



Financial Services for All

(A Company set up under Section 42 of the Companies Ordinance 1984)

QUARTERLY REPORT

April – June 2010

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Overall Growth

Kashf Foundation continued to build a new and robust portfolio in the second quarter of 2010, closing the quarter with an outstanding portfolio of Rs. 3.6 Billion and an active clientele of 323,334.

In this quarter, the staff and clients continued to meet the targets set out for them despite the increased macro level concerns in the country and endemic security issues. There was continued emphasis on building a strong and healthy relationship with clients along with introducing initial plans to scale up a financial literacy programme. Kashf Foundation continues its focus on building a robust eco system in the sector by enabling clients to make responsible financial decisions through its newly piloted financial literacy approach.

There was a 4.6% increase in the number of active clients; from 309,000 in March 2010 to 323,334 active clients in June 2010. New disbursements worth Rs. 627 M were made in this quarter, with the quarterly disbursement target being met completely.

General Loan and Outreach¹

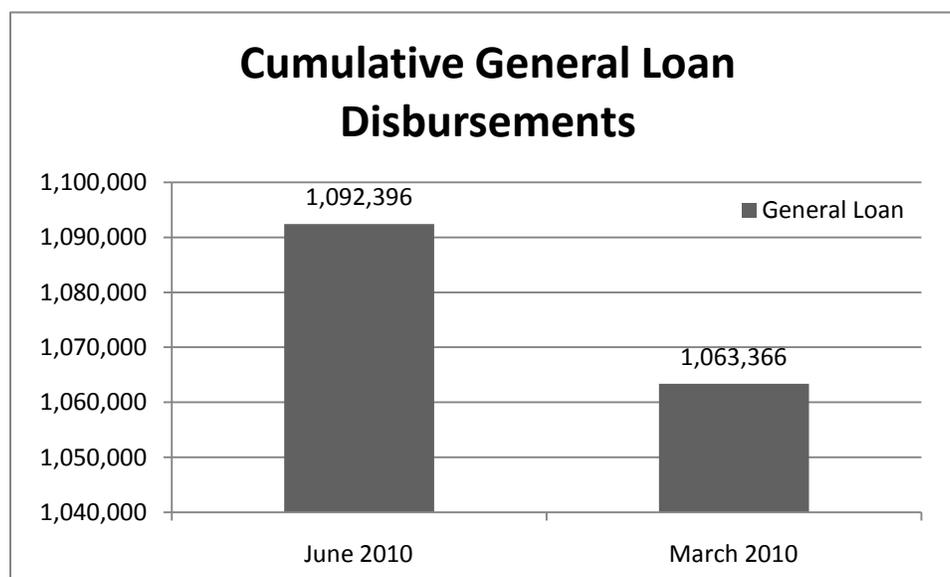
OUTREACH		
	APR 10 – JUN 10	JAN 10 – MAR 10
Active Clients and Outstanding Portfolio		
Total Kashf Clients	323,334	309,000
Cumulative Portfolio	3,583,647,709	3,415,132,949
Cumulative Loans Disbursed		
Cumulative GL Loans	1,092,396	1,063,366
Loans Disbursed in Quarter		
Amount Disbursed	627,167,000	590,790,000

¹ Emergency Loan Disbursements are still on hold based on so that more funds can be channelized towards the setting up of long-term income-generating businesses which is the need of the hour in the current economic environment, especially for Kashf's clientele

Loans Disbursed (GL + KAK)	29,030 (21,381 + 7649)	28,593 (23,363 + 5,230)
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In the second quarter of 2010, 29,030 General Loans were disbursed under the new methodology (compared with 28,593 loans disbursed in the previous quarter). This denotes a slight increase in the pace of new disbursements due to further streamlining of process and methodology, effective target monitoring at the field and head office level, and increased buy-in of clients and staff with the new methodology.

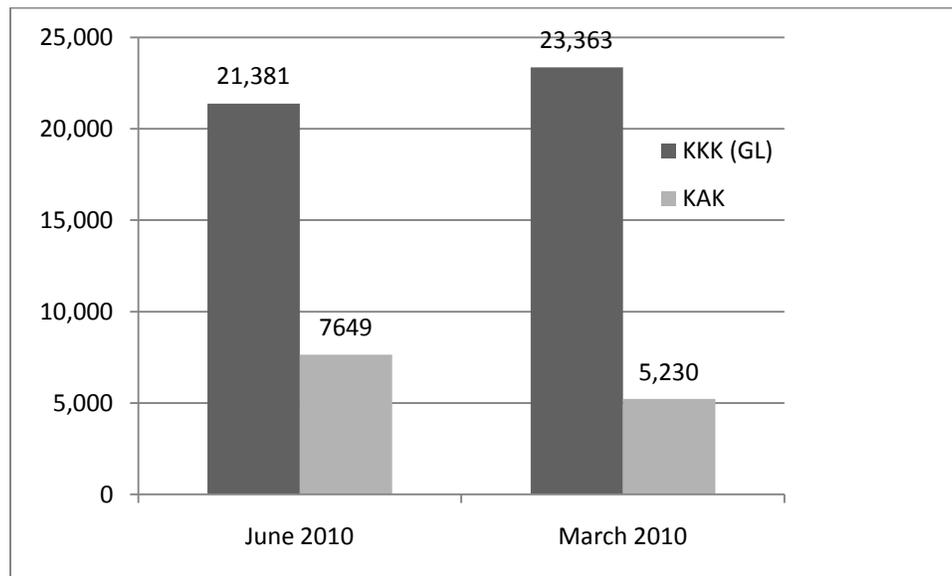
Emergency Loan disbursements are still on hold, so that more funds can be channelized towards the setting up of long-term income-generating businesses as that is the need of the hour in the current economic environment, especially for Kashf’s clientele.





Kashf Aitebar Karza Plus (KAK Plus)

Kashf’s new product “Kashf Aitebar Karza (KAK)”, which was developed to renew credit lines to existing clients in the face of continuously deteriorating economic conditions and launched in the fourth quarter of 2010, was further tweaked based on client and staff feedback. Terms and conditions were relaxed in view of customer demands and in order to give them some financial relief in these tough economic conditions. This changes in the product was extremely well-received by the clientele. The graph below shows the composition of loans disbursed in the current quarter:



Product Mix- KKK and KAK

The number of KAK disbursements have increased from 5,230 in January- March 2010 to 7,649 in April – June 2010, which represents a 46% increase in performance. This represents that the changes made to KAK have been well received in the field, and clients prefer the updated requirements and processes compared to the original ones. The PAR < 1 day of the KAK portfolio continues to remain under 2 %.

Financial Sustainability

Overall Performance²

Kashf continued with its strategy to maintain high levels of liquidity; consequently a higher proportion of funds was invested in short-term investments (70 percent of the total investment pool) to increase efficiency through a higher yield. At the end of the quarter, the total investment portfolio stood at to Rs. 970 Million [compared with March where it was Rs. 1.52 Billion].

RATIOS		
	APR-JUN 2010	JAN-MAR 2010
Cash to Total Assets (%)	19.60%	26.28%
Short Term Investments and Cash to Total Assets (%)	40.84%	59.99%
Cash to Current Liabilities	0.2x	0.3x
Return on Investments	12.10%	12.15%

The sources of finance for the quarter ending June 2010 remained the same as the previous quarter and on-lending funds were met through PPAF funds. Kashf has received Rs. 325 Million from PPAF. The average Cost of Funds (COF) for this quarter was 11.47% (compared to 11.53% in March 2010). The reason for this decrease is that high cost commercial debts were partially repaid in this quarter and the new loan facility of Rs. 325 Million from PPAF was acquired at a rate of 11.77%.

² Figures in this for Quarter 3 are audited figures, which may vary from the unaudited figures provided in the previous quarterly report.

INCOME FROM FINANCIAL SERVICES			
	Apr-Jun 2010	Jan-Mar 2010	Weight age (%)
Service Charge	102,572,908	75,539,442	58.13%
Investments	64,092,654	78,947,108	36.32%
Other Income	9,784,895	7,470,031	5.55%
Total Income	176,450,457	161,956,581	

There has been a 36% increase in income from service charge during this quarter as compared to the first quarter 2010. The increase in income from service charges is primarily due to increased repayments from clients. Income from investments has decreased by 19% and return on investments is now at 12.10%. The income from insurance premium (which is a major part of Other Income) increased in this quarter due to accelerated new disbursements.

Efficiency Ratios

There was a consistency in the administrative efficiency ratio from the previous quarter.

The operating expense ratio stood at 28% in the current quarter (compared to 29% in March 2010). The reason for this decrease is partial payment of high cost commercial debts during the quarter.

EFFICIENCY RATIOS		
	JUN 2010	MAR 2010
Administrative Efficiency	14%	14%
Operating Efficiency	28%	29%
Operational Self Sufficiency (OSS)	72%	64%
Financial Self Sufficiency (FSS)	63%	56%

At June end, the OSS stood at 72% (compared to 64% in Mar 2010) and the FSS was 63% (compared to 56% in Mar 2010). The improvement in both, the OSS and the FSS, can be attributed to the increase in service charge income from the new portfolio.

Life Insurance

The table below shows the number of life insurance clients during the first quarter of 2010. Life Insurance follows disbursement trends, and has consequently shown an increase compared to the previous quarter.

Insurance Enrollment		Apr - Jun 2010	Jan - Mar 2010	Total
Premium Received	Lives Covered	56,558	57,042	113,600
	Amount (In Rs.)	11,606,310	11,046,510	22,652,820
Payout		2,679,200	2,839,500	5,518,700
Number of Claims		130	139	269

The total number of lives insured cumulatively by Kashf till June 2010 is 22,652,820. The total number of claims for the fourth quarter was 130 totaling to a payout of Rs. 2.6 Million.

Human Resources

HR Trend Analysis

HR TREND ANALYSIS				
	APR 10 – JUN 10		JAN 10 – MAR 10	
Total Permanent Staff	1,271		1,279	
Total HO Staff	95		94	
Total Field Staff	1,176		1,185	
Gender	Male	Female	Male	Female
Number	765	506	784	495
Total Staff (Trainee + Permanent)	1,392		1,397	
Total Staff (HO)	99		98	
Total Staff(Field)	1,293		1,299	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	58%	42%	61%	39%
Number	802	590	848	549
Total Staff Recruited	111		88	
Total Staff Recruited – HO	3		4	
Total Staff Recruited - Field	108		84	
Gender Recruited Staff	Male	Female	Male	Female
Number	33	78	43	45
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	51	15	65	23
Overall Turnover	5%		7%	
Number	66		88	

The total staff count is currently 1,392 and the female gender ratio at the organizational level stood at 42% at the close of the second quarter of 2010.

- The recruitment team continued to identify and employ talented and committed staff as 111 employees were inducted during the last quarter.
- A total of 108 employees were recruited for the field whereas 4 employees were hired for the Head Office; 78% of the new recruits were female.
- Overall employee turnover was 5% as 51 staff members resigned and 15 were terminated.

Trainings: Internal and External

TRAININGS CONDUCTED IN THIS QUARTER		
	Number of Trainings	Number of Participants
New Staff Orientation	3	79
Internal Trainings	7	117
Policy Refreshers	6	217
External Trainings	2	2
Total	18	415

HR Initiatives

The following initiatives were taken in the HR department during the second quarter of 2010.

- Due to the recent changes in Kashf's methodology and to include the targets of the new product, KAK Plus, a **revised incentive policy** was designed for the staff in order to keep them motivated and focused on target achievement.
- Training sessions on **fraud and ethics** were conducted for all staff.
- **360-degree evaluations** were successfully conducted for the entire Area Manager tier.
- The HR department managed to **increase the female ratio** in the organization from 39% to 42%
- **BM evaluations** were conducted and successfully completed across the entire network in this quarter.
- During this quarter **staff recognition schemes** have been initiated whereby Kashf Foundation will give quarterly awards to high performing Branch Managers, and Loan Officers. The first such award ceremony was undertaken on the 13th of May, 2010.
- In addition to the above, Burnout Surveys were conducted for staff so as to gauge how comfortable and confident staff members are about the targets assigned to them and the daily routines they are expected to follow.

Gender Empowerment and Social Advocacy (GESA)

In the second quarter of 2010, GESA continued to strengthen Kashf's relationship with its clients and various other stakeholders by organizing innovative and exciting activities, explained in detail below.

Basic Financial Literacy Program in Collaboration with USAID

GESA is working in collaboration with USAID to develop and pilot the Basic Financial Literacy program for low-income clients in order to educate them about the importance of properly planning and managing their income and expenditures to get the best long-term financial solutions. Kashf Foundation is the first MFI in the sector to spearhead such an initiative and it aims to transform mindsets, build capacities and improve lives through this program. The initial design and draft was finalized during the quarter and these programs were run on a pilot basis. There were group sessions as well as one-on-one sessions training of new clients by Kashf LOs on key themes of financial literacy and good financial management.

Three modules of financial literacy i.e. Savings Management, Debt Management and Budgeting were also developed and tested in a number of branches with female clients (and their children in some cases).

Saving Management	-----	11 Sessions
Debt Management	-----	7 Sessions
Budgeting	-----	2 Sessions

These sessions will enable GESA to develop curriculum that is easily understandable and relatable for the clients. Moreover, through these sessions GESA managed to reach out to and educate approximately 200 clients - building on the feedback and response of the pilot, an enhanced version of these literacy sessions will be developed under the Systemized Financial Education Program and piloted across the Kashf network in the upcoming months.

Women Empowerment Group – Breast Cancer Awareness Campaign

The Women Empowerment Group is running The Pink Ribbon National Breast Cancer Awareness Campaign which has been working in Pakistan for a number of years. In the current quarter GESA facilitated the access of this campaign to Kashf clients. This entailed provision of logistical support to the Women Empowerment Group for the provision of on-site testing facilities for breast cancer for Kashf clients through their mobile van equipped with state of the art mammogram machinery. Free screening services, which would normally have cost them Rs. 3,000 – Rs. 8,000, were provided free by the Women Empowerment Group to clients. Doctors and technicians from INMOL Hospital involved with the clinic were women which helped increase the comfort level and social acceptability of the program for Kashf clients. The program was run on a pilot basis for Kashf clients, i.e. Kashf Foundation will assess the impact of the Campaign through the outcomes of the pilot which was undertaken in 4 branches i.e. Baghbanpura, Begumpura, Chungi-02, and Qainchi, and based on the pilot facilitate the access of the Campaign across its network. In the current pilot phase approximately 61 Kashf clients were screened by the Women Empowerment Group.

Recognizing Kashf Foundation Ceremony

GESA organized a recognition ceremony in honor of Kashf Foundation and the Managing Director Ms Roshaneh Zafar, for the efforts undertaken by the organization for women empowerment in Pakistan. The Honorable Ms. Carmela Conroy, the US Consul General Pakistan, was invited as a Chief Guest to the ceremony. The event was attended by 200 people including Kashf's Board of Directors, Kashf staff, political representatives, human rights workers and journalists. In the ceremony, top performing staff-Branch Managers and Loan Officers from each region were also recognized and given awards.

Saving Mobilization and Kiosk Educational Event (WWB)

GESA, along with the Operations Department, assisted a team from Women’s World Banking (WWB) to conduct savings research for Kashf Microfinance Bank Limited (KMBL). The objective of this research was to assess the feasibility of opening up KMBL kiosks in Kashf Foundation branches in order to facilitate Kashf’s clients with account opening and to encourage clients to deposit their savings with KMBL.

GESA compiled the Saving Education Booklet in collaboration with WWB. GESA also hosted a successful community marketing event for Savings at Walton Branch. Thus, GESA continued to provide support to the Kashf Microfinance Bank Limited - Kashf Foundation Kiosk Initiative in Kashf communities. The department has provided input in the marketing package, development of training curriculum, and community mobilization. Moreover, through their extensive field knowledge and experience the department has been able to advise KMBL and WWB on making the program more client friendly.

Media Coverage and Networking

In this quarter GESA continued its efforts to develop strong relations with external parties. Media coverage highlighted all of Kashf’s activities and achievements including coverage on; the visit of U.S. Ambassador at Large for Global Women’s Issues Melanne Verveer and U.S. delegates including Ambassador Robin Raphel, Mr. Ronan Farrow, Advisor to Special Representative Holbrooke, U.S. Consul General Carmela Conroy, Ceremony held for Recognizing Kashf Foundation contributions for women’s empowerment, USAID Signing of the Grant Contract for Basic Financial Literacy Program, and the Kiosk Opening at Kahna Branch.

Additionally, GESA arranged for a documentary “Women Empowerment through Microfinance” to be aired on Waqt TV. Interviews of Kashf’s management were arranged to be aired on PTV, Waqt TV and Apna Channel. Moreover, GESA developed and distributed the May 2010 edition of the Kashf Newsletter

to media and other stakeholders like parliamentarians, the media, NGOs, DCOs, and Police Officials, receiving a warm response from them all.