



## 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-2024	A-	A2	Developing	Maintain	Yes
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	-

#### Rating Rationale and Key Rating Drivers

The ratings reflect financial health, operational stability, and overall risk profile of the Bank. The rating also reflects Bank's ownership structure and the continued support from its strong sponsor. The Government of Pakistan (GoP) is the major shareholder of the bank. The bank has benefitted from multiple capital infusions provided by the Ministry of Finance (MoF), primarily aimed at ensuring the bank's adherence to the mandated minimum capital requirements (MCR). The audit of CY22 and CY23 are underway which will be completed in the quarter timeline. As per the unaudited financial statements CY23, profitability increased by 1.2 times on YoY basis clocked at PKR 523mln (CY22: PKR 168mln). This growth is mainly due to a 74% rise in net markup income to PKR 2.09 billion, fueled by higher returns from advances and investments. The bank's capital structure showcases a notable increase in equity to PKR 3.6bln (CY22: PKR 2.5bln), alongside an improvement in the capital adequacy ratio to 32.2% (CY22: 20.6%) far surpassing the minimum requirement of 18% for FWBL. It signifies the solid capacity to absorb potential losses, thereby providing greater security to depositors and stakeholders. The minimum capital requirement (MCR) of the bank was reported at PKR 2.4bln as of CY23 (end-CY22: PKR 1.9bln), against the minimum requirement of PKR 3bln (net of losses). As of CY23, advance portfolio reduced by 18% clocked at PKR 8.5bln (CY22: PKR 11.1bln). Meanwhile, a rise of 8% has been observed in NPLs. The bank's investment portfolio rose by 51% clocking PKR 44bln as of end-Dec 23 (Dec 22: PKR 29bln). The investment book is predominantly allocated to PIBs, comprising ~99% of the investment portfolio, with mark-to-market gain recorded at PKR 93mln. The Bank's prudent strategy in long-term government securities ensures capital preservation, mitigates risk, and secures steady returns. The deposit system share inched down (end-CY23: 0.1%, end-CY22: 0.2%). Whilst, FWBL's CASA ratio remains robust, underscoring the Bank's strong foundation in low-cost deposit acquisition. The Government of Pakistan approved the privatization of the First Women Bank in Feb'24. This privatization is expected to bring strategic partnerships and technological advancements by leveraging private sector expertise. Going forward, the management is planning to implement strategic initiatives to enhance net spread, expand the retail customer base, improve lending and SME business, and rebrand the 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

<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   Correlation Between Long-term & Short-term Rating Scales(Jul-23),Methodology   Financial Institution Rating(Oct-23),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Commercial Banks(Jun-24)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@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 of Dec-23. The bank maintains online connectivity for all its branches, providing basic online banking and ATM services to its customers. FWBL provides all types 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-23. 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 33 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 CY21 has been completed and published on the website with the audited report. While the CY22 & CY23 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 30 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 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** FWBL's Risk Management Framework, overseen by the Board Risk & Compliance Committee, includes independent functions like Corporate & Consumer Credit Risk, SME & Other Products Credit Risk, Enterprise Risk Management, Credit Administration, and Information Security.

## Business Risk

**Industry Dynamics** CY23 remained a challenging year for the economy inclusive of a drop in exchange reserves, currency devaluation, and peak inflation. To combat inflation and curb aggregate demand, the Central Bank maintained a tight monetary policy stance. Despite these challenges, CY23 was a remarkably successful year for the banking industry. The sector outperformed historical statistics, with two-thirds of net markup income coming from investments in government securities and the remainder from advances. During the year, Pakistan's banking sector's total assets posted growth of ~30% YoY whilst investments surged by ~42% to PKR ~25.6trln (end-Dec22: PKR ~18trln). Gross Advances of the sector recorded growth of ~4% to stand at PKR ~13.101trln (end-Dec22: PKR ~12.645trln). Non-performing loans witnessed an increase of 8.3% YoY to PKR ~881bln (end-Dec22: ~812bln). The CAR averaged at 18.5% (end-Dec22: 15.5%). Looking ahead, with the expected monetary rate cut, banks are likely to sustain some dilution in profitability by CY24.

**Relative Position** FWBL customer deposit share (CY23: 0.1%) is on the lower side among the banking sector of Pakistan. During CY23, the bank's customer deposits stood at PKR 31.07bln shows a minor dip of 3% YoY.

**Revenues** During CY23, the Bank recorded an increase in the markup earned of PKR 12,478m (CY22: PKR 5,640m) uptick of 1.2 times. This increase is primarily attributable to an increase in markup return from investments. The bank recorded net mark-up income at PKR 2,091m (CY22: PKR 1,229m), up by 70% 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 of PKR 762m (CY22: PKR 119m). The PAT for CY23 clocked at PKR 523m (CY22: PKR 168m) which is indicative of improvement.

**Sustainability** FWBL aims to expand its loan portfolio, enhance exposure quality, and strengthen treasury operations. The new strategy targets SME growth and prioritize corporate business to improve bottom-line performance.

## Financial Risk

**Credit Risk** During CY23, gross advances decreased by 24.8%, amounting to PKR 8,444m. Concurrently, the Bank experienced an increase of PKR 205m in non-performing loans. The infection ratio increased to 25% as of CY23 (CY22: 18%). As of CY23, the net advances decreased to PKR 8,486m (CY22: PKR 11,079m). Overall, the convergence of reduced lending activity and rising credit impairments signifies a challenging operating environment, necessitating stringent risk management and adaptive strategic planning to navigate the financial headwinds.

**Market Risk** The bank's investment portfolio entirely comprises government securities of PKR 44bln as of end-Dec 23 (Dec 22: PKR 29bln). Out of total investment book, PIBs represented a majority 99.9% of the overall portfolio, with mark-to-market gain recorded at PKR 93m. The Bank's prudent strategy in government securities ensures capital preservation, mitigates risk, and secures steady returns, enhancing financial stability.

**Liquidity And Funding** FWBL recorded a minor decrease in deposits by 3% at end of CY23 to PKR 31bln (CY22: PKR 32bln). Hence, the CASA of the Bank clocked in at 68.9% (CY22: 70.5%). Despite the reduction in deposits, FWBL's CASA ratio remains robust, underscoring the Bank's strong foundation in low-cost deposit acquisition.

**Capitalization** After the change in the minimum capital requirement for FWBL from PKR 10bln to PKR 3bln (net of losses), SBP has raised the MCR 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 23, the bank's CAR recorded at 32.18% (Dec 22: 20.6%) where total equity stands at PKR 3.6bln (Dec 22: PKR 2.5bln).



PKR mln

**First Women Bank Limited**  
**Un-Listed Public Limited**

Dec-23	Dec-22	Dec-21	Dec-20
12M	12M	12M	12M

**A BALANCE SHEET**

1 Total Finances - net	8,444	11,051	9,149	10,608
2 Investments	44,360	28,981	23,779	21,094
3 Other Earning Assets	2,154	6,639	2,134	2,228
4 Non-Earning Assets	16,379	4,098	3,981	3,658
5 Non-Performing Finances-net	42	29	34	531
<b>Total Assets</b>	<b>71,380</b>	<b>50,798</b>	<b>39,077</b>	<b>38,118</b>
6 Deposits	31,332	32,164	25,527	25,496
7 Borrowings	32,620	13,651	9,677	6,977
8 Other Liabilities (Non-Interest Bearing)	3,868	2,453	1,470	1,508
<b>Total Liabilities</b>	<b>67,821</b>	<b>48,269</b>	<b>36,674</b>	<b>33,982</b>
<b>Equity</b>	<b>3,559</b>	<b>2,529</b>	<b>2,403</b>	<b>4,137</b>

**B INCOME STATEMENT**

1 Mark Up Earned	12,478	5,640	2,544	2,999
2 Mark Up Expensed	(10,387)	(4,411)	(1,581)	(1,815)
3 Non Mark Up Income	94	95	120	282
<b>Total Income</b>	<b>2,185</b>	<b>1,324</b>	<b>1,083</b>	<b>1,466</b>
4 Non-Mark Up Expenses	(1,423)	(1,205)	(1,213)	(981)
5 Provisions/Write offs/Reversals	(112)	118	(1,570)	(70)
<b>Pre-Tax Profit</b>	<b>650</b>	<b>237</b>	<b>(1,700)</b>	<b>416</b>
6 Taxes	(126)	(69)	(31)	(42)
<b>Profit After Tax</b>	<b>523</b>	<b>168</b>	<b>(1,730)</b>	<b>373</b>

**C RATIO ANALYSIS**

**1 Performance**

Net Mark Up Income / Avg. Assets	3.4%	2.7%	2.5%	3.8%
Non-Mark Up Expenses / Total Income	65.1%	91.0%	112.0%	66.9%
ROE	17.2%	6.8%	-52.9%	9.4%

**2 Capital Adequacy**

Equity / Total Assets (D+E+F)	5.0%	5.0%	6.1%	10.9%
Capital Adequacy Ratio	32.2%	20.6%	30.3%	35.6%

**3 Funding & Liquidity**

Liquid Assets / (Deposits + Borrowings Net of Repo)	73.9%	68.1%	75.5%	72.8%
(Advances + Net Non-Performing Advances) / Deposits	27.1%	34.4%	36.0%	43.7%
CA Deposits / Deposits	37.3%	46.3%	50.7%	44.2%
SA Deposits / Deposits	31.6%	24.2%	28.8%	26.5%

**4 Credit Risk**

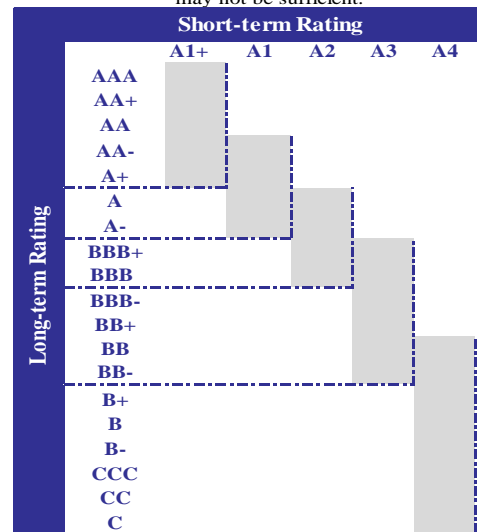
Non-Performing Advances / Gross Advances	24.6%	18.7%	21.6%	15.3%
Non-Performing Finances-net / Equity	1.2%	1.1%	1.4%	12.8%

### 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+	
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-	
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):

- 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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(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**

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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)

### **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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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