

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the annual financial statements of First Women Bank Limited for the financial year ended 31st December, 2023.

ECONOMIC AND BANKING REVIEW

Pakistan's economy faced yet another year of economic challenges, and GDP growth turned negative 0.2 percent for fiscal year 2023 (from 6.2% in FY-2022) due to decline in economic activity stemming from both local and external shocks, including domestic political uncertainty, government restrictions on imports and capital flows, continued impact of the devastating floods in 2022, and surging world commodity prices. Significant pressure remained on domestic prices, fiscal and external accounts and the exchange rate.

In 2023, Inflation remained higher than projections rising to an unprecedented peak of 38 percent in May 2023, declining thereafter to 30 percent by the end of year, driven mainly by the surge in prices of food, gas, electricity and fuel. Responding to the escalating inflationary trends, the State Bank (SBP) raised the policy rate gradually from 16 percent in December 2022 to a historic high of 22 percent in June 2023. The SBP kept the policy rate unchanged at 22 percent till the end of December 2023. The market expect that policy rate will gradually be cut in the year 2024 which will reduce the cost of debt and increase corporate appetite for credit-financed growth.

The approval of International Monetary Fund (IMF) Stand-By Arrangement (SBA) in July 2023 unlocked new external financing and averted a balance of payments crisis. Short-term macroeconomic stability depends on the robust implementation of the SBA and continued fiscal restraint and external financing inflows. The Government and the SBP have been taking fiscal and monetary measures, together with ensuring compliance of the IMF program, with the aim of stabilizing the economy.

BANK'S PERFORMANCE REVIEW

PERFORMANCE FOR THE YEAR	2023	2022	Variance
	----- Rupess in (000) -----		
Mark-up /return / interest earned	12,477,815	5,640,042	121%
Mark-up /return / interest expensed	10,403,732	4,417,189	136%
Net mark-up / interest income	2,074,083	1,222,853	70%
Non Mark-up / Interst income	93,745	94,874	-1%
Total Income	2,167,828	1,317,727	65%
Non Mark-up / Interst expenses	1,547,189	1,206,136	28%
Profit before provisions	620,639	111,591	456%
Provisions and write offs - net	163,285	6,720	2329.8%
Profit / (Loss) before Taxation	457,354	104,871	336%
Taxation	135,189	43,487	211%
Profit / (Loss) after Taxation	322,165	61,384	425%
Basic & Diluted Earnings/(Loss) per share	(Rs.) 0.81	0.15	425%

FINANCIAL POSITION AS OF 31 DECEMBER		2023	2022	Variance
		----- Rupess in (000) -----		
Advances		8,220,300	11,062,156	-26%
Investments		44,359,973	28,980,969	53%
Total Assests		70,792,502	50,673,659	40%
Deposits and other accounts		31,332,331	32,164,330	-3%
Borrowings		32,622,818	13,653,728	139%
Total Liabilities		67,709,980	48,169,125	41%
Net Assets		3,082,522	2,504,534	23%
Share Capital		3,994,113	3,994,113	0%
Reserves and Ravaluation Surplus		937,478	592,060	58%
Accumulated Lossess		(1,849,069)	(2,081,639)	-11%
Net Equity		3,082,522	2,504,534	23%

Bank's net mark-up / interest income increased by Rs. 852 million (70%) whereas on non mark-up income side the Bank registered a decrease of 1% over the last year. Bank's total income increased by 65% over the last year. On the expense side, total non mark-up expenses increased by 28% over the last year. Bank's profit before provision increased by Rs 509 million representing growth of 456% over the last year, and provision against NPLs increased by Rs 157 million. Bank profit before tax for the year 2023 amounted to Rs 457 million as against the profit of Rs 105 million in the year 2022. Bank registered after tax profit of Rs 322 million in the year 2023 as compared to Rs 61 million reported in the year 2022.

On the Assets sides the Bank has reported a decline of 26% in advances and increase in investments by 53%. Whereas on the deposit side Bank has reported slight decline of 3% over the last year. The bank has registered a moderate growth in overall business volumes despite limited branch network and high cost of operational structure 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 December 31, 2023, Bank's paid-up capital (net of losses) stands at Rs. 2.145 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.

HUMAN RESOURCES

At First Women Bank, we value our staff and strive to take steps that improve their satisfaction. Our HR policies aim at promoting a culture where the staff feels respected, valued, and fairly treated. Our human resource selection process is merit-based and non-discriminatory. We provide our employees the opportunities for career development, and help them in fulfilling their career growth aspirations. We are not only committed to recruiting and onboarding top talent, but also focused on retaining our top performers. Our focus is on maintaining constructive employee relations, and fostering a culture of professionalism. The Bank has a well-defined Code of Conduct in place and HR affairs are managed in a transparent manner in accordance with the standards laid down by the Bank.

Diversity, Equity, and Inclusion is one of the important ingredient of our organizational culture. The Bank is also dedicated to integrating Persons with Disabilities (PWDs) into the workforce with accessible spaces and PWD-friendly policies.

CUSTOMER EXPERIENCE

First Women Bank is committed to provide better experience and service quality to its customers which is considered as an important factor to drive growth for the Bank. A dedicated Service Quality and Complaint Management Unit has been established to ensure delivery of better quality services to the customer and to resolve customer complaints and grievances in fair, transparent and efficient manner.

In the year 2023, a total of 2,154 complaints were registered in the Bank. The average time taken to resolve the complaints was 5 working days.

CORPORATE GOVERNANCE

COMPOSITION OF BOARD AND DETAIL OF BOARD MEETINGS

The Board consist of six directors including the President and CEO as deemed director. Details of the meetings of the Board of Directors (BOD) and its Sub-Committees held during the year 2023 and the attendance by each director/ committee member are given as under:

	BOD Meeting	Board Audit Committee (BAC)	Board Risk & Compliance Committee (BRCC)	Board HR Committee (BHRC)	Board IT Committee (BITC)
Total No. of Meetings Held	4	4	4	3	2
Name of Director	No. of Meetings attended by each Director				
Mr. Muhammad Najeeb Agrawalla (Chairman Board & BITC)	4	NA	NA	3	2
Ms. Nagmana Alamgir Hashmi (Independent Director & BHRC Chair)	4	NA	NA	3	2
Mr. Wajahat Rasul Khan (Independent Director & BAC Chair)	4	4	4	NA	NA
Ms. Bushra Ehsan (Independent Director)	4	4	NA	3	NA
Ms. Sumbul Munir (Nominee Director & BRCC Chair)	3	3	3	NA	NA
Mr. Farrukh Iqbal Khan (President & CEO)	4	NA	4	3	2

PATTERN OF SHAREHOLDING

The pattern of shareholdings as on financial year end is given as follows:

As on 31st December	2023		2022	
	No. of Shares held	% of Shareholding	No. of Shares held	% of Shareholding
Federal Gov't of Pakistan through Ministry of Finance	330,088,793	82.64	330,088,793	82.64
MCB Bank Limited	23,095,324	5.78	23,095,324	5.78
Habib Bank Limited	23,095,324	5.78	23,095,324	5.78
Allied Bank Limited	7,734,927	1.94	7,734,927	1.94
National Bank of Pakistan	7,698,441	1.93	7,698,441	1.93
United Bank Limited	7,698,441	1.93	7,698,441	1.93
	399,411,250	100	399,411,250	100

SUBSEQUENT EVENTS

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the Bank.
3. Appropriate accounting policies and estimates have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgement.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The internal control system has been adequately designed, implemented and monitored. Internal control Framework is being strengthened further in accordance with the recommendations of external auditors to address the gaps highlighted in their Cover / Management Letter.
6. The Value of investments of Pension Fund and Gratuity Scheme as at 31st December 2023 are given as follows:
 - i) Pension Fund Rs. 181.142 million
 - ii) Gratuity Fund Rs. 43.399 million

KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Key Financial Indicators	(Rs. In Million)					
	2018	2019	2020	2021	2022	2023
Total Assets	23,200	24,143	38,013	39,108	50,674	70,793
Shareholders' Equity	3,316	3,632	3,857	2,479	2,505	3,083
Advances (Gross)	10,740	11,631	12,528	12,045	13,781	11,195
NPLs	1,990	1,948	1,920	2,703	2,735	2,920
Deposits	18,375	17,711	25,189	25,362	32,164	31,332
Investments & Lending to Financial Institutions	10,634	9,887	23,055	25,763	35,615	46,242
Profit / (Loss) before tax	(249)	259	392	(1,393)	105	457
Profit / (Loss) after tax	(457)	324	233	(1,417)	61	322
Earnings / (Loss) per Share (Rs.)	(1.14)	0.81	0.58	(3.55)	0.15	0.81
Capital Adequacy Ratio (%)	40.27	35.34	36.20	26.55	26.77	32.26

RISK MANAGEMENT

STATEMENT ON RISK MANAGEMENT FRAMEWORK

First women Bank has an adequate risk management framework based on its complexity, size and target market it is allowed to work within its limitations. Risk Management of FWBL covers the following areas:

1. Credit Risk
2. Market and Liquidity Risk
3. Operation Risk
4. Information Security Risk.

The Bank's Board of Directors along with the Board Risk and Compliance Committee, Executive committee, Executive Credit Committee and Compliance Committee oversee the Bank's Strategy, efforts and processes related to risk management.

CREDIT RISK

First Women Bank observes a strategy to control credit risk through product, industry and customer diversification. The Bank extends working capital financing, keeping the major portion of its exposure on a short-term basis. A major portion of the Bank's credit portfolio is priced on a floating rate basis using KIBOR as a reference, which minimizes interest rate risk. The risk inherent in extending credit is further mitigated by established credit approval process, which have been structured to ensure proper evaluation, adequacy of security, and monitoring of exposures on an ongoing basis. All of these risk measures are further augmented by centralized trade processing and credit administration.

IFRS 9 replaces the existing guidelines of the IAS 39 Financial Instruments: Recognition and Measurement and it introduces revised standards on the classification and measurement of financial instruments using expected credit loss model for calculating impairment on financial assets. First Women Bank is proceeding towards implementation of the IFRS-9 standards as per the timeline prescribed by SBP.

MARKET / LIQUIDITY RISK

The Asset and Liability Management Committee reviews, recommends and monitors limits for FX, Money market exposures. The strategy is to balance risk, liquidity and profitability. A Board approved Treasury Investment Policy focuses on, amongst other aspects, asset allocation and operating guidelines. Furthermore, the monitoring of market and liquidity risk is ensured in line with Board approved Market and Liquidity Risk Management Policy.

STRESS TESTING

Stress testing techniques are used to assess risk exposures across the institution and to estimate the changes in the value of the portfolio, when exposed to various risk factors. The Bank's stress testing methodology ensures adherence to the SBP guidelines.

OPERATIONAL RISK

Operational Risk in all area of banking activities is managed through proactive identification of threats using Risk and Control Self-Assessment (RCSA) and monitoring of Key Risk Indicators (KRI'S). Operational Risk Management (ORM) Unit designs and implements the Operational Risk framework across the Bank and regularly collaborates with Bank's business / support units to review and determine the inherent operational risks, applicable controls mitigations and residual risk.

FRAUD RISK

The Bank is focused and committed towards reduction of fraud incidents, misconduct and implement measures to be adopted after conviction of any fraud incidence. In order to strengthen the process of prevention, detection, investigation and reporting of fraud incidents, a comprehensive Fraud Prevention and Investigation policy has been devised. The Bank has a dedicated Fraud Risk Management Unit that remains strengthened by the oversight of the Board Risk & Compliance Committee (BRCC) which ensures the effective management of the Bank's fraud risk.

CONTINUITY RISK

The Bank has a Business Continuity Framework in place that reduces the risk of an operational shut down consequent to an untoward event. The framework consists of a policy and comprehensive plans with detailed roles, responsibilities, actions plans and recovery strategies, drawn from a comprehensive risk and impact analysis, to respond to a disastrous situation. It complies with the regulatory framework and best industry practices and is subject to regular reviews and audits. From an execution perspective, a Crisis Management Team is constituted by the Senior Management, looking after matters and taking decision in a disaster situation. As a part of a contingency arrangement, the Bank has developed multiple BCP Sites along with facilities for staff to work from home in a pandemic like situation. Staff readiness to respond in such situations is ensured through training, awareness and testing efforts.

INFORMATION SECURITY RISK

The Information Security Department (ISD) is a part of the Risk Management Division of the Bank to protect information and information systems. With the increasing use of technology in the customers' service delivery, the objective of Information Security Department is to minimize the information security risks by ensuring confidentiality, integrity and availability of customer's financial and personal information. ISD performs activities such as risk assessments, reviews, analysis, reporting and monitoring of risks to achieve the Bank's object.

COMPLIANCE AND CONTOL

Bank has taken various steps to strengthen its second line of defense, and in this direction the bank has developed a comprehensive compliance risk management framework for addressing regulatory risk and enhancing internal controls on KYC, Anti Money Laundering (AML), Combatting Financing of Terrorism (CFT), and Combatting Proliferation Financing (CPF).

Key highlights of our efforts include:

1. The Compliance function is actively involved in reviewing all policies, procedures, initiatives, products, and services from a Compliance, AML/CFT/CPF perspective. We maintain a close relationship with regulatory authorities and facilitate smooth interactions with on-site inspection teams.
2. Implementation of an AML risk alert reporting mechanism, and development of a regulatory library inclusive of circulars issued by SBP and other pertinent regulatory bodies.
3. Our transaction monitoring and AML risk alert reporting mechanism ensures vigilant monitoring of transactions, employing multiple AML/CFT scenarios to detect out-of-pattern activities.

4. Strict screening and pre-approval of cross-border transactions by the Compliance unit. Enhanced due diligence on trade transactions, including the updating of trade KYCs and risk profiles.
5. Dedicated unit focusing on TF risk mitigation, facilitating inquiries from Law Enforcement Agencies and ensuring compliance with UNSC resolutions.

An Internal Control Unit (ICU) has been established that works under the compliance division. This unit is tasked with collaborating with various departments such as Operations, Risk and Finance to evaluate the operational efficiency of internal control system in accordance with the Internal Control Guidelines of SBP.

INTERNAL AUDIT

Internal Audit, being the third line of defense, is an essential element of the Bank's overall control environment that work under the oversight of Board Audit Committee. Internal Audit periodically reviews the Bank's policies, processes, systems, and controls and provides independent assurance to the management and the Board on the adequacy and effectiveness of the Bank's internal control system.

EXTERNAL AUDITORS

The present auditors M/s BDO Ebrahim & Co., Chartered Accountants retire and, being eligible, have offered themselves for reappointment. As per Code of Corporate Governance, the Board and the Audit Committee have recommended the appointment of M/s BDO Ebrahim & Co. as external auditors of the Bank for the year ending December 31, 2024 on mutually agreed fees. The appointment is subject to approval in 33rd Annual General Meeting.

FUTURE OUTLOOK

As the inflationary pressures and other factors weighing on the economy kept different economic sectors under stress, the financial soundness of the banking sector remained intact; and despite some moderation in deposit growth, the banking sector remained stable. Inflationary pressures will continue to affect our economy as per market expectation. Due to trade deficit, Pak Rupee will remain under exchange rate pressure. 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.

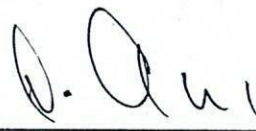
We anticipate that FWBL will continue to operate in a challenging internal and external environment. Lack of additional capital restricts us in making necessary infrastructural changes, however FWBL is steadfast in its commitment to safeguarding the interests of shareholders and concurrently maximizing 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 their trust and patronage extended to us. Lastly, we would like to acknowledge the unwavering 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