JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

JCR-VIS Upgrades Ratings of United Bank Limited to AAA/A-1+

Karachi, June 29, 2016: JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded the entity ratings of United Bank Limited (UBL) to 'AAA/A-1+' (Triple A/A-One Plus) from AA+/A-1+ (Double A Plus/A-One Plus). Outlook on the assigned ratings is 'Stable'. The previous rating action was announced on June 30, 2015.

The assigned ratings incorporate sustained improvement across key performance areas including asset quality, liquidity, capitalization and profitability as well as the management's commitment to maintain a positive trend, going forward. UBL is the second largest private sector bank in the country with a market share of 8.95% (end-2015: 8.60%; end-2014: 8.36%) in domestic deposits at end-March'2016, reflecting its systemic importance. Deposit base of UBL had crossed Rs. 1 trillion at end-2015 with over 1,300 branches across Pakistan. UBL's drive to innovate within the digital space continues to diversify and deliver its products and services.

Apart from being a strong domestic franchise, UBL's diversified operations and revenue streams are also a key rating driver; the bank has a sizeable presence in the overseas market, largest by a local bank, representing around one-fourth of total assets. With minimal oil related exposure, management does not foresee any material non-performing loans emanating from the overseas portfolio. Besides overseas operations, diversification in domestic revenue streams, apart from growth in core revenues, is also evident from the bank's branchless banking presence through its Omni platform (now at over 40,000 agents) and significant market share in home remittance business.

The Corporate loan book witnessed growth in 2015 with product pipeline for the ongoing year including a number of energy and infrastructure projects. UBL has also positioned itself to tap business opportunities arising from China Pakistan Economic Corridor. While maintaining asset quality indicators, the Bank is expanding its presence in other financing segments, including commercial, agriculture and consumer; further increasing the breadth of its lending operations. The overseas portfolio represents almost one-third of the gross financing portfolio and has been funded by an organic build up in overseas deposits which crossed $2b (largest for a commercial bank) in the outgoing year.

Ratings also derive strength from the strong liquidity profile of the Bank and the commitment to maintain optimal capital levels with a buffer over and above the regulatory CAR requirement. Profit before tax witnessed significant growth during 2015 and has more than doubled since 2010 with ROE of over 20%. Maximizing operational efficiency has been a key focus with efficiency ratio depicting noticeable improvement. Going forward, high yielding PIB portfolio (with lower reinvestment risk vis-à-vis peers) along with declining cost of deposits and growth in earning assets bodes well for profitability of the bank.

For further information on this rating announcement, please contact the undersigned (Ext: 508) or Mr. Javed Callea (Ext: 501) at 021-35311861-70 or fax to 021-35311872-3.

Mohammed Khalid Ali
Advisor

Applicable rating criterion: Commercial Banks Methodology – November 2015
http://www.jcrvis.com.pk/Images/Meth-CommercialBanks201511.pdf