

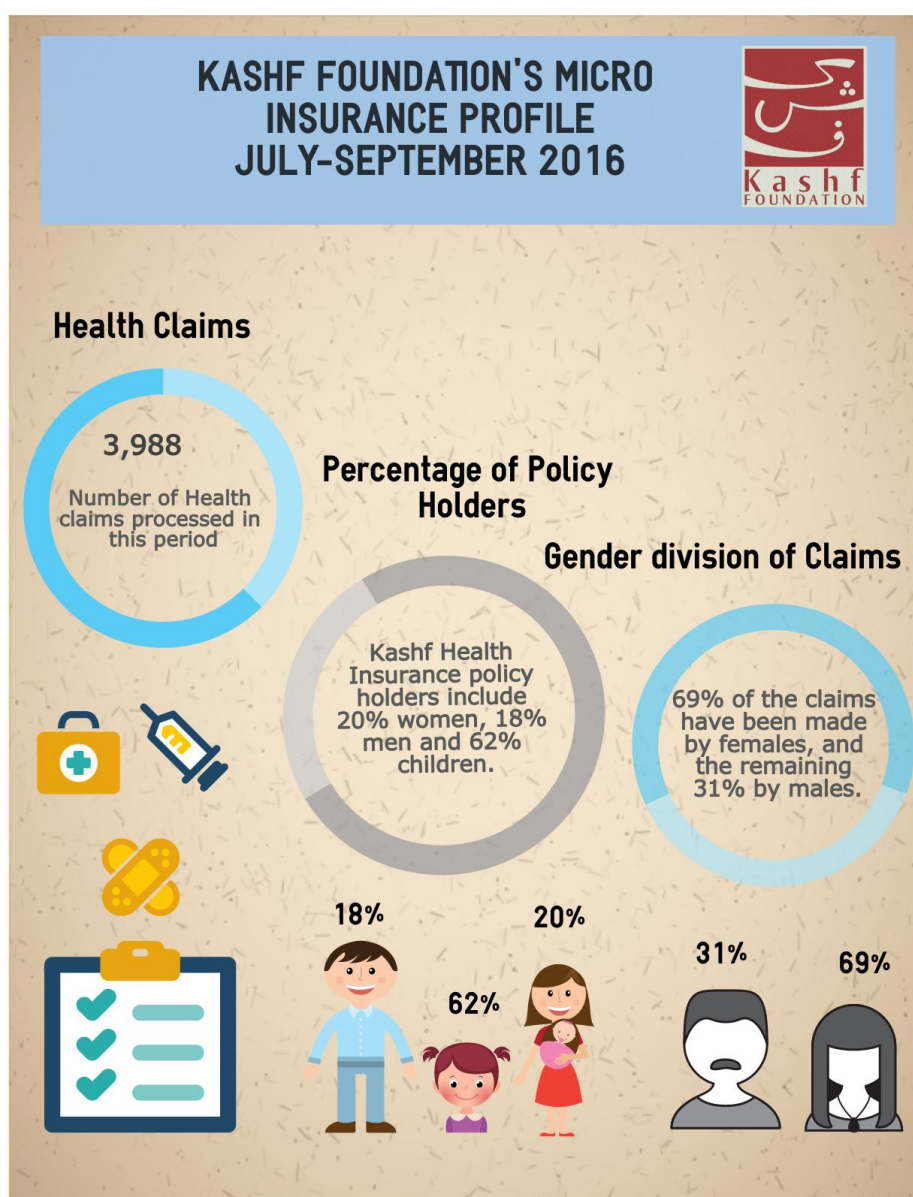
KASHF QUARTERLY REPORT



JULY-SEPTEMBER 2016

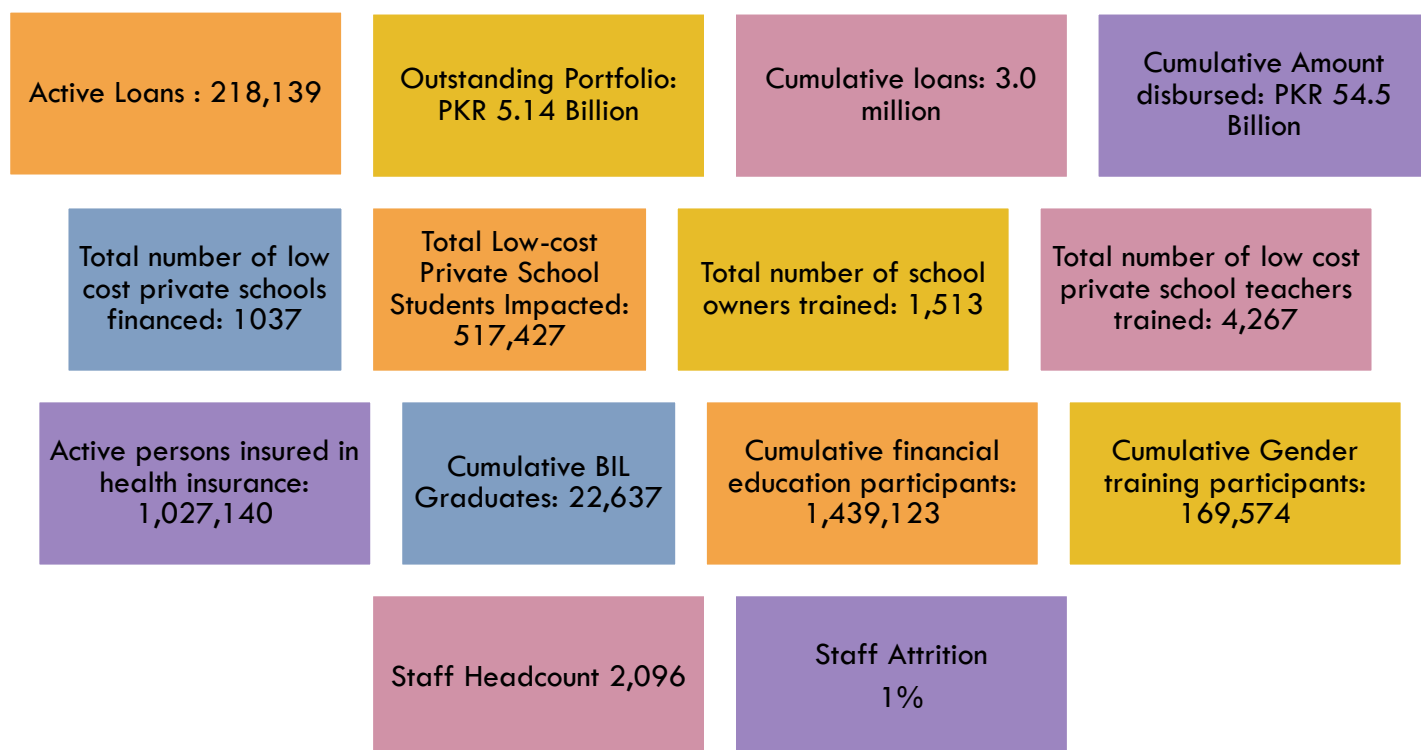
KASHF: THE LARGEST PROVIDER OF MICRO INSURANCE IN PAKISTAN

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 25.7% of the 5.6 million micro-insurance policies. 22,443 health insurance claims have been processed by Kashf foundation, 69% 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 September 2016

INSITUTIONAL ACHIEVEMENTS SNAPSHOT (JUNE 2016)



QUARTERLY HIGHLIGHTS

Kashf is the largest provider of micro-insurance in Pakistan with over 25.7% of the market share

Kashf provided life insurance for 124,143 lives

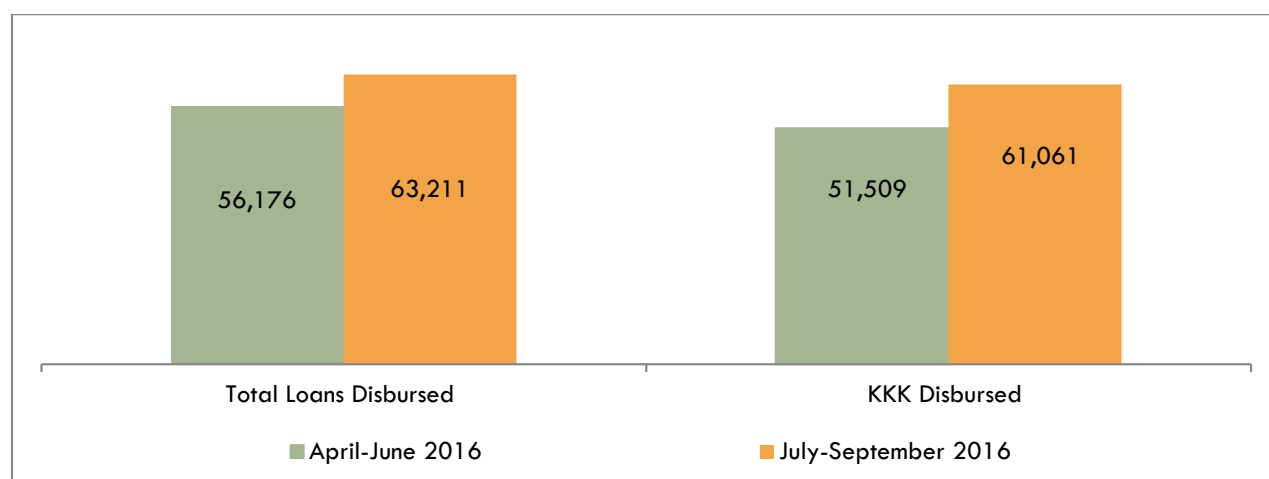
Kashf has insured 1,027,140 unique individuals through its micro-health insurance program, by the end of Sep, 2016

Total Loans Disbursed from July - Sep, 2016 was 63,211

Kashf trained 70,041 participants in Financial Education.

OPERATIONAL PERFORMANCE: OVERALL GROWTH

Kashf Foundation's active clientele at the end of Sep 2016 stood at 218,139 clients (compared to 214,981 clients in the previous quarter). While there has been an increase of 1.5% in the active clients, there has been an increase in the outstanding portfolio from PKR 4.5 billion in June 2016 to PKR 5.14 billion in September 2016. This demonstrates Kashf's policy to prioritize servicing existing clients with higher loan amounts to meet their capital expenditures over mobilizing new clients.



	Jul - Sep 16	Apr - Jun 16
Total Kashf Clients	218,139	214,981
Outstanding Portfolio (PKR)	5,142,044,615	4,516,727,968
KKK Disbursed	61,061	51,509
KM Disbursed	1,446	2,080
Amount Disbursed (PKR)	2,640,139,000	2,151,615,000

In the current quarter Kashf disbursed 61,061 Kashf Karobar Karza Loans (KKK) and 1,446 Kashf Murabaha loans (KM). The KKK continues to be the main lending product for the Foundation with disbursements of over PKR 2.560 billion. Kashf Murabaha loans worth over PKR 52 million were disbursed in Abbottabad, Noshera, Mansehra, Mardan and Haripur districts of KPK. The average disbursement size witnessed a marginal increase from PKR 38,500 to PKR 40,900 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 121 loans to low-cost private schools, trained 298 school owners in capacity building trainings, and trained 745 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 28,706 students. The active clients in the program are 657 till September, 2016. The info-graphic below shows the cumulative numbers and outcomes from the program.

Kashf Education Finance Cumulative Outcomes (September 2016)



Over 1,037
Low-Cost Private
Schools Served



Over 1513 school
owners trained in
better school
management



Over 4267
Teachers Trained
in Better teaching
practices



Over 517,427
Students
Impacted through
intervention



Over 86,104
Students Impacted
through Financial
Education Trainings

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



Impact on Enrollments



71% of
schools saw
an increase in
enrollments



Average
increase in
enrollments
was 31 students
per school

Impact on Learning Environment

71% increase
in schools
where lesson
plans are
used



80% increase
in schools
using
time-table
use in classes



47% increase
in schools
with library
corners



78% increase
in schools
that display
students
work in class

Impact on School Environment

81% increase in
schools with
first aid boxes
available



68% increase
in schools with
visible mission
& vision



66%
increase in
schools with
emergency
exits



53% more
schools have
an opinion
box



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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 1,027,140 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, 285,756 individuals have been insured (compared to 252,454 in the last quarter).

FINANCIAL SUSTAINABILITY

The overall liquidity has decreased during the current quarter, mainly because of debt repayment made worth PKR. 1232 million- this includes repayment of PKR. 1015 million to PPAF, PKR 42 million to JS bank, PKR 44 million to MCB, PKR 104 million to UBL bank, PKR 25 million to bank Alfalah, and PKR 2.0 million to Acumen Pakistan. Kashf has received inflow of PKR 840 from PPAF and PKR 250 million received from Askari Bank Limited. 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 8.08 %, with COF for commercial loans at 8.12% and PPAF loans at 8.04%.

Currently, there is an available pool of PKR 491 million and an expected inflow of PKR 1366 million in the next quarter (PKR 580 million from PPAF, PKR 471 million from Triodos Investment, PKR 210 million from INCOFIN and PKR 110 million from Triple Jump) to support on-going cash-flow needs. Kashf expects to raise PKR 5.3 billion from local and foreign commercial sources over the year 2017, 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.

		Jul – Sep 16	Apr – Jun 16
Liquidity Ratios	Cash to Total Assets	4.35%	16.53%
	Short Term Investments & Cash to Total Assets	9.78%	22.36%
	Return on Investments	6.00%	7.81%
	Cash to Current Liabilities	9.43%	32.01%

The table below shows the income level for the organization:

		Jul – Sep 16	Apr – Jun 16
Income	Service Charge	461,883,302	460,939,693
	Investments	28,065,096	80,793,399

From Financial Services	Other Income	1,392,683	15,283,666
	Total Income	491,341,081	557,016,758

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.

	Sep 2016	June 2016
Administrative Efficiency	21.65%	18.81%
Operational Self Sufficiency (OSS)	123.8%	150.00%
Financial Self Sufficiency (FSS)	106.6%	142.39%

The administrative efficiency ratio, which maps the resources used to build a quality portfolio, has shown slight increase, with the ratio standing at 21.65% at the end of this quarter mainly due to addition of new branches where administrative cost has been incurred and branches are in growth process yet. The OSS has shown a decreasing trend; with the ratio standing at 123.8% in Sep 2016 (compared to 150.00% in Jun 2016); whereas the FSS has decreased to 106.60% (compared to 142.39% in Jun 2016). This decrease can be attributed to the increase in operating expenses and decrease in operating income mainly due to revised life insurance policy and non-receipt of upfront fee (documentation fee is now received in 12 equal installments) in current financial year

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.



24,759 clients have been trained under the Systemized Financial Education



40 Social Theater performances have been staged with an audience of 4,170



45,282 participants trained in Basic Financial Literacy trainings



12,550 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 40 performances with 4,170 participants in the areas of Layyah, Thatta, badin, Karachi, Kabeerwala, Mardan, and Nowshehra 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. In this period, KSZB policies and benefits were also portrayed during these performances to provide awareness and motivation to the clients.

Business Incubation Labs

Currently 45 BILs are operating across the network and providing business support services to participating female clients. In the current quarter 2,700 clients from the 11th batch have been inducted in the programs 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 Social Theatres. During this period, 526 market linkages were developed with vendors.

Vocational Skills Training Program

During this quarter, Kashf Foundation graduated 40 students (16 for Beautician, and 24 for Fashion designing) in the 3rd Batch of its Vocational Skills Training Program. 74 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.

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

	<i>July-Sept 2016</i>		<i>April-June 2016</i>	
Total Permanent Staff	1704		1696	
Total HO Staff	95		97	
Total Field Staff	1609		1599	
Gender	Male	Female	Male	Female
Number	782	827	779	820
Total Staff (Trainee + Permanent)	1731		1678	
Total Staff (HO)	99		99	
Total Staff (Field)	1632		1579	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	50%	50%	49%	51%
Number	843	884	820	856
Total Staff Recruited	123		139	
Total Staff Recruited – HO	3		2	
Total Staff Recruited - Field	120		137	
Gender Recruited Staff	Male	Female	Male	Female
Number	70	53	71	68
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	71	20	56	7
Overall Turnover	5%		4%	
Number	91		63	