

grassroots

October - December 2012

Volume: VIII – Edition IV

one promise

Our 12th year marks the achievement of more than three 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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President's Message



The quarter in review witnesses the end of Year 2012 which was truly momentous in the short history of Khushhalibank. Our achievements in this year will go a long way in ensuring the growth and progress of the bank in the future. While maintaining our market leadership as the largest microfinance Institution in the country, we achieved a seamless transition in terms of ownership to a consortium comprising blue chip domestic & International Investors. Our core banking has been successfully implemented across the network and we have achieved a record growth in terms of our business both on asset &

liability side of the balance sheet. These achievements in the backdrop of a challenging macro economic environment and devastation due to natural calamities is commendable.

Khushhalibank's role in economic inclusion has been integral and particularly notable for its successful operation in a low-literacy, undocumented environment. Its stellar performance for over a decade has won over cynics, attracted unprecedented international investor interest and has led to the emergence of a number of other microfinance banks seeking to emulate its success.

The bank is today on a solid foundation and in the new year we make progress on several new fronts to take our Institution to greater heights that will require restructuring and reorganization which is ongoing while investing in technology and skill.

We will continue to invest in the vulnerable economic segments to ensure Pakistan's future prosperity. This success comes from your hard work and commitment and while recognizing your contribution I would like to specially acknowledge those who have been part of this exciting journey from the very initial years.

I am confident of the remarkable team at Khushhalibank and my best wishes to all of you for the year ahead.

Quarterly Business Update, October - December, 2012

	Microcredit		Micro-Savings		Micro-insurance	
	Active Borrowers	Value (PKR Millions)	Active Savers	Value (PKR Millions)	Policy Holders	Sum insured (PKR Millions)
2012-Q1	350,085	4,503.4	294,730	1,129.5	350,085	4,503.4
2012-Q2	340,553	4,564.5	339,296	2,166.9	340,553	4,564.5
2012-Q3	367,154	5,198.0	385,791	2,270.0	367,154	5,198.0
2012-Q4	364,814	5,826.2	458,576	4,040.0	364,814	5,826.2

Participation in D-8 Central Banks Expert Workshop

State Bank of Pakistan's Deputy Governor Kazi Abdul Muktedir inaugurated an experts' workshop in Islamabad on Tuesday, 20 November 2012.



Khushhalibank was invited as part of the select group of financial institutions to the experts workshop.

Developing Eight (D8) countries (include Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey) have identified four key areas of cooperation in order to promote inclusive economic growth among member countries for the overall welfare and prosperity of their peoples which includes:

- a sustainable growth strategy
- innovative financial inclusion
- Islamic financing and information exchange among the members

The workshop was part of the second meeting of the heads of central banks of D-8 nations on 'Financial and Monetary Cooperation for Promoting Inclusive Economic Growth'. The first meeting was held in Abuja, Nigeria last year. This meeting was held on the sidelines of the D8 Summit 2012, aimed at improving member states' position in the global economy, diversifying and create new opportunities in trade relations, enhance participation in decision-making at the international level and improve standards of living.

The SBP deputy governor said that the workshop is being attended by highly-qualified experts, so he expects they will provide recommendations and proposals on the basis of which an institutional mechanism could be developed for future cooperation. He said that the D8 bloc has the potential to become a major economic force, saying that close cooperation was needed between the central banks of the member countries to tap this potential.

Delegation of ECO Trade and Development Bank visits Khushhalibank

The Economic Corporation Organization Trade and Development Bank is a Multilateral Development Bank (MDB) established in August 3, 2005 by Iran, Pakistan and Turkey, which are the founding members of the ECO. The Headquarters Agreement of the Bank was ratified by the Republic of Turkey in July 2007 completing the formalities to establish the Bank.



Being an MDB, the Bank is not a profit maximizing organization but would rather focus on financing development programs and projects at reasonable costs with a favourable repayment conditions as pursued by other MDBs such as World Bank, Asian Development Bank, Islamic Development Bank, European Investment Bank, Black Sea Trade and Development Bank, etc.

Overall, the Bank takes lending decisions solely on the merits of projects, programs, or other transactions proposed and tailor borrowing in line with the best opportunities available in the capital markets. It specifically considers the relevancy and impact of its operations to the development objectives of the member countries. The membership to the Bank is expected to increase soon by joining of other ECO member states as well as their Banks and financial institutions.

The Bank is contributing towards the medium and long-term financing needs of the region and thereby helps to promote sustainable development and regional integration in both the public and private sectors. It also aims to become an important institutional vehicle for mobilizing funds in international capital markets for the region's development needs.

A delegation of the ECO Bank comprising: Dr. Yasar AKGUN, Vice President, Ms. Arzu GUNAL, Director, Head of Department Banking and Non Banking Institutions and Mr. Abid Hameed Mufti, Chief Representative called on the President Khushhalibank to explore opportunities for business with respect to MSME market segment. Khushhalibank is perceived as an emerging regional leader.

Khushhalibank and MEDA sign a Memorandum of Cooperation to facilitate access to Finance by Micro-Entrepreneurs

Khushhalibank and MEDA, The Mennonite Economic Development Associates, an international non-profit making organization working in various countries all over the world, and managing Entrepreneurs project through key partners in Punjab, Sindh, Baluchistan and KPK, recently signed a Memorandum of Cooperation with an aim to promote their common vision of promoting economic development and access to finance.

The main objective of this collaboration is to provide sustainable solution for access to finance by micro-entrepreneurs. Both organizations agreed to identify potential micro-entrepreneurs and help facilitate meetings with those willing to avail microfinance facilities from Khushhalibank. They also decided to take appropriate measures to prepare business plans for interested micro-entrepreneurs, improve their technical skills and linkage development with market. MEDA agreed to strengthen links of Khushhalibank with these businessmen and women on sustainable basis including regular communication, coordination and counselling.

At its end, Khushhalibank pledged to provide orientation of its microfinance program to the implementing partner organizations, introduce their programs to potential borrowers for their better understanding, select eligible groups and individuals for microfinance services as per its policies and provide them with the necessary loans requested on merit.

This Memorandum will be effective from the 10th of December until completion of the sub-grants in March 2014. One person each was designated from both concerned parties as the focal person, with an aim to coordinate and oversee this cooperation.

Felicitating both parties on the occasion, Ghalib Nishtar, President Khushhalibank, said that "small and medium sized micro-entrepreneurs are vital to the economic growth of the country". He added that "Khushhalibank has come up as the largest institution supporting micro and small entrepreneurs through various widely-accessible financial services across the country, and has always sponsored and promoted platforms to discuss such initiatives. The very boom of microfinance has appeared as sheer blessing for the economic progress, better to say, socioeconomic survival of the country as this is microfinance which has been successfully bringing up the positive changes at the micro level. Though, most of the time such steady progress of this crucial sector gets unnoticed, but the gradual rise of an economically autonomous and financially self-sufficient class from the deep-seated poverty and impoverishment can be, easily, termed as a revolution itself".



President Khushhalibank presenting certificates to the team members.

Khushhalibank joins hands with The Hunar Foundation to promote vocational training

With an aim to support livelihoods through competency based vocational training of international standards and help create a new batch of skilled Pakistanis with internationally recognized technical qualifications, Khushhalibank sponsored ten students of The Hunar Foundation technical institute to provide them the opportunity to skill themselves in various technical specialities like Refrigeration and Air Conditioning, Electrical installation, Mechanical fitting and Plant Maintenance, Fabrication, welding, Pipe work and Plumbing, followed by a 6 month internship in the local industry. These programs will be then followed by career guidance and assistance in work placement.

In this context, a Memorandum of Understanding was signed between Khushhalibank and The Hunar Foundation, as per which Khushhalibank will sponsor ten students to undergo a one year vocational training at Hunar Foundation's newly established campus of HAK Technical Institute in Rashidabad, Tando Allahyar.

Speaking on this collaboration, Ghalib Nishtar, President Khushhalibank, said that "most of the USD



11 billion remittances received through overseas Pakistanis in 2010-2011 were contributed by the 'skilled' persons abroad, thus the importance of proper vocational training to create a skilled force that contributes significantly to the economic growth within the country cannot be denied". He added that Khushhalibank has always been on the forefront of supporting such initiatives across the country that immediately impact an individual's livelihood prospects and provide business opportunities". Microfinance creates opportunities for access to productive capital, which together with human capital, addressed through education and vocational training, enables people to move out of poverty.

Khalid J. Siddiqui, CEO of The Hunar Foundation, reiterated his resolve to make a significant impact in the economy of the country by providing marketable, competency based vocational training of international standards to underprivileged boys and girls through joint partnerships with institutions such as Khushhalibank.

The Hunar Foundation is a non-profit organization formed by a group of like minded Pakistani professionals from the corporate sector, non-governmental organizations, donor groups and other strata of society, who have been the founding members of highly successful philanthropic initiatives such as The Kidney Centre and The Citizens Foundation. The Hunar Foundation focuses on establishing community welfare projects primarily in the field of Vocational Training & Technical Education at different locations in Pakistan by internationally trained instructors, with an aim to open up a new world of opportunities for individuals by providing a locally and globally absorbable technical manpower pool.

Annual SEEP Conference - 2012

The SEEP Network is a global network of over 130 international organizations dedicated to combating poverty through promoting inclusive markets and financial system. SEEP represents the largest and most diverse network of its kind, comprised of international development organizations and global, regional, and country-level practitioner networks that promote market development and financial inclusion. Members are active in 170 countries and support nearly 100 million entrepreneurs and their families. Its Annual Conference attracts major stakeholders in microfinance, especially from North America and Europe.



The theme of the 2012 Conference was **Building Inclusive Markets: Impact through Financial and Enterprise Solutions.**



Annual SEEP Conference - 2012

In his capacity of being a member of the Pakistan Microfinance Network and also currently the Vice Chairman of PMN Board of Directors., PMN invited Ghalib Nishtar, President Khushhalibank to participate in SEEP's 2012 Global Network Summit and Annual Conference, held at the Sheraton Pentagon City Hotel in Arlington, VA on November 4-8, 2012 as a panelist at the Conference.

Finance and Banking Sectors Ripe for Investment

At a meeting of the Pakistan Microfinance Network during the SEEP Annual Conference, a global network of over 130 institutions combating

poverty and promoting inclusive markets and financial systems, Ambassador Rehman urged a gathering of Pakistani and international investors, academics and microfinance experts to explore Pakistan's banking sector. Called a "laboratory for innovation" and the best regulatory framework for microfinance in the world, the Ambassador discussed the country's banking and microfinance industry at an event titled "Pakistan - The Dark Horse of Microfinance". Ambassador Rehman noted the sector's consistently high return to investors and stated that Pakistan's 30 million unbanked customers present an opportunity for international institutions to scale their operations. "During the last 4 years, new players like mobile network operators, commercial banks, and international funds have started investing in institutions focused on the bottom of the pyramid markets and have catalyzed growth," said the envoy. Private sector motives and public sector social programs, like the Benazir Income Support Program, have



brought formal banking - through traditional, microfinance, and mobile outlets - to more than 4 million people in the last four years in Pakistan.

The event included an excellent line up of business leaders and financial entrepreneurs including Dr. Saeed Ahmed, the Head of the Microfinance Department at the State Bank of Pakistan, Syed Mohsin Ahmed, CEO of the Pakistan Microfinance Network, Dr. Rashid Bajwa, CEO of the National Rural Support Program and Chairman of the Pakistan Microfinance Network, Ghalib Nishtar, President Khushhalibank, Ahmad Jamal, Senior Advisor at the Pakistan Poverty Alleviation Fund, Yasir Ashfaq, Group Head Financial Services Group at the Pakistan Poverty Alleviation Fund, Steve Rasmussen, Manager of Technology and Business Model Innovations at the Consultative Group to Assist the Poor and Mehnaz Safavian, Senior Economist for South Asia at The World Bank.

SBBN Membership

Khushhalibank has recently joined the Small Business Banking Network (SBBN), a global initiative of bankers and experts dedicated to improving access to financial services to small businesses. It will make Khushhalibank a visible, regional leader in the industry.



Small Business Banking Network

A CAPITALPLUS EXCHANGE INITIATIVE

In line with Khushhalibank's plans and priorities, we hope to get the following out of this membership:

As a part of SBBN team, we can receive access to the SBBN's web-based community platform.

The online services include:

- access to the knowledge of over 600 peer bankers from 44 financial institutions around the world and industry experts via the discussions board
- free downloadable resources such as banking policy guides, case studies, leadership tools, and more via their Knowledge Bank (a digital library)
- quarterly webinars and events on a variety of topics in banking
- pertinent industry information including news and events in small business banking

A Roundtable Conversation on Pakistan hosted by Shore bank at Washington DC November 5, 2012



On the sidelines of the SEEP conference a roundtable conversation was hosted by Shore Bank International for the Pakistan delegation comprising PPAF, PMN, Khushhalibank, Tameerbank & NRSP.



SBI

Building an inclusive global financial system

The President of Shore Bank International Laurie J. Spengler welcomed the Pakistan delegation and provided an opportunity to interact with a host of delegates representing Government, Foundations networks, academia, multilateral and other donor organizations with the purpose of showcasing Pakistan's progress in the realm of inclusive finance to a wider and diverse audience in the US.

The progress made by Pakistan over the past decade in terms of innovations, inclusive finance and branchless banking was recognized at the forum that sees Pakistan as a Global leader in terms microfinance.

Regional Sales Conference - Southern Region

Southern Region Sales conference was held on October 22, 2012 to review performance of the Southern Region till September 2012 and to present strategic direction for the fourth quarter of the year 2012. Ghalib Nishtar chaired the conference which was attended by Head Retail, Manager Distribution, Manager Marketing, RBMs/AMs/BMs/RMs/ and RASO.

The President in his concluding remarks highlighted that Southern region is a high potential market for micro-credit and encouraged staff to have full confidence in their abilities and be ready to face challenges and avail opportunities. He opined that with the introduction of ADC/BB market access will increase and Khushhalibank will be able to cater the needs of larger market segment. He was optimistic about the new products, NIFT and ATM that are in progress and will be available for offering in the near future. The President emphasized to be extra vigilant and



Regional Sales Conference - Southern Region

ensure strict compliance of all policy/ procedures to mitigate high risk associated with Gold loan (CS).

The Branch Managers, Area Managers and Regional Manager presented the performance of the respective territories followed by an interactive session. The Head Retail summarized the session and provided an overview of the overall business strategy.

Regional Sales Conference - Northern Region

Northern Region Sales Conference was held on October 8, 2012. The conference was chaired by the Khushhalibank President and attended by Head Retail, Manager Distribution, Manager Marketing, RBM/AM's/BM's/RM's/ RASO.

The objective of the conference was to present performance review till September 2012 and to highlight challenges and future strategy for the remaining fourth quarter of 2012. The Head Retail gave an overview of the opportunities and challenges for the next year, 2013.



Regional Sales Conference - Northern Region

The President in his concluding address

briefed the audience that Khushhalibank now has an international ownership structure in place. He emphasized that Khushhalibank being the largest in terms of network and out reach in the country is now recognized globally. He further stressed that at Khushhalibank we have great potential in the market and can progress with responsible attitude.

Badminton Doubles Tournament 2012

The Badminton Doubles Tournament that kicked off on November 29, 2012 concluded successfully on December 19, 2012. The tournament was a huge hit with the employees. With 108 employees participating in the event the matches spread over 11 days. Great enthusiasm and passion of the employees was witnessed during the matches.

The final event of the tournament took place on December 19, 2012 at Ch. Rehmat Community Centre. The event was attended by the President, HODs and team members from CPU and Corporate office. The spectators enjoyed the final events.

In the final match of the Badminton Women's Doubles Tournament, Amina Hassan and Tayyaba Yamin won the match whereas the Badminton Men's Doubles Tournament was won by Aqeel Ahmed and Zahid Niaz.

The President Khushhalibank awarded shields & certificates to the players. In his concluding remarks the President applauded the winning teams and appreciated the efforts for arranging such healthy events for the employees.



Employee Motivation Session at Corporate Office



Employee Motivation Session at Corporate Office

Fresh blood always brings some excitement, Khushhalibank's new Training & Development Manager conducted a session with HR department on "Employee Motivation". The session included understanding of personal motivation concept, motivational factors, how to become a self motivated person & how an employee can achieve desired level of motivation in the work environment.

This session was first in the line of upcoming soft skill development plan for

employees of different departments at Corporate Office. This would be expanded later on to regions, area & branches as well. Upcoming events in this regard are "Time Management", "Effective Business Communication", "Body Language" and few others.

Sponsorship of 03 student of Pakturk International CAG Educational Foundation (Schools and Colleges)

This sponsorship is a part of Khushhalibank's ongoing efforts to create opportunities for the underprivileged youth residing in the marginalized areas of the country. Through such initiatives the bank reinforces its resolve to extend quality education to students coming from the lower strata of the society. The Bank has sponsored tuition fee and boarding expenses of 03 students coming from remote areas of Pakistan for one year.



PAKTURK
INTERNATIONAL SCHOOLS & COLLEGES

A Glance into Khushhalibank's Promise of "Changing Lives"

Salma Bibi - picking up the threads of life

People tend to lose hope and faith when something terrible happens but that was not the case with Salma Bibi, a resident of Mastoi Colony , D. G. Khan,



who became a widow at a young age. She had never anticipated this time

in her life and was not at all ready for what she had to face. She had absolutely no financial support and six mouths to feed. Even her close relatives left her alone.

Fortunately, somebody told her about the Khushhalibank's micro-finance loan scheme. She applied for the loan which she got immediately and started her small set up of embroidery and cloth house with the help she got from Khushhalibank. Thus she gathered her courage for a greater purpose and the journey of living and striving began.

The amount given to her initially was Rs. 10,000. She was making a profit of Rs. 2,000 before she got the loan. She provided for the education of her six children and then she had to bear all the expenses for their marriages also. After she got the loan, the profit kept on increasing and now her monthly income is Rs. 18,000.

After 10 years of being with Khushhalibank, Salma Bibi is now well settled and has expanded her business of embroidery and cloth house. There is a staff of three girls working with her in her business. She has entered her 8th loan cycle now and she is a happy and satisfied customer of Khushhalibank, with the help of which she was able to support and finance her family through the tough times. In future she intends to expand her business into a boutique.



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