan (Director) and Spouse	16733342
	Hajee Yunus Ahmed (Director) and Spouse	21704495
	Hajee M.A. Kalam (Director) and Spouse	16733981
	Nur Nahar Zaman (Director)	20154132
	Shabbir Ahmed (Director) and Spouse	16765807
	Md. Tanvir Khan (Director) and Spouse	16733948
	Anisuzzaman Chowdhury (Director) and Spouse	21089850
	Asfuzzaman Chowdhury (Director) and Spouse	21275336
	Sultana Reza Begum (Director)	16781721
	Ahmed Arif Billah (Director)	16734696
	Md. Abdul Karim (Independent Director) and Spouse	-
	Dr. Saïm Mahmud (Independent Director) and Spouse	-
	Syed Mohammed Nuruddin (Independent Director) and Spouse	-
ii)	Muhammed Ali (Managing Director) and Spouse	-
iii)	Mirza Mahmud Rafiqur Rahman (Additional Managing Director & Company Secretary) and Spouse	-
iv)	Mohammad Habibur Rahman Chowdhury (Executive Vice President and Chief Financial Officer) and Spouse	-
v)	Md. Delwar Hossain Majumder (Executive Vice President and Head of Internal Audit) and Spouse	-

## c) Executives (Top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.)

Sl. No.	Name of Executives	Shares held
1	M. Shahidul Islam (Additional Managing Director) and Spouse	-
2	A. E. Abdul Muhaimen (Additional Managing Director) and Spouse	-
3	Mohammad Abu Abdullah (Deputy Managing Director) and Spouse	-
4	Md. Tariqul Azam (Deputy Managing Director) and Spouse	-
5	Mohammed Shawkat Jamil (Deputy Managing Director) and Spouse	-

## d) Shareholders holding 10% or more voting interest in the company

Shareholders holding 10% or more voting interest in the company	Nil
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## Directors' Report

### Related party transaction

UCB had no credit directly to its director at the end of 2013. However, there were some related party contacts and transactions wherein the Directors had interest. The bank got Bangladesh Bank's approval to make related party contact. Details are as follows:

#### Significant related party Contracts/transactions where Bank is a party and wherein Directors have interest:

Sl. No	Name of the Contract	Branch Name	Name of the Directors and related by
1	Lease Agreement with Sultana Rezia Begum	Agrabad Branch, Chittagong	Sultana Rezia Begum (Owner of the premises)

#### Related Party Transactions:

Sl. No	Name of the Party	Relationship	Nature of Transaction
1	Dhakacom Limited	Common Director	Data Connectivity Service for Online Banking Solution

### Appointment/Rotation of Directors

Honorable Directors of the Bank Mr. Showkat Aziz Russell, Mrs. Nur Nahar Zaman, Mrs. Sultana Rezia Begum, Mr. Shabbir Ahmed and Mr. Ahmed Arif Billah will retire in the 31st Annual General Meeting according to the Article 108 & 109 of Articles of Association of the Bank (one third of the Directors shall retire by rotation in the AGM) and according to article 110 they are eligible for reappointment. Resume of them are given below:

Name of the Directors & Address	Status in the Board	Date of Birth	Date of First Appointment	Date of Last Appointment (Where Applicable)	Year of Experience	Entities where they have interest
<b>Showkat Aziz Russell</b>  House No # 02, Road# 09 Block #G, Banani, Dhaka	Director	16.11.1972	27.09.1995	30.05.2011	20 Years Above	1. Amber Cotton Mills Ltd. 2. Portex Sugar Mills Ltd. 3. Dhakacom Ltd. 4. Portex Energy Ltd. 5. Portex Rotor Spinning Mills Ltd. 6. Portex Denim Ltd. 7. Portex Rotor Mills Ltd. 8. Portex Spinning Mills Ltd. 9. Portex Holding Ltd. 10. Portex Board mills Ltd. 11. Portex Denim Mills Ltd. 12. Portex Plastics Furniture Ltd. 13. Portex Real Estate Ltd. 14. Precision Energy Ltd. 15. Portex Fisheries Ltd. 16. Portex Foundry Ltd. 17. Amber Group Ltd. 18. Amber Plastics Ltd. 19. Amber Holdings Ltd. 20. Amber Power Ltd. 21. Amber Wood & Plastics Ltd. 22. Amber Furniture's Ltd. 23. IBAIS University
<b>Nur Nahar Zaman</b>  Bashiruzzaman Chamber 9 Bunde Road, Patharghata Chittagong	Director	04.03.1960	29.06.1983	14.06.2012	40 Years Above	1. Ronny Chemical Industries Ltd. 2. Synthetic Resin Products (Pvt.) Ltd.
<b>Shabbir Ahmed</b>  East End Automobile, Chandgaon, Kalunghat Road, Chittagong	Director	25.12.1969	22.06.1994	29.12.2012	20 Years Above	1. Farid Level & Accessories 2. Sherafat & Brothers 3. Keshfi Knitting Ltd. 4. East End Automobiles Ltd.
<b>Sultana Rezia Begum</b>  House No- 38 (New), Road-68 Gulshan-2, Dhaka-1212	Director	26.01.1948	30.05.2010	29.12.2012	40 Years Above	1. Samudrajatra Shipping Lines Ltd.



Name of the Directors & Address	Status in the Board	Date of Birth	Date of First Appointment	Date of Last Appointment (Where Applicable)	Year of Experience	Entities where they have interest
Ahmed Arif Billah  Masco Centre, House #6, Road #1 Sector#5, Jasimuddin Avenue, Uttara, Dhaka -1230	Director	29.07.1962	30.11.2000	29.12.2012	12 Years Above	1. Masco Industries Ltd. 2. Masco Cottons Ltd. 3. Mascoex Ltd. 4. MPL Wear Ltd. 5. Masco Printing and Embroidery Ltd. 6. Tasniah Fabrics Ltd. 7. Masco Poultry Ltd. 8. Masco Linens Ltd. 9. Masco Yarn Dyeing & Printing Ltd. 10. Shanta Expressions Ltd. 11. Masco Exports Ltd. 12. Masco Overseas Ltd. 13. Vargh Grace Ltd. 14. Masco Services Ltd. 15. Masco Ploaso Ltd. 16. Concept Knitting Ltd. 17. Masco Shares & Securities Ltd. 18. Masco Properties Ltd.

#### Resume of Independent Directors

Board of Directors of United Commercial Bank Ltd. is always steadfast to comply the rules and regulations set by the regulators and every law of the land. In continuation of that faithful promise Board of Directors unanimously decided to appoint Lt. Gen ATM Zahirul Alam, rds, psc (Retd.), Mr. Md. Abdul Karim, Dr. Salim

Mahmud and Mr. Syed Mohammed Nuruddin as Independent Director of the Bank to comply with the Corporate Governance Guidelines of BSEC vide Notification dated: 07 August 2012. It is worthy to mention here that, Lt. Gen (Retd.) ATM Zahirul Alam, rds, psc is currently the Chairman of Audit Committee of the Bank.

Name of the Directors & Address	Status in the Board	Date of Birth	Date of First Appointment	Date of Last Appointment (Where Applicable)	Year of Experience	Entities where they have interest
Lt. Gen A.T.M Zahirul Alam rds, psc (Retd)  Bay Cruise International Ltd. House# 13/1, Road# 12 Baridhara Diplomatic Zone Dhaka -1212, Bangladesh	Chairman Audit Committee (Independent Director)	06.10.1952	14.05.2013	-	Retired General of Bangladesh Army (35 years & Above)	1. Bay Cruise International Ltd.
Md. Abdul Karim  House# 207/A, Road # 10 DOHS Mohakhali, Dhaka-1206	Independent Director	26.09.1952	14.05.2013	-	Former Principal Secretary to the Government of People's Republic of Bangladesh (35 Years Above)	-
Dr. Salim Mahmud  TCB Building (3rd Floor) 1 Karwan Bazar, Dhaka -1215	Independent Director	14.09.1971	14.05.2013	-	16 Years Above	-
Syed Mohammed Nuruddin  Menjoor Building (1st & 2nd Floor), 67, Agrabad, Chittagong	Independent Director	15.03.1957	29.06.2013	-	30 years above	1. Allport Cargo Services (Ocean) Ltd. 2. Mariners Cargo Services Ltd. 3. Sundaram Tiles Ltd. 4. Mariners (BD) Ltd. 5. Mariners Trading Corporation Ltd. 6. Chittagong Shipyard Ltd.

#### Remuneration of Directors

At the end of 2013, UCB had 20 (twenty) members in its Board of Directors including the Managing Director and 4 (four) independent director. As per Bangladesh Bank's BRPD circular no. 3 dated 18 January 2010 and Articles of Association of the Bank the members of Board of Directors (excluding Managing Director) received maximum BDT 5,000 (five thousand) as honorarium for attending in a meeting.

#### Appropriation of profit

Taking into account the profit available for distribution after complying with regulatory requirement, the Board in its 361st meeting held on 27 February 2014 recommended 20 percent cash dividend for the year ended on December 31, 2013 which is subject to approval of shareholders in the next Annual General Meeting.



## Directors' Report

Proposed appropriations are as follows:

Particulars	2013	2012
Net profit after tax for the year	3,065.41	1,586.13
Retained earnings at the beginning	14.80	13.09
<b>Profit available for appropriation</b>	<b>3,080.21</b>	<b>1,599.22</b>
<b>Proposed appropriations:</b>		
Transferred to statutory reserve	1,177.46	747.81
Proposed cash dividend	1,673.22	836.61
Retained earnings	229.53	14.80

### Auditors Report

The Board of Directors reviewed the Auditors Report issued by the bank's auditor Hoda Vasi Chowdhury & Co., Chartered Accountants based on their audit of financial statements for the year ended 31 December 2013. The auditor didn't mention about any material misstatement or significant disagreement regarding review of the bank's financial statements.

### Appointment of Auditors

An auditor cannot be appointed for more than three consecutive years. Hoda Vasi Chowdhury & Co., Chartered Accountants was the auditor of the Bank for the year 2013. As 2013 is the first year of audit and the firm is eligible for reappointment, they have expressed their willingness to be reappointed for the year 2014. Section 210 of the Companies Act, 1994 gives authority to the shareholders to fix the appointment of the auditor and its remuneration. Hence, the board recommends to appoint Hoda Vasi Chowdhury & Co., Chartered Accountants of BTMC Bhawan (Level-8), 7-9 Kawran Bazar Commercial Area, Dhaka 1215 as the auditor of the bank for the year 2014.

### Future outlook

United Commercial Bank Limited is making progress on embedding sustainability into business. We realize we have a long way to go and will continue to build our programme in the year ahead. Market conditions for our industry are as challenging and volatile as we have seen in recent times. We have a strong capital position and we have accumulated a good size of quality portfolio and diversity in our revenue and earning streams. Our presence in the market is growing steadily and we have improved our presence in all areas of operations. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are convinced of our ability to continue to thrive in all areas of our business backed by around three decade of experience and driven by the ambition to continue reaching new heights in performance. Building

on our strength, we are confident that the company will be able to present better results before our shareholders in the years ahead.

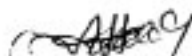
### Acknowledgement

The Bank closed the year 2013 recording excellent performance in all core areas of operation with relentless and dedicated efforts of the employees of the Bank and sincere cooperation of all concerned it was possible to achieve the excellent results during the year. Above all, strong liquidity base, prudent fund & credit management, continued guidance and inspiration to the Management by the members of the Board played a vital role in the overall development.

I take this opportunity to thank my Board colleagues for their continued support and contributions in moving the Company to the right direction. I, of course, thank all the employee of the Company on whom we depend for our success. On behalf of the Board I also like to thank Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges, Central Depository Bangladesh Limited, lenders, depositors and other stakeholders who were the partners in the growth of your bank. We also look forward to continued support from them.

Last but not the least, I wish to thank our shareholders for their continued support and trust placed on us and UCB aspire to do better in future and with this expectation we are pleased to place the annual report, the audited financial statements for the year ended 31 December 2013 together with the auditor's report thereon for approval.

I, on behalf of the Board of Directors.



**M. A. Hashem**  
Chairman





# Corporate Governance

## **This section contains:**

- Report on Corporate Governance
- Compliance Report on BSEC Notification on Corporate Governance
- Certificate on Compliance of Corporate Governance
- CEO's and CFO's Declaration to the Board of Directors
- Compliance of Bangladesk Bank's Guidelines on Corporate Governance
- Credit Rating Report
- Report of the Audit Committee
- Evaluation of Quarterly Financial Statements by the Audit Committee and by the Board



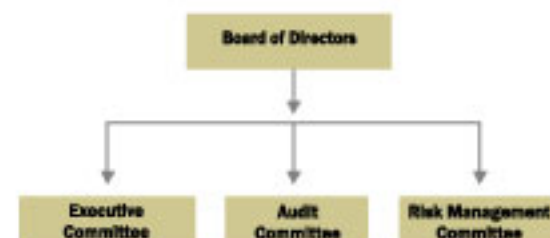
## Report on Corporate Governance

Corporate Governance is the system by which companies are directed and controlled to the best interest of the stakeholders, which describes the nature and extent of **accountability** of the people and institution engaged in the business. Fairness, Transparency, accountability and Responsibility are the minimum standard of acceptable corporate behaviour today. Corporate Governance is a way of life, rather than a mere legal compulsion. It further inspires and strengthens investor's confidence and commitment to the Company. The Company, through its Board and Committees, endeavors to strike and deliver the highest governing standards for the benefit of its stakeholders. **In fact, corporate governance leads to the good governance and good governance is an integral part of the economic development of a country.**

### Board of Directors

As at December 31, 2013, the Board Consists of 20 (twenty) directors including ex-officio Managing Director and Managing Director is playing the role of ex-officio director as per Articles of Association of the Bank. The Board members include persons of high caliber, with academic and professional qualification in the field of business and profession. This gives strength for effective discharge of duties and responsibilities by the Board. The Board approves the bank's budget and business plan and reviews those time to time so as to give directions as per changing economic and market environment. The Board reviews the policies and manuals of the various segments of businesses in order to establish effective risk management in credit and other key areas of operations. The Board and the Executive Committee

reviews the policies and guidelines issued by Bangladesh Bank regarding credit and other operations of the banking industry. The management operates within the policies, manuals and limits approved by the Board. Regular meeting of the Board is held to review the overall activities of the bank.



### Board of Director's Meeting

The Board of Directors holds meeting on a regular basis. During the year 2013 total 16 Board meetings were held. At each meeting, management provides information, references, and detailed working papers for each agenda to all the directors for consideration well ahead of the meeting. The chairman of the Board of Directors allocates sufficient time for the directors to consider each agenda in a prudent way and allows them to freely discuss, inquire, and express opinions on the topics of interest at the meeting in order to fulfill the director's duties to the best of their abilities at the meeting. The directors who cannot attend the meeting are granted leave of absence by the board since they have applied for leave of absence. Information regarding attendance of the directors in the meeting is attached as a separate report with the annual report. List of the Board members and their attendance in the meeting is stated below:

Sl. No	Composition of the Board	Status	Total Meeting Held	Attended
1	M.A. Hashem	Chairman	16	16
2	Sharif Zahir	Vice Chairman	16	15
3	Saifuzzaman Chowdhury, MP	Chairman, Executive Committee	16	13
4	Lt. Gen ATM Zahirul Alam, rds, psc (Retd)	Chairman, Audit Committee (Independent Director)	16	10
5	Showkat Aziz Russell	Director	16	11
6	M. A. Sabur	Director	16	15
7	Md. Jahangir Alam Khan	Director	16	14
8	Hajee Yunus Ahmed	Director	16	13
9	Hajee M.A. Kalam	Director	16	15



## Report on Corporate Governance

Sl. No	Composition of the Board	Status	Total Meeting Held	Attended
10	Nur Nahar Zaman	Director	16	3
11	Shabbir Ahmed	Director	16	15
12	Md. Tanvir Khan	Director	16	11
13	Anisuzzaman Chowdhury	Director	16	13
14	Asifuzzaman Chowdhury	Director	16	14
15	Sultana Rezia Begum	Director	16	16
16	Ahmed Arif Billah	Director	16	13
17	Md. Abdul Karim	Independent Director	16	8
18	Dr. Salim Mahmud	Independent Director	16	9
19	Syed Mohammed Nuruddin	Independent Director	16	3
20	Muhammed Ali	Managing Director	16	15

**Independent Directors**

Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with the financial, regulatory and corporate laws and can make meaningful contribution to the business. In this reference the board of directors of the Bank has appointed Lt. Gen ATM Zahirul Alam, rcds, psc (Retd), Mr. Md. Abdul Karim, Dr. Salim Mahmud and Mr. Syed Mohammed Nuruddin as Independent Director of the bank and Lt. Gen ATM Zahirul Alam, rcds, psc (Retd) is currently the chairman of the Audit Committee of the Board.

**Board's Executive Committee**

The Board has an Executive Committee which conducts their responsibility as per Terms of reference (TOR)

determined by the Board of Directors of the bank. The Executive Committee reviews the policies and guidelines issued by Bangladesh Bank regarding credit and other operations of the banking industry. The committee ensures the implementation of the policies and guidelines through the management. The Executive Committee of the Board approves the credit proposals as per approved policy of the Board. The management ensures due diligence of the credit policy and risk management at the time of submitting the credit proposals.

During the year 2013 total 15 (fifteen) no. of meeting were held. The list of the members and their attendance in the meeting is stated below:

Sl.No	Name of the Directors	Status	Total Meeting Held	Attended
1	Saifuzzaman Chowdhury, MP	Chairman (appointed as Chairman on 16.06.2013)	15	15
2	Showkat Aziz Russell	Member (appointed on 16.06.2013)	15	7
3	M. A. Sabur	Member (continued as Chairman till 16.06.2013)	15	13
4	Md. Jahangir Alam Khan	Member	15	11
5	Hajee Yunus Ahmed	Member (appointed on 16.06.2013)	15	9
6	Hajee M.A. Kalam	Member	15	14
7	Shabbir Ahmed	Member (appointed on 16.06.2013)	15	7
8	M. A. Hashem	Member (continued till 16.06.2013)	15	5

**Board's Audit Committee**

The Board has a Board Audit Committee which plays very vital role in assisting the Board to perform its responsibilities. The committee is guided by the TOR of the committee as set by the Board of Directors of the bank in line with the direction of Bangladesh Bank & Bangladesh Securities & Exchange Commission. Audit Committee meets with the external auditors to discuss audit plan and risk management process of the Bank.

They revise the financial statement of the bank at least on quarterly basis. Audit committee conducts various special review by the Board Audit Cell, a very empowered cell working under the committee.

During the year 2013 total 8 (Eight) no. of meeting were held. The list of the members and their attendance in the meeting is stated below:



## Report on Corporate Governance

Sl.No	Name	Status	Total Meeting Held	Attended
1	Lt. Gen ATM Zahirul Alam rcds, psc (Retd)	Chairman (appointed on 16.06.2013)	8	4
2	Anisuzzaman Chowdhury	Member (appointed on 16.06.2013)	8	4
3	Ahmed Arif Billah	Member (appointed on 16.06.2013)	8	3
4	Md. Abdul Karim	Member (appointed on 16.06.2013)	8	4
5	Dr. Salim Mahmud	Member (appointed on 16.06.2013)	8	4
6	Md. Jahangir Alam Khan	Remained as Chairman till 16.06.2013	8	4
7	Hajee M.A. Kalam	Member (Continued till 16.06.2013)	8	3
8	Saifuzzaman Chowdhury, MP	Member (Continued till 16.06.2013)	8	3
9	Sharif Zahir	Member (Continued till 16.06.2013)	8	4

**Report of the Board Audit Committee:** A separate report of the board audit committee is attached with this Annual Report separately.

### Board's Risk Management Committee

Apart from the Executive Committee and Audit Committee of the Board a Risk Management Committee has been formed which is responsible planning and guiding on overall risk management of the bank. Key area of responsibilities of the committee is as under:

- Defining the risk appetite
- Designing the organizational structure to manage risk with in the bank
- Understanding the inherent risks of the bank
- Reviewing and approving risk management policies
- Enforcing and using adequate recordkeeping and reporting systems
- Reviewing and approving limits and reviewing at least annually
- Monitoring compliance with overall risk management policies and limits.

Present member of the committee is as under:

Name of the Directors	Status in the Committee
M.A. Sabur	Chairman
Showkat Aziz Russell	Member
Md. Jahangir Alam Khan	Member
Hajee Yunus Ahmed	Member

### Regulatory compliance/disclosure

The primary regulator of the bank is Bangladesh Bank and other major regulator includes, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), RJSC, CDBL, National Board of Revenue (NBR) etc. Bank has been following related guidelines on

submission of financial statements and other statutory reports (daily, weekly, monthly, quarterly, half-yearly and yearly or any other report on requisition). Any significant development in the business is forth-with disclosed through the adherence of proper rules/guidelines/directive in the form of price sensitive declarations. Bank also ensures submission of returns to regulatory bodies in full compliance of the requirements and appropriate disclosures ensuring transparency and accountability. Board of Directors ensures adequate disclosures for the shareholders through Annual report or other specific disclosures if required.

### Delegation of power

The Board has delegated appropriate finance and business power to the Management. In order to have proper functioning and quick disposal of credit proposal, Board has delegated required authority to the Executive Committee of the Board to approve proposal within certain limit and take various necessary decision. The delegation supports the operation of the bank in a positive manner.

### Role of the Chairman

The chairman of the Bank is elected by the Board. He is responsible for organizing business of the Board, ensuring its effectiveness and setting its agenda to the best interest of the stakeholders. The chairman is not involved in the day-to-day business of the Bank. The chairman ensures that the Board members undertake appropriate induction, covering terms of appointment, duties and responsibilities.

### Role of the Managing Director

The Managing Director is responsible for overall activities of the business and for formulating and



## Report on Corporate Governance

Implementing Board strategy and policy. He has control of the Bank on a day-to-day basis and is accountable to the Board for its financial and operational performance.

### Management and its committee

Management team of UCBL is headed by the Managing Director, Mr. Muhammed Ali. A list of the executives of the bank as on the date of the reporting is attached with the annual report separately. Several management committees have been formed to handle the banking operation and identify and manage the risk associated with the business. The committees are CDMC, MANCOM, ALCO, Credit committee, Anti Money Laundering Committee, RMU, Investment Committee, Basel-II Implementation Committee, PAMC etc.

### Directors Remuneration

The director does not receive any type of remuneration and incentive. They are only paid board meeting attendance fees, travelling and living expenses incurred for attending in the board meeting and other board's committee meeting as per Articles of Association of the Bank and within the guidelines of Bangladesh Bank instruction. Information regarding expenses relating directors is disclosed in the annual financial statement as a separate note to the notes to the financial statements.

### Managing Director Remuneration

The remuneration package of the Managing Director is determined by the Board and is approved by Bangladesh Bank. The Managing Director has been appointed for three years term and his remuneration is also disclosed separately in the financial statements.

### Report on going concern

The report is attached with this Annual Report separately.

### Audit by the Central Bank

Bangladesh Bank also conducts comprehensive inspection of the Bank every year. The reports are reviewed by the Board and its audit committee. The Bank gives utmost importance to the inspection report and actions are taken regarding the inadequacies or lapses mentioned in the report.

### Audit by the External Auditors

External auditors covered sufficient no. branches and Head Office as part of the annual audit program. Auditors covered 80% of risk weighted assets of the

Bank. They have also discussed with the Management and Audit Committee of the Board on various issues including Internal Control and Compliance issues. Suggestions of the auditors (if any) are given due consideration and are implemented by the Management. The reports of the auditors are also discussed in the Board.

### Internal Control & Compliance

Bank has a separate Division for Internal Control and Compliance. This division operates independently and has given responsibilities by the Board in line with the Bangladesh Bank guidelines. The Bank has an audit and inspection department under Internal Control & Compliance Division. The major responsibilities of audit and inspection department are as under;

- To ensure that the bank operates within the principles, policies, framework and procedures formulated by the Board;
- To ensure the regulatory compliance in its day-to-day activities;
- Suggest to adopt of effective policies and procedures for smooth operation of day-to-day activities;
- To provide the Board and Management with detail information regarding business activities of the bank to determine future course of action by the Management; etc.

### Statement of Compliance

#### Securities and Exchange Commission notification on corporate governance

Securities and Exchange Commission (SEC) issued a Corporate Governance Guidelines (Notification no. EC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012) for the companies listed with the Stock Exchanges in Bangladesh. Compliance status of the guidelines of Securities and Exchange Commission is attached separately with the annual report.

#### Bangladesh Bank's guidelines on corporate governance

Bangladesh Bank also issued guidelines on February 4, 2010 as BRPD Circular no.06 (replacing BRPD circular no.16 dated July 24, 2003) on corporate governance. Compliance of the guideline is also attached separately with the annual report.



## Compliance Report on BSEC Notification on Corporate Governance

Status of Compliance with the conditions imposed by the Bangladesh Securities and Exchange Commissions  
Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012:

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
<b>1.0</b>	<b>Board of Directors</b>			
1.1	Board's size shall not be less than 5 and more than 20	✓		
1.2	Independent Director			
1.2 (i)	Independent director: At least 1/5th of the total number of directors	✓		
1.2 (ii)	For the purpose of this clause "independent director" means a director.	✓		
1.2 (ii) a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	✓		
1.2 (ii) b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares of the company (certain family members are also required to comply with this requirement).	✓		
1.2 (ii) c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	✓		
1.2 (ii) d)	Independent directors are not the members, directors or officers of any stock exchange.	✓		
1.2 (ii) e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an intermediary of the capital market.	✓		
1.2 (ii) f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	✓		
1.2 (ii) g)	Independent directors is not the independent director in more than 3 (three) listed companies.	✓		
1.2 (ii) h)	Independent director is not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFI).	✓		
1.2 (ii) i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.	✓		
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	✓		
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	✓		
1.2 (vi)	The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	✓		
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance.	✓		
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	✓		
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	✓		



## Compliance Report on BSEC Notification on Corporate Governance

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	✓		
1.5	Directors Report to Shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	✓		
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	✓		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	✓		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the company have been maintained.	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS) /Bangladesh Financial Reporting Standards (BFRS), as –applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		



## Compliance Report on BSEC Notification on Corporate Governance

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xci) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xci) c)	Executives (top five salaried employees of the company other than stated in 1.5(xci)b);	✓		
1.5 (xci) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1.5 (xcii)	In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:			
1.5 (xcii) a)	a brief resume of the Director;	✓		
1.5 (xcii) b)	Nature of his/her expertise in specific functional areas.	✓		
1.5 (xcii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
<b>2.0</b>	<b>Chief Financial Officer, Head of Internal Audit &amp; Company Secretary</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	✓		
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	✓		
<b>3.0</b>	<b>Audit Committee:</b>			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	✓		
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	✓		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Filling of Casual Vacancy in Committee	✓		
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	✓		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	✓		



## Compliance Report on BSEC Notification on Corporate Governance

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.	✓		
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors	✓		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:	✓		
3.4.1 (ii) a)	Report on conflicts of Interests.	✓		
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii) c)	c) Suspected infringement of laws, including securities related laws, rules and regulations;	✓		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting of anything having material financial impact to the Commission.	✓		
3.5	Reporting to the Shareholders and General Investors.	✓		
4.0	<b>External/Statutory Auditors</b>			
4 (i)	External/Statutory Auditors should not be engaged in appraisal or valuation services or fairness opinions.	✓		
4 (ii)	External/Statutory Auditors should not be engaged in financial information systems design and implementation.	✓		
4 (iii)	External/Statutory Auditors should not be engaged in book-keeping or other services related to the accounting records or financial statements.	✓		
4 (iv)	External/Statutory Auditors should not be engaged in broker-dealer services.	✓		
4 (v)	External/Statutory Auditors should not be engaged in actuarial services.	✓		



## Compliance Report on BSEC Notification on Corporate Governance

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
4 (vi)	External/Statutory Auditors should not be engaged in internal audit services.	✓		
4 (vii)	External/Statutory Auditors should not be engaged in any other service that the Audit Committee determines.	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	✓		
4 (ix)	Audit certification service on compliance of corporate governance as required under clause (i) of condition no. 7.	✓		
<b>5.0</b>	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	✓		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		
5 (iv)	The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also.	✓		
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company.	✓		
<b>6.0</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:	✓		
6 (i) a)	These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	✓		
6 (i) b)	These financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
<b>7.0</b>	<b>Reporting and Compliance of Corporate Governance:</b>			
7 (i)	The company shall obtain a Certificate from a Professional Accountant/Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		



## Certificate on Compliance of Corporate Governance



কে.এম.হাসান এন্ড কোং  
K. M. HASAN & CO.  
Chartered Accountants

Hometown Apartment (8th, 9th & 13th Floor)  
87, New Education Road, Dhaka-1000  
Phone : 9351457, 9351564, 8358817  
Fax : 880-2-9345792  
E-mail : kmh\_co@yahoo.com  
Website : www.kmhasan.com

### Certificate of compliances of conditions of The Corporate Governance guidelines to the shareholders of United Commercial Bank Limited

We have examined the compliances of conditions of The Corporate Governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by United Commercial Bank Limited (the "Bank") as stipulated in clause 7(i) of the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012.

The compliances of conditions of The Corporate Governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Bank's Management. Our examination for the purpose of issuing this certificate was limited to the examining of procedures and implementations thereof, adopted by the Bank for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received thereon.

To the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification dated 7 August 2012 issued under section 2CC of the Securities and Exchange Ordinance-1969, for the year ended 31 December 2013.

  
K.M. Hasan FCA

Managing Partner  
K.M. Hasan & Co  
Chartered Accountants

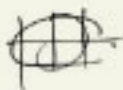
Dhaka, March 24, 2014.



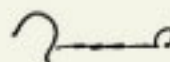
## CEO's and CFO's Declaration to the Board of Directors

In accordance with the condition no. 06 of BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 we hereby certify that,

1. We have reviewed financial statements for the year ended 31 December 2013 and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
2. There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.



**Mohammad Habibur Rahman Chowdhury FCA**  
Executive Vice President & CFO



**Muhammed Ali**  
Managing Director

Date: 26 February 2014



## Compliance of Bangladesh Bank's Guidelines on Corporate Governance

( BRPD circular no 16 dated 24.07.2003)

Particulars	Compliance Status
<b>Responsibilities and authorities of the Board of Directors</b>	
<b>(a) Work-planning and strategic management</b>	
(i) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/ monitor at quarterly rest the development of implementation of work plans.	Complied
(ii) The Board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall appraise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other Senior Executives and have it evaluated at times.	Complied
<b>(b) Lending and risk management:</b>	
(i) The policies, strategies, procedures etc in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write-off thereof shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specially distribute the power of sanction of loan/investment and such distribution should desirably be made among CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, in the process of loan approval.	Complied
(ii) The Board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.	Complied
<b>(c) Internal control management:</b>	
The Board shall be vigilant on the internal control system of the Bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.	Complied
<b>(d) Human resources management and development:</b>	
(i) Policies relating to recruitment, promotion, transfer, disciplinary action and punitive measures, human resources development, etc and service rules shall be framed and approved by the Board. The chairman or the directors shall in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under set service rules. No member of the board of directors shall be included in the selection committees for recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the Board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e. policies for recruitment and promotion	Complied
(ii) The board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these programs incorporated in its annual work plan.	Complied
<b>(e) Financial management:</b>	
(i) The annual budget and the statutory financial statements shall finally be prepared with the approval of the Board. It shall at quarterly rests review/monitor the positions in respect of Bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.	Complied
(ii) The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the board.	Complied



## Compliance of Bangladesh Bank's Guidelines on Corporate Governance

Particulars	Compliance Status
<p><b>(f) Formation of supporting committees:</b> For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the board other than the executive committee and the audit committee. No alternate director shall be included in these committees.</p>	Complied
<p><b>(g) Appointment of CEO:</b> The board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank</p>	Complied
<p><b>2 Responsibilities of the chairman of the board of directors:</b> (a) As the chairman of the board of directors (or chairman of any committee formed by the board or any director) does not personally possess the jurisdiction to apply policymaking or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the bank.</p>	Complied
<p>(b) The chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO.</p>	Complied
<p>(c) The chairman may be offered an office-room, a personal secretary/assistant, a telephone at the office and a vehicle in the business-interest of the bank subject to the approval of the board.</p>	Complied
<p><b>03 . Responsibilities of the adviser:</b> The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.</p>	No adviser is appointed.
<p><b>04 . Responsibilities and authorities of the CEO:</b> The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows:</p>	
<p>(a) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.</p>	Complied
<p>(b) The CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.</p>	Complied
<p>(c) The CEO shall report to Bangladesh Bank of issues violative of the Bank Companies Act, 1991 or of other laws/regulations and, if required, may apprise the board post facto.</p>	Complied
<p>(d) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.</p>	Complied



## Credit Rating Report

Credit Rating of United Commercial Bank Limited was done by Credit Rating Information Services Limited (CRISL) based on audited Financial Statements as on December 31, 2012. The rating report is summarized as under;

Particulars	Long Term	Short Term
<b>Entity Rating</b>	<b>A+</b>	<b>ST-2</b>
Date of Rating		June 30, 2013
Based on Financial Statement		December 31, 2012

CRISL has assigned the Long Term Rating of 'A+' (pronounced as single A plus) and reaffirmed the Short Term Rating of 'ST-2' to United Commercial Bank Limited through an in-depth analysis of the operational and financial performance of the bank along with all its relevant quantitative and qualitative factors. The basis of the evaluation was financials of the bank up to December 31, 2012 and other prevailing factors up to the date of rating.

The Bank continues to maintain its stable financial performance over the year as reflected through the financial results. The Bank continued to maintain adequate provision against its classified investments to

keep it almost safe from loss that might arise from the counterparty defaults. The Bank has been operating within the level of loan-deposit ratio against the limit as prescribed by the central bank.

Bank rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a bank with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The Short Term rating indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors.

CRISL also views the bank with "Stable Outlook" for its performance being in line with the pace of industry.



## Report of the **Audit Committee**

### Introduction:

In compliance with the BRPD circular no. 11 dated: 27 October 2013 and Bangladesh Securities and Commission notification dated: 07 August 2012, the Audit Committee was constituted by the Board of Directors to assist the Board ensuring a standard audit system for transparent financial reports & non financial corporate disclosures, effective internal control system and compliance of all rules and laws of the land as well as establishing a unique, strong and dependable banking system for all stakeholders specially for depositors and shareholders.

### Composition:

The composite of the Audit Committee of the Bank as on 31.12.2013:

Name	Status in the Committee	Status in the Board
Lt. Gen. ATM Zahirul Alam, rcds, psc (Retd)	Chairman	Independent Director
Anisuzzaman Chowdhury	Member	Director
Ahmed Arif Billah	Member	Director
Md. Abdul Karim	Member	Independent Director
Dr. Salim Mahmud	Member	Independent Director

As per regulatory guidelines, the Company Secretary of the Bank Mr. Mirza Mahmud Rafiqur Rahman is the secretary of the Audit Committee.

### Members Information:

#### Lt. Gen. ATM Zahirul Alam, rcds, psc (Retd)

Date of Birth : 06 October 1952  
 Educational Qualification : Master's Degree in Arts from King's College London, United Kingdom and is a graduate of prestigious Royal College of Defense Studies (RCDS), United Kingdom. He also attended a short course at Harvard University, USA.  
 Years of Experience : 35+ years  
 Field of Expertise : Served Bangladesh Military for long 35 years with great honor and dignity. Now involved in teaching in National Defense College and shipping business.

#### Mr. Anisuzzaman Chowdhury

Date of Birth : 13 May 1972  
 Educational Qualification : Graduation in Business Administration from Palm Beach Atlantic College of USA.  
 Years of Experience : 12+ years  
 Field of Expertise : This young & innovative business entrepreneur is one of the Directors of Ronny Chemical Industries Ltd.

#### Mr. Ahmed Arif Billah

Date of Birth : 29 July 1982  
 Educational Qualification : BBA from North South University  
 Years of Experience : 12+ years  
 Field of Expertise : Mr. Ahmed Arif Billah is the Managing Director of Masco Industries Ltd, Masco Cottons Ltd, Mascotex Ltd, MPL Wear Ltd, Masco Printing & Embroidery Ltd, Tasniah Fabrics Ltd, Masco Poultry Ltd, Masco Linens Ltd, Masco Yarn Dyeing & Printing Ltd, Shanta Expressions Ltd, Masco Exports Ltd, Masco Overseas Ltd, Vargin Grace Ltd, Masco Services Ltd, Concept Knitting Ltd, Masco Picasso Ltd, Masco Shares & Securities Ltd and Masco Properties Ltd.

#### Mr. Md. Abdul Karim

Date of Birth : 26 September 1952  
 Educational Qualification : M. Sc (Chemistry) from University of Chittagong, M.S.S. in Development Administration from the University of Birmingham.  
 Years of Experience : 35+ years  
 Field of Expertise : former Principal Secretary to the Government of People's Republic of Bangladesh and Chairman of National Board of Revenue (NBR), Bangladesh and Bangladesh Petroleum Corporation. Currently he is the Managing Director of PKSF.



## Reports of the Audit Committee

### Dr. Salim Mahmud

Date of Birth	: 14 September 1971
Educational Qualification	: LLB (Hons), LLM & PhD in Energy Law & Policy from university of Dundee.
Years of Experience	: 16+ years
Field of Expertise	: He is one of the faculty members of Department of Law, Dhaka University and prior to that he was also faculty member in the University of Chittagong. Presently, he is a Member (commissioner) of Bangladesh Energy Regulatory Commission.

### Role of Audit Committee:

The prime job of the committee is to facilitate the Board of Directors in its oversight responsibilities. The following are the key activities of the Committee during the period:

- Review of the Bank's Financial Statements in line with accounting standard set by regulators.
- Review the findings and recommendations of external auditors.
- Review the inspection report of Department of Banking Inspection (DBI) of Bangladesh Bank and its subsequent compliance thereof.
- Review the arrangements made by the management for developing and maintaining a suitable Management Information System (MIS).
- Review the internal risk management procedure.
- Review the adequacy of internal Control & Compliance functions of the Bank.
- Monitoring the effectiveness for removal of irregularities detected.
- Review of the Internal Audit Reports of the branches/departments and status of compliance thereof.
- Review of the classified portfolio and recovery position of the Bank.
- Review statement of significant related party transactions submitted by the management.
- Recommend for appointment of Auditors of the Bank for the year 2013.
- Assessment of activities of Bank Management in line with the policies set out by the Board.
- Monitor & review current working procedures and action plans of various departments of the Bank as well as recommend for improving efficiency level of the existing system.

### Members Presence in the Meetings of Audit Committee:

The Audit Committee was reconstituted and Lt. Gen ATM Zahirul Alam rds, psc (Retd), Independent Director of the Bank was appointed as Chairman to comply with the Corporate Governance Guidelines of BSEC vide Notification dated: 07 August 2012 and this committee started its activities from June 16, 2013.

Sl.No	Name	Status	Total Meeting Held	Attended
1	Lt. Gen ATM Zahirul Alam rds, psc (Retd)	Chairman (appointed on 16.06.2013)	8	4
2	Anisuzzaman Chowdhury	Member (appointed on 16.06.2013)	8	4
3	Ahmed Arif Billah	Member (appointed on 16.06.2013)	8	3
4	Md. Abdul Karim	Member (appointed on 16.06.2013)	8	4
5	Dr. Salim Mahmud	Member (appointed on 16.06.2013)	8	4
6	Md. Jahangir Alam Khan	Remained as Chairman till 16.06.2013	8	4
7	Hajee M.A. Kalam	Member (Continued till 16.06.2013)	8	3
8	Salfuzzaman Chowdhury, MP	Member (Continued till 16.06.2013)	8	3
9	Sharif Zahir	Member (Continued till 16.06.2013)	8	4

### Acknowledgement:

The members of the Audit Committee express their gratitude and thanks to the Board of Directors, Management and Auditors for their cooperation while performing its duties and responsibilities.



**Lt. Gen ATM Zahirul Alam rds, psc (Retd)**  
Chairman, Audit Committee  
(Independent Director)



## Evaluation of Quarterly Financial Statements by the Audit Committee and by the Board

Every listed company is required to prepare and publish periodical financial statements for the first quarter (Q-1), first half-year (Q-2) and third quarter (Q-3) as per requirement of Bangladesh Securities and Exchange Commission (BSEC). UCB prepares quarterly financial statements as per requirement of Bangladesh Securities and Exchange Commission (BSEC) and in accordance with Bangladesh Accounting Standard (BAS)-34; "Interim Financial Reporting".

Before publishing the interim result it is reviewed by the Audit Committee of the Board and then referred it to the

Board of Directors for its approval. After being approval of the Board of Directors interim financial statements are submitted to the Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and then published in two daily newspapers (Bangla and English). The report is also available in the Bank's official website at [www.ucbl.com](http://www.ucbl.com).

Key highlights of interim results of the bank is stated below:

	Jan - Sep 2013	Jan - Sep 2012	Jan - Jun 2013	Jan - Jun 2012	Jan - Mar 2013	Jan - Mar 2012
	3rd qtr - 2013	3rd qtr - 2012	2nd qtr - 2013	2nd qtr - 2012	1st qtr - 2013	1st qtr - 2012
<b>Balance sheet</b>						
Investment in govt & Other securities	28,487.25	22,135.36	29,667.46	21,360.62	24,095.38	20,636.85
Loans and advances	147,300.20	135,681.35	142,322.22	129,889.54	134,665.46	118,766.91
Deposit and other accounts	171,297.40	165,073.95	172,685.64	152,364.55	166,584.97	142,689.76
Paid up capital	8,366.12	8,366.12	8,366.12	8,366.12	8,366.12	7,274.88
Total shareholders equity	18,624.01	15,904.28	18,152.28	15,815.42	17,000.04	16,457.18
Total assets	216,081.37	199,564.68	213,220.62	185,255.41	205,764.21	175,367.63
Off balance sheet items	64,006.12	50,360.05	60,566.28	44,408.09	54,882.49	40,299.35
<b>Profit and loss account</b>						
Net interest income	4,991.12	4,778.26	3,166.46	3,238.12	1,547.95	1,630.73
Non interest income	3,834.87	2,185.49	2,682.05	1,234.78	1,162.36	283.69
Operating expenses	4,072.23	3,222.95	2,943.97	2,148.75	1,125.06	893.13
Operating profit	4,753.76	3,740.80	2,904.53	2,324.14	1,585.25	1,021.29
Net profit after Taxation	1,527.56	724.31	1,058.69	629.56	(999.76)	412.87
Earnings per share (EPS)	1.83	0.87	1.27	0.75	(1.20)	0.49
<b>Other information</b>						
Net asset value (NAV) per share	20.32	22.62	21.70	18.90	22.26	19.01
NOCFPS	0.76	1.13	(4.92)	(2.09)	(9.70)	7.41



A stylized white wind turbine is positioned on the left side of the page. The background is composed of a light beige upper section and a lower section with a geometric pattern of overlapping triangles in shades of beige and olive green. The title 'Management Review and Analysis' is written in a bold, red, sans-serif font, partially overlapping the turbine's blades.

# Management Review and Analysis

**This section contains:**

- Financial Review and Segmental Analysis
- Report on Human Resources Mangement
- UCB's Products and Services
- Maturity Pattern of Key Assets and Liabilities



## Financial Review and Segmental Analysis

UCB has passed a successful year of 2013 performing a remarkable achievement in term of profitability, business growth, new business initiatives and implementation. The year 2013 was unenthusiastic for economy as the country passed through a political volatile scenario. Presuming the uncertainty of 2013, the bank did not move for massive expansion of its businesses rather the bank concentrated on strategic business decision, reform and restructuring the processes and policies.

As a result of which, the bank has impressive growth despite a very conservative business approach. The management focuses on the right decision at the right time which has ultimately maximized the bottom line of the results. The management has reviewed the performance from different point of view which is stated below;

### Branch Network

Presently the Bank is functioning with its country wide network of 139 branches covering all divisions of the country. Division wise urban and rural branches are given below:

Division Name	Urban	Rural	Total
Dhaka	41	23	64
Chittagong	25	19	44
Rajshahi	6	1	7
Rangpur	2	0	2
Sylhet	7	7	14
Khulna	6	1	7
Barishal	1	0	1
Total	88	51	139

The bank has set up a Zonal Office at Chittagong to facilitate services to the customers of the branches located under the Chittagong division. A part of continuous expansion, UCB opened 9 (nine) new branches in the year 2013. The numbers of authorized dealer branches are 25. Moreover, the Bank currently has 363 correspondents covering 61 important countries in all the continents of the world which is continuously expanding to meet the growing cross-border banking needs of the customers. Moreover, the Bank has arrangement with a number of Exchange Houses at U.K, Singapore, U.A.E., Oman, Qatar, Bahrain and Kuwait to facilitate remittances from expatriate Bangladeshis.

### Human Resources Development

UCB has consistently been feeding the development requirements of employees in various job grades with the requisite competencies enabling them to meet the changing business needs and also to replenish employees retiring from Bank's services. HR continued to infuse fresh post-graduates as Management Trainees and Trainee Officers during 2013 through a rigorous selection process. At the end of 2013 bank's total number of employees is 3,445 as against 3,374 of the same date of 2012.

The crucial area of HR activities is management attrition. It is kept at a moderate level by inculcating a high performance culture through, competitive compensation package, merit based career progression plan and performance-linked financial rewards. Constant endeavors are also made to keep the employee morale and motivation at a high level through counselling programs and various staff welfare measures. The Bank's Performance Management Culture is geared with the introduction of target/KPI based performance system, where recognition is directly related to performance

outcome. Performance appraisal system has been further streamlined during the year with a view to encouraging dialogue on performance and development feedback between the appraiser and appraisee.

UCB Learning and Development Center conducted "Cross Functional Training" program as a development initiative for the employees of the Bank. This method has been taken to develop employees, to improve communication among branches and corporate head office and to facilitating the operational process of the Branches /Divisions. 187 participants of 110 branches obtained Cross functional Training during 2013.



## Financial Review and Segmental Analysis

### Information Technology

Information Technology Division of UCB continued its contribution in different areas of Information & Communication Technology which facilitated the Bank to keep its continuous growth by digitization and automation of the Banking Systems and different transaction channels. Among others UCB has taken following initiatives during the year 2013:

- The Management has decided to upgrade its existing operational software and replace it with best-of-breed robust Core Banking Software. Accordingly necessary preparation for the implementation of a Core Banking Software is completed, and 2014 will witness the implementation of cutting edge technology for UCB;
- UCB have opened 10 new branches and renovated significant branches where Information Technology Division has implemented modern ICT Infrastructure;
- UCB has also rolled out and introduced 20 new ATM booths;
- Information Technology Division has also migrated its ATM Switching Software. This migration will ensure more secured operation of Debit Cards along with more facilities in near future.

### Mobile Financial Services; UCash

With the view to bring the unbanked people to the banking facilities UCB started full-fledged operation of Mobile Banking Services under the brand name "UCash" in the year 2013. The bank obtained the license from Bangladesh Bank for mobile banking business vide letter no. DCMPS/PSD/37(T)/2012-217 dated 19 April 2012 and started its operation on 23 November 2013. The Management expects it will add significantly to the performance of the bank in the coming days.

### Treasury Operation

Globalization, rapid changes in technology, different types and volatility of the world economy translated more complex and greater responsibility for Treasury Division of any Bank. Treasury Division of UCB generates income by the most efficient utilization of investment and arbitrage opportunities in the market. It also responsible for measuring and monitoring of all risks associated with the Bank's local and foreign exchange exposure, local and foreign currency liquidity, asset liability management and overall balance sheet management. The treasury team is a combination of the most committed and skilled personnels capable of providing all kinds of treasury solutions through wide range of products to our customers with superior service quality. UCB has four

separate desks in Treasury Division which are:

**Foreign Exchange Desk:** FX desk offers full range of FX Derivative products to the customers and to the interbank market which include Spot, Forward and SWAP in FCY-BDT and other major cross currencies. Throughout the year FX Desk has managed its FX Position within the regulatory limit prudently and efficiently. They have also managed all FX Risks very efficiently in line with Profit Maximization.

**Money Market Desk:** UCB Money Market Desk is one of the most active and efficient desks in the interbank market. This desk ensured a steady presence throughout the year by exercising call money, term money, repo and reverse repo etc. This desk also provides important service to maintain the day to day Cash requirement of the bank.

**Fixed Income & Security Desk:** UCB Fixed Income & Security desk is responsible for investment in various Govt approved securities like Treasury Bill, Bond, Bangladesh Bank Bill and other instruments which are qualified for Statutory Liquidity Requirement (SLR). This desk ensured Banks SLR as per Bangladesh Bank requirement. This desk is an active participant in Secondary Trading of Govt Securities though UCB is not a primary dealer.

**Asset Liability Management Desk:** Treasury is the driving force of the Asset Liability Management Committee (ALCO). UCB has highly efficient ALM Desk which provides analysis, instructions for proper management of Balance sheet. It executes the strategies of the ALCO for effective management and monitoring of various balance sheet gaps.

#### Overall Treasury Income

+48.55%

2013	BDT 3,695.60 million
2012	BDT 2,487.80 million

#### Money Market & Investment Income

+42.41%

2013	BDT 3,040.60 million
2012	BDT 2,135.20 million

#### Foreign Exchange Income

+85.70%

2013	BDT 655.00 million
2012	BDT 352.70 million



## Financial Review and Segmental Analysis

**Regulatory Compliance:** Treasury operated within all regulatory limits throughout the year 2013 and there was no single instance where treasury breached any regulatory limits. Such compliance reflects UCB Treasury's commitments to operate within country's rules and regulations.

### Internal Control & Compliance

"Internal Control System" encompasses the policies, processes, tasks, behaviors and other aspects of a company that, taken together, facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed; help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization; and help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business. "Compliance" describes the ability to act according to an accepted standards, set of rules or request.

#### Broad objectives of Internal Controls include:

- To ensure efficiency and effectiveness of operations;
- ☐ To ensure reliability, completeness and timeliness of financial and management information;
- ☐ To ensure compliance with policies, procedures, regulations and laws.

The bank has a separate division named "Internal Control & Compliance Division" comprises of 6(six) units : Audit & Inspection Unit (Risk Based & IT Security) , Monitoring Unit, Compliance Unit, Policy Unit & General Services/Administration Unit, Concurrent Audit Unit.

The division carried out Risk Based Audit in 138 branches, surprise inspection in 48 branches, special inspection in 7 branches, investigation in 11 branches, IT Security Inspection in 78 branches, Inspection on cash incentive in 7 branches & 18 divisions of corporate office during the year 2013. Beside the Management introduced 'Concurrent Audit System' with the approval of Board of Directors of the bank and the division accordingly deployed 11(eleven) executives/ officers as 'Concurrent Auditor' in 9(nine) out of 15(fifteen) branches.

Information Systems Security Inspection is now an integral part of overall audit process, which is one of the facilitators for good corporate governance. IT Inspection is basically the process of collecting and evaluating evidence to determine whether a computer system safeguards assets, maintains data integrity, achieves organizational goals effectively and consumes resources efficiently.

After conducting audit, the division forwards the report to respective branch advising them to take corrective actions for removal/rectification/regularization of audit objections. Thereafter, constant follow-up is continued throughout the year to reduce the audit objections at 'Tolerance/Zero/ level. Division also places branch wise 'Executive Summary' to the Managing Director mentioning all major irregularities/lapses identified during audit. The division prepares & submits summary report before Audit Committee of Board of Directors periodically on the basis of findings of audit/inspection report (both Internal & Bangladesh Bank) along with latest status of compliance.

### Import & Export Business

Bangladesh economy is growing at an average rate of 6% over the last two decades despite natural disasters, political unrest and infrastructural deficiencies. In line with the growth of economy, UCB achieved a significant growth both in import & export business in the year 2013. Total import business handled was BDT 117,542.90 million while the export business transacted during 2013 was BDT 94,288.50 million. The growth rate of import & export trade was 24 percent and 20 percent respectively over the corresponding year 2012. The items of imports were industrial raw materials, industrial machineries, commodities viz. wheat, Sugar, Lentils, Edible Oil, Cotton etc.

On the export side the top three markets for Bangladeshi exports are the USA, Germany and the UK, and the largest sectors are Clothing and Apparel, Textiles, Wood Manufactures, and Animal Products. Last year, Bangladesh was the second largest exporter of garments to the EU and so Bangladesh's exports are expected to rise as the Euro zone gradually moves out of recession in coming months. UCB's export was largely dominated by clothing, apparel and textile items followed by Jute Goods, Leather & Leather Goods, Potato, Tobacco, Fresh Vegetables, Processed Peanuts, Handicrafts etc. The growth in import and export business of UCB was one of



## Financial Review and Segmental Analysis

the key attributing factors towards the overall profitability of the bank in 2013.

### Foreign Remittance

In Bangladesh, remittance is one of the most important economic variables in recent times as among others it helped in maintaining equilibrium in balance of payments, increasing foreign exchange reserves and enhancing national savings. The development impacts of remittance, as a means of transfer of wealth, socioeconomic factors are now increasingly viewed with importance. Remittances have helped improve the social and economic indicators like nutrition, living condition and housing, education, healthcare, poverty reduction, social security, and investment activities of the recipient household. For about two decades remittance has contributed around 35% of export earnings of the country. If cost of imported raw materials is deducted from the foreign exchange earning of the garments sector, remittance becomes the single largest sector of foreign exchange earnings of the country. As per MPS remittance growth of 12.6% in FY13 is higher than 10.2% growth in FY12, though this growth did slow down to 4.2% during the second half of the year compared to the first half of FY13 when remittance growth was 22%. This slow down is a function of 34% drop in the number of migrant workers between July-April FY13 relative to the same period of FY12.

Considering the importance of foreign remittance and its overall impact in the socioeconomic development of the country, UCB has entered into drawing arrangement with a good number of Exchange companies in U.A.E, BAHRAIN, OMAN, U.K, KUWAIT, QATAR and in K.S.A. We have also established remittance arrangement with Arab National Bank and SAMBA Financial Group and global remittance companies like Western Union, Ria Financial Co. and XPRESS Money. Bank has set up a Remittance Processing Center at Head Office with skilled and efficient human resources in order to ensure seamless delivery of the proceeds of remittances through its 139 branches in strategic locations having concentration of inward foreign remittance. During the year 2013 the Bank has procured inward foreign remittance of BDT 1,078 crore.

### Corporate Financing

The economy of Bangladesh is growing at a constant rate of 6% over the last two decades and has emerged as a promising economy achieving several targets of MDGs.

The country's economy is gradually shifting from rural agrarian to industrial economy. To meet the excess demand of rising economy, lots of new corporate enterprises have emerged with the expansion of existing ones. Banks and Financial institutions are playing pivotal role in the industrial growth by channeling required fund from surplus budget unit to the deficit budget unit i.e. to the industrial sectors. UCBL as a socially responsible financial institution is serving every needs of the corporate customers with its broad spectrum of loan products. The gamut of credit products of UCB is an assortment of traditional and tailor made products. Some of the broad categories of asset products include Industrial and Project Financing, Working Capital Financing, Export-Import Financing, Structured/Syndicated Finance, Hire Purchase, Lease Financing, Transport Loan, Developer Finance, Work Order Finance, Off-shore Financing, etc. UCB has become the bank of first choice and reinforced its strong existence in every industrial sector of the country like RMG, Pharmaceuticals, Steel, Textiles, Spinning, Ship Breaking & Building, Packaging, Food Products & Processing, Paper & Paper Products, Wood & Wooden Products, Cement Industries, Power, Construction (Infrastructural), Housing, Aviation, Glassware, Oil Refinery, Healthcare, Transport & Communication, Tea Gardening, Electronics Media, Educational Institute, Hotel & Restaurant, Renewable Energy, Plastic & Polymer, Telecommunications, Ocean-Going Vessel financing, Agri-Business (Poultry, Food Processing), Leather & Leather Products, Commercial Trade Financing and others.

The overall performance of corporate loan portfolio of UCBL has reached a commendable position. Loans and advances extended to the corporate customers are performing well and earning substantial portion of income for the Bank. During the year 2013, amid political turmoil, we did not stop serving our corporate clients and consequently our profits grew substantially in comparison with other banks in the industry. The corporate loan portfolio is well diversified among more than twenty five uncorrelated sectors and distributed in all the divisions of the country. By and large, all the prominent corporate houses in Bangladesh have kept their confidence on UCBL and created a rapport with us based on mutual benefits. The corporate portfolio is still playing foremost role in income generation for the Bank as evidenced from the contribution of income from



## Financial Review and Segmental Analysis

corporate loan. The asset quality of the Bank has also strengthened gradually over the past several years as the Non Performing Loan (NPL) ratio as a percentage of total loans and advances decreased significantly and remained at a satisfactory level.

### SME Financing

Small & Medium Enterprises, according to IFC, accounts for about 90% of businesses and more than 50% of employment worldwide. It is more so in the developing countries, like ours, as they lack necessary infrastructure and market for large businesses. Likewise, SME sector has been maintaining its role as the key engine for job creation and economic growth in Bangladesh for long. Although, the sector had been in the focus of banking industry since long, the ongoing conscious effort of developing and nurturing SME sector started when different multilateral development agencies, especially IFC (more specifically SEDF in our country), started promoting it in early 2000.

Since its inception in 1983 as one of the pioneers in private commercial banking industry in the country, the United Commercial Bank Ltd. (UCB) has traditionally been an SME friendly Bank. As the majority of the customers of the Bank are of SME origins, UCB opened a separate SME Division in 2009 to manage the portfolio in a focused manner. Later, in 2012, the Management of the Bank rationalized the Bank's business focus and placed the SME financing in the core. Since then, UCB, in line with national economic goals as well as its own, has been pursuing a business strategy for expanding SME financing business further through allocation of substantial fund and necessary infrastructural support.

Resultantly, at the year end of 2013, UCBL has achieved a remarkable growth in SME financing with the outstanding loan amount of BDT 70,246.60 million (Disbursed to 10,772 no. of customers), which is almost half the size of the Bank's loan portfolio. To accelerate growth of SME financing further, the Bank has set the SME financing target at BDT 95,000.00 million for the year of 2014. Presently, UCB has been

extending SME services through its 139 Branches including two specialized SME Branches throughout the country. Besides, UCB has dedicated desks for serving women entrepreneurs belonging to SME sector. The Bank arranged several SME promotional events around the country in 2013, either solely or in collaboration with the Bangladesh Bank and the SME Foundation.

### Retail Banking

UCB Retail banking plays an important role to fulfill the lifestyle need of its customers. Be it deposit to ensure safety in future or a loan to fulfill the future need now, UCB retail offers a range of products aiming to satisfy the growing market requests and customers needs without having to compromise their dreams. This division strives to create best practices by being different in the fields like consumer lending, liability management and cash management. We believe every approach the Retail Banking team of UCBL will take today will ensure satisfaction of our customer tomorrow. Prime focus of Retail Banking in 2013 was to flourish the Imperial Banking Division (Priority Banking Services) by adding more lounges to the pipeline. With the differentiated service and benefits, the division has contributed significantly to the portfolio enhancement of the Bank. Besides, the CASA Campaign Initiative focusing low and no cost accounts in 2013 had successfully bridged more than 35,000 new relationships over the country. Nowadays, customer wants to complete all their transaction at one go and look for convenience of banking more. Keeping that in mind we have adapted major changes in IT platform during 2013 and are moving into the fast lane by the end of 2014. We strongly believe that with the help of a robust IT platform we shall be able to offer modern banking facilities for our customers in coming days. With all possible loan products like Personal loan, Home loan and Auto loan, Marriage Loan, Education Loan, Hospitalization Loan, Travel Loan, CNG Conversion Loan, Home Mortgage Loan, House hold durable loan retail banking portfolio stand at BDT 9,932.87 million at the end of 2013 against BDT 10,697 million in 2012. The below table shows the retail loan of UCB:

(amount in million Taka)	2013	2012	Growth (%)
Home Loan	6,570.55	6,416.39	2.40
Home Mortgage Loan	1,230.24	1,361.43	(9.64)
Auto Loan	702.63	1,207.60	(41.82)
Any Purpose Loan	344.23	637.71	(46.02)
Advance Against Salary	514.95	471.88	9.13
Education Loan	278.40	322.28	(13.61)
House Hold Durable Loan	219.22	216.77	1.13
Doctors Loan	66.38	54.77	21.19
Marriage Loan, travel loan and hospitalization loan	6.26	8.30	25.00
<b>Total</b>	<b>9,932.87</b>	<b>10,697.13</b>	<b>(7.14)</b>



## Financial Review and Segmental Analysis

### Card Business

UCB credit card is one of the main stream businesses of the bank. Till to-date the bank has issued 57,487 credit cards and has extended its service in Divisional and District cities of Dhaka, Chittagong, Sylhet, Rajshahi, Barisal, Bogra, Comilla and Mymensing. UCB is the principal member of VISA and MasterCard and has reached the competitive position for having good amount of cards under the portfolio. For 2013, major focus of Cards business was on continuous process improvement to bring operational efficiency, better customer services and risk mitigation. At the end of 2013 the portfolio outstanding of cards stands at BDT 1,503.30 million Taka.

UCB started its own ATM Network in 2009 and has already established 101 ATMs throughout Bangladesh; another 56 ATMs are targeted to be added to the network by the end of 2014. The Bank has issued around 37,000 new debit cards and the bank accordingly crossed the 100,000 debit card milestone upto first quarter of 2014. Today the Bank's Card Service is available from all branches across the country. The Bank has introduced special value added services to its Gold Cardholders, special discounts at selected stores and restaurants and Business Class Airport Lounge facility for outgoing passengers.

### Readymade Garments Financing

The involvement of readymade garments (RMG) industry in the socio economic advancement of Bangladesh is simply phenomenal. In RMG export, Bangladesh now occupies a better position than that of India and follows China which is an enviable success in all respect. RMG sector is now the main driver of growth and poverty reduction by employing around 4.15 million people, contributing more than 80% of total export earnings of the country and its contribution to the country's GDP is about 15%. The RMG industry not only propelled the growth of spinning, weaving, dyeing and finishing industries, production of accessories and spare parts but also in vast expanse by triggering other economic activities such as banking, insurance, real estate, hotels & tourism, consumer goods, toiletries, cosmetics and transportation. Most significantly, the growth of RMG sector produced a group of entrepreneurs who have created a strong private sector which is driving the economy. Support from banking and financial systems, domestic fiscal policy support and various other incentives have played an essential role in

the development of RMG industry to its present height.

UCB is one of the pioneers for financing in RMG sector and has shown increasing commitment to do so over the years. In 2013 UCB's exposure in RMG sector stood at BDT 36,948.20 million (both funded and non-funded). The Bank handled export of knit & woven items for BDT 69,006.60 million in 2013 recording a growth of 33.27% over the corresponding period of 2012. To give further impetus to RMG business holistically, UCB created Garments Monitoring cell in 2009 which eventually transformed to RMG Division in 2013. At the moment RMG division runs with a set of experienced officials for fostering RMG investment. To oversee and monitor the value chain at different stages, the Bank has deputed field officials at the factory level. Besides, RMG team of UCB is proactively working and providing business solutions to the clients. The collaboration between RMG team and field officials has created a unique synergy driving the business to higher trajectory of growth.



Bangladesh now has a share of more than 10% of the world market for clothing and apparel and has prospect to grow more in the coming decades. Considering the future positive outlook of RMG sector and the immense potential of the business segment in terms of generating fee earning, interest earning and securing a stable base of low cost deposit, the Management of UCB has earmarked RMG as a priority sector for further investment which among others will boost export-import business of the Bank to its envisaged goal.

### Financial performance perspective analysis

Despite various challenges in the economy, volatility in the money market and capital market UCB achieved a significant growth in its assets. At the end of 2013, total asset of the bank stood BDT 226,333.13 million registering a growth of 9.10 percent over previous year. Detail reviews of performance are as under;



## Financial Review and Segmental Analysis

### Key operating and financial results

UCB recorded a remarkable growth in last five years in term of business volume and profitability. At the end of 2009 total assets of the bank was BDT 90,483.78 million whereas in 2013 it stood BDT 226,333.13 million recording a growth of more than 150 percent. In last five year deposit growth was 137.87 percent and loans & advances growth was 140.98 percent.

With the increase of business volume, the profitability of the bank has also increased significantly. In 2009, operating profit of the bank was BDT 3,125.17 million whereas it was BDT 7,126.37 million in 2013 recording a growth of more than 128.03 percent. During last five years, interest income increased by 230.20 percent and interest expense increased by 266.12 percent.

(BDT in million)

	2009	2010	2011	2012	2013
Paid up capital	1,193.83	2,909.95	7,274.88	8,366.12	8,366.12
Shareholders' equity	5,705.47	7,817.27	15,966.41	18,171.02	20,504.97
Deposits and other accounts	77,730.40	113,070.78	139,484.75	170,530.54	184,896.85
Loans and advances	61,692.22	93,560.70	115,506.33	136,071.65	148,664.86
Off-balance sheet exposure	22,098.19	40,797.74	40,255.37	52,153.26	67,094.06
Total assets	90,483.78	129,877.03	168,891.78	207,448.38	226,333.13
Total liabilities	84,778.32	122,059.76	152,925.36	189,277.37	205,828.17

(BDT in million)

	2009	2010	2011	2012	2013
Interest income	6,965.32	9,468.36	15,351.63	21,318.92	22,999.36
Interest expense	4,348.23	5,632.95	10,203.21	14,705.21	15,919.86
Net interest income	2,617.09	3,835.41	5,148.42	6,613.71	7,079.50
Non-interest income	2,574.97	4,018.47	4,145.95	3,563.95	5,319.08
Non-interest expenses	2,066.89	3,120.76	3,321.46	4,415.44	5,272.21
Operating profit	3,125.17	4,733.12	5,972.91	5,762.22	7,126.37
Profit before tax	1,541.86	3,632.60	5,172.91	3,739.06	5,887.32
Net profit	932.90	2,182.43	2,945.80	1,586.13	3,065.41

### Balance sheet review

At the end of 2013, total assets of the Bank stood to BDT 226,333.13 million from BDT 207,448.38 million in 2012 registering a growth of 9.10 percent. Total liabilities also increased to BDT 205,828.17 million from BDT

189,277.37 million in previous year. All the major elements of balance sheet have shown a significant growth over previous year. Performances of major elements of balance sheet are shown as under;

(BDT in million)

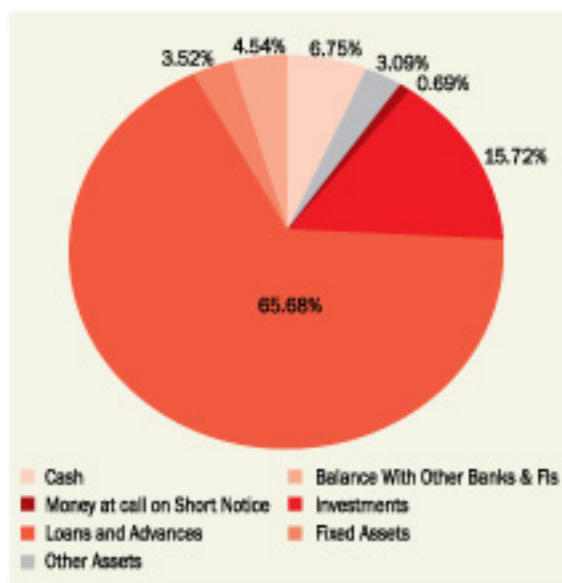
	2013	2012	Growth (%)
Total Assets	226,333.13	207,448.38	9.10
Total Liabilities	205,828.17	189,277.37	8.74
Shareholders' Equity	20,504.97	18,171.02	12.84
Paid up Capital	8,366.12	8,366.12	-
Deposits	184,896.85	170,530.54	8.42
Loans and Advances	148,664.86	136,071.65	9.25
Investments	35,587.25	26,090.32	36.40
Fixed Assets	7,957.31	5,222.78	52.36



## Financial Review and Segmental Analysis

**Total Assets**

Total asset of UCBL stood at BDT 226,333.13 million as on 31 December 2013 as against BDT 207,448.38 million of previous year registering a growth of 9.10 percent over the year 2012. Among total assets, loans and advances is BDT 148,664.86 million in 2013 recording a growth of 9.25 percent over previous year. Performance of assets in 2013 of UCB is shown in following table.

**Money at Call and Short Notice**

This is one of the major areas of operation of the Treasury Division of the bank. Banks lending under the head Money at Call on Short Notice was BDT 1,570 million on 31 December 2013 as against BDT 7,160 million in 2012 registering growth of (78.07) percent over same date of last year. The negative growth was attributable to lower interest rate prevailing at the money market. Like most other banks and financial institutions, we have strong liquidity position throughout the year as well as on the date of reporting. We strategically invest in the money market with the objective of managing liquidity risk as well as earning reasonably higher risk free return on the investment. On the other hand, as investment in banks and financial institutions carry low risk weight, it helps to maintain capital adequacy of the bank.

**Investment**

UCB's investment increased by BDT 9,496.93 million during the year 2013 and stood at BDT 35,587.25 million which was BDT 26,090.32 million in 2012. Investment in government securities increased by 43.87 percent which helps the bank to maintain surplus Statutory Liquidity Ratio (SLR) of BDT 14,944.59 million at the end of 2013. UCB's direct investment in capital market decreased slightly to BDT 2,175.74 million at the end of 2013 against BDT 2,414.66 million in 2012.

(BDT in million)

Assets	2013	2012	Growth (%)
Cash	15,275.16	16,211.46	(5.78)
Balance with other Banks & Fis	6,993.51	4,713.33	48.38
Money at Call on Short Notice	1,570.00	7,160.00	(78.07)
Investments	35,587.25	26,090.32	36.40
Loans and Advances	148,664.86	136,071.65	9.25
Fixed Assets	7,957.31	5,222.78	52.36
Other Assets	10,285.05	11,978.85	(14.14)

**Cash and bank balance**

Cash and bank balance includes cash in hand, balance with Bangladesh bank and its agent bank and balance with other banks & financial institutions. Cash and bank balance was BDT 22,268.67 million at the end of 2013 against BDT 20,924.79 million of 2012. Details are as follows:

(BDT in million)

Cash and Balance with other Banks & Fis	2013	2012	Growth (%)
Cash (including foreign currencies)	15,275.16	16,211.46	(5.78)
Cash in hand	3,050.05	2,615.46	16.62
Balance with Bangladesh Bank & its agent bank(s)	12,225.11	13,595.99	(10.08)
Balance with other banks & Fis	6,993.50	4,713.33	48.38
In Bangladesh	6,073.67	3,478.87	74.59
Outside Bangladesh	919.83	1,234.46	(25.49)



## Financial Review and Segmental Analysis

	(BDT in million)		
	2013	2012	Growth (%)
<b>Government</b>	<b>31,153.85</b>	<b>21,653.49</b>	<b>43.87</b>
Held to Maturity (HTM)	16,227.03	9,498.49	70.84
Held for Trading (HFT)	2,593.19	3,436.85	(24.55)
Treasury Bills	9,994.82	7,215.92	38.51
Reverse repo with other Bank	2,333.10	1,497.29	55.82
Prize Bond	5.71	4.96	15.17
<b>Others Investment</b>	<b>4,433.40</b>	<b>4,436.82</b>	<b>(0.08)</b>
Shares in listed companies	2,175.74	2,414.66	(9.89)
Bangladesh Bank Bills	1,163.39	1,237.31	(5.97)
Shares in un-listed companies	1,044.27	709.85	47.11
Debentures	10.00	15.00	(33.33)
ACI 20% Convertible Zero Coupon Bond	40.00	60.00	(33.33)

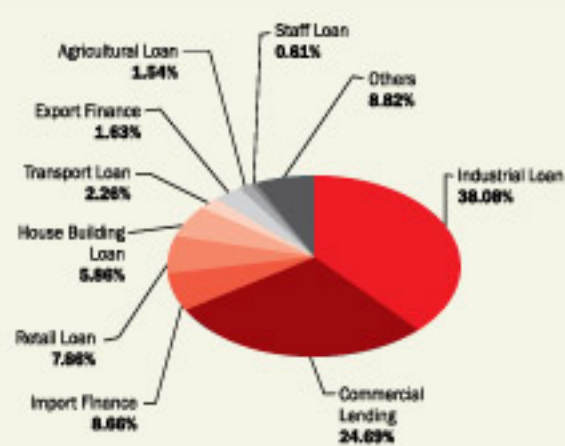
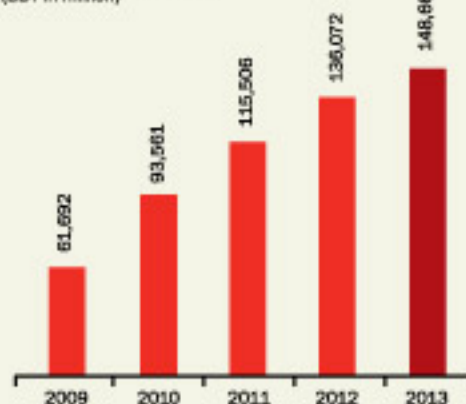
### Loans and advances

UCB's loans and advances increased by BDT 12,593.21 million during the year 2013 and stood at BDT 148,664.86 million which was BDT 136,071.65 million in 2012 showing a substantial growth of 9.25 percent over the previous year. Concentration of loans and advances was well managed and details of concentration are given at notes to the financial statements. The ratio of non-performing loan was 4.03 percent which is much lower than the industry average. The Bank continued its participation in different credit program for financing in industrial projects, import, export, house-building, retail, agricultural etc.

### Other Assets

Other assets of the bank decreased by BDT 1,693.80 million during the year 2013 and stood at BDT 10,285.05 million which was BDT 11,978.85 million in 2012. The main components of other assets are advance income tax decreased by 19.72 percent, advance rent decreased by 1.25 percent, work-in-progress decreased by 79.99 percent, branch adjustment a/c increased by 3.07 percent, receivable from subsidiary company increased by 3.63 percent, interest receivable increased by 29.78 percent, investment in share of subsidiary companies increased by 275.06 percent and others decreased by

**Loans and Advances**  
(BDT in million)



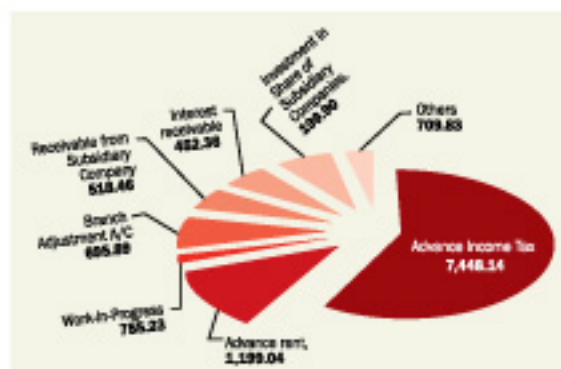
### Fixed Assets

Fixed assets include land, building, furniture & fixture, office equipment and vehicles etc. UCB's fixed assets increased by BDT 2,734.53 million during the year 2013 and stood at BDT 7,957.31 million which was BDT 5,222.78 million in 2012. The main reason of acquisition of land equivalent to BDT 2,189.30 million.

46.56 percent. Mainly, due to decrease of payment of advance income tax by BDT 1,468.94 million in 2013, total other assets decreased by 14.14 percent.



## Financial Review and Segmental Analysis



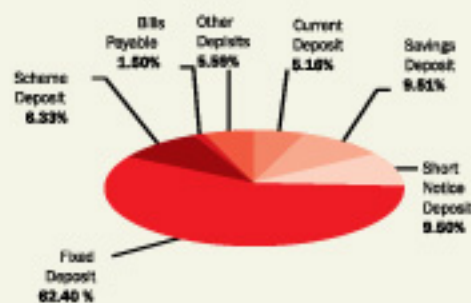
### Borrowings from other Banks, Financial Institutions and Agents

UCB has borrowing from Banks & Financial Institutions as well as from Bangladesh Bank amounting BDT 3,617.13 million at the end of 2013 against borrowing of BDT 1200.02 million in 2012. The borrowing is mainly in terms of issuance of Subordinated Bond of BDT 2,000.00 to different Banks & Financial Institutions. The Bank has also obtained IPFF fund from Bangladesh Bank amounting BDT 1,092.83 million.

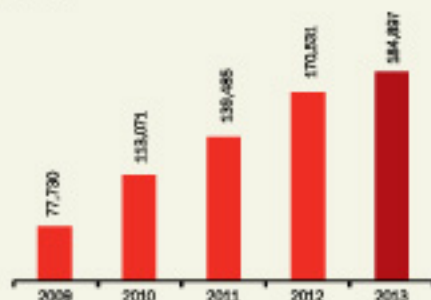
### Deposits

During the year 2013 total deposits of the bank increased by BDT 14,366.31 million and stood at BDT 184,896.85 million which was BDT 170,530.54 million in 2012 representing growth of 8.42 percent over the year 2012. There are as many as 34 (thirty four) deposit products in our bank. The clientele group of the bank includes individuals, corporation, NGO, NIBFI, government bodies etc.

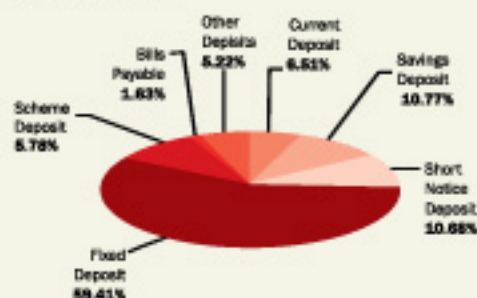
#### Deposit Mix 2013



#### Deposits



#### Deposit Mix 2012



### Deposits Mix of UCBL

Deposits and other accounts	2013	2012	Growth (%)	(BDT in million)	
				Mix (%)	
				2013	2012
Current Deposits	11,180.28	8,798.85	27.07	6.05	5.16
Savings Bank Deposits	19,064.89	16,224.24	17.51	10.31	9.51
Short Notice Deposits	17,880.41	16,193.56	10.42	9.67	9.50
Fixed deposits	105,157.25	106,408.31	(1.18)	56.87	62.40
Scheme Deposits	18,287.83	10,803.10	69.28	9.89	6.33
Bills Payable	2,461.86	2,562.36	3.92	1.33	1.50
Other Deposits	10,864.32	9,540.12	13.88	5.88	5.59
<b>Total</b>	<b>184,896.85</b>	<b>170,530.54</b>	<b>8.42</b>	<b>100.00</b>	<b>100.00</b>



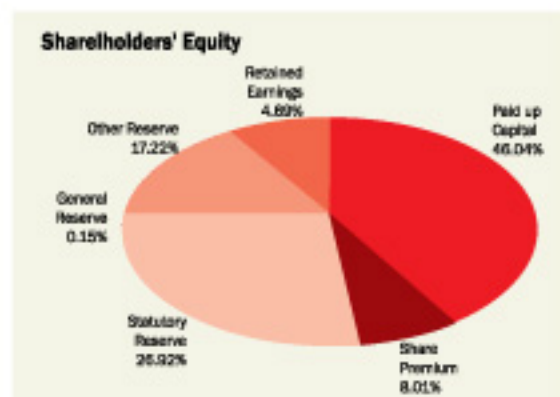
## Financial Review and Segmental Analysis

### Shareholders' Equity

Total shareholders' equity includes paid up capital, share premium, statutory reserve and retained earnings and other reserves. During the year 2013, total shareholder's equity increased by BDT 2,333.95 million and stood at BDT 20,504.97 million as against BDT 18,171.02 million of 2012. The growth under the head is 12.84 percent over the previous year, which will help the bank to expand its business in the coming days.

(BDT in million)

Shareholders' Equity	2013	2012	Growth (%)
Paid up Capital	8,366.12	8,366.12	0.00
Share Premium	1,454.98	1,454.98	0.00
Statutory Reserve	5,519.55	4,342.09	27.12
General Reserve	26.58	26.58	0.01
Other Reserve	3,234.99	3,129.84	3.36
Retained Earnings	1,902.75	851.41	123.48
<b>Total</b>	<b>20,504.97</b>	<b>18,171.02</b>	<b>12.84</b>



### Analysis of operating results of UCBL

In 2013, operating income was BDT 12,398.58 million against BDT 10,177.66 million in 2012 recording a growth of 21.82 percent whereas operating expense was BDT 5,272.21 million in 2013 against BDT 4,415.44 million in 2012 recording a growth of 19.40 percent. Profit before provision and taxes increased by 23.67 percent due to increase of non-interest income by 49.25 percent. Profit after tax increased to BDT 3,065.41 million in 2013 from BDT 1,586.13 million in previous year. Due to decrease of provision requirement to BDT 1,239.05 million in 2013 from BDT 2,023.16 million in previous year, profit after tax increased by 93.26 percent.

### Interest Income

UCBL earned total BDT 22,999.36 million as interest income during the year 2013 registering increase of BDT 1,680.44 million, 7.88 percent over previous year. This healthy growth in interest income arises from outstanding performance of banks interest earning products, sound asset portfolio and efficient utilization of bank's fund. The major interest earning came from follows:

(BDT in million)

	2013	2012	Change (%)
Interest income	22,999.36	21,318.92	7.88
Interest Expense	15,919.86	14,705.21	8.26
Net interest income	7,079.50	6,613.71	7.04
Non-Interest Income	5,319.08	3,563.95	49.25
Operating Income	12,398.58	10,177.66	21.82
Operating Expenses	5,272.21	4,415.44	19.40
Profit before Provision	7,126.37	5,762.22	23.67
Profit before Taxes	5,887.32	3,739.06	57.45
Net Profit after Taxes	3,065.41	1,586.13	93.26



## Financial Review and Segmental Analysis

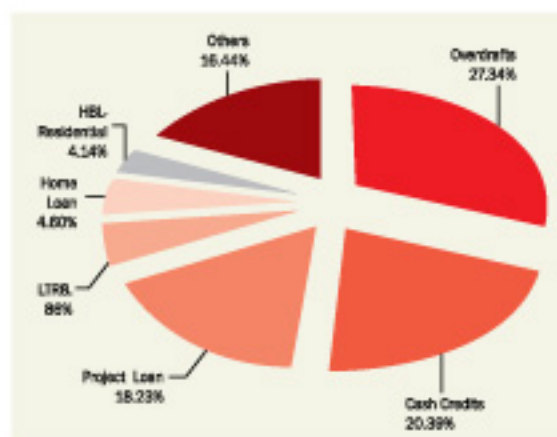
	(BDT in million)		
	2013	2012	Growth(%)
Interest on loans and advances	22,413.77	20,342.46	10.18
Interest on Balances with other Banks & FIs	537.84	952.90	(43.56)
Interest on Balance with Foreign Bank	45.75	22.57	102.73
Penal Interest	1.99	0.99	100.85
<b>Total Interest Income</b>	<b>22,999.36</b>	<b>21,318.92</b>	<b>7.88</b>

**Product wise Interest Income Analysis**

Among interest income, more than 97 percent earned from loans and advances in 2013 recording a growth of 10.18 percent. Among loans and advances products, about 68 percent interest earned from overdraft, Cash Credit and Project Loan. Product wise interest income from different loans and advances are shown as below; In the year 2013, the Bank earned highest interest

income from overdraft loan product which was 30.61 percent among interest income from loans and advances. From other products like cash credit, project loan, LTR, Home Loan and HBL-residential, the Bank received interest income of 20.83 percent, 16.48 percent, 5.26 percent, 4.89 percent and 3.35 percent respectively among interest income from loans and advances.

Interest on Loans and Advances	2013	2012	Growth(%)
Overdrafts	6,860.28	5,562.62	23.33
Cash credits	4,668.48	4,147.77	12.55
Project loan	3,694.78	3,707.64	-0.35
Time loan	1,335.81	487.71	173.89
Lone against Trust Receipt(LTR)	1,179.59	1,802.54	-34.56
Home loan	1,095.90	935.92	17.09
House building loan ( HBL) Residential	751.19	841.89	-10.77
House building loan (HBL) Commercial	588.86	409.41	43.83
Loan against credit card	394.34	398.76	-1.11
Local bills purchased & discounted (LBPD)	308.64	301.72	2.29
Home mortgage loan	224.44	202.47	10.85
Transport loan	190.00	192.33	-1.21
Loan to leasing company	185.71	162.44	14.32
Auto loan	172.58	246.70	-30.04
Payments against documents( Cash )	100.84	116.00	-13.07
Any purpose loan	86.82	131.23	-33.84
Own acceptance purchase	68.61	354.32	-80.64
Others	506.92	340.99	48.66
<b>Total</b>	<b>22,413.77</b>	<b>20,342.46</b>	<b>10.18</b>

**Interest Expense**

UCBL paid BDT 15,919.86 million as interest expense during the year 2013 recording a increase of BDT 1,214.65 million registering a growth of 8.26 percent over previous year. Due to liquidity surplus prevailed in the money market, the bank was able to continue procure deposit at lower cost. Our average cost of deposits in 2013 was 9.15 percent which was 9.57 percent in 2012. Among interest expense, the Bank mostly paid interest on deposit which was BDT 15,658.36 million in 2013 against BDT 14,677.99 million in 2012. Interest paid on borrowings was BDT 261.51 million in 2013 which was BDT 27.22 million in 2012. Interest paid on borrowings increased due to issuance of Subordinated Bond and increase of borrowings from other banks and financial institutions in 2013.



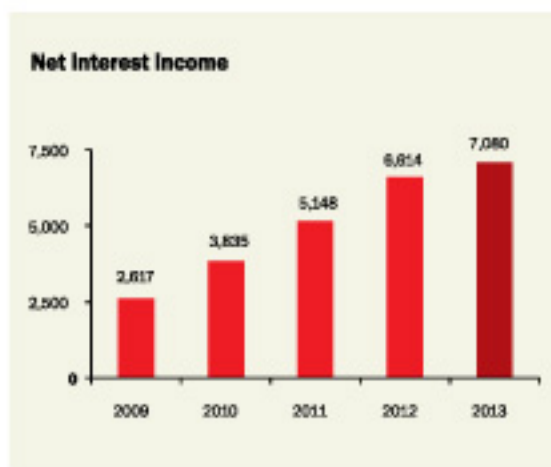
## Financial Review and Segmental Analysis

### Product wise Interest Expense Analysis

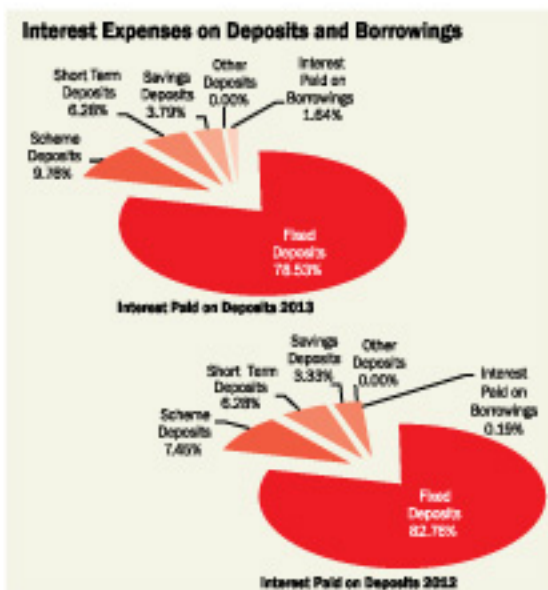
In 2013, the Bank paid highest amount of interest on fixed deposits which was BDT 12,501.93 million against BDT 12,169.70 million in 2012. Growth of interest expense on fixed deposits was 2.73 percent in 2013 over 2012 whereas growth of fixed deposits amount was -1.18 percent. In same way, growth of interest expense on SND and scheme deposits were 8.27 percent and 41.85 percent whereas growth of SND and scheme deposits amount were 10.42 percent and 69.28 percent respectively. On the other hand, growth of interest expense on saving deposits and growth of amount same deposits near close in 2013 which were 23.21 percent and 17.51 percent respectively. Due to liquidity surplus prevailed in the money market during 2013, the Bank emphasized on acquiring no & low cost deposits in exchange of high cost deposits. In this respect, the growth interest expenses in deposits like savings and short term have increased relative to that of fixed deposits. Moreover, the Bank has issued Subordinated Bond to raise the Tier II capital, which results in the increase of interest expense for borrowings.

### Net Interest Income

Net interest income (NII) during the year stood at BDT 7,079.50 million recording a smart growth of BDT 465.79 million which equivalent to 7.04 percent growth over previous year.



	BDT in million		
Interests Paid on deposits and borrowings	2013	2012	Growth (%)
Fixed Deposits	12,501.93	12,169.70	2.73
Scheme Deposits	1,553.15	1,094.91	41.85
Short Term Deposits	999.06	922.78	8.27
Savings Deposits	603.94	490.15	23.21
Other Deposits	0.27	0.45	-40.00
Interest Paid on Borrowings	261.51	27.22	860.69
<b>Total</b>	<b>15,919.86</b>	<b>14,705.21</b>	<b>8.26</b>



### Income from Investment

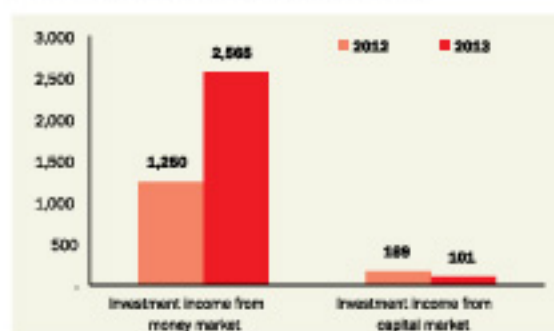
Investment income during 2013 was recorded BDT 2,666.44 million which was BDT 1,418.51 million in previous year and the income increased by BDT 1,247.93 million mainly attributed to interest and discount income from Treasury Bills & Bonds. Interest income from investment increased by 26.67 percent in 2013, which mainly earned from government treasury bills and bonds. Non-interest income from investment increased to BDT 991.49 million in 2013 from BDT 96.21 million in previous year mainly due to discount income on government securities.



## Financial Review and Segmental Analysis

Income from investments	2013	2012	Growth (%)
Government Treasury bills and bonds	1,570.24	1,313.75	19.52
Interest on bond, debenture & reverse repo	104.70	8.55	1,124.04
<b>Interest income from investments</b>	<b>1,674.95</b>	<b>1,322.30</b>	<b>26.67</b>
Discount, prize money & other income	929.49	359.16	158.80
Dividend on shares	144.11	121.63	18.47
Gain on sale of share	(43.07)	46.99	(191.66)
Gain on revaluation on govt. securities	(39.03)	(431.58)	(90.96)
<b>Non - Interest income from investments</b>	<b>991.49</b>	<b>96.21</b>	<b>930.56</b>
<b>Total</b>	<b>2,666.44</b>	<b>1,418.51</b>	<b>87.97</b>

Investment income consists of investment in money market and capital market. Income from money market operation in 2013 was BDT 2,565.40 million registering a growth of BDT 1,315.52 million equivalents to a increase of 105.25 percent. Income from capital market operation was BDT 101.04 million in 2013 registering a negative growth of BDT 67.59 million which represents 40.08 percent decreases over the year 2012. The following graph shows the income from investment;



Money market income increases due to discount, prize money & other income of BDT 929.49 million in 2013 whereas in 2012 it was only BDT 359.16 million. The gain arises due to decrease of interest rate on government securities in 2013. On the other hand, income from capital market decreased to BDT 101.04 million in 2013 from BDT 168.63 million in previous year. Loss on sale of share increased to BDT 43.07 million in 2013 from a gain of BDT 46.99 million in 2012 and dividend on shares increased to BDT 144.11 million in 2013 from BDT 121.63 million in previous year.

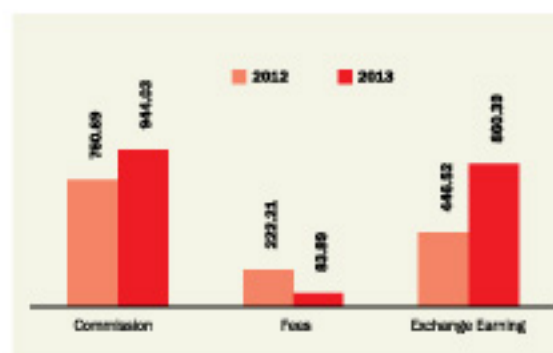
**Commission, Fees, Exchange & Brokerage**

Commission, fees, exchange & brokerage income during

2012 was recorded BDT 1,888.31 million which was BDT 1,429.42 million in previous year and the income increased by BDT 458.89 million which equivalent to a increase of 32.10 percent, while commission income increased by BDT 183.34 million (equivalent to 24.10 percent), fees income decreased by BDT 138.32 million (equivalent to 62.25 percent) and exchange earnings increased by BDT 413.88 million (equivalent to 92.69 percent) over previous year.

**Other operating income**

Other operating income during 2013 was BDT 764.33 million which was BDT 716.01 million in previous year and the income increased by BDT 48.32 million i.e. 6.75 percent over the year 2012. The main components of other operating income were recoveries from previously written off loan BDT 155.64 million increased by 58.07 percent, swift charge recoveries BDT 91.74 million increased by 26.98 percent, handling charge on LIM, LTR & EOL BDT 37.18 million decreased by 44.27 percent, other income on local credit card BDT 20.62 million decreased by 2.75 percent and other miscellaneous earning BDT 459.01 million increased by 44.22 percent.





## Financial Review and Segmental Analysis

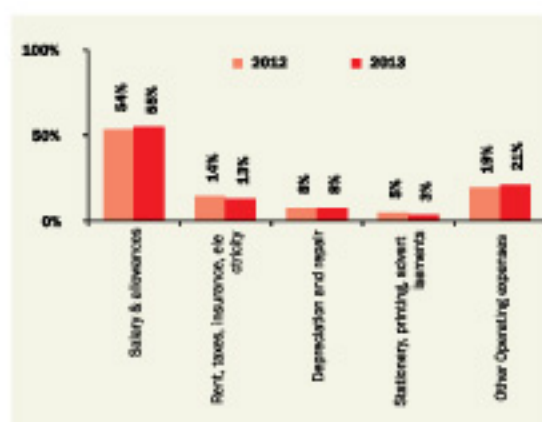
Other Operating Income	2013	2012	Growth (%)
Recoveries from previously written off loan	155.64	98.47	58.07
Swift charges	91.74	72.25	26.98
Handling charge on LIM, LTR & EOL	37.18	66.72	(44.27)
Other income on local credit card	20.62	21.20	(2.75)
Incidental charges recoveries	0.13	139.12	(99.90)
Miscellaneous earning	459.01	318.26	44.22
<b>Total</b>	<b>764.33</b>	<b>716.01</b>	<b>6.75</b>

### Operating expense

Total operating expense during 2013 was recorded at BDT 5,272.21 million which was BDT 4,415.44 million in previous year and the expense increased by BDT 856.77 million which equivalent to 19.40 percent over last year. The main components of the operating expenses are mentioned below:

Operating Expenses	2013	2012	Growth (%)
Salary and allowances	2,890.84	2,366.38	22.16
Rent, taxes, insurance, electricity etc.	681.52	637.02	6.99
Depreciation and repair of banks assets	401.04	338.08	18.62
Stationery, printing, advertisements etc.	179.51	215.43	-16.67
Petrol, oil & lubricant	106.65	96.56	10.45
Postage, stamps, telecommunications etc.	91.93	86.99	5.68
Medical expenses	89.87	75.94	18.34
Car expenses	64.07	53.67	19.39
Traveling	57.08	56.45	1.12
Visa card	51.85	118.46	-56.23
Entertainment	35.09	64.85	-45.89
Business development	28.32	77.23	-63.34
Other expenses	594.45	228.38	160.29
<b>Total</b>	<b>5,272.21</b>	<b>4,415.44</b>	<b>19.40</b>

In operating expenses, salary and allowances for the employees covered more than 54 percent of total expenses which record a growth of 22.16 percent. The main reasons for such increase of salary and allowances was the revision of pay scale in middle of 2012, increment of added over the last year and increase of number of employees of 71. Expenses for rent, taxes, insurance, electricity etc. and depreciation & repair of bank's assets increased 6.99 percent and 18.62 percent respectively which were second and third largest areas of operating expenses. These two areas of operating expenses increased mainly due to expansion of branch network to 139 from 130 and ATM booth from 81 to 101.

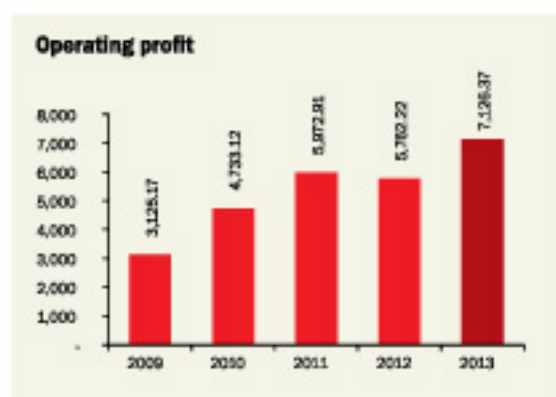




## Financial Review and Segmental Analysis

### Operating Profit

The total operating profit of the bank for the year 2013 stood at BDT 7,126.37 million in comparison to BDT 5,762.22 million of 2012. Significant growth of non interest income contributed the highest to reach at the operating profit of 2013. Other operating income i.e. non-interest income was BDT 5,319.08 million which was 49.25 percent higher than previous year and operating expense was BDT 5,272.21 million which was 19.40 percent higher than previous year. Mainly, due to significant growth in other operating income, bank's operating profit in 2013 trended to strong positive growth of 23.67 percent over previous year.



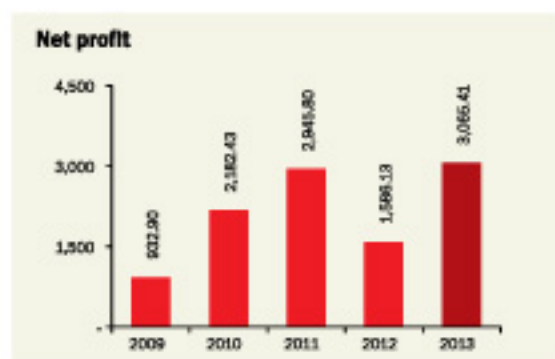
### Profit before tax

Profit before tax of the bank stood at BDT 5,887.32 million in 2013 compared to BDT 3,739.06 million of previous year. The bank maintained sufficient amount of provision against loans & advances, investments and off-balance sheet exposures in 2013, which was BDT 1,239.05 million against BDT 2,023.16 million in previous year. The bank maintained more than 100 percent provision against requirement in 2013. Despite this fact, profit before tax increased to BDT 5,887.32 million showing a healthy positive growth of 57.45 percent.

### Net profit

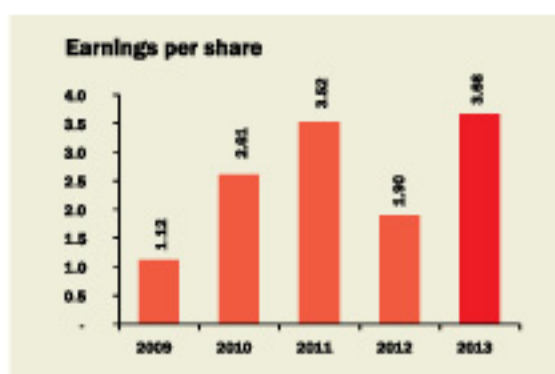
In 2013, bank's net profit after tax increased by BDT 1,479.28 million which equivalents to 93.26 percent over the year 2012. As at 31 December 2013, net profit after tax stood at BDT 3,065.41 million. Net profit increased significantly in 2013 mainly due to decrease of provision requirement by BDT 784.11 million, which is 38.76 percent lower than that of the year 2012. The bank maintained substantial amount of provision for payment of tax on its income for the year 2013, which was BDT

2,821.91 million against BDT 2,152.94 million in previous year.



### Earnings per share

In the year under review, Earnings per share (EPS) stood at BDT 3.66 which was BDT 1.90 (restated) in previous year. Bank's EPS increased during the year 2013 due to substantial increase of net profit.



UCB is making progress on embedding sustainability into business. We realize we have a long way to go and will continue to build our program in the year ahead. Market conditions for our industry are as challenging and volatile as we have seen in recent times. We have a strong capital position and we have accumulated a good size of quality portfolio and diversity in our revenue and earning streams. Our presence in the market is growing steadily and we have improved our presence in all areas of operations. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the longest and top financial service providers in our industry. We are convinced of our ability to continue to thrive in all areas of our business backed by around three decade of experience and driven by the ambition to continue reaching new heights in performance.



## Report on **Human Resources Management**



Human Resources strategies have been a key component of the Bank's overall effort for business transformation and augmenting performance of its operational units. The prime objective of the HR functions is to harness the employee potential for serving the customer better.

The whole of UCB family comprises of committed and dedicated members with passion to serve in their respective functional areas. The Bank has challenging work environment where merit and performance help the individuals to explore their true potential. As a caring employer the Bank enables the employees to excel and grow in highly congenial employment conditions and culture.

The career path is full of challenges and opportunities. The Bank encourages employees to perform their duties diligently for achieving optimum output and efficiency.

The Bank recognizes that its success is deeply embedded in the success of its human capital. During 2013, the Bank continued to strengthen its HR process in line with its objective of creating an inspired workforce.

### **Recruitment**

A steady quality inflow of human capital is the 'sine qua non' for a service industry like banking. Thus talent acquisition and retention have emerged as the most critical challenge for the Bank.

The Bank has consistently been feeding the development requirements of employees in various job grades with the requisite competencies enabling them to meet the changing

business needs and also to replenish employees retiring from Bank's services. HR continued to infuse fresh post-graduates as Management Trainees and Trainee Officers during 2013 through advertisement and interview process.

The other crucial area of HR activities has been management attrition. It is kept at a moderate level by inculcating a high performance culture through, competitive compensation package, merit based career progression plan and performance-linked financial rewards. Constant endeavors are also made to keep the employee morale and motivation at a high level through counseling programs and various staff welfare measures.

### **Performance Management**

The Bank's Performance Management Culture is geared with the introduction of target/KPI based performance system, where recognition is directly related to performance outcome. Performance appraisal system has been further streamlined during the year with a view to encouraging dialogue on performance and development feedback between the appraiser and appraisee. Sessions were conducted across the Bank to educate the appraiser regarding the process.

### **HR Initiatives in building employees' capability**

The Bank believes that training is an ongoing process. To keep up with the fast changing business synergies, product profile, processes, customer preferences, numerous technology applications and compliance and regulatory requirement, training has become a focal strategy. Training Courses ranging from basic banking awareness to domain



## Report on Human Resources Management

skill based program are designed according to business groups and conducted both internally and through external agencies.

The Bank provides training to employees at all levels for improvement in their knowledge and skills to ensure that they acquire required skill sets in their future positions.

Substantial training and development activities were carried out during 2013 which included comprehensive grooming program in the area of credit, foreign exchange and branch operation for building a pool of specialist in the respective domains.

### ■ Training /Workshop conducted by LDC:

UCB Learning & Development Center conducted total 171 programs during 2013 & trained up 4,881 employees.

### ■ Development programs (In house) conducted by the LDC:

UCB Learning & Development Center conducted 47 programs during 2013 & trained up 2,690 employees.

### ■ Functional Excellence Programs:

UCB Learning & Development Center conducted 44 Functional Excellence programs (steered by Head of Divisions) during 2013 and trained up 1,462 employees.

### ■ External Development Programs:

UCB Learning & Development Center conducted 55 local external development program & 03 foreign external development program during 2013 and trained up 123 employees.

### ■ Cross Functional Training:

UCB Learning & Development Center conducted "Cross Functional Training" program as a development initiative for the employees of the Bank. This method has been taken to develop employees, to improve communication among branches and CHO and to facilitate the operational process of the Branches /Divisions. 203 participants of various branches obtained Cross functional Training during 2013. The objectives of the program are as under:

- To provide foreign trade exposure to credit officials of Non AD branches in AD branches.
- To improve communication & collaboration between branch & CHO by attaching Branch credit official at CHO.
- To enhance practical learning on Branch credit activities by attaching respective credit officials of CHO to Branch.

### ■ Job Rotation & Multi Skilling Training:

UCB Learning & Development Center in association with line managers has been organizing "Job Rotation" program as a development initiative for the branch employees of the bank. This scheme has been taken to develop employees' knowledge on covering different portfolios of branches. The program will be helpful for:

- Managers to Explore the Talents
- Individuals to Explore their interest
- Identifying Knowledge, Skills and Attitudes
- Motivating employees to deal with new challenges
- Increasing satisfaction & decreasing attrition rate
- Aligning competencies with requirements.

LDC has conducted Job Rotation Training among 403 No's participants relating to 51 branches during 2013.

The Bank has also conceptualized comprehensive e-learning module to be administered through intranet.

The dimensions of the HR challenge are expected to multiply manifold in the coming years. With dynamic policies that are tailored to suit the emerging needs, the Bank expects to effectively meet the challenges and continue to create values for its customers. Through the fulfillment of its HR agenda, the Bank will continue to strive towards realization of the ultimate goal of being the preferred financial service provider excelling in customers delivery through insight & foresight and with the aid of technology.

### Our priority HR & Organization Development Strategies in 2014 are:

- Shaping up KPI system in performance management
- Structured initiatives in career management & succession
- Revisit organization structure with clarity roles to face business challenges
- Skill & competence mapping and planned development of the high potential employees to prepare them for leadership roles
- Revisit our HR policies geared to attract & retain talents
- Launch initiatives to inculcate the culture of values & customer satisfaction
- To establish UCB as one of the preferred employers of choice



## UCB's Products and Services



**UCB has a set of versatile products & services:**

### **Deposit Products**

Current Deposit  
Savings Deposit  
Special Notice Deposit  
Fixed Deposit  
Foreign Currency Deposit A/C  
UCB Multi Millionaire  
UCB Money Maximizer  
UCB Earning Plus  
UCB DPS Plus  
UCB Youngsters Savings  
UCB Youngsters DPS  
UCB Savings Plus  
UCB Women's Savings  
UCB Women's DPS Plus  
UCB NRB Savings  
UCB NRB DPS Plus  
UCB RMG DPS Plus

### **Loan Products**

Trade Finance  
Industrial Finance  
Import Finance  
Export Finance  
Loan Syndication  
Working Capital Finance  
Packing Credit  
Transport Loan  
Lease Finance  
Hire Purchase Loan  
House Building Loan  
Home Loan  
Consumer Credit Scheme  
Auto Loan  
Doctors Loan  
Marriage Loan  
Education Loan  
Hospitalization Loan  
Travel Loan  
CNG Conversion Loan  
Home Mortgage Loan  
House Hold Durable Loan  
Credit Card

### **Other Services**

Western Union Money Transfer  
SMS Banking Service  
Online Service  
Inward & Outward Remittances  
Travelers Cheques  
Underwriting and Bridge Financing  
Locker Service  
Offshore Banking  
Loan Syndication  
UCash (Mobile Financial Service)



## UCB's Products and Services



### VISA Debit Card

Withdraw money (minimum Tk. 100) with absolutely no charge from any UCB and Dutch Bangla ATM 24/7 with this card. Transferring and withdrawing money from different personal accounts can be made with the same card. It also gives access to the largest network of VISA POS terminal at different shops.



### VISA Credit Card

Shop, dine and travel with UCB VISA Credit Card and get discounts. Only 18 transactions can waive annual fees. The card comes along with 3 supplementary cards with no annual fees.



### Youngsters Savings Account

'UCB Youngsters Savings Account' is a condition free Savings Account which offers daily product basis interest, where no conditions will apply on transactions and amounts.



### Youngsters DPS

'UCB Youngsters DPS' is a recurring monthly savings scheme for Youngster students of any school/institution. It is a monthly savings plan created for developing the savings habit of Youngsters for their better future and turning small savings into a large amount of money over a certain period of student life.



## UCB's Products and Services



### Car Loan

Get 30% of the total value of a car as loan and repay within upto 60 installments.



### NRB Savings & DPS

This is a recurring monthly savings scheme for Non-Resident Bangladeshi Citizen. It is a monthly savings plan designed for developing the savings habit of NRB citizens and turn small savings into a large amount of money over a certain period of time.



### Women's Savings & DPS

This product has been designed with special interest rate to encourage women to develop savings habit for their better future and turn small savings into a large amount over a certain period of time.



### Travel Loan

Discovering new places is now more possible with UCB Travel Loan. With a repayment period of 36 months new destinations just got closer.



## UCB's Products and Services



### RMG DPS Plus

UCB has designed to provide the opportunity of your better future by developing savings habit and turn your small savings in to a large amount after a certain period of time.



### Money Maximizer

Deposit Tk. 25,000 to Tk. 25,00,000 and get double the amount just after 6 years. Avail loan facility upto 90% instantly.



### DPS Plus

Save Tk. 500 to Tk. 25,000 for the period of 5 to 10 years and earn huge profit at the time of maturity. Avail loan facility upto 90% of deposited amount instantly.



### Multi- Millionaire Scheme

Be a multi millionaire within a period of 5 to 10 years and earn Tk. 10 lacs to Tk 1 crore at the end of maturity. Avail loan facility upto 90% of the deposited amount instantly.



## UCB Products & Services



### Earning Plus

Make a deposit of Tk. 50,000 or its multiple for 3 or 5 years' term and get extra amount monthly or quarterly. Avail loan facility upto 90% instantly.



### Remittance

Centralized Foreign Remittance Centre, located at the central branch of UCB, delivers money to the clients very efficiently. UCB Remittance has extremely competitive exchange rate, fastest delivery time and online banking facilities.



### Offshore Banking

No matter how far the distance is or how complex the process might be, we will be there to cater all your Offshore Banking needs. Navigating your international trade across the globe will be much easier from now on.



### UCash

UCash is the Mobile Financial Service offered by UCB. UCash offers customers to use their mobile phone as a bank account, which can be used to deposit money, transfer money to other UCash accounts or withdraw money from any of the agent points. UCash revolutionized the mobile financial services sector by being the first to offer interest on customer deposits.



## Maturity Pattern of Key Assets and Liabilities

Maturity pattern of key assets and liabilities is a vital for commercial bank as bank generally collect money on short term basis and lend it to mid-term and long term basis. Depending on the maturity profile of its liabilities, bank decides the uses of its available fund. Adverse maturity mismatch in a bank can have repercussions on the entire system. Thus, bank should measure not only the liquidity positions of banks on an ongoing basis but also examine how liquidity requirements are likely to evolve under crisis scenarios.

in different time buckets.

Bucket wise asset liability maturity of UCBL as on December 31, 2013 is stated below:

### Bucket wise Analysis of Asset Liability Maturity Pattern of UCB

Asset-Liability maturity is at well pattern in UCB. It is observed that bank is not in Cumulative Maturity Mismatch position in short-term, mid-term and long term.

BDT in million

Particulars	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 12 Months	Over 1 year to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash in hand	4,792.77	-	-	-	10,482.39	15,275.16
Balance with other banks & FIs	3,644.71	1,873.80	1,475.00	-	-	6,993.51
Money at call on short notice	1,570.00	-	-	-	-	1,570.00
Investment	5,821.44	5,134.10	7,098.57	9,238.20	8,294.93	35,587.25
Loans and Advances	25,143.46	44,047.75	39,165.19	31,588.31	8,720.15	148,664.86
Fixed Assets	-	-	439.74	1,758.98	5,758.59	7,957.31
Other Assets	961.09	1,143.04	259.73	6,357.41	1,563.78	10,285.05
Non banking assets	-	-	-	-	-	-
<b>Total Assets (A)</b>	<b>41,933.47</b>	<b>52,198.69</b>	<b>48,438.24</b>	<b>48,942.89</b>	<b>34,819.84</b>	<b>226,333.13</b>
<b>Liabilities</b>						
Borrowings	524.30	-	-	350.51	2,742.32	3,617.13
Deposits	34,182.50	56,063.58	31,254.04	36,189.42	27,207.32	184,896.85
Other liabilities	-	502.27	4,125.59	8,019.84	4,666.48	17,314.18
<b>Total Liabilities (B)</b>	<b>34,706.80</b>	<b>56,565.85</b>	<b>35,379.63</b>	<b>44,559.77</b>	<b>34,616.11</b>	<b>205,828.17</b>
	-	-	-	-	-	-
<b>Net Liquidity Gap (AB)</b>	<b>7,226.67</b>	<b>(4,367.16)</b>	<b>13,058.61</b>	<b>4,383.12</b>	<b>203.72</b>	<b>20,504.97</b>
<b>Cumulative Maturity Mismatch</b>	<b>7,226.67</b>	<b>2,859.51</b>	<b>15,918.12</b>	<b>20,301.25</b>	<b>20,504.97</b>	

Liquidity has to be tracked through maturity pattern of key assets and liabilities or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted by UCB as a standard tool. The Maturity Profile could be used for measuring the future cash flows of bank

Thus, maturity point of view, bank is in low risk category except sudden withdrawal or premature encashment of liabilities. However, bucket wise maturity pattern analysis of UCB is given below;



## Maturity Pattern of Key Assets and Liabilities

### Upto 1 (One) Month Bucket

In one month bucket of assets side, UCB has in net positive liquidity gap of BDT 7,226.67 million. Inflow of asset is BDT 41,933.47 million of which 60 percent from loans and advances. Other assets are investment, cash in hand, balance with banks and NBFIs, money at call and other assets. Among investment, some of the treasury bill & bond, Bangladesh Bank bill and investment in trading share fall in this bucket.

In liability side, around 98 percent of outflow arising from deposits which includes current, saving and term deposit. In one month bucket, liability outflow is BDT 34,706.80 million.

### Over 1 Month to 3 Months

In over one month to three months bucket, UCB has net negative liquidity gap of BDT 4,367.16 million. In asset side, 84 percent inflow coming from loans and advances and 10 percent from investment. Other inflows coming from balance with other banks & NBFIs and other assets which are respectively BDT 1,873.80 million and BDT 1,143.04 million.

In liability side, outflow is BDT 56,565.85 million. In outflow 99 percent arising from deposits. Thus, the bank is in negative liquidity gap which may be covered by previous bucket's positive gap.

### Over 3 Months to 12 Months

In three to twelve months buckets, bank is in positive liquidity gap which is about 37 percent of total outflow in this bucket. Most inflow arising from loans & advances and investment which are about 81 percent and 15 percent respectively of total inflow. Other inflows coming from balance with other banks & NBFIs, fixed and other assets which are BDT 1,475.00 million, BDT 439.74 million and BDT 259.73 million respectively.

In outflow side, 88 percent arising from deposits and 12 percent arising from other liabilities which are BDT 31,254.04 million and BDT 4,125.59 million respectively. Thus, net positive liquidity gap is BDT 13,058.61 million.

### Over 1 year to 5 years

In over one to five years buckets, bank has also positive liquidity gap of BDT 4,383.12 million. In inflow, 65 percent coming from loans & advances and 19 percent coming

from investment. Other inflows arising from fixed and other assets which are BDT 1,758.98 million and BDT 6,357.41 million respectively.

In outflow side, 81 percent arising from deposit, 18 percent arising from other liabilities and remaining 1 percent arising from borrowings. Net positive liquidity gap is 10 percent of outflow liabilities whereas cumulative maturity mismatch is BDT 20,301.25 million.

### Over 5 years

Over 5 years bucket, 30 percent inflow arising from cash in hand which is mainly balance with Bangladesh Bank maintaining from CRR purpose. Others inflow arising from loans & advances, investment, fixed and other assets which are BDT 8,720.15 million, BDT 8,294.93 million, BDT 5,758.59 million and BDT 1,563.78 million respectively.

In outflow side, 79 percent from deposits, 13 percent from other liabilities and rest of 8 percent from borrowings. In this bucket net liquidity gap is positive.

Within each time bucket there could be mismatches depending on cash inflows and outflows. While the mismatches upto one year would be relevant since these provide early warning signals of impending liquidity problems, the main focus should be on the short-term mismatches viz., upto 1 (one) month. Banks, however, are expected to monitor their cumulative mismatches (running total) across all time buckets by establishing internal prudential limits with the approval of the Board / Management Committee. The mismatch upto 1 (one) month should not in any case exceed 20% of the cash outflows in each time bucket. If a bank in view of its asset-liability profile needs higher tolerance level, it could operate with higher limit sanctioned by its Board / Management Committee giving reasons on the need for such higher limit. The discretion to allow a higher tolerance level is intended for a temporary period, till the system stabilises and the bank is able to restructure its asset-liability pattern.





# Risk Management and Sustainability Analysis

## This section contains:

- Report on Risk Management Framework, Mitigation Methodology and Risk Reporting
- Disclosure on Risk Based Capital Adequacy (Basel II)
- Corporate Social Responsibility Initiatives
- Contribution to National Economy
- Value Added Statement
- Economic Value Added (EVA) Statement
- Market Value Added Statement
- Report on Green Banking
- Report on Going Concern



## Report on Risk Management Framework, Mitigation Methodology and Risk Reporting

### Importance of Risk in the Banking Business:

Risk is inherent in any walk of life in general and in financial sectors in particular. Due to highly regulated environment, banks cannot afford to take redundant risks. But of late, banks are exposed to intense competition and hence are compelled to encounter various types of financial and non-financial risks. Risks and uncertainties form an integral part of banking, which by nature entails risk-taking. Risk management has, therefore, become one of the prime concerns for the Banking Industry. The management is to deal with ideas of risk management on proactive basis rather than on traditional postfacto basis so that it can serve to maximize the shareholders' value efficiently.

### Risk Management- A Continuous Process:

UCB has a well established approach in the process of risk management. The process starts with the identification of key factors and completes with the evaluation of the system. It may be depicted as below:



### Organizational Structure in UCB:

Addressing the issue with utmost importance, UCB has designed an integrated framework of risk management by inclusion of personnel from root to top level of the Bank. The ultimate responsibility lies with the Board of Directors, which formulates the proper risk management policies and establishes overall control over the implementation process. In this aspect, the Board of Directors has formed a special committee named Risk Management Committee. It assists the Board in fulfilling its responsibilities relating oversight of the Bank's risk management strategies, policies and processes that have the potential to impact significantly on earning performance, reputation and capital protection.

UCB addresses all the probable risks in three lines of defense:

- The first line comprises the desk officers, who deal with risks on day to day basis.
- The second line of defense consists of the risk management wings of the Bank, which primarily prepare risk reports and review the risk exposures adopted at different levels.
- The third line of defense includes the evaluation of the risk management system of the Bank by the internal and external auditors.

Board of Directors		
Risk Management Committee		
(Formulation of Risk Management Strategies & Construction of Risk Management Structure)		
Operational Level Defence	Risk Management Level Defence	Post facto Evaluation
Promotes a strong risk culture and sustainable risk-return thinking	Performs the role as a watchdog and trusted advisor	Reviews effectiveness of risk management practices and ensures regulatory compliance
Ensure continuous monitoring of positions and inherent risks	Implement risk management framework, policies, processes and tools	Recommends improvements and enforces corrective actions where necessary
	Separates Risk Management from risk control	



## Report on Risk Management Framework, Mitigation Methodology and Risk Reporting

UCB believes in adopting a strong and integrated Risk Management Approach to ensure the overall financial soundness and stability of the Bank. It will continue to invest extensively to ensure that policies and infrastructure for advanced risk management system are established at all Branches/ HO Divisions for systematic identification, measurement, monitoring, and control of all material risks faced by the Bank. As such, the Bank's agenda includes;

- Promotion of a strong and proactive culture which gives high value to effective risk management,
- Communication of risk management standards through policies, directives, operating procedures and trainings,
- Engagement of dedicated professional workforce with a high degree of expertise in all the segments of risk management structure.

### Understanding the Risks and its Management:

Every function of the banking business has an element of risk and success of this business lies in prudent identification, calculation, and management of these risks. Although Banks have been doing these (prudently or imprudently) for ages, several tools and techniques have been developed recently by different regulators and supervising bodies to bring uniformity in the approach. As for UCB, we are focusing on the risks from two broad perspectives, as prescribed by Bangladesh Bank, Core Risk Management and Basel Framework (Presently Basel II regime is running). Therefore, the risks can be described from both these perspectives.

### Addressing Core Risks Management:

The Core Risks, as guided by Bangladesh Bank, are as under:

- Credit Risk
- Foreign Exchange Risk
- Asset Liability Management Risk
- Internal Control & Compliance Risk
- Money Laundering Risk and
- Information Technology Risk.

The Bank has taken a number of initiatives to identify, measure, and manage the risks associated to its activities posed by the ever changing business environment. Some of those are depicted below:

### A. Credit Risk:

The world over, credit risk has proved to be the most critical of all risks faced by a banking institution. Credit Risk arises as a result of customers or counter-parties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade financing and other activities undertaken by the Bank. So, Credit Risk is the potential loss of revenue as a result of the failure of the borrower or the counter parties to meet their obligations in accordance with agreed terms.

It is a real challenge for credit risk managers to correctly identify pockets of risk concentration on quantify the extent of the risk. The two distinct dimensions of credit risk management can readily be identified as preventive measures and curative measures. Preventive measures include risk assessment, risk measurement and risk pricing, early warning system to pick early signals of future defaults and better credit portfolio diversification. The curative measures, on the other hand, aim at minimizing post-sanction loan losses through such steps as securitization, derivative trading, risk sharing, legal enforcement etc.

UCB has placed strong emphasis in creating credit risk awareness among all employees associated with lending business. Credit Risk awareness programs are conducted regularly to create a risk awareness culture and empower staff with the capability to identify and manage credit risks more effectively. Selection and training of lending personnel is considered a key process in the management of credit risk.



## Report on Risk Management Framework, Mitigation Methodology and Risk Reporting

The key methods used to identify, assess, control and monitor the Credit Risk of the Bank are as follows:

### 1. Credit Risk Identification

- Critical analysis and review of delinquent accounts to identify weakness in credit.
- Benchmarking of asset quality against industry peers.

Apart from this, Credit risk for the counterparty arises from an aggregation of the following:

- Financial Risk
- Business/Industry risk
- Management Risk
- Security Risk
- Relationship Risk
- Natural Calamities and Political unrest

### 2. Credit Risk Assessment and Measurement

- Use of credit risk rating system to grade the borrowers.
- Collection of report from the Credit Information Bureau (CIB) on the potential borrower.
- Stress testing of loan portfolios under various scenarios.
- Use of credit rating from External Credit Assessment Institutions (ECAIs).

## CREDIT RISK MANAGEMENT

### 3. Credit Risk Control Infrastructure

- Credit Policy, which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans.
- Efficiency of credit personnel for dealing with the credit approval, processing and review.
- Segregation of duties among credit approvals and credit administration.

### 4. Credit Risk Monitoring and Follow up

- Accounts with past due principal or interest payments, past due trade bills, account excesses and breach of loan covenants.
- Loan terms and conditions are monitored, financial statements are received on a regular basis and any covenant breach or exception is referred to the proper authority for timely follow-up.
- Timely corrective action is taken to address findings of any internal, external or regulatory inspection/audit.

All loan facilities are reviewed and approved through the submission of a Credit Application annually.

Major credit exposures to individual borrowers, groups of connected counterparties and portfolios of retail exposures are reviewed by the risk review unit, which recommends the loan to the approval authority. All credit approval authorities are delegated by the Board of Directors to executives based on their capability, experience & business acumen. Credit origination and approval roles are segregated in all cases.

### B. Foreign Exchange Risk

FX Risk refers to the potential change in earnings resulted from exchange rate fluctuations, adverse exchange positioning or change in the market prices. FX Risk of the Bank is minimal, as all the transactions are carried out on behalf of the customers against underlying letter of credit commitments and other remittance requirements. This risk usually affects import-export business, but it can also affect investors making international investments.



## Report on Risk Management Framework, Mitigation Methodology and Risk Reporting

If money is converted to another currency to make an investment, then any changes in the currency exchange rate will cause that investment's value to either decrease or increase when the investment is sold and converted back into the original currency. FX Risk may arise from:

- Exchange Rate fluctuations
- Adverse Foreign Exchange position of the Bank,
- Changes in market price of Foreign Exchange

FX Risk management is one of the important responsibilities of the Treasury and International Divisions of the Bank. Regular FX operations are done complying the Bangladesh Bank guidelines. Treasury Division conducts the FX transactions and the Back Office of the Treasury Division is responsible for verification of the deals and passing of their entries in the books of account. All Nostro accounts are reconciled on a monthly basis and the management reviews outstanding entry beyond 30 days for its settlement. The position maintained by the Bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank. UCB has adopted a policy guideline with a view to reducing the FX Risk.

### C. Money Laundering Risk

Money Laundering Risk can be defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. The Bank has a designated Chief Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions.

The convergence of several remarkable changes in the world markets propelled Money Laundering to become a worldwide problem. UCB considers Money Laundering and Terrorist Financing Risk not only a compliance requirement of the regulatory bodies but also as one of its core business values. The Board of Directors and the Management are firmly committed to combat Money Laundering activities.

### D. Internal Control and Compliance Risk

Internal control can be defined as a system in place, on a permanent basis, to control the activities in an

organization to accomplish specific goals or objectives. It is the process by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources. At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational/strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control can provide reasonable, not absolute, assurance that the objectives of an organization will be met. Effective internal control implies the organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it.

Effective internal control leads an organization to be more sustainable. Ensuring efficiency and effectiveness in operational activities; reliability, completeness and timelines of financial disclosures and compliance with applicable laws & regulations, there is no alternative to effective internal control system.

### E. Asset Liability Management Risk

Asset and Liability Management is the practice of managing risks that arise due to mismatches between the assets and liabilities. Asset Liability management (ALM) is a strategic management tool to manage interest rate risk, liquidity risk and foreign exchange risk faced by banks and other financial institutions. Banks manage the risk of Asset liability mismatch by matching the assets and liabilities according to the maturity patterns or the duration. The key to successful Asset & Liability Management is to understand the uncertainties in return on investments (Assets) and the uncertainties in the amount and the duration of payouts (Liability). ALM /Balance Sheet risk can be classified into three major types such as;





## Report on Risk Management Framework, Mitigation Methodology and Risk Reporting

**Liquidity Risk** arises when bank may not meet its financial obligations/commitment as they become due. Liquidity risk also includes the inability of the bank to liquidate any assets at reasonable price in a timely manner. An investment may sometimes need to be sold quickly. An insufficient secondary market may limit the funds that can be generated from the asset. Some assets are highly liquid and have low liquidity risk (stock of a publicly traded company), while other assets are highly illiquid and have high liquidity risk (Real Estates).

**Interest Rate Risk** is the possible loss from adverse movements in market interest rates. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. An investment's value will change due to a change in the absolute level of interest rates. Such changes usually affect securities inversely and can be reduced by diversifying or hedging (through an interest rate swap) techniques.

**FX Risk** is also involved with Balance Sheet, which has been discussed earlier.

### F. Information Technology Risk

In a very short space of time, banks and other financial institutions have become more dependent on networking, computer and technologies (IT in brief) to run their daily operations. Risks surrounding IT, such as network failure, lack of skills, hacking and viruses and poor system integration have the potential to have a negative impact on an organization. Besides, information and communication technology is changing rapidly over the time.

To manage IT risk effectively, clear policies and procedures have been formulated, training programs have been arranged, roles and responsibilities of all relevant officials have been defined by the Bank. So, the Bank is in a place to manage the IT Risk efficiently.

#### • Introducing Core Banking System (CBS)

Recognizing the importance of assuring real time risk management process on proactive basis, the Bank has initiated the core banking system implementation project in the last year. With the completion of the project, the Bank will avail itself realtime as well as

authentic information and will be able to address any adverse movement well ahead of its occurrence.

#### • Automation and Delivery Channels

To provide more convenient and efficient service to the customers, the Bank has taken steps to improve the branch automation and delivery channels. UCB provides online services to the customers including Debit Card and Credit Card facilities.

#### • Disaster Recovery Site

Data are protected and secured in various ways. Data are kept in secured place prescribed by the Bank's policy. The Bank implemented a disaster recovery site that would be activated in case of disaster, which brought and restored data in authenticated way.

#### • IT Audit Team

A IT Audit Team has been formed as per the Bangladesh Bank's guideline. The Team audits the Branches and Divisions. They follow the prescribed guideline, solve the unsettled issues and also suggest for needful action.

#### • Training for the Concerned Officers

IT Division takes necessary initiatives to conduct training courses for the Bank's employees. Trainings are being conducted from time to time for enabling the employees to handle the IT Risk in an efficient manner.

### G. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal process, people and systems or from external events. It includes risks of physical and logical security, transaction processing, operations control, technology and systems, as well as unique risks that arise due to outsourcing.

Operational Risk is monitored and controlled through an operational risk management framework designed to provide a sound and well-controlled operational environment within the Bank. Daily functional check and balance method is used to manage the Operational Risk in the Bank. The Bank has developed internal procedures and monitoring mechanism.



## Report on Risk Management Framework, Mitigation Methodology and Risk Reporting

Effective internal control has been ensured, so that operational policies and procedures are being adhered to at different levels throughout the Bank. In response to the threat of external fraud, losses arising from fraud or control lapses are analyzed with emphasis on identifying the causes of such losses.

### Compliance of Basel II Framework & Introducing Basel III:

In line with the regulatory framework under Basel II regime provided by Bangladesh Bank, UCB has been maintaining a strong capital base in respect of its risk exposure. The total eligible capital held by the Bank has fully covered the requirement against credit risk, market risk & operational risk under pillar 1 of Basel II framework. In addition, the Bank calculates additional capital requirement for residual risk, concentration risk, liquidity risk, interest rate risk of banking book, reputation risk, strategic risk, settlement risk, environmental risk and other material risks under the Internal Capital Adequacy Assessment Process (ICAAP) of Pillar 2. The Bank has formulated its plan to raise its capital position to support this additional regulatory capital. However, the ultimate aim is to manage the asset portfolio of the Bank as per its risk appetite so that the trade-off between risk and profitability stays at optimum level.

### Stress Testing & Shock Absorption Ability:

Beside the plan to the path of success, UCB also prepares for the worst case events by conducting some sensitivity analysis on its capital. Stress Testing has been used, as suggested by Bangladesh Bank for an estimation of adverse pressure on the capital of the Bank in different challenging conditions with different magnitudes.

### Governance and Board Oversight:

UCB views that strong risk governance is essential as the foundation for successful Risk Management. In line with the Bank's guideline on corporate governance, the Board of Directors has overall risk oversight responsibility. The Board utilizes its Risk Management Committee to discharge that responsibility. Risk Management Committee assists the Board in this regard by ensuring an effective risk management framework exists within the Bank.

The Risk Management structure of the Bank includes among others, the following Divisions / Departments / Units / Cells / Committees:

- Risk Management Division
- Credit Risk Management Division
- Credit Administration Department
- Special Asset Management Division
- Treasury Division
- Information Technology Division
- General Banking & Development Division
- Internal Control and Compliance Division
- Board Audit Cell
- All Risk Committee
- Asset Liability Management Committee
- International Division

Different Shocks	Existing CAR (%)	CAR After Shocks (%)		
		Minor	Moderate	Major
Decrease in FSV of the Collateral	11.53	11.25	10.96	10.39
Increase in NPLs	11.53	11.15	10.39	9.61
Negative Shift in NPLs Categories	11.53	11.23	11.37	10.79
Interest Rate	11.53	10.99	10.46	9.92
Foreign Exchange Rate	11.53	11.52	11.52	11.51
Equity Shock	11.53	11.44	11.36	11.18



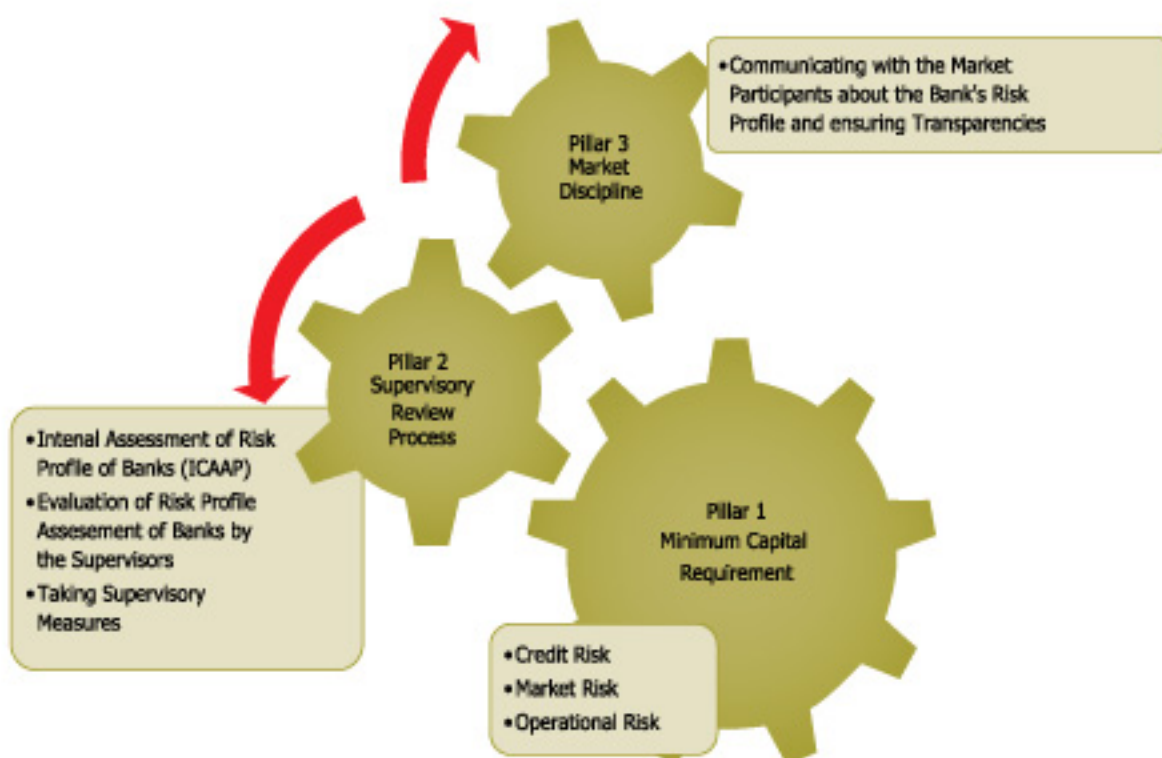
## Disclosures on Risk Based Capital Adequacy (Basel II)

As per the Bangladesh Bank BRPD Circular no. 24 dated August 03 of 2010 regarding the Guidelines on 'Risk Based Capital Adequacy of Banks' under Basel II framework, the Market Disclosure of risk based capital adequacy framework has been acknowledged.

Risk based regulatory capital adequacy in line with Basel III framework has fully come into force from January 01, 2010 as stipulated by Bangladesh Bank. As per the framework, Minimum Capital Requirement, Supervisory Review Process and Market Discipline requirements must be followed by all the scheduled banks of Bangladesh as for regulatory compliance, which constitutes of three-mutually reinforcing pillars

Apart from the above mentioned risks, all other risks are assessed through the evaluation of Supervisory Review Process. Under Internal Capital Adequacy Assessment Process, the Additional Capital Requirement of a Bank is estimated. The supervisor will evaluate the risk assessment process of the Bank and give directions to the acceptability of the process.

Under Pillar 3 of the framework, Market discipline comprises a set of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures are intended for market participants to assess key information about the Bank's exposure to various risks and to provide a consistent and



Credit Risk, Market Risk & Operational Risk constitutes the basic risks that require the Bank to maintain the minimum level of capital. In case of identifying both credit and market risk, the Bank resorts to the Standardized Approach. For measuring the operational risk, Basic Indicator Approach is followed.

understandable disclosure framework for easy comparison among banks operating in the market.



## Disclosures on Risk Based Capital Adequacy (Basel II)

### Scope of Application

The disclosure made in the following section has addressed **United Commercial Bank Limited** as a single entity as well as in a consolidated form. The risk based regulatory capital adequacy framework is applied to Bank both on Solo Basis as well as on Consolidated Basis.

- 'Solo Basis' refers to all position of the Bank including the Offshore Banking Unit.
- 'Consolidated Basis' refers to all position of the Bank and its subsidiary companies.

The consolidated financial statements of UCBL consists of the statements of:

- United Commercial Bank Limited
- UCB Securities Limited
- UCB Investment Limited

### United Commercial Bank Limited:

United Commercial Bank Limited (UCBL) was incorporated in Bangladesh as a public limited company with limited liability on 26 June 1983 under Companies Act 1913 to carry on banking business in Bangladesh. It obtained permission from Bangladesh Bank on 13 November 1983 to commence its business. The Bank has 139 branches as on 31 December 2013. All the branches of the Bank run on Commercial Conventional basis. The bank offers services for all commercial banking needs of the customers, which includes deposit banking, loans & advances, export import financing, inland and international remittance facility etc. The bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded Company.

The principal place of business and the registered office were located at 60, Motijheel Commercial Area, Federation Bhaban, Dhaka-1000, Bangladesh. Principal place of business has been changed to Plot # CWS (A) 1, Gulshan Avenue, Dhaka - 1212 with effect from January 2010.

### UCB Securities Limited

UCB Securities Limited was incorporated in Bangladesh as a private limited company with limited liability as on the 28 day of January of 2010 under Companies Act 1994. The principal objective of the company is to provide

brokerage services both under the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). The bank has two licenses under the title of "UCB Capital Management Limited", a member of Dhaka Stock Exchange (DSE) and "Anam Capital Ltd", a member of Chittagong Stock Exchange (CSE). The principal place of business and the registered office of the company is located at Sara Tower (9th Floor), 11/A Toyenbee Circular Road, Motijheel C/A, Dhaka- 1000. UCB Capital Management Limited has started full fledged operation in Dhaka but business of Anam Capital Limited under the license of Chittagong Stock Exchange is yet to be started. UCBL holds 4,999,995 nos. of shares of UCB securities Limited with face value of Tk. 100 each which equivalent to 99.999% of total shares of the company.

### UCB Investment Limited

UCB Investment Limited was incorporated in Bangladesh as a private limited company with limited liability as on 3 August of 2011 under Companies Act 1994. The principal objective of the company is to carry out full-fledged merchant banking activities in Bangladesh i.e. portfolio management, share transfer agent, fund management to issue in the capital and security market, underwrite, manage and distribute the issue of stock shares, bonds and other securities. The principal place of business and the registered office of the company is located at Sara Tower (9th Floor), 11/A Toyenbee Circular Road, Motijheel C/A, Dhaka - 1000.

UCBL holds 24,975,000 nos. of shares of UCB Investment Limited with face value of Tk. 10 each which equivalent to 99.90% of total shares of the company.

The Bank has computed the Capital Adequacy Ratio adopting the following approaches;

- Standardized Approach for Credit Risk to compute Capital Adequacy under Basel II, using national discretion for:
  - Accepting the credit rating agencies as external credit assessment institutions (ECAI) for claims on Corporate Customers;
  - Accepting Credit Risk Mitigates (CRM) against the financial securities.



## Disclosures on Risk Based Capital Adequacy (Basel II)

- b. Standardized (Rule Based) Approach for Market Risk; and
- c. Basic Indicator Approach for Operational Risk.

### **Tier II Capital**

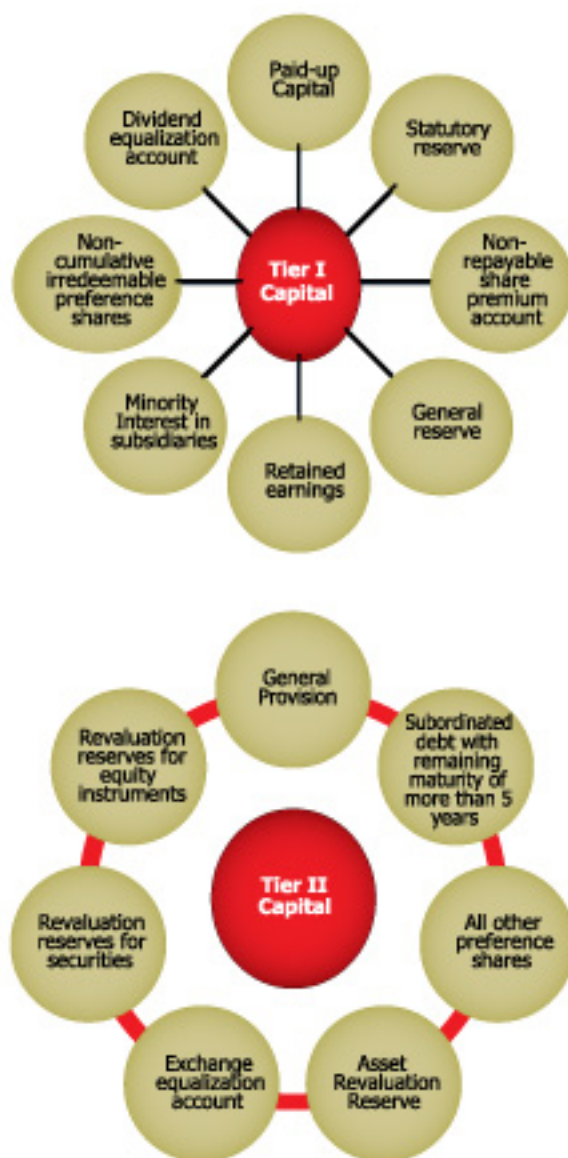
The components of Tier II capital lacks some quality of Tier I capital, but strengthen the capital base of the Bank. The Components of Tier I Tier II capitals are depicted below:

### **Capital Structure**

The capital structure of the Bank is comprised of both Tier I and Tier II capital.

### **Tier I Capital**

The highest quality of capital components comprises the Tier I capital. This is also known as Core Capital.





## Disclosures on Risk Based Capital Adequacy (Basel II)

The Bank's capital structure consists of Tier I capital and Tier II capital. Capital Structure of the Bank is as under as on December 31, 2013;

### Eligible Capital

Sl.	Particulars	Solo	Consolidated
<b>1.0</b>	<b>Tier-1 (Core Capital )</b>		
1.1	Fully Paid -up Capital	8,366.12	8,366.12
1.2	Statutory Reserve	5,519.55	5,519.55
1.3	Non-repayable Share premium account	1,454.98	1,454.98
1.4	General Reserve	26.58	26.58
1.5	Retained Earnings	1,902.75	1,902.56
	<b>Total Tier I Capital</b>	<b>17,269.97</b>	<b>17,269.79</b>
<b>2.0</b>	<b>Tier-2 (Supplementary Capital)</b>		
2.1	General Provision (Unclassified Loans + SMA + Off Balance Sheet Exposure)	1,871.29	1,871.29
2.2	Assets Revaluation Reserves up to 50%	1,267.05	1,267.05
2.3	Revaluation Reserve for Securities up to 50%	350.45	350.45
2.4	Revaluation Reserve for equity instruments up to 10%	0.00	0.00
2.5	Subordinated debt	200.00	200.00
	<b>Total Tier II Capital</b>	<b>5,488.79</b>	<b>5,488.79</b>
	<b>Total Eligible Capital</b>	<b>22,758.76</b>	<b>22,758.58</b>

### Capital Adequacy

For accessing Capital Adequacy the Bank has adopted Standardized Approach for Credit Risk measurement, Standardized (Rule Based) Approach for Market Risk measurement and Basic Indicator Approach for Operational Risk measurement. Capital Requirement and Adequacy of the Bank as on December 31, 2013 are as under;

Particulars	Solo	Consolidated
Capital requirement for Credit Risk	17,664.24	17,592.73
Capital requirement for Market Risk	444.98	444.98
Capital requirement for Operational Risk	1,628.84	1,629.52
<b>Total Capital Requirement under Pillar-I</b>	<b>19,738.05</b>	<b>19,667.22</b>
Tier 1 Capital Adequacy Ratio:	8.75	8.78
Tier 2 Capital Adequacy Ratio:	2.78	2.79



## Disclosures on Risk Based Capital Adequacy (Basel II)

### Credit Risk

The possibility of incurring loss due to inability of a borrower or counterparty to honour its obligations or fulfilling their commitment in accordance with the agreed terms and conditions is termed as credit risk. In other words, it is the loss associated with degradation in the credit quality of borrowers or counterparties. In a Bank's portfolio, losses stem from outright default due to the inability or unwillingness of the customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk emanates from a bank's on and off balance sheet dealings with an individual, firm, company, corporate entity, bank, financial institution or a sovereign.

### Past Due/Impaired Loans

Bank classifies loans and advances (loans and bill discount in the nature of an advance) into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank guidelines in this respect. An NPA (impaired) is defined as a loan or an advance where interest and/ or installment of principal remain overdue for more than 90 days in respect of a Continuous credit, Demand loan or a Term Loan etc.

Classified loan is categorized under following 03 (three) categories:

1. Sub-standard
2. Doubtful
3. Bad & Loss

Any continuous loan will be classified as:

- 'Sub-standard' if it is past due/overdue for 3 months or beyond but less than 6 months.
- 'Doubtful' if it is past due/overdue for 6 months or beyond but less than 9 months.
- 'Bad/Loss' if it is past due/overdue for 9 months or beyond.

Any Demand Loan will be classified as:

- Sub-standard' if it remains past due/overdue for 3 months or beyond but not over 6 months from

the date of claim by the bank or from the date of creation of forced loan.

- Doubtful' if it remains past due/overdue for 6 months or beyond but not over 9 months from the date of claim by the bank or from the date of creation of forced loan.
- Bad/Loss' if it remains past due/overdue for 9 months or beyond from the date of claim by the bank or from the date of creation of forced loan.

In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the due date, the amount of unpaid installment(s) will be termed as 'past due or overdue installment'.

In case of Fixed Term Loans:

- If the amount of 'past due installment' is equal to or more than the amount of installment(s) due within 3 (three) months, the entire loan will be classified as "Sub-standard".
- If the amount of 'past due installment' is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loan will be classified as "Doubtful".
- If the amount of 'past due installment' is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as "Bad/Loss".

In case of Short-term Agricultural and Micro-Credit, the loans will be considered:

- 'Substandard' if the irregular status continuous for a period of 12 months from the stipulated due date as per loan agreement;
- 'Doubtful' if the irregular status continuous for a period of 36 months from the stipulated due date as per loan agreement;
- 'Bad/Loss' if the irregular status continuous for a period of 60 months from the stipulated due date as per loan agreement;



## Disclosures on Risk Based Capital Adequacy (Basel II)

### Approaches followed for Specific & General Allowances and Statistical Methods

As per the guideline of Bangladesh Bank regarding the provisioning of loans & advances, the Bank has followed the following approaches in calculating the Specific & General Allowances:

Types of Loans & Advances		Rate of Provision Requirement				
		UC	SMA	SS	DF	BL
Consumer	House Building & Professionals	2%	2%	20%	50%	100%
	Other than Housing Finance & Professionals to setup business	5%	5%	20%	50%	100%
	Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	2%	20%	50%	100%
	Short term Agri. Credit and Micro Credit	5%	5%	5%	5%	100%
	Small & Medium Enterprise Finance	0.25%	0.25%	20%	50%	100%
	Others	1%	1%	20%	50%	100%

### Methods used to measure Credit Risk

As per Central Bank's Guidelines, the Bank follows Standardized Approach for measurement of Credit Risk adopting the credit rating agencies as External Credit Assessment Institutions (ECAI) for claims on Bank & Non-banking Financial Institutions (BNBFIs), Corporate Customers and Credit Risk Mitigates (CRM) against the financial securities & guarantees of loan exposure.

### Credit Risk Management

Credit risk arises while the borrowers or counterparty to a financial transaction fails to discharge an obligation as per agreed covenants, resulting in financial loss to the Bank. Credit exposures may arise from both the banking and trading books as well as Off-Balance sheet exposures. Credit risk is managed in the UCBL through a framework that spell out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. Credit policies and standards are considered and approved by the Board of Directors.

### Credit Risk measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk taking and

portfolio management decisions. It is a primary area for sustained investment and senior management attention. The standard credit risk grading (CRG) system is used in both Corporate and SME Banking. The grading is used to assess the client along with a range of quantitative and qualitative factors. Our credit grades against Corporate &

Medium clients are supported by external credit grades, and ratings assigned by external ratings agencies.

### Credit approval

Major credit exposures to individual borrowers, groups of connected counterparties and portfolios of retail exposures are reviewed by the risk review units and recommend the loan to the approval authority. All credit approval authorities are delegated by the Board of Directors to executives based on their capability, experience & business acumen. Credit origination and approval roles are segregated in all cases.

### Credit Monitoring

We regularly monitor credit exposures, portfolio performance, and external trends through relationship and credit administration team at Branch and Head Office. Internal risk management reports containing information on key environmental, political and economic trends across major portfolios; portfolio delinquency and loan impairment performance; as well as credit grade migration are presented to risk committee PAMC. The PAMC meets regularly to assess the impact of external events and trends on the credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures. Accounts or portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration, for example, where there is a



## Disclosures on Risk Based Capital Adequacy (Basel II)

decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by the Special Asset Management Division. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Recovery unit. In Retail/Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and informed in lending decisions. Accounts which are past due are subject to a collections process, monitored in collaboration with the Relationship manager by the Risk function. Charged-off accounts of the Bank are managed by specialist recovery teams of Special Asset Management Division.

### Concentration risk

Credit concentration risk is managed within concentration caps set for counterparty or groups of connected counterparty, for industry sector, and for product. Additional targets are set and monitored for

concentrations by credit committee. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Bank are reviewed and approved at least annually by the Board of Directors.

### Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Collateral is valued in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value.

### Distribution of Credit Exposure by Major Types

(BDT in million)

Types of Credit Exposure	Amount	%
Time Loan	43,277.61	29.11%
Term Loan	36,020.67	24.23%
Loan against Imported Merchandise	29,576.22	19.89%
Cash Credit	9,932.87	6.68%
Packing Credit	8,059.99	5.42%
Overdraft	9,751.69	6.56%
Bills Purchased & Discounted	4,395.54	2.96%
Card Loan	1,503.33	1.01%
Consumer Loan	1,011.94	0.68%
Staff Loan	657.15	0.44%
Loan Against Trust receipt	128.12	0.09%
Others	4,349.72	2.93%
<b>Total</b>	<b>148,664.86</b>	<b>100.00</b>



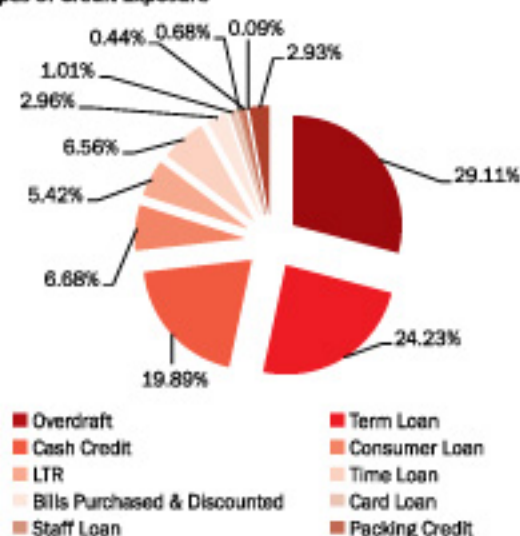
## Disclosures on Risk Based Capital Adequacy (Basel II)

### Geographical Distribution of Credit Exposure

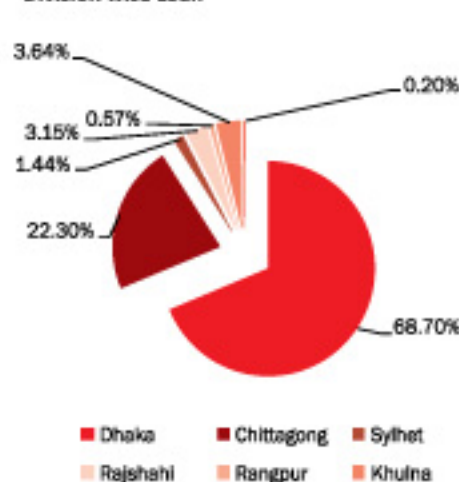
(BDT in million)

Division	Amount	%
Dhaka	102,126.33	68.70%
Chittagong	33,150.94	22.30%
Sylhet	2,146.47	1.44%
Rajshahi	4,677.40	3.15%
Rangpur	844.95	0.57%
Khulna	5,417.29	3.64%
Barisal	301.48	0.20%
<b>Total</b>	<b>148,664.86</b>	<b>100.00</b>

### Types of Credit Exposure



### Division wise Loan



### Industry Type Distribution of Exposure

(BDT in million)

Types of Credit Exposure	Amount	%
Commercial trade financing	34,648.21	24.69
RMG & Textiles Industry	14,015.34	8.96
Other Manufacturing Industries	13,195.10	8.33
Construction ( other than housing )	8,385.60	5.90
Housing industry	9,248.71	5.86
Telecommunication, Transport & communication	4,803.73	4.97
Food products & processing	4,373.00	3.47
Agriculture	2,164.89	1.54
Service industry	1,608.61	1.21
Power & energy	3,007.29	1.19
Shipping Industries	1,283.80	0.31
Others	51,930.57	33.57
<b>Total</b>	<b>148,664.86</b>	<b>100.00</b>



## Disclosures on Risk Based Capital Adequacy (Basel II)

### Residual Contractual Maturity wise Distribution of Exposure

(BDT in million)

Particulars	Amount
On demand	1,389.60
Not more than three months	67,801.61
More than three months but less than one year	39,165.19
More than one year but less than five years	31,588.31
More than five years	8,720.15
<b>Total</b>	<b>148,664.86</b>

### Loans & Advances and Provision

(BDT in million)

Particulars	Outstanding Loans & Advances	Provision against Loans & Advances
Total Loans and Advances	148,664.86	3,323.21
Un-Classified Loans & Advances	142,679.69	1,200.34
Classified Loans and Advances	5,985.17	2,122.87
Substandard (SS)	550.40	253.47
Doubtful (DF)	392.06	144.02
Bad/Los (BL)	5,042.71	1,725.38
Off-balance Sheet Items	67,094.06	670.95

### Movement of Specific Provisions for NPLs

(BDT in million)

Particulars	Amount
Opening Balance	1,850.54
Provisions made during the period	977.16
Written-off	997.27)
Transferred from surplus provision	292.43
<b>Closing Balance</b>	<b>2,122.87</b>

### Equities: Disclosures for Banking Book Positions

The major portion of the Bank's holding of equity exposure is mainly with the purpose of capital gain.

The quoted shares are valued both at cost price and market price basis. However, the unquoted shares are valued at their cost price.

(BDT in million)

Particulars	Cost Price	Market Price
Investment in Quoted Share	2,215.74	1,922.92



## Disclosures on Risk Based Capital Adequacy (Basel II)

Particulars	Amount (In million BDT)
Realized Gains	(43.07)
Unrealized Gains	444.52
Unrealized Losses	909.87)
Net Unrealized Gains/(Loss)	292.82)
Amount included in Tier-2 Capital	0.00
Capital requirement for Equity Risk (Specific & General)	384.58
Supervisory Provision against Classified Equity Investment	384.58

## Capital Requirement as per Grouping of Equity:

(BDT in million)

Sector	Cost Price	Market price	Capital Charge for Specific Risk	Capital Charge for Specific Risk	Total Capital Charge
Bank	67.42	71.19	7.12	7.12	14.24
Financial Institutions	68.10	180.52	18.05	18.05	36.10
Mutual Funds	365.70	236.79	23.68	23.68	47.36
Pharmaceutical & Chemical	179.70	122.99	12.30	12.30	24.60
Engineering	166.59	106.35	10.64	10.64	21.28
Cement	146.84	134.06	13.41	13.41	26.82
Fuel & Power	340.77	305.11	30.51	30.51	61.02
Services & Real Estate	124.42	37.78	3.78	3.78	7.56
Textiles	31.67	25.81	2.58	2.58	5.16
Travel & Leisure	81.46	46.23	4.62	4.62	9.24
Ceramic	129.40	53.98	5.40	5.40	10.80
Telecommunication	150.30	421.23	42.12	42.12	84.24
Insurance	156.72	97.63	9.76	9.76	19.52
Miscellaneous	166.59	34.59	3.46	3.46	6.92
Corporate Bond	40.00	48.62	4.86	4.86	9.72
<b>Total</b>	<b>2,215.74</b>	<b>1,922.92</b>	<b>192.29</b>	<b>192.29</b>	<b>384.58</b>

## Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book reflects the shocks to the financial position of the Bank including potential loss that the bank may face in the event of adverse change in market interest rate. This has an impact on earning of the bank through Net Interest Earning as well as on Market Value of Equity or net worth.

Thus this risk would have an impact on both earning potential and economic value of the Bank.

a) The Bank uses following measures for deriving value of capital requirement for interest rate risk.

- Modified duration gap
- Simulation on market value of equity
- Impact of average interest rate fluctuation demonstrated in last 12 months from the date of computation. In the event of lack of data for last twelve month the bank considers data of maximum period available.



## Disclosures on Risk Based Capital Adequacy (Basel II)

The Bank ensures that interest rate risk is not included within the market risk. The Bank has calculated the rate sensitive assets and liabilities with maturity up to 12

months bucket and applied the sensitivity analysis to measure the level of interest rate shock on its capital adequacy.

(BDT in million)

Particulars	Upto 3 months	3 - 6 months	6 - 12 months
Rate Sensitive Assets	6,632.90	2,767.15	2,777.63
Rate Sensitive Liabilities	8,937.89	2,087.83	3,357.59
Rate Sensitive Gap	(2,304.99)	679.32	579.96)
Cumulative Gap	(2,304.99)	(1,625.67)	(2,205.63)

### Interest Rate Shock on Capital:

(BDT in million)

Total Eligible Capital			2,275.88
Total Risk Weighted Assets			19,738.05
Capital Adequacy Ratio (CAR)			11.53%
Assumed Increase in Interest Rate	1%	2%	3%
Earnings Impact on Cumulative Gap	(22.06)	(44.11)	(66.17)
Capital After Shock	2,253.82	2,231.76	2,209.71
CAR after Shock	11.42%	11.31%	11.20%
Decrease in CAR	-0.11%	-0.22%	-0.34%

### Market Risk

Market risk is a trading book concept. It may be defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The market risk positions subject to the risks pertaining to interest rate related instruments and equities in the trading book and Foreign exchange risk and commodities risk throughout the Bank. This signifies the risk of loss due to decrease in market portfolio arising out of market risk factors. The Bank has considered interest rate risk on banking book separately and the impact of interest rate risk on the trading book will not be considered here.

The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding last year to finance asset growth and trade related transaction.

### Methods used to measure Market Risk:

Standardized (Rule Based) Approach is used to measure the Market Risk of the Bank whereas for Interest Rate Risk and Equity Risk both General and Specific risk factors are applied for calculating capital charge and for Foreign Exchange and Commodities only General risk factor is applied.

### Management System of Market Risk:

The duties of managing the market risk including liquidity, interest rate and foreign exchange risk lies with the Treasury Division under the supervision of ALCO committee. The ALCO committee is comprised of senior executives of the Bank, who meets at least one time in a month during the ALCO meeting. The committee evaluates the current position of the Bank and gives directions to mitigate the market risk exposure to a minimum level.



## Disclosures on Risk Based Capital Adequacy (Basel II)

**Capital Charges for Market Risk**

(BDT in million)

Sl.	Market Risk	Capital Charge
A.	Interest Rate Related instruments	37.92
B.	Equities	384.58
C.	Foreign Exchange Position	22.47
D.	Commodities	0.00
<b>Total</b>		<b>444.98</b>

**Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Recognizing the importance of information technology in banking business, the Bank has considered information technology risk as an independent risk.

**Views of BOD on system to reduce Operational Risk:**

The responsibility of mitigating the operational risk of the Bank lies with Internal Control & Compliance Division under the guidance of Audit Committee of the Board. The audit committee delivers policies and directions from time to time to keep the operating efficiency of the Bank up to the mark.

**Performance gap of executives and staffs:**

The Bank identifies the loop holes among the effectiveness of the employees and executives. These

loop holes are removed by arranging appropriate training programs, offering competitive packages and providing best working environment. In this process, the Bank kept the performance gap of executives and staffs to a minimum level.

**Potential external event:**

No potential external event is expected to expose the Bank to significant operational risk. The Bank has a separate Operational Risk policy addressing specific issues involving Operational Risk.

**Methods used to measure Operational Risk:**

Basic Indicator Approach is used to measure Operational Risk where capital charge is 15% on last three years average positive gross income of the Bank.

**Capital Charges for Operational Risk**

(BDT in million)

Basis	Operational Risk	2011	2012	2013	Capital Charge
Solo	Gross Income	9,586.50	10,394.68	12,595.67	1,628.84
Consolidated	Gross Income	9,586.50	10,394.68	12,609.18	1,629.52



## Corporate Social Responsibility Initiatives



Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. The 'social contract' between the corporation and the community is one of the critical importance for UCB. We have adopted CSR practices in a formal, structured manner in line with our organizational vision to help the disadvantaged population of our country by social responsibility initiatives.

Back in year 2008, we took the first important steps towards mainstreaming CSR into our core business. Time and resources were spent defining what the company's responsibilities towards society are and how we can best contribute to the development of society. We engaged in the process of identifying our impact on society and how we can contribute to development of the local communities in which we operate and the world at large. In other words, we sought to define what responsible banking means. UCB has organized its CSR activities around four main areas: customers, employees, environment and society. Consumer rights and responsibility to working force are important categories in UCB's CSR practice. Responsibilities to employees and consumers are foremost concerns in UCBs' corporate accountability.

### Customers:

To a large extent, UCB lives off serving communities with financial products. This entails providing financing, advice and a strong financial infrastructure that opens up opportunities for our customers and other shareholders. By passing on our financial knowledge, we assist our customers in making better financial decisions. And by combining this knowledge with our principles of responsibility, we develop competitive products and help develop a healthy market for banking.

### Employees:

Discrimination at work place is a very common phenomenon. Nevertheless UCB acts in an ethical manner and keeps away from favoritism, injustice and discrimination. Responsibility to employees in UCB includes taking care of the personnel's welfare and safety at work and developing their skills, competences and proficiencies at work.

Our endeavor is to provide equal opportunities to employees from any race or religion. UCB also provides special opportunity for underprivileged people. We have an equal opportunity policy for women to be considered and appointed to managerial and executive positions.



## Corporate Social Responsibility Initiatives

### Environment and Society:

UCB aims to ensure meaningful social investment through effective projects into development issues of this country, primarily the hub on education, poverty alleviation, health, sports and environment. Project and policies are initiated on long term basis accompanied with sustainability and advancement.

### Education:

UCB have always been directly or indirectly involved in projects for improvement in educational sector of Bangladesh. The bank has long been practicing CSR (corporate social responsibility) through scholarship for poor and brilliant students, education promotion scheme, education for underprivileged children, donation to educational institutions etc. Some of the educational institutions where UCB donated in 2013 are: Department of Anthropology of Dhaka University, Bangladesh Academy of Science, East West University, Department of Chemistry of Chittagong University, Ahsanullah University of Science & Technology, Institute of Statistical Research & Training of Dhaka University, Shoharpur S.K. Pilot High School, Sirajgonj etc.

### Health:

Over the years UCB has been contributing in health sector



Blanket Distribution to poor people in Dinajpur

in Bangladesh which includes donating to different health-care institutions, financial assistance to under-privileged and poor people etc. Year 2013 was no exception. Round the year UCB contributed to different projects for improvement of health sector in Bangladesh. Some of the medical institutions where UCB provided financial assistance were: Zonta International (for observing a free health clinic week), Trust for the Rehabilitation of the Paralyzed (CRP) etc. UCB also stood beside numerous poor and sick people for their medical treatment. Some of the names who received help for their treatment were: Moulana Mohammad Ali (Spinal Cord treatment), Bashir Ahmed (tragic victim of a fire accident at bolichari village, Chittagong), Nurjahan Chowdhury (her husband is a blood cancer patient), Md. Sofi Ullah (kidney dialysis), Mr. Sujoy Marak (neck Tumor), Abdul Wahed Pradhan (Heart Operation) and many more.



UCB Donates to CRP Bangladesh



UCB organizes a voluntary blood donation program



## Corporate Social Responsibility Initiatives

### Environment:

As a socially responsible organization, UCB takes the issue of 'environment' quite seriously. The Bank has always been supportive of projects and initiatives related to greener country, reducing energy consumption, environmental awareness building etc. In the last couple of years, we have financially supported a number of initiatives that we believe to be a step towards green Bangladesh. As a conscious corporate citizen, UCB is not only promoting



UCB Donates for Beautification of FIDC Circle at Chittagong

environment friendly projects, but also advising its clients to make their projects compliant as regards to environmental issues. Consequently, the corporates where UCB financed – be it large or small – are becoming more aware of environmental impacts and complying with the Bank's requirements. Some of the projects where we donated in 2013 were: Jute Bag for World AIDS Day, Annual Botanical Conference at Chittagong, Forestry & Wood Technology Discipline, Khulna University etc.

### Disaster Management:

Every year, in many parts of Bangladesh, especially northern areas, the climate quickly gets chilly and many impoverished people lack even a blanket to keep out the cold. United Commercial Bank has been taking initiatives for years to better ensure that people too poor to afford any form of warmth in the harsh winter, do not freeze to death. We try our best to assist the less fortunate spectrum of society by distributing blankets in those parts of the country where winter shows its utmost fury. Starting from December 2012 till February 2013, as the severe winter hit the country leaving the poor people more vulnerable to cold weather, UCB distributed more than 20,000 blankets among the

deprived and unfortunate people to provide them warmth during the horrible winter months. Blankets were distributed in those areas where people were more prone to the wrath of cold winter.



Blanket Distribution to Poor People in Pabna

### Sports:

In recent years, Bangladesh has been showing remarkable improvements in Cricket & participating in international tournaments. UCB is a huge supporter of Bangladesh cricket and accordingly provided financial support for Bangladesh vs Zimbabwe ODI & T20 Series 2013. With an objective of development of football, UCB has been continuously supporting Late Sheikh Jamal Dhanmondi Club for several years and year 2013 was no exception.



UCB donates to Late Sheikh Jamal Dhanmondi Football Club



## Corporate Social Responsibility Initiatives

### Art & Culture:

For promoting art & culture in our country, UCB also made donations to a numbers of clubs and different cultural associations like National Rabindra Sanghit Parishad, International Drama Festival etc

### Socio-economic Development:

Besides our focus on these sectors, UCB also contributed to different causes that are praiseworthy. Some of the associations where we provided financial assistance in this connection were: Polli Daridro Bimochon Foundation (PDBF), Bangladesh Human Rights Commission, Orthonoitik O Manobik Unnayan Sangstha, Bangladesh Scouts Dhaka Metropolitan, Cloth Donation for the poor people as Jakath etc.

### CSR Objectives for the future:

- A green Bangladesh
- Less Fuel consumption and energy saving
- Extensive literacy programs
- Educate the next generation of consumers in our markets on how to save, spend, borrow and manage money wisely
- Expand CSR-related HR programmes for all employees

Year 2014 is going to be very exciting as the Bank will undertake a lot of new CSR projects in different other areas keeping Environmental projects, Health and Education at the core. The Bank will also ensure that all employees will involve in more community and voluntary works.



UCB donates for a reception ceremony of BD Hockey Team



UCB Donates to BD Hockey Team



## Contribution to National Economy

At UCB we always recognize that we have certain responsibilities to the development of the society and the country as a whole. We aspire to be known as a bank that builds enduring relationship with and delivers value for our clients, shareholders, employees and the community where we work.

### Financing support to industry, SMEs, individuals etc-

As a banking service provider UCB contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs and various organizations and individuals. Based on the financials as on 31 December 2013 the size of total credit exposure of UCB with 28,835 no. of clients is Tk. 148,665 million (2012: 28,148 no. of clients, Tk. 136,072 million).

### Employment

We make an economic impact by creating employment and a well-trained workforce. UCB employed as many as 3,445 employees as on 31 December 2013 (2012: 3,374). During the year 2013 United Commercial Bank paid total of Tk. 2,902.15 million as salaries and allowances to its employees (2012: Tk. 2,374.13 million) and spent Tk. 9.89 million for training and HR development (2012: Tk. 19.76 million).

### Tax payment

United Commercial Bank contributes to the economy by paying tax and VAT as per the prevailing laws and regulations. During the year 2013 UCB provided Tk. 2,821.91 million as provision for tax (2012: Tk. 2,152.94 million). We also pay VAT @15% on the fees and commission income of the bank. On the other hand, we collect tax and VAT at source while paying various bills and ensure payment of such withholding tax and VAT to the government exchequer.

### Payment of dividend

We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term and sustainable shareholders' value through strong financial performance and returns. Over the past many years, UCB paying a satisfactory return (dividend) to its shareholders. The Board of Directors of the bank proposed 20% cash dividend to its shareholders for the year 2013 (in 2012 the bank has also paid 10% cash dividend).

### Market capitalization

UCB started its journey with a capital of Tk. 35.50 million in the year 1983. At the end of the year 2013 UCB's total size of capital is Tk. 8,366.12 million equivalents to market capitalization of Tk. 20,998.95 million (2012: paid up capital Tk. 8,366.12 million, market capitalization Tk. 19,744.03 million).



### Donation & sponsorship

We always agree in building prosperity by supporting a broad range of socio-economic causes through donation and sponsorship. We believe, in order to reach our potential, we need to earn the respect of our stakeholders. We have learned by last three decade that the best way to do that is to foster creativity, innovation and diversity throughout our ventures, of course aligning business practices with highest values. We dream to crafting a way of social business rather than commercial business objective only. During the year 2013 the bank expended Tk. 40.11 million for donation and sponsorship (2012: Tk. 11.17 million).

### Development without compromising the needs of future generation

We firmly believe that sustainable economic growth and a healthy environment are inter-linked. We take supportive role in terms of providing financial services by restricting and discouraging projects detrimental to the environment and health.

### Green Banking

UCB's deployed its all out effort to make the slogan "Green Banking" a success. Various initiatives have already been taken both in policy and practically at large. Keeping the environment green, discouraging projects causes greenhouse effects, eco-font in printing to reduce use of ink, use scrap paper as notepads and installing energy efficient electronic equipment are the glimpse of the bank's initiatives to facilitate Green Banking.

Loans and Advances  
(BDT in million)



No. of Employees

