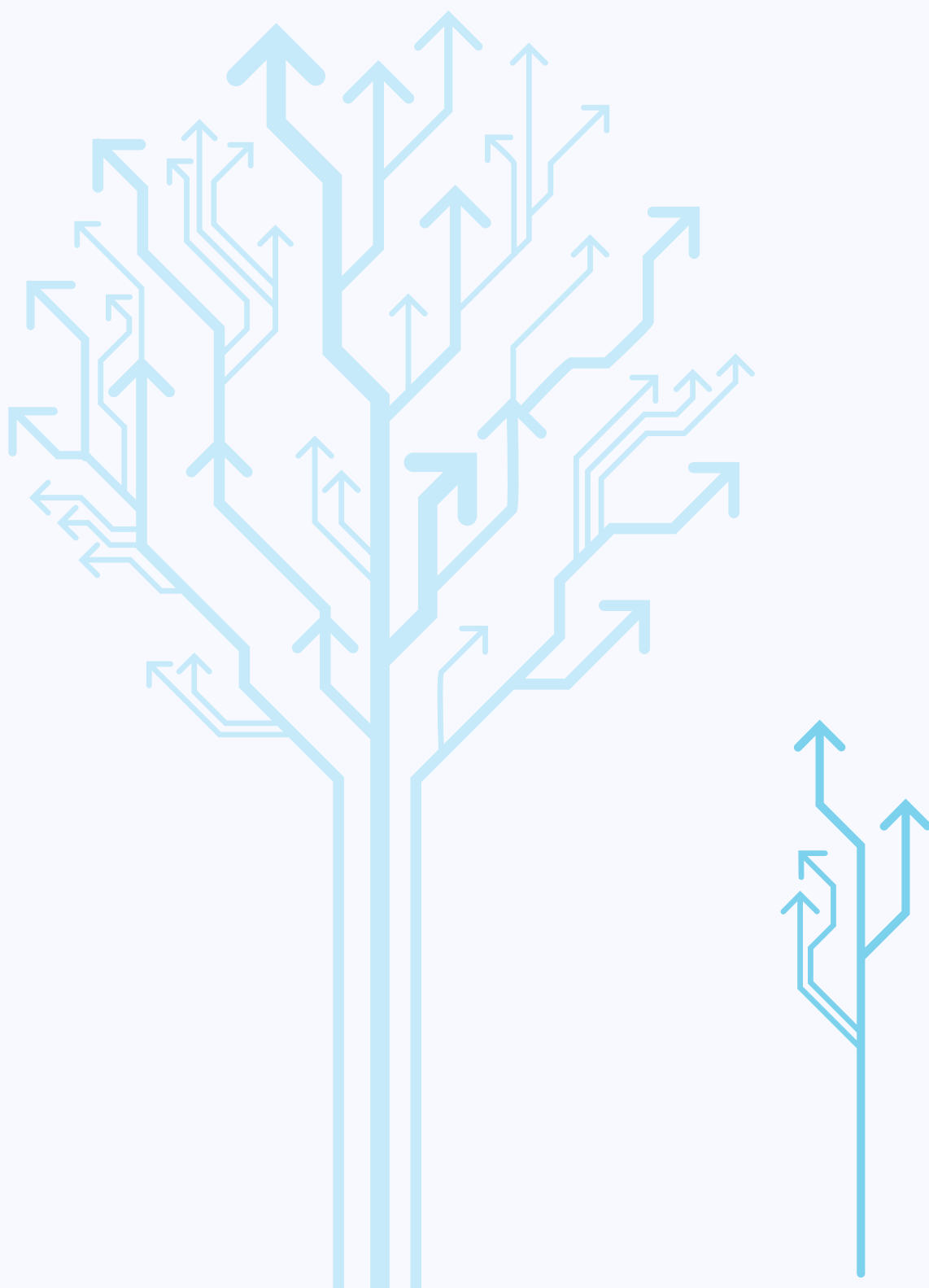




DIRECTORS' REPORT





DIRECTORS' REPORT

Dear Stakeholders,

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 2020 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 the Report will give captivating insights of the bank's performance during the year under review.

World Economy

Global prospects remain highly uncertain one year into the pandemic. New virus mutations and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. The outlook depends not just on the outcome of the battle between the virus and vaccines—it also hinges on how effectively economic policies deployed under high uncertainty can limit lasting damage from this unprecedented crisis.

After an estimated contraction of -3.3 percent in 2020, the global economy is projected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022. The contraction for 2020 is 1.1 percentage points smaller than projected in the October 2020 World Economic Outlook (WEO), reflecting the higher-than-expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to new ways of working. The projections for 2021 and 2022 are 0.8 percentage point and 0.2 percentage point stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year. Global growth is expected to moderate to 3.3 percent over the medium term—reflecting projected damage to supply potential and forces that predate the pandemic, including aging-related slower labour force growth in advanced economies and some emerging market economies.

Strong international cooperation is vital for achieving these objectives and ensuring that emerging market economies and low-income developing countries continue to narrow the gap between their living standards and those of high-income countries. On the health care front, this means ensuring adequate worldwide vaccine production and universal distribution at affordable prices—including through sufficient funding for the COVAX facility—so that all countries can quickly and decisively beat back the pandemic. The international community also needs to work together to ensure that financially constrained economies have adequate access to international liquidity so that they can continue needed health care, other social, and infrastructure spending required for development and convergence to higher levels of income per capita.

World GDP Growth

(year-on-year, in percent)

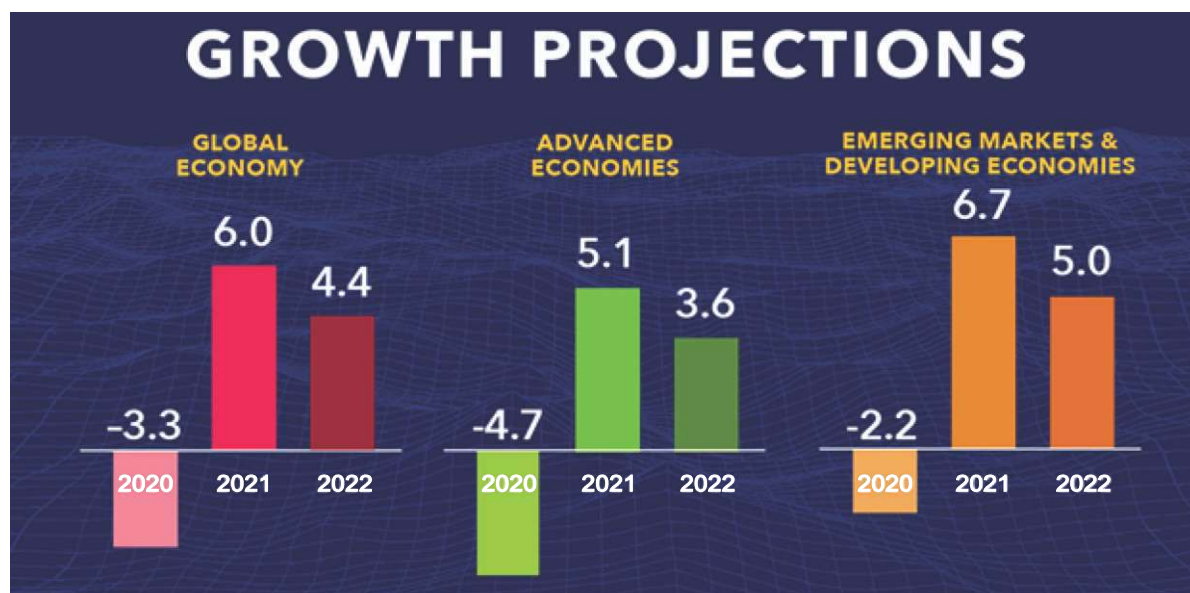
	Projection Years		
	2020	2021	2022
World Output	- 3.3	6.0	4.4
Advanced Economies	- 4.7	5.1	3.6
United States	- 3.5	6.4	3.5
Euro Area	- 6.6	4.4	3.8
Japan	- 4.8	3.3	2.5
United Kingdom	- 9.9	5.3	5.1
Canada	- 5.4	5.0	4.7
Other Advanced Economies	- 2.1	4.4	3.4
Emerging market and Developing Economies	- 2.2	6.7	5.0
Russia	- 3.1	3.8	3.8
China	2.3	8.4	5.6
India	- 8.0	12.5	6.9
ASEAN-5	- 3.4	4.9	6.1
Emerging and Developing Europe	- 2.0	4.4	3.9
Latin America and the Caribbean	- 7.0	4.6	3.1

Source: IMF, World Economic Outlook Update, April 2021

Advanced Economies

In advanced economies, occasional regional restrictions will likely be necessary at times to stem the progression of new strains of the virus. As the vulnerable population gets vaccinated, contact-intensive activities are expected to resume and drive a significant pickup in growth thanks to pent-up demand funded by accumulated savings in 2020. Recovery paths also vary within the group. The United States is projected to return to end-of-2019 activity levels in the first half of 2021 and Japan in the second half. In the euro area and the United Kingdom, activity is expected to remain below end-of-2019 levels into 2022. The gaps can be traced back to differences in behavioral and public health responses to infections, flexibility and adaptability of economic activity to low mobility, preexisting trends, and structural rigidities predating the crisis. With respect to the October 2020 WEO, projections for 2021 have been revised down in Europe and up in Japan and the United States. The downward revision in Europe is more than offset by stronger-than-expected growth in the United States and Japan, reflecting additional fiscal support legislated in both countries at the end of 2020. In addition, the Biden administration's \$1.9 trillion rescue package is expected to further boost GDP over 2021–22, with significant spillovers to main US trading partners. European countries (for example, Cyprus, Italy, Malta, Portugal, Spain), were able to salvage part of the summer tourist season by reopening in mid-2020. But this was followed by a surge in infections that forced new lockdowns in the last months of 2020, carrying over to 2021. GDP growth for 2022 has been revised up by 0.7 percentage point to 3.8 percent in the euro area and by 1.9 percentage points in the United Kingdom to 5.1 percent.

(year-on-year, in percent)



Emerging Market and Developing Economies (EMDEs)

In emerging market and developing economies, vaccine procurement data suggest that effective protection will remain unavailable for most of the population in 2021. Lockdowns and containment measures may be needed more frequently in 2021 and 2022 than in advanced economies, increasing the likelihood of medium-term scarring effects on the potential output of these countries (see Chapter 2). Considerable differentiation is expected between China—where effective containment measures, a forceful public investment response, and central bank liquidity support have facilitated a strong recovery—and others. Tourism-based economies within this group (such as Fiji, Seychelles, Thailand) face particularly difficult prospects considering the expected slow normalization of cross-border travel. Recovery profiles vary, based on regional differences in the severity of the pandemic, economic structure (employment and GDP shares of contact-intensive sectors), exposure to specific shocks (for instance, due to reliance on commodity exports), and the effectiveness of the policy response to combat the fallout.

Bangladesh Economy

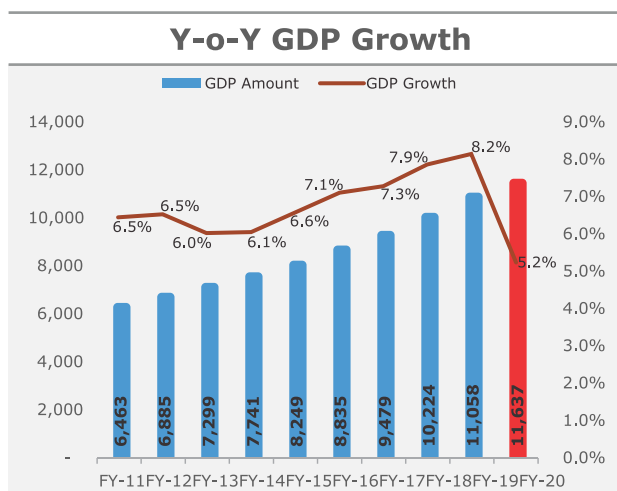
Bangladesh's progression path of the government's pursuit of an ascending trajectory of sustained inclusive, equitable and environmentally benign economic growth and social development proceeded broadly on track. The pace of economic activities continued its normal trend due to robust domestic demand aided by strong remittance inflows and higher government investment, while declared private credit growth and weak external demand suggested some moderation.

Due to the pandemic related devastation, the government's estimated real GDP growth for FY20 plunged to 5.20 percent from its target of 8.20 percent. The government has set the target of real GDP growth at 8.20 percent for FY 21 considering that the ongoing pandemic situation will improve soon and the economy will rebound strongly a V-shaped recovery.

Macroeconomic Trends

GDP growth

Bangladesh Bureau of Statistics (BBS)

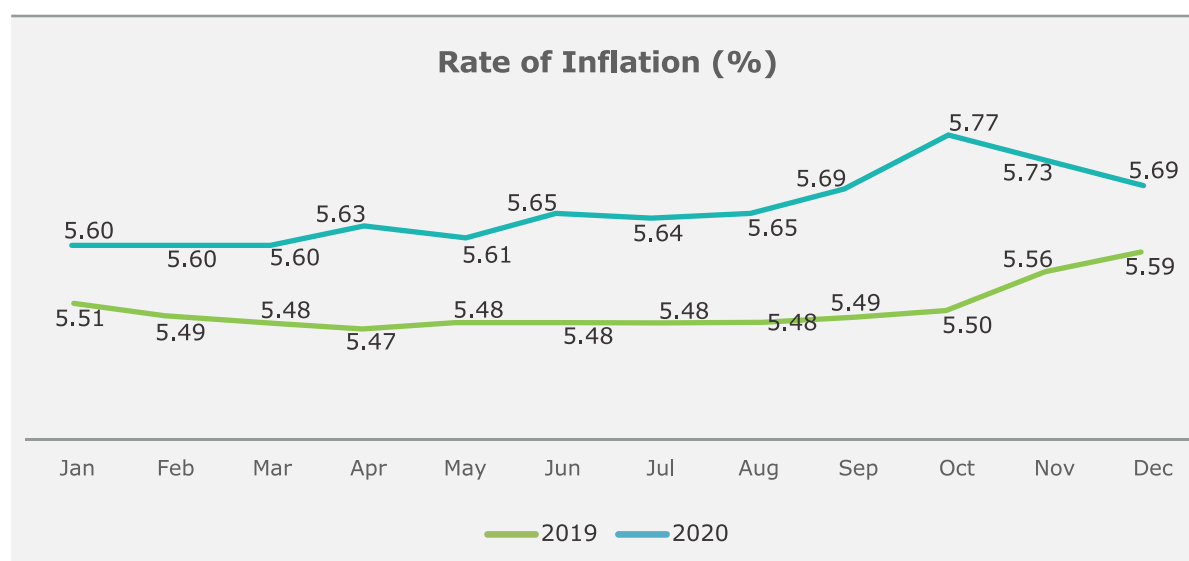


estimated real GDP growth of 5.2 percent in FY20, much lower from 8.2 percent in FY19. Though Bangladesh recorded robust growth rates during the last couple of years, the outbreak of COVID-19 pandemic during the last quarter of FY20 affected national economy adversely, leading to the fall in growth. Following negative impacts of COVID-19, all major sectors witnessed a lower growth. However, the growth rate in FY20 was highest in South Asian region. The outbreak of COVID-19 has created serious impediments in attaining key monetary program objectives. Keeping annual average CPI inflation within 5.5 percent and achieving 8.2 percent real GDP growth target for FY20.

Inflation

The rapid transmission of the COVID-19 pandemic across the world has changed the global economic scenario along with losses of human lives and livelihoods. The surge of the COVID-19 in the third quarter of FY20 led lockdown across the globe and contracted the world economic activities, weakening demand condition. Reflecting these developments in the global commodity prices braced consumer price inflation in early 2020 in a number of economies. During the period, many emerging markets and developing economies including advanced economies experienced easing of inflation, although a sort of pressure from rising food prices triggered by the COVID-19 was also visible.

The twelve-month average inflation in Bangladesh has been showing an increasing trend in the last half of the 2020. Inflation which was 5.60 percent in January 2020 and increased to 5.69 percent in December 2020.



Imports

Import declined by 8.6 percent in FY20 against 1.8 percent increase in FY19. Import as percentage of GDP stood at 15.4 percent in FY20, while it was 18.3 percent in FY19. Food grains, mainly wheat, import payments rose by 7.8 percent in FY20. Other major import items which had increases in FY20, included crude petroleum, oil seeds, pulses, pharmaceutical products, spices and sugar. On the other hand, import of capital machinery, yarn, fertilizer and metals suffered drastic fall in the fiscal year under report.

During the same period the total import payments decreased to USD 54,784.7 million from USD 59,914.7 million in FY19.

Imports are also expected to grow faster as the implementation of large infrastructural projects picks up requiring huge imports of capital machineries and other raw materials.

Export

FY20 export earnings decreased by 16.9 percent. On the other hand, the preceding fiscal year had export earnings growth of 10.6 percent. Export as percentage of GDP fell to 10.2 percent in FY20 against 13.4 percent in FY19. Only six types of products, namely vegetables, fruits, tobacco, fish, raw jute, and jute goods had positive export growth in the fiscal year under report. Contrary to these items, the rest array of

products had decline in exports, of which petroleum bi-products, woven garments, knitwear, home textile and shrimps were notable.

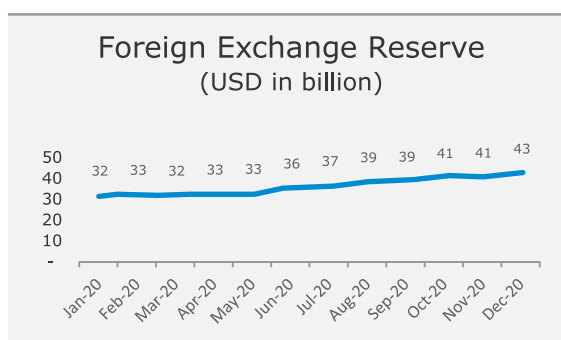
Foreign Exchange Reserve

Gross international foreign exchange reserves stood at USD 42,973 million at the end of December 2020 supported by a remarkable surplus in financial account and significant amount of inflows of remittances.

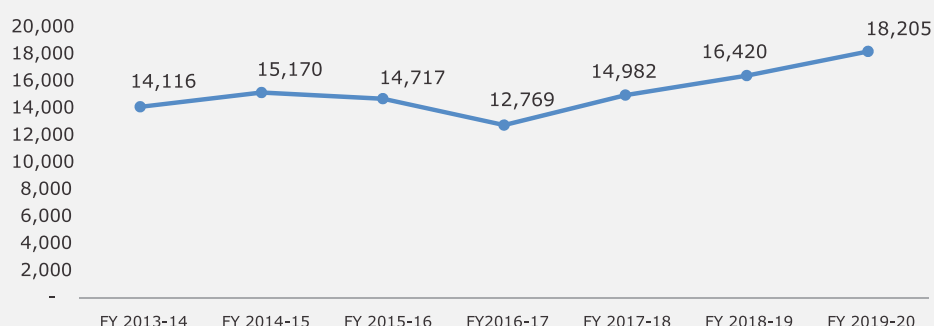
Foreign exchange reserve increased by USD 10.28 billion at the end of 2020 compare the same of 2019.

Remittances

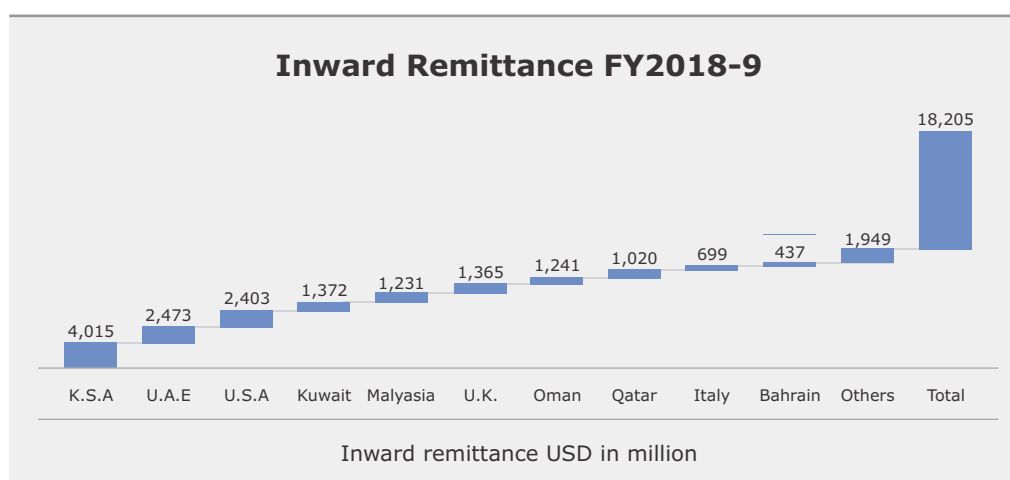
Remittance inflows increased by 10.9 percent at the end of FY20 compared with the growth of 9.6 percent in FY19. A record inflow of remittances at USD 18.2 billion in FY20. Moreover, public consumption grew by 7.2 percent during the same period. As a result, total consumption growth stood at 4.2 percent and it contributed 2.9 percentage points to the growth of GDP. On the other hand, total investment contributed to 2.3 percentage point to the growth. Contribution of net exports to GDP became zero as the contribution of exports was offset by the contribution of imports to GDP.



Sources- Inward Remittance 2020 (USD in million)



Remittance inflow increased significantly in FY 2020 from major contributing countries like K.S.A., U.A.E., U.S.A., Kuwait, U.K. and Malaysia. From these six countries remittance generated by USD 4,015 million, USD 2,473 million, USD 2,403 million, USD 1,372 million, USD 1,365 million and USD 1,231 million respectively which contributed 71 percent of total remittance in FY2020.



Per Capita Income

GDP at current market price was BDT 27,963.8 billion for FY20 which was 10.0 percent higher compared to the preceding year. In FY20, per capita real GDP and GNI was estimated at BDT 69,452.1 and BDT 72,781.4 respectively. During the same period, per capita nominal GDP and GNI were estimated at BDT 166,888.2 (USD 1,970.1) and BDT 174,888.2 (USD 2,064.6) respectively.

World Bank forecasts GDP growth of Bangladesh to be 3.6 percent in FY21 while Asian Development Bank forecasts the GDP growth to be 6.8 percent.

Overall Outlook

The economy of Bangladesh is a developing market economy. It's the 39th largest in the world in nominal terms, and 30th largest by purchasing power parity; it is classified among the Next Eleven emerging market middle income economies and a frontier market. Bangladesh has made steady albeit incremental progress toward greater economic freedom during the past years. Bangladesh has made remarkable progress in poverty reduction, supported by sustained economic growth. It has been among the fastest growing economies in the world over the past decade, thanks to a demographic dividend, strong ready-made garment (RMG) exports, and stable macroeconomic conditions.

The COVID-19 pandemic impacted Bangladesh profoundly. In addition to the impact on health, GDP growth decelerated, and poverty increased. The pandemic may also have long term economic implications as a result of reduced female labor force participation, learning losses, and heightened financial sector vulnerabilities.

Resolving longer term structural challenges could accelerate the post-COVID-19 recovery. Reform priorities include a diversification of exports beyond the RMG sector, deepening the financial sector, improving urbanization, and strengthening public governance. Addressing infrastructure gaps would accelerate growth and reduce spatial disparities in opportunities across regions and within cities. Human capital development remains a priority as well. While Bangladesh's ranking on the Human Capital Index is higher than the South Asian average, it is below the levels observed in comparator countries. Addressing vulnerability to climate risks would support the resilience of economic development to future shocks. Pivoting towards green growth could support the sustainability of development outcomes for the next generation. With the right policies and timely action, Bangladesh can accelerate its recovery from the economic downturn and continue to progress towards upper-middle income status.

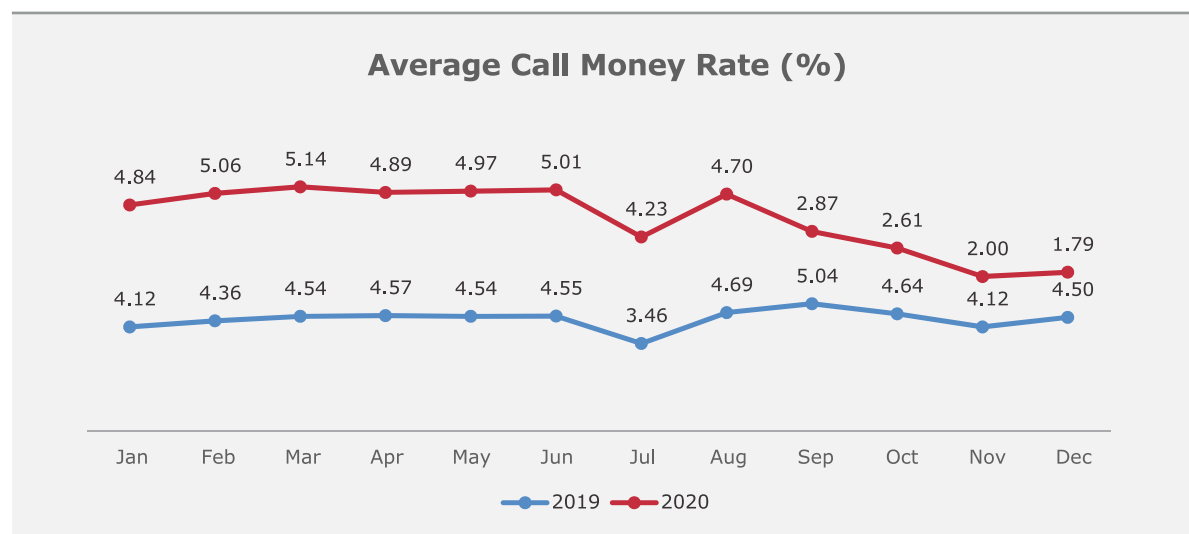
Banking Industry Outlook

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 61 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, 10 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 objective.

The performance of the banking sector of Bangladesh has been largely affected by the COVID-19 pandemic situation for the last four months of FY20. Almost all the large financial markets around the world have been extremely impaired due to the lockdown aiming at hindering the escalation of pandemic. Bangladesh has also lost huge export earnings and its pace of internal production has been reduced significantly due to 66 (sixty-six) days long countrywide lockdown. Both the internal and external situations of the financial market have created enormous pressure on the banking sector. Despite these, all scheduled banks of the country remained operational for specified time in every working day during the lockdown period to provide regular banking services to their customers. Moreover, to help the scheduled banks to survive in this critical situation and to continue their contribution in revamping the country's economy, Bangladesh Bank (BB) has announced a series of policies and prudential measures from the very beginning of the pandemic situation. These include but not limited to, re-fixation of the regulatory liquidity ratios to ensure additional liquidity in the banking sector, issuance of sufficient prudential guidelines to maintain proper office environment in the banks for continuing the business activities in a limited scale as well as compensation package for the employees as frontline workers during the lock down period, easing of foreign trade and foreign currency transaction regulations, temporary relaxation in the loan classification policy, modeling and

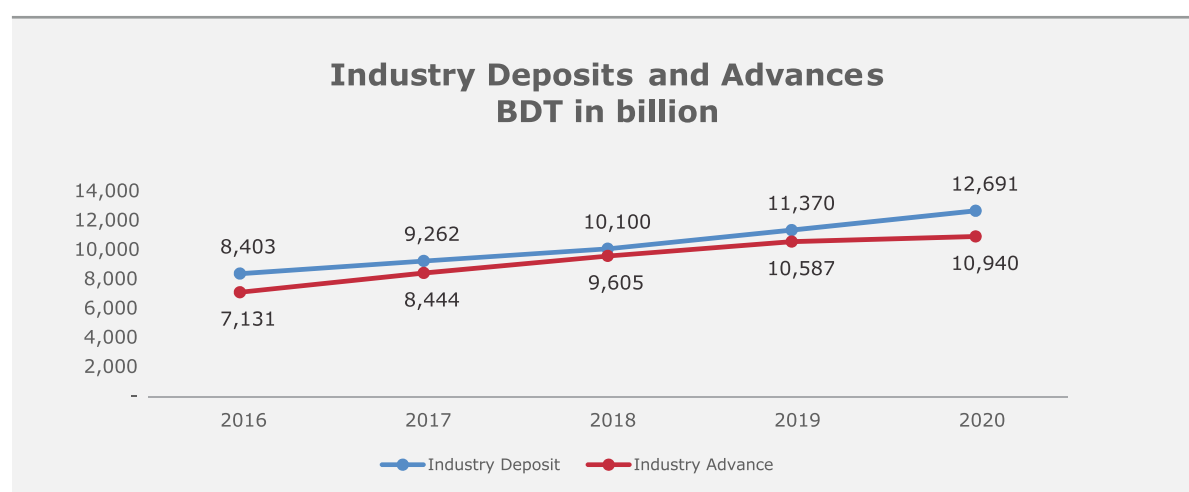
implementation of the Govt. stimulus packages for different segments of the economy and refinance schemes to provide liquidity support to those packages and introduction of special fund for capital market investment, etc. At the end of FY20, the overall NPL ratio and Capital to Risk Weighted Asset Ratio (CRAR) stood at 9.56 percent and 11.63 percent respectively.

During the year 2020, the call money rate has downward trend from 4.84 percent in January 2020 to 1.79 percent in December of the same year.

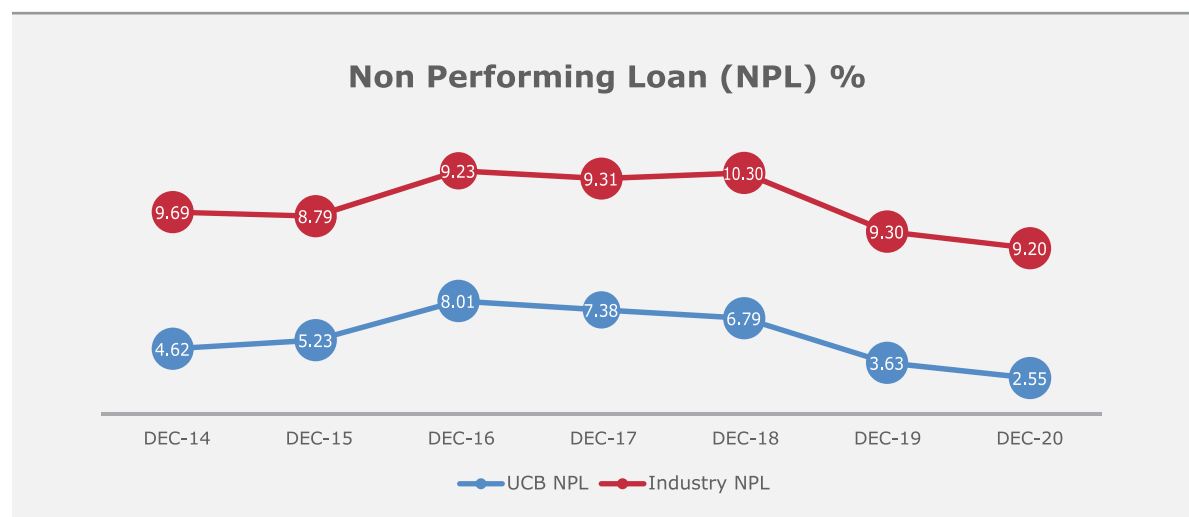


Banking industry has disbursed loans which were significantly higher than its deposit mobilization. Total deposits in banking industry increased to BDT 12,691 billion in 2020 as against BDT 11,370 billion in 2019 representing a growth of 11.62 percent. On the other hand, total bank's advance increased to BDT 10,940 billion in 2020 from BDT 10,587 billion in 2019 registering 3.33 percent growth.

	2016	2017	2018	2019	2020	Growth (%) 2017 vs 2018	Growth (%) 2019 vs 2020
Industry Deposit	8,403	9,262	10,100	11,370	12,691	9.05	11.62
Industry Advance	7,131	8,444	9,605	10,587	10,940	13.75	3.33



Gross non-performing loan has decreasing trend ended with 9.2 percent in 2020 from 9.3 percent in 2019. Aline with Private Commercial Banks, UCB's NPL has reduced from 3.63 percent to 2.55 percent in 2020.



Risk And Concerns for the Banking Industry

Although the year 2020 expected to be better for banking industry in Bangladesh but some uncertainty still remaining as follows;

- ✓ Banking industry may face hurdle for maintaining AD Ratio within the new 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 may some extend 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 2020 (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.

Capital Market Outlook

Capital market is considered the second largest segment of financial system in the country. It plays significant role in the economy by providing funds for the long term investment and development which contributes to economic growth. The market comprised of Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE), where DSE is pioneering in the exploration of economic advancement of the country. The instruments in these exchanges are equity securities (shares), debentures and corporate bonds. The regulator body of capital market is Bangladesh Securities and Exchange Commission (BSEC). Bangladesh Bank has been playing proactive role also to steady functioning and development of the market as well. In collaboration with DSE, third and final workshop of technical series titled 'Practical tips for preparing your people familiar with the market said round-the-year liquidity crunch in the banking sector, gloomy macroeconomic outlook, soaring non-performing loans, some policy changes and foreign investors' pulling funds out of the market worsened the situation. The market even after nine years of a fragile journey failed to get a strong foothold, as investors were discouraged by one

issue after another. The government's market supportive measures, including redefining the banks' capital market exposure and amending public issues rules, expecting boost the fund flow.

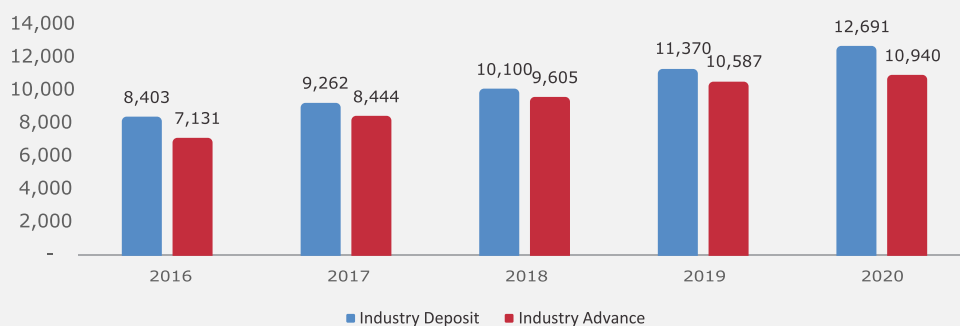
ECONOMY AT A GLANCE

Bangladesh has achieved stable rating by Moody's (Ba3) and S&P (BB-) for the 11th consecutive year.

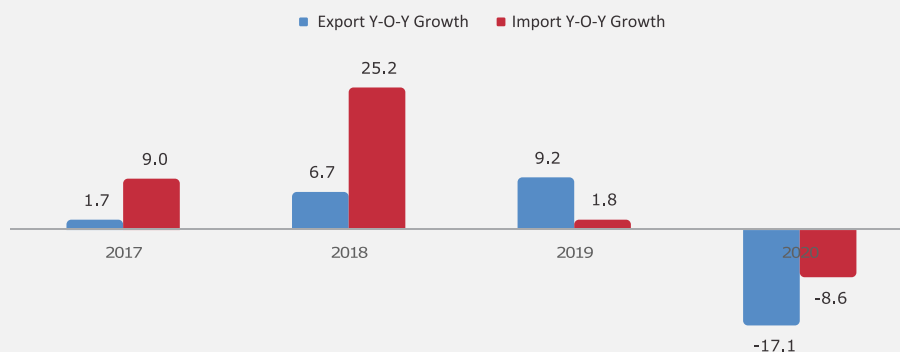
GDP growth was
5.20%
in FY 2020

Average Inflation
5.69%
in December 2020

Industry Deposit and Advance BDT in billion

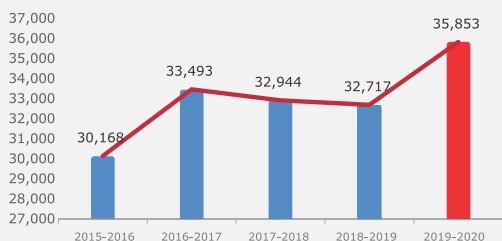


Export Import Growth Y-O-Y (%)



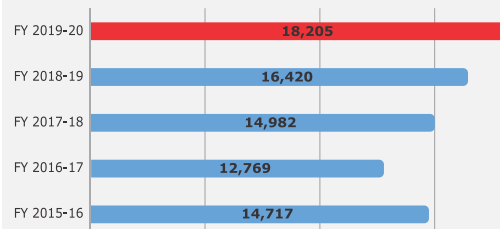
Foreign Exchange Reserve Y-o-Y

(In million US \$)



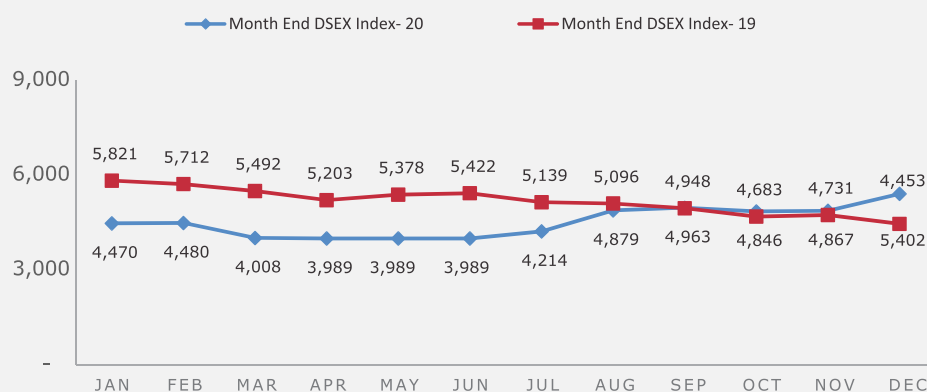
Inward Remittance

(USD in million)



Month End DSEX Index

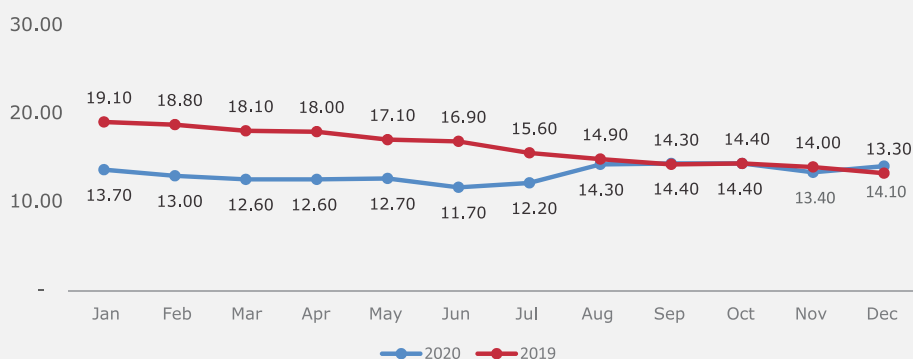
The DSEX index has sharply increased to 5,402 at the end of December 2020 which was 4,453 in December 2019. The market capitalization significantly decreased by 8 percent in 2020. In December 2020 market capitalization was BDT 3,125 billion against BDT 3,396 billion in December 2019.



UCB Share Price (month on month)

Although the Profit after Tax and EPS of UCB both have increased by 3 percent but share price of UCB has also improved during the year 2020 due to market movement. It was BDT 14.10 at the end of December 2020 whereas it was BDT 13.30 in December 2019.

Share Market Price M-O-M (BDT)



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 2020 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 Limited (DSE) in the year 1986 and with the Chittagong Stock Exchange Limited (CSE) in the year 1995. The bank obtained license to open offshore banking unit on 9 June 2010. The Bank also obtained permission for Islamic Banking Branch from Bangladesh Bank vide, letter no. BRPD (P-3) 745 (17)/2020-1453 dated 6 February 2020. As on 31 December 2020, the bank feels proud of having 204 branches and 556 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

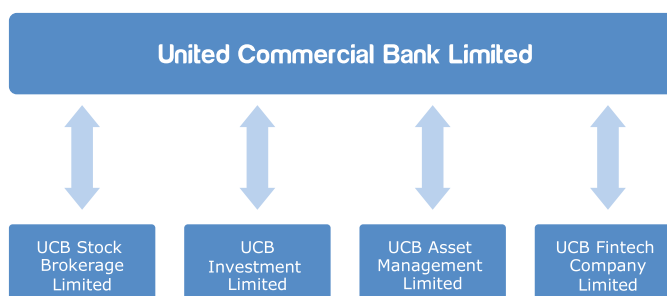
UCB provides financial guarantee to different individuals and organizations which also important source of commission earning of the bank.

✓ 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 three subsidiaries with an aim to active participation in capital market through brokerage, portfolio management, investment banking etc.

Corporate Structure

The bank consists of four subsidiaries; UCB Stock Brokerage (former Capital Management) Limited which provides stock brokerage and margin loan service to the investors, '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, and 'UCB Asset Management Limited' established in February 2019 with a view to carry out various 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. UCB Fintech Company Limited (hereinafter referred to as "the Company" or "Upay") was incorporated in Bangladesh on 30 July 2020 vide registration no. C-162182 as a private company limited by shares under the Companies Act, 1994

Subsidiary & Associates

UCB has four subsidiaries as on the date of reporting; UCB Stock Brokerage Limited (former, Capital Management), UCB Investment Limited, UCB Asset Management Limited and UCB Fintech Company Limited as described below:

UCB Stock Brokerage Limited

UCB Stock Brokerage Limited (Former UCB Capital Management Limited) has emerged as one of the esteemed stock broker in Bangladesh. It is one of subsidiaries of United Commercial Bank Limited, a renowned market leading commercial Bank of the country. UCB Stock Brokerage Limited was incorporated in Bangladesh as a private limited company in accordance with the Companies Act 1994.

UCB Stock Brokerage Limited started providing its services in June 2013 with a highly experienced and proficient management team with the aim of offering a global standard service to the clients of home and abroad in relation to securities originating in Bangladesh. Recently, UCB Stock Brokerage Limited has opened its first Digital Booth in Dubai which was the first initiative in the Capital Market of Bangladesh.

UCB Stock is catalogued as TREC Holder with both the stock exchanges in Bangladesh; Dhaka Stock Exchange Limited (TREC No.: 181) and Chittagong Stock Exchanges Limited (TREC No.:015). It is also a Depository Participant (DP) of Central Depository of Bangladesh Limited and provides allied services under the Rules & Regulations of Bangladesh Securities and Exchange Commission.

The registered office of the company is located at Bulus Center, 17th Floor (west side), Plot: CWS-(A)-1, Gulshan Avenue, Gulshan, Dhaka – 1212. UCB Stock Brokerage Limited has already earned outshine reputation for eminent ethics and trusted service. The Company is devoted to perform relentless duties for the development of capital market of Bangladesh.

UCB Investment Limited

UCB Investment limited (UCBIL) is a fully owned subsidiary of United Commercial Bank Limited – one of the leading private commercial bank in Bangladesh. It was incorporated in Bangladesh with the Registrar of Joint Stock Companies & Firms (RJSC&F), vide registration number: C-94654/11 dated 3rd August, 2011 as a private limited company under the Companies Act (Act XVIII) of 1994. It obtained full-fledged Merchant Banker & Portfolio Management license (Reg No: MB- 97/2020) from Bangladesh Securities and Exchange Commission.

The company has been inaugurated on 29th November, 2020. The company aims to play a vital role in bridging the gap in professional financial management services in the country and the gap between investors and investment opportunities. The registered address of the company is Bulus Center, Road: 34, Plot: CWS- (A)-1, Gulshan avenue, Dhaka-1212.

With its group of versatile financial consultants, UCBIL covers all investment banking services, including Corporate Advisory, Fixed Income Securities, Syndicate Loans, IPO Management, and Portfolio Management. The entity aims at delivering top-class, customized investment solutions to its clients to cater to their specific needs and be their long-term growth partner.

The key strength of UCBIL comes from its people, who are highly talented investment managers with vast and versatile experience in the investment landscape, both locally and globally. Utilizing this knowledge and expertise, UCBIL intends to provide and promote unique financial solutions for some of the nation's most successful institutions and corporations. Keeping innovation and sustainable growth at the core of its operations, UCBIL intends to lead its clients and the country to a brighter and wealthier future.

UCB Asset Management Limited

Being a wholly-owned subsidiary of United Commercial Bank; UCB Asset Management Limited (UCB AML) has the unique advantage to offer a wide range of investment solutions. UCB Asset Management has a strong team of investment professionals who have a long track record of managing mutual funds in Bangladesh.

UCB Asset Management Limited was incorporated on 05 February 2019 and received its 'Asset Manager' license on 03 February 2020. The company is set to launch its very first open-end mutual fund named UCB AML First Mutual Fund in the first quarter of 2021 with an initial size of BDT 20 crore.

Trust is the core value of UCB Asset Management Limited and its mission is to gain people's confidence towards the capital market while maintaining an international standard-oriented services.

UCB Fintech Company Limited

UCB Fintech Company Limited (hereinafter referred to as "the Company", a subsidiary of United Commercial Bank Limited, was incorporated in Bangladesh on 30 July 2020 as a private company limited by shares under the Companies Act, 1994.

UCB holds 99.99% of total shares of UCB Fintech Company Limited with face value of BDT.10 each.

Upon receiving the license from Bangladesh Bank, UCB Fintech Company Limited started its journey in March 2021, under the brand name "উপায়" ("upay" in English) and offering a broad range of mobile financial services to people from all walks of life.

Product and services of UCB Fintech include mobile transactions (cash-in, cash-out, send money etc.), utility bill payment, in-store and e-commerce payment, inward remittance, salary disbursement, G2P and P2G transaction, airtime recharge and other value added financial services. Going forward, UCB Fintech aims to offer different types of innovative products and services to fulfill need of different customer segments.

Off-shore Banking Unit

Off-shore Banking Unit (OBU), a separate business unit of United Commercial Bank Limited, 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 1 (One) unit in Dhaka operating under the Rules and guideline of Bangladesh Bank.

Since inception in 2010, OBU have 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.

Islamic Banking

The Bank obtained permission for Islamic Banking Branch from Bangladesh Bank vide, letter no. BRPD (P-3) 745 (17)/2020-1453 dated 6 February 2020. Through the Islamic Banking Branch the Bank extends all types of Islamic Shariah compliant finance like hire purchase shirkatul melk (HPSM), bai- Murabaha, Mushraka, Salam and agency, Ijarah Muntahia Bittamleek (Hire Purchase) etc. and different types of deposits like al-wadeeah, Murabaha etc.

Islamic banking focuses on the production of wealth and welfare. It follows and fosters the principle of partnership with customers rather than pursuing a debtor-creditor relationship. Through implementation of Islamic Banking, a positive and qualitative impact of genuine public welfare becomes visible in the overall activities of the Bank.

Islamic Banking was an unexplored avenue for the Bank, whereas UCB has proven track record and strong footage in all the financial eco system of the country. This year we have started our Islamic Banking operations (IBO) with 10 (ten) window branches under brand name UCB Taqwa.

Management's Discussion and Analysis

1. 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 (Selection 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 2020, Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited's listing regulations and other laws and rules applicable in Bangladesh.

The financial statements of 2020 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, MABS & J partners, Chartered Accountants, appointed by the shareholders, have certified the fairness of the financial statements for the year ended 31 December 2020.

a. Maintaining Proper Books of Account

UCB maintained proper books of account for its financial transactions occurred during 2020. For recording the transactions, the bank has followed the International Accounting Standard (IAS). The books of account have also been reviewed by the external auditor, MABS & J Partners Chartered Accountants with an opinion that proper books of accounts as required by the law have been properly maintained.

b. Appropriate Accounting Policies

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

c. 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 BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed in notes to the financial statements.

2. World Economy and Journey of UCB

Despite the manifold challenges, in the global as well as domestic economy, caused by the COVID Pandemic, we have been able to maintain positive growth in several business parameters. Glimpses of performances of UCB in 2020:

- It is continued to deliver growth across almost every aspect of the Bank's operations and registered 10.42% growth over the last year in the balance sheet size, which grew to BDT 49,331 crore in 2020.
- Funds under management (FUM) of the bank had a moderate growth of 7.06%. Bank's total deposit reached BDT 35,398 crore in 2020.
- Total loans and advances increased to BDT 35,168 crore in 2020 from BDT 32,273 crore in 2019 with 8.97% growth. In 2020 corporate loan exposure was BDT 24,559 crore while Retail and SME loan exposures were BDT 8,592 crore and BDT 2,018 crore respectively;
- Import business registered a moderate growth of 5.29% and reached to USD 3,057 million in 2020.
- In this pandemic hit year, UCB's export business moved in line with the country's overall performance which saw 16% negative growth due to decrease in global demand of apparel products. Our export business stood at USD 2,506 million in 2020.
- In 2020, UCB disbursed loans and advances of BDT 2363 crore to its customers against Bangladesh Bank determined target of BDT 3264 crore under different stimulus packages announced by the Government to offset the COVID hit stagnancy of the country's economy.

- In backdrop of sluggish economy and lending rate bracket, Bank's operating profit decreased to BDT 686 crore from BDT 828 crore of the previous year.
- Earnings Per Share (EPS) was BDT 2.35 in 2020;
- In 2020, our banking network further expanded through 204 Branches, 47 sub branches and 556 ATM/CRM Booths, along with 177 agent outlets.

Besides, detail of World Economy and Banking industry considering domestic economy discussed earlier for better understanding.

3. Analysis of Key Operating and Financial Data for Last 5 (five) Years

UCB recorded a remarkable growth in last five years in term of business volume and profitability. At the end of 2016 total assets of the Bank was BDT 329,720.78 million whereas at the end of 2020 it stood at BDT 493,306.95 million recording a growth of more than 50 percent. During last five year deposits grew by 37 percent and loans & advances of the Bank grew by 57 percent.

Balance Sheet	Change (%)	Change (Taka)	2020	2019	2018	2017	2016
Authorized Capital	0.00%	0.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Paid up Capital	5.00%	579.77	12,175.21	11,595.44	10,540.31	10,541.31	10,541.31
Shareholders' Equity	6.96%	2,283.21	35,066.23	32,783.02	29,900.25	26,510.26	25,756.32
Borrowing	45.19%	18,487.80	59,399.13	40,911.33	44,694.26	33,846.39	25,565.10
Deposits	7.01%	23,194.95	353,981.62	330,786.67	297,172.82	278,195.49	257,704.30
Loans and advances	8.97%	28,955.42	351,683.56	322,728.14	294,671.94	261,002.88	223,697.18
Investments	13.01%	7,522.49	65,323.45	57,800.97	50,830.84	42,911.75	55,475.64
Fixed Assets	0.59%	85.32	14,539.96	14,454.64	9,056.11	8,344.10	8,380.18
Off-Balance Sheet Exposure	9.29%	17,083.81	201,041.69	183,957.88	182,066.61	197,973.80	171,169.75
Total Assets	10.42%	46,546.83	493,306.95	446,760.12	402,749.10	363,314.80	329,720.78
Total Liabilities	10.69%	44,263.62	458,240.72	413,977.10	372,848.85	336,804.54	303,964.46

In line with the increased volume of the business, the Net Profit after tax of the Bank has also increased. In 2016, NPAT of the bank was BDT 2,628.63 million whereas it was BDT 2,857.20 million at the end of 2020 recording a growth of 9 percent whereas Bank's gross profit increased by 25 percent during last five years of time.

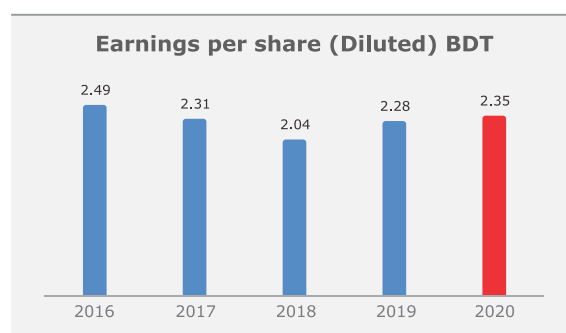
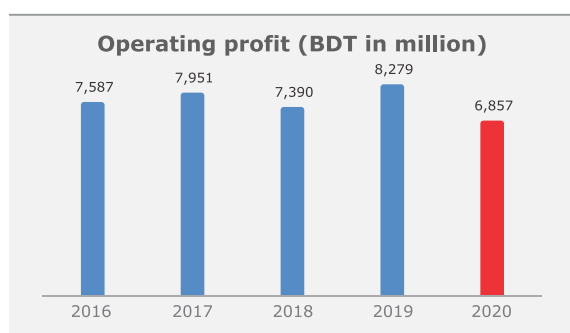
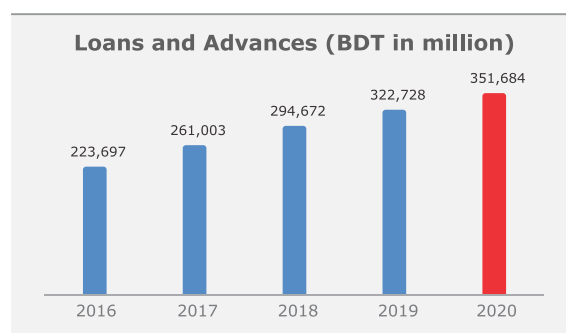
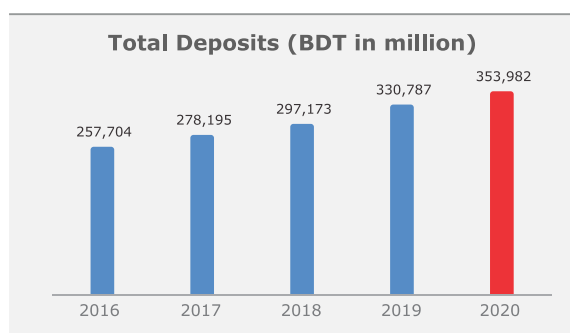
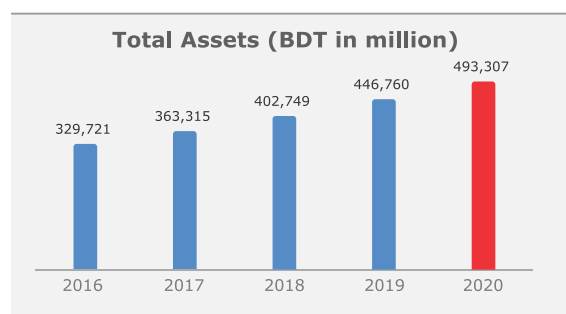
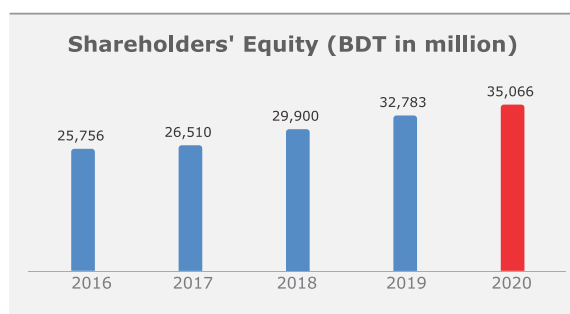
Results of Operation	Change (%)	Change (Taka)	2020	2019	2018	2017	2016
Interest Income	22.49%	5,681.81	30,948.75	25,266.93	21,034.16	20,832.15	22,434.57
Interest Expense	25.75%	4,126.44	20,150.94	16,024.50	12,087.39	12,194.04	14,711.18
Net interest Income	16.83%	1,555.37	10,797.81	9,242.44	8,946.77	8,638.11	7,723.38
Non-Interest Income	9.51%	861.00	9,911.08	9,050.08	8,435.50	7,703.97	7,824.62
Non-Interest Expense	14.01%	1,527.94	12,430.21	10,902.27	9,430.86	8,754.70	7,145.66
Gross Profit	13.21%	2,416.38	20,708.89	18,292.52	17,382.27	16,342.08	15,548.00
Operating Profit	12.02%	888.44	8,278.68	7,390.25	7,951.41	7,587.38	8,402.34
Profit before tax	0.50%	24.33	4,932.09	4,907.76	5,461.41	5,189.89	7,252.34
Net profit after tax	17.02%	403.09	2,772.04	2,368.95	2,433.91	2,628.63	3,977.34

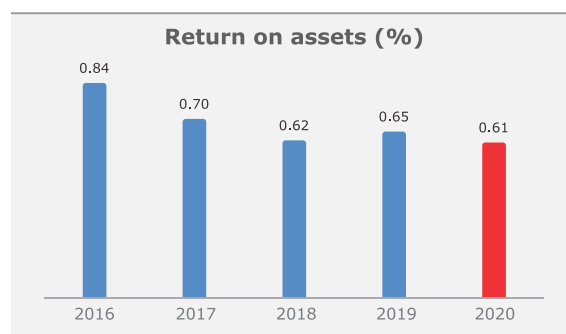
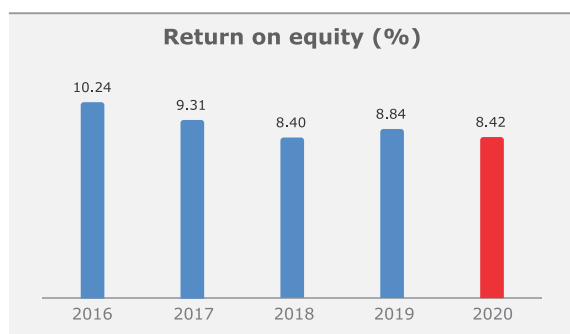
However, details of operating and financial data of UCB in last five years are shown separately in financial summary of annual report with charts and graphical presentation.

Key Performance Ratio	2020	2019	2018	2017	2016
Cost-Income Ratio (%)	66.53	60.02	59.60	54.26	53.57
Return on Assets (%)	0.61	0.65	0.62	0.70	0.84
Return on Equity (%)	8.42	8.94	9.45	9.31	10.24
Cost of Fund (%)	7.42	8.57	7.58	6.79	7.60

Key Performance Ratio	2020	2019	2018	2017	2016
Yield on Advance (%)	7.92	9.78	8.62	8.53	9.71
Spread (%)	0.49	1.21	1.04	1.74	2.11
Earnings per share (basic)	2.35	2.39	2.04	2.31	2.49
Earnings per share (restated)	2.35	2.28	2.04	2.31	2.49
Dividend (%)	5 C, 5 B	5 C, 5 B	10 B	10 C	15 C
Net asset value per Share (BDT)	28.80	28.27	25.79	25.15	24.43
Price earnings Ratio (Times)	6.01	5.56	8.61	10.22	8.55
Dividend cover ratio (%)	2.35	2.28	2.25	2.31	1.66
Dividend Yield (%)	7.09	7.52	5.68	4.24	7.04

* C =Cash, B = Bonus





4. Significant Deviations from Operating Results of Last Year

Bank's operating performance was comparatively aggravating in the year 2020 due to the impact of pandemic. Significant deviations in key operating lines are described as follows:

Operating revenue: Bank's operating revenue (net interest income plus non-interest income) decrease by BDT 220.68 million from BDT 20,708.89 million in 2019 to BDT 20,488.21 million in 2020.

Profit from operation: Operating profit has decreased by 17 percent. It was BDT 6,857.12 million in 2020 and BDT 8,278.68 million in 2019.

Net profit after tax: During the year 2020, net performance line has increased by BDT 85.16 million. During the year 2020 net profit after tax was BDT 2,857.20 million, it was BDT 2,772.04 million during the year 2019.

5. Extraordinary Gains or Loss

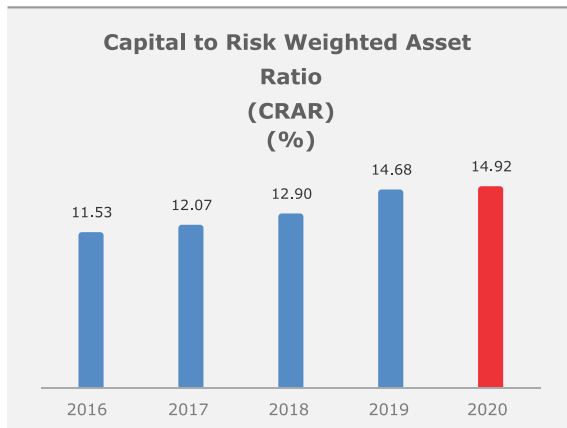
Extraordinary gains or losses refer to infrequent and unusual gains or loss and which is not part of the bank's ordinary, day-to-day operations. There is no such a gain or losses during the year under reporting.

6. Risk Based Capital Framework

Risk Based Capital Adequacy Framework (Revised Regulatory Capital Framework for banks in line with Basel III) has been implemented in Bangladesh from beginning of 2015 through BRPD Circular No- 18 dated December 21, 2014. 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 guideline.

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	(BDT in Million)	
	2020	2019
Tier I Capital	28,848.43	27,254.27
Tier II Capital	21,383.18	18,981.88
Total Regulatory Capital	50,231.61	46,236.15
Risk Weighted Assets	336,719.54	314,868.22
Capital to Risk Weighted Asset Ratio (CRAR) (%)	14.92	14.68



UCB has strong Common Equity (Tier-1 Capital) base of BDT 28,848.43 million which was 8.57 percent of risk weighted assets as on December 31, 2020. Bank's Tier-2 Capital was BDT 21,383.18 million at the end of 2020, which was 6.35 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, Bank needs to maintain buffer requirement of 2.50 percent in 2020. Thus Bank's minimum plus buffer requirement was 12.50 percent in 2020 which was deliberately maintained by the Bank.

7. Future Outlook

United Commercial Bank Limited is making progress on embedding sustainability into business. We still

believe that, we have a lot 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, due to the Covid-19 pandemic 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 four 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.

8. 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 of UCB Fourth Subordinated Bond of BDT 3,400 million in 2020. Though raising fund from external sources is a short term and costlier 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.

Internal Control & Compliance

The Audit Committee, a sub-committee of the Board 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.

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 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 2020. The Board through the audit committee has supervised the policies and various parts of businesses to ensure an effective internal control system. The Board business strategy, significant policies for internal control system and risk management have been taken properly and internal audit and control has been accomplished as per requirement of the Bank Company Act, 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 & CEO. He is a prominent and professional banker with 38 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.

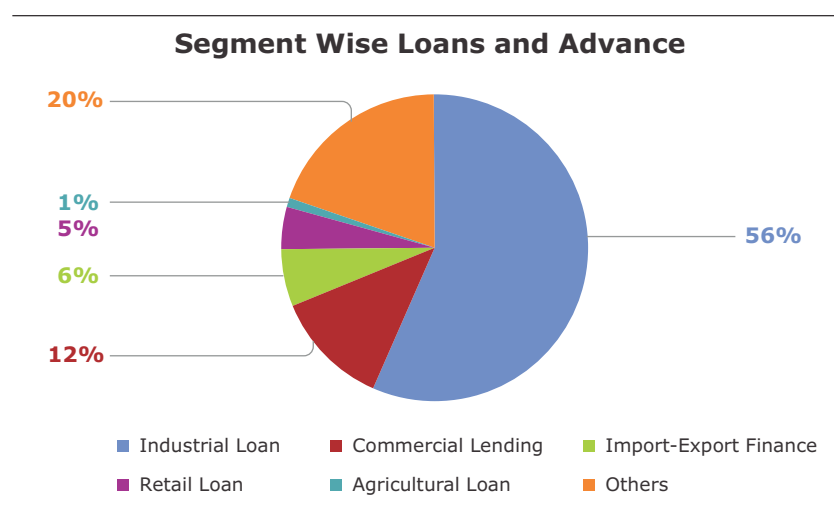
	With UCB since dated
Managing Director & CEO	
Mohammed Shawkat Jamil	20 June 1983
Additional Managing Directors	
Arif Quadri	13 October 2015
Syed Faridul Islam	15 May 2019
	With UCB since dated
Deputy Managing Directors	
Nabil Mustafizur Rahman	22 March 2018
Abul Alam Ferdous	27 May 1984
N. Mustafa Tarek	05 January 2012
Md. Abdullah Al Mamoon	01 March 2017
Mohammed Habibur Rahman	15 May 2019
Md. Shah Alam Bhuiyan	12 December 2017
Mohammed Khorshed Alam	05 August 2008
ATM Tahmiduzzaman, FCS	07 March 2010

Segment Business Analysis

Segment Wise Distribution of Loans and Advances of United Commercial Bank Limited.

Among total asset of BDT 493,306.95 million of United Commercial Bank Limited, loans and advances was BDT 351,683.56 million which was 76.75 percent of total assets. Below table shows the distribution of loans and advances at different segments.

Particulars	Dec 31 2020	Dec 31 2019	Change	Growth (%)
Industrial Loan	198,342.93	191,350.67	6,992.27	3.65%
Commercial Lending	43,603.55	48,558.32	-4,954.78	-10.20%
Import-Export Finance	20,831.91	24,097.98	-3,266.06	-13.55%
Retail Loan	16,040.04	17,029.57	-989.52	-5.81%
Agricultural Loan	3,279.97	4,407.62	-1,127.65	-25.58%
Others	69,585.16	37,283.99	32,301.17	86.64%
TOTAL	351,683.56	322,728.14	28,955.42	8.97%

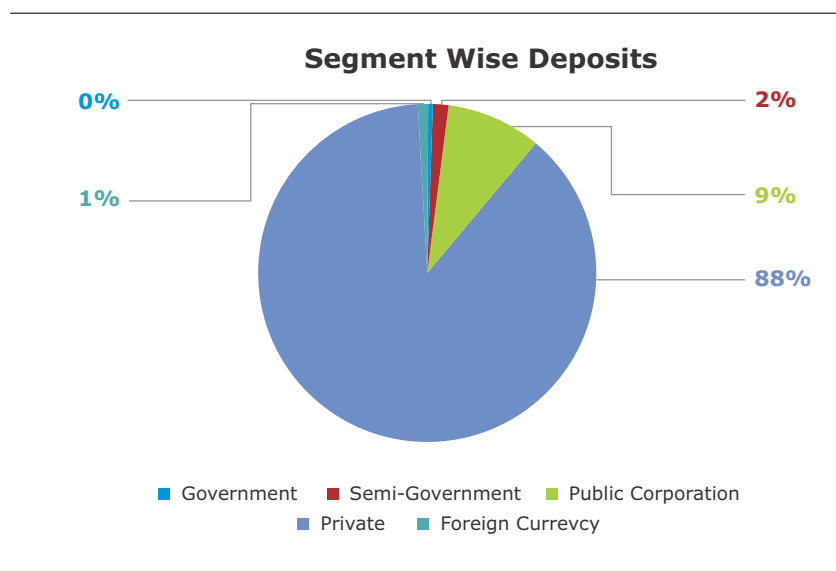


Among loans and advances, 56 percent was distributed in industrial area followed by 12 percent in commercial area. Others area of distribution of loans and advances were import-export, retail, agriculture and others where were 6 percent, 5 percent, 1 percent and 20 percent respectively. Among the above mentioned sector, the bank recorded highest growth in Industrial Loan.

Segment Wise Distribution of Deposit of United Commercial Bank Limited.

In total liabilities of BDT 458,240.72 million, 77.25 percent liabilities were in form of deposits which were BDT 353,981.62 million. Below table shows segment wise distribution of deposit of the bank as on December 31, 2020.

Particulars	(BDT in Million)	
	Dec 31 2020	Dec 31 2019
Government	1,435.74	979.01
Semi-Government	5,311.63	6,993.93
Public Corporation	32,100.01	26,650.32
Private	311,909.79	293,039.99
Foreign Currency	3,224.44	2,968.99
TOTAL	353,981.62	330,632.23



At the end of 2020, total deposits of the bank stood BDT 353,981.62 million against BDT 330,632.23 million in 2019 registering a growth of 7.06 percent. The bank mostly concentrated to private deposit which was BDT 311,909.79 million at the end of 2020 against BDT 293,039.99 at the end of 2019. Others area of concentration of deposit were public corporation, semi- government, government which were 9.07 percent, 1.50 percent and 0.41 percent of total deposit.

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 safeguard the interest of the prospective investors, depositors and creditors and to improve the functioning of the capital market of the country, Bangladesh Bank vide BRPD Circular No.06 dated July 05, 2006 has made it mandatory for the Bank's to have themselves credit rated. Accordingly, Credit Rating of United Commercial Bank Limited was done by Emerging Credit Rating Limited (ECRL) based on audited Financial Statements as on December 31, 2020. The rating report is summarized as under:

Particulars	Long Term	Short Term
Entity Rating	AA	ST-2
Date of Rating	May 07, 2021	
Based on Financial Statement	December 31, 2020	
Validity Date	May 06, 2022	

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 FY2015 to FY2019 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 2020 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, following event should be considered.

At 460th Meeting of the Board of Directors held on 08.06.2021 recommended Stock dividend 5 percent and Cash dividend 5 percent for the year 2020 subject to approval of the shareholders in the ensuing Annual General Meeting of the Bank to be held on August 5, 2021.

Corporate Social Responsibility

As one of the leading Bank, we acknowledge our responsibilities towards the society as a whole in which we live. We care for all stakeholders, ethical functioning, respect for employee's rights and welfare, respect for human beings, respect for environment and disseminate information on CSR policy. We are focused on offering a strong, safe and responsible service that contributes to the economic progress of society as a whole. We want to be seen as a company that is making a 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 BSEC's Notification

In exercise of the power conferred by section 2CC of the Bangladesh Securities and Exchange Ordinance, 1969 (XVII of 1969), Bangladesh Securities and Exchange Commission (BSEC) issued notification no. SEC/CMRRCD/2006-158/134/Admin/80 dated 3 June, 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 SEC'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. SEC/CMRRCD/2006-158/134/Admin/80 dated 3 June, 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.

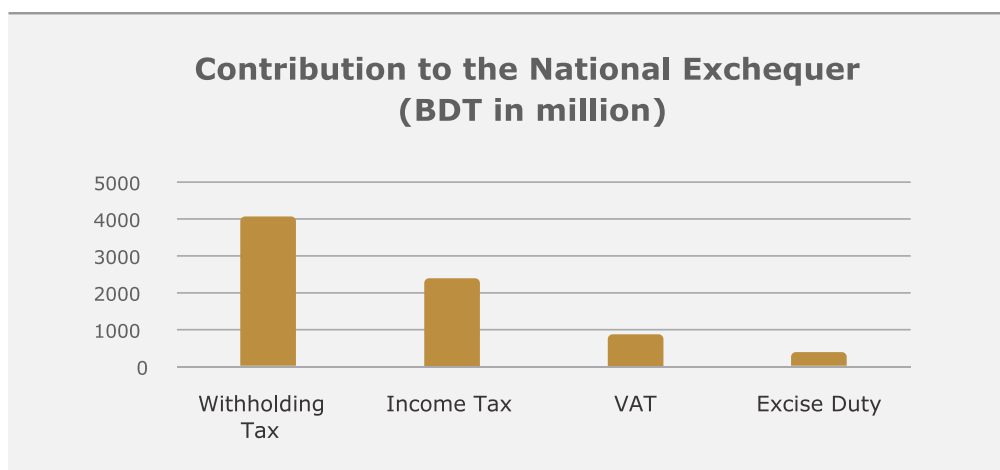
United Commercial Bank has a reputation for delivering innovation, performance and solutions. The key element to our long-term success is something less tangible and less easily illustrated with figures. These are integrity and honesty in our business dealings, a factor that contributes to our long-term 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 to a high standard consistently.

Contribution to the National Exchequer and the Economy

United Commercial Bank Limited always upholds its responsibilities to the development of the society and the country as a whole. 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 2020, the bank has provided (provision for tax expense) an amount of BDT 2,090.82 million as tax expense as against BDT 2,160.05 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 2020 the size of total credit exposure of UCB with 89,849 no. of clients was BDT 351,683.56 million (2019: 80,225 no. of clients, BDT 322,728.14 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 employed as many as 4,900 employees as on 31 December 2020 (2019: 4,988). Significant amount of bank's earnings are expended for salary and employee benefits. During the year 2020, UCB paid total BDT 6,354.17 million for salary and employee benefits. UCB has also created the arrangement of provident fund and gratuity fund as a tool to reward for long term service with the bank.
- We firmly believe that sustainable economic growth and a healthy environment are inter-linked. We take supportive role in terms of providing financial services by restricting and discouraging projects detrimental to the environment and health.
- 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, of course aligning business practices with highest values. We dream to crafting a way of social business rather than commercial business objective only. During the year 2020 the bank expended around BDT 298.59 million for donation and sponsorship.

During the year 2020 United Commercial Bank Limited deposited BDT 7,703 million to the Government Exchequer out of which BDT 2,392 million as income tax, BDT 4,039 million of withholding tax, BDT 875 million of VAT and BDT 396 million of excise duty. According to the law of the country, bank pay tax and collects withholding tax and VAT and deposit the same to the Government Exchequer in due time.



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.

Meeting of the Board of Directors and Attendance

During the year 2020 total 10 no. of Board of Director's meeting, 7 no. of Executive Committee meeting, 7 no. of Audit Committee meeting, 4 no. of Risk Management Committee meeting, 1 no. of NRC meeting and 1 no. of Shariah Supervisory committee were held. The status of the member along with the attendance is mentioned below:

Particulars of Board of Directors as on 31.12.2020

Board of Directors		
SI No	Name	Designation
1	Rukhmila Zaman	Chairman
2	Bazal Ahmed	Director & Vice-Chairman of the Board Chairman, Shariah Supervisory Committee
3	Anisuzzaman Chowdhury	Director, Chairman of the Executive Committee
4	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Independent Director & Chairman, Audit Committee
5	M. A. Sabur	Director, Chairman of the Risk Management Committee
6	Hajee Yunus Ahmed	Director
7	Hajee M. A. Kalam	Director
8	Nurul Islam Chowdhury	Director
9	Asifuzzaman Chowdhury	Director
10	Syed Mohammed Nuruddin	Director
11	Roxana Zaman	Director
12	Bashir Ahmed	Director
13	Afroza Zaman	Director
14	Syed Kamruzzaman, FCMA	Director
15	Muhammed Shah Alam, FCMA	Director
16	Professor Dr. Md. Jonaid Shafiq	Director
17	Kanak Kanti Sen	Director
18	Dr. Aparup Chowdhury	Independent Director & Chairman, NRC
19	Touhid Shipar Rafiquzzaman	Independent Director
20	Mohammed Shawkat Jamil	Managing Director & CEO
21	ATM Tahmiduzzaman, FCS	DMD & Company Secretary

**Particulars of Different Committees of the
Board of Directors as on 31.12.2020**

Executive Committee

SI No	Name	Status
1	Anisuzzaman Chowdhury	Chairman
2	Bazal Ahmed	Member
3	M. A. Sabur	Member
4	Hajee Yunus Ahmed	Member
5	Nurul Islam Chowdhury	Member
6	Asifuzzaman Chowdhury	Member
7	Bashir Ahmed	Member
8	ATM Tahmiduzzaman, FCS	Secretary

Audit Committee

SI No	Name	Status
1	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Chairman
2	Syed Mohammed Nuruddin	Member
3	Syed Kamruzzaman, FCMA	Member
4	Muhammed Shah Alam, FCMA	Member
5	Dr. Aparup Chowdhury	Member
6	ATM Tahmiduzzaman, FCS	Secretary

Risk Management Committee

SI No	Name	Status
1	M. A. Sabur	Chairman
2	Anisuzzaman Chowdhury	Member
3	Roxana Zaman	Member
4	Afroza Zaman	Member
5	Kanak Kanti Sen	Member
6	ATM Tahmiduzzaman, FCS	Secretary

Nomination and Remuneration Committee

SI No	Name	Status
1	Dr. Aparup Chowdhury	Chairman
2	Asifuzzaman Chowdhury	Member
3	Nurul Islam Chowdhury	Member
4	Roxana Zaman	Member
5	Prof. Dr. Md. Jonaid Shafiq	Member
6	ATM Tahmiduzzaman, FCS	Secretary

Shariah Supervisory Committee

SI No	Name	Status
1	Bazal Ahmed	Chairman
2	Hajee M.A. Kalam	Member
3	Mohammed Shawkat Jamil	Member
4	Dr. A.F.M. Akbar Hossain	Member
5	Dr. Mohammad Abdur Rashid	Member
6	Dr. K M Saiful Islam Khan	Member
7	Dr. Mohammed Nasir Uddin	Member
8	Dr. Mohammad Manjurur Rahman	Member
9	ATM Tahmiduzzaman, FCS	Secretary

Members Attendance in the Meetings of the Board of Directors During 2020

SL	Name of the Members	Status in the Board	Total Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Rukhmila Zaman	Chairman	10	10	10	0	
2	Bazal Ahmed	Vice Chairman of the BoD & Chairman, Shariah Supervisory Committee	10	10	10	0	
3	Anisuzzaman Chowdhury	Chairman - Executive Committee	10	10	5	5	
4	Akhter Matin Chaudhury FCA (E&W), FCA, FCS	Independent Director & Chairman-Audit Committee	10	10	4	6	
5	M. A. Sabur	Chairman - Risk Management Committee	10	10	10	0	
6	Hajee Yunus Ahmed	Director	10	10	6	4	
7	Hajee M. A. Kalam	Director	10	10	5	5	
8	Nurul Islam Chowdhury	Director	10	8	8	0	8 nos of meeting held during his tenure
9	Asifuzzaman Chowdhury	Director	10	10	8	2	
10	Syed Mohammed Nuruddin	Director	10	10	2	8	
11	Roxana Zaman	Director	10	10	8	2	
12	Bashir Ahmed	Director	10	9	8	1	9 nos of meeting held during his tenure
13	Afroza Zaman	Director	10	10	8	2	
14	Syed Kamruzzaman, FCMA	Director	10	9	9	0	9 nos of meeting held during his tenure
15	Muhammed Shah Alam, FCMA	Director	10	9	9	0	9 nos of meeting held during his tenure
16	Prof. Dr. Md. Jonaid Shafiq	Director	10	10	8	2	
17	Kanak Kanti Sen	Director	10	3	3	0	3 nos of meeting held during his tenure
18	Dr. Aparup Chowdhury	Independent Director Chairman, NRC	10	10	8	2	
19	Touhid Shipar Rafiquzzaman	Independent Director	10	10	6	4	
20	Mohammed Shawkat Jamil	Managing Director & CEO	10	10	7	3	

Past Members Attendance Details

SL	Name of the Members	Position	Total Meeting held	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Farid Uddin Ahmed	Member	10	4	3	1	4 nos of meeting held during his tenure

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

Members Presence in the EC Meetings of the Board of Directors during 2020

SL	Name of the Members	Position	Total Meeting Held	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Anisuzzaman Chowdhury	Chairman	7	7	5	2	
2	Bazal Ahmed	Member	7	7	6	1	
3	M. A. Sabur	Member	7	7	7	0	
4	Hajee Yunus Ahmed	Member	7	7	4	3	
5	Nurul Islam Chowdhury	Member	7	5	5	0	5 nos of meeting held during his tenure
6	Asifuzzaman Chowdhury	Member	7	7	5	2	
7	Bashir Ahmed	Member	7	7	6	1	

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

Members Presence in the Audit Committee Meetings of the Board of Directors during 2020

SL	Name of the Members	Position	Total Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Akhter Matin Chaudhury FCA (E&W), FCA, FCS	Chairman	7	7	6	1	
2	Syed Mohammed Nuruddin	Member	7	7	1	6	
3	Syed Kamruzzaman, FCMA	Member	7	7	6	1	
4	Muhammed Shah Alam, FCMA	Member	7	7	6	1	
5	Dr. Aparup Chowdhury	Member	7	3	1	2	3 nos of meeting held during his tenure

Past Members Attendance Details

SL	Name of the Members	Position	Total Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Touhid Shipar Rafiquzzaman	Member	7	4	4	0	4 nos of meeting held during his tenure

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

Members Presence in the Risk Management Committee Meetings during 2020

SL	Name of the Members	Position	Total Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	M. A. Sabur	Chairman	4	4	4	0	
2	Anisuzzaman Chowdhury	Member	4	4	3	1	
3	Roxana Zaman	Member	4	4	2	2	
4	Afroza Zaman	Member	4	4	2	2	
5	Kanak Kanti Sen	Member	4	1	1	0	1 nos of meeting held during his tenure

Past Members Attendance Details

SL	Name of the Members	Position	Total Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Farid Uddin Ahmed	Member	4	1	1	0	1 nos of meeting held during his tenure

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

Members Presence in the Nomination and Remuneration Committee Meetings during 2020

SL	Name of the Members	Status with the Board	Total Audit Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Dr. Aparup Chowdhury	Chairman	1	1	1	0	
2	Asifuzzaman Chowdhury	Member	1	1	1	0	
3	Nurul Islam Chowdhury	Member	1	1	1	0	
4	Roxana Zaman	Member	1	1	1	0	
5	Prof. Dr. Md. Jonaid Shafiq	Member	1	1	0	1	

Members Presence in the Shariah Supervisory Committee meetings during 2020

SL	Name of the Members	Status with the Board	Total Audit Meeting held during the year	Total Meeting held during their period	Attended	Leave of Absence	Remarks
1	Bazal Ahmed	Chairman	1	1	1	0	
2	Hajee M.A. Kalam	Member	1	1	0	1	
3	Mohammed Shawkat Jamil	Member	1	1	1	0	
4	Dr. A.F.M. Akbar Hossain	Member	1	1	1	0	
5	Dr. Mohammad Abdur Rashid	Member	1	1	1	0	
6	Dr. K M Saiful Islam Khan	Member	1	1	1	0	
7	Dr. Mohammed Nasir Uddin	Member	1	1	1	0	
8	Dr. Mohammad Manjurur Rahman	Member	1	1	1	0	

Pattern of Shareholding of UCB

Fully paid up shares issued to	No. of Shares	Amount in Taka	% of Shares
Sponsors/Directors	446,583,038	4,465,830,380	36.67
Institution (Financial & Others)	260,773,429	2,607,734,290	21.42
General Public	500,289,381	5,002,893,810	41.10
Govt. of Peoples Republic of BD	9,875,056	98,750,560	0.81
Total	1,217,520,904	12,175,209,040	100.00

A. Share held by parent/subsidiary/associated companies

Name of the parent/subsidiary/associated companies	Status	Shareholding
UCB Stock Brokerage Limited	Subsidiary	Nil
UCB Investment Limited	Subsidiary	Nil
UCB Asset Management Limited	Subsidiary	Nil
UCB Fintech Company Limited	Subsidiary	Nil

B.i) Shareholdings of Directors, ii) Chief Executive Officer, iii) Company Secretary iv) Chief Financial Officer and v) Head of Internal Audit and their Spouses and Minor Children

SL	Name of Directors	Shares Held
i)	Directors	Total
	Rukhmila Zaman	24353532
	Bazal Ahmed	24399911
	Anisuzzaman Chowdhury	34074261
	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	0
	M.A. Sabur	26752885
	Hajee Yunus Ahmed	30599097
	Hajee M.A. Kalam	27991208
	Nurul Islam Chowdhury	24355337
	Asifuzzaman Chowdhury	34344196
	Syed Mohammed Nuruddin	24360000
	Roxana Zaman	24370500
	Bashir Ahmed	24488617
	Afroza Zaman	24370500
	Syed Kamruzzaman, FCMA	24960705
	Muhammed Shah Alam, FCMA	24370500
	Professor Dr. Md. Jonaid Shafiq	24370500
	Kanak Kanti Sen	24350865
	Dr. Aparup Chowdhury	0
	Touhid Shipar Rafiquzzaman	0
ii)	Mohammed Shawkat Jamil (Managing Director & CEO) and spouse	0
iii)	A T M Tahmiduzzaman, FCS (DMD & Company Secretary) and Spouse	0
iv)	Faruk Ahammad (SEVP & Chief Financial Officer) and Spouse	0
v)	Mohammed Khorshed Alam (DMD & 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.	Name of Executives	Shares Held
1	Arif Qudri (Additional Managing Director) and Spouse	0
2	Syed Faridul Islam (Additional Managing Director) and Spouse	0
3	Nabil Mustafizur Rahman (Deputy Managing Director) and Spouse	0
4	Abul Alam Ferdous (Deputy Managing Director) and Spouse	0
5	N. Mustafa Tarek (Deputy Managing Director) and Spouse	0
6	Md. Abdullah Al Mamoon (Deputy Managing Director) and Spouse	0
7	Mohammed Habibur Rahman (Deputy Managing Director) and Spouse	0
8	Md. Shah Alam Bhuiyan (Deputy Managing Director) and Spouse	0

D. Shareholders holding 10% or more voting interest in the company

N/A

Related Party Transactions

UCB had no credit directly to its Directors at the end of 2020. However, there were some related party contracts and transactions wherein the Directors had interest. The Bank got Bangladesh Bank's approval to make related party contracts. 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

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 Directors

At the end of 2020, UCB has 20 (Twenty) members in the Board of Directors including the Managing Director and 3 (three) Independent Directors. 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. 8000.00 (eight thousand) as honorarium for attending in a meeting. In the year, 2020, total honorarium was BDT. 2.20 million which was BDT. 2.30 million in 2019.

Rotation of Directors

As per clause 108 & 109 of Article of Association of the Bank, 1/3 of the Directors shall be retired in the ensuing Annual General Meeting and as per clause 110 of Article of Association of the Bank, they are eligible for /re-election/reappointment.

Resume of Re-appointed and Newly appointed Directors

1	
Name of the Director	Nurul Islam Chowdhury
Status in the Board	Director
Date of Birth	20.07.1962
Date of First Appointment	30.08.1987
Date of last Appointment	03.09.2020
Entities where they have interest	1. Islam Steel Mills Ltd. 2. Eastern Engineers (CTG.) Ltd. 3. NAMS Trading Corporation 4. NAMS Shipping Lines
2	
Name of the Director	Bashir Ahmed
Status in the Board	Director
Date of Birth	25.12.1969
Date of First Appointment	28.09.1993
Date of last Appointment	03.09.2020
Entities where they have interest	1. Airmate Goodie Electrical Industries Limited 2. Goodie Accessories (Pvt) Limited 3. International Distribution Company Bangladesh (Pvt) Limited

4. B & B Electronics
5. B & B Food & Beverage
6. B & B Electrical & Electronics
7. Dhaka Electrical & Electronics
8. Bard International
9. Petal Enterprise
10. Airmate Lighting & Electrical Solutaional Pvt. Ltd.
11. Pioneer Electronics
12. Mettle Emporium

3	
Name of the Director	Syed Kamruzzaman, FCMA
Status in the Board	Director
Date of Birth	21.02.1964
Date of First Appointment	10.08.2017
Date of last Appointment	03.09.2020
Entities where they have interest	N/A

4	
Name of the Director	Muhammed Shah Alam, FCMA
Status in the Board	Director
Date of Birth	01.03.1962
Date of First Appointment	10.08.2017
Date of last Appointment	03.09.2020
Entities where they have interest	N/A

5	
Name of the Director	Kanak Kanti Sen
Status in the Board	Director
Date of Birth	24.06.1965
Date of First Appointment	03.09.2020
Date of Last Appointment	N/A
Entities where they have interest	N/A

Appropriation of Profit and Dividend Recommendation

Taking into account the profit available for distribution after complying with regulatory requirement, the Board in its 460th meeting held on 08.06.2021 recommended 5 percent cash dividend and 5 percent stock dividend for the year ended on December 31, 2020 which is subject to approval of shareholders in the next Annual General Meeting scheduled to be held on 5 August 2021.

Disclosure on Recommendation of Stock Dividend

Stock Dividend has been recommended to strengthen the capital base of the Bank to comply the regulatory requirements and to support the business growth.

Stock Dividend is declared out of accumulated profit, and Stock Dividend is not declared from capital reserve or revaluation reserve or any unrealized gain or out of profit earned prior to incorporation of the Company or through reducing paid-up capital or through doing anything so that the post-dividend retained earnings become negative or a debit balance.

Proposed appropriations are as follows:

(in million BDT)

Particulars	2020	2019
Net profit after tax for the year	2,857.20	2,772.04
Retained earnings at the beginning	1,294.63	668.55
Transfer from General Reserve	-	-
Profit available for appropriation	4,151.83	3,440.59

(in million BDT)

Proposed appropriations		
Transferred to statutory reserve	989.60	986.42
Proposed stock dividend	608.76	579.77
Proposed cash dividend	608.76	579.77
Retained earnings	1,944.70	1,294.63

Auditors Report

The Board of Directors reviewed the Auditors Report issued by the Bank's auditor MABS & J Partners, Chartered Accountants based on their audit of financial statements for the year ended 31 December 2020. The auditor didn't mention about any material misstatement or significant disagreement regarding 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

MABS & J Partners Chartered Accountants was the auditor of the Bank for the year 2020. As the year 2021 is the third year of their audit, they are eligible for reappointment for the year 2021.

The Board recommends to reappoint MABS & J Partners Chartered Accountants as the auditor of the Bank for the year 2021 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 as per section 210 of the Companies Act, 1994.

Acknowledgement

The Bank closed the year 2020 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 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 growth of your bank. We also look forward to their continuous support.

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 2020 together with the auditor's report thereon for approval.

(On behalf of the Board of Directors)



Rukhmila Zaman

Chairman

