



Financial Services for All

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

QUARTERLY REPORT

January - March 2011

Table of Contents

Overall Growth	3
General Loan and Outreach	3
Provision of Ancillary Services to Clients	4
Financial Sustainability.....	6
Overall Performance.....	6
Efficiency Ratios	7
Life Insurance.....	7
Human Resources	8
HR Trend Analysis.....	8
Learning Team Activities.....	9
HR Initiatives.....	9
Gender Empowerment and Social Advocacy (GESA).....	11
Basic Financial Literacy Program	11
Systemized Financial Education Program.....	11
Saving Educational Event	12

Overall Growth

In the period January to March 2011, Kashf Foundation picked up its growth pace and closed the quarter with an outstanding portfolio of PKR 3.5 Billion and an active clientele of 309,623. There is a slight decrease in the number of total active clients which is due to the completion of loan tenures and the organization's conscious decision to exclude clients that do not qualify for loans under the new criteria set by Kashf Foundation's new credit methodology. 25,437 new loans were disbursed in the current quarter (compared to 17,119 in October – December 2010) with total disbursed amount being Rs. 556 Million (Oct – Dec 2010: Rs. 369 Million).

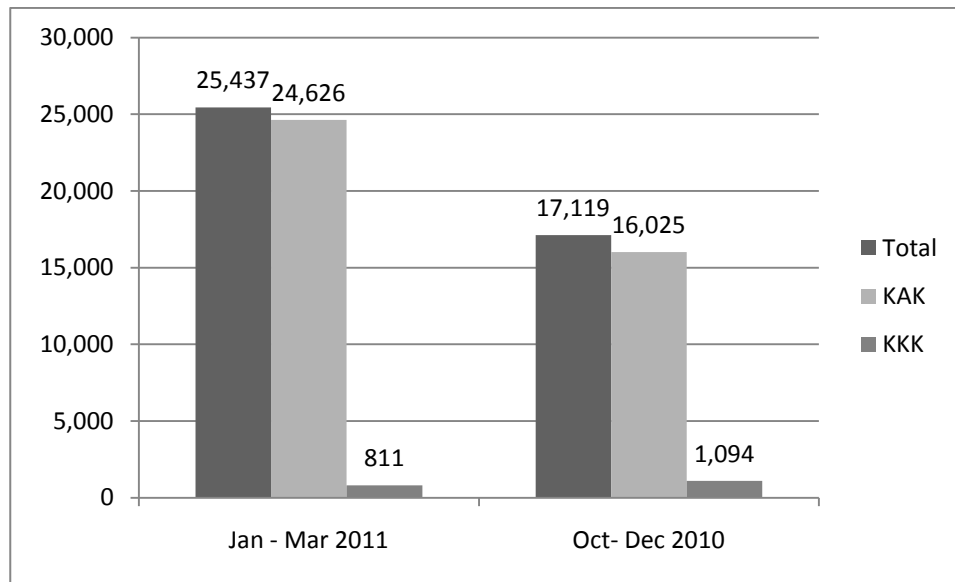
General Loan and Outreach¹

	JAN – MAR 11	OCT – DEC 10
Active Clients and Outstanding Portfolio		
Total Kashf Clients	309,623	312,146
Cumulative Portfolio	3,533,357,052	3,303,725,748
Cumulative Loans Disbursed		
Cumulative GL Loans	1,157,162	1,131,725
Loans Disbursed in Quarter		
Amount Disbursed	556,142,000	369,429,000
Loans Disbursed	25,437	17,119
(GL + KAK)	(24,626 + 811)	(16,025 + 1,094)

In the first quarter of 2011, 24,626 KKK loans were disbursed under the new methodology (compared with 16,025 loans disbursed in the previous quarter). This denotes an increase of approximately 50% in the pace of new KKK disbursements which has been achieved through concentrated efforts of the field teams, continued training on the new methodology and some process modifications in the lending process. Moreover, the impacts of the August 2010 flooding have also decreased, alongside a relative stability in the macro-economic indicators. The number of KAK disbursements has however decreased from 1,094 in Oct-Dec 2010 to 811 in Jan-March 2011. This has been due to branch level product disbursement suspensions,

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

which were undertaken keeping in mind the Foundation’s decision to prioritize KKK disbursements.



Provision of Ancillary Services to Clients

Kashf Woman’s Day

Kashf Foundation’s staff and clients celebrated the international Women’s day through candle lit vigil on the 8th of March 2011 in front of the Lahore Press Club. In this event, Kashf staff and clients displayed placards and banners that had slogans such as “Empower Women, Empower Pakistan”, “Women Empowerment is Economic Empowerment”, “Financial Equality is equal to Social Justice”, etc written on them. The participants also chanted slogans to show their solidarity with women across the world. Kashf staff expressed that the future of Pakistan lies in the progress of women and a real socio-economic change is only possible only if the society as whole changes its attitude towards women’s economic rights.

Kashf Children Naat Competition

The annual Kashf Children *Naat* competition in connection with Eid Milad-un-Nabi was also held in this quarter. The event was two tiered, with an initial short listing of participants at the branch level and a larger Lahore based event to select the top three

participants from the shortlisted pool. A total number of 500 children of Kashf clients participated in the branch level events and 24 children were shortlisted for the final competition. A panel of judges selected the top three winners at the final event. All participants were given trophies, school bags, books, and certificates. The top three positions were awarded a computer system, digital camera and bicycle.

Financial Sustainability

Overall Performance²

In the current quarter Kashf Foundation continued with its strategy to maintain high levels of liquidity; consequently a higher proportion of funds was invested in short-term investments (51 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 Rs. 480.5 Million [compared with Dec where it was Rs. 479 Million].

RATIOS		
	JAN-MAR 2011	OCT-DEC 2010
Cash to Total Assets (%)	33.70%	41.17%
Short Term Investments and Cash to Total Assets (%)	42.08%	48.78%
Cash to Current Liabilities	0.4x	0.5x
Return on Investments	12.61%	11.79%

The main source of funding for Kashf Foundation continues to be PPAF; an amount of PKR 480 million was received from PPAF in the current quarter. The weighted average cost of funds is 13.15%; with commercial loans priced at 15.34% and non-commercial loans priced at 12.64%. Currently, a liquidity pool of Rs.1.166 billion is available. In the next two months the debt obligation of Rs. 477 million will be paid out from this pool.

The table on the right shows the income for the Foundation for the current quarter. There has been a 6.54% decrease in income from service charge during this quarter as compared to the last quarter. The major reason for the decline in income is due to a decrease in KAK disbursements. Income from investments has increased by 1% and average return on investments is 12.61%. Other income (i.e. documentation charges and insurance premium) has increased due to a higher number of disbursements during this quarter.

INCOME FROM FINANCIAL SERVICES			
	Jan-Mar 2011	Oct-Dec 2010	Weight age (%)
Service Charge	103,095,728	110,312,867	64.65%
Investments	50,940,828	50,519,171	31.95%
Other Income	5,420,255	4,581,653	3.40%
Total Income	159,456,811	165,413,691	100%

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

Efficiency Ratios

There has been a slight decrease in administrative efficiency ratio in the current quarter which is 40.66% [compared to the previous quarter; 40.54%] due to a change in personnel expenses in current quarter (salary increment). The operating expense ratio stood at 29.02% in the current quarter (compared to 27.46% in Dec 2010) which can also be attributed to the increments in salary given to all

EFFICIENCY RATIOS		
	MAR 2011	DEC 2010
Administrative Efficiency	40.66%	40.54%
Operating Efficiency	29.02%	27.46%
Operational Self Sufficiency (OSS)	84%	88%
Financial Self Sufficiency (FSS)	73%	72%

field and head office staff. At March end, the OSS stood at 84% (compared to 88% in Dec 2010) and the FSS stood at 73% (compared to 72% in Dec 2010). These ratios are dependent on growth rates over a 6 month period, thus even though growth numbers for the current quarter have increased the ratios have declined as result of slow growth in June – December 2010. That said the institution has achieved considerable improvement in pace of disbursements as can be seen in the target achievement for March 2011 which stood at 113%. Thus, Kashf Foundation is well poised for improvements in the OSS and FSS in coming months.

Life Insurance

The table below shows the number of life insurance clients in the current and previous quarters. Life Insurance follows disbursement trends, and has consequently shown an increase compared to the previous quarter. The total number of lives insured cumulatively by Kashf till March end 2011 is 17,075,230. The total number of claims for the quarter was 223 totaling to a payout of Rs.2.4 Million.

Insurance Enrollment		Jan – Mar 2011	Oct – Dec 2010	Total
Premium Received	Lives Covered	50,888	34,020	84,908
	Amount (In Rs.)	10,260,860	6,814,370	17,075,230
Payout		2,460,700	1,767,200	4,227,900
Number of Claims		223	200	423

Human Resources

HR Trend Analysis

HR TREND ANALYSIS				
	Jan – Mar 11		Oct – Dec 10	
Total Permanent Staff	1,366		1,268	
Total HO Staff	95		95	
Total Field Staff	1,271		1,173	
Gender	Male	Female	Male	Female
Number	740	626	705	563
Total Staff (Trainee + Permanent)	1,491		1,487	
Total Staff (HO)	97		98	
Total Staff(Field)	1,394		1,389	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	54%	46%	54%	46%
Number	803	688	802	685
Total Staff Recruited	112		217	
Total Staff Recruited – HO	1		3	
Total Staff Recruited - Field	111		214	
Gender Recruited Staff	Male	Female	Male	Female
Number	57	55	99	118
Turnover (Quarterly)	Voluntary	Invuntary	Voluntary	Invuntary
Number	51	21	72	23
Overall Turnover	5%		8%	
Number	72		95	

- The total staff count on 31st March was 1,491 and the female gender ratio at the organizational level stood at 46% at the close of this 1st quarter of 2011.
- The recruitment team continued to identify and employ talented and committed staff with 112 employees being inducted during the current quarter. Out of these, a total of 111 employees were recruited at the field and 49% of these were females, whereas 1 employee was hired for a Head Office position.
- Overall Employee Turnover was 5% (51 staff resigned and 21 staff were terminated).

Learning Team Activities

Activity	Quarter ended March- 2011	
	# of Trainings	# of Participants
New Staff Orientation	5	92
External Training	4	6
Refreshers	4	101
Internal Trainings	102	2,009

HR Initiatives

The following initiatives were taken in the HR department during the current quarter:

- The Human Resources organized a 2 day Branch Manager (BM) Conference in Lahore. The aim of the conference was three fold (1) to increase overall team motivation, (2) to increase interaction of field staff with senior management, and (3) to provide a platform for interaction amongst BMs from across the network. 170 BMs from Punjab and Sindh attended the conference, along with the Regional Managers and the Head office team.
- The Kashf Certification Program was undertaken with 126 BDOs, BAs and BMs which had been nominated for the program by their AMs and RMs. The Program consists of a 3 day live-in session in Lahore aimed at developing the skills of the participants to enhance their efficiency, increase their impact, enable them to become better professionals, and help them meet upcoming challenges in a more effective manner.
- Star Performers (BDOs) Lunch with the Managing Director was organized in January, February, and March to acknowledge the hard work of high achieving BDOs. Under this initiative, the top performing BDOs from all regions are selected and invited to the head office to discuss their performance over lunch with the Managing Director. This session not only recognizes the efforts and hard work of the BDOs but also motivates them to maintain their high performance and encourages others to follow suit.
- Gender justice workshops for management and head office team were also organized in collaboration with GESA department, the aims of the workshop were to (1) increase overall team gender sensitivity, (2) to highlight issues of

gender injustices in the work place and society as a whole, and (3) to provide a platform for interaction amongst both male and female staff.

- Another new initiative taken by HR has been the SMS service. The HR department sends out SMS on a daily basis to all staff, these SMS cover a spectrum of content from information regarding any changes, to motivational messages from the Management Team, to policy re-iterations. The idea behind this service is to always remain in touch with the staff and to be able to reach out to all staff employed by the Foundation.
- Specialized training programs for female staff- These include the Women Leadership Development Program in which 41 employees were covered, the mentorship program for women leaders, Coaching Program for future women leaders and Essential management skills development for future leaders.
- Annual Performance Reviews and increments were conducted and processed for all employees.

Gender Empowerment and Social Advocacy (GESA)

In this quarter, GESA hired and trained five Area Based trainers to implement the Systemized Financial Education Program for women entrepreneurs in 5 different areas of Punjab. The aim of this program is to focus on educating women entrepreneurs about effective utilization of loans, increase in their savings, better financial negotiations and management of debt. GESA also conducted refresher sessions on Basic Financial Literacy for Business Development officers.

Basic Financial Literacy Program

The Basic Financial Literacy Trainings were implemented in all Kashf branches including the Karachi region in this quarter through BDOs under the supervision of Branch Managers. This program is being undertaken with the support of USAID Entrepreneurs Pakistan. 40,186 clients were given trainings on Basic Financial Literacy and Consumer Protection, and Kashf Foundation has to date provided trainings to a total number of 70, 177 clients.

The Department also conducted refresher sessions with 54 BDOs of different branches. During the refresher sessions, the branch staff appreciated the Basic Financial Literacy Program, and told the team that it is very beneficial in helping them strengthen their relationship with clients as clients realize the importance of the training program. According to our staff, clients have been giving very positive feedback on trainings. The clients shared with the BDOs that as a result of the trainings they realized the importance of budgeting, and are now trying to manage their income and expenses on daily basis. Another strong feedback that we got from the staff was that clients feel that they have become more aware about their rights regarding the consumer protection code by Kashf Foundation. BDOs also shared that one of our client, Rozeena baji said this training has a good effect on her life, as she came to know about the importance of saving and budgeting. Now she keeps record of her daily expenses and tries to save money on daily and weekly basis. Branch staff told that they are coaching the new joiners; trainee staff on Basic Financial Literacy Training Manual. GESA will keep conducting monitoring and refresher sessions of Business Development Officers in next quarter.

Systemized Financial Education Program

The objective of the activity is to enhance client productivity, increase incomes and expand businesses. It also aims to empower clients to make better financial choices, and manage their money in a better way. In this quarter, 5 trainers for Systemized Financial Education Program hired and trained on Systemized financial Education

Program for the 5 Areas of Punjab province; Lahore01, Lahore05, Gujranwala01, Multan and Faisalabad04. These trainers identified female entrepreneurs in their areas who are willing to attend certification course on Systemized Financial Education and trained them on training modules. A total number of 80 sessions conducted with 527 women entrepreneurs. These trainings are also being undertaken with the support of USAID Entrepreneurs Pakistan.

GESA also monitored 12 training sessions with these trainers. These training found successful, as the clients actively participated in all activities and gave positive feedback. In these training sessions, clients shared that they learned to purchase goods on economical prices after getting knowledge about financial negotiations. A client shared that she has started making her household budget and she is happy to increase her savings. A client from Faisalabad shared that she is avoiding unnecessary expenses and invested the saving amount in her business to get maximum profit. The clients gave their commitments to act on learning in training sessions. In this month, GESA also finalized the draft of booklet of four training modules on Financial Negotiations, Debt Management, Budgeting and Savings

Saving Educational Event

One of the continued activities of GESA is the Saving Educational Event help Kashf clients understand the importance of building up savings. In this quarter, a total number of 137 sessions were conducted with 1,945 clients.