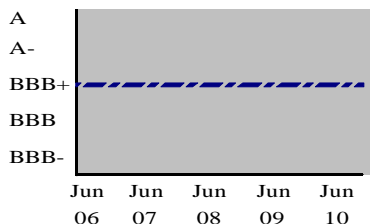


**RATINGS (JUNE 2010)**
**FIRST WOMEN'S BANK LIMITED  
(FWBL)**

	NEW	PREVIOUS
<b>Entity</b>		
Long Term	BBB+	BBB+
Short Term	A2	A2
<b>Outlook</b>	Positive	Nil

**HISTORY – LT ENTITY RATING**

**FINANCIAL DATA**
*(Amounts in PKR mln)*

	Mar 10*	Dec-09	Dec-08
Total Assets	10,957	10,258	7,304
Equity	1,062	1,058	1,136
Net Income	3	(80)	106
ROE (%)	1.2	(7.3)	9.8
ROA (%)	0.1	(0.9)	1.3
Equity/ Total Assets (%)	9.6	10.3	15.6
Net NPLs / Equity (%)	11.3	11.6	6.0
Capital Adequacy Ratio	33.9	32.4	22.1

\*Based on unaudited accounts for 3-months ended March 31, 2010

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**RATING RATIONALE AND KEY DRIVERS**

- The ratings reflect the bank's relatively constrained position among the peers emanating from its limited outreach and unique mandate of focusing on women or related borrowers that offers fewer avenues for fund deployment. Meanwhile, bank's capital is well short of the statutory requirement, though its capital adequacy remains strong.
- Recently, the bank has been removed from the GoP's privatization agenda. The government has decided to keep the bank in public sector by acquiring majority shareholding in the bank. Recognizing this development, the ratings have been assigned a positive outlook. Nevertheless, the timeline for the acquisition process remains uncertain.
- Timely execution of the acquisition process by the GoP would be critical for the bank's prospects. At the same time, capacity building, in terms of inducting experienced human resource and augmenting technological infrastructure, would be crucial. Any material deterioration in asset quality would negatively impact the ratings.

**ASSESSMENT**

- The domestic economy continues to face various challenges. Although certain macroeconomic indicators have improved, chronic power crisis, stubborn inflationary pressure, and adverse law and order situation are affecting the overall economic activity. This is reflected in the weakening asset quality of banks. Moreover, heavy government borrowing for budgetary support, high cost of funds, and the sector's cautious approach kept private sector credit off-take limited. The pace of accumulation of NPLs has stalled lately, but maintaining sound asset quality remains a challenge for the banking sector, especially for medium and small banks.
- During 2009, the bank's net interest revenue decreased mainly due to increased deposit cost impacting the bank's spread. Moreover, high provisioning expense due to increased NPLs rendered the bottomline red. The bank reverted back to profitability, though nominal in 1Q10.
- The asset quality of FWBL deteriorated during the year as the bank faced higher delinquencies in its loan book (NPLs to finances, CY09: 9.5%; CY08: 5.1%), though the impairment still remains lower than peers. FWBL's advances portfolio witnessed a material change in its composition, as proportion of corporate exposure increased (CY09: 39% CY08: 16%) with lower contribution from SME segment (32%). The twenty largest exposures constitute around 51% (2008: 58%) of the lending book exposing the bank to concentration risk. However, comfort can be drawn from the fact that a major portion of these exposures is either backed by liquid securities or strong collateral.
- FWBL's deposit base depicted a substantial growth (47%), comfortably outpacing the peers and sector growth rates. The top 20 deposits contribute around 38% of total deposits, with a significant portion of these deposits (mainly high volume term deposits) being interest rate sensitive. The deposits are primarily mobilized from government and semi-government institutions, signifying relative stability.
- The investment portfolio of the bank, with deployment of fresh deposits in this avenue, grew impressively (84%) during the year. Government securities (98%) – MTBs and PIBs – comprises majority of the portfolio implying low market risk and strong liquidity.
- The management is in the process of hiring senior personnel to fill certain executive positions. In this regard, limited franchise value of the bank remains an impediment. Timely upgradation of technological infrastructure, and designing and implementing a strong framework to streamline the risk management function remains imperative for prospects of the bank.
- FWBL has a limited equity base. However, with a relatively small loan book, the bank's Capital Adequacy Ratio remains strong. The bank remains non-compliant with regulatory capital requirements and has been granted extension by the SBP to meet minimum capital requirement till 31st December 2010. Going forward, with GoP's decision to keep the bank in public sector, strong support from the sponsors in form of sizable capitalization would be required. This will allow the bank to expand its operations. However, pace and materialization of these initiatives remain to be seen.

**PROFILE**

- Formed in 1989, FWBL's mandate was to cater to the special banking needs of women in Pakistan. FWBL continues to operate through a network of 38 branches spread over 23 cities nationwide and has 569 employees as on end-Dec 09.
- Ownership of FWBL lies with five banks (HBL, MCB, UBL, ABL and NBP – 81%) and the Ministry of Women's Development (19%), while the President is appointed by the Federal Government. Each shareholder has one nominee on the BoD. While the board continues to review the operational performance, they have shown limited willingness to address the strategic issue of the bank.
- Ms. Shafqat Sultana, President FWBL, has completed her first year in charge. She has been with the bank since inception and has received various awards for her contributions to the bank. She is supported by the Executive Committee of the management, which oversees the day to day operations of the bank.