

A QUARTERLY NEWSLETTER OF KHUSHHALI MICROFINANCE BANK

Grassroots

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CEO'S MESSAGE

Dear Colleagues,

The year 2019 gained an eventful start and witnessed a few remarkable events in the history of Khushhali Microfinance Bank. We were able to complete the core banking system transition to the new T-24, Temenos core banking system. The transition was recorded as one of the smoothest transitions of this scale in the country where over 200 locations were shifted on the system in a single go. Needless to say that we were able to deliver well in the face of this daunting challenge due to the dedication and countless hours put in by our project teams. The entire bank acknowledges their efforts and congratulates them on their success.

This quarter, another milestone achievement of Khushhali Microfinance Bank was the launch of its own call center. The call center provides 24/7 dedicated services to our clients and is another major stride by the bank to ensure enhanced customer experience.

We continue to make progress towards the provision of digital financial services for our clients to meet their existing as well as emerging needs. Our vision is to empower our clients, the small farmers and entrepreneurs of Pakistan, through financial inclusion. In addition to our core service portfolio, we will increase focus on digital portfolio and tap new market segments.

From here on, success is reliant on building up on our current accomplishments and confidently striding forward in the digital era. We have the right infrastructure, required technical expertise and invaluable learning about our customer experience from nearly two decades of service provision to support us in our journey. We will continue to focus on building partnerships and enhancing service convenience to maximize value creation for our clients.

Regards,

Ghalib Nishtar
President/CEO

Sixty Third Meeting of the Board of Directors of KMBL

The 63rd meeting of the Board of Directors of Khushhali Microfinance Bank Limited took place on February 15, 2019 at KMBL Corporate Office, Islamabad.

BOD reviewed the operating results and economic update for the quarter ended December 31, 2018. Business update for the quarter showed that the Bank has maintained its position in the market. KMBL has the highest market share of active borrowers, Gross Loan Portfolio (GLP) and Deposits, putting it at the top of the microfinance banking sector in the country. Moreover, BOD reviewed and approved audited financial statements of the Bank and recommended their approval to the shareholders. Members also recommended appointment of Statutory Auditors to the Shareholders. BOD also reviewed and approved several policies for better governance. Concluding the meeting, BOD reposed confidence in the management and appreciated their commitment and support towards supplementing KMBL's growth.

Quarterly Business Data for Quarter 1, 2019

Data As of January-2019 (Q1)	
Active Borrowers	814,552
YTD Loans Serviced	161,914
YTD Disbursements	10,425,268,272
Active Savers	2,639,567
GLP	45,580,924,259

Khushhali Microfinance Bank 2018 Pre-Tax Profit Reaches PKR 3.5 billion

Khushhali Microfinance Bank posted its financial results for the year ended December 31, 2018 in Islamabad. With a marked improvement in performance, KMBL maintained its upward growth momentum in year 2018. The bank announced a pre-tax profit of PKR 3.5 billion, one of the highest reported profits in the industry, and up by 40% against last year's pre-tax profit of PKR 2.5 billion. This rise can be attributed to growth in balance sheet supported by continued increase in KMBL's lending portfolio that went up by 34% from last year. Portfolio quality indicators remain stable and the bank is well capitalized with a capital adequacy ratio of 18.9%.

Building on its strong performance over the past five years, the Bank has not only maintained but also elevated its position in the microfinance sector. KMBL is actively expanding into new urban and rural markets effectively targeting its potential client segment and with 197 locations the Bank has one of the largest networks across the country. It enjoys a market leadership position with the highest number of clients, loan portfolio, deposits, asset base and profitability amongst the microfinance banks. Agriculture sector remains the mainstay of lending portfolio of KMBL owing to the opportunities available within the largely unbanked segments of the market. The deposit book of over PKR 56 billion also appreciated by 22% in comparison to 2017, and the Bank proposed a dividend of PKR 1.50 per share.

In order to sustain and capitalize on growth opportunities in the market, the Bank raised its capital through successful injection of Tier II capital of PKR 1 billion. The bank continues to invest in technology up gradation to enhance its capability to offer Digital Financial services to its customers.

Founded in the year 2000, Khushhali Microfinance Bank has come a long way to fulfill its objectives of providing affordable financial services to the poor. In acknowledgement of its outstanding performance, KMBL received the "Best Microfinance Bank" award at the third Pakistan Banking Awards 2018. The bank is owned by a consortium of investors, including one of Pakistan's largest commercial banks (UBL), and Blue Chip international investors with expertise in the Micro, Small & Medium Enterprise finance.

KMBL Makes Successful Transition to Temenos, T24 Core Banking System

Khushhali Microfinance Bank has successfully launched the new core banking system, Temenos-T24, a leading core banking solution, which offers high levels of security and multi-cloud resilience. With the new core banking system, KMBL has joined the league of leading banks across the globe that are becoming more strategically focused on digital innovation for service enhancement. Temenos is the world's leading banking software used by over 3000 banks in over 150 countries.



KMBL shifted its entire network of over 200 locations on the new system in a single go, which is a record migration of its scale in the country. The new system will improve the banking services rendered by the bank and provide its clients improved functionality, convenience and real-time access to information across the platforms.

As the new wave of technology revolutionizes banking, KMBL remains committed to providing a better customer experience and enabling them to benefit from new financial services.

Improving Customer Experience- Launch of KMBL Call Center Powered by Genesys

In its vision and aspiration to innovate and lead in the Customer Experience Management domain, Khushhali Microfinance Bank entrusted C Square to deploy Contact Center/CX Solution by Genesys and Avantage CRM, one of the best rated solutions globally. Given the changing customer expectations during this fast paced digital transformation in the banking sector, Khushhali bank realizes the need to provide prompt, reliable and quality customer service across all touch points. Genesys Solution's digital engagement multi-channel tools will support the long term vision of automation and efficiency of Khushhali bank in the customer experience domain.



The agreement identifying the areas of collaboration between the two institutions was signed at Khushhali bank's head office in Islamabad on February 01, 2019. Ghalib Nishtar, President Khushhali Bank and Ahsan Mashkour, CEO C Square signed the agreement.

After successfully deploying more than 60+ Contact Centers across EMEA region with the ultimate customer experience, C Square is now working with Khushhali Microfinance Bank – a leading microfinance bank in Pakistan. Maintaining a strong focus on delivering value through close collaboration with clients, in-house experts and innovative forward-looking solutions, C Square has evolved into one of the fastest growing Customer Experience Management solution provider in EMEA region.

Khushhali Microfinance Bank Participates in Pakistan Housing Conference

President Khushhali Microfinance Bank, Ghalib Nishtar, represented the bank at Pakistan Housing Conference- Institutional Preparedness to Implement New Housing Strategy. The conference was organized by The World Bank that is collaborating with the Government of Pakistan for the construction of "Naya Pakistan Housing Project". As part of its efforts to lay down proper mechanism to undertake this project, the government is also collaborating with the State Bank of Pakistan and the leading local banks to formulate foreclosure laws and facilitate suitable and effective mortgage facility for low-income groups in Pakistan.

As a panelist in the expert sessions, Ghalib Nishtar shared his views on the support that financial institutions require to offer housing finance services to low-income groups. He also shared his views on how going forward, the banks can play an important role in offering a sustainable mechanism to marginalized segments to build new houses and improve existing structures. It is envisaged that private public partnership will be formulated to ensure effective completion of this project.

Khushhalibank Furthers its Agri-Digital Finance Project with IFC

Khushhali Microfinance Bank and IFC agreed to undertake joint efforts to develop an agri-digital scorecard customized for Pakistan's market. IFC has global experience in devising digital financial solutions particularly in emerging economies. The objective of the scorecard is to accelerate financial inclusion and access to finance for low-income farmers in Pakistan.

Taking a step forward in this regard, IFC teams met various teams at Khushhalibank this quarter to devise an implementation plan after carrying out the initial research. IFC team was given a briefing on the agriculture sector of Pakistan, KMBL's portfolio in it and the key challenges to finance faced by farmers.

IFC mission met KMBL field teams to gain a full understanding of the credit lending process, portfolio monitoring process and policies and reviewed the portfolio performance reports. The findings from these steps will formulate the way forward for phase two of the project.

Strategy and Governance Needs of SMEs

ACCA (the Association of Chartered Certified Accountants) organized a multi stake holder conference to gather business and finance experts to discuss the role of governance measures to address Pakistan's financing gap, alongside the need to formulate policy to help SMEs to scale-up. ACCA launched a new report on SME vision and strategy needs.

President Khushhali Microfinance Bank, Ghalib Nishtar participated in the panel discussion on the governance needs of SMEs in Pakistan. He said, "The findings from ACCA's global report 'How Vision and Strategy Helps Small Succeed' resonate with Khushhali's mandate to 'establish sustainable platforms' and 'promote high quality governance' in our client base. We have to examine how we can support the smallest businesses enterprises to scale up."



KMBL and Asian Development Bank in Talks to Become Long Term Partners

Khushhali Microfinance Bank and Asian Development Bank (ADB), a regional development bank, recently met to discuss long term strategic partnership plans where the future of microfinance and MSMEs was discussed.



ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development. During the meeting, members discussed plans to utilize ADB's \$20m finance facility to expand loans provision for micro, small and medium enterprises (MSMEs). Khushhali Bank has expertise in offering financial solutions to micro-borrowers. ADB plans to leverage the bank's experience and extensive outreach to implement high impact assistance plans for MSMEs. Moreover, plans for utilization of technical assistance of USD 500K from ADB, were also discussed during the meeting.

Year after year, Khushhali Microfinance Bank has endeavored to provide quality financial services to micro enterprises and low-income households across Pakistan.

KMBL Clients Shine at 13th Citi PPAF Awards

Three of Khushhali Microfinance Bank's (KMBL) successful clients received awards at 13th Citi PPAF Micro entrepreneurship Awards. The ceremony organized by Pakistan Poverty Alleviation Fund (PPAF) and Citi Foundation was held at Serena Hotel, Islamabad to acknowledge the triumphant micro entrepreneurs across Pakistan.

These awards were meant to highlight the efforts of micro entrepreneurs who have overcome extra ordinary challenges in their lives and utilized their micro-loans to build successful lives for themselves

Gul Hassan, achieved the National Runner Up accolade at the 13th Citi PPAF awards. Gul Hassan availed his first loan from Khushhalibank in 2015, when he only had five goats and two cows to run his livestock trading business. He used his loans to invest in better breeds and upgraded his business. Now, his livestock has escalated to 20 goats and 6 cows.

Another Khushhalibank client, Robina Bibi was declared the Regional Winner from Azad Jammu Kashmir area. Robina bibi is a courageous woman from a small village near Muzaffarabad. She availed loans from the bank to invest in livestock and gradually expanded her business that she started from scratch. She managed to get a strong hold on her life and provided for her children after her husband's demise. Today, she has repaid her loans successfully and her monthly income exceeds PKR 70,000.

Muhib Ali, a victim of 2012 floods was rescued by army and was transported to Nasirabad along with his family where they lived in tents for about six months. He started doing labor work and then started a small business to earn for his family. With effective utilization of loan from Khushhal Bank, he was able to expand his business and improve life for his family. Muhib earns around PKR 100,000 every month and enjoys a good repute in the market place. In merely two years since setting up a shop, he has doubled his income. He was declared the Regional Runner Up from Balochistan.

Khushhali Microfinance Bank has enabled masses to access formal financial services to invest in their enterprises and provide a better life to their families.

KMBL Celebrates International Women's Day

On the occasion of International Women's Day, Khushhali Microfinance Bank collaborated with National Vocational and Technical Training Commission (NAVTTTC) to support skilled women. As part of its Corporate Social Responsibility initiatives, KMBL provided startup award to top five position holders graduating from Batch-1 of Fashion Designing & Dress Making course conducted at NAVTTTC. In this regard, a ceremony was held at the Corporate Office of Khushhali Bank on March 6, 2019. The goal of this initiative is to recognize women who have talent and potential.

President KMBL, Ghalib Nishtar, distributed awards among the women hailing from different regions of Pakistan. The recipients of the awards included Tahmina Rafique from AJK, Iram Ilyas from Punjab, Jamila from Sindh, Tamkeen Munir from Balochistan and Yasmin Bibi from Khyber-Pakhtunkhuwa.

NAVTTTC is a regulatory body for technical education and vocational training in Pakistan whose mission is to provide direction, support and an enabling environment to the public and private sectors to implement training for skills development in order to enhance social and economic profile. Syed Mansoor Ahmed, Program Coordinator for Prime Minister Youth Skill Development Program, and Masood Khan, Director General Admin & Finance, represented NAVTTTC.



KMBL Pledges to Plant 10,000 trees on International Day of Forests



In the lead-up to the International Day of Forests on March 21, Khushhali Microfinance Bank initiated planting of 10,000 trees to raise awareness on the importance of indigenous trees for local ecosystems.

Khushhali Microfinance Bank marked this day in collaboration with Islamabad Wild Life Board (IWLB) on conservation of Wild Forests. Khushhali Bank engages in environment conservation activities as its Corporate Social Responsibility to increase awareness on the issue and offer support to Government of Pakistan's vision of making Pakistan clean and green.

The recent activity aimed for regeneration of indigenous tree species by removal of alien invasive species from an area of one hectare at Margalla Hills National Park (MHNP). Invasive alien plant species are plants that are non-native to an ecosystem and cause economic or environmental harm or adversely affect human health. Khushhali Bank has sponsored a manual operation for the removal of Lantana from park area. On this occasion, an activity for Khushhali Bank's staff was also organized for plantation of indigenous and fast growing local tree species like Amaltas, Phulai and Kachnar.



Last year, Khushhali Bank had carried out a 'Plant Khushhali' campaign across all its branches nationwide. Every employee participated by planting a tree sapling, and more than 4,500 saplings were planted during the campaign.

KMBL Empowers Farmers Through Training Programs



Agriculture sector in Pakistan provides employment to a major chunk of population and is also critical in ensuring food security for a nation with increasing population. Therefore, Khushhali Bank undertakes most of its work in the rural areas providing loans for agriculture and livestock businesses.

Moreover, Khushhali Bank also focuses its CSR initiatives to empower the small farmers from remote and rural areas. KMBL organizes free training sessions on a local crop to help the farmers learn about modern research and farming best practices. Recently, a farmers training session was conducted in Swat on Olive Plantation. Dr. Azmat Awan, Scientific Officer, Pakistan Oil Seed Development Board, briefed the

local farmers on how to establish new olive orchards, harvesting methods, transportation and extraction of olive oil. These sessions provide an opportunity to the local farmers to interact with a crop expert and find solutions to the problems they are facing and get updated information on crop harvesting. About 200 local farmers benefitted from the free training session organized on March 11.

KMBL endeavors to empower small farmers through access to finance to propel the local economy.



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