



The Pakistan Credit Rating Agency Limited

## FIRST WOMEN BANK LIMITED

	<b>NEW [APR-16]</b>	<b>PREVIOUS [JUN-15]</b>
Long-Term	A-	BBB+
Short-Term	A2	A2
Outlook	Stable	Positive

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**Profile & Ownership**

- First Women Bank Limited (FWBL), established in 1989, is a commercial bank focused towards facilitation of women’s financial needs.
- FWBL mainly provides borrowing facilities to entities which are i) 50% owned by women, ii) wherein a woman is the Managing Director and iii) women employees dominate more than 50% of the workforce.
- The bank operates through a network of 42 branches spread over 24 cities as at end-Dec15.
- The sponsors of the bank are GoP with 80% holding while MCB, HBL, ABL, NBP and UBL jointly hold remaining 20%.

**Governance**

- The overall control of the bank currently vests in a six-member board of directors which include the President and five NEDs.
- The board comprises qualified and experienced professionals with sound industry knowledge and extensive banking acumen.
- The Board is expected to be reconstituted to four representatives of GoP, one each from HBL and MCB and one Director representing the three other stakeholders i.e. ABL, UBL and NBP.
- Mr. Mudassar H. Khan is the new Chairman of the Board and holds the position Group Chief – Commercial & Retail in NBP.

**Management**

- The senior management team at FWBL comprises seasoned personnel; however, majority has brief experience at their current positions.
- Ms. Tahira Raza was appointed as President and CEO of FWBL in Apr-14.
- She has 41 years of experience in banking and has previously been associated with FWBL as one of the founding executive in 1989.

**Risk Management**

- FWBL’s total assets registered a considerable growth of 14% during CY15 predominantly a facet of higher earning assets.
- Increase in earning assets reflects the bank’s positive growth strategy given continuing optimization of related funding structure.
- The bank’s advances to deposit ratio (ADR) declined to 53% at end-CY15 (CY14: 63%) as a high proportion of funds brought in have been channeled towards government securities.
- Top-20 advances (including government exposure) concentration surged considerably to 92% (Dec14: 71%; Dec13: 74%).

**Asset Quality**

- During CY15, FWBL’s overall asset quality deteriorated considerably on account of higher infection in textile and construction sector
- Moreover, loan loss coverage has dropped to 68% (end-CY14: 75%); thus net NPLs have risen.

**Business Risk**

- Significant growth in non-markup income (up by 459% YoY) attributable largely to gain on sale of investments strengthened the revenue base.
- Significantly low provisioning expense augmented the bank’s bottom-line. Hence, the bank reported a net profit of PKR 26mln (CY14: loss of PKR 500mln).
- Going forward, FWBL plans to maintain size of its loan portfolio, improve quality of exposures, work on recoveries and strengthen treasury operations.

**Financial Risk**

- Deposit base remained tilted towards interest rate sensitive (saving and time) deposits which constitute ~76%.
- Top-20 depositors’ concentration increased marginally to 35% (end-CY14: 28%).
- However, increased investment in government securities has improved the overall liquidity position
- Post equity injection, FWBL is MCR compliant with a CAR of 40%.

**RATING RATIONALE**

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.

**KEY RATING DRIVERS**

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.



## STANDARD RATING SCALES & DEFINITIONS

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.

<b>LONG TERM RATINGS</b>		<b>SHORT TERM RATINGS</b>
<b>AAA</b>	<p><b>Highest credit quality.</b> Lowest expectation of credit risk.</p> <p>Indicate exceptionally strong capacity for timely payment of financial commitments.</p>	<p><b>A1+:</b> The highest capacity for timely repayment.</p> <p><b>A1:</b> A strong capacity for timely repayment.</p> <p><b>A2:</b> A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>A3:</b> An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>B:</b> The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p><b>C:</b> An inadequate capacity to ensure timely repayment.</p>
<b>AA+</b> <b>AA</b> <b>AA-</b>	<p><b>Very high credit quality.</b> Very low expectation of credit risk.</p> <p>Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</p>	
<b>A+</b> <b>A</b> <b>A-</b>	<p><b>High credit quality.</b> Low expectation of credit risk.</p> <p>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.</p>	
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	<p><b>Good credit quality.</b> Currently a low expectation of credit risk.</p> <p>The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.</p>	
<b>BB+</b> <b>BB</b> <b>BB-</b>	<p><b>Moderate risk.</b> Possibility of credit risk developing.</p> <p>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.</p>	
<b>B+</b> <b>B</b> <b>B-</b>	<p><b>High credit risk.</b></p> <p>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.</p>	
<b>CCC</b> <b>CC</b> <b>C</b>	<p><b>Very high credit risk.</b></p> <p>“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.</p>	
<b>D</b>	<p>Obligations are currently in default.</p>	

**Rating Watch**

Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.

**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’.

**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, a suspended rating should be considered withdrawn.

**Withdrawn**

A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.

**Disclaimer:** PACRA's rating is an assessment of the credit standing of an entity/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's 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.



**Name of Rated Entity**  
**Sector**  
**Type of Relationship**

First Women Bank Limited  
 Banking  
 Solicited

**Purpose of the Rating**

Independent Risk Assessment

**Rating History**

Dissemination Date	Long Term	Short Term	Outlook	Action
29-Jun-15	BBB+	A2	Positive	Maintain
30-Jun-14	BBB+	A2	Stable	Downgrade
28-Jun-13	A-	A2	Stable	Maintain
18-Jun-12	A-	A2	Stable	Upgrade
30-Jun-11	BBB+	A2	Positive	Maintain

**Related Criteria and Research**  
**Rating Methodology**

Banking Sector - Viewpoint | Mar-15  
 Bank Rating Methodology

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[Rating Team Statement](#)

**Rating Procedure**

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)

**Rating Shopping**

PACRA maintains principle of integrity in seeking rating business.

PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public sources we consider to be reliable but

its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information.

**Conflict of Interest**

PACRA, the analysts involved in the rating process, and members of its rating committee do not have any conflict of interest relating to the credit rating done by them

The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest

The analysts and members of the rating committees including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Officer PACRA

The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This is, however, not applicable on investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees

PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it. In such cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities

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 ii) fee mandate - signed with the payer, which can be different from the entity

PACRA ensures that the credit rating assigned to an entity or instrument should 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

**Surveillance**

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

**Reporting of Misconduct**

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

**Confidentiality**

PACRA has framed a confidentiality policy to prevent abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties

Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter

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[Probability of Default \(PD\)](#)

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](http://www.pacra.com)). However, actual transition of rating may not follow the pattern observed in the past