

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

Stable Outlook

Date of Declaration 16 June, 2022

Valid Till 15 June, 2023

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

Previous Rating

Long Term Rating: **A+**

Short Term Rating: **ST-2**

Outlook: **Stable**

Date of Declaration: **17 June, 2021**

Valid Till: **16 June, 2022**

Contact Analysts

Imtiaz Ahammad

imtiaz@alpharating.com.bd

Tanmoy Saha

tanmoy@alpharating.com.bd

Contents

Rationale	2
Company Profile	3
Industry Overview	4
Business Risk Analysis	6
Financial Risk Analysis	8
Management Quality	15

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**. This rating has been assigned by considering the financial performance for the last four years of the bank till 31st December, 2021 and other qualitative information till rating declaration date which has both favorable and unfavorable impact.

The rating reflects the stability of financial performance along with positive asset growth, increasing deposits from customers, well diversified investment portfolio, adequate provision against all investment, low investment to deposit ratio compared to the regulatory requirement, improved average earning asset, quality of management team etc. In addition to the financial performances, UBL has also performed well in non-financial sectors such as placing experienced and well qualified management team, undertaking corporate social activities and geographic & business line diversification, which further boosted the qualitative aspects of UBL. 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 lower CRAR than the regulatory requirement of 12.50% (including Capital Conversion Buffer), increasing rescheduled amount, increased large investment exposure, increasing NPI, decreasing profit after tax, negative liquidity gap in 1 to 3 months & 1 to 5 years, lower ROA & ROE than industry average etc.

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

	2021	2020	2019
Total Assets	242,418.20	210,031.58	180,023.95
Gross Investment	193,822.28	166,337.20	146,459.57
Investment Growth (%)	16.52	13.57	22.12
Pre Tax Profit	2,232.36	2,223.42	1,479.47
Net Investment Income	6,049.84	5,448.15	4,423.26
Non-Investment Income	531.28	510.97	784.63
Cost Income ratio (%)	45.33	45.99	48.00
Profit Spread (%)	3.42	3.77	3.62
Investment/ Customer deposits (%)	91.55	90.22	92.48
Gross NPI Ratio (%)	3.49	2.53	3.64
CRAR (%)	10.47	11.21	12.24
Cost of Fund (%)	8.90	10.55	11.08
Post Tax ROA (%)	0.36	0.47	0.36
Post Tax ROE (%)	8.71	10.80	7.04

Data obtained from audited financial statements of 2019-2021

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.


Riyadh M. Hossain MBA (USA)
Chief Risk Officer
Alpha Credit Rating Limited