

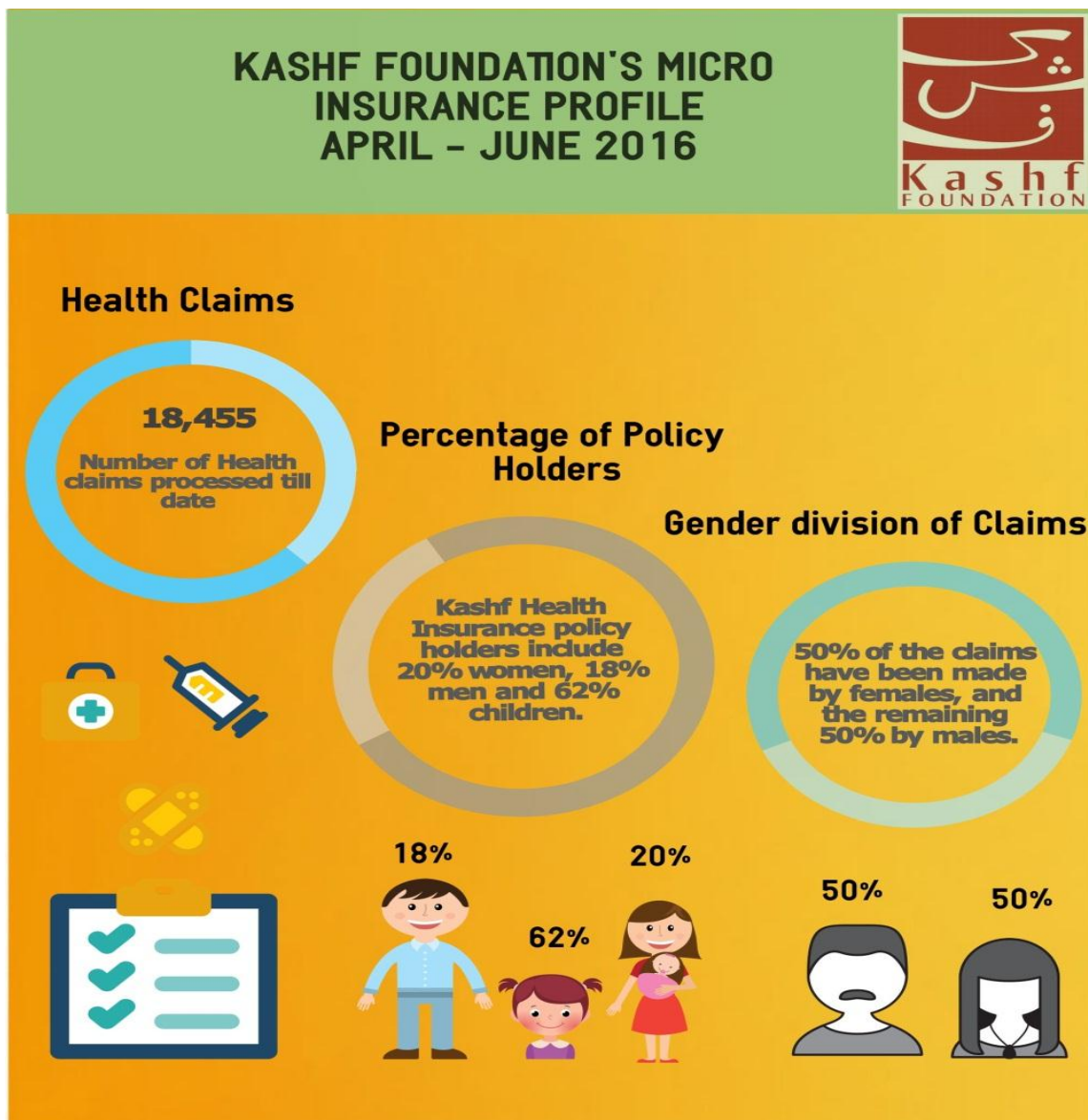
KASHF QUARTERLY REPORT



APRIL – JUNE 2016

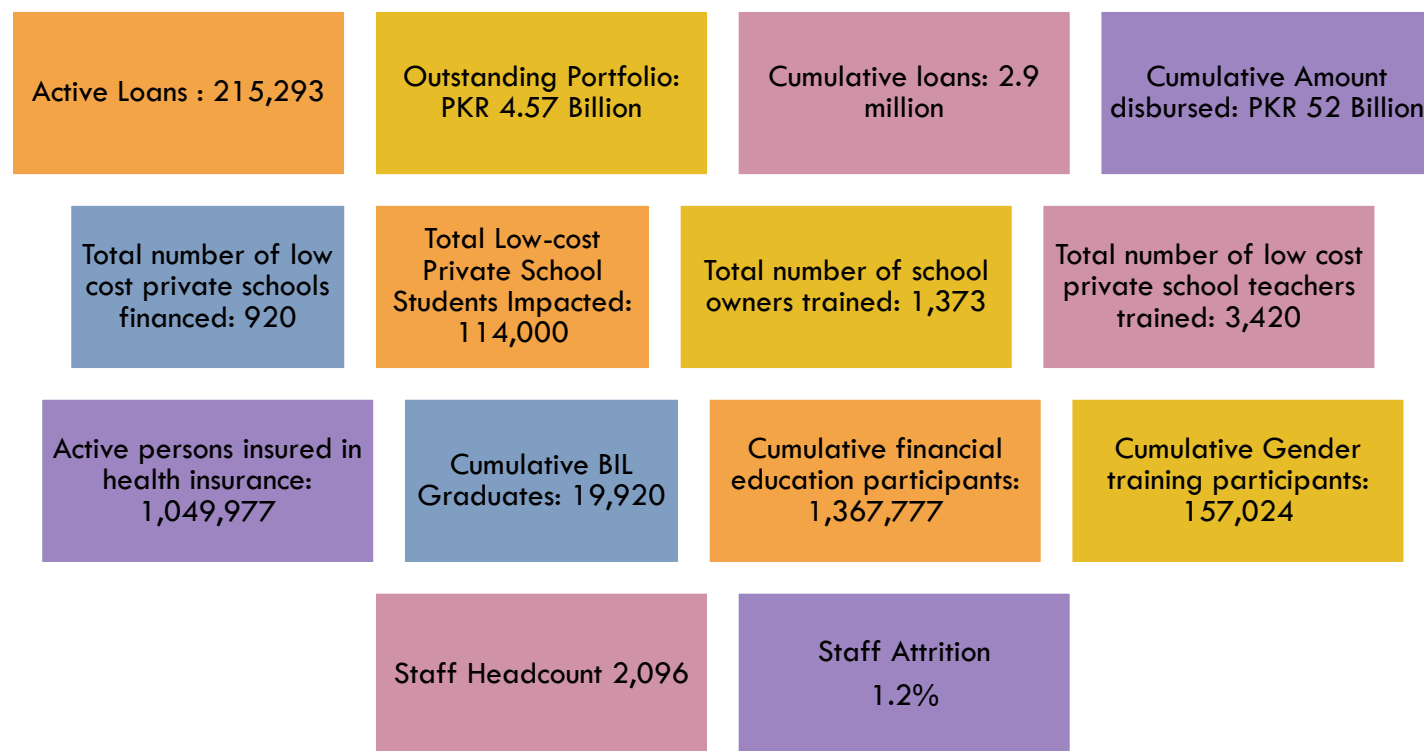
KASHF: THE LARGEST PROVIDER OF MICRO INSURANCE IN PAKISTAN

Kashf provides insurance to low-income households to create social safety nets which they can rely on in times of need. Kashf provides two kinds of insurance programs; credit for life insurance and micro-health insurance. According to the most recent compilation of micro-insurance statistics¹; Kashf was the market leader in insurance provision – providing 29.6% of the 5.5 million micro-insurance policies. 18,455 health insurance claims have been processed by Kashf foundation, 50% of which were made by females. The largest proportion of Kashf's health insurance policy holders are children, at 62%, while 20% are women and the remaining 18% percent are men.



¹ Pakistan Microfinance Network, MicroWatch March 2016

INSITUTIONAL ACHIEVEMENTS SNAPSHOT (JUNE 2016)



QUARTERLY HIGHLIGHTS

Kashf is the largest provider of micro-insurance in Pakistan with over 29% of the market share

Kashf has initiated a pilot for the credit scoring model to increase efficiency and improve customer experience.

Kashf provided life insurance for 111,917 lives

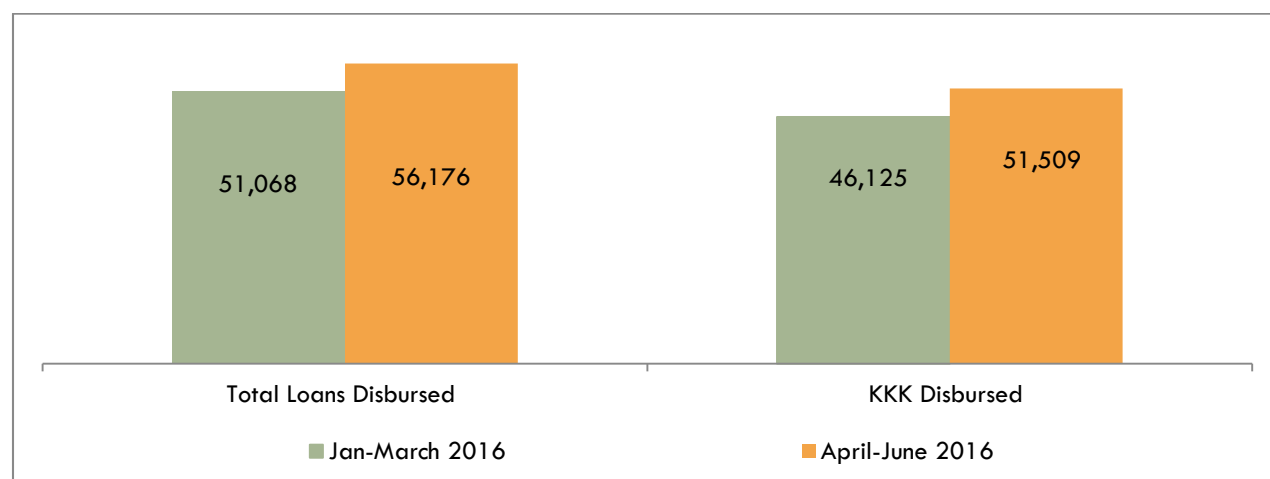
Kashf has insured 1,049,977 unique individuals through its micro-health insurance program, by the end of June, 2016

Total Loans Disbursed from April - June, 2016 was 56,176

Kashf trained 72,223 participants in Financial Education.

OPERATIONAL PERFORMANCE: OVERALL GROWTH

Kashf Foundation's active clientele at the end of June 2016 stood at 215,293 clients (compared to 230,369 clients in the previous quarter). While there has been a reduction of 7% in the active clients, there has been an increase in the outstanding portfolio from PKR 4.48 billion in March 2016 to PKR 4.57 billion in June 2016. This demonstrates Kashf's policy to prioritize servicing existing clients with higher loan amounts to meet their capital expenditures over mobilizing new clients.



	Apr - Jun 16	Jan - Mar 16
Total Kashf Clients	215,293	230,369
Outstanding Portfolio (PKR)	4,570,956,414	4,480,985,659
KKK Disbursed	51,509	46,125
KM Disbursed	2,080	2,172
Amount Disbursed (PKR)	2,151,615,000	1,913,622,000

In the current quarter Kashf disbursed 51,509 Kashf Karobar Karza Loans (KKK), 1,929 Kashf Ibtida-e-Karobar Karza Loans (KIKK), and 2,080 Kashf Murabaha loans (KM). The KKK continues to be the main lending product for the Foundation with disbursements of over PKR 1.995 billion. Kashf Murabaha loans worth over PKR 70.4 million were disbursed in Abbottabad, Noshera, Mansehra, Mardan and Haripur districts of KPK. The average disbursement size witnessed a marginal increase from PKR 35,800 to PKR 37,000 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.

KASHF EDUCATION FINANCE (SCHOOL SARMAYA)

In the current quarter, Kashf disbursed 200 loans to low-cost private schools, trained 280 school owners in capacity building trainings, and trained 695 teachers in teacher training and pedagogy skills trainings. Moreover, the specialized Financial Education for Youth program, which is implemented in all Kashf supported schools, was undertaken with 10,000 students. The active clients in the program have increased to 771 in June 2016 from 686 in March 2016. The info-graphic below shows the cumulative numbers and outcomes from the program.

Kashf Education Finance Cumulative Outcomes



945 Low-Cost Private Schools Served



1,400 school owners trained in better school management



3,500 Teachers Trained in Better teaching practices



Over 150,000 Students Impacted through intervention



51,500 Students Impacted through Financial Education Trainings

These numbers represent outcomes from 55 schools that have completed their loan cycle with Kashf



Impact on Enrollments



69% of schools saw an increase in enrollments



Average increase in enrollments was 37 students per school

Impact on Learning Environment

11% increase in schools where lesson plans are used



11% increase in schools using time-table use in classes



15% increase in schools with library corners



7% increase in schools that display students work in class

Impact on School Environment

18% increase in schools with first aid boxes available



27% increase in schools with visible mission & vision



29% increase in schools with visible school exits



24% more schools have an opinion box



+92 42 111 981 981



www.kashf.org



www.facebook.com/KashfFoundationOfficial

KASHF MICRO-HEALTH INSURANCE

Kashf's unique pro-women family health insurance product is covering a total of 1,049,977 individuals. Kashf's health insurance product provides coverage to the entire family with hospitalization coverage for up to PKR 30,000 per family member. As mentioned earlier, Kashf is the largest provider of micro-insurance in the sector, and has been one of the fastest growing providers in terms of outreach. In the current quarter, under the health insurance program, 252,454 individuals have been insured (compared to 228,275 in the last quarter).

FINANCIAL SUSTAINABILITY

The overall liquidity has increased during the current quarter, mainly because of an inflow of 500 million from UBL, 500 million received from MCB, PKR 290 million received from PPAF, and 50 million from Silk Bank. Kashf has made debt repayments worth PKR 759 million – this includes repayment of PKR 350 million to PPAF, PKR 240 million to JS bank, PKR 88 million to MCB, PKR 80 million to Silk bank and PKR 1.0 million to Acumen Pakistan. Kashf's overall consolidated PAR stood at around 0.35% at the end of this quarter. The weighted average cost of funds for this quarter has been 8.50 %, with COF for commercial loans at 9.02% and PPAF loans at 7.73%.

Currently, there is an available pool of PKR 995 million and an expected inflow of PKR 1,150 million in the next quarter (PKR 950 million from PPAF and PKR 200 million from Bank Alfalah) to support on-going cash-flow needs. Kashf expects to raise PKR 3.6 billion from local and foreign commercial sources over the year 2016, 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.

		Apr – Jun 16	Jan – Mar 16
Liquidity Ratios	Cash to Total Assets	16.69%	12.66%
	Short Term Investments & Cash to Total Assets	22.66%	27.55%
	Return on Investments	7.81%	7.81%
	Cash to Current Liabilities	34.48%	23.71%

The table below shows the income level for the organization:

		Apr – Jun 16	Jan – Mar 16
Income From Financial Services	Service Charge	459,297,529	469,396,405
	Investments	35,744,510	34,226,871
	Other Income	19,206,835	11,748,821
	Total Income	514,248,874	515,372,097

There are several aspects that impact the overall financial performance of the organization including 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 table below shows the key efficiency ratios for Kashf.

	June 2016	Mar 2016
Administrative Efficiency	19.12%	18.92%
Operational Self Sufficiency (OSS)	141.55%	144.93%
Financial Self Sufficiency (FSS)	126.32%	129.74%

The administrative efficiency ratio, which maps the resources used to build a quality portfolio, has shown slight decline, with the ratio standing at 19.12% at the end of this quarter. The OSS has shown an increasing trend; with the ratio standing at 141.55% in Jun 2016 (compared to 144.93% in Mar 2016); whereas the FSS has decreased to 126.32% (compared to 129.74% in Mar 2016). This decrease can be attributed to the decrease in operating income.

GENDER EMPOWERMENT AND SOCIAL ADVOCACY (GESA)

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.



26,773 clients have been trained under the Systemized Financial Education



32 Social Theater performances have been staged with an audience of 3,323



45,450 participants trained in Basic Financial Literacy trainings



13,921 participants trained in Gender Trainings

Program Updates

Women Entrepreneurs Council	28 level meetings have been conducted with WEC members of Punjab with the agenda of collecting suggestions on Kashf's policies, products and services from the council members. These recommendations have been compiled and shared with the Executive Body for review and implementation.
Social Theatre	In this quarter 32 performances with 3,323 participants in the areas of Attock , Lahore , Sheikhpura , Kasur , Raiwand, Pattoki, Phool Nagar and Renala khurd were executed. The theatre performance "Khadda" showed the power of the associative strength of women and aimed to make the audience understand the importance of supporting each other.
Business Incubation Labs	Currently 45 BILs are operating across the network and providing business support services to participating female clients. In the current quarter 2,600 clients from the 10th batch have been inducted in the program who are receiving training from the Business Incubation Lab program. The inducted clients are being trained on business management, marketing and networking and product innovation techniques. These entrepreneurs have also been taken on market visits to local market places to help them understand various marketing techniques employed by vendors. BIL Trainers have facilitated BIL clients to set up stalls on the occasion of Ramzan and Eid. During this period, 491 market linkages were developed with vendors.
Vocational Skills Training Program	During this quarter, Kashf Foundation graduated 26 students (12 for Beautician, and 14 for Fashion designing) in the 2 nd Batch of its Vocational Skills Training Program. 77 students are currently receiving the vocational trainings. Through these trainings, participants are learning marketable skills which can help them become economically empowered and self-sufficient. Two certified students have also been able to get employment at the famed beauty parlor "Depilex" Lahore.

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

Key HR Trends

- Total staff at the organizational level:1,707
- Female Staff ratio at the organizational level: 51%.
- Total Hiring in Quarter: 139 out of which 68 are female.
- Overall Employee Turnover: 4% (56 resignations & 7 terminations)
- 39% of Kashf staff report to a female boss.

HR Activities and Initiatives

- **TOT and Training on Credit Risk & Customer Care:** A TOT was conducted with Senior Area Managers and Assistant Regional Managers on Credit Risk and Customer Care which they

later delivered in field for BMs, BDOs and Compliance Officers of Region 1, 2, 3 and 4. The objective of the training was to discuss the existence of Credit Risk and how we can mitigate the risk in our environment. The second part of the training was on Customer Care and its importance and how it helps us in our business operations.

- **Training for teachers and students of Walton Vocational Center:** Learning team conducted a short training session for the teachers and students of Vocational Center. The training aimed to communicate the importance of Kashf's Vision, Mission, and Culture to be developed at the Center and some important Do's and Don'ts. A short discussion on the importance of communication and norms was also carried out with the teachers.
- **Orientations for New Joiners:** Four orientations have been conducted in the months of April, May and June for 131 new staff members.
- **Employee Engagement Initiatives:** Monthly initiatives including Employee of the Month (for all tiers and functions), Peer Recognition Program, HR Newsletter, Exit Interviews, Late Closing Survey, Maternity Calls and Star Performers' Lunch with the Managing Director were undertaken. The HR helpline received 114 queries in total. The maximum numbers of queries have been regarding benefits (health claims & final settlement).
- **360 Degree Feedback Survey:** 360 degree assessment for all Deputy and Assistant Managers at HO was undertaken. Feedback was taken from all the peers and subordinates.
- **Paternity Leaves Policy:** Drafted the policy after the research on existing best practices. It has been approved and implemented from July 2016.
- **HR Field Visits:** 95 Field visits have been done with various objectives for each month including the regular HR skip level visits:
 - Jan- Training of BMs/AMs on APR & Incentives
 - Feb-Benchmarking for late closing
 - March- Benchmarking for late closing
 - April- Staff Leave Monitoring
 - May- Expansion Hiring
 - June- Credit Risk Training Evaluation

Human Resources Trend Analysis

	April-June 2016		Jan-Mar 2016	
Total Permanent Staff	1707		1711	
Total HO Staff	97		98	
Total Field Staff	1610		1613	
Gender	Male	Female	Male	Female
Number	839	868	860	851
Total Staff (Trainee + Permanent)	1840		1753	
Total Staff (HO)	97		98	
Total Staff (Field)	1743		1655	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	49%	51%	50%	50%

Number	839	868	860	851
Total Staff Recruited	139		66	
Total Staff Recruited – HO	3		1	
Total Staff Recruited - Field	136		65	
Gender Recruited Staff	Male	Female	Male	Female
Number	71	68	29	37
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	56	7	43	8
Overall Turnover	4%		3%	
Number	63		51	