

## 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 30<sup>th</sup> June, 2023.

### ECONOMIC AND BANKING REVIEW

Pakistan economy continued to remain under stress during the first half of 2023 due to high inflationary and external pressure resulting from surging commodity prices in international markets, supply chain disruptions and depreciation of Pak Rupee. A significant decline in GDP growth was witnessed during FY-2023 as a result of negative GDP growth of 0.2 percent as compared to 6.2 percent growth reported in FY-2022. The pressure on exchange rate persisted as a result of large current account deficit, low level of forex reserves and uncertain domestic political situation.

Inflation rose from 24.5% at the beginning of the year to a peak level of 38% in May 2023. 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 gradual manner from 16 percent at the beginning of 2023 to 22 percent by the end of June 2023.

Pakistan secured Stand-By Arrangement (SBA) with the IMF soon after the end of June 2023 that helped address immediate external sector stability concerns by supporting the foreign exchange reserves. In line with IMF conditionality for SBA, the federal 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-23	Jun-22	Variance
	--- Rupees in (000) ---		
Mark-up /return / interest earned	4,809,040	2,406,253	100%
Mark-up /return / interest expensed	3,906,198	1,867,693	109%
Net mark-up / interest income	902,842	538,560	68%
Non Mark-up / Interst income	52,551	41,451	27%
Total Income	955,393	580,011	65%
Non Mark-up / Interst expenses	713,721	594,661	20%
Profit / (Loss) before provisions	241,672	(14,650)	1750%
Provisions and write offs - net	95,907	37,637	155%
Profit / (Loss) before Taxation	337,579	22,987	1369%
Taxation	45,612	29,082	57%
Profit / (Loss) after Taxation	291,967	(6,095)	4890%
Basic & Diluted Earning / (Loss) per share (Rs.)	0.731	(0.015)	4890%

**FINANCIAL POSITION**

	<b>June 30, 2023</b>	<b>Dec 31, 2022</b>	<b>Variance</b>
	----- Rupess in (000) -----		
Advances	11,241,021	11,062,156	2%
Investments	55,055,957	28,980,969	90%
Total Assests	75,188,344	50,673,659	48%
Deposits and other accounts	33,980,370	32,164,330	6%
Borrowings	35,193,827	13,653,728	158%
Total Liabilities	72,401,044	48,169,125	50%
Net Assets	<u>2,787,300</u>	<u>2,504,534</u>	<u>11%</u>
Share Capital	3,994,113	3,994,113	0%
Reserves and Ravaluation Surplus	706,441	592,060	19%
Accumulated Lossess	<u>(1,913,254)</u>	<u>(2,081,639)</u>	<u>-8%</u>
Net Equity	<u>2,787,300</u>	<u>2,504,534</u>	<u>11%</u>

Bank's net mark-up / interest income increased by Rs. 364 million (68%) and non mark-up income increased by Rs. 11 million (27%) over the last corresponding period. Bank's total income increased by Rs 375 million which represent increase of 65% over the last corresponding period. On the expense side, total non mark-up expenses increased by Rs 119 million whereas provision against NPLs resulted in net reversals of Rs 96 million. Bank reported profit before tax of Rs 338 million for the half year ended June 30, 2023 as compared to profit of Rs 23 million reported for the half year ended June 30, 2022. Bank registered after tax profit of Rs 292 million for the half year ended June 30, 2023 against Rs 6 million loss reported for the half year ended June 30, 2022.

On the Assets sides the Bank has reported a growth of 2% and 90% in advances and investments respectively; whereas deposits increased by of 6%. Despite limited branch network and high cost of operational structure of the Bank, it has gained momentum of growth in overall business volumes 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, 2023, Bank's paid-up capital (net of losses) stands at Rs. 2.081 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

As per market expectations, inflation and exchange rate pressures will affect Pakistan economy, and Pakistan will continue to look towards external lenders to meet its funding requirements. Banking sector is expected 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