

Tameer Microfinance Bank Limited

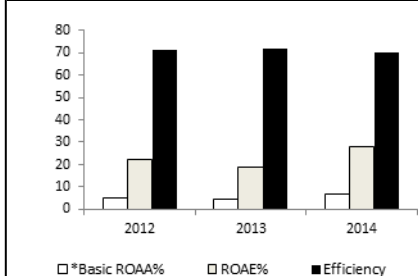
Chairman: Mr. Tine Wollebeck; President & CEO: Syed Nadeem Hussain

April 24, 2015

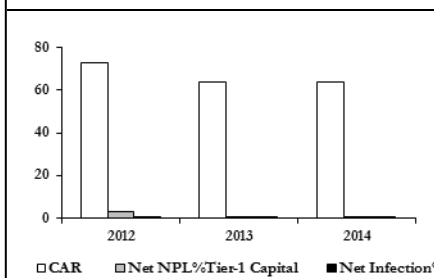
Analysts: Amir Shafique
 Faiq Sattar Khan

Category	Latest	Previous
Entity	A+ / A-1 Apr 17, '15	A+ / A-1 Apr 23, '14
Outlook	Stable Apr 17, '15	Stable Apr 23, '14

Key Financial Trends



* Based on recurring profit before provision and taxation



	2012	2013	2014
Net Advances (Rs. in b)	6.7	8.3	8.9
Deposits (Rs. in b)	8.4	10.6	12.3
Cost of Funds(%)	9.8	8.1	5.2
Profit / (Loss) (Rs. in m)	374	382	708
Equity (Rs. in b)	1.8	2.2	2.8
CAR (%)	73	64	64
Liquid Assets** %			
Deposits & Borrowings	49	48	4
Gross Infection (%)	0.8	0.6	0.8

**adjusted for depositors' protection fund

Rating Rationale

The assigned ratings take into account the risk adjusted capitalization of Tameer Microfinance Bank Limited (TMBL) as manifested in high Capital Adequacy Ratio (CAR) and sound liquidity profile. The ratings also derive strength from the implicit support of the key sponsor, Telenor Pakistan Limited (TPL). TPL is a key player in Pakistan's telecom industry and owned by the Telenor Group (TG). TG is one of the major mobile operators globally with operations in 13 countries. Financial strength of TG has improved as evident in an upgrade in the Financial Strength Rating to 'A' by an international rating agency.

TMBL has the largest market share in terms of deposits in the micro finance sector. There was growth in deposits largely emanating from current accounts; however, market share depicted a decline to 28.3% (FY13: 30.6%) at end FY14. Concentration in deposits has depicted an improving trend on a timeline basis with top 50 deposits representing 18.1% (FY13: 20.4%) of the total deposit base. Liquidity profile of the bank is considered sound given the improving granularity in deposit mix and sizeable liquid assets in relation to deposits and borrowings.

Over time, the bank's market share in terms of loans has also come down to 14% (FY13: 16%; FY12: 18%), with gross outstanding loan portfolio amounting to Rs. 9b (FY13: Rs. 8.3b) at end FY14. While there was a decline in average loan size, number of active borrowers depicted an increasing trend during the year. TMBL made disbursements amounting to Rs. 15b (FY13: Rs. 11b) in FY14. Growth in advances emanated from Equal Monthly Installment (EMI) loans, the proportion of which has increased notably in recent years; this trend is projected to continue going forward with unsecured loans to comprise as much as 50% of total portfolio by end FY17. Product offering has been broadened over time to cater to different needs of borrowers and enable the bank to pursue its growth targets.

This strategy is being pursued to address the high attrition rate and hence cost associated with maintaining outstanding balance of collateralized loans, which hitherto dominated the bank's loan mix. The bank's exposure to counterparty risk will also evolve in line with the changing portfolio mix while controls will be tested as the bank continues to expand unsecured lending. Additional checks have been instituted to enhance portfolio monitoring, which has so far remained sound with PAR- at 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 in TSQ loans. The bank allowed rollovers amounting to Rs. 4.65b (FY13: Rs. 2.24b) during FY14. The rollover ratio is higher in TSQ loans with shorter tenor.

Capitalization levels continue to improve in line with the growth in earnings, which have been retained by the bank. Given the change in deposit mix, spreads improved to 17% (FY13: 12.2%) in FY14. The bank posted profit before tax of Rs. 1b (FY13: 615.4m) during the out-going year.

As lending activities continue to increase, the proportion of earnings from Easy Paisa (EP) services declined in FY14. Increasing competition has also affected earnings from EP services. As a pioneer in BB, EP enjoys the largest market share in Over the Counter (OTC) market. With the advent of new players in the market, EP's market share has experienced some dilution on a timeline basis. The sharing of agents and competition has led to a price war amongst market players with microfinance banks offering higher commission rates to agents in pursuit of market share. TPL enhanced the agents' commission to revenue ratio in FY14. The bank is considering pilot test of exclusive outlets for EP in the on-going year to address the challenges arising from greater competition.

Overview of the Institution

TMBL 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 TMBL. TPL is 100% owned by the Telenor group (a Norway based telecommunication company) which is amongst the largest mobile operators in the world. TMBL's financial statements for FY14 have been audited by E&Y Sidat Hyder & Co. Chartered Accountants [JCR-VIS](#)

Rating History

Rating Type	Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
Entity	4/17/2015	A+	Stable	A-1	Reaffirmed
Entity	4/23/2014	A+	Stable	A-1	Upgrade
Entity	3/27/2013	A	Stable	A-1	Reaffirmed
Entity	12/26/2012	A	Stable	A-1	Reaffirmed
Entity	10/9/2012	A	Stable	A-1	Reaffirmed
Entity	4/26/2012	A	Stable	A-1	Reaffirmed
Entity	4/29/2011	A	Stable	A-1	Upgrade
Entity	12/1/2010	A-	Stable	A-2	Rating Watch Removed
Entity	9/6/2010	A-		A-2	Rating Watch- Developing
Entity	4/28/2010	A-	Positive	A-2	Maintained