



STABILITY & GROWTH



ANNUAL
REPORT **2018**



ANNUAL REPORT **2018**



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United Commercial Bank Limited

Corporate Office: Plot-CWS (A)-1, Road No-34, Gulshan Avenue, Dhaka-1212

LETTER OF TRANSMITTAL

To

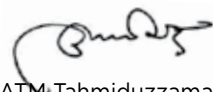
All Shareholders
Bangladesh Bank
Bangladesh Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Subject : Annual Report for the year ended December 31, 2018

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, 2018 for kind information & record.






Sincerely yours,



ATM Tahmiduzzaman, FCS
Company Secretary

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VISION

VISION, MISSION AND 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



CORPORATE PROFILE

UNITED COMMERCIAL BANK LIMITED (UCB) STARTED ITS HUMBLE JOURNEY IN MID 1983 WITH A FIRM COMMITMENT OF THE ECONOMIC AND SOCIAL DEVELOPMENT OF BANGLADESH AND HAS BEEN ABLE TO ESTABLISH ITSELF AS ONE OF THE LARGEST PRIVATE COMMERCIAL BANKS IN BANGLADESH TODAY.

UCB has played a pivotal role in creating, nourishing and establishing leading entrepreneurs of the country and without these very special people (entrepreneurs) we wouldn't have the economically strong Bangladesh we have today. UCB is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and the bank had been included in DSE30 Index, formulated by world renowned S&P, considering the bank as one of the top 30 listed companies in Bangladesh.

UCB offers a wide range of banking products and financial services to corporate, SME and retail customers through a variety of delivery channels and through its subsidiary companies. With a vast network of 187 branches along with Off-shore banking unit, mobile financial service (UCash), Upay, Agent Banking, priority banking (UCB Imperial), remittance services, credit card business and with dedicated human capital of 4,982 the bank has already made a distinct mark in the realm of private sector banking through boutique service, innovative practices, dynamic problem solving approach and efficient management. The bank has very special

focus on RMG, import-export, agriculture, SME sector and retail business with a view to lead in nationwide financial inclusion and green banking initiatives. The Bank has two fully owned subsidiaries namely i.e. UCB Capital Management Limited (provides brokerage services in the capital market) and UCB Investment Limited (aims to carry out full-fledged merchant banking activities in Bangladesh).

UCB's Board members include eminent individuals with industry, financial and operational expertise. The Board consists of 19 members including 3 independent directors and managing director. There are three committees under the Board which are Executive Committee, Audit Committee and Risk Management Committee.

Our innovative banking services have been recognized and rewarded even in the global arena. UCB has gone through a massive transformation in the recent past. Our transformation is reshaping the client experience. The Board and the management of the bank clearly realize that multiple forces have reshaped the banking business in the country and UCB has to be ready to grab untapped potential of the country. Moving forward, the bank has clear strategy to rationalize our portfolio, managing risks while accelerating the delivery of consistently strong results with special focus on people, planet and profit to embrace sustainability.

CORPORATE PROFILE

Registered Name	United Commercial Bank Limited
Legal Status	Public Limited Company
Date of Incorporation	26 June 1983
Date of Commencement of Business	27 June 1983
Chairman	Rukhmila Zaman
Vice Chairman	Hajee Yunus Ahmed
Chairman, Executive Committee	Anisuzzaman Chowdhury
Chairman, Audit Committee	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS
Chairman, Risk Management Committee	M. A. Sabur
Managing Director	Mohammed Shawkat Jamil
Company Secretary	ATM Tahmiduzzaman FCS
Chief Financial Officer (Acting)	Muhammad Hafizur Rahman, FCA, ACMA
Date of Listing with DSE	30 November 1986
Date of Listing with CSE	15 November 1995
Authorized Capital	BDT 15,000 million
Paid up Capital	BDT 10,541.31 million
Total Manpower	4,982 (As on 31.12.18)
Number of Branches	187
Number of ATM Booths	398 (As on 31.12.18)
Auditors	Syful Shamsul Alam & Co. Chartered Accountants Paramount Heights (level-6) 65/2/1, Box Culvert Road, Purana Paltan, Dhaka-1000, Bangladesh
Tax Consultants	Md. Mosharrof Hossain, Advocate Room No-20, 28A, Kakrail (3rd Floor) Dhaka
Rating Agency	Emerging Credit Rating Ltd. Shams Rangs, Level A1, A2 & A5 House 104, Park Road, Baridhara, Dhaka 1212
Registered Office	Plot- CWS(A) -1, Road - 34, Gulshan Avenue Dhaka-1212, Bangladesh
Telephone	0088 09611 999999/008802 55668070
E-mail	info@ucb.com.bd
Website	www.ucb.com.bd
SWIFT	UCBL BDDH
Trading Symbol	UCB

FIVE YEARS' FINANCIAL SUMMARY

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

Results of Operation	2018	2017	2016	2015	2014
Interest Income	25,266.93	21,034.16	20,832.15	22,434.57	22,360.83
Interest Expense	16,024.50	12,087.39	12,194.04	14,711.18	14,430.24
Net Interest Income	9,242.43	8,946.77	8,638.11	7,723.38	7,930.59
Non-Interest Income	9,317.73	8,435.50	7,703.97	7,824.62	7,278.80
Non-Interest Expenses	10,902.27	9,430.86	8,754.70	7,145.66	6,489.93
Gross Revenue	34,584.66	29,469.66	28,536.12	30,259.19	29,639.63
Gross Profit	18,560.16	17,382.27	16,342.08	15,548.00	15,209.39
Operating Profit	7,657.89	7,951.41	7,587.38	8,402.34	8,719.46
Earning before Interest, Depreciation and Tax*	6,685.52	6,744.42	6,474.45	8,254.73	7,571.27
Profit before Tax	4,907.76	5,461.41	5,189.88	7,252.34	6,835.67
Net Profit after Tax	2,526.58	2,433.91	2,628.63	3,977.34	3,668.73
Balance Sheet					
Authorized Capital	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Paid up Capital	10,541.31	10,541.31	10,541.31	10,039.34	8,366.12
Shareholders' Equity	27,999.77	26,510.26	25,756.32	25,588.82	22,491.54
Borrowing	44,694.26	33,846.39	25,565.10	10,705.57	6,024.88
Deposits	297,172.82	278,195.49	257,704.30	220,866.48	211,072.06
Loans and Advances	294,671.94	261,002.88	223,697.18	197,413.64	174,146.10
Investments	50,830.84	42,911.75	55,475.64	44,345.73	44,288.60
Fixed Assets	9,056.11	8,344.10	8,380.18	8,586.73	8,510.00
Off-Balance Sheet Exposure	182,066.61	197,973.80	171,169.75	150,713.79	144,554.47
Total Assets	401,076.14	363,314.80	329,720.78	293,847.23	266,100.74
Total Liabilities	373,076.37	336,804.54	303,964.46	268,258.41	243,609.20
Share Information					
Market Price Per Share	17.60	23.60	21.30	21.30	29.30
No. of Shares Outstanding (No. In Million)	1,054.13	1,054.13	1,054.13	1,003.93	836.61
Earnings Per Share (Basic)	2.40	2.31	2.49	3.96	4.39
Earnings Per Share (Restated)	2.40	2.31	2.49	3.96	3.65
Dividend (Percent)	10.00	10.00	15.00	25.00	30.00
Cash Dividend (Percent)	-	10.00	15.00	20.00	10.00
Stock Dividend (Percent)	10.00	-	-	5.00	20.00
Net Asset Value per Share	26.56	25.15	24.43	25.49	26.88
Price Earning Ratio (times)	7.33	10.22	8.55	5.38	6.68
Dividend Cover Ratio (times)	2.40	2.31	1.66	1.58	1.46
Dividend Yield (percent)	5.68	4.24	7.04	11.74	10.24
Market capitalization (BDT in million)	18,552.71	24,877.49	22,452.99	21,383.79	24,512.72

Financial Ratios (%)	2018	2017	2016	2015	2014
Cost-Income Ratio	58.74	54.26	53.57	45.96	42.67
Credit-Deposit Ratio	79.65	80.34	75.97	80.11	75.45
Debt Equity Ratio (times)	12.21	11.77	11.00	9.36	9.85
Gross Profit Ratio	53.67	58.98	57.27	51.38	51.31
Current Ratio (times)	1.15	1.16	1.16	1.14	1.13
Return on Capital Employed	3.80	4.36	5.50	12.27	13.10
Net interest income as a % of working funds; i.e. Operating Cost-Efficiency Ratio	32.78	31.71	30.99	40.46	45.35
Operating Profit as % of working funds	27.16	28.18	27.22	44.02	49.86
Return on Assets	0.66	0.70	0.84	1.42	1.49
Return on Equity	9.27	9.31	10.24	16.54	17.07
Burden Coverage Ratio	85.47	89.45	88.00	109.50	112.16
CASA Deposit as % of Total Deposit	28.12	28.68	27.06	25.14	21.08
Cost of Fund	7.58	6.79	7.60	9.18	10.16
Yield on Advance	8.62	8.53	9.71	11.75	13.87
Spread	1.04	1.74	2.11	2.57	3.71

Foreign Business					
Import	248,969.80	217,858.20	194,846.90	169,577.70	155,282.40
Export	232,314.41	199,188.00	170,541.50	148,229.30	130,447.20
Remittance	32,206.00	17,198.30	11,807.10	11,098.50	16,667.90
No. of Foreign Correspondents	547.00	535.00	548.00	537.00	532.00

Capital Measures					
Total Risk Weighted Assets	332,831.86	305,850.28	294,391.54	273,327.11	243,250.40
Tire I Capital	24,740.82	23,595.90	23,026.98	22,406.21	19,265.48
Tire II Capital	17,759.99	13,323.94	10,494.92	10,820.24	6,425.70
Total Capital	42,500.81	36,919.84	33,521.90	33,226.45	25,691.18
Tire I Ratio (percent)	7.43	7.71	7.82	8.20	7.92
Tire II Ratio (percent)	5.34	4.36	3.56	3.96	2.64
Capital to RWA Ratio (percent)	12.77	12.07	11.39	12.16	10.56
Required Capital	39,523.78	34,408.16	31,279.10	27,332.71	24,325.04
Capital Surplus/(Shortage)	2,977.03	2,511.68	2,242.80	5,893.74	1,366.14

Liquidity Measures					
Cash Reserve Requirement (percent)	5.67	6.99	6.87	6.82	7.40
Statutory Liquidity Ratio (percent)	15.39	15.28	22.11	19.68	23.57
Current Assets	219,304.65	203,705.05	197,342.86	156,194.81	152,644.65
Current Liabilities	191,106.98	175,486.35	169,472.24	137,106.88	135,156.26
Net Current Assets	28,197.67	28,218.70	27,870.62	19,087.93	17,488.39
Long term Liabilities	181,969.40	161,318.19	134,492.22	131,151.53	108,452.94
Long term Liabilities/ Current Liabilities (%)	95.22	91.93	79.36	95.66	80.24

Asset Quality					
Non Performing Loans	20,021.63	19,268.09	17,920.57	10,324.69	8,050.04
% of NPL to Total Loans ad advances	6.79	7.38	8.01	5.23	4.62
Total provision for Classified loans and advances	4,940.01	5,020.94	4,160.12	2,730.27	1,929.58
Total provision for Unclassified loans and advances	3,727.76	2,396.52	1,741.87	1,672.98	1,751.24
Total provision for Investment	-	292.84	292.84	292.84	292.84
Total provision for Other Assets	104.96	74.85	85.85	97.44	58.34
Total provision for Off BS Items	1,570.41	1,979.84	1,581.68	1,252.10	1,055.51

Other Informations					
No. of Branches	187.00	178.00	168.00	158.00	148.00
No. of ATM	398.00	187.00	164.00	151.00	115.00
No. of Employees	4,982.00	4,459.00	4,152.00	3,837.00	3,679.00
Operating Profit Per Employee (BDT in million)	1.54	1.78	1.83	2.19	2.37

* Earning before interest on long term debt, deprecaation and tax

CODE OF CONDUCT AND ETHICS

UCB EMPHASIZED THE IMPORTANCE OF AN EFFECTIVE CODE OF CONDUCT AND ETHICS POLICY TO THE PROMOTION OF FAIR AND ETHICAL PRACTICES BY ALL INDIVIDUALS INVOLVED WITHIN THE BANKING INSTITUTION AS THE POLICY IS A FUNDAMENTAL BASIS TO SUPPORT THE BANK'S MISSION AND ITS BUSINESS OPERATIONS.

Our employee Code of Conduct and Ethics Policy applies to everyone who works at UCB including employees (both permanent and on probation). As we grow our business and expand our network, it is essential that our employee understand and act upon our Code of Conduct and Ethics Policy. All employees of UCB are required to comply with our Code of Conduct and Ethics Policy and any breach of conduct could lead to termination of employment in serious cases and employees declaration is obtained at the time of joining in UCB. Furthermore, to help our employees in understanding and applying the principles of our Code of Conduct and Ethics Policy, a course is included in FTC.

The followings are the salient features of UCB Code of Conduct and Ethics Policy:

Confidentiality

Confidential information about United Commercial Bank Ltd's business or business plans, products and services, marketing methods, technology or systems must never be disclosed to a third party except pursuant to a statute or regulations, or a valid court order. The Bank owes a strict duty of confidentiality to their customers.

Conflicts of Interest

All employees of United Commercial Bank Ltd. should be scrupulous in avoiding any action or interest that conflicts or gives the appearance of a conflict with the Bank's interests.

Outside Pressure

Employee must refrain from bringing in outside pressure or influence to attain personal gains within the organization; any such attempt will be subject to disciplinary action.

Gifts and Entertainment

Employees are not permitted to accept gifts, entertainment, or other favors from existing or prospective customers of the bank. This is essential to keep the employees of the Bank from being prejudiced or influenced or showing lenient attitude keeping aside bank's interest.

Accuracy of Records and Reporting

Bank's books, records, accounts and reports must accurately reflect its transactions, and must be subject to an adequate system of internal controls and disclosure controls to promote the highest degree of integrity.

Fraud, Theft or Illegal Activities

Employees are to be alert and vigilant with respect to frauds, theft or significant illegal activity committed within the office. If any such activity comes into employee's attention, he/she must immediately report the same to his/her immediate superiors who will arrange for appropriate follow up action to be taken. Failure to report any such activity will be subject to disciplinary action.

Opportunities

Employees are prohibited from taking for themselves personally opportunities that arise through the use of corporate property information or position. They are further prohibited from using corporate property, information or position for personal gain and/or competing with the bank.

Compliance with laws, rules and regulations

United Commercial Bank Ltd. policy is to maintain an open and co-operative relationship with our regulators and to comply with all applicable laws, rules and regulations. Bank also disseminates information regarding compliance with laws, rules and regulations that affect business.

Equal Employment Opportunity

United Commercial Bank Ltd. is an equal opportunity employer in hiring and promotion practices, benefits and wages. The Bank will not tolerate discrimination against any person on the basis of race, religion, color, gender, age, citizenship in recruiting, hiring, placement, promotion, or any other condition of employment.

Discrimination or Harassment

United Commercial Bank Ltd. is committed to prohibition of harassment and intimidation of employees in the workplace. Bank encourages a work environment where employees are valued and respected. Bank promotes equality of gender, race and religion and prohibits sexual or any other kind of discrimination, harassment or intimidation whether committed by or against a superior, coworker, customer, vendor or visitor.



BOARD OF DIRECTORS & IT'S COMMITTEES

Board of Directors as on 31-12-2018

Name of the Directors	Status in Board
Rukhmila Zaman	Chairman
Hajee Yunus Ahmed	Vice Chairman
Anisuzzaman Chowdhury	Chairman- Executive Committee
Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Chairman- Audit Committee (Independent Director)
M. A. Sabur	Chairman- Risk Management Committee
Hajee M.A. Kalam	Director
Nurul Islam Chowdhury	Director
Bazal Ahmed	Director
Asifuzzaman Chowdhury	Director
Roxana Zaman	Director
Bashir Ahmed	Director
Afroza Zaman	Director
Md. Tanvir Khan	Director
Syed Kamruzzaman	Director
Farid Uddin Ahmed	Director
Muhammed Shah Alam	Director
Syed Mohammed Nuruddin	Independent Director
Dr. Salim Mahmud	Independent Director
Mohammed Shawkat Jamil	Managing Director

Executive Committee as on 31-12-2018

Name of the Directors	Status in Committee
Anisuzzaman Chowdhury	Chairman
Hajee Yunus Ahmed	Member
M.A. Sabur	Member
Nurul Islam Chowdhury	Member
Asifuzzaman Chowdhury	Member
Bazal Ahmed	Member
Md. Tanvir Khan	Member

Audit Committee as on 31-12-2018

Name of the Directors	Status in Committee
Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Chairman
Syed Mohammed Nuruddin	Member
Bashir Ahmed	Member
Syed Kamruzzaman	Member
Muhammed Shah Alam	Member

Risk Management Committee as on 31-12-2018

Name of the Directors	Status in Committee
M.A. Sabur	Chairman
Anisuzzaman Chowdhury	Member
Bazal Ahmed	Member
Roxana Zaman	Member
Farid Uddin Ahmed	Member

ATM Tahmiduzzaman, FCS

Company Secretary

BOARD OF DIRECTORS



Rukhmila Zaman
Chairman



Hajee Yunus Ahmed
Vice-Chairman



Anisuzzaman Chowdhury
Director & Chairman,
Executive Committee



Akhter Matin Chaudhury
Independent Director & Chairman,
Audit Committee



M. A. Sabur
Director & Chairman,
Risk Management Committee



Hajee M. A. Kalam
Director



Nurul Islam Chowdhury
Director



Bazal Ahmed
Director



Asifuzzaman Chowdhury
Director



Roxana Zaman
Director



Bashir Ahmed
Director



Afroza Zaman
Director



Md. Tanvir Khan
Director



Syed Kamruzzaman
Director



Farid Uddin Ahmed
Director



Muhammed Shah Alam
Director



Syed Mohammed Nuruddin
Independent Director



Dr. Salim Mahmud
Independent Director



Mohammed Shawkat Jamil
Managing Director & CEO



ATM Tahmiduzzaman, FCS
Company Secretary

SENIOR MANAGEMENT



Mohammed Shawkat Jamil
Managing Director & CEO



Arif Quadri
Additional Managing Director



Mohammad Mamdudur Rashid
Additional Managing Director



Md. Sohrab Mustafa
Deputy Managing Director



Nabil Mustafizur Rahman
Deputy Managing Director



Abul Alam Ferdous
Deputy Managing Director



N. Mustafa Tarek
Deputy Managing Director



Md. Abdullah Al Mamoon
Deputy Managing Director



MESSAGE FROM **THE CHAIRMAN**



MESSAGE FROM THE CHAIRMAN

Esteemed Shareholders,

It is my great pleasure and I am highly honoured to have the opportunity of presenting the Annual Report of our Bank for the year 2018 and highlighting our remarkable achievements throughout the entire year. Since its inception as one of the first generation private commercial banks of the country, United Commercial Bank Limited has managed to originate sound investments and turn financial uncertainties into lucrative opportunities.

The foundation of our business is the commitment to excellence in everything we do. We are committed to provide our clients with the highest level of service for managing their wealth effectively by adopting international best practices and operating ethically and transparently. Our branding concept gives practical expression to the bank's aspiration to position the customer, and the customer's needs and financial well-being, as central which is depicted in our motto - United We Achieve.

Economically, 2018 was a challenging year, with sluggish growth in financial sector. We also experienced some major political developments, such as the National Election that also created a sloth movement in financial sector. But one thing is true that challenges bring out the best in people. And the Board of Directors are proud to see how everyone, including the bank and our employees succeed against all challenges and odds.

In year 2018, we have achieved a total deposit of Taka 29,717.28 Crore and total Loan & Advances of Taka 29,467.19 Crore which is a growth of 6.82% and 12.90% respectively. The Total operating profit for the year 2018 is 772.11 crore Taka. Moreover, we also have extended our branch network as 187 branches.

In UCB, we firmly believe in good governance practices align with sound risk management principles. Transparency is a fundamental aspect of good governance. Our Board takes seriously UCB's commitment to shareholder engagement and clear & comprehensive disclosure. The Board of Directors believes shareholders should have the opportunity to review and fully understand the objectives, philosophy and principles of UCB. The Board looks forward to direct and constructive interaction with shareholders and acts accordingly.

The Board is proud to be actively engaged in the achievements of UCB and extends appreciation to management and employees for their contributions to the success of the organization. While continuing to operate in a challenging environment, the Board of Directors, management and employees remain

focused on enhancing the stability and strength of UCB and creating value for shareholders. We are confident that our strong financial position, diversified stakeholder base, utmost trust of the valued clients and our competent team of professionals will enable us to capitalize on the growing demand for financial services and contribute to our vision of becoming a leading private bank.

Finally, I would also like to thank UCB management team and all employees for their considerable efforts and dedication. I also wholeheartedly thank our loyal shareholders and customers for their support and ongoing partnership with UCB.

Thanking you.

(On behalf of the Board of Directors)



Rukhmila Zaman
Chairman

MANAGING DIRECTOR & CEO'S ROUND UP

“Through an efficient and balanced management policy, the Bank has optimized its liquidity, capitalization and funding structure level. We continued to deliver growth across almost every aspect of the Bank’s operations and registered a 10% growth over the last year in the balance sheet size, which grew to BDT 401,076 million in 2018 from BDT 363,315 million in 2017.”

Emerging from the ‘bottomless basket’ of Henry Kissinger, Bangladesh has become one of Asia’s most remarkable and unexpected success stories in recent years. The country has made substantial progress in growing its economy, lifting people out of poverty, and changing the lifestyles of its people in a remarkable way. In the midst of financial, economic and environmental challenges like rising interest rates, increasing food-grain & global fuel prices, flush-flood in Haor areas and flood in the north-western region, foreign exchange volatility, pressure on foreign-exchange reserves, etc., our Bank has completed another eventful year and continued its journey towards consolidation and growth. During the year 2018, UCB experienced notable improvements in key fundamentals with our countrywide network of 187 branches & 398 ATMs, diversified products & services with UPay, Agent Banking and UCB Express, etc. We also maintained comfortable liquidity and capital position throughout the year.

The world economy is estimated to have grown up by 3.7 percent in 2018 which is 0.20 percentage point. According to World Bank Reports, growth is expected to reach around 3.7 percent in 2019 as the recovery in investment, manufacturing, and trade continue with recent US tax reforms. Although near-term growth could have surprised on the upside, the global outlook is still subject to substantial downside risks, including the possibility of financial stress, increased protectionism, and rising geopolitical tensions.

World Bank has also painted a brighter picture of Bangladesh’s economy for the year 2019, with an average growth of around 7.1%, benefitting mainly from strong domestic demand and strengthening exports. According to IMF, Bangladesh economy is projected to grow from \$180 billion to \$322 billion by 2021. From its firm position in the lower Middle-Income group by World Bank definition, Bangladesh continues its journey towards graduating to Middle Income Group at a rate faster than anticipated with a greater than 7 percent GDP growth during the last consecutive three years. Keeping pace with recent growth trends in the economy, the fiscal year of 2018 ended in happy notes with a GDP growth rate of 7.86 percent against a 7.28 percent growth in last fiscal year. The outlook also remains steady for the coming fiscal of 2019. Average inflation was at 5.54

percent in December 2018 slightly higher than the FY 18 target of 5.5 percent and broadly tracking US dollar appreciated against BDT and higher global commodity prices. Country’s current account balance is under a slight pressure caused by growth in total imports resulting from the increased imports of food grains & capital machinery. Country’s foreign exchange reserve also reflects a robust outlook with USD 32.02 billion at the end of 2018.

There exists some downside risk also with probable shocks to remittance inflows and exports due to the growing political uncertainty in the Middle East. Risk of rising inflation could emerge from the effects of elevated food prices and the pass-through of higher global fuel and commodity prices. High credit growth amid tightening liquidity in the banking system, strong import growth with a smaller overall BoP balance, and the rising trend in food inflation warrant the macroeconomic management for preserving monetary and financial stability in FY2019.

During the year 2018, the banking sector displayed a mixed performance in terms of liquidity. The call money rate was slightly on upward trend from 3.90 percent in January 2018 to 4.09 percent in December of the same year. However, concerns remain due to incremental loan disbursement compared to deposit mobilization in the year 2017 and increased trend of non-performing loans.

In continuation of the previous trend, UCB had many achievements in 2018. I would like to highlight a few of them here:

- With the strategy of selective growth, Funds under Management (FUM) of the Bank had a moderate growth of 9.76 percent, increasing to BDT 591,844.76 million in 2018 from BDT 539,198.37 million in 2017;
- Despite the focus on consolidation, the Bank’s profit after Tax increased to BDT 2,526.6 million from BDT 2,433.9 million of the previous year representing a growth of 3.81 percent;
- EPS has also increased by 3.8 percent from 2.31 in 2017 to 2.40 in 2018;
- Due to a focus to increase the trade business of the Bank, Export and Import businesses of the Bank increased to BDT 232,314 million in 2018 from BDT 199,190 million in 2017 and to BDT 248,970 million in 2018 from BDT 217,858 million in 2017 respectively, denoting a growth of 16.6% and 14.3% respectively;
- Remittance (inward & outward) business has significantly increased by 87.26% from BDT 1,719.83 crore to 3,220.60 crores in 2018;

- As a consequence of the above, fee-based income of the Bank stood at BDT 4,480.62 million in 2018 from BDT 4,066.52 million in 2017. This feat was achieved through promoting and effectively expanding the RMG business of the Bank; all front-ranking large RMG groups in the country are banking with us with full confidence;
- Retail & SME loan exposure grew to BDT 104,125.79 million in 2018 compared to BDT 90,910.64 million of 2017, attaining a growth rate of 14.54 percent. UCB placed fresh focus on these segments of businesses as not only these segments (especially the SME segment) are becoming more important for the growth of the economy but also the competition in Corporate Banking is becoming intense;
- We were able to increase our distribution network by opening 9 new branches in 2018, thereby increasing Bank's coverage from 178 branches in 2017 to 187 branches in 2018.
- This year we made significant gains in using digital technology to improve the services we provide to customers, while also improving our operational capacity and reducing risk. We were able to increase our ATM network from 187 December 2017 to 398 in December 2018, around 113 percent growth in the year 2018. Moreover, UCB has the highest number of ATM recyclers (103) in Bangladesh. Not only the ATM, within the second half of 2018, but we are also able to launch around 2,400 POS to support card business.
- Since SME sector will continue to be a major engine of growth for the economy, we shall continue our focus on the growing lending in SME and retail business sectors to create a balanced portfolio of Corporate, SME and Retail lending;
- The regulatory capital requirement will continue to increase under the Basel III regime until 2019. As a result, the Bank will also keep focusing on retention of profit and raising further Tier-II capital (balance amount of approved Subordinated Bond of Tk. 700 crores) to further strengthen our capital adequacy position;
- As a part of our commitment to keep the environment green and to safeguard the planet, the Bank has approved the formation of Sustainable Financing Unit towards the achievement of the broader objectives of Sustainable Development Goals (SDGs) of the Country;
- To satisfy the growing demand for foreign currency loans, mainly from our export-oriented and naturally-hedged customers, we shall continue to expand our OBU business by tapping foreign currency funding through multilateral partners;

To bring operational efficiency through centralization of operations, UCB, with its large distribution network rolled out the 'Hub & Spoke' model of operation during 2018. Supported by the CBS platform, this transformation is expected to significantly improve customer experience through the improvement of service standards and turnaround time.

We set our strategy giving highest priority on sustainable business growth and in accordance with that, we believe that the year 2019 shall be a year of moderate growth and consolidation again for the Bank. Keeping the Bank's strategy in mind along with the economic scenario, we set out the following priorities and initiatives for the upcoming year:

- With a view to tightening money market and higher interest rates, deposit mobilization will continue to be our area of focus;
- Considering the possibility of compression of Net Interest Margin (NIM) due to rising deposit interest and a lagged impact on asset interest, our focus will continue to be on fee income through further enhancement of trade business (import and export) as well as introduction and enhancement of transactional business;
- Recovery and management of NPL will continue to be a critical success factor given a recent trend of non-performing loans in the overall banking sector. Engagement of resources as well as good practices for management of vulnerable loans will be our focus to build a stronger balance sheet and healthy P&L;
- We shall strive for innovation and diversification of products and services for continuous growth and sustainability of our business;

I would attribute the Bank's success primarily to the visionary stewardship of the Board of Directors of the Bank and will recall with profound gratefulness of the unflinching support I received from them. I also cannot but appreciate with full grace the unbridled cooperation I received from my colleagues at all stages of dispensing my responsibilities, which helped me in implementing the strategies and achieving the goals without compromising the qualities and values that mirrors the vision and mission of the Bank.

I take this opportunity to thank all of our customers for their cooperation and support. I am also grateful to our regulators, especially the Bangladesh Bank for their dynamic leadership and prudential guidance and support for our operations. I am positive that together we will continue to take the company forward and deliver more value to those we serve and to our shareholders in the upcoming days and finally, I look forward to another success story in 2019.

Wishing all success for the Bank in its journey towards the future.



Mohammed Shawkat Jamil
Managing Director & CEO



DIRECTORS' REPORT

The Board of Directors is pleased to present the Annual Report and the Audited Financial Statements of the Bank for the year ended 31 December 2018 together with the Auditors' Report thereon. A snapshot of the world economic trend with the performance of Bangladesh economy along with economic prospect has also been provided in this report. A review of this report would reveal consolidation of growth of the Bank in a very stiff competitive environment which will ultimately led the Bank to the sustainability. 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 Notification, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, guidelines of Bangladesh Bank and other applicable rules and regulations. Moreover, the Directors are pleased to explain and disclose some issues which they consider relevant to ensure more transparency in this regard. The Directors believe that the Report will give captivating insights of the Bank's performance during the year under review.

World Economy

The global economy continues to expand, but third-quarter growth has disappointed in some economies. Idiosyncratic factors (new fuel emission standards in Germany, natural disasters in Japan) weighed on activity in large economies. Global economic activity continues to firm up and estimated to have grown by 3.7 percent in 2018, projected by IMF, which is 0.1 percentage point below than the previous year. Global trade growth has slowed to well below 2017 averages.

Economic activity at the global level is expected to slow in 2019 as forecasted by World Bank. Weakness in the second half of 2018 will carry over to coming quarters, with global growth projected to decline to 3.5 percent in 2019 before picking up slightly to 3.6 percent in 2020. These expected rates are 0.2 and 0.1 percentage point below 2018 level. Forecasts have been revised downward because of the negative effects of tariff increases enacted in the United States and China, new automobile fuel emission standards in Germany as well as the Global trade growth has slowed to well below 2017 averages.

Although near-term growth could surprise on the upside, the global outlook is still subject to substantial downside risks, including the possibility of financial stress, increased protectionism, and rising geopolitical tensions. Particularly worrying are longer-term risks and challenges associated with subdued productivity and potential growth. With output gaps closing or already closed in many countries, supporting aggregate demand with the use of cyclical policies is becoming less of a priority and World Bank suggested that focus should now turn to the structural policies needed to boost potential growth and living standards.

Risks to global growth tilt to the downside. An escalation of trade tensions beyond those already incorporated in the forecast remains a key source of risk to the outlook. Financial conditions have already tightened since the fall. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt.

World GDP growth

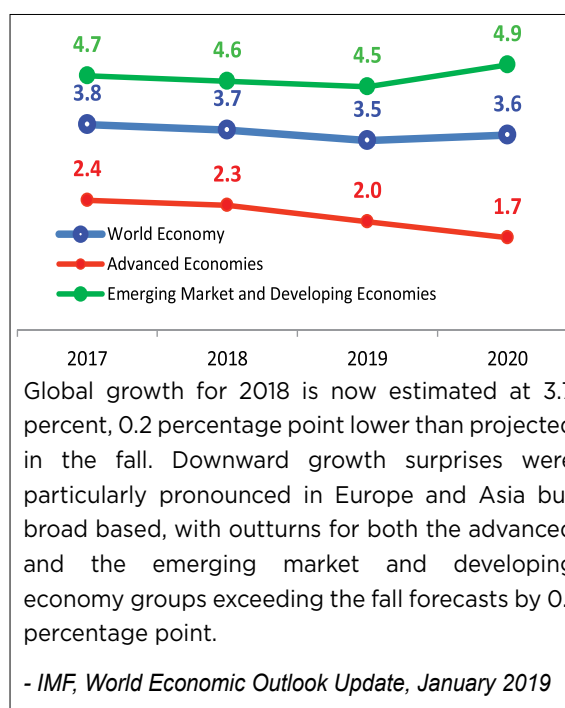
(year-on-year, in percent)

	Estimate		Projection	
	2017	2018	2019	2020
World Output	3.8	3.7	3.5	3.6
Advanced Economies	2.4	2.3	2.0	1.7
United States	2.2	2.9	2.5	1.8
Euro Area	2.4	1.8	1.6	1.7
Japan	1.9	0.9	1.1	0.5
United Kingdom	1.8	1.4	1.5	1.6
Canada	3.0	2.1	1.9	1.9
Other Advanced Economies	2.8	2.8	2.5	2.5
Emerging Market and Developing Economies	4.7	4.6	4.5	4.9
Russia	1.5	1.7	1.6	1.7
China	6.9	6.6	6.2	6.2
India	6.7	7.3	7.5	7.7
ASEAN-5	5.3	5.2	5.1	5.2
Emerging and Developing Europe	6.0	3.8	0.7	2.4
Latin America and the Caribbean	1.3	1.1	2.0	2.5

Source: IMF, World Economic Outlook Update, January 2019

Advanced Economies

Advanced economies are now projected to grow by 2.3 percent in 2018 and 2.0 percent in 2019 as forecasted by IMF. In advanced economies where output is close to potential, still-muted wage and price pressures call for a cautious and data dependent monetary policy normalization path. However, where unemployment is low and projected to decline further, such as in the United States, a faster pace of policy normalization may be required if inflation were to pick up more than currently anticipated. In advanced economies where output gaps persist and inflation remains below the central Bank target, continued monetary accommodation is desirable. Fiscal policy in both cases should focus on medium-term objectives including public investment to boost potential output and initiatives to raise labor force participation rates where gaps exist while ensuring that public debt dynamics are sustainable and excessive external imbalances are reduced. Where fiscal consolidation is needed, its pace should be calibrated to avoid sharp drags on growth, while orienting policy toward boosting the quality of public health and education, and protecting the vulnerable, including those that may be adversely affected by structural transformation.



Emerging Market and Developing Economies (EMDEs)

For the emerging market and developing economy group, growth is expected to tick down to 4.5 percent in 2019 (from 4.6 percent in 2018), before

improving to 4.9 percent in 2020. The projection for 2019 is 0.2 percentage point lower than in the October 2018 WEO. In emerging market economies, improved monetary policy frameworks have helped lower core inflation, which provides scope for using monetary policy to support demand should activity weaken. Fiscal policy is generally more constrained by the need to gradually rebuild buffers, especially in commodity-dependent emerging market and developing economies. With the recent respite provided by the cyclical rebound in commodity prices, policymakers should guard against the temptation to defer reforms and budgetary adjustments for later. Exchange rate flexibility can complement domestic policy settings by preventing sustained misalignments in relative prices, facilitating adjustment to shocks, and curtailing the buildup of financial and external imbalances.

Bangladesh Economy

Bangladesh achieved its highest GDP growth rate in more than 4 decades. The consistent growth was achieved mainly by a rise in readymade garment exports, public investment, overseas workers' remittances, and domestic consumption. This growth was steady and inclusive, creating jobs for low-skilled workers specially women.

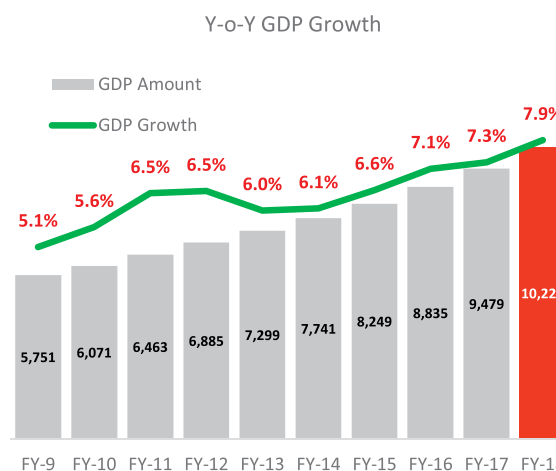
According to the Bangladesh Bureau of Statistics (BBS) the real GDP growth estimated to be 7.86 percent in FY2018 with the supports of growth in manufacturing and services sectors. Despite some challenges raised from flood related crop losses in the year 2017, economic activities remain buoyant in FY2018 driven by both domestic and external demand. In last half of 2018, exports grew by 7.2 percent whereas import grew sharply by 27.6 percent during July-November 2017 due to strong import demand from capital machineries and industrial raw materials.

Considering the potentiality, World Bank has predicted that Bangladesh will grow at an average of 6.7 percent a year over FY2018-2020. Remittances are expected to rebound as the growth firms in Gulf Cooperation Council (GCC) countries and support private consumption.

Macroeconomic Trends

GDP Growth

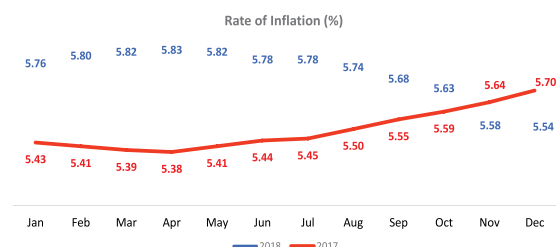
Annual real GDP growth rate has reached to 7.86 percent in FY2018 from 7.28 percent of FY2017, achieving more than 6 percent in last eight years. The growth impulse largely came from the industry and the service sectors.



Looking ahead, political and macroeconomic conditions are likely to be broadly stable. Strong growth in capital machinery import reflects buoyant investment demand. In light of the strong economic activities, output growth is expected to be attained at closer to the target. However, downside risks include any shocks to remittance inflows and exports due to growing political uncertainty in the Middle East.

Inflation

The twelve-month average inflation in Bangladesh has been showing a sharp decreasing trend in the last half of the 2018. Inflation which was 5.76 percent in January 2018 and decreased to 5.54 percent in December 2018.



CPI inflation edged up during most of FY18 before peaking at 5.83 percent in April and then moderating to 5.78 percent in June, slightly above the target of 5.5 percent and broadly tracking the food inflation dynamics driven by flood-related domestic shocks and higher global commodity prices. After June 2018, inflation rate was sharply reduced from 5.78 percent to 5.54 percent in December 2018. Average Food inflation has increased to 7.13 percent from 6.02 percent whereas the non-food inflation has decreased from 4.61 percent to 3.74 percent in FY 2018. The IMF also predicted that CPI would reach 6.1 percent in 2019.

Risks to inflation could emerge from the second round effects of elevated food prices and the pass-through of higher global fuel and commodity

prices. High credit growth amid tightening liquidity in the Banking system, strong import growth with a smaller overall BoP balance, and the rising trend in food inflation warrant a cautious macroeconomic management for preserving monetary and financial stability in FY18.

Imports

Import growth increased to 26.3 percent in FY2018 up from 9.8 percent growth in FY2017. Import payments increased to USD 435.04 billion in FY2018 from USD 344.58 billion in FY2017. Strong import growth fueled by food imports due to the flood-related weather shocks, capital machinery, intermediate goods imports against higher exports growth widened trade deficit. Wider trade deficit, coupled with improving but modest remittance growth, led to a deficit in overall balance of payments. In line with the market forces, nominal exchange rate depreciated. In order to avoid any disruptive fluctuations in the foreign exchange market, Bangladesh Bank supported to smooth large fluctuations. Despite nominal exchange rate depreciated slightly, real effective exchange rate appreciated a bit due mainly to decline in relative price of trading partners.

Import payment for food grains, milk and cream, spices, pulses, sugar, clinker, POL, plastic and rubber articles thereof, raw cotton and iron, steel and other base metals rose in FY2018 compared to FY2017 while those for oil seeds, fertilizer, textile and textile articles thereof, and staple fiber declined during the same period.

Export

Exports growth increased to 11.5 percent in FY2018. Exports stood at USD 267.18 billion in FY2018 from 239.66 billion in FY2017. However, export growth picked up from 0.1 percent down in last half of FY2017 to 4.7 percent uptrend during the first half of FY2018. Garments exports are expected to benefit from stronger growth in the main export destinations and greater product and market diversifications, including into non-traditional but larger market.

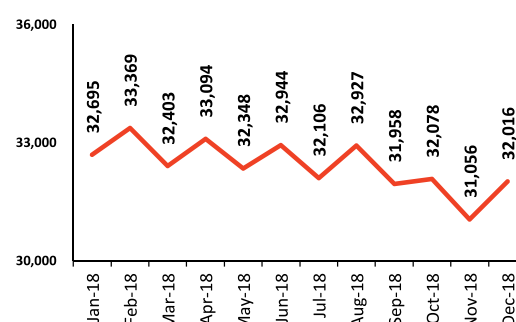
Among the major export items, chemical, plastic, leather and leather products, cotton and cotton products, jute goods, home textile, footwear and engineering products experienced a higher growth in FY2018 while frozen food, agricultural products, woven garments, petroleum bi-products, raw jute and specialized textiles slowed down in pace of export performance as these items experienced a negative growth.

Foreign Exchange Reserve

Recent years to a deficit from investment and food related imports has created downward pressure on foreign exchange reserve. To avoid any large volatility given the foreign exchange market structure, Bangladesh Bank sold USD 1.1 billion to meet the increasing demands for foreign currency in the local market.

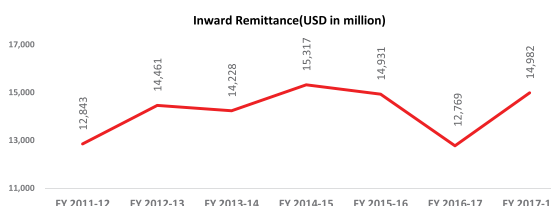
Foreign exchange reserve decreased by USD 1.21 billion at the end of 2018 which was 3.6 percent de-growth over previous year.

Foreign Exchange Reserve
(USD in million)



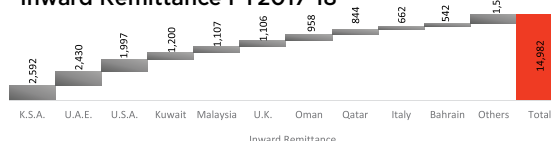
Remittances

Remittances grew robustly by 17.3% in FY2018, after declining in the previous 2 years, the rebound underpinned by an increase in the number of workers going abroad in the past few years, taka depreciation, and measures to foster money transfer through official channels.



During the financial year 2018 (July 2017 to June 2018) inflow of workers' remittances stood BDT 1,232 billion (USD 14,982 million) compared to BDT 1,011 billion (USD 12,769 million) in financial year 2017. Around 17 percent (USD 2,212 million) increase in FY 2018. GDP contribution from remittance has increased to 5.49% in FY 2018 from 5.11% in FY 2017.

Inward Remittance FY2017-18



Remittance inflow increased significantly in FY 2018 from major contributing countries like UAE, KSA, USA, UK and Qatar. From these five countries remittance increased by USD 336 million, USD 324 million, USD 308 million, USD 298 million and USD 268 million respectively which contributed 60 percent of total remittance in FY2018.

Per Capita Income

Increase in real income of the population has raised per capita income in Bangladesh from USD 1,610 in FY2017 to USD 1,752 in FY2018 maintaining continuous development. The growth shown that the overall economy and income has improved significantly due to political stability and steady economic growth.

Overall Outlook

Bangladesh is now at a crossroads of development. The growth momentum that the country has achieved over the last decade must be continued and should be further energized to help the economy to the middle income bracket by 2021. Strong pickup in domestic investment and output activities came about in 2018, supported by substantial easing of infrastructure constraints, robust domestic demand and a broad based pickup in global output growth. Decline in government's Bank borrowing, which mainly due to high net sales of non-Bank National Savings Certificates, helped ease pressure on Banking system liquidity.

From an another point of view, the overall outlook for the Bangladesh economy is favorable over the medium term in light of a growing working age population and likely continued global demand for Bangladeshi products. Faster growth of beyond 7 percent and sustained investments in infrastructure especially in the energy sector will require turning the country to a mid-income one.

Banking Industry Outlook

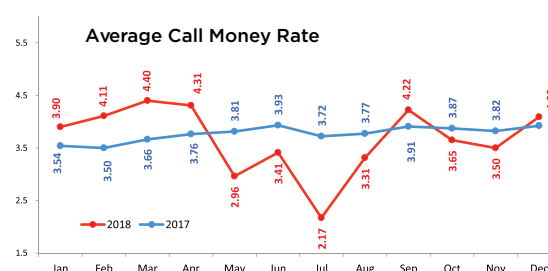
As a developing country, Bangladesh has made praiseworthy improvements in terms of financial inclusion and regulatory supervision in the Banking sector. After the independence, Banking industry in Bangladesh started its journey with only 6 nationalized commercial Banks, 2 State owned specialized Banks and 3 Foreign Banks. But now, there are 59 scheduled Banks in Bangladesh which are controlled & supervised by Bangladesh Bank. There are 6 State Owned Commercial Banks (SOCBs), 3 Specialized Banks, 33 Conventional Private Commercial Banks,

8 Islami Shariah based Private Commercial Banks and 9 Foreign Commercial Banks. On the other hand, there are now 5 non-scheduled Banks in Bangladesh established for some special and definite objectives.

During the year 2018, Banking Sector displayed a mixed performance in terms of liquidity. Money market of the country is undergoing through some swift changes due to the backlash on the liquidity dry-up in the system. Liquidity drag has been mainly occurred due to the extensive private sector credit growth (19.1% YoY growth in November 2017) pushing most of the Banks' advance deposit ratio (ADR) close to/above 85%. Private sector credit growth was mainly supported by borrowers' appetite for cheap fund and Banks' opportunity to generate profit. Bangladesh Bank instructed all the Banks to lower their ADR to 83.5% from 85.0% for conventional Banks and 89.0% from 90.0% for shariah' based Islamic Banks by June 30, 2018.

With a view to rationalizing the rate of interest on deposit and lending, Bangladesh Bank took several initiatives on regular basis. Besides, Banks are advised to limit the difference between lending and deposit rates or spread with 4 percent except consumer credit. The weighted average lending and deposit rates from December 2017 to December 2018 show that both rates have slightly increased gradually. The weighted average lending rate of commercial Banks increased to 9.42 percent at the end of December 2018 from 9.26 percent of end December 2017. Similarly, the deposit rate increased to 5.26 percent in December 2018 from 4.91 percent in the same period of previous year. The interest rate spread sharply decreased to 4.16 percent at the end of year 2018 from 4.35 percent from December 2017 base.

During the year 2018, the call money rate has slightly in upward trend from 3.90 percent in January 2018 to 4.09 percent in December of the same year.

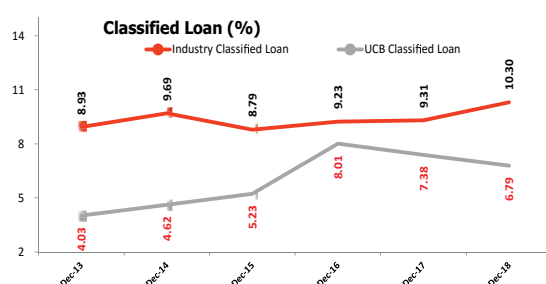
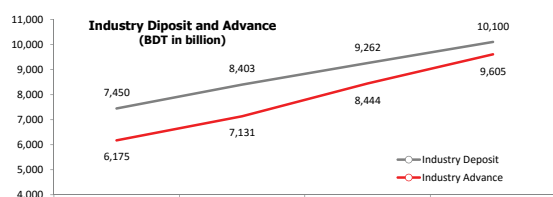


Banking industry has disbursed loans which were significantly higher than its deposit mobilization. Total deposits in Banking industry increased to BDT 10,100 billion in December 2018 as against BDT 9,262 billion in December 2017 representing a growth of 9.05 percent. On the other hand, total Bank's advance increased to BDT 9,605 billion in 2018 from BDT 8,444 billion in 2017 registering 13.74 percent growth.

(BDT in billion)

	2015	2016	2017	2018	Growth(%) 2017 vs 2016	Growth(%) 2018 vs 2017
Industry Deposit	7,450	8,403	9,262	10,100	10.22	9.05
Industry Advance	6,175	7,131	8,444	9,605	18.41	13.74

The Banking sector indicators showed some concern in 2018 as gross non-performing loan (NPL) ratio crept up to 10.30 percent at the end of December 2018 from 9.3 percent at end December 2017. However, the ratio of net NPL in the Banking sector remain unchanged at 2.2 percent during the same period due partly to some shrink in provision coverage. Aline with Private Commercial Banks, UCB's NPL has reduced from 7.38 percent to 6.79 percent in 2018.



Risk and concerns for the Banking industry

Although the year 2018 was expected to be better for Banking industry in Bangladesh, some uncertainties still remaining as follows;

- ✓ Banking industry may face hurdle for maintaining AD Ratio within the new

Capital Market Outlook

After a remarkable performance in 2017, the Capital market has passed a challenging year in 2018. After posting a stellar return of 24% in 2017, broad index DSEX declined by 13.8% in 2018 wiping out USD 4.3 bn of market capitalization (Mcap). The market correction was largely driven by decline in financial sector strips which were affected by rising interest rates. Financial composite which includes Bank, NBF, and Insurance declined by 18.6% against overall market decline of 13.8%. Negative risk premium caused investors to divert funds away from capital market.

regulatory limit which may lead to high cost of deposit for procurement of new deposit. Thus, yield on advance may also be higher.

- ✓ Maintaining the ongoing stability in political and economic activities is a challenge. Lack of consensus among political parties may any time lead to political agitation, which may ultimately affect the growth of private sector including Banking industry.
- ✓ Growth of investment and business activities may not explore as per targets due to lack of initiatives for good governance in government and regulatory bodies' activities. Banking industry may not have sufficient good investment opportunities in private and public sectors.
- ✓ Implementation of various mega projects are in the process. Thus, to meet up the expenditure, government may borrow fund from Banking sector which, to some extent, affect the liquidity scenario.
- ✓ In line with global practice of risk management, Bangladesh Bank also in phase of implementation of Basel III for the Banks which will affect the capital adequacy of the Banks. Banks need to maintain additional buffer capital of 2.50 percent by 2019 (each year additional requirement of 0.625 percent from 2016). This may increase pressure to Banking industry to maintain additional capital requirement in coming years.

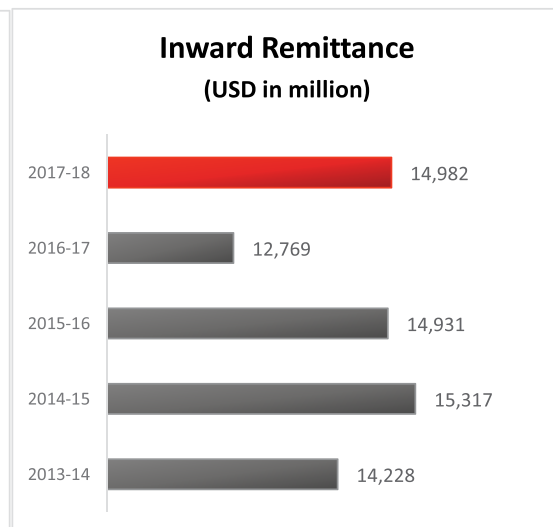
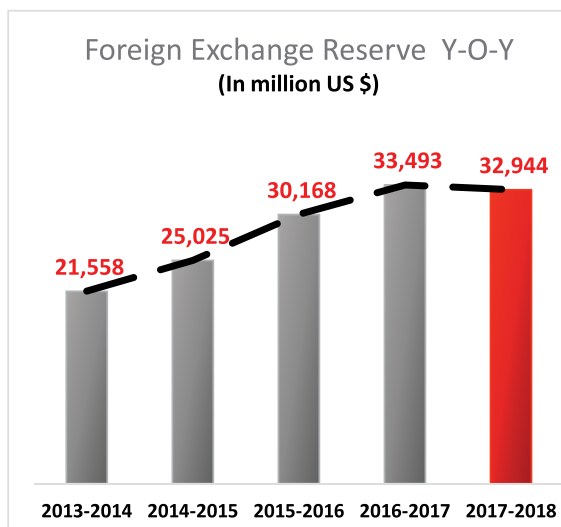
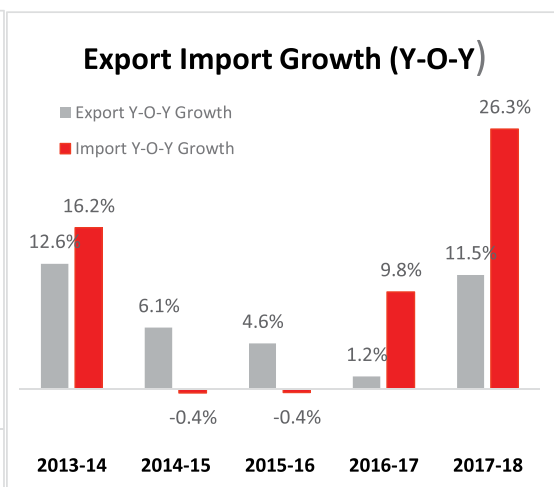
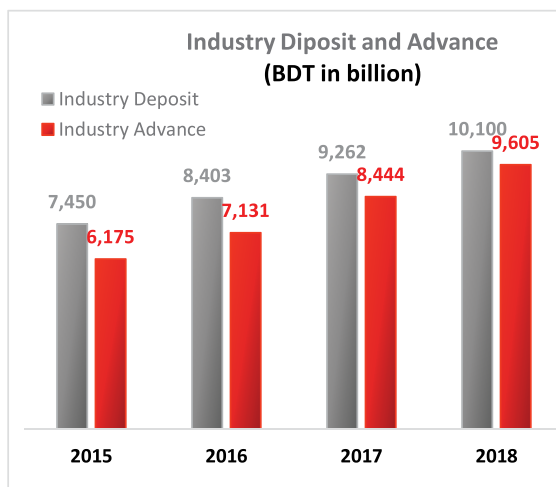
However, 2018 witnessed a number of developments in the form of partnerships and regulations. The strategic partnership between DSE and a Chinese consortium of Shanghai and Shenzhen Stock exchanges is expected to contribute in capital market improvement. BSEC approved the draft Qualified Investor Offer by Small Capital Companies Rules, 2018 that is expected to increase efficiency of the market by providing a separate market for small cap companies.

ECONOMY AT A GLANCE

Bangladesh has achieved stable rating by Moody's (Ba3) and S&P (BB-) for the 9 consecutive year.

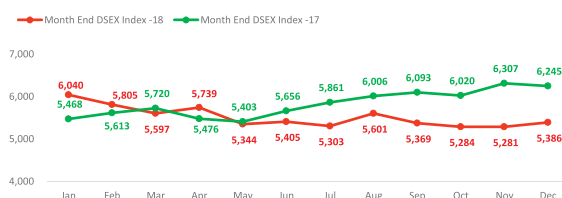
GDP growth was
7.86%
in FY 2018

Average Inflation
5.54%
in December 2018



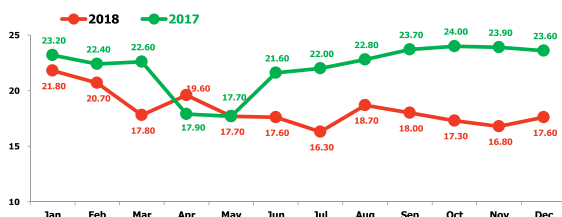
Month End DSEX Index

The DSEX index has sharply decreased to 5,386 at the end of December 2018 which was 6,245 in December 2017. The market capitalization significantly decreased by 9 percent in 2018. In December 2018 market capitalization was BDT 3,873 billion against BDT 4,229 billion in December 2017. Moreover, market capitalization of Banks has decreased by 23% in 2018, from BDT 583 billion against BDT 753 billion in December 2017.



UCB Share Price (month to month)

Although the Profit after Tax and EPS of UCB both have increased by 16% but share price of UCB has also declined during the year 2018 due to market movement. It was BDT 17.60 at the end of December 2018 whereas it was 23.6 in December 2017.



Brief History of UCB

UCB started its journey in the year 1983 with an initial paid up capital of Tk 35.50 million with the objective of excellence in customer service with pleasure and happiness. Its vision is to be the best in all terms; sustainable inclusive business growth by ensuring efficiency, regulatory compliance, good asset quality, combination of experience and professional talents, consistent profitability and of course good governance. The Bank formally started its commercial operation on 27 June in the same year. During the year 2018 the Bank set record indeed in terms of advance, deposit and expansion of business through its continuous diversification. Now, UCB is one of the top Banks in Bangladesh among the private commercial Banks in terms of operating performance.

United Commercial Bank 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. As on 31 December 2018, the Bank feels proud of having 187 branches and 398 ATM throughout the country.

Principal Activities

Sustainable development is not possible without continuous diversification of business. UCB's core

competencies may be classified into two segments interest earning activities in the form of providing loans and advances and investment activities.

✓ Interest earning activities

United Commercial Bank has an attractive basket of loan product which covers SME Financing, Project Finance, Export-Import Financing, Overdraft Facility & Cash Credit, Home Loan, Car Loan, Lease Finance, Consumer Financing, RMG financing, Agro 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 is one of the highest revenue-generating segments of UCB.

✓ Remittance activities

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

✓ Guarantee activities

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

✓ Investment activities

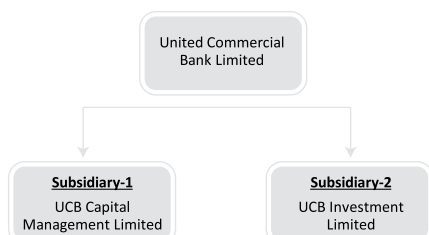
- **Money market-** the Bank invests in the treasury bills & bond which is considered as secured investment and ensures a certain amount of return of the Bank. Considering the liquidity position, the Bank also participates in the call money market;
- **Capital market-** the Bank has significant presence in capital market through direct investment. The Bank has also two subsidiaries with an aim to active participation in capital market through brokerage, portfolio management, investment Banking etc.

✓ Mobile Financial Services; UCash

With the view to bringing the unbanked people to the Banking facilities, UCB started full-fledged operation of Mobile Banking Services under the brand name "UCash" in the year 2013. Presently, the Bank has a substantial market share in Mobile Banking Services of Bangladesh which is growing further over the time. The Bank has dedicated agents for providing the Mobile Banking Services countrywide.

Corporate Structure

The Bank consists of two subsidiaries; UCB Capital Management Limited which provides stock brokerage and margin loan services to the investors and 'UCB Investment Limited' established in August 2011 with a vision to be a leading Merchant Bank in the country for providing issue management service, underwriting, portfolio management service and related advisory services.



Subsidiary & Associates

UCB has two subsidiaries as on the date of reporting; UCB Capital Management Limited and UCB Investment Limited as described below:

UCB Capital Management Limited

UCB Capital Management Limited (UCB Capital) is one of the major subsidiary companies of the Bank. UCB Capital is a modern, professional and prominent securities brokerage house in Bangladesh Capital Market. TREC holders with both Dhaka Stock Exchange (DSE TREC No. 181) and Chittagong Stock Exchange (CSE TREC No. 015), UCB Capital is currently the fastest growing stock broker and dealer in the country. UCB Capital started commercial operation in 2013. Despite a late start, UCB Capital has established a sizeable customer base and a solid reputation within the industry. As a full-serviced brokerage house, UCB Capital offers a full range of professional stock brokerage services for both the institutional and individual investors (including NRBs) in Bangladesh as well as foreign institutions and individuals. It has a branch network covering Dhaka and Chittagong, the two largest cities in Bangladesh.

UCB Investment Limited

UCB Investment Limited, another subsidiary of United Commercial Bank Limited was incorporated in Bangladesh as a private limited company with limited liability as on 3 August of 2011 under Companies Act 1994. The principal objective of the company is to carry out full-fledged Merchant Banking activities in Bangladesh i.e. portfolio management, share transfer agent, fund management to issue in the capital and security market, underwrite, manage and distribute the issue of stock shares, bonds and other securities, credit syndication. To commence its operation, the company has already applied for the license to Bangladesh Securities and Exchange Commission which is under consideration of BSEC.

Off-shore Banking Unit

Offshore Banking Unit (OBU), a separate business unit of United Commercial Bank Limited, governed under the rules and guidelines of Bangladesh Bank. The Bank obtained the Off-shore Banking Unit permission vide letter No. BRPD (P-3) 744 (117)/2010-2577 dated 9th June 2010. The Bank commenced the operation of its Off-shore Banking Unit from November 10, 2010. At present there is one unit of off-shore banking in Dhaka operating under the rules and guidelines of Bangladesh Bank.

Since inception in 2010, OBU has registered remarkable growth in successive years in terms of both business and profit by providing FC Term Loan and Demand Loan to the On-shore entrepreneurs thus contributing in the industrialization of the country. OBU offers trade finance facilities in the form of Bill Discounting under UPAS LC and short term financing in FC. In 2018, the operating profit of OBU stood BDT 604.49 million against BDT 529.91 million in 2017 registering a growth of more than 14 percent.

Preparation of Financial Statements

The financial statements prepared by the Management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity. These statements have been prepared in accordance with the "first Schedule (Section 38) of the Bank Company Act 1991 as amended by BRPD circular No. 14 dated 25 June 2003, the rules and regulations issued by Bangladesh Bank, International Financial Reporting Standards (IFRS) as adopted by the ICAB in the name of Bangladesh Financial Reporting Standards (BFRS), the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh.

The financial statements of 2018 have been reviewed by the Audit Committee of the Board of Directors of the Bank and then referred to the Board of Directors for its consideration. The external auditor, Syful Shamsul Alam & Co., Chartered Accountants appointed by the shareholders, has certified the fairness of the financial statements for the year ended 31 December 2018.

Maintaining Proper Books of Account

UCB maintained proper books of account for its financial transactions occurred during 2018. For recording the transactions, the Bank has followed the Bangladesh Accounting Standard (BAS). The

books of account have also been reviewed by the external auditor, Syful Shamsul Alam & Co., Chartered Accountants with an opinion that proper books of accounts as required by the law have been properly maintained.

Appropriate Accounting Policies

Appropriate accounting policies have been consistently applied, except for the changes disclosed in the financial statements in preparation of financial statements and that the accounting estimates are based on reasonable and prudent judgment. The Bank records financial transaction on accrual basis with required disclosures and also prepares 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. However, in case the requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities and accounting standards, the provisions and circulars issued by Bangladesh Bank shall prevail. As such the Group and the Bank has departed from certain requirements of IFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed in notes to the financial statements.

Internal Control & Compliance

The Audit Committee, a sub-committee of the Board of Directors reviews the effectiveness of the system of internal controls and management, establish effective audit process and manage various risks. 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.

A separate report on internal control and compliance is enclosed with the Annual Report.

Statement of Directors' Responsibility to Establish Appropriate System of internal Control

The Directors acknowledge their overall responsibility for the Bank's systems of internal control for establishing efficiency, effectiveness, reliability, timeliness, completeness and compliance with the applicable laws and regulations. This process ensures that a system of internal control in accordance with best financial reporting practice was in place throughout the year and up to the date of the signing of these financial statements. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various committees and the Bank's risk management functions.

Statement of Directors' on Adequacy of the System of internal Control

The Directors confirm that the Board through its committees has reviewed the effectiveness of the Bank's systems of internal control for the year ended 31 December 2018. The Board through the audit committee has supervised the policies and various parts of businesses to ensure an effective internal control system. The Board formulates business strategy, significant policies for internal control system and risk management and ensures proper implementation. The internal audit and control has been accomplished as per requirement of the Bank Company (amended) Act 2018, Bangladesh Bank guidelines, Corporate Governance guidelines of Bangladesh Securities and Exchange Commission etc.

Going Concern

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

Top Management

The Bank is led by Mohammed Shawkat Jamil, Managing Director. He is a prominent and professional Banker with 35 years of rewarding multi-dimensional experience in Banking and other fields of management. He started his career as 'Probationary Officer' in United Commercial Bank Limited in 1983. There are some other veteran and prominent Bankers serving the Bank and contributing their expertise to the continuous growth of the Bank.

Managing Director

With UCB since dated

Mohammed Shawkat Jamil	20 June 1983
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Additional Managing Directors

Arif Quadri	13 October 2015
Mohammad Mamdudur Rashid	01 March 2018

Deputy Managing Directors

Md. Sohrab Mustafa	01 June 2010
Nabil Mustafizur Rahman	22 March 2018
Abul Alam Ferdous	27 May 1984
N. Mustafa Tarek	05 January 2012
Md. Abdullah Al Mamoon	01 March 2017

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

UCB recorded a remarkable growth in last five years in terms of business volume and profitability. At the end of 2014, total assets of the Bank were BDT 266,100.74 million whereas at the end of 2018 it stood at BDT 401,076.14 million recording a growth of more than 50 percent. During last five year deposits grew by 41 percent and loans & advances of the Bank grew by 69 percent.

Balance Sheet	Change (%)	Change (Taka)	2018	2017	2016	2015	2014
Authorized capital	-	0.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Paid up capital	-	2,175.19	10,541.31	10,541.31	10,541.31	10,039.34	8,366.12
Shareholders' equity	24.49	5,508.23	27,999.77	26,510.26	25,756.32	25,588.82	22,491.54
Borrowing	641.83	38,669.38	44,694.26	33,846.39	25,565.10	10,705.57	6,024.88
Deposits	40.79	86,100.76	297,172.82	278,195.49	257,704.30	220,866.48	211,072.06
Loans and advances	69.21	120,525.84	294,671.94	261,002.88	223,697.18	197,413.64	174,146.10
Investments	14.77	6,542.24	50,830.84	42,911.75	55,475.64	44,345.73	44,288.60
Fixed assets	6.42	546.11	9,056.11	8,344.10	8,380.18	8,586.73	8,510.00
Off-balance sheet exposure	25.95	37,512.14	182,066.61	197,973.80	171,169.75	150,713.79	144,554.47
Total assets	50.72	134,975.40	401,076.14	363,314.80	329,720.78	293,847.23	266,100.74
Total liabilities	53.15	129,467.18	373,076.38	336,804.54	303,964.46	268,258.41	243,609.20

In line with the increased volume of the business, Gross Profit of the Bank has also increased. In 2014, NPAT of the Bank was BDT 3,668.73 million whereas it was BDT 2,526.58 million at the end of 2018 recording a de-growth of 31 percent whereas Bank's gross revenue increased by 22 percent during last five years of time.

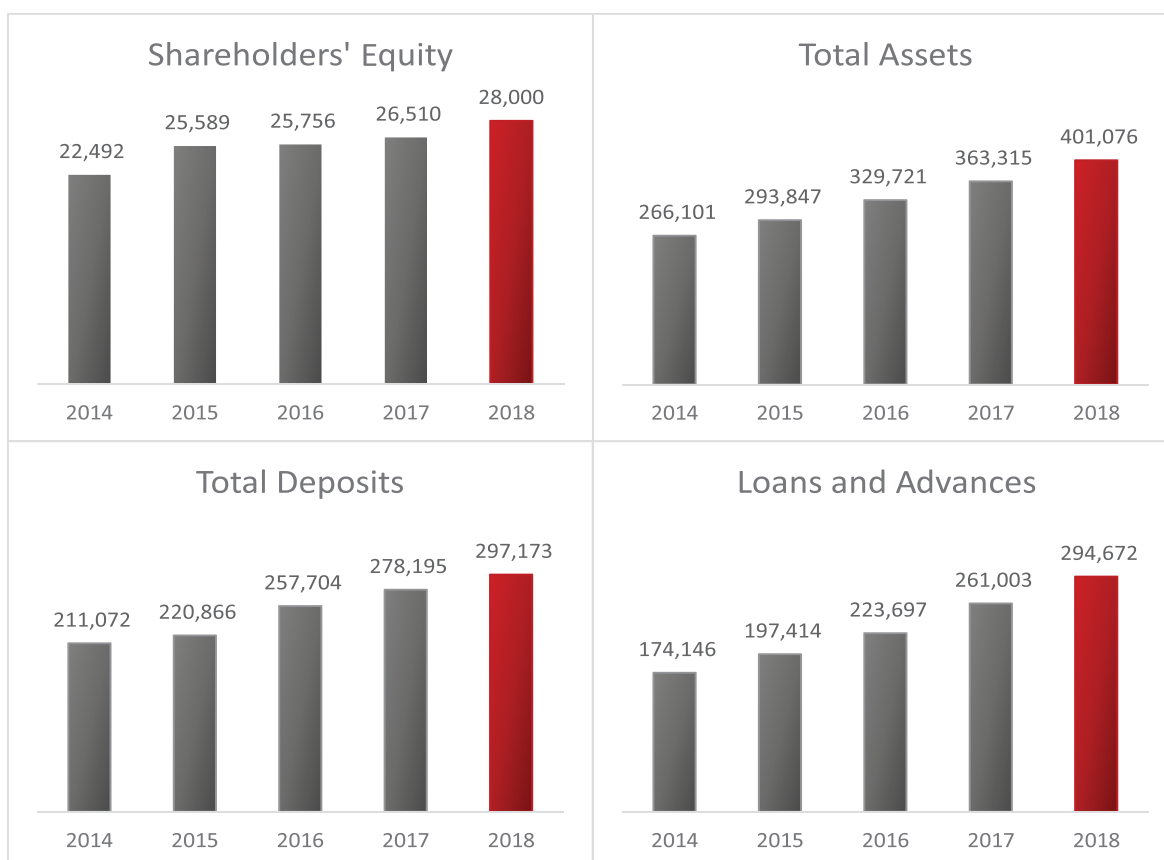
Results of Operation	Change (%)	Change (Taka)	2018	2017	2016	2015	2014
Interest income	13.00	2,906.10	25,266.93	21,034.16	20,832.15	22,434.57	22,360.83
Interest expense	11.05	1,594.26	16,024.50	12,087.39	12,194.04	14,711.18	14,430.24
Net interest income	16.54	1,311.85	9,242.44	8,946.77	8,638.11	7,723.38	7,930.59
Non-interest income	28.01	2,038.92	9,317.72	8,435.50	7,703.97	7,824.62	7,278.80
Non-interest expense	67.99	4,412.34	10,902.27	9,430.86	8,754.70	7,145.66	6,489.93
Gross profit	22.03	3,350.77	18,560.16	17,382.27	16,342.08	15,548.00	15,209.39

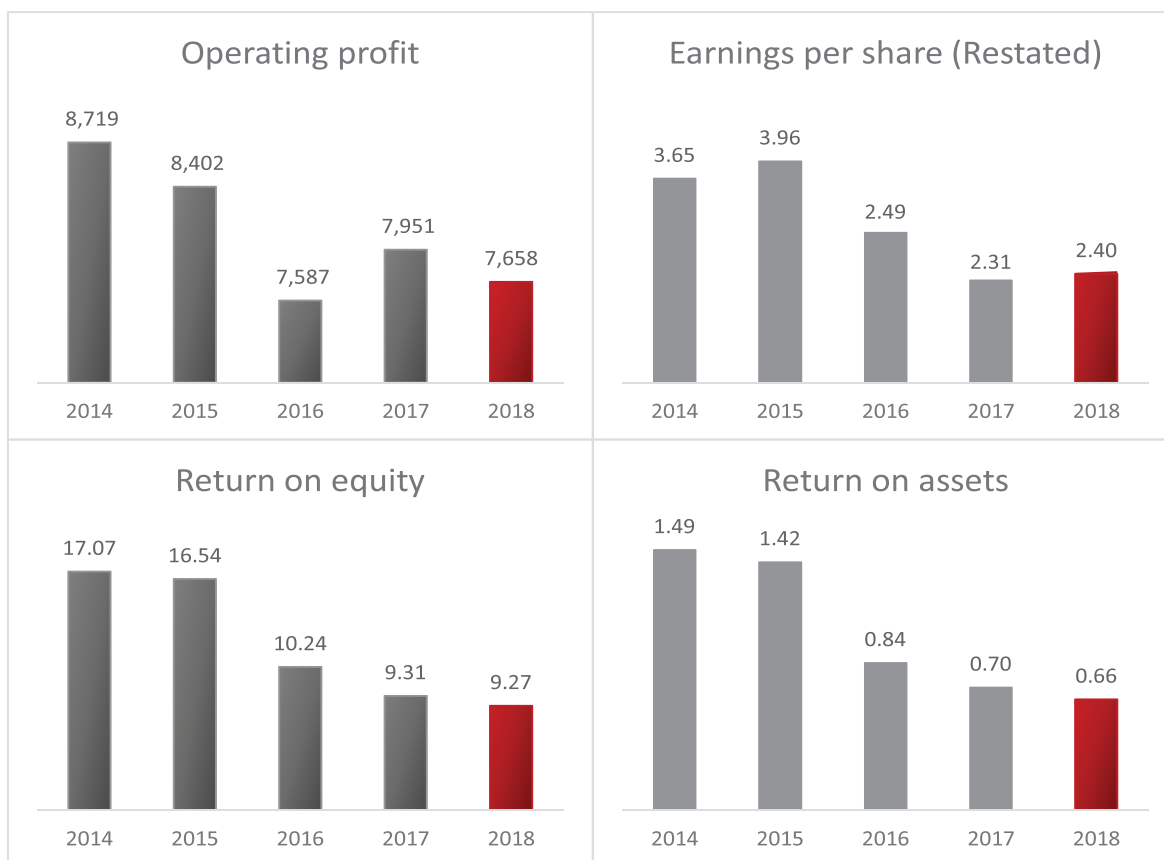
Operating profit	-12.17	-1,061.57	7,657.89	7,951.41	7,587.38	8,402.34	8,719.46
Profit before tax	-28.20	-1,927.91	4,907.76	5,461.41	5,189.88	7,252.34	6,835.67
Net profit after tax	-31.13	-1,142.15	2,526.58	2,433.91	2,628.63	3,977.34	3,668.73

However, details of operating and financial data of UCB in last five years are shown separately in financial summary of Annual Report with charts and graphical presentation.

Key performance ratio	2018	2017	2016	2015	2014
Cost-income ratio	58.74	54.26	53.57	45.96	42.67
Return on assets	0.66	0.70	0.84	1.42	1.49
Return on equity	9.27	9.31	10.24	16.54	17.07
Cost of fund	7.58	6.79	7.60	9.18	10.16
Yield on advance	8.62	8.53	9.71	11.75	13.87
Spread	1.04	1.74	2.11	2.57	3.71
Earnings per share (basic)	2.40	2.31	2.49	3.96	4.39
Earnings per share (restated)	2.40	2.31	2.49	3.96	3.65
Dividend (percent)*	10 B	10 C	15 C	20 C, 5B	10 C, 20 B
Net asset value per share	26.56	25.15	24.43	25.49	26.88
Price earning ratio (times)	7.33	10.22	8.55	5.38	6.68
Dividend cover ratio(times)	2.40	2.31	1.66	1.58	1.46
Dividend Yield (percent)	5.68	4.24	7.04	11.74	10.24

* C = Cash, B = Bonus





Significant deviations from operating results of last year

Bank's operating performance was comparatively better in the year 2018 mainly increase of fees, commission and other income. During the 2018, yield on advance and cost of fund were 8.62 percent and 7.58 percent respectively, which represents spread 1.05 percent. On the other hand, during the year 2017, yield on advance and cost of fund were 8.53 percent and 6.79 percent respectively, which represents spread 1.74. Except the above deviation, the indicators are uptrend during the year 2018 in almost all key areas of business. Significant deviations in key operating lines are described as follows:

Operating revenue: Bank's operating revenue (net interest income plus non-interest income) increased by BDT 1,177.89 million from BDT 17,382.27 million in 2017 to BDT 18,560.16 million in 2018.

Profit from operation: Operating profit has decreased by 3.69 percent. It was BDT 7,657.89 million in 2018 and BDT 7,951.41 million in 2017.

Net profit after tax: During the year 2018, net performance line has increased by BDT 92.67 million. During the year 2018 net profit after tax was BDT 2,526.58 million, it was BDT 2,433.91 million during the year 2017.

Extraordinary gains or loss

Extraordinary gains or losses refer to infrequent and unusual gains or loss and which is not part of the Bank's ordinary, day-to-day operations. There is no such gain or loss during the year under reporting.

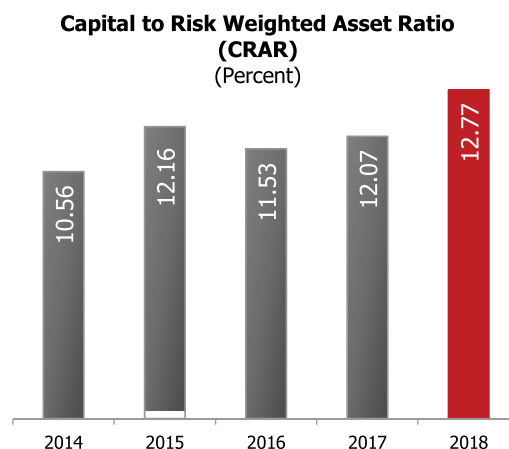
Risk Based Capital Framework

Risk Based Capital Adequacy Framework (Revised Regulatory Capital Framework for the Banks in line with Basel III) has been implemented in Bangladesh from beginning of 2015 through BRPD Circular No. 18 dated December 21, 2014. The Bank was in Basel II regime in 2014 maintaining its capital level above the minimum requirement, estimating the additional capital requirement to find out level of Adequate Capital against all types of risks under Pillar II and providing adequate disclosure as per pillar III (market discipline) of Basel II guidelines.

From very beginning of implementation of Basel III in Bangladesh, UCB has been continuing to calculate minimum capital requirement (MCR) considering credit risk, market risk and operational risk considering the Capital Conservation Buffer @ 1.25 percent. The summary of pillar I (Minimum Capital Requirement) on solo basis of UCB as under:

Particulars	2018	2017
Tier I Capital	24,740.82	23,595.90
Tier II Capital	17,759.99	13,323.94
Total Regulatory Capital	42,500.81	36,919.84
Risk Weighted Assets	332,831.86	305,850.28
Capital to Risk Weighted Asset Ratio (CRAR) (%)	12.77	12.07

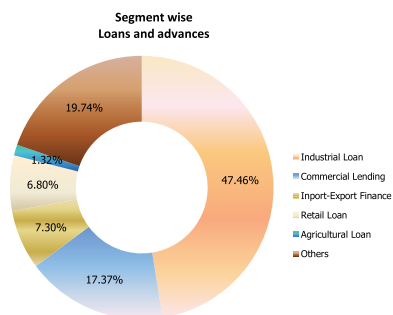
UCB has a strong Common Equity (Tier-1 Capital) base of BDT 24,740.82 million which was 7.43 percent of risk weighted assets as on December 31, 2018. Bank's Tier-2 Capital was BDT 17,759.99 million at the end of 2018, which was 5.34 percent of risk weighted assets. Against the minimum requirement of 10 percent, UCB is consistently maintaining above the requirement in last five years. In addition to minimum requirement of 10 percent, the Bank needs to maintain buffer requirement of 1.25 percent in 2018. Thus the Bank's minimum plus buffer requirement was 11.875 percent in 2018 which was deliberately maintained by the Bank.



Segmental Business Analysis

Segmentwise Distribution of Loans and Advance of United Commercial Bank Limited

Among total assets of BDT 401,076.14 million of United Commercial Bank Limited, loans and advances was BDT 294,671.94 million which was 73.47 percent of total assets. Below table shows the distribution of loans and advances at different segments.



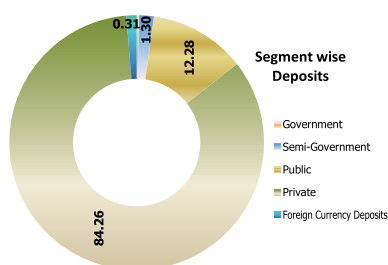
	Dec 31 2018	Dec 31 2017	Growth (%)
Industrial Loan	139,865.42	120,826.4	15.76
Commercial Lending	51,195.46	47,325.75	8.18
Import-Export Finance	21,507.49	18,394.28	16.92
Retail Loan	20,040.00	16,364.59	22.46
Agricultural Loan	3,899.7	5,540.17	- 29.61
Others	58,163.85	52,551.69	10.68
Total	294,671.94	261,002.88	12.90

Among loans and advances, 47.46 percent was distributed in industrial area followed by 17.37 percent in commercial area. Others area of distribution of loans and advances were import-export, retail, agriculture and others where were 7.30 percent, 6.80 percent, 1.32 percent and 19.74 percent respectively. Among the above mentioned sector, the bank recorded highest growth in Retail Loan.

Segmentwise Distribution of Deposit of United Commercial Bank Limited

In total liabilities of BDT 373,076.38 million, 79.65 percent liabilities were in the form of deposits which were BDT 297,172.82 million. Below table shows segment wise distribution of deposit of the bank as on December 31, 2018.

	Dec 31 2018	Dec 31 2017	Growth (%)
Government	927.61	630.85	47.04
Semi-Government	5,514.32	4,339.04	27.09
Public Corporation	36,486.38	56,884.62	-35.86
Private	250,394.78	213,516.49	17.27
Foreign Currency	3,849.71	2,824.48	36.30
Total	297,172.82	278,195.49	6.82



At the end of 2018, total deposits of the bank stood BDT 297,172.82 million against BDT 278,195.49 million at the end of 2017 registering a growth of 6.82 percent. The bank is mostly concentrated to private deposit which was BDT 250,394.78 million at the end of 2018 against BDT 213,516.49 million at the end of 2017. Others area of concentration of deposits were public corporation, semi-government, government which were respectively 12.28 percent, 1.86 percent and 0.31 percent of total deposits.

Focusing on the Future Requirement

Bangladesh Bank has issued the 'Guidelines on Risk Based Capital Adequacy', a Revised Regulatory Capital Framework for Banks in line with Basel III, on December 2014. Aiming to maintain capital above the required level as per this new guideline, UCB has issued first tranche of UCB Third Subordinated Bond of BDT 3,000 million in December 2018. Though raising fund from external sources is a short term and more costly solution, the Bank is emphasizing more on risk assets management and capital generation from internal sources like increasing reserve by generating profit. For risk assets management, the Bank is emphasizing on completion of credit rating of all unrated corporate and medium customers by external credit rating agencies and also emphasizing on restructuring of asset portfolio to low risk based assets.

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

Credit Rating

With a view to safeguarding the interest of the prospective investors, depositors and creditors

and to improve the functioning of the capital market of the country, Bangladesh Bank vide BRPD Circular No.06 dated July 05, 2006 has made it mandatory for the Bank's to have themselves credit rated. Accordingly, Credit Rating of United Commercial Bank Limited was done by Emerging Credit Rating Limited (ECRL) based on audited Financial Statements as on December 31, 2017. The rating report is summarized as under;

Particulars	Long Term	Short Term
Entity Rating	AA	ST-2
Date of Rating	May 07, 2018	
Based on Financial Statement	December 31, 2017	
Validity Date	May 06, 2019	

ECRL has assigned AA (pronounced as Double A) the long term credit rating and ST-2 short term credit rating to the United Commercial Bank Limited based on audited financials from FY2013 to FY2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable. The ratings are consistent with ECRL's methodology for this type of company. ECRL considered financial performance, capital base, asset quality, liquidity position, management experience and prospect of the industry while assigning the rating.

An institution rated AA has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse developments in the economy, and in business and other external conditions. These institutions typically possess a good track record and have no readily apparent weaknesses.

An institution rated ECRL-2 has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, and in business and other external conditions.

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 2018 up to the date of approval of financial statements by the Board of Directors of the Bank that has significantly affected or may significantly affect the operations of the Bank, the results of its operations or its state of affairs. However, the only event is, 436th Meeting of the Board of Directors held on 30.04.2019 recommended 10% (Ten Percent) 'Stock Dividend' subject to approval of the shareholders in the ensuing

Annual General Meeting of the Bank to be held on June 30, 2019 (Accounting year 2018).

Corporate Social Responsibility

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

Corporate Governance

The Bank focuses on ethics, innovation and transparency. The establishment of well-founded corporate governance within the company will continue to be important in order to ensure a continuous profitable return to shareholders and a solid reputation amongst clients and partners. We strive to maintain full compliance with the laws, rules and regulations that govern our business. The main objective of UCB's corporate governance is to develop a strong, sustainable and competitive company in the best interest of its shareholders, employees, business associates and society at large. Successful value added business is profoundly dependent upon transparency, internal and external confidence and trust. UCB believes that this is achieved by developing a conspicuous reputation based on our financial performance, our business practices and our communication with the market with due care on transparency and ethical standards.

Compliance of The Conditions of SEC'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. BSEC/CMRRCD/2006-158/207/

Admin/80 dated June 03, 2018 to comply with 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 has been attached with the Annual Report with compliance certificate.

Declaration On Compliance of Corporate Governance

Para 36 of the Dhaka Stock Exchange (Listing) Regulations, 2015, Notification dated 30 June 2015 requires the Directors to declare on compliance of the conditions of Bangladesh Securities & Exchange Commission. The Bank duly complied with the conditions of Bangladesh Securities & Exchange Commission (Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018) on corporate governance. Moreover, as per requirement of Bangladesh Securities & Exchange Commission, a certificate from a professional Chartered Secretary has been obtained and attached with the Annual Report.

Business Ethics and Compliance

How we work is as important as what we do. We are working to find diverse, responsible stakeholders and conduct our business responsibility to help serve you better.

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 with 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. 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. During the year 2018, the Bank has provided (provision for tax expense) an amount of BDT 2,381.18 million as tax expense as against BDT 3,027.50 million of previous year. We also pay VAT @ 15 percent on our fees and commission income. Moreover, we are abiding by the prevailing laws to deduct source tax and source VAT from all payments as per prescribed rate. Besides direct contribution to national economy in the form of payment of taxes UCB contributes to the economy in the following manner:

- Based on the financials as on 31 December 2018 the size of total credit exposure of UCB with 73,152 No. of clients was BDT 294,671.94 million (2017: 43,132 no. of clients, BDT 261,003 million). Providing such facility does not only mean to the financial support but also creates huge opportunity of employment in the society.
- Direct economic impact by creating employment and a well-trained workforce. UCB and its subsidiary employed as many as 4,982 employees as on 31 December 2018 (2017: 4,459). Significant amount of the Bank's earnings is expended for salary and employee benefits. During the year 2018, UCB paid total BDT 6,501.52 million for salary and employee benefits. UCB has also has provident fund and gratuity fund as a tool to reward long term service with the Bank.
- We firmly believe that sustainable economic

Meeting of the Board of Directors and attendance

During the year 2018 total 14 no. of Board of Directors' meetings, 12 no. of Executive Committee meetings, 09 no. of Audit Committee meetings and 04 no. of Risk Management Committee meetings were held. The status of the member along with the attendance is mentioned below:

Attendance in Board Meeting during the year 2018

Sl. No.	Composition	Position	Total Meetings held	Total Meetings held during their period	Attended	Remarks
1	Rukhmila Zaman	Chairman	14	13	12	13 No. meetings held during her tenure
2	Hajee Yunus Ahmed	Vice Chairman	14	13	11	13 no. meetings held during his tenure
3	Anisuzzaman Chowdhury	Chairman - Executive Committee	14	14	11	
4	Akhter Matin Chaudhury <small>FCA(ESW), FCA, FCS</small>	Independent Director & Chairman- Audit Committee	14	14	9	
5	M. A. Sabur	Chairman - Risk Management Committee	14	13	13	13 No. meetings held during his tenure
6	Hajee M. A. Kalam	Director	14	14	13	
7	Nurul Islam Chowdhury	Director	14	14	12	
8	Bazal Ahmed	Director	14	14	14	

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.

- UCB 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.
- We always agree in building prosperity by supporting a broad range of socio-economic issues 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 more than three decades that the best way to do that is to foster creativity, innovation and diversity throughout our ventures and of course aligning business practices with highest values. We dream of crafting the way of social business rather than commercial business objective only. During the year 2018 the Bank expended around BDT 83.75 million for donation and sponsorship.

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.

9	Asifuzzaman Chowdhury	Director	14	14	13	
10	Roxana Zaman (Representative of Volkart Trading Limited)	Director	14	11	7	11 No. meetings held during her tenure
11	Bashir Ahmed	Director	14	14	13	
12	Afroza Zaman (Representative of Legendary Asset Management Limited)	Director	14	9	4	9 No. meetings held during her tenure
13	Md. Tanvir Khan	Director	14	14	7	
14	Syed Kamruzzaman (Representative of Aramit Thai Aluminum Limited)	Director	14	14	14	
15	Farid Uddin Ahmed (Representative of Nahar Metal Limited)	Director	14	14	14	
16	Muhammed Shah Alam (Representative of Ardent Asset Management Limited)	Director	14	12	12	12 No. meetings held during his tenure
17	Syed Mohammed Nuruddin	Independent Director	14	14	9	
18	Dr. Salim Mahmud	Independent Director	14	14	10	
19	Mohammed Shawkat Jamil	Managing Director	14	4	4	4 No. meetings held during his tenure

Past Members Attendance Details

SL. No.	Composition of the Board	Total Meetings held	Total Meetings held during their period	Attended	Remarks
1	Md. Jahangir Alam Khan	14	4	3	
2	M.A. Hashem	14	4	3	
3	Sharif Zahir	14	10	7	
4	A.E Abdul Muhaimen (MD)	14	8	8	8 No. meetings held during his tenure
5	Arif Quadri (Acting MD)	14	2	2	2 No. meetings held during his tenure

** The Directors who could not attend the meeting were granted leave of absence.

Attendance in the Executive Committee Meetings during the year 2018

SL. No.	Composition of the Committee	Position	Total Meetings held	Total Meetings held during their period	Attended	Remarks
1	Anisuzzaman Chowdhury	Chairman	12	12	12	
2	Hajee Yunus Ahmed	Member	12	12	10	
3	M. A. Sabur	Member	12	12	11	
4	Nurul Islam Chowdhury	Member	12	12	12	
5	Asifuzzaman Chowdhury	Member	12	12	9	
6	Bazal Ahmed	Member	12	12	11	
7	Md. Tanvir Khan	Member	12	8	5	8 No. meetings held since he joined

Past Members Attendance Details

SL. No.	Composition of the Committee	Position	Total Meetings held	Total Meetings held during their period	Attended	Remarks
1	Mr. Md. Jahangir Alam Khan	Member	12	4	3	

** The Directors who could not attend the meeting were granted leave of absence

Attendance in Audit Committee Meetings during the year 2018

Sl. No.	Name of the Members	Status with the Board	Total Audit Meetings held during the year	Total Meetings held during their period	Attended	Remarks
1	Akhter Matin Chaudhury <small>FCA(EBW), FCA, FCS</small>	Chairman	9	9	8	
2	Syed Mohammed Nuruddin	Member	9	9	4	
3	Bashir Ahmed	Member	9	9	8	
4	Syed Kamruzzaman	Member	9	9	8	
5	Muhammed Shah Alam	Member	9	7	7	7 No. meetings held since he joined

Past Members Attendance Details

SL. No.	Composition of the Committee	Position	Total Audit Meetings held during the year	Total Meetings held during their period	Attended	Remarks
1	Md. Tanvir Khan	Member	9	2	2	

** The Directors who could not attend the meeting were granted leave of absence.

Attendance in Risk Management Committee Meeting during the year 2018

SL. No.	Composition	Position	Total RMC Meeting held during the year	Total Meeting held during their period	Attended	Remarks
1	M. A. Sabur	Chairman	4	4	4	
2	Anisuzzaman Chowdhury	Member	4	4	4	
3	Bazal Ahmed	Member	4	4	4	
4	Roxana Zaman	Member	4	4	3	
5	Farid Uddin Ahmed	Member	4	4	4	

** The Directors who could not attend the meeting were granted leave of absence.

Pattern of Shareholding

Fully paid up shares issued to	No. of Shares	Amount in Taka	% of Shares
Sponsors/Directors	365545869	3655458690	34.67
Institution (Financial & Others)	216928739	2169287390	20.58
General Public	463106213	4631062130	43.94
Govt. of Peoples Republic of Bangladesh	8549833	85498330	0.81
Total	1054130654	10541306540	100

A) Share held by parent/subsidiary/associated companies

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

B) Shareholding of Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and their Spouses and Minor Children

Sl. No.	Name of Directors	Shares Held
i)	Directors	
	Rukhmila Zaman	21085311
	Hajee Yunus Ahmed	26492727
	Anisuzzaman Chowdhury	29501526
	Akhter Matin Chaudhury FCA(E&W), FCA, FCS	0
	M.A. Sabur	23162767
	Hajee M.A. Kalam	24234815
	Nurul Islam Chowdhury	21086874
	Bazal Ahmed	21125467
	Asifuzzaman Chowdhury	29735237
	Roxana Zaman (Representative of Volkart Trading Limited)	21100000
	Bashir Ahmed	21202269
	Afroza Zaman (Representative of Legendary Assets Management Limited)	21100000
	Md. Tanvir Khan	21084773
	Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	21611000
	Farid Uddin Ahmed (Representative of Nahar Metals Limited)	21083000
	Muhammed Shah Alam, (Representative of Ardent Asset Management Limited)	21100000
	Syed Mohammed Nuruddin	0
	Dr. Salim Mahmud	0
ii)	Mohammed Shawkat Jamil	0
iii)	A T M Tahmiduzzaman, FCS (Company Secretary and Spouse)	0
iv)	Muhammad Hafizur Rahman (SVP and Chief Financial Officer) and Spouse	0
v)	Mohammed Khorshed Alam (SEVP and Head of Internal Audit) and Spouse	0

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

Sl. No.	Name of Executives	Shares Held
1	Arif Quadri (Additional Managing Director) and Spouse	0
2	Mohammad Mamdudur Rashid (Additional Managing Director) and Spouse	0
3	Md. Sohrab Mustafa (Deputy Managing Director) and Spouse	0
4	Nabil Mustafizur Rahman (Deputy Managing Director) and Spouse	0
5	Abul Alam Ferdous (Deputy Managing Director) and Spouse	0
6	N. Mustafa Tarek (Deputy Managing Director) and Spouse	0
7	Md. Abdullah Al Mamoon (Deputy Managing Director) and Spouse	0

d) Shareholders holding 10% or more voting interest in the company: - N/A

Related party transaction

UCB had no credit directly to its Directors at the end of 2018. However, there were some related party contacts and transactions wherein the Directors had interest. The Bank got Bangladesh Bank's approval to make related party contact. Details are as follows:

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

Nil
Shares issued to the Directors & the Executives without consideration or exercisable at discount
Nil

Related Party Transactions

Sl. No.	Name of the Party	Relationship	Nature of Transaction
Nil			

Bank follows normal process of business for related party transaction ie. Related party does not enjoy any preferred facility or concession or favor from the view point of approval process, rate or cost charged etc.

Remuneration of the Directors

At the end of 2018, UCB had 19 (nineteen) members in its Board of Directors including the Managing Director and 3 (three) Independent Director. As per Bangladesh Bank's BRPD circular No. 11 dated 04 October 2015, the members of Board of Directors (excluding Managing Director) received maximum BDT 8,000.00 (eight thousand) as honorarium for attending in a meeting. In the year 2018, total honorarium was BDT 3.00 million which was BDT 3.12 million in 2017.

Rotation of Directors

Anisuzzaman Chowdhury, Hajee M. A. Kalam, Bazal Ahmed, Asifuzzaman Chowdhury, Md. Tanvir Khan and Professor Dr. Jonaid Shafiq, Directors of the Bank, will retire in the 36th Annual General Meeting according to the Article 108 & 109 of Articles of Association of the Bank and according to Article 110 they are eligible for reappointment.

Resume of Re-appointed and Newly appointed Directors

1.	Name of the Directors	Rukhmila Zaman
	Status in the Board	Chairman
	Date of Birth	06.05.1979
	Date of First Appointment	13.04.2014
	Date of last Appointment	30.04.2018
	Entities where they have interest	1. Aramit Limited. 2. Aramit Cement Limited. 3. Aramit Thai Aluminum Limited. 4. Aramit Power Limited. 5. Aramit Alu Composite Panels Limited. 6. Aramit Steel Pipes Limited.
2.	Name of the Directors	Hajee Yunus Ahmed
	Status in the Board	Vice-Chairman & Member, Executive Committee
	Date of Birth	02.07.1945
	Date of First Appointment	29.06.1983
	Date of last Appointment	30.04.2018

Entities where they have interest	1. Yunusco T&A (BD) Limited. 2. Yunusco K. Textiles Ltd. 3. Adapt ID Bangladesh Ltd. 4. Yunusco Stone & Engineering Ltd. 5. Yunusco Properties Ltd. 6. Yunusco Ltd. 7. Yunusco (BD) Limited. 8. Yunusco Global Sourcing Ltd. 9. YK Limited. 10. Best Eat (Pvt) Ltd. 11. Nine 2 Nine Intimates Ltd. 12. Wonder Gas Ltd.
3. Name of the Directors	M. A. Sabur
Status in the Board	Director & Chairman, Risk Management Committee
Date of Birth	02.01.1948
Date of First Appointment	29.06.1983
Date of last Appointment	30.04.2018
Entities where they have interest	Masco Industries Ltd. Mascotex Ltd. Masco Cottons Ltd. Masco Superknits Ltd. Masco Energy Ltd. Masminu Energy Ltd. Masminu Footspree Ltd. Shanta Expressions Ltd. MAXIM Ltd. Maxim International Ltd. Masco Shares & Securities Ltd. Masco Properties Ltd. Masco Poultry Ltd. Masco Services Ltd. Concept Knitting Ltd. Masco Printing & Embroidery Ltd. Masco Picasso Ltd. Tasniah Fabrics Ltd. Masco Poultry Enterprise Masco Dairy Enterprise Masco Fisheries Enterprise

4. Name of the Directors	Roxana Zaman (Representative of Volkart Trading Limited)
Status in the Board	Director & Member, Risk Management Committee
Date of Birth	20.02.1969
Date of First Appointment	12.04.2018
Date of last Appointment	N/A
Entities where they have interest	Volkart Trading Ltd. Janata Insurance Ltd.
5. Name of the Directors	Afroza Zaman (Representative of Legendary Asset Management Limited)
Status in the Board	Director
Date of Birth	08.08.1976
Date of First Appointment	30.04.2018
Date of last Appointment	N/A
Entities where they have interest	Janata Insurance Ltd. Legendary Asset Management Ltd. Volkart Trading
6. Name of the Directors	Muhammed Shah Alam (Representative of Ardent Assets Management Limited)
Status in the Board	Director & Member of Audit Committee
Date of Birth	01.03.1962
Date of First Appointment	10.08.2017
Date of last Appointment	30.04.2018
Entities where they have interest	-

Appropriation of Profit and Dividend Recommendation

Taking into account the profit available for distribution after complying with regulatory requirement, the Board in its 436th meeting held on 30.04.2019 recommended 10% 'Stock Dividend' for the year ended on December 31, 2018 which is subject to approval of shareholders in the 36th Annual General Meeting.

Proposed appropriations are as follows

	(in million BDT)	
Particulars	2018	2017
Net profit after tax for the year	2,526.58	2,433.91
Retained earnings at the beginning	335.28	47.78
Transfer from General Reserve	-	-
Profit available for appropriation	2,861.86	2,481.69
Proposed appropriations		
Transferred to statutory reserve	981.55	1,092.28
Proposed stock dividend	1054.13	
Proposed cash dividend	-	1,054.13
Retained earnings	826.18	335.28

Auditors Report

The Board of Directors reviewed the Auditors Report issued by the Bank's auditor Syful Shamsul Alam & Co., Chartered Accountants based on their audit of financial statements for the year ended 31 December 2018. The auditor didn't mention any material misstatement or significant disagreement regarding the review of the Bank's financial statements. The Board also reviews the auditors' suggestion which auditor provides through a separate management report and gives the strategic guidelines to the management for improvement.

Appointment of Auditors

Syful Shamsul Alam & Co., Chartered Accountants was the auditor of the Bank for the year 2018. As 2018 is the third year of audit, they aren't eligible for reappointment for the year 2019.

Section 210 of the Companies Act, 1994 gives authority to the shareholders to fix the appointment of the auditor and its remuneration. Hence, the Board recommended to appoint Mabs & J Partners; Chartered Accountants as the External Auditor of the Bank for the year 2019 at a remuneration of Tk. 10 Lacs only (excluding VAT). However, such appointment will be subject to approval of the shareholders in the next Annual General Meeting.

Future Outlook

United Commercial Bank Limited is making progress on embedding sustainability into business. We still believe that, we have a lot of scope to do, a long way to go and will continue to build our program as a team in the year ahead. We are confident that we can make our slogan a success "United we achieve". However, 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 2018 recording excellent performance in all core areas of operation with relentless and dedicated efforts of the employees of the Bank and due to sincere cooperation of all concerned it was possible to achieve the excellent results during the year. Above all, strong liquidity

base, prudent fund & credit management, continued guidance and inspiration to the Management by the members of the Board played a vital role in the overall development.

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

Last but not the least, I wish to thank our shareholders for their continued support and trust placed on us and UCB aspires to do better in future and with this expectation we are pleased to place the Annual Report, the audited financial statements for the year ended 31 December 2018 together with the auditor's report thereon for approval.

I, on behalf of the Board of Directors.



Rukhmila Zaman
Chairman



REPORT ON CORPORATE GOVERNANCE

1.0 Breaking down the 'Agency Problem'

The agency problem is a conflict of interest inherent in any relationship where one party is expected to act in another's best interests. It refers to the conflict between management and shareholders, i.e. managers (Agent) may not act in the best interest of shareholders (Principal). Corporate Governance is the system by which companies are directed and controlled to the best interest of the stakeholders, therefore, highly regarded as a mechanism to resolve the 'Agency Problem'. United Commercial Bank Limited believes on good governance that refers a sync between agent and principal aiming to achieve a win-win situation from every end.

2.0 Corporate Governance Framework

"The Way of Life, rather a Mere Legal Compulsion"

Fairness, Transparency, Accountability and Responsibility are the minimum standard of acceptable corporate behavior today. The Bank, through its Board and Committees, endeavors to strike and deliver the highest governing standards for the benefit of its stakeholders. In fact, Corporate Governance leads a company to the standard corporate environment and it is an integral part of the sustainable economic development of a country. At UCB, due importance is given to major parameters of corporate governance such as Board system and its independence, function of Boards' Sub-Committees, internal control and compliance over financial reporting, transparency, disclosure etc.; all our Banking activities are guided by the key principles of good governance.

3.0 Vision, Mission, and Values of the Bank

Vision, Mission, and Values statements are crucial to communicating the "who, what and why" for organization to corporate management, employees and to the users of the services. These are developed by leaders with inspiring words to convey the purpose, direction and driving forces of their organization clearly and concisely. By creating clear, meaningful and reflective statements, organizations powerfully communicate its intentions and motivate and inspire the employees to ensure proper understanding about the objectives of the organization, to make consistent everyday decisions and to step towards new directions. The Board of UCB approved its Vision, Mission, and Values; they believe in those and active to apply those in every possible business context.

4.0 Board of Directors

As at 31 December 2018, the Board consists of 19 (Nineteen) Directors including ex-officio Managing Director & CEO. The Managing Director & CEO 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 sound 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 existing Board of Directors of the Bank includes three Independent Directors as prescribed in the Bank Company Act 1991 (amended up to 2018).

5.0 Appraisal of Board's Performance

The Board of Directors of UCB is guided by the Code of Conduct for the Directors. Though UCB does not have any policy for annual appraisal of Board's annual performance but the Bank is strictly abiding by the guidelines prescribed by the different regulators of the country including Bangladesh Bank. It is pertinent to mention here that a regular performance of the Bank is appraised by BoD through the implementation status of different project and proposal approved. Above all, an evaluation of the Board has been taken place through the Annual General Meeting (AGM) with the direct participation of the shareholders of the Bank.

6.0 Director's Appointment/Election

Directors including Independent Directors are appointed considering relevant provision/clause of Companies Act 1994, Bank Company Act 1991 (amended up to 2018), Corporate Governance Guidelines of BSEC, and Guidelines of Bangladesh Bank and Articles of Association of the Bank. With regards to nomination, removal and casual vacancy of the Directors, Bank follows all relevant rules and regulations of the respective regulatory bodies. The Managing Director & CEO is appointed for a minimum period of three years' subject to approval from Bangladesh Bank.

7.0 The Chairman and Role the Chairman

The Chairman of the Board of Directors of UCB has been elected through the direct participation of the Board of Directors. The Chairman of the BoD does not personally possess the jurisdiction to apply policy making or executive authority, she does not participate in or interfere into the administrative or operational and routine affairs of the Bank.

The Chairman conducts on-site inspection of Bank-branch and financing activities under the purview of the oversight responsibilities of the Board. She calls for any information relating to Bank's operation and asks for investigation into any such affairs; she submits 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, she takes necessary actions thereon in accordance with the set rules through the CEO. However, any complaint against the Managing Director & CEO is to be appraised to Bangladesh Bank through the Board along with the statement of the CEO. Besides this, the Chairman may assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of the Bank. The Chairman's responsibility is defined by the Board as directed by BSEC's notification on Corporate Governance Guidelines.

8.0 Non-Executive Director

All the Directors of UCB including the Chairman are Non-Executive Directors except the Managing Director & CEO. The Directors attend Board meetings regularly and participate in the deliberation and

discussions effectively. They actively involved in the matter of formulation of general strategies of the Bank. But they do not participate in or interfere into the administrative or operational or routine affairs of the Bank. Moreover, they ensure confidentiality of the Bank's agenda papers, discussions at the Board/Committee Meetings, Notes and Minutes.

9.0 Independent Directors and Their Independence

In compliance with the Corporate Governance Guidelines issued by BSEC, Bank Company Act 1991 (amended up to 2018) and Corporate Governance Guidelines issued by Bangladesh Bank, the Board of Directors of the Bank has appointed 3 (three) number of Independent Directors in its Board and one of them is the Chairman of the Board Audit Committee. The Independent Directors are conversant in the field of financial, regulatory and corporate laws; enjoy full freedom to carry out their assigned responsibilities.

In order to ensure a Director to be eligible as an Independent Director, the Board establishes that the Director has no substantial relationship with UCB either as a partner, shareholder or officer of an organization that has a relationship with UCB that would prevent that nominee from becoming an Independent Director. For the purpose of true independence, Board decided that its Independent Directors do not hold any share of the Bank; not associated with the Bank's Promoters or Directors or Shareholders who maintains one percent or more of the total paid up share of the Company; not related with the existing Directors or families; do not have any other relationship, whether monetary or otherwise with the company or its subsidiary/ associate companies; not a member, Director or officer of any Stock exchange and who is not a shareholder, Director or officer of any stock exchange or an intermediary of the capital market. The Independent Director is appointed for a period of three years which may be extended by one term only. A person cannot be appointed as an Independent Director who has already been appointed such Director of five other listed companies. The Board ensures that all these guidelines are strictly followed by the Independent Directors appointed by them.

As per Bangladesh Bank's regulations, the Audit Committee is formed electing the Chair from the Independent Directors. As an Independent Director, the Chairman of the Audit Committee enjoys full freedom to carry out the Committees' assigned responsibilities.

10.0 Role of the Chairman and the Managing Director & CEO are separate

In compliance with Bangladesh Bank BRPD Circular No. 11 and Circular Letter No. 18 dated 27 October 2013 we report that the functional responsibilities of

the Chairman of the Board and Managing Director & CEO are kept separate and independent to each other.

11.0 Induction & Training of the Directors

New Directors and existing Directors are likely to require some key information in case of first and consecutive appointment to have updated knowledge about the latest position of the Bank and all related rules and regulations. Provided key information will help the Directors for better understanding of their role and responsibilities. Provided key information includes introduction with the Board and Senior Management, Bank's current status, related strategic priorities and action plans, good governance practices, etc.

Besides, training of the Directors includes providing training and information on the latest update related to Banking business such as relevant laws, policy guidelines, circulars, rules and regulations issued by the regulatory authorities so that they could effectively discharge the responsibilities as a Director of the Bank. Sometimes special discussion sessions are arranged with the experts on highly technical and complex issues. They also participate in the programs and seminars organized by various professional bodies at home and abroad on business, economic, technical, professional and corporate governance issues.

12.0 Code of Conduct of the Chairman

A chairperson of the Board of Directors of the Bank holds the most power and authority on the board of directors and provides leadership to the Bank. The chair of the board ensures that the firm's duties to shareholders are being fulfilled by acting as a link between the board and upper management.

Position filled up through

The position of Chairman needs to be elected by the member of the Board of Directors.

Roles and Responsibilities of Chairman according to Code

- a) Provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner.
- b) Establish good corporate governance practices and procedures and promotes the highest standards of integrity, probity and corporate governance throughout the Bank and particularly at Board level.
- c) Ensures that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views.

- d) Promotes effective relationships and open communication, and creates an environment that allows constructive debates regarding proposals aiming to betterment of the Bank.
- e) As the chairman of the board of directors does not personally possess the jurisdiction to apply policy making or executive authority, he/she shall not participate in or interfere into the administrative or operational and routine affairs of the bank.
- f) 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.
- g) The Chairman shall establish the environment to nourish the sense of Corporate Governance within the organization.
- h) The Chairman shall guide the Bank to appear as an organization valuing business ethics and social responsibilities.

13.0 Code of Conduct of Chief Executive Officer/Managing Director

Chief Executive Officer/Managing Director is an ex-officio Board member as provided under the Articles of Association of the Bank and the directives of Bangladesh Bank. The issue of good governance is very important in bank management. In order to strengthen the financial base of the bank and obtain confidence of the depositors, appointing honest, efficient, experienced and suitable chief executive is one of the responsibilities of the Board of Directors. In order to ensure good governance, bank should follow the guidelines enumerated below while appointing the CEO and in devising the role-responsibilities and authorities of the CEO.

Rules and regulations for appointing CEO

13.1. Qualification

Moral Integrity

In case of appointment to the post of Chief Executive, satisfaction in respect of the concerned person should be ensured to the effects that, -

- a) He has not been convicted by any Criminal Court of Law;

- b) He has not been punished for violating any rules, regulations or procedures/norms set by any Controlling Authority;
- c) He was not associated with any such company/organization, registration or license of which has been cancelled.

Experience and Suitability

- a) For appointment as chief executive, the concerned person must have experience in banking profession for at least 15 (fifteen) years as an active officer and at least 02 (two) years' experience in a post immediate below the chief executive of a bank.
- b) He must at least have a Master's degree from any recognized university. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person.
- c) In respect of service, the concerned person should have excellent record of performance.
- d) Satisfaction should be ensured that the concerned person was not dismissed from service when he was chairman/director/official of any company;
- e) Any director of any bank or financial institution or any person who has business interest in the bank concerned will not be eligible for appointment to the post of chief executive.

Transparency and Financial Integrity

Before appointment as chief executive, satisfaction should be ensured to the effects that:

- a) The concerned person was not involved in any illegal activity while performing duties in his own or banking profession;
- b) He has not suspended payment to creditors or has not compromised with his creditors to be relieved from debt or he is not a loan defaulter;
- c) He is not a tax defaulter;
- d) He has never been adjudicated an insolvent.

Age limit: No person crossing the age of 65 years shall hold the post of CEO of a bank.

Tenure: The tenure of the chief executive shall be for at least 03 (three) years, which is renewable. If the candidate has less than 3 years left to attain 65 years, he/she can be appointed for that period.

13.2. Guidelines in fixing the salary and allowances

Banks are required to follow the guidelines stated below while determining the salary and allowances of the CEO and submitting such proposal to Bangladesh Bank: -

- a) In fixing the salary and allowances of the chief executive, financial condition, scope of operation, business-volume and earning capacity of the bank; qualifications, achievement of the candidate in the past, age and experience and the remuneration paid to the persons occupying same position in the peer banks shall have to be taken into consideration.
- b) Total salary shall be comprised of 'Basic Pay' and 'House Rent' and allowances as 'Others'. The allowances (e.g., provident fund, medical, utility bill, leave-fare assistance) in 'Others' head should be specified in amount/ceiling. Besides, other facilities (e.g., car, fuel, driver etc.), as far as possible, shall have to be monetized and thus determining monthly total salary, it shall have to be mentioned in the proposal to be submitted to Bangladesh Bank. In the proposal, Basic Pay, House Rent, Festival Allowance, other allowances and other facilities shall have to be specified in Taka amount.
- c) Without improving the bank's major economic indicator like- CAMELS annual salary increment will not be payable.
- d) Terms of salary-allowances and other facilities as specified in the terms and conditions of appointment cannot be changed during the tenure. In case of renewal, proposal may be made for re-fixation of the salary considering the job performance of the incumbent chief executive.
- e) The Chief Executive so appointed shall not get any other direct or indirect facilities (e.g., dividend, commission, club expense, etc.) other than the salary-allowances and other facilities as enumerated in clause (b) above.
- f) The bank shall not pay any income tax for the chief executive, i.e., the chief executive so appointed shall have to pay it.

Incentive Bonus: Subject to the payment of incentive bonuses to all stuffs/employees, the CEO will be eligible to get such bonus.

Honorarium for Board Meeting: As CEO is a salaried official of the bank, he will not get any honorarium for attending the Board meeting or the meeting of any Committee formed by the Board.

Evaluation Report: While reappointing CEO, an evaluation report approved by the board of directors should be submitted to Bangladesh Bank by the chairman of the Board.

13.3. Prior approval from Bangladesh Bank

Prior approval from Bangladesh Bank is mandatory before appointing CEO as per section 15(4) & (5) of the Bank Company Act 1991 (Amended up to 2018). For processing such approval, along with the proposal signed by the chairman of the board, the selected person's complete resume, offer letter (mentioning the direct & indirect remuneration and facilities) and copy of board's approval must be submitted to Bangladesh Bank. The selected person must also submit declarations as per Annexure-ka & Annexure-kha to Bangladesh Bank.

Decision of Bangladesh Bank regarding appointment of CEO will be treated as final and such appointed CEO cannot be dismissed, released and removed from his office without prior approval from Bangladesh Bank. However

- a) In case the CEO desires to terminate the contract before expiry or resign from his office voluntarily, he shall serve at least one-month notice upon the Chairman of the Board stating the actual reason for such resignation, and, at the same time forward a copy of such notice to Bangladesh Bank.
- b) In case the Board of the Bank desires to terminate the contract before expiry or asks the CEO to tender resignation from his post, the Board shall serve at least one-month notice stating the reasons for such action; at the same time forward a copy of such notice to Bangladesh Bank and obtain approval of Bangladesh Bank for such removal.
- c) When the position of the CEO falls vacant due to resignation, expiry of contract, or any other reason, the bank shall immediately appoint a 'CEO In-charge' (for maximum 3 months) among the officials next to the CEO and notify Bangladesh Bank with details of such Officer In-charge.

13.4. Duties and Responsibilities of CEO

The CEO of the bank, whatever name called, shall discharge the responsibilities and affect the authorities as follows:

- 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.

- b) The CEO shall ensure compliance of the Bank Company Act, 1991 and other relevant laws and regulations in discharging routine functions of the bank.
- c) At the time of presenting any memorandum in the Board Meeting or Board Committee Meeting, the CEO must point out if there is any deviation from the Bank Company Act, 1991 and other relevant laws and regulations.
- d) The CEO shall report to Bangladesh Bank any violation of the Bank Company Act, 1991 or of other laws/regulations.
- e) 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.
- f) The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers 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.
- g) The authority relating to the preparation of financial statements along with different reports in line with the requirement of primary and related regulatory bodies. He has the authority to ensure publishing Annual Report maintaining true picture of the company's performance.
- h) The Managing Director is an executive ex-officio Director who can play a vital role to establish corporate governance within the organization by complying all respective rules and regulations.

14.0 Code of Conduct of the Board of Directors

United Commercial Bank Limited (UCB) has adopted this Director's Code (Code of Conduct) aiming to guide its Board of Directors in fulfilling their duties and responsibilities to the Bank. UCB believes that the Board is cooperatively responsible for promoting the success of the Bank by directing and supervising the Bank's affairs where code of conduct plays very vital role in broader aspect. This Code of Conduct is prepared in compliance with the mentioned guideline of Bangladesh Bank and it is neither conclusive nor final document; in contradiction with any laws, guideline, notification, there will be scope of changing, altering and addition time to time when it deems fit.

Foreword

Board of Directors of UCB should be comprised with competent and professionally skilled persons with a view to formulating policy-guidelines and supervising business activities of UCB efficiently as well as ensuring good governance in the bank management. The responsibilities of the board of directors of a bank-company are more important than those of other companies; because in case of a bank-company it is essential to earn and maintain confidence of the depositors as its business is mainly run with the depositors' money. The following directives are given for ensuring good governance regarding constitution of board of directors, their duties & responsibilities and other related activities:

Formation of Board of Directors

The newly amended Section 15 of the Bank Company Act, 1991 (Amended up to 2018)

includes provisions for prior approval of Bangladesh Bank before the appointment of new directors, as well as dismissal, termination or removal of any director from the post; director's fit & proper criteria; maximum number of directors; appointment of independent directors; appointment of maximum 4(four) members from a family as director; etc.

Appointment of New Director

Under section 15(4) of the Bank Company Act, 1991 (amended up to 2018), Bank at the time of taking prior approval from Bangladesh Bank for appointing/reappointing directors should furnish the following documents along with the application:

hnieuyhrteksdjgf6t45 Personal information of the nominated person (Appendix-ka);

- ▶ Nominated person's declaration(Appendix-kha);
- ▶ 'Declaration for confidentiality' by the nominated person(Appendix-ga);
- ▶ In case of Independent director, the approval letter from Security and Exchange commission;
- ▶ In case of Independent director, a declaration of the directors concerns as Appendix-gha (he will also submit declaration under Appendix-ka, kha & ga);
- ▶ CIB report of the nominated person;
- ▶ Updated list of the directors.

Vacation of office of Director

- ▶ The office of director shall be vacated according to the instructions specified in section 108(1) of the Companies Act, 1994. Besides, when a

bank director becomes defaulter and does not repay the loan within two months after getting a notice under the section 17 of the Bank Company Act, 1991; provides false statement at the time of appointment; or fails to fulfil the minimum eligibility criteria, the office of the director will be vacated.

- ▶ If the office of a director is vacated by a notice under the section 17 of Bank Companies Act, the person will not be eligible to become a director of the bank for one year from the date of repayment of the total amount due to the bank. It is mentionable to here that the dues can be adjusted with the shares held by the director in that bank. When a director receives a notice under section 17 of BCA, 1991, he/she can't transfer his/her shares of that bank until he/she repays all the liabilities of the noticed bank or financial institution.
- ▶ Besides, Bangladesh Bank can remove a director or chairman of a bank, for conducting any kind of activities that is detrimental to the interest of the banks depositors or against the public interest under Section 46 and can supersede the board of a banking company under Section 47 of BCA, 1991.

Removal of Directors from office

According to section 108(2) of the Companies Act, 1994, with the prior approval of Bangladesh Bank, a bank director can be removed from his office for the reason specified in its Articles of Association. For this purpose, the reason and grounds of the dismissal/removal and copy of the decision of the board and list of directors should be submitted to Bangladesh Bank. In this case, the removal will be effective from the date of Bangladesh Bank's approval.

Appointment of Alternate Director

Subject to compliance of section 101 of the Companies Act, 1994, an alternate director can be appointed to act for a director during his absence for a continuous period of not less than three months from Bangladesh. In this context, the following instructions should be followed:

- ▶ Bank has to collect and properly maintain the documentary evidences relating to departure and arrival of the original director. If there is any exception, the chief executive officer should immediately inform it to Bangladesh Bank.
- ▶ The copy of the decision of the board regarding appointment of alternate director, with original director's probable returning date from abroad should be sent to Bangladesh Bank within 7 days of taking the decision and the director's arrival date must be intimated to Bangladesh Bank immediately after his return.

- ▶ Any loan defaulter or any person who is not eligible to become a director as per any rules & regulation will not be appointed as an alternate director.
 - ▶ As appointment of alternate director is a temporary measure; therefore, he/she will not be included in any kind of committee constituted by the board.
 - ▶ While in the office, an alternate director or his/her affiliated organization will not get any kind of loan facilities from his bank. In case of previous loan, enhancement of limit or extension of time period or any kind of exemption or interest waiver will not be allowed. Moreover, all restrictions applicable to directors according to rules & regulations will also be applicable to the alternate director.
- ii. The board shall have its analytical review incorporated in the Annual Report as regards to the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO & officers immediate two tiers below the CEO, and have it evaluated from time to time.

Credit and risk management

- i. The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedule 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 specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, direct or indirect, into the process of loan approval.
- ii. The board shall frame policies for risk management and get them complied with and shall monitor the compliance at quarterly rests and review the concerned report of the risk management team and shall compile in the minutes of the board meeting. The board shall monitor the compliance of the guidelines of Bangladesh Bank regarding key risk management.

Information regarding Directors

Banks are advised to take the following steps regarding director information:

- ▶ Every bank should keep an updated list of bank directors,
- ▶ Banks should send a directors' list to other banks or financial institutions immediately after the appointment or release of director.
- ▶ Banks should display a list of directors in the website and update it on a regular basis.

Responsibilities of the Board of Directors

To ensure good governance in the bank management it is essential to have specific demarcation of responsibilities and authorities among controlling bodies over bank affairs. In the Bank Company Act, 1991 (amended up to 2018) the newly included Section 15(kha) & (ga) give responsibility to the board of directors for establishing policies for the bank company, for risk management, internal controls, internal audit and compliance and for ensuring their implementation.

Responsibilities and Authorities of the Board of Directors

Work-planning and strategic management

- 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 reformation for enhancement of institutional efficiency and other relevant policy matters. It shall analyse/monitor, at quarterly rests, the development of implementation of the work-plans.

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. The board will establish such an internal control system so that the internal audit process can be conducted independently from the management. It shall review the reports submitted by its audit committee at quarterly rests regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.

Human resources management and development

- i. Policies relating to recruitment, promotion, transfer, disciplinary 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 the set service rules. No member of the board of directors shall be included in the selection committees for recruitment and promotion to different levels. Recruitment, promotion, transfer & punishment of the officers 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.

- 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.
- iii. The board will compose Code of Ethics for every tier and they will follow it properly. The board will promote healthy code of conducts for developing a compliance culture.
- iii. The Chairperson of the Board shall be elected from among the non-executive directors of the company
- iv. The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;
- v. In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.

Financial management

- i. The annual budget and the statutory financial statements shall be finalized 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.
- 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 of expenditures 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.
- iii. The board will review whether an Asset-Liability Committee (ALCO) has been formed and it is working according to Bangladesh Bank guidelines.

Meeting of Board

Board of directors may meet once or more than once in a month if necessary. But Board of directors shall meet at least once in every three months. Excessive meetings are discouraged.

Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer

- i. The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;
- ii. The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;

Confidentiality

Each Director, during his or her term as a Director and after leaving the Board, must maintain the confidentiality of information entrusted to him or her by the Bank and its customers, except when disclosure is required by law or regulation, or is otherwise expressly authorized in advance by the Board or the Bank's Legal Department. Confidential information includes all non-public information that might be used by the Bank's competitors, or that, if disclosed, might be harmful or may affect the interests of the Bank and other parties who have business dealings with the Bank, or its customers. It also includes information that customers and vendors have entrusted to the Bank. (Created)

Independence of the Directors

There is broad consensus regarding the importance of active engagement of the Directors in guidance and formulation of policies for the Bank. Independence does not lend itself to precise definition. It is in large part dependent on the particular governance function being performed by the Directors. A corporate Director's role includes two principal functions: decision-making function and an oversight function. The decision-making function involves actions taken at a particular point of time, while the oversight function involves ongoing monitoring over a period of time. In the context of the Board's decision-making function, the question of independence necessarily requires a case-by-case evaluation based on the facts and circumstances surrounding the particular subject before the Board. Generally, the analysis focuses on whether the Director is able to base his or her decision on the corporate merits of the subject rather than extraneous considerations or influences.

Conflicts of Interest

Directors are expected to make business decisions on behalf of the Bank free from conflicting outside interests. It is a violation of this Code and of the Bank's policies to foster personal or business interests (or those of others with whom such persons have a

personal or business relationship) at the expense of the Bank. Although it is impossible to cover every potential conflict of interest situation, a potential conflict exists whenever a Bank's Director has an outside interest, directly or indirectly, which conflicts with their duty to the Bank or adversely affects their judgment in the discharge of their responsibilities to the Bank. The appearance of a conflict of interest may be just as damaging to the Bank's reputation as a real conflict of interest and maybe difficult to discern. The Bank's Directors are expected to objectively assess their actions periodically to determine whether a reasonable, disinterested observer, a customer, a supplier, a shareholder, an acquaintance, or a government official would have grounds to believe a conflict of interest exists.

15.0 Independence of the Chairman of All Board Committees

All the Committees are formed with the Directors of the Board of Directors. The Chairman of the Committees be elected by Board of Directors. Each Committee has full freedom to carry out their coveted responsibilities. The Chairman of the Committees, with their own jurisdiction with the support of the Committee members, takes the necessary steps regarding different agenda as deems fit. But they do not participate in or interfere into the administrative or operational or routine affairs of the Bank. They strictly ensure confidentiality of the Bank's agenda papers, discussions at the Board/Committee Meetings, Notes and Minutes.

16.0 Role of the Managing Director & CEO

The Managing Director & CEO is responsible for overall activities of the business and for formulating and implementing Board strategy and policy. He has the control of the Bank on day to day basis and he is accountable to the Board for its financial and operational performances. It is pertinent to mention here that the Managing Director & CEO of UCB has been appointed and performed maintaining all regulations and guidelines i.e. Company Act 1994, Bank Companies Act 1991 (amended up to 2018), Bangladesh Bank's rules and regulations, circulars, and other regulatory bodies.

17.0 Evaluation of the CEO by the Board

There is one of Strategic Priorities & Action Plans for the evaluation of the CEO and Management on annual basis and it is revised from time to time by the Board. The CEO is evaluated on annual basis on given KPI's for the years ahead. The Board has the capability to evaluate the CEO of UCB whenever it wishes so. The CEO is evaluated after his term, and on the basis of his evaluation, reappointment for another term is considered by the Board. At the outset of each year, the Board participates in extensive discussions with

the Managing Director & CEO and fixes financial and non-financial objectives for the Bank. The annual financial budget is considered and decided by the Board at the beginning of the financial year. The business and financial goals are assessed each quarter by the Board with actual accomplishments. The non-financial successes are also evaluated by the Board in each quarter. Furthermore, yearly appraisal and assessment of the accomplishments of goals are made at the end of the year along with deviations.

18.0 Directors' Remuneration

The Directors do not receive any type of remuneration and incentive from the Bank. They are only paid Board meeting attendance fees, travelling and living expenses incurred for attending in the Board meeting and other Board's Committee meetings as per Articles of Association of the Bank and within the guidelines of Bangladesh Bank. Information regarding expenses relating to Directors is separately disclosed in the Annual Report.

19.0 Managing Director & CEO's Remuneration

The remuneration package of the Managing Director & CEO is determined by the Board and is subsequently approved by Bangladesh Bank. The Managing Director & CEO has been appointed on a contractual basis and his remuneration is also disclosed separately in the financial statements of the Bank.

20.0 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 decisions. The delegation supports the operation of the Bank in a positive manner.

21.0 Director's Shareholding Status

In compliance with BSEC Notifications dated 22 November 2011 and 07 December 2011, all the eligible Directors (other than Independent Directors) of UCB have been holding required percentage of shares individually and jointly.

22.0 Shareholding of CEO, CFO, CS, Head of ICC and top 5 Salaried Executives

The CEO, CFO, CS, the Head of ICCD and top 5 Salaried Executives do not hold any shares of UCB. In compliance with regulations and guideline of the regulatory bodies the detail shareholding structure and positions are provided in the part of Directors' report.

23.0 Chief Financial Officer (CFO), Company Secretary (CS) and Head of ICC

The Chief Financial Officer (CFO), the Head of Internal Control & Compliance (ICCD) and the Company Secretary (CS) are being appointed as per the policy of the Bank and other regulatory laws and regulations. They are well conversant in the field of financial, regulatory and corporate laws to carry out their assigned responsibilities. The Board of Directors of UCB clearly defined and approved the respective roles, responsibilities and duties of the Chief Financial Officer (CFO), the Company Secretary (CS) and the Head of Internal Control & Compliance Division (ICCD). The CFO and the CS of the Bank attend the meetings of the Board of Directors, provided that the CFO/CS do not attend such part of a meeting which involves consideration of an agenda item relating to their personal matters.

24.0 Management and Its Committee

The Management team of UCB is headed by the Managing Director & CEO. Several Management Committees have been formed to handle the Banking operation and identify and manage the risk associated with the businesses. The following are the Key Management Committees: SMT, ALCO, Credit Committee, Anti Money Laundering Committee, Risk Management Unit, Investment Committee, Basel Implementation Committee and so on.

25.0 Board of Director's Meeting

The Board of Directors holds meeting on a regular basis. In 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 agenda. Directors who cannot attend the meeting(s) are granted leave of absence by the Board.

26.0 Executive Committee

The Board has an Executive Committee which conducts its 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. The status of the members along with the attendance is separately discussed in the Directors' Report

27.0 Audit Committee of the Board

Audit Committee is one of the sub Committees of the Board which plays a pivotal role in assisting the Board to perform its responsibilities. The Committee is guided by the TOR as set by the Board of Directors of the Bank in line with the direction of Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC). The Audit Committee is chaired by an Independent Director and the Company Secretary acts as the secretary of the Committee.

The role of the Audit Committee of UCB includes the following:

- Oversee the financial reporting process.
- Monitor Internal Control Risk Management process.
- Oversee hiring and performance of external auditors. Meeting with the external auditors to discuss about the audit plan
- Review along with the management, the annual financial statements before submission to the Board for approval.
- Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
- Review the adequacy of internal audit function.
- Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors. The status of the member along with the attendance is separately discussed in the Directors' Report.

28.0 Report of the Board Audit Committee

A report of the Board Audit Committee is attached with this Annual Report separately.

29.0 Risk Management Committee of the Board

Apart from the Executive Committee and Audit Committee of the Board, a Risk Management Committee has been formed which is responsible for planning and guiding on overall Risk Management of the Bank. Key areas of responsibilities of the Committee are as under:

- Risk identification and control policy
- Designing the organizational structure to manage risk within the Bank
- Construction of organizational structure
- Review, analysis and approval of Risk Management Policy
- Monitoring the implementation of overall Risk Management policy
- Enforcing and using adequate recordkeeping and reporting systems

Detailed roles and responsibilities of the Committee is available in the 'Report of the Risk Management Committee'. The status of the member along with the attendance is separately discussed in

the Directors' Report.

30.0 Remuneration Committee

As per Bangladesh Securities and Exchange Commission, all listed companies should have a Committee named Nomination and Remuneration Committee having some specific objectives. On the other hand, the Bank is restricted by Bangladesh Bank to have more than three sub-Committees of the Board. Considering the situation, the Bank has already approached its primary regulator Bangladesh Bank for guidance and upon getting the response the Bank will form Nomination and Remuneration Committee as directed by Bangladesh Securities and Exchange Commission.

31.0 Regulatory Compliance/Disclosure

The primary regulator of the Bank is Bangladesh Bank and other major regulator includes, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Registrar of Joint Stock Companies and Firms (RJSC&F), Central Depository Bangladesh (CDBL), National Board of Revenue (NBR), etc. At UCB, our prime focus is on being compliant not only by mere legal terms but also by its inner substance with respect to applicable laws and regulations. Bank has been following related guidelines on submission of financial statements and other statutory reports ensuring timeliness, completeness, transparency, accountability and accuracy. 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. Board of Directors of the Bank ensures adequate disclosures for the shareholders through Annual Report or other specific disclosures if required.

32.0 Report on Going Concern

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

33.0 Audit by the Central Bank

Bangladesh Bank conducts comprehensive inspection on 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.

34.0 External Audits

The external auditors are appointed by the shareholders with the recommendation of the Board of Directors. 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. Before presenting to the shareholders, the report is reviewed by the Audit Committee and the Board. Before recommending to the shareholders for appointment as auditors, Board considers the level of independence and integrity of the external auditors. Services not provided by External Auditors:

Complying with provision of BSEC guidelines we declare that Syful Shamsul Alam & Co., Chartered Accountants, involved in statutory audit and was not engaged in any of following services during 2018:

- Appraisal or valuation services or fairness opinions.
- Financial information system design and implementation.
- Book keeping or other services related to accounting records or financial statements.
- Broker-dealer service.
- Actuarial services.
- Internal audit services.
- Audit/ certification services on compliance of corporate governance guidelines issued by BSEC.

35.0 Review of Internal Control & Compliance System

UCB has a sound system of internal control to safeguard the stakeholders' interest. The Board of Directors retains the ultimate responsibility for its operations, though has delegated to the Audit Committee for the review of the adequacy and effectiveness of the system of internal controls. 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. Under Internal Control & Compliance Division, there are four major units: (1) Audit & Inspection Unit (2) Compliance Unit (3) Monitoring Unit and (4) IT System Audit Unit. A detail review of internal control system has been presented in "Directors' Report" of this Annual Report.

36.0 Risk Management

The Risk Management Unit (RMU) of UCB is responsible for management, integration and monitoring of all risks within the risk appetite set by the Risk Management Committee (RMC). The Risk Management Committee (RMC) of the Board reviews and monitors the overall Risk Management system of the Bank and updates to the Board from time to time.

37.0 Decision Making Process for Approving Related-party Transactions

The Bank disclosed the related party transaction in its financial statement. For making decision of related party transaction, the process is same as applicable to the other stakeholders. Same process of selection is applied to related party. The related party doesn't enjoy any preferred facility or concession from the view point of approval process, rate or cost charged, action taken for any non-compliance etc.

38.0 Rules and Procedures Governing Extraordinary Transactions

For making decision for extraordinary transaction, the Management takes the approval from the Board of Directors, if not covered within the Board approved financial delegation. In financial result, the Bank also discloses the impact of extraordinary transaction (if any).

39.0 Process for Holding Annual General Meetings

Process for holding Annual General Meeting is guided by the statute and regulatory guidelines of the country. All applicable guidelines are duly followed for holding Annual General Meeting of the Bank. In an AGM, generally some key decisions are approved by the shareholders i.e. financial statements, dividend, appointment of Directors, appointment of statutory auditors and fixation of their remuneration etc.

40.0 A Code of Conduct for Company Employees

For eminence corporate culture, all the employees should believe in same Code of Conduct. UCB has a standard Code of Conduct for its employees (guided by Bangladesh Bank) which are also maintained by the employees. By any means, no employee will play a role detrimental to the interest of the business, society and the country as a whole as set in the Code of Ethics. For more on Code of Ethics, a separate report has been enclosed with this Annual Report.

41.0 Rules and Procedures Governing the Acquisition of Corporate Control in Capital Markets

Investment in Capital Market by the Bank is regulated by the Bank Companies Act 1991 (amended up to 2018). For acquisition of corporate control in Capital Market, Bank follows internal investment policy within

the regulatory framework. Bank also discloses the invested amount in Capital Market in its financial statements.

42.0 Communication to Shareholders and Other Stakeholders:

- Policy on Communication with Shareholders and Other Stakeholders: The Board and Company Secretariat Division of the Bank play an instrumental role to make effective communication with its shareholders and other stakeholders. Shareholders and other stakeholders of the Bank may contact to this Department during office hour for any sort of information and queries. Furthermore, UCB provides updated information in its website from time to time for the shareholders and other stakeholders of the Bank.

- Mechanism to Provide Opinion, Recommendation by the Shareholder: UCB publishes Annual / Half Yearly Reports, quarterly financials and price sensitive information (PSI) in newspapers for its stakeholders in a complete, fair, accurate, timely and understandable manner. Shareholders can also use their query rights or can provide any recommendations or direction to the Board of Directors at the Annual General Meeting and the Board answers all questions of shareholders.

- Policy on Ensuring Participation of Shareholders at AGM: To ensure effective and efficient participation of shareholders in AGM, UCB publishes notice of AGM in daily newspapers with necessary details within reasonable time-frame. The arrangement of AGM normally takes place in a well-known place and at convenient time. Annual Reports are circulated as per the provision of Companies Act 1994, so that shareholders would get sufficient time to go through the report and freely provide their valuable comments and suggestions in the AGM.

43.0 Governance of Group Structure

Currently UCB has two subsidiaries: (1) UCB Capital Management Limited and (2) UCB Investment Limited. The Board of the parent company is aware of the material risks and issues that might affect both the Bank as a whole and its subsidiaries. It exercises adequate oversight over subsidiaries while respecting the independent legal and governance responsibilities that might apply to subsidiary Boards.

44.0 Disclosure on Governance under Secretarial Standard by Institute of Chartered Secretaries of Bangladesh (ICSB) for the Year 2018

(BSS-1)		
Particulars		Compliance Status
1.0	Convening of a Meeting	Complied
2.0	Frequency of Meetings	Complied
3.0	Quorum	Complied
4.0	Attendance in Meetings	Complied
5.0	Chairman	Complied
6.0	Passing of Resolution by Circulation	Not Required in the Year of 2018
7.0	Minutes	Complied
8.0	Attendance in Meetings and their Recording in the Minutes	Complied
9.0	Preservation of Minutes and Supporting Papers	Complied
10.0	Disclosure	Complied
11.0	Effective Date	Complied
(BSS-2)		
Particulars		Compliance Status
1.0	Convening a meeting	Complied
2.0	Frequency of Meetings	Complied
3.0	Quorum	Complied
4.0	Presence of Directors and Auditors	Complied
5.0	Chairman	Complied
6.0	Voting	Complied
7.0	Proxies	Complied
8.0	Conduct of Poll	Not required in the Year of 2018
9.0	Withdrawal of Resolutions	Not required in the Year of 2018
10.0	Rescinding of Resolutions	Not required in the Year of 2018
11.0	Modifications to Resolutions	Not required in the Year of 2018
12.0	Reading of Report/Certificate	Complied
13.0	Distribution of Gifts	Complied
14.0	Adjournment of Meetings	Not required in the Year of 2018
15.0	Minutes	Complied
16.0	Recording in the Minutes	Complied
17.0	Preservation of Minutes and other Records	Complied
18.0	Disclosure	Complied
(BSS-3)		
Particulars		Compliance Status
1.0	MAINTENANCE	Complied
2.0	CONTENTS	Complied
3.0	RECORDING	Complied
4.0	ALTERATION / MODIFICATION	Complied
5.0	FINALISATION & SIGNING	Complied
6.0	INSPECTION	Complied
7.0	PRESERVATION	Complied
(BSS-4)		
Particulars		Compliance Status
1.0	Declaration / Recommendation of Dividend	Complied
2.0	Dividend Out of Profits	Complied
3.0	Dividend Out of Reserves	Not required in the Year of 2018
4.0	Entitlement to Dividend	Complied
5.0	Payment of Dividend	Complied
6.0	Unpaid / Unclaimed Dividend	Complied

45.0 Whistle Blower Policy

Whistle Blowing Policy is to create an environment by promoting a culture at UCB where the honest, dedicated and loyal staff is encouraged and feels confident to reveal and report, without any fear of retaliation, subsequent discrimination and of being disadvantaged in any way, about any fraudulent, immoral, unethical or malicious activity or conduct of employees, which in their opinion may cause financial or reputational loss to the Bank. The Bank has formulated a Whistle Blower Policy. The policy of the Bank provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests. It also provides incentives for the Whistleblowers on reporting of suspicious activities. It is the Bank's policy to support and encourage its honest, dedicated and loyal employees to report and disclose fraudulent, immoral, unethical or malicious activities and conduct investigation on such reports. The Corporate Whistle Blowing Policy assures that all reports under this Policy would remain strictly confidential and that the Bank is also committed to address reports (if any) that alleges acts of interference, revenge, retaliation, threats, against the Whistleblowers.

46.0 Corporate Social Responsibilities and Green Banking

Corporate social responsibility (CSR), in recent times, has become an integral part of business. The contribution of Banks in this regard is of paramount importance considering their unique position in the economy. UCB believes that CSR practice not only improves the Bank's own standard but also affects the socially responsible behaviors of its businesses. UCB maintains a standard CSR practices aligned with the CSR Guideline issued by the Bangladesh Bank. UCB focuses on education, health, disaster management, socio-economic development, sports etc. in case of CSR implementation. Besides this, UCB is practicing Green Banking. Separate reports on CSR and Green Banking are attached with the Annual Report.

47.0 Statement of Compliance

Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance Guidelines (Notification no. BSEC/CMRRCD/ 2006-158/207/ Admin/80: dated June 3, 2018) for the companies listed with the Stock Exchanges in Bangladesh. Compliance status of the guidelines of Bangladesh Securities and Exchange Commission along with a certificate from a Chartered Accountant firm is attached separately with the Annual Report.

Compliance Report on BSEC Notification on Corporate Governance					
Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969.					
	Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
			Complied	Not complied	
1	Board of Directors				
Size of the Board of Directors	1(1)	The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty).	✓		
Independent Directors	1(2)(a)	All companies shall have effective representation of independent directors on their Boards, so that the Board, as a group, includes core competencies considered relevant in the context of each company; for this purpose, the companies shall comply with the following: At least one-fifth (1/5) of the total number of directors in the company's Board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	N/A		As per section 15(9) of Bank Company Act, No of independent director is limited to three. Besides Corporate Governance Code-2018 is under review by the Bangladesh Bank vide letter no. BRPD (R-1)717/2019-3971 dated May 27, 2019.
	1(2)(b)(i)	For the purpose of this clause "independent director" means a director: Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		

	1(2)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members;	√		
	1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
	1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	√		
	1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
	1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√		
	1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√		
	1(2)(b)(viii)	Who is not independent director in more than 5 (five) listed companies;	√		
	1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI); and	√		
	1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude;	√		
	1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);	√		
	1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days; and	N/A		No such Vacancy Occurred
	1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only: Provided that a former independent director may be considered for reappointment for another tenure after a time gap of one tenure, i.e., three years from his or her completion of consecutive two tenures [i.e. six years]: Provided further that the independent director shall not be subject to retirement by rotation as per the Companies Act, 1994. Explanation: For the purpose of counting tenure or term of independent director, any partial term of tenure shall be deemed to be a full tenure.	√		
Qualification of Independent Director	1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business	√		
	1(3)(b)	Independent director shall have following qualifications			

	1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk.100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or	√		
	1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk.100.00 million or of a listed company; or Explanation: Top level executive includes Managing Director (MD) or Chief Executive Officer (CEO), Additional or Deputy Managing Director (AMD or DMD), Chief Operating Officer (COO), Chief Financial Officer (CFO), Company Secretary (CS), Head of Internal Audit and Compliance (HIAC), Head of Administration and Human Resources or equivalent positions and same level or ranked or salaried officials of the company.	√		
	1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or	N/A		
	1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	√		
	1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	N/A		
	1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
	1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.	N/A		
Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer	1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals	√		
	1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
	1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company	√		
	1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
	1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non- executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		

The Directors' Report to Shareholders	1(5)	The Board of the company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):			
	1(5)(i)	Who has not been convicted for a criminal offence involving moral turpitude;	√		
	1(5)(ii)	The segment-wise or product-wise performance;	√		
	1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
	1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
	1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);	N/A		No such extraordinary gain or loss occurred
	1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
	1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;	N/A		
	1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;	N/A		
	1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;	N/A		No such variance occurred
	1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		Notes available in the financial statement
	1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes inequity;	√		
	1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
	1(5)(xiii)	A statement that 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)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), 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)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
	1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
	1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons thereof shall be disclosed;	√		No doubts upon UC-BL's ability to continue as a going concern
	1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	N/A		No significant deviation occurred

1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;	N/A		Not applicable as dividend was declared
1(5)(xxi)	Board's statement to the effect that no bonus shares or stock dividend has been or shall be declared as interim dividend;	N/A		No interim dividend was declared
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:			
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√		
1(5)(xxiii)(c)	Executives; and	√		
1(5)(xxiii)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);			
1(5)(xxiii)(d)	Explanation: For the purpose of this clause, the expression "executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance.	N/A		No one has 10% or more voting interest
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:			
1(5)(xxiv)(a)	A brief resume of the director	√		
1(5)(xxiv)(b)	Nature of his or her expertise in specific functional areas; and	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board	√		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and	√		

	1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√		
Meetings of the Board of Directors	1(6)	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		
Code of Conduct for the Chairperson, other Board members and Chief Executive Officer	1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company	N/A		Corporate Governance Code-2018 is under review by the Bangladesh Bank vide letter no. BRPD (R-1)717/2019-3971 dated May 27, 2019. However, the Bank has already adopted its own code of conduct for its chairman, BoD, Managing Director
	1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behaviour; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.			
2Governance of Board of Directors of Subsidiary Company					
	2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company.	√		
	2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	√		
	2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	√		
	2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	√		
	2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
3Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary(CS)					
Appointment	3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
	3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
	3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed-company shall not hold any executive position in any other company at the same time;	√		
	3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		

	3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	N/A		No such incident occurred
Requirement to attend Board of Directors' Meetings	3(2)	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)	3(3)(a)(i)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief: these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
	3(3)(a)(ii)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		
	3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
	3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee				
	4(i)	For ensuring good governance in the company, the Board shall have at least following sub-committees Audit Committee	√		
	4(ii)	Nomination and Remuneration Committee	√		Corporate Governance Code-2018 is under review by the Bangladesh Bank vide letter no. BRPD (R-1)717/2019-3971 dated May 27, 2019.
5	Audit Committee				
Responsibility to the Board of Directors	5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board	√		
	5(1)(b)	The Audit Committee shall assist the Board 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;	√		
	5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√		
Constitution of the Audit Committee	5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
	5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	√		

	5(2)(c)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience; Explanation: The term “financially literate” means the ability to read and understand the financial statements like statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows statement and a person will be considered to have accounting or related financial management expertise if he or she possesses professional qualification or Accounting or Finance graduate with at least 10 (ten) years of corporate management or professional experiences.	√		
	5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	N/A		No such incident occurred
	5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
	5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
Chairperson of the Audit Committee	5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director	√		
	5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
	5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM). Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.	√		
Meeting of the Audit Committee	5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	√		
	5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
Role of Audit Committee	5(5)(a)	The Audit Committee shall oversee the financial reporting process	√		
	5(5)(b)	Monitor choice of accounting policies and principles;	√		
	5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		

	5(5)(e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
	5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval;	√		
	5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
	5(5)(h)	Review the adequacy of internal audit function;	√		
	5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
	5(5)(j)	Review statement of all related party transactions submitted by the management;	√		
	5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
	5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
	5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission: Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds 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: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee	N/A		The Bnak did not raise capital through IPO or RPO
Reporting of the Audit Committee	5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
Reporting to the Board of Directors	5(6)(a)(ii)(a)	The Audit Committee shall immediately report to the Board on the following findings, if any report on conflicts of interests	N/A		No such incident occurred
	5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;	N/A		No such incident occurred
	5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and	N/A		No such incident occurred
	5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately	√		
Reporting to the Authorities	5(6)(b)	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.	N/A		

Reporting to the Shareholders and General Investors	5(7)	Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	Nomination and Remuneration Committee (NRC)				
Responsibility to the Board of Directors	6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board	N/A		
	6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			
	6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).			
Constitution of the NRC	6(2)(a)	The Committee shall comprise of at least three members including an independent director	N/A		The formation of NRC for UCBL is under review by the Bangladesh Bank vide letter no.BRP D(R-1)717/2019-3971 dated May 27, 2019.
	6(2)(b)	All members of the Committee shall be non-executive directors;			
	6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;			
	6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;			
	6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;			
	6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;			
	6(2)(g)	The company secretary shall act as the secretary of the Committee;			
	6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;			
	6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.			
Chairperson of the NRC	6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director	N/A		
	6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;			
	6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;			
Meeting of the NRC	6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	N/A		
	6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;			

	6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);			
	6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC			
Role of the NRC	6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders	N/A		
	6(5)(b)(i)(a)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board: formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following: the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully			
	6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			
	6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;			
	6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality			
	6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board			
	6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board			
	6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and			
	6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies			
	6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report			
7	External or Statutory Auditors				
	7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely: -			
	7(1)(i)	Appraisal or valuation services or fairness opinions	√		
	7(1)(ii)	Financial information systems design and implementation;	√		
	7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
	7(1)(iv)	Broker-dealer services;	√		

	7(1)(v)	Actuarial services;			
	7(1)(vi)	Internal audit services or special audit services;	√		
	7(1)(vii)	Any service that the Audit Committee determines;	√		
	7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
	7(1)(ix)	Any other service that creates conflict of interest	√		
	7(2)	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; his or her family members also shall not hold any shares in the said company. Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members.	√		
	7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	Maintaining a website by the Company				
	8(1)	The company shall have an official website linked with the website of the stock exchange.	√		
	8(2)	The company shall keep the website functional from the date of listing.	√		
	8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		
9	Reporting and Compliance of Corporate Governance				
	9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. Explanation: "Chartered Accountant" means Chartered Accountant as defined in the Bangladesh Chartered Accountants Order, 1973 (President's Order No. 2 of 1973); "Cost and Management Accountant" means Cost and Management Accountant as defined in the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); "Chartered Secretary" means Chartered Secretary as defined in the (Chartered Secretaries Act, 2010).	√		
	9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		
	9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

ITRAT HUSAIN & ASSOCIATES CHARTERED SECRETARIES IN PRACTICE

Report to the Shareholders of United Commercial Bank Limited on compliance of Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by United Commercial Bank Limited for the year ended 31st December 2018. The Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 of the Bangladesh Securities and Exchange Commission.

Such Compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adapted by the Management in ensuring compliance to the condition of the Corporate Governance Code.

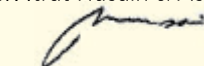
This is a scrutiny and verification and an independent audit on compliance of the condition of the Corporate Governance Code as well as the provision of relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the Company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The governance of the company is satisfactory.

Dhaka, 15 May, 2019

For: Itrat Husain & Associates



Itrat Husain FCMA, FCS
Chief Executive

'THE GLASS HOUSE' 13TH FLOOR, 38 GULSHAN AVENUE, GULSHAN-1, DHAKA-1212, BANGLADESH
Cell: 01713092222, 01819259703, E-mail: itratshahed@gmail.com

CEO's and CFO's

DECLARATION TO THE BOARD OF DIRECTORS



The Board of Directors

United Commercial Bank Limited
Bulus Center, Plot - CWS- (A)-1, Road No - 34,
Gulshan avenue, Dhaka-1212

Subject: Declaration on Financial Statements for the year ended on 31st December, 2018

Dear Sir (s),

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No.BSEC/CMRRCD/2006-158/207/Admin/80 Dated 03 June, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

1. The Financial Statements of United Commercial Bank Limited for the year ended on 31st December, 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that: -

1. We have reviewed the financial statements for the year ended on 31st December, 2018 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
2. There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Hafizur Rahman".

Muhammad Hafizur Rahman, FCA, ACMA
Senior Vice President & CFO (Acting)

A handwritten signature in black ink, appearing to be "Mohammed Shawkat Jamil".

Mohammed Shawkat Jamil
Managing Director

Date: April 29, 2019



CREDIT RATING

United Commercial Bank Limited has been rated as AA (Pronounced as 'Double A') long term credit rating and ST-2 short term credit rating by Emerging Credit Rating Limited (ECRL) based on audited financials of 2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable.

Long Term Rating	Short Term Rating	Outlook	Date of Validity
AA	ST-2	Stable	May 06, 2019

ECRL considered financial performance, capital base, asset quality, liquidity position, management experience and prospect of the industry while assigning the rating. The affirmed rating reflects the strengths of the Bank which is backed by its experienced management, diversified portfolio of loans and advances, compliance with CRAR, SLR & CRR and wide network of branches.



REPORT OF THE AUDIT COMMITTEE

Audit Committee of the Board

In compliance with BRPD circular no. 11, dated 27 October 2013, and Bangladesh Securities and Exchange Commission notification on Corporate Governance Code, dated 3 June 2018, an Audit Committee was constituted by the members from the Board of Directors to assist it

to overview the operation of an audit process that would ensure reliable financial reporting, transparent non-financial and corporate disclosures, effective internal controls, compliance with all applicable rules, laws and regulations as well as establish a strong and dependable banking system for the benefit of all stakeholders, especially depositors and shareholders.

Composition & Qualifications

The present members of the Audit Committee are

Name of the Directors	Status in the Committee	Status in the Board
Akhter Matin Chaudhury FCA (E & W), FCA, FCS	Chairman	Independent Director
Syed Mohammed Nuruddin	Member	Independent Director
Bashir Ahmed	Member	Director
Syed Kamruzzaman	Member	Director
Muhammed Shah Alam	Member	Director

In accordance with regulatory guidelines, the Company Secretary of the Bank, ATM Tahmiduzzaman FCS, is the Secretary of the Audit Committee.

Members Information

Akhter Matin Chaudhury FCA (E & W), FCA, FCS

Date of Birth: 2.2.1951

Educational & Professional Qualifications: BA, FCA (England & Wales), FCA (Bangladesh), FCS

Years of Experience: 47

Fields of Expertise: Accounting, Finance, Company Secretarial, General Management, Corporate Governance

Syed Mohammed Nuruddin

Date of Birth: 15.3.1957

Educational Qualifications: BA

Years of Experience: 35

Fields of Expertise: Shipping, International Trade, Capital Market, Supply Chain Management, Freight Forwarding.

Bashir Ahmed

Date of Birth: 25.12.1969

Educational Qualifications: B.Com

Years of Experience: 21

Fields of Expertise: Distribution of electrical and electronic items, beverages and accessories.

Syed Kamruzzaman

Date of Birth: 21.2.1964

Educational & Professional Qualifications: B.Com. (Honours) in Accounting, FCMA

Years of Experience: 24

Fields of Expertise: Finance and Accounting

Muhammed Shah Alam

Date of Birth: 01.03.1962

Educational & Professional Qualifications: M.Com. in Accounting, FCMA

Years of Experience: 30

Fields of Expertise: Finance and Accounting

Meetings of the Audit Committee

Bangladesh Bank has suggested that Audit Committees should hold at least four meetings per year. The Audit Committee of UCB held nine meetings in 2018. The Committee had detailed discussions and review sessions with the Head of Internal Control & Compliance, Head of Audit and the external Auditors, with regard to Audit findings, observations and remedial actions. Audit Committee meetings and dates during 2018 are as follows:

Details of Audit Committee Meetings held in 2018		
	Meeting No.	Date of Meeting
1	91	14.2.2018
2	92	20.3.2018
3	93	14.5.2018
4	94	27.6.2018
5	95	9.7.2018
6	96	19.7.2018
7	97	29.8.2018
8	98	23.10.2018
9	99	11.11.2018

Particulars of Attendance of the Members of the Audit Committee are given below**Present Members**

Name of the Directors	Position	Meetings held in 2018	Meetings Attended	Remarks
Akhter Matin Chaudhury FCA (E & W), FCA, FCS	Chairman	9	8	-
Syed Mohammed Nuruddin	Member	9	4	-
Bashir Ahmed	Member	9	8	-
Syed Kamruzzaman	Member	9	8	-
Muhammed Shah Alam	Member	9	7	7 Meetings held since he joined

Past Members

Name of the Directors	Position	Number of Meetings held during their tenure in 2018	Total Attendance
Md. Tanvir Khan	Member	2	2

Note: Directors unable to attend meetings were granted leave of absence

Roles and Responsibilities of the Audit Committee

Besides any other responsibilities that may be assigned by the Board of Directors from time to time, the roles and responsibilities of the Audit Committee are as follows:

A. Internal Control

1. The Audit Committee shall review major Internal Control issues identified in internal audit reports and refer these to the Board for rectification.

2. The Audit Committee shall assess the adequacy and efficacy of the prevailing Internal Control System and recommend necessary improvements to the Board.
3. The Audit Committee shall monitor progress in the computerization of the operations and records of the Bank and its Management Information Systems (MIS).

B. Reporting of Financial Statements

1. The Audit Committee shall oversee the financial reporting process of the Bank and review the appropriateness of accounting policies and principles, based on which the Financial Reports of the Bank are prepared.
2. The Audit Committee shall, along with the external Auditors and the management of the Bank, review the annual financial statements before the submission of these to the Board of Directors for approval.

C. Internal Audit

1. The Audit Committee shall consider and approve detailed Annual Audit Plans based on an assessment of the risks and exposures that may affect the organization. This should be done at least annually in order to reflect the most current strategies and directions of the organization.
2. The Audit Committee shall review internal audit reports and recommend measures to rectify major deficiencies to the Board.
3. The Audit Committee shall evaluate the adequacy and efficiency of the internal audit function.
4. The Audit Committee shall review the organizational framework and take steps to remove obstacles or limitations in the performance of the internal audit function.
5. The Audit Committee shall monitor whether the internal Audit function is able to work independently from management or not.
6. The Audit Committee shall examine whether the findings and recommendations made by the internal Auditors are duly acted upon by the management or not.

D. External Audit

1. The Audit Committee shall review the audit procedures and the audit reports of the external Auditors.
2. The Audit Committee shall examine whether the findings and recommendations made by the external Auditors are duly acted upon by the management or not.
3. The Audit Committee shall recommend the appointment of external Auditors.

E. Compliance with Laws, Rules and Regulations

The Audit Committee shall report on the status of compliance, as revealed by audits carried out by the internal audit team, with regulatory directives, relevant laws and rules and regulations of the Bank.

F. Reporting to Shareholders

The Audit Committee shall report to shareholders its activities during the year, including any reports made to the Board of Directors. The report shall be signed by the Chairman of the Audit Committee and shall appear in the Annual Report of the Bank.

G. Reporting to the Board of Directors

1. The Audit Committee shall report on its activities to the Board of Directors.
2. The Audit Committee shall immediately report to the Board of Directors any findings of conflicts

of interest, fraud or forgeries in the internal control system and any suspected infringement of laws including securities related laws, rules and regulations.

H. Other Responsibilities

1. The Audit Committee shall report to the Board, at least quarterly, on all major issues, including errors, fraud and other irregularities, detected by external and internal Audits and Bangladesh Bank inspections.
2. The Audit Committee shall perform any other supervisory activity entrusted to it by the Board.
3. The Audit Committee shall appraise its own performance and report its conclusions to the Board.
4. The Audit Committee shall review the statement of significant related party transactions submitted by the management.
5. The Audit Committee shall review Management Letters and Letters of Internal Control Weakness issued by the statutory auditors.
6. The Audit Committee shall disclose the uses and applications of funds by major category (e.g. capital expenditure, sales and marketing expenses, working capital) raised through IPO, RPO or Right Issues, along with quarterly financial results.

I. Special Responsibilities of the Chairman

The Chairman of the Audit Committee shall remain present at all Annual General Meetings (AGMs) of the Bank. Provided that in absence of Chairman of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the Annual General Meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.

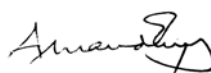
Major issues reviewed by the Audit Committee during 2018

1. Findings of Internal Audit Reports
2. Recommendations and findings of the external Auditors
3. Follow up of Recommendations Made to the Board of Directors
4. Security of Computerized Systems
5. Efficiency and adequacy of the Internal Audit Function
6. Impediments to Internal Audit Performance
7. Special Investigations

Acknowledgement

The members of the Audit Committee express their gratitude to the Board of Directors, the Management of the Bank and the internal and external Auditors, for their cooperation which enabled it to effectively perform its duties and discharge its responsibilities during the year.

On behalf of the Audit Committee



Akhter Matin Chaudhury FCA (E & W), FCA, FCS
Independent Director &
Chairman of the Audit Committee



DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

This is the official disclosure of the activities that the United Commercial Bank Limited (UCB) had undertaken to manage its Risk Based Capital Adequacy and other requisites throughout the year 2018 under the purview of the Basel III regulation. Although this disclosure conforms to the requirements of the 3rd Pillar of the Basel III regulation meant for 'Market Discipline', this may well be viewed as UCB's earnest effort to uphold its commitment to corporate transparency.

It may be befitting if a brief discussion on the prevailing 3rd edition of Basel (Basel III) regulation

precedes the intended disclosure for a better grasp of the matter by the stakeholders. The Basel III regime, like the 2nd edition, is also composed of three-mutually reinforcing pillars or fundamentals i.e. **Minimum Capital Requirement, Supervisory Review Process and Market Discipline** but at an enhanced level to cope up with the ever evolving threats present in the financial market. Moreover, it introduces a non-risk based Leverage Ratio and a global standard Liquidity Ratio. All the attributes of the regulation may be viewed at a glance in the following diagram:

Capital					Liquidity
Pillar 1			Pillar 2	Pillar 3	
Stringent Capital Standards & Requirements	Wide Risk Coverage	Non-Risk Based Leverage	Robust Risk Mgt. & Supervision	Market Discipline	Liquidity Standards
Quality & level of capital	Securitisations	Leverage ratio	Supplemental pillar 2 requirements	Revised Pillar 3 disclosure requirements	Liquidity cover-age ratio
"Gone concern" contingent capital	Trading book				Net stable funding ratio
Capital conservation buffer	Counterparty credit risk				Principles for sound Liquidity & Risk Mgt. Supervision
Countercyclical buffer					Supervisory monitoring

UCB Approaches to the three Pillars and the Liquidity Standards

Pillar-1: Credit Risk, Market Risk & Operational Risk are considered under this Pillar for maintenance of the level of capital. Among the three approaches available to measure the Credit Risk, UCB employs 'Standardized Approach'. The same approach has been used for Market Risk measurement. As for Operational Risk, Basic Indicator Approach is followed. UCB is also maintaining the non-risk based Leverage Ratio at a healthy level.

Pillar-2: All other risks as well as the entire Risk Management framework from both the internal and external (Supervisory) perspective are covered under this pillar. UCB has developed a comprehensive ICAAP (Internal Capital Adequacy Assessment Process) module to capture the risks minutely. The regular SRP-SREP interaction ensures compliance to the Pillar-2 regulations.

Pillar-3: This pillar ensures necessary disclosures 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 the banks operating in the market under the banner of Market Discipline.

Liquidity Standards

UCB has successfully adopted and is maintaining the standards set for the two key Liquidity Ratios; the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

It is to be mentioned here that UCB has been comfortably remaining in the right course of implementation of Basel III regulation as per the roadmap outlined by Bangladesh Bank. Bank's progression along the roadmap is depicted in below:

Particulars	2015	2016	2017	2018	2019
Minimum Common Equity Tier 1 (CET-1) Capital Ratio	4.50%	4.50%	4.50%	4.50%	4.50%
UCB Status	8.20%	7.82%	7.71%	7.43%	--
Capital Conservation Buffer	-	0.625%	1.25%	1.875%	2.50%
UCB Status	3.70%	3.32%	3.21%	2.93%	--
Minimum CET1 plus Capital Conservation Buffer	4.50%	5.125%	5.75%	6.375%	7.00%
UCB Status	8.20%	7.82%	7.71%	7.43%	--
Minimum Tier 1 Capital Ratio	5.50%	5.50%	6.00%	6.00%	6.00%
UCB Status	8.20%	7.82%	7.71%	7.43%	--
Minimum Total Capital Ratio	10.00%	10.00%	10.00%	10.00%	10.00%
UCB Status	12.16%	11.39%	12.07%	12.77%	--
Minimum Total Capital plus Capital Conservation Buffer	10.00%	10.625%	11.25%	11.875%	12.50%
UCB Status	12.16%	11.39%	12.07%	12.77%	--
Phase-in of deductions from CET1					
Excess investment over 10% of a bank's equity in the equity of banking, financial and insurance entities.	20%	40%	60%	80%	100%
UCB Status	--	--	--	--	--
Phase-in of deductions from Tier-2 Revaluation Reserve (RR)					
RR for Fixed assets, Securities and Equity Securities	20%	40%	60%	80%	100%
UCB Status	Done	Done	Done	Done	--
Leverage Ratio	3.00%	3.00%	3% Readjustment	Migration to Pillar1	
UCB Status	6.02%	5.48%	5.07%	4.84 %	--
Liquidity Coverage Ratio (LCR)	≥100% (From Sep-15)	≥100%	≥100%	≥100%	≥100%
UCB Status	158.36%	160.34%	119.29%	116.60%	
Net Stable Funding Ratio (NSFR)	>100% (From Sep-15)	>100%	>100%	>100%	>100%
UCB Status	106.24%	110.83%	113.35%	110.69%	

1.00 Scope of Application

The disclosure made in the following sections has addressed **UCB** as a single entity (Solo Basis) as well as a consolidated entity (Consolidated Basis), the scope of which is asunder:

- 'Solo' disclosure refers to only the affairs of the Bank but considering the Offshore Banking Unit as an integral part.
- On the other hand, 'Consolidated' disclosure incorporates the affairs of its subsidiaries with the Bank. **The consolidated disclosure of UCB is composed of the affairs of its three subsidiaries, namely:**

1. United Commercial Bank Limited
2. UCB Capital Management Limited
3. UCB Investment Limited

A brief description of the Bank and its subsidiaries is given below:

- **United Commercial Bank Limited**

United Commercial Bank Limited (UCB) was incorporated in Bangladesh as a public limited company with limited liability on 26 June 1983 under Companies Act 1913 to carry out banking business in Bangladesh. Bangladesh Bank gave the permission for commencement of its business on 13 November 1983. The Bank presently has a business network comprising 187 branches, 01 (One) Off-shore Banking Unit and 02 (Two) subsidiaries as on 31 December 2018. It is a conventional commercial bank. The bank offers services for all commercial banking needs of the customers, which include 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 of the Bank is located at Plot # CWS (A) 1, Gulshan Avenue, Dhaka - 1212.

- **Off-shore Banking Unit (OBU)**

Off-shore Bank is a Bank located outside the country of residence of depositors, typically in the low tax jurisdiction (or tax heaven) that provides financial and legal advantage. Off-shore Banking Unit (the unit) a separate business unit of United Commercial Bank Ltd, governed under the rules and guideline of Bangladesh Bank. The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD (P-3)744(117)/2010-2577 dated 9th June, 2010. The Bank commenced the operation of its Off-shore Banking Unit from November 10, 2010. Presently, the Bank has 01 (One) unit in Dhaka operating under the Rules and guideline of Bangladesh Bank.

- **Subsidiaries of United Commercial Bank Limited:**

- **UCB Capital Management Limited**

UCB Capital Management Limited is a subsidiary company of United Commercial Bank Limited. The activities of the company include brokerage service, margin loan etc. The company is carrying out its activities under the license from both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.

United Commercial Bank Limited holds 51,34,999 nos. of shares of UCB Capital Management Limited with face value of Tk. 100 each which is equivalent to 99.99998% of total shares of the company.

- **UCB Investment Limited**

UCB Investment Limited was incorporated in Bangladesh as a private limited company with limited liability as on 3 August of 2011 under Companies Act 1994. The principal objective of the company is to carry out full-fledged merchant banking activities in Bangladesh i.e. portfolio management, share transfer agent, fund management to issue in the capital and security market, underwrite, manage and distribute the issue of stock shares, bonds and other securities.

United Commercial Bank Limited holds 24,990,000 nos. of shares of UCB Investment Limited with face value of Tk. 10 each which equivalent to 99.96% of total shares of the company.

2. Capital Structure

Capital serves as a buffer to absorb unexpected losses as well as to fund ongoing activities of the firm. It can be defined as "the buffer storage of cash and safe assets that banks hold and to which they need access in order to protect creditors in case the bank's assets are liquidated". The bank's capital ratio is a measure of its financial health. Capital is the funds - traditionally a mix of equity and debt - that banks have to hold in reserve to support their business.

The capital structure of the Bank is categorized into two tiers - Tier I and Tier II capital; as per the Risk Based Capital Adequacy guidelines (December 2014) of Bangladesh Bank. The components of the total regulatory capital are enumerated as under:

1. Tier 1 Capital (going-concern capital)

- a) Common Equity Tier 1
- b) Additional Tier 1

2. Tier 2 Capital (gone-concern capital)

Tier 1 Capital: (Going-Concern Capital)

Going-concern capital is the capital which can absorb losses without triggering bankruptcy of the bank. Thereby, Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view.

Tier 1 Capital is comprised of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1). The components of Common Equity Tier 1 (CET1) capital is given below:

- a) Paid up capital
- b) Non-repayable share premium account
- c) Statutory reserve
- d) General reserve
- e) Retained earnings
- f) Dividend equalization reserve
- g) Minority interest in subsidiaries, i.e., common shares issued by consolidated subsidiaries of the bank and held by third parties

Additional Tier 1 (AT1) capital consists of the following items:

- a) Non- cumulative Irredeemable Preference Shares
- b) Instruments issued by the banks that meet the qualifying criteria for AT1 (The instrument is perpetual i.e. there is no maturity date)
- c) Minority Interest, i.e., AT1 issued by consolidated subsidiaries to third parties

Tier 2 Capital: (Gone-Concern Capital)

Gone-concern capital is the capital which will absorb losses only in a situation of liquidation of the bank. Gone-concern capital also called Tier 2 capital. Gone-

Concern Capital represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank.

Tier 2 capital consists of the following items:

- a) General Provisions;
- b) All other preference shares
- c) Subordinated debt/Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital; (Minimum original maturity of at least five years)
- d) Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties;
- e) Revaluation Reserves (50% Fixed Assets and Securities 10% of equities) [The amount to be erased 20.00% each year starting from January 2015]

As per the guidelines of Bangladesh Bank, Tier-1 Capital of UCB comprises (i) Fully Paid-up Capital, (ii) Non-repayable Share Premium Account, (iii) Statutory Reserve, (iv) General Reserve, and (v) Retained Earnings.

And Tier-2 Capital comprises (i) General Provision, (ii) 50% of Asset revaluation reserve, 50% of Revaluation gain/loss on investment (HFT), 10% of Revaluation reserve for equity instruments, (based on the revaluation amount of 2014) and (iii) Subordinated debt/subordinated bond as approved by Bangladesh Bank etc.

The amount of Regulatory Capital of the Bank as on December 31,2018 is stated below:

Sl.	Particulars	(BDT in Million)	
		Solo	Consolidated
1.0	Tier-1 (Going-Concern Capital)		
1.1	Common Equity Tier 1 (CET1)		
1.1.1	Paid-up Capital	10,541.31	10,541.31
1.1.2	Non-repayable Share premium account	1,454.98	1,454.98
1.1.3	Statutory Reserve	11,448.97	11,448.97
1.1.4	General Reserve	26.58	26.58
1.1.5	Retained Earnings	1,880.30	2,375.17
1.1.6	Dividend Equalization Reserve	0.00	0.00
1.1.7	Minority Interest in subsidiaries	0.00	0.00
	Sub-Total:	25,352.13	25,847.01
1.1.8	Regulatory Adjustments:	611.31	630.49
	Sub-Total:	24,740.82	25,216.52
1.2	Additional Tier 1 (AT1)		
1.2.1	Non- cumulative Irredeemable Preference Shares	0.00	0.00
1.2.2	Instruments (Perpetual in nature)	0.00	0.00
1.2.3	Minority Interest; i.e., AT1 issued by consolidated subsidiaries	0.00	0.00
	Sub-Total:	0.00	0.00
	Total Tier 1 Capital	24,740.82	25,216.52

(BDT in Million)			
Sl.	Particulars	Solo	Consolidated
2.0	Tier-2 (Gone-Concern Capital)		
2.1	General Provision	5,939.34	5,950.83
2.2	Subordinated debt	12,680.00	12,680.00
2.3	Revaluation Reserves	323.79	323.79
	Sub-Total:	18,943.13	18,954.62
2.4	Regulatory Adjustments:	1,183.14	1,169.29
2.5	Total Tier 2 Capital	17,759.99	17,785.33
3.0	Total Regulatory Adjustments/Deduction from capital	1,794.45	1,799.78
	Total Regulatory Capital	42,500.81	43,001.85

3. Capital Adequacy

Methodology of Capital Adequacy Determination

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

- Standardized Approach for Credit Risk to compute Capital Adequacy under Basel III, using the following methods recommended by Bangladesh Bank:
 - Accepting the credit rating agencies as external credit assessment institutions (ECAI) for claims on Corporate & eligible SME Customers;
 - Accepting Credit Risk Mitigation (CRM) against the financial securities.
- Standardized (Rule Based) Approach for Market Risk; and
- Basic Indicator Approach for Operational Risk.

Assessment of the adequacy of capital: 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.

The Bank focuses on strengthening risk management and control environment rather than increasing capital to cover up weak risk management and control practices. UCB has been generating most of its incremental capital from retention of profit (stock dividend and statutory reserve transfer etc.) and issuance of Subordinated Bond to support incremental growth of Risk Weighted Assets (RWA). Besides meeting regulatory capital requirement, the Bank maintains adequate capital to absorb material risks foreseen. Therefore, the Bank's Capital to Risk Weighted Asset Ratio (CRAR) remains consistently within the comfort zone. During the year 2018, the CRAR ranges from 11.58% to 12.83% on **consolidated basis** and from 11.52% to 12.77% on **solo basis** against minimum requirement of 10% of RWA. Risk Management Division (RMD) under the guidance of the SRP Team/Executive Risk Management Committee and Basel implementation Unit is taking active measures to identify, quantify, manage and monitor all risks to which the Bank is exposed to.

The Capital Requirement and Capital to Risk-weighted Asset Ratio (CRAR) of the Bank as on December 31, 2018 are as under;

(BDT in Million)		
Particulars	Solo	Consolidated
Capital requirement for Credit Risk	29,520.26	29,579.43
Capital requirement for Market Risk	938.31	1,096.69
Capital requirement for Operational Risk	2,824.62	2,843.05
Total Capital Requirement under Pillar-I	33,283.19	33,519.17
Capital to Risk-weighted Asset Ratio (CRAR)	12.77%	12.83%
Common Equity Tier 1 Capital to Risk-weighted Asset Ratio	7.43%	7.52%
Tier 1 Capital to Risk-weighted Asset Ratio	7.43%	7.52%
Tier 2 Capital to Risk-weighted Asset Ratio	5.34%	5.31%
Capital Conservation Buffer	2.93%	3.02%
Available Capital under Pillar 2 Requirement	9,217.62	9,482.68

4. Credit Risk

The possibility of incurring loss due to inability of a borrower or counterparty to honor 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 impaired NPA is defined as a loan or an advance where interest and/ or installment of principal remain overdue for more than 60 days in respect of Continuous loan, Demand loan or Term Loan etc.

Classified loans are 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;

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

Methods used to measure Credit Risk

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

Credit Risk Management

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

Credit Risk Measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk taking and portfolio management decisions. The standard credit risk grading (CRG) system is used in both Corporate and SME Banking. The grading is used to assess the client along with a range of quantitative and qualitative factors. Our credit grades against Corporate & eligible SME clients are supported by external credit grades, and ratings assigned by external ratings agencies.

Credit Approval

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

Credit Monitoring

We regularly monitor credit exposures, portfolio performance, and external trends through relationship and credit administration team at Branch and Corporate Office. Internal risk management reports containing information on key environmental, political

and economic trends across major portfolios; portfolio delinquency and loan impairment performance; as well as credit grade migration are presented to the respective divisions. The divisions meet regularly to assess the impact of external events and trends on the credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures. Accounts or portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration. Such accounts and portfolios are subjected to a dedicated process overseen by the Special Asset Management Division. Account plans are re-evaluated and remedial actions are agreed and monitored. In Retail/Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and informed in lending decisions. Accounts which are past due are subject to a collections process, monitored in collaboration with the Relationship manager by the Risk function. Charged-off accounts of the Bank are managed by specialist recovery teams of Special Asset Management Division.

Concentration Risk

Credit concentration risk is managed within concentration camps set for counterparty or groups of connected counterparty, for industry sector; and for product. Additional targets are set and monitored for concentrations by credit committee. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Bank are reviewed and approved at least annually by the Board of Directors.

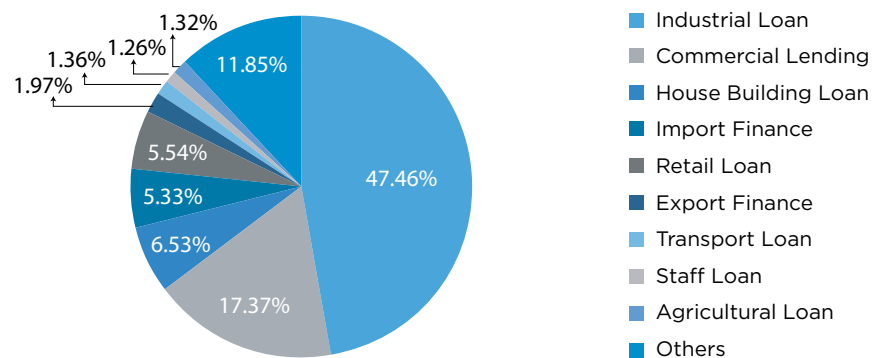
Credit Risk Mitigation

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

Distribution of Credit Exposure by Major Types

Types of Credit Exposure	BDT in Million	In %
Industrial Loan	139,865.41	47.46
Commercial Lending	51,195.47	17.37
House Building Loan	19,233.55	6.53
Import Finance	15,695.17	5.33
Retail Loan	16,328.34	5.54
Export Finance	5,812.32	1.97
Transport Loan	4,013.27	1.36
Staff Loan	3,711.66	1.26
Agricultural Loan	3,899.70	1.32
Others	34,917.03	11.85
Total	294,671.94	100.00

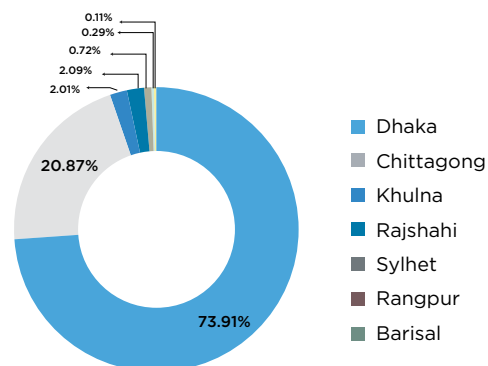
Credit Exposure by Major types



Geographical Distribution of Credit Exposure

Division	BDT in Million	In %
Dhaka	217,789.37	73.91
Chittagong	61,508.54	20.87
Khulna	5,909.77	2.01
Rajshahi	6,158.45	2.09
Sylhet	2,130.91	0.72
Rangpur	856.68	0.29
Barisal	318.22	0.11
Total	294,671.94	100.00

Geographical Distribution of Credit Exposure in %



Industry Type Distribution of Exposure		
Types of Credit Exposure	BDT in Million	In %
RMG & Accessories	43,403.72	14.73
Textiles Industry	15,126.83	5.13
Commercial Trade Financing	72,702.96	24.67
Other Manufacturing Industries	35,793.64	12.15
Construction (other than housing)	24,835.03	8.43
Housing Industry	19,233.55	6.53
Power & Energy	7,546.22	2.56
Food Products & Processing	13,882.29	4.71
Telecommunication, Transport & Communication	6,738.83	2.29
Service Industry	4,667.80	1.58
Agriculture	3,899.75	1.32
Shipping Industries	4,692.22	1.59
Others	42,149.09	14.30
Total	294,671.94	100.00

Residual Contractual Maturitywise Distribution of Exposure

Particulars	BDT in Million
On demand	3,549.21
Not more than three months	102,959.94
More than three months but less than one year	78,152.21
More than one year but less than five years	68,129.99
More than five years	41,880.60
Total	294,671.94

Loans & Advances and Provision

Particulars	Loans & Advances	Provision against Loans & Advances
Total Loans and Advances	294,671.94	9,308.94
Performing Loans & Advances	274,650.31	4,368.93
Classified Loans and Advances	20,021.63	4,940.01
Substandard (SS)	1,023.97	61.97
Doubtful (DF)	760.30	96.84
Bad/Loss (BL)	18,237.36	4,781.20
Off-Balance Sheet Items	182,066.61	1,570.41

Gross Non Performing Assets (NPAs)

Particulars	BDT in Million
Gross Non Performing Assets (NPAs)	20,021.63
Total Loans and Advances	294,671.94
NPAs to outstanding Loans & Advances	6.79%

Movement of Non-Performing Assets (NPAs)

Particulars	BDT in Million
Opening Balance	19,268.09
Additions	6,445.34
Reductions	(5,691.80)
Closing Balance	20,021.63

Movement of Specific Provisions for NPLs

Particulars	BDT in Million
Opening Balance	5,020.94
Adjustment due to Write-off	(1,530.80)
Provisions made during the period	1,449.87
Transferred from surplus provision	-
Closing Balance	4,940.01

5. Equities: Disclosures for Banking Book Positions

The major portion of the Bank's holding of equity exposure is mainly with the purpose of capital gain. The quoted shares are valued both at cost price and market price basis. However, the unquoted shares are valued at their cost price.

BDT in Million		
Particulars	Cost Price	Market Price
Investment in Quoted Share	4,017.74	4,184.95

Particulars	BDT in Million
Realized Gains	443.24
Unrealized Gains	736.09
Unrealized Losses	(568.88)
Net Unrealized Gains/(Loss)	167.21
Amount included in Tier-2 Capital (Based on balance of December 2014)	3.55
Capital requirement for Equity Risk (Specific & General)	825.32

Supervisory Provision against Classified Equity Investment 0.00

Capital Requirement as per Grouping of Equity

BDT in Million					
Sector	Cost Price	Market price	Capital Charge		Total Capital Charge
			Specific Risk	General Market Risk	
Pharmaceuticals & Chemicals	1,017.77	1214.90	121.49	121.49	242.98
Textile	396.51	362.00	36.20	36.20	72.40
Telecommunication	124.61	238.54	23.85	23.85	47.70
Fuel & power	750.42	580.04	58.00	58.00	116.00
Mutual Fund	465.47	370.53	37.05	37.05	74.10
Bank	739.20	797.71	79.77	79.77	159.54
Financial Institutions	44.65	244.38	24.44	24.44	48.88
Engineering	57.93	29.79	2.98	2.98	5.96
Miscellaneous	318.28	304.35	30.44	30.44	60.88
Travel & Leisure	80.00	30.36	3.04	3.04	6.08
Insurance	22.90	12.34	1.23	1.23	2.46
Total	4,017.74	4,184.95	418.49	418.49	836.98
Deduction from Capital	0.00	58.36	5.84	5.84	11.68
Total	4,017.74	4,126.59	412.66	412.66	825.32

6. 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.

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

- i) Modified duration gap
- ii) Simulation on market value of equity
- iii) 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 months 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.

(BDT in Million)			
Particulars	Up to 3 months	3 - 6 months	6 - 12 months
Rate Sensitive Assets (RSA)	163,778.70	39,603.40	47,459.60
Rate Sensitive Liabilities (RSL)	123,846.50	43,768.40	49,345.60
Gap (RSA - RSL)	39,932.20	(4,165.00)	(1,886.00)
Cumulative Gap	39,932.20	35,767.20	33,881.20

Interest Rate Shock on Capital		(BDT in Million)	
Total Regulatory Capital		42,500.81	
Total Risk Weighted Assets (RWA)		332,831.86	
Capital to Risk-weighted Asset Ratio (CRAR)		12.77%	

(BDT in Million)			
Assumed decrease in Interest Rate	1%	2%	3%
Earnings Impact on Cumulative Gap	338.80	677.60	1,016.40
Capital After Shock	42,839.61	43,178.41	43,517.21
CRAR after Shock	12.87%	12.97%	13.08%
Increase in CRAR	0.10%	0.20%	0.31%

7. 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. It may be mentioned that the Bank considers Interest Rate Risk on Banking Book separately.

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 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 once in a month. 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

Market Risk	BDT in Million
Interest Rate Related instruments	0.00
Equities	825.32
Foreign Exchange Position	112.99
Commodities	0.00
Total	938.31

8. 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 staff

The Bank identifies the loop holes among the

Capital Charges for Operational Risk

					BDT in Million
Basis	Operational Risk	2016	2017	2018	Capital Charge
Solo	Gross Income	17,573.22	18,525.02	20,394.08	2,824.62
Consolidated	Gross Income	17,573.22	18,525.02	20,762.66	2,843.05

9. Liquidity Ratio

As per the BRPD Circular no. 18 dated December 21 of 2014, Bangladesh Bank has strengthened the liquidity framework by developing two minimum standards for liquidity. These standards have been developed to achieve two separate but complementary objectives.

The first objective is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for one month. Liquidity Coverage Ratio (LCR) addresses this objective.

The second objective is to promote resilience over a longer time horizon by creating additional incentives for a bank to fund its activities with more stable sources of funding on an ongoing structural basis. The Net Stable Funding Ratio (NSFR) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.

Views of BOD on system to reduce liquidity Risk

United Commercial Bank Limited maintains diversified and stable funding base comprising of core retail, corporate and institutional deposits to manage liquidity risk. The prime responsibility of the liquidity risk management of the bank rests with Treasury Division under the supervision of ALCO Committee, which maintains liquidity based on current liquidity position, anticipated future funding requirement, sources of fund, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, present and planned capital position, etc.

Methods used to measure Liquidity risk

Liquidity measurement involves assessing all of a

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 Management 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.

bank's cash inflows against its outflows to identify the potential for any net shortfalls including funding requirements for off balance sheet commitments.

An important aspect of measuring liquidity is making assumptions about future funding needs, both in the very short-term and for longer time periods. Another important factor is the critical role a bank's reputation plays in its ability to access funds readily and at reasonable terms. Several key liquidity risk indicators monitored on a regular basis to ensure healthy liquidity position are as follows:

- Cash Reserve Ratio (CRR)
- Statutory Liquidity Requirement (SLR)
- Advance to Deposit Ratio (ADR)
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)
- Structural Liquidity Profile (SLP)
- Maximum Cumulative Outflow (MCO)
- Volatile Liability Dependency Ratio
- Liquid Asset to Total Deposit Ratio
- Liquid Asset to Short Term Liabilities, etc.

Liquidity risk management system

The intensity and sophistication of liquidity risk management process depend on the nature, size and complexity of a bank's activities. Sound liquidity risk management employed in measuring, monitoring and controlling liquidity risk is critical to the viability of the bank.

The Asset Liability Committee (ALCO), which meets at least once in a month, is responsible for managing and controlling liquidity of the bank. Treasury Front Office

closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities and they are primarily responsible for management of liquidity in the bank. A monthly projection of fund flows is reviewed in ALCO meeting regularly.

Policies and processes for mitigating liquidity risk

In order to develop comprehensive liquidity risk management framework, the bank has Board approved Contingency Funding Plan (CFP), a set of policies and procedures that serves as a blueprint for the bank to meet its funding needs in a timely manner and at a reasonable cost. In this sense, a CFP is an extension of ongoing liquidity management and formalizes the objectives of liquidity management by ensuring:

- Maintenance of a reasonable amount of liquid assets;
- Measurement and projection of funding requirements; and
- Management of access to funding sources.

CFP also provides directions for plausible actions

in distress and emergency situations. In case of a sudden liquidity stress, it is important for the bank to be seemed organized and efficient to meet its obligations to the stakeholders.

Maturity ladder of cash inflows and outflows are effective tool to determine the bank's cash position. A maturity ladder estimates a bank's cash inflows and outflows and thus net deficit or surplus (GAP) on a day to day basis and different buckets (e.g. call, 2-7 days, 1 month, 1-3 months, 3-12 months, 1-5 years, over 5 years).

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) refers to highly liquid assets held by financial institutions in order to meet short-term obligations. The Liquidity coverage ratio is designed to ensure that financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions. Banks are required to hold an amount of highly-liquid assets, such as cash, Balance with other Bank and financial institutions or Treasury bonds, equal to or greater than their net cash over a 30-day period (having at least 100% coverage).

$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Assets}}{\text{Total net cash outflows over the next 30 calendar days}}$$

The minimum standard for LCR is greater than or equal to 100. However, the bank's status as on 31 December 2018 in this ratio is as follows:

Particulars	Regulatory Standard	BDT in Million	
		As on 31 December, 2018	As on 31 December, 2017
Total Stock of High Quality Liquid Assets		64,505.90	62,895.50
Total Net cash outflows over the next 30 calendar days		55,322.40	52,724.90
Liquidity Coverage Ratio (LCR)	Greater than or equal to 100	116.60%	119.29%

Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is another new liquidity standard introduced by the Basel Committee. The NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items.

The NSFR presents the proportion of long term assets funded by stable funding and is calculated as the amount of Available Stable Funding (ASF) divided by the amount of Required Stable Funding (RSF) over a one-year horizon.

The minimum acceptable value of this ratio is 100 percent, indicating that available stable funding (ASF) should be at least equal to required stable funding (RSF). ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability. RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding. The time horizon of the NSFR is one year. Like the LCR, the NSFR calculations assume a stressed environment.

The status of Net Stable Funding Ratio (NSFR) as on 31 December, 2018 is as under:

Particulars	Regulatory Standard	BDT in Million	
		As on 31 December, 2018	As on 31 December, 2017
Available amount of stable funding (ASF)		343,013.10	310,628.50
Required amount of stable funding (RSF)		309,894.60	274,816.60
Net Stable Funding Ratio (NSFR)	Greater than 100	110.69%	113.03%

10. Leverage Ratio

Views of BOD on system to reduce excessive leverage

Leverage ratio is the ratio of Tier 1 capital to total on and off balance sheet exposures. It was introduced into the Basel III framework as a non-risk based backstop limit, to supplement risk-based capital requirements. UCBL has embraced this ratio along with Basel III guideline as a credible supplementary measure to risk based capital requirement and assess the ratio periodically.

Policies and processes for managing excessive on and off-balance sheet leverage

Revised guideline of RBCA based on Basel III as provided by BRPD of Bangladesh Bank is followed by UCBL while managing excessive on and off-balance sheet leverage of the bank. As per RBCA leverage ratio shall be Tier I Capital divided by Total Exposure after related deductions.

In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by the Bangladesh Bank as per BRPD Circular no. 18 dated December 21 of 2014.

The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:

- ✧ constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy
- ✧ reinforce the risk based requirements with an easy to understand and a non-risk based measure
- ✧ UCBL calculates leverage ratio on quarterly basis and submits it to the Department of Off-site Supervision (DOS), Bangladesh Bank along with CRAR (Capital to Risk Weighted Asset Ratio) Report.

The Approaches for calculating exposure

The Bank has calculated the regulatory leverage ratio as per the guideline of Basel III. The numerator, capital measure, is calculated using the new definition of Tier I capital applicable from 01 January 2015. The denominator, exposure measure, is calculated on the basis of the Basel III leverage ratio framework as adopted by Bangladesh Bank.

A minimum Tier-1 leverage ratio of 3% has been prescribed by Bangladesh Bank to maintain by the Banks both at solo and consolidated level. Accordingly, UCBL maintains leverage ratio on quarterly basis. The formula for calculating leverage ratio is as under:

$$\text{Leverage Ratio} = \frac{\text{Tier-1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$$

The status of Leverage Ratio as on 31 December, 2018 is as under:

Particulars	(BDT in Million)			
	As on 31 December, 2018		As on 31 December, 2017	
	Solo Basis	Consolidated Basis	Solo Basis	Consolidated Basis
Tier 1 Capital*	24,740.82	25,216.52	23,830.00	24,125.00
On Balance Sheet Exposure*	395,524.83	397,391.02	358,803.80	360,697.60
Off-Balance Sheet Exposure*	115,255.29	115,255.29	107,514.80	107,449.50
Total Exposure	510,780.12	512,646.31	466,318.60	468,147.10
Leverage Ratio	4.84%	4.92%	5.11%	5.15%

* Considering all regulatory adjustments

11. Remuneration

Qualitative Disclosures:

a)	Information relating to the bodies that oversee remuneration.	
	i. Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Management Division oversees the 'remuneration' in line with its Human Resources Management strategy/policy under direct supervision and guidance of the Senior Management of the Bank.
	ii. Composition of the main body overseeing remuneration	The Managing Director and CEO along with other top executives of the Corporate Office.
	iii. Mandate of the main body overseeing remuneration	The Senior Management is the main body for overseeing the Bank's remuneration. The Senior Management also review the position of remuneration and associated matters and recommend to the Board for approval of its restructuring, rearrangement and modification commensurate with the industry best practices.

	iv. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant regarding remuneration and its process.
	v. A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not have any differentiate Pay Structure and employee benefits by regions/ business line/activity. As of 31 December 2018, the Bank had no foreign subsidiaries and branches outside Bangladesh.
	vi. A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	We consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Corporate Office and branches (except the employees involved in internal control & compliance and risk management) as the material risk takers of the Bank.
b)	Information relating to the design and structure of remuneration processes.	
	i. An overview of the key features and objectives of remuneration policy.	<p>We target a fair human resources management by using a performance based system. Remuneration and other associated matters are guided by the Banks Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practices.</p> <p>The objective of the Bank's remuneration policy is to establish a framework for attracting, retaining and motivating employees, and creating incentives for delivering long-term performance within established risk limits.</p>
	ii. Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that was made.	The Senior Management under direct supervision and guidance of the Board of Directors reviewed the Bank's remuneration in 2016 by overseeing the Banks remuneration position in the Banking industry.
	iii. A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Management Division does not make any difference with other regular employees and sets the remuneration as per the prevailing service rule of the Bank.
c)	Description of the ways in which current and future risks are taken into account in the remuneration processes.	
	i. An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit/default risk, compliance, reputational, financial and liquidity risk are mostly considered when implementing the remuneration measures.
	ii. An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines/ segments etc. These measures are primarily focused on the business target/goals set for each area of operation, branch vis-a-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
	iii. A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.

	iv. A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	No material change has been made during the year 2018 that could affect the remuneration.
d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	
	i. An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target/budget for each year for the Bank and business lines/segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans liquidity position etc.
	ii. A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	Yearly incentive bonus, salary increment, Employee house building loan facilities, Employee car facilities, leave facilities and promotion are directly linked with employee's individual performance.
	iii. A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	Variance performances like yearly incentive bonus, salary increment, Employee house building loan facilities, Employee car facilities, Leave facilities and promotion are determined by the outcome of scorecard in prescribed Key Performance Indicators of the individual.
e)	Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance.	
	i. A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	Bank provides its Employees incentive compensation delivered in the form of deferred cash awards, subject to performance based on Key Performance Indicators (KPI).
	ii. A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not Applicable
f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	
		<p>A summary of Short-term and Long-term compensation packages of the Bank are as follows:</p> <p>Short-Term Incentives / Rewards</p> <ol style="list-style-type: none"> 1. Yearly incentive bonus; 2. Yearly Increment; 3. Special Increment for especial achievement; 4. Car, fuel and car maintenance allowance for executives; 5. Cash Risk allowance for cash cadre; 6. Leave Fare Facilities etc. <p>Long-Term Incentives/Rewards</p> <ol style="list-style-type: none"> 1. Provident fund; 2. Gratuity; 3. Employees welfare Fund 4. Employee house building loan facilities 5. Provident fund loan 6. Periodically salary review (enhancement) 7. Group insurance coverage; 8. Employee Car facilities etc.

		Others Form 1. Study leave 2. Foreign training etc.	
Quantitative Disclosures			
g)	Information relating to the design and structure of remuneration process		
	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	The Senior Management of the bank overseeing the remuneration of the Bank	
h)	i. Number of employees having received a variable remuneration award during the financial year.	The following Number of Employees were received a variable remuneration during the year 2018:	
		Particulars	Number
		Number of employees having received a variable remuneration award during the year 2018	--
	ii. Number and total amount of guaranteed bonuses awarded during the financial year.	Nil	
	iii. Number and total amount of sign-on awards made during the financial year.	Nil	
	iv. Number and total amount of severance payments made during the financial year.	Nil	
i)	i. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil	
	ii. Total amount of deferred remuneration paid out in the financial year.	Nil	
j)	Breakdown of amount of remuneration awards for the financial year to show:		
		Breakdown of Remuneration for the year-2018 is as under:	
		Particulars	Amount in Million
		Basic salary	2,493.20
		Allowances	2,195.05
		Bonus	1,080.48
		Provident fund contribution	245.50
		Gratuity	424.80
		Welfare fund	52.58
		Total	6,491.61
k)	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration.		
	i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not Applicable	
	ii. Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable	
	iii. Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable	



REPORT ON

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We are proud to present the annual corporate social responsibility report of United Commercial Bank Limited for 2018, summarizing a year of extensive activity. This is our testament to ongoing commitment to corporate responsibility, and to the understanding that we have a duty, alongside the advancement of the sustainability and excellence of the bank's business.

Our goal is to enable UCB to continue to move forward on a trajectory of growth, while maximizing value for all stakeholders and the promotion of

sustainable, shared value with stakeholders. As a financial institution, we understand that our work has an impact on the environment, the communities in which we operate and our stakeholders. We believe in carrying out our duties in a socially responsible way.

UCB has always been working hard to meet its responsibilities to its customers, the community and the society in general. The report depicts what the Bank has been doing so far in order to make the community we live in, healthier and sustainable. CSR is





the process whereby we are all part of the development which leads towards a common and sustainable future. For UCB Bank, maintaining our values and ethical principles emphasizes the responsibility we feel towards all of our stakeholders. We see CSR as an ongoing process of continuously improving the way we do business, and as a responsibility to contribute back to the society. We intend to continue carrying out our role in Corporate Social Responsibility while safeguarding our stakeholders' value through prudent policies and in line with the Bank's target risk profile.

We are committed to

- Integrating CSR practices in our Strategy and decision making processes

- Integrating, where feasible, CSR in our products and services
- Minimizing the environmental impact of our operations
- Implementing policies rendering people responsible and accountable
- Continuously improving our CSR performance

In UCB, we have organized our activities in some major areas which we consider as prime interventions with the spirit of Corporate Social Responsibility. In the Year 2018, our total expenditure in CSR arena was BDT 226.47 million.



Education

In UCB, Corporate social responsibility is considered as one of the useful tools to positively affect society and develop relationships with stakeholders. We scheme our CSR activities in the field of education so for creating best human capital. UCB has always been directly or indirectly in projects for improvement in educational sector of Bangladesh. In the year 2018, United Commercial Bank Limited has contributed almost an amount of Taka 9.85 million in the Educational sector. Some of the contributions are donation to Shikkha Britti Trust of Dhaka Metropolitan Police, Donating bus to Chittagong University, donation to department of Geology of Dhaka University etc.

Health

Health sector is a vital concern of CSR in UCB, largely due to the recognition that a healthy community is fundamental to the development of a nation. We expect that our intervention in the health sector will make a positive difference in the lives of the people. In the year 2018, United Commercial Bank Limited has contributed almost an amount of Taka 2.99 Million in the Health Sector. Some of the contributions are donation to a breast cancer patient, donation to a kidney patient, medical relief to rohingya refugees, donation to autism welfare foundation, donation to various critical patients etc.

Disaster Management

As a socially responsible corporate body, UCB always comes forward in response to disaster management whether a natural calamity or tragic accident. Our CSR initiatives aim to deliver the best response to the needs and challenges of disaster management. In the year 2018, United Commercial Bank Limited has contributed almost an amount of Taka 155.87 Million in the Disaster Management sector. Some of the contributions are distribution of blankets among the destitute people to provide warmth against the wrath

of cold winter, donation to Prime Minister's relief fund and many more.

Art and Culture

For promoting art & culture in our country, UCB also made donations. UCB donated an amount of Taka 5.36 Million for creative work of cultural ministry as approached through Bangladesh Association of Banks.

Sports

In recent years, Bangladesh has been showing remarkable improvements in the sports sector. UCB is also supporting and patronizing various sports events and providing financial assistance accordingly. In the year 2018, UCB has contributed an amount of Taka 1.41 in sports. Some of the contributions are financial assistance to Bangladesh Volleyball Championship 2018, Donation for participating in western Asian Youth and Junior Chess Championship, donation to cricket tournament of Rajbari Powrashova etc.

Others

Besides our focus on these sectors, UCB also contributed to different causes that are praiseworthy. UCB extended its radius of contribution in many other sectors of socio-economic development with contribution of Taka 50.98 million. Some of our involvement in this area are donation to organize Unnayan Mela 2018, donation for installing CCTV camera at Cox's Bazar district, donating sharee, lungi and salwar kamiz for poor people, donation to bankers' club Chittagong etc.

United Commercial Bank Limited places a strong emphasis on working responsibly. As one of the largest private commercial banks of the country, UCB understands that it's work has an impact on the environment, the communities in which it operates and stakeholders. And accordingly, we believe in carrying out our duties in a socially responsible way.



REPORT ON GREEN BANKING

Green banking is not just another corporate social responsibility activity; it is all about going beyond to keep the world livable without any significant damage. Global warming is a great issue in protection of hygienic society. There is high possibility of playing significant role of Green Banking in the global warming issue. The green banking concept is evolved in western countries and now is practiced in most of the countries in the world. Basically Green banking refers to the banking business managed in such a manner that helps for overall reduction of external carbon emission and internal carbon footprint. It indicates endorsing environment-friendly practices and reducing carbon footprint from banking activities. To aid the reduction of carbon emission, as a bank

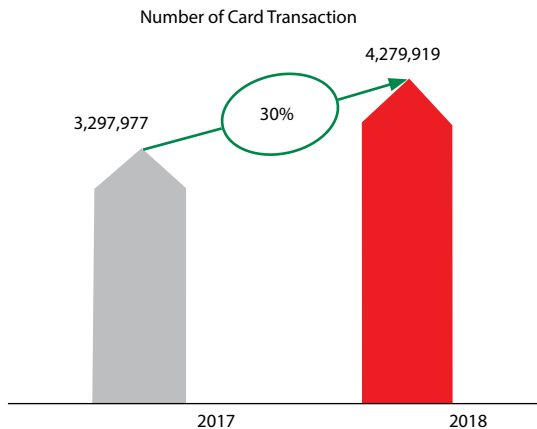
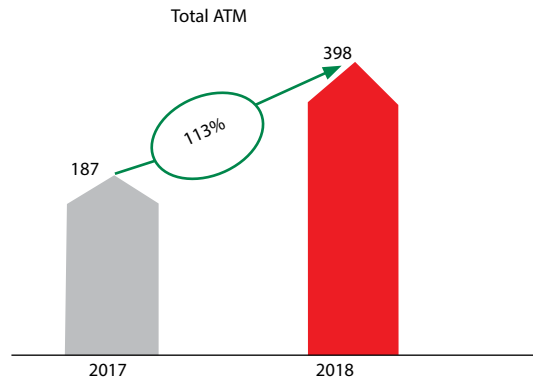
UCBL has took many initiatives, such as finance green technology and pollution reducing projects, under Green Banking policy.

As already mentioned that Green Banking is promoting eco-friendly banking practices and reducing emitted carbon mark from banking activities, our Green Banking activates mainly focuses on two prolonged approaches. First, we are emphasised on green revolution of internal operations, meaning consuming renewable energy, digitalisation and other measures to minimise carbon mark from our day to day operation. Secondly, we are elaborating our credit policy of financing in an environment-friendly way.



Focus on Alternative Banking Transaction

UCB has taken a number of initiatives to divert customers' transaction from branch to other eco-friendly channels. In 2018, UCB was able to increase its ATM network from 187 to 398. Around 211 new ATMs have installed all over the country. To facilitate card transaction, UCB has installed 2,314 POS in different location in the last half of 2018.



The card base transaction has been a significant increase from 3,297,977 to 4,279,919, around 30 percent growth in 2018. UCB has management approved policy of mandatory debit card for retail clients. Coordinate with branches, business divisions and communication several campaigns have launched to motivate clients for doing their transactions in alternative banking channels.

Internet Banking Service

With i-Banking, customer can view their own Account statement, Loan Summary information, Term deposit view, loan schedule view, etc. User can also transfer of fund from one account to another account within UCB bank account. Placing Standing Instruction (SI) for a regular transfer of fund.

Launching of Upay

Upay is a digital payment platform (cash less) for both customers of UCB and others banks. The objective of Upay is to promote cashless and universal i.e. anytime-anywhere payments using mobile phones. For the first time ever in Bangladesh, Upay is using the most innovative and reliable technologies Block-chain and QR (Quick Response) Code to secure all financial transactions. Using smart mobile phone as a digital wallet Upay customer can perform various types of transactions. In Upay, customer registration, all transactions, settlement and merchant payment is automated and paperless which support Green Banking initiatives.

Real time gross settlement (RTGS)

Bank has successfully implemented and optimized Real Time Gross Settlement (RTGS) solution in 178 branches. As a result customers are enjoying real time cheque related settlement facility.

Bill Collection Management System

It can automatically capture various clients billing information, reporting service for Service Provider and billing Client -Billing information reconciliation. Currently UCB is collecting around 70 companies. (WASA, TITAS, DU, NSU, GP, ROBI, RFL etc) bill and maintain reporting through this system. Trade Finance Report System (TFRS): Through using this software, UCB is uploading bulk data in Bangladesh Bank Site, Data generation from Core Banking Software, data enhancement, data reconciliation and providing various kind of reports which are required for Bangladesh Bank.

UCB Express

UCB has established new ATM Booth namely UCB Express which is capable to receive and deliver cash through Cash Deposit Machine

(CDM) using no papers apart from opening of account on behalf of the Branches.

National Identity Card (NID) Verification System

National Identity Card (NID) verification service shall provide the option to verify the validity of a NID through online. Before opening any account NID verification is mandatory. By using this service, Bank has reduced the transactional related fraud and improved the banking service.

Initiating In-house Environment Management

Initiatives have been taken to apply eco-font in printing to reduce use of ink and paper, 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 XZ saving bulbs have been replaced by normal bulbs in different offices of the Bank.



Centralization of Business Operation Division (BOD)

UCB has taken number of initiatives for centralization of its business operation division. Now various sorts of work are centralized and automated e.g., LC processing, bill booking, (import- export), import bill payment, export bill payment realization, export bill collection, export bill advising, Personal loan documentation, limit management, etc.

Management Information System (MIS) optimization

Using automated MIS report huge amount of paper consumption has been reduced. Below are key areas where MIS report has been optimized:

- 1) Significant reports (Loan Listing, Customer Performance, Summary Situation Loan Product, Interest Suspense Position, LC and BC and Exchange Gain Aggregated data

Generation etc.) have been developed.

- 2) Developed File Based Module and Integrated to existing MIS Portal.
- 3) Applied BI publisher bursting technology for scheduling report.
- 4) Execute Scripting ETL after EOD Implement Horizontal Scale in BI Live Server.

SharePoint introduced

SharePoint is tightly integrated with familiar client desktop applications, e-mail and Web browsers to provide a consistent user experience that simplifies how people interact with content, processes and business data. This tight integration, coupled with robust out-of-the-box functionality, helps you employ services themselves and facilitates product adoption. More and more offices are going green with SharePoint.

The eco-friendly benefits that a paperless office provides is great. SharePoint helps offices to go truly digital - completely paperless - by automating all content management jobs in no time.

Information Technology Operations Center (ITOC)

iTOC is the one-stop IT operation center that is addressing all issues related to Business Applications, Desktops, Printers, LAN, Network Connectivity, E-mails, Login Credentials and all other services related to technology supports.

Video Conferencing Solution Introduced:

Video conferencing has been introduced in Corporate Head Office, Chittagong, Rajshahi, Sylhet and Khulna Zone. 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.

Conducted ICT and other training and awareness through different Virtual Media

UCB has regularly conducted ICT and other training and awareness programs through different Virtual Media (IP telephone, desktop sharing, Video tutorials, web based). It saves traveling time, resources and cost.

Document Management System (DMS) Solution

UCB has undertaken a project to introduce DMS by way of archiving documents against day to day operations and communications through system using no paper and ink installation of which is under process.

Velocity AML Solution Suit

As to ensure managing of AML Risk, UCB has installed Velocity AML Solution Suit software which is capable to comply with all AML directives on auto system using no paper. All the Executives/Officers of Corporate Office and Branches of UCB have been provided with AML training through E-Learning system which has been proven as effective tool for providing knowledge to the learners using no papers.

LCD/LED Screens

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

Bio-metric Attendance System

UCB implemented Bio-metric attendance system at head office which reduces paper consumption and promotes green banking initiatives by the bank.

Introducing Green Finance

In line with the “Green Initiative” taken in previous years, United Commercial Bank Ltd has continued financing in eco-friendly business activities and energy efficient industries. The Bank has many products which are automated and time savings for the customers. United Commercial Bank Ltd has state of the art technologies which can provide prompt and environment friendly customer services. The products include internet-banking, U-cash,

U-Pay, U-Net (online banking), SMS banking, UCB Express and ATM services which help reduce carbon emission. The Bank already circulated a set of general instructions to the employees for efficient use of electricity, water, paper and re-use of equipment.

United Commercial Bank Ltd. is one of the partners of Bangladesh Bank's refinance facilities in green sector. The Bank has disbursed in 2018 a total amount of Tk. 142.04 million out of which TK. 1.72 million in a project of Automated (Improved zigzag) brick field & TK. 140.32 million in 05 nos of projects to Ensure Work Environment and Security of Workers (Structural, Electrical & Fire Safety issues) of Textile and Garments Industry by guaranteeing the installation of firefighting equipment i.e. fire sprinkler, fire detection & alarm, fire hydrant system, fire door, fire proof cable and pipe. At present total 23 nos of customers enjoying green finance having outstanding of Tk. 2272.49 million. United Commercial Bank Ltd is thankful to its stakeholders for actively participating in the Green initiative and seek their continued support for implementation of the green initiative.

Incorporation of Environment Risk in CRM

UCB has adapted ‘Guidelines on Environmental & Social Risk Management (ESRM)’ to understand and manage risks arising from environmental & social concerns as per directives of Bangladesh Bank from the very beginning of 2018. Subsequently, it has been made this guideline an integral part of its CRM policy. This will bring a focus on planning and implementing policies and procedures to mitigate environmental & social risks associated with financing decisions. With a view to incorporating environmental & social risks as part of existing credit risk methodology to assess a prospective borrower, Bank's ESRM Policy has been designed in line with Bangladesh Bank guidelines. Environmental & Social risks are 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 introduced which will help review possible sources of environmental & social risk.

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 service delivery channel as well as modifying mode of advertising. It refers to the process of selling products and/or services based on their environmental benefits. 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 Resource Development. The Brand Marketing and Corporate Affairs Division of the Bank is continually arranging campaign and programs to create awareness.

Further action has been taken to reduce adverse impact on environment in respect of operation and business activity of UCB:

1. An inventory of consumption of water, paper, electricity, energy etc. by Corporate Office and branches has been prepared and reported to Bangladesh Bank quarterly on the prescribed format.
2. Green Strategic Planning has taken and targets on in house environment management have been set. Some of them are as follows:
 - a. Reduction of 5% electricity, gas and fuel consumption.
 - b. Reduction of 10% paper consumption.
 - c. Reduction of 5% GHG emission.
 - d. Reduction of 5% electronic bill.
3. Initiative has been taken for setting of Green Branches 4. Energy saving bulbs has been installed at Branches
4. Energy saving bulbs has been installed at Branches.

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Shareholders of United Commercial Bank Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of United Commercial Bank Limited and its subsidiaries (the "Group") as well as the separate financial statements of United Commercial Bank Limited (the "Bank"), which comprise the consolidated and separate balance sheets as at 31 December 2018 and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and also the separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2018, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our

responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards Board for Accountants (IESBA) Code and the Institute of Chartered Accountants of Bangladesh (ICAB) bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loans & Advances	
Key Audit Matters	Our response to the risk
<p>BRPD 9 dated 14.05.2001, BRPD 9 and 10 dated 20.08.2005, BRPD 8 dated 07.08.2007, BRPD 10 dated 18.09.2007, BRPD 14 dated 23.09.2012, BRPD 19 dated 27.12.2012, BRPD 05 dated 29.05.2013, BRPD 16 dated 18.11.2014, BRPD 08 dated 02.08.2015, BRPD 12 dated 20.08.2017, BRPD 15 dated 27.09.2017, BRPD 1 dated 03.01.2018, BRPD 01 dated 20.02.2018 respectively which limits the fair implementation of respective IFRSs.</p> <p>The Bank's disclosures about classification of Loans & Advances are included in note 2.1. (iii), 7.10 & 7.11.</p>	<p>As part of our process we have also reviewed the loan files, bank statements, assessed the adequacy of collateral.</p> <p>Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</p>
<p><u>Measurement of Provision</u></p> <p>The process for estimating the provision for Loans & Advances portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performances and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end, the Bank reported total Loans & Advances of Taka 294,671.94 million (2017: Taka 261,002.88 million) and provision against Loans & Advances of Taka 9,308.94 million (2017: Taka 7,417.46 million).</p> <p>The Bank's disclosures about provisioning of Loans & Advances are included in note 2.10.22, 7.11, 12.1, 12.5, 12.6, 12.7, 12.8, 12.9, 12.10, 12.11, 12.12, 12.14 and 35.</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <p>Tested the control designed by management to ensure compliance of Bangladesh Bank Circulars relating to provision requirement and provision calculations.</p> <p>Tested the controls regarding the proper reporting of provision in (CL) and others.</p> <p>Tested the controls relating to proper authorization and compliance of Bangladesh Bank Circulars for write-off of investment.</p> <p>Our substantive procedures in relation to the provision for Investments portfolio comprised the following:</p> <p>Reviewed the adequacy of the Bank general and specific provisions;</p> <p>Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;</p> <p>Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</p>
Valuation of treasury bill and treasury bond	
Key Audit Matters	Our response to the risk
<p>The classification and measurement of treasury bill and treasury bond require significant judgment and complex estimates.</p> <p>In the absence of quoted price in an active market, the fair value of treasury bill and treasury bond is determined using complex valuation techniques which takes into consideration of direct or indirect unobservable market data and complex pricing models.</p>	<p>We tested the design and operating effectiveness of key controls focusing on the classification and measurement of treasury bill and treasury bond.</p> <p>We tested a sample of the valuation models and the inputs used in those models using a variety of techniques applicable in the circumstances.</p>

Impairment assessment of unquoted investment	
Key Audit Matters	Our response to the risk
<p>In absence of a quoted price in an active market the fair value of unquoted shares and bonds especially any impairment is calculated using valuation technics which may take into consideration direct or indirect unobservable market data;</p> <p>The Bank's disclosures relating to unquoted investment are included in note 6, 6.3(b) to the financial statements.</p>	<p>Finally we have assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines. We have assessed the process and controls in place by the bank to ensure the major decision are under taken thorough a proper due diligence.</p> <p>We tested sample of investment valuation as at 31 December 2018 and compared our results to the recorded value.</p> <p>Finally we have assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</p>
Deferred Tax	
Key Audit Matters	Our response to the risk
<p>The Bank reports net deferred tax liability totaling Taka 227.53 million as at 31 December 2018 (Taka 206.45 million as at 31 December 2017)</p> <p>Significant judgment is required in relation to deferred tax liability as their adjustment is dependent on forecasts of future profitability over a number of years.</p> <p>The Bank's disclosures relating to Deferred Tax are included in note 2.10.29.ii and 12.16 to the financial statements.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Bank's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Bank's future taxable income.</p> <p>We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTAs.</p> <p>Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>
IT systems and controls	
Key Audit Matters	Our response to the risk
<p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Our area of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.</p> <p>The Bank's disclosures relating to its IT systems and controls are included in note 2.10.54.6 of the financial statements.</p>	<p>We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. We tested the Bank's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p>

Legal & Regulatory Matters	
Key Audit Matters	Our response to the risk
<p>We focused on this area because the Bank operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.</p> <p>Significant Legal & Regulatory matters pertaining to the Bank were:</p> <ul style="list-style-type: none"> • Compliance of rules & regulations, including submission of returns to various regulators; • Maintenance of regulatory capital, reserves & provisions; and • Litigation (cases) filed on behalf of or against the Bank including any provisioning requirements. <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.</p> <p>The Bank's disclosures relating to its Legal & Regulatory Matters are included in note 2.1 of the financial statements.</p>	<p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting. We obtained an understanding, evaluated the design and tested the operational effectiveness of the Bank's key controls over the legal provision and contingencies process.</p> <p>We enquired those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We also enquired Bank's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports.</p>

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Bank financial statements
Overall materiality	Tk. 303.74 million (2017: Tk. 311.25 million)	Tk. 296.47 million (2017: Tk. 306.27 million)
How we determined it	5% of average profit or loss before tax of the last 5 years	
Rational for benchmark applied	Based on the benchmarks used in the Annual Report, profit or loss before tax is a key measure used by the shareholders in assessing the performance of the Bank, and is a generally accepted auditing benchmark.	

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriate low level & the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the Bank's overall control environment, our judgment was that the performance materiality was 85% (2017: 85%) of our planning materiality namely Tk. 258.18 million (2017: Tk. 264.57 million) for the Group financial statements and Tk. 252.00 million (2017: Tk. 260.33 million) for the separate financial statements of the Bank.

Going Concern

We are required to report if we have anything material to add or draw attention to in relation to the note 2.1.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Bank's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statements of the Bank that gives a true & fair view in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 (As amended in 2013 & 2018) and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures,

and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Securities and Exchange Rules 1987, the Bank Company Act 1991 (as amended in 2013 & 2018) and the rules and

regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the consolidated financial statements of the Group and the separate financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
 - (a) internal audit, internal control and risk management arrangements of the Group and the Bank as disclosed in notes 2.10.54 and 2.10.55 to the financial statements appeared to be adequate with immaterial control deficiencies as identified in the Management Report;
 - (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities. Other than the matters disclosed in note 2.10.54.4 (ii) to the financial statement
 - (iii) financial statements of all subsidiary companies of the Bank namely, UCB Capital Management Ltd. and UCB Investment Ltd. have been audited by us and have been properly reflected in the consolidated financial statements;
 - (iv) in our opinion, proper books of accounts as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from Branches not visited by us;
- (v) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the consolidated financial statements of the Group and the separate financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as explained in note 2.1 as well as with related guidelines, circulars issued by Bangladesh Bank and decision taken in tripartite meeting amongst the inspection team of Bangladesh Bank, external auditors' and the management of United Commercial Bank Limited held on 11 April 2019;
- (viii) provisions as explained in note 35 and 37 have been made for the loans & advances, other assets and off-balance sheet items which are in our opinion, doubtful of recovery;
- (ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (x) the information and explanations required by us have been received and found satisfactory;
- (xi) we have reviewed over 80% of the risk weighted assets of the Bank and spent around 7,040 person hours for the audit of the books and accounts of the Bank; and
- (xii) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Place : Dhaka
Date : 30 April 2019

Syful Shamsul Alam & Co

Syful Shamsul Alam & Co.
Chartered Accountants

UNITED COMMERCIAL BANK LTD

Consolidated Balance Sheet

As at 31 December 2018

		Notes	Amount in BDT	
PROPERTIES & ASSETS			31 Dec. 2018	31 Dec. 2017
Cash	3(a)		22,790,805,977	23,914,668,298
Cash in hand (Including foreign currencies)			5,210,062,815	3,622,586,753
Balance with Bangladesh Bank & its agent bank(s) (Including foreign currencies)			17,580,743,162	20,292,081,545
Balance with other banks & financial institutions	4(a)		16,808,653,551	20,728,528,451
In Bangladesh			15,878,993,805	19,506,883,628
Outside Bangladesh			929,659,746	1,221,644,823
Money at Call on short notice	5		150,000,000	290,000,000
Investments	6(a)		52,157,763,306	44,327,407,389
Government			41,715,205,114	38,980,950,734
Others			10,442,558,192	5,346,456,655
Loans and Advances	7(a)		296,577,495,501	262,582,316,650
Loans, Cash Credits, Overdrafts etc			277,089,605,629	246,380,809,499
Bills purchased and discounted			19,487,889,872	16,201,507,151
Fixed assets including premises, furniture & fixture	8(a)		9,084,103,674	8,352,791,075
Other assets	9(a)		5,392,690,884	5,012,804,789
Non-banking assets			-	-
Total Assets			402,961,512,892	365,208,516,652
LIABILITIES AND CAPITAL				
Liabilities:				
Borrowings from other banks, financial institutions and agents	10(a)		45,243,659,182	34,196,394,134
Deposits and other accounts	11(a)		297,016,343,921	278,005,027,973
Current accounts & other accounts			48,838,638,845	44,143,932,157
Bills Payable			7,520,067,273	6,594,925,930
Savings Bank Deposits			52,032,663,276	52,852,622,249
Fixed Deposits			188,624,974,527	174,413,547,637
Bearer Certificates of Deposits			-	-
Other Deposits			-	-
Other Liabilities	12(a)		32,206,869,529	26,135,329,030
Total Liabilities			374,466,872,632	338,336,751,137
Capital / Shareholders' Equity				
Paid up Capital	13		10,541,306,540	10,541,306,540
Share Premium	13.3		1,454,976,750	1,454,976,750
Statutory Reserve	14		11,448,968,037	10,467,416,183
General Reserve	15		26,577,961	26,577,961
Other Reserve	16		2,647,631,817	2,630,571,976
Retained Earnings	17(a)		2,375,178,967	1,750,915,952
Total Shareholders' Equity			28,494,640,072	26,871,765,362
Non controlling interest			188	153
Total Shareholders' Equity with non-controlling interest			28,494,640,260	26,871,765,515
Total Liabilities and Shareholders Equity			402,961,512,892	365,208,516,652

Off Balance Sheet Items

As at 31 December 2018

	Notes	Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
Contingent Liabilities :	18	182,066,614,059	197,156,815,172
Acceptances & Endorsements	18.1	69,188,473,619	48,836,369,932
Letters of Guarantee	18.2	65,251,091,309	91,361,376,812
Irrevocable Letters of Credit	18.3	34,639,116,428	44,803,196,081
Bills for Collection	18.4	12,987,932,703	12,155,872,347
Other Contingent Liabilities		-	-
Other Commitments:		-	816,986,203
Documentary credit and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	816,986,203
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance sheet items including contingent liabilities		182,066,614,059	197,973,801,375

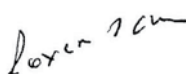
The annexed notes 01 to 48 form an integral part of these financial statements.



Managing Director



Director



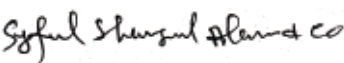
Director



Director

As per our report of same date.

Place : Dhaka
Date : 30 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants

UNITED COMMERCIAL BANK LTD


Consolidated Profit and Loss Account

For the year ended 31 December 2018

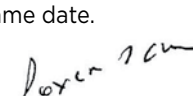
	Notes	Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
Interest Income	20(a)	25,535,510,449	21,195,019,572
Interest paid on deposits and borrowings etc	21(a)	16,058,876,540	12,095,778,945
Net Interest Income		9,476,633,909	9,099,240,627
Investment income	22(a)	4,426,444,175	4,280,415,201
Commission, exchange and brokerage	23(a)	4,618,603,224	4,238,444,827
Other Operating Income	24(a)	407,059,228	272,638,776
Total Operating Income (A)		18,928,740,536	17,890,739,431
OPERATING EXPENSES			
Salary and allowances	25(a)	6,579,674,154	5,826,694,652
Rent, taxes, insurance, electricity etc.	26(a)	1,229,731,749	1,159,547,062
Legal expenses	27(a)	63,279,505	65,635,948
Postage, stamps, telecommunications etc.	28(a)	143,219,321	149,631,095
Stationery, printing, advertisements etc.	29(a)	1,131,846,170	653,721,332
Chief Executive's salary and fees	30	9,912,000	8,026,560
Directors' fees	31	5,403,306	5,408,654
Auditors' fees	32(a)	1,230,500	885,500
Depreciation and repair of banks assets	33(a)	803,749,247	769,725,956
Other expenses	34(a)	1,044,739,752	930,189,933
Total Operating Expenses (B)		11,012,785,704	9,569,466,692
Profit/(Loss) before provision (C) = (A-B)		7,915,954,832	8,321,272,739
Provision for Loans & Advances	35(a)	3,425,686,446	2,092,071,402
Provision for diminution in value of investments	36(a)	(272,108,562)	(5,191,480)
Other provisions	37	(379,317,151)	397,928,598
Total Provision (D)		2,774,260,733	2,484,808,520
Total Profit/(Loss) before Income taxes (C - D)		5,141,694,099	5,836,464,219
Provision for Taxation	38(a)	2,481,748,541	3,114,213,388
Current Tax		2,460,094,126	3,113,781,612
Deferred Tax		21,654,415	431,776
Net Profit after Taxation		2,659,945,558	2,722,250,831
Appropriations			
Statutory Reserve		981,551,855	1,092,281,699
Retained Surplus		1,678,393,703	1,629,969,132
Attributable to:			
Equity holders' of the Bank		1,678,393,668	1,629,969,089
Non controlling interest		35	43
		1,678,393,703	1,629,969,132
Earnings Per Share (EPS)	39(a)	2.52	2.58

The annexed notes 01 to 48 form an integral part of these financial statements.

As per our report of same date.

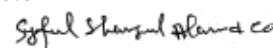

Managing Director


Director


Director


Director

Place : Dhaka
Date : 30 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants


UNITED COMMERCIAL BANK LTD

Consolidated Cash Flow Statement

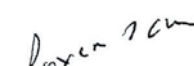
For the year ended 31 December 2018

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
A. Cash flows from operating activities			
Interest Receipts in cash		28,992,693,082	24,450,686,053
Interest Payments		(13,432,685,929)	(12,384,846,072)
Dividend Receipts		335,447,914	166,240,723
Fees & Commission Receipts in cash		2,949,858,080	2,623,587,027
Recoveries of loans Previously written off		267,641,572	113,150,993
Cash Payments to employees		(6,589,586,154)	(5,834,721,212)
Cash Payments to suppliers		(2,504,797,240)	(1,962,989,492)
Income taxes paid		(2,442,930,993)	(2,157,039,734)
Receipt from other operating activities	40(a)	2,214,854,544	2,394,671,331
Payment for other operating activities	41(a)	(1,349,424,896)	(1,219,219,372)
Operating profit before changes in operating assets and liabilities.		8,441,069,980	6,189,520,245
Increase/Decrease in operating assets and liabilities:			
Statutory Deposits		(2,734,254,380)	11,771,586,165
Purchase/Sales of trading Securities		(621,427,364)	568,866,708
Loans and advances to Customers		(35,525,982,523)	(38,839,580,370)
Other assets	42(a)	1,275,395,762	358,805,273
Deposit from banks		4,978,773,803	11,127,494
Deposit from customers		14,032,542,145	21,036,581,440
Other Liabilities		750,948,333	1,054,763,036
		(17,844,004,224)	(4,037,850,253)
Net Cash from operating activities (A)		(9,402,934,244)	2,151,669,992
B. Cash flows from investing activities			
Proceeds from Sale of Securities		(974,674,173)	(150,800,000)
Purchase/Sale of property, plant & equipment		(1,299,263,198)	(518,150,228)
Net Cash from investing activities (B)		(2,273,937,371)	(668,950,228)
C. Cash flows from financing activities			
Receipts from borrowings		11,047,265,048	8,631,293,500
Sub-Ordinated Bond		(3,500,000,000)	-
Dividends paid		(1,054,130,654)	(1,581,195,981)
Cash received from Issuing of Right Shares		-	-
Net cash from financing activities (C)		6,493,134,394	7,050,097,519
D. Net Increase/(Decrease) in cash (A+B+C)		(5,183,737,221)	8,532,817,283
E. Cash and Cash equivalents at beginning of the year		44,933,196,749	36,400,379,466
F. Cash and cash equivalents at the end of the year		39,749,459,528	44,933,196,749
Consolidated Cash and cash Equivalents at end of the year			
Cash in hand (including foreign currencies)	3 (a)	5,210,062,815	3,622,586,753
Balance with Bangladesh bank and its agent bank	3 (a)	17,580,743,162	20,292,081,545
Balance with other banks & financial institution	4 (a)	16,808,653,551	20,728,528,451
Money at call on short notice	5	150,000,000	290,000,000
		39,749,459,528	44,933,196,749

The annexed notes 01 to 48 form an integral part of these financial statements.

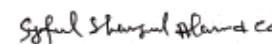

Managing Director


Director


Director


Director

Place : Dhaka
Date : 30 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants


UNITED COMMERCIAL BANK LTD


Consolidated Statement of Changes in Equity

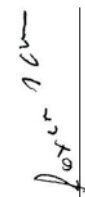
For the year ended 31 December 2018

Particulars	Amount in BDT									
	Paid up Capital	Share Premium	Statutory Reserve	General Reserve	Assets Revaluation Reserve	Investment Revaluation Reserve	Non-Controlling Interest	Foreign Currency translation gain/(loss)	Retained Earnings	Total
Balance as at 01 January 2018	10,541,306,540	1,454,976,750	10,467,416,183	26,577,961	2,534,101,559	76,878,998	153	19,591,419	1,750,915,952	26,871,765,515
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-
Restated Balance	10,541,306,540	1,454,976,750	10,467,416,183	26,577,961	2,534,101,559	76,878,998	153	19,591,419	1,750,915,952	26,871,765,515
Surplus/deficit on accounts of revaluation of properties	-	-	-	-	-	-	-	-	-	-
Surplus/deficit on accounts of revaluation of investments	-	-	-	-	-	13,921,366	-	-	-	13,921,366
Currency translation difference (OBU)	-	-	-	-	-	-	-	3,138,475	-	3,138,475
Net Profit for the year	-	-	-	-	-	-	-	-	2,659,945,558	2,659,945,558
Transferred to statutory reserve	-	-	981,551,855	-	-	-	-	-	(981,551,855)	-
Dividend (Bonus Share Issued)	-	-	-	-	-	-	-	-	-	-
Dividend (Cash) for 2017	-	-	-	-	-	-	-	-	(1,054,130,654)	(1,054,130,654)
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-	-
Non Controlling Interest	-	-	-	-	-	-	35	-	(35)	-
Balance as at 31 December 2018	10,541,306,540	1,454,976,750	11,448,968,037	26,577,961	2,534,101,559	90,800,364	188	22,729,894	2,375,178,967	28,494,640,260

The annexed notes 01 to 48 form an integral part of these financial statements.


Managing Director


Director


Director


Director

UNITED COMMERCIAL BANK LTD

Balance Sheet

As at 31 December 2018


PROPERTIES & ASSETS	Notes	Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
Cash	3	22,790,705,537	23,914,511,782
Cash in hand (Including foreign currencies)		5,209,962,375	3,622,430,237
Balance with Bangladesh Bank & its agent bank(s) (Including foreign currencies)		17,580,743,162	20,292,081,545
Balance with other banks & financial institutions	4	16,256,142,471	19,768,664,310
In Bangladesh		15,326,482,725	18,547,019,487
Outside Bangladesh		929,659,746	1,221,644,823
Money at Call on short notice	5	150,000,000	290,000,000
Investments	6	50,830,837,698	42,911,746,304
Government		41,715,205,114	38,980,950,734
Others		9,115,632,584	3,930,795,570
Loans and Advances	7	294,671,938,315	261,002,884,449
Loans, Cash Credits, Overdrafts etc		275,184,048,443	244,801,377,298
Bills purchased and discounted		19,487,889,872	16,201,507,151
Fixed assets including premises, furniture & fixture	8	9,056,114,228	8,344,101,636
Other assets	9	7,320,406,165	7,082,891,656
Non-banking assets		-	-
Total Assets		401,076,144,413	363,314,800,137
LIABILITIES AND CAPITAL			
Liabilities:			
Borrowings from other banks, financial institutions and agents	10	44,694,259,182	33,846,394,134
Deposits and other accounts	11	297,172,820,632	278,195,485,832
Current accounts & other accounts		48,995,115,556	44,334,390,016
Bills Payable		7,520,067,273	6,594,925,930
Savings Bank Deposits		52,032,663,276	52,852,622,249
Fixed Deposits		188,624,974,527	174,413,547,637
Bearer Certificates of Deposits		-	-
Other Deposits		-	-
Other Liabilities	12	31,209,298,354	24,762,662,367
Total Liabilities		373,076,378,168	336,804,542,333
Capital / Shareholders' Equity			
Paid up Capital	13	10,541,306,540	10,541,306,540
Share Premium	13.3	1,454,976,750	1,454,976,750
Statutory Reserve	14	11,448,968,037	10,467,416,183
General Reserve	15	26,577,961	26,577,961
Other Reserve	16	2,647,631,817	2,630,571,976
Retained Earnings	17	1,880,305,140	1,389,408,394
Total Shareholders' Equity		27,999,766,245	26,510,257,804
Total Liabilities and Shareholders Equity		401,076,144,413	363,314,800,137

Off Balance Sheet Items

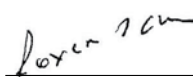
As at 31 December 2018

	Notes	Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
Contingent Liabilities :			
	18	182,066,614,059	197,156,815,172
Acceptances & Endorsements	18.1	69,188,473,619	48,836,369,932
Letters of Guarantee	18.2	65,251,091,309	91,361,376,812
Irrevocable Letters of Credit	18.3	34,639,116,428	44,803,196,081
Bills for Collection	18.4	12,987,932,703	12,155,872,347
Other Contingent Liabilities		-	-
Other Commitments:		-	816,986,203
Documentary credit and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	816,986,203
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance Sheet Items Including Contingent Liabilities		182,066,614,059	197,973,801,375

The annexed notes 01 to 48 form an integral part of these financial statements.


Managing Director

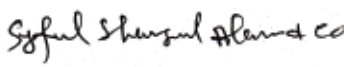

Director


Director


Director

As per our report of same date.

Place : Dhaka
Date : 30 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants

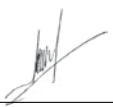
UNITED COMMERCIAL BANK LTD


Profit and Loss Account

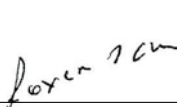
For the year ended 31 December 2018

	Notes	Amount in BDT	
		31 Dec 2018	31 Dec 2017
Interest Income	20	25,266,932,644	21,034,156,637
Interest paid on deposits and borrowings etc	21	16,024,496,884	12,087,387,278
Net Interest Income		9,242,435,760	8,946,769,359
Investment income	22	4,430,705,298	4,097,003,932
Commission, exchange and brokerage	23	4,480,617,157	4,066,522,259
Other Operating Income	24	406,398,680	271,972,941
Total Operating Income (A)		18,560,156,895	17,382,268,491
OPERATING EXPENSES			
Salary and allowances	25	6,491,607,508	5,736,494,910
Rent, taxes, insurance, electricity etc.	26	1,226,148,243	1,155,591,221
Legal expenses	27	63,146,961	65,336,223
Postage, stamps, telecommunications etc.	28	141,984,025	148,928,973
Stationery, printing, advertisements etc.	29	1,127,862,324	648,490,430
Chief Executive's salary and fees	30	9,912,000	8,026,560
Directors' fees	31	5,403,306	5,408,654
Auditors' fees	32	1,150,000	805,000
Depreciation and repair of banks assets	33	799,956,580	764,885,364
Other expenses	34	1,035,097,565	896,892,661
Total Operating Expenses (B)		10,902,268,512	9,430,859,996
Profit/(Loss) before provision (C) = (A-B)		7,657,888,383	7,951,408,495
Provision for Loans & Advances	35	3,422,285,507	2,092,071,402
Provision for diminution in value of investments	36	(292,839,246)	-
Other provisions	37	(379,317,151)	397,928,598
Total Provision (D)		2,750,129,110	2,490,000,000
Total Profit/(Loss) before Income taxes (C - D)		4,907,759,273	5,461,408,495
Provision for Taxation	38	2,381,180,019	3,027,500,000
Current Tax		2,360,094,126	3,027,500,000
Deferred Tax		21,085,893	-
Net Profit after Taxation		2,526,579,254	2,433,908,495
Appropriations			
Statutory Reserve		981,551,855	1,092,281,699
Retained Surplus		1,545,027,399	1,341,626,796
		2,526,579,254	2,433,908,495
Earnings Per Share (EPS)	39	2.40	2.31

The annexed notes 01 to 48 form an integral part of these financial statements.


Managing Director

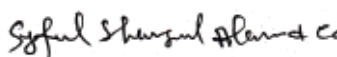

Director


Director


Director

As per our report of same date.

Place : Dhaka
Date : 30 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants


UNITED COMMERCIAL BANK LTD

Cash Flow Statement

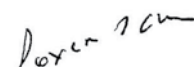
For the year ended 31 December 2018

		Amount in BDT	
Notes		31 Dec 2018	31 Dec 2017
A. Cash flows from operating activities			
Interest Receipts in cash		28,724,115,277	24,289,823,118
Interest Payments		(13,398,306,273)	(12,376,454,405)
Dividend Receipts		303,129,439	139,310,824
Fees & Commission Receipts in cash		2,811,872,013	2,451,664,459
Recoveries of loans Previously written off		267,641,572	113,150,993
Cash Payments to employees		(6,501,519,508)	(5,744,521,470)
Cash Payments to suppliers		(2,495,994,592)	(1,953,010,624)
Income taxes paid		(2,361,320,271)	(2,114,571,485)
Receipt from other operating activities	40	2,250,773,594	2,299,173,341
Payment for other operating activities	41	(1,339,569,667)	(1,183,618,966)
Operating profit before changes in operating assets and liabilities.		8,260,821,584	5,920,945,785
Increase/Decrease in operating assets and liabilities:			
Statutory Deposits		(2,734,254,380)	11,771,586,165
Purchase/Sales of trading Securities		(702,283,204)	938,105,788
Loans and advances to Customers		(35,199,857,538)	(37,900,790,750)
Other assets	42	(15,273,423)	(1,080,633,387)
Deposit from banks		4,978,773,803	11,127,494
Deposit from customers		13,998,560,997	20,480,056,257
Other Liabilities	43	2,603,200,829	1,571,385,916
		(17,071,132,915)	(4,209,162,517)
Net Cash from operating activities (A)		(8,810,311,331)	1,711,783,268
B. Cash flows from investing activities			
Proceeds from Sale of Securities		(982,553,810)	(145,800,000)
Purchase/Sale of property, plant & equipment		(1,277,197,337)	(513,634,831)
Net Cash from investing activities (B)		(2,259,751,147)	(659,434,831)
C. Cash flows from financing activities			
Receipts from borrowings		10,847,865,048	8,281,293,500
Sub-Ordinated Bond		(3,500,000,000)	-
Dividends Paid		(1,054,130,654)	(1,581,195,981)
Cash received from Issuance of Rights Shares		-	-
Net cash from financing activities (C)		6,293,734,394	6,700,097,519
Net Increase/(Decrease) in cash (A+B+C)		(4,776,328,084)	7,752,445,956
Cash and Cash equivalents at beginning of the year		43,973,176,092	36,220,730,136
Cash and cash equivalents at the end of the year		39,196,848,008	43,973,176,092
Cash and cash Equivalents at end of the year			
Cash in hand (including foreign currencies)	3.1	5,209,962,375	3,622,430,237
Balance with Bangladesh bank and its agent bank	3.2	17,580,743,162	20,292,081,545
Balance with other banks & financial institution	4	16,256,142,471	19,768,664,310
Money at call on short notice	5	150,000,000	290,000,000
		39,196,848,008	43,973,176,092

The annexed notes 01 to 48 form an integral part of these financial statements.


Managing Director


Director


Director


Director

UNITED COMMERCIAL BANK LTD


Statement of Changes in Equity


For the year ended 31 December 2018

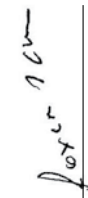
Amount in BDT

Particulars	Paid up Capital	Share Premium	Statutory Reserve	General Reserve	Assets Revaluation Reserve	Investment Revaluation Reserve	Foreign Currency translation gain/(loss)	Retained Surplus	Total
Balance as at 01 January 2018	10,541,306,540	1,454,976,750	10,467,416,183	26,577,961	2,534,101,559	76,878,998	19,591,419	1,389,408,394	26,510,257,804
Changes in Accounting policy	-	-	-	-	-	-	-	-	-
Restated Balance	10,541,306,540	1,454,976,750	10,467,416,183	26,577,961	2,534,101,559	76,878,998	19,591,419	1,389,408,394	26,510,257,804
Surplus/deficit on accounts of revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/deficit on accounts of revaluation of investments	-	-	-	-	-	13,921,366	-	-	13,921,366
Currency translation difference (OBU)	-	-	-	-	-	-	3,138,475	-	3,138,475
Net Profit for the period	-	-	-	-	-	-	-	2,526,579,254	2,526,579,254
Transferred to statutory reserve	-	-	-	-	-	-	-	(981,551,855)	-
Dividend (Bonus Share Issued)	-	-	981,551,855	-	-	-	-	-	-
Dividend (Cash) for 2017	-	-	-	-	-	-	-	(1,054,130,654)	(1,054,130,654)
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2018	10,541,306,540	1,454,976,750	11,448,968,037	26,577,961	2,534,101,559	90,800,364	22,729,894	1,880,305,140	27,999,766,245

The annexed notes 01 to 48 form an integral part of these financial statements.


Managing Director


Director


Director


Director

UNITED COMMERCIAL BANK LTD

Liquidity Statement

Asset and Liability Maturity Analysis

As at 31 December 2018

Particulars	Amount in BDT				
	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 years
Assets					
Cash in hand	5,313,033,448	-	-	-	17,477,672,089
Balance with other banks & financial institutions	10,696,642,471	5,559,500,000	-	-	-
Money at call on short notice	150,000,000	-	-	-	-
Investment	1,803,328,337	-	7,666,173,330	13,599,247,898	27,762,088,132
Loans and Advances	38,791,051,293	67,718,092,312	78,152,207,483	68,129,991,338	41,880,595,890
Fixed assets including premises, furniture & fixture	50,000,000	100,000,000	450,000,000	2,400,000,000	6,056,114,228
Other Assets	1,159,171,841	1,171,858,272	523,589,531	1,346,549,251	3,119,237,270
Non banking assets	-	-	-	-	-
Total Assets (A)	57,963,227,390	74,549,450,584	86,791,970,344	85,475,788,487	96,295,707,609
Liabilities					
Borrowing from Bangladesh bank, other banks, financial institutions and agents	5,228,466,285	7,204,544,085	13,164,863,107	12,399,571,977	6,696,813,728
Deposits	37,076,222,002	53,369,796,449	59,990,792,102	72,358,684,856	74,377,325,223
Provisions and other liabilities	2,739,164,684	6,376,030,371	5,957,099,776	4,268,880,342	11,868,123,181
Total Liabilities (B)	45,043,852,972	66,950,370,905	79,112,754,985	89,027,137,174	92,942,262,131
Net Liquidity Gap (A-B)	12,919,374,418	7,599,079,678	7,679,215,359	(3,551,348,688)	3,353,445,477
					27,999,766,245

UNITED COMMERCIAL BANK LTD
Notes to the Financial Statements
As at and for the year ended 31 December 2018

1. The Bank & its activities

1.1 Status of the Bank

United Commercial Bank Limited ('UCBL' or the 'Bank') was incorporated in Bangladesh as a public limited company with limited liability on 26 June 1983 under the 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 187 branches and 75 agent banking outlets as on 31 December 2018. 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 of the bank is located at Plot - CWS- (A)- 1, Gulshan Avenue, Dhaka - 1212.

1.2 Off-shore Banking Unit

Off-shore Bank is a Bank located outside the country of residence of depositors, typically in the low tax jurisdiction (or tax haven) that provides financial and legal advantages. Off-shore Banking Unit (the Unit), a separate business unit of United Commercial Bank Limited, governed under the Rules and guidelines of Bangladesh Bank. The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD (P-3) 744 (117)/2010-2577 dated 9th June 2010. The Bank commenced the operation of its Off-shore Banking Unit from November 10, 2010. At present there is one unit of off-shore banking operating in Dhaka under the Rules and guidelines of Bangladesh Bank.

1.3 Mobile Financial Services; UCash

With the view to bringing the unbanked people into the banking facilities, UCB started Mobile Banking Services under the title of UCash in 2013. The Bank obtained the license from Bangladesh Bank for mobile banking business vide letter no. DCMPS/PSD/37(T)/2012-217 dated 19 April 2012.

1.4 Subsidiary Company

A subsidiary is an entity in which the bank has control as per shareholding and voting right are concerned. Control exists when the bank has substantial shareholding (more than 50 percent) in the company or the power, directly or indirectly, to govern the financial and operating policies of an enterprise as on the date of the reporting. Separate (solo) Financial Statements and Consolidated Financial Statements are prepared for subsidiary investment as per International Accounting Standard (IAS) - 27; 'Separate Financial Statements' and IFRS-10; Consolidated Financial Statements. Interest of the minority is shown as the minority interest which includes share capital of the minority portion as well as profit earned that goes to the non-controlling interest. However, intergroup transactions, balances and the resulting unrealized profits/ (loss) are eliminated on consolidation.

1.4.1 UCB Capital Management Limited

UCB Capital Management Limited is a subsidiary company of United Commercial Bank Limited. The activities of the company include brokerage service, margin loan etc. The company is carrying out its activities under the license from both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.

UCBL holds 51,34,999 nos. of shares of UCB Capital Management Limited with face value of Tk. 100 each which equivalent to 99.99998% of the total shares of the company.

1.4.2 UCB Investment Limited

UCB Investment Limited was incorporated in Bangladesh as a private limited company with limited liability as on 3 August of 2011 under Companies Act 1994. The principal objective of the company is to carry out full-fledged merchant banking activities in Bangladesh i.e. portfolio management, share transfer agent, fund management to issue in the capital and security market, underwrite, manage and distribute the issue of stock shares, bonds and other securities.

UCBL holds 24,990,000 nos. of shares of UCB Investment Limited with face value of Tk. 10 each which equivalent to 99.96% of total shares of the company.

1.5 Separate and consolidated financial statements

The separate financial statements of the bank as at and for the year ended 31 December 2018 comprise those of Domestic Banking (Main Operations) and Offshore Banking Unit (OBU), and the consolidated financial statements of the group as at and for the year ended 31 December 2018 comprise those of 'the Bank' (parent company) and its subsidiaries.

2. Summary of significant accounting policies and basis of preparation of the financial statements

Basis of preparation

2.1 Statement of Compliance

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is to be formed and it is to issue financial reporting standards for public interest entities such as banks. However, the FRC has been formed but yet to issue any financial reporting standards. Consequently, as per the provisions of the FRA (section -69), the consolidated and separate financial statements of the Group and the Bank respectively have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and in addition to this the Bank complied with the requirements of following laws and regulations from various Government bodies:

- The Bank Company Act, 1991 and amendment thereon;
- The Companies Act, 1994;
- Circulars, Rules and Regulations issued by Bangladesh Bank (BB) time to time;
- Bangladesh Securities and Exchange Rules 1987, Bangladesh Securities and Exchange ordinance 1969, Bangladesh Securities and Exchange Act 1993, Bangladesh Securities and Exchange Commission (Public Issue) Rules 2015;
- The Income Tax ordinance, 1984 and amendment thereon;
- The Value Added Tax Act, 1991 and amendment thereon;
- Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange limited (CSE) and Central Depository Bangladesh Limited (CDBL) rules and regulations; and
- Financial Reporting Act 2015.

In case of any requirement of the Bank Company

Act 1991, and provisions and circulars issued by Bangladesh Bank (BB) differ with those of IFRSs, the requirements of the Bank Company Act 1991, and provisions and circulars issued by BB shall prevail. Material departures from the requirements of IFRS are as follows:

i. Investment in shares and securities

IFRS: As per requirements of IFRS 9, classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) along with their contractual cash flow characteristics. Based on these factors it would generally fall either under 'at fair value through profit or loss account' or under 'at fair value through other comprehensive income' where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or other comprehensive income respectively.

Bangladesh Bank: As per Banking Regulation and Policy Department (BRPD) circular no. 14 dated 25 June 2003, investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognised at cost.

ii. Revaluation gain/loss on Government securities

IFRS: As per requirement of IFRS 9 where securities will fall under the category of fair value through profit or loss account, any change in the fair value of assets is recognised through the profit and loss account. Securities designated as amortised cost are measured at effective interest rate method and interest income is recognised through the profit and loss account.

Bangladesh Bank: HFT securities are revalued on the basis of mark to market and at the year end, any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation are recognised in other reserve as a part of equity.

iii. Provision on loans and advances

IFRS: As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 month expected credit losses that may result from default events on such loans and advances that are possible within 12 months after reporting date.

Bangladesh Bank: As per BRPD circular No.15 (27 September 2017), BRPD circular No.16 (18 November 2014), BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012), BRPD circular No. 05 (29 May 2013) and BRPD circular No.1 (20 February 2018) a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also specific provision for sub-standard loans, doubtful loans and bad losses have to be provided at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no.10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

iv. Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently becomes credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be

recognised as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

v. Other comprehensive income

IFRS: As per IAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single other comprehensive income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income (OCI) Statement. As such the Bank does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.

vi. Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in IFRS 9. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

vii. Repo and Reverse Repo transactions

IFRS: As per IFRS 9 when an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is treated as a loan and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per DOS Circular letter no. 6 dated 15 July 2010 and subsequent clarification in DOS circular no.2 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as normal sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book.

However, as per DMD circular letter no.7 dated 29 July 2012, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralised repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognise the asset.

viii. Financial guarantees

IFRS: As per IFRS 9, financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The financial guarantee liability is subsequently measured at the higher of the amount of loss allowance for expected credit losses as per impairment requirement and the amount initially recognised less, income recognised in accordance with the principles of IFRS 15. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, dated 25 June 2003 financial guarantees such as letter of credit and letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin. As per BRPD Circular No.01 dated 03 January 2018 and BRPD Circular No.14 dated 23 September 2012, the Bank is required to maintain provision at 1% against gross off-balance sheet exposures (which includes undrawn loan commitments).

ix Cash and cash equivalent

IFRS: Cash and cash equivalent items should be reported as cash item as per IAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'Money at Call and on Short Notice', Treasury Bills, Bangladesh Bank Bills and Prize Bond are not shown as cash and cash equivalent. Money at call and on short notice presented on the face of the balance sheet, and Treasury Bills, Prize Bonds are shown in investments.

x. Non-banking asset

IFRS: No indication of Non-banking asset is found in any IFRS.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, there must exist a face item named Non-banking asset.

xi. Cash flow statement

IFRS: Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, cash flows is the mixture of direct and indirect method.

xii. Balance with Bangladesh Bank: (CRR)

IFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for the use in day to day operations as per IAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

xiii. Presentation of intangible asset

IFRS: An intangible asset must be identified and recognized, and the disclosure must be given as per IAS 38.

Bangladesh Bank: There is no requirement for regulation of intangible assets in BRPD 14 dated 25 June 2003.

xiv. Off-balance sheet items

IFRS: There is no concept of off-balance sheet items in any IFRS; hence there is no requirement of disclosure of off-balance sheet items.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of balance sheet.

xv. Disclosure of appropriation of profit

IFRS: There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, an appropriation of profit should be disclosed in the face of profit and loss account.

xvi. Loans and advance net of provision

IFRS: Loans and advances should be presented net of provisions.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

xvii. Provision on undrawn loan commitments

IFRS: As per IFRS 9 bank shall recognise credit losses on undrawn loan commitments such as Letter of Credit (L/C), Letter of Guarantee (L/G) etc. as the present value of the difference between the contractual cash flow that are due by the customer if the commitment is drawn down and the cash flows that bank expects to receive.

Bangladesh Bank: As per BRPD Circular no. 07 dated 21 June 2018 and BRPD Circular no.14 dated 23 September 2012, the Bank is required to maintain provision at 1% rate against off-balance sheet exposures (which includes all types of undrawn loan commitments).

2.1.1 Going Concern

The accompanying financial statements have been prepared on a going concern assumption that the Bank will continue in operation for the foreseeable future. The Bank has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. The key financial parameters (including liquidity, profitability, asset quality, provision sufficiency and capital adequacy) of the Bank continued to show a healthy trend for couple of years. The rating outlook of the Bank as reported by all the rating agencies is "Stable". Besides, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items:

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' at present value using 'mark to market' concept with gain credited to revaluation reserve but loss charged to Profit and Loss Account.
- Government Treasury Bills and Bonds

designated as 'Held to Maturity (HTM)' at present value using amortization concept.

- Land is recognized at cost at the time of acquisition and subsequently measured at fair value as per IAS-16 Property Plant & Equipment and BSEC notification SEC/CMRRCD/2009-193/150/Admin dated 18 August 2013.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of United Commercial Bank Limited and its subsidiaries 'UCB Capital Management Limited and 'UCB Investment Ltd'. The Separate (solo) financial statements and consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standard IAS -27: Separate Financial Statements and IFRS-10; Consolidated financial statements. The consolidated financial statements are prepared to a common financial year ended 31 December 2018 Basis of consolidation are as follows:

- The consolidated financial statements incorporate the financial statements of the bank and the financial statements of the subsidiary companies from the date that control commences until the date that control ceases. The financial statements of such subsidiary companies are incorporated on a line by line basis and the investments held by the parent (bank) are eliminated against the corresponding share capital of group entities (subsidiaries) in the consolidated financial statements.
- Subsidiaries (investees) are entities controlled by the parent (investor). Control exists when the investor has the power over the investee that gives right to direct relevant activities, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.
- All financial assets and financial liabilities are offset and the net amount reported in the consolidated financial statements only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Items are not offset in the consolidated financial statements unless required or permitted by accounting standards and regulators.
- Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial

statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

- Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- Loss of control: Upon the loss of control of a subsidiary the group derecognizes the assets (including any goodwill) and liabilities of the subsidiary at carrying amount, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit and loss account. If the group retains any interest in the former/previous/ex subsidiary, such interest is measured at fair value at the date that the control is lost.

2.4 Use of estimates and judgments

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Key estimates include the following:

- Loan loss provision
- Revaluation of land
- Current tax, Deferred tax assets/liabilities
- Gratuity & Superannuation fund

2.5 Consistency

In accordance with IFRS framework for the presentation of financial statements together with IAS-1 and IAS-8, United Commercial Bank Limited discloses its information consistently from one period to the next. Where selecting and applying a new accounting policies, changes in accounting policies, correction of errors, the amount involved are accounted for and disclosed retrospectively in accordance with the requirement of IAS-8. However, for changes in the accounting estimates the related amount is recognized prospectively in the current period and in the next period or periods.

2.6 Foreign Currency Transactions and Translations

Functional and presentation currency

The consolidated financial statements of the Group and the financial statements of the Bank are presented in Bangladesh Taka (BDT) which is the functional currency of the Group and the Bank except OBU where functional currency is US Dollar (USD). All financial information presented in Taka has been rounded off to the nearest integer, except when otherwise indicated.

Foreign currency transactions

Transactions/Day End Balances in foreign currencies are converted into respective functional currencies at the rate of exchange ruling at the date of transactions as per IAS 21, 'The Effects of Changes in Foreign Exchange Rates'. Effects of Exchange rate differences (rates at which transactions were initially recorded and the rate prevailing on the reporting date/date of settlements) applied on the monetary assets or liabilities of the bank are recorded in the Profit and Loss Account.

Foreign currency translations

Assets and liabilities of OBU have been presented into Taka (which is functional currency of the Bank) using year end standard mid rate of exchange of the Bank and incomes and expenses are translated using monthly average of standard mid rate of exchange. The foreign currency translation difference is a net result of exchange difference of year end standard mid rate and monthly average of standard mid rate arising from translation of functional currency to presentation currency.

2.7 Cash flow statement

Cash flow statement has been prepared in accordance with International Accounting Standard (IAS) 7 "Statement of Cash Flows" and under the guideline of Bangladesh Bank BRPD Circular no.14 dated 25 June 2003. The Statement shows the structure of changes in cash and cash equivalents during the financial year.

2.8 Statement of changes in equity

The statement of changes in equity reflects information about the increase or decrease in net assets or wealth. The statement also shows item-wise movement along with the description of changes from the end of last year to the end of current year.

2.9 Statement of liquidity

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per following basis:

Particulars	Basis of Use
Cash, Balance with other banks and financial institutions, money at call and short notice etc.	Stated maturity/observed behavioral trend
Investments	Residual maturity term
Loans and advances	Repayment/maturity schedule and behavioral trend (non-maturity products)
Fixed assets	Useful life
Other assets	Realization/amortization basis
Borrowings from other banks and financial institutions	Maturity/repayment term
Deposits and other accounts	Maturity and behavioral trend (non-maturity products)
Other long term liability	Maturity term
Provision and other liability	Settlement/adjustment schedule basis

2.10 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by group entities except otherwise instructed by the Central Bank as prime regulator. Certain comparative amounts in the financial statements have been reclassified and rearranged to conform to the current year's presentation.

Accounting policies of subsidiaries

The financial statements of subsidiaries have been prepared using uniform accounting policies of the Bank (Parent) for transactions and other events in similar nature. The financial statements of subsidiaries have been prepared using the calendar year ended 31 December which is also same for the Bank.

A. ASSETS AND THE BASIS OF THEIR VALUATION

2.10.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balance held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the Bank management for its short-term commitments.

2.10.2 Investments

All investment securities are initially recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discounts are accreted. Accounting treatment for government treasury securities (HFT and HTM) is made as per Bangladesh Bank Circular Ref. BRPD Circular no. 5 dated 26 May 2008 and subsequent clarification DOS circular letter no. 5 dated 28 January 2009.

2.10.3 Held to Maturity (HTM)

Investments which have "fixed or determinable payments" and are intended to be held to maturity

are classified as "Held to Maturity". Initially these investments are recorded at cost. Subsequently at each year end, these investments are measured at amortized cost. Any increase or decrease in the value of such investment is recognized in shareholders' equity and profit and loss account respectively.

2.10.4 Held for Trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or if designated as such by the management. After initial recognition at cost, investments are revalued at Mark to Market (MTM) on weekly basis and any increase on such valuation is recognized as revaluation gain under the shareholders' equity and any loss is recognized in the profit and loss account.

2.10.5 REPO and Reverse REPO:

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

Since 1 September 2010 transactions of REPO and Reverse REPO are recorded based on DOS Circular no. 06, dated 15 July 2010 of Bangladesh Bank. Securities under repo will be excluded from the investment portfolio and hence will not be eligible for SLR purpose. Securities acquired under reverse repo will be eligible for SLR purpose initially at its clean price (in case of coupon bearing security) or at its market value (in case of non-coupon bearing security).

2.10.6 Investment in listed/quoted securities

These securities are bought and held primarily for the purpose of selling them in future or holding for dividend income. These are reported at cost. Unrealized gains are not recognized in the profit and loss account. But provision for diminution in value of investment is recognized in the profit and loss account.

2.10.7 Investment in unquoted securities

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of Net Assets Value (NAV) over cost in the Profit & Loss Account, but there is no unrealized gain booking.

Investment class	Initial recognition	Measurement after initial recognition	Recording of changes
Govt. T-bills/bonds - Held for Trading (HFT)	Cost	Fair value [Weekly revalued at FMV through MTM valuation process]	Loss to Profit and Loss Account, gain to Revaluation Reserve through Profit & Loss Account.
Govt. T-bills/bonds - Held to Maturity (HTM)	Cost	Amortized cost at each year end.	Increase or decrease in value to equity and Profit & Loss Account respectively.
Debenture/Bond	Face value	N/A	N/A
Shares (Quoted) *	Cost	Lower of Cost or Market Value (overall portfolio)	Loss (gain net off) to Profit and Loss Account but no unrealized gain booking.
Shares (Unquoted)*	Cost	Lower of Cost or Net Asset Value (NAV)	Loss to Profit & Loss Account but no unrealized gain booking.
Prize bond	Cost	Cost	N/A

2.10.8 Investment in subsidiaries

Investment in subsidiaries are accounted for under the cost method of accounting in the Bank's financial statements in accordance with IAS 27 "Separate Financial Statements" and IFRS 3 "Business Combination". Impairment of investment in subsidiaries is made as per the provision of IAS 36 "Impairment of Assets".

2.10.9 Loans, Advances and provisions

- Loans and advances are stated at gross amount.
- Loans and advances are broadly classified under the heads of Continuous, Demand, Long Term and Short term Agriculture and Micro Credit. Continuous and Demand Loans are accounted under Capitalized method where interest accrues monthly and applied to loan account quarterly. Term loans are accounted under amortized method where repayments consists of no. of EMIs
- Interest on unclassified loans & advances and SMA loans are credited to Interest Income. Interest on Sub- standard and Doubtful Loans and advances are not credited to interest income, it is kept

in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realized from borrowers. Interest accrual is kept stopped for all Bad & Loss Advances.

- Commission and discounts on bills purchased and discounted are recognized at the time of realization.
- General provisions on unclassified loans and off balance sheet items, specific provisions for classified loans and interest suspense thereon are shown under other liabilities. Provision against classified loans and advances is made on the basis of quarter end review by the management and instructions contained in BRPD Circular no.14 dated 23 September 2012, BRPD Circular no.19 dated 27 December 2012, BRPD Circular no.16 dated 18 November 2014, BRPD Circular no. 12 dated 20 August 2017, BRPD Circular no. 15 dated 27 September 2017 and BRPD Circular no. 01 dated 20 February 2018, BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 13 dated 18 October 2018.

Particulars	Rates
General Provision on	
Unclassified general loans and advances	1%
Unclassified small and medium enterprise	0.25%
Unclassified loans to BHs/MBs/SDs against shares etc.	2%
Unclassified loans consumer financing -Housing finance	1%
Unclassified loans consumer financing -Loans for professionals	2%
Unclassified loans consumer financing -Credit card	2%
Unclassified consumer financing others	5%
Unclassified short-term Agricultural and Micro-Credits	1%
Special Mention Account	0.25%-5%
Off-balance sheet exposures	1%
Specific Provisions on	
Substandard loans and advances other than short term agri credit and micro credit	20%
Doubtful loans and advances other than short term agri credit and micro credit	50%
Bad/Loss loans and advances	100%
Substandard short term agri credit and micro credit	5%
Doubtful short term agri credit and micro credit	5%

- f) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery and (ii) against which legal cases are pending for more than 05 (five) years as per guidelines of Bangladesh Bank. However, the write off will not reduce the claim against the borrower. Detailed memorandum records for all such write off accounts are maintained carefully and followed up.

As per BRPD circular no. 14 September 2012 and BRPD Circular No.05 dated 29 May 2013 a general provision at 1% to 5% under different categories of unclassified loans (good/standard loans) have to be maintained. However, such general provision cannot satisfy the conditions of provision as per IAS 37. At the year end the company has recognized an accumulated general provision of Tk. 4,368.93 million in the balance sheet under liabilities as per Bangladesh Bank's requirement.

2.10.10 Property, Plant and Equipment and depreciation

Recognition

The cost of an item of fixed assets is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Initial Measurement

Items of property, plant and equipment that qualify for recognition as an asset is measured initially at its cost. The cost of an item of PPE comprises:

- a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- b) Any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent Measurement

Subsequently, the Bank has the option to measure an entire class of property, plant and equipment either using cost model or revaluation model.

Fixed assets except land are stated at cost less accumulated depreciation. Land is recognized at cost at the time of acquisition and subsequently measured at revalued amounts which are the fair value at the time of revaluation done by independent professional valuer and any surplus on revaluation is shown as equity component until the asset is disposed.

Subsequent expenditure

The bank recognizes any subsequent expenditure in the carrying amount of an item of property, plant and equipment as a part of the cost only when it is probable that future economic benefits embodied with the item will flow to the bank due to the subsequent expenditure. However, expenditures incurred after the assets have been put into operation, such as, repairs and maintenance is recognized as revenue expenditure in the period in which it is incurred.

Depreciation

Depreciation is charged at the rates stated below on all fixed assets on the basis of estimated useful lives as determined in the fixed asset policy of the Bank. In all cases depreciation is calculated on the straight line method. Charging depreciation commences from the month of acquisition (for full month) and ceases at the month when the assets are disposed. No depreciation has been charged on land. Rate and method of charging depreciation/ amortization of fixed assets are mentioned below:

Name of the assets	Rate of depreciation	Method of charging depreciation/ amortization
Land	NIL	Not applicable
Building	2.50%	Straight Line Method
Furniture & Fixtures	10%	Straight Line Method
Office Equipment	20%	Straight Line Method
Computer Equipments	20%	Straight Line Method
Computer Software	25%	Straight Line Method
Vehicle	20%	Straight Line Method

Changes in useful life and method of depreciation of the property, plant and equipment

Both changes in useful life of the property, plant and equipment and method of depreciation, i.e. consumption pattern of the assets shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Capital work in progress

Property, plant and equipment under construction is recognized and reported under Fixed Assets as per IAS 16 'Property, Plant & Equipment' as Capital work in progress until the construction work is completed and the asset is ready for the intended use. This asset is stated at cost and depreciation of the asset will be charged from the date of its intended use.

De-recognition of fixed assets

The carrying amount of an item of fixed assets is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de recognition of an item of fixed assets is recorded in profit or loss when the item is de-recognized.

Revaluation of Property, Plant and Equipment

An item of Property, Plant and Equipment is revalued when fair value of the asset differs materially from its carrying amount. Such revaluation is normally carried out by professionally qualified valuers. Last revaluation of Bank's land property and Building were carried as at 27 December 2012 by Padma Techno Consult & Survey Ltd. Accordingly, revaluation surplus is included in fixed assets and assets revaluation reserve is recognized under shareholder's equity as per guidelines of IAS-16; Property, Plant and Equipment. Such revaluation reserve will be disposed off upon retirement/de-recognition of the assets.

2.10.11 Accounting under lease operations:

2.10.11.1 Assets obtained under Lease Agreements

Fixed assets which are procured under finance lease arrangement (under which substantially all the risks and rewards incidental to ownership are transferred to the lessees i.e. UCBL) are reported as leased assets as per IAS 17 'Leases'. These assets held under finance lease are recognized as assets of the bank at an amount equal to the lower of their fair value and the present value of minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Any initial direct costs incurred are added to the amount recognized as leased asset. These assets are depreciated fully over the shorter of the lease terms and their useful lives.

2.10.11.2 Assets given on operating and finance lease arrangements

As per International Accounting Standard (IAS) 17: Leases, the transactions for leasing operation have been recorded under finance lease method of accounting when all the risks and rewards associated with ownership of the assets are transferred substantially other than the legal title, otherwise, recorded under operating lease method.

As per this standard, the aggregate lease receivables including unguaranteed residual value throughout the primary lease term are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition costs including interest during the period of acquiring the lease assets constitutes the unearned lease income. Initial direct costs, if any, in respect of lease are charged in the year in which such costs are incurred.

The unearned lease income is usually amortized to revenue on monthly basis over the lease term yielding a constant rate of return over the period. Unrealized income is suspended where necessary in compliance with the requirements of relevant circulars issued by Bangladesh Bank.

2.10.12 Intangible asset

An intangible asset is to be recognized only if it is probable that future economic benefits attributable to the assets will flow to the bank and the cost of the asset can be measured reliably. Recognition & measurement of Intangible Assets are guided by International Accounting Standard (IAS)-38; 'Intangible Asset'. Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceed and the carrying amount of that intangibly asset are recognised in profit and loss account. Due to following BRPD circular no. 14 dated 25 June 2003 Intangible assets are not disclosed in a separate line rather reported under Fixed Assets. However, separate line item alongwith the rate of amortization is identifiable in the detail schedule of Fixed Asset.

2.10.13 Impairment of assets

The carrying amounts of bank's assets are reviewed when as required to determine whether there is any indication of impairment. Any impairment loss is recognized in the profit and loss account if the carrying amount of an asset exceeds its recoverable amount [IAS 36 Impairment of Assets]. No such impairment loss has been arisen and recognized during the year ended 31 December 2018.

2.10.14 Other Assets

Other assets include mainly advance office rent, payment of advance income tax for which assessment of tax has not yet been finalized, investment in subsidiaries, fees and other unrealized income receivable, advance for operating and capital expenditure, stocks of stationery & stamps etc. As per BRPD Circular No. 14 dated 25 June 2003, Income & Non-income-generating other assets item(s) have been shown separately in the relevant notes to the financial statements.

2.10.15 Receivables

Receivables are recognized when there is a contractual right to receive cash or another financial asset from another entity or person.

2.10.16 Non-banking assets

Bangladesh Bank vide BRPD circular no. 14 dated 25 June 2003 required that Non-banking assets should be shown separately in the books of accounts. Non-banking assets are acquired on account of the failure of a borrower to repay the loan in time after receiving the decree from

the court regarding the right and title of the mortgaged property.

Recognition of non-banking assets

Although there is no indication of non-banking assets found in any International Financial Reporting Standards (IFRS), non-banking assets are to be recorded in the books of accounts when all formalities regarding confirmation of ownership have been completed. It means that asset to be recognized during controlling over economic benefits flowing from the asset to the bank is established and its associated cost/value is reliably measured. Therefore, considering practical grounds, non-banking assets are recorded in the books of accounts of UCBL when all of the following conditions have been met:

- a) Certification of ownership u/s 33(7) of the 'Artharin Adalat Act 2003' obtained
- b) Registration from the Sub Registry Office completed
- c) DCR & Mutation form the concerned AC Land office completed
- d) Land Rent tax and Municipal tax (if any) Paid
- e) Valuation of the property done
- f) Physical possession obtained

Measurement of the non-banking assets:

Non-banking Asset is measured at the estimated Forced Sale Value (FSV) as determined by the independent professional valuing firm.

B. LIABILITIES AND PROVISIONS

2.10.17 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include interest bearing borrowings, bonds etc. which are stated in the financial statements at principal amount of the outstanding balance. Interest payables on such borrowings are reported under other liabilities.

2.10.18 Debt securities (Subordinated Bond):

After global economic turmoil in 2010, the global financial regulators are more concerned to enhance risk resilience capacity of the banks and introduced more risk sensitive capital adequacy framework namely Basel III. With the view to strengthening capital base of the bank and subsequently to meet up the capital adequacy ratio as per Bangladesh Bank's instruction in line with BASEL-III Accord, UCB issued the following bonds with key features as listed below:

Name of the Subordinated Bond	Issued Amount (BDT in Million)	Outstanding Amount As on 31 Dec 2018 (BDT in Million)	Issue Date	Tenure	Interest Rate	Range of Interest Rate	Redemption of Principal
UCB 1st Subordinated Bond	2,000.00	1,400.00	16 May 2013	7 Years	Base Rate plus 3%	11.50%-16.00%	30%, 30% & 40% in last 3 years
UCB 2nd Subordinated Bond	5,000.00	4,000.00	29 July 2015	7 Years	Base Rate plus 2.5%	10.00%-13.50%	20% in each of last 5 years
UCB 3rd Subordinated Bond (1st Tranche)	3,500.00	3,500.00	28 December 2017	7 Years	Base Rate plus 2.5%	7%-10.50%	20% in each of last 5 years
UCB 3rd Subordinated Bond (2nd Tranche)	3,500.00	3,500.00	16 May 2018	7 Years	Base Rate plus 2.5%	7%-10.50%	20% in each of last 5 years
UCB 4th Subordinated Bond (1st Tranche)	500.00	500.00	24 December 2018	7 Years	Base Rate plus 2.00%	7%-9.00%	20% in each of last 5 years
UCB 4th Subordinated Bond (2nd Tranche)	2,500.00	2,500.00	26 December 2018	7 Years	Base Rate plus 2.00%	7%-9.00%	20% in each of last 5 years

2.10.19 Deposits and other accounts

Deposits and other accounts include current deposits redeemable at call, short term deposits, savings deposits and fixed deposits which are initially measured at the consideration received. These items are subsequently measured and accounted for at the gross value of the outstanding balance in accordance with the contractual agreements with the counter parties.

2.10.20 Other liabilities

Other liabilities comprise items such as provision for loans and advances/ investments, provision for taxes, interest payable on borrowing, interest suspense and accrued expenses etc. Individual item-wise liabilities are recognized as per the guidelines of Bangladesh Bank and International Financial Reporting Standards (IFRS).

2.10.21 Dividend payments

Interim dividend is recognized when it is paid to the shareholders. Final dividend is recognized when it is approved by the shareholders in AGM. The proposed dividend for the year 2018, therefore, has not been recognized as a liability in the balance sheet in accordance with IAS 10 'Events after the Reporting Period'. Dividend payable to the Bank's shareholders is recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive the payment is established.

2.10.22 Provision for loans and advances

Provision for classified loans and advances is made on the basis of quarter end review by the management and instructions contained in BRPD Circular no.14 dated 23 September 2012,

BRPD Circular no.19 dated 27 December 2012, BRPD Circular no.16 dated 18 November 2014, BRPD Circular No. 08 dated 2 August 2015, BRPD Circular no. 12 dated 20 August 2017 and BRPD Circular no. 15 dated 27 September 2017. Details are stated in Note 12.

2.10.23 Provision for investment in capital market

For recognition of loss suffered from investment in capital market, provision is to be provided on unrealized loss (gain net off) according to DOS Circular No. 04 dated 24 November 2011 on portfolio basis.

2.10.24 Provision for off-balance sheet exposures

In compliance with Bangladesh Bank guidelines, contingent liabilities have been disclosed under off-balance sheet items. As per BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 13 dated 18 October 2018, the Bank has been maintaining provision @ 1% against off-balance sheet exposures.

2.10.25 Provision for other assets

Provision for other assets is made as per the guidelines mentioned in the BRPD Circular No. 14 dated 25 June 2001 i.e. 100% provision is required on other assets which are outstanding for one year or more.

2.10.26 Provision for Nostro accounts

Provision for unsettled transactions on nostro accounts is made in accordance with the guideline of Foreign Exchange Policy Department of Bangladesh Bank, FEPD Circular no. FEPD (FEMO) / 01/2005-677 dated 13

September 2005. On the reporting date, UCBL has no unsettled transactions outstanding for more than 3 months and no provision has been made in this regard.

2.10.27 Provision for liabilities and accrued expenses

In compliance with IAS 37, provisions for other liabilities and accrued expenses are recognized in the financial statements when the Bank has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.10.28 Retirement Benefit Schemes

The retirement benefits accrued for the employees of the Bank as on reporting date has been accounted for in accordance with the provision of International Accounting Standard-19, "Employees Benefits". Various types retirement benefit schemes of the bank are as follows:

Provident fund

Provident fund benefits are given to the employees of the Bank in accordance with the registered provident fund rules. The Commissioner of Income Tax, Dhaka (North) has approved the provident fund as a recognized provident fund within the meaning of section 2 (52) read with the provision of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from November 30, 1988. The Fund is operated by a Board of Trustee consisting 03 (three) members of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the fund. The bank also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on half yearly basis.

Gratuity fund

Gratuity benefits are given to the employees of the bank in accordance with the approved gratuity fund rules. National Board of Revenue has approved the gratuity fund as a recognized gratuity fund on December 27, 1995. The fund is operated by a Board of Trustee consisting 3 (Three) members of the bank. Employees are entitled to gratuity benefit after completion of minimum 5 (five) years of service in the bank. The

gratuity is calculated on the basis of last basic pay. Obligation for Gratuity Fund is determined on the basis of actuary valuation.

Welfare fund

Employees' Welfare fund was established in June 18, 2009. The UCBL policy on Employees' Welfare Fund, 2009, governs the fund and the day-to-day affairs are run by a duly constituted Board of Trustee.

The fund is held and administered by a Board of Trustee and invested according to the rules of the Fund framed as per applicable laws of Bangladesh.

Workers' Profit Participation Fund (WPPF)

Consistent with the industry practice and in accordance with The Bank Company Act, 1991, no provision has been made for WPPF.

2.10.29 Taxation

Income tax represented the sum of the current Tax and deferred tax payable for the year under reporting.

i) Current Tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Provision for current income tax has been made as per prescribed rate in the Income Tax Ordinance 1984 on the accounting profit made by the bank after considering some of the add-backs to income and disallowances of expenditure as per income tax laws with IAS-12 "Income Taxes". Tax Assets under the group head of other assets are recognized for payment of advance income tax, tax deducted at source and tax paid at the time of IT Return for the year/ years for which assessment has not yet been finalized. On the other hand, the tax provision (as estimated as per IAS-12; Income Taxes, provision of latest Finance Act, related SROs/guidelines etc.) are recognized as tax liability under the group head of other liability for the year/years for which assessment has not yet been finalized.

ii) Deferred Tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income tax recoverable in future periods in respect of deductible temporary differences. Deferred tax assets

and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets & liabilities are measured using tax rate & tax laws enacted or at the balance sheet date. Tax impact on the account of changes in deferred tax assets and liabilities has also been recognized in the profit and loss account as per IAS-12 "Income taxes".

C. CAPITAL / SHAREHOLDERS' EQUITY

2.10.30 Capital

(a) Authorized capital

Authorized capital is the maximum amount of share capital that the bank is authorized by its Memorandum and Article of Association to issue to shareholders.

(b) Paid-up capital

Paid-up Capital represents total amount of shareholders' capital that has been paid in full by the ordinary shareholders. Holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding-up of the company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

2.10.31 Statutory reserve

Statutory reserve has been maintained @ 20% of profit before tax in accordance with provisions of section 24 of the Bank Company Act, 1991 (amendment up to 2018).

2.10.32 Asset revaluation reserve

When an asset's carrying amount is increased as a result of revaluation, the increased amount is credited directly to equity under the heading of assets revaluation reserve as per IAS 16 'Property, Plant and Equipment'. The Bank also follows the assets revaluation guidelines issued by BSEC on 18 August 2013.

2.10.33 Reserve for Amortization/ revaluation of securities

When a Financial Asset categorized under HTM or HFT and subsequent value of the asset is increased as a result of amortization of assets or mark to market revaluation, the net increased amount (for HTM increase or decrease of book value and for HFT loss to P&L but gain to revaluation

reserve through P&L) is credited directly to equity under the heading of reserve for amortization/ revaluation of securities as per Bangladesh Bank DOS circular no. 06, dated 15 July 2010.

2.10.34 Retained Earnings

The surplus amount after appropriation of yearly profit is kept in Retained Earnings.

2.10.35 Share premium

The Share premium represents the excess amount received by the bank from its shareholders over the nominal/par value of its share. The amount of share premium can be utilized as per the provision of Section 57 of the Companies Act 1994.

2.10.36 Contingent asset and contingent liability

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and on the other hand a contingent liability is a possible obligation that arises from past events and whose existence will also be confirmed only with the occurrence or non-occurrence of one or more uncertain future events. Contingent asset and liability is not recognized rather disclosed in the financial statements.

Bank also undertakes forward rate agreements and transaction of similar financial instruments and derivatives. Such activities are undertaken in line with Bangladesh Bank guidelines and an appropriate provision has been made against such contingent items.

2.10.37 Accounting of Derivative Financial Instruments

Derivatives

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Derivative is a financial instrument meeting all of the following three features:

1. whose value changes in response to the change in price of an underlying security, commodity, currency, index or other financial instruments;
2. where the initial net investment is zero or is small in relation to the value of underlying security or index;

3. that is settled at a future date.

Derivatives are classified as held for trading (unless they are hedging instruments) and accordingly, measured at fair value. Any changes in fair value is recorded in profit and loss account.

Cross Currency swaps

At UCB, we perform only plain vanilla cross currency swaps. In this simple form, the principal amount of the deal is exchanged between the counterparties in the First Leg of the Deal. During the 2nd Leg the principals are again transacted but only at an exchange rate that is different from the 1st leg. The Buy rate of SWAP is different from the Sell rate as forward points are either added or subtracted from the 1st leg rate.

Embedded derivatives

Certain contracts that are not themselves derivatives (and may not be financial instruments) include derivative contracts that are 'embedded' within. An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. Embedded derivative causes some or all of the cash flows of the host contract to be modified. Besides, embedded derivative cannot be transferred to a third party independently of the instrument. The basic rule for accounting for an embedded derivative is that it should be separated from its host contract and accounted for as a derivative, i.e., measured at fair value and any changes in fair value recognized in profit and loss account. Separation of embedded derivative from the host contract is made only when the following conditions are met:

The economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

1. The embedded derivative would meet the definition of a derivative if separated from the host contract.
2. The hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit and loss.

D. REVENUE RECOGNITION

2.10.38 Interest income

Interest on unclassified (Standard and SMA)

loans and advances is accounted for as income on accrual basis, interest on classified loans and advances (SS and DF only) is credited to interest suspense account with actual receipt of interest there from credited to income as and when received as per instruction contained in BRPD 14 dated 23 September 2012, BRPD 19 dated 27 December 2012 and BRPD 16 dated 18 November 2014 of Bangladesh Bank.

2.10.39 Fees and commission income

Fees and commission income arises on services provided by the Bank and recognized as and when received basis. Commission charged to customers on letters of credit, letters of guarantee and acceptance are credited to income at the time of effecting the transactions.

2.10.40 Interest income from investments

Interest income on investments in Government and other securities, debentures and bonds is accounted for on accrual basis.

2.10.41 Income from exchange

Exchange income includes all gain and losses from foreign currency day to day transactions, conversions and revaluation of Non-Monetary items.

2.10.42 Dividend income

Dividend income from investments is recognized at the time when it is declared, ascertained and right to receive the payment is established.

2.10.43 Interest paid on borrowings and deposits

- a. Interest expenses are recognized on accrual basis taking into account of daily balance outstanding at the rate applicable for respective deposits and interest on savings and SND accounts is credited to depositors' account on half yearly basis. No interest is applicable on the balance lying in current deposit account. Interest on FDR accrued but not due to clients A/c was credited to 'Other Liability A/c - Interest Payable'.
- b. Other expenses are also recognized and recorded on accrual basis.

2.10.44 Management and other expenses

Expenses incurred by the Bank are recognized on actual and accrual basis.

E. OTHERS

2.10.45 Materiality and aggregation

Each material class of similar items has been presented separately in the financial statements. Items of dissimilar nature have also been presented separately unless they are immaterial in accordance with IAS 1 'Presentation of Financial Statements'.

2.10.46 Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.10.47 Earnings Per Share (EPS)

The company calculates earnings per share (EPS) in accordance with IAS 33 "Earnings Per Share" which has been shown on the face of Profit and Loss Account. Earnings per share (EPS) has been calculated by dividing the net profit after tax by the total number of ordinary shares outstanding at the end of the year. Details are shown in note 39 to the financial statements.

Basic Earnings Per Share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

Diluted Earnings Per Share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. However, diluted earnings per share are not required to calculate as there are no dilution possibilities during the financial year 2018.

2.10.48 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related party transaction is a transfer of resources, services, or obligations among related parties, regardless of whether a price is charged as per IAS 24 'Related Party Disclosures', Bangladesh Bank & BSEC guidelines. Details of the related party transactions have been disclosed in notes 47.1 to 47.8.

2.10.49 Reconciliation of books and account

Books of account in regard to inter-bank (in Bangladesh and outside Bangladesh) as well as inter-branches are reconciled at regular intervals to keep the un reconciled balances within non-material level.

2.10.50 Events after the reporting period

Where necessary, all the material events after the balance sheet date have been considered and appropriate adjustment/ disclosures have been made in the financial statements as per IAS 10 'Events after the Reporting Period'. The only material event after the balance sheet date is: the Board of Directors recommended Stock dividend @ 10% for the year 2018 in its meeting no. 436 held on 30 April 2019.

2.10.51 Credit rating

ECRL has rated the Bank based on December 31, 2017 with "AA"(pronounced as Double A) in the Long Term and ST-2 for the Short Term. The date of rating was May 07, 2018.

Year	Long Term Rating	Short Term Rating
2017	AA	ST-2
2016	AA	ST-2

The outlook of the rating is Stable. The rating reflects the strengths of the company which is backed by its strong management, good liquidity position and satisfactory capital base as well as branch coverage throughout the country.

2.10.52 Compliance report on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is to be formed and it is to issue financial reporting standards for public interest entities such as banks. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) as issued by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable. While preparing the financial statements, UCB applied all the applicable IAS and IFRS as adopted by ICAB. Details are given below:

Name of the IAS	IAS no	Status
Presentation of Financial Statements	1	Applied *
Inventories	2	N/A
Statement of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the reporting period	10	Applied
Construction Contracts	11	Replaced by IFRS 15
Income Taxes	12	Applied
Property Plant and Equipment	16	Applied
Leases	17	Applied
Revenue	18	Replaced by IFRS 15
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A **
Separate Financial Statements	27	Applied
Investments in Associates and Joint Ventures	28	N/A
Financial Instruments: Presentation	32	Applied *
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied ***
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Applied *
Investment Property	40	N/A
Agriculture	41	N/A

Name of the IFRS	IFRS no.	Status
First time adoption of Bangladesh Financial Reporting Standards	1	N/A
Share Based Payment	2	N/A
Business Combinations	3	N/A
Insurance Contract	4	N/A
Non-current Assets Held for Sale and Discontinued Operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosure	7	Applied *
Operating Segments	8	Applied
Financial Instruments	9	Applied *
Consolidated Financial Statements	10	Applied
Joint Arrangement	11	N/A
Disclosure of Interest in other entities	12	N/A
Fair Value Measurement	13	Applied
Regulatory deferral accounts	14	N/A
Revenue from contractors with customers	15	Applied

- In order to comply with certain specific rules and regulations of the local Central Bank (Bangladesh Bank) which are different to IAS/IFRS, some of the requirements specified in these IAS/IFRSs are not applied. Refer below for such recognition and measurement differences that are most relevant and material to the Bank and the Group.
- This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan.

Therefore, it is not applicable for the Bank's annual report as it is the employer and not the retirement benefit plan itself.

- The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period and hence it is not applicable for annual financial statements. However, the Bank being a listed entity in Dhaka

and Chittagong Stock Exchanges regularly publishes Interim Financial Report complying with IAS 34.

N/A= Not Applicable

New accounting standards not yet adopted:

The Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

In December 2017, ICAB has decided to adopt IFRS replacing Bangladesh Financial Reporting Standards (BFRS) effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Bank did not apply earlier the following new standards in preparing these financial statements.

(a) IFRS 16 Leases

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the

leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank has not yet assessed any potential impact of IFRS 16 on its financial statements.

(b) IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and to be applied to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

2.10.53 Operating segments:

Business segments report consists of products and services whose risks and returns are different from those of other business segments. The Bank has ten reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Bank's management and internal reporting structure. Each of the strategic business units of the Bank are periodically reviewed by the Management Committee. The following summary describes the operations in each of the Bank's reportable segments:

Segments' Name	Description
Corporate Banking	This unit focuses on large corporate groups including structured/syndicated finance with a variety of advances & deposit products and other transactions.
SME Banking	Includes loans, deposits and other transactions and balances with SME customers.
Consumer Banking	Includes loans, deposits and other transactions and balances with retail customers.
Treasury	Treasury unit undertakes the Bank's funding and maintenance of SLR, Asset-liability management through money market operation, Fx. Market dealings, investing in derivatives including forwards, futures and swaps.
Investment Banking	Includes the Bank's trading, investment in equities and other capital market activities.
Offshore Banking	This unit aims to provide all kinds of commercial banking services to its customers in freely convertible currencies. Presently the Bank has one unit in Dhaka.
Card and Alternate Delivery Channel	This includes offering a variety of debit card and credit card to the customers according to their needs.
Mobile Financial Services	Mobile Financial Services came up with the aim to cover a large number of people under banking channel though mobile network facilitating convenient cash in/out, bill payment, POS purchase etc.
Agent Banking	UCB Agent Banking aims to promote full-fledged banking services to geographically dispersed and financially excluded areas. It's looking forward to offer cashless transaction to all class of people in near future.

2.10.54 Risk Management

In banking organization, risk is the possible outcome of an action or event which could bring up an adverse impact. Such outcome could either result in a direct loss of earnings/capital or may result in imposition of constraints on banks' ability to meet their business objectives. Risk is the outcome of losses due to sudden downturn in economy or falling interest rates. Banks have to rely on their capital as a buffer to absorb such losses. The types and degree of risks of an organization may be exposed depending upon a number of factors such as its size, complexity in business activities, volume etc. Initially Bangladesh Bank have issued guidelines on six core risk areas and accordingly scheduled banks operating in Bangladesh has implemented the guidelines for better risk management practice. Implementation of core risk management guidelines by United Commercial Bank Limited and its status are discussed below.

2.10.54.1 Credit Risk Management

Credit risk is most simply defined as the potential risk where a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. Banks should also consider the relationships between credit risk and other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of any banking organization.

Both on-balance sheet and off-balance sheet activities like guarantee has impact on credit risk. It may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner.

Credit risk comes from a bank's dealing with households, small or medium-sized enterprises (SMEs), corporate clients, other banks and financial institutions, or a sovereign. The assessment of credit risk involves evaluating both the probability of default by the borrower and the exposure or financial impact on the bank in the event of default.

Our credit risk management function has been

kept independent of business origination functions to establish better internal control and to reduce conflict of interest. The Chief Risk Officer and the Head of Credit Risk Management have clear responsibilities for management of credit risk. The final authority and responsible for all activities that expose the bank to credit risk rests with the Board of Directors.

The Board, however, has delegated authority to the Managing Director and CEO to re-delegate authorities to other officers of the credit risk management division. The Board also sets credit policies and delegates authority to the management for setting procedures, which together has structured the credit risk management framework in the bank.

2.10.54.2 Foreign Exchange Risk Management

Foreign exchange risk is the risk that changes an investment's value due to changes in currency exchange rates. This risk usually affects businesses that export and/or import but also affect investors making international investments. Financial risk management is the practice of creating economic value in a firm by using financial instruments to manage exposure to risk. The most common cause of foreign exchange (FX) risk arises from making overseas payments for imports that are priced in a foreign currency and receiving foreign currency as payment against exports. Exposure to foreign exchange risk can also arise from foreign currency borrowing and deposits, overseas subsidiaries, assets located overseas.

UCB has developed a Foreign Exchange Risk Management policy in line with the Bangladesh Bank foreign exchange guidelines to minimize different types of risks associated with foreign exchange transactions. In this guideline treasury functions are clearly demarcated between treasury front office, mid office and back office. The front office is involved only in dealing activities and the back office is responsible for all related support and monitoring functions on the other hand, mid Office will be responsible to monitor market risk, liquidity risk and operational risks at treasury. Treasury Front Office' 'Treasury Mid Office and 'Treasury Back Office' have separate and independent reporting lines to ensure segregation of duties and accountabilities.

The Bank has also developed different strategies to handle the foreign exchange risk by setting different types of limits and risk parameters

to measure and monitor foreign exchange risk exposure of the Bank. Treasury department is vested with the responsibility to measure and minimize the foreign exchange risk associated with bank. To assess the degree of the risk associates with foreign exchange position bank computes VaR (Value at Risk) on its foreign exchange position at 97.50% confidence level on daily basis. To deal smoothly the dealers have various limits with triggers such as counterparty limit, stop loss limit, intraday limit, per deal limit etc.

Dealing room is equipped with Reuter's information and dealing system, a voice recorder for recording deals taking place over the telephone, television with financial news channels. Before entering into any deal with a counter party, a dealer ensures that they have knowledge about the counter party's dealing style, product mix and assess whether the customer is dealing in an appropriate manner.

2.10.54.3 Asset Liability Management Risk

ALM is an integral part of the financial management process of any bank. It is concerned with strategic balance sheet management involving risks caused by changes in the interest rates, exchange rates and the liquidity position of the bank.

The Asset Liability Management Committee (ALCO) of UCB headed by the Managing Director of the Bank meets at least once in every month to look after the financial market activities, manage liquidity risk, interest rate risk and FX or currency risk. Asset Liability Management (ALM) desk of the Treasury is primarily responsible for management of liquidity risk on a daily basis by appropriate coordination of funding activities.

Asset liability Committee (ALCO) reviews the country's overall economic position, market outlook (local and global) and Bank's liquidity position. A quarterly projection of fund flows is reviewed in ALCO meeting regularly. ALCO also examines key ratios such as Maximum Cumulative Outflow, Advance Deposit Ratio, Capital Adequacy Ratio, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Leverage ratio etc. ALCO also monitors concentration of deposits of large institutional depositors which is volatile in nature.

In addition to the above ratios ALCO also analyses following statements to measure and monitor liquidity risk, interest rate risk and FX or

currency risk:

Risks	Statement
Liquidity Risk	<ul style="list-style-type: none"> • Structural liquidity profile • Dynamic liquidity profile • Key Management Ratios • Cash flow projection
Interest Rate Risk	<ul style="list-style-type: none"> • Traditional Gap Analysis (up to 1 Year) • Traditional Gap Analysis (Total A-L) • Duration Gap Analysis • Balance Sheet VaR • Stress Testing
Currency Risk	<ul style="list-style-type: none"> • Currency wise Exposure • Value at Risk (VaR)

2.10.54.4(i) Internal Control and Compliance Risk:

Internal Controls are the structure, policies and procedures put in place to provide reasonable assurance that the management meets its objectives and fulfils its responsibilities. An organization deploys many layers of defense. In order to ensure the said defense there are controls enough to manage the adverse risk of any major setback. The first layer of defense is the operational management. The second layer of defense is the control function such as internal control, risk management and compliance. The third layer of defense is the internal and external audit function.

A system of effective internal controls is a critical component of bank management and a foundation for the safe and sound operation of banking organizations. Internal control is the process, affected by a company's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, Reliability of financial reporting and Compliance with applicable laws, regulations, and internal policies. Internal controls are tools that help management to be effective and efficient while avoiding serious problems such as overspending, operational failure, and violation of laws.

Bangladesh Bank has identified 6 (six) core areas of risk-management which are related to banking operations and accordingly issued necessary guidelines in those areas. The core risks are: '**Credit Risk**', '**Asset and Liability or Balance Sheet Risk**', '**Foreign Exchange Risk**', '**Money Laundering Risk**', '**Internal Control and Compliance Risk**' and '**Information and Technology Risk**'.

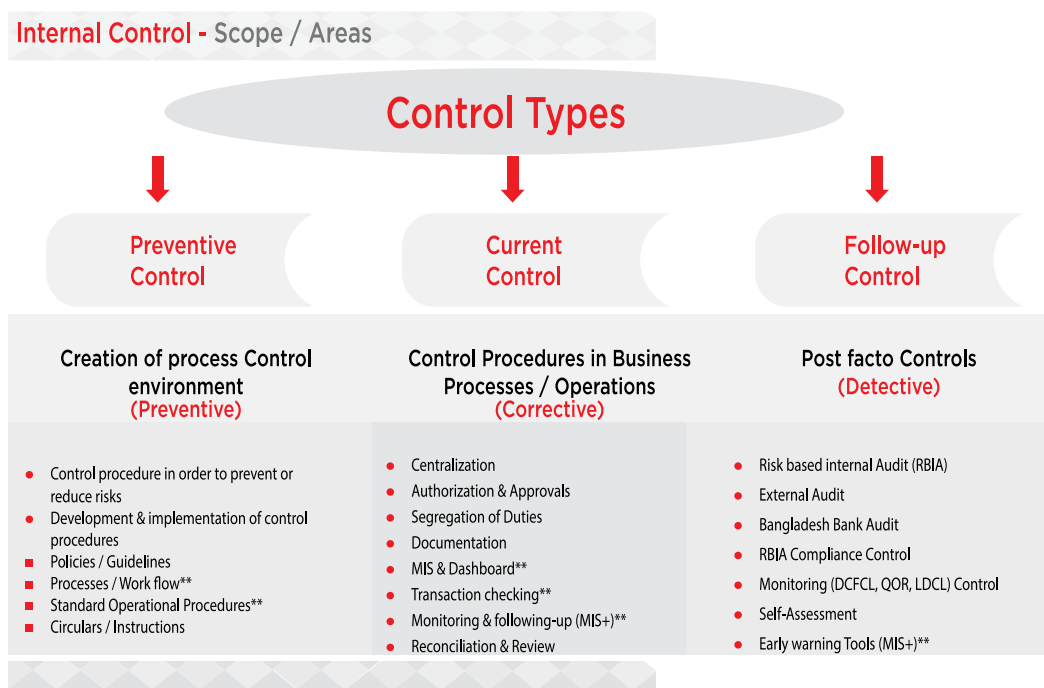
UCBL maintains a robust internal control framework comprising the following internal control functions:

- Compliance
- Information Security
- Internal Audit
- Risk Management

The above functions are independent from the operational functions and also have sufficient authority, stature, resources and access to the Board. Successful management of compliance risk contains following elements:

- Board and Senior Management oversight
- Effective policies and procedures
- Compliance risk analysis and comprehensive controls
- Effective compliance monitoring and reporting
- Independent testing for verification of compliance-risk mitigation activities

Typically, Internal Controls may be defined as under:



ICCD under the guidance of the Board & the Senior Management of the bank has been working on the issue in light of Bangladesh Bank guidelines. Audit function is now totally independent with reporting line of 'Head of Audit' to Audit Committee of the Board along with administrative reporting line to 'Head of ICCD'. Competent authority of the bank has taken various steps to strengthen internal audit as well as compliance activities for ensuring a standard compliance culture within the organization towards mitigating Internal Control & Compliance Risks.

Some of the major initiatives which have already been taken are:

- Operational Risk Monitoring through analysis of financial and non-financial information received from system to identify day to day operational risks of bank on regular/ random basis and to communicate & compliance the same accordingly
- Introduction of compliance inspection regarding authenticity/accuracy of RBIA compliance and miss reporting
- Building Compliance Awareness

through arranging workshop in different zone. As workshop on Response to Compliance where HOB, OM & in charges & Cluster Head usually participate

- iv Preparation and updating of MIS reports based on operational risk areas in connection with RBIA & Compliance including update the same in MIS portal
- v. Continuous review of Audit Report Format, Audit Checklist & Branch Risks Scoring Sheet etc.

However Effective & efficient controls reduce the risk of asset loss & help the organization complying with laws and regulations in a significant manner. The main purpose of UCBL is to secure the interest of depositors and stakeholders through effective internal control system to establish the followings:

- Emanates from an ethical tone at the top.
- Policies & procedures are in place, understood, and followed.
- Organization-wide commitment to strong internal controls, effective risk management, and to meeting expectations of all stakeholders

2.10.54.4(ii) Fraud and Forgeries Risk

Fraud is deliberate deception to secure unfair or unlawful gain. UCB has been relentlessly striving for effective anti-fraud control mechanism to be in place and are working properly so that attempts to make fraud and forgeries can be identified at the initiation, escalated to the appropriate level of management and necessary corrective measures are undertaken accordingly. Moreover, as a part of practicing compliant culture, the Bank reported all instances of fraud and forgeries detected to the central bank on timely manner.

2.10.54.5 Money Laundering Risk:

Financial institutions across the globe are working hard to fight financial crime driven by demands to protect assets and to maintain regulatory compliance. The areas of specific focus are those of Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF). Regulators expect functions in the Bank to be standardized on a global level and across business lines. The businesses themselves need consistency and efficiency, and one of the best ways to satisfy these expectations is to centralize functions. This is an important first step in sharing and harmonizing skills throughout the organization.

UCB is walking in the path of centralizations of its functions. In 2018, new Anti Money Laundering and Anti-Terrorist Financing Division has been

formed. As instructed by BFIU, Deputy CAMLCO is heading this Division. The Division has been manned with qualified resources to ensure high level of AML and ATF compliance across the Bank.

As per BFIU instruction, we have conducted 02 (two) daylong Training Programmes on AML/CFT issues for the BAMLCO(s)/Operation Managers and concerned Officers of different Banks operating in Chapainawabgonj and Jessore Districts as Lead Bank. Besides, all the employees of 17 (seventeen) Branches of Rangpur, Rajshahi and Khulna Divisions have been brought under in-house AML Training Programmes.

During 2018, the Velocity AML Solution Suite, the software we procured for automation of AML and CTF compliance activities, went through various testing, modification and stream-lining. In the later part of 2018, we have arranged orientation sessions for the related Officers. A total number of 450 employees, mostly the Branch Anti Money Laundering Compliance Officers (BAMLCO) were covered in this orientation sessions. Branches are now capable of conducting sanction screening, Transaction Profile (TP) monitoring, reporting of Cash Transaction Report (CTR), Suspicious Transaction Report (STR), Suspicious Activities Report (SAR) and Self-Assessment through Velocity AML Solution Suite.

Yearly Message of the Managing Director on Bank's measures for Prevention of Money Laundering & Terrorist Financing has been sent to all the Branches vide Instruction Circular No. 1442 dated 03.04.2018 for meticulous compliance by all the concerned.

We have reported 19 (Nineteen)) Suspicious Transaction Reports (STRs) and 38 (Thirty-eight) Suspicious Activity Reports (SARs) to BFIU in 2018.

2.10.54.6 Information Communication Technology Risk

In the recent years, banking industry has been reshaped significantly in terms of its operational processes, service delivery channels, market strategies including targeting, segmenting, positioning/penetrating and with the wide varieties of product & services catered for individual customer needs mostly. Among all other pivotal factors, 'Information and Communication Technology' (ICT) has been regarded as the core to bring such momentous transformation into successful reality. Consequently, the importance of information security for the banks has gained much importance, and it is of the critical essence for us to ensure that the ICT risks are being properly identified measured and adequate mitigation strategies are in place.

ICT Risk management is a systematic approach for the identification, assessment and management of information security related risks in Bank. It encompasses not only the negative impacts of operations and service delivery which can bring destruction or reduction of the value of the Bank, but also the risk associated with opportunities losses to explore the technological benefits with adverse business impact.

UCB regarded 'Effective Risk Management Process' as a vital constituent of a thriving IT security program. Therefore, we developed our ICT risk management process in a way to aid the bank in achieving the new-fangled business changes, potential investment in information technology system, mitigating existing and imminent ICT threats.

The ICT Policy of the Bank has recently been revised and restructured to comply with the recent technology, risk management trends and Bangladesh Bank latest ICT guideline. The Business Continuity Plan, Disaster Recovery Plan and Information Security Management Policy have been republished after the revision. Moreover, UCB has developed ICT Risks Management Policy and approved by board, which covered all areas of IT risks according to Bangladesh Bank risks grading guideline.

UCB has the following footprints on reducing ICT risks including fraud prevention which will eventually ensure our sustainable banking operation in the foreseeable future:

- Vulnerability Assessment and Penetration Testing (VA/PT) Solution Introduced.
- Optimization of SWIFT System has been successfully completed.
- Internet Banking Solution with two factor authenticator (2FA) mechanisms and OTP.
- Anti-Money Laundering (AML) Solution Implemented.
- National Identity Card (NID) Verification System Introduced for avoiding duplicated NID use in Customer Account Opening.
- Two Factor Authentication (2FA), SMS, E-mail alerts for Credit card transactions.
- Anti-Skimming devices have installed in all UCB ATM for protecting Card Counterfeit.
- EMV standard solution (Chip Based) have been implemented that can reduce optimum level of card fraudulent activities (Skimming, Duplicate card, etc).
- Dual control mechanism: Bank has introduced maker checker roles in FCUBS & card management software which results internal user cannot process any CBS and credit card related tasks by one person.

- Real Time Automated Fraud Management Solution: IT has the capability to monitor fraudulent transaction based on defined rules. This solution can identify and manage risks properly.
- Call Centre Solution has been implemented as a result: Customers who are calling UCB call center for any emergency help (card activation, deactivation, lost, transactions details etc) will be served accordingly which helps to reduce risk and improve customer services.
- Human Resource Management Information System (HRMIS) Solution has been implemented. So to maintain and control HR related issues faster and accurately (Employee screening, recruitment, promotions, benefits, retirement, etc) which also reduce the employee risks.
- Optimization of CORE Banking Software and Database.
- ICT Risks Management Policy, Process up gradation as per the latest Bangladesh Bank ICT guideline. It can reduce Regularity & Compliance related risks.
- Improvement in ICT Awareness Risk: ITD has continuously conducting ICT awareness related training for employee which are aligned with Learning and Development Center.

2.10.55 Internal Audit

The Bank has established an independent internal audit function for conducting risk based internal audit on various business and operation areas of the Bank on continuous basis.

2.10.56 General

Functional and presentation currency

The financial statements are presented in Bangladeshi Taka, which is the Bank's functional currency. Financial information's has been rounded to the nearest Taka.

Comparative information

Comparative information in respect of the previous year has been presented from the audited financial statements for the year ended 31 December 2017. Figures of previous year have been rearranged whenever necessary to confirm the current year/period presentation.

Reporting period

These financial statements cover the period from 1 January 2018 to 31 December 2018.

Approval of financial statements

The financial statements have been approved by the Board of Directors of the bank in its meeting held on April 30, 2019.

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
3	Cash	22,790,705,537	23,914,511,782
3.1	Cash in hand		
	Local currency	4,141,551,671	3,101,095,752
	Cash in ATM	987,276,500	477,597,600
	Foreign currency	81,134,204	43,736,885
		5,209,962,375	3,622,430,237
3.2	Balance with Bangladesh Bank and its agent Bank(s)		
	Local currency	17,477,680,438	20,125,131,695
	Foreign currency	103,062,724	166,949,850
		17,580,743,162	20,292,081,545
	Total Cash in hand including balance with Bangladesh Bank & its agent Bank's	22,790,705,537	23,914,511,782
3.2.1	Balance with Bangladesh Bank		
	Local currency	17,477,672,089	20,125,128,522
	Foreign currency	103,062,724	166,949,850
		17,580,734,813	20,292,078,372
* The above balance represents amount as per Bank Book. The differences due to reconciling items with Bangladesh Bank are subsequently adjusted.			
3.2.2	Balance with Sonali Bank (as agent of Bangladesh Bank)		
	Local currency	8,349	3,173
	Foreign currency	-	-
		8,349	3,173
3.3	Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)		
Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 (amendment upto 2018) and of instructions contained in DOS Circular No. 01 dated 19 January 2014, DOS Circular No. 23 dated 07 October 2018 and MPD circular No. 01 dated 03 April 2018 issued by Bangladesh Bank.			
The Cash Reserve Requirement (CRR) of the Bank calculated @ 5.50% on by weekly average basis of total time and demand liabilities and maintained provision 5% on daily basis with Bangladesh Bank in current account and 13% Statutory Liquidity Ratio (SLR) on the same liabilities has also been maintained in the form of cash in hand, balance with Sonali Bank (agent Bank), treasury bills, bonds, Bangladesh Bank bills, prize bond & excess of CRR. In year end position of CRR & SLR maintained by UCB clearly reflects that, both the reserve are excess over the requirement. Details are as follows :			
3.3.1	Cash Reserve Requirement (CRR) (5.50% of average Demand & Time Liabilities)		
	Required reserve	16,953,922,109	18,720,722,426
	Actual reserve held (note - 3.2.1)	17,477,672,089	20,125,128,522
	Surplus/(Deficit)	523,749,980	1,404,406,096
3.3.2	Statutory Liquidity Ratio (SLR) (13% of average Demand & Time Liabilities)		
	Required reserve	40,072,906,803	37,441,444,853
	Actual reserve held (note-3.3.3)	47,448,925,818	44,007,790,240
	Surplus/Deficit	7,376,019,016	6,566,345,387
3.3.3	Held for Statutory Liquidity Ratio		
	Cash in hand (note- 3.1)	5,209,962,375	3,622,430,237
	Balance with Sonali Bank (agent Bank) (note-3.2.2)	8,349	3,173
	Govt. Securities (Treasury Bills) (note:6.1)	983,579,726	3,082,620,214
	Govt. Treasury Bond (HTM) (note : 6.1)	39,229,209,308	28,795,289,070
	Govt. Treasury Bond (HFT) (note : 6.1)	-	-
	Reverse Repo with other Bank (note : 6.1)	1,496,272,880	-
	Bangladesh Bank Bills (note : 6.1)	-	7,097,217,550
	Stock of Prize Bond (note : 6.1)	6,143,200	5,823,900
	Excess Reserve of CRR (note : 3.3.1)	523,749,980	1,404,406,096
		47,448,925,818	44,007,790,240
3(a)	Consolidated Cash		
	United Commercial Bank Ltd.	22,790,705,537	23,914,511,782
	UCB Capital Management Ltd.	100,440	156,516
	UCB Investment Ltd.	-	-
		22,790,805,977	23,914,668,298

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
4	Balance with other banks and financial institutions		
	In Bangladesh (note - 4.1)	15,326,482,725	18,547,019,487
	Outside Bangladesh (Annexure-A)	929,659,746	1,221,644,823
		16,256,142,471	19,768,664,310
4.1	In Bangladesh		
	A. Current account		
	Janata Bank Limited.	93,847,134	42,869,795
	Agrani Bank Limited.	108,030	136,828
	Rupali Bank Limited.	41,596	8,052,384
	Sonali Bank Limited.	773,238,975	773,918,284
	Standard Chartered Bank	24,896,990	2,042,196
		892,132,725	827,019,487
	B. Fixed Deposits		
	Industrial and Infrastructure Development Finance Company Limited	550,000,000	100,000,000
	Peoples Leasing and Financial Services Limited	250,000,000	250,000,000
	National Finance Limited	50,000,000	220,000,000
	Dhaka Bank Limited	1,550,000,000	1,500,000,000
	Uttara Finance & Investment Limited	550,000,000	550,000,000
	Reliance Finance	650,000,000	650,000,000
	Jamuna Bank Limited	1,390,000,000	1,390,000,000
	Modhumoti Bank Limited	209,750,000	300,000,000
	IPDC Finance Limited	240,000,000	240,000,000
	Investment Corporation of Bangladesh	1,950,000,000	1,950,000,000
	Lanka Bangla Finance Limited	400,000,000	450,000,000
	Meridian Finance & Investment Limited	250,000,000	500,000,000
	NRB Bank Limited	335,600,000	350,000,000
	Mutual Trust Bank Limited	1,500,000,000	800,000,000
	Shahjalal Islami Bank Limited	500,000,000	1,490,000,000
	International Leasing and Financial Services Limited	620,000,000	600,000,000
	Phonix Finance and Investment Limited	500,000,000	250,000,000
	Social Islami Bank Limited	500,000,000	-
	National Credit and Commerce Bank Limited	1,300,000,000	-
	Islami Bank Bangladesh Limited	839,000,000	-
	National Housing Finance and Investment Limited	100,000,000	-
	Bay Leasing and investment Limited	200,000,000	-
	Standard Bank Limited	-	1,000,000,000
	Delta Brac Housing Finance Limited	-	800,000,000
	South East Bank Limited	-	1,980,000,000
	IFIC Bank Limited	-	1,000,000,000
	One Bank Limited	-	1,000,000,000
	United Finance	-	350,000,000
		14,434,350,000	17,720,000,000
	Total (A+B)	15,326,482,725	18,547,019,487
4.2	Maturity grouping of balance with other banks & financial institutions		
	On demand	1,642,132,725	2,048,664,310
	Upto three months	14,614,009,746	15,850,000,000
	More than three months but less than six months	-	1,520,000,000
	More than six months but less than one year	-	350,000,000
		16,256,142,471	19,768,664,310

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
4(a)	Consolidated Balance with other banks & financial institutions		
	In Bangladesh		
	United Commercial Bank Ltd. (note-4.1)	15,326,482,725	18,547,019,487
	UCB Capital management Ltd.	692,884,914	1,143,243,946
	UCB Investment Ltd.	16,102,877	7,078,054
		16,035,470,516	19,697,341,487
	Less: Inter Company balance eliminated	156,476,711	190,457,859
		15,878,993,805	19,506,883,628
	Outside Bangladesh		
	United Commercial Bank Ltd.	929,659,746	1,221,644,823
	UCB Capital Management Ltd.	-	-
	UCB Investment Ltd.	-	-
		929,659,746	1,221,644,823
		16,808,653,551	20,728,528,451
5	Money at call on short notice		
	Industrial and Infrastructure Development Finance Company Limited	50,000,000	-
	Lanka Bangla Finance Limited	100,000,000	-
	NRB Global Bank Limited	-	290,000,000
		150,000,000	290,000,000
6	Investments		
	Government Securities (note-6.a)	41,715,205,114	38,980,950,734
	Other Investments (note-6.b)	9,115,632,584	3,930,795,570
		50,830,837,698	42,911,746,304
a)	Government Securities		
	Treasury Bills		
	28 days Treasury bills	-	-
	91 days Treasury bills	-	497,173,466
	182 days Treasury bills	-	1,984,161,079
	364 days Treasury bills	983,579,726	601,285,669
	Total Treasury Bills	983,579,726	3,082,620,214
	Government Bonds		
	Prize Bonds	6,143,200	5,823,900
	Reverse Repo with other Bank	1,496,272,880	-
	Bangladesh Bank Bills	-	7,097,217,550
	Government Bonds	39,229,209,308	28,795,289,070
	Total Government Bonds	40,731,625,388	35,898,330,520
	Total Government Securities	41,715,205,114	38,980,950,734
b)	Other investments		
	Shares in listed companies (note- 6.3)	4,017,742,382	3,315,459,178
	Shares in un-listed companies (note- 6.3)	1,597,890,202	615,336,392
	Sub-ordinated Bond	3,500,000,000	-
	Total other investments	9,115,632,584	3,930,795,570
	Total Investments (a+b)	50,830,837,698	42,911,746,304

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
6.1	Government Securities are Classified as per Bangladesh Bank Circular		
	Treasury Bond - HTM	39,229,209,308	28,795,289,070
	Treasury Bond - HFT	-	-
	Treasury Bills - HTM	983,579,726	1,098,459,135
	Reverse Repo with Other Bank	1,496,272,880	1,984,161,079
	Bangladesh Bank Bills - HTM	-	2,499,388,226
	Bangladesh Bank Bills - HFT	-	4,597,829,324
	Other Securities (Prize Bond)	6,143,200	5,823,900
		41,715,205,114	38,980,950,734
6.2	Maturity grouping of investments		
	On demand	6,143,200	5,823,900
	Up to three months	1,797,185,137	10,170,160,353
	More than three months but less then one year	7,666,173,330	7,675,242,186
	More than one year but less then five years	13,599,247,898	7,829,900,000
	Over five years	27,762,088,133	17,230,619,865
		50,830,837,698	42,911,746,304
6.3	Other Investments		
	Name of the Company	Market Price On 31.12.2018	Cost Price On 31.12.2018
A)	Shares in listed companies		Cost Price On 31.12.2017
	Square Pharmaceuticals Ltd.	223,163,197	172,784,406
	Grameenphone Ltd.	238,544,822	124,613,694
	Brac Bank Ltd.	510,576,171	357,901,402
	Linde Bangladesh Limited	119,840,000	102,676,122
	BSRM Steels Limited	29,650,500	57,790,980
	Envoy Textiles Limited	36,300,000	40,694,867
	Matin Spinning Mills Ltd.	144,164,605	157,390,917
	Meghna Life Insurance Co. Ltd.	12,340,918	22,901,343
	National Housing Fin. and Inv. Ltd.	244,381,172	44,648,491
	Powergrid Company of Bangladesh Ltd.	56,040,672	80,919,818
	Titas Gas Transmission & dist. Co. Ltd.	33,355,104	65,321,150
	Unique Hotel & Resorts Limited	30,360,000	79,999,980
	ACI Limited.	147,061,398	178,752,378
	Bata Shoe Ltd.	141,548,356	151,116,795
	Square Textile Limited	66,348,781	95,713,543
	Shasha Denims Limited	114,456,683	102,518,000
	The ACME Laboratories Limited	660,768,570	492,715,507
	Eastern Bank Ltd.	70,546,140	90,726,532
	Prime Bank Limited	37,888,730	51,009,775
	The City Bank Limited	147,325,566	206,580,362

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
Name of the Company	Market Price On 31.12.2018	Cost Price On 31.12.2017	Cost Price On 31.12.2017
Fortune Shoes Limited	8,417,988	8,638,378	-
Kattali Textile Limited	280,071	100,640	-
United Power Generation & Distribution Company Limited	376,944,295	401,666,547	-
SK Trims & Industries Limited	280,115	55,001	-
Navana CNG Limited	22,841,812	32,008,952	-
VFS Thread Dyeing Limited	284,723	44,783	-
M.L. Dyeing Limited	161,449	45,303	-
Confidence Cement Limited	28,866,536	28,894,650	-
The IBN SINA Pharmaceuticals Industry Limited	45,000,170	49,546,266	-
Khulna Power Company Limited	85,740,328	165,387,921	-
Singer Bangladesh Limited	63,362,519	63,890,748	-
Silva Pharmaceuticals Limited	276,709	91,930	-
Paramount Textile Limited	6,590	5,831	-
Indo Bangla Pharmaceuticals Limited	36,605	10,700	-
IFAD Autos Limited	39,535,106	41,953,125	-
BBS Cables Limited	22,341,600	23,731,264	-
Active Fine Chemicals Limited	18,753,000	21,195,790	-
Jamuna Bank Limited	31,374,499	32,980,354	-
Jamuna Oil Company Limited	5,119,307	5,112,128	-
SS Steel Limited	134,920	134,920	-
Bangladesh Export Import Company Ltd.	-	-	2,931,594
IDLC Finance Ltd.	-	-	171,614,140
RAK Ceramics (Bangladesh) Limited	-	-	40,068,041
MJL Bangladesh Limited	-	-	1,013,113
Salvo Chemical	-	-	1,338,864
Oimex Electrode Limited	-	-	64,800
Nahee Aluminium Composite	-	-	62,246
DBH First Mutual Fund	49,034,346	73,417,946	72,522,439
EBL First Mutual Fund	30,620,400	43,473,982	43,453,314
EBL NRB Mutual Fund	14,634,914	20,713,530	20,082,271
ICB AMCL 2nd Nrb Mutual Fund	27,225,000	40,985,161	40,803,762
ICB AMCL Second Mutual Fund	14,079,040	27,242,375	25,174,848
MBL 1st Mutual Fund	54,498,002	72,253,179	71,647,568
NLI First Mutual Fund	58,500,000	39,696,800	39,696,800
Trust Bank 1st Mutual Fund	30,757,478	48,492,506	48,492,506
Asian Tiger Sandhani Life Growth Fund	10,450,000	8,909,309	8,909,309
NCCBL Mutual Fund-1	17,250,000	16,358,625	16,358,625
LR Global Bangladesh Mutual Fund -1	63,480,000	73,927,676	-
Sub Total (a)	4,184,948,907	4,017,742,382	3,315,459,178
B) Shares in un-listed companies			
Karmasangsthan Bank	10,000,000	10,000,000	10,000,000
Central Depository (BD) Ltd	6,277,770	6,277,770	6,277,770
STS Holdings Ltd	100,000,000	100,000,000	100,000,000
Prime Finance 1st Unit Fund	15,000,000	15,000,000	15,000,000
Energies Power Corporation	300,000,000	300,000,000	320,000,000
Fiber shine	10,000,000	10,000,000	10,000,000
SWIFT	8,258,622	8,258,622	8,258,622
Runner Automobiles	145,800,000	145,800,000	145,800,000
Best Holdings Limited	1,000,000,000	1,000,000,000	-
Esquire Knit Composite Limited	1,880,100	1,880,100	-
AND Telecom Limited	569,040	569,040	-
Genex Infosys Limited	104,670	104,670	-
Sub total (b)	1,597,890,202	1,597,890,202	615,336,392
Total (a +b)	5,782,839,109	5,615,632,584	3,930,795,570

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
6.4	Cost and market value of investment as on 31 December 2018		
	Cost Price (Taka)	Market Value/ Amortized Cost	Market Value/ Amortized Cost
Government securities:			
Treasury Bills (Govt. Securities)	974,513,750	983,579,726	3,082,620,214
Govt. Treasury Bond (HTM)	39,462,436,625	39,229,209,308	28,795,289,070
Reverse Repo with Other Bank	1,496,272,880	1,496,272,880	-
Bangladesh Bank Bills	-	-	7,097,217,550
Stock of Prize Bond	6,143,200	6,143,200	5,823,900
	41,939,366,455	41,715,205,114	38,980,950,734
Investment in Shares, Bond & Debenture:	Market Value/ Amortized Cost	Cost Price	Cost price
Quoted Shares	4,184,948,907	4,017,742,382	3,315,459,178
Un-Quoted Shares	1,597,890,202	1,597,890,202	615,336,392
Total investment in shares	5,782,839,109	5,615,632,584	3,930,795,570

6.5 (a) Disclosure regarding outstanding Reverse Repo on 31 December 2018.

Sl. No	Counter party name	Agreement Date	Researve Date	Amount
				(1st leg cash consideration)
01.	Agrani Bank	27.12.2018	01.01.2019	1,496,272,880
	Total			1,496,272,880

6.5 (b) Disclosure regarding overall transaction of Repo and Reverse Repo

	Minimum outstanding during the year	Minimum outstanding during the year	Daily average outstanding during the year
Securities sold under repo:			-
1) With Bangladesh Bank	-	-	-
2) With Bank & FIS	744,721,070	744,721,070	744,721,070
Securities Purchased under reverse repo:	-	-	-
1) from Bangladesh Bank	-	-	-
2) from Other Bank & Financial ins.	251,959,960	5,965,439,628	2,458,310,803

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
6(a)	Consolidated Investments		
	Governments Securities		
	United Commercial Bank Ltd	41,715,205,114	38,980,950,734
	UCB Capital Management Ltd.	-	-
	UCB Investment Ltd.	-	-
		41,715,205,114	38,980,950,734
	Other Investments		
	United Commercial Bank Ltd	9,115,632,584	3,930,795,570
	UCB Capital Management Ltd. *	1,068,194,022	1,066,491,462
	UCB Investment Ltd.	258,831,586	349,269,623
		10,442,658,192	5,346,556,655
	Less: Inter Company balance eliminated	100,000	100,000
		10,442,558,192	5,346,456,655
		52,157,763,306	44,327,407,389
7	Loans and Advances	294,671,938,315	261,002,884,449
7.1	Maturity grouping of Loans & Advances (including bills purchased and discounted)		
	On demand	3,549,205,395	17,498,536,829
	Not more than three months	102,959,938,210	67,549,356,998
	More than three months but less than one year	78,152,207,482	72,466,597,270
	More than one year but less than five years	68,129,991,338	67,520,235,972
	More than five years	41,880,595,890	35,968,157,380
		294,671,938,315	261,002,884,449
7.2	Loans & Advances		
	i) Loans, Cash credit & overdraft etc		
	a) Within Bangladesh		
	Loan	197,149,167,273	170,222,502,362
	Cash credits	33,104,056,326	33,002,465,473
	Overdrafts	44,930,824,844	41,576,409,463
		275,184,048,443	244,801,377,298
	b) Outside Bangladesh	-	-
		275,184,048,443	244,801,377,298
	ii) Bills Purchased & Discounted (note : 7.13)		
	a) Payable Inside Bangladesh		
	Inland Bills Purchased	3,342,621,797	2,696,910,169
	b) Payable outside Bangladesh		
	Foreign bills purchased & discounted	16,145,268,075	13,504,596,982
		19,487,889,872	16,201,507,151
		294,671,938,315	261,002,884,449
7.3	Net Loans & Advances		
	Gross Loans & Advances (note- 7.2)	294,671,938,315	261,002,884,449
	Less : Non Performing Loans & Advances (note- 7.10 b)	20,021,627,136	19,268,087,020
	Interest suspense (note- 12.18)	6,376,030,371	4,542,106,658
	Provision for Loans & Advances (note- 7.11)	9,308,937,358	7,417,455,523
		35,706,594,865	31,227,649,201
		258,965,343,450	229,775,235,248

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
7.4	Loans & Advances according to significant concentration		
a)	Advances to the companies or firms in which the Directors of the Bank are interested	-	-
b)	Advances to Chief Executive and other senior executives	652,596,078	664,035,080
c)	Advances to customers group		
i)	Commercial Lending	51,195,469,672	47,325,750,896
ii)	Import Finance	15,695,173,298	12,879,417,630
iii)	Export Finance	5,812,320,430	5,514,860,570
iv)	House Building Loan	19,233,553,662	17,863,322,106
v)	Transport Loan	4,013,274,712	4,168,247,725
vi)	Retail Loan	16,328,343,950	13,449,854,964
vii)	Staff Loan	3,711,661,324	2,914,733,085
viii)	Industrial Loan	139,865,414,170	120,826,400,000
ix)	Agricultural Loan	3,899,700,000	5,540,170,000
x)	Others	34,264,431,019	29,856,092,393
	Total Loans & Advances	294,671,938,315	261,002,884,449
7.5	Industry wise Loans and Advances		
	RMG & Accessories	43,403,722,531	33,446,517,613
	Textile Industries	15,126,828,767	13,852,827,251
	Agriculture	3,899,751,000	5,443,143,499
	Food Products & Processing	13,882,289,125	13,291,671,693
	Jute Industries	196,306,169	194,516,828
	Leather & Leather Products	902,650,756	968,436,503
	Paper & Paper Products Industries	6,071,275,801	5,172,208,261
	Wood & Wooden Products	2,446,696,026	2,102,546,024
	Chemical & Chemical Products	2,979,128,627	3,070,697,031
	Cement Industries	7,213,851,587	4,462,811,743
	Brick Field, Auto Bricks, Tiles	717,901,493	565,161,460
	Engineering, Basic Metal & Products	15,265,832,056	15,965,652,898
	Ship Re-cycling	836,194,916	348,911,073
	Ship Manufacturing	3,856,025,665	3,268,049,587
	Educational Institute, Hotel, Restaurant	1,463,315,147	2,540,867,285
	Telecommunication	2,725,557,999	2,872,140,075
	Transport & Communication	4,013,274,713	4,168,247,725
	Diagnostic/Medical/Clinic	2,814,715,293	2,267,430,318
	Housing Industry	19,233,553,663	17,863,322,106
	Construction (Other than Housing)	24,835,032,989	21,857,008,327
	Electronics Media	389,766,747	326,259,763
	Power & Energy	7,546,218,561	9,023,848,613
	Commercial Trade Financing	72,702,963,401	60,205,120,571
	Others	42,149,085,285	37,725,488,202
		294,671,938,315	261,002,884,449

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
7.6	Geographical Location wise Loans & Advances		
	Urban branches		
	Dhaka	210,484,641,820	180,795,420,609
	Chattogram	59,075,946,795	56,061,002,370
	Sylhet	1,821,392,247	1,455,251,747
	Rajshahi	5,941,934,349	5,608,130,266
	Rangpur	850,981,758	694,731,165
	Khulna	5,909,771,948	6,005,929,764
	Barisal	318,222,870	205,494,331
		284,402,891,785	250,825,960,251
	Rural branches		
	Dhaka	7,304,733,075	6,940,456,341
	Chattogram	2,432,593,197	2,436,434,864
	Sylhet	309,513,317	295,781,538
	Rajshahi	216,513,117	227,555,239
	Rangpur	5,693,824	-
	Khulna	-	276,696,215
	Barisal	-	-
		10,269,046,530	10,176,924,198
		294,671,938,315	261,002,884,449
7.7	Sector - wise Loans and Advances		
	Government & autonomous	219,671,304	139,897,666
	Co-operative sector	-	-
	Other public sector	-	-
	Private sector	294,452,267,011	260,862,986,783
		294,671,938,315	261,002,884,449

	Amount in BDT	
	31 Dec. 2018	31 Dec. 2017
7.8 Details of large Loans and Advances		
Number of clients which sanctioned amount of loans exceeding 10% of total capital of the Bank with outstanding and classified amount.		
Total Capital of the Bank (Taka in Crore)	4,250.64	3,691.98
Outstanding Advances (note : 7.8.1)	17,770.73	17,798.74
Number of customers	37	36
Classified amount	-	-
Measures taken for recovery	-	-

7.8.1 Detail of information on Advances more than 10% of Bank's total Capital as on 31 December 2018.

(Figure in crore)

	Outstanding as on		31 Dec. 2018	31 Dec. 2017
	Funded	Non-Funded	Total	Total Taka
Four H group	333.03	629.43	962.46	802.72
Smart Group	82.69	150.95	233.64	297.87
kabir Group	215.70	207.55	423.25	675.92
Abul Khair group	344.08	367.79	711.87	732.06
Unique Group	170.32	45.90	216.22	145.41
Spectra Group	217.67	286.84	504.51	468.55
Micro Fibre Group	-	732.30	732.30	440.64
Baraka Patenga Power Ltd.	278.24	519.76	798.00	327.41
Summit Group	52.38	408.77	461.15	181.83
Max Group	52.31	250.07	302.38	213.90
Max Power Ltd	158.80	19.61	178.41	224.63
Toma Group	77.96	575.30	653.26	685.93
Bashundhara Group	391.39	339.94	731.33	472.02
Chaina Railway Major Bridge Engineering Group Co Ltd.	-	1,216.45	1,216.45	2,976.79
Syno Hydro Corporation Ltd.	-	870.78	870.78	2,229.17
BSRM	49.64	258.02	307.66	791.66
Pran Group	645.99	125.28	771.27	786.51
LIZ GROUP	120.01	345.11	465.12	347.21
DIRD GROUP	337.53	85.64	423.17	379.38
Palmal	17.93	66.17	84.10	146.03
Thermax	68.39	214.87	283.26	357.16
Mondol Group	213.26	586.49	799.75	691.52
Anwar Group	188.96	194.23	383.19	359.35
Metro	146.80	351.58	498.38	381.29
GPH	339.49	337.97	677.46	509.69
New Asia	134.23	223.04	357.27	318.22
N.R. Group	305.92	367.13	673.05	488.04
Habib	297.50	134.48	431.98	247.66
City Group	194.20	193.05	387.25	200.00
Meghna	25.55	18.39	43.94	-
Wahid	180.16	141.66	321.82	-
M.M Knitwear	13.14	253.34	266.48	-
Mir Akhter Hossain	188.77	150.46	339.23	-
BSM Group	415.78	133.07	548.85	-
Energypac	44.17	38.26	82.43	-
Mostafa-Hakim Group	63.16	287.43	350.59	-
BBS Group	226.15	52.32	278.47	-
Orion Group	-	-	-	477.90
Bulk Group	-	-	-	82.18
Robintex	-	-	-	39.30
Abdul Monem	-	-	-	70.54
Rafiqul Islam	-	-	-	104.53
Nitol Niloy Group	-	-	-	145.72
Noapara Trade	-	-	-	-
Total	6,591.30	11,179.43	17,770.73	17,798.74

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
7.9 Disclosure of Particulars of Advances			
i)	Loans considered good in respect of which the banking company is fully & partly secured.	212,429,000,331	188,130,297,067
ii)	Loans considered good against which the banking company holds no security than the debtors personal guarantee.	42,727,431,056	36,824,240,310
iii)	Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor.	39,515,506,928	36,048,347,072
iv)	Loans adversely classified, provision not maintained there against.	-	-
		294,671,938,315	261,002,884,449
v)	Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	3,711,661,324	3,065,388,111
vi)	Loans due by companies or firms in which the directors of the banking company have interests as directors, partners, or managing agents or in case of private companies, as members	-	-
vii)	Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other person		
viii)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as directors, partners or managing agents or in the case of private companies as members	1,564,592,000	1,664,913,000
ix)	Due from banking companies		
x)	Amount of classified loans on which interest has not been charged:		
		18,237,357,864	17,235,486,320
	a) (Decrease)/ Increase in provision	1,891,481,835	1,515,469,214
	b) Amount realized against loan previously written off	267,641,572	113,150,993
	c) Amount of provision kept against loan classified as Bad /Loss on the balance sheet date	4,780,896,584	4,802,936,566
	d) Interest credited to the interest suspense account.	5,015,424,654	4,477,160,401
xi)	Cumulative amount of the written off loan	11,248,297,513	9,675,997,281
xii)	Amount written off during the year	1,839,941,804	662,684,349
xiii)	Amount of written off loan for which law suit filed	13,185,431,950	11,345,490,146
7.10 Classification of Loans & Advances			
a)	Unclassified		
	Standard (SMA)	10,284,217,619	11,559,422,120
	Standard (Small & Medium Ent.)	88,498,284,486	75,212,698,178
	Standard (Consumer Finance- Credit Card)	1,634,835,635	1,206,873,332
	Standard (Consumer Finance-House Finance)	5,148,173,319	4,762,978,002
	Standard (Consumer Finance - Loan Professional)	135,707,044	51,819,694
	Standard (Consumer Finance-Others)	4,791,093,049	2,963,010,818
	Standard (Agri Loan)	1,597,749,686	2,956,048,453
	Standard (Staff Loan)	3,711,661,324	3,065,388,111
	Standard (Others.)	158,848,589,017	139,956,558,721
		274,650,311,179	241,734,797,429
b)	Classified		
	Sub - Standard	1,023,970,417	1,329,574,210
	Doubtful	760,298,855	703,026,490
	Bad & Loss	18,237,357,864	17,235,486,320
		20,021,627,136	19,268,087,020
	Total	294,671,938,315	261,002,884,449

			Amount in BDT	
			31-Dec-2018	31-Dec-2017
7.11 Particulars of required provision for Loans & Advances				
Particulars	Base for Provision	Rate of Provision	Provision required	
General Provision (a)				
Special Mention Account	10,284,217,619	0.25% - 5%	72,581,208	228,343,000
Small & Medium Enterprise	88,498,284,486	0.25%	224,533,500	188,031,745
Consumer Fin.- Credit Card	1,634,835,635	2%	32,696,713	24,137,467
Consumer Fin-House Finance	5,148,173,319	1%	51,481,733	47,629,780
Consumer Fin - Loan Prof.	135,707,044	2%	2,714,141	1,036,394
Consumer Fin-Others	4,791,093,049	5%	239,554,652	148,150,541
Short Term Agri & Micro Credit	1,597,749,686	1%	15,977,497	29,560,485
Loan to BHs/MBs/SDs against share	41,893,732	2%	837,875	848,676
Standard loans & advances	158,806,695,285	1%	3,727,019,765	1,688,068,913
	270,938,649,855		4,367,397,084	2,355,807,000
Specific Provision (b)				
Sub - Standard	265,962,503	20% & 5%	61,969,714	96,680,948
Doubtful	193,677,445	50% & 5%	96,838,722	121,320,486
Bad & Loss	4,780,896,584	100%	4,780,896,584	4,802,936,566
	5,240,536,532		4,939,705,020	5,020,938,000
Required provision for Loans & Advances (A+B)			9,307,102,104	7,376,745,000
Total provision held for Loans & Advances			9,308,937,358	7,417,455,523
Excess/(Short) Provision			1,835,254	40,710,523

Large loan restructure"

The Bank has restructured certain loan facilities of "M/s Jamuna Builders Limited" and "M/s Jamuna Television Limited" under BRPD Circular No 04 dated 29 January 2015 as confirmed vide BRPD letter dated 02 September 2015 for an aggregate amount of Tk. 1,948,300,823 as per the terms and conditions of BRPD Circular No 04/2015.

7.12 Suit filed by different branches against defaulted borrowers during the year

(Branch wise details)

Khatungong branch	857,736,029	87,556,078
Tejgaon branch	25,883,749	717,243
Agrabad branch	111,878,055	175,566,671
Amborkhana branch	7,815,539	1,406,781
Feni branch	254,744,612	7,487,584
Jessore branch	2,110,974	189,937,589
Khulna branch	43,574,131	132,296,428
Nayabazar branch	655,066,649	90,637,470
Naogaon branch	22,116,640	22,643,250
Serajgonj branch	16,690,000	8,124,350
Anowara branch	10,371,032	152,939
Chandpur branch	71,493,850	112,792
Comilla branch	285,263,755	3,594,202
Dampara branch	281,340,885	7,516,462
Faridpur branch	147,546,535	271,401
Islampur branch	84,998,018	13,892,613
Pabna branch	8,033,594	8,441,165
Rajshahi branch	347,407,731	10,421,066
Sylhet branch	499,522	5,667,791
Bashundhara branch	3,844,934	41,603,114
Bangshal branch	3,651,163	251,836
Banasree branch	9,373,017	-
Bhatiary branch	21,092,383	-
Brahmanbaria branch	4,814,447	-
Chinispur branch	15,029,653	-

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
	Dinajpur branch	27,698,899	-
	Gazipur Chowrasta branch	116,596,424	-
	Hathazari branch	108,254,623	-
	Kamrangichar branch	4,171,987	-
	Kanaipur branch	41,512,101	-
	Kanchan branch	3,788,530	-
	Lohagara branch	4,595,987	-
	Maizdi Court branch	3,675,746	-
	Mawna branch	14,186,626	-
	Mirpur Road branch	157,209,928	-
	Moulvi Bazar -Dhaka branch	322,877,044	-
	Savar branch	5,980,219	-
	Shantinagar branch	103,809,562	-
	Station Road branch	44,133,016	-
	Barolekha branch	1,834,804	-
	Chashara branch	22,457,185	-
	Lakshmipur branch	36,770,744	-
	Noapara bazar branch (Jessore)	7,861,132	-
	O.R Nizam Road branch	-	297,457,002
	Paglabazar branch	-	26,467,019
	Principal branch	-	63,781,461
	Gulshan branch	-	512,761
	Khan Jahan Ali Road branch	-	19,748,916
	Mirpur branch	-	78,064
	Northbrook Hall Road branch	-	133,525
	Dohazari branch	-	9,658,880
	Eidgaon branch	-	222,616
	Madhabdi branch	-	7,192,236
	Mohammadpur branch	-	1,313,356
	Uttarkhan branch	-	340,965
	Kadamtali branch	-	39,871,627
	Card division	-	35,537,386
	Foreign Exchange branch	-	204,660,448
	Narayangonj branch	-	2,205,112
	Shantinagar branch	-	20,409,177
	Sherpur branch	-	456,643
	Shibchar branch	-	271,181
	Uttara Branch	-	3,165,209
	Corporate branch	-	1,883,691
	Bogra Branch	-	167,458
	Anderkilla branch	-	211,696
	Muradpur branch	-	5,356,374
		4,319,791,454	1,549,401,628
7.13	Bills purchased and discounted		
	a) Payable in Bangladesh	3,342,621,797	2,696,910,169
	b) Payable outside Bangladesh	16,145,268,075	13,504,596,982
		19,487,889,872	16,201,507,151
7.13.1	Maturity grouping of bills purchased and discounted		
	Payable within one month	1,463,337,927	3,276,035,025
	Over one month but less than three months	2,486,748,313	4,499,052,479
	Over three months but less than six months	6,350,111,994	5,580,986,751
	Six months or more	9,187,691,638	2,845,432,896
		19,487,889,872	16,201,507,151

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
7(a) Consolidated Loans and Advances			
Loans, Cash Credits, Overdrafts etc			
United Commercial Bank Ltd.	275,184,048,443	244,801,377,298	
UCB Capital Management Ltd.	1,905,557,186	1,579,432,201	
UCB Investment Ltd.	-	-	
	277,089,605,629	246,380,809,499	
Less: Inter Company balance eliminated	-	-	
	277,089,605,629	246,380,809,499	
Bills Purchased and discounted			
United Commercial Bank Ltd.	19,487,889,872	16,201,507,151	
UCB Capital Management Ltd.	-	-	
UCB Investment Ltd.	-	-	
	19,487,889,872	16,201,507,151	
Less: Inter Company balance eliminated	-	-	
	19,487,889,872	16,201,507,151	
	296,577,495,501	262,582,316,650	
8. Fixed assets including premises, furniture & fixture.			
Land	4,395,054,283	4,395,054,283	
Building	2,131,705,476	1,683,875,932	
Furniture and fixtures	1,641,947,205	1,498,045,192	
Office equipments	1,384,685,527	1,057,476,281	
Computer & equipments	996,595,151	900,579,801	
Vehicles	460,816,440	398,340,786	
Capital Expenditure Work in Progress	819,944,739	1,015,277,528	
	11,830,748,821	10,948,649,803	
Intangible assets			
Computer software	897,497,153	578,213,040	
	12,728,245,974	11,526,862,843	
Less: Accumulated depreciation & amortization	3,672,131,746	3,182,761,207	
Written down value at the end of the year	9,056,114,228	8,344,101,636	
Fixed Assets Schedule:			
A schedule of Fixed assets is given in Annexure - B			
8(a) Consolidated Fixed Assets including premises ,furniture & fixture			
United Commercial Bank Ltd.	9,056,114,228	8,344,101,636	
UCB Capital Management Ltd.	27,989,446	8,689,439	
UCB Investment Ltd.	-	-	
	9,084,103,674	8,352,791,075	
Less: Inter Company balance eliminated	-	-	
	9,084,103,674	8,352,791,075	

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
9. Other assets			
Investment in share of subsidiary companies.	767,592,757	767,592,757	
Investment against Right share of subsidiary companies*	1,486,500,000	1,486,500,000	
Receivable from Subsidiary Company	767,021	744,021	
Stock of Stationery & Stamps	42,223,835	45,869,403	
Account with Stock Broker	481,365,696	989,168,534	
Advance Payment	790,299,986	823,613,009	
Advance Deposit	8,249,730	8,177,730	
Suspense Account (note - 9.1)	1,155,463,440	662,017,050	
Advance Income Tax Paid (note - 9.2)	1,346,549,251	1,351,430,049	
Interest Receivable	1,171,858,272	944,736,388	
Head Office General Account (note - 9.3)	665,685	-	
Others (note - 9.4)	3,042,716	3,042,715	
	7,320,406,165	7,082,891,656	

*This amount represents subscription money of BDT 1,486,500,000 (1,48,65,000 right share @Tk. 100) with UCB Capital Management Limited. This amount will be adjusted appropriately as soon as we receive verdict from the Hon'ble High Court and subsequent consent from BSEC.

9.1 Suspense accounts			
Advance against expenses	278,981,306	207,127,502	
Advance against others	43,628	-	
Advance against Foreign Remittance Settlement	8,526,396	7,058,444	
Claims on Sanchaypatra	435,254,482	183,771,976	
Interest on sanchaypatra	227,988,579	105,240,221	
Excise duty	10,914,610	19,114,020	
Protested bill	92,964,663	72,831,536	
Sundry receivable ATM	63,590,036	38,172,351	
Cash in Transit	2,170,000	23,814,000	
Card suspense	12,301,509	-	
Upay suspense	22,404,731	-	
Cash in Excess/(Short) ATM	323,500	4,887,000	
	1,155,463,440	662,017,050	
9.2 Advance income tax			
Opening balance	1,351,430,049	1,472,757,862	
Add: Advance Tax paid during the year	2,361,320,271	2,114,571,485	
Less: Advance Tax adjustment with tax Provision	(2,366,201,069)	(2,235,899,298)	
Balance at the end of the year	1,346,549,251	1,351,430,049	
9.2.1 Advance income tax paid			
A) Assessment year wise break up is as follows:			
Tax refundable Up to the year 2009	119,691,400	119,691,400	
2011-2012	1,166,692,098	1,166,692,098	
2012-2013	2,300,895,593	2,300,895,593	
2013-2014	1,801,862,346	1,801,862,346	
2014-2015	2,343,175,995	2,257,875,995	
2015-2016	2,590,092,879	2,590,092,879	
2016-2017	3,011,606,166	3,011,606,166	
2017-2018	2,204,701,311	2,204,701,311	
2018-2019	2,280,903,375	1,114,303,375	
2019-2020	1,109,422,577	-	
	18,929,043,740	16,567,721,163	
Less: Advance Tax Adjusted with tax provision up to the year 2017	(17,582,494,489)	(15,216,291,114)	
	1,346,549,251	1,351,430,049	

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
9.3 Head Office General Account			
This is made up as follows :			
Due from branches		113,404,680,500	-
Due to branches		113,404,014,815	-
		665,685	-
9.4 Others			
UCB International school project		3,042,606	3,042,606
Receivable from Others		100	100
MFS fraction digit		10	9
OBU exchange equalization		-	-
		3,042,716	3,042,715
9.5 Non-income generating other assets			
Stock of Stationery & Stamps		42,223,835	45,869,403
Account with Stock Broker		481,365,696	989,168,534
Advance Payment		790,299,986	823,613,009
Advance Deposit		8,249,730	8,177,730
Advance Income Tax Paid		1,346,549,251	1,351,430,049
Suspense Account		1,155,463,440	662,017,050
Head Office General Account		665,685	-
Others		3,042,716	3,042,715
		3,827,860,339	3,883,318,490
9(a) Consolidated Other assets			
United Commercial Bank Ltd.		7,320,406,165	7,082,891,656
UCB Capital Management Ltd.		277,927,718	172,027,102
UCB Investment Ltd.		45,023,922	8,529,952
		7,643,357,805	7,263,448,710
Less: Inter Company balance eliminated		2,250,666,921	2,250,643,921
Investment in shares of subsidiary companies		763,399,900	763,399,900
Receivables from Subsidiary Company		1,487,267,021	1,487,244,021
		5,392,690,884	5,012,804,789
10 Borrowings from other banks, financial institutions & agent.			
In Bangladesh (note - 10.1)		39,533,582,870	28,871,306,690
Out Side Bangladesh (note - 10.2)		5,160,676,312	4,975,087,444
		44,694,259,182	33,846,394,134
10.1 In Bangladesh			
UCBL Subordinated Bond (note - 10.1.1)		15,400,000,000	10,500,000,000
Bangladesh Bank IPFF Fund		4,014,121,262	3,365,537,280
EDF Borrowings from Bangladesh Bank		19,844,737,794	14,890,485,384
Borrowing from Bangladesh Bank Refinancing scheme		274,723,814	32,584,026
Southeast Bank Limited		-	82,700,000
		39,533,582,870	28,871,306,690
10.1.1 UCBL Subordinated Bond			
UCBL 1st Subordinated Bond		1,400,000,000	2,000,000,000
UCBL 2nd Subordinated Bond		4,000,000,000	5,000,000,000
UCBL 3rd Subordinated Bond (1st Tranche)		3,500,000,000	3,500,000,000
UCBL 3rd Subordinated Bond (2nd Tranche)		3,500,000,000	-
UCBL 4th Subordinated Bond (1st Tranche)		500,000,000	-
UCBL 4th Subordinated Bond (2nd Tranche)		2,500,000,000	-
		15,400,000,000	10,500,000,000

		Amount in BDT	
		31 Dec. 2018	31 Dec. 2017
10.2	Out Side Bangladesh		
	International Finance Corporation	419,499,916	1,929,666,638
	PROPARCO	599,285,713	748,238,095
	Emirates NBD Bank PJSC-UAE	292,660,400	727,710,380
	Emirates Islamic Bank	860,324,024	911,877,491
	First Gulf Bank	857,694,367	297,833,713
	Habib Bank UK	839,000,000	-
	Commercial Bank of Qatar	419,500,000	-
	National Bank of Ras Al-Khaimah, UAE	536,625,524	-
	ICICI Bank Ltd, India	336,086,368	-
	YES BANK LTD	-	359,761,127
		5,160,676,312	4,975,087,444
	Secured	-	-
	Unsecured	44,694,259,182	33,846,394,134
		44,694,259,182	33,846,394,134
10.3	Maturity Grouping of Borrowings from other banks, financial institutions & agent.		
	Payable on demand	1,131,660,399	-
	Payable within one month	4,096,805,886	2,217,130,467
	Over one month but within six months	19,358,162,192	15,659,112,627
	Over six month but within one year	1,011,245,000	2,242,600,000
	Over one year but within five years	12,399,571,977	8,958,301,260
	Over five years but within ten years	6,696,813,728	4,769,249,780
		44,694,259,182	33,846,394,134
10(a)	Consolidated Borrowings from other banks, financial institutions & agent.		
	United Commercial Bank Ltd.	44,694,259,182	33,846,394,134
	UCB Capital Management Ltd.	549,400,000	350,000,000
	UCB Investment Ltd.	-	-
		45,243,659,182	34,196,394,134
	Less: Inter Company balance eliminated	-	-
		45,243,659,182	34,196,394,134
11	Deposits and other accounts		
	Inter Bank deposits	5,027,935,604	49,161,801
	Other deposits	292,144,885,028	278,146,324,031
		297,172,820,632	278,195,485,832
	a. Current accounts & other accounts		
	Current deposits	27,686,282,356	24,105,914,832
	Foreign currency deposits	3,849,712,228	2,824,478,720
	Sundry deposits (note - 11.1)	17,459,120,972	17,403,996,464
		48,995,115,556	44,334,390,016
	b. Bills Payable		
	Pay order	7,511,696,355	6,585,548,355
	Demand draft payable	8,367,418	9,374,075
	Others Payable	3,500	3,500
		7,520,067,273	6,594,925,930
	c. Savings Bank deposits		
	Savings Bank deposits	52,032,663,276	52,852,622,249
		52,032,663,276	52,852,622,249
	d. Fixed deposits		
	Fixed deposits	113,712,587,040	73,794,076,649
	Special notice deposits	42,614,926,217	68,701,628,547
	Scheme Deposits	32,297,461,270	31,917,842,441
		188,624,974,527	174,413,547,637
	Total Deposits and other accounts (a+b+c+d)	297,172,820,632	278,195,485,832

Amount in Taka

	31-Dec-2018	31-Dec-2017
11.1 Sundry deposits		
Sundry creditors	214,910,481	225,023,326
Security deposits	7,093,300	6,392,100
Debit & Credit card	7,070,130	2,226,530
Others	63,444,802	12,877,417
FC held against deemed export LC	914,667,606	2,490,799,952
FC held against BTB LC	11,128,965,570	10,267,467,424
Margin		
Letter of guarantees	1,403,493,758	1,111,483,638
Letter of credit	3,505,317,061	3,131,194,524
SME Time Loan	6,458,136	-
Export Proceed	207,700,128	156,531,553
	17,459,120,972	17,403,996,464
11.2 Maturity analysis of deposits & other accounts		
Inter- Bank Deposits		
Payable on demand	17,978,879	44,303,044
Payable within one month	9,956,725	4,858,757
Over one month but within six months	5,000,000,000	-
Over six month but within one year	-	-
Over one year but within five years	-	-
Over five years but within ten years	-	-
	5,027,935,604	49,161,801
Other Deposits		
Payable on demand	5,077,137,200	7,014,424,235
Payable within one month	31,971,149,198	32,325,665,636
Over one month but within six months	75,893,377,879	75,137,857,079
Over six month but within one year	32,467,210,672	30,983,570,644
Over one year but within five years	72,358,684,856	67,737,888,832
Over five years but within ten years	74,377,325,223	64,946,917,605
	292,144,885,028	278,146,324,031
	297,172,820,632	278,195,485,832
11.3 Sector-wise deposits		
Government	927,619,982	630,851,552
Semi-Government	5,514,325,770	4,339,044,598
Public	36,486,384,746	56,884,622,922
Private	250,394,777,906	213,516,488,040
Foreign Currency Deposits	3,849,712,228	2,824,478,720
	297,172,820,632	278,195,485,832
11(a) Consolidated Deposits and other accounts		
Current accounts & other accounts		
United Commercial Bank Ltd.	48,995,115,556	44,334,390,016
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	48,995,115,556	44,334,390,016
Less: Inter company balance eliminated	156,476,711	190,457,859
	48,838,638,845	44,143,932,157
Bills Payable		
United Commercial Bank Ltd.	7,520,067,273	6,594,925,930
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	7,520,067,273	6,594,925,930

			Amount in Taka	
			31-Dec-2018	31-Dec-2017
Savings Bank deposits				
United Commercial Bank Ltd.			52,032,663,276	52,852,622,249
UCB Capital Management Ltd.			-	-
UCB Investment Ltd.			-	-
			52,032,663,276	52,852,622,249
Fixed deposits				
United Commercial Bank Ltd.			188,624,974,527	174,413,547,637
UCB Capital Management Ltd.			-	-
UCB Investment Ltd.			-	-
			188,624,974,527	174,413,547,637
Less: Inter company balance eliminated			-	-
			188,624,974,527	174,413,547,637
			297,016,343,921	278,005,027,973
12	Other Liabilities			
	Provision for classified loans & advances	(note - 12.1)	4,940,005,020	5,020,938,000
	Provision for diminution in value of investment	(note - 12.2)	-	292,839,246
	Provision for classified fixed assets	(note - 12.3)	3,972,000	3,972,000
	Provision for classified other assets	(note - 12.4)	104,964,661	74,851,344
	Provision for standard loans & advance	(note - 12.5)	3,727,755,019	1,728,779,435
	Provision for special mention account	(note - 12.6)	75,968,997	228,343,000
	Provision for small & medium enterprise (SME)	(note - 12.7)	221,345,711	188,031,745
	Provision for consumer finance (Credit Card)	(note - 12.8)	32,796,713	24,137,467
	Provision for consumer finance (House Finance)	(note - 12.9)	51,581,733	47,629,780
	Provision for consumer finance (L.p)	(note - 12.10)	2,814,141	1,036,394
	Provision for consumer finance (Others)	(note - 12.11)	239,654,652	148,150,541
	Provision for short term agri micro finance	(note - 12.12)	16,077,497	29,560,485
	Provision for off-balance sheet exposure	(note - 12.13)	1,570,407,545	1,979,838,013
	Provision for BHs/MBs/SDs/against share	(note - 12.14)	937,875	848,676
	Provision for current tax	(note - 12.15)	4,930,176,967	4,936,286,216
	Provision for deferred tax	(note - 12.16)	227,531,267	206,445,374
	Provision for UCB foundation	(note - 12.17)	63,165,000	60,851,461
	Interest suspense account	(note - 12.18)	6,376,030,371	4,542,106,658
	Head office general account		-	4,470
	Dividend payable		41,400	41,400
	Sundry liabilities		2,735,984,809	1,986,074,297
	Interest payable		5,888,086,976	3,261,896,365
			31,209,298,354	24,762,662,367
12.1	Provision for classified loans & advances			
	Opening balance		5,020,938,000	4,160,119,215
	Adjustment due to written off		(1,530,803,672)	(595,088,705)
	Provision made during the year		1,449,870,692	1,455,907,490
			4,940,005,020	5,020,938,000
12.2	Provision for diminution in value of investment			
	Opening balance		292,839,246	292,839,246
	Provision made/(reversed) during the year		(292,839,246)	-
			-	292,839,246

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
12.3	Provision for classified fixed assets		
	Opening balance	3,972,000	3,972,000
	Provision made during the year	-	-
		3,972,000	3,972,000
12.4	Provision for classified other assets		
	Opening balance	74,851,344	85,850,000
	Provision made during the year	30,113,317	-
	Transferred the surplus to other provision heads	-	(10,998,656)
		104,964,661	74,851,344
12.5	Provision for standard loans & advance		
	Opening balance	1,728,779,435	1,111,201,270
	Provision made during the year	1,833,118,593	471,340,825
	Transferred from surplus of other provision heads	165,856,991	138,749,527
	Adjustment during the year	-	7,487,813
		3,727,755,019	1,728,779,435
12.6	Provision for special mention account		
	Opening balance	228,343,000	92,852,645
	Provision made during the year		135,490,355
	Transferred the surplus to other provision heads	(152,374,003)	-
		75,968,997	228,343,000
12.7	Provision for small & medium enterprise(SME)		
	Opening balance	188,031,745	177,133,812
	Provision made during the year	33,313,966	10,897,933
		221,345,711	188,031,745
12.8	Provision for consumer finance (Credit Card)		
	Opening balance	24,137,467	49,180,941
	Provision made during the year	8,659,246	-
	Transferred the surplus to other provision heads		(25,043,474)
		32,796,713	24,137,467
12.9	Provision for consumer finance (House Finance)		
	Opening balance	47,629,780	141,893,696
	Provision made during the year	3,951,953	-
	Transferred the surplus to other provision heads		(94,263,916)
		51,581,733	47,629,780
12.10	Provision for consumer finance (Loan Professionals)		
	Opening balance	1,036,394	306,128
	Provision made during the year	1,777,747	730,266
		2,814,141	1,036,394
12.11	Provision for consumer finance (Others)		
	Opening balance	148,150,541	131,138,520
	Provision made during the year	91,504,111	17,012,021
		239,654,652	148,150,541
12.12	Provision for short term agri micro finance		
	Opening balance	29,560,485	38,003,966
	Provision made during the year	-	-
	Transferred the surplus to other provision heads	(13,482,988)	(8,443,481)
		16,077,497	29,560,485

Amount in Taka

	31-Dec-2018	31-Dec-2017
12.13 Provision for off-balance sheet exposure		
Opening balance	1,979,838,013	1,581,680,000
Provision made/(reversed) during the year	(409,430,468)	397,928,598
Adjustment during the year	-	229,415
	1,570,407,545	1,979,838,013
Provision against Off-Balance Sheet Exposure made as per BRPD Circular No. 14 dated 23 September 2012, BRPD Circular No. 07 dated 21 June 2018 and BRPD Circular No. 13 dated 18 October 2018. Required provision against off-balance sheet exposure as on 31 December 2018 is Tk. 1,570,307,544 against which available provision is Tk. 1,570,407,545.		
12.14 Provision for BHs/MBs/SDs/against share		
Opening balance	848,676	156,164
Addition during the year	89,199	692,512
Transferred the surplus to other provision heads	-	-
	937,875	848,676
12.15 Provision for current tax		
Opening balance	4,936,286,216	4,144,685,514
Add: Addition during the year	2,360,094,126	3,027,500,000
Less: Adjustment with advance Tax	(2,366,203,375)	(2,235,899,298)
	4,930,176,967	4,936,286,216
12.15.1 Provision for Current Tax		
Assessment year wise breakup is as follows:		
2011-2012	1,238,047,578	1,238,047,578
2012-2013	2,183,460,319	2,183,460,319
2013-2014	2,152,935,623	2,152,935,623
2014-2015	2,562,437,098	2,562,437,098
2015-2016	3,161,945,018	3,161,945,018
2016-2017	3,265,000,000	3,265,000,000
2017-2018	2,561,251,694	2,561,251,694
2018-2019	3,027,500,000	3,027,500,000
2019-2020	2,360,094,126	-
	22,512,671,456	20,152,577,330
Less: Adjustment of Current Tax Provision with advance Tax up to the year 2017.	(17,582,494,489)	(15,216,291,114)
	4,930,176,967	4,936,286,216
12.16 Provision for deferred tax		
Opening balance	206,445,374	206,445,374
Addition during the year	21,085,893	-
	227,531,267	206,445,374
12.17 Provision for UCB foundation		
Opening balance	60,851,461	105,274,987
Addition during the year	63,165,000	60,851,461
Less: Fund transfer to UCB Foundation	(60,851,461)	(105,274,987)
	63,165,000	60,851,461

		Amount in Taka	
		31-Dec-2018	31-Dec-2018
12.18	Interest suspense account		
	Opening balance	4,542,106,658	3,399,350,429
	Add: Amount transferred to interest suspense account during the year	5,015,424,654	4,477,160,401
	Less: Amount recovered from interest suspense account during the year	(2,853,586,641)	(3,261,030,544)
	Less: Interest waiver/remission allowed	(18,776,167)	(5,777,984)
	Less: Amount written off during the year	(309,138,133)	(67,595,644)
		6,376,030,371	4,542,106,658
12(a)	Consolidated Other Liabilities		
	United Commercial Bank Ltd.	31,209,298,354	24,762,662,367
	UCB Capital Management Ltd.	975,424,520	1,350,520,009
	UCB Investment Ltd.	22,913,676	22,890,675
		32,207,636,550	26,136,073,051
	Less: Inter company balance eliminated	767,021	744,021
		32,206,869,529	26,135,329,030
13	Share Capital		
	Opening balance	10,541,306,540	10,541,306,540
	Add: Bonus shares issue	-	-
		10,541,306,540	10,541,306,540
13.1	Authorized Capital		
	1,500,000,000 ordinary shares of Tk. 10.00 each	15,000,000,000	15,000,000,000
13.2	Issued subscribed and paid up Capital		
	105,41,30,654 ordinary shares @ Taka 10.00 each	10,541,306,540	10,541,306,540
		10,541,306,540	10,541,306,540

Shareholding position:

Particulars	2018		2017	
	No. of Shares	Amount in BDT	No. of Shares	Amount in BDT
Sponsors/Directors	365,545,869	3,655,458,690	390,243,577	3,902,435,770
Institution(Financial & Others)	216,928,739	2,169,287,390	220,666,286	2,206,662,860
General Public	463,106,213	4,631,062,130	434,670,958	4,346,709,580
Govt. of Peoples Republic of BD	8,549,833	85,498,330	8,549,833	85,498,330
Total	1,054,130,654	10,541,306,540	1,054,130,654	10,541,306,540

13.3 Share Premium

29,09,95,350 ordinary shares of Taka 5 each per share	1,454,976,750	1,454,976,750
Rights share (1:1; 1 share for each share held) has been issued in the year 2011 @ Tk. 15 each including share premium of Tk. 5 each.		

13.4 Classification of Shareholders by holding as at 31 December 2018

Shareholding Range	Number of Shareholders	Number of Shares	Value of Shares in BDT	Total Holdings %
Upto 500 Shares	26,802	4,160,158	41,601,580	0.39%
501 to 5000 Shares	24,287	41,687,202	416,872,020	3.95%
5001 to 10,000 Shares	3,294	23,824,213	238,242,130	2.26%
10,001 to 20,000 Shares	1,728	24,658,193	246,581,930	2.34%
20,001 to 30,000 Shares	488	12,004,257	120,042,570	1.14%
30,001 to 40,000 Shares	224	7,903,466	79,034,660	0.75%
40,001 to 50,000 Shares	158	7,368,953	73,689,530	0.70%
50,001 to 100,000 Shares	306	22,497,989	224,979,890	2.13%
100,001 to 10,00,000 Shares	299	94,022,123	940,221,230	8.92%
10,00,001 & above	116	816,004,100	8,160,041,000	77.41%
Total	57,702	1,054,130,654	10,541,306,540	100.00%

13.5 History of Paid Up Capital

Year	Number of Shares Issued	Amount in BDT	Cumulative Paid up Capital
1983	355,000	35,500,000	35,500,000
1984	85,000	8,500,000	44,000,000
1986	360,000	36,000,000	80,000,000
1988	400,000	40,000,000	120,000,000
1991	171,428	17,142,800	137,142,800
1994	397,963	39,796,300	176,939,100
1995	176,939	17,693,900	194,633,000
1996	291,949	29,194,900	223,827,900
1997	63,296	6,329,600	230,157,500
2007	690,473	69,047,300	299,204,800
2010	26,107,487	2,610,748,700	2,909,953,500
2011	436,493,025	4,364,930,250	7,274,883,750
2012	109,123,256	1,091,232,560	8,366,116,310
2013	-	-	8,366,116,310
2014	-	-	8,366,116,310
2015	167,322,326	1,673,223,260	10,039,339,570
2016	50,196,697	501,966,970	10,541,306,540
2017		-	10,541,306,540
2018		-	10,541,306,540

13.6

Capital to Risk Weighted Asset Ratio (CRAR)

The calculation of CRAR has been done as per Guidelines on Risk Based Capital Adequacy - Revised regulatory Capital Framework for Banks in line with BASEL-III vide BRPD circular no.18 dated December 21, 2014. Minimum Required Capital with Capital Conservation Buffer of the bank at the close of business on 31 December 2018 was Taka 39,523,782,910 as against available Tier-1 Capital of Taka 24,740,824,624 and Tier-2 Capital of Taka 17,759,986,852 making a Total Regulatory Capital of Taka 42,500,811,476 thereby an excess of capital of Taka 2,977,028,566 at that date.

Details are shown below :

Tier-I Capital :**Common Equity Tier-1 capital (CET1):**

Paid-up Capital (note: 13.2)	10,541,306,540	10,541,306,540
Share Premium (note: 13.3)	1,454,976,750	1,454,976,750
Statutory Reserve (note: 14)	11,448,968,037	10,467,416,183
General Reserve (note : 15)	26,577,961	26,577,961
Retained Earnings (note : 17)	1,880,305,140	1,389,408,394
	25,352,134,428	23,879,685,828

Less: Regulatory Adjustments:

Goodwill and all other Intangible Assets	365,632,506	149,473,352
Investment in own CET-1 Instruments/Shares	32,217,920	15,854,020
Reciprocal crossholdings and excess investment above limit	155,101,900	118,468,970
Others	58,357,478	-
	611,309,804	283,796,342

Total Common Equity Tier-1 Capital

Additional Tier-1 Capital (AT-1)	-	-
Total Tier-1 Capital	24,740,824,624	23,595,889,486

Tier-II Capital:

General Provision	5,939,339,883	4,376,355,536
Revaluation Reserve (note: a)	1,618,953,640	1,618,953,640
Subordinated Bond	12,680,000,000	8,300,000,000
	20,238,293,523	14,295,309,176

Less: Regulatory Adjustments:

Revaluation Reserve	1,295,162,912	971,372,184
Reciprocal crossholdings in the T-2 Capital of BNBFI's & Insurance Entities	195,000,000	-
Any investment exceeding the approved limit under section 26(2) of Bank Company Act, 1991 (50% of Investment)	100,815,000	-
Others	887,328,759	-

Total Admissible Tier-2 Capital

Total Regulatory Capital	42,500,811,476	36,919,826,478
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Risk Weighted Assets (note-13.8)

Minimum Capital Requirement with Capital Conservation Buffer (11.875% of Risk Weighted Assets)	39,523,782,910	34,408,156,271
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Capital Surplus/(Shortfall)

	2,977,028,566	2,511,670,207
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Note :

a) The amount of Revaluation Reserve is 20 percent of the balance stood as on 31 December, 2014 (50% of Fixed Assets and Securities Revaluation Reserve & 10% of Equities Revaluation Reserve)

Amount in Taka

31-Dec-2018

31-Dec-2017

		Amount in Taka			
		31-Dec-2018		31-Dec-2017	
13.7	Composition of Capital	Required	Held	Required	Held
	Common Equity Tier -I	4.50%	7.43%	4.50%	7.71%
	Tier-I Capital	6.00%	7.43%	6.00%	7.71%
	Tier-II Capital		5.34%		4.36%
	Total CRAR	11.875%	12.77%	11.25%	12.07%
13.8	Computation of Risk weighted assets				
	On- Balance Sheet		230,574,061,626		209,876,695,560
	Off-Balance sheet		64,628,529,708		59,899,924,754
	Credit Risk (A)		295,202,591,334		269,776,620,314
	Market Risk (B)		9,383,100,482		9,946,328,443
	Operational risk (C)		28,246,164,271		26,127,329,204
	Total: Risk Weighted assets (A+B+C)		332,831,856,087		305,850,277,961
14	Statutory Reserve				
	As per section 24(1) of the Bank company Act, 1991 (amendment upto 2018), an amount equivalent to 20% of the profit before taxes for the year has been transferred to the statutory reserve fund as under:				
	Opening Balance		10,467,416,183		9,375,134,484
	Add : Transferred during the year		981,551,855		1,092,281,699
			11,448,968,037		10,467,416,183
15	General Reserve				
			26,577,961		26,577,961
	Opening Balance		-		-
	Add: Transferred during for the year		26,577,961		26,577,961
16	Other Reserve				
			2,534,101,559		2,534,101,559
	Asset Revaluation Reserve (notes: 16.1)		22,729,894		19,591,419
	Foreign currency translation gain/(loss)		90,800,364		74,130,335
	Revaluation Reserve on HTM Securities (notes: 16.2.1)		-		2,748,663
	Revaluation Reserve on HFT Securities (notes: 16.2.2)		2,647,631,817		2,630,571,976
16.1	Asset Revaluation Reserve				
	In terms of Bangladesh Accounting Standard (BAS) 16, 'Property, Plant & Equipment' and instruction contained in BRPD Circular No. 10 dated 25 November 2002 issued by Bangladesh Bank, all the immovable properties of the Bank were revalued as at 27.12.2012 by Padma Techno Consult & Survey Ltd. an independent professionally qualified valuation firm of the country based on market survey. Accordingly, revaluation surplus of Tk. 2,534,101,559/- for land & building has been included as asset revaluation reserve at reporting date as follows:				
	Opening Balance		2,534,101,559		2,534,101,559
	Reserve made for the year		-		-
			2,534,101,559		2,534,101,559

Amount in Taka

	31-Dec-2018	31-Dec-2017
16.2 Revaluation Reserve		
HTM Securities (notes 16.2.1)	90,800,364	74,130,335
HFT Securities (notes 16.2.2)	-	2,748,663
	90,800,364	76,878,998
As per the DOS Circular Letter # 05 dated 26 May 2008, HFT securities are revalued on weekly basis and HTM securities are amortized on yearly basis.		
16.2.1 Revaluation Reserve on HTM Securities		
Opening Balance	74,130,335	175,532,010
Net Revaluation gain/adjustment during the year	16,670,029	(101,401,675)
	90,800,364	74,130,335
16.2.2 Revaluation Reserve on HFT Securities		
Opening Balance	2,748,663	15,108,951
Net Revaluation gain/adjustment during the year	(2,748,663)	(12,360,288)
	-	2,748,663
17 Retained Earnings		
Opening Balance	1,389,408,394	1,628,977,579
Add: Transferred during for the year	1,545,027,399	1,341,626,796
Less: Issuance of Stock Dividend	-	-
Less: Issuance of Cash Dividend	(1,054,130,654)	(1,581,195,981)
	1,880,305,140	1,389,408,394
17(a) Consolidated Retained Earnings		
United Commercial Bank Ltd.	1,880,305,140	1,389,408,394
UCB Capital Management Ltd.	447,829,206	269,520,658
UCB Investment Ltd.	47,044,709	91,986,953
	2,375,179,055	1,750,916,005
Less: Non controlling Interest	88	53
Total balance of retained earnings attributable to the ordinary Share holders.	2,375,178,967	1,750,915,952
Paid up Capital	763,500,000	763,500,000
Retained earnings	494,873,915	361,507,611
	1,258,373,915	1,125,007,611
Non controlling interest	188	153
18 Contingent liabilities & commitment		
Acceptances & endorsement (note- 18.1)	69,188,473,619	48,836,369,932
Letters of guarantee (note- 18.2)	65,251,091,309	91,361,376,812
Irrecoverable letters of credit (note- 18.3)	34,639,116,428	44,803,196,081
Bills for collection (note-18.4)	12,987,932,703	12,155,872,347
Other Commitments	-	816,986,203
	182,066,614,059	197,973,801,375
18.1 Acceptances & endorsements		
Bankers liabilities for accepted against usance LC	49,417,838,186	31,205,844,459
Bankers liabilities for accepted against BB usance	19,770,635,433	17,630,525,473
	69,188,473,619	48,836,369,932

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
18.2	Letters of guarantee		
	Bankers liabilities for letters of guarantee (Inland)	59,442,843,234	63,632,931,521
	Bankers liabilities for letters of guarantee (Foreign)	5,808,248,075	27,728,445,291
		65,251,091,309	91,361,376,812
18.3	Irrecoverable letters of credit		
	Letters of credit (Inland)	577,295,396	1,233,987,672
	Letters of credit (Foreign)	21,126,627,865	29,453,050,001
	Back to back L/C	11,838,704,913	12,811,076,891
	Letters of credit EDF	1,090,445,450	1,300,027,046
	Letters of credit EPZ	6,042,804	5,054,471
		34,639,116,428	44,803,196,081
18.4	Bills for collection		
	Bills for collection	9,357,443,172	7,418,643,939
	Foreign Bills for collection	3,630,489,531	4,737,228,408
		12,987,932,703	12,155,872,347
19	Income Statement		
	Income		
	Interest, discount and similar income (note - 19.1)	28,951,237,161	24,466,356,152
	Dividend income	303,129,439	139,310,824
	Fees, commission and brokerage	2,811,872,013	2,451,664,459
	Gain less losses arising from dealing in securities	-	-
	Gain less losses arising from investment securities	443,241,342	525,463,593
	Gain less losses arising from dealing in foreign currencies	1,668,745,144	1,614,857,800
	Income from non-banking asset	-	-
	Other operating income	406,428,680	272,002,941
		34,584,653,779	29,469,655,769
	Expenses		
	Interest paid on deposits and borrowings etc	16,024,496,884	12,087,387,278
	Administrative expenses (note - 19.2)	9,301,986,202	7,984,258,399
	Other operating expenses	1,035,097,565	896,892,661
	Depreciation on banks assets	565,184,745	549,708,936
		26,926,765,396	21,518,247,274
		7,657,888,383	7,951,408,495
19.1	Interest, discount and similar income		
	Interest Income	25,266,932,644	21,034,156,637
	Interest income from investments	3,684,304,517	3,432,199,515
		28,951,237,161	24,466,356,152

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
19.2	Administrative expenses		
	Salary and allowances	6,491,607,508	5,736,494,910
	Rent, taxes, insurance, electricity etc.	1,226,148,243	1,155,591,221
	Legal expenses	63,146,961	65,336,223
	Postage, stamps, telecommunications etc.	141,984,025	148,928,973
	Stationery, printing, advertisements etc.	1,127,862,324	648,490,430
	Chief Executive's salary and fees	9,912,000	8,026,560
	Directors' fees	5,403,306	5,408,654
	Auditors' fees	1,150,000	805,000
	Repair of banks assets	234,771,835	215,176,428
		9,301,986,202	7,984,258,399
20	Interest Income		
	Interest on loans and advances	23,690,265,232	20,008,574,551
	Interest on balances with other banks & Fin Ins.	1,417,602,305	792,632,140
	Interest on money at call on short notice	117,132,472	213,164,527
	Interest on balance with foreign Bank	41,932,635	19,785,419
		25,266,932,644	21,034,156,637
20(a)	Consolidated Interest Income		
	United Commercial Bank Ltd.	25,266,932,644	21,034,156,637
	UCB Capital Management Ltd.	268,577,805	160,862,935
	UCB Investment Ltd.	-	-
		25,535,510,449	21,195,019,572
21	Interests Paid on deposits and borrowings etc.		
	Interest paid on deposits (note - 21.1)	13,542,329,435	10,708,216,861
	Interest paid on borrowings (note - 21.2)	2,482,167,449	1,379,170,417
		16,024,496,884	12,087,387,278
21.1	Interest paid on deposits		
	Savings Deposit	1,608,476,240	1,462,031,677
	Special Notice Deposit	1,917,299,686	1,882,378,870
	Fixed Term Deposit	6,584,373,642	3,833,545,134
	Scheme Term Deposit	3,432,179,867	3,530,261,180
		13,542,329,435	10,708,216,861
21.2	Interest paid on borrowings		
	Borrowing from Bangladesh Bank	125,148,200	111,540,164
	Borrowing from other Bank & financial institution	282,033,437	6,279,919
	Interest Paid on Subordinated Bond	1,212,577,776	733,305,553
	F.C borrowings	253,714,686	164,951,643
	Interest Exp. On Other Bank repo borrowings	51,008	205,225
	Interest on money at call on short notice	13,366,167	814,931
	Interest on EDF borrowings from Bangladesh Bank	595,276,175	315,660,015
	Re-issued/Buy Bonds	-	46,412,967
		2,482,167,449	1,379,170,417

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
21(a)	Consolidated Interests Paid on deposits and borrowings etc.		
	United Commercial Bank Ltd.	16,024,496,884	12,087,387,278
	UCB Capital Management Ltd.	34,379,656	8,391,667
	UCB Investment Ltd.	-	-
		16,058,876,540	12,095,778,945
22	Investment income		
	Interest income from investments (note - 22.1)	3,684,304,517	3,432,199,515
	Non interest income from investments (note - 22.2)	746,400,781	664,804,417
		4,430,705,298	4,097,003,932
22.1	Interest income from investments		
	Government treasury bill/bond	3,110,757,549	2,983,589,271
	Bangladesh Bank Bill	78,364,683	399,914,433
	Sub-ordinated Bond	207,369,750	-
	Reverse Repo with Other Bank	44,002,201	6,452,256
	Gain/(Loss) on revaluation on govt. securities (note - 22.2.1)	243,810,334	42,243,555
		3,684,304,517	3,432,199,515
22.2	Non interest income from investments		
	Dividend on shares	303,129,439	139,310,824
	Gain/(Loss) on sale of share (note - 22.2.2)	443,241,342	525,463,593
	Prize money on prize bond	30,000	30,000
		746,400,781	664,804,417
		4,430,705,298	4,097,003,932
22.2.1	Gain/(Loss) on revaluation on govt. securities		
	Gain on revaluation on govt. securities	254,005,970	98,558,592
	Less : Loss on revaluation on govt. securities	(10,195,636)	(56,315,037)
		243,810,334	42,243,555
22.2.2	Gain/(Loss) on sale of shares		
	Gain on sale of shares	515,623,782	723,911,009
	Less : Loss on sale of shares	(72,382,440)	(198,447,416)
		443,241,342	525,463,593

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
22(a) Consolidated Investment Income			
	United Commercial Bank Ltd.	4,430,705,298	4,097,003,932
	UCB Capital Management Ltd.	40,645,551	114,614,544
	UCB Investment Ltd.	(44,906,674)	68,796,725
		4,426,444,175	4,280,415,201
23 Commission, Fees, Exchange & Brokerage			
	Commission (note - 23.1)	1,626,993,030	1,380,784,209
	Fees (note - 23.2)	1,184,878,983	1,070,880,250
	Exchange earning (note - 23.3)	1,668,745,144	1,614,857,800
		4,480,617,157	4,066,522,259
23.1 Commission			
	Remittance Inland	23,505,812	14,184,363
	Remittance Foreign	7,778,540	6,997,362
	Commission on Letters of guarantee	387,962,411	302,451,901
	Commission on Letters of credit	384,297,677	360,032,890
	Letters of credit (back to back)	221,932,358	200,605,890
	Irrevocable Reimbursement Undertaking	6,489,292	7,957,165
	Commission on BSP / PSP	5,141,519	7,879,168
	Commission on acceptance	427,801,308	294,824,841
	Exchange comm. & rebate	136,401,771	159,706,342
	Clearance	2,229,397	6,942,157
	Commission (Card)	6,132,698	4,838,159
	MFS Commission	14,016,520	11,646,093
	Others	3,303,727	2,717,878
		1,626,993,030	1,380,784,209
23.2 Fees			
	Bills for collection	56,900,418	53,143,695
	Account maintenance fees	153,657,143	147,443,500
	Appraisal/processing fees	46,099,351	38,085,922
	Online transaction fees	86,278,174	82,724,199
	BACH/BEFTN charges	3,050	38,055
	Cash incentive charges	9,683,350	8,251,030
	Standing instruction charges	44,600	33,550
	FC Endorsement charges	595,037	686,163
	LC,BC,& BG (Others) Fees & Charges	362,143,526	334,611,983
	Debit card	80,614,818	53,321,522
	Credit card	302,604,515	220,708,367
	Arrangement Fees	31,619,130	85,084,100
	ABS fees & charges	182,716	-
	SMS Banking charges	35,472,300	32,024,800
	Misc. fees	18,980,855	14,723,364
		1,184,878,983	1,070,880,250

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
23.3	Exchange		
	Exchange earning (general)	1,602,698,866	1,590,406,858
	Revaluation gain/(Loss) on foreign currency	50,938,964	80,859,399
	FX Deal Discount Income	15,107,314	(56,408,457)
		1,668,745,144	1,614,857,800
	Less : Exchange loss (general)	-	-
	Less : Exchange loss (dealing room)	-	-
		1,668,745,144	1,614,857,800
23(a)	Consolidated Commission, Fees, Exchange & Brokerage		
	United Commercial Bank Ltd.	4,480,617,157	4,066,522,259
	UCB Capital Management Ltd.	137,986,067	171,922,568
	UCB Investment Ltd.	-	-
		4,618,603,224	4,238,444,827
24	Other Operating Income		
	Locker	13,467,570	9,185,008
	Premises rent	488,595	103,500
	Miscellaneous earning	67,367,114	75,078,057
	Swift charges	52,433,829	74,455,383
	Recoveries from Operational Loss	5,000,000	-
	Recoveries from previously written off loan	267,641,572	113,150,993
		406,398,680	271,972,941
24(a)	Consolidated Other Operating Income		
	United Commercial Bank Ltd.	406,398,680	271,972,941
	UCB Capital Management Ltd.	660,548	665,835
	UCB Investment Ltd.	-	-
		407,059,228	272,638,776
25	Salaries and allowances		
	Basic salary	2,493,199,239	2,176,693,469
	Allowances	2,195,051,752	1,873,293,952
	Bonus	1,080,481,239	1,108,689,910
	Provident fund	245,498,478	212,036,359
	Gratuity	424,800,000	320,000,000
	Welfare fund	52,576,800	45,781,220
		6,491,607,508	5,736,494,910
25(a)	Consolidated Salary and allowances		
	United Commercial Bank Ltd.	6,491,607,508	5,736,494,910
	UCB Capital Management Ltd.	88,066,646	90,199,742
	UCB Investment Ltd.	-	-
		6,579,674,154	5,826,694,652

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
26	Rent, taxes, insurance, electricity etc.		
	Rent premises	711,889,287	692,984,992
	Rent, rates & taxes	45,304,865	41,406,985
	Other rental charges	34,816,263	30,505,901
	Insurance charge	238,771,833	226,355,516
	Electricity, Water & Gas	195,365,995	164,337,827
		1,226,148,243	1,155,591,221
26(a)	Consolidated Rent, taxes, insurance, electricity etc.		
	United Commercial Bank Ltd.	1,226,148,243	1,155,591,221
	UCB Capital Management Ltd.	3,583,506	3,955,841
	UCB Investment Ltd.	-	-
		1,229,731,749	1,159,547,062
27	Legal expenses		
	Professional fees	60,227,636	57,456,165
	Other legal charges	2,342,393	6,169,690
	Stamp, power of attorney & notary public	576,932	1,710,368
		63,146,961	65,336,223
27(a)	Consolidated Legal expenses		
	United Commercial Bank Ltd.	63,146,961	65,336,223
	UCB Capital Management Ltd.	132,544	299,725
	UCB Investment Ltd.	-	-
		63,279,505	65,635,948
28	Postage, stamps, telecommunications etc.		
	Postage	27,834,540	19,267,583
	Telecommunication charges	38,570,562	36,997,061
	Reuter	3,668,239	2,266,414
	Internet	519,806	80,572
	Online connectivity charge	71,390,878	90,317,343
		141,984,025	148,928,973
28(a)	Consolidated Postage, stamps, telecommunications etc.		
	United Commercial Bank Ltd.	141,984,025	148,928,973
	UCB Capital Management Ltd.	1,235,296	702,122
	UCB Investment Ltd.	-	-
		143,219,321	149,631,095
29	Stationery, printing & advertisements etc.		
	Security Stationery	20,033,670	22,144,331
	Petty Stationery	32,715,788	28,181,283
	Office Stationery	85,347,507	150,618,173
		138,096,965	200,943,787

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
Advertisement			
News paper		49,730,809	29,771,939
Magazine		2,576,932	1,318,960
Sponsorship		254,894,531	165,124,930
Point of sales material (POSM)		1,374,880	2,971,453
Business Development		1,672,593	798,400
Branding expenses		284,643,456	59,066,427
Promotional Material		177,128,903	93,426,613
Misc. advertisement		22,646,004	13,179,585
Hoarding & neon sign		-	5,056,168
Television		194,539,731	76,832,168
Radio		557,520	-
		989,765,359	447,546,643
		1,127,862,324	648,490,430
29(a) Consolidated Stationery, printing & advertisement etc.			
United Commercial Bank Ltd.		1,127,862,324	648,490,430
UCB Capital Management Ltd.		3,983,846	5,230,902
UCB Investment Ltd.		-	-
		1,131,846,170	653,721,332
30 Chief Executive's salary and fees			
Basic salary		7,652,000	5,659,463
Festival Bonus		1,260,000	600,000
Incentive Bonus		1,000,000	1,000,000
House rent allowance		-	500,000
Provident fund		-	267,097
		9,912,000	8,026,560
31.00 Directors fees			
Meeting fees		2,999,200	3,118,800
Other meeting fee (travelling expenses)		2,404,106	2,289,854
		5,403,306	5,408,654
Note : Board Meeting attendance fees, traveling and living expenses are being allowed to the Directors as per clause no.100,101& 102 of Articles of Association of the Bank and subsequent Board approval.			
32 Auditors fees		1,150,000	805,000
32(a) Consolidated Auditors fees			
United Commercial Bank Ltd.		1,150,000	805,000
UCB Capital Management Ltd.		57,500	57,500
UCB Investment Ltd.		23,000	23,000
		1,230,500	885,500

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
33	Depreciation and repair of bank's assets	799,956,580	764,885,364
33.1	Depreciation		
	Furniture/fixtures	159,650,748	154,544,404
	Vehicles	30,094,587	35,689,274
	Office equipments	125,243,647	121,495,195
	Computer equipments	93,012,166	91,207,533
	Computer software	103,124,958	104,675,632
	Immovable property (Building)	54,058,639	42,096,898
		565,184,745	549,708,936
33.2	Repair renovation & maintenance		
	Furniture /fixtures	3,269,461	3,061,047
	Vehicles	14,943,169	13,584,739
	Office equipments	30,423,234	25,072,139
	Computer equipments	1,095,337	1,670,291
	Renovation & maintenance	174,901,446	154,163,493
	Premises	9,636,529	9,369,683
	Repair building	502,659	8,255,036
		234,771,835	215,176,428
33(a)	Consolidated Depreciation and repair of bank's assets		
	United Commercial Bank Ltd.	799,956,580	764,885,364
	UCB Capital Management Ltd.	3,792,667	4,840,592
	UCB Investment Ltd.	-	-
		803,749,247	769,725,956
34	Other expenses		
	Entertainment	62,284,948	53,990,891
	Petrol, oil & lubricant	146,705,243	125,462,449
	Subscription	8,681,237	7,730,390
	Donation	75,068,040	141,958,266
	Traveling	116,917,240	86,493,170
	Cartage and freight	12,977,193	11,677,294
	Hon. general	1,975,802	1,353,800
	Fees commission & charges	64,264,015	46,061,060
	Meeting Seminar and staff training	43,391,119	6,157,008
	Fees Commission and Charges Dabit Card	11,673,053	16,249,327
	Fees Commission and Charges Visa Card Local	79,754,360	33,539,060
	Liveries & uniforms	1,497,851	667,800
	Operational Loss	-	468,341
	Medical expenses	187,945,780	167,938,445
	Car expenses	154,349,192	126,824,480
	Loss on sale of assets	3,914,415	698,478
	Write off of assets	127,536	4
	BATCH/BEFTN Charges	405,541	8,770,937
	UCB Foundation	63,165,000	60,851,461
		1,035,097,565	896,892,661

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
34(a) Consolidated Other Expenses			
United Commercial Bank Ltd.	1,035,097,565	896,892,661	
UCB Capital Management Ltd.	9,629,617	33,291,370	
UCB Investment Ltd.	12,570	5,902	
	1,044,739,752	930,189,933	
35 Provision for Loans & Advances			
Classified loans & advances	1,444,248,792	1,455,907,490	
Standard Loans & advances	1,838,740,493	471,340,825	
Special mention account (SMA)	-	135,490,355	
Small & medium enterprise (SME)	33,313,966	10,897,933	
Consumer finance (Credit Card)	8,659,246	-	
Consumer finance (House Finance)	3,951,953	-	
Consumer finance (Credit Card)	-	-	
Provision for Consumer Finance (L.P)	1,777,747	730,266	
Consumer finance (Others)	91,504,111	17,012,021	
Short Term Agri. Micro Finance	-	-	
Provision for BHs/MBs/SDs/against share	89,199	692,512	
	3,422,285,507	2,092,071,402	
35(a) Consolidated Provision for Loans & Advances			
United Commercial Bank Ltd.	3,422,285,507	2,092,071,402	
UCB Capital Management Ltd.	3,400,939	-	
UCB Investment Ltd.	-	-	
	3,425,686,446	2,092,071,402	
36 Provision for diminution in value of investments			
Provision required during the year	(292,839,246)	-	
	(292,839,246)	-	
36(a) Consolidated Provision for diminution in value of investment			
United Commercial Bank Ltd.	(292,839,246)	-	
UCB Capital Management Ltd.	20,730,684	-	
UCB Investment Ltd.	-	(5,191,480)	
	(272,108,562)	(5,191,480)	
37 Other Provision			
Provision for other assets	30,113,317	-	
Provision for off-balance sheet exposures	(409,430,468)	397,928,598	
	(379,317,151)	397,928,598	
Provision for Off-Balance Sheet Exposure			
Provision against Off-Balance Sheet Exposure made as per BRPD Circular No. 14 dated 23 September 2012, BRPD Circular No. 07 dated 21 June 2018 and BRPD Circular No. 13 dated 18 October 2018.			
38 Provision for Taxation			
Provision for current tax has been calculated based on the profit before provision considering admissible & inadmissible expenses as per provision of the Income Tax Ordinance 1984.			
Current Tax Provision	2,360,094,126	3,027,500,000	
Deferred Tax Provision	21,085,893	-	
	2,381,180,019	3,027,500,000	

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
38(a) Consolidated Provision for Taxation			
	Current Tax		
	United Commercial Bank Ltd.	2,360,094,126	3,027,500,000
	UCB Capital Management Ltd.	100,000,000	78,698,560
	UCB Investment Ltd.	-	7,583,052
		2,460,094,126	3,113,781,612
	Deferred Tax		
	United Commercial Bank Ltd.	21,085,893	-
	UCB Capital Management Ltd.	568,522	431,776
	UCB Investment Ltd.	-	-
		21,654,415	431,776
		2,481,748,541	3,114,213,388
39 Earnings per Share (EPS)			
	Earnings per share has been calculated in accordance with IAS-33: "Earnings Per Share (EPS)".		
	Net Profit after Tax (Numerator)	2,526,579,254	2,433,908,495
	Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
	Earning Per Share (EPS)	2.40	2.31
39(a) Consolidated Earnings per Share (CEPS)			
	Consolidated Earnings per share has been calculated in accordance with IAS-33: "Earnings Per Share (EPS)".		
	Net Profit after Tax (Numerator)	2,659,945,558	2,722,250,831
	Non controlling interest	35	43
		2,659,945,523	2,722,250,788
	Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
	Consolidated Earning Per Share (CEPS)	2.52	2.58
40 Receipt from other operating activities			
	Exchange earning & brokerage	1,668,745,144	1,614,857,800
	Other operating income	582,028,450	684,315,541
		2,250,773,594	2,299,173,341
40(a) Consolidated Receipt from other operating activities			
	United Commercial Bank Ltd.	2,250,773,594	2,299,173,341
	UCB Capital Management Ltd.	20,277,389	95,497,990
	UCB Investment Ltd.	(56,196,439)	-
		2,214,854,544	2,394,671,331
41 Payment for other operating activities			
	Legal expenses	63,146,961	65,336,223
	Directors fees & other expenses	5,403,306	5,408,654
	Auditors fees	1,150,000	805,000
	Repair to fixed assets	234,771,835	215,176,428
	Other expenditure	1,035,097,565	896,892,661
		1,339,569,667	1,183,618,966
41(a) Consolidated Payment for other operating activities			
	United Commercial Bank Ltd.	1,339,569,667	1,183,618,966
	UCB Capital Management Ltd.	9,842,659	35,594,504
	UCB Investment Ltd.	12,570	5,902
		1,349,424,896	1,219,219,372

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
42	Increase / Decrease of other assets		
	Closing other assets	6,148,547,893	6,138,155,268
	Advance income tax	(1,346,549,251)	(1,351,430,049)
	Opening other assets	(4,786,725,219)	(3,706,391,832)
	Increase /Decrease for the year	15,273,423	1,080,333,387
42(a)	Consolidated Increase / Decrease of other assets		
	Closing other assets	4,220,832,612	4,068,068,401
	Advance income tax paid	(1,428,159,973)	(1,393,898,298)
	Opening other assets	(4,068,068,401)	(3,032,975,376)
	Increase /Decrease for the year	(1,275,395,762)	(358,805,273)
43	Increase / Decrease of other liabilities		
	Closing other liabilities	27,968,843,195	24,131,337,978
	Provision for classified loans & advances	(4,934,383,120)	(5,020,938,000)
	Provision for classified investment	-	(292,839,246)
	Provision for classified fixed assets	(3,972,000)	(3,972,000)
	Provision for classified other assets	(104,964,661)	(74,851,344)
	Provision for unclassified loans & advances	(3,733,376,919)	(1,728,779,435)
	Provision for special mention account (SMA)	(75,968,997)	(228,343,000)
	Provision for small & medium enterprise (SME)	(221,345,711)	(188,031,745)
	Provision for consumer finance (Credit Card)	(32,796,713)	(24,137,467)
	Provision for consumer finance (House Finance)	(51,581,733)	(47,629,780)
	Provision for consumer finance (L.p)	(2,814,141)	(1,036,394)
	Provision for consumer finance (Others)	(239,654,652)	(148,150,541)
	Provision for short term agri micro finance	(16,077,497)	(29,560,485)
	Provision for others	(937,875)	(848,676)
	Provision for off-balance sheet exposures	(1,570,407,545)	(1,979,838,013)
	Provision for current tax	(4,930,176,967)	(4,936,286,216)
	Provision for deferred tax	(227,531,267)	(206,445,374)
	Adjustment of provision of OBU	(2,305)	7,717,228
	Opening other liabilities	(9,219,650,262)	(7,655,981,574)
	Increase /Decrease for the year	2,603,200,829	1,571,385,916
44	Net Operating Cash Flows Per Share (NOCFPS)		
	Net Cash from operating activities	(8,810,311,331)	1,711,783,268
	Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
	Net Operating Cash Flows Per Share (NOCFPS)	(8.36)	1.62
44(a)	Consolidated Net Operating Cash Flows Per Share (CNOCFPS)		
	Net Cash from operating activities	(9,402,934,244)	2,151,669,992
	Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
	Consolidated Net Operating Cash Flows Per Share (CNOCFPS)	(8.92)	2.04

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
45	Net Asset Value Per Share (NAVPS)		
	Net Asset Value	27,999,766,245	26,510,257,804
	Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
	Net Asset Value Per Share (NAVPS)	26.56	25.15
45(a)	Consolidated Net Asset Value Per Share (CNAVPS)		
	Net Asset Value with Non Controlling Interest	28,494,640,260	26,871,765,515
	Non Controlling Interest	188	153
		28,494,640,072	26,871,765,362
	Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
	Consolidated Net Asset Value Per Share (CNAVPS)	27.03	25.49

46 Audit Committee

The 1st Audit Committee of the Board was constituted by the Board of Directors of the Bank in its emergent meeting held on 03 April 2004. Subsequently the Committee was reconstituted in its Board meeting from time to time. The Audit Committee of the Board of Directors consisted of the following 05 (five) members of the Board as on 31 December 2018.

Name of the Members	Status with the Bank	Status in the Committee	Educational Qualification
Akhter Matin Chaudhury	Independent Director	Chairman	FCA (E&W), FCA, FCS
Syed Mohammed Nuruddin	Independent Director	Member	Bachelor of Arts
Bashir Ahmed	Director	Member	Bachelor of Commerce
Syed Kamruzzaman	Director	Member	B.Com (Honours) in Accounting, FCMA
Muhammed Shah Alam	Director	Member	M.Com.in Accounting, FCMA

During the period from 01 January 2018 to 31 December 2018 the Audit Committee has conducted 09 (Nine) meetings. Details of the meetings are shown below by datewise.

Details of the Audit Committee Meetings in the year 2018

Sl. No.	Meeting No.	Held on
1	91st	14-02-2018
2	92nd	20-03-2018
3	93rd	14-05-2018
4	94th	27-06-2018
5	95th	09-07-2018
6	96th	19-07-2018
7	97th	29-08-2018
8	98th	23-10-2018
9	99th	11-11-2018

The Audit Committee discussed the following major issues during the year 2018

- a) Internal Audit Plan-2018
- b) Audited Financial Statement of the Bank for the year ended 31, December 2017 and Auditors' report thereon
- c) Unaudited financial statements for the 1st, 2nd and 3rd quarter of the Bank for the year 2018, before submission for approval to the Board of Directors
- d) 'Annual Health Report' as on 31 December 2017
- e) IT Security & Risk Assessment

47 Related Party Disclosers

47.1 (a): Name of the Directors and their shareholding in the Bank

Name of the Directors	Status in the Board	Opening Share holding position as on 01 Jan. 2018	Closing Share holding position as on 31 Dec. 2018
Rukhmila Zaman	Chairman	21083833	21083833
Hajee Yunus Ahmed	Vice - Chairman	22767628	22767628
Anisuzzaman Chowdhury	Chairman - Executive Committee	29501526	29501526
Akhter Matin Chaudhury FCA(E&W), FCA, FCS	Chairman - Audit Committee (Independent Director)	-	-
M. A. Sabur	Chairman - Risk Management Committee	22532585	22893585
Hajee M. A. Kalam	Director	21084815	21084815
Nurul Islam Chowdhury	Director	21086874	21086874
Bazal Ahmed	Director	21125467	21125467
Asifuzzaman Chowdhury	Director	29735237	29735237
Roxana Zaman, (Representative of Volkart Trading Limited)	Director	21100000	21100000
Bashir Ahmed	Director	21202269	21202269
Afroza Zaman, (Representative of Legendary Asset Management Limited)	Director	-	21100000
Md. Tanvir Khan	Director	21084773	21084773
Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	Director	21611000	21611000
Farid Uddin Ahmed (Representative of Nahar Metals Limited)	Director	21083000	21083000
Muhammed Shah Alam, (Representative of Ardent Asset management Limited)	Director	-	21100000
Syed Mohammed Nuruddin	Independent Director	-	-
Dr. Salim Mahmud	Independent Director	-	-
Mohammed Shawkat Jamil	Managing Director	-	-

47.1 (b): Name of the Directors and the entities in which they had interest as at 31 December 2018

Name of Directors	Status	Entities where they have interest.
Rukhmila Zaman	Chairman	1. Aramit Limited 2. Aramit Cement Limited 3. Aramit Thai Aluminum Limited 4. Aramit Power Limited 5. Aramit Alu Composite Panels Limited 6. Aramit Steel Pipes Limited
Hajee Yunus Ahmed	Vice Chairman	1. Yunusco T&A (BD) Limited 2. Yunusco K. Textiles Ltd. 3. Adapt ID Bangladesh Ltd. 4. Yunusco Stone & Engineering Ltd. 5. Yunusco Properties Ltd. 6. Yunusco Ltd. 7. Ynunosco (BD) Limited 8. Yunusco Global Sourcing Ltd. 9. YK Limited. 10. Best Eat (Pvt.) Ltd. 11. Nine 2 Nine Intimates Ltd. 12. Wonder Gas Ltd.
Anisuzzaman Chowdhury	Chairman - Executive Committee	1. Ronny Chemical Industries Ltd. 2. Anowara Construction Ltd.
Akhter Matin Chaudhury FCA(E&W), FCA, FCS	Independent Director & Chairman, Audit Committee	-
M.A. Sabur	Chairman - Risk Management Committee	1. Masco Industries Ltd. 2. Mascotex Ltd. 3. Masco Cottons Ltd. 4. Masco Superknits Ltd. 5. Masco Energy Ltd. 6. Masminu Energy Ltd. 7. Masminu Footspree Ltd. 8. Shanta Expressions Ltd. 9. Maxim Ltd. 10. Maxim International Ltd. 11. Masco Shares & Securities Ltd. 12. Masco Properties Ltd. 13. Masco Poultry Ltd. 14. Masco Services Ltd. 15. Concept Knitting Ltd. 16. Masco Printing & Embroidery Ltd. 17. Masco Picasso Ltd. 18. Tasniah Fabrics Ltd. 19. Masco Poultry Enterprise 20. Masco Dairy Enterprise 21. Masco Fisheries Enterprise
Hajee M.A. Kalam	Director	1. M/s. M. A. Kalam Ltd. 2. M/s. United Overseas (BD) Ltd. 3. Arab Plantation Ltd.
Nurul Islam Chowdhury	Director	1. Islam Steel Mills Ltd. 2. Eastern Engineers (CTG.) Ltd. 3. MegaByte Software Ltd. 4. Shoppers World Ltd. 5. NAMS Trading Corporation.

Bazal Ahmed	Director	1. Taj Accessories (Pvt.) Ltd. 2. Saikat Textile Ind. Ltd. 3. KITH Fashion Ltd.
Asifuzzaman Chowdhury	Director	1. Synthetic Rezin Products (Pvt.) Ltd. 2. Ronny Chemical Industries Ltd.
Roxana Zaman (Representative of Volkart Trading Limited)	Director	1. Volkart Trading Ltd. 2. Janata Insurance Ltd.
Bashir Ahmed	Director	1. Airmate Goodie Electrical Industries Ltd. 2. Goodie Accessories (Pvt.) Ltd. 3. International Distribution Company Bangladesh (Pvt.) Ltd. 4. B & B Electronics 5. B & B Food & Beverage 6. B & B Electrical & Electronics 7. Dhaka Electrical & Electronics 8. Bard International 9. Petal Enterprise
Afroza Zaman (Representative of Legendary Assets Management Limited)	Director	1. Janata Insurance Ltd. 2. Legendary Asset Management Ltd. 3. Volkart Trading Ltd.
Md. Tanvir Khan	Director	1. J. K. Fabrics Ltd. 2. J. K. Knit Composite Ltd.
Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	Director	-
Muhammed Shah Alam , (Representative of Ardent Asset Management Limited)	Director	-
Farid Uddin Ahmed (Representative of Nahar Metals Limited)	Director	-
Syed Mohammed Nuruddin	Independent Director	1. Allport Cargo Services (Ocean) Ltd. JV with ACS,UK 2. Mariners Cargo Services Ltd. JV with ACS,UK 3. Mariners Trading Corporation Ltd. 4. Mariners (Bangladesh) Ltd. 5. Sundaram Tiles Ltd. 6. American Education Council Ltd.
Dr. Salim Mahmud	Independent Director	1. Chairman, Bangladesh Energy Regulatory Commission Tribunal
Mohammed Shawkat Jamil	Managing Director	1. United Commercial Bank Ltd.

47.2 Significant Contracts where the Bank is a party and wherein Directors have interest


Sl. No	Name of the Contract	Branch Name	Name of the Directors and related by	Remarks
-	-	-	-	-
47.3	Shares issued to Directors & Executives without consideration or exercisable at a discount			Nil
47.4	Related Party Transactions			Nil
47.5	Lending policies to related parties: Lending to related parties is affected as per requirement of section 27 (1) of the Bank company Act 1991			
47.6	Loans and advances to concern related to directors			Nil
47.7	Business other than banking business with any related concern of the Directors as per section 18(2) of the Bank company Act 1991			Nil
47.8	Investment in securities of Directors and their related concern			Nil

48 Events after Balance Sheet date:

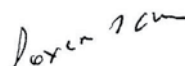
a) The Board of Directors of United Commercial Bank Limited in its Board meeting held on April 30, 2019 recommended Stock dividend @ 10% for the year 2018.


General:

- 48.1** Banks share capital has not been utilized for acquiring any other direct or indirect business.
- 48.2** No amount was spent by the bank for compensating any members of the board for special services rendered during the period.
- 48.3** During the period under report, United Commercial Bank Ltd did not place any of its assets under pledge as security to obtain any liabilities.



Managing Director

Director

Director

Director

UNITED COMMERCIAL BANK LTD.

Balance with Nostro Accounts

As on 31 December 2018

(Annexure-A)

Nostro Bank	Name of the Country	Currency	2018		2017	
			Amount in FC	Rate	Amount in BDT	Rate
AB Bank Ltd	India	ACU	3,025,659.17	83.90	253,852,804.36	505,079.40
Bank of Bhutan	Bhutan	ACU	37,570.00	83.90	3,152,123.00	50,867.93
Commerz Ban AG	Germany	USD	(27,557.71)	83.90	(2,310,091.87)	210,831.22
Commerz Bank AG	Germany	EUR	549,464.19	95.51	52,480,313.82	297,532.69
Habib AmercaBank	USA	USD	11,463,320.76	83.90	961,772,611.76	5,213,369.72
Habib MetropolitanBank Limztied	Pakistan	ACU	310,508.09	83.90	26,051,628.75	205,073.35
HDFC Bank Limited	India	ACU	218,993.24	83.90	18,373,532.84	44,355.60
ICICI Bank Ltd	India	ACU	1,889,251.55	83.90	158,508,205.05	1,053,374.62
JP Morgan NY	USA	USD	(12,137,213.56)	83.90	(1,018,312,217.68)	(2,654,693.31)
Mashreq Bank Psc	India	ACU	1,259,351.84	83.90	105,659,619.38	200,657.71
Mashreq Bank Psc	USA	USD	432,691.70	83.90	36,302,833.63	1,502,613.79
Nepal Bangladesh Bank	Nepal	ACU	144,679.80	83.90	12,138,635.22	77,606.02
Peoples Bank Colombo	Sri Lanka	ACU	115,597.72	83.90	9,698,648.71	122,218.08
Sonali Bank Ltd	India	ACU	5,132.67	83.90	430,631.01	53,974.42
Standard Chartered Bank Ltd	India	ACU	909,071.36	83.90	76,271,087.10	97,467.04
Standard Chartered Bank Ltd	USA	USD	84,157.80	83.90	7,060,839.42	4,316,753.84
State Bank of India	India	ACU	2,456.17	83.90	206,072.66	2,456.17
The Bank of Tokyo Mitsubishi	Japan	JPY	10,424,912.00	0.76	7,885,403.44	3,172,854.00
Wells Fargo Bank N.A	USA	USD	(367,706.20)	83.90	(30,850,550.18)	702,883.48
Mashreq Bank PSC	UAE	AED	6,500.00	22.84	148,483.40	6,499.99
Saudi Hollandi Bank	Saudi Arabia	SAR	620,092.40	22.36	13,866,878.30	620,092.40
BANK AL-JAZIRA	Saudi Arabia	SAR	345,566.32	22.36	7,727,761.39	345,566.32
KOOKMIN BANK	Korea	USD	96,855.18	83.90	8,126,149.60	410,618.49
Mashreq Bank PSC	UK	GBP	77,739.11	106.23	8,258,552.16	34,225.00
Mashreq Bank PSC	UK	EUR	437,56.97	95.51	4,179,306.97	731,611.42
UBL Switzerland AG	Switzerland	CHF	48,960.67	84.56	4,140,094.67	51,775.85
Axis Bank Limited	India	ACU	34,167.76	83.90	2,866,675.06	89,253.65
Yes Bank Limited	India	ACU	11,245.89	83.90	943,530.17	44,001.51
Citi Bank N.A.New York, USA	USA	USD	(386,299.80)	83.90	(32,410,553.22)	504,379.62
Mashreq Bank NY (OBU)	USA	USD	12,529.92	83.90	1,051,260.29	38,209.04
Habib American Bank, NY, (OBU)	USA	USD	2,769,862.65	83.90	232,391,476.34	369,020.31
Total					929,659,746	1,221,644,823

UNITED COMMERCIAL BANK LTD.

Schedule of Fixed Assets

For the year ended 31 December 2018

Annexure-B
Amount in BDT

Particulars	COST				DEPRECIATION			
	Opening Balance at Cost as on 01 Jan. 2018	Addition during the year	Adjustment during the year	Total Cost as on 31 Dec. 2018	Rate	Charged up to 31 Dec. 2017	Adjustment during the year	Total Depreciation as on 31 Dec. 2018
Land	4,395,054,283			4,395,054,283	0.0%	-	-	-
Building	1,683,875,932	447,829,544		2,131,705,476	2.5%	262,478,020	54,058,639	316,536,659
Furniture & Fixtures	1,498,045,192	174,861,893	30,959,880	1,641,947,205	10.0%	691,903,156	25,627,680	825,926,224
Office Equipment	1,057,476,281	342,476,726	15,267,480	1,384,685,527	20.0%	777,089,068	14,876,042	887,456,673
Computer Equipment	900,579,801	129,509,949	33,494,599	996,595,151	20.0%	688,609,093	32,610,485	749,010,774
Vehicles	398,340,786	65,175,654	2,700,000	460,816,440	20.0%	333,942,182	2,699,999	361,336,770
Computer Software	578,213,040	319,284,113	-	897,497,153	25.0%	428,739,688	103,124,958	531,864,646
Capital Expenditure Work In Progress	1,015,277,528	1,283,622,790	1,478,955,579	819,944,739	0.0%	-	-	-
Total as on 31 Dec. 2018	11,526,862,843	2,762,760,669	1,561,377,538	12,728,245,974		3,182,761,207	75,814,206	3,672,131,746
Total as on 31 Dec. 2017	11,115,309,869	1,026,625,440	615,072,466	11,526,862,843		2,735,134,128	102,081,857	3,182,761,207
								8,344,101,636

UNITED COMMERCIAL BANK LTD.

Highlights on Overall Activities

Particulars	Amount in BDT	
	31-Dec-2018	31-Dec-2017
Paid-up Capital	10,541,306,540	10,541,306,540
Total Capital	42,500,811,476	36,919,826,478
Capital Surplus/(Deficit)	2,977,028,566	2,511,670,207
Total Assets	401,076,144,413	363,314,800,137
Total Deposits	297,172,820,632	278,195,485,832
Total Loans & Advances	294,671,938,315	261,002,884,449
Total Contingent Liabilities & Commitments	182,066,614,059	197,973,801,375
Credit Deposit Ratio (%)	79.64	80.34
Percentage of Classified Loans against Total Loans and Advances	6.79	7.38
Operating Profit	7,657,888,383	7,951,408,495
Profit after Tax & Provision	2,526,579,254	2,433,908,495
Amount of Classified Loans during the year	6,373,144,037	7,578,950,608
Classified Advance at the end of the year	20,021,627,136	19,268,087,020
Provision kept against Classified Loans	4,940,005,020	5,020,938,000
Provision Surplus/(Deficit)	1,835,254	40,710,523
Cost of Fund (%)	7.58	6.79
Interest Earning Assets	350,501,799,819	319,376,605,956
Non-interest earning Assets	50,574,344,594	43,938,194,181
Return on Investment (ROI) (%)	9.45	8.33
Return on Assets (ROA) (%)	0.66	0.70
Net Asset value per share	26.56	25.15
Income from Investments	4,430,705,298	4,097,003,932
Earning per share (Taka)	2.40	2.31
Net Income per share (Taka)	2.40	2.31
Price earning ratio (Times)	7.34	10.22

Off-shore Banking Unit

Balance Sheet

As at 31 December 2018

	Notes	31 Dec. 2018		31 Dec. 2017
		USD	BDT	BDT
PROPERTY AND ASSETS				
Cash		-	-	-
In hand (including foreign currencies)		-	-	-
Balance with Bangladesh Bank and its agent bank (s)		-	-	-
(including foreign currencies)		-	-	-
Balance with other banks and financial institutions	3	16,095,756	1,350,433,962	638,106,743
In Bangladesh		13,313,364	1,116,991,225	604,428,876
Outside Bangladesh		2,782,393	233,442,737	33,677,867
Loans and advances	4	203,527,706	17,075,974,562	17,867,603,013
Loans, cash credits, overdrafts, etc.		31,946,213	2,680,287,299	5,556,335,721
Bills purchased and discounted		171,581,493	14,395,687,263	12,311,267,292
Fixed assets including premises, furniture and fixtures	5	7,287	568,048	716,026
Other assets	6	95,305	8,039,495	4,792,864
Non - banking assets		-	-	-
Total assets		219,726,056	18,435,016,067	18,511,218,646
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, financial institutions and agents	7	216,036,098	18,125,428,612	18,251,671,139
Deposits and other accounts		-	-	-
Other liabilities	8	3,689,958	309,587,455	259,547,508
Total liabilities		219,726,056	18,435,016,067	18,511,218,646
Capital / Shareholders' equity				
Paid up capital		-	-	-
Statutory reserve		-	-	-
Foreign currency gain		-	-	-
Other reserve		-	-	-
Deficit in profit and loss account / Retained earnings	9	-	-	-
Total Shareholders' equity		-	-	-
Total liabilities and Shareholders' equity		219,726,056	18,435,016,067	18,511,218,646

Off-shore Banking Unit
Off Balance Sheet Items
As at 31 December 2018

Notes	31 Dec. 2018		31 Dec. 2017
	USD	BDT	BDT
Off Balance Sheet Items	-	-	-
Contingent liabilities	20,632,363	1,731,055,229	666,992,040
Acceptances and endorsements	-	-	-
Letters of guarantee	20,632,363	1,731,055,229	666,992,040
Irrevocable letters of credit	-	-	-
Bills for collection	-	-	-
Other contingent liabilities	-	-	-
Other commitments			
Documentary credits and short term trade -related transactions	-	-	-
Forward assets purchased and forward deposits placed	-	-	-
Undrawn note issuance and revolving underwriting facilities	-	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-	-
Liabilities against forward purchase and sale	-	-	-
Other commitments	-	-	-
Total Off-Balance Sheet exposures including contingent liabilities	20,632,363	1,731,055,229	666,992,040

Off-shore Banking Unit
Profit and Loss Account
For the year ended 31 December 2018

	Notes	31 Dec. 2018		31 Dec. 2017
		USD	BDT	BDT
Interest income	10	12,788,402	1,067,386,519	834,680,820
Interest paid on deposits, borrowings, etc.	11	(6,195,371)	(517,097,839)	(296,405,461)
Net interest Income		6,593,031	550,288,680	538,275,359
Investment Income		-	-	-
Commission, exchange, brokerage, etc.	12	717,329	59,872,017	51,024,020
Other operating income	13	-	-	-
Total operating income (A)		7,310,360	610,160,697	589,299,379
Salaries and allowances	14	13,005	1,085,432	1,022,109
Rent, taxes, insurance, electricity, etc.		-	-	-
Legal expenses		-	-	-
Postage, stamp, telecommunication, etc.		-	-	-
Stationery, printing, advertisements, etc.		-	-	-
Auditors' fees		-	-	-
Depreciation and repair of Bank's assets		1,898	147,978	147,978
Other expenditure	15	42,500	3,547,271	-
Total operating expenses (B)		57,403	4,780,681	1,170,087
Profit / (loss) before provision (C=A-B)		7,252,957	605,380,016	588,129,292
Provision for loans and advances / investments				
Specific provision		-	-	-
General provision		(115,000)	(9,598,498)	53,883,403
Provision for Off Balance Sheet Exposure		125,672	10,489,208	4,331,599
Total provision (D)		10,672	890,710	58,215,002
Total profit / (loss) before taxes (C-D)		7,242,286	604,489,306	529,914,290
Provision for taxation				
Current tax		-	-	-
Deferred tax		-	-	-
Net profit / (loss) after taxation		7,242,286	604,489,306	529,914,290
Retained earnings brought forward from previous years		-	-	-
		7,242,286	604,489,306	529,914,290

Off-shore Banking Unit
Cash Flow Statement
for the year ended 31 December 2018

	31 Dec. 2018		31 Dec. 2017
	USD	BDT	BDT
A) Cash flows from operating activities			
Interest receipts in cash	12,788,402	1,067,386,519	834,680,820
Interest payments	(6,195,371)	(517,097,839)	(296,405,461)
Fees and commission receipts in cash	717,329	59,872,017	51,024,020
Cash payments to employees	(13,005)	(1,085,432)	(1,022,109)
Cash payments to suppliers	-	-	-
Receipts from other operating activities	-	-	-
Payments for other operating activities	(42,500)	(3,547,271)	-
Cash generated from operating activities before changes in operating assets and liabilities	7,254,856	605,527,994	588,277,270
	-	-	-
Increase / (decrease) in operating assets and liabilities			
Loans and advances to other banks	12,525,535	1,050,892,358	(5,503,835,911)
Loans and advances to customers	(37,878)	(3,178,005)	(2,745,901)
Other assets	(4,661,256)	(391,079,388)	5,714,944,180
Deposits from other banks / borrowings	-	-	-
Deposits from customers	540,865	45,378,550	35,343,507
Other liabilities	8,367,265	702,013,514	243,705,876
Net cash from operating activities	15,622,121	1,307,541,508	831,983,146
B) Cash flows from investing activities			
Purchase / sale of property, plant and equipment	-	-	-
Proceeds from sale of property, plant and equipment	-	-	-
Net cash used in investing activities	-	-	-
C) Cash flows from financing activities			
Retained earnings sent to Central Operation	(7,242,286)	(604,489,306)	(529,914,290)
Net Cash from financing activities	(7,242,286)	(604,489,306)	(529,914,290)
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)	8,379,834	703,052,202	302,068,856
E) Effects of exchange rate changes on cash and cash equivalents	-	9,275,017	17,784,312
F) Cash and cash equivalents at beginning of the year	7,715,922	638,106,743	318,253,575
G) Cash and cash equivalents at end of the year (D+E+F)	16,095,756	1,350,433,962	638,106,743
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)	-	-	-
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	-	-	-
Balance with other banks and financial institutions	16,095,756	1,350,433,962	638,106,743
	16,095,756	1,350,433,962	638,106,743

Off-shore Banking Unit

Notes to the Financial Statements

for the year ended 31 December 2018

1.1 Status of the units

Off-shore Banking Units of United Commercial Bank Limited, governed under the rules and guidelines of Bangladesh Bank. The Bank obtained permission for 2 (two) units of Off-shore Banking Unit (OBU) vide letter no. BRPD (P-3) 744 (117)/2010-2577 dated 9th June 2010. The Bank commenced the operation of its Off-shore Banking Unit from November 10, 2010. Presently the Bank has 1 (one) unit in Dhaka.

1.1.1 Principal activities

The principal activities of the unit is to provide all kinds of commercial banking services to its customers through its off-shore Banking Units in Bangladesh.

1.2 Significant accounting policies and basis of preparation of financial statements

1.2.1 Basis of accounting

The Off-shore Banking Units maintain its accounting records in USD from which accounts are prepared according to the Bank Company Act 1991, Bangladesh Accounting Standards and other applicable directives issued by Bangladesh Bank.

1.2.2 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

1.2.3 Foreign currency transaction

a) Foreign currencies translation

Foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per IAS-21 "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into Taka at weighted average rate of inter-bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into Taka equivalent.

b) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letter of credit and letter of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance date.

c) Translation gains and losses

The resulting exchange transaction gains and losses are included in the profit and loss account,

1.2.4 Cash flow statement

Cash flow statement has been prepared in accordance with the International Accounting Standard-7 "Cash Flow Statement" under direct method as recommended in the BRPD Circular No. 14, dated June 25, 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

1.2.5 Reporting period

These financial statements cover from January 01 to December 31, 2018.

2 General

a) These financial statements are presented in Taka, which is the Bank's functional currency and figures appearing in these financial statements have been rounded off to the nearest Taka.

b) Assets and liabilities & income and expenses have been converted into Taka currency @ US\$1 = Taka 83.90 (closing rate as at 31st December 2018) and Tk. 83.4652 (average rate which represents the year end).

	31 Dec. 2018		31 Dec. 2017
	USD	BDT	BDT
3 Balance with other banks and financial institutions			
In Bangladesh	13,313,364	1,116,991,225	604,428,876
Outside Bangladesh	2,782,393	233,442,737	33,677,867
	16,095,756	1,350,433,962	638,106,743
4 Loans and advances			
i) Loans, cash credits, overdrafts, etc.			
Loan (General)			
Hire purchase	-	-	-
Lease finance	-	-	-
Term Loan	31,946,213	2,680,287,299	5,556,335,721
	31,946,213	2,680,287,299	5,556,335,721
ii) Bills purchased and discounted (note-5)			
Payable Inside Bangladesh			
Inland bills purchased	-	-	-
Payable Outside Bangladesh			
Foreign bills purchased and discounted	171,581,493	14,395,687,263	12,311,267,292
	171,581,493	14,395,687,263	12,311,267,292
	203,527,706	17,075,974,562	17,867,603,013
5 Fixed assets			
Cost			
Furniture & Fixtures	18,986	1,479,935	1,479,935
Computer and equipments	809	63,027	63,027
	19,794	1,542,962	1,542,962
Less: Accumulated Depreciation			
Furniture & Fixtures	11,699	911,964	763,987
Computer and equipments	808	62,949	62,949
	12,507	974,913	826,936
Written down value (WDV)	7,287	568,048	716,026
6 Other assets			
Advance deposits and advance rent	-	-	-
Interest Receivable	95,305	7,996,131	4,749,225
Foreign currency translation reserve		43,364	43,638
	95,305	8,039,495	4,792,864
7 Borrowings from other banks, financial institutions and agents			
Borrowings from Head office	154,526,249	12,964,752,300	13,276,583,695
International Finance Corporation	4,999,999	419,499,916	1,929,666,639
PROPARCO	7,142,857	599,285,712	748,238,095
Emirates NBD Bank PJSc-UAE	3,488,205	292,660,400	727,710,380
Emirates Islamic Bank	10,254,160	860,324,024	911,877,491
First Gulf Bank	10,222,817	857,694,367	297,833,713
Habib Bank UK	10,000,000	839,000,000	-
Commercial Bank of Qatar	5,000,000	419,500,000	-
National Bank of Ras Al-Khaimah, UAE	6,396,013	536,625,524	-
ICICI Bank Ltd., India	4,005,797	336,086,368	-
YES Bank Ltd.	-	-	359,761,127
	216,036,098	18,125,428,612	18,251,671,139

	31 Dec. 2018		31 Dec. 2017
	USD	BDT	BDT
8 Other liabilities			
Interest payable	1,433,634	120,281,903	73,832,087
Provision for Loans & Advances	2,050,000	171,995,000	179,045,500
Provision for Off Balance Sheet Exposure	206,324	17,310,553	6,669,920
	3,689,958	309,587,455	259,547,508
9 Retained earnings			
Balance 1 January 2018	-	-	-
	-	-	-
Current year profit	7,242,286	604,489,306	529,914,290
Retained earnings transferred to central operation	(7,242,286)	(607,627,781)	(544,900,617)
Effect of changes in exchange rate	-	3,138,475	14,986,327
	-	-	-
10 Interest income			
Term Loan	2,338,582	195,190,184	293,969,080
Bills purchased & Discount	9,783,636	816,593,152	516,096,715
Others	-	-	-
Interest on loans and advances	12,122,218	1,011,783,336	810,065,796
Interest on balance with other banks and financial institutions	637,984	53,249,474	23,976,981
Interest received from foreign banks	28,200	2,353,709	638,043
Total Interest income	12,788,402	1,067,386,519	834,680,820
11 Interest on deposits, borrowings, etc.			
Interest paid on deposits	-	-	-
Interest paid on local bank accounts	-	-	-
Interest paid on Borrowings	6,195,371	517,097,839	296,405,461
	6,195,371	517,097,839	296,405,461
12 Commission, exchange and brokerage			
LC,BC & BG (Others) Fees and Charges	543,306	45,347,146	40,216,176
Exchange Gain/(Loss)	174,023	14,524,870	10,705,068
Revaluation Gain/(Loss) on foreign currency	-	-	102,776
	717,329	59,872,017	51,024,020
13 Other operating income			
Reimbursement Charge	-	-	-
Miscellaneous earnings	-	-	-
	-	-	-
14 Salaries and allowances			
Basic pay	5,195	433,561	386,810
Allowances	5,233	436,813	418,948
Bonus	2,057	171,701	177,666
Unit's contribution to provident fund	519	43,358	38,686
	13,005	1,085,432	1,022,109
15 Other expenditure			
Foreign bank correspondence charges	42,500	3,547,271	-
Revaluation loss on foreign currency	-	-	-
	42,500	3,547,271	-



DIRECTORS' REPORT ON SUBSIDIARY COMPANIES

Dear Shareholders,

The Directors of UCB Capital Management Limited take the pleasure in presenting the Annual Report together with the audited financial Statements for the year ended December 31, 2018,

World Economy

In 2018, Emerging Markets and Developing Economies (EMDE) suffered mainly because of strengthening US dollar, trade war, changes in political stance and volatility in energy prices. Among the advanced economies, growth in US was solid, driven by fiscal stimulus whereas growth in Europe truncated as net export growth slowed down. World Bank expects global growth prospect to be moderate from 3.10% in

2017 to 2.90% in 2019 as economic slack dissipates, monetary policy accommodation in advanced economies is removed, and global trade gradually slows down further.

Further appreciation of US dollar could exert downward pressure on activities in EMDEs, especially those with large current account deficits. Government and private sector debt has also risen in most of the EMDEs and LICs over the last few years, reducing the fiscal ability to respond to shocks. Growing trade tensions are another major downside risk to the global outlook. While some countries could benefit from trade diversion in the short run, rising trade protectionism would result in dead weight loss, contributing to higher prices and lower productivity.

Country	2015	2016	2017	2018E	2019F	2020F	2021F
World	2.70%	2.40%	3.10%	3.00%	2.90%	2.80%	2.80%
Advanced Economies	2.10%	1.70%	2.30%	2.20%	2.00%	1.60%	1.50%
Emerging Markets and Developing Economies	3.50%	3.70%	4.30%	4.20%	4.20%	4.50%	4.60%

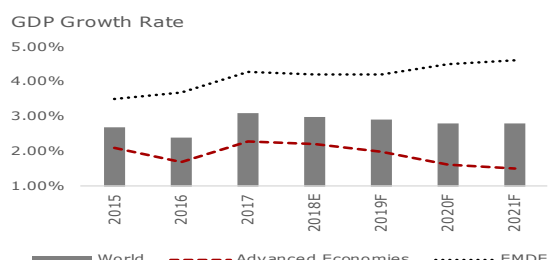
Bangladesh Economy

Bangladesh economic growth remained solid during FY18, grew 7.85% driven by private sector and domestic consumption. However, a number of external and internal factors such as existence of non-market linked interest rate for risk-free savings instrument, widening of current account deficit, and continuous overvaluation of BDT against USD slightly

trembled the macro prudential discipline.

GDP per capita of Bangladesh grew at a CAGR of 10.4% during 2010-17, highest among the neighbouring countries such as India, Pakistan, Sri Lanka, Vietnam and China. This implies that living standard of Bangladesh has been growing faster than that of neighbours. World Bank Forecasts GDP growth of Bangladesh to be 7.0% in FY19 while Asian

Development Bank forecasts the GDP growth to be 7.5%. We view that despite some short-term shocks, growth will remain resilient, underpinned by strong domestic demand and structural transformation. Going forward, we expect that more FDI would come as the outlook of political environment is positive.



Source: World Bank

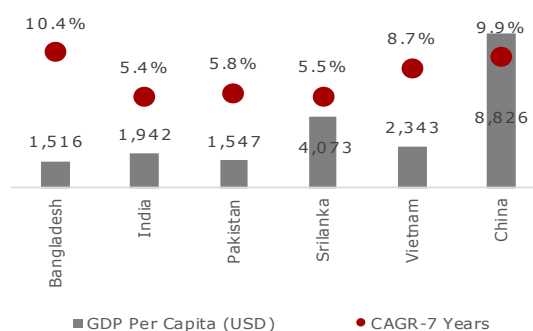
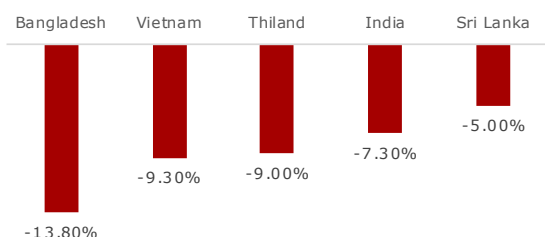
A number of mega projects are currently work-in-progress namely, The Padma Multipurpose Bridge, Payra Deep Sea Port, Rooppur Nuclear Power Plant, Padma Bridge Rail Link, Dhaka Metro Rail, Matabari 1200MW Power Plant, Payra 1320MW Thermal Power Plant, Special Economic Zones and IT Parks etc. Timely implementation of ongoing mega projects would boost the GDP of Bangladesh rapidly. However, as most of the projects are running behind the schedule, expected benefit may defer.

Inflation remained tamed during 2018 as food production was buoyant. Although energy prices crept up during 2018, moderated subsequently after reaching the peak in October. Given a predictable

Capital Market

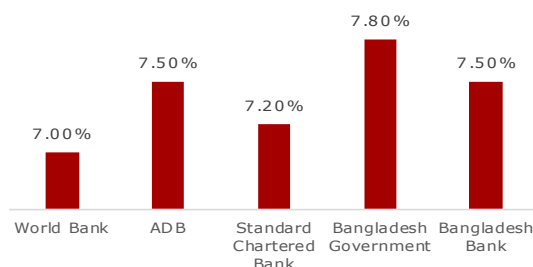
Capital market of Bangladesh underwent a challenging year in 2018. DSEX declined 13.8% in 2018 and average daily turnover stood at BDT 5,478mn, declined 37.0% from last year. Correction was mainly acute in the financial scrips. Rising interest rate resulting from liquidity drag and growing NPL problems affected the financial sector performance.

Capital Market Performance in 2018



Source: World Bank

FY19 GDP Growth Forecast of Bangladesh



Source: Local Newspaper

global energy price outlook, inflation will not be a headache.

Foreign exchange reserves stood at USD 32.1bn in Dec'18, sufficient to cover 5.6 month's import payment. Bangladesh has been an attractive place for foreign direct investment in 2018. Lately, Japan Tobacco Limited invested USD 1.5bn in a Bangladeshi company, which is the largest FDI in the history of Bangladesh. Ant Financial, an affiliate company of Chinese Alibaba group, invested USD 150mn in a local mobile financial service.

Foreigners divested huge investment from emerging markets as US Fed Rate was hiked several times in 2018. Among the emerging markets, Bangladesh market underperformed the most as investors remained cautious in their investment before the 11th national election in December 2018. Macro dynamics were favourable for textile sector amid US-China trade war and depreciation of BDT against USD. Power sector got boost from government's greater focus on independent power projects. Dhaka Stock Exchange got the Chinese strategic partnership in 2018. This was a milestone event for the capital market of Bangladesh. The deal promises high-end technological platform in addition to equity stake.

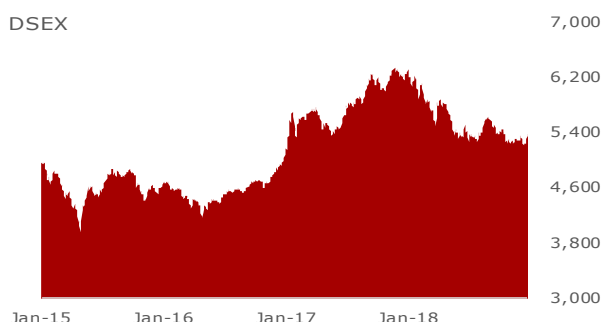
The outlook of capital market in 2019 is mostly positive. Despite some concerns about the probable temporary upshot of exchange rate and interest rate, buoyant domestic demand, favourable government policies, increase in foreign investment and improvement in domestic infrastructures would enable corporates run business profitably.

Capital Market Statistics

Date	Turnover (BDT bn)*	Market Cap (BDT bn)	DSEX	DSES	DS30
31/12/2018	1,334	3,873	5,386	1,233	1,881
29/12/2017	2,170	4,229	6,245	1,391	2,283
29/12/2016	1,192	3,412	5,036	1,192	1,811
31/12/2015	1,027	3,160	4,630	1,107	1,751

*Total annual turnover

Source: Dhaka Stock Exchange



State of the Company's Affair

UCB Capital Management Limited is currently the fastest growing brokerage house in Bangladesh. The company started its commercial operation in 2013 with a highly experienced and proficient management team with the aim of offering top quality brokerage service to the institutional and individual investors (including NRBs) in Bangladesh as well as foreign institutions and individuals of home and abroad. Despite a late start, UCB Capital Management Limited has established a sizeable customer base and a solid reputation within the industry. The company is a TREC

holder with both the stock exchanges in Bangladesh; Dhaka Stock Exchange Limited (TREC No.: 181) and Chittagong Stock Exchanges Limited (TREC No.:015).

The company is also a Depository Participant of Central Depository of Bangladesh Limited and provides allied services under the Rules & Regulations of Bangladesh Securities and Exchange Commission. Moreover, the company provides top quality equity research and margin facilities for clients. UCB Capital Management Limited has a branch network covering Dhaka and Chittagong, the two largest cities in Bangladesh.

Business Operation

The key operation of UCB Capital Management Limited is to provide brokerage service to its clients both under Dhaka Stock Exchange Limited (DSE) and Chittagong. Currently, UCB Capital Management Limited operates 39 (Thirty-nine) DSE workstations; and 5 (Five) CSE workstations. UCB Capital Management Limited has disbursed BDT 1,906mn as Margin Loan (as of December 31, 2018) compared to BDT 1,579mn margin loan (as of December 31, 2017).

Roles and Responsibilities of the Board

The Board is devoted to the Company and enthusiastic for achieving sustainable long-term prosperity by meeting stakeholders' expectations. The Board is determined to ensure the best practice in accordance with statutory requirements.

Board of Directors	Status in Board	Status in Parent Company
Mohammed Shawkat Jamil	Chairman	Managing Director
Akhter Matin Chaudhury, FCA(E&W), FCA, FCS	Director	Independent Director
Arif Quadri	Director	Additional Managing Director
Mohammad Mamdudur Rashid	Director	Additional Managing Director
Md. Sohrab Mustafa	Director	Deputy Managing Director
ATM Tahmiduzzaman FCS	Director	Company Secretary

Financial Performance of UCB Capital Management Limited.

UCB Capital Management Limited is committed to increase long-term value for shareholders through successful execution of strategic priorities and action plan. Against various odds, the company succeeded to deliver good financial results. However, UCB Capital Management Limited registered a net profit of BDT 178.32 million in 2018 compared to a net profit of BDT

221.97 million in 2017. Operating Profit stood at BDT 303.02 million in 2018 compared to BDT 301.09 million in 2017.

In 2018, the company's margin loans to clients stood at BDT 1,906.00 million as against BDT 1,579.43 million in the previous year. UCB Capital Management Limited performed progressively better especially towards the end of the year ranking 7th in 2018 as compared to 10th in 2017.

Key Financials

Particulars	2014	2015	2016	2017	2018
Shareholders' Equity	546,132,356	571,149,588	2,047,554,575	2,269,520,658	2,447,842,000
Total Assets	1,145,928,922	1,094,523,854	2,424,548,482	3,970,040,665	4,086,670,754
Total Liabilities	599,796,566	523,374,267	376,993,907	1,700,520,007	1,638,828,754
Net Revenue from Brokerage	34,295,836	34,480,87	48,142,160	148,722,797	137,986,067
Net Interest Income	20,463,920	23,618,668	27,111,294	152,471,268	234,198,149
Net Profit After Tax	28,385,529	25,017,232	-10,095,013	221,966,083	178,321,342
Return on Assets	3.67%	2.23%	-0.57%	6.94%	4.43%
Return on Equity	10.13%	4.48%	-0.77%	10.28%	7.56%
No of Shares	5,135,000	5,135,000	5,135,000	5,135,000	5,135,000
EPS (BDT)	5.53	4.87	-1.97	43.23	34.73

Credit Rating

With a view to safeguarding the interest of the prospective investors, depositors and creditors and to improve the functioning of the capital market of the country.

Accordingly, Credit Rating of UCB Capital Management Limited was done by Emerging Credit Rating Limited (ECRL) based on audited Financial Statements current as on November 14, 2018 and previous December 29, 2016. The rating report is summarized as under:

Credit Rating	Current	Previous
Long-Term	A	A
Short-Term	ST-3	ST-3
Publishing date	14 Nov 2018	29 Dec 2016

Operating Performance

Particulars	2014	2015	2016	2017	2018
Income	55,081,653	58,780,968	84,815,746	416,474,444	413,490,314
Expenditure	13,764,539	18,423,272	36,561,956	115,378,025	110,468,827
Operating Profit	41,317,114	40,357,697	48,253,790	301,096,419	303,021,486

Business Revenue

During 2018, income from brokerage commission declined 7.2% to stand at BDT 137.98mn. However, turnover in DSE declined 37.0% from last year. Interest income grew 53.0% as the size of margin loan portfolio increased from last year. The total income of BDT 413.49 million comprised of net brokerage commission income of 137.98 million, income from margin loan of BDT 234.19 million and other income of BDT 41.31 million.

are given in the Statement of Changes in Equity of the Consolidated Financial Statement.

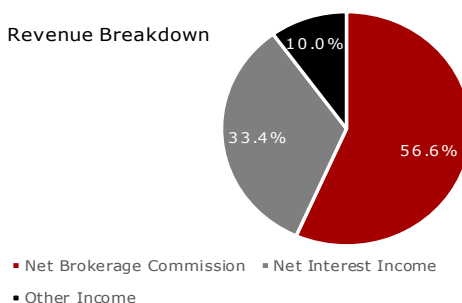
Dividend

The Company declared no dividend to its shareholders for the year ended December 31, 2018.

Retained Earnings

The Retained Earnings of the Company as of December 31, 2018 stood at BDT 447.83 million details of which

Revenue Breakdown



Key Challenges

Liquidity crisis may intensify: liquidity situation has been on the wane since Oct'16. Such increase in interest rate is diverting the fund from capital market to banking channels. On top of that, increasing interest rate is pulling the lending rate upwards. As such, bottom-line of highly levered companies would suffer.

Exchange rate may increase: the pressure on BDT has increased due to high import growth and slow export growth. BDT might continue to depreciate in 2019. Most of the manufacturing companies may face margin shrink.

Observance of BAS, BFRS & Applicable Laws

The Company keeps accounting records, which disclose with reasonable accuracy the financial position of the Company and it is the responsibility of the directors to ensure that the financial statements comply with the Companies Act, 1994 and the Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards, Bangladesh Financial Reporting Standards and other applicable rules and regulations.

Auditors Appointment

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors Syful Shamsul Alam & Co., Chartered Accountants was appointed as the independent auditor of the Company for the year 2018 in its Annual General Meeting.

Auditors

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditor's proposal for appointment of Mabs & J Partners; Chartered Accountants for the year ended on December 31, 2019.

Acknowledgement

On behalf of the Board of Directors, I take the opportunity to express our heart-felt appreciation and gratitude to our customers, business partners and shareholders for their continuous support and confidence in UCB Capital Management Limited. A special note of appreciation

Energy price may increase: Crude oil price in international market may increase in 2019. This would add some pressure on currency. Moreover, gas price in domestic market may be adjusted as government would be planning to make LNG popular.

Labour cost may go up: RMG workers were demanding wage hikes. Government may press RMG owners to rationalize wages. Thus, the profitability of RMG sector may truncate.

Accounting Policies and Maintenance of Books of Accounts

As required by the regulators the company prepared financial statements, used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the institute of Chartered Accounts of Bangladesh (ICAB) have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

goes to the Management team and all the employees for their devotion, integrity, hard work and professionalism. My sincere thanks also go to Securities and Exchange Commission, Bangladesh Bank, Dhaka and Chittagong Stock Exchanges, retail & institutional investors, and all other regulatory bodies who were involved in the growth of this Company for their invaluable assistance, support, guidance and counsel.

I, on behalf of the Board of Directors



Mohammed Shawkat Jamil
Chairman

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UCB Capital Management Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2018 and Statements of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh and we have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards Board for Accountants (IESBA Code) & the Institute of Chartered Accountants of Bangladesh (ICAB) Bye-Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with Governance for the Financial Statements and Internal Controls

Management is responsible for maintenance of the required books of accounts & records, preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and also for disclosure of matters that may affect any fact of the financial statements.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management

either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

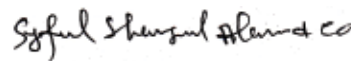
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements:

In accordance with the Companies Act 1994, we also report the following:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification there of;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.

Place: Dhaka
Dated: 29 April 2019



Syful Shamsul Alam & Co.
Chartered Accountants


UCB Capital Management Limited

Statement of Financial Position

As at 31 December 2018

		Amount in Taka	
	Note	31-Dec-2018	31-Dec-2017
ASSETS			
Non-Current Assets (A)		505,970,952	529,550,262
Property, plant and equipment	2.00	27,468,612	7,785,272
Intangible asset	3.00	520,834	904,167
Investment	4.00	477,981,506	520,860,823
Current Assets (B)		3,466,682,773	3,440,490,404
Advances, deposits and prepayments	5.00	63,750,796	88,788,887
Loan to customers	6.00	1,905,557,186	1,579,432,201
Investment in marketable securities	7.00	590,212,516	545,630,639
Accounts receivable	8.00	214,176,922	83,238,216
Cash and Cash equivalents	9.00	692,985,354	1,143,400,462
Total Assets (A+B)		3,972,653,725	3,970,040,666
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	10.00	513,500,000	513,500,000
Share money deposit	10.03	1,486,500,000	1,486,500,000
Retained earnings		447,829,206	269,520,658
Shareholders equity (C')		2,447,829,206	2,269,520,658
Non Current Liabilities(D)		-	-
Current Liabilities (E)		1,524,824,519	1,700,520,008
Short Term Loan	11.00	549,400,000	350,000,000
Accounts Payable	12.00	839,044,895	1,203,777,259
Provisions	13.00	35,111,892	31,922,995
Provision for Taxation	14.00	101,267,731	114,819,754
Total Equity and Liabilities (C+D+E)		3,972,653,725	3,970,040,666

The annexed notes 01 to 20 form an integral part of these financial statements.


Chairman

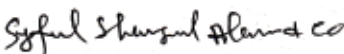

Director


Director


Managing Director

As per our report of same date

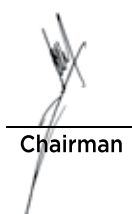
Dhaka,
Date: 29 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants

UCB Capital Management Limited
Statement of Comprehensive Income
For the period ended 31 December, 2018

		Amount in Taka	
	Notes	31-Dec-2018	31-Dec-2017
Operating Income:			
Brokerage Commission	15.00	137,986,067	148,722,797
Interest Income	16.00	234,198,149	152,471,268
Net Investment Income	17.00	40,645,551	114,614,544
Other operating Income	18.00	660,548	665,835
Total operating income (A)		413,490,314	416,474,443
Operating Expenses:			
Operating expenses	19.00	101,728,911	106,417,120
Other expenses	20.00	8,752,709	8,960,905
Total operating expenses (B)		110,481,620	115,378,025
Profit/(Loss) before provision C=(A-B)		303,008,693	301,096,419
Provision for negative equity on margin loans and investment	13.00	24,131,623	-
Total provision (D)		24,131,623	-
Operating profit before taxation E=(C-D)		278,877,070	301,096,419
Provision for Taxation (F)		100,568,522	79,130,336
Current Tax	14.01	100,000,000	78,698,560
Deferred Tax	14.02	568,522	431,776
Net profit after tax [G=E-F]		178,308,548	221,966,083

The annexed notes 01 to 20 form an integral part of these financial statements.


Chairman

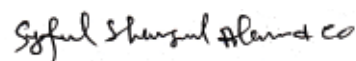

Director


Director


Managing Director

As per our report of same date

Dhaka,
Date: 29 April 2019

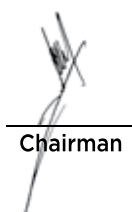

Syful Shamsul Alam & Co.
Chartered Accountants

UCB Capital Management Limited

Statement of Cash Flow

For the period ended 31 December, 2018

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
A.	Cash Flow from Operating Activities		
	Net Profit/(Loss) before taxation, and extra ordinary item.	303,008,693	301,096,419
	Adjustment for:		
	Depreciation & amortization	2,765,854	2,894,683
	Income Tax Expenses	(79,357,781)	(40,599,737)
	Increase/(Decrease) of other assets	(185,245,256)	(349,634,305)
	Increase/(Decrease) of other liability	(385,675,089)	894,495,345
	Net Cash flow/(used) in operating activities	(344,503,579)	808,252,405
B.	Cash Flow from Investing Activities		
	Acquisition of Fixed Assets	(21,965,861)	(2,220,293)
	Acquisition of Intangible Assets	(100,000)	(100,000)
	Sale of Fixed Assets	-	-
	Investment in equity	42,879,317	-
	Net cash flows/(used) in Investing activities	20,813,456	(2,320,293)
C.	Cash Flow from Financing Activities		
	Loan to customer	(326,124,986)	(938,789,620)
	Received/(Payment) of Long Term Loan	-	-
	Share Money Deposit	-	-
	Borrowing/(Paid) bank Loan	199,400,000	350,000,000
	Net cash flows from Financing activities	(126,724,986)	(588,789,620)
D.	Net increase in cash and cash equivalent (A+B+C)	(450,415,108)	217,142,492
E.	Opening cash and bank balances	1,143,400,462	926,257,970
F.	Closing cash and bank balances (D+E)	692,985,354	1,143,400,462
	Closing cash and bank balances		
	Cash and Cash equivalent	692,985,354	1,143,400,462
		692,985,354	1,143,400,462



Chairman



Director



Director




Managing Director

UCB Capital Management Limited

Statement of Changes in Equity

For the period ended 31 December, 2018

Particulars	Share capital	Share Money Deposit	Retained earnings/ (Accumulated losses)	Total
Balance as at January 01, 2017	513,500,000	1,486,500,000	47,554,575	2,047,554,575
Share Money Deposit	-	-	-	-
Profit/(Loss) during the year 2017	-	-	221,966,083	221,966,083
Balance as at December 31, 2017	513,500,000	1,486,500,000	269,520,658	2,269,520,658
Balance as at January 1, 2018	513,500,000	1,486,500,000	269,520,658	2,269,520,658
Profit/(Loss) during the year	-	-	178,308,548	178,308,548
Balance as at December 31, 2018	513,500,000	1,486,500,000	447,829,206	2,447,829,206


Chairman
Director
Director
Managing Director

UCB Capital Management Limited

Notes to the Financial Statements

For the period ended 31 December, 2018

1.1 Status of the Company

UCB CAPITAL MANAGEMENT LIMITED (the "Company"), was reformed dated January 17, 2013 by the former Maryellen Capital Management Limited (DSE TREC No-181, CSE TREC No-015) was incorporated in Bangladesh and registered with the Register of Joint Stock Companies vide its registration number C-69039(1551)/07 on November 20, 2007 as a Private Limited Company. After rebranded the Company commenced the business on 19th June 2013. The registered office of the Company is located at 06, Dilkusha, C/A, Dhaka-1000. The company has only one branch located at Ayub Trade Center (4th Floor), 1269/B, Sk. Mujib Road, Agrabad C/A, Chattagram.

1.2 Nature of Business

The principal objectives of the Company are to act as a TREC Holder of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. to carry on the business of stock brokers in relation to shares and securities dealings and other services as mentioned in the Memorandum and Articles of Association of the Company.

The Company is also registered with the Bangladesh Securities and Exchange Commission (BSEC) to act as Stock Dealer for carrying its own investment in the capital market. It also extends margin loan to its clients against their margin for investment in the listed securities.

UCB Capital Management Limited encompasses a wide range of services having registered with the Securities and Exchange Commission to act as "Depository participant" of Central Depository of Bangladesh Limited (CDBL).

1.3 Basis of preparation of financial statements and significant accounting policies

1.3.1 Statement of Compliance

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for statement of cash flows in accordance with International Accounting standards (IAs) and International Financial Reporting Standard (IFRSs), the Securities and Exchange Commission Rules 1987, Companies Act 1994, and other laws & rules applicable in Bangladesh.

1.3.2 Basis of Measurement

These financial statements have been prepared on a going concern basis under historical cost

convention in accordance with International Financial Reporting Standards (IFRS).

1.3.3 Components of Financial Statements

According to International Accounting Standard (IAS-1) "Presentation of Financial statements" the complete set of Financial statements includes the following components:

- a) Statement of Financial Position;
- b) Statement of Comprehensive Income;
- c) Statement of Changes in Equity;
- d) Statement of Cash Flows and
- e) Notes to the Financial Statements.

1.3.4 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (BDT) currency, which is the functional currency of the Company. The amounts in these financial statements have been rounded off to the nearest integer.

1.3.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing concern basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

1.3.6 Branch Accounting

The company has operating one branch located at Ayub Trade Center (4th Floor), 1269/B, Sk. Mujib Road, Agrabad C/A, Chattagram and accordingly the accounting consolidation is being maintained through Head Office.

1.3.7 Statement of cash flows

Statement of cash flows is prepared in accordance with the International Accounting Standard-7 "Statement of Cash Flows" classifying the activities by operating activities, investing and financing activities and the cash flows from operating activities have been prepared and presented under indirect method.

1.3.8 Reporting period

These Financial Statements have been prepared for one year from 01 January 2018 to 31 December 2018.

1.4 Assets and basis of their valuation

1.4.1 Cash and Cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Banks which are subject to insignificant risk of changes in their fair value, and are used by the Company management for its day to day business purpose and to meet its short-term commitments.

1.4.2 Investments

Investment in DSE, CSE Shares:

In accordance with section 8(Gha) of the Exchanges Demutualization Act, 2013, both stock exchange membership has been converted into shares through the issuance of "Trading Right Entitlement Certificate (TREC)" by the DSE & CSE. Currently fair value of Trading Right Entitlement Certificate is not ascertainable with reasonableness due to the stock exchanges not issuing any TREC other than existing members. Accordingly, investment is measured at cost which is considered as fair value.

Investment in securities:

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to the acquisition of the shares. After initial recognition, investment in quoted shares has been revalued at cost at reporting date. However, adequate provision has made if market value consider as down trend of the reported cost but no unrealized gain is recognized in the profit and loss account.

1.4.3 Loan to customers

UCB capital Management Limited extends credit facilities to its approved clients for securities transactions against the respective investor account as per margin rules 1999. Loans to customers are stated in the balance sheet on gross outstanding basis.

1.4.4 Property, Plant and equipment

All Property, Plant and equipment are stated at cost, together with any incidental expenses of acquisition less accumulated depreciation as per IAS-16 "Property, Plant and Equipment". Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred.

Depreciation on fixed assets acquired during the current year to be charged from the month of

acquisition (Full month depreciation will be charged irrespective of the date of purchase during the month). The rates and basis used are as follows:

Category of assets	Rate(%)	Basis
Furniture and fixtures	10%	Straight Line Method
Computer Equipment	20%	Straight Line Method
Office Equipment	20%	Straight Line Method
Software	25%	Straight Line Method
Vehicles	20%	Straight Line Method

1.4.5 Advance, Deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to statement of comprehensive income or other account heads.

- Security deposits are measured at payment value.

1.4.6 Advance Income tax

The amount of advance income tax is mainly Tax deduction at sources by DSE and CSE on daily turnover of brokerage operation and Tax deduction at sources on dividend and interest income.

1.4.7 Intangible assets and amortization of intangible assets

Software

Costs incurred to procure software represent as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is treated as expense as incurred. Software is amortized @ 25% (Twenty Five percent) per annum in a straight line method.

1.5 Bank Guarantee

United Commercial Bank Limited has sanctioned UCB Capital Management Limited a Bank guarantee (NO.36/2017 dated 21/09/2017) for maintaining additional member's margin as specified in sub-regulation (3) of regulation (4) of DHAKA STOCK EXCHANGE (TREC HOLDER'S MARGIN) REGULATIONS, 2013 worth of Tk. 750,000,000 (Taka Seventy Five Crore) valid up to September 20, 2019.

1.6 Provision for Taxation

Current Tax

Provision for taxation consists of provision for current tax and provision for deferred tax. Provision for taxation has been made as per the Income Tax Ordinance 1984, latest finance act, relevant SROs

etc. While computing taxable operating income, total operating expenses has been claimed as allowable expenses. Due consideration also has been given for admissible and inadmissible expenditures as per the Income Tax Ordinance 1984. Provision for current tax has been adjusted with the advance tax by the lower amount of Tax Provision and Gross tax payable as per return.

Deferred Tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income tax recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets & liabilities are measured using tax rate & tax laws enacted or at the balance sheet date. Tax impact on the account of changes in deferred tax assets and liabilities has also been recognized in the Statement of Comprehensive Income as per IAS-12 "Income taxes".

1.7 Accrued Expenses and Other Liabilities:

Liabilities are recognized for the expenses incurred, whether the bill paid or not. Payables are not interest bearing and are stated at their nominal values.

1.8 Provisions:

Provision is recognized in the Statement of Financial Position when the company has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and are liable estimate thereof can be made.

1.9 Share capital

(a) Authorized capital

Authorized capital is the maximum amount of share capital that the company is authorized by its Memorandum and Article of Association to issue to shareholders.

(b) Paid-up capital

Paid-up Capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time

and are entitled to vote at shareholders' meetings. In the event of a winding-up of the company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

1.10 Revenue Reorganization

1.10.1 Brokerage commission

Brokerage commission is recognized as income at the same time of selling or buying order executed.

1.10.2 Interest income on margin loan

Interest income on margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective customers. Income is recognized on monthly but realized quarterly. No interest charged on negative equity balances this year.

1.10.3 Other Operating Income

Dividend income is recognized when right to receive or payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.

Other operating income arises on services provided by the Company are recognized on accrual basis.

1.11 Interest paid and other expenses

Interest expenses are generally recognized on accrual basis taking into account of daily balance outstanding at the applicable rate. The interest expense is related to the interest charged into the overdraft account with UCBL.

Other expenses are also recognized and recorded on accrual basis.

1.12 Related party transaction

Parties are considered to be related if there is any relationship by means of shareholding, common ownership or by any other means who can or may influence the financial and operational decisions. Here the related party transactions are the loan from United Commercial Bank Limited (if any) and the brokerage transactions carried out by the Company for its own investment as its client, within the financial period.

1.13 Disclosure of departure

The departures from IFRS in the financial statements for 31 December 2018 are stated below:

SI No.	Nature of Departure	Title of the IFRS	Treatment of the IFRS	Treatment adopted as per regulator	Financial or presentation effect of departure
01.	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	<p>IFRS 9 requires all equity investments to be measured at fair value. At initial recognition an entity can make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an investment in an equity instrument that is held for trading. In all other cases, investments in equity instruments measured at fair value are recognized through profit or loss.</p> <p>In limited circumstances, cost can be an appropriate estimate of fair value for investments in unquoted shares.</p>	<p>As per FID circular No. 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively to align with parent company's adopted policy. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.</p> <p>As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMR RCD/2009-193/203) and dated 28 December 2017, and subsequent BSEC notification dated 19 December 2018 the required provisions for the year 2018 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2018. RCD/2009-193/203) and dated 28 December 2017, and subsequent BSEC notification dated 19 December 2018 the required provisions for the year 2018 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2018.</p>	<p>If the IFRS 9 would be followed value of investments presented would be higher by BDT 47,026,332 and the same figure would be for 'Unrealized Loss'.</p> <p>Provision has been made of BDT 23,620,942 which is 50% (appx) of unrealized loss as per BSEC circular.</p>

SI No.	Nature of Departure	Title of the IFRS	Treatment of the IFRS	Treatment adopted as per regulator	Financial or presentation effect of departure
02.	Provision for Margin Loan (Loans and receivables)	IFRS 9 "Financial Instruments"	<p>An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.</p> <p>The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition - whether assessed on an individual or collective basis - considering all reasonable and supportable information, including that which is forward-looking.</p> <p>If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.</p> <p>Expected credit losses are a probability-weighted estimate of credit losses (ie present value of all cash shortfalls) over the expected life of the financial instrument. For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.</p>	As per circular of Bangladesh Securities and Exchange Commission circular # SEC/CMRRCD/2009-193/203) and dated 28 December 2017, and subsequent BSEC notification dated 19 December 2018, the required provisions for the year 2018 on principal portion of margin loan is to be kept at 20% in the five installments starting from December 2018..	As on 31 December 2018 provision on margin loan is amounting Tk. 11,490,950

UCB Capital Management Limited

Notes to the Financial Statements

For the period ended 31 December, 2018

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
2.00	Property, Plant and Equipment		
	Cost(A):		
	Furniture and Fixture	21,471,338	2,488,527
	Computer Equipment	5,704,237	3,176,305
	Office Equipment	1,416,036	1,133,436
	Vehicles	3,210,455	3,210,455
		31,802,066	10,008,723
	Accumulated Depreciation(B):		
	Furniture and Fixture	871,846	560,148
	Computer Equipment	1,718,013	822,060
	Office Equipment	379,294	119,033
	Vehicles	1,364,301	722,210
		4,333,454	2,223,451
	Written down value (A-B)	27,468,612	7,785,272
A schedule of property, plant and equipment is given in Annexure-A			
3.00	Intangible Assets		
	Software	2,000,000	1,900,000
	Cost of Intangible (A)	2,000,000	1,900,000
	Accumulated Amortization (B)		
	Software	1,479,166	995,833
		1,479,166	995,833
	Written down value (A-B)	520,834	904,167
4.00	Investment		
	Investment in DSE Shares*	353,270,683	391,150,000
	Investment in CSE Shares	124,610,823	124,610,823
	Investment in shares of UCB Investment Ltd.	100,000	100,000
	Investment in Unquoted shares	-	5,000,000
		477,981,506	520,860,823

As per the Scheme of Demutualization of both DSE and CSE in accordance with the Exchange Demutualization Act 2013 (the 'Scheme'), the Company being the initial shareholders of DSE and CSE, is entitled to receive the following numbers of shares as well as "Trading Right Entitlement Certificate (TREC)". During the year, DSE has sold out 25% shares out of 40% of total share, held with DSE under block account, for which the Bank has received the sale proceeds of Tk. 37,879,317 for 1,803,777 shares at Tk. 21 each against initial price of Tk. 97,787,527 including the TREC value apparently with loss of Tk. 59,908,210. But such loss has not been considered in account as the estimated value of the TREC is understood to be much higher than the overall DSE shares cost.

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
Stock Exchange			
Dhaka Stock Exchange Limited		5,411,329	7,215,106
Chittagong Stock Exchange Limited		4,287,330	4,287,330
Total number and value of shares		9,698,659	11,502,436
Book value of shares		477,881,506	515,760,823
5.00 Advances, Deposits and Prepayments:			
Security deposit on		225,000	225,000
Advance against Expenses		1,328,810	358,970
Advance against Assets		6,469,445	56,945
Advance Office Rent		2,716,917	447,917
ECF Loan		8,633,333	8,560,000
Advance Income Tax (Note 5.01)		44,377,291	79,140,056
		63,750,796	88,788,887
5.01 Advance Income Tax			
Opening balance		79,140,056	38,540,318
Add: Advance Tax paid during the year		79,357,781	40,599,737
Less: Advance Tax Adjustment with tax provision		(114,120,545)	-
Balance at the end of the year		44,377,291	79,140,056
6.00 Loan to Customer:			
Opening Balance		1,579,432,201	640,642,581
Add: disbursed/ (Realised) during the year		326,124,986	938,789,620
Closing Balance		1,905,557,186	1,579,432,201
7.00 Investment in marketable securities			
Investment in quoted share		555,212,836	545,630,639
Investment in Open end mutual fund		34,999,680	-
		590,212,516	545,630,639
Details has been shown in Annexure-"B"			
8.00 Accounts Receivable:			
Receivable from DSE		214,158,654	78,238,216
Receivable from CSE		18,268	-
Investment in IPO		-	5,000,000
		214,176,922	83,238,216

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
9.00	Cash and cash Equivalents		
	Customer consolidated A/c -UCB Bank	91,342,772	171,008,061
	Customer consolidated A/c - ONE Bank	528,643,166	948,037,314
	Customer consolidated A/c - SCB	564,003	499,940
	Dealer A/c DSE-ONE Bank	23,303,911	11,326,887
	Dealer A/C CSE-UCBL	3,990,093	3,616,790
	IPO A/c - UCBL	425,432	201,436
	Strategic Investment A/c- UCB	36,163,002	-
	General A/c with UCBL	8,452,535	8,553,517
	Cash in hand	100,440	156,516
		692,985,354	1,143,400,462
10.00	Share Capital		
	Authorized Capital		
	15,600,000 Ordinary Shares of Tk. 100 each	1,560,000,000	1,560,000,000
		1,560,000,000	1,560,000,000
	Subscribed and Paid-up Capital		
	5,135,000 Ordinary Shares of Tk. 100 each	513,500,000	513,500,000
		513,500,000	513,500,000
10.01	Share Holding Status		
	Shareholders	% of Share Holdings	No. of Shares
	United Commercial Bank Limited	99.999981%	5,134,999
	Mr. Mohammad Shawkat Jamil	0.000019%	1
		100%	5,135,000
10.02	Directors		
	United Commercial Bank Ltd has nominated below mentioned personnel as Director.		
	Name	Position	Occupation
	Mr. Mohammad Shawkat Jamil	Chairman	Banker
	Mr. Akhter Matin Chaudhury, FCA	Independent Director	Business
	Mr. Arif Quadri	Director	Banker
	Mr. Md. Shohrab Mostafa	Director	Banker
	Mr. Mohammad Mamdudur Rashid	Director	Banker
	Mr. ATM Tahmiduzzaman, FCS	Director	Banker
10.03	Share Money Deposit:		
		1,486,500,000	1,486,500,000

This amount represents as share money received from United Commercial Bank Limited at dated 10 November, 2016 and its in processed to raising the share capital.

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
11.00	Short Term Loan:		
	Loan from LankaBangla	249,400,000	150,000,000
	Loan from IIDFC	300,000,000	-
	Loan from United Finance.	-	200,000,000
		549,400,000	350,000,000
12.00	Accounts Payable		
	Payable to Clients	786,218,016	1,139,878,666
	Payable to DSE	339,571	152,839
	Payable to CSE	-	531,068
	Payable to CDBL	2,380,840	3,122,141
	Payable to Employees Welfare Fund	-	1,072,094
	Other Liabilities (Note 12.01)	50,106,469	59,020,450
		839,044,895	1,203,777,259
12.01	Other Liabilities		
	Interest suspense	20,082,092	21,090,370
	Interest payable on borrowings	4,048,609	4,670,834
	VAT payable	102,055	101,764
	TDS payable	303,394	249,298
	Prov. for expenses	257,259	362,259
	Prov. For Employee Benefit	24,393,124	30,940,641
	Accounts payable	919,935	1,605,285
		50,106,469	59,020,450
13.00	Provisions:		
	Opening balance	31,922,995	52,626,461
	Less: Adjustment	(20,942,726)	(20,703,466)
	Add: Provision for the year (Note 13.01 & 13.02)	24,131,623	-
	Closing balance	35,111,892	31,922,995
13.01	Provision for Loan to customers		
	Opening balance	29,032,737	49,736,203
	Add: Provision for the year	3,400,939	-
	Less: Adjustment	(20,942,726)	(20,703,466)
	Closing balance	11,490,950	29,032,737
13.02	Provision for diminution in value of investment		
	Opening balance	2,890,258	2,890,258
	Provision for the year (Annexure-B)	20,730,684	-
	Closing balance	23,620,942	2,890,258

As per Press Release regarding 669th Commission (BSEC) meeting dated december 19, 2018 Circular No. 203 the company has the option to make 100% provision within december 2020 for both unrealized loss on dealer account and negative equity of client's margin loan. During the year, the company has been made 100% provision for negative equity and 50% provision made for unrealized loss on dealer account.

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
14.00	Provision for Taxation		
	Opening Balance	114,819,754	35,689,417
	Add: provision made for the current year (Note-14.01 & 14.02)	100,568,522	79,130,336
	Less: Abjusement with advance Tax up to the year 2017	(114,120,545)	-
		101,267,731	114,819,754
Assessment for the year 2013-2014 and 2014-2015 has been completed and waiting for the demand notice. Return for the assessment year 2016-2017, 2017-2018 and 2018-2019 have been submitted u/s 82BB of Income Tax Ordinance 1984 but yet to be completed.			
14.01	Provision for current Tax		
	Provision for Corporate Income Tax has made on various sources of income as applicable tax rates on those Income as per Tax laws complied as under.		
	Opening Balance	114,387,979	35,689,417
	Add: provision made for the current year	100,000,000	78,698,560
	Less: Abjusement with advance Tax up to the year 2017	(114,120,545)	-
		100,267,433	114,387,979
14.02	Provision for deferred Tax		
	Opening Balance	431,776	-
	Add: provision made for the current year	568,522	431,776
		1,000,298	431,776
15.00	Brokerage Commission		
	Brokerage commission income	167,411,306	171,922,568
	Less: Brokerage commission expense (Note-15.01)	(29,425,240)	(23,199,772)
		137,986,067	148,722,797
15.01	Brokerage Commission expense		
	Legal Charge	14,706,429	14,620,539
	CDBL Expense	7,268,911	7,689,345
	Contract Charge-CSE	7,296	7,188
	Commission Charge-CSE	530,620	547,531
	Sales Associate Commission	6,911,983	335,168
		29,425,240	23,199,772
16.00	Interest Income		
	Income from Margin Loan	215,155,306	115,074,784
	Income from SND account	53,422,500	45,788,152
		268,577,805	160,862,936
	Less: Interest Expense	(34,379,656)	(8,391,667)
		234,198,149	152,471,268

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
17.00	Net Investment Income		
	Capital Gain/(loss) from Investment in Shares	19,616,841	94,832,155
	Dividend Income (Note 17.01)	21,028,710	19,782,389
		40,645,551	114,614,544
17.01	Dividend Income		
	Cash dividend received from DSE & CSE	9,787,504	7,215,106
	Cash dividend received from quoted shares	11,241,206	12,567,283
		21,028,710	19,782,389
18.00	Other Operating Income		
	BO Opening Fee	154,800	164,150
	BO Annual Fees	243,100	145,200
	CDBL Operations Fee	17,353	159,713
	Margin Loan Processing Fee	90,000	110,000
	Other Income	155,294	86,772
		660,548	665,835
19.00	Operating Expenses		
	Salary and allowances	88,066,646	90,199,742
	Rent, taxes, insurance, electricity etc. (Note-19.01)	3,583,506	3,955,841
	Legal expenses	132,544	299,725
	Postage, stamps, telecommunications etc.	1,235,296	702,125
	Stationery, printing, advertisements etc. (Note-19.02)	3,983,846	5,230,902
	Training, Seminar & Meeting	876,906	1,130,693
	Auditors fees	57,500	57,500
	Depreciation and repair of assets (Note-19.03)	3,792,667	4,840,592
		101,728,911	106,417,120
19.01	Rent, taxes, insurance, electricity etc.		
	Office Rent	828,000	345,000
	Electricity and room Rent	222,151	273,632
	Electricity, water & Gas	1,920,666	2,194,869
	Car Parking Expense	52,500	49,275
	Rent Rate Taxes	111,193	595,254
	Insurance	448,996	497,811
		3,583,506	3,955,841

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
19.02	Stationery, printing, advertisements etc.		
	Advertising and business Promotion exps.	2,727,627	4,040,106
	Printing & Stationery	1,256,219	1,190,797
		3,983,846	5,230,903
19.03	Depreciation and repair of assets		
	Depreciation On furniture	484,216	527,027
	Depreciation On Computer Equipment	895,953	444,695
	Depreciation On Electronic Equipment	260,261	99,943
	Depreciation On Vehicales	642,091	390,304
	Amortization on goodwill	-	976,464
	Amortization on Software	483,333	456,250
		2,765,854	2,894,683
	Repair & Maintaince (Note 19.03.01)	1,026,813	1,945,909
		3,792,667	4,840,592
19.03.1	Repair & Maintaince		
	Software Maintenance	489,765	435,644
	Repairs & Maintenance-General	537,049	1,510,265
		1,026,813	1,945,909
20.00	Other Expenses		
	This is composed as follows:		
	Car Expenses	1,873,333	965,648
	Bank Guarantee Commission	1,380,000	-
	Entertainment	1,376,092	1,482,666
	Petrol,oil & lubricant	1,286,716	658,224
	Registration and Renewal	1,055,390	705,473
	Bank Charge and others	408,093	251,268
	Medical Expenses	371,487	554,215
	Traveling & Conveyance	333,755	230,205
	Office Maintenance	309,653	156,427
	Loss on disposal of assets	186,559	2,314,146
	Write off Negative Balance	34,468	20,574
	Regulating Expenses	24,500	170,000
	Newspapers & Periodicals	2,360	16,910
	Investor Protection Fund	1,841	104
	Loss due to goodwill impairment	-	1,318,219
	Misc. Expenses	108,462	116,825
		8,752,709	8,960,905

UCB Capital Management Limited

Fixed assets Schedule

For the period ended 31 December, 2018

Annexure-A

Sl No.	Particulars	Cost				Depreciation Rate	Depreciation				Net Book Value at 31.12.2018
		Opening Balance as on 01.01.2018	Addition during the year	Disposal during the year	Total Before Dep. Charge		Opening Balance	Depreciation during the year	Disposal/ Adjustment during the year	Accumulated Depreciation	
1	Furniture & Fixture	2,488,527	19,557,638	574,827	21,471,338	10%	560,148	484,216	172,518	871,846	20599,492
2	Computer Equipment	3,176,305	2,527,932		5,704,237	20%	822,060	895,953	-	1,718,013	3,986,224
3	Office Equipment	1,133,436	282,600		1,416,036	20%	119,033	260,261	-	379,294	1,036,742
4	Vehicles	3,210,455	-		3,210,455	20%	722,210	642,091	-	1,364,301	1,846,154
Total		10,008,723	22,368,170	574,827	31,802,066		2,223,451	2,282,521	172,518	4,333,454	27,468,612

UCB Capital Management Limited

Schedule of Investment & Calculation of Provision

For the period ended 31 December, 2018

Annexure-B

Particulars	Holding No. of Share	Avg. Rate	Purchase price	Closing Price	" Market Value as on 31 Dec. 2018 "	Unrealize Gain/(Loss)
		Taka	Taka	Taka	Taka	
Active Fine Chemical	287,432	35.43	10,182,915	28.20	8,105,582	(2,077,333)
BRAC Bank	1,500,000	58.50	87,755,000	72.90	109,350,000	21,595,001
British American Tobacco	91	3,457.27	314,611	3,536.50	321,822	7,210
Confidence Cement	117,500	188.07	22,098,188	175.70	20,644,750	(1,453,438)
Eastern Bank Ltd.	118,964	39.13	4,654,838	35.90	4,270,808	(384,030)
Grameen Phone Ltd.	264,000	425.93	112,446,419	361.00	95,304,000	(17,142,419)
I.D.L.C.	270,000	87.16	23,532,983	69.30	18,711,000	(4,821,983)
Khulna Power Co. Ltd	228,176	120.71	27,542,333	60.50	13,804,648	(13,737,685)
Linde Bangladesh Limited	3,630	1,237.96	4,493,804	1,189.10	4,316,433	(177,371)
Navana CNG Ltd	60,000	68.08	4,084,659	48.40	2,904,000	(1,180,659)
Olympic Industries Ltd.	15,000	219.99	3,299,825	217.80	3,267,000	(32,825)
Paramount Tex. Ltd.	25,000	61.92	1,547,887	63.60	1,590,000	42,113
Prime Bank Ltd.	535,565	21.27	11,390,861	17.80	9,533,057	(1,857,804)
Shahjalal Islami Bnk	100,000	29.29	2,928,932	27.70	2,770,000	(158,932)
South East Bank Ltd.	421,013	20.04	8,435,632	15.50	6,525,702	(1,909,930)
Square Pharma	521,090	276.23	143,942,745	253.30	131,992,097	(11,950,648)
The City Bank Ltd.	706,543	48.47	34,247,234	30.00	21,196,290	(13,050,944)
Baraka Power Ltd.	111,000	27.78	3,083,525	28.40	3,152,400	68,875
BBS Cables Ltd.	26,306	105.94	2,786,952	91.80	2,414,891	(372,061)
Fortune Shoes Limited	200,000	32.78	6,556,639	31.10	6,220,000	(336,639)
IFAD Autos Limited	55,000	116.93	6,431,079	108.40	5,962,000	(469,079)
Indo-Bangla Pharmaceuticals Ltd.	294	9.68	2,845	31.20	9,173	6,328
Intraco Refueling Station Ltd.	5,600	9.53	53,340	26.80	150,080	96,740
Kattali Textile Limited	11,070	9.52	105,386	25.10	277,857	172,471
S S Steel Limited	13,492	10.00	134,920	10.00	134,920	-
Silva Pharmaceuticals Limited	9,194	10.00	91,940	29.80	273,981	182,041
United Power GDCL	34,000	308.04	10,473,322	295.40	10,043,600	(429,722)
VFS Thread Dyeing Limited	4,222	9.52	40,212	57.60	243,187	202,975
GENEXIL	10,467	10.00	104,670	10.00	104,670	-
ADNTEL	18,968	30.00	569,040	30.00	569,040	-
EKCL	41,780	45.00	1,880,100	45.00	1,880,100	-
Zenith Annual income	500,000	10.00	5,000,000	12.17	6,085,000	1,085,000
BCB ICL Growth Fund	500,000	10.00	5,000,000	10.23	5,115,000	115,000
CAPITEC Padma PFS UF	500,000	10.00	5,000,000	10.22	5,109,048	109,048
EDGE Bangladesh MF	500,000	10.00	5,000,000	10.49	5,245,000	245,000
Total Investment in quoted shares (a)			555,212,835		507,597,135	(47,615,700)
CAPM Unit Find	43,400	115.20	4,999,680	117.72	5,109,048	109,368
HFAML- ACME Employees Unit Fund	1,000,000	10.00	10,000,000	10.28	10,280,000	280,000
Vanguard AML growth Fund	2,000,000	10.00	20,000,000	10.10	20,200,000	200,000
Total Investment in open end mutual fund (b)			34,999,680		35,589,048	589,368
Total Investment in marketable securities (a+b)			590,212,515		543,186,183	(47,026,332)

Independent Auditors' Report

To the Shareholders of UCB Investment Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of UCB Investments Limited ("the company"), which comprise the Statement of financial position as at 31 December 2018 and the related Statement of profit or loss other comprehensive income, Statement of Changes in Equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and comply with the Companies Act 1994 and other relevant laws & regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh and we have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards Board for Accountants (IESBA) Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for Maintenance of the required books of accounts & records, preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and also for disclosure of matters that may affect any fact of the financial statements.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and providing required

disclosure on matters related to going concern and using the going concern basis of accounting as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance

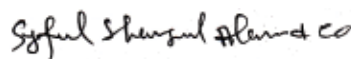
Dhaka,
30 April 2019

regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other Legal and Regulatory Requirements:

In accordance with the Companies Act 1994, we also report the following:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification there of;
- ii. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii. The Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income dealt with by the report are in agreement with the books of account.



Syful Shamsul Alam & Co.
Chartered Accountants

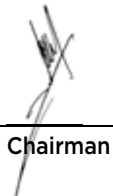
UCB Investment Limited

Statement of financial position

As at 31 December 2018

Particulars	Notes	Amount in Taka	
		31-Dec-2018	31-Dec-2017
ASSETS			
Non-current assets			
Current assets			
Cash and cash equivalents	3.00	16,102,877	7,078,054
Investment in equity instruments	4.00	258,831,586	349,269,623
Other assets	5.00	45,023,922	8,529,952
Total Assets		319,958,385	364,877,629
EQUITY AND LIABILITIES			
Shareholders Equity			
Paid up Capital	6.00	250,000,000	250,000,000
Retained Earnings		47,044,709	91,986,953
Total Shareholders' Equity		297,044,709	341,986,953
Non-current liabilities			
Long-term borrowings from UCBL		767,021	744,021
Long-term tax provisions		22,100,654	22,100,654
Total non-current liabilities		22,867,675	22,844,675
Current liabilities			
Accrued Expense		46,000	46,000
Current tax payable		-	-
Total current liabilities		46,000	46,000
Total liabilities		22,913,675	22,890,675
Total Liabilities & Shareholders' Equity		319,958,385	364,877,629


The annexed notes 01 to 07 form an integral part of these financial statements.



Chairman



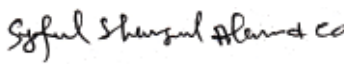
Director



Director

As per our report of same date.

Place: Dhaka,
Date: 30 April 2019



Syful Shamsul Alam & Co.
Chartered Accountants


UCB Investment Limited

Statement of profit or loss and other comprehensive income


For the year ended 31 December 2018

Particulars	Notes	Amount in Taka	
		31-Dec-2018	31-Dec-2017
Income			
Investment Income	7.00	(44,906,674)	68,796,725
Total Income		(44,906,674)	68,796,725
Expenses			
Audit fees		23,000	23,000
Other Expenses		12,570	5,902
Total operating Expenses		35,570	28,902
Profit/ (Loss) before Provision		(44,942,244)	68,767,823
Provision for diminution in vale of investment		-	(5,191,480)
Net Profit/ (Loss) after provision		(44,942,244)	73,959,303
Provision for Income Tax		-	7,583,052
Net Profit/(Loss) after Income Tax		(44,942,244)	66,376,251

The annexed notes 01 to 07 form an integral part of these financial statements.

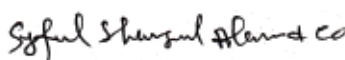

Chairman


Director


Director

As per our report of same date.

Place: Dhaka,
Date: 30 April 2019


Syful Shamsul Alam & Co.
Chartered Accountants


UCB Investment Limited

Statement of cash flows


For the year ended 31 December 2018

Particulars	Notes	Amount in Taka	
		31-Dec-2018	31-Dec-2017
A. Cash flows from operating activities			
Dividend Receipts		11,289,765	7,134,952
Income taxes paid		(2,252,941)	(1,868,512)
Receipt from other operating activities		(56,196,439)	61,661,773
Payment for other operating activities		(12,570)	(5,902)
Operating profit before changes in operating assets and liabilities.		(47,172,185)	66,922,312
Increase/Decrease in operating assets and liabilities:			
Purchase/Sales of trading Securities		90,438,037	(112,368,844)
Other assets		(34,241,029)	52,150,184
		56,197,008	(60,218,660)
Net Cash from operating activities (A)		9,024,823	6,703,652
B. Cash flows from investing activities		-	-
Net Cash from investing activities (B)		-	-
C. Cash flows from financing activities		-	-
Net cash from financing activities (C)		-	-
Net Increase/(Decrease) in cash (A+B+C)		9,024,823	6,703,652
Cash and Cash equivalents at beginning of the year		7,078,054	374,402
Cash and cash equivalents at the end of the year		16,102,877	7,078,054
Cash and cash Equivalents at end of the year			
Cash in hand		-	-
Cash and Cash Equivalents	3	16,102,877	7,078,054
		16,102,877	7,078,054

The annexed notes 01 to 7 form an integral part of these financial statements.


Chairman


Director


Director

UCB Investment Limited


Statement of Changes in Equity

For the year ended 31 December 2018

(Amount in BDT)

Particulars	Paid up capital	Retained earnings	Total
Opening Balance as on 01 January 2018	250,000,000	91,986,953	341,986,953
Net Profit (Loss) for the period	-	(44,942,244)	(44,942,244)
Balance as at 31 December 2018	250,000,000	47,044,709	297,044,709


The annexed notes 01 to 7 form an integral part of these financial statements.



Chairman



Director



Director

UCB Investment Limited

Notes to the Financial Statements

For the year ended 31 December 2018

1.00 Significant accounting policies and other material information

1.01 Legal status of the Company

The UCB Investment Limited (the “Company”) was incorporated in Bangladesh as a private limited company with limited liability as on the 03rd day of August of 2011 under Companies Act 1994. The company will commence its operation soon.

1.02 Address of Registered office and principal place of business

The principal place of business and the registered office is located at Plot# CWS(A)-1, Road# 34, Gulshan Avenue, Dhaka -1212.

1.03 Nature of the Business Activities

- ▶ 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

2.00 Significant Accounting Policies

2.01 Basis of preparation of Financial Statements

The Financial Statements have been prepared on a going concern basis under historical cost convention in accordance with International Accounting Standard (IAS) and International Financial reporting Standard (IFRS), the Companies Act 1994, Securities and Exchange Rules, 1987 and other laws & rules applicable in Bangladesh.

2.02 Components of Financial Statements

According to International Accounting Standard (IAS-1) “Presentation of Financial Statements” the complete set of Financial Statement includes the following components:

- (i) Statement of financial position
- (ii) Statement of profit or loss other comprehensive income
- (iii) Statement of changes in equity
- (iv) Statement of cash flows
- (v) Notes to the Financial Statements

2.03 Investment in shares and securities

As per requirements of IFRS 9 (Financial Instruments) investments in equity instruments (except those accounted for under the equity method of accounting or those related to a consolidated investee) to be measured at fair value, with changes in fair value recognized in profit or loss, except for a qualifying investment (1) that is not held for trading and (2) that the holder elects at initial recognition to account for at fair value through other comprehensive income (FVTOCI). An investment in an equity instrument that has been designated as FVTOCI cannot be reclassified to fair value through profit or loss (FVTPL). Further, fair value gains and losses recognized in other comprehensive income (OCI) for such investments cannot be subsequently transferred to profit or loss.

2.04 Reporting Currency

The figure in the Financial Statements represents Bangladesh Currency (Taka) which has been rounded off to the nearest Taka.

		Amount in Taka	
		31-Dec-2018	31-Dec-2017
3.00 Cash and Cash Equivalents		16,102,877	7,078,054
The Company maintained a Bank Account in the Corporate Branch of United Commercial bank Ltd. in the UCBL- Corporate Branch (A/C- 0951101000005517)		16,102,877	7,078,054
		16,102,877	7,078,054
4.00 Investments			
Investment in listed shares		258,831,586	349,269,623
		258,831,586	349,269,623
5.00 Other assets			
Advance Income Tax Paid		8,084,228	5,831,287
Account with stock Broker		36,939,694	2,698,665
		45,023,922	8,529,952
6.00 Share Capital			
Authorized Capital			
100,000,000 Ordinary Shares of Tk. 10 each		1,000,000,000	1,000,000,000
		1,000,000,000	1,000,000,000
Subscribed and Paid-up Capital			
25,000,000 Ordinary Shares of Tk. 10 each		250,000,000	250,000,000
		250,000,000	250,000,000
6.01 Share Holding Position			
Shareholders	% of Share Holdings	No. of Shares	
United Commercial Bank Ltd.	99.96%	24,990,000	
UCB Capital Management Ltd.	0.04%	10,000	
	100%	25,000,000	
Directors			
Nominee Directors of United Commercial Bank Limited:			
Name	Position	Occupation	
Mohammed Shawkat Jamil	Chairman	Banker	
Syed Mohammed Nuruddin	Director	Business Man	
Md. Sohrab Mustafa	Director	Banker	
7.00 Investment Income			
Dividend Income		11,289,765	7,134,952
Gain/(Loss) on sale of Share		(56,196,439)	61,661,773
		(44,906,674)	68,796,725



REDRESSAL OF INVESTORS' COMPLIANT

UCB always maintains a good relation with investors who play a vital role in building a sustainable brand image among all the stakeholders. We really care our investors so that they may carry out the flag of UCB in front line which will help us achieve our vision. In view of that, we have proper arrangement to hear the voice of investors. Investors have free access to Bank and can collect available published information. Our Share Division is always ready to meet the statutory requirements of investors. Any query received from investors is treated efficiently and fairly. Queries from investors are dealt with courtesy and in a timely manner.

How Do UCB Redress Investors' Complaints

- Corporate website of UCB (www.ucb.com.bd) contains a complaint cell where respective official's contact numbers are given to attend to the investors' query and complaints.
- UCB has a designated e-mail address (info@ucb.com.bd) where investors can mail their complaint which is logged on daily basis and the investors replies are made to the investors.
- Investors can make a written complaint through letter which is taken care of sincerely and proper actions are taken based on the merit of the complains.
- Investors can also communicate through UCB's call center (16419) for any query.
- Based on the complaint received from investors, responsible officials are asked to explain regarding the complaint and then proper actions are taken so that such type of complaint can be addressed properly.
- Serious complaints are referred to the Company Secretary and even to Managing Director of the Bank if so warrants.

GLIMPSE OF 35TH AGM



GLIMPSE OF 35TH AGM



**United Commercial Bank Limited**

Corporate Head Office, Plot CWS (A)-1
Road no- 34, Gulshan Avenue, Dhaka-1212
Phone +880 255668070 | Ext. 7402

NOTICE OF THE 36TH ANNUAL GENERAL MEETING OF UCB

Notice is hereby given that the 36th Annual General Meeting (AGM) of United Commercial Bank Limited will be held on 30 June 2019 (Sunday) at 10.00 A.M. at Banquet Hall, Kurmitola Golf Club (KGC), Dhaka Cantonment, Dhaka to transact the following businesses.

Agenda of 36th Annual General Meeting**Ordinary Business**

1. To receive, consider and adopt the Financial Statements, Directors' Report and Auditors' Report of the Bank for the year ended 31 December 2018.
2. To declare 10% Stock Dividend for the year ended 31 December 2018 as recommended by the Board of Directors.
3. To elect the Directors of the Bank.
4. To appoint the Auditors & fix their remuneration for the year of 2019.
5. To appoint Professionals to provide the Certificate on Compliance as per Corporate Governance Code-2018 for the year of 2019 & fix their remuneration.

Special Business

6. To amend the Clause No.114 of the Articles of Association of the Bank with the given resolution.

Proposed Special Resolution:

Resolved that the proposal of amendment the Clause No.114 of the Articles of Association of United Commercial Bank Limited be hereby approved to read as follows:

Amendment of the Clause No.114 of the Articles of Association of the Bank	
Existing Clause	Amended Clause
"The Board of Directors of the Company shall elect one of the Directors as Chairman and one of the Directors as Vice-Chairman under Group- 'A' for a period of one year and shall vacate the post on holding the General Meeting. They will however be eligible for re-election as Chairman and Vice-Chairman. The Directors may terminate the appointment of Chairman and Vice-Chairman before expiry of their terms of office if the Directors deem it fit by a decision of 3/4 th majority of the total number of Directors. The Board of Directors may also appoint a person as Chairman from outside the list of Sponsor Directors on the terms and conditions as approved by the Board."	"The Board of Directors of the Company shall elect one of the Directors as Chairman and one of the Directors as Vice-Chairman for a period of 3 (three) years. They will, however, be eligible for re-election as Chairman and Vice-Chairman. The Directors may terminate the appointment of Chairman and Vice-Chairman before expiry of their terms of office if the Directors deem it fit by a decision of 3/4 th majority of the total number of Directors."

By order of the Board of Directors

Dated: 30 May 2019


ATM Tahmiduzzaman, FCS
Company Secretary

Notes:

- ☞ The 'Record Date' in lieu of Book Closure was 22 May 2019 (Wednesday).
- ☞ The Shareholders whose names appeared in the Register of Members of the Bank or in the Central Depository Bangladesh Limited (CDBL) on the Record Date i.e. 22 May 2019 will be eligible to attend the meeting and qualified for Stock Dividend for the year 2018.
- ☞ A member, eligible to attend the AGM, may appoint a Proxy to attend and vote on his/her behalf. The instrument appointing Proxy to be duly signed and affixed by the members with a revenue stamp of Tk.20 must be submitted to the registered office of the Company at least 72 hours before AGM. Members may download Proxy Form from the Bank's website (i.e. www.ucb.com.bd).
- ☞ Admission into the auditorium will strictly be maintained upon submission of the attendance slip sent with the Notice as well as verification of signature of Member(s) and/or Proxy holder(s). Members/Proxies are requested to record their entry in the AGM Venue well in time before 10.00 A.M. on 30 June 2019 (Sunday). The registration counters will be opened at 8.30 A.M. on the AGM date.
- ☞ In Compliance with BSEC Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018:
 - i. Annual Report, Attendance Slip and Proxy Form along with the Notice are being sent in soft Form to the Members' registered e-mail address linked with their respective B0 ID as on record date.
 - ii. The members who don't have e-mail address linked with their B0 ID are requested to send their respective e-mail address to bsd@ucb.com.bd to enable us to send the e-Annual Report.
 - iii. Members who want to collect the printed copy of the Annual Report from the Company Secretariat of the Bank or from the AGM venue are requested to inform us in writing.
 - iv. The Annual Report is also available in the Bank's website linked with the websites of both Dhaka and Chittagong Stock Exchange Limited.
- ☞ Valued Members were requested to update their Bank Account Number, Address, Cell Number through their respective Depository Participants (DP) before the Record Date.
- ☞ The concerned Brokerage Houses were requested to provide us with a statement with the details (Shareholders' name, B0 ID number, client-wise shareholding position) of their margin account holders (if any) who hold UCB shares, as on the 'Record Date' along with the name of the contact person in this connection, to the Company Secretariat of the Bank on or before 30 May 2019. We would further request the Brokerage houses to provide us with their Bank name & Account number, Routing number etc. within the stipulated time to enable us to disburse the sales proceed of fractional stock dividend to their respective accounts.
- ☞ In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated 24 October 2013, **No Gift / Gift Coupon / Food Box will be distributed in the ensuing 36th AGM.**



Please Scan to Download

Notes: Please present this Slip at the Reception Desk. Children and non-Shareholders will not be allowed at the AGM.



PROXY FORM

SHAREHOLDER / PROXY
ATTENDANCE SLIP

NOTE

Handwriting practice lines consisting of multiple sets of three horizontal dashed lines.

