

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present condensed interim financial statements of First Women Bank Limited for the half year ended 30th June, 2022.

ECONOMIC AND BANKING REVIEW

Pakistan economy remained under severe stress during the first half of 2022 due to high inflationary and external pressure driven by surging commodity prices in international markets, supply chain disruptions and depreciation of Pak Rupee. The pressure on exchange rate intensified as a result of large current account deficit, decline in forex reserves together with uncertainty regarding IMF program and our uncertain domestic political situation.

Inflation rose from 12.3% at the beginning of the year to 21.3% in June 2022. In response to the rising inflation in the country, the State Bank of Pakistan (SBP) also tightened its monetary policy stance thereby raising the policy rate (benchmark rate) in a staggered manner from 9.75 percent at the beginning of 2022 to 13.75 percent by the end of June 2022.

The Federal Government has taken administrative measure to contain import bill by restricting non-essential imports. Restrictions on import of raw materials may adversely affect the industrial production and GDP growth rate in the fiscal year 2023. The Government and the State Bank have been taking fiscal and monetary measures with the aim of stabilizing the economy.

BANK'S PERFORMANCE REVIEW

PERFORMANCE FOR THE PERIOD

	Jun-22	Jun-21	Variance
	--- Rupees in (000) ---		
Mark-up /return / interest earned	2,406,253	1,307,970	84%
Mark-up /return / interest expensed	1,867,693	816,256	129%
Net mark-up / interest income	538,560	491,714	10%
Non Mark-up / Interst income	41,451	71,347	-42%
Total Income	580,011	563,061	3%
Non Mark-up / Interst expenses	594,661	496,208	20%
Profit / (Loss) before provisions	(14,650)	66,853	-122%
Provisions and write offs - net	37,637	(1,361,705)	-103%
Profit / (Loss) before Taxation	22,987	(1,294,852)	102%
Taxation	29,082	15,872	83%
(Loss) after Taxation	(6,095)	(1,310,724)	-99.5%
Basic & Diluted (Loss) per share	(Rs.) (0.015)	(3.282)	-99.5%

FINANCIAL POSITION

	June 30, 2022	Dec 31, 2021	Variance
	----- Rupees in (000) -----		
Advances	12,215,893	9,333,443	31%
Investments	29,188,876	23,778,583	23%
Total Assests	46,245,175	39,107,753	18%
Deposits and other accounts	24,690,600	25,361,624	-3%
Borrowings	17,122,834	9,679,443	77%
Total Liabilities	43,842,778	36,628,500	20%
Net Assets	2,402,397	2,479,253	-3%
Share Capital	3,994,113	3,994,113	0%
Reserves and Ravaluation Surplus	570,607	634,534	-10%
Accumulated Lossess	(2,162,323)	(2,149,394)	1%
Net Equity	2,402,397	2,479,253	-3%

Bank's net mark-up / interest income increased by Rs. 47 million (10%) whereas on non mark-up income side the Bank registered a decrease of Rs. 30 million (42%) over the last corresponding period. Bank's total income increased by Rs 17 million which represent increase of 3% over the last corresponding period. On the expense side, total non mark-up expenses increased by Rs 98 million whereas provision against NPLs resulted in net reversals of Rs 38 million. Bank reported profit before tax of Rs 23 million for the half year ended June 30, 2022 as against loss of Rs 1,295 million reported for the half year ended June 30, 2021. Bank registered after tax loss of Rs 6 million for the half year ended June 30, 2022 against Rs 1,311 million loss reported for the half year ended June 30, 2021.

On the Assets sides the Bank has reported a growth of 31% and 23% in advances and investments respectively; whereas on the deposit side a marginal decrease of 3% was reported by the Bank. Despite limited branch network and high cost of operational structure of the Bank, it has gained momentum of growth in overall business volumes heading towards turnaround position as reflected from substantial reduction in losses of the Bank.

BANK'S CAPITAL STRUCTURE

Minimum Capital Requirements (MCR) of the Bank has been reset by the State Bank of Pakistan upon recommendation of Government of Pakistan (GoP). 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. As of June 30, 2022, Bank's paid-up capital (net of losses) stands at Rs. 1.832 billion which is below the prescribed amount for the Bank's MCR. Given the MCR shortfall, the Bank is subject to certain restrictions, including the inability to pay dividends and the per party exposure limit remains at 50% of prudential regulation limits until the paid-up capital and reserves reach Rs. 6 billion.

CREDIT RATING

The Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed the bank's long term entity rating at "A-" while the short term entity rating has been maintained at "A2". The Bank's rating denotes that there is currently a low expectation of credit risk and capacity for timely payment of financial commitments is considered strong.

SUBSEQUENT EVENTS

No material changes and commitments affecting the financial position of the Bank have occurred between the end of financial period and the date of the Directors' review report.

FUTURE OUTLOOK

It is anticipated that inflationary pressures will continue to affect our economy. As the economy expands, trade deficit is likely to come under pressure putting more pressure on the PKR. Pakistan will continue to look towards external lenders to meet its funding requirements. Banking sector is likely to grow; however, most likely it would be dominated by large players in the market thus making it difficult for smaller banks to remain competitive.

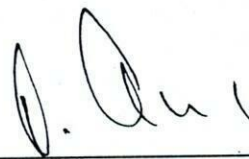
We anticipate that FWBL will continue to operate in a challenging internal and external environment. Lack of additional capital restricts us in making necessary infrastructural changes, however FWBL is steadfast in its commitment to safeguarding the interests of shareholders and concurrently maximizing value and service for customers while working within our resources.

ACKNOWLEDGEMENTS

We would like to place on record our sincere gratitude to the Ministry of Finance, State Bank of Pakistan, and SECP for their continued support and guidance to the Bank. We would also like to thank our valued customers for the trust and patronage that they continue to extend to us. Lastly, we would like to acknowledge the dedication of the staff of First Women Bank, who continue to work tirelessly to provide uninterrupted financial services in these uncertain times. Their efforts enable the Bank to grow from strength to strength.



Farrukh Iqbal Khan
President & CEO



Muhammad Najeeb Agrawalla
Chairman Board

Date:

Place: Karachi