

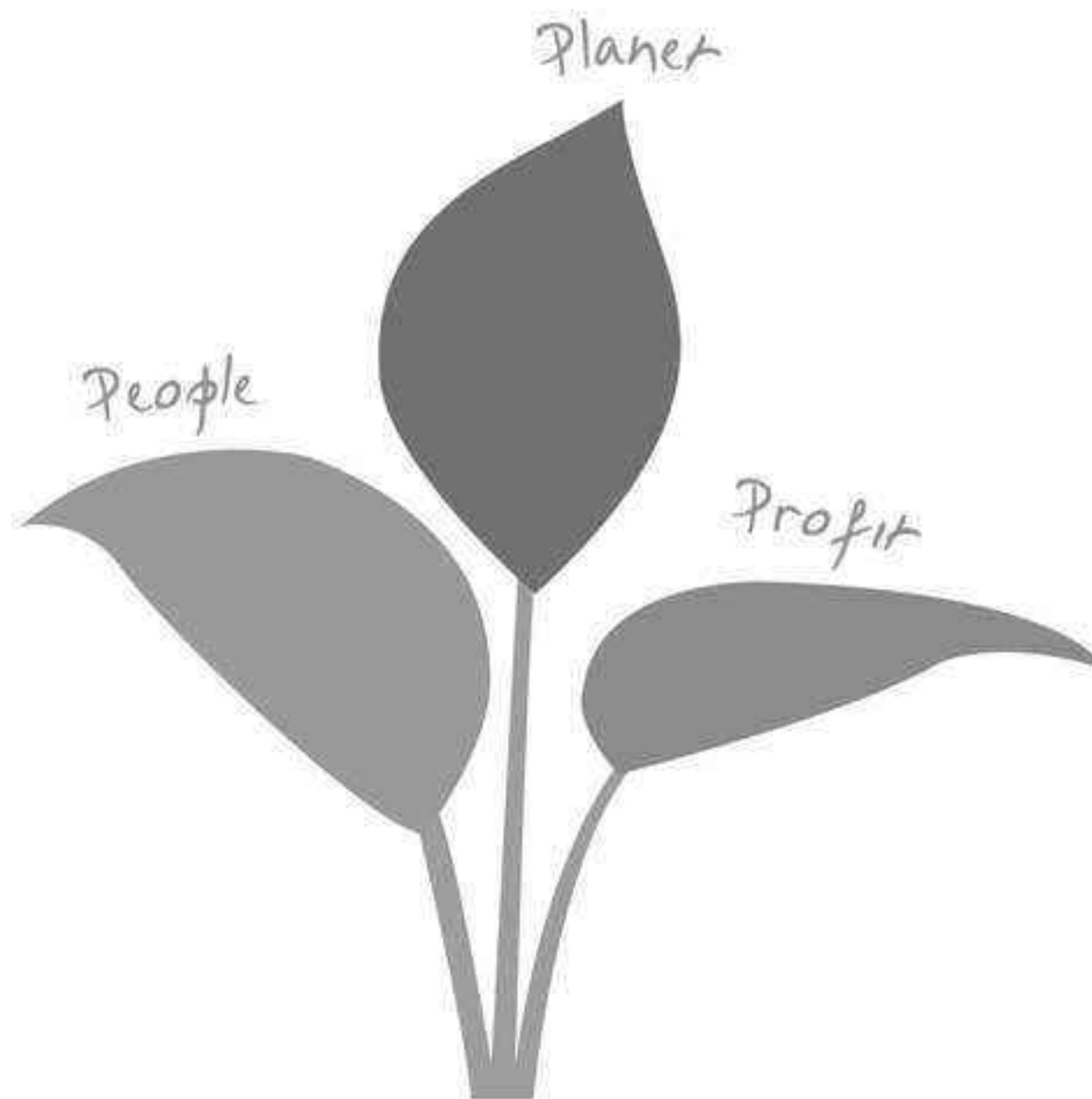
Annual Report '12



United we achieve

UCB

Annual Report '12



United we achieve | **UCB**

United Commercial Bank Limited
Corporate Head Office
Plot - CWS (A)-1, Road No - 34
Gulshan Avenue, Dhaka - 1212
Phone: +880-2-8852500
Website: 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, 2012.

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, 2012 for kind information & record.

Yours sincerely

Sd/-

Mirza Mahmud Rafiqur Rahman
Additional Managing Director & Company Secretary

United Commercial Bank Limited

Corporate Office: Plot - CWS (A)-1, Road No - 34, Gulshan Avenue, Dhaka - 1212
Phone: 880-2-8852500, Website: www.ucbl.com

CONTENTS



Contents

General Information

Page 06	Forward looking statements
Page 07	Vision, Mission, Core values
Page 08	Strategic priority
Page 09	Award & Recognition
Page 10	Corporate information
Page 11	Key milestones
Page 12	Group corporate structure

Board and Management Profile

Page 13	Board of Directors and its committees
Page 16	We mourn
Page 17	Directors' profile
Page 23	Key management
Page 27	Management Committee
Page 29	List of executives

Business review

Page 31	Chairman's message
Page 35	Message from the desk of Managing Director
Page 40	Five years' financial summary
Page 43	Graphical review
Page 45	UCB product profile
Page 50	Contribution to national economy
Page 51	Value added statement
Page 52	Economic value added statement
Page 53	Market value added statement
Page 54	Credit rating report

Corporate governance

Page 55	Directors' report
Page 82	Report on corporate governance
Page 86	Compliance report on BSEC notification
Page 91	Certificate of Compliances of Corporate Governance
Page 92	Compliance of Bangladesh Bank's guidelines
Page 94	Report of the audit committee
Page 95	Report on human resource management
Page 99	Report on corporate social responsibility
Page 105	Report on green banking

Risk management

Page 108	Report on risk management
Page 113	Disclosures on risk based capital (Basel II)
Page 123	Report on going concern

Financial statements of United Commercial Bank Limited

Page 126	Auditor's report
Page 128	Consolidated balance sheet
Page 130	Consolidated profit & loss account
Page 131	Consolidated cash flow statement
Page 132	Consolidated statement of changes in Equity
Page 133	Balance sheet
Page 135	Profit & loss account
Page 136	Cash flow statement
Page 137	Statement of changes in equity
Page 138	Liquidity statement
Page 139	Notes to the financial statements

Financial statements of Offshore Banking Unit

Page 196	Balance sheet
Page 198	Profit & loss account
Page 199	Cash flow statement
Page 200	Notes to the financial statements

Financial statements of UCB Securities Limited

Page 206	Auditor's report
Page 207	Balance sheet
Page 208	Income Statement
Page 209	Cash flow statement
Page 210	Statement of changes in equity
Page 211	Notes to the financial statements

Financial statements of UCB Investment Limited

Page 214	Auditor's report
Page 215	Balance sheet
Page 216	Income Statement
Page 217	Cash flow statement
Page 218	Statement of changes in equity
Page 219	Notes to the financial statements

Shareholders information

Page 221	Financial calendar
Page 222	Highlights of the year 2012
Page 224	Memories of previous AGM
Page 225	Branch network
Page 234	Worldwide correspondents network
Page 236	Glossary
Page 237	Notice of the AGM
Page 239	Proxy form

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.

VISION MISSION CORE VALUES

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

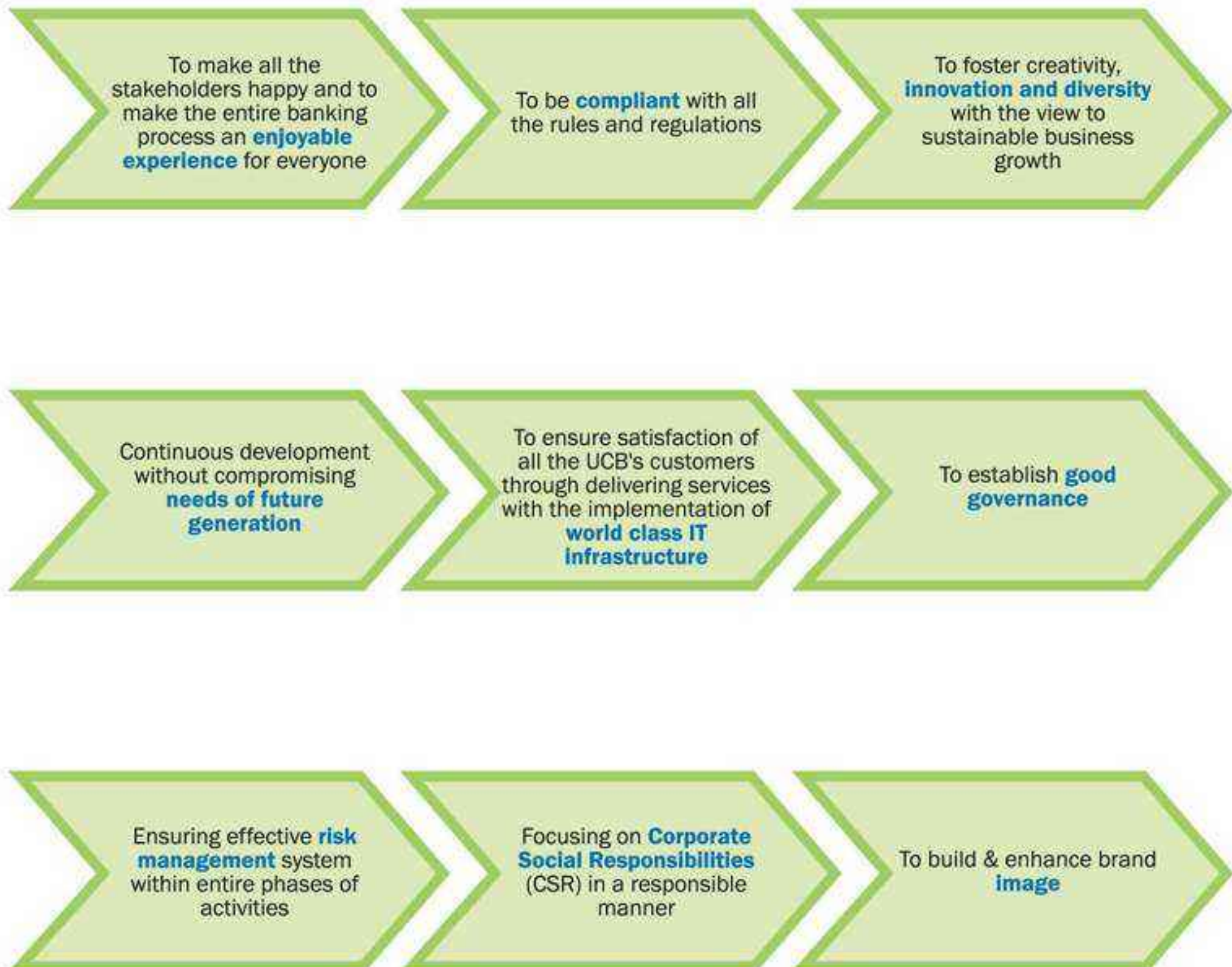
CORE VALUES

- 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



Award & Recognition



We are honored with **"12th ICAB National Merit Award for Best Published Accounts and Reports 2011"** by the Institute of Chartered Accountants of Bangladesh (ICAB) which recognises our relentless efforts towards transparency in disclosure of information and adherence to best accounting practices.

Corporate information

Name	United Commercial Bank Limited
Legal Status	Public Limited Company
Date of Incorporation	26 June 1983
Date of Commencement of Business	27 June 1983
Vice Chairman	Mr. Showkat Aziz Russell
Managing Director	Mr. Muhammed Ali
Company Secretary	Mr. Mirza Mahmud Rafiqur Rahman
Date of Listing with DSE & CSE	30 November 1986 & 15 November 1995
Authorized Capital	Taka 15,000 million
Paid up Capital	Taka 8,366 million
Total Manpower	3,374
Number of Branches	131
Number of AD Branches	25
Number of Agri. Branches	02
Number of ATM Booths	81
Auditors	Syful Shamsul Alam & Co. Chartered Accountants
Tax Consultants	Mr. Md. Mosharrof Hossain, Advocate
Legal Consultant	T.I.N. Nurun Nabi Chowdhury
Rating Agency	Credit Rating Information & Services Ltd. (CRISL)
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

Key Milestones

Date	Particulars/events
26 June 1983	Incorporation of the Company
27 June 1983	Certificate of Commencement of Business
28 June 1983	License issued by Bangladesh Bank
28 June 1983	License issued for opening of first Branch (Principal branch)
30 November 1986	Listed with Dhaka Stock Exchange Limited
27 December 1988	50th Branch opening (Mohammadpur Branch)
15 November 1995	Listed with Chittagong Stock Exchange Limited
19 October 2003	Registered as Depository participant of CDBL
29 May 2005	Trading of Shares started in Demat Form in Stock Exchanges
20 July 2009	Opening of 1st ATM
01 February 2010	Shifting Corporate office from Motijheel to Gulshan
28 January 2010	Incorporation of UCB Securities Limited
24 May 2010	100th Branch opening (Kanchan branch)
01 November 2010	Opening of 1st Off shore Banking Unit at Gulshan, Dhaka
10 December 2010	Change of Face Value & Market Lot of Shares
24 January 2011	Obtained permission for issuance of Rights Share
21 June 2011	Exempted from Early Warning Signal
03 August 2011	Incorporation of UCB Investment Limited
26 August 2012	Obtained permission for issuance of Subordinated Bond from BSEC

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.

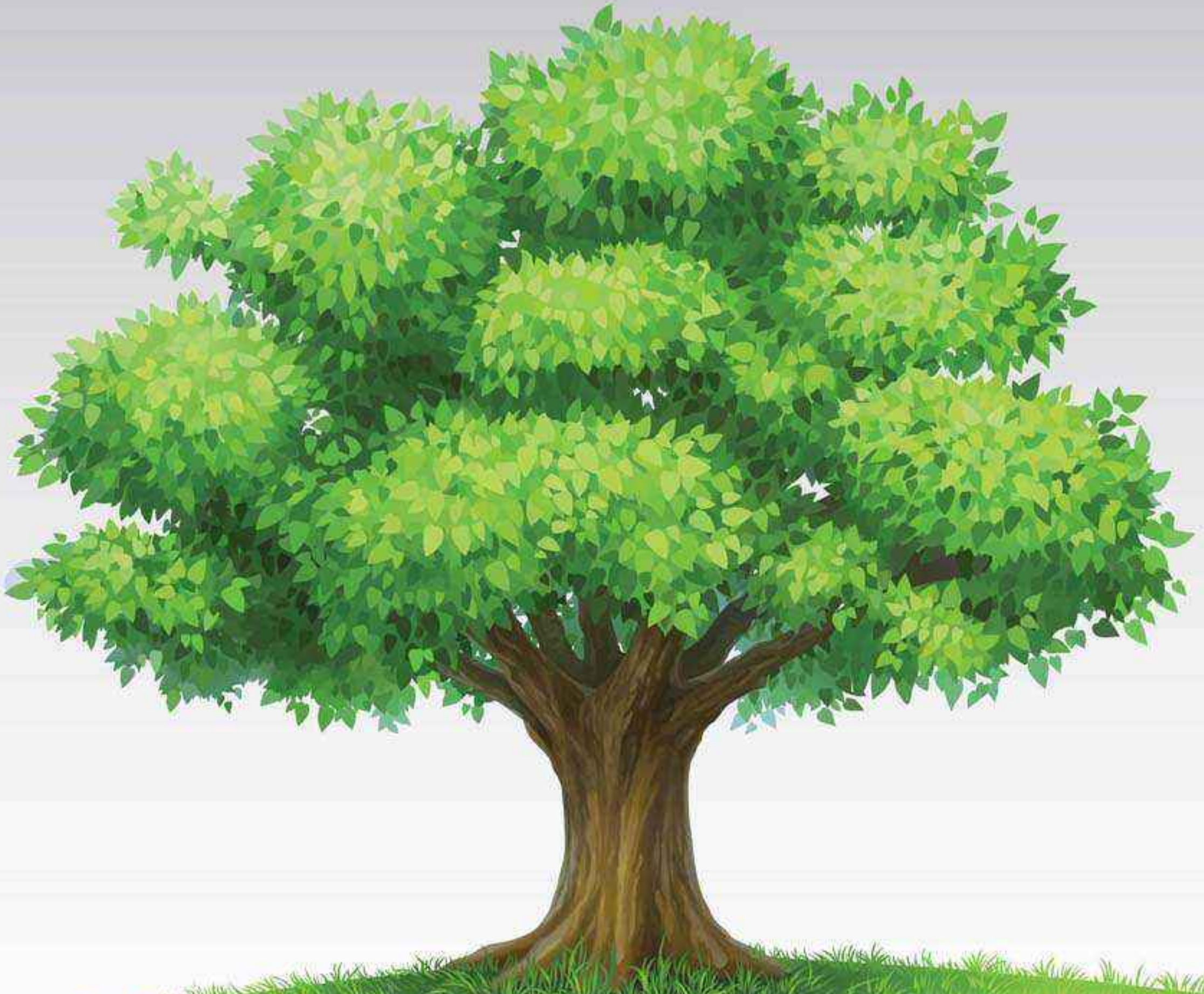
UCB Securities Limited:

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.

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.

BOARD OF DIRECTORS



Board of Directors



Hon'ble
Directors
not present
in the group
photograph



Executive Committee



Audit Committee



Board of Directors and its committees as on December 31, 2012

Board Of Directors

Vice- Chairman

Mr. Showkat Aziz Russell

Directors

Mr. M. A. Sabur
Mr. Md. Jahangir Alam Khan
Mr. M. A. Hashem
Hajee Yunus Ahmed
Hajee M. A. Kalam
Mrs. Nur Nahar Zaman
Mr. Saifuzzaman Chowdhury, MP
Mr. Sharif Zahir
Mr. Md. Tanvir Khan
Mr. Anisuzzaman Chowdhury
Mr. Asifuzzaman Chowdhury
Mrs. Sultana Rezia Begum
Mr. Shabbir Ahmed
Mr. Ahmed Arif Billah

Managing Director

Mr. Muhammed Ali

Company Secretary

Mr. Mirza Mahmud Rafiqur Rahman

Executive Committee

Chairman

Mr. M. A. Sabur

Members

Mr. Md. Jahangir Alam Khan
Mr. M. A. Hashem
Hajee M. A. Kalam
Mr. Saifuzzaman Chowdhury, MP

Audit Committee

Chairman

Mr. Md. Jahangir Alam Khan

Members

Hajee M. A. Kalam
Mr. Saifuzzaman Chowdhury, MP
Mr. Sharif Zahir



We Mourn

The Board of Directors and Management of the United Commercial Bank Limited are extremely saddened to inform you with a heavy heart that Alhaj Akhtaruzzaman Chowdhury, MP, Honourable Chairman, United Commercial Bank Limited and also the Honourable Chairman, Parliamentary Standing Committee on the Ministry of Textiles & Jute has passed away on Sunday morning, November 04, 2012 at Mount Elizabeth Hospital, Singapore. (Inna Lillahe Razeun). He was 67 at the time of his sad demise. He had been suffering from renal ailments for a long time.

Alhaj Akhtaruzzaman Chowdhury, MP was born on May 03, 1945 in a well reputed Muslim family at Haildhor village at Anowara Thana in Chittagong. He was a well known personality adorned with many titles such as industrialist, politician, philanthropist and valiant freedom fighter. He had been elected four times as Member of Parliament.

UCB

We, the members of UCB family, pray for the eternal peace of the departed soul and extend our profound sympathy and share the grief to the bereaved members of his family.

United Commercial Bank Limited

Directors' Profile



Mr. Showkat Aziz Russell

Vice Chairman

Mr. Showkat Aziz Russell, one of the very brilliant, young & potential business personalities of contemporaneous generation is the Vice Chairman of UCB. Concurrently he is the Managing Director of Partex Holdings 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 IBALS University. This eminent entrepreneur is also the Vice-Chairman of Bangladesh Textile Mills Association. He is also involved in promoting games and sports of the country and presently he is the Chairman, Governing Body of Lt. Sheikh Jamal Dhanmondi Club Ltd. He played the most instrumental role in establishing Core Banking Software (CBS) in UCB for extending technology based services for its vast clientele including unbanked people of the country through introducing UCASH, mobile banking product of the Bank.

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.



Mr. M. A. Sabur

Chairman, Executive Committee

Mr. M. A. Sabur, leading Industrial entrepreneur & Sponsor Director of UCB is the Chairman of Executive Committee. 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 Bhatary Golf Club, Chittagong. Mr. Sabur is actively associated with various educational & socio-cultural organizations of Dhaka & Chittagong.

This illustrious personality is guiding the Bank in exploring new opportunities of business procurement in this competitive market.

Directors' Profile



Mr. Md. Jahangir Alam Khan

Chairman, Audit Committee

Mr. Md. Jahangir Alam Khan, eminent industrialist and Director of UCB is the Chairman of Audit Committee. Simultaneously he is 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 Bhatary 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 honoured 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.



Mr. M. A. Hashem

Director

Mr. M. A. Hashem, Chairman of Partex Group, one of the largest conglomerates in the private sector manufacturing and service based enterprises in Bangladesh, is one of the Directors of UCB.

Mr. Hashem, son of Late Al-Haj Abdul Aziz, was born in a respectable Muslim family of Wasaqpur, Begumganj in the district of Noakhali. He was former Member of Parliament. 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 member and current Chairman of Trusty Board of North South University, member of Board of Trustees of the IBAIS University, founder of M. A. Hashem Diabetic Hospital, Chowmuhani, M. A. Hashem University College, Kazirhat, Begumganj and Al-haj Abdul Aziz Lillah Boarding & Orphanage at Chowmuhani, Noakhali. He patronizes a number of social, cultural, charitable & sporting organizations of the country as well.

Directors' Profile



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 is now the member of Audit Committee & Executive Committee. 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 Sadar, 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.



Mrs. 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. Mr. Akhtaruzzaman Chowdhury.

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

Directors' Profile



Mr. Saifuzzaman Chowdhury, MP
Director

Mr. Saifuzzaman Chowdhury, Managing Director of Aramit Group, a leading conglomerate in Bangladesh, is the Director of UCB who is also honorable member of the Parliament and Member of Parliamentary Standing Committee on Ministry of Foreign Affairs. He was born in a glorious & highly respectable Muslim family of Anwara under Chittagong District of the country.

Mr. Saifuzzaman obtained his higher degree on Business Administration from a reputed university of USA. After completion of his education, he engaged himself in business. He is the former President of Chittagong Chamber of Commerce & Industries and is associated with Port Users Forum, Bangladesh Better Business Forum and National Council for Industrial Development. He is a member of the Syndicate of Southern University, Chittagong. He is also associated with a number of socio-cultural and philanthropic organizations.

As a future business leader of the country, this young, energetic and progressive organizer is working for the improvement of business environment to make Bangladesh a hub of foreign investments.



Mr. Sharif Zahir
Director

Mr. Sharif Zahir, promising industrialist of the country, is one of the Directors and members of Audit Committee 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 Fashion Ltd, Ananta Group Ltd, Ananta Denim Technology Ltd. He attained his Graduation from University of Texas at Austin, USA in Finance & Economics. Government of Bangladesh has honoured Mr. Sharif Zahir as CIP (Commercially Important Person) for his contribution to the national economy. With his brilliance and originality, he is contributing in transforming UCB as a transparent & accountable organization.



Mr. 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



Mr. Anisuzzaman Chowdhury
Director

Mr. Anisuzzaman Chowdhury, a young and dynamic industrialist of the country is one of the Directors of UCB.

He is also Director of Ronny Chemical Industries Ltd and Bitucom 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 providing best banking services in the Country.



Mr. 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.

Mr. Asifuzzaman Chowdhury is also the Director of Synthetic Rezin Products (Pvt.) Ltd. and Ronny Chemicals Ltd. He attained his BBA from Atlantic University, Florida, USA. With innovative ideas this young entrepreneur is contributing to the nation.



Mrs. 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.

Directors' Profile



Mr. 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, East End Automobiles Ltd. He also maintains strong relation with various educational & social organizations.



Mr. 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 Industries Ltd (Composite Knit Garments), 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, and Masco Shares & Securities Ltd.

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

A photograph of several young green seedlings with two leaves each, growing out of dark brown soil. The seedlings are in various stages of growth, with some in the foreground being sharper than others in the background. The lighting is soft, highlighting the texture of the leaves and the grain of the soil.

KEY MANAGEMENT

Key Management



Mr. Muhammed Ali
Managing Director

Mr. Muhammed Ali, a prominent and professional banker with more than 35 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.



Mr. 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 unrelentingly 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.

At present, Mr. Islam is holding the helm of affairs of Corporate Banking Division, Information Technology Division, International Division, Foreign Remittance, Card Business Division and General Services Division of UCBL.

Key Management



Mr. 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 25 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.



Mr. Mohammad Abu Abdullah

Deputy Managing Director, HRM & Organization

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 39 years of experience in HRM & IR both at home & abroad.

His core professional competence includes the following areas:

- Organization Development
- Human Resources Management
- Industrial Relations

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 mention.

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.

Key Management



Md. Tariqul Azam

Deputy Managing Director

Ever since his joining in the UCB, Mr. Md. Tariqul Azam, a career 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; namely Risk Management Division, Credit Risk Management (CRM) Division, Small & Medium Enterprises (SME) Division, Agricultural Credit Division, as well as Treasury Back Office. Side by side, he is the Chief Risk Officer (CRO) of the Bank, thus, responsible for managing all the risks related to the business 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 and was elevated to the rank of Deputy General Manager. In these long 26 years, he worked at both Branch and Head Office levels spanning over all facets of banking business and administration; namely General Banking, Credit Management in its entirety 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 3rd tier member of senior management in the year of 2006 and he has since been contributing tremendously for the Bank.

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, BIBM, 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 significant divisions including Structure Finance, Treasury, Merchant Banking, Retail Banking, Finance & Accounts etc.

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 worked in different sectors of banking like general banking, foreign exchange, credit etc. for the last 29 years, has a demonstrated experience in managerial and leadership positions including 20 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.

Management Committee



Muhammed Ali
Managing Director



M. Shahidul Islam
Additional Managing Director



Mirza Mahmud Rafiqur Rahman
Additional Managing Director



M. A. Abdullah
Deputy Managing Director



Md. Tariqul Azam
Deputy Managing Director



Mohammad Shawkat Jamil
Deputy Managing Director



Md. Sohrab Mustafa
Senior Executive Vice President
International Division



Md. Zahirul Alam
Senior Executive Vice President
Credit Risk Management Division



Barun Kanti Saha
Senior Executive Vice President
Special Asset Management Division

Management Committee



Muhammad H. Kafi
Senior Executive Vice President
IT Division & Card Operation



Mian Quamrul Hasan Chowdhury
Senior Executive Vice President
Internal Control and Compliance Division



Mohammad Habibur Rahman Chowdhury, FCA
Executive Vice President & CFO
Finance & Accounts Division



Sarder Akhter Hamed
Executive Vice President
Retail Banking Division & Card Business



N. Mustafa Tarek
Executive Vice President
General Services Division



Md. Shams-Uddin Ahmed
Executive Vice President
MD's Secretariat



Abu Sadeque Miah
Senior Vice President
General Banking and Development Division



Md. Ekram Ullah
Senior Vice President
Human Resources Management Division



Abu Shamim Mohammad Arif
Senior Vice President
Structured Finance Division



Mohammad Shariful Islam
Vice President
Treasury Division



Md. Al Tamas
Vice President
Merchant Banking and Portfolio Management

List of Executives

Managing Director

Muhammed Ali

Additional Managing Director

M. Shahidul Islam

Mirza Mahmud Rafiqur Rahman

Deputy Managing Director

M. A. Abdullah

Md. Tariqul Azam

Mohammad Shawkat Jamil

Senior Executive Vice President

Barun Kanti Saha

Md. Sohrab Mustafa

Md. Zahirul Alam

Golam Awlia

Muhammad H. Kafi

Mian Quamrul Hasan Chowdhury

Badiul Alam

Executive Vice President

Abul Alam Ferdous

Md. Ahaduzzaman

Md. Habibur Rahman

Md. Ehsanul Kabir

M. Habibur Rahman Chowdhury

Sarder Akhter Hamed

N. Mustafa Tarek

Mohammed Faruque

Md. Shams-Uddin Ahmed

Mir Jahir Uddin Ahmed

Senior Vice President

Abu Sadeque Miah

Mahmudul Bashar Khan

Md. Ekram Ullah

Md. Delowar Hossain Mazumder

Mohammad Iqbal

Md. Jasim Uddin

Md. Abdur Rob

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

Jalal Uddin Mohammed Bakhtiar

Md. Habib Uddin Bhuiyan

Kazi Muzibul Islam

Abu Shamim Mohammad Arif

Md. Ruhul Amin

Md. Didarul Islam

First Vice President

Kazi Hasanuzzaman

Md. Daulat Meah 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 Hakem

A. Wadud Miah

Lisa Islam

Md. Golam Sarwar

Md. Aminul Islam

Mohammad Nesar Alam

Faridul Hoque

Akhtar Begum Chowdhury

Md. Wahaduzzaman

Md. Abdul Maied

Md. Khalequzzaman Chowdhury

Manjur Murshed Chowdhury

Chowdhury Bodiuzzaman

Md. Ahsan Mozlish

Md. Zakaria

Md. Abdus Salam Chowdhury

Chowdhury Mohiuddin Mahmud

Md. Showkat Karim

Chowdhury Md. Showkat Ali

Md. Sowkat Abdullah

Kh. Zibanur Rahman (Nadim)

Mohammad Nurul Huda

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

Vice President

Akter Banu Anju

Md. Anwar Iqbal Chowdhury

Mohammed Abdullah-Al-Mamun

Md. Monjurul Islam

Abdul Monaf

Md. Wais Ahmed Khan

Md. Shafiqua Islam

Ehsanur Rashid

Nirmalendu Deb

Mohammad Shohel Haider

Sarwar Mortuza Chowdhury

Md. Shafinur Rahman

Kamrun Naher

Md. Abul Hashem

Shah Bashiruddin Ahmed

Mohammad Iklas 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

Shahadat Hussain Chowdhury

Mohammad Jashim Uddin

Md. Shamsul Alam

H.A.M. Nizamuddin

Shamsur Rahman Bhuiyan

A. K. M. Zillur Rahman

Mohammad Shariful Islam

Ahsanul Hoque

Md. Nurul Amin

Sultan Ahmed Shah Chowdhury

Md. Lokman Miah

Jennyfar Yousuf

Aminul Haque Chowdhury

Tofael Haidar

Mohammad Monwar Hossain

Ikhtear Uddin Ahmed

Mohammad Abu Hanif

Md. Jahangir Hossain

Md. Nizam Uddin

Major Kamal Mustafa (Retd.)

A. T. M. Tahmiduzzaman

Md. Nurur Rahman Khan

List of Executives

Minu Ara Begum
Md. Abul Hossain Howlader
Md. Shamim Ferdous
Mohammad Monzur-E-Habib
Syedur Rahman
Partho Kumar Bagchi
Saiful A. Chowdhury
Md. Manirul Islam
Ahmed Baker Imam
Md. Salahuddin
Momtaz Sobhan
Alamgir Kabir
Md. Shafiqur Rahman
Mosihuddin Husain
Md. Shakhawat Hossain
Mohammad Nur Nobi
Md. Shafiqul Islam
Md. Jahangir Alam
Mohammad Sarwar Alam
Ikramul Haque Bhuiyan
Mohammed Abdul Gofran
Mohammad Mosleuddin
Sazzad Yussouf

First Assistant Vice President

Md. Zafrul Hoque
Farid Uddin Ahmed
Kafiluddin Bhuiyan
Akhtar Nasreen Chowdhury
Mohammed Hasan
A. N. M. Saiful Islam
A. B. Moinul Karim
Md. Shamsul Alam
Md. Mustofa Kamal
Md. Belayet Hoossain
Dewan Abdul Bakki
Iqbal Ahmed
Jahangir Alam
Mohammed Monjur Alam
Md. Kamal Pasha
Md. Masud Hasan Chowdhury
Md. Rabiul Hossain Chowdhury
Muhammad Fazle Rabbi
Zahir Uddin Ahmed
Kh. A.R.M. Kamrul Hasan
Afroze Ahmed
Md. Mofizul Alam
A.A.M. Mutasim Billah
S. M. Masum
Syed Kamruzzaman
Yousuf Habib
Somen Saha
Md. Ibne Khaled
Shyma Akthar

Md. Mohsin
Mohammad Abdur Rahim
Md. Abdul Hai
Kamrul Ahsan Moin
Ashfaq Mohammad
Syed Nizamul Islam
Md. Muzibur Rahman Chowdhury
Md. Manirul Bashar
Chitra Chowdhury
Sujoy Kumar Das
Mumtaz Ahmed
Anwar Hossain Pathan
Mostaque Ahmed
Md. Faruk Hossain
Md. Jahangir Ahmed
Maksud Ahmed
Debashish Roy
Md. Badshah Gazi
Javed Moin
Saifur Rahman Chowdhury
Nilotpal Sarker
Md. Amin Faroque Sharif
Mohd Kamal Uddin Faruque
Ajit Kumakr Baidya
Abu Sayed Md. Ashrafuzzaman
Achinta Kumar Saha
Kashef Rahman
Najmis Sakeb Jamil
Sheikh Nahid Reza
Md. Sabbir Hossain
Md. Shamsul Huq Mir
Shireen Sultana
Sk. Ashraf Alam
Md. Gias Uddin
Kamrul Majid Mahmud
Md. Nazim Uddin
Md. Nurul Absar
Jinnatun Bakia
Mohammad Liakat Hussain
Aklima Akter
Mohammad Reaz Ahmad
Md. Nazrul Islam
Mohammad Zamal Uddin
Mohammad Monir Hossain
Mohammad Arif Uddin
Zahirul Islam Chowdhury
Md. Munjur Kadher Chowdhury
Mohammed Ramjan Ali
Md. Salah Uddin
Anup Kumar Roy
Md. Mohsinur Rahman
Md. Jashim Uddin Chowdhury
Md. Zafar Iqbal
Md. Taiyub Hossain

Md. Hasan Murad Chowdhury
Shamsun Lora Karim
Abu Jamil Md. Abdul Alim
Salina Akther
Golam Mostafa
Mahbubul Hoque
Burhan Uddin Mohammed Jahangir
Golam Sarwar Bhuiyan
Mohammed Shafiul Alam
Asma Begum
Md. Marufur Rahman Khan
Md. Habibur Rahman
Syed Lutful Haque
Md. Kabir Uddin Ahmed
Jamil Faruque
Md. Mokhlesur Rahman
Md. Suruzzaman
Mohd. Nurul Afsar
Mohammad Abdul Ahad
Reshadul Hannan
Shireen Akhter
Md. Momtaz Hasan
Md. Mosharraf Hossain
Md. Mahabub Faruque
Md. Mahabubul Alam
Md. Yousuf Ali
Md. Mehedi Hasan
Md. Moshfiqur Rahman
Md. Kawsar Jamil
Mahmudul Huq
Md. Aref Ullah
Monsurul Ahsan
Gaziul Haider Mazumder
Tawhidul Haque Chowdhury
Md. Belayet Hossain Bhuiyan
Altaf Ali Khan
Md. Golam Sarwar Jahan
Mujibur Rahman
Md. Moazzam Hossain Chowdhury
Mohammed Ibrahim
Mahmudur Rahman
Md. Ashfaq Ahmed
Gowtom Kumar Ghosh
Sankar Kumar Mitra
Mohd. Salahuddin
Chowdhury Jafrullah Sarafat
Arfanul Islam
Md. Billal Ali Shaikh
Md. Abul Bashar Chowdhury
Md. Helal Uddin
Azam Chowdhury

CHAIRMAN'S MESSAGE











Chairman's Message

Dear Shareholders,











United Commercial Bank Limited founded on the principles of accountability, transparency and integrity has completed its operations stretching over a period of three decades. The odyssey is studded with string of success functioning under dynamic leadership of Board of the Directors and efficient management. Our rigorous internal standards have been created with the thrust to reach the peak as a dynamic and futuristic bank. And the success story is vividly focused in this Annual Report.

On behalf of the Board of Directors, I would like to have the pleasure to present you the review of the activities of the Bank while we are stepping into the new financial year. The Bank has ended the year with solid earnings, steady balance sheet and equity position and finally emerged as a strong banking institution. We will ensure in the process a rapid approach in dealing with the developments allowing us to exploit the available opportunities out of the challenges.

-  Despite all external and internal financial crises, global recession and political upheavals United Commercial Bank Limited has dealt efficiently with the developments in economic sector in last year with special focus on enhancing performance, financial solvency, assets equality and foundation for future growth which resulted in the achievement of a **gross profit of BDT 5,762 Million in the year 2012.**
-  Over a period of time, UCB managed to chain out a huge network of **131 Branches** to ensure smooth access of financial services at the doorstep of every community.
-  UCB has made agreement with renowned global Software Company **Oracle Financial Services Software Limited and Data Edge Limited** for the license and implementation of **Oracle FLEXCUBE UBS as Core Banking Software.** This pragmatic and state of art project has been undertaken to enable technology innovation, enhanced operational efficiency, control and diversified delivery channels in our banking operation. This software will direct to develop new and diversified products, which in consequence will help to explore more low/no cost fund. It will also be a catalyst for creating more alternative delivery channels.
-  It is heartening to inform you that **Subordinated Bond** has been issued. The objective behind issuance of Subordinated Debt is to further strengthen the capital base as Supplementary (Tier-2) Capital of the Bank and to comply with the capital adequacy requirements as per BASEL-II, which will enable the Bank to reach sustainable growth in business. Furthermore, the Bank has planned to run the business more smoothly by opening more outlets throughout the country with the increasing market demand for banking services and requests from the valued customers.
-  We feel proud to announce that we have shifted our head office to splendid premises in Gulshan, fully equipped with modern facilities. In addition, I cannot resist myself informing that we have got our own land in the prime location of Gulshan. We will start to develop **UCB Head Quarter** very soon at our own premises being first of its kind. This investment will invariably increase the Bank's asset, which ensures its long term commitment towards the industry.
-  Since its inception in 1983, United Commercial Bank Limited is highly devoted to provide best financial services and products to society. In turn, the well-being of society has extremely been integrated to our promise as Corporate Social Responsibility. We have got ourselves firmly engaged in various social causes and emergencies to move forward in creating a green and sustainable society. We are actively participating in various issues for the betterment of **health, education, sports, arts & culture, response to natural disaster & climate change, socio-economic development** etc. I am really overwhelmed with joy to inform you that we have spent an amount of **Taka 41.44 million to CSR** in the year 2012.

Chairman's Message

Ventures up Next:

-  UCB is going to expand its window towards global horizon by setting up a Rep-office in Singapore for better **fund arrangement & management**. Our ultimate objective is to set up Investment Banking (IB) subsidiary in Singapore. This will allow us design flexible financial product & long-term source of financing through effective fund management.
-  UCB is well on mark to roll out **500 kiosks** across the country within 24 months of successful implementation of Core Banking Software.
-  The pattern of banking has undergone massive changes in relation to introduction of newer technology. To catch-up with the change, UCB is going to provide mobile financial services with a view to ensure tactical way of economic empowerment of mass people staying out of banking services. We are also actively planning to go for **Agent Banking** which is a very new concept of banking around the globe.
-  We would like to embark on the concept of **Merger, Acquisition or Takeover**, a very common trend in any industry all over the globe. This sort of situation is likely to arise in the country. The above aspects of corporate strategy in fact help organizations grow more rapidly. These events basically aim to **substantiate growth, larger market share, higher profitability, competitive edge over competition and strong brand equity**. UCB is set to formulate strategy to deal with similar situation deftly.
-  UCB is firm to continue its desperate effort for investing in its **brand recognition, customer service, staff-welfare, products, operations and information technology**. We have also carried out different Enterprises like organizational re-structure, commencing of a modern and well-equipped Learning & Development Centre etc.
-  Last but not the least, UCB has planned to revamp its following **five Business Segments** by engaging competent resource personnel with a view to generate desired level of profit.
 -  **Corporate Banking**
 -  **SME Banking**
 -  **Retail Banking**
 -  **Treasury & Financial Institution**
 -  **Probashi (NRB) Banking**

To conclude, I would express my sincere appreciation to the regulatory bodies for their ample and absolute commitment to the development of banking sector of the country. I would also like to take this opportunity to extend my thanks and appreciation to the member of the Board of Directors of the Bank for their dedicated and sincere efforts in the development of the Bank, to shareholders, clients and stakeholders of the Bank for their continued confidence and support.

A word of thanks is also extended to the Bank's Management and staff for their fruitful Endeavour and sincere dedication towards the growth of the Bank.

Thanking you all.



Showkat Aziz Russell

MESSAGE FROM THE DESK OF THE MANAGING DIRECTOR





A Foreword on Bank from the Managing Director

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

Assalamu Alaikum

The important part of the bank is to get values and assumptions to figure goals of the organization for the year that developed from experiences and performances of the previous years. The past business experiences were extremely challenging for us as faced from increasing competition as well as increased volatility in various rates in deposit & advance, exchange rates, share prices and above all, deep recessions and deteriorations in credit quality.

In this perspective, credit risk of the bank needs to be managed and as such, a robust process is required that enables our bank to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders. The Bank is therefore, conducting a thorough credit and risk assessment prior to the granting of loans, and making resolute steps to introduce to provide a structured way of identifying and analyzing potential risks; and devising & implementing responses appropriate to their impact as per Risk Management Guidelines of Regulator.

In fact, on my assumption of office of the Managing Director of the Bank in November 2012, I always tried to put my determined efforts to operate the bank professionally in the most effective manner to persuade success of the bank. The last part of the year-2012 was a year for the Bank to adopt strategic policy reviewing status of on date business for its consolidation to required with reforms & restructuring programmes.

UCB is now operating with 131 branches and expected to open 08 more branches in 2013. It has solid deposit bucket of 17053.05 crore Taka against 13607.46 crore in loans & advance while the bank fetched Tk.18487.32 Crore in foreign exchange business. The Bank registered an operating profit of Tk. 576.22 crore in the year 2012. The Classified Advance was Tk. 501.56 Crore with 3.6% of total Loans & Advances.

The Bank, at the other extreme, is characterized with sound credit indicating adequate safety for timely repayment of financial obligations as reflected in its Long Term Credit Rating "AA-" while its Short Term Rating "ST-2" showing liquidity factors are strong and supported by good fundamental protection factors.

UCB has exceptionally solid supportive client base and has therefore, taken a renewed drive aimed at consolidating its business in more focused areas like SME, agro-finance, Export-Import & remittance business. It has its inner future plan to make the entire banking service an enjoyable one for customers as to foster Creativity, Innovation and Diversity.

The bank has already initiated a drive in implementing the Core Banking Software with the aim to serve the customers to their highest satisfaction. It is expected to become an 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.

Overview of Bangladesh Economy

Bangladesh continued to experience a healthy economic growth despite global economic recession. The country performed well with 5.8 percent growth in GDP in July-2010 and nearly 6.7% in 2011-2012 although inflation was volatile with 10-14%. The GDP is expected to be 6.5% plus despite many opposing forces which may not achieve the target of 7.2% as announced in the budget of 2012 and to achieve this goal of the Government; the Banking industry of the country is contributing tremendously.

The World Bank while reviewing the Bangladesh Economic Update October 2012 observed that GDP will grow at around 6% in FY 2013, despite an unfavorable global economy. Bangladesh has maintained 6% plus growth over most of the last 10 years through strong export and remittance growth.

Export

Export earnings were USD.24.29 billion in last financial year. In the first five months of this FY, export income was 10.13 billion US dollar with growth rate of 4.36%. Analyzing comparative position, the export income was USD 1900.89 million in September 2012 while UDS 1447.47 million in September 2011 showing an increase of 31.33% in September 2012 against September 2011.

During the July-September of 2012-2013 FY, Export of RMG was 39.05%, Knitwear 40.37%, Frozen Foods 2.06%, Jute and Jute goods 3.99%, Hides & skin 1.20%, Home Textile 3.16%, Footwear 1.77% which is 91.60% of total Export of the country. Major export trading partners were EU with 51.60%, USA with 20.14%, Canada 4.67%, & Japan 2.85%.

A Foreword on Bank From the Managing Director

Import

Import in July-October of FY 2012-13 was USD 11939.8 million against USD 12438.7 million in FY 2011-2012 recording decrease of 4.01%. Food Grain Import was USD 120.01 million while import of Textile was USD 1419.3 million, Edible oil- USD 1008.9 million, Petroleum products- USD 934.3 million, Raw cotton and yarn-USD 1247.3 million, Capital machinery – USD 753.3 million and others-USD 5836.4 million.

Remittance

Remittances from Bangladeshi nationals working abroad recorded USD 12.84 billion reflecting higher growth in the last financial year. During the first 5(five) months of the present financial year, foreign remittance recorded USD 6.11 billion. It is expected that foreign remittances may exceed USD 14 billion.

There has been a significant growth in remittance earnings of Bangladesh from USD 1949.32 million in financial year-2000 to USD 12.84 billion in financial year-2012. It has really played a significant role in offsetting our merchandise trade deficit to a large extent.

UCBL Strategy

UCBL has set its strategy to convert all its banking activities from traditional branch-based banking system to a centralized processing unit (CPU) based banking, maintaining growth of leadership at branch level as well. United Commercial Bank Limited has projected its business plan for the year 2013 with the slogan, “the year 2013 is the year of Business Consolidation”.

Therefore, UCBL strategic plan for 2013 refers to Consolidation of Business/ Maintaining Asset quality /Keeping strategic insight on sustainable profit growth.

The phrase “People, Planet, Profit” promotes the idea that business must consider; first people, second planet –the environment they live in and the third profit for sustainable growth of human civilization in a eco-friendly balanced earth. The UCBL Should embrace the 3 P’s as referred above to benefit the people around it, business it deals in and the profit to be earned on the context of social upliftment.

In fact, probable business growth of the Bank will not be achievable without Structured Banking, and as such, UCBL under its organizational Development/ restructuring process, has among others, taken the following positive steps:

- Implementation of Core Banking Solution (CBS)/Introduction of new Corporate Organogram/Manpower Planning 2013/Employees Performance Evaluation/ Introduction of Cluster Management Unit / Changes in Branch Operations Modality/ Changes in Divisional Structure at Corporate Office.
- Introduction of Concurrent Audit System/ Formation of RMG & Textile Division/Formation of Special Assets Management Division/ Recasting Internal Control & Compliance Division.
- Formation of Core Decision Making Committee (CDMC) at highest Management level for excelling participatory Management/Formation of Centralized Trade Processing Unit (CPU) at International Division, Corporate Office to excel foreign trade business through non-AD- branches; and Restructuring Card Division with separate Business and Operation Units.

With the accomplishment of the aforesaid restructuring programmes, the bank can be able to achieve the corporate objectives in regard to:

- Better customer focus / Performance Management
- Better risk management / Efficiency & Productivity level increase
- Accountability & Reward culture.

Core Risks Management

UCBL has now been adopting the Risks Management Guidelines of Bangladesh Bank. The Risk Management Unit of the bank is functioning to ensure practice of core management system in the bank. The Bank has its own Investment Risk Management policies and procedures; and using various process of investment risk management, the bank is now capable of proactively manage investment portfolios in order to minimize losses and earn an acceptable level of return for shareholders and thus to ensure quality asset of the bank. The Bank’s core market target is made up of manufacturer, traders, professionals, small and medium enterprises, and other operators in the middle-market segment of the economy.

A Foreword on Bank From the Managing Director

The management has now been able to set an ideal credit portfolio catering to very dependable business houses involved in trade, commerce and industry. 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.

Human Resources Development

The bank's policy on Human Resource Management is proactive. 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. UCBL believes that investment in Human Resource Development is the key to maintaining continued growth of the Bank.

The bank in support of its strategy for human resources development focuses on attracting & motivating the very best individuals and encouraging talent human resources of the bank.

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 with their talent & skill has now been working for business excellence of the bank with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance.

Information Technology

The state-of-the-art banking software of the bank will enable to perform as any branch banking service to the clients. Our 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. The Bank is providing customers service through on line facilities/SMS Banking with the objective to provide higher customer service satisfaction through state of the art technology. The bank is going to introduce Internet banking and mobile-based remittance payment systems to reach the UCBL services to the doorsteps of the customers.

Mobile Financial Services

UCBL is seeking to provide banking services with all modern technologies to its customers both banked and unbanked segment of the population. The bank has a vision to provide Mobile Financial Services to the unbanked people and banked customers. The Bank brings the financial services at the door step of common people as well as compliments the branchless banking. UCB made understanding with ROBI to introduce 'UCASH' under Mobile Financial Service with some unique distinctive essence to cater financial services to clients.

Corporate Social Responsibility

As a first generation bank, United commercial Bank Limited is quite conscious of its social responsibility and always trying to participate in social cause program in the country. The bank believes that any kind of social & philanthropic activities would improve the quality of the lives of the poor masses of the country. The UCBL aims to be a responsible corporate citizen, by identifying opportunities for service to the community and exploiting such for common good.

The bank will try to earn highest corporate image and recognition from the valued clients by dint of its social commitment and corporate social responsibility programs and excellent services. Corporate Social Responsibility (CSR) of the bank is in fact, an instrument to make business more committed towards social needs and national development through ethical and commercial conduct.

Lastly, 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. I would take the privilege also to seek cooperation & support of the honorable members of Board of Directors, Shareholders, Valued clients, well wishers, patrons as well as from the regulatory bodies i.e. Bangladesh Bank, Securities and Exchange Commissions, Stock Exchange, National Board of Revenue etc. to reach the cherished goals.

Sd/-

Muhammed Ali
Managing Director
United Commercial Bank Limited

LAST FIVE YEARS AT A GLANCE



5 Years' financial summary

(Figures in million Taka except ratios and per share data)

Results of operation	2008	2009	2010	2011	2012
Interest income	5,749.29	6,965.32	9,468.36	15,351.63	21,318.92
Interest expense	3,740.77	4,348.23	5,632.95	10,203.21	14,705.21
Net interest income	2,008.52	2,617.09	3,835.41	5,148.42	6,613.71
Non-interest income	2,100.91	2,574.97	4,018.47	4,145.95	3,563.95
Non-interest expenses	1,659.54	2,066.89	3,120.76	3,321.46	4,415.44
Net non-interest margin	441.37	508.08	897.71	824.49	(851.49)
Operating revenue	4,109.43	5,192.06	7,853.88	9,294.37	10,177.66
Operating profit	2,449.89	3,125.17	4,733.12	5,972.91	5,762.22
Profit before tax	1,463.01	1,541.86	3,632.60	5,172.91	3,739.06
Net profit	764.75	932.90	2,182.43	2,945.80	1,586.13

Balance Sheet

Authorized capital	1,000.00	1,000.00	8,000.00	8,000.00	15,000.00
Paid up capital	299.20	1,193.83	2,909.95	7,274.88	8,366.12
Shareholders' equity	4,384.24	5,705.47	7,817.27	15,966.41	18,171.02
Deposits and other accounts	54,485.27	77,730.40	113,070.78	139,484.75	170,530.54
Loans and advances	44,446.33	61,692.22	93,560.70	115,506.33	136,071.65
Investments	7,200.68	9,346.39	15,048.23	19,383.42	26,090.32
Fixed assets	999.19	1,305.81	1,966.35	3,288.09	5,222.78
Off-balance sheet exposure	18,085.80	22,098.19	40,797.74	40,255.37	52,153.26
Total assets	64,794.86	90,483.78	129,877.03	168,891.78	207,448.38
Total liabilities	60,410.62	84,778.32	122,059.76	152,925.36	189,277.37

Share Information

Market price per share (of Tk. 100 each)	3,190.00	3,190.00	n/a	n/a	n/a
Market price per share (of Tk. 10 each)	n/a	n/a	226.70	43.90	23.60
No. of shares outstanding (of Tk. 100 each)	2.99	11.94	n/a	n/a	n/a
No. of shares outstanding (of Tk. 10 each)	n/a	n/a	291.00	727.49	836.61
Earnings per share (of Tk. 10 each) basic	25.56	31.18	7.50	4.20	1.90
Earnings per share (of Tk. 10 each) restated	0.91	1.12	2.61	3.52	1.90
Dividend	25% B	30% B	25% B	15% B 12%	10%
Net asset value per share (of Tk. 10 each)	146.53	47.79	26.86	21.95	21.72
Price earning ratio (times)	12.48	10.23	30.23	10.45	12.45
Market capitalization (in million Taka)	95,446.36	380,830.84	659,686.46	319,367.40	197,440.34

5 Years' financial summary

(Figures in million Taka except ratios and per share data)

Financial ratios (%)	2008	2009	2010	2011	2012
Cost-income ratio	40.38	39.81	39.74	35.74	43.38
Credit-deposit ratio	81.57	79.37	82.75	82.81	79.79
Debt equity ratio (times)	12.43	13.62	14.46	8.74	9.38
Non-performing loans	4.62	2.63	1.20	1.79	3.69
Return on assets	1.18	1.03	1.68	1.74	0.76
Return on equity	17.44	16.35	27.92	18.45	8.73
Burden coverage ratio	126.60	124.58	128.77	124.82	80.72
Cost of fund	11.32	10.72	9.81	11.09	12.46
Yield on advance	14.02	13.78	12.89	14.81	16.23

Other informations

No. of branches	84	98	107	115	130
No. of ATM	-	12	54	77	81
No. of employees	2,092	2,508	2,738	2,982	3,374
No. of foreign correspondents	257	274	296	333	357

Other business (in million Taka):

Import	60,009.00	58,857.00	86,666.50	90,919.70	94,843.80
Export	36,500.00	38,519.00	50,712.10	76,962.80	78,309.10
Remittance	4,466.00	4,914.00	5,452.10	16,802.80	14,848.30

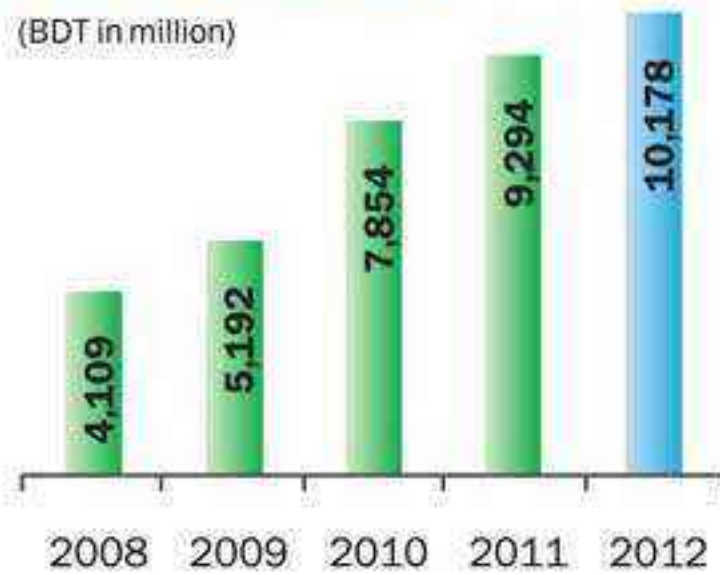
Capital measures (in million Taka):

Total Risk Weighted Assets	46,247.16	65,440.12	144,080.55	155,231.89	177,900.41
Total Capital (core capital & supplemental capital)	4,780.38	6,035.00	9,085.83	16,877.06	18,455.74
Capital Adequacy Ratio (%)	10.34	9.22	6.31	10.87	10.37

Graphical Review

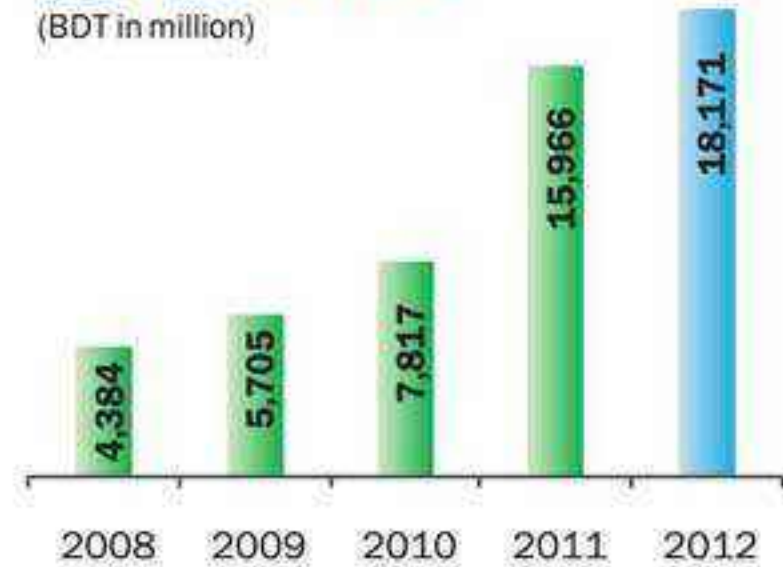
Operating Revenue

(BDT in million)



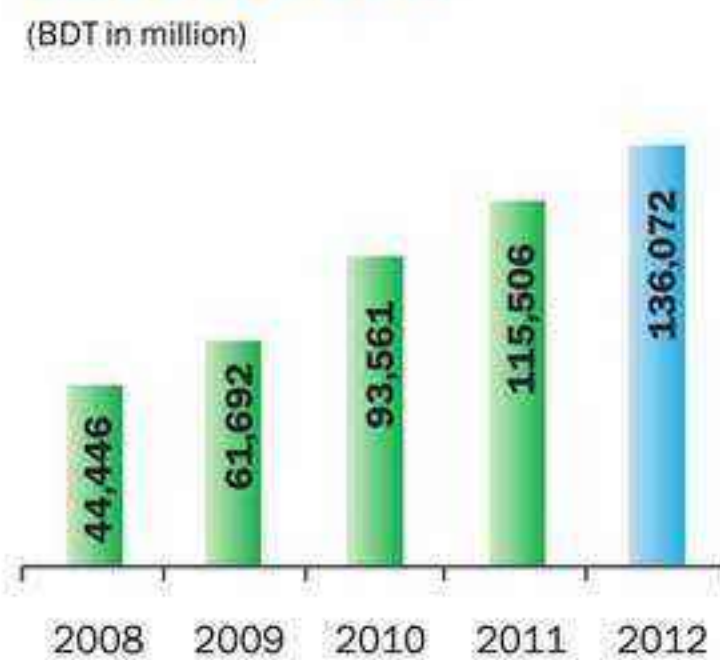
Shareholders' Equity

(BDT in million)



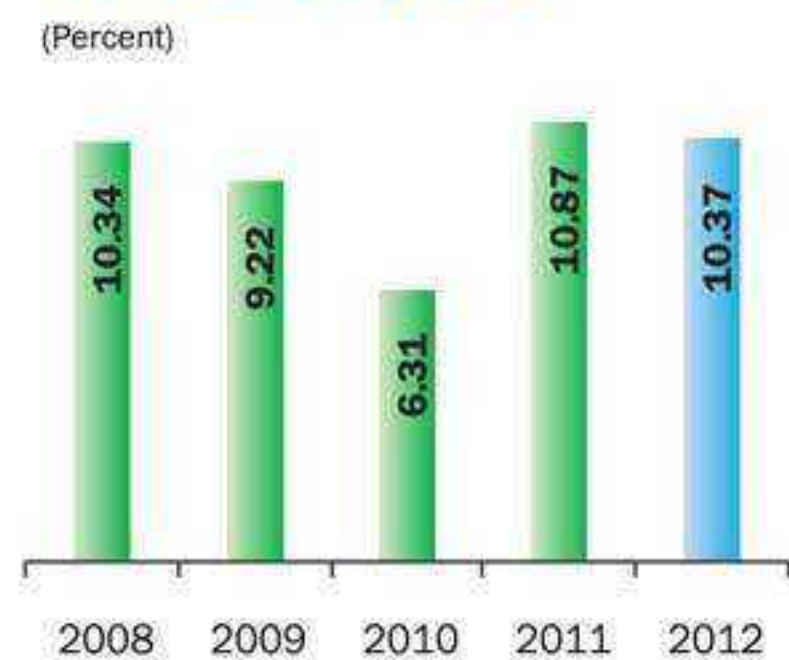
Loans and Advances

(BDT in million)



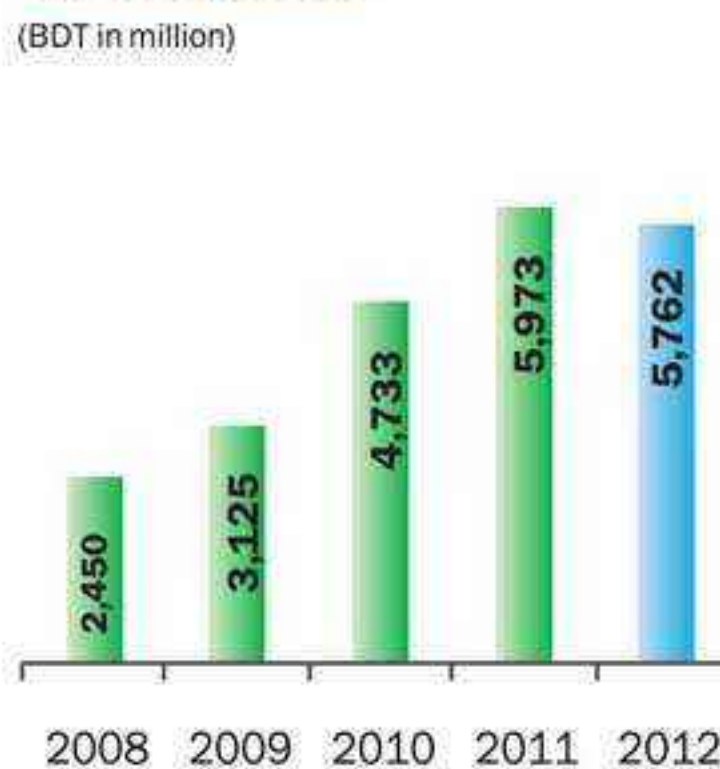
Capital Adequacy Ratio

(Percent)



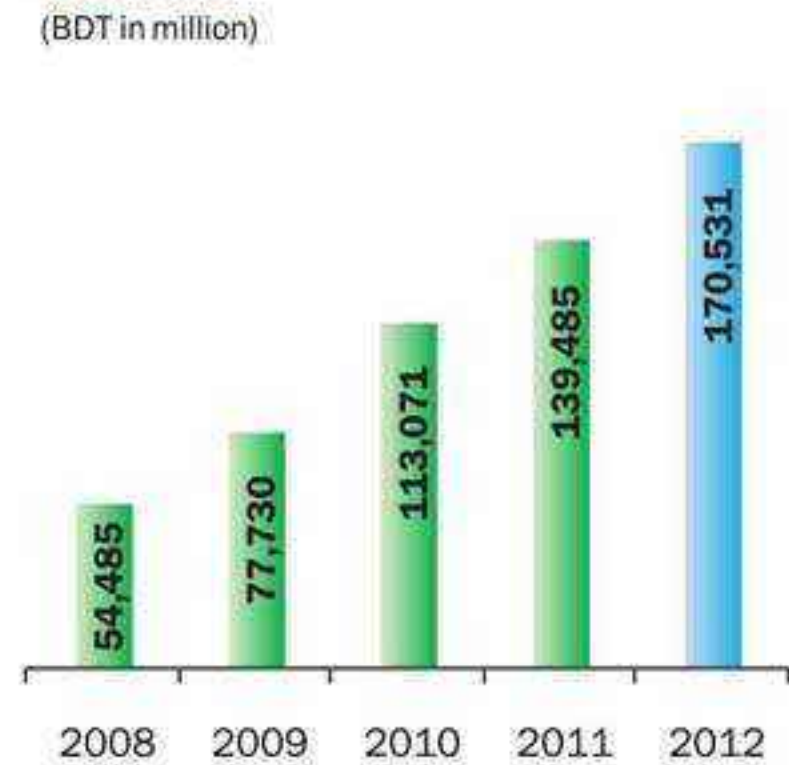
Operating Profit

(BDT in million)



Deposits

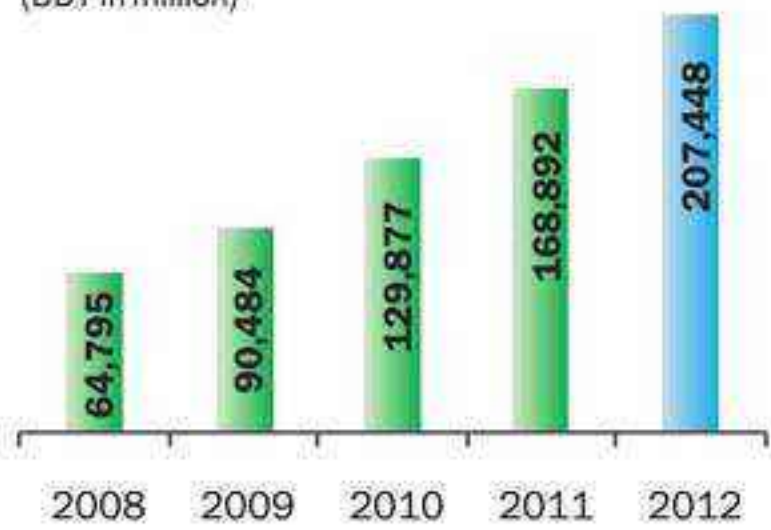
(BDT in million)



Graphical Review

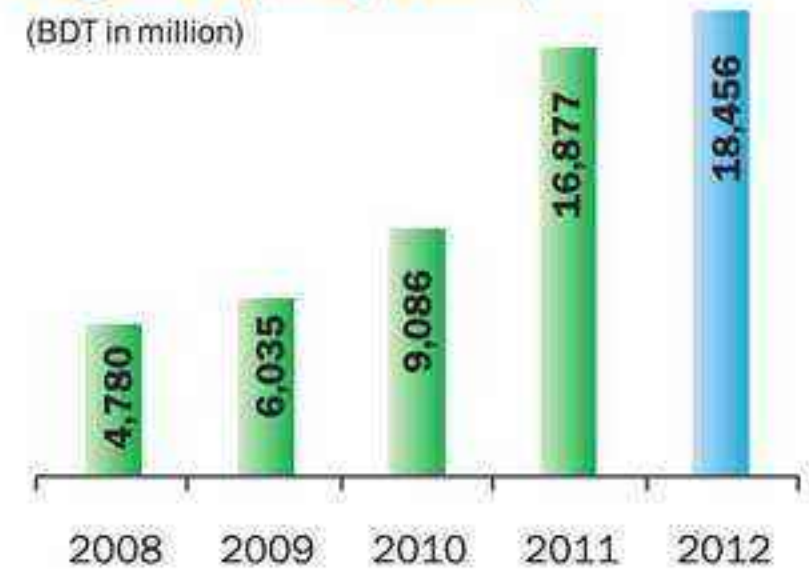
Total Assets

(BDT in million)



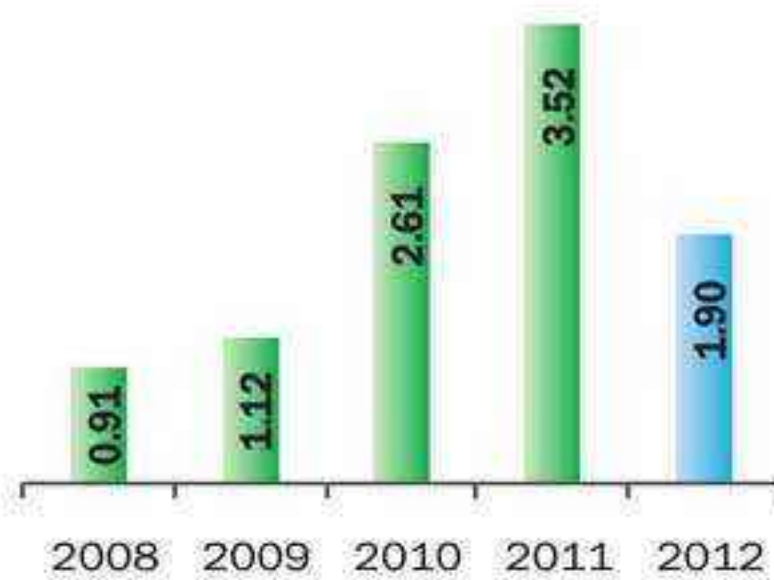
Eligible Capital (Basel-II)

(BDT in million)



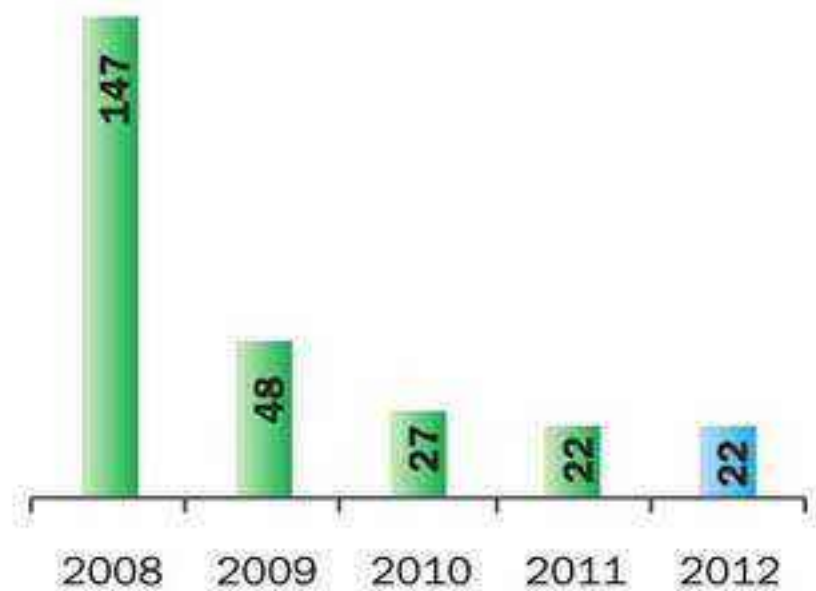
Earnings Per Share

(Restated) (BDT)



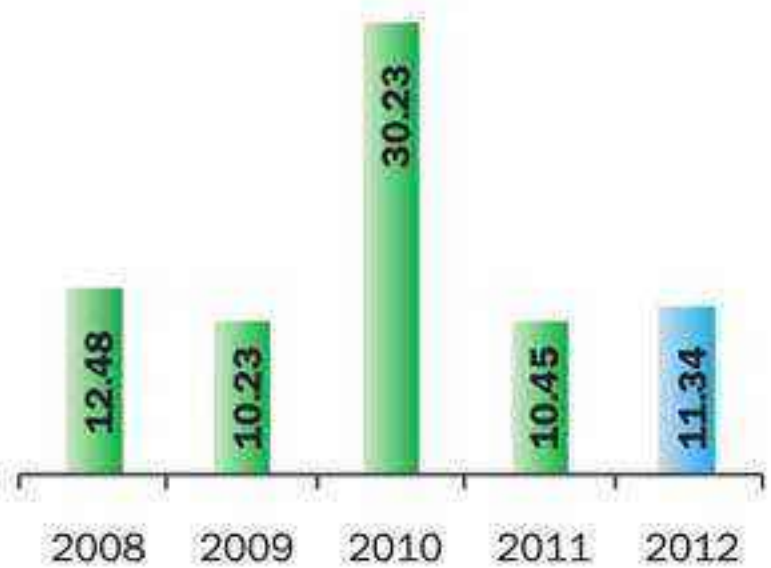
Net Asset Value per Share

(BDT)



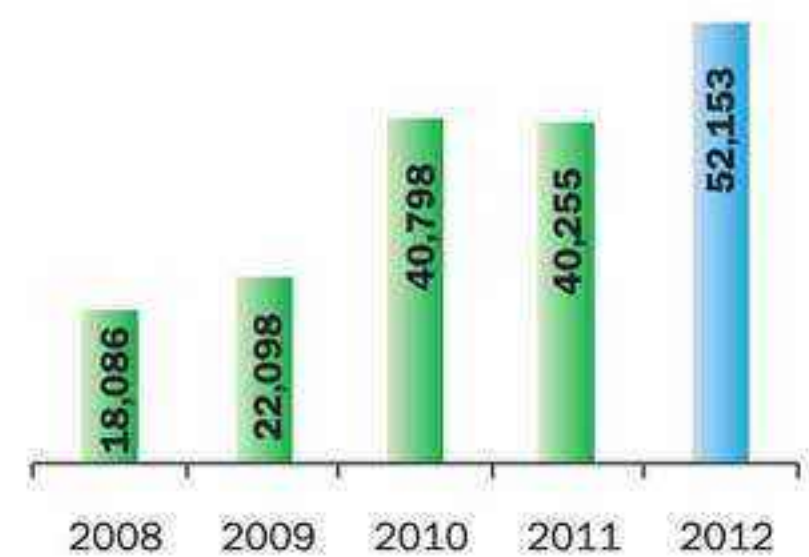
Price Earning Ratio

(Times)



Off-balance Sheet Exposure

(BDT in million)



PRODUCT PROFILE

UCB has a set of versatile products & services:

Deposit Products

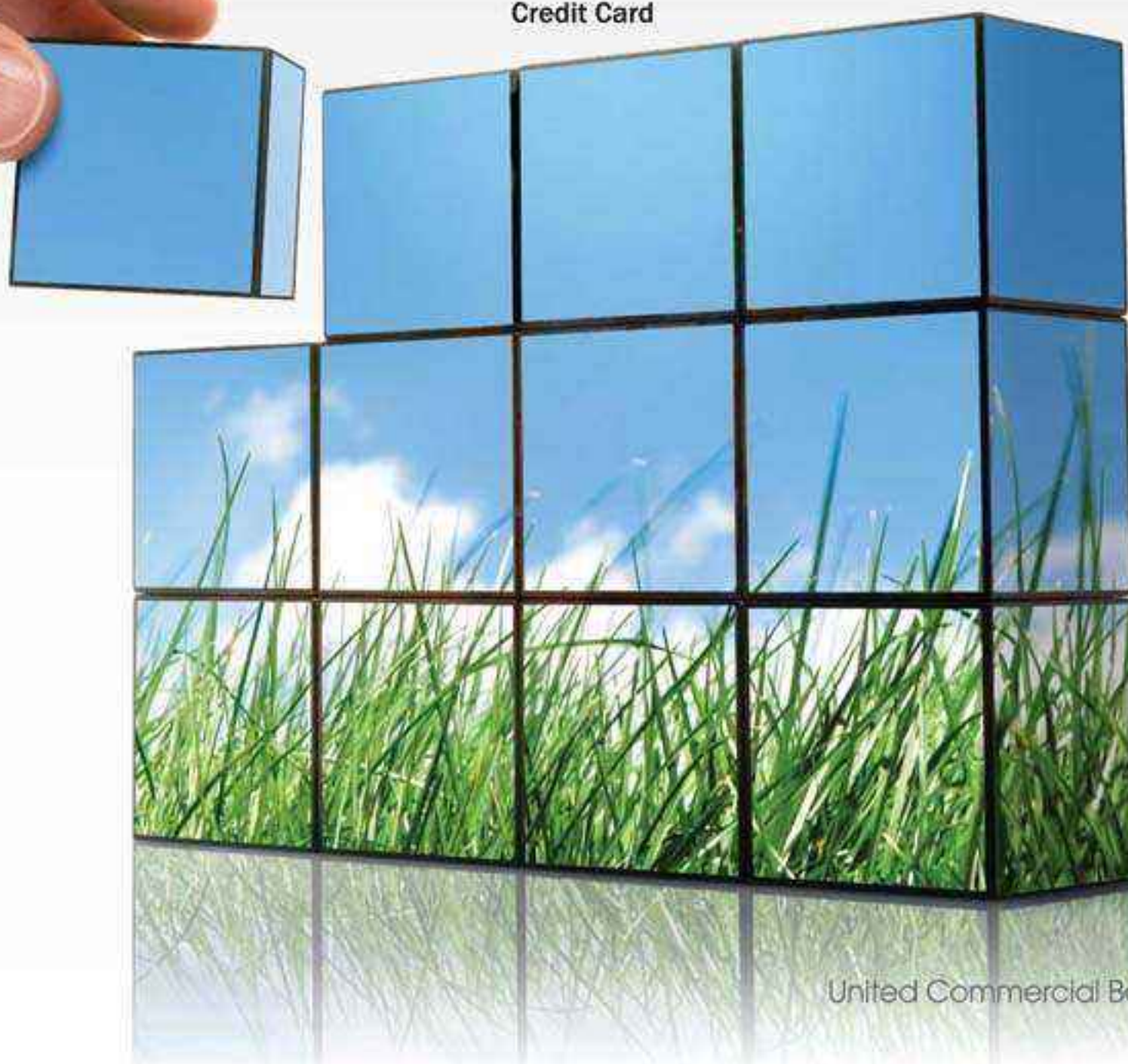
Current Deposit
Savings Deposit
Special Notice Deposit
Fixed Deposit
Foreign Currency Deposit A/C
UCB Multi Millionaire
UCB Money Maximizer
UCB Earning Plus
UCB DPS Plus
UCB Youngsters Savings
UCB Youngsters DPS
UCB Savings Plus
UCB Women's Savings
UCB Women's DPS Plus
UCB NRB Savings
UCB NRB DPS Plus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





UCB Product Profile



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 Product Profile

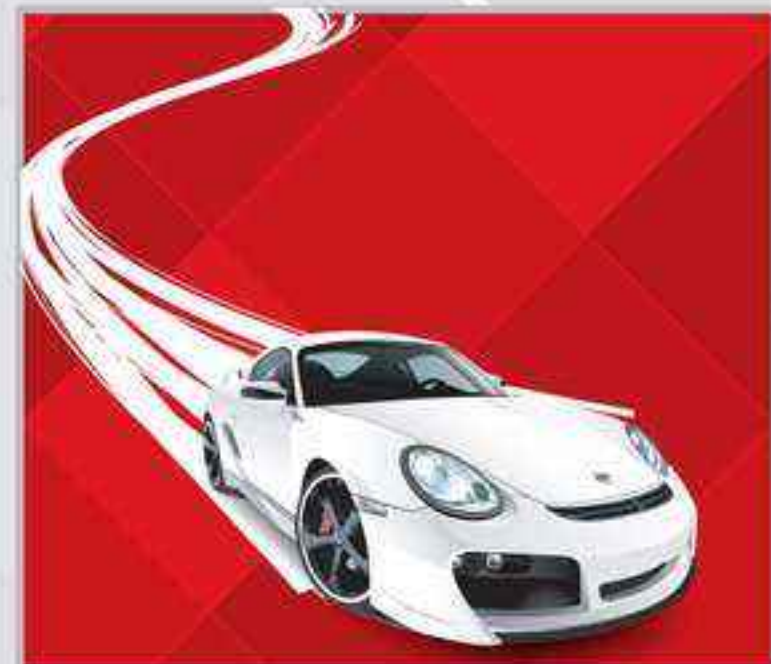


Home Loan

From buying an apartment to building/renovating your own home get up to Tk. 100 lacs as loan and repay within a 20 year period of time.

Car Loan

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



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 Product Profile



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.

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.



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 Product Profile



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.

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.



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.

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.



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 the society. Based on the financials as on 31 December 2011 the size of total credit exposure of UCB with 28,148 no. of clients is Tk. 136,072 million (2011: 25,059 no. of clients, Tk. 115,506 million).

Employment : We make an economic impact by creating employment and a well-trained workforce. UCB and its subsidiary employed as many as 3,374 employees as on 31 December 2012 (2011: 2,982). During the year 2012 United Commercial Bank paid total of Tk. 2,374.13 million as salaries and allowances to its employees (2011: Tk. 1,795.47 million) and spent Tk. 19.76 million for training and HR development (2011: Tk. 27.67 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 2012 UCB provided Tk. 2,152.94 million as provision for tax (2011: Tk. 2,227.11 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 10% cash dividend to its shareholders for the year 2012 (in 2011 the bank has also paid total 27 percent dividend comprising 15 percent stock dividend and 12 percent cash dividend).

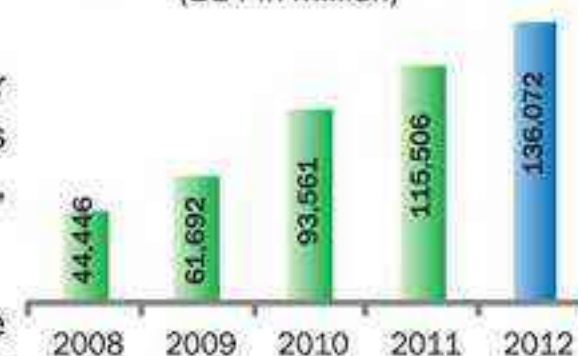
Market capitalization : UCB started its journey with a capital of TK. 35.50 million in the year 1983. At the end of the year 2012 UCB's total size of capital is Tk. 8,366.12 million equivalents to market capitalization of Tk.197,440.43 million (2011: paid up capital Tk.7,274.88 million, market capitalization Tk. 319,367.23 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 2012 the bank expended Tk. 11.17 million for donation and sponsorship (2011: Tk. 4.65 million).

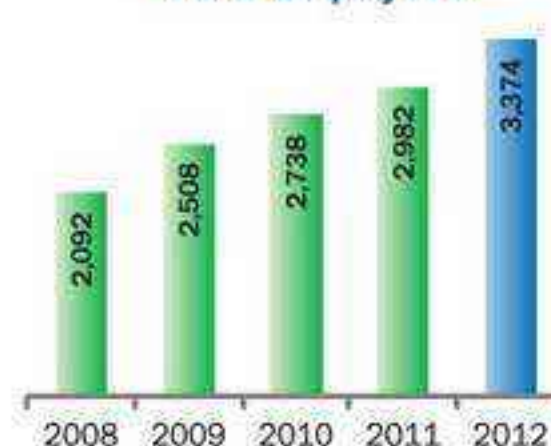
Development without compromising the needs of future generation - We firmly believe that sustainable economic growth and a healthy environment are inter-linked. We take supportive role in terms of providing financial services by restricting and discouraging projects detrimental to the environment and 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



Value added statement

The value added statement provides a detailed account of total value addition and the distribution of the value created by the organization. UCBL contributes positively to socio economic development by empowering employees through the payment of salaries and allowances; by paying attractive and consistent dividend to the providers of capital; by assisting the regulatory capacities through paying taxes and of course keeping in mind company's continuous expansion and business growth.

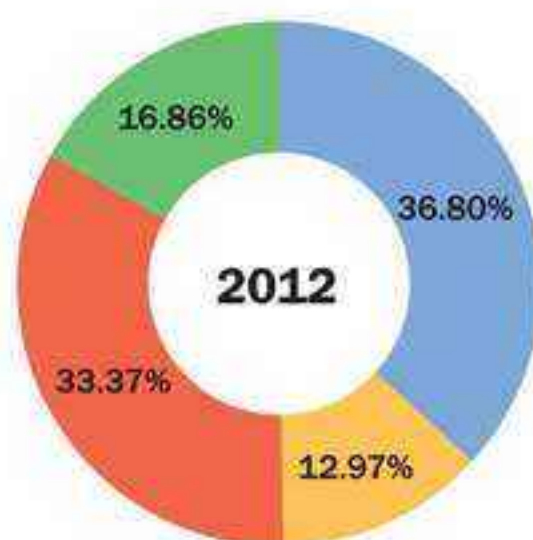
(Figures in million Taka)

	2012		2011	
	Amount	Percentage	Amount	Percentage
Value added				
Net interest income	6,614	103%	5,148	71%
Commission, exchange & brokerage	1,429	22%	1,554	22%
Investment income	1,419	22%	1,834	25%
Other income	716	11%	758	11%
Management expenses excluding salaries & allowances, depreciation	(1,703)	-26%	(1,289)	-18%
Provision for doubtful losses	(2,023)	-31%	(800)	-11%
Total value added by the company	6,451	100%	7,205	100%

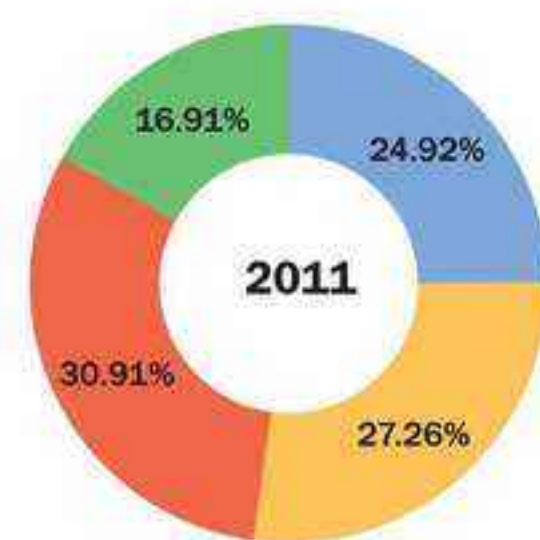
Value added contributed to-

(Figures in million Taka)

	2012		2011	
	Amount	Percentage	Amount	Percentage
Employees:				
As salaries and allowance	2,374	36.80%	1,795	24.92%
Provider of capital:				
Dividend to shareholders	837	12.97%	1,964	27.26%
Government:				
Corporate tax	2,153	33.37%	2,227	30.91%
To expansion and growth:				
Retained income	750	11.62%	982	13.62%
Depreciation	338	5.24%	237	3.29%
Total distribution by the company	6,451	100.00%	7,205	100.00%



- Employees:
- Provider of capital:
- Government:
- To expansion and growth:



Economic value added statement

Economic value added (EVA) is the financial performance measure that attempts to measure the true economic profit of an organization. It provides a measurement of a company's economic success (or failure) over a period of time. Such a metric is useful for investors who wish to determine how well a company has added value for its investors and it can be compared against company's peers for a quick analysis of how well the company is operating in its industry. Economic value added is calculated by taking a company's net profit after tax, adding with it, the amount of provision charged against profit to absorb the losses inherent in the investments. EVA is calculated as under:

$$\text{EVA} = (\text{NPAT} - \text{Cost of average equity})$$

NPAT

NPAT is the net profit after tax plus the provision for doubtful losses charged against profit.

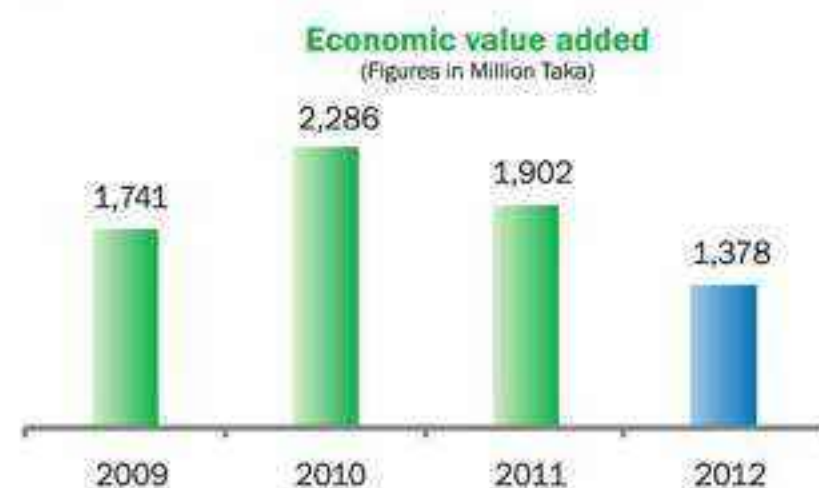
Equity

Shareholders' equity is the total amount of equity at the year end plus accumulated provision charged against profit for doubtful losses.

Cost of equity

It is the opportunity cost i.e. the expected risk free return on investments, plus a risk premium. Interest on Bangladesh Government Sanchaya Patra plus risk premium has been assumed to be the cost of equity.

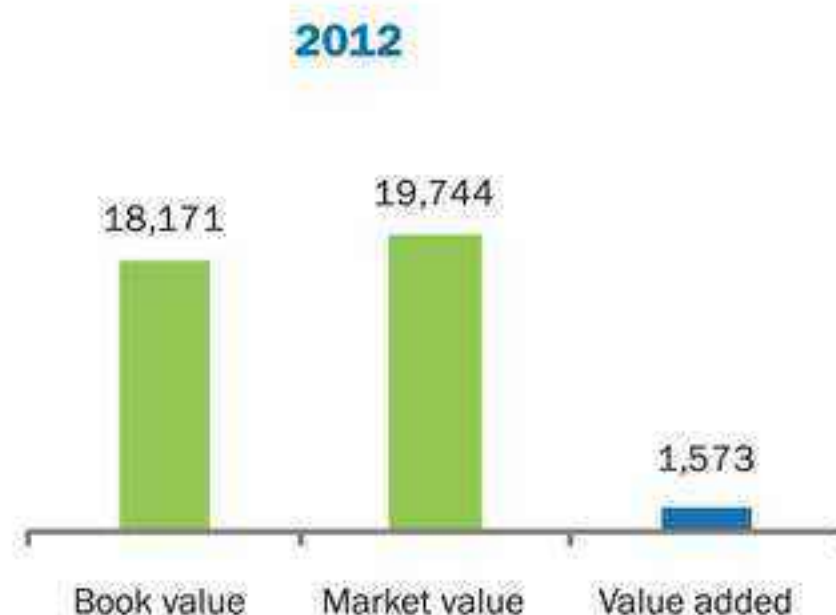
	(Figures in Million Taka)			
For the year ended	2012	2011	2010	2009
Shareholders' equity at year end	18,171	15,966	7,817	5,705
Accumulated provision against loans & advances	3,531	2,177	1,437	1,307
Average shareholders' equity	19,922	13,698	8,133	6,323
Cost of equity (%)	11.20%	13.46%	12.26%	12.26%
Economic value added				
Net profit after tax (before provision)	3,609	3,746	3,283	2,516
Less: Cost of equity	2,231	1,844	997	775
Total	1,378	1,902	2,286	1,741
Key ratios				
EVA/Operating revenue (%)	13.54%	20.46%	29.10%	33.53%
EVA/Average shareholders' equity (%)	6.92%	13.88%	28.10%	27.53%
Net profit after tax/Operating revenue (%)	15.58%	31.69%	27.79%	17.97%



Market value added statement

Unlike EVA, which measures internal performance, market value added (MVA) is a measure of external performance that indicate how the market has evaluated the company's performance in terms of market value of shares compared to book value of shares. MVA is the difference between the market value of equity of a company and the book value of equity invested in the company. A positive MVA indicates that the company could add value to shareholders wealth. The following statement indicates the MVA at the year ended on 31 December of 2012 and 2011 :

(in million Taka)	2012	2011
Market value of shares outstanding	197,440	319,367
Book value of shares outstanding	181,710	59,664
Market value added	15,730	159,703



CREDIT RATING REPORT

CRISL has rated the Bank based on December 31, 2011 with 'AA-' (pronounced as double A minus) in the Long Term and ST-2 for the Short Term. The date of rating was April 09, 2012.

Year	Long Term Rating	Short Term Rating
2011	AA-	ST -2
2010	A+	ST -2

UCBL has been rated as AA- which means Adequate Safety for timely repayment of financial obligations. This level of rating indicates a corporate entity 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 ST-2 indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.



DIRECTORS' REPORT

Directors' Report

'The BOARD of the bank is committed to maximize the SHAREHOLDERS WEALTH and protecting the interest of the depositors'

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 2012 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 section 184 of the Companies Act 1994, BSEC's 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 are considered 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

The global economy has yet to shake off the fallout from the crisis of 2008-2009. Global growth dropped to 3.2 percent in 2012 as against 3.9 percent of 2011, which indicates that more than a half percentage point has been shaved off the long-term trend since the crisis emerged. This slowing trend is likely to continue. Mature economies are still healing the scars of the 2008-2009 crisis. But unlike in 2010 and 2011, emerging markets did not pick up the slack in 2012, and won't do so in 2013. Uncertainty across the regions – from the post-election 'fiscal cliff' question in the U.S. to the Chinese leadership transition and reforms in the Euro Area – will continue to have global impacts in sluggish trade and tepid foreign direct investment.

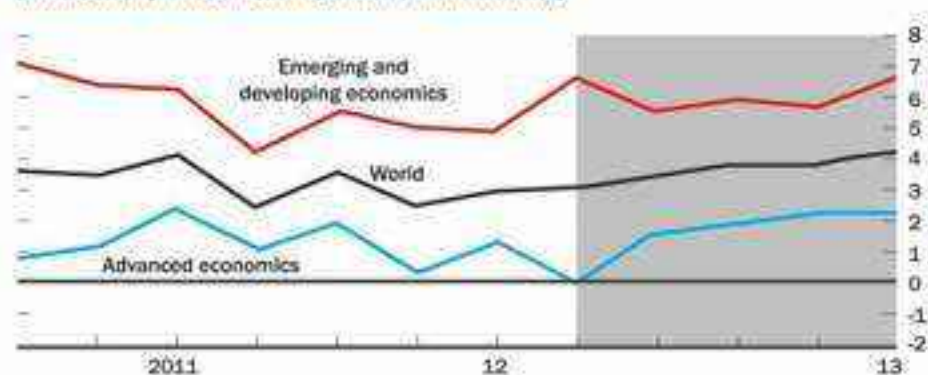
The overall Global economic growth prospects for 2013 are expected to be marginally better than 2012, is expected to be 3.5 percent with the average for developing countries projected at 5.6 percent and high income countries at 1.5 percent- a marginal improvement over 2012 with significant downside risks and uncertainty among the key trading partner countries, particularly in Europe. Though the United States is showing some signs of recovery but overall growth prospect for 2013 in advanced economies remains bleak.

World Economic Outlook Projections (year over year)

	2011	2012	Projections	
			2013	2014
World Output	3.9	3.2	3.5	4.1
United States	1.8	2.3	2.0	3.0
European Union	1.6	-0.2	0.2	1.4
Japan	-0.6	2.0	1.2	0.7
United Kingdom	0.9	-0.2	1.0	1.9
Russia	4.3	3.6	3.7	3.8
China	9.3	7.8	8.2	8.5
India	7.9	4.5	5.9	6.4
ASEAN-5	4.5	5.7	5.5	5.7
Brazil	2.7	1.0	3.5	4.0

Source: World Economic Outlook Update on January 23, 2013 by International Monetary Fund

Figure 1. Global GDP Growth
(Percent; quarter over quarter, annualized)



Source: IMF staff estimates

According to IMF, "If crisis risks do not materialize and financial conditions continue to improve, global growth could be stronger than projected. However, downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States."

Directors' Report

Bangladesh Economy

Despite an unfavorable global economy, the Bangladesh economy emerged largely unscathed, averaging over 6% growth between FY09 and FY11. In FY12 the economy faced a different set of challenges related to persisting inflationary and balance of payments pressure. In this context Bangladesh Bank forecasts GDP growth for Bangladesh in FY 12- between 6.1-6.4 as against 6.7 percent in FY2011. On the other hand, various forecasts highlights significant dampening influences on this growth target and as a result real GDP growth in FY 13 is unlikely to be less than the previous ten years average and may exceed it if global conditions improve.

A new World Bank report, "Bangladesh: Towards Accelerated, Inclusive, and Sustainable Growth—Opportunities and Challenges" (Overview, Main Report) says that both GDP growth and remittances would play an important role in attaining middle-income status within 2021.

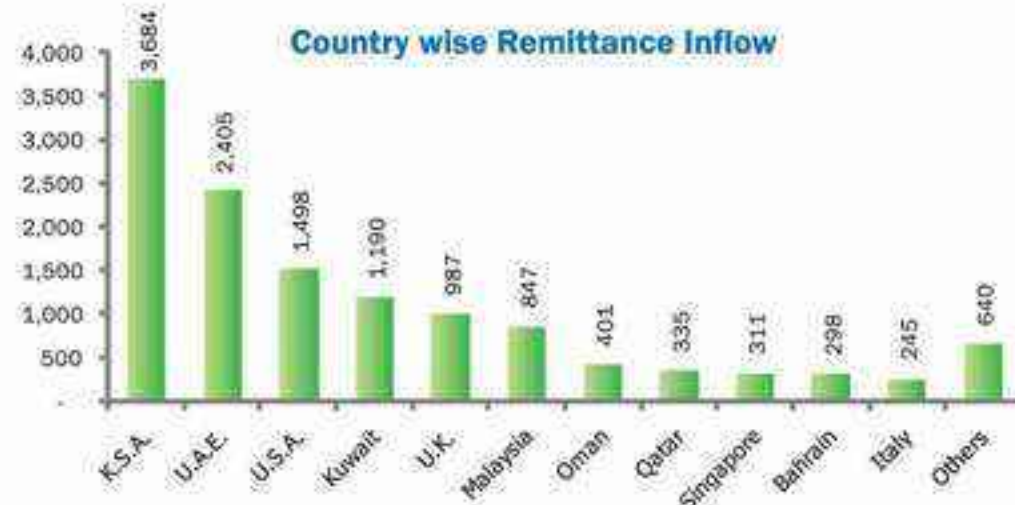
Macroeconomic pressures have abated

Bangladesh has once again demonstrated its ability to overcome macroeconomic pressure through timely and adequate policy response notwithstanding the difficult political economy challenges associated with the needed policy adjustments.

Favorable international price trends and monetary tightening has reduced inflation- average inflation has been declining steadily over the last year as a whole, from a peak of 10.91 percent in January to 8.74 percent in December 2012 and within reach of the FY 13 CPI inflation on target of 7.5 percent. The above mentioned decline has been due both to lower food and non-food price inflation with point to point non-food inflation from a peak of around 14 percent in March to 8.43 percent in December 2012.



Pressures on the balance of payments have eased. The overall balance of payments reversed from a moderate deficit in FY11 to a small surplus in FY12 due to much slower than projected import growth and strong growth in remittances. Taking advantage of this Bangladesh Bank (BB) has built up its reserve buffer. Gross forex reserves were USD 12.8 billion in the end of December 2012 which was equivalent to 4 (four) months import cover.

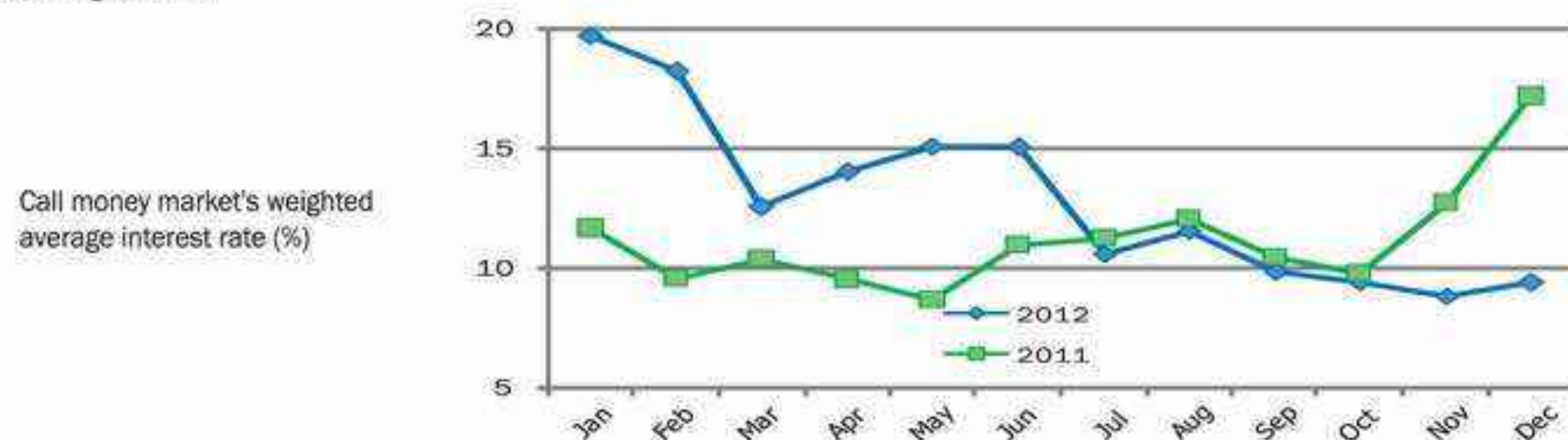


Remittances have been buoyed. In the first half of FY13 the remittance growth of 22 percent is much higher than the remittance growth of 10.30 percent in FY 12 and 6 percent growth in FY 11 which is likely to be a little moderate in H2 FY 13 in light of recent slowing of workers moving abroad.

Foreign direct investment increased in FY12. World Investment Report 2012 ranked Bangladesh 16th among 74 FDI-recipient countries with a record \$1.13 billion FDI inflow. This is only the second time Bangladesh's FDI has exceeded the billion dollar mark in a single year. However, to attract

more FDI the country needs to remove infrastructure bottlenecks, make land more readily available, upgrade skills of the labor force, and address administrative impediments.

The financial sector has been somewhat stressed over the last six months. Bank stability has deteriorated in the last six months and capital market volatility has continued. However, banks have been resilient to market shocks such as change in interest and exchange rates.



Directors' Report

Inter bank rates decline sharply from 20 percent in January 2012 to below 10 percent a year later which is expected to decline further in the coming months.

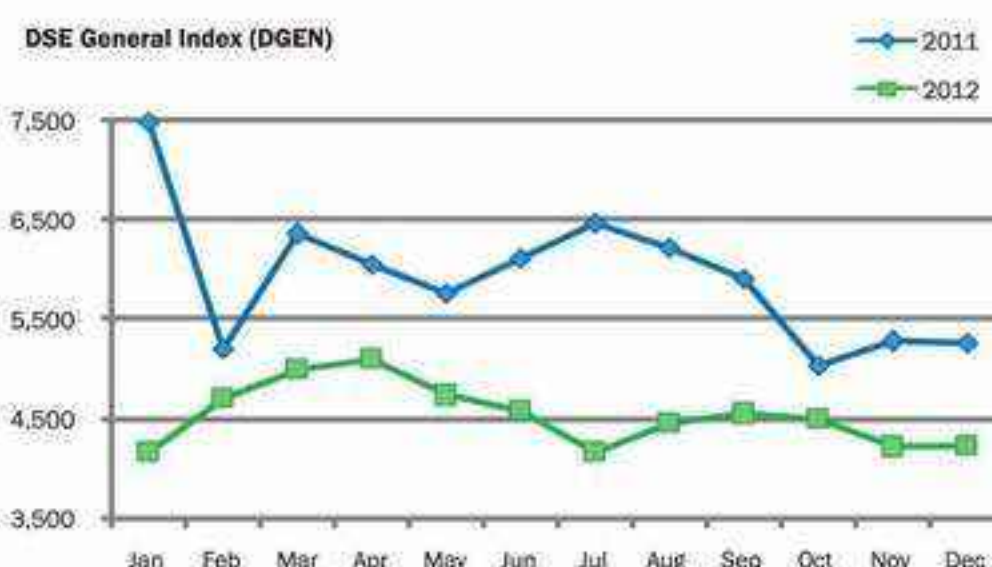
Outlook - The Challenges

Bangladesh's economic outlook is subject to several short-term risks:

- Further intensification of the euro area crisis may deepen Bangladesh's export slump of the next six months
- Escalation of global food prices may reverse the recent decline in food inflation
- Increases in global oil price will place the balance of payments under pressure again and shrink fiscal space
- Banks are susceptible to credit and market risk and the global economic vulnerabilities
- Increased political instability and labour unrest may depress investments further.
- The decision of constructing Padma Bridge from internal source may impact the forex reserve significantly.

Capital market analysis

Continuous decrease in the capital market has destabilized the economy and the society as a whole. The situation became a matter of serious concern for the investors and of the regulatory authorities. The market index showed downturn throughout the year 2012. In terms of sector wise composition the financial sector including banks, insurance and investment hold majority share in total market capitalization. As the banking industry is an influential party of the capital market in terms of investment, policy formulation, fund mobilization etc, it suffers substantially based on the size and nature of its involvement in the market.



DSE turn over in terms of value was decreased to BDT 1,001.08 billion in 2012 which was BDT 1,560.56 billion in 2011. The movement of DSE General Index (DGEN) in 2012 and 2011 is shown in the above graph.

Banking Industry Outlook

Presently, there are 52 scheduled banks in Bangladesh which are fully under the supervision of Bangladesh Bank of which 4 State Owned Commercial Banks, 4 Specialized Banks, 28 Conventional Private Commercial Banks, 7 Islami Shariah based Private Commercial Banks and 9 Foreign Commercial Banks. Among these 5 banks have been scheduled in 2013 and another 4 banks are in pipe line. With the growth of country economy, banking industry achieved a significant growth in 2012. In the beginning of 2012, banking industry was in liquidity stressed scenario when inter-bank call money rate was about 20 percent which came down to 9 percent in December 2012. Banks achieved a significant growth in deposit mobilization and also in rational approach for loan disbursement. In 2012, banks achieved 20.05 percent deposit growth and 15.96 percent loan growth. In 2012, some financial scams have been identified which marked a question to internal control and compliance culture of banks, specially for state owned banks. Overall non-performing loan has been increased mainly due to implementation of new classification circular which resulted to increase of specific provision requirement and decrease of net profit. Among the profitability measures, overall return on asset (ROA) in the banking sector decline from 1.54 percent at the end of 2011 to 0.64 percent at the end of 2012. This was primarily due to interest expenditure growing faster than interest income and increase of NPL as well as higher provisioning requirement under new loan provision guideline implemented by Bangladesh Bank.

The ratio of gross NPL to total loans of the banking sector increased from 6.12 percent at the end of 2011 to 10.03 percent at the end of 2012. Gross NPL ratio for the state owned commercial banks (SCBs) increased substantially to 23.87 percent at end-December 2012 from 11.27 percent at end of December 2011. This ratio for PCBs was recorded at 4.58 percent from 2.95 percent. The Capital Adequacy Ratio (CAR) for all banks decreased to 10.46 percent at the end of December 2012 from 11.35 percent at the end of 2011.

Directors' Report

Risk and concerns for the banking industry

The year 2013 will be more challenging for banking industry in Bangladesh. Though banking industry is not much affected by the world economic turmoil, there are some internal factors which may affect this industry. Major challenges in 2013 for the banking industry are mentioned as under;

- Capital market has adversely affected the banking industry. The banks which have large exposure in capital market directly or through subsidiaries, need to maintain more provision which will affect the ROA, ROE and CAR.
- Real estate sector is stuck up in last couple of years. If this sector continues in this way, the banks' investment exposure in this sector may be affected adversely.
- Due to political unrest the economy is going through a difficult phase which is also affecting the banking business.
- Nine new banks are coming in operation very soon which may create more competition to existing banks and may also create unhealthy competition in deposit mobilization.
- 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.

Brief History of UCB

UCB started its journey in the year 1983 with an initial paid capital of Tk 35.50 million with the objective of excellence in customer service with pleasure and happiness. Its vision is to be the bank of first choice 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 2012 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 2012, the bank feel proud of having 130 branches and 81 ATM throughout the country. Eight (08) more branches are in the offing to be opened in the year 2013 as approved by Bangladesh Bank.

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 significant 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 is 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 to 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 Act 1991 as amended by BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standard (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 for the year under review.

The financial statements of 2012 have been reviewed by the Audit Committee of the Board of Directors of the Bank. The external auditor, M/S Syful Shamsul Alam & Co., Chartered Accountants have certified the fairness of the financial statements.

Maintaining proper books of account

UCB maintained proper books of account for its financial transactions occurred during 2012. For recording the transactions, the bank has followed the International Accounting Standard (IAS). The books of account have also reviewed by the external auditor, M/S Syful Shamsul Alam & Co., Chartered Accountants with an opinion that proper books of accounts as required by the law have been kept.

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 addition to IAS and IFRS, first schedule (section-38) of the Bank Companies Act 1991 as amended by BRPD Circular no. 14 dated 25 June 2003, other 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

The Board retaining 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.

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 the company is 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 on going concern has been attached with this Annual Report.

Network

Presently the Bank is functioning with its country wide network of 130 branches covering all divisions of the country. Out of the 130 branches, Dhaka division has 60 branches, Chittagong division has 39 branches, Rajshahi division has 7 branches, Rangpur division has 2 branches, Sylhet division has 14 branches, Khulna division has 7 branches and Barishal division has 1 branch. Division wise urban and rural branches are given below:

Directors' Report

Division Name	Urban	Rural	Total
Dhaka	40	20	60
Chittagong	23	16	39
Rajshahi	06	01	07
Rangpur	02	0	02
Sylhet	07	07	14
Khulna	06	01	07
Barishal	01	0	01
Total	85	45	130

The bank has set up a Zonal Office at Chittagong to facilitate services to the customers of the branches located under the Chittagong division. To go nearer to customers and give better facility to new and existing customers, we have opened 15 new branches, renovated 06 branches and relocated 03 branches in the year 2012. The numbers of authorized dealer branches are 25. Besides, the Bank currently has 357 correspondents covering 59 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.

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. The management team consists of the following senior executives:

Name	Designation
Mr. Muhammed Ali	Managing Director
Mr. M. Shahidul Islam	Additional Managing Director
Mr. Mirza Mahmud Rafiqur Rahman	Additional Managing Director
Mr. Mohammad Abu Abdullah	Deputy Managing Director
Mr. Md. Tariqul Azam	Deputy Managing Director
Mr. Mohammad Shawkat Jamil	Deputy Managing Director

Human Resources Development

The new economy with increased global, regional & local competition coupled with socio-economic sensitivity have created enormous challenges in organizations like private commercial banks. To cope with challenges and changes, our strategic objective is to consolidate and strengthen our HR system & process including organizational development.

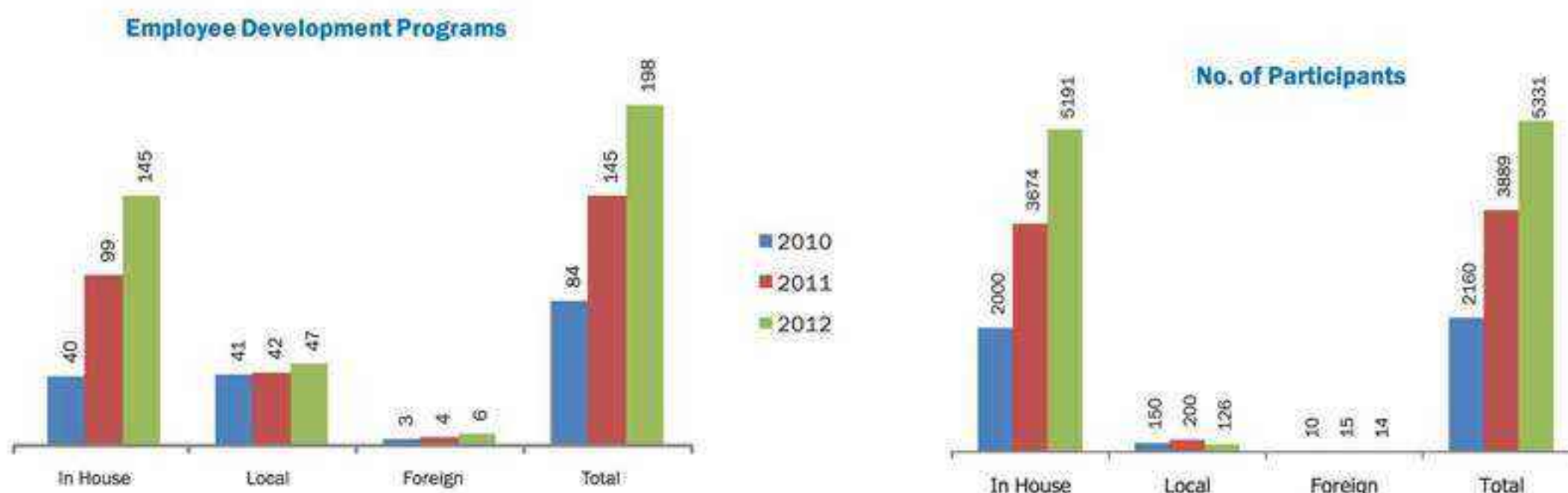
In line with our objective, **UCB** organizational focus will continue to remain in developing the talent pool in leading the competitive business synergy, consolidate KPI based performance management, re-design reward & recognition system linked to performance, instill implant enterprise culture based on values, enhance capability of employees in technology banking through CBS and brings in structural changes in the organization to enhance organizational capabilities.

Our strategic HR & Organization Development Model is highlighted below:



Directors' Report

Status of training programs vis-à-vis number of participants: 2010 – 2012:



Some highlights on our "Career Management" initiative is given below:

- Potential listing of employees by profession,
- Succession and development listing by profession,
- Competence mapping of the listed employees & identifying skill / competence gaps for development,
- Organize counseling & coaching sessions for specific group of listed potential employees
- Talent data base for tracking career progression & recommend measures for retention of potential group so as to avoid "Regretted Loss"
- Learning & Development initiatives in career management will continue as a priority agenda

Brand Image

We are working rigorously to enhance our brand image among public and peer groups. All the employees of the bank are groomed to provide efficient services to the customers to enhance our brand image further. We advertise our products and services in the print & electronic media and sponsor social activities to establish our brand image.

Information Technology

In the year 2012, Information Technology Division of UCB contributed considerably in different area of Information & Communication Technology, which facilitated the Bank to keep its continuous growth. Some of the significant contributions are furnished below;

The Mobile Financial Service is going to be implemented in the beginning of the year 2013 as the result of business and technical effort of 2012 by the Information Technology team. For UCB, providing banking services to the unbanked is part of our commitment in bringing banking facilities to the doorstep of the unbanked, complimenting financial inclusion, helping to grow national economy.

The Management of the bank has decided to upgrade its existing operational software and replace it with best-of-breed robust Core Banking Software. Accordingly, necessary preparation for the assessment, evaluation and selection of a CBS is completed, and 2013 will witness the implementation of cutting edge technology for UCB.

In the year 2012, UCB has opened 15 branches and renovated significant branches where IT has implemented modern ICT Infrastructure. IT has implemented Video Conferencing system between its Sylhet and Corporate Head Office and on the first quarter of 2013, Chittagong and Jessore Offices will become connected with the Corporate Head Office for Video Conferencing. This enables seamless communication between branch managers and top management of UCB, reducing significant time and cost and allowing faster decision making process. IPTSP IP Phone has been introduced at Corporate Head Office and all branches to enhance IP PABX capacity and to meet business continuity. UCB has rolled out and introduced 19 new ATM booths. UCB has implemented its own Card Management System to manage and control its Credit Card business, which was earlier outsourced. The internal email system of the Bank has been upgraded to a new advanced software system and hardware to ensure better internal and external communication. Introduction of a corporate portal, centralized CL system and centralized MIS system also made during 2012.

Directors' Report

Treasury Operation

Globalization, rapid changes in technology and volatile world economy of recent past has translated into a more complex and greater responsibility for the Treasury Divisions of various commercial banks. Treasury, in addition to managing Liquidity Position of the bank has to carry out more complex and important functions like:

- Managing Balance Sheet gaps, asset-liability mismatch;
- Managing risks: Interest Rate Risk, Market Risk, Counter Party Risk, Foreign Exchange Risk;
- Maintaining Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR);
- Deployment of surplus funds in securities;
- Manage the market risks associated with the investments;
- Trading in securities;
- Borrow/Lend money in the call money market;
- Fixing of interest rates for taka deposits and FC deposits;
- Provide quotes in major currencies of the world to facilitate Foreign Trade;
- Selling and Buying of FC in accordance with Exchange Position Management Requirements;

Keeping in line with International Standard and Central Bank Guidelines for Core Risk Management Policy; the Bank has restructured its Treasury Division into three segments 1) Treasury Front Office, 2) Treasury Mid Office, 3) Treasury Back Office (Treasury Operations). Treasury Front Office acts as the window for interactions with others banks and financial institutions while the mid office is mitigating risk related to the deals struck by front office and back office is responsible for settlement and documentations of related deals. The front office carries out its functions through four different desks; namely 1) Foreign Exchange Desk, 2) Money Market Desk 3) Securities Desk and 4) Asset Liability Management Desk.

Foreign Exchange Desk: It has successfully managed foreign exchange position for the banks as a whole to support the day to day foreign exchange business. Based on requirement, it frequently engages in currency buying and selling and conducts SWAP deals with the counterparty banks of home and abroad. Daily FX Rate is prepared to assist the remittance inflow and trade payments in a way to maintain a positive profit margin for the Bank.

Money Market Desk: Has ensured a steady presence of the Bank in the interbank money market throughout the year by lending and borrowing of Taka and striking Repo deals as and when required. It has provided important service in maintaining the day to day cash flow of the Bank. It has invested the excess liquidity in 'Call Money Market' to ensure optimum use of fund and on the opposite side borrowed funds safeguarding the profitability goal of the bank. It provides important data to ALCO and based on ALCO feedback, manages the balance sheet gaps and re-pricing of Assets and Liabilities in line with strategic plan of the Bank.

Securities Desk: Ensured that the Bank had the accurate amount of SLR securities as required by Bangladesh Bank regulation. In doing so it has actively participated in the interbank securities market as well as Bangladesh Bank Open market operation. Based on the requirement it has successfully undertaken Repo deals with Bangladesh Bank and other counterparty banks to maintain adequate liquidity of the Bank.

Asset Liability Management Desk: The Bank has established an Asset Liability Management Committee (ALCO) containing 14 (fourteen) members headed by the Managing Director. The committee meets at least once in every month. The main responsibilities of ALCO are to look after the Financial Market activities, manage liquidity and interest rate risk, understand the market position and competition etc. The Asset Liability Management Committee also monitored the balance sheet risk. The balance sheet risk is defined as potential changes in earnings due to change in rate of interest and exchange earnings which are not of trading nature. To support ALM process, the most important strategy of the ALM of the Bank is medium to long-term funding and adequate liquidity both in local and foreign currency all time at the most appropriate funding cost. An important objective of ALCO is to provide cost effective funding to finance the asset growth and trade related transactions, optimize the funding cost, increase spread with the lowest possible liquidity, maturity, foreign exchange and interest rate risks.

Import & Export Business

In the year 2012, UCB achieved a significant growth both in import & export business. Total import business handled was BDT 94,843.80 million while the export business transacted during 2012 was BDT 78,309.10 million. The growth rate of the import & export business was 4.32 percent and 1.75 percent respectively. The main import items were Industrial raw materials, industrial machineries, commodities viz. Wheat, Sugar, Lentils, Edible Oil, Cotton etc. while the major export items were RMG, Jute Goods, Tobacco etc. The growth in import and export business was one of the key attributing factors towards the overall profitability of the bank in 2012.

Directors' Report

Foreign Remittance

Remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh. Revenues from remittances now exceed various types of foreign exchange inflows, particularly official development assistance and net earnings from exports. The bulk of the remittances are sent by Bangladeshi migrant workers rather than members of the Bangladeshi Diaspora. Robust remittance inflows in recent years have been instrumental in maintaining the current account surplus despite widening of trade deficit. This in turn has enabled Bangladesh to maintain a growing level of foreign exchange reserves.

Considering the role of foreign remittance in the overall economic development of the country the Bank has set top priority for mobilizing inward foreign remittance from Bangladeshi migrant workers living and working abroad. The Bank has restructured its existing remittance setup with skilled and efficient manpower in order to provide seamless delivery of remittances to the beneficiaries through Bank's 130 branch network in strategic locations. Furthermore, the Bank has also taken initiative to strengthen ties with the exchange companies with whom the Bank has arrangement with through strong relationship management and has also taken initiative to enter into new arrangements with other exchange companies having potential to send higher volume of inward foreign remittance. Up to 31 December 2012, the Bank has established relationship with leading exchange companies in Bahrain, France, KSA, Kuwait, Oman, Qatar, Singapore, UAE, and UK. In addition, the Bank has remittance arrangement with global remittance company like Western Union. In 2012, the Bank has procured inward foreign remittance equivalent to BDT 14,848.30 million as against BDT 16,802.80 million in 2011.

Card Business

UCB has started credit card operation in 2006 by introducing VISA branded dual currency credit card. The Bank has issued more than 50,000 credit cards and has extended its service in Divisional and District cities like Dhaka, Chittagong, Sylhet, Rajshahi, Barisal, Bogra, Comilla and Mymensingh. UCB is the principal member of VISA International.

UCB started its own ATM Network in 2009 and has already established 81 ATMs throughout Bangladesh; another 23 ATMs are to be added to the network by end 2013. The Bank has issued more than 60,000 Debit Cards and project is underway for the introduction of Pre-Paid Cards. Today the Banks' Card Services are available from all branches across the country. The Bank has introduced special value added services to its Gold Card holders, special discounts at selected stores and restaurants and Business Class Airport Lounge facility for outgoing passengers.

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 to our customers, so that they can live their dreams. UCB strives to bring quality best practices by being different in fields like consumer lending, liability management and cash management. We believe every approach the Retail Banking team of UCB will take today will ensure satisfaction of our customer tomorrow.

At present time customer prefers to have the services at their door steps. To ensure that we have created a well trained direct sales team who take the services to the door steps to our customers. This is one of the pioneer bank which finance home loan all over the country where in most of the banks confined their finance in metro areas only. More than 2200 homes all over the country have been lightened up with happiness through our home financing. 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 10,697 million at the end of 2012 against BDT 8,430 million in 2011. The below table shows the retail loan of UCB

	BDT in Million	
	2012	2011
Home Loan	6,416.39	4,656.44
Home Mortgage Loan	1,361.43	878.54
Auto Loan	1,207.60	1,657.08
Any Purpose Loan	637.71	859.03
Advance Against Salary	471.88	136.97
Education Loan	322.28	168.18
House Hold Durable Loan	216.77	52.95
Doctors Loan	54.77	16.76
Marriage Loan	7.35	3.13
Travel Loan	0.95	1.02
Total	10,697.13	8,430.10

Directors' Report

Finally, Retail banking division is committed to maintain strength both in earning and balance sheet. Clients will continue to enjoy their relationship with UCB with the believe that their deposit are safe and service level will improve every day. We promise to our customer Happy Banking all along the journey with UCB Retail Banking.

Year 2012- an analysis from financial performance perspective

Despite various challenges in the economy, volatility in the money market and capital market UCB achieved a significant growth of in its assets. At the end of 2012, total asset of the bank stood BDT 207,448.38 million registering a growth of 22.83 percent over previous year. Details review of performance are as under;

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 2008 total assets of the bank was BDT 64,794.86 million whereas in 2012 it stood BDT 207,448.38 million recording a growth of more than 220 percent. In last five year deposit growth was 212.98 percent and loans & advances growth was 206.15 percent.

Operating performance in last five years

	2008	2009	2010	2011	2012
Paid up capital	299.20	1,193.83	2,909.95	7,274.88	8,366.12
Shareholders' equity	4,384.24	5,705.47	7,817.27	15,966.41	18,171.02
Deposits and other accounts	54,485.27	77,730.40	113,070.78	139,484.75	170,530.54
Loans and advances	44,446.33	61,692.22	93,560.70	115,506.33	136,071.65
Off-balance sheet exposure	18,085.80	22,098.19	40,797.74	40,255.37	52,153.26
Total assets	64,794.86	90,483.78	129,877.03	168,891.78	207,448.38
Total liabilities	60,410.62	84,778.32	122,059.76	152,925.36	189,277.37

With the increase of business volume, the profitability of the bank has also increased significantly. In 2008, operating profit of the bank was BDT 2,449.89 million whereas it was BDT 5,762.22 million in 2012 recording a growth of more than 135 percent. During last five years, interest income increased by 270.81 percent and interest expense increased by 293.11 percent.

Financial Performance in last five years

	2008	2009	2010	2011	2012
Interest income	5,749.29	6,965.32	9,468.36	15,351.63	21,318.92
Interest expense	3,740.77	4,348.23	5,632.95	10,203.21	14,705.21
Net interest income	2,008.52	2,617.09	3,835.41	5,148.42	6,613.71
Non-interest income	2,100.91	2,574.97	4,018.47	4,145.95	3,563.95
Non-interest expenses	1,659.54	2,066.89	3,120.76	3,321.46	4,415.44
Operating profit	2,449.89	3,125.17	4,733.12	5,972.91	5,762.22
Profit before tax	1,463.01	1,541.86	3,632.60	5,172.91	3,739.06
Net profit	764.75	932.90	2,182.43	2,945.80	1,586.13

Details operating and financial results of UCB in last five years are shown in page no. 41 to 44 of annual report with graphical view.

Directors' Report

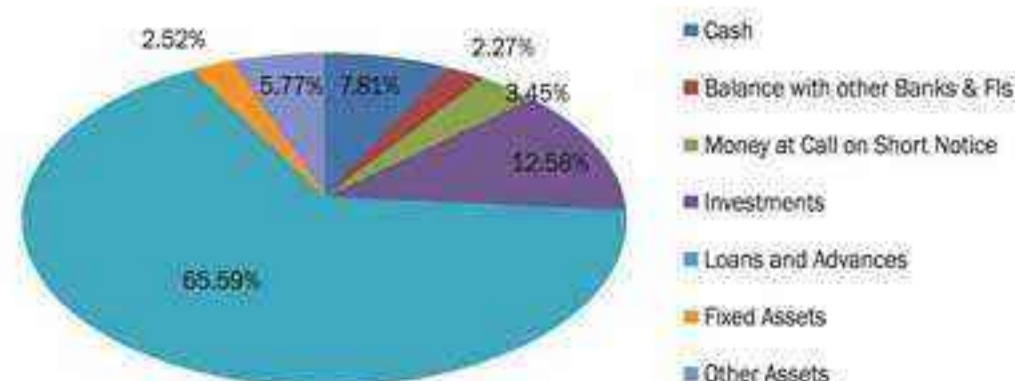
Balance sheet review

At the end of 2012, total assets of the Bank stood at BDT 207,448.38 million from BDT 168,891.78 million in 2011 registering a growth of 22.83 percent. Total liabilities also increased to BDT 189,277.37 million from BDT 152,925.36 million in previous year. All the major elements of balance sheet has shown a significant growth over previous year. Performance of major elements of balance sheet are shown as under;

(BDT in million)			
Balance Sheet Review	2012	2011	Growth (%)
Total Assets	207,448.38	168,891.78	22.83
Total Liabilities	189,277.37	152,925.36	23.77
Shareholders' Equity	18,171.02	15,966.41	13.81
Paid-up Capital	8,366.12	7,274.88	15.00
Deposits	170,530.54	139,484.75	22.26
Loans and Advances	136,071.65	115,506.33	17.80
Investments	26,090.32	19,383.42	34.60
Fixed Assets	5,222.78	3,288.09	58.84

Total Assets

Total asset of UCBL stood at BDT 207,448.38 million as on 31 December 2012 as against BDT 168,891.78 million of previous year registering a growth of 22.83 percent over the year 2011. Among total assets, loans and advances is BDT 136,071.65 million in 2012 recording a growth of 17.80 percent over previous year. Performance of assets in 2012 of UCB is shown in following table.



Assets	2012	2011	Growth (%)
Cash	16,211.46	13,034.21	24.38
Balance with other Banks & FIs	4,713.33	3,740.01	26.02
Money at Call on Short Notice	7,160.00	5,070.00	41.22
Investments	26,090.32	19,383.42	34.60
Loans and Advances	136,071.65	115,506.33	17.80
Fixed Assets	5,222.78	3,288.09	58.84
Other Assets	11,978.85	8,869.72	35.05

Cash and Balance with other Banks and Financial Institutions

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 20,924.79 million at the end of 2012 against BDT 16,774.22 million of 2011 representing a positive growth of 24.74 percent over previous year.

Cash and Balance with other Banks & FIs	2012	2011	Growth (%)
Cash (Including foreign currencies)	16,211.46	13,034.21	24.38
Cash in hand	2,615.46	1,761.71	48.46
Balance with Bangladesh Bank & its agent bank(s)	13,595.99	11,272.50	20.61
Balance with other banks & FIs	4,713.33	3,740.01	26.02
In Bangladesh	3,478.87	3,208.44	8.43
Outside Bangladesh	1,234.46	531.57	132.23

Directors' Report

Money at Call and Short Notice

This is one of the major area of operation of the Treasury Division of the bank. Banks lending under the head money at call on short notice was BDT 7,160 million on 31 December 2012 as against BDT 5,070 million in 2011 registering growth of 41.22 percent over same date of last year. The growth was attributable to higher interest rate prevailing at the money market. Although most other banks and financial institution faces liquidity crisis, 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 6,706.90 million during the year 2012 and stood at BDT 26,090.32 million which was BDT 19,383.42 million in 2011. Investment in government securities increased by 40.41 percent which helps the bank to maintain surplus Statutory Liquidity Ratio (SLR) of BDT 7,846.33 million at the end of 2012. UCB's direct investment in capital market increased slightly to BDT 2,414.66 million at the end of 2012 against BDT 2,222.63 million in 2011.

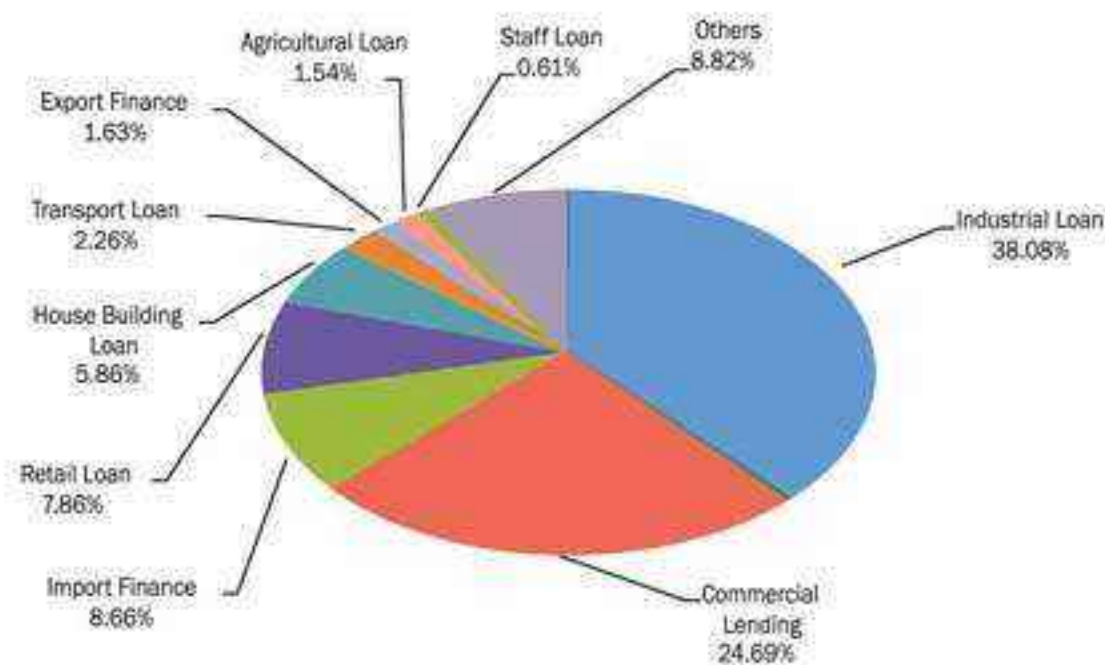
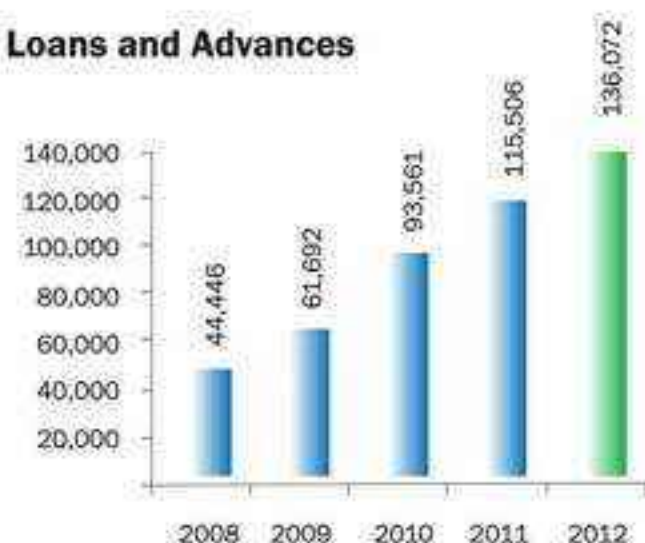


	2012	2011	Growth (%)
Government	21,653.49	16,303.12	32.82
Held to Maturity (HTM)	9,498.49	6,705.99	41.64
Held for Trading (HFT)	3,436.85	6,366.23	(46.01)
Treasury Bills	7,215.92	3,226.21	123.67
Reverse repo with other Bank	1,497.29	-	-
Prize Bond	4.96	4.69	5.79
Others Investment	4,436.82	3,080.30	44.04
Shares in listed companies	2,414.66	2,222.63	8.64
Bangladesh Bank Bills	1,237.31	-	-
Shares in un-listed companies	709.85	757.67	(6.31)
Debentures	15.00	20.00	(25.00)
ACI 20% Convertible Zero Coupon Bond	60.00	80.00	(25.00)

Loans and advances

UCB's loans and advances increased by BDT 20,565.32 million during the year 2012 and stood at BDT 136,071.65 million which was BDT 115,506.33 million in 2011 showing a substantial growth of 17.80 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 3.69 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.

Loans and Advances



Directors' Report

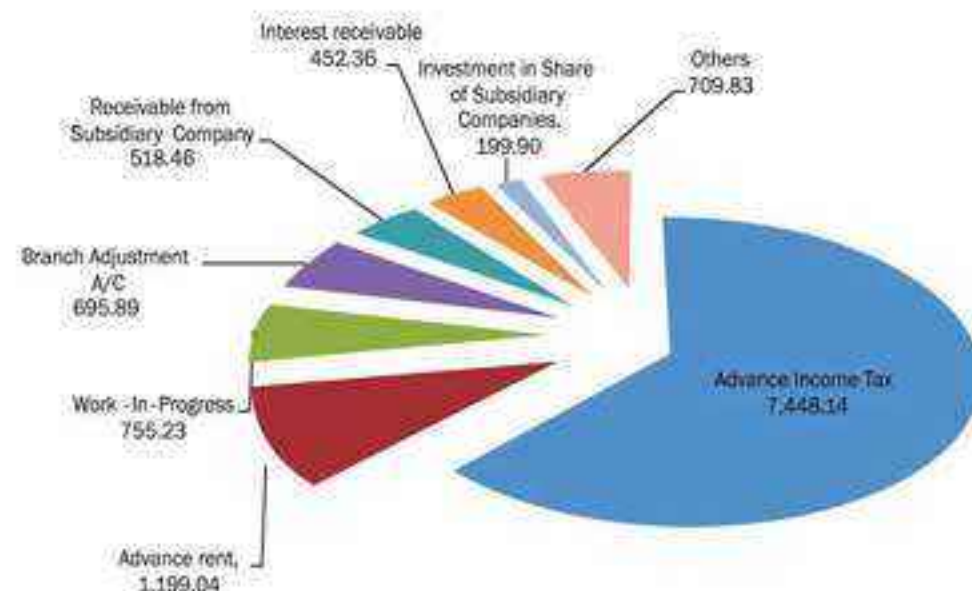
Fixed Assets

Fixed assets include land, building, furniture & fixture, office equipment and vehicles etc. UCB's fixed assets increased by BDT 1,934.69 million during the year 2012 and stood at BDT 5,222.78 million which was BDT 3,288.09 million in 2011. The main reason of increase was due to revaluation of lands and buildings by BDT 1,050.85 million. The asset was revalued by Padma Techno-Consult & Survey Limited of 8/6 Segun Bagicha, Dhaka, an independent and expert valuer in Bangladesh.

Other Assets

Other assets of the bank increased by BDT 3,109.13 million during the year 2012 and stood at BDT 11,978.85 million which was BDT 8,869.72 million in 2011.

The main components of other assets are advance income tax increased by 47.73 percent, advance rent increased by 30.78 percent, work-in-progress increased by 1,965.31 percent, branch adjustment a/c decreased by 20.99 percent, receivable from subsidiary company increased by 309.59 percent, interest receivable decreased by 4.14 percent, investment in share of subsidiary companies remain stable and others decreased by 40.62 percent. Mainly, due to increase of payment of advance income tax by BDT 2,406.26 million in 2012, total other assets increased by 35.07 percent.

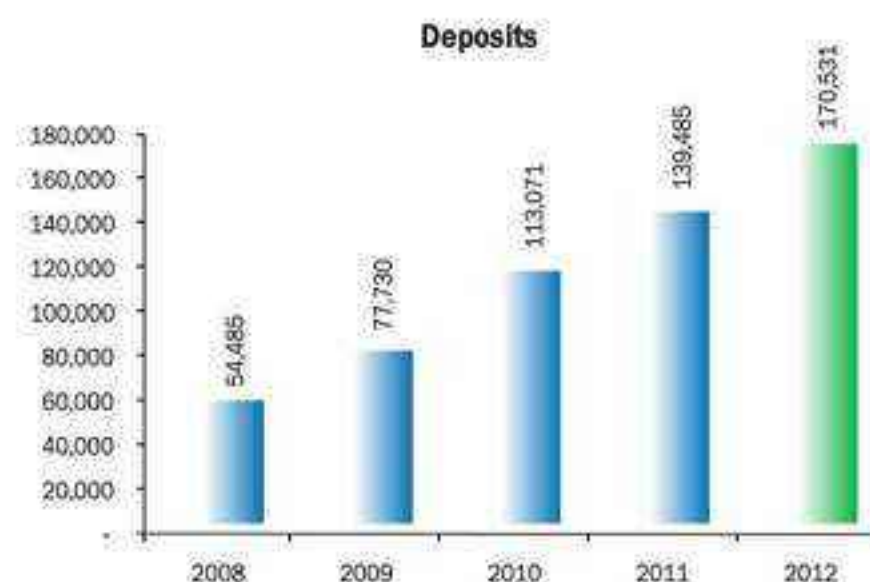
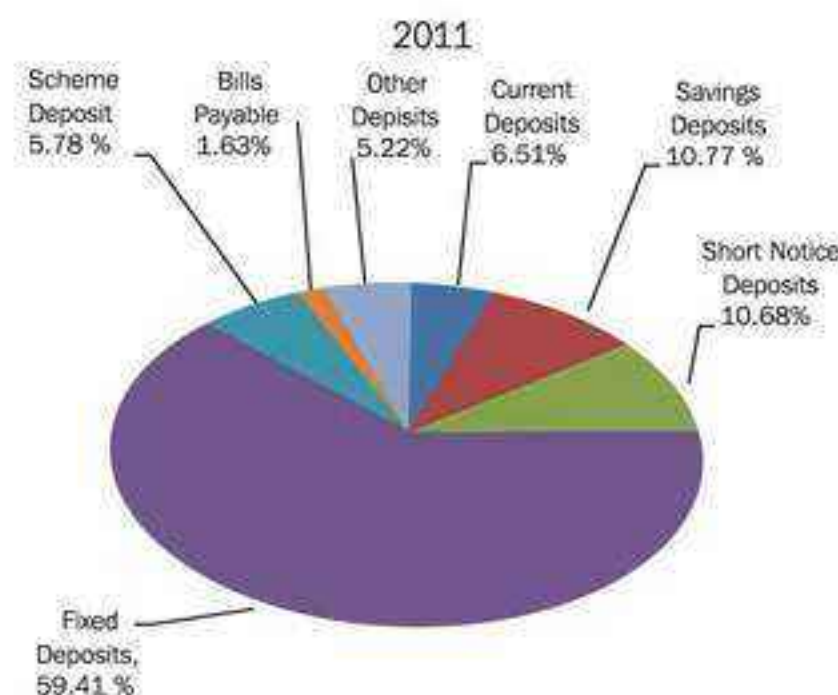
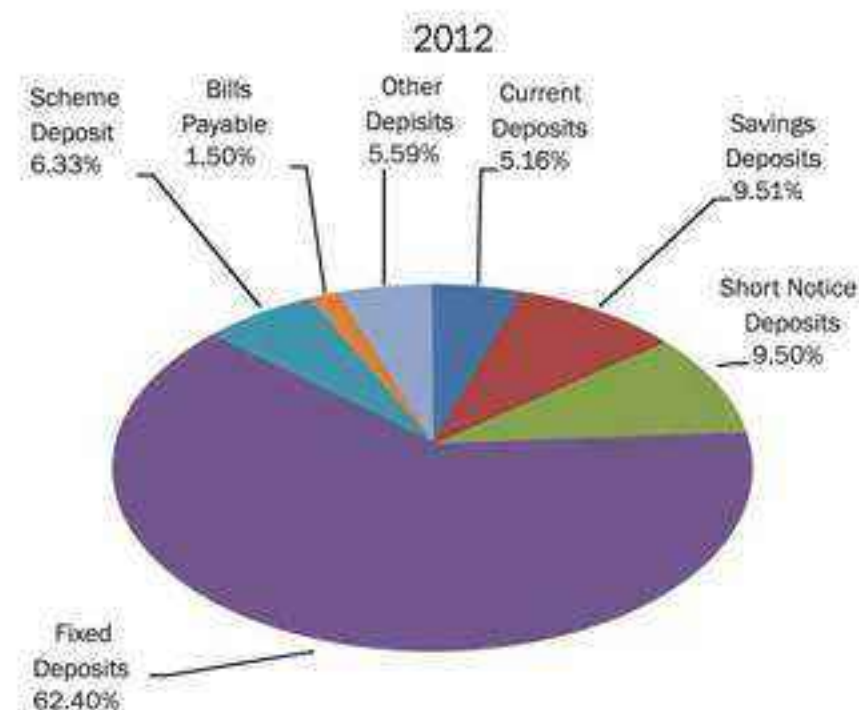


Borrowings from other Banks, Financial Institutions and Agents

UCB has borrowing from Eastern Bank Limited of BDT 1,200.02 million at the end of 2012 against no borrowing in 2011. The borrowing is mainly a swap deal with Eastern Bank Limited where UCB lend money against this borrowing.

Deposits

During the year 2012 total deposits of the bank increased by BDT 31,045.79 million and stood at BDT 170,530.54 million which was BDT 139,484.75 million in 2011 representing growth of 22.26 percent over the year 2011. There are as many as 20 (twenty) deposit products in our bank. The clientele group of the bank includes individuals, corporation, NGO, NBFI, government bodies etc.



Directors' Report

Deposits Mix of UCBL

Deposits and other accounts	2012	2011	Growth (%)	Mix (%)	
				2012	2011
Current Deposits	8,798.85	9,075.84	(3.05)	5.16	6.51
Savings Bank Deposits	16,224.24	15,022.65	8.00	9.51	10.77
Short Notice Deposits	16,193.56	14,899.45	8.69	9.50	10.68
Fixed deposits	106,408.31	82,868.91	28.41	62.40	59.41
Scheme Deposits	10,803.10	8,063.69	33.97	6.33	5.78
Bills Payable	2,562.36	2,273.09	12.73	1.50	1.63
Other Deposits	9,540.12	7,281.12	31.03	5.59	5.22
Total	170,530.54	139,484.75	22.26	100.00	100.00

Shareholders' Equity

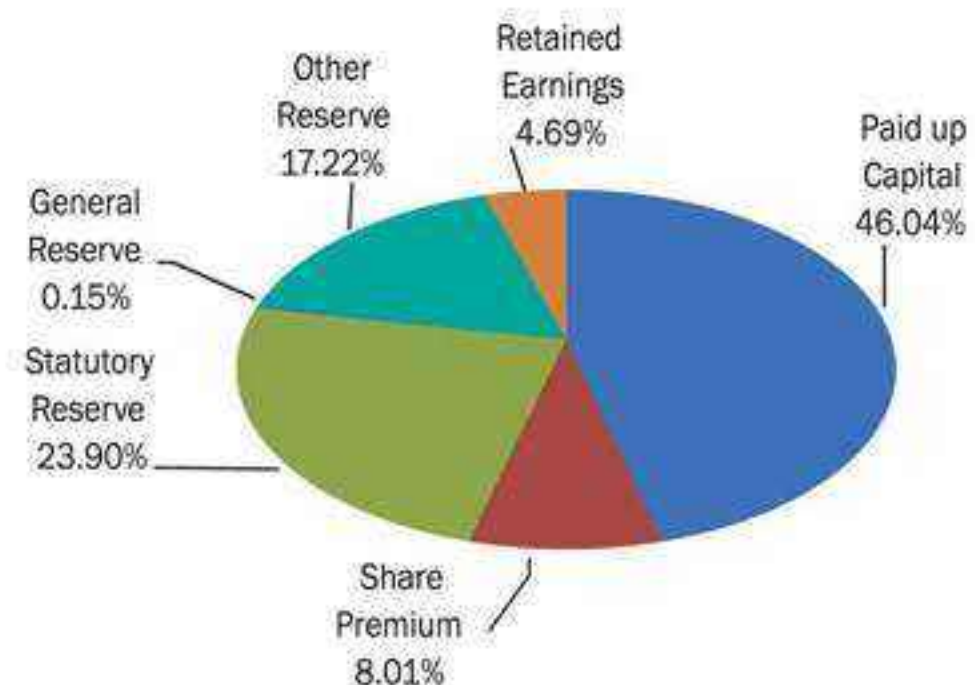
Total shareholders' equity includes paid up capital, share premium, statutory reserve and retained earnings and other reserves. During the year total shareholder's equity increased by BDT 2,204.60 million and stood at BDT 18,171.02 million as against BDT 15,966.41 million of 2011. The growth under the head is 13.81 percent over the previous year, which will help the bank to expand its business in the coming days.

Shareholders' Equity	2012	2011	Growth (%)
Paid up Capital	8,366.12	7,274.88	15.00
Share Premium	1,454.98	1,454.98	-
Statutory Reserve	4,342.09	3,594.28	20.81
General Reserve	26.58	26.58	-
Other Reserve	3,129.84	1,638.38	91.03
Retained Earnings	851.41	1,977.32	(56.94)
Total	18,171.02	15,966.41	13.81

Paid-up capital increased due to stock dividend of 15 percent for the year 2011 and other reserve increased mainly due to increase in asset revaluation reserve by BDT 1,050.85 million resulted from valuation of land and building in 2012.

Analysis of operating results of UCBL

In 2012, operating income was BDT 10,177.66 million against BDT 9,294.37 million in 2011 recording a growth of 9.50 percent whereas operating expense was BDT 4,415.44 million in 2012 against BDT 3,321.46 million in 2011 recording a growth of 32.94 percent. Profit before provision and taxes decreased by 3.53 percent due to decline of non-interest income by 14.04 percent. Profit after tax decreased to BDT 1,586.13 million in 2012 from BDT 2,945.80 million in previous year. Due to increase of provision requirement to BDT 2,023.16 million in 2012 from BDT 800.00 million in previous year, profit after tax decreased by 46.16 percent.



Directors' Report

	2012	2011	Change (%)
Interest Income	21,318.92	15,351.63	38.87
Interest Expense	14,705.21	10,203.21	44.12
Net Interest Income	6,613.71	5,148.42	28.46
Non-Interest Income	3,563.95	4,145.95	(14.04)
Operating Income	10,177.66	9,294.37	9.50
Operating Expenses	4,415.44	3,321.46	32.94
Profit before Provision	5,762.22	5,972.91	(3.53)
Profit before Taxes	3,739.06	5,172.91	(27.72)
Net Profit after Taxes	1,586.13	2,945.80	(46.16)

Interest Income

UCBL earned total BDT 21,318.92 million as interest income during the year 2012 registering increase of BDT 5,967.29 million, 38.87 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:

	2012	2011	Growth(%) in 2012 over 2011
Interest on loans and advances	20,342.46	14,850.73	36.98
Interest on Balances with other Banks & FIs	952.90	492.50	93.48
Interest on Balance with Foreign Bank	22.57	8.03	181.07
Penal Interest	0.99	0.37	165.81
Total Interest Income	21,318.92	15,351.63	38.87

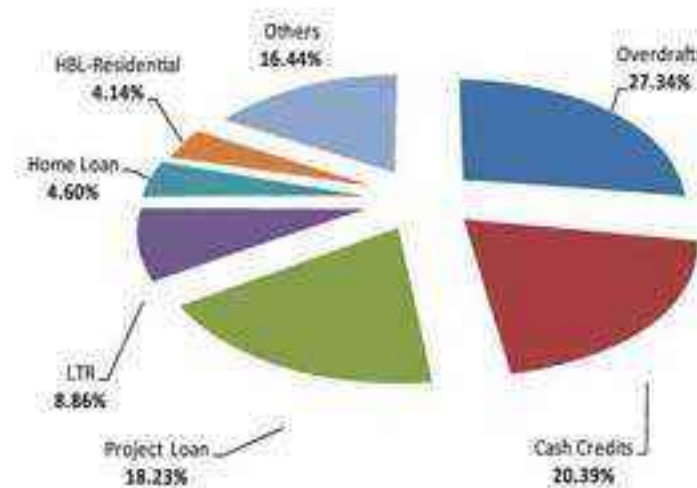
Product wise Interest Income Analysis

Among interest income, more than 95 percent earned from loans and advances in 2012 recording a growth of 36.98 percent. Among loans and advances products, about 66 percent interest earned from overdraft, Cash Credit and Project Loan. Product wise interest income from different loans and advances are shown as below;

Interest on Loans and Advances	2012	2011	Growth in 2012 over 2011
Overdrafts	5,562.62	3,655.40	52.18
Cash Credits	4,147.77	2,831.53	46.49
Project Loan	3,707.64	2,920.76	26.94
Lone against Trust Receipt(LTR)	1,802.54	1,743.89	3.36
Home Loan	935.92	650.77	43.82
House Building Loan (HBL)-Residential	841.89	756.97	11.22
Time Loan	487.71	236.63	106.11
House Building Loan (HBL)-Commercial	409.41	209.18	95.72
Loan against Credit Card	398.76	292.23	36.46
Own Acceptance Purchase	354.32	145.82	142.98
Local Bills Purchased & Discounted (LBPD)	301.72	274.20	10.04
Auto Loan	246.70	284.31	(13.23)
Home Mortgage Loan	202.47	102.46	97.61
Transport Loan	192.33	144.27	33.31
Loan to Leasing Company	162.44	86.89	86.96
Any Purpose Loan	131.23	211.92	(38.08)
Payments Against Documents(Cash)	116.00	142.29	(18.48)
Others	340.99	161.19	111.55
Total	20,342.46	14,850.73	36.98

Directors' Report

In the year 2012, the Bank earned highest interest income from overdraft loan product which was 27.34 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 20.39 percent, 18.23 percent, 8.86 percent, 4.60 percent and 4.14 percent respectively among interest income from loans and advances.



Interest Expense

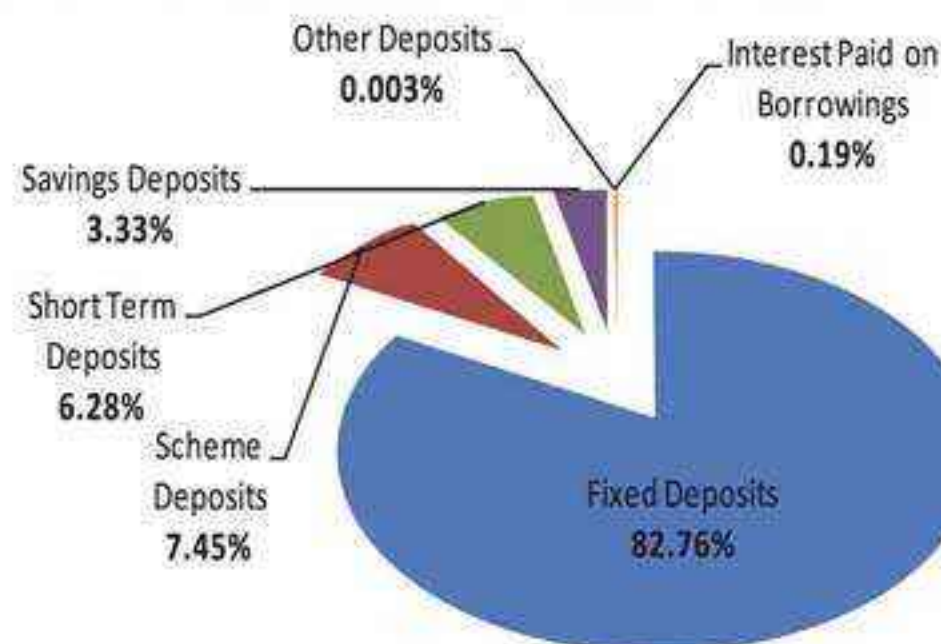
UCBL paid BDT 14,705.21 million as interest expense during the year 2012 recording a increase of BDT 4,502.00 million registering a growth of 44.12 percent over previous year. Due to inflationary pressure in the economy as well as uncertainty in the money market, the bank had to continue procure deposit at higher cost. Our average cost of deposits in 2012 was 9.57 percent which was 8.34 percent in 2011. Among interest expense, the Bank mostly paid interest on deposit which was BDT 14,677.99 million in 2012 against BDT 10,049.41 million in 2011. Interest paid on borrowings was BDT 27.22 million in 2012 which was BDT 153.81 million in 2011. Interest paid on borrowings decreased due to decline of borrowings from other banks and financial institutions in 2012.

Product wise Interest Expense Analysis

In 2012, the Bank paid highest amount of interest on fixed deposits which was BDT 12,169.70 million against BDT 8,080.52 million in 2011. Growth of interest expense on fixed deposits was 50.61 percent in 2012 over 2011 whereas growth of fixed deposits amount was 28.41 percent only. In same way, growth of interest expense on SND and scheme deposits were 15.64 percent and 53.62 percent whereas growth of SND and scheme deposits amount were 8.69 percent and 33.97 percent respectively. On the other hand, growth of interest expense on saving deposits and growth of amount same deposits near close in 2012 which were 7.05 percent and 8.00 percent respectively. Due to increase of interest rate on fixed deposits, SND and scheme deposits, the growth of interest expenses were higher than the growth of same deposits amount. The interest rate on term deposits was increased due to tighten money market scenario during 2012.

Interests Paid on deposits and borrowings	2012	2011	Growth (%)
Fixed Deposits	12,169.70	8,080.52	50.61
Scheme Deposits	1,094.91	712.72	53.62
Short Term Deposits	922.78	797.95	15.64
Savings Deposits	490.15	457.87	7.05
Other Deposits	0.45	0.35	30.38
Interest Paid on Borrowings	27.22	153.81	(82.30)
Total	14,705.21	10,203.21	44.12

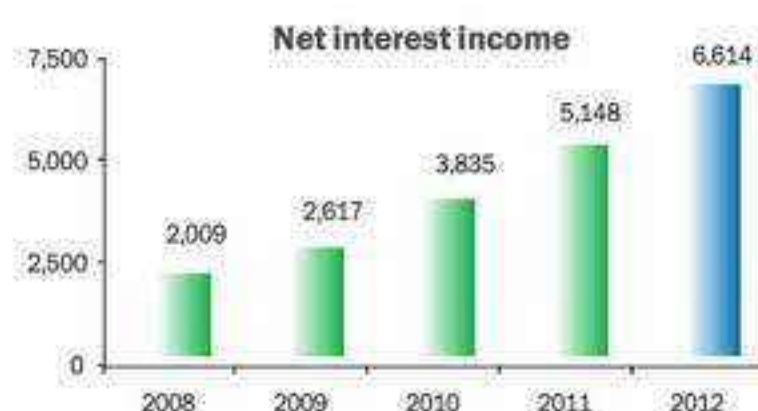
Interest Expenses on Deposits and Borrowings



Directors' Report

Net Interest Income

Net interest income (NII) during the year stood at BDT 6,613.71 million recording a smart growth of BDT 1,465.29 million which equivalent to 28.46 percent growth over previous year.

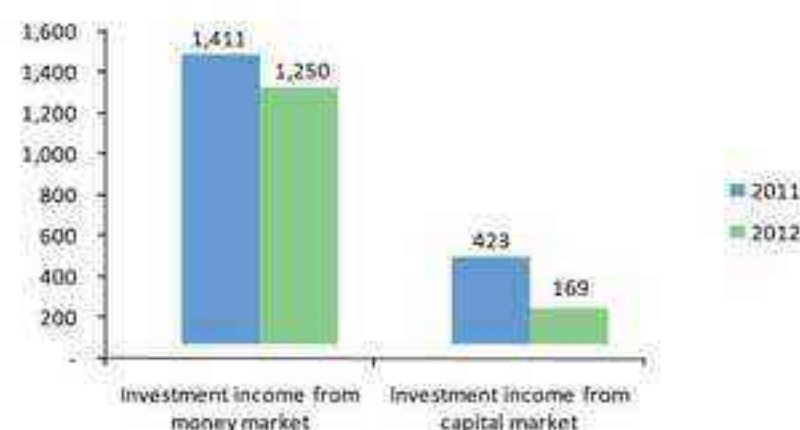


Income from Investment

Investment income during 2012 was recorded BDT 1,418.51 million which was BDT 1,833.82 million in previous year and the income decreased by BDT 415.30 million mainly due to crunch in the capital market and revaluation loss on government securities. Interest income from investment increased by 5.32 percent in 2012, which mainly earned from government treasury bills and bonds. Non-interest income from investment decreased to BDT 96.21 million in 2012 from BDT 578.26 million in previous year mainly due to revaluation loss on government securities, negative growth of income from capital market.

Income from investments	2012	2011	BDT in million Growth (%)
Government Treasury bills and bonds	1,313.75	1,246.86	5.36
Interest on bond, debenture & reverse repo	8.55	8.69	(1.61)
Interest income from investments	1,322.30	1,255.56	5.32
Discount, prize money & other income	359.16	99.61	260.58
Dividend on shares	121.63	159.39	(23.69)
Gain on sale of share	46.99	263.75	(82.18)
Gain on revaluation on govt. securities	(431.58)	55.51	(877.44)
Non-interest income from investments	96.21	578.26	(83.36)
	1,418.51	1,833.82	(22.65)

Investment income consists of investment in money market and capital market. Income from money market operation in 2012 was BDT 1,249.89 million registering a negative growth of BDT 160.79 million equivalent to a decrease of 11.40 percent. Income from capital market operation was BDT 168.63 million in 2012 registering a negative growth of BDT 254.52 million which represents 60.15 percent decreases over the year 2011. The following table shows the income from investment;



Money market income decrease due to revaluation loss on government securities of BDT 431.58 million in 2012 whereas in 2011 it was gain of BDT 55.51 million. The loss arises due to increase of interest rate on government securities at the early of 2012. On the other hand, income from capital market decreased to BDT 168.63 million in 2012 from BDT 423.14 million in previous year. Gain on sale of share decreased to BDT 46.99 million in 2012 from BDT 263.75 million in 2011 and dividend on shares decreased to BDT 121.63 million in 2012 from BDT 159.39 million in previous year.

Commission, Fees, Exchange & Brokerage

Commission, fees, exchange & brokerage income during 2012 was recorded BDT 1,429.42 million which was BDT 1,553.80 million in previous year and the income decreased by BDT 124.38 million which equivalent to a decrease of 8 percent, while commission income increased by BDT 23.58 million (equivalent to 3.20 percent), fees income decreased by BDT 14.96 million (equivalent to 6.31 percent) and exchange earnings decreased by BDT 133.00 million (equivalent to 22.95 percent) over previous year.



Directors' Report

Other operating income

Other operating income during 2012 was BDT 716.01 million which was BDT 758.34 million in previous year and the income decreased by BDT 42.32 million i.e. 5.58 percent over the year 2011. The main components of other operating income were incidental charge BDT 139.12 million decreased by 9.32 percent, recoveries from previously written off loan BDT 98.47 million decreased by 33.63 percent, swift charge recoveries BDT 72.25 million increased by 27.69 percent, handling charge on LIM, LTR & EOL BDT 66.72 million decreased by 42.56 percent, other income on local credit card BDT 21.20 million increased by 41.89 percent and other miscellaneous earning BDT 318.26 million increased by 18.36 percent.

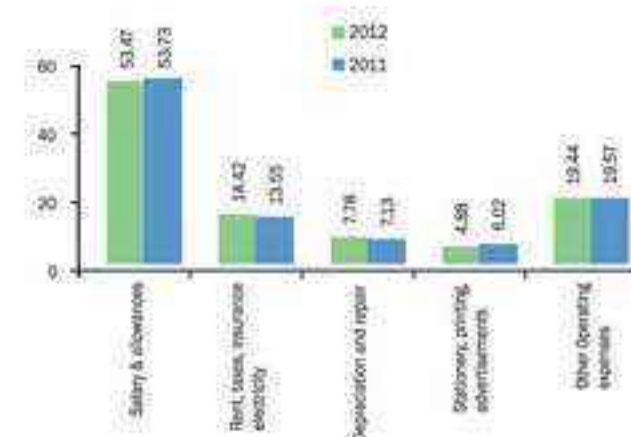
Other Operating Income	2012	2011	Growth (%)
Incidental charges recoveries	139.12	153.42	(9.32)
Recoveries from previously written off loan	98.47	148.36	(33.63)
Swift charges	72.25	56.58	27.69
Handling charge on LIM, LTR & EOL	66.72	116.15	(42.56)
Other income on local credit card	21.20	14.94	41.89
Miscellaneous earning	318.26	268.89	18.36
	716.01	758.34	(5.58)

Operating expense

Total operating expense during 2012 was recorded at BDT 4,415.44 million which was BDT 3,321.46 million in previous year and the expense increased by BDT 1,093.98 million which equivalent to 32.94 percent over last year. The main components of the operating expenses are mentioned below:

Operating Expenses	2012	2011	Growth (%)
Salary and allowances	2,366.38	1,784.55	32.60
Rent, taxes, insurance, electricity etc.	637.02	450.07	41.54
Depreciation and repair of banks assets	338.08	236.78	42.78
Stationery, printing, advertisements etc.	215.43	199.99	7.72
Visa card	118.46	58.47	102.60
Petrol, oil & lubricant	96.56	55.94	72.60
Postage, stamps, telecommunications etc.	86.99	64.60	34.66
Business development	77.23	55.66	38.76
Medical expenses	75.94	56.79	33.73
Entertainment	64.85	54.76	18.43
Traveling	56.45	39.14	44.22
Car expenses	53.67	38.63	38.92
Other expenses	228.38	226.08	1.02
Total	4,415.44	3,321.46	32.94

In operating expenses, salary and allowances for the employees covered more than 53 percent of total expenses which record a growth of 32.60 percent. The main reason for such increase of salary and allowances was the revision of pay scale in middle of 2012 and increase of number of employees of 392. Expenses for rent, taxes, insurance, electricity etc. and depreciation & repair of bank's assets increased 41.54 percent and 42.78 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 130 from 115 and ATM booth from 77 to 81.



Operating Profit

The total operating profit of the bank for the year 2012 stood at BDT 5,762.22 million in comparison to BDT 5,972.91 million of 2011. Significant growth of net interest income contributed the highest to reach at the operating profit of 2012. Other operating income i.e. non-interest income was BDT 3,562.03 million which was 14.08 percent less than previous year and operating expense was BDT 4,413.52 million which was 32.88 percent higher than previous year. Mainly, due to negative growth in other operating income, bank's operating profit in 2012 marginally trended to negative growth of 3.53 percent over previous year.

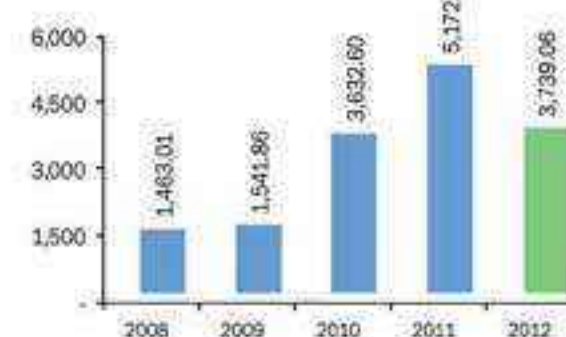


Directors' Report

Profit before tax

Profit before tax of the bank stood at BDT 3,739.06 million in 2012 compared to BDT 5,172.91 million of previous year. The bank maintained a substantial amount of provision against loans & advances, investments and off-balance sheet exposures in 2012, which was BDT 2,023.16 million against BDT 800.00 million in previous year. The bank maintained more than 100 percent provision against requirement in 2012. Thus, profit before tax decreased to BDT 3,739.06 million showing a negative growth of 27.72 percent.

Profit before tax

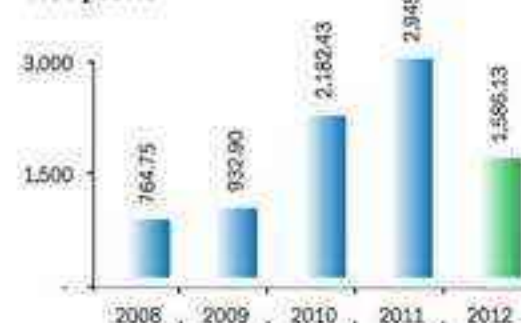


	2012	2011	Growth (%)
Profit before provision / operating profit	5,762.22	5,972.91	(3.53)
Provision for loans & advances	1,552.31	788.31	96.92
Provision for diminution in value of investments	351.89	-	-
Other provision	118.95	11.69	917.54
Total provision	2,023.16	800.00	152.90
Profit before tax	3,739.06	5,172.91	(27.72)

Net profit

In 2012, bank's net profit after tax decreased by BDT 1,359.67 million which equivalent to 46.16 percent over the year 2011. As at 31 December 2012, net profit after tax stood at BDT 1,586.13 million. Net profit decreased in 2012 mainly due to increase of provision requirement against loans & advances, investments and off-balance sheet exposures, which was BDT 2,023.16 million. The bank also maintained substantial amount of provision for payment of tax on its income for the year 2012, which was BDT 2,152.94 million against BDT 2,227.11 million in previous year.

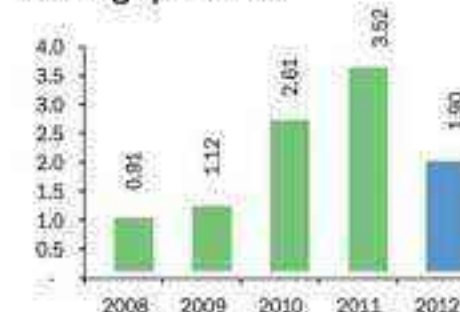
Net profit



Earnings per share

In the year under review, Earnings per share (EPS) stood at BDT 1.90 which was BDT 3.52 (restated) in previous year. Bank's EPS decreased during the year 2012 due to decline of net profit.

Earnings per share



Significant variances

Details analytical review and variance analysis about the financial position and the results of operations of the bank have been presented in this report. The directors have not observed any significant or unusual variance arisen otherwise than the effect of normal course of business activities.

Basel II Implementation Status

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.

- Pillar I : Minimum Capital Requirement
- Pillar II : Supervisory Review Process
- Pillar III : Market Discipline

Pillar I (Minimum Capital Requirement)

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

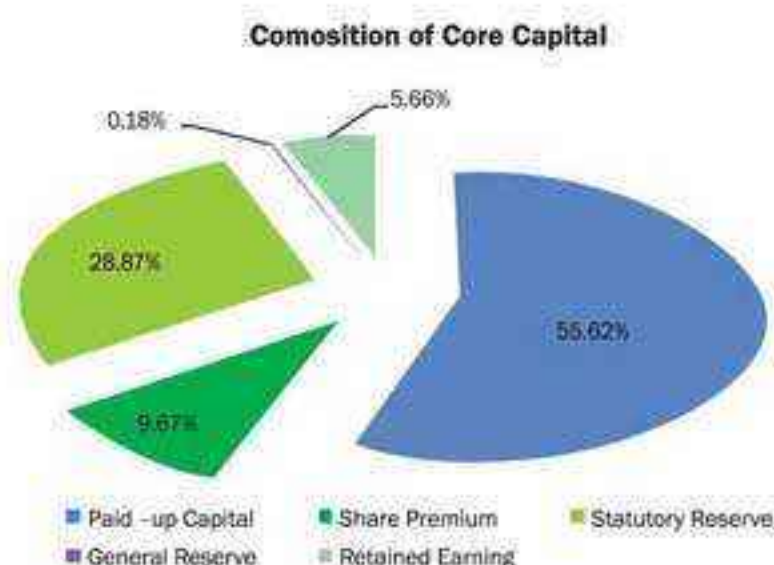
Particulars	2012	2011
Tier I Capital	15,041.18	14,278.04
Tier II Capital	3,414.56	2,599.02
Total Eligible Capital	18,455.74	16,877.06
Risk Weighted Assets	177,900.41	155,231.89
Capital Adequacy Ratio (%)	10.37	10.87
Capital Surplus/(Deficit)	665.70	1,353.87

Directors' Report

Composition of UCB's Capital

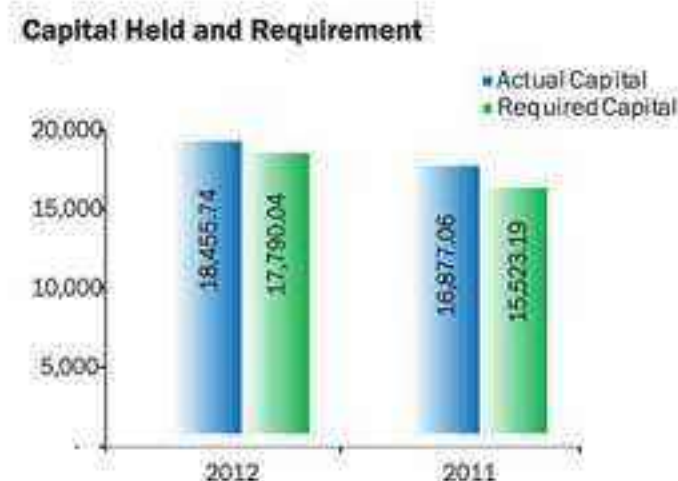
UCB has strong core capital base which was 8.46 percent of risk weighted assets (RWA) as on December 31, 2012. Bank's supplementary capital was BDT 3,414.56 million at the end of 2012 which was 1.92 percent of RWA.

	2012		2011	
	Amount	Ratio	Amount	Ratio
Tier-I (Core Capital) Ratio (%)	15,041.18	8.45	14,278.04	9.20
Tier-II (Supplementary Capital) Ratio (%)	3,414.56	1.92	2,599.02	1.67
Capital Adequacy Ratio (%)	18,455.74	10.37	16,877.06	10.87



Capital Adequacy of the Bank against requirement

UCB maintained capital adequacy ratio (CAR) above the minimum requirement in 2012 and 2011. In 2010 UCB issued right share, which helped the Bank to reach at above minimum level of capital requirement. At the end of 2012, the bank was in capital surplus of BDT 665.70 million which was BDT 1,353.87 million in previous year.



Pillar II (Supervisory Review Process)

The Bank measured the capital requirement as per pillar II of new risk based capital adequacy framework. As per guideline UCB identified and measured the following risks under supervisory review process (SRP) in addition to credit risk. For participation with dialogue with Bangladesh Bank, UCB has a SRP team of 12 members, which was approved by the Board of Directors of the Bank.

Pillar III (Market Discipline)

As per guideline of market discipline under new risk based capital adequacy framework, the bank disclosed its related facts and figures in annual report. 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.

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 Department of Off-site Supervision of 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.

Directors' Report

Focusing on the Future Requirement:

Aiming to maintain buffer capital, UCB is going to issue subordinated bond of BDT 2,000.00 million which will be added in Tier II capital of the bank. For issuing this bond, UCB has already got approval from Bangladesh Securities and Exchange Commission and Bangladesh Bank. After issuance of bond, capital adequacy ratio of the bank will be near 12 percent.

The Bank has also build up the 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 taking preparation for the 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 Ltd was done by Credit Rating Information Services Ltd (CRISL) on the audited Financial Statements as on 30-09-2010. CRISL has submitted their report as under:

Particulars	Long Term	Short Term
Entity Rating	AA-	ST-2
Date of Rating	April 09, 2012	
Based on Financial Statement	December 31, 2011	

CRISL has upgraded the Long term Rating of UCB to 'AA-' (pronounced as double A minus) from 'A+' (pronounced as single A plus) and reaffirmed the Short Term Rating to ST-2 on the basis of its financials up to December 31, 2011 and other relevant quantitative and qualitative information up to the date of rating. The above ratings have been assigned after due consideration to its fundamentals such as good financial performance, good asset quality, good liquidity, diversified portfolio etc. The above factors are, however, constrained to some extent by marginal capital adequacy, considerable increase in NPL, significant unrated corporate exposure, considerable large loan exposure etc.

The Long Term rating implies that bank rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. Short Term Rating indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

CRISL also placed the company with "stable Outlook" considering that the existing fundamentals may remain same in near future.

Events occurring after the reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year 2012 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 Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the followings:

- On April 30, 2013 United Commercial Bank Limited announced 10 percent cash dividend. Details of the announced dividend declared during the financial year are disclosed in notes to the financial statement.

Report on the compliance of the conditions of BSEC's notification

In exercise of the power conferred by section 2CC 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 BSEC's conditions is attached with this Annual Report with compliance certificate.

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

Directors' Report

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 (CR) 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.

Green Banking

As a socially responsible organization, UCB takes the issue of 'environment' quite seriously. For quite some time, UCB has been organizing its operational and marketing activities around the "Green Banking" concept. 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 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. For external and internal communication process, the Bank has adopted e-documentation and e-communication system to reduce paper consumption both in-house and externally. In developing new branches or ATM networks, the Bank has placed priority on buildings that offer environmentally-friendly solutions and that are designed to save more energy and minimize any negative environmental impact. In our head office and branched, we have installed eco-friendly equipments for reducing consumption of energy and water. The Bank also has a future plan of extending these activities and exploring more areas to move towards green banking.



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.

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 2012, the bank made provision of BDT 2,152.94 million for payment of income tax which was BDT 2,227.11 million in 2011. 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 2012 total 19 no. of Board of Directors' meeting held while 14 no. of Executive Committee meeting were held and 11 no. of Audit Committee meeting held in 2012.

Attendance of Board of Directors in Board Meeting in 2012

Name	Position	No. of Meeting Held	Attendance	Status as on 31.12.2012
Mr. Showkat Aziz Russell	Vice Chairman	19	14	Continued
Mr. M. A. Sabur	Chairman, Executive Committee	19	18	Continued
Mr. Md. Jahangir Alam Khan	Chairman, Audit Committee	19	17	Continued
Mr. M. A. Hashem	Director	19	19	Continued
Hajee Yunus Ahmed	Director	19	17	Continued
Hajee M. A. Kalam	Director	19	19	Continued
Mrs. Nur Nahar Zaman	Director	19	4	Continued
Mr. Saifuzzaman Chowdhury, MP	Director	19	14	Continued
Mr. Sharif Zahir	Director	19	18	Continued
Mr. Md. Tanvir Khan	Director	19	14	Continued
Mr. Anisuzzaman Chowdhury	Director	19	13	Continued
Mr. Asifuzzaman Chowdhury	Director	19	5	Continued
Mrs. Sultana Rezia Begum	Director	19	10	Continued
Mr. Shabbir Ahmed	Director	19	13	Continued
Mr. Ahmed Arif Billah	Director	19	11	Continued
Late Akhtaruzzaman Chowdhury	Director	19	14	Expired on 04.11.2012
Mr. Kazi Enamul Hoque	Director	19	12	Continued till 25.09.2012
Mr. Bazal Ahmed	Director	19	11	Continued till 25.09.2012
Mr. Nur Uddin Javed	Director	19	11	Continued till 25.09.2012
Mrs. Setara Begum	Director	19	12	Continued till 25.09.2012
Mr. Riyadh Zafar Chowdhury	Director	19	2	Continued till 30.06.2012
Mr. Emran Ahmed	Director	19	6	Continued till 30.06.2012
Mr. Nasim Kalam	Director	19	2	Continued till 30.06.2012
Mr. Nurul Islam Chowdhury	Director	19	9	Continued till 30.06.2012

Attendance of Executive Committee Meeting in 2012

Name	Position	No. of Meeting Held	Attendance	Status as on 31.12.2012
Mr. M. A. Sabur	Chairman, Executive Committee	14	14	Continued
Mr. Md. Jahangir Alam Khan	Chairman, Audit Committee	14	14	Continued
Mr. M. A. Hashem	Director	14	14	Continued
Hajee M. A. Kalam	Director	14	13	Continued
Mr. Saifuzzaman Chowdhury, MP	Director	14	12	Continued
Mr. Kazi Enamul Hoque	Director	14	9	Continued till 25.09.2012
Mr. Bazal Ahmed	Director	14	7	Continued till 25.09.2012

Attendance of Audit Committee Meeting in 2012

Name	Position	No. of Meeting Held	Attendance	Status as on 31.12.2012
Mr. Md. Jahangir Alam Khan	Chairman, Audit Committee	11	11	Continued
Hajee M. A. Kalam	Director	11	10	Continued
Mr. Saifuzzaman Chowdhury, MP	Director	11	9	Continued
Mr. Sharif Zahir	Director	11	10	Continued
Mr. Nur Uddin Javed	Director	11	9	Continued till 25.09.2012

Pattern of shareholding

- a. UCB's paid-up capital was BDT 8,366.12 million as on December 31, 2012 with a number of shares of 836,611,631 with a face value of BDT 10.00 each. As on December 31, 2012, sponsors/promoters & directors hold 37.18 percent, institutions hold 11.41 percent, general public hold 50.60 percent and Government hold 0.81 percent of total outstanding shares. Summary of pattern of shareholding is as under;

Fully paid up shares issued to	No. of Shares	Amount in BDT	% of Shares
Sponsors/Promoters & Directors	311051667	3,110,516,670	37.18
Institution (Financial & Others)	95478874	954,788,740	11.41
General Public	423295517	4,232,955,170	50.60
Govt. of Peoples Republic of Bangladesh	6785573	67,855,730	0.81
Total	836611631	8,366,116,310	100.00

Directors' Report

- b. Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children Shareholding position (name wise details)

Name of the Directors	Shareholding as on 31.12.2012
Mr. Showkat Aziz Russell (Vice Chairman) and Spouse	16803463
Mr. M. A. Sabur (Chairman, Executive Committee) and Spouse	16739851
Mr. Md. Jahangir Alam Khan (Chairman, Audit Committee) and Spouse	16733342
Mr. M. A. Hashem (Director) and Spouse	20183457
Hajee Yunus Ahmed (Director) and Spouse	21704495
Hajee M. A. Kalam (Director) and Spouse	16733981
Mrs. Nur Nahar Zaman (Director)	17352809
Mr. Saifuzzaman Chowdhury, MP (Director) and Spouse	16732507
Mr. Sharif Zahir (Director) and Spouse	16763503
Mr. Md. Tanvir Khan (Director) and Spouse	16733948
Mr. Anisuzzaman Chowdhury (Director) and Spouse	16732237
Mr. Asifuzzaman Chowdhury (Director) and Spouse	16917723
Mrs. Sultana Rezia Begum	16781721
Mr. Shabbir Ahmed (Director) and Spouse	16765807
Mr. Ahmed Arif Billah (Director)	16734696
Mr. Muhammed Ali (Managing Director) and Spouse	-

Name & Designation	Shareholding as on 31.12.2012
Mr. Mirza Mahmud Rafiqur Rahman (Additional Managing Director & Company Secretary) and Spouse	-
Mr. Habibur Rahman Chowdhury (Executive Vice President & Chief Financial Officer) and Spouse	-
Mr. Md. Delwar Hossain Mazumder (Senior Vice President & Head of Internal Audit) and Spouse	-

c. Executives:

Name & Designation	Shareholding as on 31.12.2012
Mr. M. Shahidul Islam (Additional Managing Director) and Spouse	-
Mr. Mohammad Abu Abdullah (Deputy Managing Director) and Spouse	-
Mr. Md. Tariqul Azam (Deputy Managing Director) and Spouse	-
Mr. Mohammad Shawkat Jamil (Deputy Managing Director) and Spouse	-
Mr. Md. Zahirul Alam (Senior Executive Vice President) and Spouse	-

- d. Shareholders holding ten percent (10%) or more voting interest in the Company : Nil

Related party transaction

UCB had no credit directly to its director at the end of 2012. 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

Significant Contracts 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 Mrs. Sultana Rezia Begum	Agrabad Branch, Chittagong	Mrs. 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

Remuneration of Directors

At the end of 2012, UCB had 16 (sixteen) members in its Board of Directors including the Managing Director.

As per Bangladesh Bank's BDPD circular no. 3 dated January 18, 2010, the members of Board of Directors (excluding Managing Director) received maximum BDT 5,000.00 (five thousand) as honorarium for attending each meeting.

Directors' Report

Appropriation of profit

Taking into account the profit available for distribution after complying with regulatory requirement, the Board in its 348th meeting held on 30.04.2013 recommended 10% percent cash Dividend for the year ended on December 31, 2012. However dividend for the 2012 is subject to approval of the shareholders at the 30th Annual General Meeting of the bank.

Proposed appropriations are as follows:

Particulars	2012	2011
Net profit after tax for the year	1,586.13	2,945.80
Retained earnings at the beginning	13.09	1.09
Transfer from General Reserve	-	65.00
Profit available for appropriation	1,599.22	3,011.59
Proposed appropriations:		
Transferred to statutory reserve	747.81	1,034.58
Proposed stock dividend	-	1,091.23
Proposed cash dividend	836.61	872.99
Retained earnings	14.80	13.09

Rotation/Appointment of Directors

The honorable Directors of the Bank Hajee M. A. Kalam, Mr. Sharif Zahir, Mr. Md. Tanvir Khan, Mr. Anisuzzaman Chowdhury and Mr. Asifuzzaman Chowdhury will retire in the 30th 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 as per article 110 they are eligible for re-appointment. Resume of them are as below:

Name of the Directors	Entities where they have interest
Hajee M.A. Kalam Director Date of Birth: 02.01.1946 Experience: 30 Years Above Address: 2, Rabiya Rahman Lane, Chittagong	1. M/s. M. A. Kalam Ltd. 2. M/s. United Overseas (BD) Ltd. 3. Arab Plantation Ltd.
Mr. Sharif Zahir Director Date of Birth: 20.09.1977 Experience: 15 Years Above Address: House # 15, Level#2 48, Park Road, Baridhara, Dhaka	1. Ananta Casual Wear Ltd. 2. Ananta Properties Ltd. 3. Ananta Energy Resources Ltd. 4. National Finance Ltd. 5. Confidence Industries Ltd. 6. Ananta Apparels Ltd. 7. Ananta Fashion Ltd. 8. Ananta Group Ltd. 9. Ananta Denim Technology Ltd. 10. DNV Clothing Ltd. 11. Universal Menswear Ltd. 12. Ananta Huaxing Ltd. 13. T & S Brothers (BD) Ltd. 14. Vanguard Asset Management Ltd.
Mr. Md. Tanvir Khan Director Date of Birth: 14.09.1983 Experience: 10 Years Above Address: J.K. Group, 42/4, Progati Sarani Green Orlando (3rd & 4th Floor) Baridhara, Block-J, Dhaka-1229	1. J. K. Fabrics Ltd. 2. J. K. Knit Composite Ltd.

Directors' Report

Mr. Anisuzzaman Chowdhury

Director

Date of Birth: 13.05.1972

Experience: 10 Years Above

Address:

Bashiruzzaman Chamber

9 Bundle Road, Patharghata, Chittagong

1. Rony Chemical Industries Ltd.
2. Bitucom Limited.

Mr. Asifuzzaman Chowdhury

Director

Date of Birth: 07.07.1978

Experience: 10 Years Above

Address:

Bashiruzzaman Chamber

9 Bundle Road, Patharghata, Chittagong

1. Synthetic Regin Products (Pvt.) Ltd.
2. Rony Chemical Industries Ltd.

Auditors Report

The Board of Directors reviewed the Auditors Report issued by the bank's auditor M/S Syful Shamsul Alam & Co., Chartered Accountants based on their audit of financial statements for the year ended 31 December 2012. 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. M/S Syful Shamsul Alam & Co., Chartered Accountants was the auditor of the Bank for the year 2010, 2011 and 2012. They have completed their third year of audit and not eligible for reappointment. The new auditor shall be appointed by the shareholders of the Bank for financial year 2013 in 30th Annual General Meeting of the Bank.

Hoda Vasi Chowdhury & Co., Chartered Accountants of address: BTMC Bhaban (7th & 8th level), 7-8 Karwan Bazar, Dhaka-1215 has expressed their willingness to be appointed as external auditor of the Bank for the year 2013. Section 210 of the Companies Act 1994 gives authority to the shareholders to fix the appointment of auditor and its remuneration. Hence, the Board recommended to appoint Hoda Vasi Chowdhury & Co., Chartered Accountants as external auditor of the Bank for the year 2013.

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 2012 recording reasonable performance in 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 colleagues in the Board for their continued support and contributions in moving the Company to the right direction. I, of course, thank all the employee of the bank on whom we depend for our success. The members of the Board also thank Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges, Central Depository Bangladesh Limited, lenders, depositors and other stakeholders who are 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 customers and shareholders for their continued support and trust repose on us and UCB aspires to do better in future and with this expectation we place before the esteemed shareholders the accounts and this report for the year 2012 for approval.

Sd/-

Showkat Aziz Russell

Vice Chairman

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. Corporate Governance ensures fairness, transparency and integrity of the management. 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 share 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, 2012, the Board Consists of 16 (sixteen) 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 Directors' Meeting

The Board of Directors holds meeting on a regular basis. During the year 2012 total 19 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 Directors' 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. The list of the Board members and their attendance in the meeting is stated below:

Name	Position In BOD	Total Board Meeting	Attendance	Status as on 31.12.2012
Mr. Showkat Aziz Russell	Vice- Chairman	19	14	Continued
Mr. M. A. Sabur	Chairman, Executive Committee	19	18	Continued
Mr. Md. Jahangir Alam Khan	Chairman, Audit Committee	19	17	Continued
Mr. M. A. Hashem	Director	19	19	Continued
Hajee Yunus Ahmed	Director	19	17	Continued
Hajee M. A. Kalam	Director	19	19	Continued
Mrs. Nur Nahar Zaman	Director	19	4	Continued
Mr. Saifuzzaman Chowdhury, MP	Director	19	14	Continued
Mr. Sharif Zahir	Director	19	18	Continued
Mr. Md. Tanvir Khan	Director	19	14	Continued
Mr. Anisuzzaman Chowdhury	Director	19	13	Continued
Mr. Asifuzzaman Chowdhury	Director	19	5	Continued

Report on Corporate Governance

Name	Position in BOD	Total Board Meeting	Attendance	Status as on 31.12.2012
Mrs. Sultana Rezia Begum	Director	19	10	Continued
Mr. Shabbir Ahmed	Director	19	13	Continued
Mr. Ahmed Arif Billah	Director	19	11	Continued
Late Akhtaruzzaman Chowdhury	Director	19	14	Expired on 04.11.2012
Mr. Kazi Enamul Hoque	Director	19	12	Continued till 25.09.2012
Mr. Bazal Ahmed	Director	19	11	Continued till 25.09.2012
Mr. Nur Uddin Javed	Director	19	11	Continued till 25.09.2012
Mrs. Setara Begum	Director	19	12	Continued till 25.09.2012
Mr. Riyadh Zafar Chowdhury	Director	19	2	Continued till 30.06.2012
Mr. Emran Ahmed	Director	19	6	Continued till 30.06.2012
Mr. Nasim Kalam	Director	19	2	Continued till 30.06.2012
Mr. Nurul Islam Chowdhury	Director	19	9	Continued till 30.06.2012
Mr. Muhammed Ali	Managing Director	19	5	Appointed on 01.11.2012

Board's Committees

Executive Committee

The Board has an Executive Committee consists of 5 (five) members. The committee 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 2012 total 14 (fourteen) no. of meeting were held. The list of the members and their attendance in the meeting is stated below:

Name of the Directors	Status in the Committee	No. of E.C Meeting Held	No. of Meeting Attended	Status as on 31.12.2012
M. A. Sabur	Chairman	14	14	Continued
Md. Jahangir Alam Khan	Member	14	14	Continued
M. A. Hashem	Member	14	14	Continued
Hajee M. A. Kalam	Member	14	13	Continued
Saifuzzaman Chowdhury	Member	14	12	Continued
Kazi Enamul Hoque	Member	14	9	Continued till 25.09.2012
Bazal Ahmed	Member	14	7	Continued till 25.09.2012

Audit Committee

Another very import committee of the board is audit committee. The audit committee of the Bank comprises of three (three) members. 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 revies 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 2012 total 11(eleven) no. of meeting were held. The list of the members of the committee is stated below:

1. Md. Jahangir Alam Khan, Chairman of the committee
2. Hajee M. A. Kalam, member
3. Saifuzzaman Chowdhury, MP, member
4. Sharif Zahir, member

Report on Corporate Governance

Report of the Board Audit Committee

A separate report of the board audit committee is attached with this Annual Report separately.

Regulatory compliance/disclosure:

The primary regulator of the bank is Bangladesh Bank and other major regulator includes, Bangladesh Securities and Exchange Commission (SEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), RJSC, CDBL, National Board of Revenue, 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. 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 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 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, traveling 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.

Report on Corporate Governance

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

Bangladesh Securities and Exchange Commission notification on corporate governance

Bangladesh Securities and Exchange Commission (BSEC) 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 condition 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	
1.0	Board of Directors			
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 <input checked="" type="checkbox"/> in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	<input checked="" type="checkbox"/>		
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5(xxi)b);	<input checked="" type="checkbox"/>		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	<input checked="" type="checkbox"/>		
1.5 (xxii)	In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:			
1.5 (xxii) a)	a brief resume of the Director;	<input checked="" type="checkbox"/>		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas.	<input checked="" type="checkbox"/>		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	<input checked="" type="checkbox"/>		
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	<input checked="" type="checkbox"/>		
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	<input checked="" type="checkbox"/>		
3.0	Audit Committee:			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	<input checked="" type="checkbox"/>		
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.	<input checked="" type="checkbox"/>		
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.	<input checked="" type="checkbox"/>		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	<input checked="" type="checkbox"/>		
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.	<input checked="" type="checkbox"/>		
3.1 (iv)	Filling of Casual Vacancy in Committee	<input checked="" type="checkbox"/>		
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	<input checked="" type="checkbox"/>		
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	<input checked="" type="checkbox"/>		
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).	<input checked="" type="checkbox"/>		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	<input checked="" type="checkbox"/>		

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	External/Statutory Auditors			
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.	✓		
5.0	Subsidiary Company			
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.	✓		
6.0	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
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.	✓		
7.0	Reporting and Compliance of Corporate Governance:			
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 of Compliances of Corporate Governance



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

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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, except for conditions No.- 3.1 (ii), 3.2(i), 5(i) & 5(ii) which will be complied in due course as assured by the management of the Bank.


K.M. Hasan FCA

Managing Partner
K.M. Hasan & Co
Chartered Accountants

Dhaka, May 9, 2013.

Compliance of Bangladesh Bank's guidelines of Corporate Governance

(BRPD circular no 16 dated 24.07.2003)

Particulars	Compliance Status
Responsibilities and authorities of the Board of Directors	
(a) Work-planning and strategic management	Complied
(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.	
(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) Lending and risk management:	
(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
(c) Internal control management:	
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
(d) Human resources management and development:	
(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
(e) Financial management:	
(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 of Corporate Governance

Particulars	Compliance Status
<p>(f) Formation of supporting committees: 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>(g) Appointment of CEO: The board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank</p>	Complied
<p>2 Responsibilities of the chairman of the board of directors: (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>03 . Responsibilities of the adviser: 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>04 . Responsibilities and authorities of the CEO: 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

Reports of the Audit Committee

Introduction:

In compliance with the BRPD circular no. 12 dated: 23 December 2002 and Bangladesh Securities and Commission notification no. - SEC/CMRRCD/2006-158/134/Admin/44 dated: 07 August 2012, the Audit Committee was constituted by the Board of Directors of the Bank with a view to establish a unique, strong and dependable banking system for all stakeholders specially for shareholders and depositors as well as assist the Board of Directors in ensuring transparent financial reports, non financial corporate disclosures, internal control system and compliance to governing rules and laws.

Composition:

The composite of the Audit Committee of the Bank as on 31.12.2012:

Name	Status With the Committee
Mr. Md. Jahangir Alam Khan	Chairman
Hajee M. A. Kalam	Member
Mr. Saifuzzaman Chowdhury, MP	Member
Mr. Sharif Zahir	Member

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

Meeting:

The Audit Committee has conducted 11 (Eleven) meeting in the year 2012. Details of the meeting are shown below:

Name	No of Meeting Held	Present	Remarks
Mr. Md. Jahangir Alam Khan	11	11	Continued
Hajee M. A. Kalam	11	10	Continued
Mr. Saifuzzaman Chowdhury, MP	11	09	Continued
Mr. Sharif Zahir	11	10	Continued
Mr. Nur Uddin Javed	11	09	Continued till 25.09.2012

Role of Audit Committee:

The prime job 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 maintain 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 the line with the policies set out by the Board.

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.

Sd/-

Md. Jahangir Alam Khan
Chairman, Audit Committee

REPORT ON HUMAN RESOURCE MANAGEMENT



Report on Human Resource Management

UCB has always been an equal opportunity employer caring for its employees, because it believes, employees are the driving force behind quality business growth. In **UCB**, our objective is to bring in competitive advantage through gradual consolidation of best HR practices and by consistently scaling newer heights in human quality & capability to cope up with changes in a work culture based on values and customer satisfaction.

In line with our HR development strategies - 2012, some highlights of HR development initiatives during the year are stated below:

1. Target/KPI Based Performance Management System

Our objective is to shape up a strong foundation in the performance management of the employees through target/KPI based performance system which is one of the best HR practices globally to inculcate excellence in employee performance and thus to adopt an objective performance appraisal system for reward & recognition.

We have launched and activated the system as of 2012. Under the system, every individual officer/executive in a given function receives a set of performance parameter / targets /KPI primarily relates to job responsibilities (functional or cross functional) at year beginning which he/she is supposed to consciously deliver during the year. Targets / KPI are usually generated from the business plan, given objectives of the functions, given job description and the nature of job of the individual. Normally, deliverable targets/KPI are discussed between the job holder and the immediate superior (target setters) at beginning of the year so that the job holder knows what is expected of him/her during the year. An effort has been made to define the performance parameters /targets **SMART** as far as practicable. **SMART** means, **S**pecific, **M**easurable, **A**mbitious, **R**ealistic and **T**ime Bound.

The performance parameters/targets given to an individual employee at the beginning of the year has been considered as the primary basis of his/her **performance appraisal** at the end of the year.

The system of targets/KPI based performance vis-à-vis performance appraisal system on board has been working reasonably well, but will take some more time to clarify understanding amongst the employees to stabilize the system with further training & coaching.

2. A remuneration & reward system linked to performance

Our objective was to link annual increment with individual merit & competence based on the performance measure of an employee during a year.

Keeping an insight in our objective, we have revisited employees' remuneration package through a survey during the year 2012 and accordingly remuneration package in job grades has been updated to make it competitive in the market.

The important change that we have brought in is that "capped time basic pay scale" coupled with the element of fixed annual increment in a job grade has been replaced.

In the revised policy, a minimum basic pay has been determined on a rational basis in each job grade leaving the maximum limit open ended which has given a space to rightly reward an extraordinary employee in terms of merit & competence within the policy guideline.

Annual fixed increment in a job grade has thus been replaced by flexible merit increase in terms of % (percentage) over the last drawn basic pay based on the performance category out of the performance appraisal system given the policy guideline.

3. Priority focus toward Learning & development

We have one "State of the Art" learning & development center with modernized structure and facilities being used for in-house training including routine business meetings and conferences.

During the year 2012, we have strengthened the "Learning Development Center (LDC)" by few potential new recruits having exposure & expertise in organizing & designing banking learning modules, general management modules, e-learning modules and career management.

In the revised structure, Head of LDC leads two segments of HR development i.e.

(i) professional Learning and (ii) Career Management as a new dimension.

Report on Human Resource Management

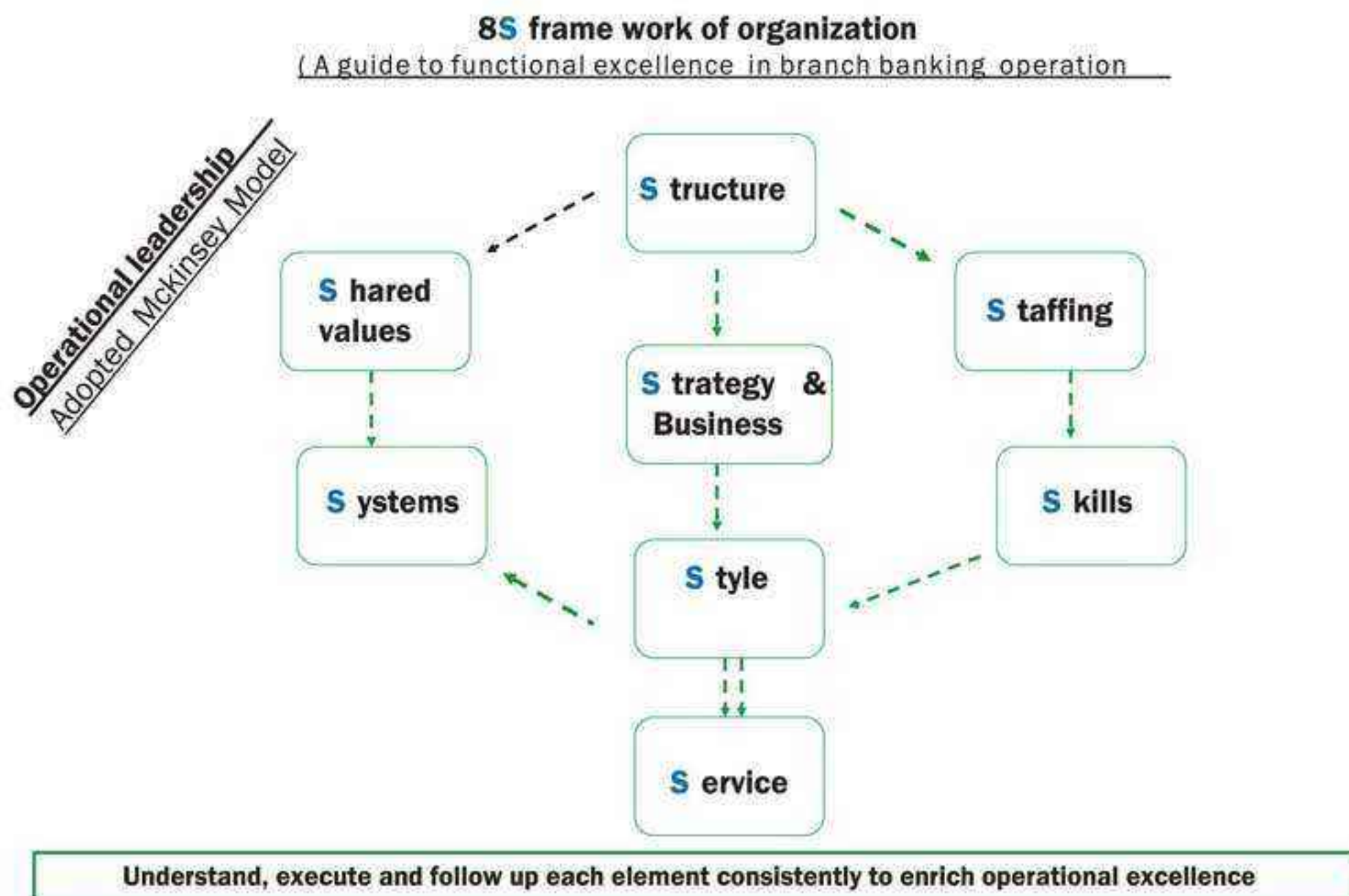
Some highlights on our "Career Management" process is given below:

- Potential listing of employees by profession
- Succession and development listing (out of potential list) i.e. Targeted future Leaders /Managers/ functional executives: (Divisional /Dept Heads, HOB, Operation Manager, Specialized professional managers (HO), Credit In-charge/Officers, Foreign Trade In-charge/Officers, GB In-charge besides professionals in specialized fields of management).
- Competence mapping of the above listed employees & identify skill /competence gaps and organize need based development programs.
- Organize counseling & coaching sessions for specific group of listed potential employees
- Talent data base for tracking career progression & recommend measures for retention of the potential group so as to avoid "Regretted Loss"

Highlights of some important professional training programs in 2012.

LDC rolled out intensive professional training for different target groups of employee population. Amongst others the following 3 programs had cutting edge impact as per the feedback received:

1. SLDP (Senior Leadership Program) - 2 programs, 2 days duration each, conducted by HRX **Consultant, UK**. Attended by **48** Senior Members of Management.
2. Operational Leadership Development Workshop - 9 programs, 2 days each, conducted in association with **Impra Consulting INT, USA**. Attended by 217 Branch Managers & Operations Managers. The program was developed adopting **McKinsey's 7S** frame work of managing an organization effectively. We named the model as **8S** with the addition of "**Service**".

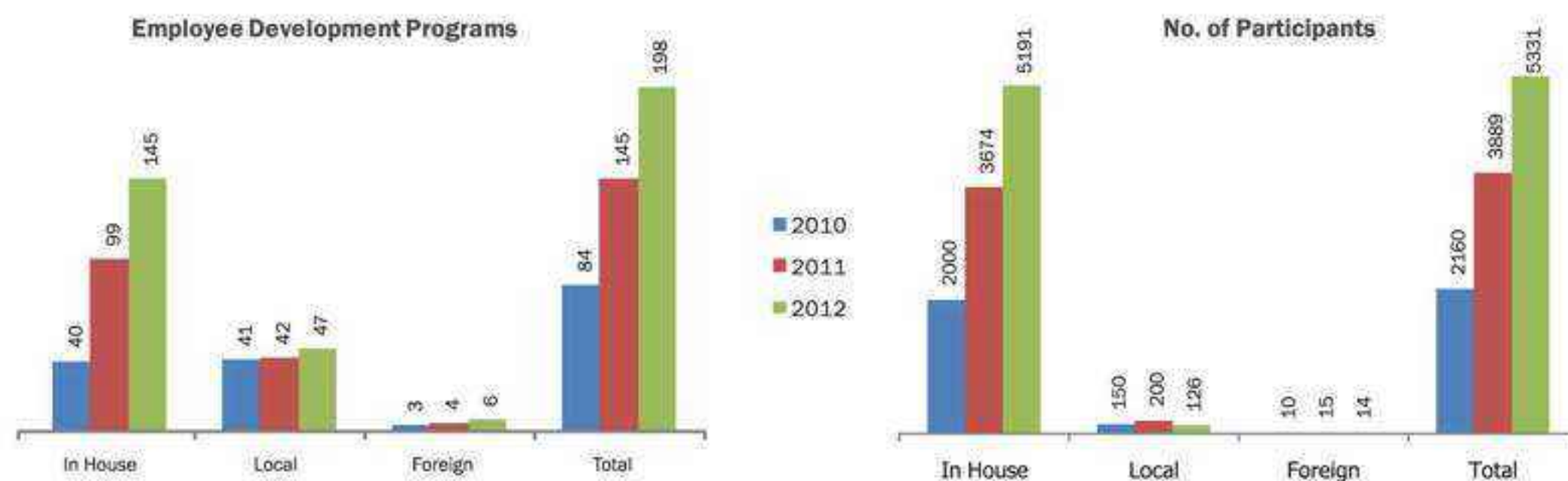


Report on Human Resource Management

3. Selling & Customer Service Excellence Workshop – 14 programs, 2 days duration each, conducted in association with **“Future Leaders”**, Bangladesh. Each program was organized in a branch location incorporating total employees of 2/3 branches at a time. Attended by 666 employees of different branches.

Functional excellence programs amongst others like FTC , Credit Level – 1, Credit Level – 2, Foreign Trade Level – 1, Foreign Trade Level – 2, GB Level -1, GB Level - 2 including Career Counseling programs for different target group worth mentioning.

Status of training programs vis-à-vis number of participants: 2010 – 2012:



HR priorities - 2013

Given the business plan 2013, our objective would be to consolidate the business profile in 2013 with focused attention to achieve sustainable profitable growth by ensuring quality of assets. Business competition and challenges would be intense, but we are determined to face it courageously and judiciously as a team by our realistic actions and intellectual capability of our employees.

Our strategies in “HR & Organization Development” perspective in 2013 are the following

- Improve quality of the modality of business operations and change the way we work both at branch and corporate level – process reengineering in lines of business.
- Strengthen cohesiveness & coordination amongst our relationship management teams both at branch & corporate levels – redefine the roles & accountabilities.
- Reorganize functional structure with focus in **“line of business”** and **“line of Asset Quality Assurance”** divisions at the corporate level.
- ICCD to be strengthened with quality manpower under a defined policy and Concurrent Audit System (CAU) for large branches to be made operational.
- To ensure quality, card operations unit has been segregated with separate line of reporting to Head of IT
- Card fraud management & dispute handling unit has been segregated with line of reporting to Head of GBD.
- Risk Management Division will be operational to focus on 6 core risks management in line with Bangladesh Bank's instruction. Stress Testing including Basel – 2 compliance will be in place.
- Recovery division will be renamed as Special Asset Management Division (SAMD) with clear TOR target based.
- Create awareness and preparedness of the team to facilitate smooth transition to **CBS**.
- Career Management and development effort will continue in creating & nursing talent pool in the business.
- Revisit branch organogram to set up a standard manning level through job evaluation considering the size of the business and growth prospects.
- Consolidation of Target / KPI based performance management system with further clarity to all concerned in 2013.
- Priority focus in learning & development of our employees will continue as an going process in that **e-learning modules** will be launched as a new venture.
- HR policies in appropriate areas will be updated in line with best HR practices.

CORPORATE SOCIAL RESPONSIBILITY



Report on Corporate Social Responsibilities

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to social and 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. Though it is a bit new in implementation in Bangladesh, yet CSR is one of priorities for business to have positive impact in society. CSR should always be an integral part of an organization since no company has the scope to find itself

out of the society. Demonstrating cordial concern for the welfare of employees should always be a priority. Nevertheless environment, human rights, community development, and on the whole, development of the society is an indisputable responsibility for the companies.

Likewise, UCB is not far behind. We are involved in continuous contribution towards economic and social development which in the long run leads to building a prosperous nation. The 'social contract' between the corporation and the community is of 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 socially responsible initiatives.



Beautification of FIDC Circle at Chittagong

Like year 2011, this year also we have carried out our socially responsible initiatives around three main areas: customers, employees and social development. Responsibilities to employees and consumers are foremost concerns in UCBs' corporate accountability. 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.

Customers

Our Bank's main contribution to the well-being of society comes through the contribution we make to economic prosperity by providing a broad range of financial services to a large number of customers. We serve customers in three principal areas – personal financial services, Corporate banking, and SME Banking. In each of these areas, we are seeking to make our business more sustainable. Sustainable development – development that meets the needs of the present generation without preventing future generations from satisfying theirs – is at the heart of our corporate responsibility agenda. We had undertaken several initiatives in terms of product innovation and new market development during the year 2012. UCB expanded its presence in several new locations in different parts of the country. The Bank now has 130 branches across Bangladesh. Business expansion has been in the areas of manufacturing, import and export, infrastructure, services and agriculture credit, ranging from corporate clients to small and medium enterprises and retail clients.



Donation to the Victim Families of Mirsarai Tragedy

Report on Corporate Social Responsibilities

Employees

At UCB, we remain committed to harnessing teamwork as we strive to achieve our ambitions and share the rewards with all our stakeholders. To trigger the creativity of employees, UCB provides an open and friendly working environment. Time to time, internal events like get-together, picnic, recreational sports and cultural programs are arranged for employees which help the members of UCB to strengthen their bonds and also to build team morale. A positive work-environment is created to make the job always interesting, challenging and fun. We reward employees for outstanding performance through variable pay such as increment and incentives. Employees are also encouraged to share in the ownership of the company through share options.

Social Development

Subsequently 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. Project and policies are initiated on long term basis accompanied with sustainability and advancement. In the year 2012, the Bank's total expenditure in CSR arena was around 4.14 crore.

Education

Expanding literacy and development of education is the fundamental urgency to go for a prosperous Bangladesh. Therefore, UCB has long been practicing CSR in education sector through scholarship for poor and brilliant students, donation to educational events, education for underprivileged children, donation to different educational institutions etc.



Blanket distribution in Rangpur during Winter

International Physics Olympiad was held at Estonia during July 15-24, 2012 where 88 teams from all around the world participated. Bangladesh Physics Olympiad also participated at International Physics Olympiad. A total of 5000 students from all divisions of the country participated in Bangladesh Physics Olympiad. At the final stage of the competition, 5 students were selected from all around the Bangladesh for attending International Physics Olympiad. The team of Bangladesh Physics Olympiad requested the Bank for financial support and UCB made a donation to Bangladesh Physics Olympiad team so that they can take part in the International Physics Olympiad at Estonia.

Dhaka University History Department Alumni Association was trying to create an 'Alumni Satra Sahaiyata Tahbil' to help the poor but meritorious students of the department. Besides, they were also planning to establish a 'Computer Lab' to help modernize the education system. For these purposes, UCB made a donation to the Dhaka University History Department Alumni Association to help the poor meritorious students and also to modernize their education system.

Bangladesh National Cadet Core (BNCC) students are involved in community services like agriculture, health, child welfare, fighting natural disasters etc on a regular basis. In 2012, BNCC approached us for financial assistance for construction of a 'Library' and 'Computer Lab' for proper development of their cadets in Karnaphuli Regiment. Accordingly, UCB made a donation of BDT 15 lac to the Karnaphuli Regiment for the benefit of 3000 cadets of Karnaphuli Regiment.

Ms. Umme Wara, Lecturer of Jagannath University got the opportunity to pursue higher study of L.L.M. in International Crime and Justice at University of Turin, Italy under the United Nations Inter-Regional Crime and Justice Research Institute (UNICRI). Even though she has been awarded with full tuition scholarship, this scholarship didn't cover the travel and living costs in Italy. Unfortunately Ms. Wara's financial condition was a barrier in accepting this scholarship and thus UCB provided financial assistance to Ms. Wara so that she could pursue higher study.

Report on Corporate Social Responsibilities

Health

UCB has also been contributing in health sector by donating to different health-care institutions, financial assistance to under-privileged & poor people, health and well being of women and children, disability reduction and the adoption and maintenance of healthy lifestyles etc.



Cheque Handover Ceremony for Bandarban Baddhavumi Sritee Complex

Disabled Child Foundation (DCF) is a non-profit organization working with children with disabilities for their empowerment within the family, community and state to secure their fundamental needs. Quite naturally, these types of activities need a huge financial resource. Being a non-profit organization, DCF has paucity of fund and hence UCB recently provided wheel chairs to disabled children.

Bangabandhu Sheikh Mujib Medical University, Dhaka haven't been able to properly develop in the expected way mainly due to financial crisis. Their Cardiac Care Unit has now a number of 80 beds; 14 more emergency beds on C.C.U, 6 beds on Observation unit and 2 more O.T on Cardiac Surgery Department. To ensure uninterrupted electricity availability, the Cardiac Building urgently needed a generator of 500 KV which they couldn't afford by themselves. In this situation our Bank provided financial assistance to the Medical University.

The current facilities of Chittagong General Hospital did not include any Cardiac Unit. Due to lack of proper cardiac treatment facilities and hospital beds for cardiac patients, many people were being deprived of proper treatment. UCB provided financial support for setting up a Cardiac Unit in Chittagong General Hospital so that cardiac patients from Chittagong and its nearby Zilas could avail proper treatment facilities.

Anwara Upazila Health Complex of Chittagong was facing tremendous difficulty while serving the patients due to the poor condition of the old ECG machine. The machine broke down every now and often and as a result the patients who visited the center were deprived of proper health treatment. To address this difficult situation, UCB provided a donation of an ECG machine and an Auto-analyzer machine to Anwara Upazila Health Complex.

Environment

UCB recognizes the importance of preserving the natural environment that sustains all life on the earth for future generations and thereby ensuring that all humanity can attain a healthy and enriched life. In order to realize such sustainable environment, UCB has always supported initiatives for a better environment.

'National Plantation Campaign & Plant Fair 2012' took place in June 2012. It was a nationwide plantation campaign which was inaugurated by Honorable Prime Minister of People's Republic of Bangladesh. In this regard, government was planning to beautify the major roads of the city through digital holdings, bill boards etc. As per the approach from the Chief Conservator of Forests, UCB assisted in the fair by setting up billboards at Tejgaon Link Road (New Road) with slogans of plantation awareness.

Report on Corporate Social Responsibilities

Disaster Management

Disaster Management has become one of the most discussed issues in today's world. Specially, for a country like Bangladesh it is even more important since our environment is so prone to disasters. In year 2012, UCB took initiatives to create awareness for effective intervention and mitigation of disasters in Bangladesh.

In 2012, winter came with a massive havoc of cold and extreme suffering for the helpless poor people of Bangladesh. Those people were in need of essential and immediate aid and clothing for saving their life. Being a bank highly concerned with corporate social responsibility, UCB came forward and distributed blankets to help these needy people. In this connection, we have distributed 20,000 pcs of blankets among the poor people in more winter-prone areas.

Sports

In recent years, Bangladesh has been showing remarkable improvements in sports arena. UCB is a huge supporter of sports and accordingly UCB aims to continue supporting the 'sports' sector of Bangladesh on a regular basis.

During June, 2012 Bangladesh competed in the Tri Nation T20 Series in Zimbabwe. There were 5 One day matches with an aesthetic cricket rivalry between Bangladesh – Zimbabwe – South Africa. In this regard, we became the Title Sponsor of Tri Nation T20 series and made a donation to for the series.



Hockey Tournament Sponsored by UCB



Women Hockey Tournament

Bangladesh National Hockey Team recently became the champion of the hockey tournament which was held during August-September, 2012 in Singapore. To celebrate the victory, United Commercial bank and Bangladesh Hockey federation jointly arranged a reception program for all the players of Bangladesh Hockey team. The team of 21 members each got a LCD television during the reception.

Lt. Sheikh Jamal Dhanmondi Club Limited is a very prestigious club in the sports arena of Bangladesh. They participate almost in all sorts of sports with high level of success. They became champion of Bangladesh Professional Football League 2010-2011 and in Women's Football League 2010-2011. For the last 2 years, UCB has been donating to this high-achieving club to support their sports activities.

Art & Culture

Arts & Culture is an artistic phenomenon to show the intellectual essence of a country. Believing so, UCB always support young and budding talents and any kind of endeavors to explore the country's rich cultural heritage.

'Utshe Bangladesh', an association formed by some of the prominent persona of the country, organized a cultural festival named 'Bijoye Parbone' during December, 2012. The 3-day festival included a seminar focusing on the liberation war of 1971, fashion adda, folk songs, film show and also a fair. UCB financially supported the association to arrange the cultural festival smoothly.

Report on Corporate Social Responsibilities

Globe Theatre, London is an intriguing name for theatre-lovers all around the world. Last year, Globe Theatre arranged the biggest drama festival in history where 37 plays of William Shakespeare were played in 37 languages. Dhaka Theatre from Bangladesh also participated in the festival with the presentation of the one of the great plays of Shakespeare, The Tempest. In this regard UCB made a donation to Dhaka Theatre so that they can successfully perform in the Globe Theatre.

Socio-Economic Development

In year 2012, UCB worked on different arenas like community development, SME entrepreneurship, textile sector, women empowerment, tourism etc.



World Hockey in Singapore sponsored by UCB

The BDR carnage that happened in the February 2009 took the lives of 57 Army Officers leaving their grief-stricken family members in uncertainty. One of those martyrs is Major Nurul Islam, whose family was also devastated. He left four children whose future was uncertain due to the financial crisis they were facing. UCB provided financial support to Ms. Ayesha Begam, wife of Late Nurul Islam, a martyr of BDR Carnage with an amount of Taka Thirty Lac (Taka 25,000 per month for a period of 120 months) so that she can support her family.

Bandarban District Police Authority was planning to construct a sculpture named 'Orjon' in the memory of our independence. In this connection, UCB made financial contribution to successfully complete the construction work of the sculpture.

Chittagong Development Authority (CDA) has been taking different initiatives for the beautification of Chittagong City. One of their approaches is to beautify various circles of Chittagong City. In this regard, they approached UCB for construction of Road Island Monument, in front of FIDC Circle. In response, UCB made a donation for the beautification of FIDC Circle.

Bangladesh Foundation for Tourism Development (BFTD) in collaboration with Ministry of Civil Aviation and Tourism organized its annual event, country's biggest International Travel and Tourism Event "Bangladesh International Tourism Fair (BITF) 12" from September 27 - 29, 2012 at Bangabandhu International Conference Centre. UCB provided financial assistance for organizing the event.

In the upcoming year 2013, we are planning to expand our CSR activities in more areas. We will continue to explore new ways in which UCB can contribute to sustainable development - to make the world a better place to live.

GREEN BANKING

Report on Green Banking

The environment and climate change effect on human existence as well as the planet are now a global concern because the changes have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. The key areas of environmental degradation cover air pollution, water pollution and scarcity, encroachment of rivers, improper disposal of industrial medical and house-hold waste, deforestation, loss of open space and loss of biodiversity. The state of environment of Bangladesh is rapidly deteriorating. Moreover, Bangladesh is one of the most climate change vulnerable countries.

The globe is encompassing immense environmental effects due to the activities of business, industries and financial houses. Moreover, the effects of climate change also create specific environmental issues for the enterprises and living beings at large. On the other hand, in-house consumption and use of paper, electricity, water, fuel, stationeries, equipments, technologies, etc. of the business and financial institutions pollutes the environment in different ways and capacities. As such, the society demands that the Banks and financial institutions should take responsibility for keeping the environment green and safeguarding the planet.

Green banking in general refers to the efforts of the Banking sector to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. Green banking is seen as a component of the global initiative from bank end to save environment.

Initiating In-house Environment Management

Initiatives have been taken to apply eco-font in printing to reduce use of ink, use scrap paper as notepads and avoid disposable cups/glasses and to install energy efficient electronic equipments that will help the bank to reduce electricity consumption. Energy saving bulbs has replaced by normal bulbs in offices of the bank. The below more initiatives have been already taken in order to facilitate Green Banking.

LCD/LED Screens: UCB has replaced almost all the old PCs with CRT monitors with PCs with LCD/LED monitors with the help of IT Division. This ensures 70% power usage cut by the personal computers ensuring a huge power saving altogether.

Email: The electronic mail system for UCB decreases use of paper and chemical ink for printing. Using the nationwide computer network the email correspondences also decrease communication time for sending scanned documents.

Intranet Portal: The introduction of Intranet Portal increased the dimension of Paperless communication. Circulars, policies, letters and other documents are stored and distributed through the portal, named as iUCB, reducing the need of printed hardcopies. Also it provides workflow process minimizing operational time to maintain and manage access ID and password for different banking software.

Video Conferencing:

Video Conferencing has been introduced in Corporate Head Office, Chittagong Zone and Sylhet Zone and will be introduced at Khulna Zone soon. The Video Conferencing System allows face to face communication between the locations. This saves pertinent travel time and fuel for a face to face meeting.

IP Telephony: All the branches and Head Office of UCB is interconnected with each other through nationwide IP Telephony network. This ensures that all the branches can talk through IP Phone system with each other on business matter. This ensures UCB not to use any land phone career which reduces the dependency of public telephony and power system usage.

Green Office Guide: UCB has initiated to introduce a Green Office Guide for the employees of the bank for efficient use of electricity, water, paper and reuse of equipments. In place of relying on printed documents, on line communication is extensively used (where possible) for office management to save papers. To reduce consumption of paper an instruction circular was issued by General Services Division guiding the use of papers at time of printing. Finance and Accounts Division has also taken initiatives to make the division paper less. Initially, the Division has discontinued of printing Inter Branch Transactions (IBT) extract by the branches and division where approximately seven lac pages were printed in a year.

Report on Green Banking

Introducing Green Finance

Preferences have been given in financing eco-friendly business activities and energy efficient industries. Investment is encouraged in building environmental infrastructure such as renewable energy project, clean water supply project, wastewater treatment plant, solid & hazardous waste disposal plant, bio gas plant, bio-fertilizer plant etc.

List of Project in green financing in 2012

Cotton Textile & Apparels Ltd.
Antim Knit Composite Ltd.
Antim Knitting Dyeing & Finishing Ltd.
Keya Knit Composite Ltd.
Kushiara Com. Knit Ind. Ltd.
Knit Asia Ltd.
Jams Apparels (Pvt). Ltd.
Amana Knittex Ltd.
Metro Knitting & Dying Mills Ltd.
APS Apparels Ltd.
Liberty Knitwear Ltd.
Micro Fiber Ltd.
M.M. Knitwears Ltd.
P. A. Knit Composite Ltd.
J.M Fabrics



A RMG factory of APS Apparels Ltd. with ETP facilities financed by UCB

Incorporation of Environment Risk in CRM

UCB has formulated an Environmental Risk Management Policy in December 2011 to understand and manage risks arising from environmental concerns. This will bring a focus on planning and implementing policies and procedures to mitigate environmental risks associated with financing decisions. With a view to incorporating environmental risk as part of existing credit risk methodology to assess a prospective borrower, Bank's ERM Policy has been designed in line with Bangladesh Bank guidelines. Environmental change risk is to be considered as part of the existing credit risk methodology of the bank to assess a prospective borrower. In this connection, specific checklist has been formulated and introduced which will help review possible sources of environmental risk.

Creation of Climate Risk Fund

UCB has taken initiatives to create a Climate Change Risk Fund for financing in different areas after assessing the risks involved. The fund will be used in case of emergency. Regular financing flows will also be ensured in these vulnerable areas and sectors such as flood, cyclone and drought prone areas. The above Climate Change Risk Fund will be a part of the Bank's CSR expenses. Bank will also provide financing to the economic activities of the flood, cyclone and drought prone areas at the regular interest rate without charging additional risk premium.

Introducing Green Marketing

Green marketing is the marketing of products that are presumed to be environmentally safe. Green marketing may incorporate a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. It refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in itself or produced and/or packaged in an environmentally friendly way. UCB has taken initiatives to use environmental causes for marketing their services to consumer and to create awareness among the mass people.

Employee Training, Consumer Awareness and Green Event

Training and campaign on employee awareness and environmental and social risk and the relevant issues are taken continually as part of the Bank's Human Recourse Development. The Public Relations Department under Corporate Affairs Division of the Bank is continually arrange campaign and programs to create awareness among consumers and clients.

Report on Risk Management

Importance of Risk in the banking business:

"Banks are in the business of managing risk, not avoiding it. A bank's success lies in its ability to assume and aggregate risk within tolerable and manageable limits. Risk is the fundamental element that drives financial behavior. Without risk, the financial system would be vastly simplified. However, risk is omnipresent in the real world. Financial Institutions, therefore, should manage the risk efficiently to survive in this highly uncertain world. The future of banking will undoubtedly rest on risk management dynamics. Only those banks that have efficient risk management system will survive in the market in the long run. The effective management of credit risk is a critical component of comprehensive risk management essential for long-term success of a banking institution".

In line with this reality, UCB has either already established or in the midst of implementation (such as adoption of Core Banking Solution) of an effective risk management mechanism in its organization. At UCB, Risk Management has been regarded as a topmost priority and thus enjoys unconditional patronization of the Board as well as of the Top Management. UCB believes in the systematic identification of risks and the structured process for managing them. Besides, to strengthen the Risk Management Process, we are continuously reviewing the process and taking corrective/up gradation measures to refine it further.

Below is the UCB Risk Management Process flow chart:



Risk Management Approach:

UCB believes in adopting a strong and integrated Risk Management Approach to ensure the overall financial soundness and stability of the Bank's business. Risk Management Framework of the Bank includes the following key components:

- Strong Board and Senior Management oversight
- Sound Capital Management Process
- Comprehensive assessment of all material risks
- Check and balance reviews
- Regular monitoring and reporting and
- Independent reviews by internal and external auditors, and all relevant supervisory authorities.

Moving forward, UCB 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 a concise 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

Report on Risk Management

Understanding the Risks and their 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, those are Core Risk Management and Basel Framework (Presently Basel II regime is running). Therefore, the risks can be described from both these perspectives.

Core Risk Management:

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

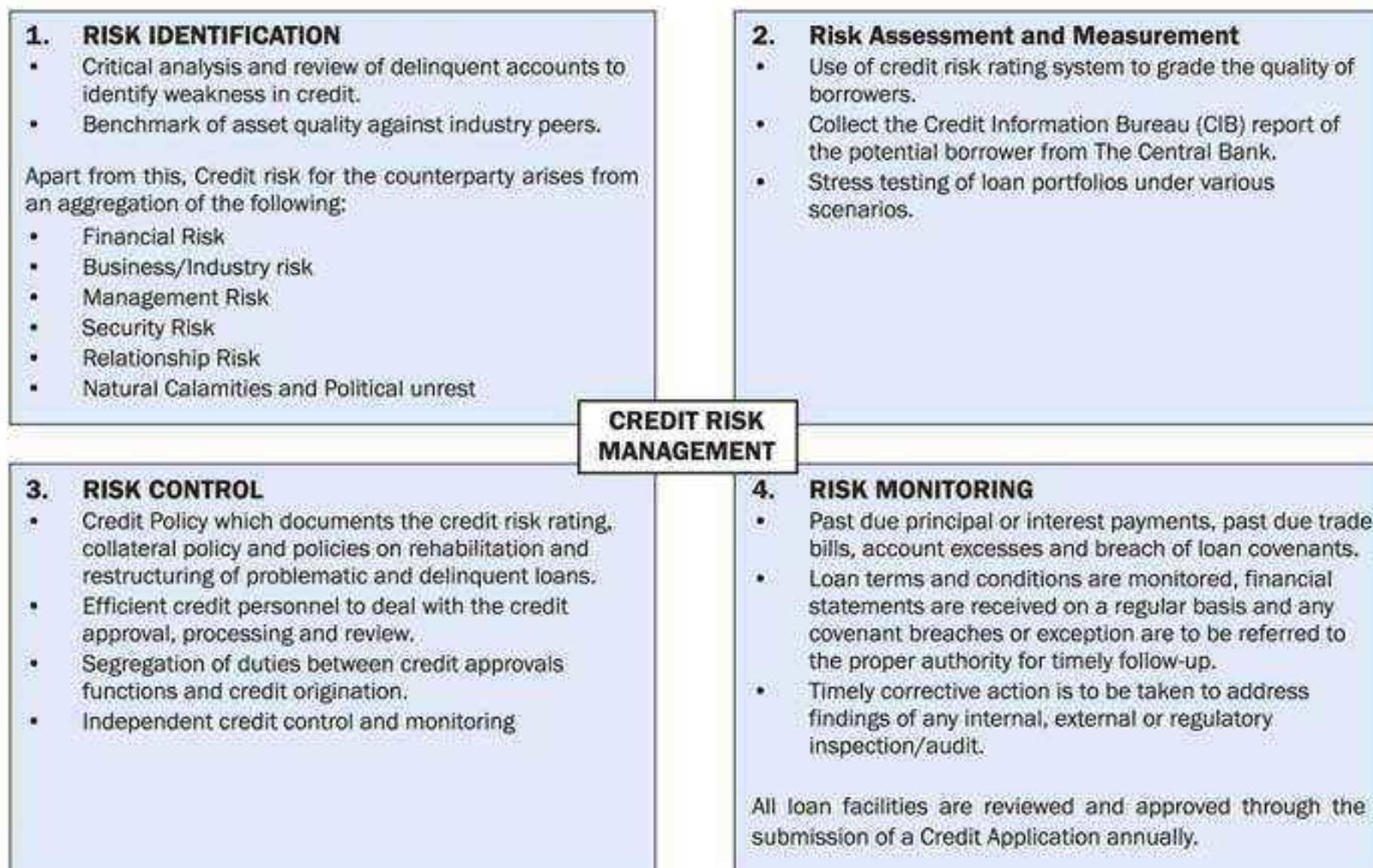
- Credit Risk
- Foreign Exchange Risk
- Asset Liability Management Risk
- Internal Control & Compliance Risk
- Money Laundering Risk and
- Information Technology Risk.

The Bank has taken a number of initiatives to identify, measure, and manage these risks effectively and efficiently. To have a better understanding of their importance and UCB's approach to manage them, we shall revisit the entire matter as 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.

UCB has placed strong emphasis in creating credit risk awareness among all lending employees within the Bank. 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. The key methods used to identify, assess, control and monitor the Credit Risk of the Bank are as follows:



Report on Risk Management

It is a real challenge for credit risk managers to correctly identify pockets of risk concentration, quantify extent of 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. carried, identify opportunities for diversification and balance the risk-return trade-off in the credit portfolio.

Managing Credit Risk starts with experienced and knowledgeable key personnel being appointed to the Credit functioning and UCB has done so. Besides, UCB has ensured due-diligence and due responsibility at every step of credit approval, documentation and disbursement.

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 L/C commitments and other remittance requirements. This risk usually affects import-export business, but it can also affect investors making international investments. If money is converted to another currency to make a 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 confirming the Central Bank's 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 for its settlement reviews outstanding entry beyond 30 days. The position maintained by the Bank at the end of day was within the stipulated limit prescribed by the Central 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

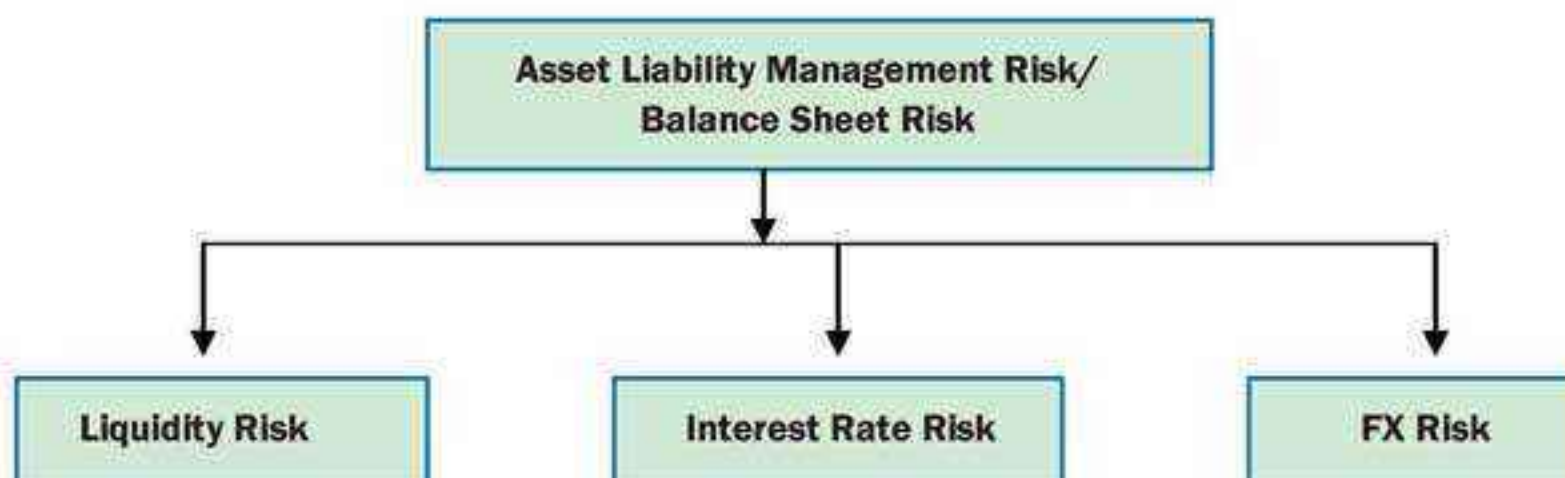
Internal control can be defined as a system in place, on a permanent basis, to control the activities in an organization to accomplishing specific goals or objectives. It is the process by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing 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. Therefore, UCB believes that there is no alternative to effective internal control system. UCB has recently taken initiatives to strengthen the related divisions/departments by providing the best human resources.

Report on Risk Management

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 risks of Asset liability mismatch by matching the assets and liabilities according to the maturity pattern or by the matching 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;



Liquidity Risk arises when bank may not be able to 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 this quick liquidation of assets. 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 (Building).

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).

FX Risk is also involved with Balance Sheet. Foreign Exchange risk is potential loss arising from movements in foreign currency exchange rate. Foreign exchange risk and its management by the Bank have already been discussed.

ALM Risk Management

UCB is in right place to handle the ALM Risk. For managing the ALM Risk with utmost care, the Bank has formed Asset Liability Committee (ALCO). Besides, a number of other initiatives have been taken to handle the Risk effectively:

F. Information Technology Risk

In a very short space of time, banks and other financial institutions have become more dependent on internet, computer and other electronic media and operating systems to run their daily operations. Risks surrounding IT, such as network failure, lack of skills, hacking, viruses and poor system integration have the potential to have a negative impact on an organization. Moreover, information and communication technology is rapidly changing which warrants continuous vigilance. The Bank has taken initiatives to serve its customers through the most modern technology and the bank has undertaken implementation of core banking solution (CBS).

Clear policies and procedures have been formulated, training programs have been arranged, roles and responsibilities of all relevant officials have been defined with a view to maintain IT risk effectively. So, the Bank is in a place to manage the IT Risk efficiently taking a good number of initiatives:

• 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. Very soon, the Bank is going to start on Centralized Core Banking Solutions.

Report on Risk Management

• Disaster Recovery Site

Data is protected and secured in various ways. Data is 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 would restore data in authenticated way.

• IT Audit Team

An IT Audit Team has been formed as per the Central bank's guideline. The Team members audit the Branches and Divisions. They follow the prescribed guideline, solve the unsettled issues and also report to the higher Management 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 time to time enabling the employees to handle the IT Risk in an efficient manner.

Basel regulatory framework management:

Bangladesh Bank, being the supervisory authority has implemented Basel II Framework in the banking sector from January, 2009. This requires addressing Market risk and Operational Risk along with Credit Risk and ends up with keeping minimum Capital to safeguard the Bank on susceptibility to these risks. Basel II Framework is acting as a major catalyst for functioning of Risk Management practices within the Bank, embedding the risk culture and risk methodologies in the Bank's operation. In this regard, the Bank has already taken initiatives by introducing new Risk Management Process. Basel II framework emphasises on the following risk:

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 risk 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 checks and balances method is used to manage the Operational Risk in the Bank. The Bank has developed internal procedures and monitoring mechanism. Effective internal control has been ensured that operational policies and procedures are being adhered 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.

Governance and Board Oversight:

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

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

- Risk Management Unit
- 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
- Credit Risk Review Committee
- Asset Liability Management Committee

In vie of the above it can be sum up that UCB has been remaining in the right course of effective & efficient risk management. It is only to be strengthened in the coming days.

Disclosures on Risk Based Capital (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 II 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 Disclosure requirements must be followed by all the scheduled banks of Bangladesh as for regulatory compliance, which constitutes of three-mutually reinforcing pillars:



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.

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

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

Disclosures on Risk Based Capital (Basel II)

United Commercial Bank Limited:

United Commercial Bank Limited (UCBL) was incorporated in Bangladesh as a public limited company with limited liability as on the 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 130 branches as on 31 December 2012. 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

The 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). Accordingly the company purchased two licenses under the title of "Maryellen Capital Management Ltd", 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 is located at Sara Tower (9th Floor), 11/A Toyenbee Circular Road, Motijheel C/A, Dhaka - 1000.

In case of Solo Basis, the investment in UCB Securities Ltd is grouped as unlisted equity investment under 1.25 risk weight category in calculating the credit risk of balance sheet exposure. In the process of consolidating the UCB Securities Ltd, the assets of this subsidiary has been consolidated under credit risk of balance sheet exposure.

UCB Investment Limited

The UCB Investment Limited was incorporated in Bangladesh as a private limited company with limited liability as on the 3rd day of August of 2011 under Companies Act 1994. The principal objective of the company is to carry out 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 is located at Sara Tower (9th Floor), 11/A Toyenbee Circular Road, Motijheel C/A, Dhaka - 1000.

In case of Solo Basis, the investment in UCB Investment Ltd is grouped as unlisted equity investment under 1.25 risk weight category in calculating the credit risk of balance sheet exposure. In the process of consolidating the UCB Investment Ltd, the assets of this subsidiary has been consolidated under credit risk of balance sheet exposure.

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

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

Capital Structure

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

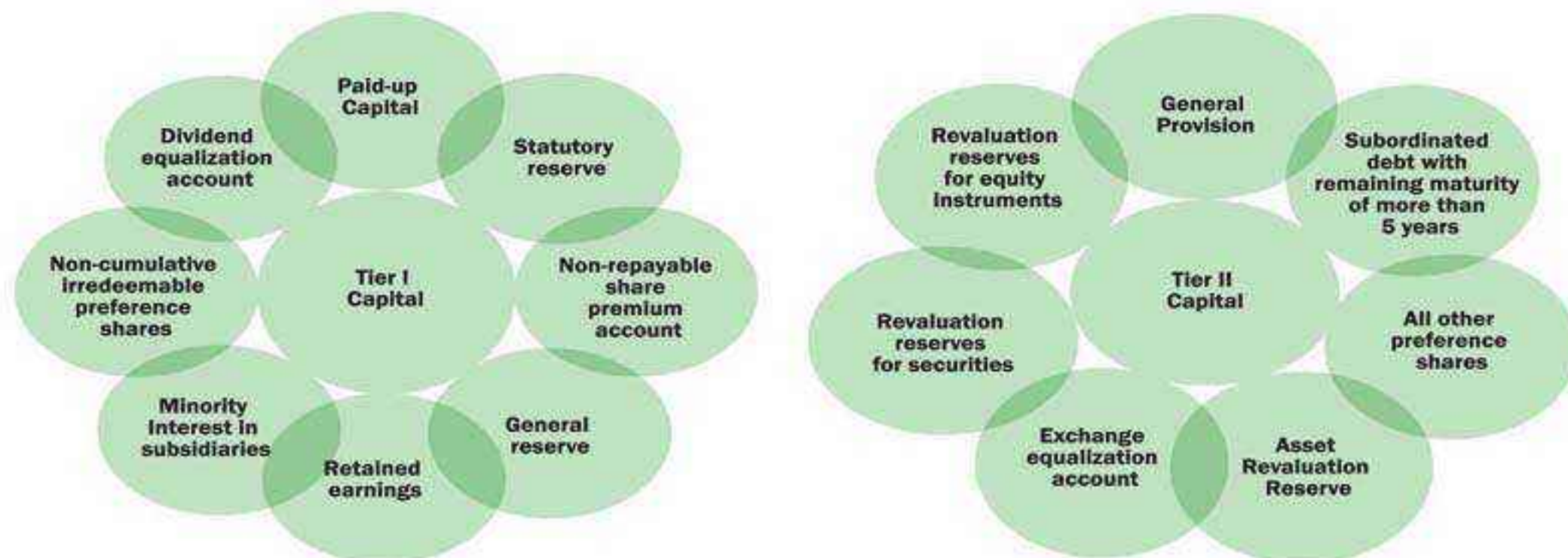
Tier I Capital

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

Disclosures on Risk Based Capital (Basel II)

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:



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, 2012;

Eligible Capital

Particulars	Solo	Consolidated
Tier-1 (Core Capital)		
Fully Paid-up Capital	8,366.12	8,366.12
Statutory Reserve	4,342.09	4,342.09
Non-repayable Share premium account	1,454.98	1,454.98
General Reserve	26.58	26.58
Retained Earnings	851.41	847.28
Total Tier I Capital	15,041.18	15,037.04
Tier-2 (Supplementary Capital)		
General Provision	1,849.64	1,849.64
Assets Revaluation Reserves up to 50%	1,267.05	1,267.05
Revaluation Reserve for Securities up to 50%	297.87	297.87
Revaluation Reserve for equity instruments up to 10%	0.00	0.00
Total Tier II Capital	3,414.56	3,414.56
Total Eligible Capital	18,455.74	18,451.60

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, 2012 are as under;

Particulars	Solo	Consolidated
Capital requirement for Credit Risk	15,894.24	15,885.71
Capital requirement for Market Risk	503.68	503.68
Capital requirement for Operational Risk	1,392.12	1,392.12
Total Capital Requirement under Pillar-I	17,790.04	17,781.51
Tier 1 Capital Adequacy Ratio:	8.45	8.46
Tier 2 Capital Adequacy Ratio:	1.92	1.92

(BDT in million)

Disclosures on Risk Based Capital (BaseI 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 (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%	5%	20%	50%	100%
	Other than Housing Finance & Professionals to setup business	5%	5%	20%	50%	100%
Brokerage House, Merchant Banks, Stock Dealers, etc.		2%	5%	20%	50%	100%
Short term Agri. Credit and Micro Credit		5%	5%	5%	5%	100%
Small & Medium Enterprise Finance		0.25%	5%	20%	50%	100%
Others		1%	5%	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

The global economic crisis has radically changed the credit risk environment not only of the developed countries but also of the emerging and developing countries. The economy has slumped with loan defaults soaring around the world. The Board of Directors and the Management play their due role to manage the credit risk efficiently amid this credit crunch. UCBL manages its credit risk in the following manner:

Credit Risk Management Policy

Given the fast changing dynamic global economy and the increasing pressure of globalization, liberalization, consolidation and disintermediation, United Commercial Bank has a robust credit risk management policy and procedures that are sensitive and responsive to these changes. A clearly defined, well-planned, comprehensive and appropriate Credit Risk Management Policy of the Bank provides a board guideline for the Credit Operation towards efficient management of its Credit portfolio.

Delegation of Credit Approval

Major credit exposures to individual borrowers, groups of connected counterparties and portfolios of retail exposures are reviewed by the Head Office Credit Committee (HOCC) and HOCC 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 approval authorities are carefully segregated between CRM and the Business Units with appropriate level of management for check and balance between control and business consideration. Proper delegation of credit approval ensures full transparency and accountability at all levels.

Credit Quality and Portfolio Diversification

The well practiced 5Cs principles of Credit i.e. Character, Capacity, Capital, Conditions and Collateral are followed professionally in the credit evaluation stage. Evaluation of repayment ability, character of financial discipline and its key personnel, financial health of the borrower and other qualitative and quantitative information are gathered so that credit facilities are allowed in a manner so that Bank's optimum asset quality is ensured. Concentration of credit is carefully avoided to minimize risk. Credit Lines have been segregated focusing on regulatory requirements and with respect to sector, industry, geographical region, maturity, size, economic purpose etc.

Large Loan limit and Credit Facility on business Consideration

The Bank watchfully avoids name lending. Credit facility shall be allowed absolutely on business consideration after conducting due diligence. No credit facility is allowed simply considering the name and reputation of the key person of the borrowing company. In all cases, viability of business, credit requirements, and security offered, cash flow and risks level are meticulously and professionally analyzed.

Credit Monitoring and Early Warning system

The Bank regularly monitors the performance of loan portfolio and external events both at branch level as well as on head office level. The HOCC & 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. Action trigger point has been set to identify accounts according to Early Warning system to address the loans whose performances show any deteriorating trend. Recovery division has been given the responsibility to handle these delicate issues with caution. It enables the Bank to grow its credit portfolio in a sustainable way to ensure higher quality and lower risk with the ultimate objective to protect the interest of depositors and shareholders.

Disclosures on Risk Based Capital (Basel II)

Provision

For Classified Loans and Advances, Bank maintains enough provision. Thus, the Bank has adequate shock absorbing capacity in case of loss of impaired assets.

Independent Internal Audit and Board Audit Cell

Internal Control and Compliance Division (ICCD) independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation. Board Audit Division directly reports to the Board/Audit Committee the overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio for information and guidance.

Creating Credit Risk Awareness Culture

Strong emphasis has been placed to create credit risk awareness among all lending employees within the Bank. Awareness programs have been conducting regularly to create a risk-conscious culture and empower them with the capability to identify, control and manage Credit Risks more effectively.

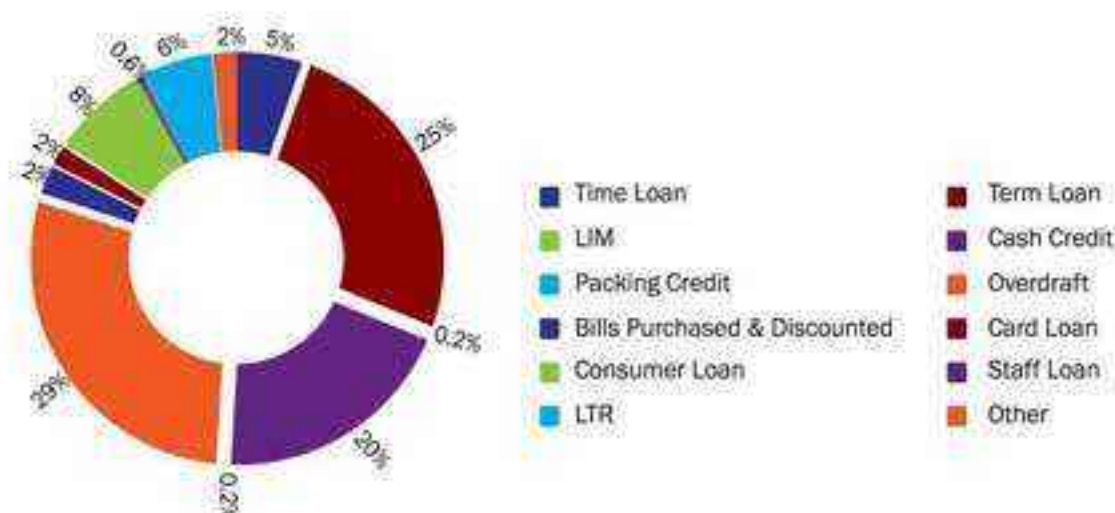
Distribution of Credit Exposure by Major Types

Types of Credit Exposure	Amount	BDT in million)
		%
Overdraft	39,185.83	28.80
Term Loan	34,829.24	25.60
Cash Credit	26,824.18	19.71
Consumer Loan	10,697.13	7.86
Loan against Trust Receipt	7,818.66	5.75
Time Loan	7,269.90	5.34
Bills Purchased & Discounted	3,304.01	2.43
Card Loan	2,255.87	1.66
Staff Loan	833.83	0.61
Packing Credit	266.89	0.20
Loan against imported Merchandize	236.67	0.17
Others	2,549.44	1.87
Total	136,071.65	100.00

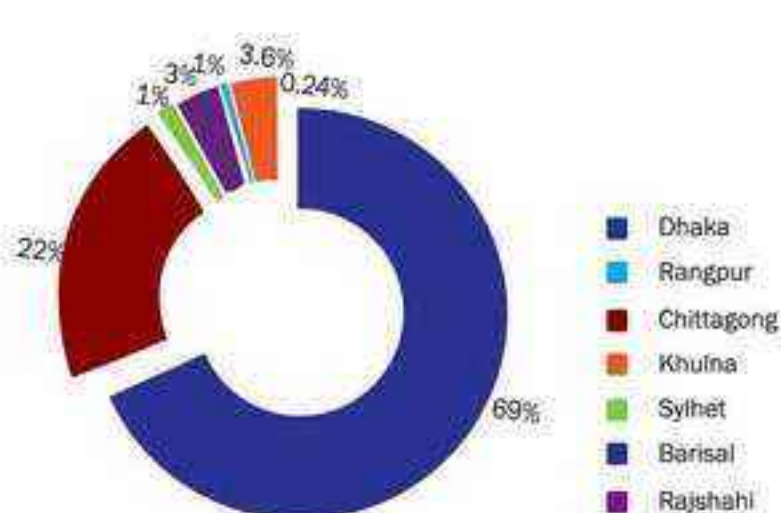
Geographical Distribution of Credit Exposure

Division	Amount	BDT in million)
		%
Dhaka	93,301.57	68.57
Chittagong	30,106.92	22.13
Sylhet	1,933.32	1.42
Rajshahi	4,708.48	3.46
Rangpur	845.08	0.62
Khulna	4,846.19	3.56
Barisal	330.09	0.24
TOTAL	136,071.65	100.00

Credit Exposure by Types



Geographical Credit Concentration



Disclosures on Risk Based Capital (Basel II)

Industry Type Distribution of Exposure

Types of Credit Exposure	Amount (in million Taka)	%
Commercial trade financing	33,592.45	24.69
RMG & Textiles Industry	12,200.65	8.96
Other Manufacturing Industries	11,355.54	8.33
Construction (other than housing)	8,034.21	5.90
Housing industry	7,970.92	5.86
Telecommunication, Transport & communication	6,748.21	4.97
Food products & processing	4,720.83	3.47
Agriculture	2,090.75	1.54
Service Industry	1,635.29	1.21
Power & energy	1,617.13	1.19
Shipping Industries	431.60	0.31
Others	45,674.07	33.57
Total	136,071.65	100.00%

Residual Contractual Maturity wise Distribution of Exposure

Particulars	(BDT in Million) Amount
Upto 1 Month	17,155.21
Over 1 Month Upto 3 Month	24,611.78
Over 3 Month Upto 12 Month	45,332.07
Over 1 year Upto 5 Years	33,387.48
Over 5 Years	15,585.11
Total	136,071.65

Loans & Advances and Provision

Particulars	(BDT in Million) Outstanding Loans & Advances	(BDT in Million) Provision against Loans & Advances
Total Loans and Advances	136,071.65	3,178.63
Un-Classified Loans & Advances	131,056.07	1,328.09
Classified Loans and Advances	5,015.58	1,850.54
Substandard (SS)	1,590.67	200.48
Doubtful (DF)	436.86	98.13
Bad/Los (BL)	2,988.05	1,551.93
Off-balance Sheet Items	52,153.26	521.55

Movement of Specific Provisions for NPLs

Particulars	(BDT in Million) Amount
Opening Balance	759.66
Provisions made during the period	1,275.40
Written- off	(551.18)
Write-back of excess provisions	366.67
Closing Balance	1,850.54

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.

Particulars	(BDT in Million) Cost Price	(BDT in Million) Market Price
Investment in Quoted Share	2,474.66	2,122.78

Disclosures on Risk Based Capital (Basel II)

Particulars	Amount (In million BDT)
Realized Gains	46.99
Unrealized Gains	383.59
Unrealized Losses	(735.47)
Net Unrealized Gains/(Loss)	(351.87)
Amount included in Tier-2 Capital	0.00
Capital requirement for Equity Risk (Specific & General)	424.56
Supervisory Provision against Classified Equity Investment	351.89

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	304.49	316.56	31.66	31.66	63.31
Financial Institutions	51.57	137.11	13.71	13.71	27.42
Mutual Funds	413.19	304.38	30.44	30.44	60.88
Pharmaceutical & Chemical	179.71	115.87	11.59	11.59	23.17
Engineering	203.35	125.78	12.58	12.58	25.16
Cement	146.84	121.63	12.16	12.16	24.33
Fuel & Power	232.73	185.95	18.60	18.60	37.19
Services & Real Estate	124.42	32.04	3.20	3.20	6.41
Food & Allied	26.69	15.80	1.58	1.58	3.16
Textiles	31.67	25.46	2.55	2.55	5.09
Travel & Leisure	81.46	74.14	7.41	7.41	14.83
Ceramic	129.40	56.57	5.66	5.66	11.31
Telecommunication	150.30	366.92	36.69	36.69	73.38
Insurance	172.19	119.00	11.90	11.90	23.80
Miscellaneous	166.64	60.21	6.02	6.02	12.04
Corporate Bond	60.00	65.36	6.54	6.54	13.07

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.

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.

Disclosures on Risk Based Capital (Basel II)

Particulars	(BDT in Millions)		
	Upto 3 months	3 - 6 months	6 - 12 months
Rate Sensitive Assets	5,961.40	2,546.68	2,540.68
Rate Sensitive Liabilities	8,918.66	1,976.60	3,239.66
Rate Sensitive Gap	(2,957.26)	570.08	(698.98)
Cumulative Gap	(2,957.26)	(2,387.18)	(3,086.17)

Interest Rate Shock on Capital:

	(BDT in Millions)
Total Eligible Capital	1,845.57
Total Risk Weighted Assets	17,790.04
Capital Adequacy Ratio (CAR)	10.37%

Assumed Increase in Interest Rate	1%	2%	3%
Earnings Impact on Cumulative Gap	(30.86)	(61.72)	(92.58)
Capital After Shock	1,814.71	1,783.85	1,752.99
CAR after Shock	10.20%	10.03%	9.85%
Decrease in CAR	-0.17%	-0.34%	-0.52%

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.

Capital Charges for Market Risk

		(BDT in Millions)
Sl.	Market Risk	Capital Charge
A.	Interest Rate Related instruments	50.69
B.	Equities	424.56
C.	Foreign Exchange Position	28.43
D.	Commodities	0.00
	Total	503.68

Disclosures on Risk Based Capital (Basel II)

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

Operational Risk	2009	2010	2011	(BDT in Millions)
				Capital Charge
Gross Income	7,861.30	9,586.50	10,394.68	1,392.12

Report on Going Concern

Listed Companies are required by SEC to report on its ability to continue as going concern. The Board of Directors of United Commercial Bank Limited has made annual assessment about whether there exists a material uncertainty which may cast significant doubt upon the Company's ability to continue as going concern. The director's assessment of whether the company is a going concern entity involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future.

Financial indications

Positive key financial ratios:

The Company has a very positive financial ratio as evident from financial highlights and graphical presentation of financial position has been attached with this Annual Report. Such positive financial ratios indicate Company's sound financial strength and good prospects.

Consistent payment of dividends:

The Company has been paying dividend consistent to its shareholders over many years, which reflects company's long-term vision.

Credibility in payment of obligations:

The Company has strong credibility in terms of payment of its obligations to the lenders. The Company is very particular in fulfilling the terms of repayment agreement.

Performance growth:

UCB has excellent growth in its operating performance Company's total assets has increased from Tk. 168,892 million to Tk. 207,448 million, indicating a growth of 22.83% over last year. Operating revenue has increased by 9.50% in 2012 over last year. All these indicators support Company's continuance in foreseeable periods.

Cash flows analysis:

Company's cash flow analysis represents its strength about its ability to repay its obligation, ability to adapt in changing circumstances and generate sufficient cash and cash equivalent which will take away the company to the foreseeable future. Banks' net interest receipt increased by 28.48% to Tk. 6,614 million from Tk. 5,148 million of previous year.

Net cash from operating activities has increased from Tk.5,933 million to Tk.8,070 million representing 36.02% over last year. Total of Tk.2,156.76 million has been expended for investing activities which also indicates to continuous growth and diversification of earning streams of the bank.

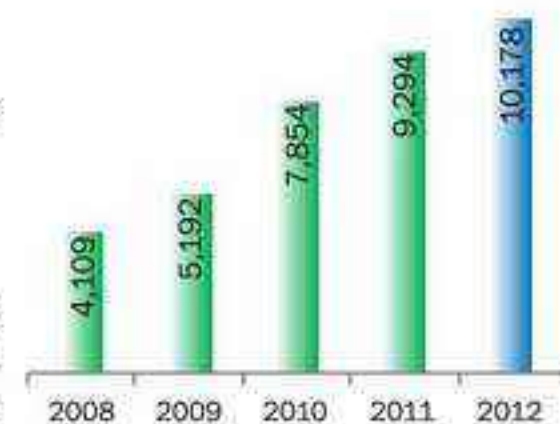
Expansion of business:

The Company has expanded its segment geographically by opening branches in different places considering the economic significance.

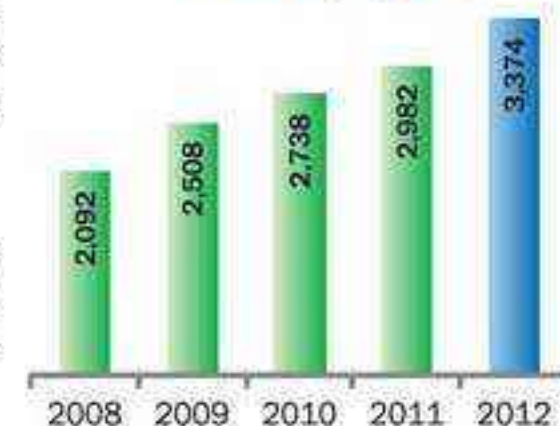
During the year 2012 the bank opened 15 (fifteen) no. of new branches at different places in Bangladesh, 4 new ATM has also been launched in 2012. Total branches as on 31 December 2012 is 130 (2011: 115) and ATM 81 (2011: 77)

Company has also expanded its product/service line by introducing new product In addition to that bank has two subsidiaries namely UCB Securities Limited and UCB Investment Limited. These represent Company's intention for perpetuity.

Operating Revenue
(BDT in million)



No. of Employees



Report on Going Concern

Corporate environment and employee satisfaction:

There exists a very good corporate environment in the Company. United Commercial Bank is an excellent work place with friendly environment. Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like provident fund, gratuity fund, employees welfare fund, incentive bonus, transport facility to the eligible employees which considered to be instrumental for employee satisfaction. Other indications

Maintenance of sufficient capital:

As on 31 December 2012, the Company's total equity stands at Tk. 18,171 million as against Tk. 15,966 million of 31 December 2011. On the other hand the paid up capital of the bank is Tk. 8,366 million against Tk. 7,275 million of last year. The As per requirement of Bangladesh Bank a bank should have minimum Tk. 4,000 million of paid up capital. As per BASEL-II, a bank should maintain total capital at least @ 10 percent of RWA, whereas as on 31 December 2012 banks CAR is 10.37% which also indicates to its ability and intention to continue for the foreseeable future. This level of capital size is one of the highest in the industry which reflects bank's long term vision.

Strong CAMEL rating:

CAMEL rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a bank. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of United Commercial Bank. In that report, there was no adverse material observation of Bangladesh Bank on the activities of the bank.

Satisfactory credit rating:

UCB has been rated as AA- in the long term which means adequate safety for timely repayment, of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.

Particulars	Long Term	Short Term
Entity Rating	AA-	ST-2
Date of Rating	April 09, 2012	
Based on Financial Statement	December 31, 2011	

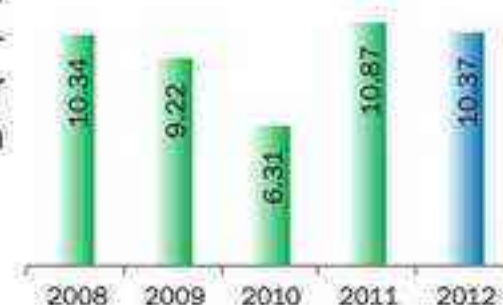
The short term rating ST-2 indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small. However credit rating of the bank based on the financial statements of December 2012 is under process.

Changes in Government policy:

Management anticipates no significant change in legislation or government policy, which may materially affect the business of the bank.

Based on the above indications, directors feel it appropriate to adopt going concern assumption and there is no material uncertainty exists in preparing the financial statements. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

Capital Adequacy Ratio
(Percent)



Dividend

