

JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
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Press Release

JCR-VIS Reaffirms Ratings of United Bank Limited

Karachi, June 19, 2013: JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the entity ratings of United Bank Limited (UBL) at 'AA+/A-1+' (Double A Plus/A-One Plus). Ratings of the two outstanding subordinated debt instruments, TFC-3 and TFC-4, issued by UBL have also been reaffirmed at 'AA' (Double A). Outlook on the assigned ratings is 'Stable'.

Ratings incorporate the systemic importance of UBL in the domestic financial sector. Market share of the bank in domestic deposits is sizeable at 8.1%; some decline has been noted in the same in recent years on account of bank's focus on core deposits rather than price-sensitive large ticket deposits. As a result, cost of deposits of the bank is amongst the lowest in the industry. Liquidity profile of the bank is considered robust, complemented by a well-diversified funding access and granular deposit mix. Capitalization level of the bank is sound with Tier-1 CAR of the bank at 10.5%; overall CAR of 14.8% may experience some reduction on account of retirement of subordinated TFCs.

In line with the trend observed at other large banks, exposure of UBL to public sector advances witnessed an increase in 2012. Across the banking sector, there have been delays in debt servicing by some public sector entities. While debt restructuring schemes have been introduced in the past, delays in servicing of public sector loans expose the banking sector to economic losses. Selective lending approach in the private sector has led to a decline in the private sector loan book over the past two years. Pace of fresh accretion of NPLs in private sector domestic loan book has also subsided vis-à-vis prior years and apart from few exceptions, credit quality of private sector domestic loan book is considered sound. Overseas loan book comprises around 29% of net advances; of this, more than 60% comprises exposure in the UAE market. Loan portfolio mix in the overseas market continues to feature concentration. The bank remains cautiously optimistic with regards to growth in the overseas loan book; diversification benefits arising from the same depend on market correlations.

Profit of the bank for 2012 was higher as compared to prior year on account of improvement in non-markup income and lower incremental provisioning. Going forward, profit of the bank may come under pressure in view of compression in spreads. Growing fee-based income, focus on cost efficiencies and improving asset quality, are some of the measures taken by the management to support the overall profitability of the bank.

For further information on this rating announcement, please contact Mr. Javed Callea (Ext: 501) or Ms. Sobia Maqbool, CFA (Ext: 604) at 35311861-70 or fax to 35311872-3.


Faheem Ahmad
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