

Tameer Microfinance Bank Limited

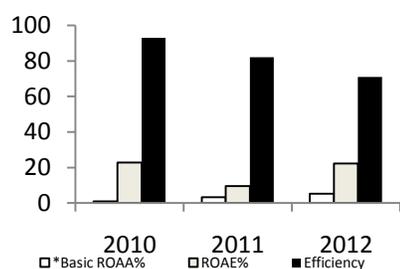
Chairman: Mr. Jon Eddy Abdullah; President & CEO: Mr. Syed Nadeem Hussain

April 1, 2013

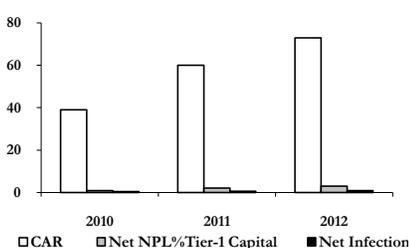
Analysts: Faryal Ahmad
Anum Irfan

Category	Latest	Previous
Entity	A/A-1 Mar 27, '13	A/A-1 Apr 26, '12
Outlook	Stable Mar 27, '13	Stable Apr 26, '12

Key Financial Trends



* Based on recurring profit before provision and taxation



	2010	2011	2012
Net Advances (Rs. in b)	3.0	5.1	6.7
Deposits (Rs. in b)	3.0	4.5	8.4
Deposit Cost (%)	7.6	7.9	8.2
Profit / (Loss) (Rs. in b)	0.2	0.1	0.4
Equity (Rs. in b)	1.3	1.5	1.8
CAR (%)	39	60	73
Liquid Assets* %			
Deposits & Borrowings	39	33	47
Gross Infection (%)	0.5	0.7	0.8

*adjusted for depositors' protection fund

Rating Rationale

With market penetration estimated at 8.6%, the microfinance sector offers significant potential for growth in Pakistan. The sector remains open to new entrants. Moreover, with the advent of new players in the area of branchless banking, the availability of products and services to the largely unbanked population may be facilitated. Growth in the sector in recent years has been led by micro-finance banks, which are regulated by the State Bank of Pakistan. Portfolio quality has depicted improvement in 2012, with PAR-30 reducing to 1.4%. Sector dynamics however remain vulnerable to natural calamities, prevailing law and order situation and the economic challenges; the impact on different market players may vary.

Tameer Microfinance bank Limited (Tameer) enjoys the largest market share in terms of gross loan portfolio in the micro-finance sector. Growth in the loan portfolio continues to be led by Tameer Sarmaya Qarza (TSQ, formerly Emergency loan). Collateralized largely by gold, credit risk associated with the same is largely mitigated. Moreover, the bank has a well structured mechanism in place for managing the collateral and ensuring its safe keeping. With other market players also offering similarly designed product, the bank's exposure to product concentration risk has magnified. The management has been pursuing product diversification with some new loan products currently in pilot phase; meaningful results with respect to the same have yet to emerge. Portfolio quality indicators of the bank remain intact, with PAR-30 of 0.85%. However, customers are allowed to roll over their loans by servicing mark-up alone in the case of TSQ. In 2012, almost 20% of the disbursements represent roll-overs; these loans could be potentially associated with distressed clients. Future trends in this case may need to be closely monitored.

A growing deposit base has fueled the growth in balance sheet footing in 2012. On a timeline basis, considerable improvement has been observed in concentration levels in the deposit mix. Further granularity in deposit mix may improve the bank's reliance on the same as a sustainable source of funding. About one-third of the bank's funding mix has maturity of more than one year, whereas loans fall almost entirely in the one-year bucket. This provides the bank cushion in managing its resources. As the depositor profile matures, liquidity indicators would gain further strength. The quantum of deposits generated through Easypaisa services remains small; overall volume of transactions has however posted significant increase.

Profitability indicators have posted significant improvement in 2012, also receiving impetus from increasing revenues from Easypaisa services. Profitability indicators may continue to remain strong if the bank is able to achieve greater operational efficiency and maintain asset quality, while pursuing its growth objectives.

The management team is spearheaded by Mr. Nadeem Hussain who has been associated with the bank since its inception. Apart from him and the Group Executive Director, Business Development, who has also now been designated as the Deputy CEO, the team has undergone changes over time. Over the last year alone, three new executives joined the bank in senior management roles in addition to which one resource has been re-assigned. The Board of Directors is actively pursuing its oversight function. Some changes in governance structure may be required in line with best practices.

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 company) which is amongst the largest mobile operators in the world. Tameer's financial statements for FY12 have been audited by E&Y Sidhat Hyder & Co. Chartered Accountants [\[JCR-VIS\]](#)