



MICROFINANCE

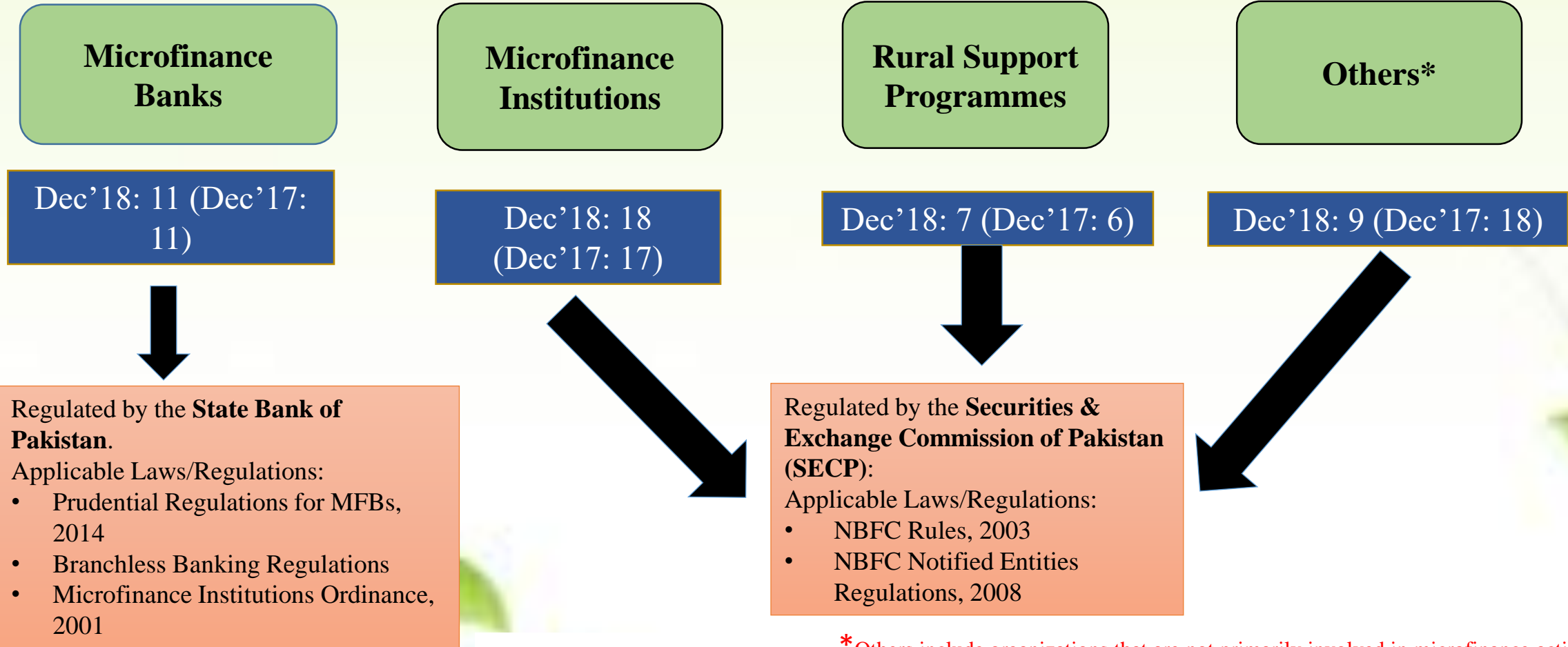


April 2019

MICROFINANCE PROVIDERS

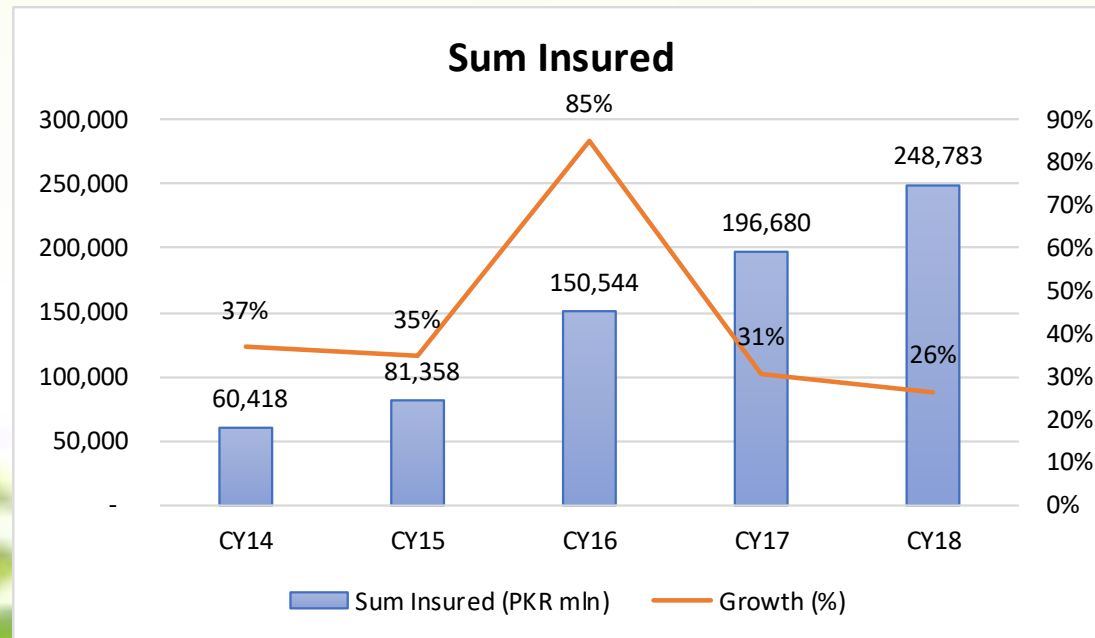
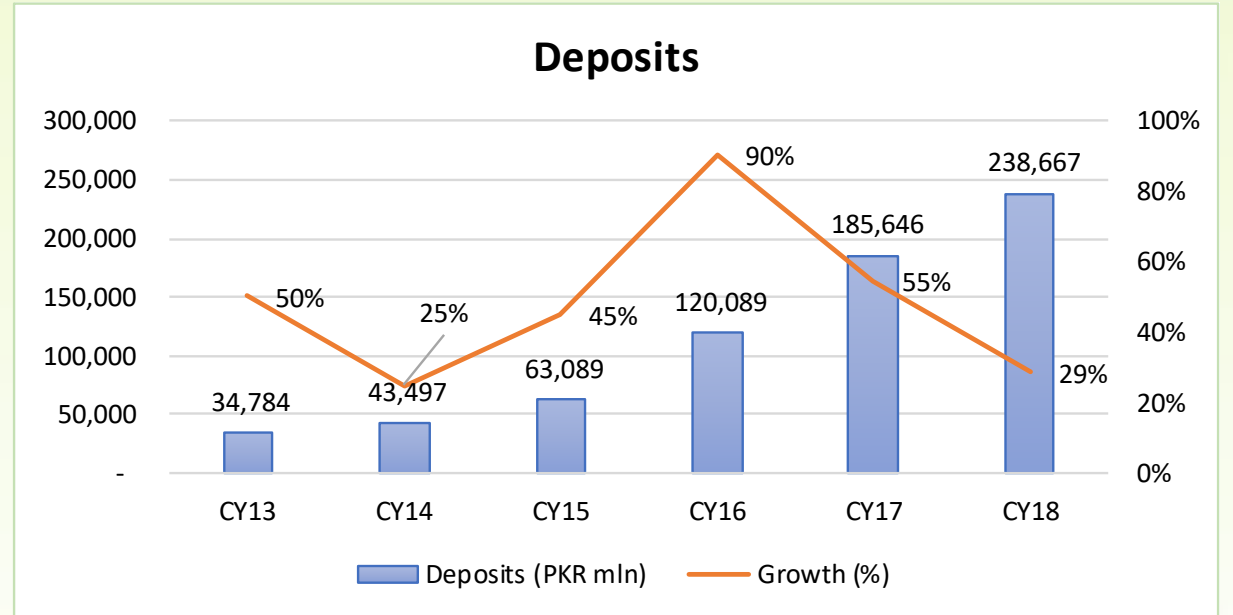
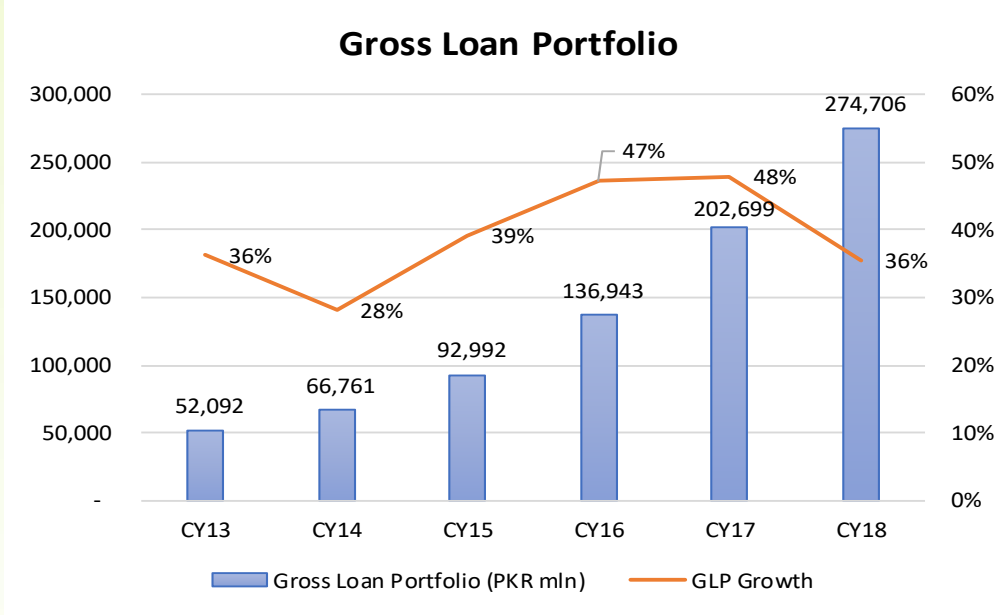
Microfinance providers (MFPs) : Institutions offering financial services to low income and underprivileged populations, with a goal of financial inclusion and poverty alleviation in the society.

MFPs in Pakistan

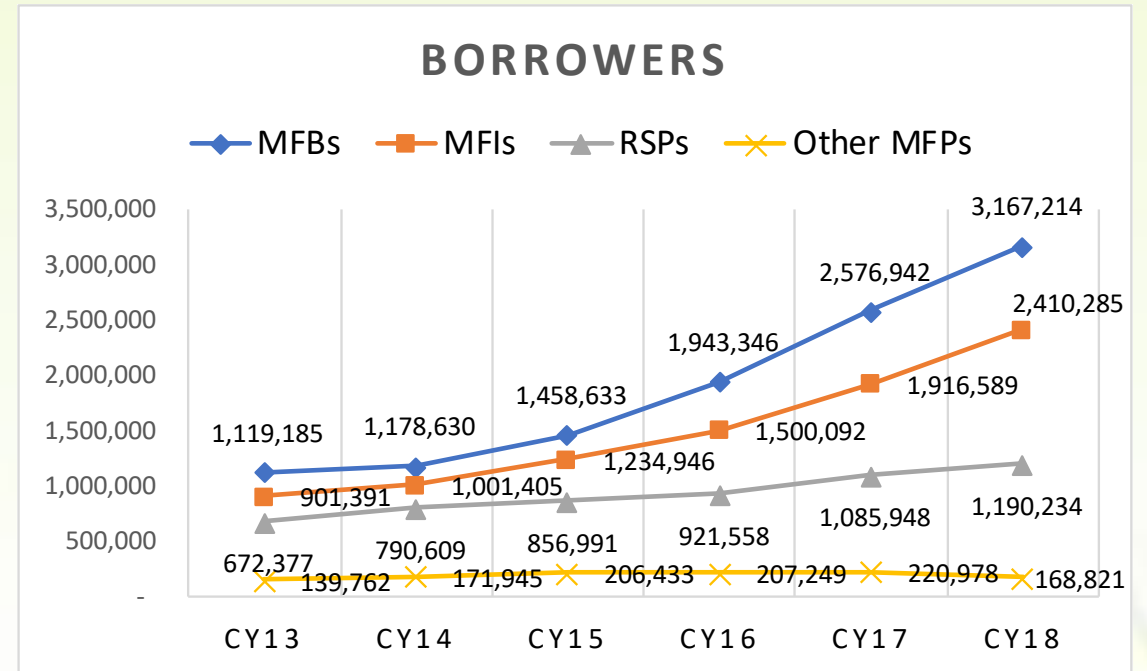
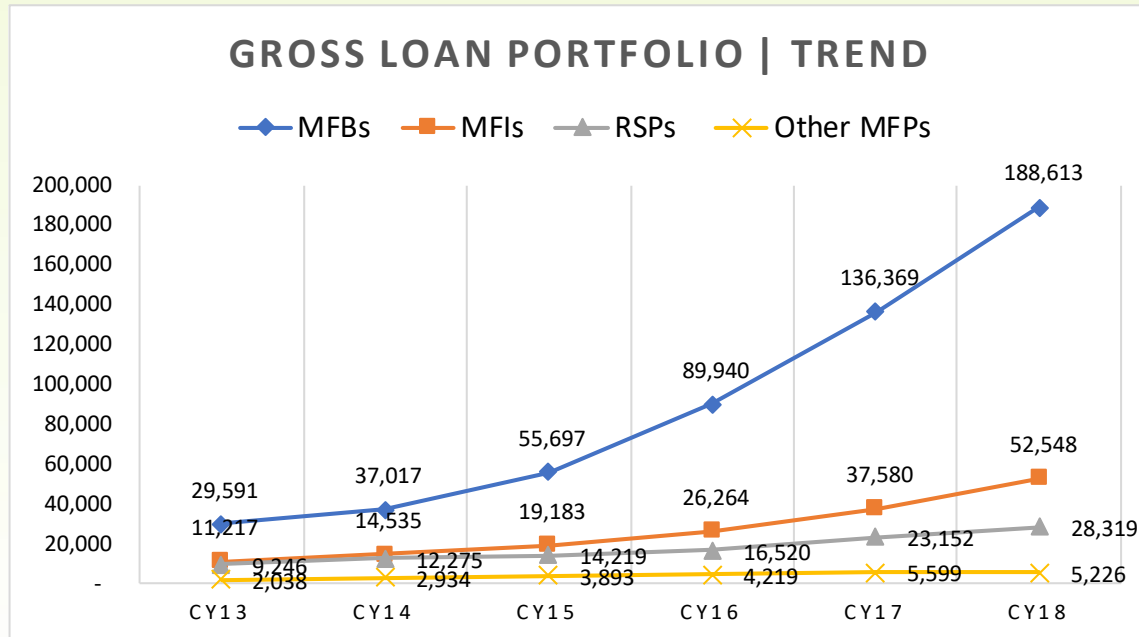


*Others include organizations that are not primarily involved in microfinance activities.

MICROFINANCE | OVERVIEW

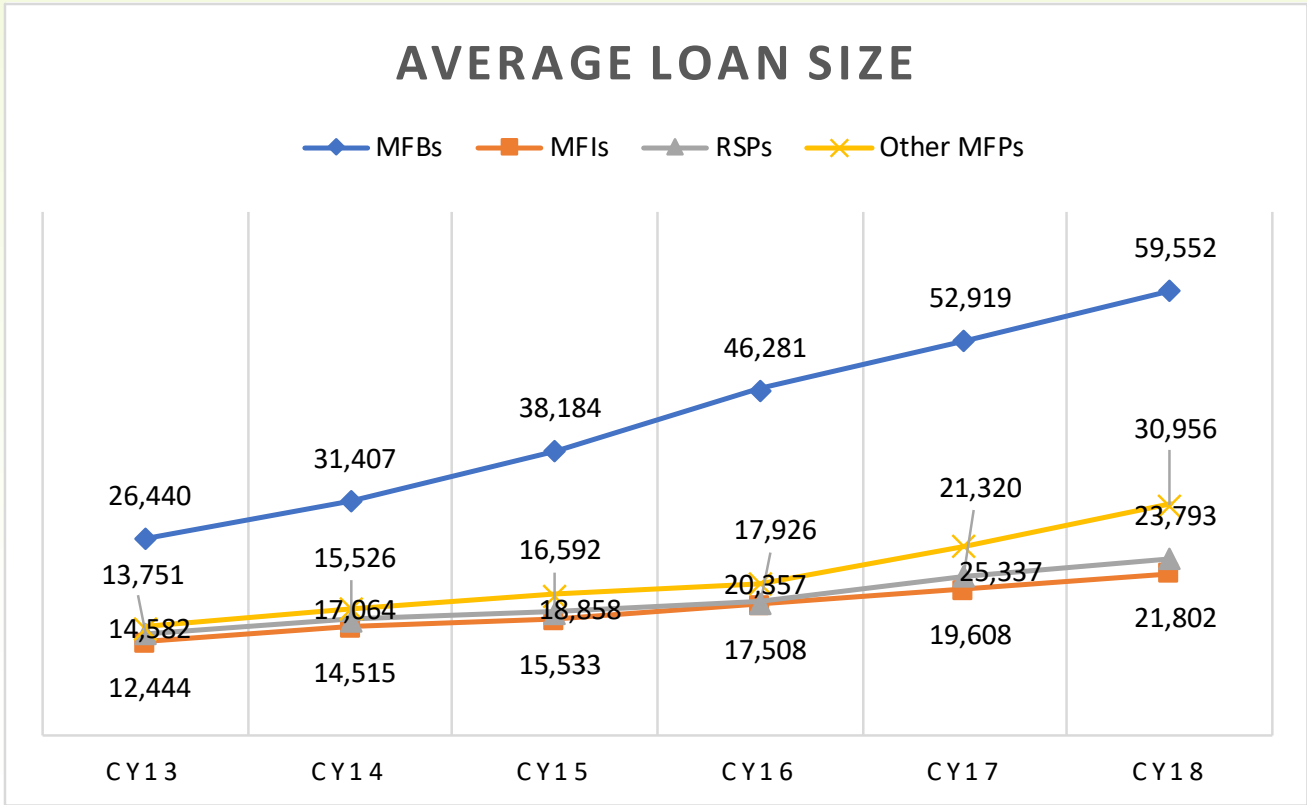


Loan Portfolio



- Microfinance Banks accounted for 69% of the total industry gross loan portfolio in CY18 (CY17: ~67%, CY16: ~66%), and ~46% of the sector borrowers (CY17: ~44%, CY16: ~43%).

Average Loan Size

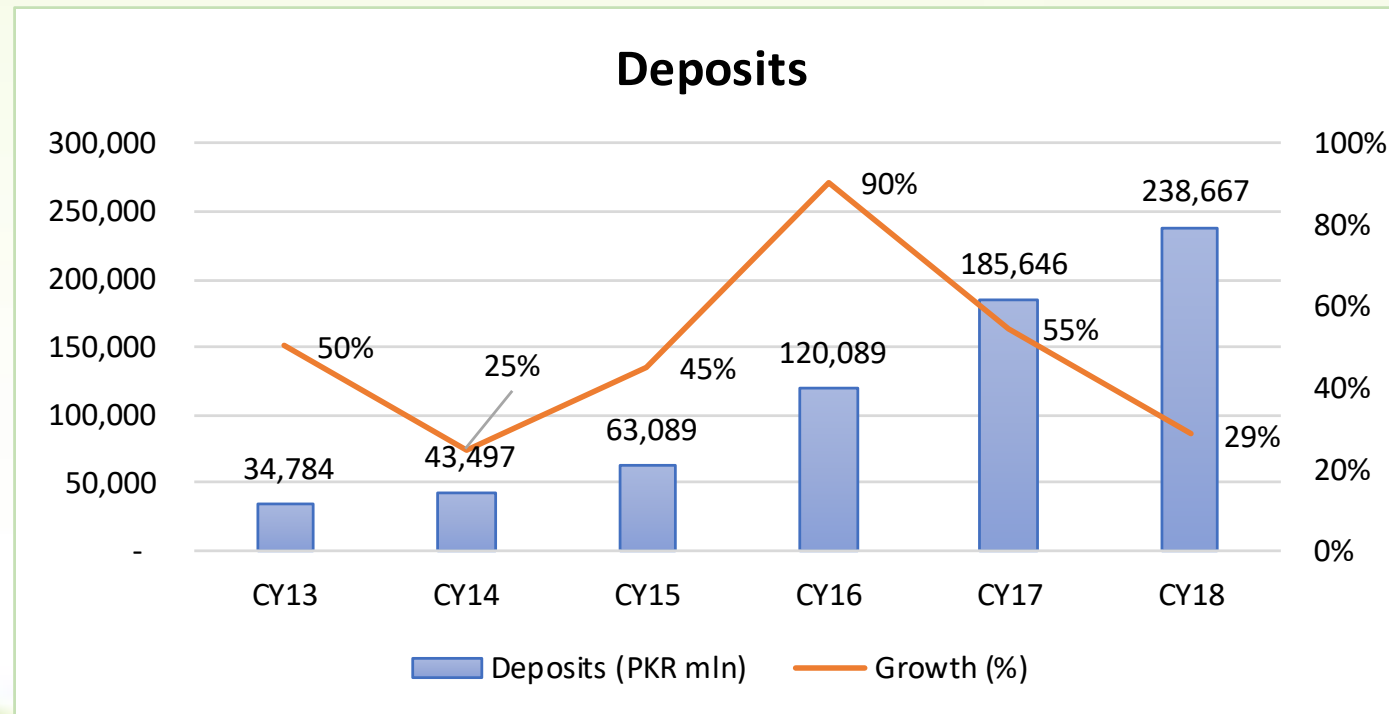


- Amongst the three segments of the Microfinance Industry, MFBs have the largest average loan size. This is so, since MFBs product portfolio include microenterprise loans which are of a higher ticket size.

MICROFINANCE | OVERVIEW (CONT.)

Deposits

- Only SBP licensed MFBs are authorized to mobilize deposits from the public.



MICROFINANCE BANKS

(MFBs)

MFBS | SNAPSHOT

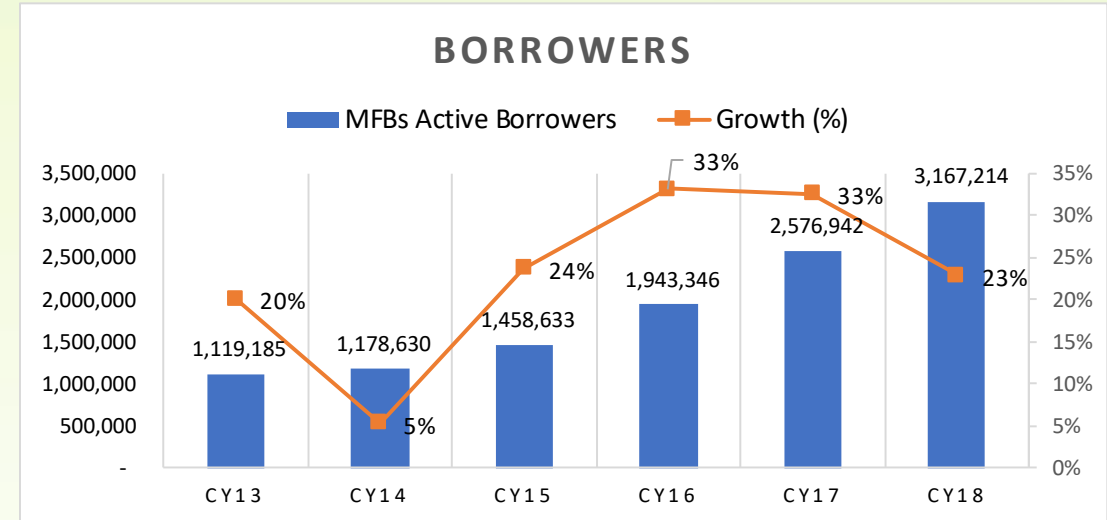
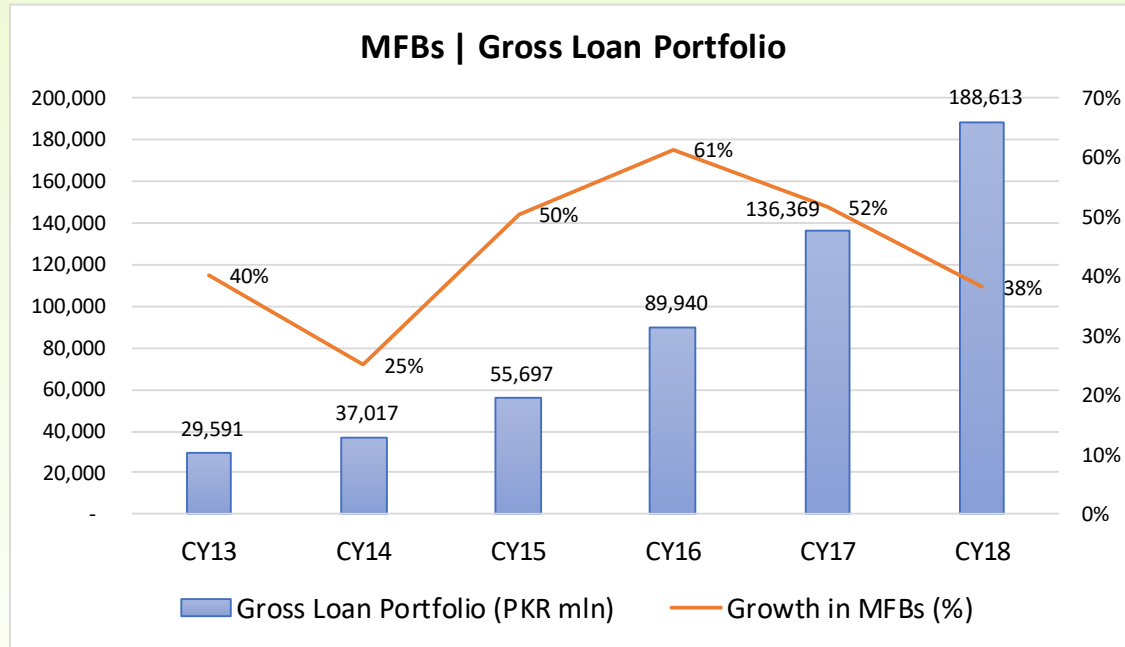
MICROFINANCE BANKS				
Outreach	Dec-18	Dec-17	Dec-16	Dec-15
Total MFBS	11	11	11	11
Number of Branches	1,116	945	806	639
Growth (YoY)	18%	17%	26%	23%
Loan Portfolio				
Active Borrowers	3,167,214	2,576,942	1,943,346	1,458,633
Growth YoY	23%	33%	33%	24%
Gross Loan Portfolio (PKR mln)	188,613	136,369	89,940	55,697
Growth (YoY)	38%	52%	61%	50%
Average Loan Size (PKR)	59,552	52,919	46,281	38,184
Portfolio at risk (> 30days)	2.0%	1.5%	1.7%	1.3%
Funding				
Number of deposit accounts	32,009,797	27,828,168	20,123,818	10,654,221
Growth (YoY)	15%	38%	89%	100%
Value of deposits (PKR mln)	238,667	185,646	120,089	63,089
Growth (YoY)	29%	55%	90%	52%
Average deposit size (PKR)	7,456	6,671	5,968	5,922

- Total number of districts covered as at End-Dec'18 was 135.
- Average deposit size remained low due to accelerated growth in branchless deposit accounts which bear a lower ticket size than conventional deposit.
- Growth in GLP slowed down during CY18 in relation to the past years coupled with inflated infection ratio and reduced repayment capacity of average borrowers in rising interest rate environment in 2HCY18.

MFBS | UNIVERSE

Sr. #	Bank	Operational Licence	Year of Commencement of Operations	Major Sponsors As at End-Dec'18	Outlook	Rating Agency	Last Rating Update	
1	The First Microfinance Bank Limited	Nationwide	Jan-02	HBL: 51% Agha Khan Agency for Microfinance: 21% Agha Khan RSP: 11%	Stable	JCR	A+/A1	Apr-18
2	Khushhali Microfinance Bank Limited	Nationwide	Aug-00	UBL: 30% Incofin: 25% responsibility Management Co. S.A: 20%	Stable	JCR	A+/A1	Apr-18
3	Telenor Microfinance Bank Limited	Nationwide	Sep-05	Telenor Pakistan B.V: 66% AliPay (Hong Kong) Holding Limited: 34%	Rating Watch	PACRA	A+/A1	Nov-18
					RW-Developing	JCR	A+/A1	Apr-18
4	Mobilink Microfinance Bank Limited	Nationwide	May-12	GTH S.A.E:100%	Positive	PACRA	A/A1	Nov-18
5	NRSP Microfinance Bank Limited	Nationwide	Mar-11	NRSP: 52% IFC:16% KfW:16%	Stable	PACRA	A/A1	Nov-18
					Stable	JCR	A/A1	Apr-18
6	FINCA Microfinance Bank Limited	Nationwide	Jan-13	FINCA International: 86% Kashf Holding: 5% IFC: 5%	Stable	PACRA	A/A1	Nov-18
					Stable	JCR	A/A1	Apr-18
7	U Microfinance Bank Limited	Nationwide	Jan-12	PTCL: 100%	Stable	JCR	A/A1	Jan-19
8	Pak Oman Microfinance Bank Limited	Nationwide	May-06	LOLC Pvt Ltd.: 50% Govt. of Oman: 33% Pak Oman Inv Co. Ltd: 17%	Stable	JCR	A-/A2	Apr-18
9	Sindh Microfinance Bank Limited	Provincial	May-16	Sindh Bank: 100%	Stable	PACRA	A-/A2	Oct-18
10	Advans Microfinance Bank Limited	Provincial	Nov-12	Advans SA SICAR:75% FMO: 25%	Stable	JCR	BBB+	Apr-18
11	Apna Microfinance Bank Limited	Nationwide	Jan-05	United Insurance Co.: 44% United Track System:26%	Stable	PACRA	BBB+	Dec-18

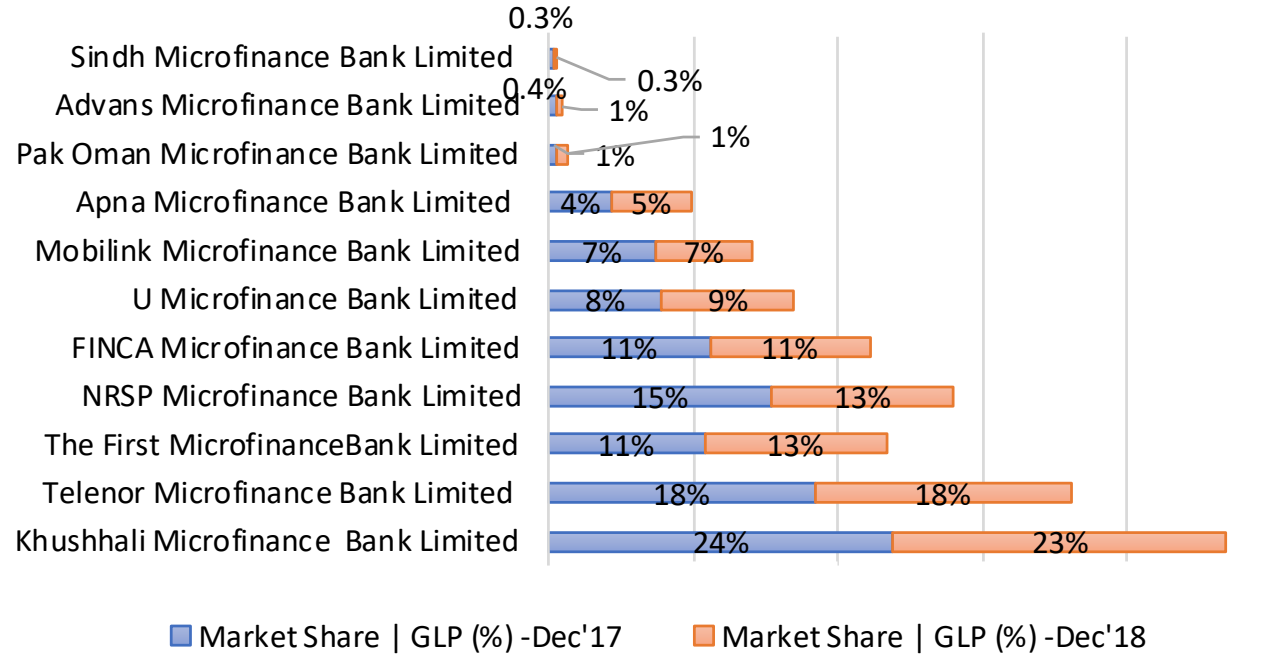
MFBS | LOAN PORTFOLIO



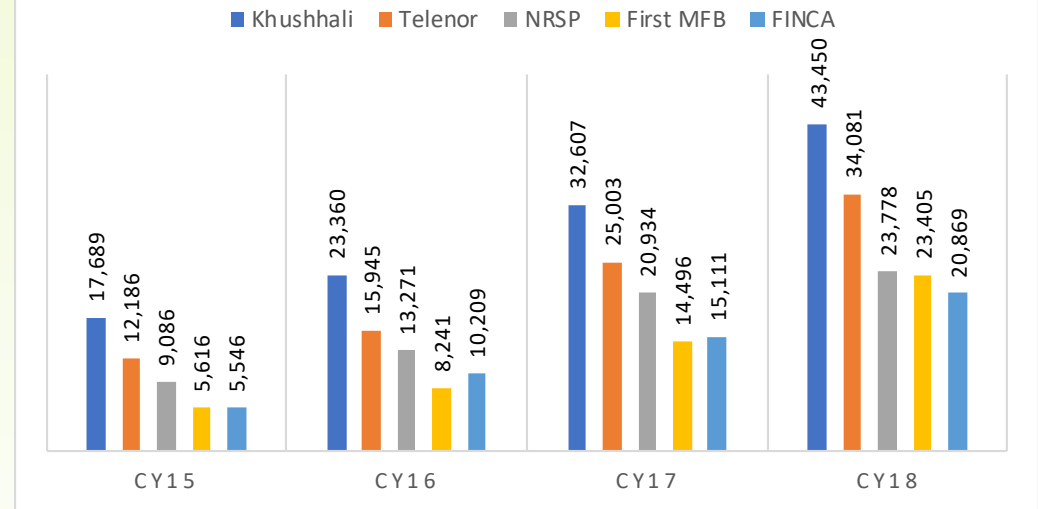
- Historically, MFBS advances have been witnessing a volatile yet high rate of growth.
- Industry portfolio is considerably inclined towards agri-based loans, therefore overall crop situation in the country and farmers' capacity to pay off are major determinants for growth and NPLs.
- Growth during 2018 remained relatively slow in contrast to the previous years on account of unfavorable conditions for sugarcane farmers, and increase in policy rates in the second half of the year resulting in reduced payment capacities of the borrowers.
- 2016 – on the contrary was an overall favorable year for the sector due to promising performance of major crops, including sugarcane.

MFBS | MARKET SHARE | GLP

MFBS | Market Share

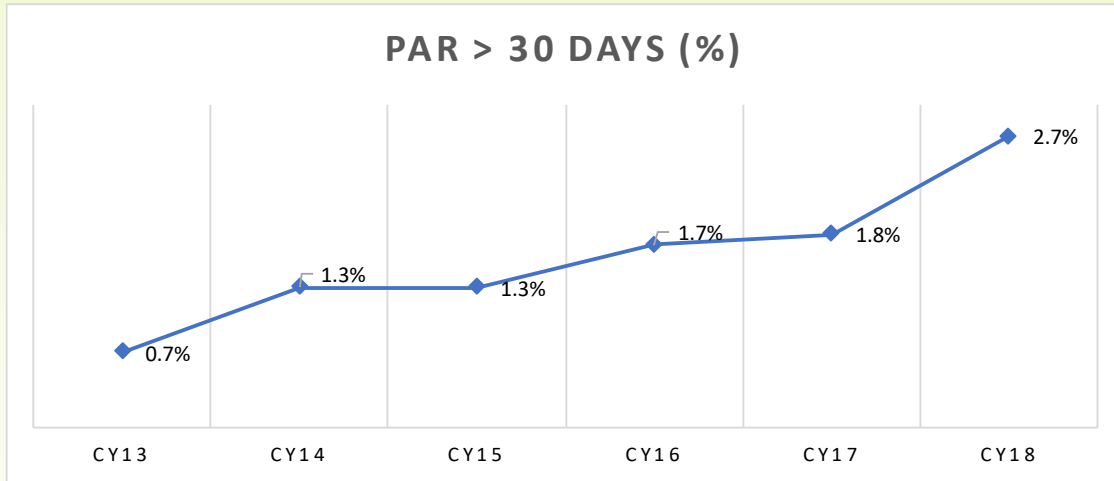


GLP (PKR mln) | TOP 5 MFBS



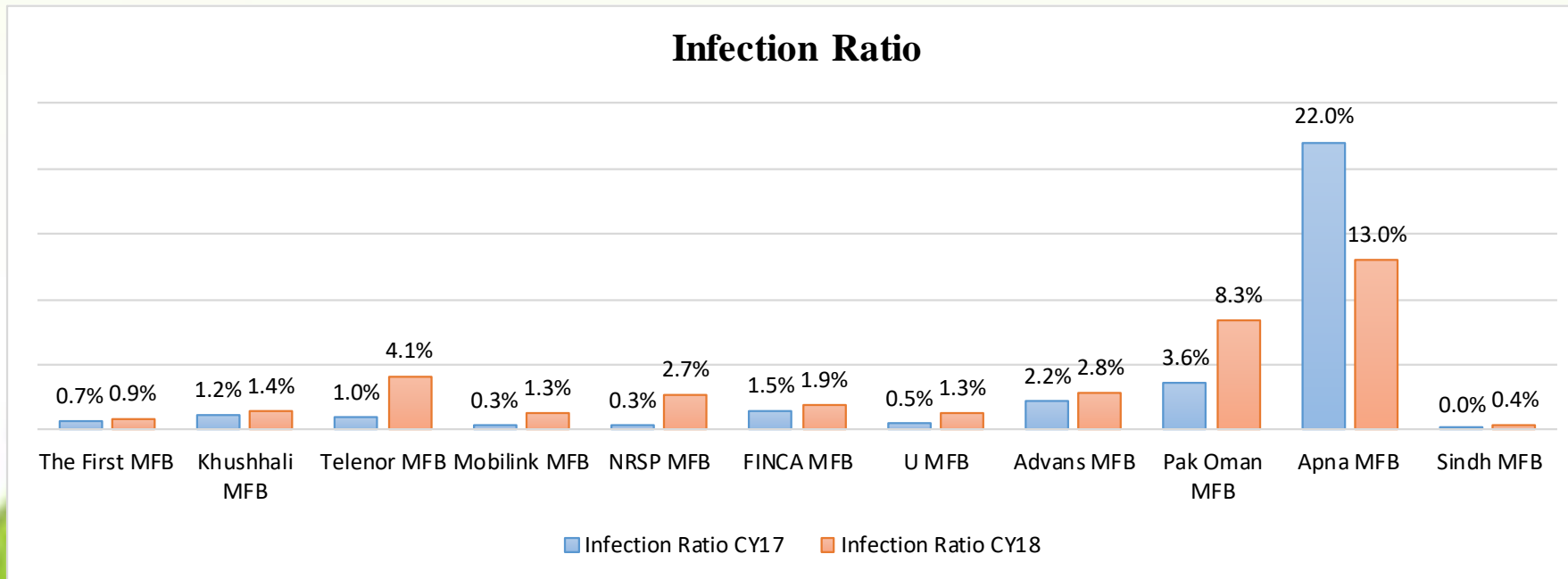
- Market positioning remained largely stable in CY18, except for the change in First Microfinance Bank's position, which emerged as the 3rd largest bank in terms of GLP with an increase in share from 11% to 13%.
- Top 5 MFBS accounted for ~77% of the total MFBS Loan portfolio as at End-Dec'18.

MFBS | ASSET HEALTH



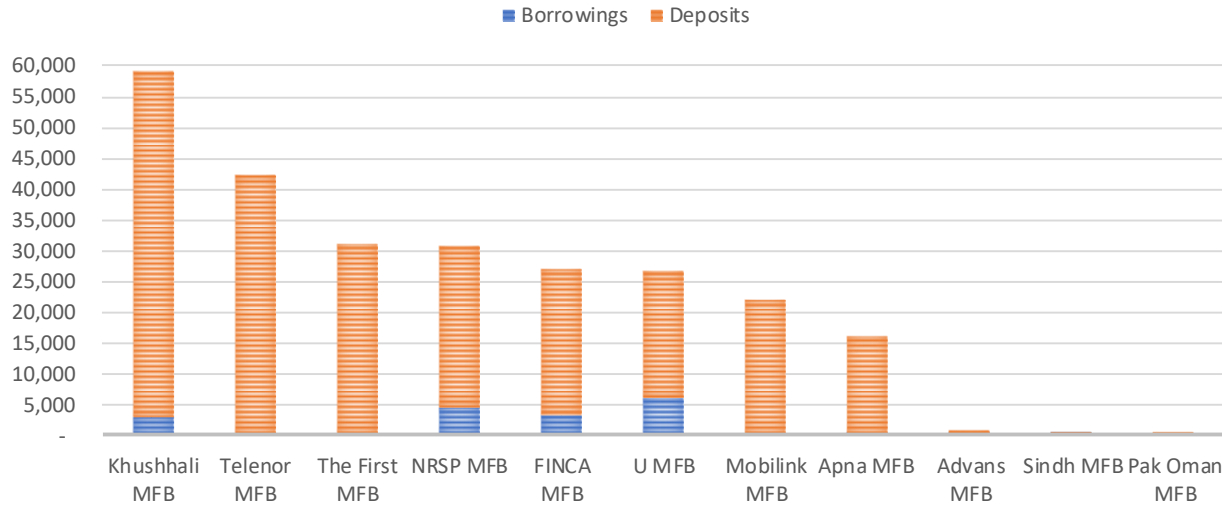
- Overall Industry PAR increased to 2.7% in CY18, emanating from crop linked agri loans, particularly from sugarcane.
- Most affected banks included NRSP MFB and Pak Oman MFB and Telenor MFB.
- Industry wide write-offs also inflated to PKR~2.6bln in CY18 (CY17: PKR~1.3bln) depicting a steep rise of ~97%.

BANK WISE NPLs RATIO

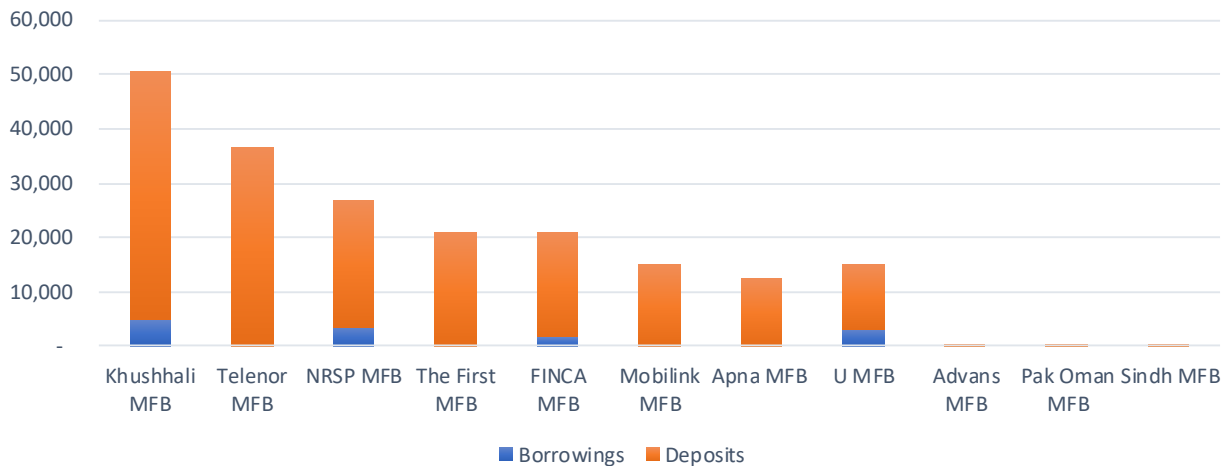


MFBS | FUNDING MIX

FUNDING MIX | CY18

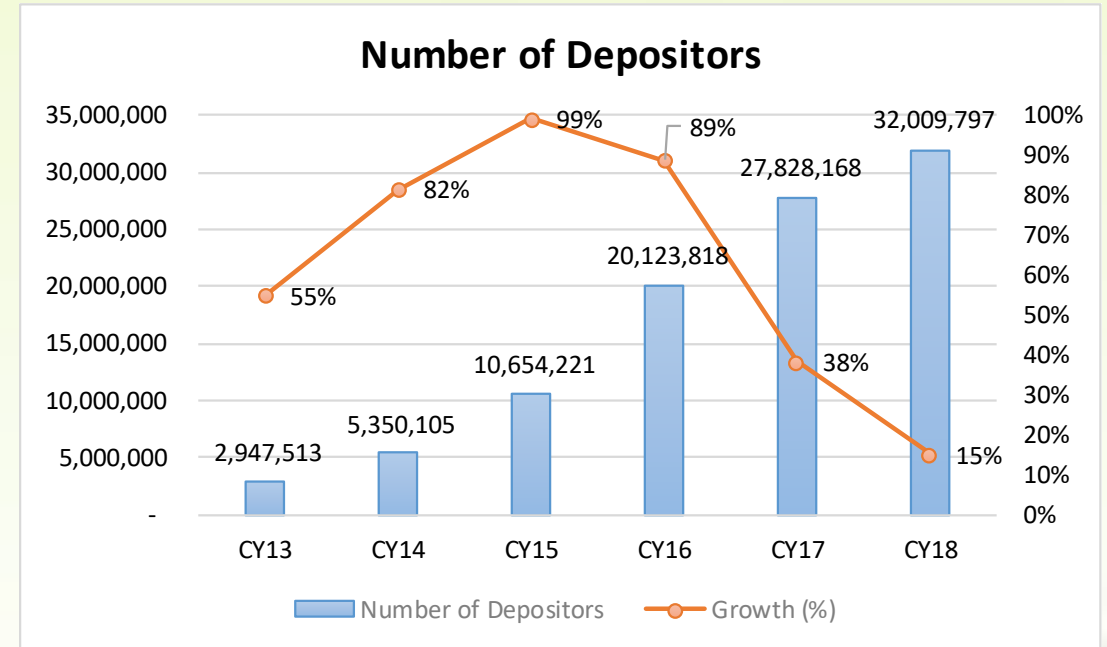
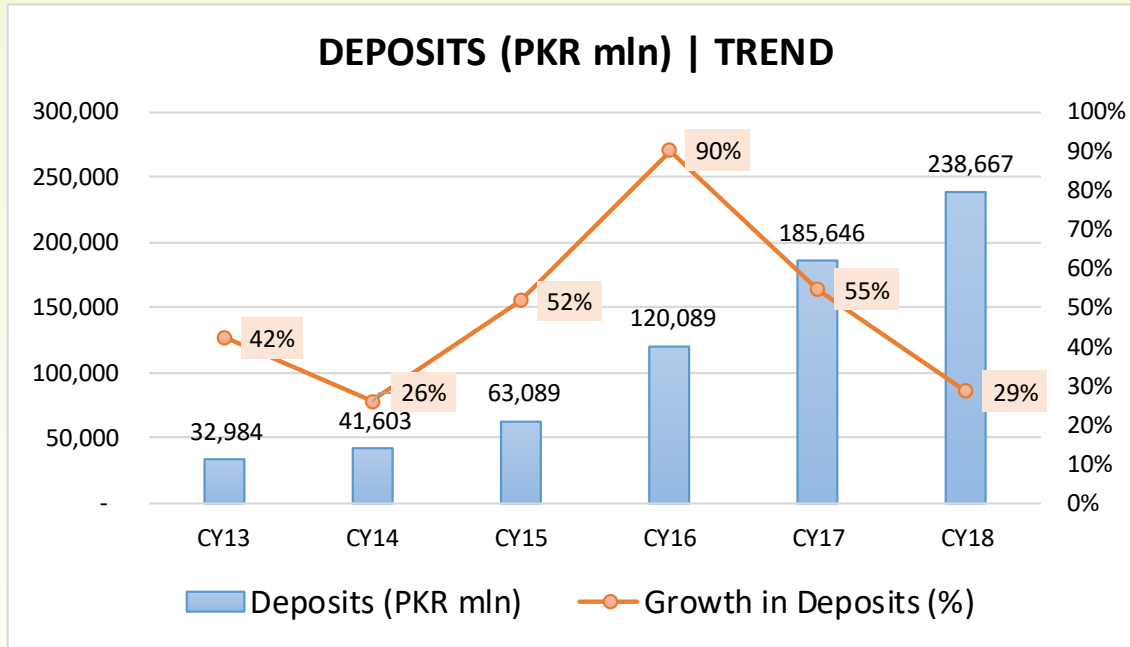


Funding Mix | CY17



- MFBS Funding mix is constituted majorly by deposits mobilized from public (~93%) and borrowings (~7%).
- Top 5 MFBS account for 75% of the total deposit book of the sector.

MFBS | DEPOSITS



- MFBS funding mix majorly comprises deposits (93%).
- Overall Industry Average ADR ranges between 70% - 80%.

- **Branchless Banking players in the Sector include:**

Telenor Microfinance Bank

Mobilink Microfinance Bank

U Microfinance Bank

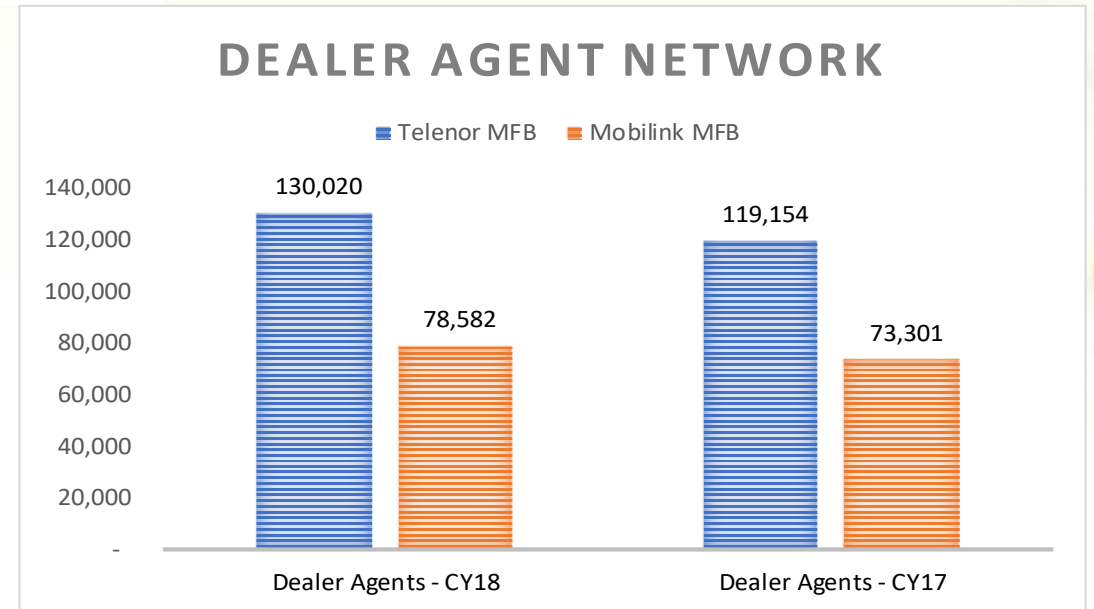
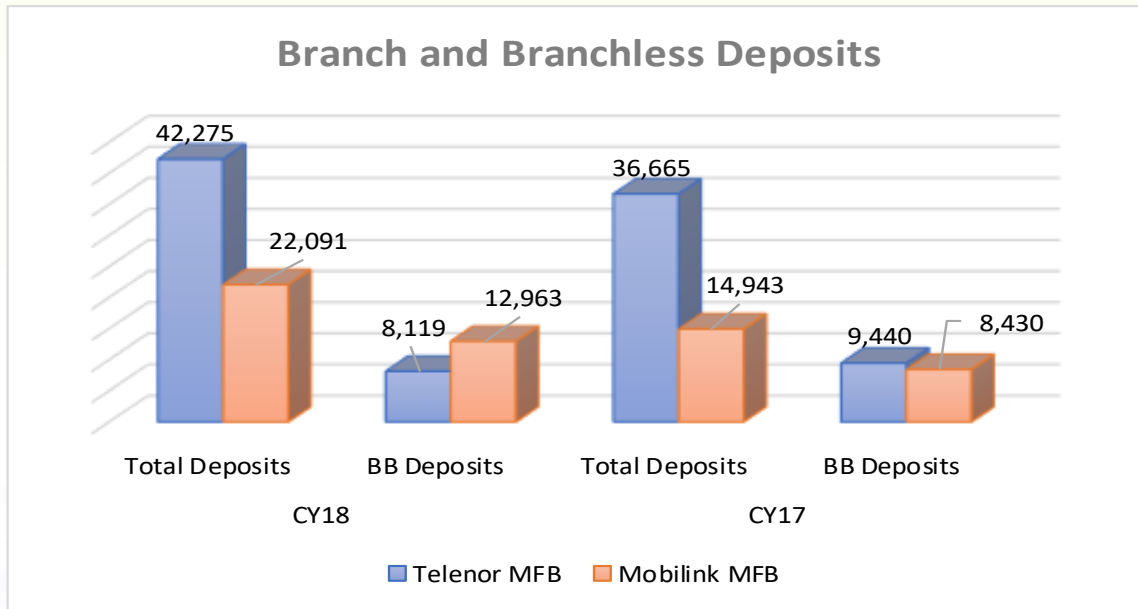
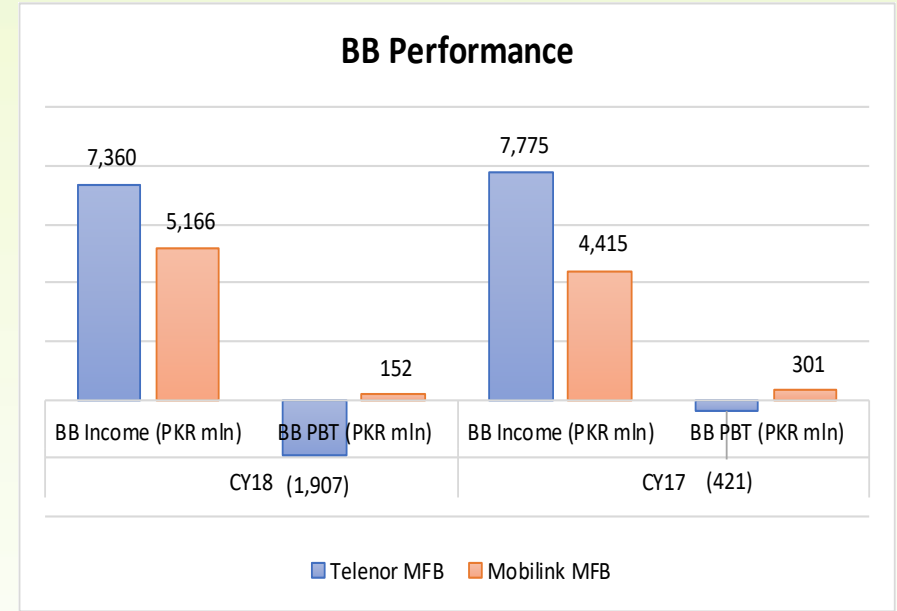
FINCA Microfinance Bank

- Telenor, Mobilink and U MFB emerged into the digital banking domain through support of their affiliate telecom operators. Their respective digital brand names are EasyPaisa, JazzCash and Upaisa. FINCA MFB is a new emerging bank in the branchless banking paradigm with its digital product known as SIMSIM.



MFBS | BRANCHLESS BANKING

- Branchless Banking (BB) - is the future of the MFBS Sector. With the backbone of their affiliate telcos, Telenor and Mobilink MFB are rapidly advancing into the digital banking segment, with major developments underway.
- BB is broadly categorized into Over-the Counter (OTC) and Mobile Wallets Transactional modality. OTC – the traditional mode of BB services is a means of transactions involving dealer agents.
- BB players, including Telenor MFB and Mobilink MFB – are now shifting their focus from OTC to M-wallet accounts, that includes both USSD code accounts and application accounts.
- According to SBP’s Branchless Banking Newsletter for the 3rd Quarter CY18, MFBS account for ~89% of the total Branchless Banking Deposit Accounts as at End-Sep’18.
- The tables pertain to the performance and Deposit Accounts position of the two major BB players – Telenor and Mobilink:

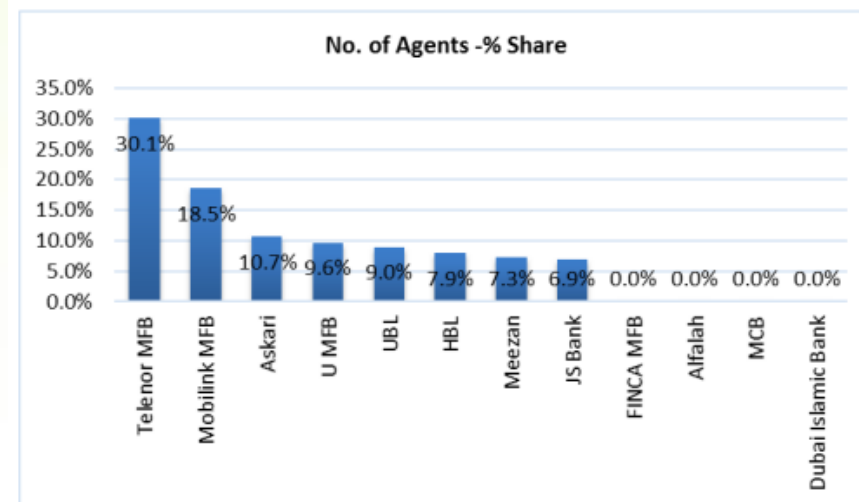
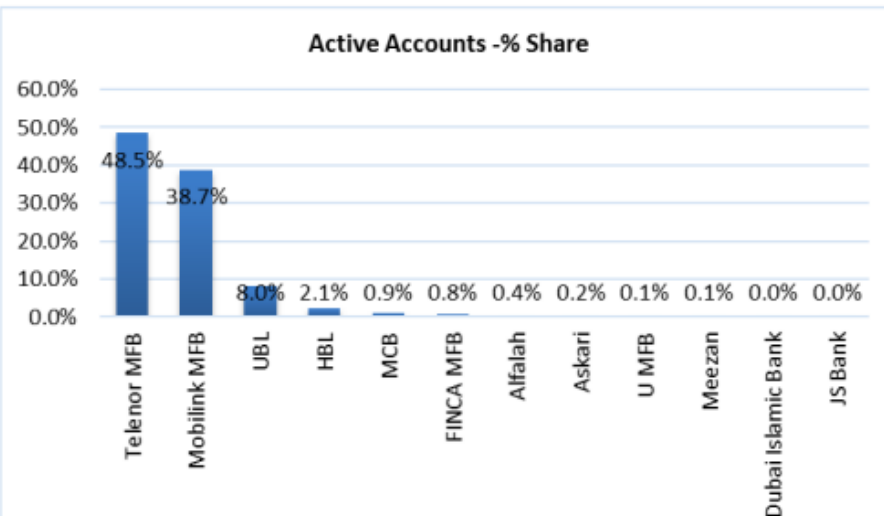


MFBS | BRANCHLESS BANKING

SBP's Branchless Banking NewsLetter – 3QCY18

Key Indicators | Branchless Banking

	<i>Dec-17</i>	<i>Sep-18</i>	<i>Change (%)</i>
Number of Dealer Agents	405,673	413,177	2%
Number of Deposit Accounts	37,260,215	43,102,952	16%
Active Accounts	19,259,427	22,617,247	17%
Deposits (PKR mln)	21,139	16,580	-22%
Average Number of Transactions per day	1,946,100	2,508,365	29%



- The above tables represent Branchless Banking Data for both MFBS and Commercial Banks.
- In comparison to the same period last year, (Sep-17), deposits have increased by PKR~5.3bln or 47%. Historically, BB Deposits have shown fluctuations based on the quantum of disbursements released under social welfare related payments. BISP remains the major contributor in social welfare related payments (72%).

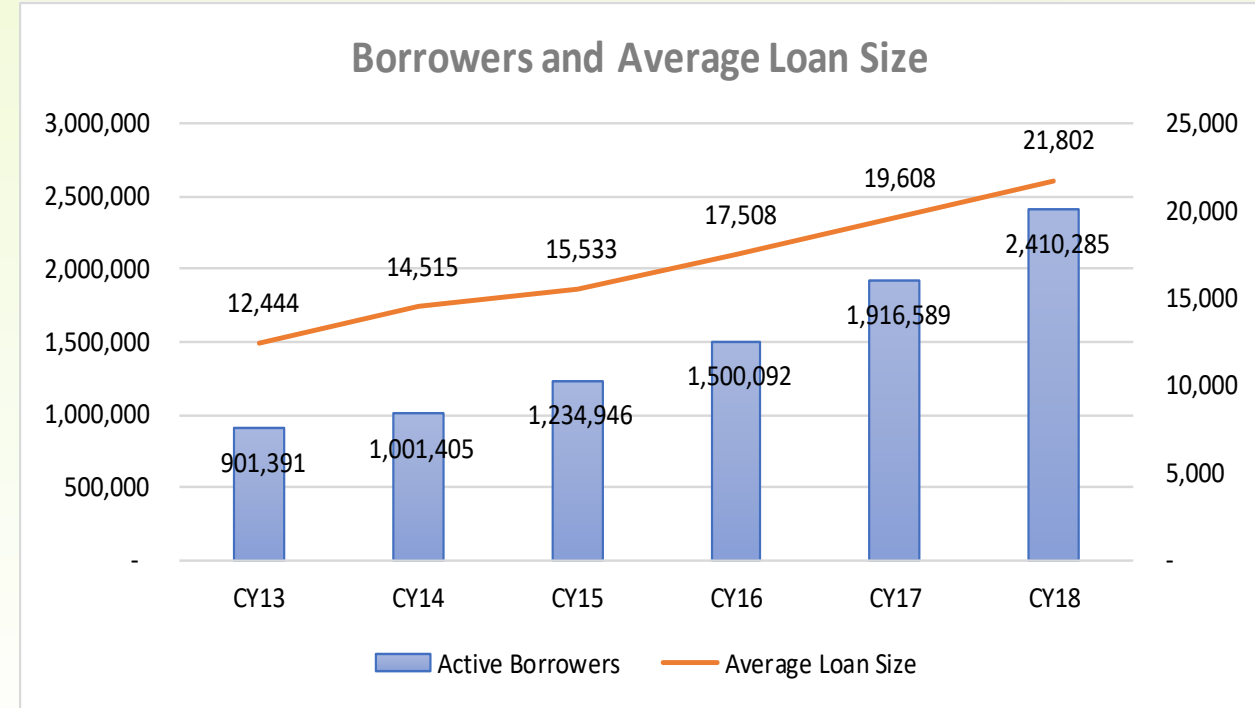
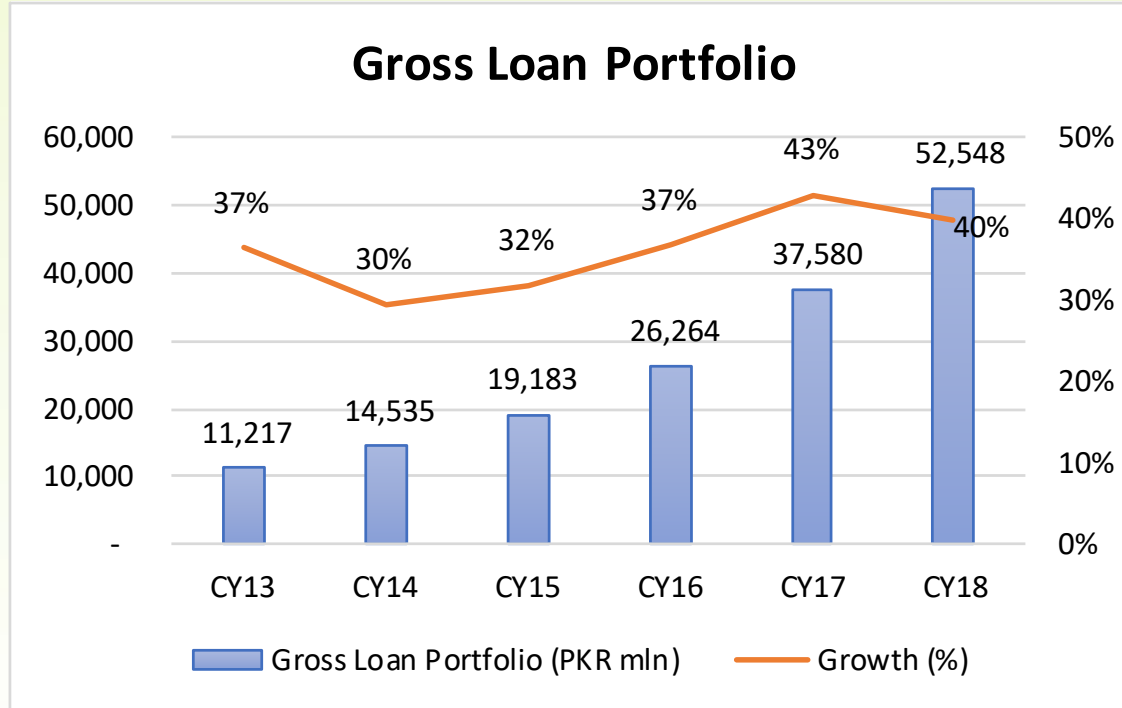
MICROFINANCE INSTITUTIONS

(MFIs)

MFIs | SNAPSHOT

Microfinance Institutions				
Outreach	Dec-18	June-18	June-17	June-16
Total MFIs	18	17	16	16
Number of Branches	1,763	1,667	1,369	1,114
Growth (Period-on-Period)	6%	22%	23%	48%
Loan Portfolio				
Active Borrowers	2,410,285	2,214,331	1,754,050	1,324,871
Growth (Period-on-Period)	9%	26%	32%	16%
Gross Loan Portfolio (PKR bln)	53	47	33	22
Growth (Period-on-Period)	12%	42%	50%	22%
Average Loan Size (PKR)	39,344	21,225	18,814	16,605
Portfolio at risk (> 30days)	1.4%	0.2%	0.2%	0.3%

MFIs | LOAN PORTFOLIO



APPENDIX

S.No	Microfinance Institutions
1	AGAHE Pakistan
2	Akhuwat
3	ASA Pakistan
4	BRAC Pakistan
5	CSC Empowerment & Inclusion Programme
6	DAMEN Support Programme
7	FFO Microfinance Company
8	Islamic Relief Pakistan
9	JWS Pakistan
10	Kashf Foundation
11	Micro Options Support Programme
12	MOJAZ Support Programme
13	Naymet Trust
14	Orangi Pilot Project
15	Saaya Microfinance Company
16	SAFCO Support Foundation
17	Soon Valley Development Programme
18	Wasil Foundation

S.No	Rural Support Programmes
1	Al-Mehran Rural Development Organization
2	Ghazi Barotha Taraqiati Idara
3	National Rural Support Programme
4	Punjab Rural Support Programme
5	Sarhad Rural Support Programme
6	Sindh Rural Support Programme
7	Thardeep Microfinance Foundation

S.No	Other MFPs
1	Badbaan Development Community Microfinance Company
2	OPD Support Programme
3	ORIX Leasing Pakistan Limited
4	Rural Community Development Programmes
5	SAATH Microfinance Foundation Pakistan
6	Shadab Rural Development Organization
7	Shah Sachal Sami Foundation
8	Support With Working Solutions
9	Villagers Development Organization

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2. **MFBs' financial statements**
3. **SBP's Branchless Banking NewsLetter 3QCY18**
4. **PACRA In-house Research**

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