

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

Stable Outlook

Date of Declaration 19 June, 2018

Valid Till 18 June, 2019

Business Risk	Solvency Score	Asset Quality	Profitability	Management Quality	Capital Adequacy
Moderate	Moderate	Moderate	Good	High	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

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Rationale

AlphaRating assigns 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 strength in terms of increased total asset size marked by noticeable growth in investment, improved cash position and investment in govt. securities. Moreover, factors such as surplus capital against risk weighted asset, steady operating profit, efficient operating cost control, adequate provision against all investments, maintaining investment to deposit ratio below the ceiling rate and decreased cost of fund. AlphaRating also appreciates its role in the philanthropic activities such as CSR, Green banking and initiative to mitigate environmental risks which contributes to the sustainable economic & social development of the country.

However, the major constraints of the rating are rapid growth of non performing Investment, sector concentration in the investment portfolio, asset liability mismatch, single party investment risk exposure, decreased return on asset and return on equity, small market share and increasing market competition.

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

	2017	2016	2015
Total Assets	131,677.57	83,917.24	63,048.76
Gross Investment	100,753.55	67,150.19	45,592.87
Investment Growth (%)	50.04	47.28	61.23
Pre Tax Profit	1745.87	1472.11	788.31
Net Investment Income	3682.19	2938.13	1949.78
Non-Investment Income	328.89	241.32	111.51
Cost Income ratio (%)	43.34	44.15	49.31
Profit Spread (%)	5.03	6.30	4.09
Investment/ Customer deposits (%)	88.34	90.44	82.07
Gross NPI Ratio (%)	0.57	0.07	0.00
CRAR (%)	11.72	11.66	13.25
Cost of Fund (%)	9.62	10.35	11.89
Post Tax ROA (%)	0.83	1.16	0.94
Post Tax ROE (%)	13.78	15.27	9.55

Data obtained from audited financial statements of 2015-2017

The 'Stable' outlook assessed by AlphaRating reflects. However, performance of increasing market share with a well-diversified portfolio while keeping the non performing investment at minimal will be the key rating sensitivity in future.


Muhammed Asadullah
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