

Directors' Report

For the Year Ended 31st Dec, 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER 2018

On behalf of the Board of Directors, I am pleased to present the 29th Annual Report of First Women Bank Limited (the Bank) for the year ended 31 December 2018.

Financial Highlights

Rupees in '000

Profit & Loss Account for the Year Ended.				Statement of Financial Position As at.			
	December 2018	December 2017	Change (%)		31 December 2018	31 December 2017	Change (%)
Mark-up / return / interest earned	1,459,209	1,294,193	13%	Advances - Net	9,419,393	8,875,631	6%
Mark-up / return / interest expensed	(708,484)	(603,159)	17%	Investments - Net	9,185,411	13,587,722	-32%
Net mark-up / interest income	750,725	691,034	9%	Other Assets	4,594,763	2,376,322	93%
Non Mark-up Income	113,669	105,455	8%	Deposits	18,374,617	16,229,349	13%
Total income	864,394	796,490	9%	Borrowings	108,966	3,903,832	-97%
Administrative expenses	(1,028,186)	(893,020)	15%	Other Liabilities	1,399,909	973,712	44%
Other provisions and charges	(9,361)	(3,838)	144%	Share Capital	3,994,113	3,994,113	0%
(Loss) before reversal/provisions	(173,153)	(100,368)	73%	Surplus / (Deficit) on revaluation of assets - net of tax	176,457	130,315	35%
(Provisions) / Reversals	(75,479)	(15,566)	385%	Reserves	307,717	307,717	0%
Loss before taxation	(248,632)	(115,935)	114%	Accumulated loss	(1,162,212)	(699,363)	66%
Taxation	(207,976)	(122,032)	70%				
(Loss) / profit after taxation	(456,608)	(237,967)	92%				
Earnings per share (rupees)	(1.14)	(0.61)	87%				

Financial Performance

On the gross markup income side, the Bank reported an increase of Rs. 165.02 million (12.75%) whereas on the interest expense side, the Bank registered an increase of Rs. 105 million over last year. To supplement its net interest margins, the Bank remained focused on increasing its low cost deposit base and venture in higher-yielding assets. On the non-markup income front, the Bank reported a base of Rs. 113.67 million with an increase of 7.79% over last year. During 2018, as the spreads further squeezed, business margins were challenged, hence, the bank booked loss before tax for the year of Rs. 248.63 million (including provisions of Rs. 75.48 million). The bank has registered a slight growth in volumes – Yet the management is focusing to reduce its funding cost further; thereby improving its spreads. Meanwhile, given recent capital compliance with reduced MCR, bank still needs higher level of Capital to compete in the market with rising compliance standards & technology innovations. Asset base of the bank has reached to Rs. 23,200 million from Rs. 24,840 million, reflecting a decrease of 6.60% over December 2017. Analysis of asset mix highlights that net investments decreased by 32.40%, net advances have shown an increase of 6.13% while deposit portfolio register an increase of 13.22% over 31 December 2017.

Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) is 35.56% at the end of 2018. The Tier 1 capital closed at 31 December 2018 is 3,103 million.

Key Business Developments

During the year 2018 the main focus of the Bank remained in the SME sector. The Bank especially designed a product "Nikhar" to encourage and empower professionals associated with the beauty industry by offering hassle-free financing with easy terms. Not only this, but for working to empower communities nationwide through the financial inclusion, the Bank's opened its first (Zindagi Asaan) Account for a transgender citizen. However, the Bank continued to offer the SME Government concessional schemes to its customers.

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The Bank Signed Memorandums of Understanding to formalize the Bank's partnership with the WE inspire initiative, USAID PEEP (The project aimed at empowering women involved in the livestock sector of South Punjab by bridging the void between public and private sector stakeholders) and also with the Women Chamber of Commerce & Industry Multan Division to strengthen, promote and create new value by providing financial services to banked/unbanked women entrepreneurs of Multan.

Following FWBL's announcement to join hands with Mastercard in 2017, the Bank rolled out a launch of its Debit Card powered by Mastercard in the year 2018.

Growing its digital footprint to expand its reach and further connect with the digital audience, FWBL became LIVE on Twitter and also created its official Instagram account

In short, the Bank kept its main focus on strategy formulation, increasing outreach, facilitation of customers, governance, and improving policies, processes and internal controls.

Alternate Delivery Channels (ADCs) are effective mediums for providing banking services directly to customers. ADCs have proven their ability to meet customers' expectations by ensuring accuracy, convenience and timeliness in service 24/7.

Key IT Developments

During the year, FWBL started issuing Paypak and MasterCard debit cards to its customers, enabling them to utilize their debit card for e-commerce and international transactions. Building on the initiatives taken last year, pilot of Internet Banking services was also launched for limited users.

Given the customer's risk associated with non EMV debit cards. FWBL management also signed a contract with TPS to upgrade its legacy ATM Controller middleware "Phoenix" to next generation middleware solution "IRIS" provided by TPS enabling the bank to offering EMV Compliant debit cards and provide a platform to integrate with FinTech's within Pakistan offering digital financial services.

Minimum Capital Requirement

Minimum Capital Requirements (MCR) has been reset for the Bank by SBP, upon recommendation from Government of Pakistan (GoP), as disclosed in note 1.2 to the financial statements. Under the revised requirements, the Bank is required to maintain paid-up capital (net of losses) of Rs. 3 billion and Capital Adequacy Ratio (CAR) of 18% at all times. However, As of 31 December 2018, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 2.832 billion and at 31 December 2021, the Bank's MCR, as per the unaudited management accounts was less than the above figure. Due to the fact that the bank's accounts remained unaudited since 2018 therefore the actual position of bank's capital will be clear on the conclusion of external audit for the year 2021.

Credit Rating

The Bank has a long-term entity rating of "A-" while the short-term entity rating is "A2". Bank's rating denotes that there is currently a low expectation of credit risk and the capacity for timely payment of financial commitments is considered strong.

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Statement under rule 17 of the Public Sector Companies Code of Corporate Governance

The Board of Directors was committed to ensure that the relevant principles of Corporate Governance are complied with. However, the non-compliances, (as mentioned in statement of compliance) have been identified and have been recorded along with the reasons. The Directors are pleased to report that;

- The financial statements present fairly the state of affairs of the Bank, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Bank have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, & Accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting standards, as applicable to Banks in Pakistan, have been followed in the preparation of financial statements and departure(s), (if any) there from have been adequately disclosed in the Annual Financial Statements.
- The system of internal control in the Bank is sound in design, and has been effectively implemented and monitored;
- The appointment of Chairman Board & other Members, the terms of their appointment & the remuneration Policy (Director's fee) adopted are in the best interest of the Bank as well as in line with the best practices.
- The disclosure of the remuneration of the Chief Executive and the Directors is covered under Note 38 of the attached financial statements.
- There are no significant doubts regarding the Bank's ability to continue as a going concern;
- There has been no material departure from the best practices of Corporate Governance;
- The Board has formed the following five committees with defined terms of reference:
 - Board Risk Management Committee (BRMC); met 3 times during the year;
 - Board Human Resource & Compensation Committee (BHRCC); met 3 times during the year;
 - Board Audit Committee (BAC); met 4 times during the year and
 - Board Business Strategy Committee (BBSC) - met 2 times during the year and
 - Board Special Task Committee (BSTC) - met 1 time during the year.

Board & Sub Committee Meetings

Total 5 Board Meetings, 4 BAC meetings, 3 BHRCC meetings, 3 BRMC meetings, 1 BSTC meetings and 2 BBSC meetings were held during 2018. The number of meetings attended by each of the Director during his/ her tenure is as follows;

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Board & Board sub Committees meetings attended by Board Members during the year 2018														
Sr. No.	Name of Board Members	Org.	BoD Meetings		Board Sub Committee Meetings									
			Meeting Held During 2018	Attendance	BAC		BRMC		BBSC		BHRCC		BSTC	
					Meeting Held During 2018	Attendance	Meeting Held During 2018	Attendance	Meeting Held During 2018	Attendance	Meeting Held During 2018	Attendance	Meeting Held During 2018	Attendance
1	Tahira Raza	FWBL	4	4	4	4	2	2	2	2	3	3		
2	**Ms. Nausheen Ahmad	HBL	2	0										
3	*Mr. Muhtashim Ahmad Ashai	MCB	0	0										
4	Ms. Rukhsana Shah	IND	5	4			3	3	2	1	3	2	1	1
5	Mr. Gholam Kazim Hosein	IND	5	5	4	4	3	3					1	1
6	Ms. Huma Baqai	IND	5	4	4	4					3	2	1	1
7	Ms. Sumaira K. Aslam	MoF	5	5	4	4	3	3	2	2	3	3	1	1
8	*** Ms Naushaba Shahzad - Acting President	FWBL	1	1			1	1					1	1
*Mr. Muhtashim Ahmad Ashai, nominee Director of MCB resigned from FWBL's Board on March 16th, 2018														
**Ms. Nausheen Ahmad nominee Director of HBL resigned from FWBL Board on June 01, 2018														
***Ministry of Finance appointed Ms Naushaba Shahzad as Acting President & CEO of FWBL on October 15, 2018 in place of Ms Tahira Raza. SBP conveyed FPT clearance of Ms Naushaba Shahzad on November 20, 2018														
HBL nominated Ms Sumbul Munir as nominee Director of HBL on Board of FWBL on June 01, 2018. SBP conveyed FPT clearance of Ms Sumbul Munir on December 11, 2018.														

Performance Evaluation of the Directors

The purpose of the performance evaluation of the Directors is to identify the factors that would act as change agent and to help Board (as an entity) to be more successful in assessing its areas of strength and weakness and also to provide a yardstick by which the Board can identify and prioritize its goals for the future in the interest of the Organization. The performance evaluation takes into account the international broad corporate governance norms as well as the responsibilities of the Board as approved by the Board under the FWBL Board Charter (BC) and Board approved Policy on Self Evaluation (BE). Further the Guidelines on the performance evaluation of Board of Directors issued by SBP vide BPRD Circular No. 11 of 2016 dated 22nd August, 2016 were also taken into account and the questionnaires for performance evaluation were developed on line with the said guidelines. Currently the in-house approach for performance evaluation has been adopted; however, as required under the guidelines, the performance evaluation from third party would be undertaken once in three years.

Pattern of Share holding

The pattern of shareholding as required under section 226 of the Companies Act, 2017 and Article 17(4) (i) of the Public Sector Companies Code of Corporate Governance 2013 is as follows:

Share Holders	Number of Shares	% of Holding
Federal Government of Pakistan (through Ministry of Finance)	330,088,793	82.64%
MCB Bank Limited	23,095,324	5.78%
Habib Bank Limited	23,095,324	5.78%
Allied Bank Limited	7,734,927	1.94%
National Bank Limited	7,698,441	1.93%
United Bank Limited	7,698,441	1.93%
	399,411,250	100%

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Risk Management Framework

At FWBL, the Board of Directors, through its Board Risk Management Committee (BRMC) ensures that decision making is aligned with the Bank's strategies and risk appetite. Management Risk Committee

(MRC) is responsible for day to day risk management under the oversight of the Board and are updated by the Risk Management

Division (RMD) on key risks of the Bank through a comprehensive portfolio risk analysis / review presented on quarterly basis, which summarizes Bank's risk profile against its defined risk appetite.

Bank has taken a number of steps to further strengthen the overall risk management framework, salient features of which are summarized below:

- Revised Credit Risk Rating Policy of the Bank was approved by Board of Directors in 2017 which aims at establishing a robust credit control environment for loans. This is in line with Management's determination to constantly strengthen bank's Credit culture and processes in order to improve Credit evaluation, approval and sanctioning processes with enhanced focus on accountability / responsibility to alleviate future risk of NPL's and related losses to ultimately achieve earning targets with a high degree of reliability
- SBP had extended special relaxation to FWBL for Minimum Capital requirement in December 2013 wherein Bank is required to maintain a minimum paid up capital (net of losses) of Rs. 3 Billion instead of Rs. 10 Billion as applicable to other banks. As on date, the Bank is unable to comply with the special MCR criteria as conservative approach was adopted and some necessary provisions were taken to safeguard the interest of the stakeholders.
- The Bank also successfully meets the Capital Adequacy Ratio (CAR) & Leverage Ratio requirements under Basel III standards. The Bank has been able to maintain its CAR much above the approved threshold of 18 % as set by SBP which is over and above the required benchmark for other banks.
- The Market Risk and Treasury Middle Office under the umbrella of Risk Management Division is responsible to monitor Bank's market risk exposures, remains within approved policy parameters (i.e. risk appetite and tolerance levels). During the year, continuous efforts were made to further enhance /strengthen risk management techniques and tools for effective monitoring of Bank's Market Risk exposure.
- During the year, FWBL consistently remained above the regulatory requirement for Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). This is an evidence of Bank's comfortable Liquidity position.
- Adequate mechanism is in place for regularly monitoring of liquidity indicators and escalation of early warning signals (if any) well in time to Senior Management along with defined Management Action Plans (MAP)
- The Operational Risk Management function at FWBL is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the Operational Risk Management Policy and Procedures. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.
- The Bank has implemented an effective Operational Risk Management (ORM) framework for managing operational risk. Operational loss data is collected through a well-defined program implemented across the Bank. Periodic workshops to Operational Risk Coordinators are conducted for Risk & Control Self-Assessment exercise and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems,

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activities and processes, are comprehensively assessed by operational risk before implementation. Regular updates on operational risk status is

presented to Management Risk Committee (MRC) and the Board of Directors through the Board Risk Management Committee (BRMC)

- The Bank's management is committed to allocate considerable efforts and resources in managing the material risks to which it is exposed. The momentum attained so far will be continued in identifying, controlling and managing risk through significant investments in experienced human resource, innovative technology and required trainings.

Key Financial Indicators of FWBL 2012-2018

The significant highlights of the Bank's financial performance during the last 6 years are enclosed as under:

Key Financial Indicators	(Rs. In Millions)					
	2013	2014	2015	2016 (Restated)	2017 (Restated)	2018
Total Assets	20,761	18,787	21,347	18,534	24,840	23,200
Shareholders' Equity	1,635	2,212	2,833	3,481	3,733	3,316
Advances (Gross)	9,669	9,401	9,253	9,479	10,129	10,740
NPLs	763	1,411	1,895	1,963	1,670	1,990
Deposits	18,338	13,449	15,163	13,709	16,229	18,375
Investments & Lending's to Fls	8,497	7,301	11,067	8,133	13,588	10,634
Profit / (loss) before tax	(222)	(666)	34	4	(116)	(249)
NAV - Rs. / Share	11	12	11.15	8.71	9.34	8.30
Profit / (Loss) - Rs. / Share	(1.38)	(2.75)	0.21	0.03	(0.61)	(1.14)
Capital Adequacy Ratio - %	20.1%	29.1%	41.2%	46.56	53.86	35.56

Staff Retirement Benefit Funds

The Bank operates two post retirement fund i.e. Pension Fund and Gratuity Fund. The carrying value of investments of the approved Pension Fund and Gratuity Fund based on the last un-audited financial statements of the fund, were:

Value of the Investments and Bank Balances	Pension Fund	Gratuity Fund
	(Rs. In '000)	(Rs. In '000)
2018	776,463	-
2017	739,560	-

The Bank also operates un-funded scheme in the form of Compensated Absences.

Appointment of External Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. On the suggestion of the Audit Committee, the Board of Directors recommends to reappoint the same as Statutory Auditors of the Bank for the financial years ending 31st December 2019 and 31st December 2020.

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Corporate Social Responsibility

We aim to conduct our business that creates value for our customers, clients, partners, shareholders and mostly important our society. We understand that being a good corporate citizen starts with serving responsibly. We have engrained this philosophy in our business operation, in our culture and in our business decisions.

Internal Controls

The internal controls of the bank are in line with the guidelines provided by SECP and SBP. Existing policies are reviewed on regular basis. Bank has a dedicated Internal Control Division to make sure these controls are intact, the board obtain regular independent opinion over control health of the bank through an independent and well-functioning audit and inspection setup.

Looking Ahead

Our long term strategy is to evolve our leading segments resulting in deeper market access and creating opportunities through new product development. We believe in further expanding the scope of banking services in Pakistan in future. It is our objective to actively contribute to the development of the economy that is seeking its true potential. With ever changing industry and customer outlook, The Bank is focusing on development of new research based products to address the needs of different market segments, branch network transformation, branding and reshaping its processes. Focus on women empowerment through alliances and linkages with different women oriented forums is also the main pillar of the long term strategy of the Bank.

For the Bank, asset quality will remain a focus area while revitalizing its lending within the selected segments. Further, the management will continue to pursue the major shareholder for an equity injection that address the issue of the minimum paid up capital in line with the regulatory directives strengthening the financial base of the Bank.

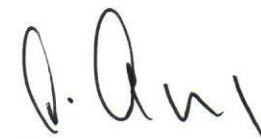
Appreciation and Acknowledgement

On behalf of the Board, I wish to place on record their sincere gratitude to the Government of Pakistan, Ministry of Finance, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their support and continued guidance. We also like to thank our Directors for the support and insights they had shared to allow us to move ahead and improve the overall governance structure of the bank.

The Directors also thank and appreciate the support and confidence of our valued customers and business partners for their continued trust and patronage. We also have high expectations from the bank's management and staff to turn this Bank around as quickly as possible.

For and on behalf of the Board of Directors


Farrukh Iqbal Khan
President & CEO


Muhammad Najeeb Agrawalla
Chairman Board

Karachi

Date: 21 October 2022