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A QUARTERLY NEWSLETTER OF KHUSHHALI MICROFINANCE BANK

Grassroots

January - March 2016 | Volume: XII – Edition I

Our 16th year marks the achievement of more than 4 million loans to Pakistanis across the country. We strive to support and rebuild ordinary lives by creating the right combination of circumstances through skills and infrastructure development, community empowerment, independence and enterprise. More proof that we're giving common people an uncommon advantage to realize their full potential. Which is why, Khushhali Microfinance Bank is more than a bank. It's a promise, a promise for opportunity.



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Message by the President

Dear Colleagues,

We have through our collective efforts repositioned the bank for the future by ensuring its continuity on the path of progress and prosperity. It is time to celebrate our success while we set new goals for the year 2016 that include expanding microenterprise product across additional 30 branches, innovation in products & services, strengthening our brand recognition, revisiting our Institutional structures, processes and technology for customer convenience and improved turnaround times.

We have a market that presents exciting opportunities and we must continue to invest in innovation, governance and technology but most importantly our conviction to serve the financially excluded but resilient majority of Pakistan is the key to success.

I believe that with a dedicated team, customer focus and a positive start, we will achieve our goals for 2016.

My best wishes to you for 2016.

Regards,

Ghalib Nishtar



Quarterly Business Update January – March 2016

| Period | Microcredit | | Micro Savings | | Micro-Insurance | |
|---------|------------------|----------------|---------------|----------------|-----------------|----------------|
| | Active Borrowers | Value (PKR) | Active Savers | Value (PKR) | Policy Holders | Value (PKR) |
| 2016-Q1 | 536,913 | 18,194,076,938 | 1,161,385 | 16,955,720,797 | 592,933 | 20,021,756,938 |

UN Delegation Meeting on Financial Inclusion

Khushhali Microfinance Bank hosted the UN Delegation Meeting chaired by Her Majesty Queen Máxima of the Netherlands who visited Pakistan in the capacity of United Nations Secretary General's Special Advocate for Inclusive Finance for Development to Pakistan. Her Majesty chaired the Special session of the Microfinance Network on the 10th of February 2016. She began her three-day visit to Pakistan as part of global efforts to promote financial inclusion in Pakistan and to explore projects aiming to improve the lives of the poor by utilizing transformative financial tools.



The meeting was attended by Presidents of Microfinance Banks in Pakistan along with the Delegation of the UN comprising of H.E. Ms. Jeannette Seppen, Ambassador, Mr. Neil Buhne, United Nations Resident Coordinator, Mrs. Gabriella Sancisi, Private Secretary to Her Majesty, Mr. Herman Quarles van Ufford, Deputy Director-General Government Information Services, Ministry of General Affairs, Netherlands, Mr. Joep Roest, Adviser at the UNSGSA-office, New York, Mr. Stephen Rasmussen, Head of Technology and Business Model Innovation Team, The Consultative Group to Assist the Poor (CGAP), Lcol. Joost de Bruijn, Aide-de-Camp to Her Majesty and Ms. Maliha Hamid Hussein, UNDP Consultant.

Inclusive finance is today on top of the agenda for policy makers internationally as well and has brought innovation in terms of serving the low end of the market segment which is a majority and was previously excluded from formal financial services.

51st Meeting of the Board of Directors of Khushhali Microfinance Bank



The 51st meeting of the Board of Directors of Khushhali Microfinance Bank, held on February 24 & 25, 2016, envisaged Board's confidence in the management and assurance of their commitment and support towards augmenting Khushhali Microfinance Bank's growth.

The BOD deliberated on various issues, some of significant ones being adoption of best corporate governance practices and formulation of corporate governance policy, reconstitution of Board's sub-committees in light with the requirements of the Prudential Regulations, Board's performance on the basis of Self-Assessment Sheet for the Year 2015, Marketing update, IT update and current IT challenges, operating results for the year ended on December 31, 2015 and performance review of the bank and its comparison with the budget

and the last year.

Moreover, for smooth operations of the Bank, the BOD approved policies for the Bank such as "fixed assets disposal policy & procedures", "record retention and destruction policy & procedures", "network expansion policy & procedures", "Legal policy" and "AML/KYC/CFT policy". The management was appreciated for aligning the business with Board's expectations and the Board congratulated the President and his team for all the hard work that was put in.

9th Annual General Meeting of Khushhali Microfinance Bank

The 9th Annual General Meeting of Khushhali Microfinance Bank was held on March 28th, 2016 at Islamabad. The shareholders approved recommendations of the Board including the minutes of 8th AGM held on March 27th, 2015, Audited Accounts of the Bank for the year ended 31st December, 2015 and the appointment of statutory auditors (BDO) for the year 2016.

The shareholders were updated on the status of name change process as a follow up from the previous AGM. The members were pleased to see the growth and overall state of affairs at Khushhali Microfinance Bank and posed their confidence in the management and the Board of Directors. The members appreciated the proactive approach of the Board and specialized guidance extended by the directors in providing a road map for achieving targets within timelines in order to maximize profitability of the bank.

Expanding Relations with ECO Trade and Development Bank of Turkey



A meeting between ECO Trade and Development Bank of Turkey and Khushhali Microfinance Bank was held at Khushhali Microfinance Bank corporate office to discuss the options of expanding relationship between the two institutes. Last year, the ECO bank

provided Khushhali Microfinance Bank a debts financing of US\$10m which is their largest single party relationship in the region. Ghalib Nishtar, the President & CEO of Khushhali Microfinance Bank apprised ECO Trade delegation of Khushhali Microfinance Bank's results of 2015 and planned initiatives of expansion and growth. The ECO bank lauded Khushhali Microfinance Bank on the previous year's performance which has been one of the best in the sector and expressed interest to expand the relationship with the bank. As an outcome of the meeting, ECO Trade Bank pledged to provide further financing to Khushhali Microfinance Bank and also offered their resident office support situated in Karachi.

Meeting with USAID-DCA Team

A team of USAID's Development Credit Authority (DCA) from Washington D.C visited Khushhali Microfinance Bank to discuss the progress on Loan Portfolio Guarantee (LPG) program undertaken by Khushhali Microfinance Bank in collaboration with the USAID. The Loan Portfolio Guarantee in collaboration with USAID - DCA supports Micro, Small and Medium Enterprises (MSME), reflecting its commitment to developing the MSME market. This Loan Portfolio Guarantee supports four partner banks, i.e Khushhali Microfinance Bank, FMBB, JS Bank and Alfalah Bank to provide access to formal financing facilities for MSMEs and facilitate broad-based economic growth. The USAID - DCA approved initial limit of US\$2.5 for Khushhali Microfinance Bank out of the total program funding of US\$60m. Ghalib Nishtar, President & CEO, Khushhali Microfinance Bank briefed the visiting mission that Khushhali Microfinance Bank is the first bank which has fully utilized the assigned limit as it grows its MSME portfolio and discussed for enhancement of the guarantee limit from US\$2.5m to US\$10m. The visiting mission appreciated Khushhali Microfinance Bank on the progress made on the Loan Portfolio Guarantee Program and agreed to the enhancement of limit.

'Rupay Ko Pehchano' Drive by the State Bank of Pakistan

This informative campaign was run by the State Bank of Pakistan in the month of March. In this regard, videos were developed and shared by the regulating authority and cds were shared with all financial institutions making it mandatory for them to display the videos on their websites and ATM machines for the general public to know the basic knowledge about the currency notes and how to distinguish fake notes from the original ones. The videos are also available on Khushhali Microfinance Bank website and social media pages.



Khushhali Microfinance Bank New Office Inauguration



With the beginning of the new year, Khushhali Microfinance Bank Head Office shifted to the newly renovated floors in Ufone Tower, Islamabad. The staff gathered to witness the ribbon cutting ceremony by the President who congratulated and addressed the staff hoping for better changes in the future as well. Later, the Information Technology Data Center was inaugurated by the President in the afternoon who took a round of the floor, met and congratulated the entire staff.

Area Managers Conference

Two days Area Managers Conference was held at NIBAF on 7-8 January 2016. In his opening remarks, on the occasion, Ghalib Nishtar, President Khushhali Microfinance Bank, welcomed the AMs and highlighted the key achievements of 2015. He appreciated the business growth in 2015 and congratulated the team for retaining the Market leadership role for KBL. He also emphasized the importance of MSME business growth in 2016 and encouraged AMs to learn and cater to the needs of enterprise business while ensuring the portfolio quality and improving internal controls. The Heads of Departments shared their initiatives for 2016 to enhance their support to retail business department. Area Managers shared the issues faced by branches relating to various departments for timely solutions. Head HR shared the highlights of HR department in terms of staff attrition,

retention and remuneration policy. New hiring mechanism was also shared with AMs. Retail Product Managers shared their business updates and new product initiatives planned in 2016. Manager MSME shared the branches roll out plan for 2016 and advised AMs to ensure readiness as per plan. Marketing & Branding team shared their proposed initiatives for 2016 to get AMs feedback.

On Day-2 HRB and National Distribution Manager shared initiatives planned by Retail Department with focus on AMs role and responsibility as Strategic Managers, Monitoring and effective utilization of area staff (MSME Coordinator, OPS Coordinator, Distribution Supervisors). They also shared proposed new branch structure (General Loans LO and Team Leader concept) and new Recruitment and Training Model for 2016. They also shared Business Plan 2016 and Performance Management Model (Scorecard) for sales team. Later on, feedback session was held with all participants to improve the business growth and compliance culture at branch level. AMs conference concluded with closing remarks by the President Khushhali Microfinance Bank.

Area Coordinators feedback session

In pursuance of ongoing objective of achieving excellence in Banking Operations, a new position in Retail structure was introduced in the first quarter of 2016 i.e. the 'Area Coordinator Operations'. 1 person per area is deployed to strengthen internal controls, promoting strong compliance culture, processes & services improvement, and capacity development of operations staff at branches and provide support to business. All ACOs have been selected internally (from OMs & BMs) and were provided an extensive 5 days training pre-deployment. While on training, ACOs were invited to Corporate Office to visit the new building, interaction with managers from different departments, HODs & President and for feedback about training, role & responsibilities and Managements' expectations from them. The feedback session was followed by Hi-Tea.

Supporting Local Sports Talent - Football Matches sponsored by Khushhali Microfinance Bank



In a bid to support the local youth and their sports talent, Khushhali Microfinance Bank arranged three football tournaments in Bhakkar, Layyah and DG Khan. The Khushhali Microfinance Bank Trophy, along with cash prizes was competed for by 8 teams, representing their local area clubs at the competitions, held in the respective cities. The matches were played with great enthusiasm from 16th March 2016 to 22nd March 2016 in the respective cities. The Final match was won by Al Ghazi Football Club of D.G. Khan.

All the matches were played in accordance to FIFA laws along with Punjab Football Association rules and regulations. The games were refereed by representatives of Pakistan Football Federation.

Speaking at the occasion, Ghalib Nishtar, President Khushhali Microfinance Bank expressed that "Khushhali Microfinance Bank supports the spirit of sportsmanship and such events add value to the lives of the people and key locations associated with the institution. We hope such competitions will encourage young sportsmen, perhaps even create an environment in which they are able represent Pakistan at an international level."

Football is a global sport with a large fan base in Pakistan and Khushhali Microfinance Bank is sponsoring this event to set a precedent towards encouraging young talent in rural areas to excel at it. Khushhali Microfinance Bank enjoys a strong client base in Bhakkar, Layyah and DG Khan along with rural areas ranging across Pakistan and considers the support of the youth of these areas a mission the premier MSME finance institution takes keen interest in.

Sports Gala: Encouraging Sports Talent among the Khushhali Microfinance Bank Staff

In the first badminton match played by the Khushhali Microfinance Bank ladies from Bahawalpur and Multan at Bahawalpur SE College badminton Hall; Team Bahawalpur won the match against Multan.

The Men's Area level matches were played between Rahim Yar Khan and Khair Pur teams, at Khair Pur University. Another cricket tournament was played at Army Ground, Multan on 14th February. Khushhali Microfinance Bank employees from Bahawalpur, Bhakkar and Multan participated in the matches.

Women's Day 2016

International Women's Day is celebrated annually by the female staff of Khushhali Microfinance Bank. Women's Day cards are distributed among the female staff across the network. This year's interesting activity followed by lunch included a talk on hair and skin care by dermatologist Dr. Shawana. The guest shared informative tips and interacted with the staff while responding to their queries.



The Wonder Women of Khushhali Microfinance Bank - Sumaira Nadeem

If there was one word to describe Sumaira, it would be optimistic. Sumaira runs a beauty parlour that is attracting significant clientele. But it hasn't been easy for her either. She got married at a very young age, and due to her husband's financial situation she opened a beauty parlour at her house after completing the relevant course. However, she had to return to her parents' house due to family problems and her husband's second marriage. As a young mother with five kids, she could not rely on her husband for financial support who himself was in a financial crisis and had another family to feed. Her parents, and particularly her father, have been her greatest support in all the tough times.

Sumaira decided to lead her own way, with financial support from her parents and her uncle, Sumaira started her business close to her parent's house. Due to financial and administrative hardships, Sumaira needed capital. She got to know about Khushhali Microfinance Bank through a lady in her neighbourhood who facilitates women in getting loans. Sumaira has taken her first loan of Rs. 20,000 and she seems pretty satisfied with it.

Today her business of three years is so successful that she is paying not only for her own expenses, her children's education, and contributing to her father's income, but also for her husband. She bought her husband a motor bike so that he could visit his children. Not only that, Sumaira recently paid solely for her youngest sister's wedding.

Sumaira is truly an inspiration. Today, she is the sole earner and a source of encouragement for women in her family who have had financial problems. With an experience of 9-10 years, she has completed three beautician courses to polish her talent. Her earnestness reflects in her coaching and training sessions held at her parlour. And she plans to invest further in her business; her dream is to have a well-furnished salon at a better locality with improved services, and that she believes can only be accomplished through the continuous support and empowerment from Khushhali Microfinance Bank. She is earning around Rs. 1000-1500 per day on average.



Khushhali Microfinance Bank Trainings



Advanced Excel - Feb 25-26



Relationship Manager Training- Batch - 4-March 14-18



MSME Khanewal Branch Visit- March 4th



Area Coordinator Operations- Jan 25-29



MSME Best Practice Seminar - Lahore- Jan 14



MSME- Training of Trainers - jan 27



MSME Loan Monitoring - Lahore Jan 15



MSME- Assessment Center - Feb 8-12



Relationship Manager Visit to Corporate Office - March 14-18



Assessment & Orientation - Loan Officer - General Loans - KB 167- Feb 9-12



MSME-Loan Officer - Orientation Feb 24-25



MSME-Loan Officer - Orientation Jan 12-13