



Date
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Analysts

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Applicable Criteria

- Methodology | MicroFinance Institutions (Jun 17)
- Methodology | Correlation between long-term and short-term rating scale (Jun 17)
- Methodology | Criteria Modifiers (Jun 17)

Related Research

- Sector Study | Microfinance Bank (Apr 18)

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PACRA Maintains Entity Ratings of Telenor Microfinance Bank Limited (previously Tameer Microfinance Bank Limited)

| Rating Type | Entity | |
|---------------------|--------------------------|---------------------------|
| | Current (25-Apr-2018) | Previous (23-Nov-2017) |
| Action | Maintain | Maintain |
| Long Term | A+ | A+ |
| Short Term | A1 | A1 |
| Outlook | Stable | Stable |
| Rating Watch | - | - |

The ratings of Telenor Microfinance Bank Limited (the "Bank") reflect strong business profile emanating from growing customer base and sustained relative position in the market. The asset base witnessed escalated growth in 2017 streaming from significant increase in number of active borrowers. The spreads remained strong, though translating into lower bottom-line due to high costs incurred in the branchless banking domain. The Bank accounted for ~20% share in industry deposits for End-Dec'17 and ~12% market share in the industry gross loan portfolio. The Bank is gradually building its non-secured loan base. The financial risk profile of the Bank is strong, with high liquidity. Portfolio at risk of ~1% at End-Dec'17 reflects a strong risk evaluation framework supported by underwriting of loans. Beginning 2017, branchless banking operations – Easypaisa – have been fully transferred to Telenor Microfinance Bank Limited. However, excessive costs incurred on biometric verification systems and agent commissions led to under performance of the branchless banking stream, resulting in low net margins for the year 2017. Overall profitability, however, remained sanguine. The ratings take comfort from association with a strong sponsor – Telenor Group. Going forward, the Bank's plan of entering into strategic partnership venture with Ant Financial - a Chinese Fintech affiliate company of the Alibaba Group, is a significant ingredient in determining the overall strategic direction of the Bank.

The ratings are dependent upon successful execution of strategic partnership with Ant Financial in terms of equity induction and outgrowth of the pursuit into improved strategical dynamics and performance. Meanwhile, maintenance of market position remains important and sustenance of robust asset quality is imperative.

About the Entity

Telenor Microfinance Bank Limited commenced operations in Sep-05 and currently operates with a nationwide network of 85 branches with its head office in Karachi. The Bank has become a wholly owned subsidiary of Telenor Pakistan B.V with entire shareholding being transferred to it. Telenor Pakistan B.V, based in Amsterdam, is an investment vehicle for Telenor ASA to invest in Pakistan. It is a wholly owned subsidiary of Telenor ASA. During the year, the bank has been awarded Mobile Money Certification by GSMA – a global trade body for mobile network operators worldwide and has won two awards at the Pakistan Banking Awards 'Bank the Unbanked' & 'Best Microfinance Bank'. The GSMA certification brings the bank at the forefront of mobile money industry and establishes increased confidence of regulators, customers, corporates and financial institutions in the trust of the bank.

Overall control of the Bank vests with seven members including the President & CEO. Three members are senior executives of Telenor Group, two senior executives of Telenor Pakistan Limited, and one independent member. Mr. Petter-Børre Furberg, the Chairperson, has been in long association with Telenor Group. Mr. Shahid Mustafa, with ~23 years of experience in banking and finance replaced the outgoing President & CEO Mr. Ali Riaz Chaudhry in Aug'17. An experienced management team supports him.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.