

**Date**

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www.pacra.com**Applicable Criteria**

- Rating Modifiers | Outlook and Rating Watch (Jun 16)
- Correlation between Long-term and Short-term rating (Jun 16)
- Bank Rating (Jun 16)
- MicroFinance Institutions (Jun 16)
- Debt Instrument (Jun 16)

**Related Research**

- Sector Study | Microfinance Banks (Feb 17)

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

Rating Type	Entity	
	Current (28-Apr-2017)	Previous (28-Apr-2016)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	A+	A+
<b>Short Term</b>	A1	A1
<b>Outlook</b>	Stable	Rating Watch
<b>Rating Watch</b>	-	-

The ratings of Telenor Microfinance Bank Limited reflect strong business profile emanating from growing customer base and diversified revenue stream of the Bank. The deposit base witnessed escalated growth, mainly in the term deposits. The spreads remained strong, though minor declined YoY. Telenor Bank accounted for 27% of system share in MFB industry deposits. The Bank is gradually building its non-gold loan portfolio; as per MFB regulations, gold backed loan portfolio can be kept at maximum 35%; 38% for Telenor Bank at end-Dec16. The financial risk profile of the Bank is strong, with high liquidity. Portfolio at risk of 0.6% at end-Dec16 reflects a strong risk evaluation framework. The branchless banking (BB) operations – Easypaisa – is in the process of being fully transferred to Telenor Bank. Starting Jan-17, the Bank would retain 100% revenue from Easypaisa (14% previously), which would augment the topline. Easypaisa at end-Sep16 holds 48% of the market share in number of BB deposits of the country (end-Dec15: 64%) – a facet of increased competition in the growing industry. Overall profitability, supported by low loss provisioning remained sanguine. The ratings take comfort from association with a strong sponsor – Telenor Group.

The ratings are dependent upon maintaining market position of the Bank. Herein, growing volumes in branchless banking should transpire into profitability. Sustaining of robust asset quality is imperative. Successful execution of new business strategy by new management remains important.

**About the Entity**

Telenor Bank commenced operations in Sep-05 and currently operates with a network of 74 branches with head office in Karachi. Telenor Bank has become a wholly owned subsidiary of Telenor ASA; 51% through Telenor Pakistan Limited and 49% through Telenor Pakistan B.V. Entire shareholding is being transferred to Telenor Pakistan B.V; all regulatory approvals have been obtained. The ultimate shareholder is Telenor ASA. Telenor ASA is one of the world's major mobile operators headquartered in Oslo, Norway, with mobile operations spread across 13 countries. Telenor ASA is listed on the Oslo Stock Exchange with total assets amounting to ~USD 25bln at end-Dec16.

Overall control of the Bank vests with an eight member board including the CEO. Four members are senior executives of Telenor Group, two senior executive of Telenor Pakistan Limited, and two independent members. Ms. Tine Wollebakk, the chairperson, is the SVP of Telenor Financial Services and has over 34 years of experience. Mr. Ali Riaz Chaudhry, the CEO since 1st May 2016, has over 19 years of experience in the banking and financial sector. He is supported by an experienced management team.

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.

