



“Financial Services for All”

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

QUARTERLY REPORT

January – March 2010

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Overall Growth

Kashf Foundation continued to build a new and robust portfolio in the first quarter of 2010, closing the quarter with an outstanding portfolio of Rs. 3.42 Billion and an active clientele of 309,000.

In this quarter, the staff and clients continued to meet the targets set out for them. There was continued emphasis on building a new and robust portfolio for the company to go back to business as usual, while simultaneously focusing on developing new schemes and incentives to consolidate the outstanding portfolio.

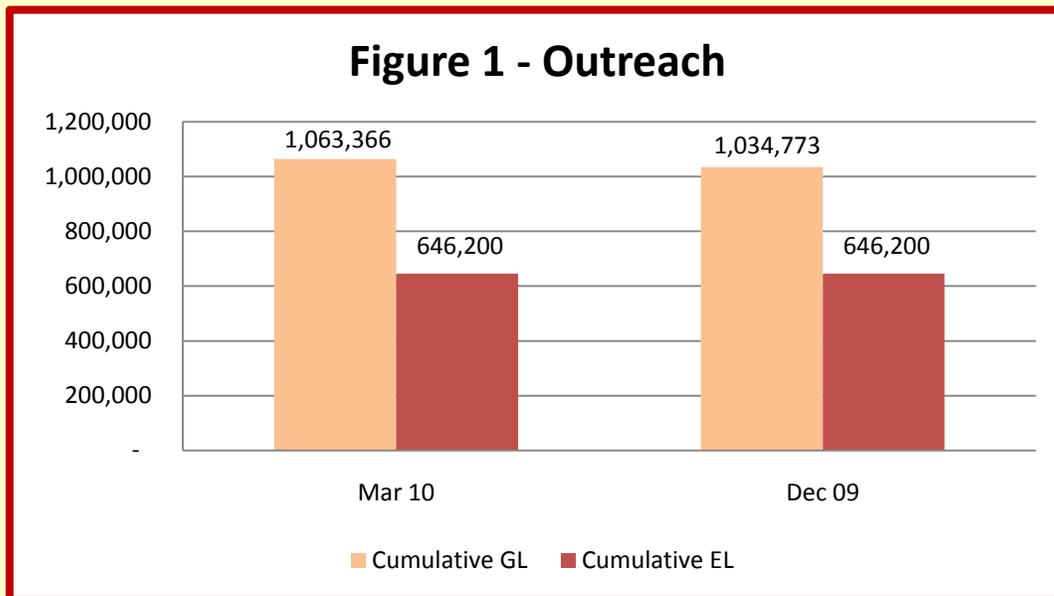
There was a 4.6% increase in the number of active clients; from 295,299 in December 2009 to 309,000 in March 2010. New disbursements worth Rs. 590 Million were made in this quarter, with the quarterly target achievement standing at 99%. Kashf is on its way to build a healthy portfolio, with the PAR of the new disbursement being under 0.15%.

General Loan and Emergency Loan Outreach

TABLE 1 : OUTREACH		
	JAN 10 – MAR 10	OCT 09 – DEC 09
Active Clients and Outstanding Portfolio		
Total Kashf Clients	309,000	295,299
Cumulative Portfolio	3,415,132,949	3,167,588,498
Cumulative Loans Disbursed		
Cumulative GL Loans	1,063,366	1,034,773
Cumulative EL Loans	646,200	646,200
Loans Disbursed in Quarter		
Amount Disbursed	590,790,000	538,558,000
Loans Disbursed (GL + KAK)	28,593 (23,363 + 5,230)	31,186 (28,336 + 2,850)

In the first quarter of 2010, 28,593 General Loans were disbursed under the new methodology (compared with 31,186 loans disbursed in the previous quarter). This denotes a slight decrease in the pace of new disbursements as external factors hampered Kashf's pace (account opening reluctance on the part of commercial banks leading to delays).

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 (KAK)

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, continued to be well received among the clients and successfully managed to win them back—5,230 disbursements were made in this quarter. The KAK has an outstanding portfolio of Rs. 172 Million with PAR under than 0.2%. Based on the initial results of the rollout and a detailed assessment of client needs, it was decided that the KAK be made available to all Kashf branches throughout Punjab following which it was introduced in Region 04 (South Punjab) in January 2010.

Recovery Officers

As a part of the strategy to induce recoveries and maintain regular follow-ups in the more difficult areas in the field, Kashf Foundation hired specialized Recovery Officers (ROs) for certain areas in order to pilot this strategy. The ROs initially took some time to familiarize themselves with Kashf's clients but later on started to yield positive results. They are responsible for pursuing the most problematic clients and are constantly encouraging them to re-build their relationship with the Foundation.

However, as of March the RO progress has reached a static point and thus the Foundation has set a timeline beyond which it will decide whether to do away with them or to shrink their numbers and deploy them in selected branches on a rotational basis so as to recover the toughest overdue clients from all areas.

Financial Sustainability

Overall Performance¹

Kashf continued with its strategy to maintain high levels of liquidity; consequently a higher proportion of funds was invested in short-term investments (81 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. 1.52 Billion [compared with December where it was Rs. 1.64 Billion].

TABLE 2: RATIOS		
	JAN-MAR 2010	OCT - DEC 2009
Cash to Total Assets (%)	26.28%	30.58%
Short Term Investments and Cash to Total Assets (%)	59.99%	66.37%
Cash to Current Liabilities	0.3x	0.3x
Return on Investments	12.15%	12.42%

The sources of finance for the quarter ending March 2010 remained the same as the previous quarter and on-lending funds were met through PPAF funds. Kashf has received Rs. 650 Million from PPAF. The average Cost of Funds (COF) for this quarter was 11.53% (compared to 11.57% in December 2009). The reason for this decrease is that high cost commercial debts were partially repaid in this quarter and the new loan facility of Rs. 650 Million from PPAF was acquired at a rate of 11.77%.

¹ Figures in this for Quarter 3 are audited figures, which may vary from the unaudited figures provided in the previous quarterly report.

TABLE 3: INCOME FROM FINANCIAL SERVICES

	Jan-Mar 2010	Oct – Dec 2009	Weightage (%)
Service Charge	75,539,442	40,593,569	28.11%
Investments	78,947,108	97,080,813	67.22%
Other Income	7,470,031	6,748,249	4.67%
Total Income	161,956,581	144,422,631	

There has been an 86% increase in income from service charge during this quarter as compared to the fourth quarter 2009. The increase in income from service charges is primarily due to increased repayments from clients. Income from investments has decreased by 17% and return on investments is now at 12.15%. 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 slight improvement in the administrative efficiency ratio by 1% from the previous quarter. The reason for improving administrative efficiency is because of an increase in the size of the average portfolio due to a higher number of new disbursements being made in this quarter.

TABLE 4: EFFICIENCY RATIOS

	MAR 2010	DEC 2009
Administrative Efficiency	14%	15%
Operating Efficiency	29%	33%
Operational Self Sufficiency (OSS)	64%	51%
Financial Self Sufficiency (FSS)	56%	48%

The operating expense ratio stood at 29% in the current quarter (compared to 33% in Dec 2009). At March end, the OSS stood at 64% (compared to 51% in Dec 2009) and the FSS was 56% (compared to 48% in Dec 2009). 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		Jan - Mar 2010	Oct - Dec 2009	Total
Premium Received	Lives Covered	57,042	57,108	114,150
	Amount (In Rs.)	11,046,510	10,020,190	21,066,700
Payout		2,839,500	1,307,550	4,147,050
Number of Claims		139	76	215

The total number of lives insured cumulatively by Kashf till March 2010 is 1,961,729. The total number of claims for the fourth quarter was 139 totaling to a payout of Rs. 2.8 Million. The premium collected increased by 90% since new disbursements have continuously been picking up pace.

Human Resources

HR Trend Analysis

HR TREND ANALYSIS				
	JAN 10 – MAR 10		OCT 09 – DEC 09	
Total Permanent Staff	1,279		1,291	
Total HO Staff	94		99	
Total Field Staff	1,185		1,192	
Gender	Male	Female	Male	Female
Number	784	495	801	489
Total Staff (Trainee + Permanent)	1397		1,419	
Total Staff (HO)	98		100	
Total Staff(Field)	1299		1,319	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	61%	39%	62%	38%
Number	848	549	872	547
Total Staff Recruited	88		134	
Total Staff Recruited – HO	4		1	
Total Staff Recruited - Field	84		133	
Gender Recruited Staff	Male	Female	Male	Female
Number	43	45	69	65
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	65	23	87	23
Overall Turnover	7%		8%	
Number	88		110	

- The total staff count is currently 1,397 and the female gender ratio at the organizational level stood at 39% at the close of the first quarter of 2010.
- The recruitment team continued to identify and employ talented and committed staff as 88 employees were inducted during the last quarter.
- A total of 84 employees were recruited for the field whereas 4 employees were hired for the Head Office; 51% of the new recruits were females.
- Overall employee turnover was 7% as 65 staff resigned and 23 staff were terminated.

Trainings: Internal and External

TRAININGS CONDUCTED IN THIS QUARTER		
	Number of Trainings	Number of Participants
New Staff Orientation	4	83
BM Leadership	10	203
Policy Refreshers	24	844
External Trainings	1	1
Total	39	1,131

HR Initiatives

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

- A **“Time Mapping”** exercise was conducted for all field positions in order to gauge the optimum workload for Kashf’s field teams. Results from this exercise were consulted while setting targets for the field staff.
- Due to the changes in Kashf’s methodology and hence targets a **revised incentive policy** was designed for the staff in order to keep them motivated and focused on target achievement.
- The HR department successfully completed defining the formal **pipelining procedure** for the Branch Manager and Area Manger tiers.
- The following **trainings** were organized for the Head Office and field staff by the HR department:
 - **Leadership Trainings** for Branch Managers and Area Managers.
 - **Human Engineering** for Head Office staff.
 - **Dream Workshops and Policy Refreshers** for Branch staff.
 - **Orientation Sessions** for new staff.

Gender Empowerment and Social Advocacy (GESA)

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

Theatre Performances

Kashf believes in gender equality and aims to generate gender awareness among clients through theatre performances. In this quarter, GESA developed its 'Theatre Calendar' for the next six months, which has been communicated with all the Regions. Theatre contracts were renewed in this quarter and 66 theatre performances relating to gender inequality and violence against women were conducted. Almost 6,600 women attended these performances and openly appreciated them, agreeing not to bear any sort of violence against themselves or their daughters.

Naat Competition for Children

GESA arranged *Naat* Competitions for the children of clients all across Kashf's network. For marketing this competition, GESA designed, printed and distributed flyers amongst the Kashf clientele. A total of 600 children from low-income households actively participated in these *Naat* competitions across Punjab and Karachi, of which 150 were awarded with prizes. Special prayers for peace and prosperity to prevail in Pakistan were offered in these gatherings.

Financial Education for Clients

The aim of the financial education programme is to educate Kashf's clients about proper budgeting and saving so that clients can easily manage their incomes and expenditures, while comfortably saving up for the future.

GESA conducted a need assessment to assess the client's current financial knowhow and to design programs accordingly. Research material was collected for designing separate modules on the themes of savings, debt management, budgeting and financial skills.

The first module to be completed is based on 'Savings'; this was pilot tested in five branches with female clients, their husbands and children within the age bracket of 12-14 years. The pilots proved to be very successful and the learning modules were well-received by the audience. A complete road map of all four modules will be completed till mid of 2010. The rollout of this project will be initiated as soon as funding requirements are met.

Advocacy: Kashf Women's Day

Kashf Foundation strongly believes in women empowerment and celebrated the International Women's Day in front of the Lahore Press Club with much fervour. The theme of the event was "Economic Opportunities for Women is a Human Right". Kashf Management, staff and clients lit candles to show solidarity with the women in Pakistan and all over the world. This activity was highly appreciated by the Media and Civil Society and helped raise awareness of Kashf's mission.

CNIC Project

In an effort to facilitate our clientele in getting CNICs made with minimum hassle, GESA collaborated with NADRA and executed the Mobile Van CNIC coordination for the clients of Lahore and Faisalabad. Around 200 clients and their family members were facilitated in this quarter. GESA will continue these efforts in order to facilitate Kashf clients from other cities and regions in the coming months.

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 which was well appreciated by the WWB team.

Kashf Quarterly Newsletter in Urdu

GESA developed and distributed the January 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. The next edition will be circulated in April 2010.

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 such as the Children *Naat* Competitions, Women's Day celebrations, the visit of U.S. special representative Ms. Farah Pandith, and the Vital Voices Award given to Kashf's Founder, Roshaneh Zafar. Statements by Ms. Zafar were also published in the commerce editions of Daily Jang. GESA coordinated live interviews of Ms. Zafar on Dunya News.

GESA invited media representatives as guests on Kashf events, like *Naat* competitions and theatre performances, in order to strengthen relations with the media. GESA continues to be in regular touch with all media contacts, sending them wishes via letters and telephonic messages. Kashf's

quarterly newsletter was also circulated to all Media contacts to keep them updated on Kashf's activities.

Public Relations with Local Governments and NGOs

GESA continued to maintain cordial relations with all local government officials (District Administrators, DCOs, DPOs), regularly updating its directory of stakeholders and sharing Kashf publications with them.

GESA participated in an NGO rally on Women's Day and in a seminar by "*Aman Ittehad*" on March 23, 2010. In an entrepreneur conference held by Karavan Crafts, GESA represented Kashf and set up an information stall.