



A QUARTERLY NEWSLETTER OF
KHUSHHALI MICROFINANCE BANK

GRASS ROOTS

APR - JUNE 2021 | VOLUME XXVIII

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MESSAGE FROM CEO

Dear Colleagues,

This has been another successful quarter for Khushhali Microfinance Bank Limited, as we continued to achieve our business objectives amidst continuous uncertainty in the face of the ongoing pandemic.

Two key developments took place during this quarter that reaffirm the bank's commitment towards the microfinance industry and the ongoing digital transformation drive. Khushhali Bank secured an 8-year, Tier II Term Finance Certificates of PKR 600 Mn from PMIC. This credit facility allows us to empower enterprises led by women and the youth, creating employment opportunities that uplift entire communities. We also joined the SBP's Raast Instant Digital Payment system – another step towards the digitalization of the bank's financial structure – allowing us to process bulk government payments instantly and securely.

We launched the 'Khushhali Apna Makaan' product to support the government's social housing program for lower income groups. Khushhali is also in the process of launching its new SME distribution channel, 'Khushhali Karobar' to cater complete banking needs of small business segments with lending limits up to PKR 3 Million. Our target is to launch five branches of "Khushhali Karobar" in 2021 at SME hubs of Punjab.

Last, but not least, I'm pleased that we are focusing on making positive impacts in the society and contributing towards the SDGs through our CSR initiatives. Our efforts towards the environment, women empowerment, persons



with disabilities and safe drinking water are rooted in our commitment towards social and economic growth of our communities.

I would like to take this opportunity to thank you all. This newsletter highlights just some of the stories that shaped our 2nd quarter of this year. These developments could not have been possible without your hard work and dedication to the ideals that Khushhali stands by.

Regards,

A handwritten signature in black ink, appearing to read "Ghalib Nishtar".

Ghalib Nishtar

75th | BOARD OF DIRECTORS MEETING

An Extraordinary General Meeting (EOGM) was held on April 12, 2021 wherein Board of Directors of Khushhal Microfinance Bank Limited was reconstituted in for a term of three years commencing from April 12, 2021.

The 2nd Quarterly board & board committee's meetings took place on May 19th, 25th and 27th 2021. In the 75th board meeting, BOD reviewed the economic update, operating results, and business update for the quarter ended on 31st March 2021. The Board committees were accordingly reconstituted in the 75th Board meeting held on May 27th, 2021.

KHUSHHALI MICROFINANCE BANK SECURES PKR 600 M TIER 2 FACILITY FROM PMIC

Khushhal Bank has secured an 8-year, unsecured, subordinated, privately placed, Tier II Term Finance Certificates of PKR 600 Million from Pakistan Microfinance Investment Company (PMIC). The facility marks third tier 2 transaction of the bank and will be rummage-sale by the bank to funding its balance sheet expansion.

This financing facility aims to support growth in lending operations of KMBL and contribute towards bank's additional Tier II Capital for strengthening Capital Requirement and Capital Adequacy Ratio (CAR) prescribed by SBP for Microfinance Banks. The investor agreement was signed by Ghalib Nishtar, President & Chief Executive Officer KMBL and Yasir Ashfaq, Chief Executive Officer PMIC.

Ghalib Nishtar, President and Chief Executive Officer KMBL, commented: "This transaction will further strengthen our relationship with PMIC. The facility will help KMBL to enhance access to finance to women and youth in the country, support enterprises and job creation and enable KMBL to reach the underserved areas of the country. We aim to further extend our partnership with PMIC to strengthen efforts to benefit the underserved communities in the country and increase financial inclusion."

BUSINESS OVERVIEW

APR-JUN 2021 BUSINESS OVERVIEW

ACTIVE BORROWERS	856,601
YTD LOAN SERVICE	390,709
YTD DISBURSEMENT	34,651,105,300
ACTIVE SAVERS	2,888,932
GLP	64,429,871,193



Speaking on the occasion, CEO PMIC Mr. Yasir Ashfaq, "This transaction is a continuation of PMIC's efforts to utilize capital market platform for channeling liquidity for sector stakeholders with the overarching aim to meet the unmet demand for financial services. It is also pertinent to thank the Securities and Exchange Commission of Pakistan (SECP) – the regulator for their continued support and commitment towards design and implementation of financial products that foster growth in the sector. This transaction sets the tone for structuring similar facilities with other microfinance banks in the country to improve the capitalization of the sector."



KMBL JOINS SBP'S RAAST DIGITAL PAYMENT SYSTEM

Khushhali Microfinance Bank (KMBL) is pleased to announce its joining the State Bank of Pakistan's (SBP) Raast Instant Digital Payment system. Under this collaboration, Khushhali Microfinance Bank will enable end-to-end digital transactions for government payments.

This is another step towards the digitalization of the bank's financial structure. Raast is an instant payment mechanism that permits end-to-end digital payments among general public, businesses, and government entities. Under this partnership, Khushhali Microfinance Bank can process bulk government payments instantly, including salaries and pensions, dividend disbursements, mutual fund payments, Business-to-Business (B2B) batch payments, and pay-roll payments for private entities. Khushhali Microfinance Bank will receive bulk payments from various institutions, to be disbursed to recipients via Raast's digital platform.

Commenting on the momentous occasion, Khushhali Microfinance Bank CEO Mr. Ghalib Nishtar said, "We are proud to have taken this

digital leap. This collaboration with Raast would mean real-time digital payments for Khushhali Microfinance Bank, increased interoperability, seamless connectivity between KMBL and other businesses, cutting-edge technology implementation, low transaction costs, and increased financial security and reliability. In line with the government's Digital Pakistan vision, we intend to bring the optimal digital transaction experience for governmental entities contributing to the overall financial inclusion to the country."

Khushhali Microfinance Bank, with its two-decade history of serving the underprivileged segment of society through microfinance, has been central in financial inclusion in Pakistan. A forerunner in the microfinance sector, it has financially empowered individuals from both urban and rural communities. Keeping in line with its legacy, Khushhali Microfinance Bank aims to further strengthen its approach towards innovation and digitalization in the overall financial infrastructure.



Khushhali Microfinance Bank joins SBP's Raast digital payment system

A forerunner in the microfinance sector, KMBL is empowering individuals from both urban and rural communities by becoming part of Raast i.e. Pakistan's first payment system. Which aims to further strengthen the approach towards innovation and digitalization in the overall financial infrastructure.

Features

1 Real time Payments

2 Zero Transaction Cost

3 Nationwide Interoperability

4 Safe and Reliable

FINANCING ARRANGEMENT WITH PMRC TO PROMOTE KHUSHHALI APNA MAKAAAN UNDER GOVERNMENT MARKUP SUBSIDY SCHEME FOR HOUSING FINANCE

Pakistan's housing shortage is considered to be around 11 to 12 million, and in order to address this gap, current government introduced various arrangements to motivate housing industry in Pakistan and at the same time introduced Government markup subsidy scheme for housing finance which will be disbursed through Banks across Pakistan. Consequently, the KMBL has launched Khushhali Apna Makaan product to support government's Housing Policy to address the Social Housing for lower income group and Bottom-of-Pyramid segments.

In order to fuel the financing of newly launched Khushhali Apna Makaan product, the bank had arranged Secured Term Finance Facility from Pakistan Mortgage Refinance Company Limited (PMRC) to originate new housing mortgage loans under Government's Markup Subsidy Scheme amounting to PKR 900 Million for 10 years inclusive of 2 years as grace period subject to deployment of entire amount within Grace Period from the disbursement date. The bank had projected to disburse this entire facility well before Q1-2022.

LAUNCH OF KHUSHHALI KAROBAR

As a part of its strategic business objectives, KMBL is going to launch its new SME distribution channel under brand name of "Khushhali Karobar" to cater complete banking needs of small business segments with lending limits up to PKR 3 Million. During 1st phase five branches of "Khushhali Karobar" will be opened in 2021 at SME hubs of Punjab to encourage financing for small and medium enterprises (SMEs).

In order to ensure excellent products and services delivery, a new dedicated team of sales and operations staff has been selected and a 5 days comprehensive training program for 18 trainee

SME Assessment & Orientation
Sales & Operations (Batch-1)

Venue: National Institute of Banking & Finance
May 31st to June 4th, 2021

SME staff including Relationship Officers SME, Operations Managers, Credit & Operations Officers, and Area Coordinator SME has been carried out at NIBAF from 31st May to 4th June 2021. This orientation and functional training will enable SME teams to enhance their understanding of SME financing and enable them to align their marketing & financing strategy as per market demand and challenges. Trainees were given orientation about SME banking, profile of SME Sector in Pakistan, identifying SME Needs, issues and challenges in SME Financing and Products offering. Since SME lending will be based on financial assessment and repayment capacity of the small enterprises therefore participants were trained on "Know your Enterprise", analyzing the cash flows of SMEs, credit appraisal, loan monitoring to ensure

building a good quality portfolio.

President & CEO, Group Head Business and Head SME held a feedback session with trainees. President in his address highlighted the importance of launching SME channel and mentioned that bank is now focusing on more structured finance products under SME and Housing and keeping in view the huge potential market of small businesses, Khushhal will be able to provide customized lending products to SME sector. Group Head Business advised trainees to work with full commitment and honesty to provide excellent client service to SME clients. She also emphasized on understanding the SME market dynamics and focus on priority business segments identified for serving through SME channel.



KMBL IS COMMITTED TO PROMOTING TRANSPARENCY & SOCIAL PERFORMANCE

Since its inception, KMBL has been actively investing in the promotion of social performance and transparency in the inclusive finance sector. In order to truly recognize its long-standing commitment to client protection, KMBL achieved its first Smart Certification in 2017, that was subsequently revalidated in 2019 by Microfinanza Rating Agency. Upholding the highest industry standards in responsible and ethical treatment of customers and employees, this year, KMBL decided to opt for not only the new and improved Client Protection Certification under the new regime, but also carry out an official Social Rating.

The Client Protection Certification is an independent and third-party evaluation that provides an objective seal of confidence that our institution is adequately implementing the client protection principles and is doing everything required to treat clients fairly and not harm them. It is a highly valued mark of commitment by the industry, and achieving this certification will allow

the bank to publicly demonstrate their commitment to client protection and responsible practices and services, keeping clients at the center of the decision-making process.

Similarly, the Social Rating provides an expert opinion on the social performance management of our institution and vouch for our capacity to put our mission into practice and achieve social goals. It is an effective management and reporting tool that is used to align our social performance management systems to internationally recognized standards and most importantly, strengthen institutional reputation, accountability and transparency.

KMBL initiated the exercise in Quarter 2-2021. On behalf of the bank, the Social rating and Client Protection Standards, led by the ESRM unit, coordinated with the rating agency for detailed four-day interviews as well as the preparatory

stage. The agency assessed systems, processes and results and served as external expert validation of the implementation of the Universal Standards for Social Performance Management (USSPM). The procedure was comprehensive and the whole assessment process has been done on a great level, paying attention to the smallest details as well as provide an indication of KMBL's alignment with client protection standards, quality of services

and outreach.

The assessment has been successfully concluded whilst the extended debriefing session held on the last day allowed us to wrap up the mission and now look forward to the final result presented by the rating agency. In effect, this rating is a way to remind us to keep our practices aligned with our values and come closer to what we aspire to be.

TRAINING ON VIDEO BASED MYSTERY SHOPPING PROGRAM

To expand responsible financial access and use, financial sector regulators and supervisors in many emerging market and developing economies have expanded their consumer protection mandates, policies, and oversight in recent years. An essential element of this expanding role for consumer protection policy is to be able to effectively monitor and understand what occurs during the sales process for financial products.

With this concept in mind, the Video Mystery Shopping Program was initiated in Khushhali Microfinance Bank Ltd. Mystery shopping is a tool that involves sending consumers

(mystery shoppers) to KMBL branches to simulate a typical customer inquiry. 72 different attributes covering service processes, service standards, operations, product selling performance, branch branding, cleanliness, together with the behavior of service providers (branch staff), compliance with the regulations and other areas of quality control are being evaluated under this program.

Phase I of Video Based Mystery Shopping Program is successfully completed in 197 branches. HR Training & Service Quality is conducting series of awareness and training sessions for branch teams on monthly basis.



SERVICE QUALITY AWARDS

Service Performance Report of Branches and Supporting Units at Corporate Office serves as a Key indicator to gauge the achievement of Service Goals for Service Standards that have been set up for various processes/services through internal Service Level Agreement; in order to achieve internal and external Customer Satisfaction.

Service Performance Report of KMBL Branches is shared on Quarterly basis. Overall performance is mapped to a single score that generates from the aggregated result of multiple service measures. Based on last quarterly Service Performance Report, top branches were awarded with shields. By recognizing top branches, it helps in creating a service culture for KMBL branches, boost teamwork, motivate staff performance and overall service professionalism.



KHUSHHALI – BEING A RESPONSIBLE CORPORATE CITIZEN

Highlights



300
Trees Planted



20
PWDs Provided Prosthetics/
Assistive Devices



30
Women Trained



500
Drinking Water
Beneficiaries



17
KMBL Volunteers
26 Volunteer Hours



08
SDGs
Contributed

STRIVING FOR A CLEAN, GREEN AND KHUSHHAL PAKISTAN

Khushhali Microfinance Bank and District Administration Hunza organized a cleanliness drive on 22nd April 2021 in subdivision Gojal of Hunza District, Gilgit Baltistan. The main objective of the campaign was to sensitize the public especially the tourists regarding the pollution caused by littering. Participants of campaign included the Sub-Divisional Administration Gojal, Khushhali Microfinance Bank, Girls Guides, Boy Scouts, Tourist Police, Mountain Area Support Organization (MASO), Bazar Association and local community.

Northern Areas of Pakistan are famous Worldwide for its sky high mountains, lush green valleys, mighty rivers, beautiful lakes and amazing wild life. While high influx of tourists has yielded economic gains for the Government as well as the community, it has also created new challenges of management and maintenance of the environment. The interdependence between tourism and the environment is recognized worldwide and Environment is considered as the most essential resource for the growth of tourism. Environmental protection holds the key for the health of the community as well as the tourism in the region.



Assistant Commissioner Gojal and Area Manager Khushhali Microfinance Bank urged the people, especially the tourists, to avoid littering in the area. Area Manager Khushhali Microfinance Bank emphasized that keeping the environment clean is our moral duty and has direct impacts on the society. Responsible tourism is the way forward and will definitely help in the sustainable management of our natural resources.



CELEBRATION OF THE WORLD ENVIRONMENT DAY

Khushhali Microfinance Bank (KMBL) proudly celebrated the World Environment Day 2021 on 5th June, with a tree plantation drive held in Peshawar, in association with the Provincial Housing Authority (PHA) Khyber Pakhtunkhwa.

The plantation drive, an attempt to encourage a Clean, Green, and Khushhal Pakistan, was attended by volunteers from Khushhali Microfinance Bank, PHA and the local community, who participated in planting hundreds of saplings in Jalozai Housing Scheme Peshawar. The event followed the international theme for World Environment Day 2021, 'Ecosystem Restoration', and has been organized to raise awareness among the masses and encourage efforts on a national level for environmental restoration and protection.

Pakistan has been declared an official host of the World Environment Day 2021, which also sees the launch of the United Nation's Decade on Ecosystem Restoration, and calls for the commitment of the masses to protect the ecosystems that support the lives and livelihoods of millions of people globally. The UN Decade on Ecosystem Restoration 2021-2030 was also launched this year and large scale restoration projects such as The Ten Billion Tree Tsunami Project are central to Pakistan's efforts to support the UN Decade and to increase ecosystem restoration.



INSPIRING AN INCLUSIVE SOCIETY FOR PERSONS WITH DISABILITIES (PWDs)

Persons with disabilities are often overlooked in discussions about Pakistan's future. This is by no means peculiar to Pakistan: discrimination, exclusion and neglect of persons with disabilities is common all over the world.

Mobility is the first and most critical hurdle faced by a physically challenged person as it severely affects the lifestyle, education, livelihood and career of that person. Therefore, Khushhali Microfinance Bank Limited (KMBL) is working in partnership with multiple organizations across Pakistan to improve the mobility of PWDs by means of prosthetics and other equipment.

In partnership with CHAL Foundation, KhushhaliMicrofinance Bank has provided prosthetics to five patients in an effort to improve their mobility and to facilitate their reintegration into the society. Among these patients are little angels, Farooq and Zainab, who can now return to their schools to continue their education and pursue their dreams. We also have inspiring stories of Nadeem Iqbal, Ahmedullah and Javed Iqbal who have been provided with prosthetics and are trying to reintegrate into the society to support their families.

Khushhali Microfinance Bank has also partnered with Health and Nutrition Development Society (HANDS) to provide assistive devices and equipment to 15 PWDs to improve their mobility. We also plan to extend this partnership to provide life skills and professional skills training to 30 PWDs to assist in their lifestyle and careers.





EMPOWERING THE WOMEN THROUGH SKILL TRAINING

For twenty-one years, women empowerment has remained a core subject of interest for KMBL's Corporate Social Responsibility initiatives. Over time, KMBL worked on various entrepreneurial projects for women to learn skills and equip themselves to become a part of the economic ecosystem of Pakistan.

Khushhali Microfinance Bank is organizing a stitching and sewing training, in collaboration with JAQ Education Trust, for women of Mera Jaffar F12 Islamabad. The training program will provide a complete stitching course as well as a training on enterprise development to 30 women from the

nearby community, thus enabling the participants to earn a sustainable livelihood in future to support their families.

Khushhali Microfinance Bank has envisioned similar training programs in different areas of Pakistan to provide livelihood trainings enabling women to support their families.



DRINKING WATER FOR KHUSHHALI

Availability and quality of drinking water is a huge concern for Pakistan. Not only the country is suffering from a severe shortage of drinking water, there is a growing concern over the quality of drinking water available for domestic use. The situation is further aggravated by heat waves and droughts driven by climate change.

In an effort to provide safe drinking water to the communities, Khushhali Microfinance Bank has partnered with Human Development Foundation and initiated 'Drinking Water for Khushhali Program'. Under this program, KMBL plans to install water filters and coolers, hand pumps, wells and filtration plants in different areas of Pakistan to provide safe drinking water to the underprivileged communities.

Under this ambitious program, installation of water filters and coolers at public places has been started while arrangements are being made for providing hand pumps, wells and filtration plants.





For Feedback & Comments email: pr.desk@kb.com.pk
Contact 55-C, 5th Floor, Ufone Tower,
Jinnah Avenue, Blue Area, Islamabad.
Tel: +92 (51) 111 092 092, Fax: + 92 (51)-9334045
Help Line: 051-111-047-047, www.khushhalibank.com.pk

You can also find us on