



Rating Action

Lahore: (04-May-11)

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PACRA REVIEWS THE RATINGS OF NETWORK MICROFINANCE BANK LIMITED

The Pakistan Credit Rating Agency (PACRA) has downgraded the long-term and short-term ratings of Network Microfinance Bank Limited (NMBL) to **'BBB'** (Triple B) [Previous: BBB+] and **'A3'** (A Three) [Previous: A2] respectively. These ratings denote an adequate capacity of timely payment of financial commitments.

The ratings reflect significant squeeze in business operations of NMBL, mainly on account of increase in non-performing loans, low deposit base, and minimal operating margins; thereby, subdued performance prospects. The ratings recognize the bank's concentrated business operations, persistent inflationary pressure on micro-borrowers, and deteriorating socio-economic factors impacting the sector. Nevertheless, while meeting capitalization requirements, the bank maintains strong liquidity profile and has adopted a cautious stance towards credit expansion. The ratings draw comfort from the bank's majority ownership by Jahangir Siddiqui & Company Limited (JSCL).

The ratings are dependent upon the bank's ability to arrest rising trend in NPLs, while building a quality loan book to improve its earning prospects. At the same time, strengthening of risk management procedures and control mechanism, supplemented by vigilant post disbursement monitoring of loans would remain important. In addition, persistent pressure on the bottom-line, in turn impacting risk absorption capacity of the bank may have negative implications for the ratings.

About the bank: Network Microfinance Bank, established in 2005 under the Microfinance Institution Ordinance 2001, is licensed to operate at the district level. The main sponsor of the bank is JSCL with around 71% stake in the bank. Currently, the bank operates through nine service centers and five branches. It caters to the banking needs of the less privileged with products targeted at micro-entrepreneurs.

Mr. Zainul Abidin Memon President & Chief Executive joined NMBL in Aug-10. He is a seasoned banker with diverse experience, and is supported by a team with adequate experience in the microfinance sector.

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