Tameer Microfinance Bank Limited

Chairman: Mr. Tine Wollebeck; President & CEO: Syed Nadeem Hussain

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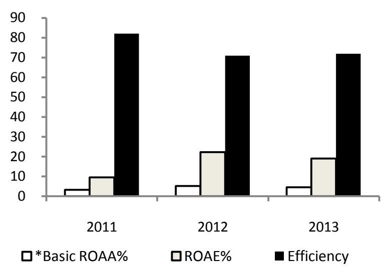
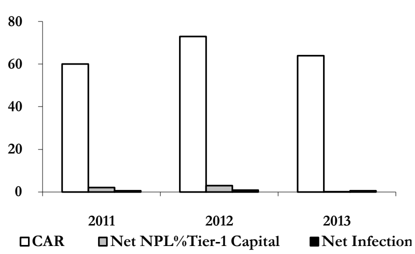
Category	Latest	Previous
Entity	A+/A-1	A/A-1
	Apr 23, '14	*Mar 27, '13*
TFC-2	A (SO)	A (SO)
	Apr 23, '14	*Mar 27, '13*
Outlook	Stable	Stable
	Apr 23, '14	*Mar 27, '13*

Key Financial Trends



** Based on recurring profit before provision and taxation*



	2011	2012	2013
Net Advances (Rs. in b)	5.1	6.7	8.3
Deposits (Rs. in b)	4.5	8.4	10.6
Cost of Funds(%)	9.6	9.8	9.1
Profit / (Loss) (Rs..in m)	134	374	382
Equity (Rs. in b)	1.5	1.8	2.2
CAR (%)	60	73	64
Liquid Assets** % Deposits & Borrowings	33	49	43
Gross Infection (%)	0.7	0.8	0.6

***adjusted for depositors' protection fund*

Rating Rationale

The ratings assigned to Tameer Microfinance Bank Limited (TMFB) take into account the stand-alone risk profile of the institution; moreover, implicit support of the major sponsor, which is owned by the Telenor Group having a rating of 'A-/A-2' (Single A Minus/ A-Two) by an international rating agency, provides strength to the assessment of overall risk profile of the bank.

TMFB enjoys prominent positioning in the micro-finance sector, having around one-third market share in terms of total deposits at end-2013. Liquidity profile of the institution has improved on a timeline basis with lower depositor concentration levels. The bank continues to carry a sizeable amount of liquid assets in relation to deposits & borrowings. Deposit mix has also improved with non-remunerative current accounts representing 45% (2012: 24%) of total deposits at end-2013, having a favorable impact on cost of funds. Given the growth in deposits, bank's need for commercial borrowings as a funding source has declined.

The bank's loan portfolio has continued to grow at a healthy pace. While disbursements increased in 2013, retention levels witnessed a decline. This in turn has an impact on the bank's earnings. In order to address the same, disbursements of unsecured Equal Monthly Installment (EMI) loans were increased in 2013. However, around four-fifth of the advances portfolio still comprises gold backed secured loan; Tameer Sarmaya Qarza (TSQ). With dip in gold prices during 2013, management introduced a number of variants of TSQ loans having shorter maturities *(previously TSQ loans had a 1 year tenor only)* in order to ensure collateral coverage of both principal and mark-up. As per management, loss of markup due to decline in gold prices is expected to remain at manageable levels under realistic stress test scenarios.

Gross infection in the portfolio remains under 1%. Portfolio quality indicators may however not depict the actual repayment capacity of borrowers, given the practice of rollover of principal amount by servicing markup alone in case of TSQ loans. During 2013, amount of rollovers was Rs. 1.2b (2012: Rs. 389.5m) while outstanding balance of rollovers as a proportion of net financings represented one-tenth of the portfolio at year-end 2013. The bank draws comfort from the collateral held.

TMFB enjoys sizeable market share in the Branchless Banking (BB) segment, despite the same having witnessed dilution with the advent of new players. The segment has become profitable in the out-going year. Given the increasing competition in this segment, building further on volumes in case of basic transaction services and introduction of value added products will be instrumental to maintaining market positioning.

Spreads remained healthy at 12.2%, albeit having declined on a timeline basis. There was some improvement in the overheads as well, reducing to 12.2% in 2013. Staff productivity indicators witnessed some weakening as the bank pursued lending under EMI loan products where loan size average is about one-fourth of the secured product, and requiring a detailed counterparty assessment and hence longer turnaround time. Ability to meet future profitability targets will depend on enhancing retention levels while maintaining portfolio quality and operating expenses at manageable levels.

Net equity and Capital Adequacy Ratio (CAR) stood at Rs. 2.2b and 64%, respectively at year-end 2013. While CAR might decline slightly in future, given that the future financing mix of the bank entails increase in the proportion of EMI portfolio and planned dividend payout, overall capitalization level of the institution is expected to remain strong, if portfolio quality indicators remain intact.

Overview of the Institution

Tameer was incorporated in 2005 and provides microfinance banking services to the underserved segment of the society. In November 2008, Telenor Pakistan Limited (TPL) acquired 51% shares of Tameer. TPL is 100% owned by the Telenor group (a Norway based telecommunication company) which is amongst the largest mobile operators in the world. Tameer's financial statements for FY13 have been audited by E&Y Sidat Hyder & Co. Chartered Accountants JCR-VIS

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
		RATING TYPE: Entity		
23-Apr-14	A+	Stable	A-1	Upgrade
27-Mar-13	A	Stable	A-1	Reaffirmed
26-Dec-12	A	Stable	A-1	Reaffirmed
09-Oct-12	A	Stable	A-1	Reaffirmed
26-Apr-12	A	Stable	A-1	Reaffirmed
29-Apr-11	A	Stable	A-1	Upgrade
01-Dec-10	A-	Stable	A-2	Rating Watch – Removed
06-Sep-10	A-		A-2	Rating Watch - Developing
28-Apr-10	A-	Positive	A-2	Maintained

		RATING TYPE: TFC – 2		
23-Apr-14	A+ (SO)	Stable		Upgrade
27-Mar-13	A (SO)	Stable		Reaffirmed
26-Dec-12	A (SO)	Stable		Final
09-Aug-12	A (SO)	Stable		Preliminary