

One promise

Our 13th year marks the achievement of more than 3.4 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, Khushhalibank is more than a bank. It's a promise, a promise to opportunity.

a quarterly newsletter of Khushhalibank

grassroots

April – June 2014

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khushhalibanklimited

President's Message

Khushhalibank maintains its market leadership and growth in terms of business strategy in 2014.

The highlights of the second quarter were the opening of 10 new branches. The deepening of our distribution network as well as upgradation of branches will give us access to new markets & clients.

The Change Management initiative launched last year with the technical assistance from the Small Business Banking Network preceded the launch of the Micro, Small and Medium Enterprise Program which commenced in April this year. During the current quarter we were able to complete the review of our structures, policies, procedures and support requirements and are now ready to roll out the pilots initially at Rawalpindi, Hasanabdal and Haripur.

Another key initiative is the establishment of the Social & Environmental Risk Management (SERM) unit within our Risk management function last year to focus on social performance as part of the bank's strategy to commit compliance to various International Social and Environmental

standards. Institutionalization of acceptable environmental, social performance and governance standards within our policies and procedures will lead to sustainably improving the economic and social conditions of client, employees and the community. This was showcased at a conference in Senegal recently.



We continue to operate in a vibrant but a challenging market but our resilience and ability to pursue new opportunities shows us the way forward and while the market is becoming competitive we continue to consolidate our position of strength for the future.

As always my best wishes to the Khushhali team.

Quarterly Business Update, April - June, 2014

	Microcredit		Micro Savings			
	Active Borrowers	Value (PKR Millions)	Active Savers	Value (PKR Millions)	Policy Holders	Sum Insured (PKR Millions)
2014-Q1	419,075	9,370.723	720,300	6,215.632	419,075	9,370.723
2014-Q2	423,944	10,019.790	780,545	7,030.842	423,944	10,019.790

SBBN 4th Annual Roundtable in Partnership with SME Finance Forum – Istanbul, Turkey

Small Business Banking Network (SBBN) arranged the 4th Annual CEO & Senior Leaders Roundtable highlighting the Future of SME Finance, presented in partnership with the SME Finance Forum, a knowledge center for SME Finance created by the G20 Global Partnership for Financial Inclusion and managed by IFC on 28th - 30th May, 2014 in Istanbul, Turkey.

Mr. Ghalib Nishtar attended the 4th Annual CEO & Senior Leader Roundtable representing Khushhalibank Limited being the Institutional Member of SBBN.

The Small Business Banking Network (SBBN) is a global industry-building initiative that exists to expand the capacity,



Small Business Banking Network
A CAPITALPLUS EXCHANGE INITIATIVE

competency and willingness of financial institutions to serve small and growing businesses. At over 60 members strong, SBBN network is made of financial institutions including banks, NBFIs, and MFIs that target underserved entrepreneurs and communities.

At the occasion, 30+ countries marked their attendance through their representatives.

MSME potential market for the Future Banking and the growth factors involved to serve the un-served/under-served were highlighted. GDP Growth in emerging markets, how to penetrate the unattended enterprises and inculcation of more advanced and higher revenue generating beneficial banking products are the critical growth factors. Simple and tailored products with flexible and convenient channels to access and support the SME owner to build and run their business with

lower cost structures.

SBBN is providing assistance to expand the capacity and competency of financial institutions to serve small and growing businesses by providing high quality technical and strategic services, peer learning opportunities and access to industry initiatives which dramatically increase the scale, profitability and impact of these institutions and drive market adoption of effective financial service provision to small and growing enterprises.

JCR-VIS Assigns Positive Outlook to KBL

JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained the medium to long term entity rating of Khushhalibank Limited (KBL) at 'A' (Single A) and short term rating at 'A-1' (A-One). Outlook on the assigned ratings has been revised from 'Stable' to 'Positive'.

The ratings incorporate the profile of sponsors, with shareholding largely vested with a UBL (United Bank Limited) led consortium of reputable international funds. The bank has a strong governance infrastructure and benefits from the diversity of experience of its Board members.

KBL has the largest market presence amongst other banks in the microfinance sector with a branch network spread across all provinces of the country. Since acquisition by current sponsors, KBL has embarked upon an aggressive growth driven strategy which entails product mix diversification. While KBL continued to cater to rural and urban markets through its core group lending product, the bank also scaled up its secured portfolio to diversify its loan book; secured loans represented one-fourth of the total portfolio at end-FY13. Portfolio quality indicators have remained

intact and rate of incremental infection has also tapered off in 2013. Over the long term, the bank plans to establish its presence in the Micro, Small and Medium Enterprise (MSME) segment, which is largely untapped. The resilience of internal control systems will be tested further as the bank forges ahead with its growth plans in new markets and products.

The bank also posted growth in deposits in the out-going year though deposit mix witnessed less than desired changes in terms of concentration levels and cost. During the on-going year, the management's focus will remain on improving deposit mix. A diversified deposit mix may be a more sustainable source of funding over the long term.

Core earnings of the bank have depicted notable improvement in the out-going year on the back of growth in lending operations. Optimizing the cost infrastructure, both in terms of funding and human resources will be important in achieving sustained improvement in profitability. Meanwhile, maintaining portfolio quality indicators is considered essential.

Meeting of the KBL Board of Directors

The forty fourth meeting of KBL Board of Directors' was hosted by Incofin Investment Management Comm.VA - Rural Impulse Fund II S.A. SICAV-FIS, one of KBL's Shareholders who also have Board representation, in their home town in Antwerp, Belgium. The President Khushhalibank presented to the Board KBL's strategy, identifying institutional strengths and future opportunities as well as the product development strategy and road map. The Board reviewed the operating results of the bank for the first quarter of the year and expressed its satisfaction. The next meeting of the Board is scheduled in August in Lahore.



Khushhalibank Introduces Health Insurance to the Mirco-credit Strata

Khushhalibank took another step towards expanding its services to the entrepreneurial strata of the population by

offering Sehat Khushhali Plus, an innovative health insurance product to clients in collaboration with MicroEnsure Pakistan and Jubilee Life Insurance Company.



Sehat Khushhali Plus is an innovative health plan providing valuable financial protection in the event of an insured member's hospitalization due to any reason. Research has shown that microfinance clients, especially those living in far flung rural areas, want freedom when it comes to the choice of hospital so that they could approach the nearest facility if inpatient treatment is required.

The facility provides financial benefit which can be used by the clients for meeting expenses incurred on treatment. It is underwritten by Jubilee Life Insurance Company with administrative support provided by MicroEnsure Pakistan.

Khushhalibank Inks Agreement to Support Farmers of Chichawatni

Khushhalibank has signed a value chain financing agreement with another upcoming home grown enterprise, namely, United Star Kinnow (Tangerines) Farms at Chichawatni. The pilot project commenced on early June this year and aims to support local Kinnow producers by providing financing and raw material support to them.

United Star is a private enterprise having membership of Sahiwal Chamber of Commerce which ensures a ready market for local Kinnow produce. It exports the produce to Russia, Thailand, and UAE in addition to supplying within the country. It facilitates financing to local producers for fertilizers, pesticides and land rent for inputs.

An agreement signing ceremony was held at Chichawatni with key members of Khushhalibank management along with United Star Owner in a bid to support the local farmers and facilitate the yield of kinnow for local and international consumers.

Under the value chain financing agreement, Khushhalibank will provide individual loans with a maximum ticket of PKR.120,000 to United Star registered Kinnow producers for a tenure of 8 months. United Star will procure Kinnow after eight months from the producers under a buy-back agreement and will facilitate the bank in collections in case of any default.



Khushhali Family Gala



The annual KBL Family Gala was held on Friday April 11, 2014 at the Sir Syed Memorial Society Hall. The event was attended by a mix of KBL staff from corporate office, BTU and field offices with their families. The fun filled event including various plays, short skits, poetry, musical performances and a special musical performance by Shameer Qidwai.

The winners of the Annual KBL Sports Event were presented with awards. In addition, the top performing field staff was also presented with awards in recognition of their performance.

Health Awareness Drive

An interactive health awareness drive was conducted for the employees of Khushhali bank whereby the team of Wheatable calculated the height and weight of over 100 KBL employees using a BMI calculator during a promotional drive by the food chain on individual fitness and active lifestyle for a healthy mind and body.



Fabric of Human Dignity

Ghulam Mustafa, resident of Qadir Pur Rawan is a respected figure in the society owing to his skillful and creatively woven wearables. He is skilled at preparing Shawls (Garam Chadrain), Khais and Chananiyan (double sized shawl especially made for dowry.)

It is fascinating to see this man who has no formal education prepare such intricate, appealing fabrics. It takes him two days for making a Shawl, 3 days for Khais and 4 days for Chananiyan. The margins are respectable in that a shawl takes PKR 500 in preparation and sells for PKR 800, a Khais PKR 800 while it sells for PKR 1500 and Chananiyan PKR 1500 and sells for PKR 3000.

He has a wide range of customers both from local towns and the main city for his handicraft. His entrepreneurial success and the fact that his children are now receiving post high school education make him a role model for his townsmen. Ghulam Mustafa has availed financial support through Khushhali bank in 4 tranches worth almost PKR 100,000 and credits the leading microfinance institution and his wife for providing him the strength he needed to break the shackles of poverty.

It was through his relatives that Ghulam heard about Khushhali bank's microfinance scheme for skillful people.



Once he approached the bank, Khushhali bank not only responded positively to his loan request but also provided him up to date entrepreneurship counseling throughout the process of setting up the business.

Ghulam Mustafa has no regrets regarding the hand life has dealt him, in fact he is proud to be the torch bearer of his family business, weaving from the threads of life fabrics that represent human dignity.

Training Sessions



Orientation Training Loan Officers (KB-130) held at NIBAF, Islamabad from 7th to 9th April 2014



Area Manager Meeting- held at NIBAF, Islamabad on 10th April 2014



Orientation Training Operations Officers (KB-131) held at NIBAF, Islamabad from 14th to 16th April 2014



Orientation Training Loan Officers (KB-132) held at NIBAF, Islamabad from 22nd to 24th April 2014



Orientation Training Loan Officers (KB-133) held at NIBAF, Islamabad from 19th to 21st May 2014



Orientation Training Loan Officers (KB-134) held at NIBAF, Islamabad from 22nd to 24th May 2014



IBP- Internal Fraud Training held at NIBAF, Islamabad on 9th May 2014



IBP- Branch Banking Operations for Operations Managers held at NIBAF, Islamabad on 16th May 2014



Interviewing Skills held at NIBAF, Islamabad from 4th to 5th Jun 2014



TOT-ATM Card Launch held at Islamabad on 16th Jun 2014



MSME Training held at NIBAF, Islamabad from 16th to 20th Jun 2014

For Feedback & Comments e-mail: editorgassroots@kb.com.pk or Contact Khushhalibank, 94 West, 4th Floor, Jinnah Avenue, Blue Area, Islamabad. Telephone: 051-111-092-092 Fax: 051-9245120

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