



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
27-Jun-2023	A-	A2	Developing	Maintain	Yes
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	-

Rating Rationale and Key Rating Drivers

First Women Bank Limited (FWBL) is associated 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 audit of CY18 has been completed during CY22 and financial statements were published on the website along with the audited report. While the external audit for CY19 & CY20 are underway and the remaining pending audits shall be completed in due course. M/S KPMG Taseer Hadi & Co., Chartered Accountants, classified in category 'A' by SBP and having a satisfactory QCR rating were the joint external auditors. The Board of the bank remained nonfunctional since Jan19 due to vacancies not being filled. MoF appointed a Chairman/Director on the Board on Sep 09, 2021. Now with the Board's completion, the Bank's overall control vests with a six-member Board of Directors (BoD) including the CEO/ President. As per the unaudited financial statements for CY22, an increase in profitability was supported by a higher topline was noted. Bank's PAT for CY22 clocked at PKR 168mln. Outlook reflects weakening in capitalization indicators of the Bank. The minimum capital requirement (MCR) of the bank was reported at PKR 2.5bln as of Dec 22 (end-Dec21: PKR 2.4bln), against the minimum requirement of PKR 3bln (net of losses). While the capital adequacy requirement (CAR) of the bank is reported at 20.6% (Dec 21: 30.3%), against the minimum requirement for FWBL of 18%. The deposit system share inched up (end-Dec22: 0.2%, end-Dec21: 0.1%). Whilst, the CASA of the Bank clocked in at 70.5% (CY21: 79.5%). Advances witnessed a marginal uptick. It remains essential to hold and improve asset quality. The current management team took the initiative to improve the revenue stream and managed to contain the cost. The Bank's investment portfolio is entirely comprised of government securities. Going forward, the management is planning to take various strategic initiatives including, the improvement of net spread, expansion of retail customer base, improving lending business, SME business, and re-branding corporate image.

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

Name of Rated Entity	First Women Bank Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Financial Institution Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Commercial Bank(Jun-23)
Rating Analysts	Sehar Fatima sehar.fatima@pacra.com +92-42-35869504

Profile

Structure First Women Bank Limited (“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-22. 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 a six-member Board of Directors (BoD) including the CEO/ President. At present, Bank has one nominee Director and three independent directors.

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 The audit of CY18 has been completed and published on the website with the audited report. While the CY19 & CY20 are underway and the remaining pending audits shall be completed in the due course. M/S KPMG Taseer Hadi & Co., Chartered Accountants, classified in category 'A' by SBP and having a satisfactory QCR rating were the joint external auditors.

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 29 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 subcommittees 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 posted a GDP growth rate of 1.69% in 9MFY23 and 4.71% in FY22 (GDP growth figures were revised after the base year was changed from FY05-06 to FY15-16). The banking sector continues to flourish with high profitability. Total banking assets posted growth of 18.5% YoY whilst investments surged by 25% YoY to PKR 18.0trln (end-Dec21: PKR 14.4trln). Gross Advances of the sector recorded growth (16%) to stand at PKR 12.6trln (end-Dec21: PKR 10.9trln). Non-performing loans witnessed an increase to PKR 924bln. The Capital Adequacy Ratio remained intact at 17% (regulatory requirement of 11.5%). However, declined in Mar-23 to 15%. During CY22, banking sector deposits enhanced to PKR 23.4trln. Hence, ADR rationalized to 50% (end-Dec21: 47%). CASA average, for the industry, stood at 74%. Net profitability of the sector was recorded at PKR 331bln (CY21: PKR 267bln); up 23% YoY. However, the growth of the equity base of the sector recorded a meager uptick of 7% YoY attributable to a handsome dividend payout.

Relative Position FWBL system share (CY22: 0.1%) is on the lower side among the banking sector of Pakistan. During CY22, the bank's customer deposits stood at PKR 32.05bln up 28% YoY.

Revenues During CY22, the Bank recorded an increase in the markup earned of PKR 5,640mln (CY21: PKR 2,544mln) uptick of 122%. This increase is primarily attributable to an increase in investments. The bank recorded net mark-up income at PKR 1,229mln (CY21: PKR 963mln), up by 28% YoY.

Performance Improvement in revenue base, offset the increase in markup expenses and decline in non-core income. Consequently, the bank registered a pre-provisioning operating profit as compared to the loss in the same period last year. The PAT for CY22 clocked at PKR 168mln (CY21: loss of PKR 1,730mln) which is indicative of some improvement coming.

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 CY22, gross advances surged by 29.6% while the Bank's non-performing loan observed a slight increase of PKR 31mln. Credit risk over advances witnessed a decrease to 44.4% at end-Dec22 (end-Dec21: 55.7%).

Market Risk The bank's investment portfolio entirely comprises government securities of PKR 29bln as of end-Dec 22 (Dec 21: PKR 24bln). Out of total securities, PIBs represented a majority 93% of the overall portfolio, with mark-to-market loss recorded at PKR 91mln.

Liquidity And Funding FWBL recorded an increase in deposits by 20% at end-Dec22 to PKR 32bln (CY21: PKR 26bln). Hence, the CASA of the Bank clocked in at 70.5% (CY21: 79.5%).

Capitalization After the change in the minimum capital requirement for FWBL from PKR 10bln to PKR 3bln (net of losses), the State Bank of Pakistan (SBP) has raised the minimum capital adequacy ratio requirement to 11.5% until the paid-up capital and reserves of the bank reach PKR 6bln. This step taken by SBP would help in avoiding deterioration in the risk profile of the bank. This revision is only applicable as long as the bank remains a public sector entity, and Bank will not be allowed to pay dividends until its paid-up capital and reserves reach PKR 6bln and per party exposure limit of the bank will be 50%. As of Dec 22, the bank's CAR recorded at 20.6% (Dec 21: 30.3%) where total equity stands at PKR 2.5bln (Dec 21: PKR 2.4bln).



PKR mln

First Women Bank Limited
Un-Listed Public Limited

Dec-22	Dec-21	Dec-20
12M	12M	12M

A BALANCE SHEET

1 Total Finances - net	11,051	9,149	10,608
2 Investments	28,981	23,779	21,094
3 Other Earning Assets	6,639	2,134	2,228
4 Non-Earning Assets	4,098	3,981	3,658
5 Non-Performing Finances-net	29	34	531
Total Assets	50,798	39,077	38,118
6 Deposits	32,164	25,527	25,496
7 Borrowings	13,651	9,677	6,977
8 Other Liabilities (Non-Interest Bearing)	2,453	1,470	1,508
Total Liabilities	48,269	36,674	33,982
Equity	2,529	2,403	4,137

B INCOME STATEMENT

1 Mark Up Earned	5,640	2,544	2,999
2 Mark Up Expensed	(4,411)	(1,581)	(1,815)
3 Non Mark Up Income	95	120	282
Total Income	1,324	1,083	1,466
4 Non-Mark Up Expenses	(1,205)	(1,213)	(981)
5 Provisions/Write offs/Reversals	118	(1,570)	(70)
Pre-Tax Profit	237	(1,700)	416
6 Taxes	(69)	(31)	(42)
Profit After Tax	168	(1,730)	373

C RATIO ANALYSIS

1 Performance

Net Mark Up Income / Avg. Assets	2.7%	2.5%	3.8%
Non-Mark Up Expenses / Total Income	91.0%	112.0%	66.9%
ROE	6.8%	-52.9%	9.4%

2 Capital Adequacy

Equity / Total Assets (D+E+F)	5.0%	6.1%	10.9%
Capital Adequacy Ratio	20.6%	30.3%	35.6%

3 Funding & Liquidity

Liquid Assets / (Deposits + Borrowings Net of Repo)	68.1%	75.5%	72.8%
(Advances + Net Non-Performing Advances) / Deposits	34.4%	36.0%	43.7%
CA Deposits / Deposits	46.3%	50.7%	44.2%
SA Deposits / Deposits	24.2%	28.8%	26.5%

4 Credit Risk

Non-Performing Advances / Gross Advances	18.7%	21.6%	15.3%
Non-Performing Finances-net / Equity	1.1%	1.4%	12.8%

Notes

* All the numbers / financials mentioned in this report are based on management accounts and subject to audit

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	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. 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	High credit quality. 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	Good credit quality. 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+	
BB	Moderate risk. 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-	
B+	
B	High credit risk. 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	Very high credit risk. 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):

- a) Broker Entity Rating
- b) Corporate Rating
- c) Debt Instrument Rating
- d) Financial Institution Rating
- e) Holding Company Rating
- f) Independent Power Producer Rating
- g) Microfinance Institution Rating
- h) Non-Banking Finance Companies Rating

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Rating Team Statements

(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

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (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)

Conduct of Business

- (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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