

Union Bank Limited Rating Action Surveillance **A+** Long Term Rating **ST-2** Short Term Rating

Stable Outlook

Date of Declaration 19 June, 2019

Valid Till 18 June, 2020

Business Risk Moderate	Solvency Score Moderate	Asset Quality Moderate	Profitability Good	Management Quality High	Capital Adequacy Adequate
Industry Group Financial Institution					

As an Islami Shariah based Bank, Union Bank Limited has been growing smoothly with a positive attitude to compete with other Banks and FI

Previous Rating

Long Term Rating: **A+**

Short Term Rating: **ST- 2**

Outlook: **Stable**

Date of Declaration: **19 June, 2018**

Valid Till: **18 June, 2019**

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Date of Incorporation: March 07 2013

Chairman:

Shahidul Alam

Managing Director:

Mr. Omar Farooque

Authorized Capital: BDT 10,000.00 million

Paid Up Capital: BDT 5,272.96 million (As on 31 December, 2018)

Total Asset: BDT 148,583.77 million (As on 31 December, 2018)

Total Liabilities: BDT 140,727.61 million (As on 31 December, 2018)

Total shareholder equity: BDT 7,856.16 million (As on 31 December, 2018)

Rationale

AlphaRating affirms long-term rating of **A+** (pronounced as single A plus) and short-term rating of **ST-2** in favor of Union Bank Limited (herein after referred to as "UBL" or "the bank"). The outlook of the rating is **Stable**.

While assigning the rating AlphaRating considered both favorable and unfavorable movement in overall performance of the bank. The rating reflects the stability of financial performance along with positive asset growth, increasing deposits from customers, higher earning & profitability, well diversified investment portfolio, surplus provision, sufficient capital adequacy, ROA & ROE above industry average, improved average earning asset, quality of management team etc. AlphaRating observed strengthening of UBL's contribution towards good Corporate Governance practice, CSR activities since inception and Environmental Risk Management which have impacted the rating positively. Along with this, good internal control, investment, import, export positively impacted the rating.

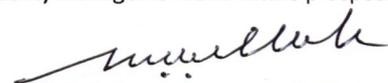
Despite having this good contributor there are some issues that restrained the rating process. Such as NPI has increase significantly than previous year, high investment to deposit ratio compared to the regulatory requirement, single party investment risk exposure, negative liquidity gap in 1 to 3 months & 1 to 5 years, exposure of reschedule loan, higher cost of fund compared to prior year etc.

Asset Quality & Operating Summary (BDT in Millions if applicable)

	2018	2017	2016
Total Assets	148,583.77	131,677.57	83,917.24
Gross Investment	119,934.39	100,753.55	67,150.19
Investment Growth (%)	19.04	50.04	47.28
Pre Tax Profit	1,753.69	1,745.87	1,472.11
Net Investment Income	3,967.13	3,682.19	2,938.13
Non-Investment Income	472.44	328.89	241.32
Cost Income ratio (%)	47.53	43.34	44.15
Profit Spread (%)	3.78	5.03	6.30
Investment/ Customer deposits (%)	96.03	88.34	90.44
Gross NPI Ratio (%)	0.97	0.57	0.07
CRAR (%)	10.24	11.72	11.66
Cost of Fund (%)	10.31	9.35	10.35
Post Tax ROA (%)	0.68	0.83	1.16
Post Tax ROE (%)	12.92	13.78	15.27

Data obtained from audited financial statements of 2016-2018

Instead of these negative issues, AlphaRating has affirmed the above rating in favor of Union Bank Limited (UBL) by considering the way of asset quality management and future prospects.


Muhammed Asadullah
 Managing Director & CEO
 Alpha Credit Rating Limited