

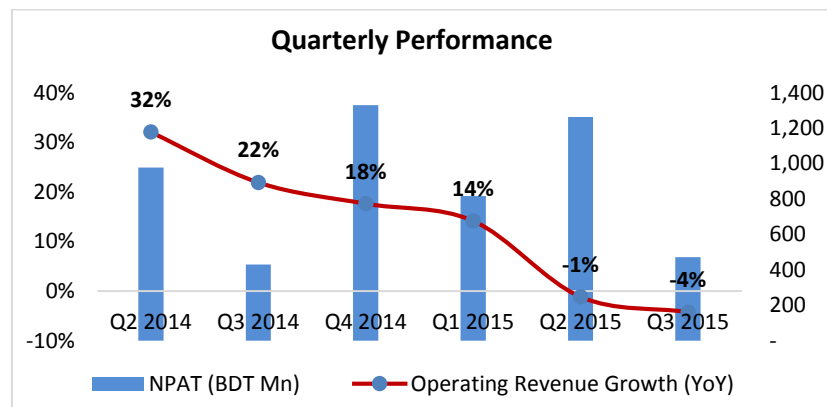
Flash Note: United Commercial Bank Limited – Q3 2015 Performance

Summary

United Commercial Bank Limited (DSE: UCBL) declared consolidated NPAT of BDT 2,548.8 Mn and EPS of BDT 2.54 for the nine months ended 2015, compared to BDT 2,370.2 Mn and BDT 2.36, respectively in 2014.

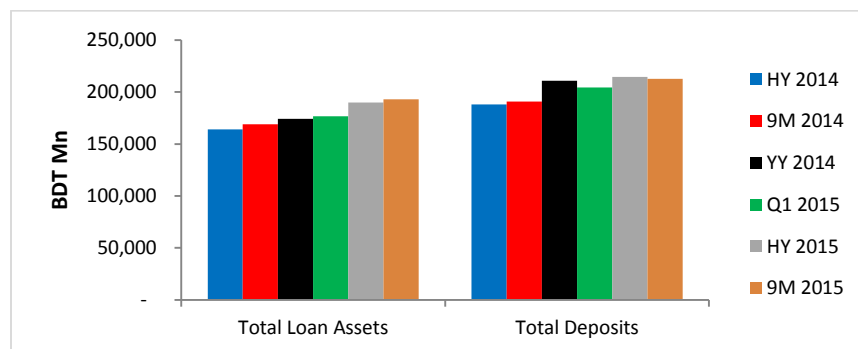
Performance Analysis:

- During Q3 2015 Interest Income faced de-growth of 2.1% YoY while Interest Expense adjusted upward by 5.3% YoY to hit NII by 15.2% YoY.
- Operating Revenue declined by 4.2% YoY, primarily due to erosion of NII.
- Operating Expenses declined by 5.4% YoY, improving Cost to Income ratio to 47.6% in Q3 2015 from that of 48.1% in Q3 2014. However, Cost to Income ratio became 47.8% during 9M 2015 which was 44.6% in 9M 2014.
- Total Provisions adjusted downward by 6.8% YoY in Q3 2015 which was supported mostly from a BDT 255.7 Mn Loan Provisions decline than the same period of last year.
- Overall Q3 NPAT grew on an average of 9.6% YoY while 9M 2015 NPAT grew by 7.5% YoY.
- In 9M 2015, standalone NPAT of UCBL was BDT 2,517.1 Mn while consolidated NPAT was BDT 2,548.8 Mn, indicating a minimal profit contribution of BDT 31.7 Mn from subsidiary companies.



Source: UCBL Financial Statements and Research, IDLC Investments Limited

During 9M 2015, Deposits and Loan Assets portfolio grew by 11.4% and 14.2%, respectively. Besides, Investments in Govt. Securities and Capital Market remained almost same, totaling to BDT 45,641.2 Mn which was BDT 44,804.4 Mn during YY 2014.



Source: UCBL Financial Statements and Research, IDLC Investments Limited

Observations:

- Operating profit declined as the bank faced challenges in pure lending business amid shrinking interest rates scenario.
- Increased Opex may challenge bottom line growth, which needed to be managed through strong Operating Income.
- Balance Sheet growth, especially higher Loan Assets growth than Deposits indicates sustainable business practice.

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