



Rating Action

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PACRA UPGRADES ENTITY RATING OF FIRST WOMEN BANK LIMITED

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long term entity rating of First Women Bank Limited (FWBL) to 'A-' (A Minus) [previous: BBB+]. The short term rating is maintained at 'A2' (A Two). The ratings denote a low expectation of credit risk and indicate a strong capacity for timely payment of financial commitments.

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 in FY15, GoP has injected another PKR 1bln in FY16 as committed. The bank thus has met MCR of PKR 3bln. During CY15, the bank has witnessed bottom-line profitability; however, this was mainly a result of gains in treasury operations. The bank's high cost operational structure 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. The management is focusing to reduce its funding cost; thereby improving its spreads. Meanwhile, given recent capital compliance, the management has resources and clarity available to implement its business plan.

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

The Bank: 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-Dec15. The bank focuses on catering to women at all levels of economic activity; micro, SME and corporate. Government of Pakistan owns majority stake - 82% (80% through Ministry of Finance and 2% through NBP) in the bank. Rest of the shareholding is with a group of four banks.

Governance & Management: The six-member BoD includes the President and five NEDs. At present, three members are nominated by GoP, while one member represents other shareholders. The president is directly appointed by MoF. Ms. Tahira Raza, the President, joined the bank in April-14. Ms. Raza was with the bank in its initial days as well. She is spearheading newly gained business focus at the bank. The top management comprises experienced members, some of them recently engaged.

Applicable Criteria and Related Research

- Banking Sector - Viewpoint | Dec-15
- Bank Rating Methodology

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