



Rating Action

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Applicable Criteria and Related Research

- Microfinance Banks - Viewpoint | Mar-16
- MicroFinance Institutions Methodology

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PACRA Upgrades Entity Ratings of Mobilink Microfinance Bank

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long-term and short-term entity ratings of Mobilink Microfinance Bank Limited (Mobilink Bank) to 'A' (Single A) [previous: A-], and 'A1' (A One) [previous: A2], respectively. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect association of Mobilink Microfinance Bank (formerly known as Waseela Microfinance Bank) with a leading global telecom group - Vimplecom - and with Pakistan's largest cellular operator - Mobilink. In line with the Group's strategy, microfinance operations have been re-branded to align it with broad business objectives of the telecom business. Ensuing synergies are likely to strengthen the bank's penetration in target markets. The bank would remain focused to reinforce its branchless banking (BB) brand (renamed as JazzCash); concerted efforts are underway to tap potential of M-wallet accounts. This is expected to positively impact cost structure going forward. Regarding microfinance business, the bank is aggressively building its loan book. So far, overall asset quality is good. Amid competition, deposit mobilization remains a challenge; however, deposits from BB operations maintained their contribution in overall deposit base. The parent company has injected funds (PKR 1.3bln) to create room in existing capital base in line with the targeted growth in lending portfolio. The process of issuance of capital is underway. Branch banking operations have achieved breakeven in 1H CY16, resulting in positive bottom-line on entity-wide basis. Owing to on-going focus on growth, profitability is likely to improve. Given competitive landscape, effective execution of business strategy and cohesiveness in management team remain important while maintaining the overall risk profile of the bank.

The ratings are dependent on the bank's ability to sustain improving trend in its market position while ensuring stable growth in newly built revenue streams. Given growing loan book, related risks mainly credit quality need close monitoring.

About the Bank

Mobilink Bank commenced operations in May 2012 as a nationwide microfinance bank. It is a wholly owned subsidiary of Global Telecom Holding (GTH), which in turn, is majority owned by Vimplecom - one of the world's largest telecom groups. Vimplecom also owns Mobilink, bank's super-agent in branchless banking (BB).

The overall control of the bank vests in the eight-member board of directors (BoD). The BoD comprises five nominees of GTH, two independent members, and the President/CEO. One position is currently vacant. The board's main experience is in the non-financial industry. Mr. Ghazanfar Azzam - President/CEO - an experienced microfinance banker is assisted by a qualified 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.