



“Financial Services for All”

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

QUARTERLY REPORT

October – December 2009

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Overall Growth

Kashf Foundation continued to build a new and robust portfolio in the fourth quarter of 2009, closing the year with an outstanding portfolio of Rs. 3.17 Billion and an active clientele of 295,299.

In this quarter, the staff and clients were given time to absorb and conform to all the changes brought about in the third quarter. 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.

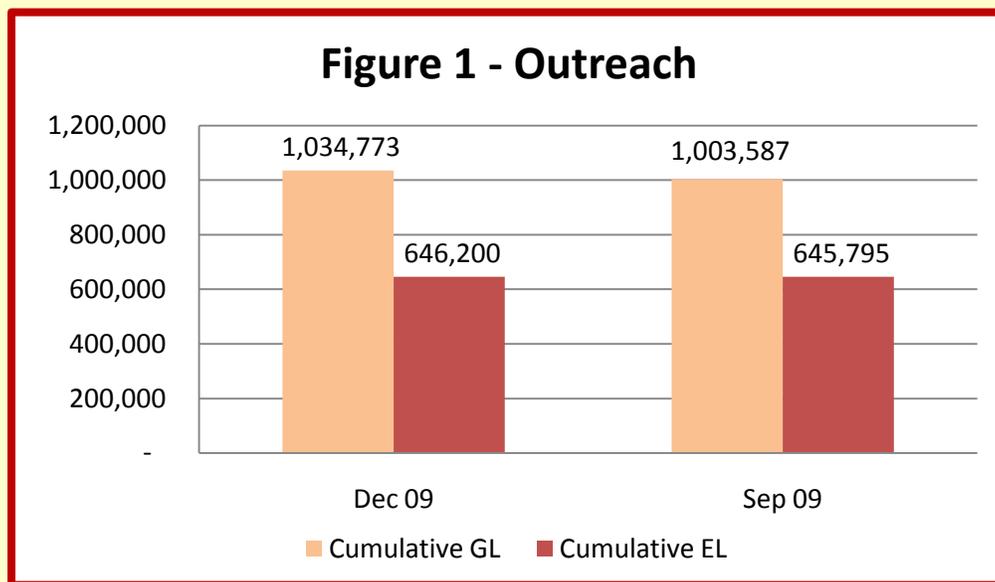
There was a 2.5% increase in the number of active clients; from 287,546 in September to 295,299 in December. New disbursements worth Rs. 539 Million were made in this quarter, with the quarterly target achievement standing at 110%. Kashf is on its way to build a healthy portfolio, with the PAR of the new disbursement being under 0.01%.

General Loan and Emergency Loan Outreach

| TABLE 1 : OUTREACH | | |
|---|-----------------|-----------------|
| | OCT 09 – DEC 09 | JUL 09 – SEP 09 |
| Active Clients and Outstanding Portfolio | | |
| Total Kashf Clients | 295,299 | 288,076 |
| Cumulative Portfolio | 3,167,588,498 | 2,878,206,802 |
| Cumulative Loans Disbursed | | |
| Cumulative GL Loans | 1,034,773 | 1,003,587 |
| Cumulative EL Loans | 646,200 | 645,795 |
| Loans Disbursed in Quarter | | |
| Amount Disbursed | 538,558,000 | 280,947,000 |
| Loans Disbursed (GL + KAK) | 31,186 + 2,850 | 16,342 + 0 |

In the fourth quarter, 31,186 General Loans were disbursed under the new methodology (compared with 16,342 loans disbursed in the previous quarter). This denotes an increase in the pace of new disbursements as the learning hurdles associated with the new disbursement methodology have been minimized, and both clients and staff have become more comfortable with the new policies.

In this quarter, 405 Emergency Loans were disbursed (in October only) after which they were discontinued. The reason to temporarily discontinue these consumption loans is 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, was launched in October. This product, the KAK, was well received by the clients and successfully made 2,850 disbursements till December 2009, having an outstanding portfolio of Rs. 62 Million with no delinquency. Based on the initial results of the rollout and a detailed assessment of client needs, it has been decided that the KAK will now be made available to all Kashf branches throughout Punjab.

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 are now starting 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. This is having multifold benefits as it is giving loan officers more time to focus on building up a robust new portfolio, while the old portfolio is consistently being monitored by the ROs.

Financial Sustainability

Overall Performance¹

Kashf continued with its strategy to maintain high levels of liquidity; in relative terms the liquidity seems to be decreasing as compared to the third quarter but in absolute terms a higher proportion of funds was invested in short-term investments (82 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. 1.64 Billion [compared with September where it was Rs. 1.82 Billion].

| TABLE 2: RATIOS | | |
|---|-------------------|-------------------|
| | JUL - SEP 2009 | OCT - DEC 2009 |
| Cash to Total Assets (%) | 31.87% | 30.58% |
| Short Term Investments and Cash to Total Assets (%) | 74% | 66.37% |
| Cash to Current Liabilities | 1.9x | 0.3x |
| Return on Investments | 12.30% | 12.42% |

The sources of finance for the fourth quarter remained the same as the previous quarter and on-lending funds were met through PPAF funds. Kashf has received Rs. 350 Million from Standard Chartered Bank Limited under the PRISM facility. The average Cost of Funds (COF) for the fourth quarter was 11.57% (compared to 11.34% in September 2009). The reason for this increase is that low-cost debt was partially repaid in this quarter and the new loan facility of Rs. 350 Million from Standard Chartered Bank was acquired at a rate of 13.87%.

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

| | Jul – Sep 2009 | Oct – Dec 2009 | Weightage (%) |
|----------------|-------------------|-------------------|------------------|
| Service Charge | 30,375,742 | 40,593,569 | 28.11% |
| Investments | 87,908,634 | 97,080,813 | 67.22% |
| Other Income | 2,083,570 | 6,748,249 | 4.67% |
| Total Income | 120,367,946 | 144,422,631 | |

There has been a 38% increase in income from service charge during this quarter as compared to the third quarter. The increase in income from service charges is primarily due to increased repayments from clients. Income from investments also increased by Rs. 10 million and exhibited an improving trend during the quarter. 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 1.5% from the third 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

| | SEP 2009 | DEC 2009 |
|------------------------------------|----------|----------|
| Administrative Efficiency | 16.85% | 15.30% |
| Operating Efficiency | 46% | 33% |
| Operational Self Sufficiency (OSS) | 43% | 51% |
| Financial Self Sufficiency (FSS) | 38% | 48% |

The operating expense ratio stood at 33% in the current quarter (compared to 46% in Sep 2009). At December end, the OSS stood at 51% (compared to 43% in Sep 2009) and the FSS was 48% (compared to 38% in Sep 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 last quarter of 2009. Life Insurance follows disbursement trends, and has consequently shown an increase compared to the third quarter.

| Insurance Enrollment | | Jul - Sep 2009 | Oct - Dec 2009 | Total |
|--------------------------|------------------|----------------|----------------|------------|
| Premium Received | Lives Covered | 30,284 | 57,108 | 87,392 |
| | Amount (In Rs.) | 5,102,480 | 10,020,190 | 15,122,670 |
| Cumulative Lives Insured | | 1,110,497 | 1,307,550 | 2,418,047 |
| Claims Received | Number of Claims | 80 | 76 | 156 |

The total number of lives insured cumulatively in 2009 is 97,332. The total number of claims for the fourth quarter was 76 totaling to a payout of Rs. 1.3 Million. The premium collected increased by 96% since new disbursements picked up pace in this quarter.

Human Resources

HR Trend Analysis

| HR TREND ANALYSIS | | | | |
|--|------------------|--------------------|------------------|--------------------|
| | OCT 09 – DEC 09 | | JUL 09 – SEP 09 | |
| Total Permanent Staff | 1,291 | | 1,341 | |
| Total HO Staff | 99 | | 115 | |
| Total Field Staff | 1,192 | | 1,226 | |
| Gender | Male | Female | Male | Female |
| Number | 801 | 489 | 826 | 515 |
| Total Staff (Trainee + Permanent) | 1,419 | | 1424 | |
| Total Staff (HO) | 100 | | 117 | |
| Total Staff(Field) | 1,319 | | 1297 | |
| Gender (Trainee + Permanent) | Male | Female | Male | Female |
| Ratio | 62% | 38% | 61% | 39% |
| Number | 872 | 547 | 874 | 540 |
| Total Staff Recruited | 134 | | 94 | |
| Total Staff Recruited – HO | 1 | | 2 | |
| Total Staff Recruited - Field | 133 | | 92 | |
| Gender Recruited Staff | Male | Female | Male | Female |
| Number | 69 | 65 | 59 | 35 |
| Turnover (Quarterly) | Voluntary | Involuntary | Voluntary | Involuntary |
| Number | 87 | 23 | 94 | 11 |
| Overall Turnover | 8% | | 8% | |
| Number | 110 | | 105 | |

- The total staff count is currently 1,419 and the female gender ratio at the organizational level stood at 38% at the close of the fourth quarter of 2009.
- The recruitment team continued to identify and employ talented and committed staff as 134 employees were inducted during the last quarter.
- A total of 133 employees were recruited for the field and 48% of these were females, whereas 1 employee was hired for the Head Office.
- Overall employee turnover was 8% as 87 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 | 109 |
| External Trainings | 3 | 28 |
| Total | 7 | 137 |

HR Initiatives

The following initiatives were taken in the HR department during the fourth quarter of 2009.

- 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 renewed its **health insurance and life insurance** policies at better rates—the insurance company was switched from EFU Allianz to New Jubilee Insurance (NJI) in order to provide better facilities to Kashf employees.
- The following **trainings** were organized by the Head Office and field staff by the HR department:
 - **Leadership training** for Branch Managers and Area Managers.
 - **Human engineering** for Head Office staff.
 - **“TOT”** (Training of Trainers) was carried out by experienced PMN (Pakistan Microfinance Network) trainers.

Gender Empowerment and Social Advocacy (GESA)

In the fourth quarter of 2009, 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

GESA developed a new theatre play on the concept of women empowerment, named “*Khadda*” (A trap/well) which depicted the current women rights situation in Pakistan. GESA staff trained theatre groups on this theme and conducted 32 performances in various districts of Punjab including Jhang, Okara, Kasur, Sialkot, Lahore, Khanewal, Bahawalpur, Multan, Khushab, Vehari, Gujranwala, Sahiwal, Faisalabad and Rahim Yar Khan whereby a total audience of 3200 clients was reached. These sessions were very successful as clients showed keen interest in these performances and shared that they found them very interesting and thought-provoking. Clients thanked Kashf for helping them to fight poverty and also concluded that they must help each other in order to improve their lives.

Campaign –“16 Days of Activism to End Violence against Women”

In November, GESA participated in an international campaign—“16 Days of Activism to End Violence against Women”. Information on this subject was shared with clients and oaths were taken after theatre performances; clients said that they would raise their voices against violence and make conscious efforts to end violence in their communities. They also promised that they would treat their daughters and sons equally.

Pakistan Centre for Philanthropy

GESA participated in a seminar arranged by the Pakistan Center for Philanthropy (PCP) in Islamabad where they set up an information booth about Kashf and interacted with different visitors including NGOs, donor agencies and Government representatives. It was a great opportunity for GESA to spread know-how about Kashf, to build linkages across different sectors and to establish connections with people from all walks of life. Kashf's theatre group performed its play “*Khadda*” in the seminar, which was well-received by the audience.

Children Art Competition

GESA organized and executed a very successful art competition for the children of Kashf's clients. Over a thousand children from low-income communities of Lahore, Kasur, Shiekhupura, Okara, Gujranwala, Nankana Sahib and Hafizabad



districts participated in this competition. The theme given to the children was “*Mera Pur-Aman, Khushhaal Pakistan*” (My peaceful and prosperous Pakistan). An award ceremony was held in honour of these talented children on December 16, 2009 and was graced by the presence of Mr. Kamal Hayat (CEO, Pakistan Poverty Alleviation Fund), Mrs. Nazish Attaullah (Principal, National College of Arts) and Mrs. Saleema Hashmi (Dean, Beaconhouse National University); these esteemed judges selected the top fifty paintings and awarded them with certificates, a one-year education scholarship, school bags, school shoe vouchers by “Servis”, and easy-to-learn Quranic education CD sets by the “AFAQ (Association For Academic Quality)” organization.

Najm-us-Sahar, from Dharampura (Lahore), was awarded the first prize and was given a computer system. In her depiction of a prosperous Pakistan she had made good road networks, abundant greenery, healthy and abundant crops and cattle, hospitals with ambulances, schools for girls, bridges, industries and various means of transport. The second prize was a bicycle which was awarded to a Nursery student from Riwaz Garden (Lahore). She drew a perfect picture of peace (full

of colour and life)—a girl is playing on the swings under a tree with flowers growing all around her. The third prize winner was Eesha of Baghbanpura (Lahore) and she was gifted a play station. She had drawn a picture of a car factory, which depicts development, and had drawn wind mills around it to indicate that the factory used alternate sources of energy as our country is undergoing an electricity crisis.

Chief Guest, Mr. Kamal Hayat appreciated Kashf Foundation by saying that this was the very first initiative of its kind and Kashf Foundation is to be commended on successfully combining the development sector and art. He expressed a need for there to be more of such events to encourage children from poor households. Managing Director Kashf Foundation, Ms. Roshaneh Zafar stated that 55% of Pakistan's population is less than 20 years of age—they are the future of Pakistan and through education, encouragement of their artistic skills and confidence-building they will become an asset for Pakistan. She also stated that a peaceful and prosperous Pakistan is every citizen's responsibility and we as individuals should work towards achieving this. She also said that Kashf Foundation has been doing its part to achieve this objective by ending poverty and will continue doing so in future.

Media and Networking Activities

In this quarter GESA continued its efforts to develop strong relations with external parties. Media coverage was provided for all activities undertaken by Kashf Foundation such as the International Campaign on 16 Days of Activism to end Violence against Women and the Kashf Art Competition.

The Kashf newsletter was also launched and shared with all stakeholders like parliamentarians, the media, NGOs, DCOs, and Police Officials.