

Press Release

JCR-VIS Reaffirms Ratings of United Bank Limited

Karachi, June 24, 2014: 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). Rating of the outstanding subordinated debt instrument, TFC-3, issued by UBL, has also been reaffirmed at ‘AA’ (Double A). Outlook on the assigned ratings is ‘Stable’.

The ratings assigned to UBL reflect its systemic importance in the banking sector of the country, with a market share of 8.2% in domestic deposits. Having implemented a well articulated strategy a few years earlier which entailed enhanced focus on quality of deposits, UBL now has one of the lowest cost of deposits in the banking sector. The bank’s extensive outreach and granularity in deposit mix remain its key strengths. While having declined on a timeline basis, the bank’s Capital Adequacy Ratio (CAR) at 13.3% depicts strength. Asset quality indicators have posted improvement on a timeline basis and are largely comparable with peers.

The long term economic growth prospects of Pakistan appear positive, provided the security and energy concerns are addressed dynamically. Increase in loans to the private sector by about 10% in the first nine months of the on-going fiscal year is encouraging. In 2013, UBL’s domestic lending portfolio was maintained at the preceding year’s level; there was however a slight shift in portfolio structure towards private sector. In terms of sectoral exposures, the portfolio reflects reasonable degree of diversification vis-à-vis most of its peers. UBL’s international loan book depicted healthy growth during 2013. Country-wise, growth was driven by UAE, where market dynamics continued to improve; management outlook with respect to the same remains positive.

The bank’s holding of government securities comprises almost one-third of total assets. While additional investments have been made in T-bills, the bank’s PIBs holding remains sizeable; decline in portfolio duration on a timeline basis is considered prudent in view of the interest rate volatility in the market. Exposure in equity market has increased over the year. Market risk related to equity portfolio of the bank is managed by investing primarily in high dividend yielding blue chip companies.

In line with overall banking sector of the country, UBL witnessed pressure on spreads during 2013; overall profitability however posted improvement. A healthy proportion of non-interest income in total revenues remains a key facet of the bank’s earnings profile. Moreover, profitability from overseas operations contributed an increasing proportion to the bottom line and adds diversity to the bank’s earning sources.

Recently, some noteworthy changes were witnessed in the shareholding pattern and top management of UBL. Bestway Group enhanced its shareholding in UBL by acquiring the remaining stake of the Abu Dhabi Group. More recently, the Government of Pakistan has divested its residual shareholding in the bank. Mr. Wajahat Husain has been appointed as the new President & CEO of UBL, effective June 1, 2014. Replacement of the exiting senior personnel by internal candidates is a depiction of UBL’s effective succession planning.

For further information on this rating announcement, please contact Ms. Sobia Maqbool, CFA at 021-35311861-70 or Mr. Maimoon Rasheed at 042-36610681-84 or fax to 021-35311872-3.

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