

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.

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grassroots

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Shandaar Rozgar



services / agriculture that lead to livelihood improvement and income generation, while these projects / businesses are taken by micro-entrepreneurs who are either self-employed or employ few individuals not exceeding 10 (excluding seasonal labor).

Shandaar Rozgar includes projects and businesses in trading / manufacturing /

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khushhalibanklimited



President's Message

Khushhalibank is transforming from a mono-line business model with a single group lending product to a more dynamic full service bank for the micro and SME segments, with a focus on the smaller end of the spectrum the "growing micro" that are poised to become small business. This is a huge market and Khushhali has a great advantage to offer more robust products (both Asset & Liability) to many of the existing clients but also to venture into a market segment that remains largely untapped by the formal financial sector.

This will involve a major transformation and a process of change but the dividends at the end of the spectrum provide great opportunity for the bank and its employees in terms of business growth and career progression. We expect to receive technical assistance on the transformation program so that we are exposed to the best of international practices.

We will complete the full conversion to the new banking system as well as making investments in terms of technology to offer alternate delivery channels for our

client's convenience. Timely and efficient operational support will remain critical to the achievement of business results.

The continued strengthening of our Risk & Control Environment, Treasury and Human Resource functions will remain a priority besides proactively pursuing new partnerships in terms of business and correspondent bank relationships.

I stated last year that the bank is on a solid foundation due to the relentless efforts of Khushhali team. The results of the year have confirmed this belief.

We will continue to pursue new opportunities in the market and overcome any challenges to take Khushhali to greater heights of success.



Quarterly Business Update, Jan - Mar, 2014

	Microcredit		Micro Savings		Micro-insurance	
	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	6,216	419,075	9,370.723

MicroFinance Transparency Awards "The Seal of Transparency" to Khushhalibank

mftransparency.org

Promoting Transparent Pricing in the Microfinance Industry

Khushhalibank received the "Seal of Transparency" from Microfinance Transparency (MFT) in recognition of its policy and commitment to responsible pricing practice within the market.

MFT is an international, non-governmental organization that promotes transparency by facilitating pricing disclosure. It was established to promote the welfare of poor micro entrepreneurs and to promote the integrity of microfinance as

a poverty alleviation practice. The vision is a microfinance industry operating with healthy, free market conditions, where consumers and other stakeholders can make informed decisions. MFT is funded by leading global financial institutions and represents an industry movement towards responsible pricing practices. Over 500 institutions in 30 countries around the world including Pakistan have given MFT permission to publish their prices.

The Pakistan Transparency Pricing Initiative was carried out by Pakistan Microfinance Network and MFT, and supported by the State Bank of Pakistan under the Financial Inclusion

Program, UK-Aid and the Pakistan Poverty Alleviation Fund, the purpose being to strengthen the industry in Pakistan from within by supporting institutions in making the necessary steps towards pricing transparency.

Pakistan is regarded as having one of the finest regulatory and business environments for microfinance globally which continues to attract both domestic and foreign investment into the sector. This initiative will help further strengthen the positive perception of Pakistan.

Khushhalibank and SRE Solutions (Pvt.) Ltd. join hands to provide renewable energy solutions

Khushhalibank signed a Value Chain Financing Agreement with SRE Solutions (Smart and Renewable Solutions) (Pvt.) Limited – a firm specializing in solar-powered energy equipment for homes & businesses.

Khushhalibank will provide financing for various models of 'Solar Magic Box' – an affordable plug and play device that can be used for generating electricity for Household as well as small businesses in off-grid areas of the country. The agreement was signed by President Khushhalibank, Ghalib Nishtar and Chief Executive Officer SRE Solutions (Pvt.) Limited, Fakhar Khalifa at Islamabad.

"This agreement with SRE Solutions is significant since it comes at a crucial time, Khushhalibank and SRE Solutions will work together to address energy issues of the masses living in far-flung areas and support them in activities that support their livelihood; Solar energy is a renewable energy source and exploring alternative energy sources is an important priority for the country as well." said Ghalib Nishtar, President Khushhalibank.

Fakhar Khalifa, CEO of SRE Solutions, reiterated his resolve to make an impact on the country's economy by providing affordable and efficient solar-powered solutions of international standards to disadvantaged entrepreneurs through joint partnerships with institutions such as Khushhalibank.



The bank is committed to support product innovation for bottom of the pyramid markets that provide economic opportunities to the majority of the population in Pakistan.

Forty Second Meeting of the Board of Directors of Khushhalibank Limited

The New Year started on an encouraging note for Khushhalibank as the Board acknowledged the hard work put in by the management team and the brilliant results achieved as a consequence thereof.

The Board said that the financials when made public will send a very positive message to the market depicting Khushhalibank's true potential and drive.

New product development and initiatives planned to be undertaken in the year 2014 were shared with the Board which was reviewed with interest; the Board expressed their commitment in assisting Khushhalibank in achieving these targets.

The Board also acknowledged the importance of employee development, both in terms of compensation and career path, with that they approved unanimously the proposed bonus scheme. It was further highlighted that the Board would like to monitor and enhance the employee satisfaction as part of the overall objectives for Khushhalibank.

The meeting concluded with the Board expressing its satisfaction on the annual performance of Khushhalibank and

congratulated the management team for an excellent year, both in terms of performance and change management.



Khushhalibank Signs MOU with PTCL

Khushhalibank and Pakistan Telecommunication Company Limited (PTCL) inked an agreement to provide end-to-end connectivity solutions through its Managed WAN services.

The agreement entails provision of Data Connectivity, Hosted IP Video Surveillance and Managed Router to more than 100

branches of Khushhalibank.

Walid Irshaid, PTCL President and CEO, while speaking on the occasion said, "By leveraging PTCL's cutting edge ICT services, we are committed to boost efficiency, improve services and operations delivery for organizations across Pakistan and empower businesses to reach their full potential through technology. The signing of this agreement reflects our preparedness to implement strategic projects that enable banks and other financial institutions in Pakistan to use state-of-the-art telecommunications and IT solutions to better serve their customers."

The MoU was signed by Nasir Naqvi, Chief Information Officer, Khushhalibank and Kamal Ahmed, Chief Digital & Corporate Services Officer PTCL in the presence of Ghalib Nishtar, President Khushhalibank and Walid Irshaid, PTCL President & CEO.

The deployment of PTCL's Managed WAN & Surveillance services will ensure 24x7 business continuity, security and improved customer experience for Khushhalibank in a cost effective manner without any capital expenditure.



Enclude to assist KBL to formally push savings through branchless channels.

A kickoff meeting was held on February 26, 2014 between KBL senior management and Enclude (formerly ShoreBank International Limited) in Islamabad to formally initiate the second phase of the South Asia Micro Savings (SAMI) project that started in 2009 with support from the Bill & Melinda Gates Foundation. Enclude has outsourced a team of consultants from 'Green Peak International' to assist in the development of Khushhalibank's Branchless Banking Marketing Strategy as a means to expand its liabilities portfolio. This consultancy assignment is part of the follow-up by Enclude to assist KBL to formally push savings through

branchless channels.

Since 2009, KBL has been able to develop and offer deposit accounts to approximately 500,000 un-served and low-income clients in Pakistan.

A second meeting held on 12th March, was chaired by Ghalib Nishtar, President Khushhalibank and attended by members of the Retail team. Salman Sarwar Butt, Ameen Jan and Saima Husain from Green Peak met the KBL team and proposed the 'Branchless Banking Marketing Strategy and Execution Plan'. Ameen outlined key messages for communication and



identified the most effective channels for creating awareness. Ghalib Nishtar thanked the participants and briefed them on Khushhalibank's vision for Branchless Banking. He remarked, "Addressing the evolving needs of our customers is essential for growth. Building low-cost deposits remain a core component of our business strategy and launch of the ATM

card and cash-in/out facility at agent outlets across Pakistan will without doubt expand financial access to the KBL customers."

The objective of the presentation was to build consensus around a comprehensive BTU/ATL marketing strategy and make recommendations for usage of a potential sub-grant which could be used for expenditures to execute the plan. Once the strategy is approved by KBL, the next stage would consist of collaboration with Enclude in preparation of the implementation roadmap.

Enclude (www.encludesolutions.com) is an advisory firm dedicated to building an inclusive and prosperous global economy. It provides integrated capacity and capital services that help clients and partners design, connect, finance and build solutions that generate sustainable business results and positive social and environmental outcomes to build a more "enclusive" and prosperous global economy.

KBL pursuing strategic partnership with the ECO Trade and Development Bank of Turkey

In order to cater to the financing requirements of business growth, KBL is pursuing strategic partnership with the ECO Trade and Development Bank of Turkey. In the first stage, KBL is contemplating financing option of circa 5,000,000 - (Five Million) US Dollars from ECO Bank. In this connection, a three

member team of ECO Bank visited KBL in February 14 and successfully completed the on-site review of KBL operations. It is anticipated that financing facility will be available soon for the draw down.

KBL 7th Annual General Meeting

Khushhalibank held its 7th Annual General Meeting on March 24, 2014 at Marriott Karachi, during the course of the meeting the annual financial returns of the Bank along with key highlights for audit, balance sheet and operating results were shared with the members who showed their satisfaction at the performance of the Bank. The members congratulated the management team and assured them of their commitment to the Bank and its prosperity.

In terms of statutory approvals the audited financial report was approved by the members. Additionally, with A.F. Ferguson completing their audit term with the conclusion of the Annual Audit of 2013, the members on recommendation of the Board approved the engagement of BDO Ebrahim & Co. , Chartered Accountants Islamabad as the Bank's Auditors.

Khushhalibank Idol Award presented at the 6th Ladies Fund Women's Award Ceremony

The 6th LADIESFUND Women's Awards for Pakistan 2014 ceremony was held at The Mohatta Palace Museum, Karachi, with 400 of the most influential women in Pakistan and various celebrities in attendance. The event began with an Indonesian Cultural Dance of Welcome, arranged by The Consulate General of the Republic of Indonesia in Karachi and the ceremony was conducted by Faisal Qureshi.

This event was sponsored by Dawood Global Foundation, Khushhalibank, Pioneer Cement, Primus Investment

Management Ltd. (IPO IMMF), The Consulate General of the Republic of Indonesia in Karachi, Chief Guests included Rubina S. Qaimkhani, Minister Women Development Sindh, as well as the two Lifetime Achievement Award winners Dr. Nafis Sadik (UNAIDS) and Souriya Anwar (SOS Children's Villages).

Key winners included the awarding of the Khushhalibank Idol Award to Anita Zafar and Akbari Juman, who lost their lives recently while trying to administer polio vaccines.

Their spouses and children accepted the awards. The People's Choice winners included Samina Baig who was Pakistan Woman of the Year, Angie Marshall who was Momentum Award winner and Khalida Brohi who was the Trailblazer Award winner. Honoured posthumously with LADIESFUND Awards of Courage were Parveen Rehman and Zahra Shahid Hussain.

Ghalib Nishtar, President Khushhalibank, sponsor of the Idol Award, sent a special message, "Khushhalibank Idol Award is the recognition of the female role models who have succeeded against the odds and made the country proud. We support the mission of the LADIESFUND to celebrate the success of these women who managed to elevate their status in society as the Women of Substance and we feel honored to support such initiatives. The recipient of this prestigious award will be an inspiration for those females whose struggles will be recognized in the years to come."



KBL Sponsorship to Help Deserving Students

With an aim to support talented but deserving students in pursuing their academic careers, Khushhalibank supported 03 more students of Pak Turk International Schools & Colleges being run under the auspices of the Pak Turk International Cag Educational Foundation – an International Turkish non-government educational organization.

Students with limited means have been provided with scholarship throughout the year 2013. They kept up with their outstanding academic and social achievement befitting our trust in them. Encouraged by this academic achievement, Khushhalibank is sponsoring 3 more students of Pak Turk Schools throughout the year 2014.

KBL - Enhancing Skills with Hunar Foundation



Khushhalibank continues to support the vision of The Hunar Foundation to achieve a skilled Pakistan by sponsoring 05 more students at HAK Technical Institute, Tando Allahyar for the academic year 2014. THF training provides them opportunity to improve their skills in various technical specialties like refrigeration, air conditioning, electrical installation, mechanical fitting, plant maintenance fabrication, welding, pipework and plumbing followed by a six month internship in the local industry.

The donation allows THF to expand its programs and services for coming years and helps transform more lives every year.

Khushhalibank furthers its goal to enhance human potential

Khushhalibank, in furthering its goal to enhance human potential for contribution to economic uplift, sponsored the 12 year old Squash player, Naveed Rehman.

Khushhalibank undertook the sponsoring of this budding star having recognized the extraordinary competency and skill in

the game of Squash that Naveed possesses. He has an impressive track record of participation in several domestic Squash tournaments including DG Ranger Squash tournament at Karachi in 2012, CAS Junior Squash Championship at Peshawar in 2013,



and played in the quarter final of Roshan Khan - Jahangir Khan Squash tournament in November 2013 at Karachi.

Naveed also qualified for the second round at REDtone 7th KL Junior Open squash Championship held in Kuala Lumpur in December 2013. The young star participated in Dubai Championship and in DOHA and Qatar Junior Squash international tournament earlier this year, and is now considered one of the top 10 youths in Pakistan Ranking.

Khushhalibank Celebrates Women's Day

On the occasion of International Women's Day, Khushhalibank female staff participated in a very colorful and interesting jewelry making workshop by Paper Miracles. The raw material for jewelry which mainly comprises of paper beads made with thin strips of paper cut in a particular dimension was provided by Paper Miracles and their staff guided on every step how paper beads are made and how to convert them into beautiful bracelets & necklaces. The participants actively participated in the activity showing solidarity with the earthquake victims of 2005 who are the beneficiaries of this project.

About Paper Miracles: The 2005 Kashmir Earthquake devastated thousands of households across Pakistan. A group of women rendered paraplegic by the disaster and abandoned by their families found their way to a shelter near Golra Village, Islamabad. Paralyzed and abandoned by their families, these women had no way to provide for themselves. Despite their trauma, these women showed strong determination to move forward with a positive attitude to rebuild their lives. Inspired by their strength, members of the Rotary Club of Islamabad Renaissance (RCIR) introduced the



paper bead making at the paraplegic center as an income-generating activity for the residents. Paper Miracles promotes sustainable income generation and development, as a foundation for women to have the means to foster greater independence and the confidence to champion themselves.

Khushhalibank: Helping women stand on their feet

by Sidra Farrukh, originally published in Business Recorder, 08 March 2014, Research segment article: <http://www.brecorder.com/articles-a-letters/187/1160500/>

Entrepreneurship comes from within. And while some might think that men have a monopoly on entrepreneurship, one is pleasantly surprised to find out about the entrepreneurial spirit of Pakistani women and that too from less privileged backgrounds.

We showcase the success stories of two such women who beat the odds and made it happen: Gulzar Bibi and Salma Bibi. But first, some background of the institution that made it happen: Khushhalibank, one of the country's leading microfinance institutions with an increasing footprint across Pakistan.

The bank's core objective is to provide microfinance services to people, particularly women, who are generally not catered by

the other banks. Such small loans with easy repayment plans are issued to groups that have identified needs in fields like agriculture, livestock and small businesses; with this, has emerged the concept of social collateral for community-based lending where physical collaterals are near to impossible. Currently, loans of such category by Khushhalibank range from Rs.10,000 to Rs.50,000 depending upon the needs of these small business entrepreneurs.

The bank's unique selling proposition is its door-step delivery of facilities like documentation, recovery and meetings; women who generally hesitate to leave their homes, cite this facility to be a driver to start their own setups.

An interesting insight of the two success stories and many others of the bank is how these women have genuine financing needs, and how they repay on time not from any other source but the cash generated by their ventures. They

Gulzar Bibi and her canteen

This amazing woman currently runs a small canteen at a local school in Nogazi village Tarnol Islamabad. Living with her husband and three children, Gulzar Bibi's life had been marked with financial troubles that never allowed her to have a permanent source of living.

Her journey towards a better living started with her aspirations to progress from working at bungalows to starting something of her own. Stitching and sewing had been the only source that was never enough for a family of five and running a school canteen was never feasible due to tough financial constraints.

However, door-to-door program introduction and group loaning by Khushhalibank changed Gulzar Bibi's life for the better.

The first loan turned to a second and so on, all paid back on time. Today Gulzar Bibi has availed four to five loans from the bank and plans to continue seeking the bank's help and guidance for polishing her permanent bread winner, the school canteen. Her latest loan is worth Rs.19,500; all her loans have had specific needs; the first one was for upgrading

also have very realistic demands and ambitions that coincide with their cash flows; majority of them do not have extravagant aims that might lure them into more loans than they could repay and thus fall into recovery trap.



the canteen facility and the rest of them have been for buying eatables from the local grocers for cash.

With the responsibilities of her daughter's marriage and her children's education hanging over her head, Khushhali loan has enabled Gulzar Bibi to fight what is a recurring feature in many households: the husband who does not contribute to the daily expenditure. Today, she stands not only as a survivor, but also a victor in being able to generate income to support her family.

Salma Bibi: Sewing her fortunes

Residing in the middle of Nogazi village, Salma Bibi is another role model for other women from struggling households who



wish to flip the fortunes of their families by becoming a significant contributor to the income. Being the eldest of the siblings, Salma always aspired to become a helping hand for her father who had a large family to support.

Word of mouth became the source for this improving journey; Salma Bibi's interest and passion for stitching, knitting and embroidery helped her figure out which way to go. Initially, with only one sewing machine, carving was not possible. However; with Khushhalibank's microfinance loan, she was able to purchase a specialized machine that helped her start taking embroidery as well as stitching orders. However, power shortage in the village is a major hurdle for her in dealing with rising orders.

Salma Bibi plans to expand her business operations that include buying another machine only through Khushhalibank. Today, Salma's room is crowded with women coming either for orders or for learning as her passion has helped her to teach stitching and sewing to young girls of the vicinity, a for-profit service which she aims to grow if her finances allow.