

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 (FWBL) for the half year ended 30th June, 2024.

ECONOMIC AND BANKING REVIEW

Pakistan economy has shown signs of recovery as real GDP of Pakistan registered growth of 2.4% in fiscal year ended June-2024 compared to negative GDP growth of 0.2% in FY-2023. As of June 30, 2024, total foreign exchange reserves of Pakistan increased to USD 14 billion from USD 9 billion as of June 30, 2023. Improvement in forex reserves, reduction in current account deficit, and other structural reforms including reforms related to Exchange Companies have apparently reduced the pressure on exchange rate resulting into stabilization of PKR throughout first half of 2024.

Inflation fell to 13% in June-2024 as compared to 29% in June-2023. In response to the declining inflation trend, the State Bank of Pakistan (SBP) reduced the policy rate by 150 basis points to 20.5% in June 2024 from 22% (previous rate since June-2023). The policy rate was further reduced by 100 basis points to 19.5% in July 2024.

The Federal Government has reached staff level agreement with IMF to obtain extended funding facility which is subject to approval by IMF's Executive Board. The IMF program (if approved) is expected to result in macroeconomic stability in long run.

BANK'S PERFORMANCE REVIEW

PERFORMANCE FOR THE PERIOD

	Jun-24	Jun-23	Variance
	--- Rupees in (000) ---		
Mark-up /return / interest earned	5,697,248	4,809,040	18%
Mark-up /return / interest expensed	(4,849,277)	(3,906,198)	24%
Net mark-up / interest income	847,971	902,842	-6%
Non Mark-up / Interest income	144,568	52,551	175%
Total Income	992,539	955,393	4%
Non Mark-up / Interest expenses	(802,874)	(713,721)	12%
Profit before provisions	189,665	241,672	-22%
Credit loss allowance and write offs - net	(10,353)	95,907	111%
Profit before Taxation	179,312	337,579	-47%
Taxation	(31,525)	(45,612)	-31%
Profit after Taxation	147,787	291,967	-49%
Basic & Diluted Earning Per Share	(Rs.) 0.370	0.731	-49%

FINANCIAL POSITION	June 30, 2024	Dec 31, 2023	Variance
	----- Rupees in (000) -----		
Advances	9,044,385	8,220,300	10%
Investments	41,916,836	44,359,973	-6%
Total Assests	57,503,069	70,792,502	-19%
Deposits and other accounts	28,335,253	31,332,331	-10%
Borrowings	23,095,331	32,622,818	-29%
Total Liabilities	54,496,432	67,709,980	-20%
 Net Assets	 <u>3,006,637</u>	 <u>3,082,522</u>	 -2%
Share Capital	3,994,113	3,994,113	0%
Reserves and Ravaluation Surplus	799,550	937,478	-15%
Accumulated Lossess	<u>(1,787,026)</u>	<u>(1,849,069)</u>	-3%
Net Equity	<u>3,006,637</u>	<u>3,082,522</u>	-2%

Bank's net mark-up / interest income decreased by Rs. 55 million (6%) and non mark-up income increased by Rs. 92 million (175%) over the last corresponding period. Bank's total income increased by Rs 37 million which represent increase of 4% over the last corresponding period. On the expense side, total non mark-up expenses increased by Rs 89 million whereas charge on account of credit loss allowance and provision against NPLs increased by Rs 106 million. Bank reported profit before tax of Rs 179 million for the half year ended June 30, 2024 as compared to profit of Rs 338 million reported for the half year ended June 30, 2023. Bank registered after tax profit of Rs 148 million for the half year ended June 30, 2024 as compared to post-tax profit of Rs 292 million reported for the half year ended June 30, 2023.

On the Assets sides the Bank has reported a growth of 10% in advances; whereas investments and deposits decreased by 6% and 10% respectively. Despite limited branch network and high cost of operational structure, the Bank has gained momentum of growth in overall business volumes.

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, 2024, Bank's paid-up capital (net of losses) stands at Rs. 2.207 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

The reduction in SBP policy rate has decreased borrowers' cost of debt, and the market expects that this reduction in rate would increase corporate appetite for credit-financed growth. Resultantly, the 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 committed to safeguard the interests of shareholders and to provide better experience and service quality to its customers while working within available resources.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like to express our gratitude to the Ministry of Finance, State Bank of Pakistan, SECP and other regulatory bodies for their continued support and guidance. We would also like to thank our valued shareholders and customers for their continued trust and ongoing support. Lastly, we would like to acknowledge the dedication and commitment of FWBL staff who continued to work tirelessly to transform the Bank into a viable entity.



Farrukh Iqbal Khan
President & CEO



Muhammad Najeeb Agrawalla
Chairman Board

Date:
Place: Karachi