

The background is a detailed black and white line drawing of a complex industrial and technological scene. It features various gears, a factory with smoking chimneys, a car, a house, a person working at a computer, and several circular emblems. The emblems contain a stylized plant or leaf design. Overlaid on this background are several thick, multi-colored rainbow arrows that curve from the top left towards the bottom right, pointing towards the text.

ANNUAL REPORT TOWARDS A
2017 SUSTAINABLE
FUTURE

LETTER OF TRANSMITTAL

To

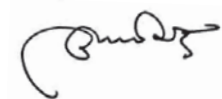
All Shareholders
Bangladesh Bank
Bangladesh Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Subject : Annual Report for the year ended December 31, 2017

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, 2017 for kind information & record.

Sincerely Yours,



ATM Tahmiduzzaman, FCS
Company Secretary

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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 has been included in DS30 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 178 branches along with

Off-shore banking unit, mobile financial service (UCash), priority banking (UCB Imperial), remittance services, credit card business and with dedicated human capital of 4,459 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 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 wholly 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 20 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 has 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	Md. Jahangir Alam Khan
Managing Director	A. E. Abdul Muhaimen
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	4,459 (As on 31.12.17)
Number of Branches	178
Number of ATM Booths	187 (As on 31.12.17)
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	2017	2016	2015	2014	2013
Interest income	21,034.16	20,832.15	22,434.57	22,360.83	22,999.36
Interest expense	12,087.39	12,194.04	14,711.18	14,430.24	15,919.86
Net interest income	8,946.77	8,638.11	7,723.38	7,930.59	7,079.50
Non-interest income	8,435.50	7,703.97	7,824.62	7,278.80	5,319.08
Non-interest expenses	9,430.86	8,754.70	7,145.66	6,489.93	5,272.21
Gross Revenue	29,469.66	28,536.12	30,259.19	29,639.63	28,318.44
Gross Profit	17,382.27	16,342.08	15,548.00	15,209.39	12,398.58
Operating profit	7,951.41	7,587.38	8,402.34	8,719.46	7,126.37
Earning before interest, depreciation and tax*	6,744.42	6,474.45	8,254.73	7,571.27	6,413.71
Profit before tax	5,461.41	5,189.88	7,252.34	6,835.67	5,887.32
Net profit after tax	2,433.91	2,628.63	3,977.34	3,668.73	3,065.41

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	10,039.34	8,366.12	8,366.12
Shareholders' equity	26,510.26	25,756.32	25,588.82	22,491.54	20,504.97
Borrowing	33,846.39	25,565.10	10,705.57	6,024.88	6,993.51
Deposits	278,195.49	257,704.30	220,866.48	211,072.06	184,896.85
Loans and advances	261,002.88	223,697.18	197,413.64	174,146.10	148,664.86
Investments	42,911.75	55,475.64	44,345.73	44,288.60	35,587.25
Fixed assets	8,344.10	8,380.18	8,586.73	8,510.00	7,957.31
Off-balance sheet exposure	197,973.80	171,169.75	150,713.79	144,554.47	67,094.06
Total assets	363,314.80	329,720.78	293,847.23	266,100.74	226,333.13
Total liabilities	336,804.54	303,964.46	268,258.41	243,609.20	205,828.17

Share Information

Market price per share	23.60	21.30	21.30	29.30	25.10
No. of shares outstanding (No. in million)	1,054.13	1,054.13	1,003.93	836.61	836.61
Earnings per share (basic)	2.31	2.49	3.96	4.39	3.66
Earnings per share (restated)	2.31	2.49	3.96	3.65	3.05
Dividend (percent)	10.00	15.00	25.00	30.00	20.00
Cash Dividend (percent)	10.00	15.00	20.00	10.00	20.00
Stock Dividend (percent)	-	-	5.00	20.00	-
Net asset value per share	25.15	24.43	25.49	26.88	24.51
Price earning ratio (times)	10.22	8.55	5.38	6.68	6.85
Dividend cover ratio (times)	2.31	1.66	1.58	1.46	1.83
Dividend Yield (percent)	4.24	7.04	11.74	10.24	7.97
Market capitalization (BDT in million)	24,877.49	22,452.99	21,383.79	24,512.72	20,998.95

FIVE YEARS' FINANCIAL SUMMARY

Financial ratios (%)	2017	2016	2015	2014	2013
Cost-income ratio	54.26	53.57	45.96	42.67	42.52
Credit-deposit ratio	80.34	75.97	80.11	75.45	78.55
Debt equity ratio (times)	11.77	11.00	9.36	9.85	9.19
Gross profit ratio	58.98	57.27	51.38	51.31	43.78
Current Ratio (times)	1.16	1.16	1.14	1.13	1.13
Return on Capital Employed	4.36	5.50	12.27	13.10	12.17
"Net interest income as a % of working funds; i.e, Operating Cost-Efficiency Ratio"	31.71	30.99	40.46	45.35	44.47
Operating profit as % of working funds	28.18	27.22	44.02	49.86	44.77
Return on assets	0.70	0.84	1.42	1.49	1.41
Return on equity	9.31	10.24	16.54	17.07	15.85
Burden coverage ratio	89.45	88.00	109.50	112.16	100.89
CASA Deposit as % of Total Deposit	28.68	27.06	25.14	21.08	16.69
Cost of fund	6.79	7.60	9.18	10.16	11.66
Yield on advance	8.53	9.71	11.75	13.87	16.21
Spread	1.74	2.11	2.57	3.71	4.55

Foreign business					
Import	217,858	194,847	169,578	155,282	117,543
Export	199,188	170,542	148,229	130,447	94,289
Remittance	5,595.48	11,807.10	11,098.50	16,667.90	10,788.07
No. of Foreign correspondents	535	548	537	532	363

Capital measures					
Total Risk Weighted Assets	305,850.28	294,391.54	273,327.11	243,250.40	197,380.55
Tire I Capital	23,595.90	23,026.98	22,406.21	19,265.48	17,269.97
Tire II Capital	13,323.94	10,494.92	10,820.24	6,425.70	5,488.79
Total Capital	36,919.84	33,521.90	33,226.45	25,691.18	22,758.76
Tire I Ratio (percent)	7.71	7.82	8.20	7.92	8.75
Tire II Ratio (percent)	4.36	3.56	3.96	2.64	2.78
Capital to RWA Ratio (percent)	12.07	11.39	12.16	10.56	11.53
Required Capital	34,408.16	31,279.10	27,332.71	24,325.04	19,738.05
Capital Surplus/(Shortage)	2,511.68	2,242.80	5,893.74	1,366.14	3,020.71

Liquidity Measures:					
Cash Reserve Requirement (percent)	6.99	6.87	6.82	7.40	6.35
Statutory Liquidity Ratio (percent)	15.28	22.11	19.68	23.57	21.85
Current Assets	203,705.05	197,342.86	156,194.81	152,644.65	142,570.40
Current liabilities	175,486.35	169,472.24	137,106.88	135,156.26	126,652.28
Net Current Assets	28,218.70	27,870.62	19,087.93	17,488.39	15,918.12
Long term liabilities	161,318.19	134,492.22	131,151.53	108,452.94	79,175.89
Long term liabilities/ Current liabilities (%)	91.93	79.36	95.66	80.24	62.51

Asset Quality					
Non Performing Loans	19,268.09	17,920.57	10,324.69	8,050.04	5,985.17
% of NPL to Total Loans ad advances	7.38	8.01	5.23	4.62	4.03
Total provision for Classified loans and advances	5,020.94	4,160.12	2,730.27	1,929.58	2,122.87
Total provision for Unclassified loans and advances	2,396.52	1,741.87	1,672.98	1,751.24	1,200.34
Total provision for Investment	292.84	292.84	292.84	292.84	292.84
Total provision for Other assets	74.85	85.85	97.44	58.34	31.41
Total provision for Off BS Items	1,979.84	1,581.68	1,252.10	1,055.51	670.95

Other informations					
No. of branches	178	168	158	148	139
No. of ATM	187	164	151	115	101
No. of employees	4,459	4,152	3,837	3,679	3,445
Operating Profit per employee (BDT in million)	1.78	1.83	2.19	2.37	2.07

* Earning before interest on long term debt, depreciation 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 31-12-2017

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)
Md. Jahangir Alam Khan	Chairman- Risk Management Committee
M. A. Sabur	Director
M. A. Hashem	Director
Hajee M.A. Kalam	Director
Nurul Islam Chowdhury	Director
Bazal Ahmed	Director
Sharif Zahir	Director
Md. Tanvir Khan	Director
Asifuzzaman Chowdhury	Director
Bashir Ahmed	Director
Syed Kamruzzaman	Director
Muhammed Shah Alam	Director
Farid Uddin Ahmed	Director
Syed Mohammed Nuruddin	Independent Director
Dr. Salim Mahmud	Independent Director
A. E. Abdul Muhaimen	Managing Director

Executive Committee as on 31-12-2017

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

Audit Committee as on 31-12-2017

Name of the Directors	Status in Committee
Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Chairman
Syed Mohammed Nuruddin	Member
Md. Tanvir Khan	Member
Bashir Ahmed	Member
Syed Kamruzzaman	Member

Risk Management Committee as on 31-12-2017

Name of the Directors	Status in Committee
Md. Jahangir Alam Khan	Chairman
Anisuzzaman Chowdhury	Member
Hajee M. A. Kalam	Member
Bazal Ahmed	Member
Nurul Islam Chowdhury	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



Md. Jahangir Alam Khan
Director & Chairman,
Risk Management Committee



M. A. Sabur
Director



M. A. Hashem
Director



Hajee M. A. Kalam
Director



Nurul Islam Chowdhury
Director



Bazal Ahmed
Director



Asifuzzaman Chowdhury
Director



Md. Tanvir Khan
Director



Sharif Zahir
Director



Bashir Ahmed
Director



Syed Kamruzzaman
Director



Muhammed Shah Alam
Director



Farid Uddin Ahmed
Director



Syed Mohammed Nuruddin
Independent Director



Dr. Salim Mahmud
Independent Director



A. E. Abdul Muhaimen
Managing Director

SENIOR MANAGEMENT



A. E. Abdul Muhaimen
Managing Director



Mohammed Shawkat Jamil
Additional Managing Director



Ahsan Afzal
Additional Managing Director



Arif Quadri
Additional Managing Director



Md. Sohrab Mustafa
Deputy Managing Director



**MESSAGE FROM
THE CHAIRMAN**

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present you the Annual Report of United Commercial Bank Limited for the financial year 2017 along with the financial statements that reflect the results and achievements of UCB.

A strong focus on value creation for all our stakeholders drives our growth and performance, and also our long term sustainability. Financial strength and profitability are prerequisites to fulfilling our role and ensuring that we stay relevant to the communities we operate in.

The Board continues to provide strategic direction to the Bank which focused on strengthening and optimizing the infrastructure already in place as a result of the geographical expansion and investments undertaken in the recent past. Consequently, 2017 was a year for growing our volumes and existing relationships, driving operational excellence and strengthening risk management processes and internal controls. The growth, stability and profitability of the Bank bear testimony to the strategic direction provided by the Board.

In year 2017, we have achieved a total deposit of Taka 27,819.55 crore, total loans & advances of Taka 26,100.29 crore and total operating profit of Taka 795.14 crore which is a growth of 7.95%, 16.68% and 4.80% respectively in comparison of year 2016. We also have extended our branch network as 178 branches.

Increased digitization of our operations has been a key feature of our strategy facilitating increasing levels of customer convenience, scalability and reliability of our operations. This has been undertaken with an understanding of the risks and opportunities involved with the strategy, addressing concerns of stakeholders in a holistic manner. Additionally, increased automation of internal processes enabled the Bank to enhance the customer experience with faster response times and drive operational efficiencies along with improved employee productivity. Learning and mentoring culture has been nurtured over the years to ensure that there is depth in our talent pipeline. There has been increased focus on developing the next generation of leaders to ensure they are equipped with the necessary skills needed in the future.


Our ultimate aim has always been to establish a private bank that would offer world class wealth management strategies. UCB is a bank that would capitalize on the growing demand for banking and be a trusted financial partner to entrepreneurs in the preservation and growth of their wealth. The foundation of our business is a 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.

We, at UCB, are committed to building and maintaining a strong relationship with the larger community and as part of our Corporate Social Responsibility we provide ongoing support to our varied chosen social causes this year and in the years to come.

We are confident that our strong financial position, diversified shareholder base and our competent team of professionals will enable us to capitalize on the growing demand of exclusive financial management services in the country and contribute to our vision of becoming a leading private bank.

I would also like to express my sincerest gratitude to our committed customers for their unwavering support over the years. To the Directors, I am sincerely heartened by the level of unity, commitment and strategic focus. Last but by no means the least; my commendation goes out to the hardworking and committed Management and Staff of the Bank who assiduously work day after day to ensure that the Bank fulfils its mandate.

Thanking you.



Rukhmila Zaman
Chairman

MANAGING DIRECTOR & CEO'S ROUND UP

In the midst of financial, economic and environmental challenges like rising interest rates, food-grain & global fuel prices, flush-flood in haor areas and flood in north-western region, foreign exchange volatility, pressure on foreign-exchange reserves etc., our bank has completed yet another eventful year where we continued our journey towards consolidation and growth. During the year 2017, UCB experienced notable improvements in key fundamentals with our countrywide network of 178 branches & 187 ATMs, diversified products & services with UPay, Agent Banking and UCB Express etc. We also maintained a comfortable liquidity and capital position throughout the year.

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 6 percent GDP growth during last consecutive seven years. Keeping pace with recent growth trends in the economy, fiscal year of 2017 ended in happy notes with a GDP growth rate of 7.28 percent against a 7.11 percent growth in last fiscal year. The outlook also remains steady for the coming fiscal of 2018. Average inflation was at 5.7 percent in December 2017 slightly higher than the FY 18 target of 5.5 percent. Country's current account balance is under slight pressure caused by growth in total imports resulting from increased imports of food grains & capital machinery. Total import in FY2016-17 was USD 43.49 billion as against total export of USD 34.85 billion in the same period. Country's foreign exchange reserve also reflects robust out look with USD 33.23 billion at the end of 2017.

There exists some downside risk also with probable shocks to remittance inflows and exports due to 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 a cautious macroeconomic management for preserving monetary and financial stability in FY18.

World economy is estimated to have grown by 3.70 percent in 2017 (projected by IMF) which is 0.10 percentage point faster than projected and

half percentage point higher than previous year. Global growth is expected to be sustained over the next couple of years and even accelerate somewhat in emerging market and developing economies (EMDEs) as forecasted by the World Bank. Although near-term growth could have 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.

During the year 2017, banking industry held sufficient liquidity position and as such inter-bank call money rate was stable. The call money rate was slightly in upward trend from 3.54 percent in January 2017 to 3.92 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 2017. I am pleased 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 12.01 percent, increasing to BDT 539,198.37 million in 2017 from BDT 481,401.48 million in 2016.
- Despite the focus on consolidation, bank's Operating profit increased to BDT 7,951.41 million from BDT 7,587.38 million of previous year representing a growth of 4.80 percent;
- Due to a focus to increase trade business of the bank, Export and Import businesses of the Bank increased to BDT 199,190 million in 2017 from BDT 170,540 million in 2016 and to BDT 217,860 million in 2017 from BDT 194,850 million in 2016 respectively, denoting a growth of 16.80% and 11.81% respectively;
- As a consequence of the above, fee-based income of the Bank stood at BDT 4,066.52 million in 2017 vis-à-vis BDT 3,201.27 million in 2016. 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 in full confidence;

- Demand for foreign currency loans from the naturally hedged export oriented businesses continued due to interest rate advantage and OBU business also experienced growth with a volume of BDT 17,867.60 million in 2017 vis-à-vis BDT 11,767.42 million in 2016, marking a growth of 51.84% over previous year;
- Retail & SME loan exposure grew to BDT 90,910.64 million in 2017 compared to BDT 86,219.05 million of 2016, attaining a growth rate of 5.44%. UCB placed fresh focus on these segments of businesses as not only these segments (specially the SME segment) are becoming more important for the growth of the economy but also the competition in Corporate Banking is becoming ever more intense;
- UCB renewed its focus on rebalancing the deposit base to increase the portion of the low-cost transaction-based deposit portfolio. As a result, the bank succeeded in trimming down high-cost deposit base from 44.83% in 2016 to 38.00% in 2017, thereby consolidating the deposit mix in a beneficial preferred way;
- We were able to increase our distribution network by opening 10 new branches in 2017, thereby increasing Bank's coverage from 168 branches in 2016 to 178 branches in 2017.

UCB's renewed focus on transparent and appropriate disclosure through financial reporting has been well recognized by the external stakeholders and UCB was awarded with the following in 2017:

1. Second position under the category of Private Sector Banks for 'Best Presented Annual Reports 2016' at 17th ICAB National Award, received on 25 November 2017;
2. Second Runner-Up position under the category of Private Sector Banks for 'Best Presented Annual Reports 2016' conferred by South Asian Federation of Accountants (SAFA), received on 31 January 2018;
3. Best Tax Payers Award by the National Board of Revenue for FY 2017, received on 21 November 2017;

We set our strategy giving highest priority on sustainable business growth and in accordance with that, we believe 2018 shall be a year of moderate growth and consolidation again for the

Bank. Keeping bank's strategy in mind along with the economic scenario, we set out following priorities and initiatives for the coming year:

- With a view of tighter money market and higher interest rates, deposit mobilization will continue to be our area of focus;
- Considering 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 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;
- Since SME sector will continue to be a major engine of growth for the economy, we shall continue our focus on 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 till 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 crore) to further strengthen our capital adequacy position;
- As 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 achievement of the broader objectives of Sustainable Development Goals (SDGs) of the Country;
- To satisfy the growing demand of 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, will roll out the 'Hub & Spoke' model of operation during 2018. Supported by the CBS platform, this transformation is expected to significantly improve customer experience through improvement of service standards and turnaround time.

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 coming days and finally, I look forward to another success story in 2018.

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



A. E. Abdul Muhaimen
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 2017 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 lead 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 Report will give captivating insights of the Bank's performance during the year under review.

World Economy

Global economic activity continues to firm up and estimated to have grown by 3.7 percent in 2017, projected by IMF, which is 0.1 percentage point faster than projected in the fall and half percentage point higher than previous year. The main contributor to this pickup in growth is the notable

upside surprises in Europe and Asia. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes.

Global growth is expected to be sustained over the next couple of years and even accelerate somewhat in emerging market and developing economies (EMDEs) as forecasted by World Bank. 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.

Global growth for 2017 is now estimated at 3.7 percent, 0.1 percentage point higher than projected in the fall, forecasted in World Economic Outlook, update January 22, 2018 by International Monetary Fund (IMF). Economic activity in both United States and EMDEs is forecast to accelerate in 2018-19, with global growth projected to be 3.9 percent.

World GDP growth

(year-on-year, in percent)

	Estimate		Projection	
	2016	2017	2018	2019
World Output	3.2	3.7	3.9	3.9
Advanced Economies	1.7	2.3	2.3	2.2
United States	1.5	2.3	2.7	2.5
Euro Area	1.8	2.4	2.2	2.0
Japan	0.9	1.8	1.2	0.9
United Kingdom	1.9	1.7	1.5	1.5
Canada	1.4	3.0	2.3	2.0
Other Advanced Economies	2.3	2.7	2.6	2.6
Emerging market and Developing Economies	4.4	4.7	4.9	5.0
Russia	-0.2	1.8	1.7	1.5
China	6.7	6.8	6.6	6.4
India	7.1	6.7	7.4	7.8
ASEAN-5	4.9	5.3	5.3	5.3
Emerging and Developing Europe	3.2	5.2	4.0	3.8
Latin America and the Caribbean	-0.7	1.3	1.9	2.6

Source: IMF, World Economic Outlook Update, January 2018

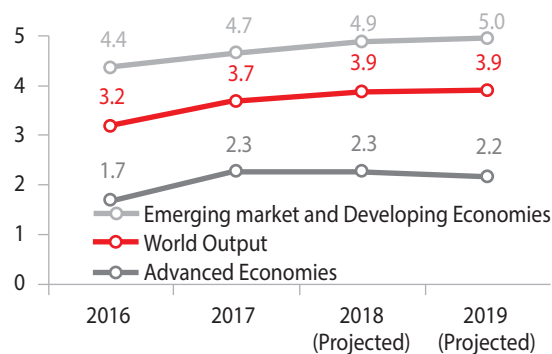
Advanced Economies

Advanced economies are now projected to grow by 2.3 percent in 2018 and 2.2 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.

Global growth for 2017 is now estimated at 3.7 percent, 0.1 percentage point higher than projected in the fall. Upside growth surprises were particularly pronounced in Europe and Asia but broad based, with outturns for both the advanced and the emerging market and developing economy

groups exceeding the fall forecasts by 0.1 percentage point.

- IMF, World Economic Outlook Update, January 2018

**Emerging Market and Developing Economies (EMDEs)**

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 reached lower-middle-income status, on the strength of an annual economic growth rate of 6 percent and above during last more than five years. The consistent growth was achieved mainly by a rise in readymade garment exports, overseas workers' remittances, and domestic consumption. The growth was steady and inclusive, creating jobs for low-skilled workers and women.

According to the estimates of Bangladesh Bureau of Statistics (BBS) the real GDP growth estimated to be 7.28 percent in FY2017 with the supports of growth in manufacturing and service 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 2017, exports grew by 7.2 percent where as import grew sharply by 27.6 percent during July-November 2017 due to strong import demand from capital machinery 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, benefiting from strong domestic demand and strengthening exports. Low interest rates and improved infrastructure are expected to lift investment. 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 7.28 percent in FY2017 from 7.11 percent of FY2016, achieving more than 6 percent in last six years.

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.

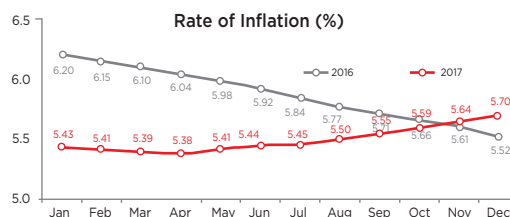
Year	GDP growth rate (in percent)
2007-08	6.01
2008-09	5.05
2009-10	5.57
2010-11	6.46
2011-12	6.52
2012-13	6.01
2013-14	6.06
2014-15	6.55
2015-16	7.11
2016-17	7.28

Inflation

The twelve-month average inflation in Bangladesh has been showing a slowly increasing trend for last couple of months. Inflation which was 5.43 percent in January 2017 and increased to 5.70 percent in December 2017.

CPI inflation has been on the rise since January 2017, driven mainly by food prices. Consequently, inflation (12-month moving average) crept up, reaching 5.7 percent in December 2017, slightly exceeding the FY18 target of 5.5 percent. Flood-related crop losses, a declining buffer stock of rice, excess demand due to the influx of refugees from Myanmar, and an uptick in food prices in the global market led to elevated food prices in the domestic market.

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 increase to 9.0 percent in FY2017 up from 5.9 percent growth in FY2016. Import payments increased to USD 43.49 billion in FY2017 from USD 39.90 billion in FY2016. Strong import growth fueled by capital machinery and 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 FY2017 compared to FY2016 while those for oil seeds, fertilizer, textile and textile articles thereof, and staple fiber declined during the same period.

Export

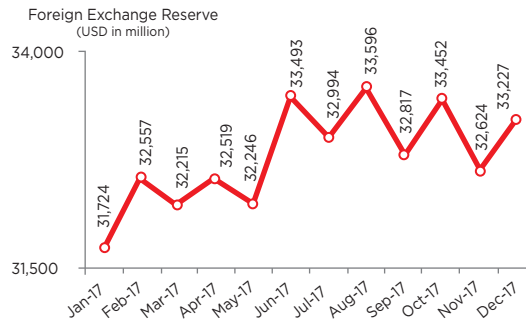
Exports growth fell down to 1.7 percent in FY2017. Exports stood at USD 34.02 billion in FY2017 from 33.44 billion in FY2016. However, export growth picked up from 1.7 percent down in FY2017 to 7.2 percent uptrend during the first half of FY2018. Garments exports are expected to benefit from stronger 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 FY2017 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

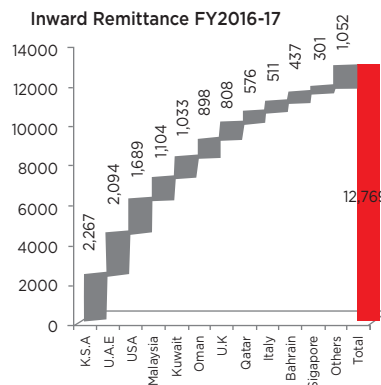
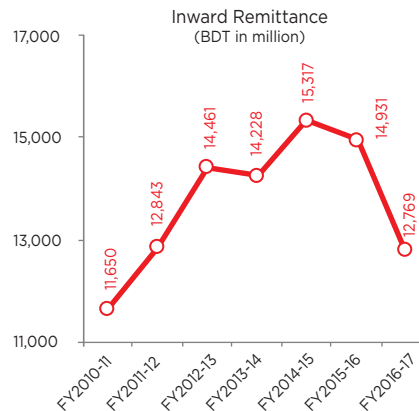
Recent years to a deficit from investment and food related imports has created downward pressure on foreign exchange reserve. To avoid any large volatility given the foreign exchange market structure, Bangladesh Bank sold USD 1.1 billion to meet the increasing demands for foreign currency in the local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

Foreign exchange reserve increased by USD 1.13 billion at the end of 2017 which was 3.54 percent growth over previous year. Import coverage of foreign exchange reserve at USD 33.2 billion or around 6 months of imports in December 2017.



Remittances

During the financial year 2017 (July 2016 to June 2017) inflow of workers' remittances stood BDT 12,769 million compared to BDT 14,931 million in financial year 2016. Remittance inflow decreased significantly in FY 2017 from major contributing countries like K.S.A., U.A.E., USA and Malaysia. From these four countries remittance decreased by USD 688 million, USD 618 million, USD 735 million and USD 234 million respectively which contributed 56 percent of total remittance in FY2017. Among major contributing countries, remittance increased only from two countries i.e. Qatar and Italy respectively USD 140 million and USD 159 million.



Per Capita Income

Increase in real income of the population has raised per capita income in Bangladesh from USD 1465 in FY2016 to USD 1610 in FY2017 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 2017, 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 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.

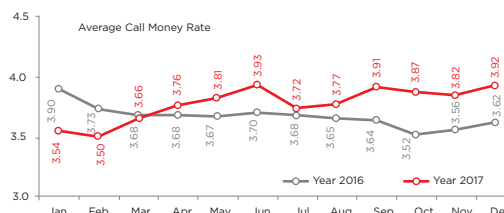
Banking Industry Outlook

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 57 scheduled banks in Bangladesh which are controlled & supervised by Bangladesh Bank. There are 5 State Owned Commercial Banks (SOCBs), 3 Specialized Banks, 32 Conventional Private Commercial Banks, 8 Islami Shariah based Private Commercial Banks and 9 Foreign Commercial Banks. On the other hand there are now 4 non-scheduled banks in Bangladesh established for some special and definite objective.

During the year 2017, banking industry was in liquidity position and as such inter-bank call money rate was in stable. The call money rate has slightly in upward trend from 3.54 percent in January 2017 to 3.92 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 9,262 billion in December 2017 as against BDT 8,403 billion in December 2016 representing a growth of 10.22 percent. On the other hand, total bank's advance increased to BDT 8,444 billion in 2017 from BDT 7,131 billion in 2016 registering 18.42 percent growth.



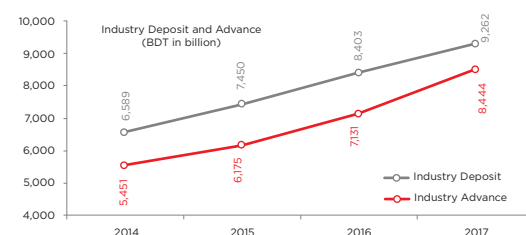
(BDT in billion)

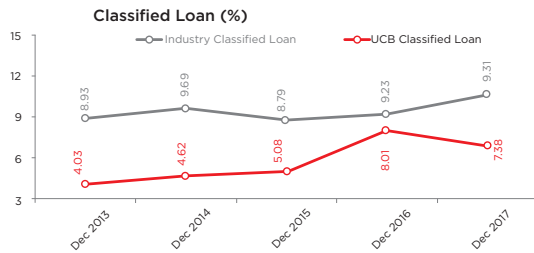
	2014	2015	2016	2017	Growth (%) 2015 vs 2016	Growth (%) 2016 vs 2017
Industry Deposit	6,589	7,450	8,403	9,262	12.78	10.22
Industry Advance	5,451	6,175	7,131	8,444	15.49	18.42

The banking sector indicators showed some concern in 2017 as gross non performing loan (NPL) ratio crept up to 10.67 percent at the end of December 2017 from 9.23 percent at end December 2016. However, the ratio of net NPL in the banking sector increased to 2.92 percent from 2.33 percent during the same period due partly to some shrink in provision coverage.

Banking industry is entering into a new era of lower interest rates regime. All the scheduled bank has slashed the lending rate in 2017. In January 2017, the weighted average interest rate on lending of scheduled banks was 9.85 percent which reduced

to 9.35 percent in December 2017. In same way weighted average interest rate on deposit also reduced by 0.22 percent from 5.13 percent in January 2017 to 4.91 percent in December 2017.





Risk and concerns for the banking industry

Although the year 2018 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.
- √ Inflow of wage earners remittance is not up to the mark and there is also risk of further declining in remittance growth which may affect the balance of payment.
- √ 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.

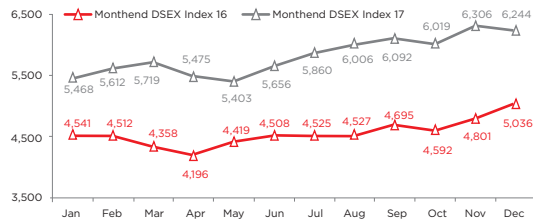
Capital Market Outlook

Stock markets in Bangladesh have stabilized by now after the 2010 bubble creation and the subsequent collapse. Bangladesh Bank proactively lent hand in stabilizing the capital market, at the same time taking steps for reining in the banking sector's capital market exposures

within global best practice norms linked to their capital bases. The capital market in Bangladesh was largely stable during 2017, showing very strong and positive trend during of the year as reflected in the DSE broad index (DSEX), market capitalization and the price-earnings ratio.

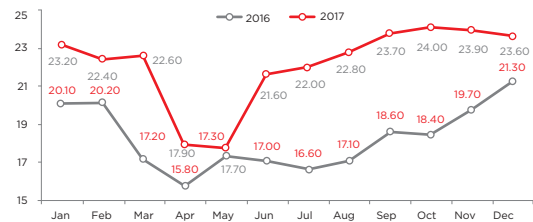
Month End DSEX Index

The DSEX index stood at 6244 at the end of December 2017 which was 5036 in December 2016. The market capital significantly increased by 24 percent in 2016. In December 2017 market capitalization was BDT 4,229 billion against BDT 3,412 billion in December 2016.



UCB Share Price (month on month)

Share price of UCB was uptrend during the year 2017. It was BDT 23.60 at the end of December 2017, although in May 2017 share price was BDT 17.30.



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 2017 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 2016, the bank feels proud of having 178 branches and 187 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 products 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 guarantees 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.

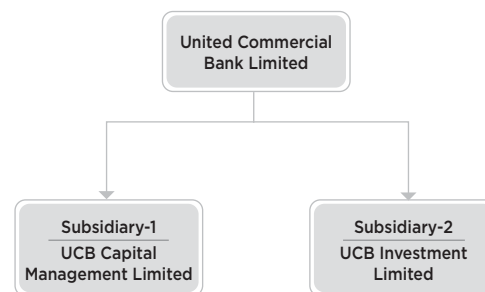
✓ **Mobile Financial Services; UCash**

With the view to bring the unbanked people to the banking facilities UCB started full-fledged operation of Mobile Banking Services under the

brand name "UCash" in the year 2013. Presently, the Bank has substantial market share in Mobile Banking Services of Bangladesh which is growing further over the time. 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 service 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-service brokerage house, UCB Capital offers a full range of professional stock brokerage services for 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.

Profit before tax and provision stood at BDT 301.10 million in 2017 compared to BDT 48.25 million in 2016 registering a growth of 524 percent. UCB Capital Management Limited executed transactions worth BDT 60,551.03 million in 2017 compared to BDT 15,776.33 million which was 384

percent higher. In 2017, the Company's loans to clients stood at BDT 1,579.43 million as against BDT 640.64 million in the previous year. The number of clients increased in 2017 by 80.79%. UCB Capital Management Limited performed progressively better especially towards the end of the year ranking 10th for the month of December 2017 and 13th overall in 2017. The Board of Directors have decided to enhance the paid-up capital of the Company from BDT 513.50 million to BDT 2,000 million. However, no new shares have been issued as of December 31, 2017.

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. The initial paid up capital of the company was BDT 100 million and later on the capital increased to BDT 250 million as per requirement of BSEC.

Off-shore Banking Unit

Offshore 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. OBU also makes placement with AD Branches of UCB as well as with other FIs. In 2017, the operating profit of OBU stood BDT 588.13 million against BDT 527.67 million in 2016 registering a growth of more than 11 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 (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 1987, Dhaka and Chittagong Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh.

The financial statements of 2017 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, have certified the fairness of the financial statements for the year ended 31 December 2017.

Maintaining Proper Books of Account

UCB maintained proper books of account for its financial transactions occurred during 2017. 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. 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 BFRS 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 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 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 2017.

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 (amended) Act 2013, 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 Mr. A.E. Abdul Muhaimen, Managing Director. He is a prominent and professional banker with 33 years of rewarding multi-dimensional experience in banking and other fields of management. Mr. Muhaimen has proven track record in leading various teams in different banks in Asia and Middle East contributing in business policy formulation and strategy management. There are some other veteran and prominent bankers serving the Bank and contributing their expertise to the continuous growth of the Bank.

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 2013 total assets of the Bank was BDT 226,333.13 million whereas at the end of 2017 it

stood at BDT 363,314.80 million recording a growth of more than 60 percent. During last five year deposits grew by 50 percent and loans & advances of the Bank grew by 75 percent.

(BDT in million)

Balance Sheet	Change (%)	Change (Taka)	2017	2016	2015	2014	2013
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	10,039.34	8,366.12	8,366.12
Shareholders' equity	2.93	753.94	26,510.26	25,756.32	25,588.82	22,491.54	20,504.97
Borrowing	32.39	8,281.29	33,846.39	25,565.10	10,705.57	6,024.88	6,993.51
Deposits	7.95	20,491.19	278,195.49	257,704.30	220,866.48	211,072.06	184,896.85
Loans and advances	16.68	37,305.70	261,002.88	223,697.18	197,413.64	174,146.10	148,664.86
Investments	(22.65)	(12,563.89)	42,911.75	55,475.64	44,345.73	44,288.60	35,587.25
Fixed assets	(0.43)	(36.08)	8,344.10	8,380.18	8,586.73	8,510.00	7,957.31
Off-balance sheet exposure	15.66	26,804.05	197,973.80	171,169.75	150,713.79	144,554.47	67,094.06
Total assets	10.19	33,594.02	363,314.80	329,720.78	293,847.23	266,100.74	226,333.13
Total liabilities	10.80	32,840.08	336,804.54	303,964.46	268,258.41	243,609.20	205,828.17

In line with the increased volume of the business, the profitability of the Bank has also increased. In 2013, operating profit of the bank was BDT 7,126.37 million whereas it was BDT 7,951.41 million at the end of 2017 recording a growth of 11.58 percent whereas Bank's gross revenue increased by 40.20 percent during last five years of time.

(BDT in million)

Results of Operation	Change (%)	Change (Taka)	2017	2016	2015	2014	2013
Interest income	0.97	202.01	21,034.16	20,832.15	22,434.57	22,360.83	22,999.36
Interest expense	(0.87)	(106.65)	12,087.39	12,194.04	14,711.18	14,430.24	15,919.86
Net interest income	3.57	308.66	8,946.77	8,638.11	7,723.38	7,930.59	7,079.50
Non-interest income	9.50	731.53	8,435.50	7,703.97	7,824.62	7,278.80	5,319.08
Non-interest expense	7.72	676.16	9,430.86	8,754.70	7,145.66	6,489.93	5,272.21
Gross Revenue	6.37	1,040.19	17,382.27	16,342.08	15,548.00	15,209.39	12,398.58
Operating profit	4.80	364.03	7,951.41	7,587.38	8,402.34	8,719.46	7,126.37
Profit before tax	5.23	271.53	5,461.41	5,189.88	7,252.34	6,835.67	5,887.32
Net profit after tax	(7.41)	(194.72)	2,433.91	2,628.63	3,977.34	3,668.73	3,065.41

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	2017	2016	2015	2014	2013
Cost-income ratio	54.26	53.57	45.96	42.67	42.52
Gross profit ratio	58.98	57.27	51.38	51.31	43.78
Return on assets	0.70	0.84	1.42	1.49	1.41
Return on equity	9.31	10.24	16.54	17.07	15.85
Cost of fund	6.79	7.60	9.18	10.16	11.66
Yield on advance	8.53	9.71	11.75	13.87	16.21
Spread	1.74	2.11	2.57	3.71	4.55
Earnings per share (basic)	2.31	2.49	3.96	4.39	3.66
Earnings per share (restated)	2.31	2.49	3.96	3.65	3.05
Dividend (percent)*	10 C	15 C	20 C, 5 B	10 C, 20 B	20 C
Net asset value per share	25.15	24.43	25.49	26.88	24.51
Price earning ratio (times)	10.22	8.55	5.38	6.68	6.85
Dividend cover ratio(times)	2.31	1.66	1.58	1.46	1.83
Dividend Yield (percent)	4.24	7.04	11.74	10.24	7.97

* C = Cash, B = Bonus



Significant Deviations from Operating Results of last year

Bank's operating performance was comparatively better in the year 2017 mainly increase of fees, commission and other income. 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 percent. On the other hand, during the year 2016, yield on advance and cost of fund were 9.71 percent and 7.60 percent respectively, which represents spread 2.11. Except the above deviation, the indicators are uptrend during the year 2017 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 1,040.19 million from BDT 16,342.08 million in 2016 to BDT 17,382.27 million in 2017.

Operation profit: Operating profit has increased by 4.80 percent. It was BDT 7,951.41 million in 2017 and BDT 7,587.38 million in 2016.

Net profit after tax: During the year 2017, net performance line has decreased slightly by BDT (194.72) million. During the year 2017 net profit after tax was BDT 2,433.91 million, it was BDT 2,628.63 million during the year 2016.

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.

Risk Based Capital Framework

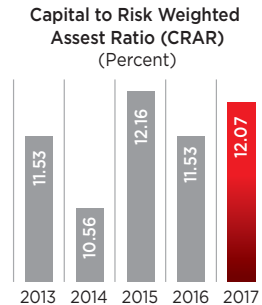
Risk Based Capital Adequacy Framework (Revised Regulatory Capital Framework for banks in line with Basel III) has been implemented in Bangladesh from beginning of 2015 through BRPD Circular No- 18 dated December 21, 2014. Bank was in Basel II regime in 2014 maintaining its capital level above the minimum 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:

(BDT in Million)

Particulars	2017	2016
Tier I Capital	23,595.90	23,026.98
Tier II Capital	13,323.94	10,494.92
Total Regulatory Capital	36,919.84	33,521.90
Risk Weighted Assets	305,850.28	294,391.54
Capital to Risk Weighted Asset Ratio (CRAR) (%)	12.07	11.39

UCB has strong Common Equity (Tier-1 Capital) base of BDT 23,595.90 million which was 7.71 percent of risk weighted assets as on December 31, 2017. Bank's Tier-2 Capital was BDT 13,323.94 million at the end of 2017, which was 4.36 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 1.25 percent in 2017. Thus Bank's minimum plus buffer requirement was 11.25 percent in 2017 which was deliberately maintained by the Bank.



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 3,500.00

million in December 2017. 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 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, 2016. The rating report is summarized as under;

Particulars	Long Term	Short Term
Entity Rating	AA	ST-2
Date of Rating	May 07, 2017	
Based on Financial Statement	December 31, 2016	
Validity Date	May 06, 2018	

ECRL has assigned AA (pronounced as Double A) the long term credit rating and ECRL-2 short term credit rating to the United Commercial Bank Limited based on audited financials from FY2012 to FY2016 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 2017 upto the date of approval of financial statements by the Board of Directors of the Bank that has significantly affected or may significantly affect the operations of the Bank, the results of its operations or its state of affairs. However, the only event is, "420th

meeting held on 20.03.2018, the Board of Directors of the Bank recommended 10% cash dividend" which is subject to approval of the shareholders in the next Annual General Meeting to be held on 30th April, 2018.

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 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. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 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/44 dated August 07, 2012) on corporate governance. Moreover, as per requirement of Bangladesh Securities & Exchange Commission, a certificate from a professional Chartered Accountants 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 2017, the bank has provided (provision for tax expense) an amount of BDT 3,027.50 million as tax expense as against BDT 2,561.25 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 2017 the size of total credit exposure of UCB with 42,687 no. of clients was BDT 261,002.88 million (2016: 39,966 no. of clients, BDT 223,697.18 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 4459 employees as on 31 December 2017 (2016: 4152). Significant amount of bank's earnings and expended for salary and employee benefits. During the year 2017, UCB paid total BDT 5,744.52 million for salary and employee benefits. UCB has also provident fund and gratuity fund as a tool to reward 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 2017 the bank expended around BDT 141.95 million for donation and sponsorship (2016: BDT 29.90 million).

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 2017 total 15 no. of Board of Director's meeting, 11 no. of Executive Committee meeting, 09 no. of Audit Committee meeting and 04 no. of Risk Management Committee meeting were held. The status of the member along with the attendance is mentioned below:

SL No.	Composition of the Board	Position	Total Meeting held	Total Meeting held during their period	Attended	Remarks
1	Rukhmila Zaman	Chairman	15	15	11	-
2	Hajee Yunus Ahmed	Vice Chairman	15	15	15	-
3	Anisuzzaman Chowdhury	Chairman - Executive Committee	15	15	15	-
4	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Chairman - Audit Committee (Independent Director)	15	15	13	-
5	Md. Jahangir Alam Khan	Chairman - Risk Management Committee	15	15	13	-
6	M. A. Sabur	Director	15	15	14	-
7	M. A. Hashem	Director	15	15	9	-
8	Hajee M. A. Kalam	Director	15	15	15	-
9	Nurul Islam Chowdhury	Director	15	13	12	13 nos. of Meetings held since he joined
10	Bazal Ahmed	Director	15	15	15	-
11	Sharif Zahir	Director	15	15	13	-
12	Md. Tanvir Khan	Director	15	15	12	-
13	Asifuzzaman Chowdhury	Director	15	15	12	-
14	Bashir Ahmed	Director	15	6	6	6 nos. of Meetings held since he joined
15	Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	Director	15	6	6	6 nos. of Meetings held since he joined
16	Muhammed Shah Alam, (Representative of Volkart Trading Limited)	Director	15	6	6	6 nos. of Meetings held since he joined
17	Farid Uddin Ahmed (Representative of Nahar Metals Limited)	Director	15	3	3	3 nos. of Meetings held since he joined
18	Syed Mohammed Nuruddin	Independent Director	15	15	8	-
19	Dr. Salim Mahmud	Independent Director	15	15	12	-
20	A.E. Abdul Muhaimen	Managing Director	15	8	7	8 nos. of Meetings held since he joined

Past Members Attendance Details:

SI No	Composition	Total Number of Meetings held during their Period	Total Attendance
1	Showkat Aziz Russell	6	3
2	Sultana Rezia Begum	6	5
3	Shabbir Ahmed	6	4
4	Ahmed Arif Billah	6	5

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

Attendance in Executive Committee Meeting during the year 2017

SI No	Composition of the Committee	Position	Total Meeting held	Attended	Remarks
1	Anisuzzaman Chowdhury	Chairman	11	10	-
2	Hajee Yunus Ahmed	Member	11	11	-
3	Md. Jahangir Alam Khan	Member	11	10	-
4	M.A. Sabur	Member	11	7	7 nos. of Meetings held since he joined
5	Bazal Ahmed	Member	11	7	7 nos. of Meetings held since he joined
6	Nurul Islam Chowdhury	Member	11	4	4 nos. of Meetings held since he joined
7	Asifuzzaman Chowdhury	Member	11	2	4 nos. of Meetings held since he joined

Past Members Attendance Details:

SL No	Composition	Position	Total Meeting held during their period	Total Attendance
1	Hajee M. A. Kalam	Member	4	3
2	Ahmed Arif Billah	Member	4	3
3	Sharif Zahir	Member	4	3
4	Showkat Aziz Russell	Member	4	4

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

Attendance in Audit Committee Meeting during the year 2017:

Present Members Attendance Details:

SL No	Composition of the Committee	Position	Total Meeting held	Total Attendance	Remarks
1	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	Chairman	9	8	-
2	Syed Mohammed Nuruddin	Member	9	8	-
3	Md. Tanvir Khan	Member	9	7	-
4	Bashir Ahmed	Member	9	3	3 nos. of Meetings held since he joined
5	Syed Kamruzzaman	Member	9	3	3 nos. of Meetings held since he joined

Past Members Attendance Details:

SL No.	Composition	Position	Total Meetings held	Total Attendance
1	Shabbir Ahmed	Member	4	3
2	Asifuzzaman Chowdhury	Member	6	4

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

Attendance in Risk Management Committee Meeting during the year 2017:

SI No	Composition of the Committee	Position	Total Meeting held	Total Attendance	Remarks
1	Md. Jahangir Alam Khan	Chairman	4	3	-
2	Anisuzzaman Chowdhury	Member	4	2	2 Nos of Meeting held during his tenure
3	Hajee M. A. Kalam	Member	4	2	2 Nos of Meeting held during his tenure
4	Nurul Islam Chowdhury	Member	4	4	-
5	Bazal Ahmed	Member	4	4	-

Past Members Attendance Details:

Sl No	Composition	Position	Total No. of Meeting held during their Period	Total Attendance
1	Hajee Yunus Ahmed	Member	2	2
2	Sharif Zahir	Member	2	1

** 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	390243577	390,24,35,770	37.02
Institution (Financial & Others)	220666286	220,66,62,860	20.93
General Public	434670958	434,67,09,580	41.24
Govt. of Peoples Republic of Bangladesh	8549833	8,54,98,330	0.81
Total	1054130654	1054,13,06,540	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 as on 31 Dec 2017
i)	Directors	Total
	Rukhmila Zaman and Spouse	21085311
	Hajee Yunus Ahmed and Spouse	26492727
	Anisuzzaman Chowdhury	29501526
	Akhter Matin Chaudhury, FCA (E&W), FCA, FCS	0
	Md. Jahangir Alam Khan and Spouse	21084009
	M.A. Sabur and Spouse	22789267
	M.A. Hashem and Spouse	25431154
	Hajee M.A. Kalam and Spouse	24234815
	Nurul Islam Chowdhury	21086874
	Bazal Ahmed	21125467
	Sharif Zahir	21122013
	Md. Tanvir Khan	21084773
	Asifuzzaman Chowdhury	29735237
	Bashir Ahmed	21202269
	Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	21611000
	Muhammed Shah Alam, (Representative of Volkart Trading Limited)	21100000
	Farid Uddin Ahmed (Representative of Nahar Metals Limited)	21083000
	Syed Mohammed Nuruddin	0
	Dr. Salim Mahmud	0
ii)	A.E. Abdul Muhaimen	0
iii)	A T M Tahmiduzzaman, FCS (EVP & Company Secretary) and Spouse	0
iv)	Muhammad Hafizur Rahman (SVP and Acting 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.)

as on 31.12.2017

Sl. No.	Name of Executives	Shares Held
1	Mohammed Shawkat Jamil (Additional Managing Director) and Spouse	0
2	Ahsan Afzal (Additional Managing Director) and Spouse	0
3	Arif Quadri (Additional Managing Director) and Spouse	0
4	Md. Sohrab Mustafa (Deputy Managing Director) and Spouse	0
5	Md. Abdul Jabber Chowdhury (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 director at the end of 2017. 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 Directors & 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 Directors

At the end of 2017, UCB had 20 (twenty) 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 2017, total honorarium was BDT 3.12 million which was BDT 3.48 million in 2016.

Rotation of Directors

Rukhmila Zaman, Hajee Yunus Ahmed, Md. Jahangir Alam Khan, M.A. Sabur and M. A. Hashem, Directors of the Bank, will retire in the 35th Annual General Meeting according to the Article 108 & 109

of Article 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 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	11.05.2017
Entities where they have interest	1. Islam Steel Mills Ltd. 2. Eastern Engineers (CTG.) Ltd. 3. Shoppers World Ltd. 4. NAMS Trading Corporation.

2.

Name of the Directors	Bashir Ahmed
Status in the Board	Director & Member, Audit Committee
Date of Birth	25.12.1969
Date of First Appointment	28.09.1993
Date of last Appointment	10.08.2017

Name of the Directors	Bashir Ahmed
Entities where they have interest	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 Mettle Emporium, 9. Petal Enterprise

3.

Name of the Directors	Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)
Status in the Board	Director & Member, Audit Committee
Date of Birth	21.02.1964
Date of First Appointment	10.08.2017
Date of last Appointment	-
Entities where they have interest	CFO, Aramit Thai Aluminium Limited

4.

Name of the Directors	Muhammed Shah Alam (Representative of Volkart Trading Limited)
Status in the Board	Director
Date of Birth	01.03.1962
Date of First Appointment	10.08.2017
Date of last Appointment	-
Entities where they have interest	CFO, Aramit Cement Limited

5.

Name of the Directors	Farid Uddin Ahmed (Representative of Nahar Metals Limited)
Status in the Board	Director
Date of Birth	06.02.1948
Date of First Appointment	01.11.2017
Date of last Appointment	-
Entities where they have interest	CFO, Nahar Metals Limited

Appropriation of Profit & Dividend Recommendation

Taking into account the profit available for distribution after complying with regulatory requirement, the Board in its 420th meeting held on 20.03.2018 recommended 10 percent Cash dividend for the year ended on December 31, 2017 which is subject to approval of shareholders in the next Annual General Meeting.

Proposed appropriations are as follows:

(in million BDT)

Particulars	2017	2016
Net profit after tax for the year	2,433.91	2,628.63
Retained earnings at the beginning	47.78	38.32
Transfer from General Reserve	-	-
Profit available for appropriation	2,481.69	2,666.95

Particulars	2017	2016
Proposed appropriations:		
Transferred to statutory reserve	1,092.28	1,037.97
Proposed stock dividend	-	-
Proposed cash dividend	1,054.13	1,581.20
Retained earnings	335.28	47.78

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 2017. 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

Syful Shamsul Alam & Co., Chartered Accountants was the auditor of the Bank for the year 2017. As 2017 is the second year of audit and eligible for reappointment for the year 2018.

Section 210 of the Companies Act, 1994 gives authority to the shareholders to fix the appointment of the auditor and its remuneration. Hence, the Board recommends to reappoint Syful Shamsul Alam & Co., Chartered Accountants as the auditor of the Bank for the year 2018 at a remuneration of Tk. 1,150,000. However, such appointment will be subject to approval of the shareholders in the next Annual General Meeting.

Acknowledgement

The Bank closed the year 2017 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 also look forward to continued support from them.

Last but not the least, I wish to thank our shareholders for their continued support and trust placed on us and UCB 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 2017 together with the auditor's report thereon for approval.

I, on behalf of the Board of Directors.



Rukhmila Zaman
Chairman

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, 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.



REPORT ON CORPORATE GOVERNANCE

1.0 Breaking down the 'Agency Problem'

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'. Agency problem refers to the conflict of interest between management and shareholders, i.e. managers (Agent) may not act in the best interest of shareholders (Principal).

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 to the good governance and good governance 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 over financial reporting, transparency, disclosure and compliance etc.; all our Banking activities are guided by these 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 trying to apply in every possible business context. Statements of Vision, Mission, and Values are provided.

4.0 Board of Directors

As at 31 December 2017, the Board consists of 20 (twenty) Directors including ex-officio 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 BoD of the Bank includes three Independent Directors as prescribed in the Bank Company Act 1991 (amended up to 2013) and BSEC Corporate Governance Guidelines.

Role of Board of Directors

- The Board determines the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis.
- It analyzes/monitors, at quarterly rests, the development of implementation of the work-plans.
- The Board has 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 sets the Key Performance Indicators (KPIs) for the Managing Director & CEO & Executives of immediate two tiers, and it evaluates from time to time.
- The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedule and write-off thereof are made with the Board's approval under the purview of the existing laws, rules and regulations.
- The Board specifically distributes the power of sanction of loan/investment and such distribution desirably be made among the Managing Director & CEO and his subordinate executives as much as possible. No Director, however, interferes, directly or indirectly, into the process of loan approval.
- The Board frames policies for Risk Management and gets them complied with and monitors the compliance at quarterly rests and reviews the concerned report of the Risk Management team and compiles in the minutes of the Board meeting. The Board monitors the compliance of the guidelines of Bangladesh Bank and other regulatory bodies regarding key Risk Management.
- The Board is 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 has established such an internal control system so that the internal audit process can be conducted independently from the management. It reviews the reports submitted by its audit Committee at quarterly rests regarding compliance of recommendations.
- Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules are framed and approved by the Board.

The Chairman or the Directors are 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 is included in the selection Committees for recruitment and promotion to different levels. Recruitment, promotion, transfers & punishment of the officer's immediate two tiers below the Managing Director & CEO is, however, rest upon the Board. Such recruitment and promotion are to be carried out complying with the service rules i.e., policies for recruitment and promotion.

- The Board focuses on 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.
- The Board composes Code of Ethics for every tier and they follow it properly.
- The Board promotes healthy code of conducts for developing a compliance culture.
- The annual budget and the statutory financial statements is finalized with the approval of the Board. It is quarterly reviewed/monitored 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.
- The Board formulates the policies and procedures for Bank's purchase and procurement activities and accordingly approves the distribution of power for making such expenditures. The maximum possible delegation of such power of expenditures shall rest on the CEO & Managing Director and his subordinates. The decision on matters relating to infrastructure development a purchase of land, building, vehicles etc. for the purpose of Bank's business is, however, is adopted with the approval of the Board.
- The Board reviews whether an Asset-Liability Committee (ALCO) has been formed and it is working according to regulatory guidelines.
- In order to strengthen the financial base of the Bank and obtain confidence of the depositors, one of the major responsibilities of the Board of Directors is to appoint an honest, efficient, experienced and suitable CEO or Managing Director. The Board of Directors appoints competent Managing Director & CEO with the approval of the Bangladesh Bank.
- BoD exercises the right to access relevant any information or books under the purview of the Companies Act 1994, Bank Company Act 1991 (amended up to 2013), Corporate Governance Guidelines of BSEC, and Guidelines of Bangladesh Bank.

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. 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 sanctioned. 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

UCB does not hold any policy on appointment of Directors. Directors including Independent Directors are appointed following relevant provision/clause of Companies Act 1994, Bank Company Act 1991, 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 period of three years subject to approval from Bangladesh Bank.

7.0 The Chairman's Role

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 apprised 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 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 whom 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 be eligible as an Independent Director, the Board strictly ensures that an incumbent Director has no substantial relationship with UCB either as a partner, shareholder or officer. 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 maintain one percent or more of the total paid up share of the Company; not related with the existing Directors or families; 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 Independent Director who has already been appointed such Director of three 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. 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 and Clause 1.4 of BSEC CG Guidelines dated 07 August 2012, we report that the functional responsibilities of the Chairman of the Board and Managing Director & CEO are kept separate and independent of each other.

11. Induction & Training of the Directors

New Directors and existing Directors are likely to require some key information and training 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. Code of Conduct for Directors and Senior Management

It States among others:

- **Participation:** Directors shall demonstrate their commitment to the Bank by demonstrating a high priority of participation in Board and Committee meetings through high levels of attendance.
 - **Respect:** Directors shall express their opinions, unencumbered, yet always with the goals of flexibility and compromise whenever achievable by remaining open to differing viewpoints. Directors shall work with and respect the opinions of their peers and leave personal prejudices out of all Board and Committee discussions.
 - **Support:** Directors shall represent the Bank and the Board in a positive and supportive manner at all times and in all places. Directors shall exercise the duties and responsibilities of their office with integrity, collegiality and care.
 - **Policy:** Directors shall use their best judgment to keep a dynamic balance with the relative importance of issues to be determined by the Board in setting policies. Directors shall uphold the vision statement as approved by the Board, as may be amended from time to time.
 - **Administration:** Directors shall actively support the Bank's Executive by providing overall direction, resources and time frames to achieve the identified vision and ends of the Bank. Directors shall recognize the difference between the role of the Board to set policies and strategic objectives, and the role of the staff to implement same.
 - **Confidentiality:** Directors shall maintain, at all times, the confidentiality of all confidential information and records of the Bank and must not make use of or reveal such information or records except in the course of performance of their duties or unless the documents or information become a matter of general public knowledge. Directors shall not use confidential information obtained through their association with the Bank to further their private interests or the private interests of their friends or relatives.
 - **Responsibility:** Directors must adhere to the standards prescribed by this Code of Conduct, as well as any applicable Conflict of Interest Policy, and shall execute declarations in favour of the Bank and the Board to that effect. Directors must adhere to all applicable legislation, as well as the by-laws and shareholder direction that govern the Bank. Directors must adhere to all applicable policies of the Bank while performing their duties or while in situations which may affect their ability to perform their duties. Directors shall report any breaches or potential breaches of this Code of Conduct to the Board through the Chair.
- **Regulatory Compliance:** The Board of Directors abides by the rules and regulations of all the regulatory authorities. Annual code of conduct for the Directors is also reviewed & followed.
 - **Honesty & Integrity:** Directors shall act on behalf of the Bank and on their personal behalf, with honesty, integrity and fairness. They will act in good faith, responsibility, with due care, skill, competence and diligence, without allowing their independent judgment to be subordinated. Directors shall fulfill the fiduciary obligations and act in the best interests of the Bank, its stakeholders and for the protection of environment.

13. 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.

14. 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 control of the Bank on a day to day basis and 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 upto 2013), Bangladesh Bank's rules and regulations, circulars, and other regulatory bodies.

15. Evaluation of the CEO by the Board

There is a Strategic Priorities & Action Plan (KPI) for the evaluation of the CEO/Management on an annual basis and it is revised from time to time by the Board. The performance of the CEO is being appraised by the Board of Directors in every months. The CEO is also evaluated on an annual basis and is also 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 start of each year, the Board participates in extensive discussions with the Managing Director & CEO and decides on financial and non-financial objectives. 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 with actual accomplishments by the Board. The non-financial successes are also evaluated by the Board in each quarter. Furthermore, a yearly appraisal and assessment of the accomplishments of goals are made at the end of the year along with deviations.

16. Directors' Remuneration

The Directors do not receive any type of remuneration and incentive. They are only paid Board meeting attendance fees, travelling and living expenses incurred for attending in the Board meeting and other Board's Committee 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.

17. Managing Director & CEO 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.

18. Delegation of Power

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

19. 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.

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

The CEO, CFO, CS, and Head of ICC 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.

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

Chief Financial Officer (CFO), Head of Internal Control & Compliance and Company Secretary 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 Chief Financial Officer (CFO), Company Secretary (CS) and Head of Internal Control & Compliance (ICC). 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.

22. Management and its Committee

Management team of UCB is headed by the Managing Director & CEO A. E. Abdul Muhaimen.

Several management Committees have been formed to handle the Banking operation and identify and manage the risk associated with the business. 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.

23. 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. During the year 2017 Total 15 no. of meetings were held.

24. Executive Committee

The Board has an Executive Committee which conducts their responsibility as per Terms of Reference (TOR) determined by the Board of Directors of the Bank. The Executive Committee reviews the policies and guidelines issued by Bangladesh Bank regarding credit and other operations of the Banking industry. The Committee ensures the implementation of the policies and guidelines through the management. The Executive Committee of the Board approves the credit proposals as per approved policy of the Board. The management ensures due diligence of the credit policy and Risk Management at the time of submitting the credit proposals. During the year 2017 total 11 no. of Executive Committee meetings were held. The status of the member along with the attendance is separately discussed in the Directors' Report

25. Audit Committee

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. The Chairman of the Audit Committee is chaired by an Independent Director; 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.

- 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. During the year 2017 total 9 no. of Audit Committee meetings were held. The status of the member along with the attendance is separately discussed in the Directors' Report
- Monitor Internal Control Risk Management process.

26. Report of the Board Audit Committee:

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

27. Risk Management Committee

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

During the year 2017 total 4 no. of Risk Management Committee meetings were held. The status of the member along with the attendance is separately discussed in the Directors' Report.

28. Remuneration Committee

Bank is authorized to form three sub-Committees of the Board i.e. Executive Committee, Audit Committee, Risk Management Committee as directed by Bangladesh Bank . The Board oversees the recruitment and remuneration process of the employees by reviewing / approving various policies like HR policies, recruitment and promotion policies etc.

29. Regulatory Compliance/Disclosure

The primary regulator of the Bank is Bangladesh Bank and other major regulator includes, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), RJSC&F, 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 ensures adequate disclosures for the shareholders through Annual Report or other specific disclosures if required.

30. Report on Going Concern

The report is attached with this Annual Report separately.

31. Audit by the Central Bank

Bangladesh Bank also 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.

32. 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 4 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 2017:

- 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.

33. 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.

34. 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.

35. 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.

36. 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).

37. 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; like approval of financial statements, dividend, appointment of Directors, appointment of statutory auditors and fixation of their remuneration etc.

38. A Code of Ethics for Bank’s Employees

For eminence corporate culture, all the employees should believe in same Code of Ethics. UCB has a standard Code of Ethics for its employees 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.

39. 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 2013). 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.

40. Communication to Shareholders and Other Stakeholders:

- Policy on Communication with Shareholders and Other Stakeholders: The Board and Share 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.

41. 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.

42. Disclosure on Governance under Secretarial Standard by ICSB

		(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 at Meetings		Complied
5.0	Chairman		Complied
6.0	Passing of Resolution by Circulation		Complied
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	Voting	Complied
6.0	Proxies	Complied
7.0	Conduct of Poll	Complied
8.0	Withdrawal of Resolutions	Complied
9.0	Rescinding of Resolutions	Complied
10.0	Modifications to Resolutions	Complied
11.0	Reading of Report/Certificate	Complied
12.0	Distribution of Gifts	Complied
13.0	Adjournment of Meetings	Complied
14.0	Minutes	Complied
15.0	Recording in the Minutes	Complied
16.0	Preservation of Minutes and other Records	Complied
17.0	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	Complied
4.0	Entitlement to Dividend	Complied
5.0	Payment of Dividend	Complied
6.0	Unpaid / Unclaimed Dividend	Complied

43. 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.

44. 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 own standard but also affect 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.

45. Statement of Compliance

Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance Guidelines (Notification no. EC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012) for the companies listed with the Stock Exchanges in Bangladesh. Compliance status of the guidelines of 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 conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance,1969:

Condition No.	Title	Compliance status (Put in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.0	BOARD OF DIRECTORS			
1.1	Board's Size	√		
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	N/A		As per section 15(9) of Bank Company Act, no of independent director is limited to three
1.2(ii)	Independent director means a director	√		
1.2(ii)a	Holds no share or less than (1%) shares	√		
1.2(ii)b	Neither a sponsor nor connected with any sponsor or director or shareholder who holds 1% or more shares on the basis of family relationship.	√		
1.2(ii)c	Not a Stakeholder of the company or its subsidiary/associated companies	√		
1.2(ii)d	Not a member, director or officer of any stock exchange	√		
1.2(ii)e	Not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	√		
1.2(ii)f	Not a partner or an executive during the preceding 3 years of the company's statutory audit firm	√		
1.2(ii)g	Not an independent director in more than 3 (three) listed companies	√		
1.2(ii)h	Not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a Bank or a NBF1	√		
1.2(ii)i	Not convicted for a criminal offence involving moral turpitude	√		
1.2(iii)	Independent director(s) shall be appointed by BOD & approved in AGM	√		
1.2(iv)	Post of independent director(s) cannot remain vacant for more than 90 days	√		
1.2(v)	Code of conduct of all Board members & annual compliance of the code	√		
1.2(vi)	Tenure of office of an independent Director	√		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	√		
1.3(ii)	Professional/Educational Qualification & Years of Experiences of an Independent Director	√		
1.3(iii)	Appointment in special cases (subject to prior approval of BSEC)	N/A		
1.4	The Chairman of the Board and The Chief Executive Officer	√		
1.5	The Directors Report to Shareholders			
1.5(i)	Industry outlook and possible future developments in the industry.	√		
1.5(ii)	Segment-wise or product-wise performance	√		
1.5(iii)	Risks and concerns	√		
1.5(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss	N/A		
1.5(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	√		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others 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 Offer, Direct Listing, etc.	N/A		

Condition No.	Title	Compliance status (Put in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	N/A		
1.5(x)	Remuneration to Directors & Independent Directors.	√		
1.5(xi)	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.	√		
1.5(xii)	Proper books of account of the issuer company have been maintained.	√		
1.5(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	√		
1.5(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed	√		
1.5(xv)	Internal Control System	√		
1.5(xvi)	There are no significant doubts 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 should be disclosed.	√		
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained	N/A		
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	√		
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed	√		
1.5(xxi)	Shareholding Pattern			
1.5(xxi)a	Parent/Subsidiary/Associated Companies and other related parties (name wise details)	√		
1.5(xxi)b	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	√		
1.5(xxi)c	Executives	√		
1.5(xxi)d	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	√		
1.5(xxii)	Appointment or Reappointment of Director			
1.5(xxii)a	a brief resume of the director	√		
1.5(xxii)b	nature of his/her expertise in specific functional areas	√		
1.5(xxii)c	names of companies in which the person also holds the directorship and the membership of committees of the board	√		
2.0	Chief Financial Officer, Head of Internal Audit and Company Secretary			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3	Audit Committee			
3.i	Audit Committee as a sub-committee of BOD	√		
3.ii	Audit Committee shall assist the BOD in ensuring that the financial statement reflect true and fair view of the affairs.	√		
3.iii	Duties & responsibility	√		
3.1	Constitution of Audit Committee			
3.1(i)	Members (at least 3 members)	√		
3.1(ii)	Appointment (at least 1 independent director)	√		
3.1(iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	√		

REPORT ON CORPORATE GOVERNANCE

Condition No.	Title	Compliance status (Put in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.1(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until 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 of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	N/A		
3.1(v)	The company secretary shall act as the secretary of the Committee	√		
3.1(vi)	The quorum of the Audit Committee meeting	√		
3.2	Chairman of the Audit Committee			
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Committee			
3.3(i)	Oversee the financial reporting process	√		
3.3(ii)	Monitor choice of accounting policies and principles	√		
3.3(iii)	Monitor Internal Control Risk management process	√		
3.3(iv)	Oversee hiring and performance of external auditors	√		
3.3(v)	Review annual financial statements before submission to the board for approval	√		
3.3(vi)	Review quarterly and half yearly financial statements before submission to the board for approval	√		
3.3(vii)	Review the adequacy of internal audit function	√		
3.3(viii)	Review statement of significant related party transactions submitted by the management	√		
3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	√		
3.3(x)	When money is raised through IPO/RPO/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus	N/A		
3.4	Reporting of the Audit Committee			
3.4.1(i)	Report its activities to the Board of Directors	√		
3.4.1(ii)a	Report on conflicts of interests	N/A		
3.4.1(ii)b	Suspected or presumed fraud or irregularity or material defect in the internal control system	N/A		
3.4.1(ii)c	Suspected infringement of laws, including securities related laws, rules and regulations	N/A		
3.4.1(ii)d	Other matter which shall be disclosed to the Board of Directors immediately.	√		
3.4.2	Reporting to the Authorities (BSEC) in special circumstances	√		
3.5	Reporting to the Shareholders and General Investors	√		
4.0	External/ Statutory Auditors(The issuer company should not engage its external /statutory auditors to perform the following services of the Company)			
4(i)	Appraisal or valuation services or fairness opinions	√		
4(ii)	Financial information systems design and implementation	√		
4(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4(iv)	Broker-dealer services	√		
4(v)	Actuarial services	√		
4(vi)	Internal audit services	√		
4(vii)	Any other service determined by the Audit Committee	√		
4(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company	√		
4(ix)	Audit Certification Services on compliance of Corporate Governance as required under clause (i) of condition no.7	√		
5.0	Subsidiary Company			
5(i)	Board of Directors	√		

Condition No.	Title	Compliance status (Put in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
5(ii)	At least one Independent Director of the BOD of holding company shall be on the BOD of the subsidiary company	√		
5(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
5(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	√		
5(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
6.0	Duties of CEO & CFO (The CEO & CFO shall certify the BOD they have reviewed financial statements for the year and that to the best of their knowledge and belief)			
6(i)a	Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
6(i)b	Statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
6(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	√		
7.0	Reporting & Compliance of Corporate Governance			
7(i)	Obtain a certificate from a practicing Professional Accountant/ Secretary (CA/CMA/ CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	√		
7(ii)	The directors' statement, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions	√		

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE



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

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**McMillan Woods
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Professionalism at the forefront

Compliance Certificate on Corporate Governance Guidelines To the Shareholders of United Commercial Bank Limited

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

The compliance of conditions of the Corporate Governance Guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Management of the Bank. our review for the purpose of issuing this certificate was limited to the verification of procedures and implementations thereof adopted by the Bank for ensuring the compliance of conditions of Corporate Governance Guidelines and proper reporting of compliance status on the compliance statement on the basis of evidences obtained and representation received thereon from the management of the Bank. it is neither an audit nor expression of opinion on the financial statements of the Bank.

Based on information and explanations given to us, we certify that the Bank has complied with the conditions of the Corporate Governance Guidelines as stipulated in the above mentioned notification of Bangladesh Securities and Exchange Commission and applicable to the Bank for the year ended 31 December, 2017.

Hedayet Ullah FCA
Senior Partner

Place: Dhaka
Date: March 13, 2018

An Independent Member Firm of McMillan Woods International

CEO's and CFO's

DECLARATION TO THE BOARD OF DIRECTORS



Board of Directors
United Commercial Bank Ltd.

Subject: CEO's and CFO's Declaration to the Board of Directors.

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

1. We have reviewed financial statements for the year 2017 and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
2. There are, to the best of knowledge and belief, no transaction entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.

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

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

A handwritten signature in black ink, appearing to read "A. E. Abdul Muhaimen".

A. E. Abdul Muhaimen
Managing Director

Date: 20 March, 2018



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 2016 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, 2018

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 strong management, good utilization of funds, good market share, satisfactory liquidity and its access to low cost funding sources.



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 Guidelines, dated 7 August 2012, an Audit Committee was constituted by 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, FCA, FCS	Chairman	Independent Director
Syed Mohammed Nuruddin	Member	Independent Director
Md. Tanvir Khan	Member	Director
Bashir Ahmed	Member	Director
Syed Kamruzzaman	Member	Director

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

Members Information

Akhter Matin Chaudhury FCA(E & W)FCS

Date of Birth: 2.2.1951

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

Years of Experience: 46

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: 34

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

Md. Tanvir Khan

Date of Birth: 14.9.1983

Education Qualifications: MBA, University of Toronto, Canada

Years of Experience: 16

Fields of Expertise: Textile, Spinning, Garments, Shrimp and Seafood Sourcing

Bashir Ahmed

Date of Birth: 25.12.1969

Educational Qualifications: B.Com

Years of Experience: 20

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: 23

Fields of Expertise: Finance and Accounting

Meetings of the Audit Committee:

Bangladesh Bank has suggested that Audit Committee should hold at least four meetings per year. The Audit Committee of UCB held nine meetings in 2017. 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 meeting dates were as follows:

Details of Audit Committee Meetings held in 2017		
Serial No.	Meeting No	Date of Meeting
1	82	30.1.2017
2	83	15.3.2017
3	84	4.4.2017
4	85	3.5.2017
5	86	14.5.2017
6	87	25.7.2017
7	88	14.9.2017
8	89	31.10.2017
9	90	4.12.2017

Particulars of Attendance of the Members of the Audit Committee are given below:

Present Members:

Name of the Directors	Position	Meetings held in 2017	Meetings Attended	Remarks
Akhter Matin Chaudhury FCA (E & W), FCA, FCS	Chairman	9	8	-
Syed Mohammed Nuruddin	Member	9	8	-
Md. Tanvir Khan	Member	9	7	-
Bashir Ahmed	Member	9	3	3 Meetings held since he joined
Syed Kamruzzaman	Member	9	3	3 Meetings held since he joined

Past Members:

Name of the Directors	Position	Number of Meetings held during their tenure in 2017	Total Attendance
Shabbir Ahmed	Member	4	3
Asifuzzaman Chowdhury	Member	6	4

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.
- 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
 3. The Audit Committee shall monitor progress in the computerization of the operations and records of the Bank and its Management Information Systems (MIS).

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 will 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 Major issues reviewed by the Audit Committee during 2017
1. Internal Audit Strategic Plan - 2017
 2. Internal Control and Compliance (ICC) Policy of the Bank.
 3. Audited Financial Statements of the Bank for the year ended 31, December 2016, and the Auditors report thereon.
 4. Unaudited Financial Statements for the 1st, 2nd and 3rd quarters of the Bank for the year 2017, before submission for approval to the Board of Directors
 5. Findings and action plans arising out of the half yearly Internal Audit Conference held on 6 August 2017
 6. "Annual Health Report" as on 31 December 2016.

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 formatted disclosure of the enormous activities that the United Commercial Bank Ltd. (UCB) had undertaken to manage its Risk Based Capital Adequacy and other requisites throughout the year 2017 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	Liquidity Standards
Stringent Capital Standards & Requirements	Wide Risk Coverage	Non-Risk Based Leverage	Robust Risk Mgt. & Supervision	Market Discipline	
Quality and level of capital	Securitisations	Leverage ratio	Supplemental Pillar 2 requirements	Revised Pillar 3 disclosure requirements	Liquidity coverage ratio
Gone concern contingent capital	Trading book				Net stable funding ratio
Capital conservation buffer	Counterparty credit risk				Principles for Sound Liquidity Risk Mgt and Supervision
Countercyclical buffer					Supervisory monitoring

DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

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 for simplicity. 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. There are new additions to this disclosure format

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 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%	--	--
Capital Conservation Buffer	-	0.625%	1.25%	1.875%	2.50%
UCB Status	2.70%	2.32%	1.71%	--	--
Minimum CET1 plus Capital Conservation Buffer	4.50%	5.125%	5.75%	6.375%	7.00%
UCB Status	8.20%	7.82%	7.71%	--	--
Minimum Tier 1 Capital Ratio	5.50%	5.50%	6.00%	6.00%	6.00%
UCB Status	8.20%	7.82%	7.71%	--	--
Minimum Total Capital Ratio	10.00%	10.00%	10.00%	10.00%	10.00%
UCB Status	12.16%	11.39%	12.07%	--	--
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%	--	--

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%	
UCB Status	Done	Done	Done	--	
Leverage Ratio	3.00%	3.00%	3% Readjustment	Migration to Pillar1	
UCB Status	6.02%	5.48%	5.07%	--	--
Liquidity Coverage Ratio (LCR)	≥100% (From Sep-15)	≥100%	≥100%	≥100%	≥100%
UCB Status	158.36%	160.34%	119.29%		
Net Stable Funding Ratio (NSFR)	>100% (From Sep-15)	>100%	>100%	>100%	>100%
UCB Status	106.24%	110.83%	113.35%		

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 (UCBL) was incorporated in Bangladesh as a public limited company with limited liability on 26 June 1983 under Companies Act 1913 to carry on banking business in Bangladesh. Bangladesh Bank gave the permission for commencement of its business on 13 November 1983. The Bank presently has a business network comprising 178 branches, 01 (One) Off-shore Banking Unit and 02 (Two) subsidiaries as on 31 December 2017. 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 includes 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 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.

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.

2.00 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 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, 2017 is stated below; BDT in Million

Sl.	Particulars	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	10,467.42	10,467.42
1.1.4	General Reserve	26.58	26.58
1.1.5	Retained Earnings	1,389.40	1,750.92
1.1.6	Dividend Equalization Reserve	0.00	0.00
1.1.7	Minority Interest in subsidiaries	0.00	0.00
	Sub-Total:	23,879.69	24,241.19
1.1.8	Regulatory Adjustments:	283.80	347.71
	Sub-Total:	23,595.89	23,893.48
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	23,595.89	23,893.48
2.0	Tier-2 (Gone-Concern Capital)		
2.1	General Provision	4,376.36	4,405.39
2.2	Subordinated debt	8,300.00	8,300.00
2.3	Revaluation Reserves	647.58	647.58
	Total Tier 2 Capital	13,323.94	13,352.97
3.0	Regulatory Adjustments/Deduction from capital	283.80	347.71
	Total Regulatory Capital	36,919.83	37,246.45

3.00 Capital Adequacy

Methodology of Capital Adequacy Determination:

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

- a. 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.
- b. Standardized (Rule Based) Approach for Market Risk; and
- c. 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 2017, the CRAR ranges from 11.32% to 12.08% on **consolidated basis** and from 11.29% to 12.07% on **solo basis** against minimum requirement of 10% of RWA. Risk Management Division (RMD) under the guidance of the SRP Team/Risk Management Committee at management level 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, 2017 are as under;

Particulars	BDT in Million	
	Solo	Consolidated
Capital requirement for Credit Risk	26,977.66	26,988.48
Capital requirement for Market Risk	994.63	1,197.28
Capital requirement for Operational Risk	2,612.73	2,638.64
Total Capital Requirement under Pillar-I	30,585.03	30,824.40
Capital to Risk-weighted Asset Ratio (CRAR)	12.07%	12.08%
Common Equity Tier 1 Capital to Risk-weighted Asset Ratio	7.71%	7.75%
Tier 1 Capital to Risk-weighted Asset Ratio	7.71%	7.75%
Tier 2 Capital to Risk-weighted Asset Ratio	4.36%	4.33%
Capital Conservation Buffer	1.71%	1.75%
Available Capital under Pillar 2 Requirement	6,334.80	6,422.05

4.00 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:

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 House Building & Professionals	2%	2%	20%	50%	100%
Other than Housing Finance & Professionals to setup business	5%	5%	20%	50%	100%
Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	2%	20%	50%	100%
Short term Agri. Credit and Micro Credit	2.50%	2.50%	5%	5%	100%
Small & Medium Enterprise Finance	0.25%	0.25%	20%	50%	100%
All Other Credit	10%	10%	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 caps set for counterparty or groups of connected counterparty, for industry sector; and for product. Additional targets are set and monitored for concentrations by credit committee. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Bank are reviewed and approved at least annually by the Board of Directors.

Credit Risk Mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Collateral is valued in accordance with our 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	120,826.40	46.29
Commercial Lending	47,325.75	18.13
House Building Loan	17,863.30	6.84
Import Finance	12,879.40	4.93
Retail Loan	13,449.91	5.15
Export Finance	5,514.80	2.11
Transport Loan	4,168.31	1.60
Staff Loan	2,914.71	1.12
Agricultural Loan	5,540.20	2.12
Others	30,520.10	11.69
Total	261,002.88	100.00

Geographical Distribution of Credit Exposure

Division	BDT in Million	In %
Dhaka	187,735.87	71.93
Chittagong	58,497.44	22.41
Khulna	6,282.63	2.41
Rajshahi	5,835.69	2.24
Sylhet	1,751.03	0.67
Rangpur	694.73	0.27
Barisal	205.49	0.08
Total	261,002.88	100.00

Industry Type Distribution of Exposure

Types of Credit Exposure	BDT in Million	In %
RMG & Textiles Industry	47,299.34	18.12
Commercial trade financing	60,205.12	23.07
Other Manufacturing Industries	32,502.03	12.45
Construction (other than housing)	21,857.00	8.37
Housing industry	17,863.32	6.84
Power & energy	9,023.85	3.46
Food products & processing	13,291.67	5.09
Telecommunication, Transport & communication	7,040.39	2.70
Service Industry	5,134.56	1.97
Agriculture	5,443.14	2.09
Shipping Industries	3,616.96	1.39
Others	37,725.50	14.45
Total	261,002.88	100.00

Residual Contractual Maturity wise Distribution of Exposure

Particulars	BDT in Million
On demand	17,498.53
Not more than three months	67,549.36
More than three months but less than one year	72,466.60
More than one year but less than five years	67,520.23
More than five years	35,968.16
Total	261,002.88

DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

Loans & Advances and Provision

(BDT in Million)

Particulars	Loans & Advances	Provision against Loans & Advances
Total Loans and Advances	261,002.88	7,417.46
Performing Loans & Advances	241,734.79	2,396.52
Classified Loans and Advances	19,268.09	5,020.94
Substandard (SS)	1,329.57	96.68
Doubtful (DF)	703.03	121.32
Bad/Loss (BL)	17,235.49	4,802.94
Off-Balance Sheet Items	197,973.80	1,979.84

Gross Non Performing Assets (NPAs)

Particulars	BDT in Million
Gross Non Performing Assets (NPAs)	19,268.09
Total Loans and Advances	261,002.88
NPAs to outstanding Loans & Advances	7.38%

Movement of Non Performing Assets (NPAs)

Particulars	BDT in Million
Opening Balance	17,920.57
Additions	6,923.68
Reductions	(5,576.16)
Closing Balance	19,268.09

Movement of Specific Provisions for NPLs

Particulars	BDT in Million
Opening Balance	4,160.12
Adjustment due to Write-off	(595.09)
Provisions made during the period	1,455.91
Transferred from surplus provision	-
Closing Balance	5,020.94

5.00 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	3,315.46	4,892.10

Particulars	BDT in Million
Realized Gains	525.46
Unrealized Gains	1,812.79
Unrealized Losses	(236.15)
Net Unrealized Gains/(Loss)	1,576.64
Amount included in Tier-2 Capital (Based on balance of December 2014)	3.55
Capital requirement for Equity Risk (Specific & General)	978.42
Supervisory Provision against Classified Equity Investment	292.84

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	924.86	1,493.74	149.37	149.37	298.74
Textile	500.94	490.82	49.08	49.08	98.16
Telecommunication	298.87	801.50	80.15	80.15	160.30
Fuel & power	262.59	250.23	25.02	25.02	50.04
Mutual Fund	387.14	372.08	37.21	37.21	74.42
Bank	413.29	786.53	78.65	78.65	157.30
Financial Institutions	216.26	489.23	48.92	48.92	97.84
Engineering	58.12	36.42	3.64	3.64	7.28
Ceramic Sector	40.07	23.60	2.36	2.36	4.72
Miscellaneous	110.99	106.35	10.64	10.64	21.28
Travel & Leisure	80.00	32.66	3.27	3.27	6.54
Insurance	22.32	8.93	0.89	0.89	1.78
IT					
Total	3,315.46	4,892.10	489.21	489.21	978.42

6.00 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 month the bank considers data of maximum period available.

The Bank ensures that interest rate risk is not included within the market risk. The Bank has calculated the rate sensitive assets and liabilities with maturity up to 12 months bucket and applied the sensitivity analysis to measure the level of interest rate shock on its capital adequacy.

BDT in Million

Particulars	Upto 3 months	3 - 6 months	6 - 12 months
Rate Sensitive Assets (RSA)	150,537.60	36,766.50	42,532.90
Rate Sensitive Liabilities (RSL)	109,355.10	33,594.60	53,515.00
Gap (RSA - RSL)	41,182.50	3,171.90	(10,982.10)
Cumulative Gap	41,182.50	44,354.40	33,372.30

Interest Rate Shock on Capital:

(BDT in Million)

Total Regulatory Capital	36,919.83
Total Risk Weighted Assets (RWA)	305,850.28
Capital to Risk-weighted Asset Ratio (CRAR)	12.07%

BDT in Million

Assumed decrease in Interest Rate	1%	2%	3%
Earnings Impact on Cumulative Gap	333.72	667.44	1,001.16
Capital After Shock	37,253.55	37,587.27	37,920.99
CRAR after Shock	12.20%	12.31%	12.42%
Increase in CRAR	0.11%	0.22%	0.33%

7.00 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	4.00
Equities	9,78.42
Foreign Exchange Position	12.24
Commodities	0.00
Total	994.66

8.00 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.

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.

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.

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.

Performance gap of executives and staffs:

The Bank identifies the loop holes among the

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.

BDT in Million

Capital Charges for Operational Risk

Basis	Operational Risk	2015	2016	2017	Capital Charge
Solo	Gross Income	16,156.41	17,573.22	18,525.02	2,612.70
Consolidated	Gross Income	16,156.41	17,573.20	19,043.07	2,638.64

9.00 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 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 :

- 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
- Cash Reserve Ratio (CRR)
- Statutory Liquidity Requirement (SLR)
- Advance to Deposit Ratio (ADR)
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR).

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:

- a) Maintenance of a reasonable amount of liquid assets;
- b) Measurement and projection of funding requirements; and
- c) 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 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 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).

DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

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).

LCR= (Stock of High Quality Liquid Assets)/(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 2017 in this ratio is as follows:

(BDT in Million)

Particulars	Regulatory Standard	As on 31 December, 2017	As on 31 December, 2016
Total Stock of High Quality Liquid Assets		62,895.50	71,855.26
Total Net cash outflows over the next 30 calendar days		52,724.90	44,814.30
Liquidity Coverage Ratio (LCR)	Greater than or equal to 100	119.29%	160.34%

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, 2017 is as under:

(BDT in Million)

Particulars	Regulatory Standard	As on 31 December, 2017	As on 31 December, 2016
Available amount of stable funding (ASF)		311,512.63	290,390.53
Required amount of stable funding (RSF)		274,830.72	262,012.26
Net Stable Funding Ratio (NSFR)	Greater than 100	113.35%	110.83%

10.00 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:

DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

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:

Leverage Ratio = Tier-1 Capital (after related deductions)/ Total Exposure (after related deductions)

The status of Leverage Ratio as on 31 December, 2017 is as under:

(BDT in Million)

Particulars	As on 31 December, 2017		As on 31 December, 2016	
	Solo Basis	Consolidated Basis	Solo Basis	Consolidated Basis
Tier 1 Capital*	23,595.89	23,893.48	23,026.97	23,100.14
On Balance Sheet Exposure*	358,293.86	360,187.58	325,560.66	325,283.57
Off-Balance Sheet Exposure*	107,514.80	107,450.87	94,891.05	94,891.05
Total Exposure	465,808.65	467,638.45	420,451.71	420,174.62
Leverage Ratio	5.07%	5.11%	5.48%	5.50%

* Considering all regulatory adjustments

11.00 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 2017, 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.

DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

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	<p>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.</p>
	iii. A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	<p>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.</p>
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.	<p>The business risk including credit/default risk, compliance, reputational, financial and liquidity risk are mostly considered when implementing the remuneration measures.</p>
	ii. An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	<p>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.</p>
	iii. A discussion of the ways in which these measures affect remuneration.	<p>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.</p>
	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.	<p>No material change has been made during the year 2017 that could the affect the remuneration.</p>
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.	<p>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.</p>

	<p>ii. A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p>	<p>Yearly incentive bonus, salary increment, Employee house building loan facilities, Employee car facilities, Leave fair facilities and promotion are directly linked with employee's individual performance.</p>
	<p>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.</p>	<p>Variance performances like yearly incentive bonus, salary increment, Employee house building loan facilities, Employee car facilities, Leave fair facilities and promotion are determined by the outcome of scorecard in prescribed Key Performance Indicators of the individual.</p>
e)	Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance.	
	<p>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.</p>	<p>Bank's provides its Employees incentive compensation delivered in the form of deferred cash awards, subject to performance based on Key Performance Indicators (KPI).</p>
	<p>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.</p>	<p>Not Applicable</p>
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 Fair 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. <p>Others Form:</p> <ol style="list-style-type: none"> 1. Study leave. 2. Foreign training etc.

DISCLOSURES ON RISK BASED CAPITAL ADEQUACY (BASEL III)

Quantitative Disclosures

g)	Information relating to the design and structure of remuneration processes.																	
	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 2017: <table border="1" data-bbox="746 501 1401 595"> <thead> <tr> <th data-bbox="746 501 1321 528">Particulars</th> <th data-bbox="1321 501 1401 528">Number</th> </tr> </thead> <tbody> <tr> <td data-bbox="746 528 1321 595">Number of employees having received a variable remuneration award during the year 2017</td> <td data-bbox="1321 528 1401 595">-</td> </tr> </tbody> </table>	Particulars	Number	Number of employees having received a variable remuneration award during the year 2017	-												
Particulars	Number																	
Number of employees having received a variable remuneration award during the year 2017	-																	
	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-2017 is as under: (Taka in Million) <table border="1" data-bbox="746 1182 1401 1440"> <thead> <tr> <th data-bbox="746 1182 1129 1209">Particulars</th> <th data-bbox="1129 1182 1401 1209">Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="746 1209 1129 1236">Basic salary</td> <td data-bbox="1129 1209 1401 1236">2,176.69</td> </tr> <tr> <td data-bbox="746 1236 1129 1263">Allowances</td> <td data-bbox="1129 1236 1401 1263">1,873.29</td> </tr> <tr> <td data-bbox="746 1263 1129 1290">Bonus</td> <td data-bbox="1129 1263 1401 1290">1,108.69</td> </tr> <tr> <td data-bbox="746 1290 1129 1317">Provident fund contribution</td> <td data-bbox="1129 1290 1401 1317">212.04</td> </tr> <tr> <td data-bbox="746 1317 1129 1344">Gratuity</td> <td data-bbox="1129 1317 1401 1344">320.00</td> </tr> <tr> <td data-bbox="746 1344 1129 1370">Welfare fund</td> <td data-bbox="1129 1344 1401 1370">45.78</td> </tr> <tr> <td data-bbox="746 1370 1129 1397">Total</td> <td data-bbox="1129 1370 1401 1397">5,736.49</td> </tr> </tbody> </table>	Particulars	Amount	Basic salary	2,176.69	Allowances	1,873.29	Bonus	1,108.69	Provident fund contribution	212.04	Gratuity	320.00	Welfare fund	45.78	Total	5,736.49
Particulars	Amount																	
Basic salary	2,176.69																	
Allowances	1,873.29																	
Bonus	1,108.69																	
Provident fund contribution	212.04																	
Gratuity	320.00																	
Welfare fund	45.78																	
Total	5,736.49																	
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)

Guided by the philosophy of responsibility, benefiting the people and promoting the well-being of society, United Commercial Bank Limited has actively integrated its social responsibility into its own management practices and continued to improve the quality and results of its corporate development while serving the real economy, thereby making greater contributions to the sustainable development of economy, environment and society. At UCB, corporate social responsibility is all about developing a business model that not only creates

economic value but also contributes to a healthy ecosystem and strong communities. Our endeavour is to evolve and develop appropriate business processes and strategies to achieve a common goal which contributes to the greater good. UCB has been always concerned with and dedicated to the country, and demonstrated as a leading private commercial bank shouldering responsibilities by fully supporting the real economy, actively serving the national strategy and heartily giving back to the community, while creating more value for shareholders and society.



United Commercial Bank Limited acts according to a deep commitment to advance sustainability and social responsibility. This commitment is demonstrated in the bank's operations, its relationships with its customers and other stakeholders, and by its leading role in country's business community. UCB's CSR program is focused on intensifying activities at the core of its business operations and enhancing the designated program's management and infrastructure and developing its liaisons with the CSR and sustainability network in the country. In UCB, we have adopted corporate social responsibility as a strategic approach and absorbing its values into the core of our business. UCB's CSR comes as investment in the community continued through various projects and expansion of activities aimed at promoting financial freedom in the community, alongside the bank's extensive community donations and a persistent impressive number of employees of the bank who volunteer.

Year 2017 was also an eventful year for UCB in term of activities of CSR. We intervened in various social and environmental needs. In the year 2017,

our total expenditure in CSR was an amount of BDT 285 million. A detail of UCB's CSR effort comes as follows:

Education:

Access to education is a must for development. Keeping this in our CSR commitment, UCB is firmly contributing for the acceleration of educational sector of the country. For the development of education sector, UCB has been contributing in many ways like scholarship for poor and brilliant students, education promotion scheme, education for underprivileged children, donation to educational institutions etc. In the year 2017, UCB has contributed almost an amount of Taka 29.85 million in the education sector. Some of the contributions are as donation to underprivileged children of MAHAAD School, donation to Kalyani Inclusive School, financial assistance to Holy Family Red Crescent Medical College, Dhaka Mohila College, Honourable Prime Ministers "প্রধানমন্ত্রী শিক্ষা সহায়তা ট্রাস্ট", school feeding program of Raozan Upazila Parishad and many others.



Health:

Health is increasingly becoming a focal point of Corporate Social Responsibility, largely due to the recognition that a healthy workforce and community are fundamental to the longevity of a business and success of an economy. In UCB, we are always very keen to promote healthcare as part of CSR as a measure to improve health, well-being and productivity of community/population, families and individuals,

and promoting equity by benefiting most the disadvantaged and marginalized groups. It covers range of public health activities focused on prevention of diseases, promotion of good health and strengthening of health systems. UCB has continuously been contributing in health sector of Bangladesh. In the year 2017, UCB contributed approximately an amount of Taka 23.44 million. Our interventions in the health sector for the year 2017 are as follows:



Assistance to Bangladesh Visually Impaired People's Society, donation for medical treatment for some critical patients, donation to a non government organization named "সূচনা ফাউন্ডেশন"- this foundation is devotedly working for the well being of underprivileged autistic children, financial assistance to Medical Doctors of Asia (AMDA) & Japan Bangladesh Friendship Hospital for Rohingya people etc.

Disaster Management:

Disasters such as landslides, earthquakes, floods, etc affect all forms of lives and create huge losses to economy, human beings, and environment. The losses occurring due to all these disasters are irreparable and irreversible and create huge problems. Thus, it is imperative to address the challenges posed by the likelihood of disaster and devise solutions both at micro and macro levels. To fight against the impact of calamities, corporate social responsibility intervention with respect to disaster management is one of major priority for UCB in concept and practice. UCB is perceived as one of the most active players to social development. In the year 2017, United Commercial Bank Limited has contributed an amount of Taka 160.90 million in the sector of disaster management under CSR activities. Some of the interventions in disaster management are Blanket distribution to cold affected people, donation to Prime Minister's Relief Fund for flood affected people, donation to Prime Minister's Relief Fund for distressed Rohingya people etc.



Art & Culture:

Arts & Culture is an artistic phenomenon to show the intellectual essence of a country. Believing so, UCB always support young and budding talents and any kind of endeavours to explore the country's rich cultural heritage. Over the years UCB has been contributing for the development of art & culture sector in Bangladesh. In the year 2017, UCB contributed an amount of Taka 22.08 million. Contribution was made for successful production of government donated films.

Others:

We have not kept ourselves confined in only some specific sectors. UCB extended its radius of contribution in many other sectors of socio-economic development with contribution of BDT 48.67 million. We assisted Change Foundation, a non-government organization working for the socio-economic development of poor people in Natore. Donation was made to S. Rahman Trust and Baridhara Society. UCB distributed Sharee & Lungi to the poor people.

United Commercial Bank Limited will continue to provide support to specific needs such as during natural disasters, education, health etc. UCB is committed to progress through stability earnestly practice its responsibilities as a corporate citizen. Furthermore, the Bank will focus on green development and implement the concept of energy conservation and emission and carbon reduction in the whole process of -financial service, operation and management.



REPORT ON GREEN BANKING

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



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 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.

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.

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, Loan Listing, 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
- 5) 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.

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.

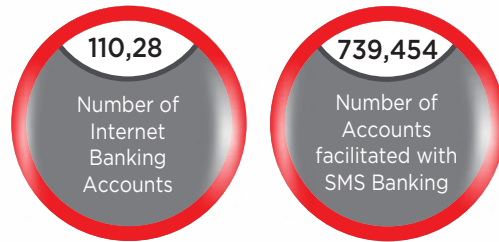
Document Management System (DMS) Solution: UCB has undertaken a project to introduce DMS by way of archiving documents against day to day operations and communications through system using no paper and ink installation of which is under process.

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.

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.

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.



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.

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.

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: This year 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” of 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 advanced technologies which can provide prompt and environment friendly customer services. The products include internet-banking, U-cash, U-Pay, online banking, SMS banking, UCB Express and ATM services which help reduce carbon emission. The Bank already circulated a set of general instruction to the employees for efficient use of electricity, water, paper and re-use of equipment. Bank has also formed separate Green Banking Policy and Green Banking Unit assigning to the responsibilities of designing, evaluating and administering related Green Banking issues of the Bank.

United Commercial Bank Ltd is one of the partners of Bangladesh Bank’s refinance facilities in green sector. In the year 2017 UCBL has arranged refinancing facility of Bangladesh Bank to 1 project for establishment of Effluent Treatment Plant; amounting to total BDT 10.00 million. Moreover, the Bank has financed 3 nos. of projects for establishment of Green Industry amounting to total BDT 134.90 million.

In addition to that, 11 nos. of projects were financed to Ensure Work Environment and Security of Workers (Structural, Electrical & Fire Safety issues) of Textile and Garments Industry amounting to total BDT 142.08 million by guaranteeing the installation of firefighting equipment i.e. fire sprinkler, fire detection & alarm, fire hydrant system, fire door, fire proof cable and pipe. Also, 6 nos. of projects were financed for remediation-retrofitting purpose amounting total BDT 75.30 million. Furthermore, 1 no. of project was financed for Establishment of Effluent Treatment Plant (ETP other than refinancing) for BDT 57.70 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 formulated an Environmental Risk Management Policy in December 2011 to understand and manage risks arising from environmental concerns. This will bring a focus on planning and implementing policies and procedures to mitigate environmental risks

associated with financing decisions. With a view to incorporating environmental risk as part of existing credit risk methodology to assess a prospective borrower, Bank’s ERM Policy has been designed in line with Bangladesh Bank guidelines. Environmental change risk is to be considered as part of the existing credit risk methodology of the bank to assess a prospective borrower. In this connection, specific checklist has been formulated introduced which will help review possible sources of environmental 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 Recourse Development. The Bank 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

FINANCIAL STATEMENTS



Audit

INDEPENDENT AUDITORS' REPORT

to the Shareholders of United Commercial Bank Limited

We have audited the accompanying 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 balance sheet and the separate balance sheet as at 31 December 2017, the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity, consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Group and also the separate financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Bank Companies 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements of the Group and the separate financial statements of the Bank based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements of the Group and the separate financial statements of the Bank are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial

statements of the Group and separate financial statements of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the separate financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements of the Group and the separate financial statements of the Bank that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements of the Group and the separate financial statements of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 2017 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1.

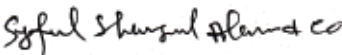
Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Bank Companies Act 1991 as amended in 2013 & 2018 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

- (b) 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:
- i) 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 appeared to be adequate with immaterial control deficiencies as identified in management report;
 - ii) 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;
- (c) financial statements of all subsidiary companies of the Bank have been audited by us and have been properly reflected in the consolidated financial statements;
- (d) in our opinion, proper books of account 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 purposes of our audit have been received from branches not visited by us;
- (e) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank dealt with by the report are in agreement with the books of account;
- (f) the expenditure incurred was for the purposes of the Bank's business;
- (g) 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 Bangladesh Financial Reporting 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 Inspection Team of Bangladesh Bank, External Auditors and the Management of United Commercial Bank Limited held on 19 March 2018.
- (h) provisions as explained in note 35 and 37 have been made for the loans and advances, other assets and off-balance sheet items which are, in our opinion, doubtful of recovery;
- (i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (j) the information and explanation required by us have been received and found satisfactory; and
- (k) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 6,527 person hours for the audit of the books and accounts of the Bank.

Date: 20 March 2018
Place: Dhaka


Syful Shamsul Alam & Co.
Chartered Accountants

UNITED COMMERCIAL BANK LTD

Consolidated Balance Sheet

As at 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
PROPERTIES & ASSETS			
Cash	3(a)	23,914,668,298	21,102,783,897
Cash in hand (Including foreign currencies)		3,622,586,753	3,386,537,419
Balance with Bangladesh Bank & its agent bank(s) (Including foreign currencies)		20,292,081,545	17,716,246,478
Balance with other banks & financial institutions	4(a)	20,728,528,451	14,347,595,569
In Bangladesh		19,506,883,628	11,700,213,026
Outside Bangladesh		1,221,644,823	2,647,382,543
Money at Call on short notice	5	290,000,000	950,000,000
Investments	6(a)	44,327,407,389	56,517,060,262
Government		38,980,950,734	50,752,536,899
Others		5,346,456,655	5,764,523,363
Loans and Advances	7(a)	262,582,316,650	224,337,824,985
Loans, Cash Credits, Overdrafts etc		246,380,809,499	213,729,131,102
Bills purchased and discounted		16,201,507,151	10,608,693,883
Fixed assets including premises, furniture & fixture	8(a)	8,352,791,075	8,387,244,466
Other assets	9(a)	5,012,804,789	3,801,178,730
Non-banking assets		-	-
Total Assets		365,208,516,652	329,443,687,909
LIABILITIES AND CAPITAL			
Liabilities:			
Borrowings from other banks, financial institutions and agents	10(a)	34,196,394,134	25,565,100,634
Deposits and other accounts	11(a)	278,005,027,973	256,957,319,039
Current accounts & other accounts		44,143,932,157	41,994,177,979
Bills Payable		6,594,925,930	7,621,569,560
Savings Bank Deposits		52,852,622,249	43,379,427,197
Fixed Deposits		174,413,547,637	163,962,144,303
Bearer Certificates of Deposits		-	-
Other Deposits		-	-
Other Liabilities	12(a)	26,135,329,030	21,091,781,934
Total Liabilities		338,336,751,137	303,614,201,607
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	10,467,416,183	9,375,134,484
General Reserve	15	26,577,961	26,577,961
Other Reserve	16	2,630,571,976	2,729,347,613
Retained Earnings	17(a)	1,750,915,952	1,702,142,844
Total Shareholders' Equity		26,871,765,362	25,829,486,192
Non controlling interest		153	110
Total Shareholders' Equity with non-controlling interest		26,871,765,515	25,829,486,302
Total Liabilities and Shareholders Equity		365,208,516,652	329,443,687,909

Off Balance Sheet Items

As at 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
Contingent Liabilities :	18	197,156,815,172	170,304,860,059
Acceptances & Endorsements	18.1	48,836,369,932	43,841,462,303
Letters of Guarantee	18.2	91,361,376,812	85,075,111,234
Irrevocable Letters of Credit	18.3	44,803,196,081	29,541,631,966
Bills for Collection	18.4	12,155,872,347	11,846,654,556
Other Contingent Liabilities		-	-
Other Commitments:		816,986,203	864,888,800
Documentary credit and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		816,986,203	864,888,800
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance sheet items including contingent liabilities		197,973,801,375	171,169,748,859

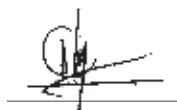
The annexed notes 01 to 46 form an integral part of these financial statements.



Managing Director



Director



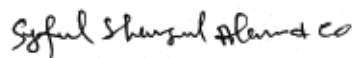
Director



Director

As per our report of same date.

Dhaka, 20 March 2018



Syful Shamsul Alam & Co.
Chartered Accountants


UNITED COMMERCIAL BANK LTD

Consolidated Profit and Loss Account

For the year ended 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
Interest Income	20(a)	21,195,019,572	20,897,758,179
Interest paid on deposits and borrowings etc	21(a)	12,095,778,945	12,219,895,333
Net Interest Income		9,099,240,627	8,677,862,846
Investment income	22(a)	4,280,415,201	4,163,321,099
Commission, exchange and brokerage	23(a)	4,238,444,827	3,249,415,507
Other Operating Income	24(a)	272,638,776	362,456,532
Total Operating Income (A)		17,890,739,431	16,453,055,984
OPERATING EXPENSES			
Salary and allowances	25(a)	5,826,694,652	5,189,373,566
Rent, taxes, insurance, electricity etc.	26(a)	1,159,547,062	1,072,378,783
Legal expenses	27(a)	65,635,948	33,424,289
Postage, stamps, telecommunications etc.	28(a)	149,631,095	122,474,844
Stationery, printing, advertisements etc.	29(a)	653,721,332	883,297,113
Chief Executive's salary and fees	30	8,026,560	11,320,000
Directors' fees	31	5,408,654	5,943,623
Auditors' fees	32(a)	885,500	970,000
Depreciation and repair of banks assets	33(a)	769,725,956	719,797,814
Other expenses	34(a)	930,189,933	758,410,976
Total Operating Expenses (B)		9,569,466,692	8,797,391,008
Profit/(Loss) before provision (C) = (A-B)		8,321,272,739	7,655,664,976
Provision for Loans & Advances	35(a)	2,092,071,402	2,109,387,808
Provision for diminution in value of investments	36(a)	(5,191,480)	7,913,851
Other provisions	37	397,928,598	329,570,535
Total Provision (D)		2,484,808,520	2,446,872,194
Total Profit/(Loss) before Income taxes (C - D)		5,836,464,219	5,208,792,782
Provision for Taxation	38(a)	3,114,213,388	2,580,833,843
Current Tax		3,113,781,612	2,580,833,843
Deferred Tax		431,776	-
Net Profit after Taxation		2,722,250,831	2,627,958,939
Appropriations			
Statutory Reserve		1,092,281,699	1,037,977,231
Retained Surplus		1,629,969,132	1,589,981,708
Attributable to:			
Equity holders' of the Bank		1,629,969,089	1,589,981,710
Non controlling interest		43	(2)
		1,629,969,132	1,589,981,708
Earnings Per Share (EPS)	39(a)	2.58	2.49

The annexed notes 01 to 46 form an integral part of these financial statements.



Managing Director



Director

As per our report of same date.



Director



Director

Dhaka, 20 March 2018

Syful Shamsul Alam & Co
Syful Shamsul Alam & Co.
 Chartered Accountants

UNITED COMMERCIAL BANK LTD

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
A. Cash flows from operating activities			
Interest Receipts in cash		24,450,686,053	24,653,018,712
Interest Payments		(12,384,846,072)	(12,196,294,470)
Dividend Receipts		166,240,723	194,970,837
Fees & Commission Receipts in cash		2,623,587,027	2,120,632,033
Recoveries of loans Previously written off		113,150,993	200,762,156
Cash Payments to employees		(5,834,721,212)	(5,200,693,566)
Cash Payments to suppliers		(1,962,989,492)	(2,078,150,740)
Income taxes paid		(2,157,039,734)	(3,076,743,771)
Receipt from other operating activities	40(a)	2,394,671,331	1,410,983,900
Payment for other operating activities	41(a)	(1,219,219,372)	(964,639,856)
Operating profit before changes in operating assets and liabilities.		6,189,520,245	5,063,845,235
Increase/Decrease in operating assets and liabilities:			
Statutory Deposits		11,771,586,165	(10,662,462,087)
Purchase/Sales of trading Securities		568,866,708	(1,427,917,906)
Loans and advances to Customers		(38,839,580,370)	(27,421,314,197)
Other assets	42(a)	358,805,273	55,260,633
Deposit from banks		11,127,494	(45,830,308)
Deposit from customers		21,036,581,440	36,434,694,513
Other Liabilities		1,054,763,036	380,001,857
		(4,037,850,253)	(2,687,567,495)
Net Cash from operating activities (A)		2,151,669,992	2,376,277,740
B. Cash flows from investing activities			
Proceeds from Sale of Securities		(150,800,000)	443,720,700
Purchase/Sale of property, plant & equipment		(518,150,228)	(347,937,204)
Net Cash from investing activities (B)		(668,950,228)	95,783,496
C. Cash flows from financing activities			
Receipts from borrowings		8,631,293,500	6,821,441,763
Dividends paid		(1,581,195,981)	(2,007,867,914)
Cash received from Issuing of Right Shares		-	-
Net cash from financing activities (C)		7,050,097,519	4,813,573,849
D. Net Increase/(Decrease) in cash (A+B+C)		8,532,817,283	7,285,635,085
E. Cash and Cash equivalents at beginning of the year		36,400,379,466	29,114,744,381
F. Cash and cash equivalents at the end of the year		44,933,196,749	36,400,379,466
Consolidated Cash and cash Equivalents at end of the year			
Cash in hand (including foreign currencies)	3 (a)	3,622,586,753	3,386,537,419
Balance with Bangladesh bank and its agent bank	3 (a)	20,292,081,545	17,716,246,478
Balance with other banks & financial institution	4 (a)	20,728,528,451	14,347,595,569
Money at call on short notice	5	290,000,000	950,000,000
		44,933,196,749	36,400,379,466

The annexed notes 01 to 46 form an integral part of these financial statements.



Managing Director



Director



Director



Director

UNITED COMMERCIAL BANK LTD

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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 2017	10,541,306,540	1,454,976,750	9,375,134,484	26,577,961	2,534,101,559	190,640,961	110	4,605,093	1,702,142,844	25,829,486,302	
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	
Restated Balance	10,541,306,540	1,454,976,750	9,375,134,484	26,577,961	2,534,101,559	190,640,961	110	4,605,093	1,702,142,844	25,829,486,302	
Surplus/deficit on accounts of revaluation of properties	-	-	-	-	-	-	-	-	-	-	
Surplus/deficit on accounts of revaluation of investments	-	-	-	-	-	(113,761,963)	-	-	-	(113,761,963)	
Currency translation difference (OBU)	-	-	-	-	-	-	-	14,986,326	-	14,986,326	
Net Profit for the year	-	-	-	-	-	-	-	-	2,722,250,831	2,722,250,831	
Transferred to statutory reserve	-	-	1,092,281,699	-	-	-	-	-	(1,092,281,699)	-	
Dividend (Bonus Share Issued) for 2016	-	-	-	-	-	-	-	-	-	-	
Dividend (Cash) for 2016	-	-	-	-	-	-	-	-	-	-	
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	(1,581,195,981)	(1,581,195,981)	
Non Controlling Interest	-	-	-	-	-	-	43	-	(43)	-	
Balance as at 31 December 2017	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	

The annexed notes 01 to 46 form an integral part of these financial statements.



Managing Director



Director



Director



Director

UNITED COMMERCIAL BANK LTD

Balance Sheet

As at 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
PROPERTIES & ASSETS			
Cash	3	23,914,511,782	21,102,743,897
Cash in hand (Including foreign currencies)		3,622,430,237	3,386,497,419
Balance with Bangladesh Bank & its agent bank(s) (Including foreign currencies)		20,292,081,545	17,716,246,478
Balance with other banks & financial institutions	4	19,768,664,310	14,167,986,239
In Bangladesh		18,547,019,487	11,520,603,696
Outside Bangladesh		1,221,644,823	2,647,382,543
Money at Call on short notice	5	290,000,000	950,000,000
Investments	6	42,911,746,304	55,475,638,257
Government		38,980,950,734	50,752,536,899
Others		3,930,795,570	4,723,101,358
Loans and Advances	7	261,002,884,449	223,697,182,404
Loans, Cash Credits, Overdrafts etc		244,801,377,298	213,088,488,521
Bills purchased and discounted		16,201,507,151	10,608,693,883
Fixed assets including premises, furniture & fixture	8	8,344,101,636	8,380,175,741
Other assets	9	7,082,891,656	5,947,053,048
Non-banking assets		-	-
Total Assets		363,314,800,137	329,720,779,586
LIABILITIES AND CAPITAL			
Liabilities:			
Borrowings from other banks, financial institutions and agents	10	33,846,394,134	25,565,100,634
Deposits and other accounts	11	278,195,485,832	257,704,302,081
Current accounts & other accounts		44,334,390,016	42,741,161,021
Bills Payable		6,594,925,930	7,621,569,560
Savings Bank Deposits		52,852,622,249	43,379,427,197
Fixed Deposits		174,413,547,637	163,962,144,303
Bearer Certificates of Deposits		-	-
Other Deposits		-	-
Other Liabilities	12	24,762,662,367	20,695,055,944
Total Liabilities		336,804,542,333	303,964,458,659
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	10,467,416,183	9,375,134,484
General Reserve	15	26,577,961	26,577,961
Other Reserve	16	2,630,571,976	2,729,347,613
Retained Earnings	17	1,389,408,394	1,628,977,579
Total Shareholders' Equity		26,510,257,804	25,756,320,927
Total Liabilities and Shareholders Equity		363,314,800,137	329,720,779,586

Off Balance Sheet Items

As at 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
Off Balance Sheet Items			
Contingent Liabilities :	18	197,156,815,172	170,304,860,059
Acceptances & Endorsements	18.1	48,836,369,932	43,841,462,303
Letters of Guarantee	18.2	91,361,376,812	85,075,111,234
Irrevocable Letters of Credit	18.3	44,803,196,081	29,541,631,966
Bills for Collection	18.4	12,155,872,347	11,846,654,556
Other Contingent Liabilities		-	-
Other Commitments:		816,986,203	864,888,800
Documentary credit and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		816,986,203	864,888,800
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance sheet Items Including Contingent Liabilities		197,973,801,375	171,169,748,859

The annexed notes 01 to 46 form an integral part of these financial statements.



Managing Director



Director



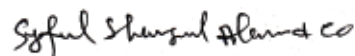
Director



Director

As per our report of same date.

Dhaka, 20 March 2018



Syful Shamsul Alam & Co.
Chartered Accountants

UNITED COMMERCIAL BANK LTD

Profit and Loss Account

For the year ended 31 December 2017

	Notes	Amount in BDT	
		31 Dec 2017	31 Dec 2016
Interest Income	20	21,034,156,637	20,832,146,431
Interest paid on deposits and borrowings etc	21	12,087,387,278	12,194,040,731
Net Interest Income		8,946,769,359	8,638,105,700
Investment income	22	4,097,003,932	4,140,566,385
Commission, exchange and brokerage	23	4,066,522,259	3,201,273,347
Other Operating Income	24	271,972,941	362,131,893
Total Operating Income (A)		17,382,268,491	16,342,077,325
OPERATING EXPENSES			
Salary and allowances	25	5,736,494,910	5,161,506,508
Rent, taxes, insurance, electricity etc.	26	1,155,591,221	1,070,587,114
Legal expenses	27	65,336,223	33,234,739
Postage, stamps, telecommunications etc.	28	148,928,973	122,073,132
Stationery, printing, advertisements etc.	29	648,490,430	882,431,848
Chief Executive's salary and fees	30	8,026,560	11,320,000
Directors' fees	31	5,408,654	5,943,623
Auditors' fees	32	805,000	805,000
Depreciation and repair of banks assets	33	764,885,364	716,751,201
Other expenses	34	896,892,661	750,042,005
Total Operating Expenses (B)		9,430,859,996	8,754,695,170
Profit/(Loss) before provision (C) = (A-B)		7,951,408,495	7,587,382,155
Provision for Loans & Advances	35	2,092,071,402	2,067,925,465
Provision for diminution in value of investments	36	-	-
Other provisions	37	397,928,598	329,570,535
Total Provision (D)		2,490,000,000	2,397,496,000
Total Profit/(Loss) before Income taxes (C - D)		5,461,408,495	5,189,886,155
Provision for Taxation	38	3,027,500,000	2,561,251,694
Current Tax		3,027,500,000	2,561,251,694
Deferred Tax		-	-
Net Profit after Taxation		2,433,908,495	2,628,634,461
Appropriations			
Statutory Reserve		1,092,281,699	1,037,977,231
Retained Surplus		1,341,626,796	1,590,657,230
		2,433,908,495	2,628,634,461
Earnings Per Share (EPS)	39	2.31	2.49

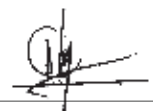
The annexed notes 01 to 46 form an integral part of these financial statements.



Managing Director



Director

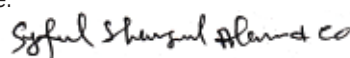


Director



Director

As per our report of same date.



Syful Shamsul Alam & Co.
Chartered Accountants

Dhaka, 20 March 2018

UNITED COMMERCIAL BANK LTD

Cash Flow Statement

For the year ended 31 December 2017

	Notes	Amount in BDT	
		31 Dec 2017	31 Dec 2016
A. Cash flows from operating activities			
Interest Receipts in cash		24,289,823,118	24,587,406,964
Interest Payments		(12,376,454,405)	(12,170,439,868)
Dividend Receipts		139,310,824	181,355,250
Fees & Commission Receipts in cash		2,451,664,459	2,072,489,873
Recoveries of loans Previously written off		113,150,993	200,762,156
Cash Payments to employees		(5,744,521,470)	(5,172,826,508)
Cash Payments to suppliers		(1,953,010,624)	(2,075,092,094)
Income taxes paid		(2,114,571,485)	(3,055,927,113)
Receipt from other operating activities	40	2,299,173,341	1,401,520,134
Payment for other operating activities	41	(1,183,618,966)	(955,329,498)
Operating profit before changes in operating assets and liabilities.		5,920,945,785	5,013,919,296
Increase/Decrease in operating assets and liabilities:			
Statutory Deposits		11,771,586,165	(10,662,462,087)
Purchase/Sales of trading Securities		938,105,788	(911,165,998)
Loans and advances to Customers		(37,900,790,750)	(26,860,662,790)
Other assets	42	(1,080,633,387)	(1,334,062,698)
Deposit from banks		11,127,494	(45,830,308)
Deposit from customers		20,480,056,257	36,883,652,057
Other Liabilities	43	1,571,385,916	168,685,261
		(4,209,162,517)	(2,761,846,563)
Net Cash from operating activities (A)		1,711,783,268	2,252,072,733
B. Cash flows from investing activities			
Proceeds from Sale of Securities		(145,800,000)	443,720,700
Purchase/Sale of property, plant & equipment		(513,634,831)	(344,890,516)
Net Cash from investing activities (B)		(659,434,831)	98,830,184
C. Cash flows from financing activities			
Receipts from borrowings		8,281,293,500	6,821,441,763
Dividends Paid		(1,581,195,981)	(2,007,867,914)
Cash received from Issuance of Rights Shares		-	-
Net cash from financing activities (C)		6,700,097,519	4,813,573,849
Net Increase/(Decrease) in cash (A+B+C)		7,752,445,956	7,164,476,766
Cash and Cash equivalents at beginning of the year		36,220,730,136	29,056,253,370
Cash and cash equivalents at the end of the year		43,973,176,092	36,220,730,136
Cash and cash Equivalents at end of the year			
Cash in hand (including foreign currencies)	3.1	3,622,430,237	3,386,497,419
Balance with Bangladesh bank and its agent bank	3.2	20,292,081,545	17,716,246,478
Balance with other banks & financial institution	4	19,768,664,310	14,167,986,239
Money at call on short notice	5	290,000,000	950,000,000
		43,973,176,092	36,220,730,136

The annexed notes 01 to 46 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 2017

Particulars	Amount in BDT									
	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 2017	10,541,306,540	1,454,976,750	9,375,134,484	26,577,961	2,534,101,559	190,640,961	4,605,093	1,628,977,579	25,756,320,927	
Changes in Accounting policy	-	-	-	-	-	-	-	-	-	
Restated Balance	10,541,306,540	1,454,976,750	9,375,134,484	26,577,961	2,534,101,559	190,640,961	4,605,093	1,628,977,579	25,756,320,927	
Surplus/deficit on accounts of revaluation of properties	-	-	-	-	-	-	-	-	-	
Surplus/deficit on accounts of revaluation of investments	-	-	-	-	-	(113,761,963)	-	-	(113,761,963)	
Currency translation difference (OBU)	-	-	-	-	-	-	14,986,326	-	14,986,326	
Net Profit for the period	-	-	-	-	-	-	-	2,433,908,495	2,433,908,495	
Transferred to statutory reserve	-	-	1,092,281,699	-	-	-	-	(1,092,281,699)	-	
Dividend (Bonus Share Issued) for 2016	-	-	-	-	-	-	-	-	-	
Dividend (Cash) for 2016	-	-	-	-	-	-	-	(1,581,195,981)	(1,581,195,981)	
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-	
Issue of share capital	-	-	-	-	-	-	-	-	-	
Balance as at 31 December 2017	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	

The annexed notes 01 to 46 form an integral part of these financial statements.



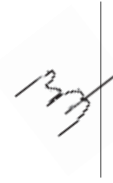
Managing Director



Director



Director



Director

UNITED COMMERCIAL BANK LTD

Liquidity Statement

Asset and Liability Maturity Analysis

As at 31 December 2017

Particulars	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 years	Total
Assets						
Cash in hand	3,622,430,237	-	-	-	20,292,081,545	23,914,511,782
Balance with other banks & financial institutions	10,638,664,310	7,260,000,000	1,870,000,000	-	-	19,768,664,310
Money at call on short notice	290,000,000	-	-	-	-	290,000,000
Investment	7,314,277,598	2,861,706,655	7,675,242,186	7,829,900,000	17,230,619,865	42,911,746,304
Loans and Advances	32,424,328,064	52,623,565,764	72,466,597,269	67,520,235,972	35,968,157,380	261,002,884,449
Fixed assets including premises, furniture & fixture	50,000,000	100,000,000	450,000,000	2,400,000,000	5,344,101,636	8,344,101,636
Other Assets	1,562,282,643	944,736,388	1,551,216,023	1,424,261,585	1,600,395,017	7,082,891,656
Non banking assets	-	-	-	-	-	-
Total Assets (A)	55,901,982,852	63,790,008,807	84,013,055,478	79,174,397,557	80,435,355,443	363,314,800,137
Liabilities						
"Borrowing from Bangladesh bank, other banks, financial institutions and agents"	2,217,130,467	4,686,673,186	13,215,039,441	8,958,301,260	4,769,249,780	33,846,394,134
Deposits	39,389,251,672	50,897,763,482	55,223,664,242	67,737,888,831	64,946,917,605	278,195,485,832
Provisions and other liabilities	1,231,809,320	821,012,347	7,804,003,023	5,145,231,590	9,760,606,087	24,762,662,367
Total Liabilities (B)	42,838,191,459	56,405,449,015	76,242,706,706	81,841,421,681	79,476,773,472	336,804,542,333
Net Liquidity Gap (A-B)	13,063,791,393	7,384,559,792	7,770,348,772	(2,667,024,124)	958,581,971	26,510,257,804

Amount in BDT

UNITED COMMERCIAL BANK LIMITED
Notes to the Financial Statements
As at and for the year ended 31 December 2017

UNITED COMMERCIAL BANK LIMITED

Notes to the Financial Statements

As at and for the year ended 31 December 2017

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 178 branches as on 31 December 2017. 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 advantage. Offshore Banking Unit (the Unit) 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.

1.3 Mobile Financial Services; UCash

With the view to bring the unbanked people to 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. DCMP/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 as shareholding and voting right is 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 is being prepared for subsidiary investment as per Bangladesh Accounting Standard (BAS) - 27; ‘Separate Financial Statements’ and BFRS-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) is 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 includes 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 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 2017 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 2017 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 statements of the Bank 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, Bangladesh Financial Reporting Standards (BFRSs), the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations and other laws and rules applicable in Bangladesh. 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 contradictory requirements of BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Presentation of financial statements

BFRSs: As per BAS 1 Presentation of Financial Statements, Financial Statements shall comprise statement of financial position, comprehensive income statement, changes in equity, cash flows statement, notes comprising a summary of significant accounting policies and other explanatory information. As per para 60 of BAS 1, the entity shall also present current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position.

Bangladesh Bank: The presentation of the financial statements in prescribed format (i.e. balance sheet, profit and loss account, cash flows statement, changes in equity, liquidity statement) and certain disclosures therein are guided by the "First Schedule" (section 38) of the Bank Companies Act 1991 (amendment up to 2013) and BRPD Circular no. 14 dated 25 June 2003 and subsequent guidelines of Bangladesh Bank. In the prescribed format there is no option to present assets and liabilities under current and non-current classifications.

ii) Investment in shares and securities

BFRS: As per requirements of BAS 39 Financial Instruments: Recognition and Measurement, investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank: As per 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.

iii) Revaluation gains/losses on Government securities

BFRS: As per requirement of BAS 39 where securities will fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognised through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortised cost method and interest income is recognised through the profit and loss account using an effective interest rate.

Bangladesh Bank: HFT securities are revalued on the basis of mark to market on weekly basis and 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 any losses are recognized through profit and loss account and gains on amortisation are recognised in other reserve as a part of equity.

iv) Provision on loans and advances/investments

BFRS: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per 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. 16(18 November 2014) 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 provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. 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 BAS 39.

v) Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognized using an effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

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.

vi) Other comprehensive income

BFRS: As per BAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single statement of Comprehensive Income.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which is applicable for all the 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 be included in a single statement of Comprehensive Income. 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.

vii) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

viii) Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the

guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin. 1% provision is maintained on such off-balance sheet items as per guidelines of Bangladesh Bank.

ix) Cash and cash equivalent

BFRS: Cash and cash equivalent items should be reported as cash item as per BAS 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 equivalents. 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

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

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

xi) Cash flow statement

BFRS: The Cash flow statement can be prepared using either the direct method or the 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 14, cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.

xii) Presentation of intangible asset

BFRS: An intangible asset must be identified and recognised, and the disclosure must be given as per BAS 38.

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14.

xiii) Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xiv) Loans and advances/Investments net of provision

BFRS: Loans and advances/Investments should be presented net of provision.

Bangladesh Bank: As per BRPD 14, provision on loans and advances/investments are presented separately as liability and cannot be netted off against loans and advances.

xv) Disclosure of appropriation of profit:

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

Bangladesh Bank: As per BRPD circular 14 dated 25 June 2003, an appropriation of profit should be disclosed on the face of Profit and Loss Account.

xvi) REPO transactions

BFRSs: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the same (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a collateralized borrowing and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as borrowing and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per BB circulars/guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the same (or a similar asset) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a normal sale transaction and the financial assets should be derecognized in the seller's book and recognized in the buyer's book.

xvii) Recovery of written off loans:

BFRSs: As per BAS 1, an entity shall not offset assets and liabilities or income or expenses, unless required or permitted by a BFRS. Again recovery of written off loans should be charged to profit and loss account as per BAS 18.

Bangladesh Bank: As per BRPD circular # 14, recoveries of amount previously written off should be adjusted with the specific provision for loans and advances.

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 BAS-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 BAS -27: Separate Financial Statements and BFRS-10; Consolidated financial statements. The consolidated financial statements are prepared to a common financial year ended . 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, then 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 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 BFRS framework for the presentation of financial statements together with BAS-1 and BAS-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 BAS-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 BAS 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 Bangladesh Accounting Standard (BAS) 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 basis of their valuation

2.10.1 Cash and cash equivalents

Cash and cash equivalent 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 accredited. 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)

Investment 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)

Investment 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 Marked 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 hold 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 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 BAS 27 "Separate Financial Statements" and BFRS 3 "Business Combination". Impairment of investment in subsidiaries is made as per the provision of BAS 36 "Impairment of Assets".

2.10.9 Loans, Advances and provisions

- a) Loans and advances are stated at gross amount.
- b) Loans and advances are broadly classified under the heads of Continuous, Demand, 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
- c) 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 kept stopped for all Bad & Loss Advances.
- d) Commission and discounts on bills purchased and discounted are recognized at the time of realization.
- e) 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 with retrospective effect from 31 December 2017.

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) has 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. 2,666.50 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 are 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 bringing 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 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, expenditure 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 BAS 16 'Property, Plant & Equipment' as Capital work in progress until the construction work is completed and the asset is ready for 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 was 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 BAS-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 BAS 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 Bangladesh Accounting Standard (BAS) 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 Bangladesh Accounting Standard (BAS)-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 are measured as the difference between the net disposal proceed and the carrying amount of that intangibly asset and 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 in is 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 at each balance sheet date 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 [BAS 36 Impairment of Assets]. No such impairment loss has been arisen and recognized during the year ended 31 December 2017.

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 # 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 Bangladesh Financial Reporting Standards (BFRS), non-banking assets are to be recorded in the books of accounts when all formalities regarding confirmation of ownership have been completed. Meaning that asset to be recognized when control 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' has been 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 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 concern to enhance risk resilience capacity of the banks and introduced more risk sensitive capital adequacy framework namely Basel III. With the view to strengthen 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 2017 (BDT in Million)	Issue Date	Tenure	Interest Rate	Range of Interest Rate	Redemption of Principal
UCB 1st Subordinated Bond	2,000.00	2,000.00	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	5,000.00	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 Trench)	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

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 Bangladesh Financial Reporting Standards (BFRS).

2.10.21 Dividend payments:

Interim dividend is recognized when it is paid to shareholders. Final dividend is recognized when it is approved by the shareholders in AGM. The proposed dividend for the year 2017, therefore, has not been recognized as a liability in the balance sheet in accordance with BAS 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 has been made 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.14 dated 23 September 2012 and related earlier circulars, the Bank have 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 BAS 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 Bangladesh Accounting Standard-19, "Employees Benefits". Various types retirement benefit schemes in the bank is enumerated 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 Trustees 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

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 Trustees 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.

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 BAS-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 been yet finalized. On the other hand, the tax provision (as estimated as per BAS-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 been yet 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 BAS-12 "Income taxes".

C. Capital / Shareholder's 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 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 shareholder's 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 until such reserves along with share premium equal to its paid-up capital.

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 BAS 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, 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 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 by 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 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 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 exchange 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 generally 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 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 also have been presented separately unless they are immaterial in accordance with BAS 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 BAS 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 2017.

2.10.52 Compliance report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in Bangladesh. While preparing the financial statements, United Commercial Bank applied most of the IAS and IFRS as adopted by ICAB. Details are given below:

Name of the BAS / BFRS	BAS/ BFRS	Status of compliance
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	N/A
Statement of Cash Flow	BAS-7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS-8	Applied
Events after the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	N/A
Income Taxes	BAS-12	Applied

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 between related parties, regardless of whether a price is charged as per BAS 24 'Related Party Disclosures', Bangladesh Bank & BSEC guidelines. Details of the related party transactions have been disclosed in notes 45.1 to 45.8.

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 BAS 10 'Events after the Reporting Period'. The only material event after the balance sheet date is: the Board of Directors recommended Cash dividend @ 10% for the year 2017 in its meeting no. 420 held on 20 March 2018.

2.10.51 Credit rating

ECRL has rated the Bank based on December 31, 2016 with "AA"(pronounced as Double A) in the Long Term and ECRL-2 for the Short Term. The date of rating was May 07, 2017.

Year	Long Term Rating	Short Term Rating
2016	AA	ECRL-2
2015	AA	ECRL-2

The outlook of the rating is Stable. The rating reflects the strengths of the company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

NOTES TO THE FINANCIAL STATEMENTS

Name of the BAS / BFRS	BAS/ BFRS	Status of compliance
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Govt. Grants and Disclosure of Govt. Assistance	BAS-20	N/A
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Costs	BAS-23	N/A
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	N/A
Separate Financial Statements	BAS-27	Applied
Investments in Associates & Joint Ventures	BAS-28	N/A, UCB does not have any such investments
Interests in Joint Ventures	BAS-31	N/A
Financial Instruments: Presentation	BAS-32	Applied to the extent of compliance with BRPD Circular no. 14 dated June 2003, DOS Circular no. 5 dated 26 May 2008 and DOS Circular no. 5 dated 28 January 2009.
Earnings per share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairment of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied to the extent of compliance with BRPD Circular no. 5 dated 5 June 2006 and BRPD Circular no. 14 September 2012.
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	*Applied to the extent of compliance with BRPD Circular no. 14 dated June 2003, DOS Circular no. 5 dated 26 May 2008 and DOS Circular no. 5 dated 28 January 2009.
Investment Property	BAS-40	N/A
Agriculture	BAS-41	N/A
First-time Adoption of Bangladesh Financial Reporting Standards	BFRS-1	N/A
Share Based Payment	BFRS-2	N/A
Business Combinations	BFRS-3	Applied
Insurance Contracts	BFRS-4	N/A
Non-current Assets Held for Sale and Discontinued Operations	BFRS-5	N/A
Exploration for and Evaluation of Mineral Resources	BFRS-6	N/A
Financial Instruments: Disclosures	BFRS-7	Applied to the extent of compliance with core risk management guideline of Bangladesh Bank.
Operating Segments	BFRS-8	Applied
Financial Instruments	BFRS-9	*BFRS 9 will replace BAS 39 on or after 1 January 2018.
Consolidated Financial Statements	BFRS-10	Applied
Joint arrangements	BFRS- 11	N/A
Disclosure of interest in other entities	BFRS- 12	Applied
Fair value measurement	BFRS- 13	Applied
Regulatory Deferral Accounts	BFRS-14	N/A
Revenue from Contracts with customers	BFRS-15	*BFRS-15 will replace BAS-11 & BAS-18 on or after 1 January 2018

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:

Segment 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 through mobile network facilitating convenient cash in/out, bill payment, POS purchase etc.
UCB Capital Management Limited	The principal activity of the Co. is to act as a TREC Holder of DSE & CSE to carry on the business of stock brokers in relation to shares and securities dealings and other services.
UCB Investment Limited	The objective of the company is underwriting, managing and distributing the issue of stock shares, bonds and other securities, portfolio management, share transfer agent, fund management etc.

2.10.54 Risk Management

In banking organization, risk is the possibility that outcome of an action or event could bring up 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 depend upon a number of factors such as its size, complexity business activities, volume etc. Initially Bangladesh Bank has 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 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. The Half-yearly Credit Risk Management Report (CRMR) is submitted to the Senior Management of the Bank covers different analysis for measuring associated risks and movement of assets of the Bank using both quantitative and qualitative approach. Credit risk is managed in the UCBL through a framework that spell out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. Credit policies and standards are considered and approved by the Board of Directors.

Credit Risk measurement

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

Credit approval

Major credit exposures to individual borrowers,

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

Credit Monitoring

Credit exposures, portfolio performance, and external trends are regularly monitored through relationship and credit administration team at Branch and Head Office. Internal risk management reports containing information on key environmental, political and economic trends across major portfolios; portfolio delinquency and loan impairment performance; as well as credit grade migration are presented to risk committee. Assessment of the impact of external events and trends on the credit risk portfolio and to define and implement Bank's response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures are regularly monitored. Accounts or portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by the Special Asset Management Division. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Recovery unit. In Retail/Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and informed in lending decisions. Accounts which are past due are subject to a collections process, monitored in collaboration with the Relationship manager by the Risk function. Charged-off accounts of the Bank are managed by specialist recovery teams of Special Asset Management Division.

Credit Concentration risk

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

Credit risk mitigation

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

2.10.54.2 Foreign Exchange Risk Management

Foreign exchange risk is the risk that an investment's value changing 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 guideline 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' has separate and independent reporting lines to ensure segregation of duties and accountability.

The Bank has also developed different strategies to handle 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 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 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 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 is headed by Managing Director of the Bank which 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 control & compliance is a continuous process. An organization deploy many layers of defense . In order to ensure, there are enough controls 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.

An effective internal control system find out material risks that could adversely affect the achievement of Bank's goals which are being recognized and continually assessed. This assessment should cover all risks facing the bank & the consolidated banking organization (that is, credit risk, country & transfer risk, market risk, interest rate risk, liquidity risk, legal risk and reputational risk). An essential element of an effective system of internal control is a strong control culture. It is the responsibility of the Board of Directors & senior management to emphasize the importance of internal control through their actions & words. The internal control system of the bank must be designed in a manner that the compliance with regulatory requirements is recognized in each activity of the bank. The Bank must obtain regular information on regulatory changes and distribute among the concerned departments, so that they can take the necessary action to adopt such changes.

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 Technological Risk**'. Bangladesh Bank has recently issued amended guidelines on ICC Risk namely 'Guidelines on Internal Control & Compliance in Banks'.

In this backdrop, UCBL develops and 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.

ICCD under guidance of Board & Senior Management 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 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 major initiatives have already taken such as :

- i. Review of existing 'ICC Guidelines', Internal Audit Charter, IT System Audit Policy, Compliance Policy, Audit & Inspection Process Manual etc.;
- ii. Arranging adequate training for internal auditors including enhancement of IT knowledge;
- iii. Hands on training & workshop on 'Risk Based Internal Audit and Compliance activities' of Branch Compliance officers and department Head of Credit & Customer Services'
- iv. Updated Information Systems Security Audit checklist;
- v. Continuous review of Audit Report Format, Audit Checklist & Branch Risks Scoring Sheet etc.
- vi. Recruitment of professional auditors and placement of sufficient manpower with adequate knowledge;
- vii. Formation of 'FX Audit Team' as per guidelines of Bangladesh Bank.
- viii. Approval & implementation of new organogram of ICCD in light of regulatory guidelines;
- ix. Formation of Regulatory compliance & Reporting unit

Growing regulatory environment, higher business complexity and increased focus on accountability has led banks to pursue risk and compliance initiatives across the organization. However, Compliance Risk Management system through control, definition, enforcement, and monitoring have the ability to coordinate and integrate all initiatives and address the above mentioned issues. Effective & efficient controls reduce the risk of asset loss & help the organization complying with laws and regulations in significant manner.

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 mechanisms 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 part of practicing compliant culture, the Bank reported all instances of fraud and forgeries detected on timely manner to the central bank.

2.10.54.5 Money Laundering Risk:

Money Laundering Risk is one of the vulnerable 6 (six) Core Risks in Banking Business as per Bangladesh Bank Guidelines. To increase knowledge and awareness on AML/CFT issues, we have undertaken comprehensive programme for providing fresh/re-fresh training on AML/CFT issues to all level of employees. Mentionable that 2,736 No's employees of Corporate Office and different Branches have been brought under the training programme through one day long training session and e-learning evaluation system in 2017.

As per BFIU instruction, we have conducted a daylong 03 (Three) Training Programmes on AML/CFT issues for the BAMLCO(s)/Operation Managers and concerned Officers of different Banks operating at Bogra, Chapainawabgonj and Noakhali Districts as Lead Bank. Besides, all employees of eight Branches of Rangpur, Dinajpur and Bogra districts have been brought under in-house AML Training Programmes.

We have procured a software namely Velocity AML Solution Suite from the renowned vendor Datasoft Bangladesh Ltd. by which we have been screening the onboard customers of CBS. Besides, customers of Foreign Remittance and Mobile Financial Services are also being screened by Velocity AML Solution Suite. Moreover, when any of the blacklist of UNSCR, OFACSDN, UK, EU, Canada, Australia and Central Bank Lists of National Terrorist are updated, then all of our existing customers and related party i.e. Nominee, Director, Chairman, A/c. Operator are re-screened against those blacklists. Furthermore, for transaction monitoring, some rules have been incorporated in the system against which alerts are generated when these rules are violated by any transaction of any Branch.

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. 1411 dated 02.08.2017 for meticulous compliance by all the concerned.

In order to effective control & supervision on AML/CFT issues closely, existing Anti Money Laundering Wing has been reformed consisting of 08 (Eight) Officers under Branches Control & Development Division (BCDD) headed by Deputy CAMLCO which will be converted in to a Division soon with enhanced manpower.

We have reported 07 (Seven) Suspicious Transaction Reports (STRs) and 02 (Two) Suspicious Activity Reports (SARs) to BFIU in 2017.

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' is 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 been recently 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 have 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 2016. 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 2017 to 31 December 2017.

Approval of financial statements

The financial statements have been approved by the Board of Directors of the bank in its meeting held on March 20, 2018.

		Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
3	Cash	23,914,511,782	21,102,743,897
3.1	Cash in hand		
	Local currency	3,101,095,752	3,030,368,611
	Cash in ATM	477,597,600	324,003,000
	Foreign currency	43,736,885	32,125,808
		3,622,430,237	3,386,497,419
3.2	Balance with Bangladesh Bank and its agent Bank(s)		
	Local currency	20,125,131,695	17,117,361,434
	Foreign currency	166,949,850	598,885,044
		20,292,081,545	17,716,246,478
	Total Cash in hand including balance with Bangladesh Bank & its agent Bank's	23,914,511,782	21,102,743,897
3.2.1	Balance with Bangladesh Bank		
	Local currency	20,125,128,522	17,117,340,998
	Foreign currency	166,949,850	598,885,044
		20,292,078,372	17,716,226,042
	* 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	3,173	20,436
	Foreign currency	-	-
		3,173	20,436
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 2013) and of instructions contained in DOS Circular No. 01 dated 19 January 2014 and MPD circular No. 01 dated 23 June 2014 issued by Bangladesh Bank.		
	The Cash Reserve Requirement (CRR) of the Bank calculated @ 6.50% of total time and demand liabilities and maintained 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) (6.50% of average Demand & Time Liabilities)		
	Required reserve	18,720,722,426	16,188,719,414
	Actual reserve held (note - 3.2.1)	20,125,128,522	17,117,340,998
	Surplus/(Deficit)	1,404,406,096	928,621,584
3.3.2	Statutory Liquidity Ratio (SLR) (13% of average Demand & Time Liabilities)		
	Required reserve	37,441,444,853	32,377,439,000
	Actual reserve held (note-3.3.3)	44,007,790,240	55,067,676,338
	Surplus/Deficit	6,566,345,387	22,690,237,338
3.3.3	Held for Statutory Liquidity Ratio		
	Cash in hand (note- 3.1)	3,622,430,237	3,386,497,419
	Balance with Sonali Bank (agent Bank) (note-3.2.2)	3,173	20,436
	Govt. Securities (Treasury Bills) (note:6.1)	3,082,620,214	2,247,381,140
	Govt. Treasury Bond (HTM) (note : 6.1)	28,795,289,070	26,784,735,034
	Govt. Treasury Bond (HFT) (note : 6.1)	-	728,421,242
	Bangladesh Bank Bills (note : 6.1)	7,097,217,550	20,987,387,383
	Stock of Prize Bond (note : 6.1)	5,823,900	4,612,100
	Excess Reserve of CRR (note : 3.3.1)	1,404,406,096	928,621,584
		44,007,790,240	55,067,676,338
3(a)	Consolidated Cash		
	United Commercial Bank Ltd.	23,914,511,782	21,102,743,897
	UCB Capital Management Ltd.	156,516	40,000
	UCB Investment Ltd.	-	-
		23,914,668,298	21,102,783,897

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
4 Balance with other banks and financial institutions		
In Bangladesh (note - 4.1)	18,547,019,487	11,520,603,696
Outside Bangladesh (Annexure-A)	1,221,644,823	2,647,382,543
	19,768,664,310	14,167,986,239
4.1 In Bangladesh		
A. Current account		
Janata Bank Limited.	42,869,795	98,245,507
Agrani Bank Limited.	136,828	16,102,202
Rupali Bank Limited.	8,052,384	12,698,235
Sonali Bank Limited.	773,918,284	1,030,764,116
Standard Chartered Bank	2,042,196	5,682,636
	827,019,487	1,163,492,696
B. Fixed Deposits		
Industrial and Infrastructure Development Finance Company Limited	100,000,000	150,000,000
Peoples Leasing and Financial Services Limited	250,000,000	250,000,000
National Finance Limited	220,000,000	300,000,000
Standard Bank Limited	1,000,000,000	980,000,000
Dhaka Bank Limited	1,500,000,000	1,000,000,000
Delta Brac Housing Finance Limited	800,000,000	450,000,000
Uttara Finance & Investment Limited	550,000,000	250,000,000
Reliance Finance	650,000,000	400,000,000
Jamuna Bank Limited	1,390,000,000	1,300,000,000
South East Bank Limited	1,980,000,000	500,000,000
Modhumoti Bank Limited	300,000,000	150,000,000
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	450,000,000	300,000,000
Meridian Finance & Investment Limited	500,000,000	250,000,000
NRB Bank Limited	350,000,000	-
Mutual Trust Bank Limited	800,000,000	-
IFIC Bank Limited	1,000,000,000	-
Shahjalal Islami Bank Limited	1,490,000,000	-
International Leasing and Financial Services Limited	600,000,000	-
Phonix Finance and Investment Limited	250,000,000	-
One Bank Limited	1,000,000,000	-
United Finance	350,000,000	-
Trust Bank Limited	-	393,555,500
National Bank Limited	-	1,000,000,000
Fareast Finance and Investment Limited	-	100,000,000
Eastern Bank Limited	-	393,555,500
	17,720,000,000	10,357,111,000
Total (A+B)	18,547,019,487	11,520,603,696
4.2 Maturity grouping of balance with other banks & financial institutions		
On demand	2,048,664,310	1,163,492,696
Upto three months	15,850,000,000	11,504,493,543
More than three months but less than six months	1,520,000,000	950,000,000
More than six months but less than one year	350,000,000	550,000,000
	19,768,664,310	14,167,986,239

4(a) Consolidated Balance with other banks & financial institutions	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
In Bangladesh		
United Commercial Bank Ltd. (note-4.1)	18,547,019,487	11,520,603,696
UCB Capital management Ltd.	1,143,243,946	926,217,970
UCB Investment Ltd.	7,078,054	374,402
	19,697,341,487	12,447,196,068
Less: Inter Company balance eliminated	190,457,859	746,983,042
	19,506,883,628	11,700,213,026
Outside Bangladesh		
United Commercial Bank Ltd.	1,221,644,823	2,647,382,543
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	1,221,644,823	2,647,382,543
	20,728,528,451	14,347,595,569
5 Money at call on short notice		
NRB Global Bank Limited	290,000,000	-
Industrial and Infrastructure Development Finance Company Limited	-	220,000,000
Midland Bank Limited	-	150,000,000
Habib Bank Limited	-	50,000,000
Mercantile Bank Limited	-	250,000,000
Lanka Bangla Finance Limited	-	280,000,000
	290,000,000	950,000,000
6 Investments		
Government Securities (note-6.a)	38,980,950,734	50,752,536,899
Other Investments (note-6.b)	3,930,795,570	4,723,101,358
	42,911,746,304	55,475,638,257
a) Government Securities		
Treasury Bills		
28 days Treasury bills	-	-
91 days Treasury bills	497,173,466	-
182 days Treasury bills	1,984,161,079	2,247,381,140
364 days Treasury bills	601,285,669	-
Total Treasury Bills	3,082,620,214	2,247,381,140
Government Bonds		
Prize Bonds	5,823,900	4,612,100
Reverse Repo with other Bank	-	-
Bangladesh Bank Bills	7,097,217,550	20,987,387,383
Government Bonds	28,795,289,070	27,513,156,276
Total Government Bonds	35,898,330,520	48,505,155,759
Total Government Securities	38,980,950,734	50,752,536,899
b) Other investments		
Shares in listed companies (note- 6.3)	3,315,459,178	4,253,564,966
Shares in un-listed companies (note- 6.3)	615,336,392	469,536,392
Total other investments	3,930,795,570	4,723,101,358
Total Investments (a+b)	42,911,746,304	55,475,638,257

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
6.1 Government Securities are Classified as per Bangladesh Bank Circular		
Treasury Bond - HTM	28,795,289,070	26,784,735,034
Treasury Bond - HFT	-	728,421,242
Treasury Bills - HTM	1,098,459,135	1,498,461,776
Treasury Bills - HFT	1,984,161,079	748,919,364
Bangladesh Bank Bills - HTM	2,499,388,226	-
Bangladesh Bank Bills - HFT	4,597,829,324	20,987,387,383
Other Securities (Prize Bond)	5,823,900	4,612,100
	38,980,950,734	50,752,536,899
6.2 Maturity grouping of investments		
On demand	5,823,900	4,612,100
Up to three months	10,170,160,353	23,230,156,423
More than three months but less then one year	7,675,242,186	7,055,992,366
More than one year but less then five years	7,829,900,000	8,885,718,422
Over five years	17,230,619,865	16,299,158,946
	42,911,746,304	55,475,638,257

6.3 Other Investments

Name of the Company	Market Price On 31.12.2017	Cost Price On 31.12.2017	Cost Price On 31.12.2016
A) Shares in listed companies			
Square Pharmaceuticals Ltd.	327,726,129	216,842,164	156,648,075
Grameenphone Ltd.	801,500,278	298,871,971	351,643,033
Brac Bank Ltd.	615,694,006	241,953,726	245,724,459
Linde Bangladesh Limited	147,740,500	115,337,337	127,629,688
Bangladesh Export Import Company Ltd.	891,000	2,931,594	166,594,283
BSRM Steels Limited	35,451,385	57,997,743	91,465,420
Envoy Textiles Limited	18,818,100	23,767,200	23,767,194
IDLC Finance Ltd.	247,413,588	171,614,140	130,319,648
Matin Spinning Mills Ltd.	138,893,106	156,793,934	156,278,496
Meghna Life Insurance Co. Ltd.	8,931,090	22,323,530	36,104,351
National Housing Fin. and Inv. Ltd.	241,819,524	44,648,491	44,648,560
Powergrid Company of Bangladesh Ltd.	60,944,231	80,919,817	48,552,524
RAK Ceramics (Bangladesh) Limited	23,602,577	40,068,041	115,249,913
Titas Gas Transmission & dist. Co. Ltd.	40,502,626	65,321,150	123,241,248
Unique Hotel & Resorts Limited	32,660,000	79,999,980	80,000,000
ACI Limited.	202,312,000	180,822,052	248,339,595
Bata Shoe Ltd.	105,462,000	108,057,847	81,860,294
Square Textile Limited	85,478,400	95,396,611	91,140,285
Shasha Denims Limited	247,630,050	224,981,804	306,700,692
The ACME Laboratories Limited	962,574,732	525,856,071	399,999,600
MJL Bangladesh Limited	1,047,578	1,013,113	163,438,492
Eastern Bank Ltd.	71,714,864	71,975,671	-
Prime Bank Limited	82	80	-
Salvo Chemical	1,124,388	1,338,864	-
The City Bank Limited	99,118,516	99,357,759	-
Oimex Electrode Limited	464,746	64,800	-
Nahee Aluminium Composite	502,570	62,246	-
Active Fine Chemicals Limited	-	-	95,729,611
AFC Agro biotech Ltd.	-	-	46,724,546
Heidelberg Cement bd.	-	-	15,441,234
Renata Ltd.	-	-	7,276,528
Shinepukur Ceramics Limited	-	-	31,229,133
Summit Power Limited	-	-	100,308,215

Name of the Company	Market Price On 31.12.2017	Cost Price On 31.12.2017	Cost Price On 31.12.2016
Agni Systems Ltd.	-	-	127,603
Appollo Ispat Complex Limited	-	-	44,543,331
Premier Cement Mills Limited	-	-	55,023,415
Lanka Bangla Finance Ltd.	-	-	28,808,550
Olympic Industries Ltd.	-	-	7,333,742
Green Delta Insurance Company	-	-	3,696,113
Reckitt Benckiser(Bd.)Ltd.	-	-	2,284,435
Yeakin Polymer Limited	-	-	10,373
Fortune Shoes Limited	-	-	100,630
Golden Harvest Agro Industries Ltd.	-	-	80,128,221
DBH First Mutual Fund	56,050,188	72,522,439	54,878,042
EBL First Mutual Fund	36,529,473	43,453,314	34,256,310
EBL NRB Mutual Fund	19,140,000	20,082,271	149,710,000
ICB AMCL 2nd Nrb Mutual Fund	28,961,861	40,803,762	21,895,048
ICB AMCL Second Mutual Fund	15,864,876	25,174,848	19,104,499
MBL 1st Mutual Fund	68,250,000	71,647,568	49,073,187
NLI First Mutual Fund	67,950,000	39,696,800	39,087,009
Trust Bank 1st Mutual Fund	43,885,000	48,492,506	8,695,444
Asian Tiger Sandhani Life Growth Fund	13,200,000	8,909,309	6,164,961
NCCBL Mutual Fund-1	22,250,000	16,358,625	15,869,785
First Janata Bank Mutual Fund	-	-	8,686,889
Ab Bank 1st Mutual Fund	-	-	20,908,284
IFIC Bank 1st Mutual Fund	-	-	35,692,178
PHP First Mutual Fund	-	-	24,039,695
Popular Life First Mutual Fund	-	-	33,463,845
"Reliance One" the 1st Scheme of Reliance Insurance Mutual Fund	-	-	23,928,260
Sub Total (a)	4,892,099,464	3,315,459,178	4,253,564,966
B) Shares in un-listed companies			
Employment 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	320,000,000	320,000,000	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	-
Sub Total (b)	615,336,392	615,336,392	469,536,392
Total (a +b)	5,507,435,856	3,930,795,570	4,723,101,358

	Amount in BDT		
	31 Dec. 2017	31 Dec. 2016	
6.4 Cost and market value of investment as on 31 December 2017			
	Cost Price (Taka)	Market Value/ Amortized Cost	Market Value/ Amortized Cost
Government securities:			
Treasury Bills (Govt. Securities)	3,053,317,555	3,082,620,214	2,247,381,140
Govt. Treasury Bond (HTM)	29,113,165,124	28,795,289,070	26,784,735,034
Govt. Treasury Bond (HFT)	-	-	728,421,242
Bangladesh Bank Bills	7,095,945,900	7,097,217,550	20,987,387,383
Stock of Prize Bond	5,823,900	5,823,900	4,612,100
	39,268,252,479	38,980,950,734	50,752,536,899
Investment in Shares, Bond & Debenture			
	Market Value/ Amortized Cost	Cost Price	Cost Price
Quoted Shares	4,892,099,464	3,315,459,178	4,253,564,966
Un-Quoted Shares	615,336,392	615,336,392	469,536,392
Total investment in shares	5,507,435,856	3,930,795,570	4,723,101,358

6.5 (a) Disclosure regarding outstanding Reverse Repo on 31 December 2017.

Sl. No	Counter party Name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
	Total			-

6.5 (b) Disclosure regarding overall transaction of Repo and Reverse Repo

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
Securities sold under repo:			
1) With Bangladesh Bank	-	-	-
2) With Bank & FIS	249,364,000	304,525,222	280,884,698
Securities Purchased under reverse repo:			
1) from Bangladesh Bank	-	-	-
2) from Other Bank & Financial ins.	6,086,664	1,143,746,678	388,703,795

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
6(a) Consolidated Investments		
Governments Securities		
United Commercial Bank Ltd	38,980,950,734	50,752,536,899
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	38,980,950,734	50,752,536,899
Other Investments		
United Commercial Bank Ltd	3,930,795,570	4,723,101,358
UCB Capital Management Ltd. *	1,066,491,462	804,621,226
UCB Investment Ltd.	349,269,623	236,900,779
	5,346,556,655	5,764,623,363
Less: Inter Company balance eliminated	100,000	100,000
	5,346,456,655	5,764,523,363
	44,327,407,389	56,517,060,262

* Investment includes Tk. 391,150,000 for DSE membership and Tk. 124,610,823 for CSE membership. As per the Demutualization Act, 2013 memberships of both stock exchanges have been converted into certain number of shares as well as "Trading Right Entitlement Certificate (TREC)". No transactions of shares as well as "TREC" have been started and hence cost price is considered as fair value.

7 Loans and Advances	261,002,884,449	223,697,182,404
7.1 Maturity grouping of Loans & Advances (including bills purchased and discounted)		
On demand	17,498,536,829	16,020,517,916
Not more than three months	67,549,356,998	65,020,137,751
More than three months but less than one year	72,466,597,270	64,814,415,137
More than one year but less than five years	67,520,235,972	50,092,620,107
More than five years	35,968,157,380	27,749,491,493
	261,002,884,449	223,697,182,404

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
7.2 Loans & Advances		
i) Loans, Cash credit & overdraft etc		
a) Within Bangladesh		
Loan	170,222,502,362	140,883,872,006
Cash credits	33,002,465,473	33,067,211,255
Overdrafts	41,576,409,463	39,137,405,260
	244,801,377,298	213,088,488,521
b) Outside Bangladesh	-	-
	244,801,377,298	213,088,488,521
ii) Bills Purchased & Discounted (note : 7.13)		
a) Payable Inside Bangladesh		
Inland Bills Purchased	2,696,910,169	2,340,650,621
b) Payable outside Bangladesh		
Foreign bills purchased & discounted	13,504,596,982	8,268,043,262
	16,201,507,151	10,608,693,883
	261,002,884,449	223,697,182,404
7.3 Net Loans & Advances		
Gross Loans & Advances (note- 7.2)	261,002,884,449	223,697,182,404
Less : Non Performing Loans & Advances (note- 7.10 b)	19,268,087,020	17,920,567,311
Interest suspense (note- 12.18)	4,542,106,658	3,399,350,429
Provision for Loans & Advances (note- 7.11)	7,417,455,523	5,901,986,309
	31,227,649,201	27,221,904,049
	229,775,235,248	196,475,278,355
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	664,035,080	749,867,679
c) Advances to customers group		
i) Commercial Lending	47,325,750,896	52,971,615,325
ii) Import Finance	12,879,417,630	12,863,463,128
iii) Export Finance	5,514,860,570	4,833,007,675
iv) House Building Loan	17,863,322,106	18,227,610,820
v) Transport Loan	4,168,247,725	3,569,906,180
vi) Retail Loan	13,449,854,964	11,993,406,795
vii) Staff Loan	2,914,733,085	2,351,766,895
viii) Industrial Loan	120,826,400,000	85,329,904,205
ix) Agricultural Loan	5,540,170,000	2,608,056,000
x) Others	29,856,092,393	28,198,577,702
Total Loans & Advances	261,002,884,449	223,697,182,404
7.5 Industry wise Loans and Advances		
RMG & Accessories	33,446,517,613	27,753,018,515
Textile Industries	13,852,827,251	13,847,282,216
Agriculture	5,443,143,499	2,608,056,000
Food Products & Processing	13,291,671,693	7,584,828,727
Jute Industries	194,516,828	949,512,183
Leather & Leather Products	968,436,503	519,915,732
Paper & Paper Products Industries	5,172,208,261	2,990,603,109

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
Wood & Wooden Products	2,102,546,024	1,540,067,755
Chemical & Chemical Products	3,070,697,031	2,301,710,779
Cement Industries	4,462,811,743	3,772,613,794
Glass & Glassware Product Industries	-	9,498,920
Brick Field, Auto Bricks, Tiles	565,161,460	413,133,082
Engineering, Basic Metal & Products	15,965,652,898	9,406,775,263
Ship Re-cycling	348,911,073	657,642,366
Ship Manufacturing	3,268,049,587	1,160,979,836
Educational Institute, Hotel, Restaurant	2,540,867,285	2,730,732,516
Telecommunication	2,872,140,075	2,626,061,148
Transport & Communication	4,168,247,725	3,507,399,647
Diagnostic/Medical/Clinic	2,267,430,318	1,161,664,298
Housing Industry	17,863,322,106	18,227,644,224
Construction (Other than Housing)	21,857,008,327	20,379,195,432
Electronics Media	326,259,763	331,848,540
Power & Energy	9,023,848,613	8,397,566,703
Commercial Trade Financing	60,205,120,571	40,176,313,054
Others	37,725,488,202	50,643,118,565
	261,002,884,449	223,697,182,404
7.6 Geographical Location wise Loans & Advances		
Urban branches		
Dhaka	180,795,420,609	155,243,170,068
Chittagong	56,061,002,370	45,293,441,364
Sylhet	1,455,251,747	1,314,696,079
Rajshahi	5,608,130,266	5,139,397,249
Rangpur	694,731,165	1,098,615,840
Khulna	6,005,929,764	5,570,009,644
Barisal	205,494,331	291,514,660
	250,825,960,251	213,950,844,904
Rural branches		
Dhaka	6,940,456,341	6,488,632,525
Chittagong	2,436,434,864	2,251,207,425
Sylhet	295,781,538	297,641,112
Rajshahi	227,555,239	430,419,072
Rangpur	-	-
Khulna	276,696,215	278,437,366
Barisal	-	-
	10,176,924,198	9,746,337,499
	261,002,884,449	223,697,182,404
7.7 Sector - wise Loans and Advances		
Government & autonomous	139,897,666	-
Co-operative sector	-	-
Other public sector	-	-
Private sector	260,862,986,783	223,697,182,404
	261,002,884,449	223,697,182,404

	Amount in BDT	
	31- Dec-2017	31-Dec-2016
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)	3,691.98	3,352.19
Outstanding Advances (note : 7.8.1)	17,798.74	15,474.25
Number of customers	36	37
Classified amount	-	342
Measures taken for recovery	-	Suit Filed

7.8.1 Detail of information on Advances more than 10% of Bank's total Capital as on 31 December 2017.

(Figure in crore)

Name of the Borrower	Outstanding as on		31 Dec. 2017	31 Dec. 2016
	Funded	Non-Funded	Total	Total Taka
Four H group	347.07	455.65	802.72	787.12
Smart Group	64.30	233.57	297.87	304.99
Kabir Group	358.87	317.05	675.92	292.80
Abul Khair group	469.89	262.17	732.06	918.31
Unique Group	83.61	61.80	145.41	264.20
Orion Group	313.40	164.50	477.90	363.76
Spectra Group	200.45	268.10	468.55	532.37
Micro Fibre Group	0.23	440.41	440.64	473.17
Baraka Patenga Power Ltd.	243.59	83.82	327.41	311.77
Summit Group	24.44	157.39	181.83	292.19
Max Group	96.21	117.69	213.90	199.70
Max Power Ltd	199.88	24.75	224.63	266.58
Bulk Group	21.47	60.71	82.18	66.06
Toma Group	102.32	583.61	685.93	235.74
Bashundhara Group	265.04	206.98	472.02	467.25
Robintex	35.92	3.38	39.30	52.05
Chaina Railway Major Bridge Engineering Group Co Ltd.	-	2,976.79	2,976.79	3,043.57
Syno Hydro Corporation Ltd.	-	2,229.17	2,229.17	2,182.36
BSRM	267.46	524.20	791.66	346.59
Pran Group	590.32	196.19	786.51	423.85
LIZ GROUP	109.05	238.16	347.21	213.40
DIRD GROUP	338.74	40.64	379.38	317.26
Palmal	38.66	107.37	146.03	121.75
Thermax	71.47	285.69	357.16	245.21
Mondol Group	143.93	547.59	691.52	518.81
Anwar Group	194.39	164.96	359.35	306.20
Metro	62.58	318.71	381.29	339.77
Abdul Monem	16.18	54.36	70.54	104.63
Noapara Trade	-	-	-	55.86
Rafiqul Islam	102.13	2.40	104.53	60.78
GPH	344.02	165.67	509.69	181.13
New Asia	120.52	197.70	318.22	-
Nitol Niloy Group	87.18	58.54	145.72	-
N.R. Group	54.16	433.88	488.04	-
Habib	168.90	78.76	247.66	-
City Group	200.00	-	200.00	-
Rangs Group	-	-	-	239.64
Malek Group	-	-	-	262.07
Mahmud Group	-	-	-	130.62
ECPV Group	-	-	-	211.12
BNS Group	-	-	-	341.57
Sonia	-	-	-	-
Total	5,736.38	12,062.36	17,798.74	15,474.25

7.9 Disclosure of Particulars of Advances	Amount in BDT	
	31- Dec-2017	31-Dec-2016
i) Loans considered good in respect of which the banking company is fully & partly secured.	188,130,297,067	187,808,088,336
ii) Loans considered good against which the banking company holds no security than the debtors personal guarantee.	36,824,240,310	20,028,560,901
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor.	36,048,347,072	15,860,533,167
iv) Loans adversely classified, provision not maintained there against.		
	261,002,884,449	223,697,182,404
v) Loans due by directors or officers of the banking company or any of them either separately or jointly with any other person	3,065,388,111	2,458,036,325
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	1,664,913,000	1,266,998,281
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	-	-
ix) Due from banking companies		
x) Amount of classified loans on which interest has not been charged:	17,235,486,320	14,034,892,020
a) (Decrease)/ Increase in provision	1,515,469,214	1,498,742,790
b) Amount realized against loan previously written off	113,150,993	200,762,156
c) Amount of provision kept against loan classified as Bad /Loss on the balance sheet date	4,802,936,566	3,698,617,423
d) Interest credited to the interest suspense account.	4,477,160,401	4,134,348,063
xi) Cumulative amount of the written off loan	9,675,997,281	9,126,463,925
xii) Amount written off during the year	662,684,349	652,418,770
xiii) Amount of written off loan for which law suit filed	11,345,490,146	10,690,078,834
7.10 Classification of Loans & Advances		
a) Unclassified		
Standard (SMA)	11,559,422,120	9,100,586,741
Standard (Small & Medium Ent.)	75,212,698,178	70,853,524,960
Standard (Consumer Finance- Credit Card)	1,206,873,332	983,618,823
Standard (Consumer Finance-House Finance)	4,762,978,002	7,094,684,809
Standard (Consumer Finance - Loan Professional)	51,819,694	15,306,386
Standard (Consumer Finance-Others)	2,963,010,818	2,622,770,400
Standard (Agri Loan)	2,956,048,453	1,520,158,659
Standard (Staff Loan)	3,065,388,111	2,458,036,325
Standard (Others.)	139,956,558,721	111,127,927,990
	241,734,797,429	205,776,615,093
b) Classified		
Sub - Standard	1,329,574,210	3,167,866,190
Doubtful	703,026,490	717,809,101
Bad & Loss	17,235,486,320	14,034,892,020
	19,268,087,020	17,920,567,311
Total	261,002,884,449	223,697,182,404

7.11 Particulars of required provision for Loans & Advances	Amount in BDT			
	Particulars	Base for Provision	Rate of Provision	Provision required
General Provision (a)				
Special Mention Account	9,147,112,638	0.25% - 5%	228,343,000	92,852,682
Small & Medium Enterprise	75,212,698,178	0.25%	188,031,745	177,133,812
Consumer Fin.- Credit Card	1,206,873,332	2%	24,137,467	49,180,941
Consumer Fin-House Finance	4,762,978,002	1%	47,629,780	141,893,696
Consumer Fin - Loan Prof.	51,819,694	2%	1,036,394	306,128
Consumer Fin-Others	2,963,010,818	5%	148,150,541	131,138,510
Short Term Agri & Micro Credit	2,956,048,453	1%	29,560,485	38,003,966
Loan to BHs/MBs/SDs against share	42,433,789	2%	848,676	156,164
Standard loans & advances	139,808,355,166	1%	1,688,068,913	1,111,201,195
	236,151,330,070		2,355,807,000	1,741,867,094
Specific Provision (b)				
Sub - Standard	491,360,918	20% & 5%	96,680,948	329,972,297
Doubtful	242,640,972	50% & 5%	121,320,486	131,529,495
Bad & Loss	4,802,936,566	100%	4,802,936,566	3,698,617,423
	5,536,938,456		5,020,938,000	4,160,119,215
Required provision for Loans & Advances (A+B)			7,376,745,000	5,901,986,309
Total provision held for Loans & Advances			7,417,455,523	5,901,986,309
Excess/(Short) Provision			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)**

Principal branch	63,781,461	424,605,180
Gulshan branch	512,761	42,402,308
Khan Jahan Ali Road branch	19,748,916	121,360
Mirpur branch	78,064	26,030,357
Khatungong branch	87,556,078	15,644,174
Northbrook Hall Road branch	133,525	8,949,888
Tejgaon branch	717,243	1,703,296
Agrabad branch	175,566,671	14,543,368
Dohazari branch	9,658,880	3,243,803
Amborkhana branch	1,406,781	35,675,632
Eidgaon branch	222,616	366,288
Feni branch	7,487,584	14,669,668
Jessore branch	189,937,589	73,824,552
Khulna branch	132,296,428	16,466,605
Madhabdi branch	7,192,236	93,082,687
Mohammadpur branch	1,313,356	614,441
Uttarkhan branch	340,965	6,462,196
Nayabazar branch	90,637,470	97,985,350
Kadamtali branch	39,871,627	45,374,157
Naogaon branch	22,643,250	28,093,763
Card division	35,537,386	98,906,332
Serajgonj branch	8,124,350	1,527,045
Anowara branch	152,939	-
Chandpur branch	112,792	-

	Amount in BDT	
	31- Dec-2017	31-Dec-2016
Comilla branch	3,594,202	-
Dampara branch	7,516,462	-
Faridpur branch	271,401	-
Foreign Exchange branch	204,660,448	-
Islampur branch	13,892,613	-
Narayangonj branch	2,205,112	-
Pabna branch	8,441,165	-
Rajshahi branch	10,421,066	-
Shantinagar branch	20,409,177	-
Sherpur branch	456,643	-
Shibchar branch	271,181	-
Sylhet branch	5,667,791	-
Uttara Branch	3,165,209	-
Bashundhara branch	41,603,114	-
Corporate branch	1,883,691	-
Bogra Branch	167,458	-
Anderkilla branch	211,696	-
Bangshal branch	251,836	-
Muradpur branch	5,356,374	-
O.R Nizam Road branch	297,457,002	-
Paglabazar branch	26,467,019	-
Beanibazar Sylhet	-	3,750,925
New Eskaton branch	-	6,464,755
Goalabazar branch	-	1,669,299
Bhulta branch	-	35,717,290
Chapai Nawabgonj branch	-	21,382,723
Shahjalal Upashahor branch	-	375,725
Bahaddarhat branch	-	9,434,683
Barolekha branch	-	7,768,321
Chashara branch	-	15,540,868
Dhanmondi branch	-	125,364
Jhenaidah branch	-	1,298,023
Kawranbazar branch	-	698,255
Kushtia branch	-	3,070,000
Lakshmipur branch	-	10,515,915
Mohakhali branch	-	251,526,824
Nabigonj branch	-	5,168,533
Noapara bazar branch (Jessore)	-	10,693,338
Rangunia branch	-	12,301,391
	1,549,401,628	1,447,794,682
7.13 Bills purchased and discounted		
a) Payable in Bangladesh	2,696,910,169	2,340,650,621
b) Payable outside Bangladesh	13,504,596,982	8,268,043,262
	16,201,507,151	10,608,693,883
7.13.1 Maturity grouping of bills purchased and discounted		
Payable within one month	3,276,035,025	2,737,545,837
Over one month but less than three months	4,499,052,479	3,164,855,759
Over three months but less than six months	5,580,986,751	3,121,424,167
Six months or more	2,845,432,896	1,584,868,120
	16,201,507,151	10,608,693,883

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
7 (a) Consolidated Loans and Advances		
Loans, Cash Credits, Overdrafts etc		
United Commercial Bank Ltd.	244,801,377,298	213,088,488,521
UCB Capital Management Ltd.	1,579,432,201	640,642,581
UCB Investment Ltd.	-	-
	246,380,809,499	213,729,131,102
Less: Inter Company balance eliminated	-	-
	246,380,809,499	213,729,131,102
Bills Purchased and discounted		
United Commercial Bank Ltd.	16,201,507,151	10,608,693,883
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	16,201,507,151	10,608,693,883
Less: Inter Company balance eliminated	-	-
	16,201,507,151	10,608,693,883
	262,582,316,650	224,337,824,985
8. Fixed assets including premises, furniture & fixture.		
Land	4,395,054,283	4,395,054,283
Building	1,683,875,932	1,683,875,932
Furniture and fixtures	1,498,045,192	1,324,506,338
Office equipments	1,057,476,281	937,780,242
Computer & equipments	900,579,801	844,842,456
Vehicles	398,340,786	398,111,326
Capital Expenditure Work in Progress	1,015,277,528	1,013,611,594
	10,948,649,803	10,597,782,171
Intangible assets		
Computer software	578,213,040	517,527,698
	11,526,862,843	11,115,309,869
Less: Accumulated depreciation & amortization	3,182,761,207	2,735,134,128
Written down value at the end of the year	8,344,101,636	8,380,175,741
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.	8,344,101,636	8,380,175,741
UCB Capital Management Ltd.	8,689,439	7,068,725
UCB Investment Ltd.	-	-
	8,352,791,075	8,387,244,466
Less: Inter Company balance eliminated	-	-
	8,352,791,075	8,387,244,466

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
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	744,021	744,021
Stock of Stationery & Stamps	45,869,403	44,214,586
Account with Stock Broker	989,168,534	121,155,893
Advance Payment	823,613,009	845,352,690
Advance Deposit	8,177,730	8,016,380
Suspense Account (note - 9.1)	662,017,050	429,464,760
Advance Income Tax Paid (note - 9.2)	1,351,430,049	1,472,757,862
Interest Receivable	944,736,388	768,203,354
Head Office General Account (note - 9.3)	-	8,030
Others (note - 9.4)	3,042,715	3,042,715
	7,082,891,656	5,947,053,048
9.1 Suspense accounts		
Advance against expenses	207,127,502	101,130,382
Advance against others	-	895,651
Advance against Foreign Remittance Settlement	7,058,444	-
Claims on Sanchaypatra	183,771,976	79,803,166
Interest on sanchaypatra	105,240,221	67,656,866
Excise duty	19,114,020	42,409,960
Protested bill	72,831,536	73,681,536
Sundry receivable ATM	38,172,351	13,387,200
Cash in Transit	23,814,000	50,500,000
Cash in Excess/(Short) ATM	4,887,000	-
	662,017,050	429,464,760
9.2 Advance income tax		
Opening balance	1,472,757,862	11,397,222,565
Add: Advance Tax paid during the year	2,114,571,485	3,055,927,113
Less: Advance Tax adjustment with tax Provision	(2,235,899,298)	(12,980,391,816)
Balance at the end of the year	1,351,430,049	1,472,757,862
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	2,152,262,332
2013-2014	1,801,862,346	1,801,862,346
2014-2015	2,257,875,995	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	1,353,066,462
2018-2019	1,114,303,375	-
	16,567,721,163	14,453,149,678
Less: Advance Tax Adjusted with tax provision up to the year 2016	(15,216,291,114)	(12,980,391,816)
	1,351,430,049	1,472,757,862

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
9.3 Head Office General Account		
This is made up as follows :		
Due from branches	-	114,699,312,804
Due to branches	-	114,699,304,774
	-	8,030
9.4 Others		
UCB International school project	3,042,606	3,042,606
Receivable from Others	100	100
MFS fraction digit	9	9
OBU exchange equalization	-	-
	3,042,715	3,042,715
9.5 Non-income generating other assets		
Stock of Stationery & Stamps	45,869,403	44,214,586
Account with Stock Broker	989,168,534	121,155,893
Advance Payment	823,613,009	845,352,690
Advance Deposit	8,177,730	8,016,380
Advance Income Tax Paid	1,351,430,049	1,472,757,862
Suspense Account	662,017,050	429,464,760
Head Office General Account	-	8,030
Others	3,042,715	3,042,715
	3,883,318,490	2,924,012,916
9 (a) Consolidated Other assets		
United Commercial Bank Ltd.	7,082,891,656	5,947,053,048
UCB Capital Management Ltd.	172,027,102	45,957,979
UCB Investment Ltd.	8,529,952	58,811,624
	7,263,448,710	6,051,822,651
Less: Inter Company balance eliminated	2,250,643,921	2,250,643,921
Investment in shares of subsidiary companies	763,399,900	763,399,900
Receivables from Subsidiary Company	1,487,244,021	1,487,244,021
	5,012,804,789	3,801,178,730
10 Borrowings from other banks, financial institutions & agent.		
In Bangladesh (note - 10.1)	28,871,306,690	22,113,148,872
Outside Bangladesh (note - 10.2)	4,975,087,444	3,451,951,762
	33,846,394,134	25,565,100,634
10.1 In Bangladesh		
UCBL Subordinated Bond (note - 10.1.1)	10,500,000,000	7,000,000,000
Bangladesh Bank IPFF Fund	3,365,537,280	1,476,457,783
EDF Borrowings from Bangladesh Bank	14,890,485,384	13,607,745,339
Borrowing from Bangladesh Bank Refinancing scheme	32,584,026	28,945,750
Southeast Bank Limited	82,700,000	-
	28,871,306,690	22,113,148,872
10.1.1 UCBL Subordinated Bond		
UCBL 1st Subordinated Bond	2,000,000,000	2,000,000,000
UCBL 2nd Subordinated Bond	5,000,000,000	5,000,000,000
UCBL 3rd Subordinated Bond (1st Trench)	3,500,000,000	-
	10,500,000,000	7,000,000,000

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
10.2 Outside Bangladesh		
International Finance Corporation	1,929,666,638	1,967,777,500
PROPARCO	748,238,095	787,111,000
Emirates NBD Bank PJSC-UAE	727,710,380	-
Emirates Islamic Bank	911,877,491	-
YES BANK LTD	359,761,127	-
First Gulf Bank	297,833,713	-
ICICI-UAE	-	697,063,262
	4,975,087,444	3,451,951,762
Secured	-	-
Unsecured	33,846,394,134	25,565,100,634
	33,846,394,134	25,565,100,634
10.3 Maturity Grouping of Borrowings from other banks, financial institutions & agent.		
Payable on demand	-	-
Payable within one month	2,217,130,467	855,395,290
Over one month but within six months	15,659,112,627	13,449,403,569
Over six month but within one year	2,242,600,000	1,180,650,000
Over one year but within five years	8,958,301,260	6,816,045,750
Over five years but within ten years	4,769,249,780	3,263,606,025
	33,846,394,134	25,565,100,634
10 (a) Consolidated Borrowings from other banks, financial institutions & agent.		
United Commercial Bank Ltd.	33,846,394,134	25,565,100,634
UCB Capital Management Ltd.	350,000,000	-
UCB Investment Ltd.	-	-
	34,196,394,134	25,565,100,634
Less: Inter Company balance eliminated	-	-
	34,196,394,134	25,565,100,634
11 Deposits and other accounts		
Inter Bank deposits	49,161,801	38,034,307
Other deposits	278,146,324,031	257,666,267,774
	278,195,485,832	257,704,302,081
a. Current accounts & other accounts		
Current deposits	24,105,914,832	24,496,339,538
Foreign currency deposits	2,824,478,720	1,851,441,039
Sundry deposits (note - 11.1)	17,403,996,464	16,393,380,444
	44,334,390,016	42,741,161,021
b. Bills Payable		
Pay order	6,585,548,355	7,610,727,480
Demand draft payable	9,374,075	10,838,580
Others Payable	3,500	3,500
	6,594,925,930	7,621,569,560
c. Savings Bank deposits		
Savings Bank deposits	52,852,622,249	43,379,427,197
	52,852,622,249	43,379,427,197
d. Fixed deposits		
Fixed deposits	73,794,076,649	82,916,346,791
Special notice deposits	68,701,628,547	48,437,553,848
Scheme Deposits	31,917,842,441	32,608,243,664
	174,413,547,637	163,962,144,303
Total Deposits and other accounts (a+b+c+d)	278,195,485,832	257,704,302,081

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
11.1 Sundry deposits		
Sundry creditors	225,023,326	189,584,370
Security deposits	6,392,100	5,678,400
Debit & Credit card	2,226,530	638,600
Others	12,877,417	3,366,578
FC held against deemed export LC	2,490,799,952	612,926,506
FC held against BTB LC	10,267,467,424	11,018,316,430
Margin		
Letter of guarantees	1,111,483,638	1,063,031,075
Letter of credit	3,131,194,524	3,186,365,268
Export Proceed	156,531,553	313,473,216
	17,403,996,464	16,393,380,444
11.2 Maturity analysis of deposits & other accounts		
Inter- Bank Deposits		
Payable on demand	44,303,044	32,368,873
Payable within one month	4,858,757	5,665,434
Over one month but within six months	-	-
Over six month but within one year	-	-
Over one year but within five years	-	-
Over five years but within ten years	-	-
	49,161,801	38,034,307
Other Deposits		
Payable on demand	7,014,424,235	2,274,476,620
Payable within one month	32,325,665,636	36,850,941,078
Over one month but within six months	75,137,857,079	83,053,527,999
Over six month but within one year	30,983,570,644	28,673,969,564
Over one year but within five years	67,737,888,832	53,685,431,241
Over five years but within ten years	64,946,917,605	53,127,921,272
	278,146,324,031	257,666,267,774
	278,195,485,832	257,704,302,081
11.3 Sector-wise deposits		
Government	630,851,552	651,871,974
Semi-Government	4,339,044,598	3,564,468,053
Public	56,884,622,922	38,719,975,636
Private	213,516,488,040	212,916,545,379
Foreign Currency Deposits	2,824,478,720	1,851,441,039
	278,195,485,832	257,704,302,081
11 (a) Consolidated Deposits and other accounts		
Current accounts & other accounts		
United Commercial Bank Ltd.	44,334,390,016	42,741,161,021
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	44,334,390,016	42,741,161,021
Less: Inter company balance eliminated	190,457,859	746,983,042
	44,143,932,157	41,994,177,979
Bills Payable		
United Commercial Bank Ltd.	6,594,925,930	7,621,569,560
UCB Capital Management Ltd.	-	-
UCB Investment Ltd.	-	-
	6,594,925,930	7,621,569,560

		Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
Savings Bank deposits			
United Commercial Bank Ltd.		52,852,622,249	43,379,427,197
UCB Capital Management Ltd.		-	-
UCB Investment Ltd.		-	-
		52,852,622,249	43,379,427,197
Fixed deposits			
United Commercial Bank Ltd.		174,413,547,637	163,962,144,303
UCB Capital Management Ltd.		-	-
UCB Investment Ltd.		-	-
		174,413,547,637	163,962,144,303
Less: Inter company balance eliminated		-	-
		174,413,547,637	163,962,144,303
		278,005,027,973	256,957,319,039
12 Other Liabilities			
Provision for classified loans & advances	(note - 12.1)	5,020,938,000	4,160,119,215
Provision for diminution in value of investment	(note - 12.2)	292,839,246	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)	74,851,344	85,850,000
Provision for standard loans & advance	(note - 12.5)	1,728,779,435	1,111,201,270
Provision for special mention account	(note - 12.6)	228,343,000	92,852,645
Provision for small & medium enterprise (SME)	(note - 12.7)	188,031,745	177,133,812
Provision for consumer finance (Credit Card)	(note - 12.8)	24,137,467	49,180,941
Provision for consumer finance (House Finance)	(note - 12.9)	47,629,780	141,893,696
Provision for consumer finance (L.p)	(note - 12.10)	1,036,394	306,128
Provision for consumer finance (Others)	(note - 12.11)	148,150,541	131,138,520
Provision for short term agri micro finance	(note - 12.12)	29,560,485	38,003,966
Provision for off-balance sheet exposure	(note - 12.13)	1,979,838,013	1,581,680,000
Provision for BHs/MBs/SDs/against share	(note - 12.14)	848,676	156,164
Provision for current tax	(note - 12.15)	4,936,286,216	4,144,685,514
Provision for deferred tax	(note - 12.16)	206,445,374	206,445,374
Provision for UCB foundation	(note - 12.17)	60,851,461	105,274,987
Interest suspense account	(note - 12.18)	4,542,106,658	3,399,350,429
Head office general account		4,470	-
Dividend payable		41,400	41,400
Sundry liabilities		1,986,074,297	1,421,967,145
Interest payable		3,261,896,365	3,550,963,492
		24,762,662,367	20,695,055,944

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
12.1 Provision for classified loans & advances		
Opening balance	4,160,119,215	2,730,266,308
Adjustment due to written off	(595,088,705)	(577,118,349)
Provision made during the year	1,455,907,490	1,918,962,947
Transferred from surplus of other provision heads	-	88,008,309
	5,020,938,000	4,160,119,215
12.2 Provision for diminution in value of investment		
Opening balance	292,839,246	292,839,246
Provision adjusted during the year	-	-
	292,839,246	292,839,246
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	85,850,000	93,463,754
Provision made during the year	-	-
Transferred the surplus to other provision heads	(10,998,656)	(7,613,754)
	74,851,344	85,850,000
12.5 Provision for standard loans & advance		
Opening balance	1,111,201,270	982,083,861
Provision made during the year	471,340,825	128,795,444
Transferred from surplus of other provision heads	138,749,527	-
Adjustment during the year	7,487,813	321,965
	1,728,779,435	1,111,201,270
12.6 Provision for special mention account		
Opening balance	92,852,645	109,147,000
Provision made during the year	135,490,355	-
Transferred the surplus to other provision heads	-	(16,294,355)
	228,343,000	92,852,645
12.7 Provision for small & medium enterprise(SME)		
Opening balance	177,133,812	189,668,000
Provision made during the year	10,897,933	-
Transferred the surplus to other provision heads	-	(12,534,188)
	188,031,745	177,133,812
12.8 Provision for consumer finance (Credit Card)		
Opening balance	49,180,941	46,765,692
Provision made during the year	-	2,415,249
Transferred the surplus to other provision heads	(25,043,474)	-
	24,137,467	49,180,941
12.9 Provision for consumer finance (House Finance)		
Opening balance	141,893,696	168,910,000
Provision made during the year	-	-
Transferred the surplus to other provision heads	(94,263,916)	(27,016,304)
	47,629,780	141,893,696
12.10 Provision for consumer finance (Loan Professionals)		
Opening balance	306,128	486,000
Provision made during the year	730,266	-
Transferred the surplus to other provision heads	-	(179,872)
	1,036,394	306,128

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
12.11 Provision for consumer finance (Others)		
Opening balance	131,138,520	117,171,661
Provision made during the year	17,012,021	13,966,859
	148,150,541	131,138,520
12.12 Provision for short term agri micro finance		
Opening balance	38,003,966	34,219,000
Provision made during the year	-	3,784,966
Transferred the surplus to other provision heads	(8,443,481)	-
	29,560,485	38,003,966
12.13 Provision for off-balance sheet exposure		
Opening balance	1,581,680,000	1,252,103,000
Provision made during the year	397,928,598	329,570,535
Adjustment during the year	229,415	6,465
	1,979,838,013	1,581,680,000
12.14 Provision for BHs/MBs/SDs/against share		
Opening balance	156,164	24,526,000
Addition during the year	692,512	-
Transferred the surplus to other provision heads	-	(24,369,836)
	848,676	156,164
12.15 Provision for current tax		
Opening balance	4,144,685,514	14,563,825,636
Add: Addition during the year	3,027,500,000	2,561,251,694
Less: Adjustment with advance Tax	(2,235,899,298)	(12,980,391,816)
	4,936,286,216	4,144,685,514
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	-
	20,152,577,330	17,125,077,330
Less: Adjustment of Current Tax Provision with advance Tax up to the year 2016.	(15,216,291,114)	(12,980,391,816)
	4,936,286,216	4,144,685,514
12.16 Provision for deferred tax		
Opening balance	206,445,374	206,445,374
Addition during the year	-	-
	206,445,374	206,445,374
12.17 Provision for UCB foundation		
Opening balance	105,274,987	39,534,987
Addition during the year	60,851,461	65,740,000
Less: Fund transfer to UCB Foundation	(105,274,987)	-
	60,851,461	105,274,987

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
12.18 Interest suspense account		
Opening balance	3,399,350,429	2,168,204,541
Add: Amount transferred to interest suspense account during the year	4,477,160,401	4,134,348,063
Less: Amount recovered from interest suspense account during the year	(3,261,030,544)	(2,808,104,857)
Less: Interest waiver/remission allowed	(5,777,984)	(19,796,897)
Less: Amount written off during the year	(67,595,644)	(75,300,421)
	4,542,106,658	3,399,350,429
12(a) Consolidated Other Liabilities		
United Commercial Bank Ltd.	24,762,662,367	20,695,055,944
UCB Capital Management Ltd.	1,350,520,009	376,993,907
UCB Investment Ltd.	22,890,675	20,476,103
	26,136,073,051	21,092,525,954
Less: Inter company balance eliminated	744,021	744,020
	26,135,329,030	21,091,781,934
13 Share Capital		
Opening balance	10,541,306,540	10,039,339,570
Add: Bonus shares issue (5,01,96,697 ordinary shares of Tk-10.00 each)	-	501,966,970
	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	10,039,339,570
5,01,96,697 ordinary shares of Tk-10.00 each issued as bonus	-	501,966,970
	10,541,306,540	10,541,306,540

Shareholding position:

Particulars	2017		2016	
	No. of Shares	Amount in BDT	No. of Shares	Amount in BDT
Sponsors/Directors	390,243,577	3,902,435,770	411,316,069	4,113,160,690
Institution(Financial & Others)	220,666,286	2,206,662,860	135,567,387	1,355,673,870
General Public	434,670,958	4,346,709,580	498,697,365	4,986,973,650
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
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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 2017

Shareholding Range	Number of Shareholders	Number of Shares	Value of Shares in BDT	Total Holdings %
Upto 500 Shares	29,421	4,598,929	45,989,290	0.44%
501 to 5000 Shares	26,805	46,494,580	464,945,800	4.41%
5001 to 10,000 Shares	3,745	27,169,113	271,691,130	2.58%
10,001 to 20,000 Shares	1,971	28,356,260	283,562,600	2.69%
20,001 to 30,000 Shares	585	14,474,611	144,746,110	1.37%
30,001 to 40,000 Shares	274	9,726,462	97,264,620	0.92%
40,001 to 50,000 Shares	194	9,060,768	90,607,680	0.86%
50,001 to 100,000 Shares	351	25,859,215	258,592,150	2.45%
100,001 to 10,00,000 Shares	382	113,495,532	1,134,955,320	10.77%
10,00,001 & above	117	774,895,184	7,748,951,840	73.51%
Total	63,845	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

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 2017 was Taka 34,408,156,271 as against available Tier-1 Capital of Taka 23,595,889,486 and Tier-2 Capital of Taka 13,323,936,992 making a Total Regulatory Capital of Taka 36,919,826,478 thereby an excess of capital of Taka 2,511,670,207 at that date.

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
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)	10,467,416,183	9,375,134,484
General Reserve (note : 15)	26,577,961	26,577,961
Retained Earnings (note : 17)	1,389,408,394	1,628,977,579
	23,879,685,828	23,026,973,314
Less: Regulatory Adjustments:		
Goodwill and all other Intangible Assets	149,473,352	-
Investment in own CET-1 Instruments/Shares	15,854,020	-
Reciprocal crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities	118,468,970	-
	283,796,342	-
Total Common Equity Tier-1 Capital	23,595,889,486	23,026,973,314
Additional Tier-1 Capital (AT-1)	-	-
Total Tier-1 Capital	23,595,889,486	23,026,973,314
Tier-II Capital:		
General Provision	4,376,355,536	3,323,547,142
Revaluation Reserve (note: a)	647,581,456	971,372,184
Subordinated Bond	8,300,000,000	6,200,000,000
	13,323,936,992	10,494,919,326
Less: Investment in subsidiaries which are not consolidated	-	-
	13,323,936,992	10,494,919,326
Total Regulatory Capital	36,919,826,478	33,521,892,640
Risk Weighted Assets (note-13.8)	305,850,277,961	294,391,538,065
Minimum Capital Requirement with Capital Conservation Buffer (11.25% of Risk Weighted Assets)	34,408,156,271	31,279,100,919
Capital Surplus/(Shortfall)	2,511,670,207	2,242,791,721

Note :

a) The amount of Revaluation Reserve is 40 percent of the balance stood as on 31 December, 2014 (50% of Fixed Assets and Securities Revaluation Reserve & 10% of Equities Revaluation Reserve)

13.7 Composition of Capital	Required	Held	Required	Held
Common Equity Tier -I	4.50%	7.71%	4.50%	7.82%
Tier-I Capital	5.50%	7.71%	5.50%	7.82%
Tier-II Capital		4.36%		3.56%
Total CRAR		12.07%		11.39%

13.8 Computation of Risk weighted assets

On- Balance Sheet	209,876,695,560	195,403,414,812
Off-Balance sheet	59,899,924,754	63,935,317,219
Credit Risk (A)	269,776,620,314	259,338,732,031
Market Risk (B)	9,946,328,443	10,287,687,985
Operational risk (C)	26,127,329,204	24,765,118,049
Total: Risk Weighted assets (A+B+C)	305,850,277,961	294,391,538,065

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
14 Statutory Reserve		
As per section 24(1) of the Bank company Act, 1991 (amendment upto 2013), 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	9,375,134,484	8,337,157,253
Add : Transferred during the year	1,092,281,699	1,037,977,231
	10,467,416,183	9,375,134,484
15 General Reserve		
Opening Balance	26,577,961	26,577,961
Add: Transferred during for the year	-	-
	26,577,961	26,577,961
16 Other Reserve		
Asset Revaluation Reserve (notes: 16.1)	2,534,101,559	2,534,101,559
Foreign currency translation gain/(loss)	19,591,419	4,605,093
Revaluation Reserve on HTM Securities (notes: 16.2.1)	74,130,335	175,532,010
Revaluation Reserve on HFT Securities (notes: 16.2.2)	2,748,663	15,108,951
	2,630,571,976	2,729,347,613
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
16.2 Revaluation Reserve		
HTM Securities (notes 16.2.1)	74,130,335	175,532,010
HFT Securities (notes 16.2.2)	2,748,663	15,108,951
	76,878,998	190,640,961
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	175,532,010	421,069,294
Net Revaluation gain/adjustment during the year	(101,401,675)	(245,537,284)
	74,130,335	175,532,010
16.2.2 Revaluation Reserve on HFT Securities		
Opening Balance	15,108,951	224,397,111
Net Revaluation gain/adjustment during the year	(12,360,288)	(209,288,160)
	2,748,663	15,108,951
17 Retained Earnings		
Opening Balance	1,628,977,579	2,548,155,233
Add: Transferred during for the year	1,341,626,796	1,590,657,230
Less: Issuance of Stock Dividend	-	(501,966,970)
Less: Issuance of Cash Dividend	(1,581,195,981)	(2,007,867,914)
	1,389,408,394	1,628,977,579

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
17(a) Consolidated Retained Earnings		
United Commercial Bank Ltd.	1,389,408,394	1,628,977,579
UCB Capital Management Ltd.	269,520,658	47,554,573
UCB Investment Ltd.	91,986,953	25,610,702
	1,750,916,005	1,702,142,854
Less: Non controlling Interest	53	10
Total balance of retained earnings attributable to the ordinary Share holders.	1,750,915,952	1,702,142,844
Paid up Capital	763,500,000	763,500,000
Retained earnings	361,507,611	73,165,275
	1,125,007,611	836,665,275
Non controlling interest	153	110
18 Contingent liabilities & commitment		
Acceptances & endorsement (note- 18.1)	48,836,369,932	43,841,462,303
Letters of guarantee (note- 18.2)	91,361,376,812	85,075,111,234
Irrecoverable letters of credit (note- 18.3)	44,803,196,081	29,541,631,966
Bills for collection (note-18.4)	12,155,872,347	11,846,654,556
Other Commitments	816,986,203	864,888,800
	197,973,801,375	171,169,748,859
18.1 Acceptances & endorsements		
Bankers liabilities for accepted against usance LC	31,205,844,459	28,835,836,977
Bankers liabilities for accepted against BB usance	17,630,525,473	15,005,625,326
	48,836,369,932	43,841,462,303
18.2 Letters of guarantee		
Bankers liabilities for letters of guarantee (Inland)	63,632,931,521	56,391,850,635
Bankers liabilities for letters of guarantee (Foreign)	27,728,445,291	28,683,260,599
	91,361,376,812	85,075,111,234
18.3 Irrecoverable letters of credit		
Letters of credit (Inland)	1,233,987,672	714,802,821
Letters of credit (Foreign)	29,453,050,001	19,490,904,460
Back to back L/C	12,811,076,891	8,360,674,595
Letters of credit EDF	1,300,027,046	970,812,122
Letters of credit EPZ	5,054,471	4,437,968
	44,803,196,081	29,541,631,966
18.4 Bills for collection		
Bills for collection	7,418,643,939	6,105,874,282
Foreign Bills for collection	4,737,228,408	5,740,780,274
	12,155,872,347	11,846,654,556
19 Income Statement		
Income		
Interest, discount and similar income (note - 19.1)	24,466,356,152	24,679,990,643
Dividend income	139,310,824	181,355,250
Fees, commission and brokerage	2,451,664,459	2,072,489,873
Gain less losses arising from dealing in securities	-	-
Gain less losses arising from investment securities	525,463,593	111,316,923
Gain less losses arising from dealing in foreign currencies	1,614,857,800	1,128,783,474
Income from non-banking asset	-	-
Other operating income	272,002,941	362,181,893
	29,469,655,769	28,536,118,056
Expenses		
Interest paid on deposits and borrowings etc	12,087,387,278	12,194,040,731
Administrative expenses (note - 19.2)	7,984,258,399	7,453,206,095
Other operating expenses	896,892,661	750,042,005
Depreciation on banks assets	549,708,936	551,447,070
	21,518,247,274	20,948,735,901
	7,951,408,495	7,587,382,155

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
19.1 Interest, discount and similar income		
Interest Income	21,034,156,637	20,832,146,431
Interest income from investments	3,432,199,515	3,847,844,212
	24,466,356,152	24,679,990,643
19.2 Administrative expenses		
Salary and allowances	5,736,494,910	5,161,506,508
Rent, taxes, insurance, electricity etc.	1,155,591,221	1,070,587,114
Legal expenses	65,336,223	33,234,739
Postage, stamps, telecommunications etc.	148,928,973	122,073,132
Stationery, printing, advertisements etc.	648,490,430	882,431,848
Chief Executive's salary and fees	8,026,560	11,320,000
Directors' fees	5,408,654	5,943,623
Auditors' fees	805,000	805,000
Repair of banks assets	215,176,428	165,304,131
	7,984,258,399	7,453,206,095
20 Interest Income		
Interest on loans and advances	20,008,574,551	20,410,435,306
Interest on balances with other banks & Fin Ins.	792,632,140	336,872,772
Interest on money at call on short notice	213,164,527	84,183,681
Interest on balance with foreign Bank	19,785,419	654,672
	21,034,156,637	20,832,146,431
20(a) Consolidated Interest Income		
United Commercial Bank Ltd.	21,034,156,637	20,832,146,431
UCB Capital Management Ltd.	160,862,935	52,965,894
UCB Investment Ltd.	-	12,645,854
	21,195,019,572	20,897,758,179
21 Interests Paid on deposits and borrowings etc.		
Interest paid on deposits (note - 21.1)	10,708,216,861	11,039,682,843
Interest paid on borrowings (note - 21.2)	1,379,170,417	1,154,357,888
	12,087,387,278	12,194,040,731
21.1 Interest paid on deposits		
Savings Deposit	1,462,031,677	1,357,173,836
Special Notice Deposit	1,882,378,870	873,253,387
Fixed Term Deposit	3,833,545,134	5,212,229,781
Scheme Term Deposit	3,530,261,180	3,597,025,839
	10,708,216,861	11,039,682,843
21.2 Interest paid on borrowings		
Borrowing from Bangladesh Bank	111,540,164	23,143,901
Borrowing from other Bank & financial institution	6,279,919	13,546,655
Interest Paid on Subordinated Bond	733,305,553	733,125,001
F.C borrowings	164,951,643	202,547,183
Interest Exp. On Other Bank repo borrowings	205,225	2,059,353
Interest on money at call on short notice	814,931	359,305
Interest on EDF borrowings from Bangladesh Bank	315,660,015	179,576,490
Re-issued/Buy Bonds	46,412,967	-
	1,379,170,417	1,154,357,888
21(a) Consolidated Interests Paid on deposits and borrowings etc.		
United Commercial Bank Ltd.	12,087,387,278	12,194,040,731
UCB Capital Management Ltd.	8,391,667	25,854,602
UCB Investment Ltd.	-	-
	12,095,778,945	12,219,895,333

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
22 Investment income		
Interest income from investments (note - 22.1)	3,432,199,515	3,847,844,212
Non interest income from investments (note - 22.2)	664,804,417	292,722,173
	4,097,003,932	4,140,566,385
22.1 Interest income from investments		
Government treasury bond	2,946,178,306	2,756,024,947
Discount on Bill/Bond Purchase	37,410,965	623,920,672
Bangladesh Bank Bill	399,914,433	316,683,874
Commercial Paper	-	669,664
Reverse Repo with Other Bank	6,452,256	17,039,853
Gain/(Loss) on revaluation on govt. securities (note - 22.2.1)	42,243,555	133,505,202
	3,432,199,515	3,847,844,212
22.2 Non interest income from investments		
Dividend on shares	139,310,824	181,355,250
Gain/(Loss) on sale of share (note - 22.2.2)	525,463,593	111,316,923
Prize money on prize bond	30,000	50,000
	664,804,417	292,722,173
	4,097,003,932	4,140,566,385
22.2.1 Gain/(Loss) on revaluation on govt. securities		
Gain on revaluation on govt. securities	98,558,592	678,885,795
Less : Loss on revaluation on govt. securities	(56,315,037)	(545,380,593)
	42,243,555	133,505,202
22.2.2 Gain/(Loss) on sale of shares		
Gain on sale of shares	723,911,009	131,846,759
Less : Loss on sale of shares	(198,447,416)	(20,529,836)
	525,463,593	111,316,923
22(a) Consolidated Investment Income		
United Commercial Bank Ltd.	4,097,003,932	4,140,566,385
UCB Capital Management Ltd.	114,614,544	15,302,556
UCB Investment Ltd.	68,796,725	7,452,158
	4,280,415,201	4,163,321,099
23 Commission, Fees, Exchange & Brokerage		
Commission (note - 23.1)	1,380,784,209	1,246,841,738
Fees (note - 23.2)	1,070,880,250	825,648,135
Exchange earning (note - 23.3)	1,614,857,800	1,128,783,474
	4,066,522,259	3,201,273,347
23.1 Commission		
Remittance Inland	14,184,363	1,738,637
Remittance Foreign	6,997,362	5,952,305
Commission on Letters of guarantee	302,451,901	234,266,444
Commission on Letters of credit	360,032,890	340,042,506
Letters of credit (back to back)	200,605,890	179,355,698
Irrevocable Reimbursement Undertaking	7,957,165	5,932,610
Commission on sale of shares	-	578
Commission on BSP / PSP	7,879,168	6,437,544
Commission on acceptance	294,824,841	304,888,418
Exchange comm. & rebate	159,706,342	145,917,478
Clearance	6,942,157	9,316,542
Commission (Card)	4,838,159	2,841,624
MFS Commission	11,646,093	7,988,086
Others	2,717,878	2,163,268
	1,380,784,209	1,246,841,738

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
23.2 Fees		
Bills for collection	53,143,695	44,967,820
Account maintenance fees	147,443,500	135,396,500
Appraisal/processing fees	38,085,922	38,530,325
Online transaction fees	82,724,199	75,028,916
BACH/BEFTN charges	38,055	50,052
Cash incentive charges	8,251,030	7,179,430
Standing instruction charges	33,550	13,000
FC Endorsement charges	686,163	547,091
LC,BC,& BG (Others) Fees & Charges	334,611,983	309,816,302
Debit card	53,321,522	28,173,701
Credit card	220,708,367	161,888,520
Arrangement Fees	85,084,100	7,000,000
Agency fees	-	2,000,000
SMS Banking charges	32,024,800	-
Misc. fees	14,723,364	15,056,478
	1,070,880,250	825,648,135
23.3 Exchange		
Exchange earning (general)	1,590,406,858	1,120,631,691
Revaluation gain/(Loss) on foreign currency	80,859,399	(16,150,347)
FX Deal Discount Income	(56,408,457)	24,302,130
	1,614,857,800	1,128,783,474
Less : Exchange loss (general)	-	-
Less : Exchange loss (dealing room)	-	-
	1,614,857,800	1,128,783,474
23(a) Consolidated Commission, Fees, Exchange & Brokerage		
United Commercial Bank Ltd.	4,066,522,259	3,201,273,347
UCB Capital Management Ltd.	171,922,568	48,142,160
UCB Investment Ltd.	-	-
	4,238,444,827	3,249,415,507
24 Other Operating Income		
Locker	9,185,008	5,744,780
Godown rent	103,500	173,080
Miscellaneous earning	75,078,057	82,868,911
Swift charges	74,455,383	72,182,966
Recoveries from Operational Loss	-	400,000
Recoveries from previously written off loan	113,150,993	200,762,156
	271,972,941	362,131,893
24(a) Consolidated Other Operating Income		
United Commercial Bank Ltd.	271,972,941	362,131,893
UCB Capital Management Ltd.	665,835	324,639
UCB Investment Ltd.	-	-
	272,638,776	362,456,532

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
25 Salaries and allowances		
Basic salary	2,176,693,469	1,963,260,446
Allowances	1,873,293,952	1,711,334,783
Bonus	1,108,689,910	864,097,789
Provident fund	212,036,359	190,862,120
Gratuity	320,000,000	390,000,000
Welfare fund	45,781,220	41,951,370
	5,736,494,910	5,161,506,508
25(a) Consolidated Salary and allowances		
United Commercial Bank Ltd.	5,736,494,910	5,161,506,508
UCB Capital Management Ltd.	90,199,742	27,867,058
UCB Investment Ltd.	-	-
	5,826,694,652	5,189,373,566
26 Rent, taxes, insurance, electricity etc.		
Rent premises	692,984,992	649,046,951
Rent, rates & taxes	41,406,985	44,890,087
Other rental charges	30,505,901	30,083,208
Insurance charge	226,355,516	190,528,815
Electricity, Water & Gas	164,337,827	156,038,053
	1,155,591,221	1,070,587,114
26(a) Consolidated Rent, taxes, insurance, electricity etc.		
United Commercial Bank Ltd.	1,155,591,221	1,070,587,114
UCB Capital Management Ltd.	3,955,841	1,791,669
UCB Investment Ltd.	-	-
	1,159,547,062	1,072,378,783
27 Legal expenses		
Professional fees	57,456,165	20,919,808
Other legal charges	6,169,690	12,183,645
Stamp, power of attorney & notary public	1,710,368	131,286
	65,336,223	33,234,739
27(a) Consolidated Legal expenses		
United Commercial Bank Ltd.	65,336,223	33,234,739
UCB Capital Management Ltd.	299,725	189,550
UCB Investment Ltd.	-	-
	65,635,948	33,424,289
28 Postage, stamps, telecommunications etc.		
Postage	19,267,583	11,431,969
Telecommunication charges	36,997,061	36,273,205
Reuter	2,266,414	3,500,000
Internet	80,572	79,483
Online connectivity charge	90,317,343	70,788,475
	148,928,973	122,073,132
28(a) Consolidated Postage, stamps, telecommunications etc.		
United Commercial Bank Ltd.	148,928,973	122,073,132
UCB Capital Management Ltd.	702,122	401,712
UCB Investment Ltd.	-	-
	149,631,095	122,474,844

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
29 Stationery, printing & advertisements etc.		
Security Stationery	22,144,331	17,644,714
Petty Stationery	28,181,283	30,831,873
Office Stationery	150,618,173	101,813,565
	200,943,787	150,290,152
Advertisement		
News paper	29,771,939	19,190,455
Magazine	1,318,960	2,586,400
Sponsorship	165,124,930	49,385,427
Point of sales material (POSM)	2,971,453	8,262,089
Business Development	798,400	3,667,117
Branding expenses	59,066,427	469,819,500
Promotional Material	93,426,613	112,604,127
Misc. advertisement	13,179,585	49,959,186
Hoarding & neon sign	5,056,168	2,387,500
Television	76,832,168	13,359,575
Radio	-	920,320
	447,546,643	732,141,696
	648,490,430	882,431,848
29(a) Consolidated Stationery, printing & advertisement etc.		
United Commercial Bank Ltd.	648,490,430	882,431,848
UCB Capital Management Ltd.	5,230,902	865,265
UCB Investment Ltd.	-	-
	653,721,332	883,297,113
30 Chief Executive's salary and fees		
Basic salary	5,659,463	7,200,000
Festival Bonus	600,000	1,200,000
Incentive Bonus	1,000,000	1,000,000
House rent allowance	500,000	1,200,000
Provident fund	267,097	720,000
	8,026,560	11,320,000
31 Directors fees		
Meeting fees	3,118,800	3,477,600
Other meeting fee (travelling expenses)	2,289,854	2,466,023
	5,408,654	5,943,623
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	805,000	805,000
32(a) Consolidated Auditors fees		
United Commercial Bank Ltd.	805,000	805,000
UCB Capital Management Ltd.	57,500	142,000
UCB Investment Ltd.	23,000	23,000
	885,500	970,000

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
33 Depreciation and repair of bank's assets	764,885,364	716,751,201
33.1 Depreciation		
Furniture/fixtures	154,544,404	138,483,076
Vehicles	35,689,274	54,329,320
Office equipments	121,495,195	120,374,268
Computer equipments	91,207,533	93,434,575
Computer software	104,675,632	102,728,933
Immovable property (Building)	42,096,898	42,096,898
	549,708,936	551,447,070
33.2 Repair renovation & maintenance		
Furniture /fixtures	3,061,047	3,015,730
Vehicles	13,584,739	11,736,220
Office equipments	25,072,139	27,149,687
Computer equipments	1,670,291	260,305
Renovation & maintenance	154,163,493	106,745,155
Premises	9,369,683	6,808,742
Repair building	8,255,036	9,588,292
	215,176,428	165,304,131
33(a) Consolidated Depreciation and repair of bank's assets		
United Commercial Bank Ltd.	764,885,364	716,751,201
UCB Capital Management Ltd.	4,840,592	3,046,613
UCB Investment Ltd.	-	-
	769,725,956	719,797,814
34 Other expenses		
Entertainment	53,990,891	60,470,984
Petrol, oil & lubricant	125,462,449	115,489,194
Subscription	7,730,390	12,374,008
Donation	141,958,266	29,894,400
Traveling	86,493,170	73,598,843
Cartage and freight	11,677,294	9,550,619
Hon. general	1,353,800	857,725
Fees commission & charges	46,061,060	35,484,421
Meeting Seminar and staff training	6,157,008	40,086,474
Fees Commission and Charges Dabit Card	16,249,327	13,436,784
Fees Commission and Charges Visa Card Local	33,539,060	12,597,745
Liveries & uniforms	667,800	1,630,738
Operational Loss	468,341	1,048,167
Medical expenses	167,938,445	154,034,935
Car expenses	126,824,480	112,334,299
Loss on sale of assets	698,478	3,505,526
Write off of assets	4	57,442
BATCH/BEFTN Charges	8,770,937	7,849,701
UCB Foundation	60,851,461	65,740,000
	896,892,661	750,042,005
34 (a) Consolidated Other Expenses		
United Commercial Bank Ltd.	896,892,661	750,042,005
UCB Capital Management Ltd.	33,291,370	8,322,991
UCB Investment Ltd.	5,902	45,980
	930,189,933	758,410,976

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
35 Provision for Loans & Advances		
Classified loans & advances	1,455,907,490	1,918,962,947
Standard Loans & advances	471,340,825	128,795,444
Special mention account (SMA)	135,490,355	-
Small & medium enterprise (SME)	10,897,933	-
Consumer finance (Credit Card)	-	2,415,249
Consumer finance (House Finance)	-	-
Consumer finance (Credit Card)	-	-
Provision for Consumer Finance (L.P)	730,266	-
Consumer finance (Others)	17,012,021	13,966,859
Short Term Agri. Micro Finance	-	3,784,966
Provision for BHs/MBs/SDs/against share	692,512	-
	2,092,071,402	2,067,925,465
35 (a) Consolidated Provision for Loans & Advances		
United Commercial Bank Ltd.	2,092,071,402	2,067,925,465
UCB Capital Management Ltd.	-	41,462,343
UCB Investment Ltd.	-	-
	2,092,071,402	2,109,387,808
36 Provision for diminution in value of investments		
Provision required during the year	-	-
	-	-
36 (a) Consolidated Provision for diminution in value of investment		
United Commercial Bank Ltd.	-	-
UCB Capital Management Ltd.	-	2,722,371
UCB Investment Ltd.	(5,191,480)	5,191,480
	(5,191,480)	7,913,851
37 Other Provision		
Provision for other assets	-	-
Provision for off-balance sheet exposures	397,928,598	329,570,535
	397,928,598	329,570,535
Provision for Off-Balance Sheet Exposure		
As per BRPD Circular No. 14 dated 23 September 2012, general provision @ 1.00% is required to be maintained against off balance sheet exposures. Accordingly total provision for Tk. 1,979,838,013 has been provided up to 31.12.2017 out of which Tk. 397,928,598 has been provided as provision for off balance sheet items for the year ended up to December 31,2017.		
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	3,027,500,000	2,561,251,694
Deferred Tax Provision	-	-
	3,027,500,000	2,561,251,694
38 (a) Consolidated Provision for Taxation		
Current Tax		
United Commercial Bank Ltd.	3,027,500,000	2,561,251,694
UCB Capital Management Ltd.	78,698,560	14,164,089
UCB Investment Ltd.	7,583,052	5,418,060
	3,113,781,612	2,580,833,843
Deferred Tax		
United Commercial Bank Ltd.	-	-
UCB Capital Management Ltd.	431,776	-
UCB Investment Ltd.	-	-
	431,776	-
	3,114,213,388	2,580,833,843

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
39 Earnings per Share (EPS)		
Earnings per share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".		
Net Profit after Tax (Numerator)	2,433,908,495	2,628,634,461
Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
Earning Per Share (EPS)	2.31	2.49
39 (a) Consolidated Earnings per Share (CEPS)		
Consolidated Earnings per share has been calculated in accordance with BAS-33: "Earnings Per Share (EPS)".		
Net Profit after Tax (Numerator)	2,722,250,831	2,627,958,939
Non controlling interest	43	(2)
	2,722,250,788	2,627,958,941
Number of Ordinary shares outstanding (Denominator)	1,054,130,654	1,054,130,654
Consolidated Earning Per Share (CEPS)	2.58	2.49
40 Receipt from other operating activities		
Exchange earning & brokerage	1,614,857,800	1,128,783,474
Other operating income	684,315,541	272,736,660
	2,299,173,341	1,401,520,134
40 (a) Consolidated Receipt from other operating activities		
United Commercial Bank Ltd.	2,299,173,341	1,401,520,134
UCB Capital Management Ltd.	95,497,990	4,720,991
UCB Investment Ltd.	-	4,742,775
	2,394,671,331	1,410,983,900
41 Payment for other operating activities		
Legal expenses	65,336,223	33,234,739
Directors fees & other expenses	5,408,654	5,943,623
Auditors fees	805,000	805,000
Repair to fixed assets	215,176,428	165,304,131
Other expenditure	896,892,661	750,042,005
	1,183,618,966	955,329,498
41 (a) Consolidated Payment for other operating activities		
United Commercial Bank Ltd.	1,183,618,966	955,329,498
UCB Capital Management Ltd.	35,594,504	9,241,378
UCB Investment Ltd.	5,902	68,980
	1,219,219,372	964,639,856
42 Increase / Decrease of other assets		
Closing other assets	6,138,155,268	5,178,849,694
Advance income tax	(1,351,430,049)	(1,472,757,862)
Opening other assets	(3,706,091,832)	(2,372,029,134)
Increase /Decrease for the year	1,080,633,387	1,334,062,698
42 (a) Consolidated Increase / Decrease of other assets		
Closing other assets	4,068,068,401	3,032,975,376
Advance income tax paid	(1,393,898,298)	(3,076,743,771)
Opening other assets	(3,032,975,376)	(1,492,238)
Increase /Decrease for the year	(358,805,273)	(55,260,633)

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
43 Increase / Decrease of other liabilities		
Closing other liabilities	24,131,337,978	19,873,440,065
Provision for classified loans & advances	(5,020,938,000)	(4,160,119,215)
Provision for classified investment	(292,839,246)	(292,839,246)
Provision for classified fixed assets	(3,972,000)	(3,972,000)
Provision for classified other assets	(74,851,344)	(85,850,000)
Provision for unclassified loans & advances	(1,728,779,435)	(1,111,201,270)
Provision for special mention account (SMA)	(228,343,000)	(92,852,645)
Provision for small & medium enterprise (SME)	(188,031,745)	(177,133,812)
Provision for consumer finance (Credit Card)	(24,137,467)	(49,180,941)
Provision for consumer finance (House Finance)	(47,629,780)	(141,893,696)
Provision for consumer finance (L.p)	(1,036,394)	(306,128)
Provision for consumer finance (Others)	(148,150,541)	(131,138,520)
Provision for short term agri micro finance	(29,560,485)	(38,003,966)
Provision for others	(848,676)	(156,164)
Provision for off-balance sheet exposures	(1,979,838,013)	(1,581,680,000)
Provision for current tax	(4,936,286,216)	(4,144,685,514)
Provision for deferred tax	(206,445,374)	(206,445,374)
Adjustment of provision of OBU	7,717,228	328,430
Opening other liabilities	(7,655,981,574)	(7,487,624,743)
Increase /Decrease for the year	1,571,385,916	168,685,261

44 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 Director consisted of the following 05 (five) members of the Board as on 31 December 2017.

Name of the Members	Status with the Bank	Status in the Committee	Educational Qualification
Akhter Matin Chaudhury	Independent Director	Chairman	FCA, FCA, FCS
Syed Mohammed Nuruddin	Independent Director	Member	Bachelor of Arts
Md. Tanvir Khan	Director	Member	MBA (University of Toronto, Canada)
Bashir Ahmed	Director	Member	Bachelor of Commerce
Syed Kamruzzaman	Director	Member	B.Com (Honours) in Accounting, FCMA

During the period from 01 January 2017 to 31 December 2017 the Audit Committee has conducted 09 (Nine) meetings. Details of the meeting are shown below by datewise.

Details of the Audit Committee Meeting in the year 2017

Sl. No	Meeting No	Held On
1	82nd	30-01-2017
2	83rd	15-03-2017
3	84th	04-04-2017
4	85th	03-05-2017
5	86th	14-05-2017
6	87th	25-07-2017
7	88th	14-09-2017
8	89th	31-10-2017
9	90th	04-12-2017

The Audit Committee discussed the following issues during the year 2017

- a) Internal Audit Strategic Plan - 2017.
 b) Internal Control and Compliance (ICC) policy of the Bank.
 c) Audited Financial Statements of the Bank for the year ended 31, December 2016 and Auditors report thereon.
 d) Unaudited financial statements for 1st, 2nd and 3rd quarter of the Bank for the year 2017, before submission for approval to the Board of Directors.
 e) Findings and action plans arising out of the half yearly Internal Audit Conference held on 6 August 2017.
 f) "Annual Health Report" as on 31 December 2016.

45 Related Party Disclosures :**45.1 (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. 2017	Closing Share holding position as on 31 Dec. 2017
Rukhmila Zaman	Chairman	21083833	21083833
Hajee Yunus Ahmed	Vice - Chairman	22767628	22767628
Anisuzzaman Chowdhury	Chairman - Executive Committee	29501526	29501526
Akhter Matin Chaudhury	Chairman Audit Committee (Independent Director)	-	-
Md. Jahangir Alam Khan	Chairman - Risk Management Committee	21083958	21083958
M. A. Sabur	Director	22322585	22532585
M. A. Hashem	Director	25052737	25052737
Hajee M. A. Kalam	Director	21084815	21084815
Nurul Islam Chowdhury	Director	21086874	21086874
Bazal Ahmed	Director	21125467	21125467
Sharif Zahir	Director	21122013	21122013
Md. Tanvir Khan	Director	21084773	21084773
Asifuzzaman Chowdhury	Director	29735237	29735237
Bashir Ahmed	Director	22057	21202269
Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	Director	-	21611000
Muhammed Shah Alam, (Representative of Director Volkart Trading Limited)	Director	-	21100000
Farid Uddin Ahmed (Representative of Nahar Metals Limited)	Director	-	21083000
Syed Mohammed Nuruddin	Independent Director	-	-
Dr. Salim Mahmud	Independent Director	-	-
A.E. Abdul Muhaimen	Managing Director	-	-

45.1 (b): Name of the Directors and the entities in which they had interest as at 31 December 2017

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 Footwear Limited. 6. Aramit Alu Composite Panels Limited. 7. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

Name of Directors	Status	Entities where they have interest.
Anisuzzaman Chowdhury	Chairman - Executive Committee	1. Ronny Chemical Industries Ltd. 2. Anowara Construction Ltd.
Akhter Matin Chaudhury	Independent Director & Chairman, Audit Committee	1. Nuvista Pharma Ltd.
Md. Jahangir Alam Khan	Chairman - Risk Management Committee	1. J. K. Fabrics Ltd. 2. J. K. Knit Composite Ltd. 3. J. K. Spinning Mills Ltd. 4. J. K. Cotton Mills Ltd. 5. Tanima Knit Composite Ltd. 6. J.K. Synthetic Mills Ltd. 7. J. K. Memorial Hospital. 8. MM Fishing Ltd. 9. MR Fishing Ltd. 10. Ocean Tiger Bangladesh Ltd.
M.A. Sabur	Director	1. Maxim Limited. 2. Maxim International Limited. 3. Concept Knitting Limited. 4. Masco Shares & Securities Limited. 5. Masco Properties Limited. 6. Masco Poultry Limited. 7. Masco Cottons Limited. 8. Masco Services Limited 9. Shanta Expressions Limited 10. Masco Superknits Limited 11. Massminu Energy Limited
M.A. Hashem	Director	1. Amber Pulp & Paper Mills Ltd. 2. Amber Cotton Mills Ltd. 3. Partex Rotor Mills Ltd. 4. Partex Rotor Spinning Mills Ltd. 5. Partex Denim Ltd. 6. Partex Sugar Mills Ltd. 7. Partex Energy Ltd. 8. Partex Spinning Mills Ltd. 9. Partex Beverage Ltd. 10. Partex Plastic Ltd. 11. Partex Plastics Furniture Ltd. 12. Partex Properties Ltd. 13. Plastic Accessories Ltd. 14. Partex Real Estate Ltd. 15. Partex Fisheries Ltd. 16. Partex Foundry Ltd. 17. Partex Paper Mills Ltd. 18. Partex Board Mills Limited. 19. Partex Denim Mills Ltd. 20. Partex Jute Mills Ltd. 21. Partex Petro Ltd. 22. Partex Shipyards Ltd. 23. Star Foods Ltd. 24. Partex Foods Ltd. 25. Partex Feed Mills Ltd. 26. Partex Batteries Ltd. 27. Partex Coal Ltd. 28. Partex Building Materials Ltd.

Name of Directors	Status	Entities where they have interest.
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. Shoppers World Ltd. 4. NAMS Trading Corporation.
Bazal Ahmed	Director	1. Taj Accessories (Pvt.) Ltd. 2. Saikat Textile Ind. Ltd. 3. KITH Fashion Ltd.
Sharif Zahir	Director	1. Ananta Apparels Ltd. 2. Ananta Denim Technology Ltd. 3. Ananta Casual Wear Ltd. 4. Ananta Properties Ltd. 5. Ananta Energy Resources. 6. Ananta Development Ltd. 7. Ananta Real Estate Ltd. 8. Ananta Knitwear Ltd. 9. Ananta Huaxiang Ltd. 10. Universal Menswear Ltd. 11. DNV Clothing Ltd. 12. Zero Gravity Ventures Ltd. 13. Vanguard Asset management Ltd.
Md. Tanvir Khan	Director	1. J. K. Fabrics Ltd. 2. J. K. Knit Composite Ltd.
Asifuzzaman Chowdhury	Director	1. Synthetic Rezin Products (Pvt) Ltd. 2. Ronny Chemical Industries 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 Mettle Emporium. 9. Petal Enterprise.
Syed Kamruzzaman (Representative of Aramit Thai Aluminium Limited)	Director	1. CFO, Aramit Thai Aluminum Limited.
Muhammed Shah Alam, (Representative of Volkart Trading Limited)	Director	1. CFO, Aramit Cement Limited.
Farid Uddin Ahmed (Representative of Nahar Metals Limited)	Director	1. CFO, Nahar Metals Limited.
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	-
A.E. Abdul Muhaimen	Managing Director	-

NOTES TO THE FINANCIAL STATEMENTS

45.2 Significant Contracts where Bank is a party and wherein Directors have interest:


Sl. No	Name of the Contract	Branch Name	Name of the Directors and related by	Remarks
-	-	-	-	-
45.3	Shares issued to Directors & Executives without consideration or exercisable at a discount:			Nil
45.4	Related Party Transactions:			Nil
45.5	Lending policies to related parties: Lending to related parties is affected as per requirement of section 27 (1) of the Bank company Act 1991.			
45.6	Loans and advances to concern related to directors:			Nil
45.7	Business other than banking business with any related concern of the Directors as per section 18(2) of the Bank company Act 1991:			Nil
45.8	Investment in securities of Directors and their related concern:			Nil

46 Events after Balance Sheet date:

a) The Board of Directors of United Commercial Bank Limited in its Board meeting held on March 20, 2018 recommended Cash dividend @ 10% for the year 2017.

General:


- 46.1 Banks share capital has not been utilized for acquiring any other direct or indirect business.
- 46.2 No amount was spent by the bank for compensating any members of the board for special services rendered during the period.
- 46.3 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 2017

(Annexure-A)

Nostro Bank	Name of the Country	Currency	2017		2016			
			Amount in FC	Rate	Amount in FC	Rate		
AB Bank Ltd	India	ACU	505,079.40	82.70	41,770,066.38	617,176.63	78.71	48,578,651.44
Bank of Bhutan	Bhutan	ACU	50,867.93	82.70	4,206,777.81	142,512.87	78.71	11,217,344.76
Commerz Bank AG	Germany	USD	210,831.22	82.70	17,435,741.89	2,274,995.48	78.71	179,067,396.73
Commerz Bank AG	Germany	EUR	297,532.69	98.50	29,308,160.10	31,428.88	82.20	2,583,391.08
Habib American Bank	USA	USD	5,213,369.72	82.70	431,145,675.84	9,309,115.13	78.71	732,730,691.91
Habib Metropolitan Bank Limited	Pakistan	ACU	205,073.35	82.70	16,959,566.05	558,336.49	78.71	43,947,279.30
HDFC Bank Limited	India	ACU	44,355.60	82.70	3,668,208.12	199,656.10	78.71	15,715,151.25
ICICI Bank Ltd	India	ACU	1,053,374.62	82.70	87,114,081.07	840,994.96	78.71	66,195,638.40
JP Morgan NY	USA	USD	(2,654,693.31)	82.70	(219,543,136.74)	3,843,085.13	78.71	302,493,457.98
Mashreq Bank Psc	India	ACU	200,657.71	82.70	16,594,392.62	232,596.96	78.71	18,307,962.58
Mashreq Bank Psc	USA	USD	1,502,613.79	82.70	124,266,160.43	3,482,914.11	78.71	274,144,000.80
Nepal Bangladesh Bank	Nepal	ACU	77,606.02	82.70	6,418,017.85	5,357.33	78.71	421,681.34
Peoples Bank Colombo	Sri Lanka	ACU	122,218.08	82.70	10,107,435.22	68,746.39	78.71	5,411,103.98
Sonali Bank Ltd	India	ACU	53,974.42	82.70	4,463,684.53	1,154.42	78.71	90,865.67
Standard Chartered Bank Ltd	India	ACU	97,467.04	82.70	8,060,524.21	695,223.55	78.71	54,721,810.37
Standard Chartered Bank Ltd	USA	USD	4,316,753.84	82.70	356,995,542.57	7,126,307.47	78.71	560,919,499.90
State Bank of India	India	ACU	2,456.17	82.70	203,125.26	2,456.17	78.71	193,327.84
The Bank of Tokyo Mitsubishi	Japan	JPY	3,172,854.00	0.73	2,319,038.99	1,631,668.00	0.67	1,100,233.73
Wells Fargo Bank N.A	USA	USD	702,883.48	82.70	58,128,463.80	2,249,855.37	78.71	177,088,591.01
Mashreq Bank PSC	UAE	AED	6,499.99	22.52	146,355.72	6,500.00	21.43	139,296.30
Saudi Hollandi Bank	Saudi Arabia	SAR	620,092.40	22.05	13,675,083.72	620,092.40	20.98	13,012,390.98
BANK AL-JAZIRA	Saudi Arabia	SAR	345,566.32	22.05	7,620,877.72	550,000.00	20.98	11,541,530.00
KOOKMIN BANK	Korea	USD	410,618.49	82.70	33,958,149.12	215,232.68	78.71	16,941,201.00
Mashreq Bank PSC	UK	GBP	34,225.00	110.98	3,798,406.87	6,722.55	96.42	648,195.67
Mashreq Bank PSC	UK	EUR	731,611.42	98.50	72,066,651.32	38,235.93	82.20	3,142,916.97
UBL Switzerland AG	Switzerland	CHF	51,775.85	83.97	4,347,509.40	5,369.57	76.68	411,733.79
Axis Bank Limited	India	ACU	89,253.65	82.70	7,381,276.86	450,812.43	78.71	35,483,942.26
Yes Bank Limited	India	ACU	44,001.51	82.70	3,638,924.88	4,010.67	78.71	315,684.25
Citi Bank N.A. New York, USA	USA	USD	504,379.62	82.70	41,712,194.57	-	-	-
Mashreq Bank NY (OBU)	USA	USD	38,209.04	82.70	3,159,887.61	324,826.82	78.71	25,567,476.31
Habib American Bank, NY, (OBU)	USA	USD	369,020.31	82.70	30,517,979.64	574,888.36	78.71	45,250,095.19
Total					1,221,644,823			2,647,382,543

UNITED COMMERCIAL BANK LTD
Schedule of Fixed Assets

As on 31 December 2017

(Annexure-B)
 Amount in BDT

Particulars	COST				DEPRECIATION				Written down value as on 31 Dec. 2017	
	Opening Balance at Cost as on 01 Jan. 2017	Addition during the year	Adjustment during the year	Total Cost as on 31 Dec. 2017	Rate	Charged up to 31 Dec. 2016	Adjustment during the year	Charged during the year		Total Depreciation as on 31 Dec. 2017
Land	4,395,054,283	-	-	4,395,054,283	0.0%	-	-	-	-	4,395,054,283
Building	1,683,875,932	-	-	1,683,875,932	2.5%	220,381,122	-	42,096,898	262,478,020	1,421,397,912
Furniture & Fixtures	1,324,506,337	201,255,600	27,716,745	1,498,045,192	10.0%	561,436,366	24,077,614	154,544,404	691,903,156	806,142,036
Office Equipment	937,780,242	157,279,447	37,583,408	1,057,476,281	20.0%	693,042,392	37,448,519	121,495,195	777,089,068	280,387,213
Computer Equipment	844,842,457	80,570,594	24,833,250	900,579,801	20.0%	622,134,792	24,733,232	91,207,533	688,609,093	211,970,708
Vehicles	398,111,326	16,051,960	15,822,500	398,340,786	20.0%	314,075,400	15,822,492	35,689,274	333,942,182	64,398,604
Computer Software	517,527,699	60,685,341	-	578,213,040	25.0%	324,064,056	-	104,675,632	428,739,688	149,473,352
Capital Expenditure Work In Progress	1,013,611,593	510,782,498	509,116,563	1,015,277,528	0.0%	-	-	-	-	1,015,277,528
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	549,708,936	3,182,761,207	8,344,101,636
Total as on 31 Dec. 2016	10,817,312,234	692,601,033	394,603,398	11,115,309,869		2,230,579,939	46,892,881	551,447,070	2,735,134,128	8,380,175,741

United Commercial Bank Limited

Highlights on Overall Activities

Particulars	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
Paid-up Capital	10,541,306,540	10,541,306,540
Total Capital	36,919,826,478	33,521,892,640
Capital Surplus/(Deficit)	2,511,670,207	2,242,791,721
Total Assets	363,314,800,137	329,720,779,586
Total Deposits	278,195,485,832	257,704,302,081
Total Loans & Advances	261,002,884,449	223,697,182,404
Total Contingent Liabilities & Commitments	197,973,801,375	171,169,748,859
Credit Deposit Ratio (%)	80.34	75.97
Percentage of Classified Loans against Total Loans and Advances	7.38	8.01
Operating Profit	7,951,408,495	7,587,382,155
Profit after Tax & Provision	2,433,908,495	2,628,634,461
Amount of Classified Loans during the year	7,578,950,608	9,306,207,858
Classified Advance at the end of the year	19,268,087,020	17,920,567,311
Provision kept against Classified Loans	5,020,938,000	4,160,119,215
Provision Surplus/(Deficit)	40,710,523	-
Cost of Fund (%)	6.79	7.60
Interest Earning Assets	319,376,605,956	288,998,485,790
Non-interest earning Assets	43,938,194,181	40,722,293,796
Return on Investment (ROI) (%)	8.33	8.30
Return on Assets (ROA) (%)	0.70	0.84
Net Asset value per share	25.15	24.43
Income from Investments	4,097,003,932	4,140,566,385
Earning per share (Taka)	2.31	2.49
Net Income per share (Taka)	2.31	2.49
Price earning ratio (Times)	10.22	8.54

Off-shore Banking Unit Balance Sheet

As at 31 December 2017

	Notes	31 Dec. 2017		31 Dec. 2016
		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	7,715,922	638,106,743	318,253,574
In Bangladesh		7,308,693	604,428,876	245,999,992
Outside Bangladesh		407,229	33,677,867	72,253,582
Loans and advances	4	216,053,241	17,867,603,013	11,767,420,943
Loans, cash credits, overdrafts, etc.		67,186,647	5,556,335,721	4,893,802,559
Bills purchased and discounted		148,866,594	12,311,267,292	6,873,618,384
Fixed assets including premises, furniture and fixtures	5	9,186	716,026	864,003
Other assets	6	57,427	4,792,864	1,915,149
Non - banking assets		-	-	-
Total assets		223,835,776	18,511,218,646	12,088,453,669
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, financial institutions and agents	7	220,697,354	18,251,671,139	11,932,038,297
Deposits and other accounts		-	-	-
Other liabilities	8	3,138,422	259,547,508	156,415,372
Total liabilities		223,835,776	18,511,218,646	12,088,453,669
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		223,835,776	18,511,218,646	12,088,453,669

Off-shore Banking Unit Off Balance Sheet Items

As at 31 December 2017

	Notes	31 Dec. 2017		31 Dec. 2016
		USD	BDT	BDT
Off Balance Sheet Items				
Contingent liabilities		8,065,200	666,992,040	210,887,674
Acceptances and endorsements		-	-	-
Letters of guarantee		8,065,200	666,992,040	210,887,674
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		8,065,200	666,992,040	210,887,674

Off-shore Banking Unit Profit and Loss Account

For the year ended 31 December 2017

	Notes	31 Dec. 2017		31 Dec. 2016
		USD	BDT	BDT
Interest income	10	10,378,401	834,680,820	752,406,083
Interest paid on deposits, borrowings, etc.	11	(3,685,498)	(296,405,461)	(259,493,530)
Net interest Income		6,692,903	538,275,359	492,912,553
Investment Income		-	-	669,664
Commission, exchange, brokerage, etc.	12	634,431	51,024,020	35,775,933
Other operating income	13	-	-	-
Total operating income (A)		7,327,334	589,299,379	529,358,150
Salaries and allowances	14	12,709	1,022,109	755,597
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	-	-	784,698
Total operating expenses (B)		14,607	1,170,087	1,688,272
Profit / (loss) before provision (C=A-B)		7,312,727	588,129,292	527,669,878
Provision for loans and advances / investments		-	-	-
Specific provision		-	-	-
General provision		669,985	53,883,403	17,521,757
Provision for Off Balance Sheet Exposure		53,859	4,331,599	2,102,441
Total provision (D)		723,844	58,215,002	19,624,198
Total profit / (loss) before taxes (C-D)		6,588,883	529,914,290	508,045,680
Provision for taxation		-	-	-
Current tax		-	-	-
Deferred tax		-	-	-
		-	-	-
Net profit / (loss) after taxation		6,588,883	529,914,290	508,045,680
Retained earnings brought forward from previous years		-	-	-
		6,588,883	529,914,290	508,045,680

Off-shore Banking Unit

Cash Flow Statement

For the year ended 31 December 2017

	31 Dec. 2017		31 Dec. 2016
	USD	BDT	BDT
A) Cash flows from operating activities			
Interest receipts in cash	10,378,401	834,680,820	753,075,747
Interest payments	(3,685,498)	(296,405,461)	(259,493,530)
Fees and commission receipts in cash	634,431	51,024,020	35,775,933
Cash payments to employees	(12,709)	(1,022,109)	(755,597)
Cash payments to suppliers	-	-	-
Receipts from other operating activities	-	-	-
Payments for other operating activities	-	-	(784,698)
Cash generated from operating activities before changes in operating assets and liabilities	7,314,625	588,277,270	527,817,856
Increase / (decrease) in operating assets and liabilities			
Loans and advances to other banks	-	-	-
Loans and advances to customers	(66,551,825)	(5,503,835,911)	(1,893,394,210)
Other assets	(33,203)	(2,745,901)	654,947
Deposits from other banks / borrowings	69,104,525	5,714,944,180	1,838,330,852
Deposits from customers	-	-	-
Other liabilities	427,370	35,343,507	26,155,422
	2,946,867	243,705,876	(28,252,989)
Net cash from operating activities	10,261,492	831,983,146	499,564,867
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	(6,588,883)	(529,914,290)	(508,045,680)
Net Cash from financing activities	(6,588,883)	(529,914,290)	(508,045,680)
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)	3,672,609	302,068,856	(8,480,813)
E) Effects of exchange rate changes on cash and cash equivalents	-	17,784,312	936,665
F) Cash and cash equivalents at beginning of the year	4,043,313	318,253,575	325,797,723
G) Cash and cash equivalents at end of the year (D+E+F)	7,715,922	638,106,743	318,253,575
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	7,715,922	638,106,743	318,253,575
	7,715,922	638,106,743	318,253,575

Off-shore Banking Unit

Notes to the Financial Statements

For the year ended 31 December 2017

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 BAS-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 Bangladesh 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, 2017.

1.3 Assets and basis of their valuation

1.3.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances 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 unit management for its short-term commitments.

1.3.2 Loans and advances / investments

a) Loans and advances of Off-shore Banking Units are stated in the balance sheet on gross basis.

b) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

1.3.3 Fixed assets and depreciation

a) All fixed assets are stated at cost less accumulated depreciation as per BAS-16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

b) Depreciation is charged for the year at the following rates on straight line method on all fixed assets.

Category of fixed assets	Rate
Furniture and fixtures	10%
Computer equipment	20%

c) For additions during the year, depreciation is charged for the remaining period of the year and for disposal depreciation is charged up to the date of disposal. Full month depreciation is charged in case of any assets purchased or sale at any day in a month.

1.4 Basis for valuation of liabilities and provisions

1.4.1 Benefits to the employees

The retirement benefits accrued for the employees of the units as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

a) Provident fund

Provident fund benefits are given to the permanent staffs of the unit in accordance with the locally registered/approved Provident Fund Rules. The Commissioner of Income Tax, Taxes Zone - 5, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 30 November 1988. The Fund is operated by a Board of Trustees consisting three members of the Bank. All confirmed employees of the Units are contributing 10% of their basic salary as subscription to the Fund. The units also contribute equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on half yearly basis.

b) Gratuity fund

Gratuity benefits are given to the employees of the bank in accordance with the approved gratuity fund rules. The National Board of Revenue (NBR) has approved the gratuity fund on 27 December 1995. The fund is operated by the Board of Trustees consisting 3 (three) members of the bank. Employees are entitled to the benefit after completion of minimum five years of service in the bank. The gratuity is calculated on the basis of last basic pay of the employee.

c) Welfare fund

United Commercial Bank's employees' welfare fund is subscribed by monthly contribution of the employees. The Bank also contributes to the Fund from time to time. The Fund has been established to provide coverage in the event of accidental death or permanent disabilities of the employees. Disbursement from the fund is done as per rules for employees' welfare fund. Welfare fund for Off-shore Banking Units are maintaining with Head Office of United Commercial Bank Limited.

1.4.2 Provision for liabilities

A provision is recognized in the balance sheet when the unit has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the Bangladesh Accounting Standard (BAS)- 37 "Provisions, Contingent Liabilities and Contingent Assets".

1.5 Revenue recognition

1.5.1 Interest income

Interest income is recognized on accrual basis in terms of the provisions of the Bangladesh Accounting Standard (BAS)-18 "Revenue".

1.5.2 Fees and commission income

Fees and commission income arises on services provided by the units are recognized on a cash receipt basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

1.5.3 Interest paid and other expenses

In terms of the provisions of the Bangladesh Accounting Standard (BAS) - 1 "Presentation of Financial Statements" interest and other expenses are recognized on accrual basis.

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 82.70 (closing rate as at 31st December 2017) and Tk. 80.4248 (average rate which represents the year end).

	31 Dec. 2017		31 Dec. 2016
	USD	BDT	BDT
3 Balance with other banks and financial institutions			
In Bangladesh	7,308,693	604,428,876	245,999,992
Outside Bangladesh	407,229	33,677,867	72,253,582
	7,715,922	638,106,743	318,253,574
4 Loans and advances			
i) Loans, cash credits, overdrafts, etc.			
Loan (General)	-	-	-
Hire purchase	-	-	-
Lease finance	-	-	-
Term Loan	67,186,647	5,556,335,721	4,893,802,559
	67,186,647	5,556,335,721	4,893,802,559
ii) Bills purchased and discounted (note-5)			
Payable Inside Bangladesh			
Inland bills purchased	-	-	-
Payable Outside Bangladesh			
Foreign bills purchased and discounted	148,866,594	12,311,267,292	6,873,618,384
	148,866,594	12,311,267,292	6,873,618,384
	216,053,241	17,867,603,013	11,767,420,943
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	9,801	763,987	616,009
Computer and equipments	808	62,949	62,949
	10,609	826,936	678,958
Written down value (WDV)	9,186	716,026	864,003
6 Other assets			
Advance deposits and advance rent	-	-	-
Interest Receivable	57,427	4,749,225	1,906,706
Foreign currency translation reserve		43,638	8,443
	57,427	4,792,864	1,915,149
7 Borrowings from other banks, financial institutions and agents			
Borrowings from Head office	160,539,102	13,276,583,695	8,480,086,534
International Finance Corporation	23,333,333	1,929,666,639	1,967,777,500
PROPARCO	9,047,619	748,238,095	787,111,000
Emirates NBD Bank PJSc-UAE	8,799,400	727,710,380	-
Emirates Islamic Bank	11,026,330	911,877,491	-
YES Bank Ltd.	4,350,195	359,761,127	-
First Gulf Bank	3,601,375	297,833,713	-
ICICI Bank Ltd UAE	-	-	697,063,262
	220,697,354	18,251,671,139	11,932,038,297
8 Other liabilities			
Interest payable	892,770	73,832,087	36,632,185
Provision for Loans & Advances	2,165,000	179,045,500	117,674,281
Provision for Off Balance Sheet Exposure	80,652	6,669,920	2,108,907
	3,138,422	259,547,508	156,415,372

	31 Dec. 2017		31 Dec. 2016
	USD	BDT	BDT
9 Retained earnings			
Balance 1 January 2017	-	-	-
	-	-	-
Current year profit	6,588,883	529,914,290	508,045,680
Retained earnings transferred to central operation	(6,588,883)	(544,900,617)	(509,606,964)
Effect of changes in exchange rate	-	14,986,327	1,561,284
	-	-	-
10 Interest income			
Term Loan	3,655,204	293,969,080	188,425,643
Bills purchased & Discount	6,417,134	516,096,715	550,160,385
Others	-	-	-
Interest on loans and advances	10,072,338	810,065,796	738,586,028
Interest on balance with other banks and financial institutions	298,129	23,976,981	13,332,797
Interest received from foreign banks	7,933	638,043	487,258
Total Interest income	10,378,401	834,680,820	752,406,083
11 Interest on deposits, borrowings, etc.			
Interest paid on deposits	-	-	-
Interest paid on local bank accounts	-	-	-
Interest paid on Borrowings	3,685,498	296,405,461	259,493,530
	3,685,498	296,405,461	259,493,530
12 Commission, exchange and brokerage			
LC,BC & BG (Others) Fees and Charges	500,047	40,216,176	34,359,418
Exchange Gain/(Loss)	133,107	10,705,068	1,483,140
Revaluation Gain/(Loss) on foreign currency	1,278	102,776	(66,625)
	634,431	51,024,020	35,775,933
13 Other operating income			
Reimbursement Charge	-	-	-
Miscellaneous earnings	-	-	-
	-	-	-
14 Salaries and allowances			
Basic pay	4,810	386,810	348,130
Allowances	5,209	418,948	314,633
Bonus	2,209	177,666	58,021
Unit's contribution to provident fund	481	38,686	34,813
	12,709	1,022,109	755,597
15 Other expenditure			
Foreign bank correspondence charges	-	-	784,698
Revaluation loss on foreign currency	-	-	-
	-	-	784,698



DIRECTORS' REPORT ON SUBSIDIARY COMPANIES

Global Economy

The global upswing in economic activity is strengthening, with global growth projected to rise to 3.6 percent in 2017 and 3.7 percent in 2018. Broad-based upward revisions in the euro area, Japan, emerging Asia, emerging Europe, and Russia more than offset downward revisions for the United States and the United Kingdom. But the recovery is not complete: while the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. Commodity exporters, especially of fuel, are particularly hard hit as their adjustment to a sharp step down in foreign earnings continues. And while short-term risks are broadly balanced, medium-term risks are still tilted

to the downside. For policymakers, the welcome cyclical pickup in global activity provides an ideal window of opportunity to tackle key challenges—namely to boost potential output while ensuring its benefits are broadly shared, and to build resilience against downside risks.

World Bank expecting better economic growth from 2018 and onward given emerging and developing countries outperform compared to previous years. On the other hand, Advanced economies lose their position by a declining GDP growth rate, which is the leading economic indicator for any country.

Country/Year	2014	2015	2016 E	2017 F	2018 F	2019 F
World	2.7	2.7	2.3	2.7	2.9	2.9
Advanced Economies	1.9	2.1	1.6	1.8	1.8	1.7
Emerging markets and developing Economies	4.3	3.5	3.4	4.2	4.6	4.7

Global growth is firming, contributing to an improvement in confidence. A recovery in industrial activity has coincided with a pickup in global trade, after two years of marked weakness. In emerging market and developing economies (EMDEs), obstacles to growth among commodity exporters are gradually diminishing, while activity in commodity importers remains generally robust. As a result, and despite substantial policy uncertainty, global growth is projected to accelerate to 2.7 percent in 2017, up from a post-crisis low of 2.4 percent in 2016, before strengthening further to 2.9 percent in 2018-19, broadly in line with January projections.

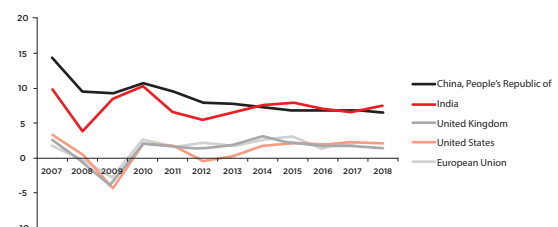


Figure: World leading countries GDP Growth Rate
Source: World Bank & IMF.

The outcome of US elections has further increased the level of uncertainty about the fate of the global economy, but bottom line growth results do not look very different.

Bangladesh Economy

“In Bangladesh, South Asia’s garment industry leader, exports are a key element driving growth that is forecast at 6.9% in 2017 and 2018,” the Asian Development Outlook (ADO).

The latest report by the Asian Development Bank (ADB) states that the Bangladesh economy will grow to 6.9% this year and remain unchanged in the following year.

Based on World Bank data, Bangladesh was showing high and steady growth rate over the previous couple of years among South-Asian countries. WB research team expecting 7.10 and 6.80 growth rate will be generated by Bangladesh from next 2 years consecutively.

Country/Year	2012	2013	2014	2015	2016 E	2017 F
Sri Lanka	9.14	3.40	4.88	4.79	5.00	5.50
India	5.62	6.64	7.24	7.56	7.00	7.60
Bangladesh	6.52	6.01	6.06	6.55	7.10	6.80
Pakistan	3.51	4.40	4.67	4.71	4.70	5.20

Available data of 2017 indicate attainment of almost all key objectives of the monetary program and policies for 2017. Strong 2017 private sector credit growth and FDI inflows helped the economy attain 7.05 percent real GDP growth while annual average CPI inflation dipped below the 7.0 percent target in 2017; even as the pass through of global oil price decline to consumers was belated and minimal. While the government targeted economic growth at 7.2 percent for the FY18-show a range from 7.1 to 7.0 percent. The World Bank projects growth for 2018 at 7.1 percent while the IMF at 7.0 percent, evidencing a remarkable difference in the projections of the two international agencies. But providing electricity, gas, and infrastructure to businesses is the priority to ensure slightly upward growth in a sustained fashion. Faster implementation of ADP will be helpful to promoting revenue and growth potentials for the country.

Among four south Asian leading economies, Bangladesh performed far way better than others based on high and stable GDP growth rate.

Bangladesh GDP Per Capita is lower in the South Asian countries but it is growing every year where Sri-lanka stands on 1st position and Bangladesh stands in the bottom. Comparing with neighbor country, Bangladesh is not far away from them.

However, the inflation rate is now in a safe zone because all these numbers indicate that inflation will center around 7 percent, which is quite moderate for a developing economy like Bangladesh. The call money rate has fallen from 8.57 percent in 2015 to 3.71 percent in 2016. Market interest rates on declining trend are already facilitating investments with lower borrowing costs. Bangladesh Bank’s foreign exchange reserves have grown fast to reach an adequately comfortable level. Reserves of USD 32 billion met almost 8 months’ import bills in 2016. At the end of

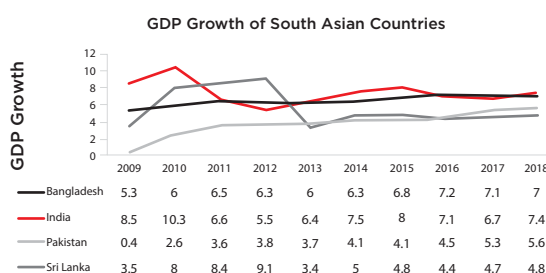


Figure: GDP Growth of South Asian countries

FY17, foreign exchange reserves are expected to reach a record high of 33 billion dollars which will be adequate to meet import bills for 9 months.

By analyzing all economic indicators, 2017 was a great year for Bangladesh economy and relevant authorities and government expecting 2018 will bless for expanding economy with sustainable growth.

Capital Market

The overall performance of the DSE in year 2017 was lucrative for investment compared to previous couple of years. After 2010 peak index, market is moving slowly with ups and downs for last 6 years given political instability, lacking of proper market policy and investment favor environment. During 2017, DSE index has risen from year 2016 because of political stability, affixing public-private investment, economic optimism and investment favor policy.

Date	Turnover	Total Market Capital	DSEX Index	DSES	DS 30
29-Dec-2017	101,786.0	4,228,945.0	6,244.5	1,390.7	2,283.2
29-Dec-2016	10,705.9	3,412,441.5	5,036.1	1,191.9	1,810.9
31-Dec-2015	4,344.0	3,159,757.7	4,629.6	1,107.1	1,750.6
30-Dec-2014	2,654.1	3,259,246.8	4,865.0	1,150.2	1,803.1
30-Dec-2013	3,818.4	2,647,790.8	4,266.6	-	1,466.3

The outgoing year has been phenomenal for the country's stock investors, as price index of Dhaka Stock Exchange (DSE) saw a sharp rise by 23.98% to 6244 points. As of Thursday, DSEX, the key index of the DSE, ended at 6,244 points on the last trading day of 2017, up by 23.98% from 5,036 points on December 29 last year. In the outgoing year, the DSE's average turnover value stood at Tk. 874.83 crore, the highest since the stock market witnessed a crash in 2010. In 2016, the average daily turnover was Tk. 494.43 crore. Meanwhile, the market capitalization increased by 23.93% to Tk. 422,894 crore, which was Tk. 341,244 crore in the previous year.



Figure: Broad Index and Turnover Graph

Along with prime index DSEX, DSES (Sariha index) and DS30 (Blue-chip index) has increased significantly from previous couple of years. With the proper supervision of appropriate authorities, economic market favorable policy and government positive outlook pushed capital market to go forward during 2017. Rising index was supported by strong volume which indicates market would sustain for a longer period.

Honorable Shareholders:

The completion of another eventful year for the bank gives us pleasure to welcome you all and we, the UCB family, are proudly presenting one of its subsidiary company, UCB Capital Management Limited's financial exposure to you aiming to bring

Board of Directors

List of current Board of Directors:

Name of the Director	Status in the Board	Status in Parent Company
Mr. A. E. Abdul Muhaimen	Chairman	Managing Director
Mr. Akhter Matin Chaudhury FCA	Director	Independent Director
Mr. Mohammad Shawkat Jamil	Director	Additional Managing Director
Mr. Ahsan Afzal	Director	Additional Managing Director
Mr. Arif Quadri	Director	Additional Managing Director
Mr. Md. Sohrab Mustafa	Director	Deputy Managing Director
Mr. ATM Tahmiduzzaman, FCS	Director	Company Secretary

Role and Responsibility of the Board

The Board is devoted to the Company and enthusiastic for achieving sustainable long term prosperity with meeting stakeholders' expectations. The Board determines to ensure the best practice in accordance with statutory requirements.

out the exact scenario of the financial position and outcomes. It is our confidence that the report will give you an insight into the Company's performance and future strategies.

1. UCB Capital Management Limited

State of the Company's Affair

UCB Capital Management Limited is a modern, professional and prominent securities brokerage house in Bangladesh Capital Market. TREC holders with Dhaka Stock Exchange (DSE TREC No. 181) and Chittagong Stock Exchange (CSE TREC No. 015); UCB Capital Management Limited is currently the fastest growing stock broker and dealer in the country. UCB Capital Management Limited started commercial operation in 2013. Despite a late start, UCB Capital Management Limited has established a sizeable customer base and a solid reputation within the industry. As a full-service brokerage house, UCB Capital Management Limited offers a full range of professional stock brokerage services for 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.

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 Stock Exchange Limited (CSE), interest income from margin loan and other income. Currently UCB Capital Management Limited operates 23 (Twenty Three) DSE workstations; and 5 (Five) CSE workstations. UCB Capital Management Limited has disbursed BDT. 1579.43 million as Margin Loan (as of December 31, 2017) compared to BDT. 640.64 million disbursement as margin loan (as of December 31, 2016).

Financial Performance of UCB Capital Management Limited

UCB Capital Management Limited is highly committed to increase long term value for shareholders through successful execution of strategic priorities and action plan. Against various odds, the company succeeded to achieve

good financial outcomes. However, UCB Capital Management Limited registered a net profit of BDT. 221.97 million in 2017 compared to a net loss of BDT. 10.09 million in 2016. Operating Profit stood at BDT. 301.09 million in 2017 compared to BDT. 48.25 million in 2016 registering a growth of 524.02%. UCB Capital Management Limited executed transactions worth BDT. 60,551.03 million in 2017 compared to BDT. 15,776.33million which is 284% higher. In 2017, the Company's loans to clients stood at BDT. 1,579.43 million as against

BDT. 640.64 million in the previous year. The number of clients increased in 2017 by 80.79%. UCB Capital Management Limited performed progressively better especially towards the end of the year ranking 10th for the month of December 2017 and 13th overall in 2017. The Board of Directors have decided to enhance the paid-up capital of the Company from BDT. 513.50 million to BDT. 2,000 million. However, no new shares have been issued as of December 31, 2017.

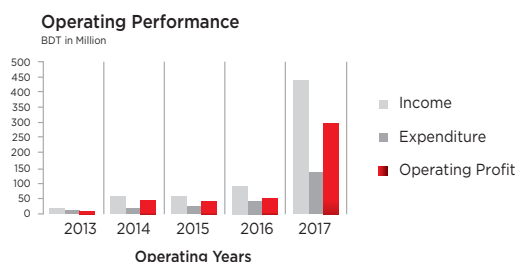
Particulars	2013	2014	2015	2016	2017
Shareholders' Equity	14,246,827	546,132,356	571,149,588	2,047,554,575	2,269,520,658
Total Assets	401,120,186	1,145,928,922	1,094,523,854	2,424,548,482	3,970,040,665
Total Liabilities	386,873,359	599,796,566	523,374,267	376,993,907	1,700,520,007
Net Revenue from Brokerage	10,311,305	34,295,836	34,480,871	48,142,160	148,722,797
Net Interest Income	2,868,041	20,463,920	23,618,668	27,111,294	152,471,268
Net Profit After Tax	4,252,069	28,385,529	25,017,232	-10,095,013	221,966,083
Return on Assets	1.06%	3.67%	2.23%	-0.57%	6.94%
Return on Equity	29.85%	10.13%	4.48%	-0.77%	10.28%
No of Share	100,000	5,135,000	5,135,000	5,135,000	5,135,000
EPS	42.52	5.53	4.87	-1.97	43.23

Operating Performance

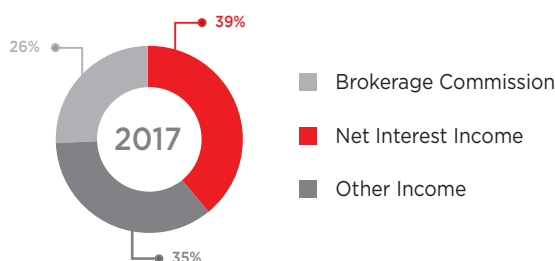
Particulars	2013	2014	2015	2016	2017
Income	13,515,400	55,081,653	58,780,968	84,815,746	416,474,444
Expenditure	7,573,306	13,764,539	18,423,272	36,561,956	115,378,025
Operating Profit	5,942,094	41,317,114	40,357,697	48,253,790	301,096,419

Business Revenue

During 2017 income from all major heads increased notably as compared to the previous year. The total income of BDT. 416.47 million comprised of net brokerage commission income of 148.72 million, income from margin loan of BDT. 152.47 million and other income of BDT. 115.28 million.



Particulars	2015	2016	2017
Net Brokerage Commission	29,834,829	42,077,258	148,722,797
Net Interest Income	23,618,668	27,111,294	152,471,268
Other Income	681,429	15,627,194	115,280,379



Observance of BAS, BFRS & Applicable Laws

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.

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.

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 2017 in its Annual General Meeting.

Auditors

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors proposal for reappointment of the C.A. firm named Syful Shamsul Alam & Co. Chartered Accounts for the year ended on December 31, 2018.

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 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.

On behalf of the Board of Directors,



A. E. Abdul Muhaimen
Chairman

AUDITORS' REPORT

to the shareholders of UCB Capital Management Limited

We have audited the accompanying financial statements of UCB Capital Management Limited (The "Company") which comprise the Statement of Financial Position as at 31 December 2017 and the related Statement of 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rule 1987 and other applicable laws and regulations 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit conducted on a test basis. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

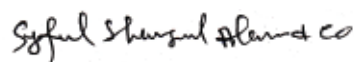
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) and comply with the Companies Act, 1994, the Securities and Exchange Rule 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

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 purposes of our audit and made due verification there of;
- ii) in our opinion, proper books of account 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 statement of comprehensive income of the Company dealt with by the report are in agreement with the books of account and
- iv) the expenditure incurred was for the purposes of the Company's business.

Place: Dhaka
Date: 20 March 2018



Syful Shamsul Alam & Co.
Chartered Accountants

UCB Capital Management Limited

Statement of Financial Position

As at 31 December, 2017

	Notes	Amount in Taka	
		31-Dec-2017	31-Dec-2016
ASSETS			
Non-Current Assets (A)			
Property, plant and equipment	2.00	7,785,272	5,808,308
Intangible asset	3.00	904,167	3,555,100
Investment in unquoted shares	4.00	520,860,823	515,860,823
Current Assets (B)		3,440,490,403	1,899,324,251
Advances, deposits and prepayments	5.00	88,788,887	38,900,408
Loan to customers	6.00	1,579,432,201	640,642,581
Investment in marketable securities	7.00	545,630,639	288,760,403
Accounts receivable	8.00	83,238,216	4,762,889
Cash and Cash equivalents	9.00	1,143,400,462	926,257,970
Total Assets (A+B)		3,970,040,665	2,424,548,482
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		269,520,658	47,554,575
Shareholders equity (C)		2,269,520,658	2,047,554,575
Non Current Liabilities (D)		-	-
Current Liabilities (E)		1,700,520,007	376,993,907
Short Term Loan	11.00	350,000,000	-
Accounts Payable	12.00	1,203,777,259	288,678,028
Provisions	13.00	31,922,995	52,626,461
Provision for Taxation	14.00	114,819,753	35,689,418
Total Equity and Liabilities (C+D+E)		3,970,040,665	2,424,548,482

The annexed notes 01 to 20 form an integral part of these financial statements.


Chairman

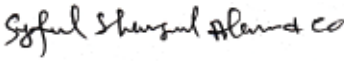

Director


Director


Managing Director

As per our report of same date.

Place: Dhaka
Date: 20 March 2018


Syful Shamsul Alam & Co.
Chartered Accountants

UCB Capital Management Limited

Statement of Comprehensive Income

For the year ended 31 December, 2017

	Notes	Amount in Taka	
		31-Dec-2017	31-Dec-2016
Operating Income:			
Brokerage Commission	15.00	148,722,797	42,077,258
Interest Income	16.00	152,471,268	27,111,294
Net Investment Income	17.00	114,614,544	15,302,556
Other operating Income	18.00	665,835	324,638
Total operating income (A)		416,474,444	84,815,746
Operating Expenses:			
Operating expenses	19.00	106,417,120	34,977,103
Other expenses	21.00	8,960,905	1,584,853
Total operating expenses (B)		115,378,025	36,561,956
Profit/(Loss) before provision (C)=(A-B)		301,096,419	48,253,790
Provision for negative equity on margin loans and investment	14.00	-	44,184,714
Total provision (D)		-	44,184,714
Operating profit before taxation (E)=(C-D)		301,096,419	4,069,076
Provision for Taxation (F)		79,130,336	14,164,089
Current Tax	14.01	78,698,560	14,164,089
Deferred Tax	14.02	431,776	-
Net profit after tax (G)=(E-F)		221,966,083	(10,095,013)

The annexed notes 01 to 20 form an integral part of these financial statements.



Chairman



Director



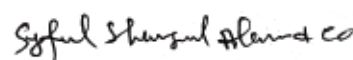
Director



Managing Director

As per our report of same date.

Place: Dhaka
Date: 20 March 2018



Syful Shamsul Alam & Co.
Chartered Accountants

UCB Capital Management Limited
Statement of Cash Flow
For the year ended 31 December, 2017

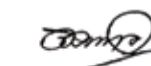
	Amount in Taka	
	31-Dec-2017	31-Dec-2016
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before taxation, and extra ordinary item.	301,096,419	48,253,790
Adjustment for:		
Depreciation & amortization	2,894,683	2,317,776
Income Tax Expenses	(40,599,737)	(19,461,763)
Increase/(Decrease) of other assets	(349,634,305)	(283,210,826)
Increase/(Decrease) of other liability	894,495,345	211,458,597
Net Cash flow/(used) in operating activities	808,252,405	(40,642,426)
B. Cash Flow from Investing Activities		
Acquisition of Fixed Assets	(2,220,293)	(2,116,695)
Acquisition of Intangible Assets	(100,000)	(100,000)
Sale of Fixed Assets	-	-
Investment in equity	-	-
Net cash flows/(used) in Investing activities	(2,320,293)	(2,216,695)
C. Cash Flow from Financing Activities		
Loan to customer	(938,789,620)	(184,284,766)
Received/(Payment) of Loan	-	(39,821,118)
Share Money Deposit	-	1,486,500,000
Borrowing/(Paid) Bank Loan	350,000,000	(376,366,641)
Net cash flows from Financing activities	(588,789,620)	886,027,475
D. Net increase in cash and cash equivalent (A+B+C)	217,142,492	843,168,354
E. Opening cash and Bank balances	926,257,970	83,089,616
F. Closing cash and Bank balances (D+E)	1,143,400,462	926,257,970
Closing cash and Bank balances		
Cash and Cash equivalent	1,143,400,462	926,257,970
	1,143,400,462	926,257,970



Chairman



Director



Director



Managing Director

UCB Capital Management Limited

Statement of Changes in Equity

For the year ended 31 December, 2017

Particulars	Share capital	Share Money Deposit	Retained earnings/ (Accumulated losses)	Total
Balance as at January 01,2016	513,500,000	-	57,649,588	571,149,588
Share Money Deposit	-	1,486,500,000	-	1,486,500,000
Profit/(Loss) during the year	-	-	(10,095,013)	(10,095,013)
Balance as at Decmber 31, 2016	513,500,000	1,486,500,000	47,554,575	2,047,554,575
Balance as at January 1, 2017	513,500,000	1,486,500,000	47,554,575	2,047,554,575
Profit/(Loss) during the year	-	-	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



Chairman



Director



Director



Managing Director

UCB Capital Management Limited

Notes to the Financial Statements

For the period ended 31 December, 2017

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 TRECNo-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 74, Motijheel 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, Chittagong.

1.2 Nature of Business

The principal objectives of the Company is 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 Bangladesh Accounting standards (BASs) and Bangladesh Financial Reporting Standard (BFRSs), 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 Bangladesh Financial Reporting Standards (BFRS).

1.3.3 Components of Financial Statements

According to Bangladesh Accounting Standard (BAS-1) "Presentation of Financial statements" the complete set of Financial statements includes the following components:

- Statement of Financial Position;
- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Statement of Cash Flows and
- 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, Chittagong. 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 Bangladesh Accounting Standard-7 "Statement of CashFlows" 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 2017 to 31 December 2017.

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 BAS-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 bases 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

Goodwill

Goodwill has been arisen due to merger of UCB Securities Limited and Anam Capital Limited with UCB Capital Management Limited. Goodwill represents the difference between the net asset value of the UCB Securities Limited and Anam Capital Limited and the purchase consideration as agreed between the parties and approved by the honorable court. Goodwill amortized on twenty five percent amortization per annum in a straight line method. As per Board decision the remaining amount of Goodwill has been write off during the year.

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) from dated 21/09/2017 to 20/09/2018 and vide letter reference no #UCBL/PRB/CAD/2017/ 7643.

1.6 Provision for Taxation

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.

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 marginal 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 taken from United Commercial Bank Limited and the brokerage transactions carried out by the Company for its own investment as its client, within the financial period.

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
2.00 Property, Plant and Equipment		
This is composed as follows:		
Cost(A):		
Furniture and Fixture	2,488,527	4,761,380
Computer Equipment	3,176,305	1,419,843
Office Equipment	1,133,436	49,800
Vehicles	3,210,455	1,557,407
	10,008,723	7,788,430
Accumulated Depreciation(B):		
Furniture and Fixture	560,148	1,226,229
Computer Equipment	822,060	377,365
Office Equipment	119,033	19,090
Vehicles	722,210	357,438
	2,223,451	1,980,122
Written down value (A-B)	7,785,272	5,808,308
A schedule of property, plant and equipment is given in Annexure-A		
3.00 Intangible Assets		
This is composed as follows:		
Goodwill*	-	3,905,846
Software	1,900,000	1,800,000
Cost of Intangible (A)	1,900,000	5,705,846
Accumulated Amortization (B)		
Goodwill	-	1,611,163
Software	995,833	539,583
	995,833	2,150,746
Written down value (A-B)	904,167	3,555,100

* Goodwill has been recognized on the basis of Independent Expert M/S ARTISAN's assessment as part of acquisition as on 31 October 2014. As per Board decision the remaining amount of Goodwill has been write off during this year.

4.00 Investment

This is composed as follows:

Total investment of Tk. 520,860,823.00 consists of merged effect of Investment in DSE membership, Investment in CSE membership and Investment in equity share of UCB Investment Limited. Detail components of investment is mentioned as follows:

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
Investment in DSE Shares*	391,150,000	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 share	5,000,000	-
	520,860,823	515,860,823

Notes to the Financial Statements

During the year 2014-2015, UCB Securities Ltd & Anam Capital Ltd, has been merged with UCB Capital Management Ltd and while reporting the amount of investment due effect of this merger has been considered to reflect investments in DSE and CSE shares at their acquisition price.

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)". No transactions of shares as well as "TREC" have been started and hence cost price is considered as fair value.

Stock Exchange	No of Shares	Face value per share	Face Value (Taka)
Dhaka Stock Exchange Limited	7,215,106	10.00	72,151,060
Chittagong Stock Exchange Limited	4,287,330	10.00	42,873,300
Total number and value of shares	11,502,436		115,024,360

In future if the above shares as well as TREC becomes tradeable the fair value would be determined that time and necessary adjustments, if any shall be made.

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
5.00 Advances, Deposits and Prepayments:		
This is composed of following:		
Security deposit on	225,000	225,000
Advance against Expenses	358,970	135,090
Advance against Intangible Assets	56,945	-
Advance Office Rent	447,917	-
ECF Loan	8,560,000	-
Advance Income Tax (Note 5.01)	79,140,055	38,540,318
	88,788,887	38,900,408
5.01 Advance Income Tax (Ageing):		
Assessment year 2012- 2013	1,690,025	1,690,025
Assessment year 2013- 2014	5,611,740	5,611,740
Assessment year 2014- 2015	11,776,790	11,776,790
Assessment year 2015- 2016	19,461,763	19,461,763
Assessment year 2016- 2017	40,599,737	-
Assessment is under processing	79,140,055	38,540,318
6.00 Loan to Customer:		
This is composed as follows:		
Opening Balance	640,642,581	456,357,815
Add: disbursed/ (Realised) during the year	938,789,620	184,284,766
Closing Balance as on 31.12.2017	1,579,432,201	640,642,581
7.00 Investment in Listed Securities:	545,630,639	288,760,403
Details has been shown in Annexure-"C"		
8.00 Accounts Receivable:		
This is composed as follows:		
Receivable from DSE	78,238,216	3,932,286
Investment in IPO	5,000,000	-
Dividend Receivable	-	830,380
Interest receivable	-	223
	83,238,216	4,762,889

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
9.00 Cash and cash Equivalents		
This is composed as follows:		
Customer consolidated A/c -UCB Bank	171,008,062	119,913,797
Customer consolidated A/c - ONE Bank	948,037,314	173,676,587
Customer consolidated A/c - SCB	499,940	-
Dealer A/c DSE-ONE Bank	11,326,887	4,870,743
Dealer A/C CSE-UCBL	3,616,790	88,042
Dealer A/c DSE-The City Bank	-	-
IPO A/c - UCBL	201,436	61,185,274
General A/c with UCBL	8,553,516	566,483,527
Cash in hand	156,516	40,000
	1,143,400,462	926,257,970
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. A. E. Abdul Muhaimen	0.0000195%	1
	100%	5,135,000

10.02 Directors

United Commercial Bank Ltd has nominated below mentioned personnel as Director.

Name	Position	Occupation
Mr. A. E. Abdul Muhaimen	Chairman	Banker
Mr. Akhter Matin Chaudhury, FCA	Independent Director	Business Man
Mr. Mohammad Shawkat Jamil	Director	Banker
Mr. Ahsan Afzal	Director	Banker
Mr. Arif Quadri	Director	Banker
Mr. Md. Shohrab Mostafa	Director	Banker
ATM Tahmiduzzaman, FCS	Director	Banker

10.03 Share Money Deposit:

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.

11.00 Short Term Loan:

This amount represents as loan from United Finance and Lanka Bangla Finance Ltd. **350,000,000** -

12.00 Accounts Payable

This is composed as follows:

Payable to Clients	1,139,878,666	237,763,375
Payable to DSE	152,839	5,510,659
Payable to CSE	531,068	1,486,759
Payable to CDBL	3,122,141	476,836
Payable to Employees Welfare Fund	1,072,094	484,200
Other Liabilities (Note 12.01)	59,020,451	42,956,199
	1,203,777,259	288,678,028

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
12.01 Other Liabilities		
Interest suspense	21,090,370	11,515,665
Interest payable on borrowings	4,670,834	-
IPO block A/c	-	30,935,000
VAT payable	101,764	39,487
TDS payable	249,298	144,080
Provision for expenses	280,211	179,967
Provision for gratuity	1,791,051	-
Provision for incentive bonus	25,800,000	-
Provision for earn leave	3,324,139	-
Accounts payable	1,605,285	-
Provision for audit & professional fee	107,500	142,000
	59,020,451	42,956,199
13.00 Provisions:		
This is composed as follows:		
Opening balance	52,626,461	8,441,747
Less: Adjustment	(20,703,466)	-
Add: Provision for the year (Note 13.01 & 13.02)	-	44,184,714
Closing balance	31,922,995	52,626,461
13.01 Provision for Loan to customers		
Opening balance	49,736,203	8,273,860
Add: Provision for the year (Annexure-B)	-	41,462,343
Less: Adjustment	(20,703,466)	-
Closing balance	29,032,737	49,736,203
13.02 Provision for diminution in value of investment		
Opening balance	2,890,258	167,887
Provision for the year (Annexure-C)	-	2,722,371
Closing balance	2,890,258	2,890,258
As per directive no. BSEC/CMRRCD/2009-193/203 dated December 28, 2017 of Bangladesh Securities and Exchange Commission the company has the option to make 100% provision within December 2018 for both unrealized loss on dealer account and negative equity of client's margin loan. The company has been made 100% provision for both case.		
14.00 Provision for Taxation		
Opening Balance	35,689,417	21,525,328
Add: provision made for the current year (Note-14.01 & 14.02)	79,130,336	14,164,089
Less: Settlement	-	-
	114,819,753	35,689,417
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	35,689,417	21,525,328
Add: provision made for the current year	78,698,560	14,164,089
	114,387,977	35,689,418
14.02 Provision for deferred Tax		
Opening Balance	-	-
Add: provision made for the current year	431,776	-
	431,776	-

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
15.00 Brokerage Commission		
Brokerage commission income	171,922,568	48,142,160
Less: Brokerage commission expense (Note-15.01)*	23,199,772	6,064,902
	148,722,797	42,077,258
* In terms of BSEC rules and regulation 1987 under schedule 1 Part II A(1) (requirement as to profit and loss account) brokerage commission expense are restated during the year -2017.		
15.01 Brokerage Commission expense		
This is composed as follows:		
Laga Charge	14,620,539	3,856,592
CDBL Expense	7,689,345	2,179,749
Contract Charge-CSE	7,188	5,026
Commission Charge-CSE	547,531	23,535
Sales Associate Commission	335,168	-
	23,199,772	6,064,902
16.00 Interest Income		
This is composed as follows:		
Income from Margin Loan	115,074,784	43,763,184
Income from SND account	45,788,152	9,202,711
	160,862,935	52,965,895
Less: Interest Expense	8,391,667	25,854,601
	152,471,268	27,111,294
17.00 Net Investment Income		
This is composed as follows:		
Capital Gain/(loss) from Investment in Shares	94,832,155	4,396,352
Dividend Income (Note 17.01)	19,782,389	10,906,204
	114,614,544	15,302,556
17.01 Dividend Income		
Cash dividend received from unquoted shares (DSE)	7,215,106	9,787,504
Cash dividend received from quoted shares	12,567,283	1,118,700
	19,782,389	10,906,204
18.00 Other Operating Income		
This is composed as follows:		
BO Opening Fee	164,150	54,200
BO Annual Fees	145,200	47,750
CDBL Operations Fee	159,714	166,213
Margin Loan Processing Fee	110,000	39,500
Other Income	86,772	16,975
	665,835	324,638
19.00 Operating Expenses		
This is composed as follows:		
Salary and allowances	90,199,742	27,867,058
Rent, taxes, insurance, electricity etc. (Note-19.01)	3,955,841	1,791,669
Legal expenses	299,725	274,050
Postage, stamps, telecommunications etc.	702,125	401,712
Stationery, printing, advertisements etc. (Note-19.02)	5,230,902	865,265
Training, Seminar & Meeting	1,130,693	673,236
Auditors fees	57,500	57,500
Depreciation and repair of assets (Note-19.03)	4,840,592	3,046,613
	106,417,120	34,977,103

	Amount in Taka	
	31- Dec-2017	31-Dec-2016
19.01 Rent, taxes, insurance, electricity etc.		
Office Rent	345,000	-
Electricity and room Rent	273,632	231,289
Electricity, water & Gas	2,194,869	1,451,660
Car Parking Expense	49,275	25,620
Rent Rate Taxes	595,254	52,900
Insurance	45,540	-
Insurance- car	452,271	30,200
	3,955,841	1,791,669
19.02 Stationery, printing, advertisements etc.		
Advertising and Business Promotion exps.	4,040,106	511,033
Printing & Stationery	1,190,797	354,232
	5,230,902	865,265
19.03 Depreciation and repair of assets		
Depreciation On furniture	527,027	469,877
Depreciation On Computer Equipment	444,695	218,006
Depreciation On Electronic Equipment	99,943	9,130
Depreciation On Vehicles	390,304	357,438
Amortization on goodwill	976,464	829,993
Amortization on Software	456,250	433,332
	2,894,683	2,317,776
Repair & Maintenance (Note 19.03.01)	1,945,909	728,837
	4,840,592	3,046,613
19.03.1 Repair & Maintenance		
Software Maintenance	435,644	399,713
Repairs & Maintenance-General	1,510,265	329,124
	1,945,909	728,837
20.00 Other Expenses		
This is composed as follows:		
Bank Charge and others	251,268	152,696
Traveling & Conveyance	230,205	86,350
Entertainment	1,482,666	361,050
Registration and Renewal	705,473	271,469
Regulating Expenses	170,000	43,000
Office Maintenance	156,427	74,369
Petrol,oil & lubricant	658,224	251,765
Loss on Execution of Shares	-	180,261
Newspapers & Periodicals	16,910	7,165
Investor Protection Fund	104	204
Liveries & Uniforms	-	8,419
Medical Expenses	554,215	114,336
Write off Negative Balance	20,574	33,769
Loss on disposal of assets	2,314,146	-
Loss due to goodwill impairment	1,318,219	-
Car Expenses	965,648	-
Misc. Expenses	116,825	-
	8,960,905	1,584,853

UCB Capital Management Limited

Fixed assets Schedule

For the year ended 31 December, 2017

Annexure-A

SI No.	Particulars	Cost				Depreciation Rate	Depreciation				Net Book Value at 31.12.2017
		Opening Balance as on 01.01.2017	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	4,761,380	1,234,401	3,507,254	2,488,527	10%	1,226,229	527,027	1,193,108	560,148	1,928,379
2	Computer Equipment	1,419,843	1,756,462		3,176,305	20%	377,365	444,695	-	822,060	2,354,245
3	Office Equipment	49,800	1,083,636		1,133,436	20%	19,090	99,943	-	119,033	1,014,403
4	Vehicles	1,557,407	1,653,048		3,210,455	20%	357,438	364,772	-	722,210	2,488,245
	Total	7,788,430	5,727,547	3,507,254	10,008,723		1,980,122	1,436,437	1,193,108	2,223,451	7,785,272

UCB Capital Management Limited

Calculation of Provision for Negative Equity & Interest

For the year ended 31 December, 2017

Annexure-B

Sl No.	Code	Name	Cost Value TK.	Market Value TK.	Current Liabilities TK.	Equity	Interest suspense TK.
1	11	MD.ALMAS HOSSAIN TUHIN	1,208,800	1,464,648	(1,622,222)	(157,573)	390,863
2	148	MD. SHAHJAHAN	787,547	759,975	(995,291)	(235,316)	68,018
3	15	MR. MD.RIASHAT KAMRUL HASAN	2,299,464	2,560,340	(4,223,835)	(1,663,495)	729,591
4	16	MD IFTEKHAR HOSSAIN	8,585,532	6,946,100	(7,975,305)	(1,029,205)	1,266,671
5	17	MOSHTAQUE AHMED	431,054	446,936	(705,407)	(258,471)	132,839
6	192	MOHAMMAD RAFIQU L ISLAM	618,557	576,200	(698,746)	(122,547)	69,762
7	197	ASIF MOHAMMAD MOJUMDER	203,007	192,000	(680,439)	(488,439)	250,295
8	20	MIR MD. AMZAD HOSSAIN	1,344,495	1,262,968	(1,409,444)	(146,476)	95,855
9	219	RAFIQU L MAWLA	269,940	317,557	(396,310)	(78,753)	76,254
10	251	ABUL KALAM AZAD	1,409,090	1,517,600	(2,239,055)	(721,455)	224,906
11	26	NOREN HALDAR	1,878,083	1,935,460	(2,789,593)	(854,133)	281,320
12	29	MR MD.SHAHADAT HOSSAN KAZOL	817,429	877,599	(1,868,248)	(990,648)	346,164
13	298	SUMAYA AKTER	128,397	149,445	(153,768)	(4,323)	40,724
14	339	DR. SYED M. SUFIAN	-	-	(13,422,094)	(13,422,094)	2,769,287
15	340	MD. QAISER ANJUM JAMI	722,469	680,000	(835,750)	(155,751)	57,512
16	346	MOHAMMAD MANJUR AHMAD	37,318	42,372	(47,225)	(4,853)	4,730
17	347	MR. MOHIUDDIN	107,150	96,138	(132,060)	(35,922)	13,453
18	350	MD. RAMJAN ALI	1,138,270	1,189,500	(1,228,434)	(38,933)	205,123
19	351	SHEIKH MOHAMMAD ALI	8,880,311	8,802,140	(12,125,744)	(3,323,604)	2,118,526
20	352	MRS. GULSHAN ARA	3,282,066	3,218,700	(4,731,284)	(1,512,584)	793,193
21	37	WAYES AHMED	953,509	1,078,633	(1,309,705)	(231,072)	331,939
22	41	MD. FAZLE AMIN	288,492	369,839	(393,894)	(24,055)	11,133
23	44	MD. ZIAUL ABEDIN KHAN	225,933	201,835	(352,040)	(150,205)	15,411
24	444	MOHAMMAD SAIFUL ALAM	23,815	21,275	(266,754)	(245,480)	63,000
25	49	MD. ISMAIL HOSSAIN	2,051,937	1,533,730	(3,717,914)	(2,184,184)	996,651
26	53	SALAH UDDIN MUNSHI	628,994	551,565	(590,569)	(39,004)	41,294
27	555	SHOFIQU L ISLAM SIKDER	753,677	766,552	(2,233,265)	(1,466,713)	405,739
28	56	MRS. SALMA JAHAN NASRIN	8,089,641	8,370,628	(12,903,578)	(4,532,951)	363,787
29	57	MONIRUZZAMAN SARKER	1,117,361	1,208,153	(2,698,271)	(1,490,116)	174,119
30	6	ANIS UDDIN	16,360,651	8,636,512	(15,536,458)	(6,899,946)	3,953,552
31	60	PREYO LAL DEY	2,757,940	2,581,692	(2,849,611)	(267,919)	168,347
32	610	MD. MATIAR RAHMAN	808,650	789,660	(1,086,888)	(297,228)	231,398
33	71	MD. JAKARIYA MASUD	1,914,081	1,994,588	(2,792,406)	(797,819)	509,842
34	73	MD. MAMUNUR RASHID	307,199	293,192	(590,109)	(296,917)	111,293
35	98	MR. BIKASH CHANDRA SARKER	1,559,096	1,325,789	(1,345,836)	(20,047)	103,178
Total Negative Equity and Interest suspense As on 31.12.2017						(44,188,231)	17,415,771
Negative Equity as on 31 December 2017						44,188,231	
Less: Interest Suspense						(17,415,771)	
Required Provision						26,772,460	
Provision Maintained						29,032,737	
Surplus/(Shortfall)						2,260,277	

UCB Capital Management Limited

Schedule of Investment & Calculation of Provision

For the year ended 31 December, 2017

Annexure-C

Particulars	Holding No. of Share	Avg. Rate		Purchase price		Closing Price		Market Value as on 31 December 2017		Unrealize Gain/(Loss)
		Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	
Marginable Securities:										
Bata Shoe Ltd.	3,000	1,157.53	3,472,592	1,171.80	3,515,400	42,808				
BRAC BANK	1,450,000	68.06	98,689,750	108.40	157,180,000	58,490,250				
Dhaka Bank Ltd.	700,000	22.68	15,876,351	22.00	15,400,000	(476,351)				
Grameen Phone Ltd.	247,000	377.83	93,323,619	470.80	116,287,600	22,963,981				
I.D.L.C.	280,000	87.16	24,404,575	85.30	23,884,000	(520,575)				
IPDC	125,000	42.63	5,329,132	50.10	6,262,500	933,368				
JAMUNA BANK LTD	1,400,000	20.51	28,720,644	22.00	30,800,000	2,079,356				
LankaBangla Finance	245,000	64.81	15,877,968	47.80	11,711,000	(4,166,968)				
One Bank Ltd.	650,000	21.57	14,019,109	24.00	15,600,000	1,580,891				
Prime Bank Ltd.	190,000	27.04	5,137,284	27.40	5,206,000	68,716				
Renata Ltd.	4,000	1,110.40	4,441,591	1,124.20	4,496,800	55,209				
Singer Bangladesh	90,000	190.36	17,132,495	195.50	17,595,000	462,505				
South East Bank Ltd.	1,100,000	23.25	25,576,392	22.20	24,420,000	(1,156,392)				
Square Pharma	389,000	286.31	111,372,775	301.80	117,400,200	6,027,425				
The City Bank Ltd.	561,605	53.32	29,947,003	53.20	29,877,386	(69,617)				
Sub total			493,321,281		579,635,886	86,314,605				
Non-Marginable Securities:										
ACI Limited	64,963	471.45	30,626,790	459.80	29,869,987	(756,803)				
ACME LABORATORIES LTD.	141,032	113.83	16,054,146	114.00	16,077,648	23,502				
BRAC BANK CONVERTIBLE BOND	5,000	1,100.28	5,501,375	1,080.00	5,400,000	(101,375)				
Nahee Aluminum Composite Panel Ltd.	6,847	9.09	62,246	73.40	502,570	440,323				
Oimex Electrode Limited	7,128	9.09	64,800	65.20	464,746	399,946				
Sub total			52,309,358		52,314,951	5,593				
Total			545,630,639		631,950,837	86,320,198				

AUDITORS' REPORT

to the shareholders of UCB Investment Limited

We have audited the accompanying financial statements of UCB Investments Limited ("the company"), which comprise the Balance Sheet as at 31 December 2017 and the related Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit conducted on a test basis. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

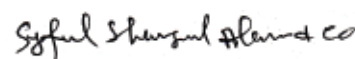
In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards ("BFRS") and comply with the Companies Act 1994 and other relevant laws & regulations.

Report on Other Legal and Regulatory Requirements

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 purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account 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 statement of comprehensive income of the Company dealt with by the report are in agreement with the books of account and
- iv) the expenditure incurred was for the purposes of the Company's business.

Date: 20 March 2018
Place: Dhaka



Syful Shamsul Alam & Co.
Chartered Accountants

UCB Investment Limited

Balance Sheet

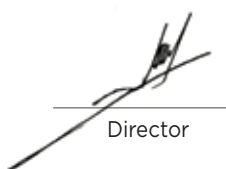
As at 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
Property and Assets			
Balance with Banks & Financial institutions	3.00	7,078,054	374,402
Investments	4.00	349,269,623	236,900,779
Other assets	5.00	8,529,952	58,811,624
Total Assets		364,877,629	296,086,805
Liabilities and Capital			
Shareholders Equity			
Paid up Capital	6.00	250,000,000	250,000,000
Retained Earnings/ (Accumulated Loss)		91,986,953	25,610,702
Total Shareholders' Equity		341,986,953	275,610,702
Other Liabilities			
Other Liability	7.00	22,890,675	20,476,103
Total Liabilities & Shareholders' Equity		364,877,629	296,086,805

The annexed notes 01 to 08 form an integral part of these financial statements.



Chairman

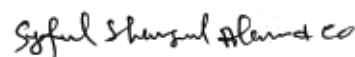


Director



Director

As per our report of same date.



Syful Shamsul Alam & Co.
Chartered Accountants

Place: Dhaka
Date: 20 March 2018

UCB Investment Limited Profit and Loss Account

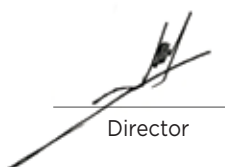
For the year ended 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
Income			
Interest income		-	12,645,854
Investment Income	8.00	68,796,725	7,452,158
Total Income		68,796,725	20,098,012
Expenses			
Audit fees		23,000	23,000
Other Expenses		5,902	45,980
Total operating Expenses		28,902	68,980
Profit/ (Loss) before Provision		68,767,823	20,029,032
Provision for diminution in value of investment		(5,191,480)	5,191,480
Net Profit/ (Loss) after provision		73,959,303	14,837,552
Provision for Income Tax		7,583,052	5,418,060
Net Profit/(Loss) after Income Tax		66,376,251	9,419,492

The annexed notes 01 to 08 form an integral part of these financial statements.



Chairman



Director



Director

As per our report of same date.


Place: Dhaka
Date: 20 March 2018

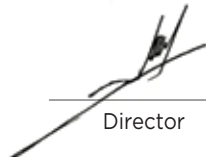
Syful Shamsul Alam & Co
Syful Shamsul Alam & Co.
Chartered Accountants

UCB Investment Limited
Cash Flow Statement
For the year ended 31 December 2017

	Notes	Amount in BDT	
		31 Dec. 2017	31 Dec. 2016
A. Cash flows from operating activities			
Interest Receipts in cash		-	12,645,854
Dividend Receipts		7,134,952	451,550
Fees & Commission Receipts in cash		-	-
Income taxes paid		(1,868,512)	(1,354,895)
Receipt from other operating activities		61,661,773	4,742,775
Payment for other operating activities		(5,902)	(68,980)
Operating profit before changes in operating assets and liabilities.		66,922,312	16,416,304
Increase/Decrease in operating assets and liabilities:			
Purchase/Sale of trading Securities		(112,368,844)	(236,900,779)
Loans and advances to Customers		-	-
Other assets		52,150,184	(52,591,016)
Other Liabilities		-	23,000
		(60,218,660)	(289,468,795)
Net Cash from operating activities (A)		6,703,652	(273,052,491)
B. Cash flows from investing activities			
Acquisition of Fixed Assets			
Proceeds from sale of fixed Assets			
Net Cash from investing activities (B)		-	-
C. Cash flows from financing activities			
Issuance of Share capital			
Receipts from borrowings			
Dividend Paid			
Net cash from financing activities (C)		-	-
Net Increase/(Decrease) in cash (A+B+C)		6,703,652	(273,052,491)
Cash and Cash equivalents at beginning of the year		374,402	273,426,893
Cash and cash equivalents at the end of the year		7,078,054	374,402
Cash and cash Equivalents at end of the year			
Cash in hand		-	-
Balance with other banks & financial institutions	3	7,078,054	374,402
		7,078,054	374,402

The annexed notes 01 to 08 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 2017

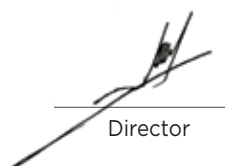
(Amount in BDT)

Particulars	Paid up capital	Retained earnings/ (Accumulated Loss)	Total
Opening Balance as on 01 January 2017	<u>250,000,000</u>	<u>25,610,702</u>	<u>275,610,702</u>
Net Profit (Loss) for the period	-	<u>66,376,251</u>	<u>66,376,251</u>
Balance as at 31 December 2017	<u>250,000,000</u>	<u>91,986,953</u>	<u>341,986,953</u>

The annexed notes 01 to 08 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 2017

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 3rd 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

- Ø Portfolio Management
- Ø Share Transfer Agent
- Ø Fund Management to Issue in the Capital and Security Market
- Ø 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 Bangladesh Accounting Standard (BAS) and Bangladesh Financial reporting Standard (BFRS), the Companies Act 1994, Securities and Exchange Rules, 1987 and other laws & rules applicable in Bangladesh.

2.02 Components of Financial Statements

According to Bangladesh Accounting Standard (BAS-1) "Presentation of Financial Statements" the complete set of Financial Statement includes the following components:

- (i) Balance Sheet
- (ii) Profit & Loss Statement
- (iii) Cash Flow Statement
- (iv) Statement of Changes in Equity and
- (v) Notes to the Financial Statements

2.03 Reporting Currency

The figure in the Financial Statements represents Bangladesh Currency (Taka) which has been rounded off to the nearest Taka.

	Amount in BDT	
	31 Dec. 2017	31 Dec. 2016
3.00 Balance with Banks & Financial institutions		
The Company maintained a Bank Account in the Corporate Branch of United Commercial bank Ltd in the name of UCB Investment Ltd.		
UCBL- Corporate Branch (A/C- 0951101000005517)	7,078,054	374,402
	7,078,054	374,402
4.00 Investments		
Investment in listed shares	349,269,623	236,900,779
	349,269,623	236,900,779
5.00 Other assets		
Advance Income Tax Paid	5,831,287	3,962,775
Account with stock Broker	2,698,665	52,591,016
Dividend Receivable	-	2,257,833
	8,529,952	58,811,624
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
A.E. Abdul Muhaimen	Chairman	Banker
Mohammed Shawkat Jamil	Director	Banker
Md. Sohrab Mustafa	Director	Banker
Syed Mohammed Nuruddin	Director	Business Man

7.00 Other Liability

Accrued expenses	46,000	23,000
Current Tax Provision	22,100,654	14,517,602
Payable to UCBL	744,021	744,021
Provision for diminution in value of investment	-	5,191,480
	22,890,675	20,476,103

8.00 Investment Income

Dividend Income	7,134,952	2,709,383
Gain/(Loss) on sale of Share	61,661,773	4,742,775
	68,796,725	7,452,158



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 email address (info@ucb.com.bd) where investors can email 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.

MEMORIES OF PREVIOUS AGM

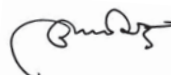


NOTICE OF THE 35TH ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting (AGM) of United Commercial Bank Ltd. will be held on April 30, 2018 (Monday) at 10.00 A.M at Banquet Hall, Kurmitola Golf Club (KGC), Dhaka Cantonment, Dhaka to transact the following businesses:

1. To receive and adopt the Directors' and Auditors' Reports and the Audited Financial Statements of the Bank for the year ended December 31, 2017.
2. To declare 10% Cash Dividend for the year ended December 31, 2017 as recommended by the Board of Directors.
3. To Elect Directors.
4. To Appoint Auditors & to fix their remuneration.

By order of the Board



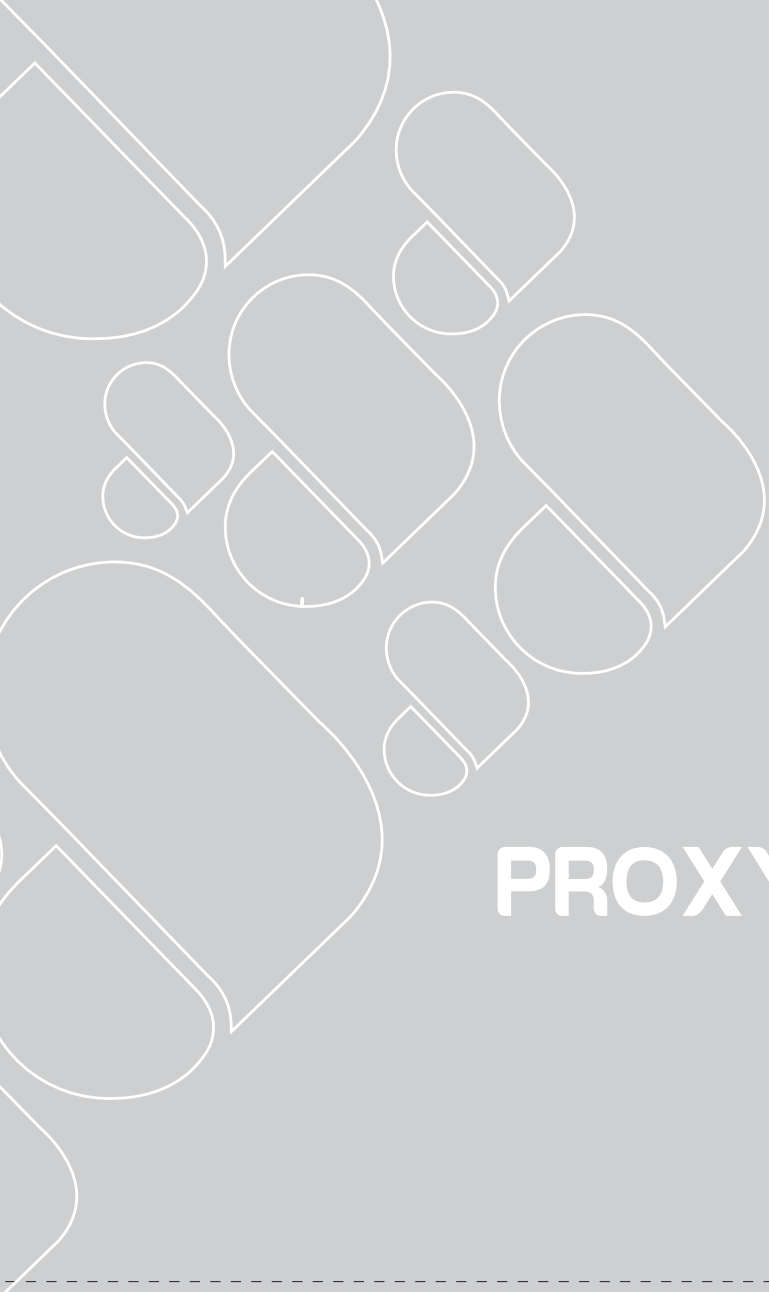
(ATM Tahmiduzzaman, FCS)
Company Secretary

Dated: April 12, 2018

Notes:

- (i) The 'Record Date' in lieu of Book Closure has been fixed on April 11, 2018 (Wednesday).
- (ii) The Shareholders whose names appeared in the Register of Members of the Company or in the Central Depository Bangladesh Ltd. (CDBL) on the Record Date i.e. April 11, 2018 (Wednesday) will be eligible to attend the AGM and entitled to dividend as mentioned above.
- (iii) A member eligible to attend the AGM may appoint a proxy to attend and vote on his/her behalf. The instrument appointing proxy duly signed by the member and stamped (TK. 20.00) must be submitted to the Registered Office of the Company at least 72 hours before the AGM.
- (iv) Members/ Proxies are requested to record their entry in the AGM well in time on April 30, 2018 (Monday). The registration counters will be opened at 8.30 A.M. on the AGM date.
- (v) Annual Report, Attendance Slip and Proxy Form along with the Notice are being sent to all the Members by Post/Courier Service. The Members may also collect the Annual Report and Proxy Form from the Registered Office of the Company and may download proxy form from the Bank's website i. e. www.ucb.com.bd.
- (vi) The concerned Brokerage Houses/Merchant Banks are requested to provide us a statement with the details (Shareholders' names, BO ID numbers, client-wise shareholding positions, gross dividend receivable, applicable tax rate and net dividend receivable) of their margin loan holders who hold UCB shares, as on the 'Record Date' along with the name of the contact person in this connection, to the company's share office on or before 19.04.2018. The Brokerage Houses/Merchant Banks are also requested to provide us with their Bank name & Account number, routing number etc.
- (vii) 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 shall be distributed at the ensuing 35th AGM.





PROXY FORM

SHAREHOLDER / PROXY
ATTENDANCE SLIP



United Commercial Bank Limited

Corporate Office:

Plot-CWS (A)-1, Road No-34, Gulshan Avenue
Dhaka-1212, Phone: +8802 55668070