

## RATING REPORT

# United Bank Limited

**REPORT DATE:**

July 4, 2019

**RATING ANALYSTS:**

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| RATING DETAILS        |               |            |                  |            |
|-----------------------|---------------|------------|------------------|------------|
| Rating Category       | Latest Rating |            | Previous Rating  |            |
|                       | Long-term     | Short-term | Long-term        | Short-term |
| <b>Entity Rating</b>  | AAA           | A-1+       | AAA              | A-1+       |
| <b>Entity Outlook</b> | Stable        |            | Stable           |            |
| <b>Date</b>           | June 28, '19  |            | June 29, '18     |            |
| <b>TFC Rating</b>     | AA+           |            | AA+              |            |
| <b>TFC Outlook</b>    | Stable        |            | Stable           |            |
| <b>Date</b>           | June 28, '19  |            | September 6, '18 |            |

### COMPANY INFORMATION

|                                                                                 |                                                                                                                      |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Privatized in 2002</b>                                                       | <b>External auditors:</b> A.F. Ferguson & Co., Chartered Accountants – KPMG Taseer Hadi & Co., Chartered Accountants |
| <b>Public Limited Company</b>                                                   | <b>Chairman of the Board:</b> Sir Mohammed Anwar Pervez, OBE, HPk                                                    |
| <b>Key Shareholders (with stake 5% or more):</b><br>Bestway Group (BG) (61.47%) | <b>President &amp; CEO:</b> Ms. Sima Kamil                                                                           |

### APPLICABLE METHODOLOGY(IES)

VIS Commercial Banks Rating <http://vis.com.pk/docs/Meth-CommercialBanks201803.pdf>

**United Bank Limited (UBL)**

**OVERVIEW OF THE INSTITUTION**

**RATING RATIONALE**

*UBL was established in 1959 and is a subsidiary of Bestway (Holdings), which is incorporated in the United Kingdom.*

*As at end-December'2018, UBL operates a network of 1,364 (2017: 1,361) branches nationwide and 15 (2017: 18) overseas branches.*

**Profile of Chairman**  
*Sir Mohammad Anwar Pervez has been serving as Chairman of the board since 2013. He is also the Chairman and founder of Bestway Group & its subsidiaries. He has been recipient of number of awards in both UK and Pakistan for his professional achievements and charitable causes. He was honored with 'Hilal-e-Pakistan' in 2000.*

**Profile of CEO**  
*Ms. Sima Kamil joined as the CEO of the bank in 2017. She has a diversified work experience spanning 25 years in retail banking, wealth management, asset management and microfinance. Previously, she was associated with Habib Bank Limited. Ms. Sima has a degree in business from Kingston University and an MBA from City University London.*

**Industry Dynamics**

Banking sector profitability after peaking in 2015 continued to decline for the third consecutive year in 2018 owing to pressure on spreads (maturity of PIBs and low interest rate environment), one-off expenses & penalties (pension charges and overseas penalty) and regulatory actions (transaction tax on deposits, super tax and deposit insurance). VIS expects profitability to improve considerably over the next 18 months as full impact of increase in interest rate on spreads materializes with a lag given that liabilities re-price faster than assets do. Moreover, aggressive participation is expected in long-tenor bonds post 3QCY19 once further clarity over inflation outlook emerges. Over the medium term, balance sheet growth along with improvement in spreads, is expected to off-set higher credit cost, and translate into healthy growth in profitability. Extent of improvement in profitability will depend on timing and quantum of discount rate reversal and impact of implementation of IFRS-9 (expected implementation in 2020). Other key risk to profitability may emerge from implementation of treasury single account which may result in liquidity and profitability challenges for banks. The impact may be significant for public sector and provincial government owned banks. Impact for large private sector banks is expected to be manageable given that deposits represent a smaller proportion of overall deposits and cost of funds for government is significantly higher vis-à-vis Bank's average cost of funds.

Recently, private sector credit off-take has witnessed a noticeable jump with the government relying on central bank borrowing to fund deficits. However, lower economic growth is expected to result in slowdown in overall credit off-take. Moreover, the government will increasingly rely on commercial banks for funding deficits post the country's entry in the IMF Program. Resultantly, ADR ratios of banks which have increased over the last 2 years (ADR Ratio of the sector has increased from 46.6% at end-Dec'2016 to 55.8% at end-Dec'2018) and are expected to decline again. Resultantly, liquidity buffers are expected to increase.

Maintaining asset quality indicators will be the biggest challenge for the banking sector where VIS expects weakening in asset quality indicators of Banks in general. Increase would be more pronounced for Banks where ADR is on the higher side and where exposure to the SME segment is sizeable. This is already evident from increase in NPLs of the banking sector at end-March'2019 vis-à-vis December'2017 (NPLs have increased by around Rs. 100b during the period), although some increase is attributable to higher overseas NPLs and non-performance by a single sugar sector group. Despite sizeable growth in advances portfolio, capital adequacy ratio of commercial banks has slightly improved from 15.8% at end-Dec'2017 to 16.1% at end-March'2019. Given the increasing profitability and conservative lending strategy expected to be pursued by most banks, capitalization indicators for most large and medium sized banks are expected to remain sound.

**Key Rating Drivers**

**Strong market position and domestic franchise are key rating drivers. Consolidation and de-risking remain important pillars of international strategy.**

United Bank Limited (UBL) is the second largest private sector Bank in the country having a market share of 8.3% (2017: 8.2%) in domestic deposits as at end-December'2018 with strong domestic franchise and diversified operations. The bank also has a sizeable presence in the overseas market, largest by a local bank. Overseas assets represented over one-fifth of the total asset base. During the outgoing year, UBL scaled down its international footprint with focus on core markets (Middle East and UK) which have synergies with the wider UBL network. As part

of this strategy, the Bank also undertook voluntary liquidation of its New York (NY) Branch subsequent to which written agreement signed with the New York State Department of Financial Services was terminated while complete exit is subject to routine regulatory approvals. The Bank also fully divested from Oman Exchange Company while re-evaluation of business strategy in other non-core markets is being undertaken. Given the challenging outlook in core markets, conservative asset deployment within government and FI securities is targeted. On the liability side, focus would remain on mobilizing low cost CASA deposits to grow its balance sheet.

**Double digit growth in financing portfolio over the last 3 years. Given the challenging macro-economic environment, credit growth is expected to slow down in the ongoing year. While gross infection has increased due to higher NPLs from international operations, loan loss coverage has been enhanced. Maintaining asset quality indicators in line with rating benchmarks is considered important from a ratings perspective.**

Major portion of the Bank's assets comprises exposure to the sovereign/public sector. Aggregate exposure to the sovereign / public sector by way of investments & advances represents around 56.5% (2017: 60.7%) of total assets. Broad based growth in financing portfolio was witnessed in 2018 with corporate, commercial and consumer portfolio recording over 20% increase vis-à-vis preceding year. Corporate segment represents over two-third of the domestic financing portfolio. Proportion of public sector/government financing increased to 42.6% (2017: 29.3%) at end-2018 with the largest sectoral exposures being to the power and the textile sectors. Power sector represented a sizeable 29% (2017: 21%) of the gross portfolio. With higher NPLs from international portfolio (a function of fresh NPL accretion and rupee depreciation), infection levels increased (2018: 8.8%; 2017: 7.8%); however, provisioning coverage (overall) was higher (2018: 88%; 2017: 81.7%). At end-1Q19, gross infection and total provisioning coverage was reported at 10% and 88.9%, respectively. Given the increase in interest rates and slow-down in GDP growth in GCC region, UBL has enhanced monitoring of exposures. Moreover, a separate special asset management department has been set-up within international operations for recovery from non-performing portfolio. Given the mid-term economic scenario and policy rate regime, maintaining asset quality indicators in line with benchmarks for the assigned ratings is considered important.

**Credit risk emanating from investment portfolio is low but exposure to market risk is on the higher side vis-à-vis peer banks.**

Net investment portfolio represented around 42% of total asset base at end-Dec'2018. Investment in federal government securities represented 87% of the total portfolio. Resultantly, credit risk emanating from the investment portfolio is low. In absolute terms, investment in PIBs has declined during 2018; however, PIBs in relation to domestic deposits is on the higher side vis-à-vis peer Banks at 36% at end-December'2018. Around 70% of the PIB portfolio was classified as HTM with remaining investment being classified as AFS. Roughly one-tenth of the PIB exposure comprises investment in floating rate bonds. Deficit on PIB holdings (classified as AFS) was Rs. 14.3b at end-Dec'2018. Future fund deployment strategy entails building exposure in short-tenor T-bills and floating rate PIBs. Exposure in long-term fixed rate PIBs will be undertaken once there is clarity on inflation and interest rate outlook.

**UBL's increasing customer base and sizeable addition to NTB customers is a competitive advantage. Deposit mix improved with growth in the proportion of non-remunerative current accounts. However, depositor concentration levels have room for improvement. Overall liquidity profile remains strong. Liquidity coverage ratio and net stable funding ratio are well in excess of regulatory requirements.**

UBL caters to a sizeable and growing customer base of over 5 million customers. During 2018, new to bank (NTB) customer addition remained sizeable at around 586,000. On the digital banking front, roll out of the digital app (with QR code payment facility and facial recognition) and launch of digital client onboarding were major milestones. The digital app now has around

10% of the Bank's active client base. Active NTB focus driven by digital client onboarding resulted in opening of over 1.2 million new accounts in 2018.

The bank's deposit strategy will continue to focus on enhancing deposit mix through addition of NTB customers. During 2018, overall deposit base and average domestic deposits increased by 7.3% and 5%, respectively. Improvement in deposit mix continued with domestic CASA increasing to 86.8% (Dec'2017: 84.5%) while proportion of current accounts in deposit mix increased to 45.9% (Dec'2017: 43.4%) at end-Dec'2018. However, depositor concentration levels are higher vis-à-vis VIS's benchmark for the assigned ratings. Besides improving deposit mix, overall liquidity profile is supported by sizeable liquid assets in relation to total deposits and borrowings (the same declined on a timeline basis but continues to remain healthy). Liquidity coverage ratio of 190% at end-Dec'2018 was significantly above the regulatory requirement of 100% while cushion in net stability funding ratio has increased on a timeline basis (2018: 126%; 2017: 104%).

**Profitability for 2018 was impacted by higher pension cost and provisioning charge on international portfolio. Overall profitability is projected to depict strong double digit growth in the ongoing year aligning profitability profile with rating benchmarks**

Operating profitability in 2018 was slightly lower in 2018 vis-à-vis 2017 due to decline in spreads and increase in administrative expenses (9.8% increase in 2018). Overall profitability was lower due to sizeable provisioning (Rs. 11.2b) undertaken to enhance loan loss coverage and Rs. 6.7b recorded as pension liability. While spreads of the Bank have increased in the ongoing year, growth in net interest income during 1Q19 was the lowest amongst peer banks given the bank's sizeable exposure to fixed rate PIBs. Nevertheless, spread improvement, volumetric growth in earning assets, growing fee based income (healthy growth in home remittance, bancassurance & card related fees) and absence of one-off expenses is expected to result in strong growth in operating profits in 2019. Overall profitability will be a function of provisioning charges while super tax will continue to be a drag on overall profitability.

**Strong capitalization buffers facilitated by internal capital generation, issuance of additional Tier-1 (ADT-1) capital instrument and reduction in risk weighted assets**

Capitalization indicators have strengthened over time with increase in equity base on account of internal capital generation, issuance of ADT-1 instrument (Rs. 10b) and focused management of risk weighted assets (RWAs). RWAs declined by Rs. 100billion during 2018 on account of lower market risk weighted assets on reduced PIB exposure and de-risking of overseas exposures. Tier-1 and overall CAR were reported at 13.76% and 17.6% at end-1Q19 well above the regulatory requirement of 10.9% and 13.4%, respectively. Leverage ratio has improved on a timeline basis and was reported at 5.4% (2018: 4.9%; 2017: 3.8%) at end-1Q19.

**Additional Tier-1 Instrument**

**The Instrument:** During 2018, UBL issued fully paid up, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs), amounted to Rs. 10.0b (inclusive of Green Shoe Option of Rs. 3.0b). Out of total issue size, Rs. 9b were issued to the Pre-IPO investors while Rs. 1b was offered to the general public by way of Initial Public Offer (IPO). The TFC carries a mark-up rate of KIBOR+1.55%.

**Priority:** In terms of priority of claims, UBL's ADT-1 instrument ranks ahead of claims of ordinary shareholders but below the bank's senior creditors, including depositors.

**Non-performance risk:** Non-performance risk for ADT-1 instruments is characterized by presence of point of non-viability and lock-in-clause, issuer having full discretion on coupon payments, interest servicing from only profits for the year and conversion feature in the event

of pre-specified trigger events in terms of regulatory requirements. The ADT-1 instrument being issued by UBL also has a dividend stopper clause as per which UBL will not make any dividend payments on common shares in the event of a non-payment of mark-up on the TFCs. While the regulatory framework may not consider a missed coupon payment as a default; the credit rating methodology employed by VIS would treat such missed payments as an event of default. In normal course of business, VIS believes that chances of non-performance risk are considered remote given healthy profitability and capital buffers which will be enhanced further post issuance of ADT-1 instrument. Despite existence of full coupon discretion, exercising the feature is not considered likely in normal course of business as it will hamper future fund raising ability of the Bank.

| FINANCIAL SUMMARY <i>(All figures in PKR billions unless stated otherwise)</i> |                  |                  |                  | Appendix I       |
|--------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>BALANCE SHEET</b>                                                           |                  |                  |                  |                  |
|                                                                                | <b>31-Dec-18</b> | <b>31-Dec-17</b> | <b>31-Dec-16</b> | <b>31-Dec-15</b> |
| Total Investments                                                              | 786.4            | 1,091.8          | 806.5            | 719.5            |
| Advances - net                                                                 | 715.9            | 627.3            | 518.6            | 455.4            |
| Total Assets                                                                   | 1,889.6          | 2,032.9          | 1,600.6          | 1,400.7          |
| Borrowings                                                                     | 268.1            | 512.6            | 201.5            | 163.1            |
| Deposits & other accounts                                                      | 1,366.1          | 1,272.8          | 1,167.1          | 1,051.2          |
| Tier-1 Equity                                                                  | 117.9            | 110.6            | 101.1            | 87.4             |
| Net Worth                                                                      | 151.3            | 159.3            | 151.8            | 142.1            |
| <b>INCOME STATEMENT</b>                                                        |                  |                  |                  |                  |
|                                                                                | <b>31-Dec-18</b> | <b>31-Dec-17</b> | <b>31-Dec-16</b> | <b>31-Dec-15</b> |
| Net Mark-up Income                                                             | 56.2             | 56.4             | 57.0             | 55.8             |
| Net Provisioning                                                               | 12.9             | 2.5              | 1.7              | 3.7              |
| Non-Markup Income                                                              | 25.1             | 22.2             | 23.6             | 22.0             |
| Operating Expenses                                                             | 38.8             | 35.3             | 33.2             | 32.0             |
| Profit Before Tax                                                              | 24.9             | 39.9             | 46.0             | 42.2             |
| Profit After Tax                                                               | 15.2             | 25.2             | 27.7             | 25.7             |
| <b>RATIO ANALYSIS</b>                                                          |                  |                  |                  |                  |
|                                                                                | <b>31-Dec-18</b> | <b>31-Dec-17</b> | <b>31-Dec-16</b> | <b>31-Dec-15</b> |
| Market Share (Advances) (%)                                                    | 7.2%             | 7.1%             | 6.8%             | 7.2%             |
| Market Share (Deposits) (%)                                                    | 8.3%             | 8.2%             | 8.3%             | 8.6%             |
| Gross Infection (%)                                                            | 8.8%             | 7.8%             | 8.1%             | 9.4%             |
| Total Provisioning Coverage (%)                                                | 88.0%            | 81.7%            | 90.9%            | 89.0%            |
| Net Infection (%)                                                              | 1.8%             | 2.0%             | 1.4%             | 2.0%             |
| Cost of deposits (%)                                                           | 2.9%             | 2.6%             | 2.7%             | 3.1%             |
| Net NPLs to Tier-1 Capital (including General Provisioning) (%)                | 10.4%            | 11.2%            | 6.9%             | 10.2%            |
| Capital Adequacy Ratio (C.A.R (%))                                             | 17.74%           | 15.45%           | 15.13%           | 14.65%           |
| Markup Spreads (%)                                                             | 3.8%             | 3.9%             | 3.8%             | 4.4%             |
| Efficiency (%)                                                                 | 51.3%            | 48.2%            | 42.9%            | 42.0%            |
| ROAA (%)                                                                       | 0.8%             | 1.4%             | 1.8%             | 2.0%             |
| ROAE (%) <i>(Shareholder's Equity)</i>                                         | 11.6%            | 20.6%            | 24.9%            | 25.7%            |
| Liquid Assets to Deposits & Borrowings (%)                                     | 55.0%            | 60.3%            | 65.8%            | 66.0%            |

**VIS** Credit Rating Company Limited

**RATING SCALE & DEFINITIONS: ISSUES / ISSUERS**

**Medium to Long-Term**

**AAA**

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

**AA+, AA, AA-**

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

**A+, A, A-**

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

**BBB+, BBB, BBB-**

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

**BB+, BB, BB-**

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

**B+, B, B-**

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

**CCC**

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

**CC**

A high default risk

**C**

A very high default risk

**D**

Defaulted obligations

**Short-Term**

**A-1+**

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

**A-1**

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

**A-2**

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

**A-3**

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

**B**

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

**C**

Capacity for timely payment of obligations is doubtful.

**Rating Watch:** VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.vis.com.pk/images/criteria\\_watch.pdf](http://www.vis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.vis.com.pk/images/criteria\\_outlook.pdf](http://www.vis.com.pk/images/criteria_outlook.pdf)

**(SO) Rating:** A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

**(blr) Rating:** A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.vis.com.pk/images/policy\\_ratings.pdf](http://www.vis.com.pk/images/policy_ratings.pdf)

**'SD' Rating:** An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

| REGULATORY DISCLOSURES              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Appendix III               |                   |                |                      |  |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|----------------|----------------------|--|
| <b>Name of Rated Entity</b>         | United Bank Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                            |                   |                |                      |  |
| <b>Sector</b>                       | Commercial Banks                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                            |                   |                |                      |  |
| <b>Type of Relationship</b>         | Solicited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                            |                   |                |                      |  |
| <b>Purpose of Rating</b>            | Entity and Instrument Ratings                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                            |                   |                |                      |  |
| <b>Rating History</b>               | <b>Rating Date</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Medium to Long Term</b> | <b>Short Term</b> | <b>Outlook</b> | <b>Rating Action</b> |  |
|                                     | <b><u>RATING TYPE: ENTITY</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            |                   |                |                      |  |
|                                     | 6/28/2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AAA                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/29/2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AAA                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/30/2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AAA                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/29/2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AAA                        | A-1+              | Stable         | Upgrade              |  |
|                                     | 6/30/2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/24/2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/19/2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/11/2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/28/2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | 6/24/2010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        | A-1+              | Stable         | Reaffirmed           |  |
|                                     | <b>Rating Date</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Medium to Long Term</b> | <b>Short Term</b> | <b>Outlook</b> | <b>Rating Action</b> |  |
|                                     | <b><u>RATING TYPE: ADT-1 (TFC)</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                            |                   |                |                      |  |
|                                     | 6/28/2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | AA+                        |                   | Stable         | Reaffirmed           |  |
| 9/6/2018                            | AA+                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                            | Stable            | Final          |                      |  |
| 6/12/2018                           | AA+                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                            | Stable            | Preliminary    |                      |  |
| <b>Instrument Structure</b>         | Listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instrument amounting up to Rs. 10.0b (inclusive of Green Shoe Option of Rs. 3.0b).                                                                                                                                                                                                                                                                                                                 |                            |                   |                |                      |  |
| <b>Statement by the Rating Team</b> | 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.                                                                                                                                                                                                      |                            |                   |                |                      |  |
| <b>Probability of Default</b>       | 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.                                                                                                                                                                                                          |                            |                   |                |                      |  |
| <b>Disclaimer</b>                   | Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2019 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS. |                            |                   |                |                      |  |