



Date

dd-mm-yy

Analysts

Muhammad Obaid
muhammad.obaid@pacra.com

Muhammad Noor ul Haq
muhammad.noorulhaq@pacra.com

Jhangeer Hanif
jhangeer@pacra.com

+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Financial Institution (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | Commercial Bank (Jun 18)

Disclaimer

This press release is being transmitted for the sole dissemination through media. The press release in full or in part without meaning or context the due credit to PACRA

PACRA Maintains Entity Ratings of First Women Bank Limited

| Rating Type | Entity | |
|---------------------|-----------------------|------------------------|
| | Current (18-Dec-2018) | Previous (28-Jun-2018) |
| Action | Maintain | Maintain |
| Long Term | A- | A- |
| Short Term | A2 | A2 |
| Outlook | Stable | Stable |
| Rating Watch | - | - |

The ratings primarily reflect strong association of FWBL with the Government of Pakistan (GoP) - the major shareholder - demonstrating continued commitment and support. Subsequent to injection of equity of PKR 1bln over last two years, GoP has injected another PKR 500mln in CY17. The bank thus has reached to a capital of PKR ~3.7bln. The bank has brought clarity to strategic direction of the bank with independent focus on commercial and developmental mandate of FWBL. Since the spreads further squeezed, business margins were tested, hence, the bank booked loss; diluting the positive impact of equity injection; hence profitability remains a challenge, going forward. The bank's high cost operational structure - though controlled on YoY basis - and provision expense on increasing non-performing loans continued to drag the performance. Cognizant of the matter, the management targets volumetric growth in deposits and advances, herein, efficient and effective use of the IT system along with synergies are being explored with other institutions to lend profitably with limited risk exposure. The internal control system of the bank has depicted steady improvement. The management is focusing to reduce its funding cost; thereby improving its spreads.

The ratings are dependent on the bank's ability to achieve bottom-line profitability on a sustainable basis. Successful execution of the new business strategy, while improving efficacy of the risk management framework to improve asset quality - which is currently suppressed - remains important.

About the Entity

First Women Bank Limited (FWBL) was established in 1989. The bank operates through a network of 42 branches spread over 24 cities nationwide as at end-Mar18. The bank focuses on catering to women at all levels of economic activity; micro, SME and corporate. The Government of Pakistan owns a majority stake - ~85% (~83% through Ministry of Finance and ~2% through NBP) in the bank. Rest of the shareholding is with a group of four large banks.

The overall control of the bank currently vests in the eight-member board of directors which includes the President and seven NEDs. The president is directly appointed by MoF. Ms. Noshaba Shahzad, the (acting) President since Oct-18, has been with the bank from initial days of the bank. The top management comprises experienced members, some of them recently engaged.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.