

KASHF FOUNDATION

Quarterly Report | January – March 2015

Institutional Achievements

- Active Borrowers: 233,677
- Outstanding Portfolio PKR 4.1 billion
- Cumulative Amount Disbursed: PKR 41.7 billion
- Cumulative Loans: 2.65 million
- Active Persons Insured in Health Insurance: 291,493
- Staff Attrition: 2.9%
- Staff Head Count: 1,996
- Cumulative Financial Education Participants: 980,742
- Cumulative Gender Training Participants: 77,071
- Cumulative Business Incubation Lab Graduates: 10,183
- Total Number of Low-cost Private Schools Financed: 82
- Total Number of Low-cost Private School Students Impacted: 8,200
- Total number of Low-Cost Private School Teachers Trained: 295



Social Performance Management Dashboard

Percentage of Women-Led Businesses: 55%	Clients from Less-Developed Regions: 39%
New Clients Below the Poverty Line: 100%	Households Below 30 on Poverty-Scorecard: 36%
Client Retention Rate: 63%	Client Satisfaction: 99%
Staff at Different Management Levels: 45%	Loan Utilized for Business Purposes: 98%
Increase in Income for: 70% of the clients	Increase in Savings for: 79% of clients
Decrease in Domestic Violence for: 97%	

Quarterly Highlights

Kashf Foundation has continued its work for the mainstreaming of low-income households through its suite of financial and non-financial products and services.

Kashf was able to disburse 71,526 loans, provide life insurance for 143,052 lives, cover 186,393 persons in micro-health insurance, and train 78,919 participants in Financial Education.

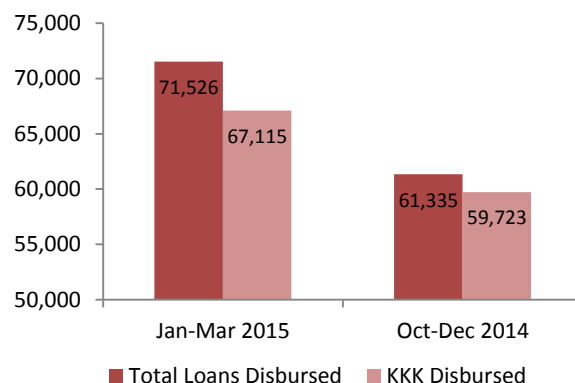
The unique number of low-income people insured by Kashf Foundation at March end, in its life and health insurance program, stood at 655,911

Moreover, Kashf also organized a graduation ceremony for its first batch of vocational trainees. The chief guest for the event was Ms. Hameeda Waheedud-Din, Provincial Minister for Womens Development.

Kashf Foundation partnered with the Asian Development Bank and Jubilee Life Insurance to celebrate International Womens Day. The program included a panel discussion, social theatre performance and client testimonials.

Operational Performance- Overall Growth

Kashf Foundation's active clientele at the end of March 2015 stood at 233,677 clients (compared with 228,918 clients in the previous quarter). 71,526 loans have been disbursed in the current quarter compared to 63,254 loans in the previous quarter, which represents a marginal increase of approximately 13%. Consequently, there has also been a marginal increase in the outstanding portfolio from PKR 3.8 billion in December to PKR 4.2 billion by end of March.



Portfolio

Active Clients, Loans and Portfolio		
	Jan-Mar 2015	Oct-Dec 2014
Total Kashf Clients	233,677	228,918
Outstanding Portfolio	4,217,581,654	3,777,597,559
Amount Disbursed (KKK, KIKK, KM)	2,135,066,000	1,853,701,000
Loans Disbursed (KKK+KIK+KM)	71,374 (67,115 + 2,012 + 2,247)	63,133 (59,723 + 1,530 + 1,880)

In the current quarter Kashf has disbursed 67,115 Kashf Karobar Karza Loans (KKK), 2,012 Kashf Ibtida-e-Karobar Karza Loans (KIKK), and 2,247 Kashf Murabaha loans (KM). The KKK continues to be the main lending product for the Foundation with disbursements of over PKR 2.02 billion. Kashf disbursed PKR 47.3 million under KIKK which supports start-up businesses. KM loans worth over PKR 62.9 million were disbursed in Abbottabad, Noshera, Mansehra and Haripur districts of KPK.

The average loan size witnessed a positive trend depicting a marginal increase from PKR 29,378 to PKR 30,000 by the end of the quarter. Kashf's loan size is determined by an extensive business and household appraisal of clients under Kashf's lending methodology which means that the loan is approved based on the cash-flows and business needs of the client.

Updates on Kashf Micro-Health Insurance - (Kashf Sehatmand Zindagi Bima)

Kashf's unique pro-women family health insurance product is covering a total of 291,493 lives. In the current quarter, under the health insurance program, 186,393 lives have been insured (compared to 33,500 in the last quarter). Kashf's health insurance product provides cover to the entire family with hospitalization for up to PKR 30,000 per family member. The product is currently being rolled out and offered in 31 operational areas out of 33 existing operational areas. The uptake and performance of the product has been going well. The areas are well-serviced with respect to good quality hospitals and there is an array of well-established panel hospitals. Moreover, client awareness regarding the importance of seeking professional health-care is also on the higher side. The current quarter claims experienced a range of medical conditions including but not limited to Hypertension Management, Head Injuries, Chemotherapies, Gastroenteritis, Chronic Live Diseases, Caesarian Section, Hepatitis, Kidney Diseases, Typhoid etc.

Financial Sustainability – Overall Performance

The overall liquidity has declined during the current quarter, mainly because of the debt repayments worth PKR 588 million – this includes a repayment of PKR 363 million to PPAF, PKR 81 million to JS bank, PKR 79 million to MCB, PKR 56 million to UBL Bank and PKR 9 million to Silk Bank. Kashf's overall consolidated PAR stood at around 0.79% at the end of this quarter.

The weighted average cost of funds for this quarter has been 10.30 %, with COF for commercial loans at 11.06% and PPAF loans at 8.99%. Currently, there is an available pool of PKR 263 million and an expected inflow of PKR 320 million from PPAF and PKR 350 million from Askari Bank; to support on-going cash-flow needs. Kashf expects to raise PKR 3.6 billion from local and foreign commercial

sources over the year 2015, along with expanding the outreach to several first and second tier banks. This will be particularly contingent on being able to provide assets to back up these commercial loans, and to improving the debt to equity ratios.

	Jan – Mar 2015	Oct – Dec 2014
Cash to Total Assets	2.18%	7.00%
Short Term Investments & Cash to Total Assets	8.04%	13.57%
Return on Investments	9.81%	9.54%
Cash to Current Liabilities	4.37%	13.78%

Overall, the total income in the current quarter has increased by 7.7% due to an increase in income from service charges as a result of an increase in disbursements. Increased income and funding contributions will improve the organization's equity base, which is essential to increase the portfolio and reach out to more potential clients.

Income From Financial Services

	Jan-Mar 15	Oct-Dec 14
Service Charge	397,518,774	357,543,267
Investments	39,362,687	48,224,431
Other Income	20,341,839	18,806,605
Total Income	457,223,300	424,574,303

There are several aspects that impact the overall financial performance of the organization. The key financial drivers that can impact include inflation, pricing, cost of funds, portfolio quality, BDO productivity and average loan size disbursed. These indicators have always played a very strategic role in strengthening Kashf's financial performance.

Efficiency Ratios

Kashf has been continuously working towards ensuring greater efficiency in its individual lending appraisal backed model. Along with various other initiatives, the organization has been extensively focusing on timely liquidity management and access to capital, through a focus on building the organization's equity.

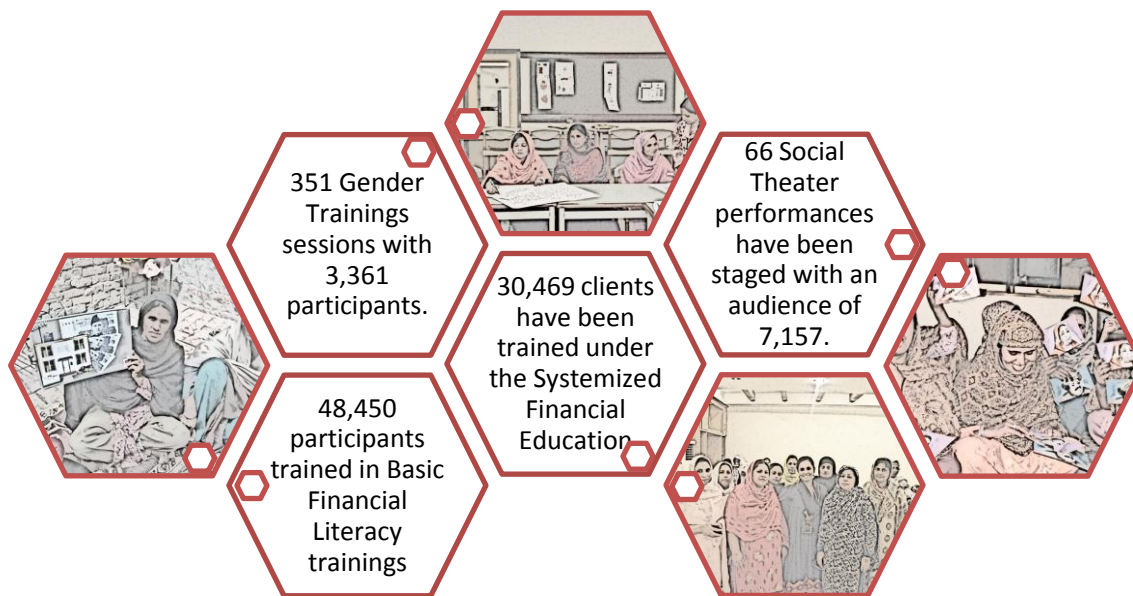
The administrative efficiency ratio, which maps the resources used to build a quality portfolio, has shown improvement, with the ratio standing at 20.97% at the end of this quarter (compared to 20.88%

at the end of previous quarter) due to an increase in personnel and administrative expenses. The OSS has shown an increasing trend; with the ratio standing at 116.2% in Mar 2015 (compared to 114.5% in Dec 2014); whereas the FSS has increased to 106.6% (compared to 105.6% in Dec 2014). Decline in monthly inflation rates resulted in the improvement of the institution's financial viability. Adjusting the effect of inflation on the institution's equity indicated an increase in FSS for this quarter.

	Mar 2015	Dec 2014
Administrative Efficiency	20.97%	20.88%
Operational Self Sufficiency (OSS)	116.2%	114.5%
Financial Self Sufficiency (FSS)	106.6%	105.6%

Gender Empowerment and Social Advocacy

GESA Programs have been effectively contributing towards achieving their project's ultimate outcomes and improving the conditions and capacities for women's participation in informal and formal economic activities by providing them financial literacy trainings and access to business development services.



Women Entrepreneurs Council

A quarterly meeting and certificate distribution ceremony have been held for the Women Entrepreneurs Council in Punjab. 10 area level meetings have been conducted with WEC members of Sindh with the agenda of collecting suggestions on Kashf's policies, products and services from the council members. In total, 36 recommendations have been received through WEC's feedback during this quarter regarding relaxation in the loan criteria, efficiency of the disbursement process and expansion of non-financial training services. These recommendations have been compiled together and are yet to be shared with the Executive Body for revision and implementation. Selection of new WEC members in Punjab has been completed.

Business Incubations Labs

In this quarter, 1,664 clients have graduated from the 6th batch of 2,036 inducted BIL clients. These clients have been trained on business management, marketing and networking and product innovation techniques. The remaining clients will graduate in the next quarter. These entrepreneurs have also been taken on market visits to local market places to help them understand various marketing techniques employed by vendors. During this period, 344 market linkages have been developed with vendors.

The Business Incubation Labs program is Kashf Foundation's first of its kind intervention in the microfinance sector aimed at helping self-employed and micro-entrepreneurs enhance their business scope and scale. Currently, 37 BILs are operating across the network and providing business support services to participating women clients. The financial tracking and budgeting taught to female entrepreneurs during the BIL trainings has aided them to maintain simple budgets, determine exactly how much revenues and expenses they incur and make effective business decisions. BIL clients and graduates have been provided opportunities to display their products at entrepreneurial exhibitions in Lahore, Islamabad, Abbotabad, Haripur, Manshara, Peshawar, Gujranwala, Faisalabad, and Kasur.

Kashf Foundation's Vocational Skills Training Program

During this quarter, Kashf Foundation continued its classes for its Vocational Skills Training Program under PSDF Skills for Market 14-15 Project. Kashf has trained and certified 375 women through its 21 training centers established in Lahore for Domestic Tailoring, Beautician and Adda Work and equipped them with technical and vocational skills to make them economically empowered and self-sufficient.

Human Resource Management & Development

Key Trends

- The total staff count at the end of March 2015 has stood at 1,714 and the female gender ratio at the organizational level at 50%.
- The recruitment team has continued to identify and employ talented and committed staff; 43 employees have been inducted during the current quarter.
- A total of 41 employees have been recruited for the field and 2 employees have been hired for Head Office positions. Out of the total recruited staff, 27 employees have been females. Overall Employee Turnover has been 3% owing to the resignation of 39 staff members and termination of 10 members.
- 39% of Kashf staff report to female managers.

HR Initiatives

- Regional Seminars have been conducted with Region 2, 3, 4 and 5 teams in the months of January and February. Through these seminars field teams are given the opportunity to interact with the senior management and engage in discussions on social performance, aiding client's financial management, and Kashf's role as a wealth management company for the poor.
- Live in Session for 11 staff members from newly opened branches from Region 5 (Gulshan e Hadeed, Khairpur , Bin Qasim and Chundiko) was conducted in March. The training included sessions on Kashf's History & Values, Organizational Culture & Diversity, Dignity at Workplace, Fraud & Internal Control, Operations Policy, Customer Care & Client Protection Code and Importance of Teams & field exposure.
- Policy Refresher trainings were conducted for Region 5 staff members in March. A total of 186 participants including AMs, BMs, BAs and BDOs attended the session. The session covered topics on Kashf's History and Values, Organizational Culture & Diversity, Dignity at Workplace (Bullying and Harrasment) and Operation's Policy.
- 4 Kashf team members have attended external trainings. Mr. Saleem Shahzad, Manager Audit was nominated for the training on Risk based Internal Auditing. Senior Regional Manager Mr. Yasir Ijaz attended the two days conference on Islamic Microfinance and Area Manager Mr. Sohail Aslam and Senior Branch Manager Safia Imran from Region 4 participated in the 5 days Grass Root Level Training by State Bank of Pakistan in Multan.

- Monthly ongoing initiatives including Employee of the Month (for all tiers and functions), HR Newsletter, Exit Interviews, Late Closing survey and Star Performers Lunch with the Managing Director were undertaken. The HR helpline received 186 queries in total. The maximum numbers of queries have been regarding benefits (health claims & final settlement).
- Climate Survey with 1289 field staff and 81 HO staff has been initiated and compiled in this quarter. The analysis with recommendations for Field HO climate survey has been completed and will be shared with the Senior Management in the first week of April. The analysis with recommendations for Field Climate survey is in process and will be completed by mid-April.

Human Resources Trend Analysis

	Jan-March 2015		Oct-Dec 2014	
Total Permanent Staff	1714		1732	
Total HO Staff	116		117	
Total Field Staff	1598		1615	
Gender	Male	Female	Male	Female
Number	858	856	868	864
Total Staff (Trainee + Permanent)	1764		1783	
Total Staff (HO)	116		118	
Total Staff (Field)	1648		1665	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	50%	50%	50%	50%
Number	858	856	895	888
Total Staff Recruited	43		72	
Total Staff Recruited – HO	2		2	
Total Staff Recruited - Field	41		70	
Gender Recruited Staff	Male	Female	Male	Female
Number	16	27	27	45
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	39	10	63	16
Overall Turnover	3%		5%	
Number	49		79	