

United Commercial Bank Limited (DSE: UCB)

Current Price (August 18, 2016)	17.1
Total Number of Share (Mn)	1,054.1
Free Float (%)	60.2%
Annualized PE* – UCB	7.0x
Trailing PE – UCB	5.6x
Annualized PE – Bank	7.2x

*Based on annualized earnings of HY, 2016

Financials (BDT Mn)	2014	2015	HY, 2016** (Un-audited)
Net Interest Income	7,956	7,768	4,290
Income from Investment	3,869	4,229	1845
Comm., Ex. & Brokerage	2,753	3,145	1,674
Operating Income	15,269	15,628	7,975
Operating Profit	8,766	8,464	3,233
Total Provisions	1,886	1,157	776
NPAT	3,700	4,016	1,295
Total Deposits	210,777	220,568	232,071
Total Loans & Advances	174,205	197,494	213,231

**Year ends on December 31

YoY Growth (%)	2014	2015	HY, 2016
Operating Income	23.0%	2.3%	1.8%
Net Profit After Tax	20.6%	8.5%	-37.6%

Per Share (BDT)	2014	2015	HY, 2016
Restated EPS	3.51	3.81	1.23
Book Value Per Share	21.37	24.34	23.46

Others (%)	2014	2015	HY, 2016
Capital Adequacy Ratio	10.6%	12.2%	-
Non-Performing Loan (NPL)	4.6%	5.2%	-
Return on Assets (ROA)	1.5%	1.4%	-
Return on Equity (ROE)	17.2%	16.7%	-
Stock Dividend	20.0%	5.0%	-
Cash Dividend	10.0%	20.0%	-

3 Years' CAGR	Peers			
	UCB	BRACBANK	CITYBANK	EBL
Op. Inc.	15.4%	16.3%	14.5%	5.1%
NPAT	36.1%	49.4%	65.4%	-1.6%

Source: DSE, Annual Reports/Financial Statements of UCB, BRACBANK, CITYBANK & EBL and IDLC Investments Limited.

Terminologies

Free Float : % of total shares not owned by Sponsors/ Directors, and Govt.

Annualized PE: Based on Annualized Earnings of the latest declared quarter

Trailing PE: Based on Latest 12 Months Earnings

Company Profile

United Commercial Bank Limited (DSE: UCB) was established in 1983. Later on, it was listed in DSE and CSE in 1986 and 1995, respectively. Currently, the bank has 158 branches, providing core banking, mobile financial service, priority banking, remittance service, credit card service etc. Besides, the bank maintains 151 ATMs across the country.

UCB has two wholly owned subsidiaries, namely; UCB Capital Management Limited (provides brokerage services) and UCB Investment Limited (full-fledged merchant banking operation). Besides, the bank has an Off-shore Banking Unit, operational from 2010.

Key Revenue Drivers & Company Insight

During 2015, Net Interest Income (NII) decreased by 2.4% YoY which was 12.3% YoY positive in last year. Besides, the company improved its Investment Income, increasing by 9.3% YoY. In 2015, Funded Income was BDT 11,997 Mn which was BDT 11,825 Mn in 2014. On the other hand, Non-Funded income was BDT 3,631 Mn and BDT 3,445 Mn in 2015 and 2014, respectively. Overall, Operating Income observed an improvement of 2.3% YoY.

The deposit basket grew by 4.6% to BDT 220 Bn in 2015 while Loan and Advances observed a significant improvement of 13.4% to BDT 197 Bn. However, Capital Adequacy Ratio (CAR) became 12.2% from that of 10.6% in last year while NPL ratio deteriorated further to 5.2% which was 4.6% and 4.06% in 2014 and 2013, respectively.

Financial Performance

2015 was a pretty good year for United Commercial Bank as the bank demonstrated positive growth in Operating Income and NPAT. The bank had an Operating Income of BDT 15,628 Mn and NPAT 4,016 Mn in comparison to BDT 15,269 Mn and BDT 3,700 Mn, respectively in 2014. But, the growth slowed down in response to industry average growth. Accordingly, ROA and ROE declined to 1.4% and 16.7%, respectively in 2015 than that of 2014.

During HY 2016, the bank faced notable challenges. As a consequence, Operating Profit and NPAT declined significantly by 20.9% YoY and 37.6% YoY, respectively than the same period of last year.

As per un-audited six months' accounts (Jan'16 to Jun'16), consolidated net profit after tax was BDT 1,295 Mn with consolidated EPS of BDT 1.23 as against BDT 2,077 Mn and BDT 1.97, respectively for the same period of the previous year.



Source: DSE and IDLC Investments Limited