

### IPO Details

**Union Bank Limited** will raise BDT 4,280 Mn as initial public offering (IPO) through the fixed price method. The fund will be used for investing in SME & project finance, government securities and capital market.

General Public would be allowed to subscribe BDT 10,000 for a single application, subject to maintaining capital market investment of BDT 20,000. Under "Institutional" quota, eligible investors (EI) would have to maintain a minimum capital market investment of (i) BDT 5.0 Mn for approved pension funds, recognized provident funds and approved gratuity funds; and (ii) BDT 10.0 Mn for other EIs. The cut-off date for minimum investment is December 15, 2021.

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn BDT	% of Proceed
Investment in SME & Project Finance	2,715	63.4%
Investment in Government Securities	1,000	23.4%
Investment in Capital Market	500	11.7%
<b>Sub Total</b>	<b>4,215.0</b>	<b>98.5%</b>
IPO Expenses	65.0	1.5%
<b>Total</b>	<b>4,280.0</b>	<b>100.0%</b>

### Company Brief

Union Bank Limited is a fourth-generation Shariah-compliant private commercial bank in Bangladesh, commencing its operation in 2013. The bank currently has 96 branches and 23 sub-branches across the country. The bank does not have any subsidiary. The bank provides commercial banking services to customers, which includes deposit collection, investment, discounting bills, remittance, and forex trading among others. The bank has investment focus in the following segments: trade service, RMG & textile, construction materials, real estate, SME, utility, capital market and manufacturing industries.

### Competitive landscape

Currently there are 61 scheduled banks in Bangladesh of which 10 are Shariah-based private commercial banks (PCB). Total deposits and investment in Islamic banking sector stood at BDT 3.27 trillion and BDT 2.94 trillion respectively at the end of Dec'20, of which UNIONBANK had market share of 6.72% and 5.92% respectively.

### Industry Outlook

Bangladesh Islamic banking sector experienced robust growth due to policy supports from Bangladesh Bank and public demand. During 2020, Islamic banks experienced deposit growth of 16.2% vs 13.1% growth in the banking sector. Investment from Islamic banks increased 8.1% YoY, in line with 8.2% growth in the banking sector. Limited number of Shariah-compliant securities compels the Islamic banks to maintain large cash balance to meet SLR requirement. Recent issuance of Sukuk rules by the BSEC is expected to provide Shariah-based banks with avenues to invest in infrastructure and industrial projects in a Shariah compliant manner.

### Ownership Structure

Sponsors and Directors currently own 99.8% of the pre-IPO shares, which in post-IPO would stand at 56.5%. One placement shareholder own 0.2% of the pre-IPO shares, which in post-IPO would stand at 0.1%.

### Investment details

UNIONBANK's investment portfolio is heavily concentrated on trade service (69.65%), followed by textile (6.10%), manufacturing industry (5.04%), commercial real estate financing (4.29%), SME investment (3.27%) & constructions (3.42%).

### IPO Summary

DSE Ticker		UNIONBANK
IPO Proceeds	(BDT Mn)	4,280.0
New Shares Issued	(Mn)	428.0
Pre- IPO No. of Shares	(Mn)	558.9
Post IPO No. of Shares	(Mn)	986.9
Pre IPO Paid up capital	(BDT Mn)	5,589.3
Post IPO Paid up capital	(BDT Mn)	9,869.3
Face Value (BDT)		10.0
Accounting Year End		December
Auditor		K.M. Hasan & Co.
Issue Manager		Prime Bank Investment Ltd. BRAC EPL Investments Ltd.
Sector		Bank
GICS Mapping		40101010

### Income Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Investment Income	8,027	10,588	13,551	16,736	19,740
Profit Paid on Deposits	5,089	6,905	9,584	12,313	14,292
<b>Net Investment Income</b>	<b>2,938</b>	<b>3,682</b>	<b>3,967</b>	<b>4,423</b>	<b>5,448</b>
Income from investment in shares and securities	32	62	138	302	195
Commission, Exchange, and Brokerage	190	234	255	317	192
Other Operating Income	20	34	80	166	124
<b>Total Operating Income</b>	<b>3,179</b>	<b>4,011</b>	<b>4,440</b>	<b>5,208</b>	<b>5,959</b>
Operating Expense	1,404	1,738	2,110	2,500	2,741
<b>Profit Before Provision</b>	<b>1,776</b>	<b>2,273</b>	<b>2,330</b>	<b>2,708</b>	<b>3,218</b>
Provisions	304	527	576	1,228	995
<b>Net Profit before Tax</b>	<b>1,472</b>	<b>1,746</b>	<b>1,754</b>	<b>1,479</b>	<b>2,223</b>
Tax	623	856	800	885	1,235
<b>Net Profit after Tax</b>	<b>850</b>	<b>890</b>	<b>954</b>	<b>594</b>	<b>988</b>
EPS (Post-IPO)	0.86	0.90	0.97	0.60	1.00

### Balance Sheet

Mn BDT	2016A	2017A	2018A	2019A	2020A
Cash	6,121	11,257	7,725	8,844	7,196
Balance with Banks and FIs	264	245	196	210	232
Placement with Banks & FIs	3,079	9,264	7,664	6,268	5,719
Investment in Shares & Securities	3,868	4,985	5,113	6,084	7,688
Investments	67,150	100,754	119,934	146,460	166,337
Other Assets	2,606	4,324	6,829	8,522	19,096
<b>Total Assets</b>	<b>83,917</b>	<b>131,678</b>	<b>148,584</b>	<b>180,106</b>	<b>210,032</b>
Placement from Banks & FIs	141	5,141	8,258	6,294	9,650
Deposits	74,251	114,050	124,899	150,220	172,711
Subordinated Bond	-	-	-	4,000	4,000
Other Liabilities	3,537	5,612	7,615	11,142	14,515
<b>Total Liabilities</b>	<b>77,905</b>	<b>124,775</b>	<b>140,728</b>	<b>171,656</b>	<b>200,876</b>
Paid-up Capital	4,708	5,273	5,273	5,273	5,589
Retained Earnings	631	607	1210	1508	1452
<b>Total Equity</b>	<b>6,012</b>	<b>6,902</b>	<b>7,856</b>	<b>8,451</b>	<b>9,156</b>
<b>Total Liabilities &amp; Equity</b>	<b>83,917</b>	<b>131,678</b>	<b>148,584</b>	<b>180,106</b>	<b>210,032</b>
NAVPS (Post IPO)	6.09	6.99	7.96	8.56	9.28

### Cash Flow Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Operating Activities	-1,057	7,573	-7,722	1,459	-3,710
Investing Activities	-1,026	-1,271	-575	-3,758	-1,822
Financing Activities	128	5,001	3,116	2,036	3,356
<b>Net Cash Flow</b>	<b>-1,956</b>	<b>11,303</b>	<b>-5,181</b>	<b>-262</b>	<b>-2,175</b>

## Financial Performance

Union Bank's net investment margin (NIM) remained stable over the past three years, averaging at 3.3%. Gross operating profit grew at 3-year CAGR of 14.1%, however, net profit grew at 3-year CAGR of 3.6%, owing to higher loan provisioning and operating expenses. Cost-Income (CI) ratio averaged 47.2% over the last three years, similar to that of its comparable listed Islamic banks.

Deposits in current account & savings account to total deposit ratio (CASA ratio) increased from 9.8% to 19.0% over the past five years, however the relatively low ratio indicates high deposit costs. The bank's large investment exposure (funded) was relatively low in 2020 (BDT 15.1 billion), which represented 9.1% of total outstanding investment. Gross non-performing investments (NPI) decreased from 3.64% in 2019 to 2.53% in 2020. Capital adequacy ratio remained between 10-12% during the last five years, however it is below the required level (12.5%) as per Basel III guidelines.

## Pricing

Pre-IPO EPS in 2020 was BDT 1.77, whereas Post-IPO EPS would be BDT 1.00. Pre-IPO NAVPS was BDT 16.38 in 2020, whereas Post-IPO NAVPS would stand at BDT 9.28. Offer price per share is BDT 10.00, implying a **Pre-IPO P/E of 5.65x and Pre-IPO P/NAV of 0.61x.**

## Lock-in requirements

Sponsors, directors and placement shareholders hold all of the 558.9 million shares that are subject to lock-in provision. Lock-in period of 3 years is applicable for 547.4 million shares (54.5% of the post-IPO shareholding), while 10.26 million shares (1.0% of post-IPO shares) are subject to lock-in period of 2 years.

## Dividend

The bank has regularly declared dividend in the last two years, with combination of both cash and bonus stock.

Dividend	2016	2017	2018	2019	2020
Cash	0%	0%	0%	5%	12%
Stock	12%	0%	0%	6%	0%

## ESG Footprints:

### Environment Footprints:

No such reporting is provided as of yet.

### Social Footprints

The bank's CSR activities involves donation to the Prime Minister's relief fund, awarding scholarship to the needy and meritorious students and others. The bank spent BDT 123.48 million in education, health, disaster management, cultural welfare and others in 2020.

### Corporate Governance

The bank has 11 directors on its board. The directors are experienced professionals and most of them sit on the board of other private and public companies. Mr. A.B.M. Mokammel Hoque Chowdhury is the Managing Director of the bank. He served First Security Islami Bank Limited in different capacities and has about 20 years' experience in banking.

The board of directors of UNIONBANK has only 2 members related to each other out of 11 board members. No director of the bank is also a director of any issuer of other listed securities during last three years. Among the 11 directors, 2 are independent directors.

**Once listed, Union Bank Limited would trade in the main board of DSE & CSE under 'N' category.**

## Ratios

	2016A	2017A	2018A	2019A	2020A
Operating Profit growth	54.2%	26.2%	10.7%	17.3%	14.4%
Net Profit Ratio	10.3%	8.2%	6.8%	3.4%	4.9%
ROE	14.1%	13.8%	12.9%	7.3%	11.2%
Investment-Deposit Spread	6.4%	5.3%	4.3%	3.6%	3.8%
Net Investment Margin	4.8%	4.1%	3.3%	3.2%	3.4%
Cost to Income Ratio	44.2%	43.3%	47.5%	48.0%	46.0%
Capital Adequacy Ratio	11.66%	11.72%	10.24%	12.24%	11.21%
Investment to Deposit Ratio	90.40%	88.30%	96.00%	92.50%	90.20%
Gross NPI%	0.07%	0.57%	0.97%	3.64%	2.53%
CASA	9.77%	14.96%	17.33%	19.79%	18.99%

## Comparable and Trading Multiples

DSE Ticker	Market Cap (BDT Mn)	TTM Earnings (BDT Mn)	Latest NAV (BDT Mn)	PER (x)	P/NAV (x)
ISLAMIBANK	51,520	5,377	65,350	9.6	0.8
ALARABANK	28,326	2,769	23,843	10.2	1.2
EXIMBANK	17,950	2,541	31,224	7.1	0.6
SHAHJABANK	22,228	3,021	19,810	7.4	1.1
SIBL	14,577	1,655	18,418	8.8	0.8

## Shareholding Details

Name	Position	No. of shares	Pre-IPO shareholding	Post-IPO shareholding
Hussain Muhammad Ershad	Sponsor & Shareholder	52,236,800	9.35%	5.29%
Unique Investment & Securities Ltd.	Sponsor & Shareholder	52,236,800	9.35%	5.29%
Morsalin Islam Shouradip	Sponsor & Shareholder	52,236,800	9.35%	5.29%
Lion Securities & Investment Ltd.	Sponsor & Director	44,736,800	8.00%	4.53%
Ashik Ahmed	Sponsor & Shareholder	35,259,840	6.31%	3.57%
Farzana Begum	Sponsor & Shareholder	28,273,168	5.06%	2.86%
Marzina Sharmin	Sponsor & Shareholder	27,424,320	4.91%	2.78%
Shahana Ferdous	Sponsor & Shareholder	27,424,320	4.91%	2.78%
Ocean Resorts Ltd.	Sponsor & Director	27,424,320	4.91%	2.78%
Arif Ahmed	Sponsor & Shareholder	27,424,320	4.91%	2.78%
Belal Ahmed	Sponsor & Shareholder	26,118,400	4.67%	2.65%
Mohammad Mostan Billah Adil	Sponsor & Shareholder	26,118,400	4.67%	2.65%
Western Designer Ltd.	Sponsor & Director	20,816,365	3.72%	2.11%
Farzana Parveen	Sponsor & Shareholder	19,971,040	3.57%	2.02%
C&A Fabrics Ltd.	Sponsor & Director	19,906,240	3.56%	2.02%
C&A Accessories Ltd	Sponsor & Shareholder	19,901,683	3.56%	2.02%
Shahidul Alam	Sponsor & Shareholder	19,817,584	3.55%	2.01%
Reliable Entrepreneurs Ltd.	Director & Shareholder	19,853,280	3.55%	2.01%
Mehe Zabunnesa Rahman	Sponsor & Shareholder	10,447,360	1.87%	1.06%
Ziauddin Ahmed	Placement Shareholder	1,305,920	0.23%	0.13%

## IMPORTANT DISCLOSURES

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