



The Pakistan Credit Rating Agency Limited

## Rating Report

### First Women Bank Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
28-Jun-2022	A-	A2	Developing	Maintain	Yes
28-Jun-2021	A-	A2	Stable	Maintain	Yes
30-Jun-2020	A-	A2	Stable	Maintain	Yes
24-Dec-2019	A-	A2	Stable	Maintain	Yes
25-Jun-2019	A-	A2	Stable	Maintain	Yes
24-Dec-2018	A-	A2	Stable	Maintain	-
28-Jun-2018	A-	A2	Stable	Maintain	-
29-Dec-2017	A-	A2	Stable	Maintain	-
23-Jun-2017	A-	A2	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

The ratings reflect the association of FWBL with the Government of Pakistan (GoP) - the major shareholder. The Bank received various capital injections from the Ministry of Finance (MoF), latest in CY17, mainly to comply with minimum capital requirements. The bank has not been able to publish its financial statements since Dec-18 and all the numbers/financials mentioned are based on management accounts and subject to audit by an external auditor. The Board of the bank remained nonfunctional since January 2019 due to vacancies not being filled. MoF has appointed a Chairman/Director on the Board on September 09, 2021. Now with the completion of the Board, the finalization of the external audit process for the last three years should be expedited. As per the unaudited financial statements, the deposit system share inched down (end-Dec21: 0.1%, end-Dec20: 0.2%) whilst CASA went up to 79.5% (end-Dec20: 70.7%). The deployment of funds was towards government securities which recorded a sizable increase. Advances witnessed a marginal uptick. It remains essential to hold and improve asset quality. The bank's financial performance deteriorated during CY21. Total income recorded a decline to PKR 1.1bln in CY21 (CY20: PKR 1.5bln); mainly emanating from a decline in non-markup income. Higher provisioning expense was recorded which affected the bottom line and the bank reported a loss of PKR 1,730mln (CY20: profit of PKR 373mln). The current management team took initiatives to improve the revenue stream and managed to contain the cost. Bank's PAT for 3MCY22 clocked at PKR 47mln. The Bank's investment portfolio is entirely comprised of government securities. Going forward, the management is planning to take various strategic initiatives including, improvement of net spread through reducing its funding cost, expansion of retail customer base through launching BDO model, improving lending business through onboarding investment grade rated corporate, SME business, and re-branding corporate image. Outlook captures the delay in the finalization of financial statements, diluted performance, and erosion of equity base over the last few years.

The ratings capture the need to sustain a growth trend in profitability and deposits. Revision and successful execution of the business strategy, while improving the efficacy of the risk management framework to improve asset quality.

#### Disclosure

<b>Name of Rated Entity</b>	First Women Bank Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Entity Rating
<b>Applicable Criteria</b>	Methodology   Financial Institution Rating(Jun-21),Criteria   Correlation Between Long-term & Short-term Rating Scales(Jun-21),Criteria   Rating Modifiers(Jun-21)
<b>Related Research</b>	Sector Study   Commercial Bank(Jun-22)
<b>Rating Analysts</b>	Iram Shahzadi   iram.shahzadi@pacra.com   +92-42-35869504



## Profile

**Structure** First Women Bank Limited (hereinafter referred as “FWBL” or “the bank”) was incorporated on 21st November 1989. It operates as a full-fledge commercial bank.

**Background** FWBL set up for the banking needs of women and focuses on catering to women at all levels of economic activity; micro, SME and corporate. The bank is mainly owned by govt. with major shareholding of Ministry of Finance.

**Operations** The FWBL operates through a network of 42 branches spread over 24 cities nationwide as at Dec-21. The bank maintains online connectivity for all its branches, providing basic online banking and ATM services to its customers. FWBL provides all type of banking services to Corporates, SMEs and other commercial entities with a complete bouquet of services. The bank launched internet banking services during the year 2019.

## Ownership

**Ownership Structure** The Ministry of Finance (MoF) has a shareholding of 82.6% as of Dec-21. The rest of the shareholding is divided among the five big commercial banks (NBP, HBL, MCB, UBL and ABL). The Ministry has enhanced its stake through multiple tranches of capital injection over the years.

**Stability** Given the backing of the government of Pakistan through the Ministry of Finance, PACRA believes the ownership is stable. The bank is on the privatization list and would see the transition as per the plans of the government.

**Business Acumen** The presence of nominee directors from MoF on the board of the Bank signifies valuable expertise and contributes to the overall business acumen. The bank itself has accumulated vast experience of the markets where it has been performing.

**Financial Strength** Bank received a capital injection in 2015, 2016 & 2017 mainly to comply with the minimum capital requirements.

## Governance

**Board Structure** MoF has appointed Chairman/Directors on the Board of First Women Bank Limited on September 09,2021. The overall control of the Bank vests with six-member Board of Directors (BoD) including the CEO/ President.

**Members’ Profile** Mr. Najeeb Agrawalla is the Chairman of the Board, has 31 years of experience. All the other board members have different educational and work experience background.

**Board Effectiveness** The board had formulated various sub-committees. The recent appointment of Chairman and Board, will lead to new strategic direction that should produce positive results and provides support to the bank to implement the effective strategies.

**Financial Transparency** Due to the non-appointment of auditors and the absence of the Board, audited financial reports have been unavailable since December 2018. After the Board appointment, the audit of the Bank is under process.

## Management

**Organizational Structure** The organization is structured along functional lines: the Divisional Heads and the various management committees, reporting directly to the President/CEO.

**Management Team** Mr. Farrukh Iqbal Khan is appointed by Ministry of Pakistan (MoF) Government of Pakistan on December 30, 2019 as President & CEO of First Women Bank Limited. He has joined as President/CEO of First Women Bank Limited on January 03,2022. He is a veteran banking professional with 28 years of diversified experience.

**Effectiveness** The senior management team at FWBL comprises seasoned personnel with extensive banking industry experience. The bank has inducted more experienced and skillful resources in the senior management team which has resulted in effective execution of the business strategy.

**MIS** The bank’s core-banking application, AB Premium was upgraded last year continued automating the operations of the bank. The software ensures efficient information retrieval and report generation while additional security measures are in place. The software also includes an audit trail that records a log of activities to improve monitoring.

**Risk Management Framework** Risk Management Framework at FWBL comprises of Organizational Structure, Policies & Procedures, Systems, tools and methods. The organizational structure of Risk Management Framework includes Board Oversight through Board Risk & Compliance Committee, Management Committee and sub-committees like Executive Credit Committee and Asset Liabilities Committee. Risk Management Function in FWBL operates as an independent function within the bank and responsible for implementing overall Risk Management Framework. For better oversight, the function has been segregated into Corporate & Consumer Credit Risk, SME & Other Products Credit Risk, Enterprise Risk Management, Credit Administration and Information Security.

## Business Risk

**Industry Dynamics** Pakistan’s economy has gone through several varied phases in last two years. The economic activity revived afterwards and Pakistan posted a GDP growth rate of ~4.0% in FY21 after a contraction in economy of -0.4% in FY20. Banking sector continues to flourish with high profitability. Banking sector weightage is approximately ~25% of the KSE 100 index. Total banking assets posted growth of ~19% YoY whilst investments surged by 21% YoY to PKR ~14.4trln (end-Dec20: PKR ~11.9trln). Gross Advances of the sector recorded growth (23%) to stand at PKR ~10.9trln (end-Dec20: PKR ~8.8trln). Non-performing loans witnessed slight uptick of 4% to PKR ~860bln. Capital Adequacy Ratio stood at 16.7% (regulatory requirement of 11.5%). During CY21, banking sector deposits enhanced to PKR ~21.6trln (grew by ~17%). Hence, ADR rationalized to 47% (end-Dec20: ~45%). Net profitability of the sector recorded at PKR ~267bln (CY20: PKR ~244bln); up 9% YoY. However, growth of equity base of the sector recorded meagre uptick of 0.8% YoY attributable to handsome dividend payout.

**Relative Position** Within the banking sector of Pakistan FWBL holds at the relatively low position in multiple aspects with its system share in customer deposits being 0.1% (Dec-21: 0.2%).

**Revenues** During CY21, the Bank reported a 15.17% decrease on the markup earned of PKR 2.5bln (CY20: PKR 2.9bln) due to the 22% decrease in loan and advances. The bank recorded NIMR at PKR 963mln (CY20: PKR 1,184mln), down by 19% YoY. In 3MCY22, mark up earned stood at PKR 1,045mln and NIMR is at PKR 329mln.

**Performance** During CY21, non-markup income recorded a decrease of 57.44% YOY to stand at PKR 120mln (CY20: PKR 282mln) mainly emanating from decrease in realized gain on sale of investments. The Bank recorded a provision of PKR 1,570mln (CY20: PKR 70mln) which affected the bottom-line and Bank reported a loss of PKR 1,730mln (CY20: profit of PKR 373mln). Furthermore, in 3MCY22, Pre-tax stood at PKR 60mln.

**Sustainability** FWBL aims to grow the size of its loan portfolio while focusing to improve the quality of its exposures. Meanwhile, the bank would strengthen its treasury operations. The management’s initiatives and new strategy are expected to bring improvement in bottom-line performance. The bank plans to tap the SME sector to fuel growth, whereas corporate business will also be prioritized.

## Financial Risk

**Credit Risk** During CY21, gross advances slightly decreased by 10.15% and stood PKR 9,531mln (CY20: PKR 10,608); Credit risk over advances witnessed decreased to 55.7% at end-Dec21 (end-Dec20: 64.3%). At end CY21, the non-performing loan of the Bank increase of PKR 593mln and was reported at PKR 2,514mln.

**Market Risk** The bank’s investment portfolio entirely comprises government securities of PKR 23,778mln at Dec21. Out of total securities, T-bills represented a majority 67% in overall portfolio at Dec21 (Dec20: 60%) while investment in PIBs is about PKR 7,793mln (Dec20: PKR 8,409mln).

**Liquidity And Funding** The deposits of the Bank remain stagnant at end-Dec21 and clocked at PKR 25,527mln (CY20: PKR 25,496mln) due to the decrease in term deposits. While the CASA of the Bank increased to 79.5% (At end-Mar: 77%; At end-Dec20: 70.7%).

**Capitalization** After the change in minimum capital requirement for FWBL from PKR 10bln to PKR 3bln (net of losses), SBP has raised the minimum CAR requirement to 18%. This revision is only applicable as long as the bank remains a public sector entity, and bank will not be allowed to pay dividend until its paid-up capital and reserves reach PKR 6bln and per party exposure limit of the bank will be 50%. As of Dec21, the Bank’s CAR stands at 30.3% (Dec20: 35.6%) and total equity is PKR 2,403mln (CY20: PKR 4,137mln).



PKR mln

First Women Bank Limited Un-Listed Public Limited	Mar-22	Dec-21	Dec-20	Dec-19
	3M	12M	12M	12M

#### A BALANCE SHEET

1 Total Finances - net	9,070	9,149	10,608	9,776
2 Investments	32,328	23,779	21,094	6,707
3 Other Earning Assets	2,160	2,134	2,228	3,312
4 Non-Earning Assets	4,111	3,981	3,658	3,877
5 Non-Performing Finances-net	31	34	531	528
<b>Total Assets</b>	<b>47,700</b>	<b>39,077</b>	<b>38,118</b>	<b>24,200</b>
6 Deposits	22,998	25,527	25,496	17,870
7 Borrowings	20,641	9,677	6,977	411
8 Other Liabilities (Non-Interest Bearing)	1,625	1,470	1,508	2,150
<b>Total Liabilities</b>	<b>45,264</b>	<b>36,674</b>	<b>33,982</b>	<b>20,430</b>
<b>Equity</b>	<b>2,435</b>	<b>2,403</b>	<b>4,137</b>	<b>3,770</b>

#### B INCOME STATEMENT

1 Mark Up Earned	1,045	2,544	2,999	2,261
2 Mark Up Expensed	(717)	(1,581)	(1,815)	(1,249)
3 Non Mark Up Income	18	120	282	204
<b>Total Income</b>	<b>347</b>	<b>1,083</b>	<b>1,466</b>	<b>1,217</b>
4 Non-Mark Up Expenses	(286)	(1,213)	(981)	(906)
5 Provisions/Write offs/Reversals	(1)	(1,570)	(70)	(16)
<b>Pre-Tax Profit</b>	<b>60</b>	<b>(1,700)</b>	<b>416</b>	<b>295</b>
6 Taxes	(13)	(31)	(42)	(45)
<b>Profit After Tax</b>	<b>47</b>	<b>(1,730)</b>	<b>373</b>	<b>250</b>

#### C RATIO ANALYSIS

##### 1 Performance

Net Mark Up Income / Avg. Assets	3.0%	2.5%	3.8%	4.3%
Non-Mark Up Expenses / Total Income	82.6%	112.0%	66.9%	74.4%
ROE	7.8%	-52.9%	9.4%	6.9%

##### 2 Capital Adequacy

Equity / Total Assets (D+E+F)	5.1%	6.1%	10.9%	15.6%
Capital Adequacy Ratio	25.0%	30.3%	35.6%	34.8%

##### 3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	80.0%	75.5%	72.8%	47.2%
(Advances + Net Non-Performing Advances) / Deposits	39.6%	36.0%	43.7%	57.7%
CA Deposits / Deposits	46.5%	50.7%	44.2%	43.6%
SA Deposits / Deposits	30.5%	28.8%	26.5%	33.7%

##### 4 Credit Risk

Non-Performing Advances / Gross Advances	21.7%	21.6%	15.3%	15.9%
Non-Performing Finances-net / Equity	1.3%	1.4%	12.8%	14.0%

#### # Notes

\* All the numbers / financials mentioned in this report are based on management accounts and subject to audit by the external auditor.

**Credit Rating**

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	<b>High credit quality.</b> Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	<b>Good credit quality.</b> Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	<b>Moderate risk.</b> Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	
B	<b>High credit risk.</b> A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	<b>Very high credit risk.</b> Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



\*The correlation shown is indicative and, in certain cases, may not hold.

**Outlook (Stable, Positive, Negative, Developing)** Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.

**Rating Watch** Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

**Suspension** It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

**Withdrawn** A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

**Harmonization** A change in rating due to revision in applicable methodology or underlying scale.

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s):

<p><b>Entities</b></p> <ul style="list-style-type: none"> <li>a) Broker Entity Rating</li> <li>b) Corporate Rating</li> <li>c) Financial Institution Rating</li> <li>d) Holding Company Rating</li> <li>e) Independent Power Producer Rating</li> <li>f) Microfinance Institution Rating</li> <li>g) Non-Banking Finance Companies (NBFCs) Rating</li> </ul>	<p><b>Instruments</b></p> <ul style="list-style-type: none"> <li>a) Basel III Compliant Debt Instrument Rating</li> <li>b) Debt Instrument Rating</li> <li>c) Sukuk Rating</li> </ul>
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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

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(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

### **Independence & Conflict of interest**

(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

### **Monitoring and review**

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

### **Probability of Default**

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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