RATING REPORT

United Bank Limited

REPORT DATE:
June 30, 2025

RATING ANALYST:
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RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity Rating	AAA	A1+	AAA	A1+
Outlook/ Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Date	June 30, 2025		June 26, 2024	
TFC-5 Rating	AA+	-	AA+	-
TFC-5 Outlook	Stable		Stable	
TFC-5 Action	Reaffirmed		Reaffirmed	
Date	June 30, 2025		June 26, 2024	
TFC-6 Rating	AAA	-	-	
TFC-6 Outlook	Stable		-	
TFC-6 Action	Final		-	
Date	June 19, 2025		-	

COMPANY INFORMATION

Privatized in 2002	**External auditors:** EY Ford Rhodes, Chartered Accountants
Public Limited Company	**Chairman of the Board:** Sir Mohammed Anwar Pervez, OBE, HPk
Key Shareholders (with stake 5% or more):	**President & CEO:** Mr. Muhammad Jawaid Iqbal
Bestway Group (BG) – 64.04%	

APPLICABLE METHODOLOGY

VIS Financial Institution
https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf

VIS Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

United Bank Limited (UBL)

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
UBL was established in 1959 and is a subsidiary of Bestway International Holdings Limited, which is incorporated in Guernsey. **Profile of Chairman** *Sir Mohammad Anwar Pervez, OBE, HPk has served as the Chairman of the Bank's Board since 2013. He is also the Chairman and founder of Bestway Group & its subsidiaries. He has been recipient of number of awards in UK and Pakistan.* **Profile of CEO** *Mr. Muhammad Jawaid Iqbal was appointed as the new President & CEO effective May 2, 2023. Mr. Iqbal is a member of UBL's BoD since Dec'22. Mr. Iqbal has over two decades of banking experience at senior managerial positions. Mr. Iqbal is an MBA from Bahauddin Zakariya University, Pakistan;*	As of Dec'24, UBL operated a large network of 1,474 branches (2023: 1,356) across Pakistan, including 496 Islamic Banking branches (2023: 209), with two branches in Export Processing Zones and eight international branches. The Bank has been designated as a Domestic Systemically Important Bank (D-SIB) by the State Bank of Pakistan (SBP), and remains fully compliant with the additional regulatory requirements this classification entails. During the review period, UBL also completed the merger of Silk Bank Limited (SBL) with and into itself, further strengthening its market position. UBL's asset base grew significantly to PKR 8.1 tn by Dec'24 (Dec'23: PKR 5.6 tn), driven by increased repo borrowings, which were primarily deployed into investments. This was complemented by a substantial rise in gross advances as the Bank aligned itself with the regulatory directive mandating a minimum Advances-to-Deposit Ratio (ADR) of 50% to avoid additional taxation. By Mar'25, the asset base reached PKR 9.4 tn, with a notable shift in liquidity back into investments as maturing advances reduced the advances portfolio by PKR 0.5 tn. The gross advances portfolio rose sharply to PKR 1.6 tn by Dec'24 (Dec'23: PKR 0.7 tn), driven by increased lending across corporate & SME, commodity, and international segments. Corporate loans remained the largest component at 47% of the portfolio, while international advances formed 26.3%. Consumer finance remained minimal at 1.7% of gross advances. Notable sectoral growth was observed in agriculture, financial services, chemicals, and education, among others. UBL's NPLs increased to PKR 116.0 bn by Dec'24 and further to PKR 162.1 bn by Mar'25. The increase in NPLs was primarily due to the merger with Silk Bank and some legacy exposures in the international loan portfolio. The overall Gross Infection (GI) ratio declined to 7.4% (CY23: 14.7%) in Dec'24, but returned to 14.7% by Mar'25 due to a contraction in the gross loan book and the merger with Silk Bank. Higher provisioning under IFRS-9 was observed, with specific coverage increasing to 96.7% by Mar'25 (Dec'24: 93.0%; Dec'23: 87.5%). Net infection remained low at 0.6% (Dec'24: 0.6%; Dec'23: 2.1%), reflecting sound loss absorption capacity. As of Mar'25, UBL's investments rose to PKR 7.5 tn (Dec'24: PKR 5.9 tn; Dec'23: PKR 4.4 tn), with minimal credit risk as 96.9% comprised federal government securities. The unrealized gain on the investment portfolio stood at PKR 74.3 bn as of end-Mar'25 (Dec'24: PKR 80.9 bn; Dec'23: PKR 7.3 bn). A shift toward long-tenor, floating-rate PIBs was evident, which reduced the average duration of the

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investment book to under one year—helping mitigate mark-to-market risk amid changing interest rate dynamics.

UBL maintained a healthy liquidity profile. Deposits increased to PKR 3.4 tn by Mar'25 (Dec'24: PKR 2.6 tn), driven largely by current and savings accounts. The CASA ratio stood at 88.3% in Mar'25 (CY24: 91.5%). Market share in deposits improved to 8.6% (CY24: 6.8%). The LCR and NSFR remained well above regulatory thresholds, while the LADB ratio recovered to 74.4% in Mar'25 after dipping in CY24 due to advances expansion.

In 2024, net markup income posted moderate growth, though the net interest margin (NIM) declined on a year-on-year basis due to a shift in the funding mix. The increased reliance on high-cost borrowings—particularly repo financing—dampened spread generation, especially as a significant portion of earning assets remained invested in government securities that offered limited yield advantage. Consequently, the Bank recorded a negative spread on its investment book, compressing margins. Non-markup income played a vital role in supporting profitability, led by substantial gains from the sale of securities and the divestment of a non-core subsidiary. These one-off gains cushioned the impact of higher operating costs and rising provisioning charges under IFRS-9. Fee-based income also showed a positive trajectory, underpinned by growing transaction volumes, particularly in trade and credit card segments.

Administrative expenses increased significantly due to branch expansion, technology investments, and inflationary cost pressures. As a result, the efficiency ratio weakened during the year, reflecting a faster rise in recurring expenses relative to recurring income. Provisioning expenses increased materially owing to higher expected credit loss (ECL) charges, aligning with the Bank's conservative risk management stance under the IFRS-9 framework. However, profitability metrics such as Return on Average Equity (ROAE) and Return on Average Assets (ROAA) remained strong and improved in the first quarter of 2025, benefiting from expanding current account deposits and improving spreads. Going forward, profitability is expected to remain stable, supported by easing interest rates, rising fee income, and potential mark-to-market gains from a rebalanced investment portfolio with greater floating-rate exposure.

The Bank's CAR improved to 20.3% in Dec'24 (Dec'23: 16.6%) and further to 21.2% by Mar'25. This was supported by internal capital generation and a measured increase in RWAs. Tier-1 capital accounted for approximately 75% of total eligible capital, indicating ample room for future growth through Tier-1 instruments if needed. The merger with Silk Bank added PKR 0.3 bn to share capital and PKR 10.75 bn in CET-1 capital, resulting in a favorable impact on capital adequacy.

Banking Sector

In 2024, Pakistan's banking sector remained resilient, supported by improving macroeconomic conditions. Inflation receded from the previous year's highs, the currency stabilized, and fiscal consolidation progressed, enabling steadier economic activity. Against this backdrop, the aggregate balance sheet of commercial banks expanded significantly—rising by approximately 15.8% during the year to reach around PKR 53.7 trillion. As of December 2024, deposits had grown by about 9.2% year-on-year to over PKR 31.8 trillion, driven by favorable interest rates during much of the year and financial inclusion efforts.

The divergence between deposit and asset growth is explained by superior equity growth and more notably interbank transactions backed by and channeled into the purchase of government securities to magnify positive spreads through volumes. A substantial portion of the deposit growth during the first three quarters of 2024 was also directed into government securities. In the final quarter, private-sector advances gained significant traction, as banks sought to comply with the regulatory directive mandating that outstanding advances be maintained at a minimum of 50% of respective deposit bases, in order to avoid incremental taxation of up to 15%. Consequently, the advance-to-deposit ratio stood at 53.2% by year-end.

Financial performance in 2024 remained broadly stable. Aggregate after-tax profitability for the banking sector was largely unchanged, with SBP data indicating a marginal increase in after-tax profits to PKR 644.0 billion (2023: PKR 642.0 billion). Net interest margins and net interest income remained steady; however, the monetary easing initiated in June 2024, along with increased provisioning requirements, exerted pressure on returns. As a result, key profitability indicators—Return on Average Assets (ROAA) and Return on Average Equity (ROAE)—moderated slightly.

Capital buffers remained strong. The industry's capital adequacy ratio (CAR) rose to approximately 20.4% by end-2024 (2023: 19.4%), remaining well above the regulatory minimum. Banks benefited from strong deposit inflows—boosted by the SBP's digital and financial inclusion initiatives—and continued to maintain excess capital to mitigate systemic risks. In a move to enhance depositor confidence and systemic stability, the Deposit Protection Corporation (DPC) raised insured limits to PKR 1 million per depositor in late 2024.

Asset quality continued to improve during 2024. The non-performing loan (NPL) ratio declined to approximately 6.3% (2023: 7.6%). Following the implementation of IFRS-9 in 2024, specific provisioning coverage for Stage-3 assets rose to 83.8% (2023: 81.3%), while general provisioning coverage against performing advances increased to 1.4% (2023: 0.9%). Regulatory authorities maintained a strong focus on prudent provisioning and risk management practices, including adherence to Basel III capital standards, which supported containment of credit risk. Large corporate borrowers generally remained creditworthy, underpinned by adequate liquidity and repayment capacity.

Looking ahead, Pakistan's commercial banking sector appears well-positioned, underpinned by strong fundamentals, though it must navigate a landscape of mixed opportunities and risks. The sharp monetary easing in the second half of 2024—reducing policy rates from 22% to around 11% by early 2025—was supported by a marked decline in inflation to single digits, creating room for continued gradual policy support. In this evolving macroeconomic environment, banks may face some compression in net interest margins, while the pace of credit expansion will depend on the strength of economic recovery and borrower demand. If growth momentum strengthens, lending to SMEs and consumers is expected to rebound, aided by regulatory incentives and targeted refinance schemes.

Simultaneously, sustained efforts in digital transformation and financial inclusion—including the expansion of instant payment systems and broader outreach to underserved market segments—are expected to improve operational efficiency and deepen market penetration. While fiscal and external vulnerabilities may moderate the pace of policy easing and credit growth, the sector enters 2025 with improved asset quality, strong capitalization, and ample liquidity buffers. Overall, the outlook remains one of cautious optimism, supported by continued regulatory facilitation and a more stable macroeconomic environment, laying the groundwork for gradual and broad-based sectoral growth.

United Bank Limited (UBL) Appendix-I

FINANCIAL SUMMARY				(PKR in millions)
BALANCE SHEET	**31-Dec-22**	**31-Dec-23**	**31-Dec-24**	**31-Mar-25**
Total Investments	1,415,193.83	4,385,216.67	5,886,894.50	7,493,699.66
Gross Advances	1,013,767.42	717,067.67	1,565,127.36	1,099,443.69
Net Advances	921,837.10	613,565.53	1,443,481.94	928,333.17
Total Assets	2,758,753.11	5,574,997.50	8,063,132.13	9,367,707.97
Borrowings	564,518.59	2,815,470.55	4,855,373.52	5,403,475.58
Deposits & other accounts	1,841,819.09	2,350,540.82	2,640,211.49	3,394,792.18
Subordinated Loans	10,000.00	10,000.00	10,000.00	11,998.40
Paid Up Capital	12,241.80	12,241.80	12,241.80	12,521.24
Tier-1 Equity	144,078.34	153,391.03	241,313.75	279,064.22
Net Shareholders Equity (excl. revaluation surplus)	189,934.32	210,535.07	238,932.45	272,671.25
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**1QCY25**
Net Spread Earned	103,209.32	142,884.12	173,414.83	84,225.14
Net Provisioning / (Reversal)	15,669.35	1,298.46	12,751.78	(1,608.82)
Non-Markup Income	34,442.57	33,209.57	87,494.12	15,597.82
Operating Expenses	52,284.34	64,305.68	94,784.86	24,619.10
Profit/ (Loss) Before Tax	68,310.01	108,118.07	150,191.65	75,334.37
Profit / (Loss) After Tax	32,062.66	53,180.41	80,527.53	35,595.62
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**1QCY25**
Market Share (Advances) (%)	6.43%	3.76%	6.93%	5.24%
Market Share (Deposits) (%)	6.52%	6.89%	6.76%	8.60%
Gross Infection (%)	9.21%	14.72%	7.41%	14.74%
Net Infection (%)	1.24%	2.11%	0.56%	0.56%
Specific Provisioning Coverage (%)	87.62%	87.49%	93.02%	96.71%
General Provisioning Coverage (%)	1.10%	1.83%	0.95%	1.53%
Net NPLs to Tier-1 Capital (%) (adj. for general prov.)	7.49%	8.03%	3.17%	1.81%
Cost of Deposits (%)	5.73%	7.98%	7.67%	4.28%
NIM (%)	4.73%	4.82%	3.06%	4.46%
Efficiency (%)	40.35%	36.83%	45.94%	25.91%
ROAA* (%)	1.19%	1.28%	1.18%	1.63%
ROAE* (%) (Net Shareholder Equity)	17.99%	26.56%	35.83%	55.66%
Liquid Coverage Ratio (%)	316.76%	273.56%	250.87%	191.60%
Net Stable Funding Ratio (%)	113.45%	145.89%	106.71%	131.05%
Liquid Assets to Deposits & Borrowings (%)**	59.62%	82.16%	57.19%	74.37%
Gross Advances to Deposits Ratio* (%)**	49.73%	27.50%	56.99%	30.66%
Tier-1 CAR (%)	14.41%	12.56%	15.26%	16.14%
Capital Adequacy Ratio (%)	19.17%	16.62%	20.31%	21.24%

** Annualized*

*** Adjusted for repo and collateral*

**** Adjusted for SBP refinancing schemes*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	United Bank Limited
Sector	Commercial Banks
Type of Relationship	Solicited
Purpose of Rating	Entity and Instrument Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
RATING TYPE: ENTITY				
6/30/2025	AAA	A1+	Stable	Reaffirmed
6/26/2024	AAA	A1+	Stable	Reaffirmed
6/27/2023	AAA	A1+	Stable	Reaffirmed
6/30/2022	AAA	A1+	Stable	Reaffirmed
6/30/2021	AAA	A1+	Stable	Reaffirmed
6/29/2020	AAA	A1+	Stable	Reaffirmed
6/28/2019	AAA	A1+	Stable	Reaffirmed
6/29/2018	AAA	A1+	Stable	Reaffirmed
6/30/2017	AAA	A1+	Stable	Reaffirmed
6/29/2016	AAA	A1+	Stable	Upgrade
6/30/2015	AA+	A1+	Stable	Reaffirmed
6/24/2014	AA+	A1+	Stable	Reaffirmed
6/19/2013	AA+	A1+	Stable	Reaffirmed
6/11/2012	AA+	A1+	Stable	Reaffirmed
6/28/2011	AA+	A1+	Stable	Reaffirmed
6/24/2010	AA+	A1+	Stable	Reaffirmed

Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
RATING TYPE: ADT-1 (TFC-5)				
6/30/2025	AA+		Stable	Reaffirmed
6/26/2024	AA+		Stable	Reaffirmed
6/27/2023	AA+		Stable	Reaffirmed
6/30/2022	AA+		Stable	Reaffirmed
6/30/2021	AA+		Stable	Reaffirmed
6/29/2020	AA+		Stable	Reaffirmed
6/28/2019	AA+		Stable	Reaffirmed
9/6/2018	AA+		Stable	Final
6/12/2018	AA+		Stable	Preliminary
RATING TYPE: Tier-II (TFC-6)				
6/19/2025	AAA		Stable	Final

Instrument Structure

TFC-5: Listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instrument amounting up to PKR 10.0 bn (inclusive of Green Shoe Option of PKR 3.0 bn).

TFC-6: Privately placed, unsecured, and subordinated Tier-II instrument of PKR 2.0 bn, issued in August 2017 and maturing in August 2025.

Statement by the Rating Team

VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.

Probability of Default

VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.

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Due Diligence Meeting(s) Conducted

Sr. No	Name	Designation	Date
1.	Mr. Syed Manzoor Hussain Zaidi	Chief Financial Officer	**May 23, 2025**
2.	Mr. Rizwan Malik	Global Head, Treasury & Capital Markets	
3.	Mr. Imran Sarwar	Global Executive, Risk & Credit Policy	
4.	Ms. Saira Shah	Financial Controller	