

one promise

Our 11th year marks the achievement of more than two and a half 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.

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Annual Sales Conference, 2011

Annual Sales Conference

Annual Sales Conference was held on 16th April 2011 at Bhurban. The conference was chaired by Mr. Ghalib Nishtar, President Khushhalibank and the participants included all Heads of Departments, National Sales Manager, Manager Marketing, Manager Resource Planning & Budgeting, Regional Business Managers and Area Managers. The objective of the conference was to review Retail performance for the year 2010 and share Retail Strategy for the year 2011. Presentations were made on Regional performance by the Regional Business Managers, followed by area wise feedback by the Area Managers.

The National Sales Manager presented sales strategy for 2011 which was followed by a presentation by Manager Retail Banking on retail strategy for 2011. Mr. Ghalib Nishtar, presented annual achievement awards for high achievers in Individual, Branch, Area and Regional categories.

The President closed the conference by sharing the key milestones achieved by the bank since its establishment and the strategy for the years to come. He expressed satisfaction on the achievement so far and assured all participants of full support to maintain the momentum of growth and sustainability.

Entity Ratings Upgraded to A/A-1

JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded the entity ratings of Khushhalibank Limited (KBL), to 'A' (Single A) from 'A-' (Single A Minus) for the medium to long-term and A-1 (A One) from A-2 (A Two) for the short-term. The ratings reflect Khushhalibank's adequate capitalization and extensive industry experience of its board and senior management, and its ability to withstand tough operating environment and maintain its market standing. The ratings underscore the bank's sound understanding of the microfinance sector and its meticulous due diligence and monitoring system. It also highlights KBL's position as one of the largest microfinance bank operating in the Microfinance Banking sector in Pakistan.

President's Message



The second quarter of the year commenced with the holding of the Annual Business Conference at Bhurban. The forum provided an opportunity to review the results for previous year & strategy for the year 2011 besides recognizing exceptional performers across the distribution network.

The period under review witnessed activity on several fronts as there was focus on business growth and expansion with the opening of six new branches so as to maintain the business momentum despite a suppressed portfolio at locations affected by the floods.

After the successful launch of the pilot core banking operations at Haripur the expansion across the network was initiated in the current quarter through the composition of 6 roll out teams and we expect that eight branches will be converted to the core banking application every month and the entire conversion process will be completed by June 30, 2012. While Core Banking Implementation is a challenging task by any standards, initiative seems to be progressing well at Khushhali and the effort of those involved in the process need to be recognized.

New initiatives for the quarter include the agreement with USAID for the launch of Tubewell Efficiency Improvement Replacement Program. This is a one year program to improve rural and urban energy conservation.

Besides an agreement was signed with Western Union for the promotion of inward remittances across Pakistan. This is the first partnership of its kind between Western Union, a global franchise and a Microfinance Institution and will facilitate transfers particularly across the remote & rural areas of the country.

The Bank continues to support initiatives for the encouragement of entrepreneurship and sponsored several events during the quarter.

Ranked Amongst the Biggest Microfinance Organizations

The Microcredit Summit Campaign (MSC) has launched a status report that addresses the latest issues faced by the microfinance industry throughout the region. The Microcredit Summit Campaign Report is the largest and most comprehensive annual report on the outreach of microfinance to the poor and very poor. The report also shares details on a new initiative by MSC which is designed to recognize institutions from the globe that are committed to economic uplifting of the people. Under this very initiative the MSC ranks Khushhalibank, as one of the biggest microfinance entities of the region having served two and a half million relationships. The ranking of Khushhalibank amongst the biggest microfinance organizations in the region reflects the bank's firm resolve and sheer commitment to empower the people of Pakistan by giving access to credit for self-employment and other financial and business services to overcome the harsh realities and cruelties of extreme poverty.

According to the report, more than 128 million of the world's poorest families received micro loans in 2009 which is an all-time high. The report holds great significance from the Pakistani perspective as well since there are currently over two million active microfinance borrowers. The 2011 report also analyses the progress of the Microcredit Summit Campaign and the global microfinance industry over the past year. The preparation of this report involved the interview scores of industry leaders from the microfinance industry, capturing their thoughts on the issues facing the microfinance sector.

The report emphasizes upon the microfinance community to develop a solid technique to identify organizations that demonstrate extra ordinary success in achieving the transformational dimension of microfinance by helping poor people to come out of abject poverty. The Microcredit Summit Campaign has taken on this challenging task by shepherding a consultative process on creating a Seal of Excellence for microfinance. The Campaign's greatest challenge is bridging the gap between its commitment to reaching the poorest population and the lack of effective poverty measurement tools.

RM Promotion Training, April 11-15

Team leaders are the pivot points in Khushhalibank's performance. Bank provides training to staff on every ladder to career growth.

All the newly promoted Relationship Managers were given comprehensive training of branch banking, sales and banking laws. The training was led by a mix of subject matter experts from internal resources.

As a standard evaluation mechanism, the participants went through a comprehensive testing during and after training. Based on overall evaluation, Mr. Muhammad Naveed Khan, Relationship Manager, Haripur was considered as a best participant of the course and was awarded a shield and merit certificate.



RM Promotion Training, at NIBAF Islamabad

Agricultural Expo held in Multan

Energy is a critical political and economic issue in Pakistan. In the political domain, interruptions in power supplies have commonly lasted for 10-12 hours, and have led to riots in cities across the country. In the economic realm, the debt within the power sector is enormous, and dealing with it is crowding out Government of Pakistan expenditures to other public sectors such as health and education. Pakistan's energy crisis is dominated by a growing shortage of electricity, which is constraining economic growth and fostering political instability. Pakistan's electricity shortage results from a lack of investment and poor management. Investments in energy project in general and power projects in particular have not kept pace with demand. Pakistan has not been investing



Agricultural Expo held in Multan

enough to maintain existing infrastructure, explore and exploit new oil and gas reserves, and build new power generation plants.

Agricultural tube well pump sets are a major component of peak demand in Pakistan. These pump sets are generally known to be quite inefficient and can be replaced with more efficient ones that consume at least 20% lesser energy for the same output, if appropriate incentives are provided to their owners to replace the inefficient units. There are about 720,000 irrigation pumps in the country. About 230,000 are run by electricity and consume 2,300 MW and 8,200 GWh per year which is 10% of electricity use per year in the country. There are about 500,000 tube wells that run on diesel. They consume 12 million barrels per year or about 10% petroleum use in the country. KBL has entered into a Cooperative Agreement with USAID titled Tubewell Efficiency Improvement Replacement Program (TWEIP). TWEIP aims at the replacement of up to 11,000 energy-inefficient tubewells pump sets. Under TWEIP, United States Agency for International Development (USAID) is providing subsidy equivalent to 50% cost of the efficient tubewell pump sets. KBL has the role of disbursement service provider.

Daily Jang Group hosted an Agri-Expo in Multan on 4-5 June, 2011. Mr. Ali Ahmed Aulakh, Provincial Minister for Agriculture, Government of Punjab was the Chief Guest at the inaugural session. TWEIP participated on a major stand. This was an excellent opportunity to pull together many strands of the program outreach campaign, including TWEIP Brand Ambassador, advertising and media coverage. KBL developed standees with information on TWEIP, which were displayed at the expo. The expo provided its exhibitors an opportunity to let their direct customers know about TWEIP products and services. At the same time this expo provided opportunity to the farmers to have awareness about products and services of National and Multinational companies and banks. Two major pump suppliers took an active part in this event, with the others being represented by marketing material and demonstration pumps. The expo witnessed the presence of about 1,000 farmers each day.

Partnering with Western Union for Global Remittance

Khushhalibank has made a commercial agreement with Western Union to introduce international inbound remittance services in 76 districts across Pakistan where Khushhalibank operates, starting with Karachi, Lahore and Rawalpindi.

Khushhalibank is the first microfinance institution in Pakistan to introduce the cross border inbound remittance service, thereby facilitating a large segment of rural population to receive money from overseas through Khushhalibank's wide network of 109 branches. To use this service, end-users do not need an account with Khushhalibank, but would be able to receive cash within minutes from Khushhalibank counters, by providing the Western Union a 10-digit MTCN (Money Transfer Control Number) to the bank teller along with a copy of their CNIC.

According to a recent survey by State Bank of Pakistan, the total overseas remittances received in FY10 showed an impressive increase of 14% from FY09. Similarly, \$841.44 million received in June 2010, beat the previous record of \$806.12 million received in September 2009. Foreign remittances make up for 4% of the country's GDP. This alliance will bring about a structural change in the remittance system and would help in Khushhalibank's prime objective of poverty alleviation.

Talent Expo 2011 at NUST

The National University of Science and Technology (NUST) a prestigious university of Pakistan recently held the NUST Talent Expo 2011, at its Islamabad Campus. The objective of the expo was to provide an ideal networking platform for the industry and corporate sector to meet talented human resource in the disciplines of Engineering and Business Administration at NUST. Dr Asfaq Hassan, Principal NUST Business School, welcomed the Chief Guest of the event Mr. Ghalib Nishtar, President, Khushhalibank and officials of other participating companies from both private and public sector. The job fair, organized by NUST Business School (NBS) and NUST School of Electrical Engineering and Computer Science (SECS) in cooperation with Industry Liaison Office (ILO) was well attended by representatives of the country's leading and well-known companies of different sectors like finance, human resource management, marketing, information technology, communication systems engineering and electrical engineering.

Chief Guest of the event, Mr. Ghalib Nishtar, President of Khushhalibank, applauded the role of NUST in organizing the Job Fair which provided a unique opportunity to the graduating students to meet and learn from leaders in business sector. The fair attracted a large number of students who met with companies' representatives, gaining valuable business contacts and networking with professionals. During the expo, students of the university were made aware of the available jobs in the market and the requirements to qualify for them through their active interaction with representatives of companies from both the private and public sectors. With various job vacancies posted and continuous interviews held for shortlisted candidates, NUST endeavors to make the Talent Expo an annual event to continuously support and assist its students in their career advancement and development.



Talent Expo 2011 at NUST

Workshop on Economic Empowerment

One of the biggest crises faced by Pakistan today is the high level of unemployment and poverty in the country, affecting all strata of the society. The current unfavorable economic conditions have swelled the ranks of the unemployed youth further. To address these critical issues, Shell Tameer has been organizing a series of workshops aimed at identifying priorities and techniques to empower the people of the region in playing their role for economic development. These workshops are an ongoing process of exchanging ideas on the different methods available to empower the people of different socio-economic backgrounds, and to foster the spirit of entrepreneurship in them towards capacity building and community mobilization by increasing the employment rate. Khushhalibank, a pioneer in the microfinance sector of Pakistan, is the knowledge partner throughout these workshops and shares expert advice on the role of microfinance during these sessions.

As a part of the ongoing workshops a recent program was held in Larkana at Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (SZABIST), under the aegis of Shell Tameer and Ministry of Youth Affairs, Sindh. The workshop witnessed the attendance of prominent experts

such as Mr. Saleem Ahmed Siddiqui, Deputy Secretary Youth Affairs and Mr. Imran Azeem, Training Manager, Shell Tameer, and various business graduates of the SZABIST. Mr. Mustaque Ahmed, Khushhalibank's Branch Manager at Larkana briefed the participants on the effective role of microfinance to eradicate poverty from the region. He also presented findings and case studies on the nature of the micro-finance sector and its impact on poverty alleviation in the country during the workshop.

These workshops are also an effort to build awareness and motivate local people to set up small & micro enterprises through utilization of local resources to effectively eradicate poverty from the region. The key outcome from these workshops has been the need for mapping the existing resources available and identifying area-wise concentration of potential business activities with faster growth potential, thereby creating a vision for encouraging investments for production of goods & services which could play a major role in the economic uplift of the people. The workshop concluded with the recommendation that all stakeholders and the government cooperate in the development of the financial sector, including microfinance for promoting small and medium enterprises.

Quarterly Business Update, April - June, 2011

	Microcredit		Savings		Insurance	
	Active Borrowers	Value (PKR Millions)	Active Savers	Value (PKR Millions)	Policy Holders	Sum insured (PKR Millions)
2011-Q1	333,069	4,010.3	238,495	526.7	333,069	4,010.3
2011-Q2	326,052	3,996.8	251,320	911.5	326,052	3,996.8

TiECON Pakistan 2011

The Indus Entrepreneurs (TiE) formally launched its Islamabad Chapter in June 2008. TiE is a global not-for-profit organization that operates through 49 Chapters across 11 Countries and helps entrepreneurs by way of advice, guidance and assistance from successful and experienced entrepreneurs and professionals.



TiECON Pakistan 2011

TiE Pakistan's annual conference, TiECON Pakistan 2011 was successfully held on April 30, 2011 in Islamabad. This year's conclave with the theme - "Bounce Back!" declared the resolve of a Country ready to pull itself out of its doldrums and redefine its fortunes. Khushhalibank in its dedicated efforts for the advancement of entrepreneurship in the country was one of the main sponsors of the event which attracted over 1200 delegates comprising of entrepreneurs, investors and business school students and saw the finest of Islamabad's business elite and Pakistan's investing community participating as panelists and speakers along with a presence of a large number of media professionals.

The summit represented a spectacular display of networking and business opportunities for entrepreneurs along with revitalizing and thought provoking inputs of keynote speakers from the industry. The veteran entrepreneurs who participated in the event highlighted the stories of iconic businessmen and investors and their rise to success despite all political and economic instability in the country. This all-day event assembled a list of powerful speakers like Ghalib Nishtar, President Khushhalibank, Hussain Dawood, Chairman Dawood Group, Imtiaz Rastgar, Chairman RASTGAR Group, Tom Speechley, CEO Riyada Enterprise to deliver keynote addresses and participate in panel discussions covering exciting topics - all aimed at facilitating the creation of tomorrow's successful entrepreneur. The speakers emphasized the need to believe in one's abilities and be passionate about whatever one does as the key factors for success in any walk of life including business.

The conference also featured innovative programmes such as Spark Corner, Start up City, and Innovation Corner for budding entrepreneurs. The event was a great initiative to introduce the concept of entrepreneurship in youth and proved to be an extraordinary opportunity for the entrepreneurs to gain knowledge, derive inspiration and develop a valuable network to enhance their businesses.

Microfinance Focus Meet

To increase the outreach of the microfinance sector in Sukkur and to put the region on the development track, the State Bank of Pakistan (SBP) organized a focus meet on the microfinance sector which was attended by the members of Microfinance Focus Group at SBP Banking Service Corporation Sukkur Branch recently. The platform witnessed presence of all the major Microfinance Institutions and the relevant stake holders from the industry including Khushhalibank. The microfinance industry under the Chairmanship of Muhammad Tanwirul Islam, Chief Manager of SBP Banking Service Corporation addressed issues related to the sector such as the lack of awareness among borrowers regarding Electronic Credit Information Bureau (eCIB) Report, the need for MFBs to provide sponsorship to craftsmen and handicrafts of the region, and the urgent need of plans for providing financial support to Women Economic Development Projects. The meeting brought together over 20 participants from the industry that explored corrective measures to be adopted in the microfinance sector and the immediate action plan on the way forward. The lack of awareness amongst borrowers regarding the eCIB was a major point of discussion on which the panel decided that an awareness program on it will be arranged by MFBs shortly in coordination with SBP Banking Service Corporation. This would help in decreasing information asymmetries, allowing lenders to accurately evaluate risks and to calculate borrowers' capacity. All of this would have positive economic effects in the region. The Chief Manager of SBP Banking Service Corporation also underscored the need for having financial sponsorship programs for the craftsmen of the Sukkur region for capacity building to help in standardization of their products and to fulfill their financing needs. The industry stakeholders assured the Chief Manager of extending financing in this regard and that 20 to 30 percent female borrowers of the said sector are already in their portfolios and they will look forward to tap the export potential of handicrafts of the region. The members also debated the role of microfinance as a tool for social and economic upliftment of the women in the region and to develop linkages of Women Economic Development Projects with garment factories for purchasing their products. The role of SBP in devising mechanism for MFBs and NGOs to control multiple borrowings was also discussed on which the Chairman reiterated the SBP Prudential Regulations, and advised the MFB and NGO industry to sit together and resolve the issue. The meeting concluded with all the stakeholders agreeing on examining the key components of the meeting through gap analysis, reports on microfinance sector, study of local microfinance schemes and obtaining technical advice from relevant experts in this field.



Microfinance Focus Meet Held

IBA organizes National Economic Forum

The key to sustainable expansion lies in the establishment of an effective partnership between the public and private sector by fostering the spirit of entrepreneurship in the youth for better utilizing the range of economic opportunities available in the country. Institute of Business Administration (IBA), a leading university of the country, has been instrumental in developing entrepreneurial skills amongst the youth of Pakistan through various innovative initiatives. Recently, IBA Economic Club (IEC) and the IBA Finance Club (IFC), two prominent societies of IBA striving to promote responsible learning, organized the IBA National Financial and Economic Forum 2011 (INFER), a platform meant to help students apply their economic and financial learning to hypothetical cases of different economies. The two day management event was held during 20th-22nd May 2011. The motto for the management festival was to reawaken the Youth of today from their slumber of indifference, and ignorance of failed institutional policies that have pushed Pakistan into economical and political crisis. The event provided an exciting platform for discussion on various emerging issues and contemporary topics including Microfinance, which has gained great importance at regional and national level. Mr. Ghalib Nishtar, President, Khushhalibank was the Guest Speaker of the interactive session on Microfinance. He provided useful insights on the Microfinance sector to the participating students and addressed various questions on economic entrepreneurship in developing countries such as Pakistan. The session also witnessed participation of key industry experts such as Dr. Ishrat Hussain, Dean IBA and Mr. Ghazanfar Azzam, CEO of KASHF Microfinance Bank.

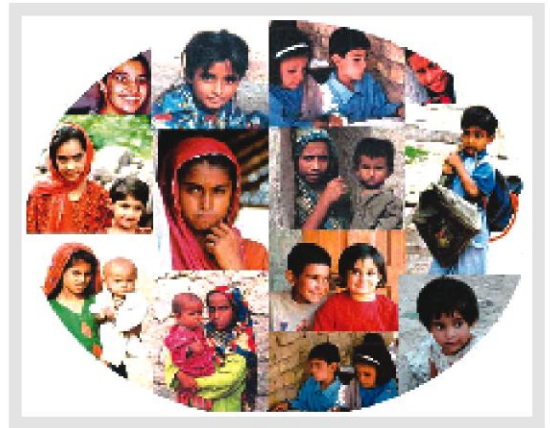
The seminar concluded with all the stakeholders agreeing that policy makers in developing economies should seek advice from industry experts before implementing economic policies. And the policy regulators should target the principles of maintaining reliability of financial sectors, protecting savings and expanding access to financing to improve the economic condition of Pakistan.

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

Microfinance Works Wonders for Azeem's Poultry Business



The day begins at 6 a.m. for Muhammad Azeem. He and his three workers have 1500 chickens to tend to and 3,600 eggs to gather, clean and package for sale. "Life in the Poultry Business is extremely tough, yet it has been a very rewarding journey," says Muhammad, a resident of Surbandar District, Gawadar. His business is thriving, but this was not the case six years ago when Azeem took his first step towards prosperity; a step that led him through the difficult and complex terrains of life to liberate him from clutches of extreme poverty in search of a brighter future. Born to a very poor family, his parents did not have enough resources to support his education, leaving him with dire future livelihood prospects. However, Azeem, being a man of solid character never gave up hope and continued working bravely to triumph over life's setbacks. His aim was to secure his family's future and to prove himself as a role model for the people of his community who had lost all hopes of having a decent life.



In Surbandar, 26 kilometers from mainland Gawadar, most of the people were farmers and ran poultry business. Following this trend he started a job with a friend

who was the owner of a small poultry shop on daily wages of Rs.150. Although he worked day and night, his income remained inadequate to meet the financial needs of his family. Still, he was optimistic in succeeding and never stopped envisaging ways to improve his financial situation. He kept on looking for ways and means to set-up a full scale poultry business through which he could improve his livelihood and uplift his family from abject poverty. Azeem knew that to setup poultry business he would require a large sum of money hence he started saving from the meager amount that he received from working at the poultry shop. But very soon realized that he can't save enough to start his own business. As the saying goes "God help those who help themselves" he found a way out when a friend told him about microfinance which led him to the doors of Khushhalibank in 2005. The loan facility allowed him to purchase a cage to stock his poultry in a good scale. He also bought a large air cooler to keep the chickens safe from extreme conditions of heat during summers. These important steps enabled him to negotiate for a better price with the buyers as his livestock was of a superior quality as compared to the other vendors in the area resulting in a profit of Rs. 10,000 in the first month. With no fear of failure in his mind he went ahead with greater zeal and determination to extend the business. Having been able to pay the first loan successfully he availed another loan from the bank which enabled him to invest further in the business resulting in even higher profits. Currently in his 5th loan cycle Azeem has 2000 broiler chickens from which he makes a profit of Rs 45,000 every month. He takes care of the chickens himself and his son helps him in the collection of chicks and the food, and in marketing the chickens. Besides, he employs three people to run his poultry shop. Muhammad Azeem also runs a dealership, from where other adjoining farms buy chicks. He now not only earns for himself, but also provides employment opportunities to others by employing them in his business.

Muhammad Azeem continues to weave more plans for his business and aspires to establish a temperature-controlled facility where he can keep the chickens safe from severe heat. He also plans to diversify his business in Surbandar by offering grocery items such as ghee, rice, pulses, sugar, vegetables in addition to selling chickens. He continues to brainstorm creative ideas and tap all new opportunities to empower the community members to partake in his growing business. This enterprising individual was recently acknowledged for his contributions to family and community by the 'Citi PPAF Awards 2010' whereby he was chosen to be the 'Regional Runner up best male entrepreneur' from Baluchistan Region and was awarded a cash prize for his untiring efforts.

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