



(A Company set up under Section 42 of the Companies Ordinance, 1984)

Kashf Foundation

“Financial Services for All”

Quarterly Report

Apr-June 2007

Kashf Foundation

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TABLE OF CONTENTS:

APRIL-JUNE 2007: AT A GLANCE.....3

PROGRAM PERFORMANCE DURING APRIL-JUNE 2007.....5

FINANCIAL SUSTAINABILITY.....7

HUMAN RESOURCES.....9

GENDER EMPOWERMENT & SOCIAL ADVOCACY.....11

ANNEXURE.....13

APRIL-JUNE 2007: AT A GLANCE

<i>Total Outreach For Programme</i>		
	As on Mar '07	As on June '07
Active Clients ¹ (Cum.)	164,554	200,951
# of Loans (GL) (Cum.)	428,046	489,451
# of Loans (EL) (Cum.)	288,791	328,479
# of Loans (BSL) (Cum.)	5,183	8,394
Total Loans (Cum.)	722,020	826,324
Attrition rate (%) ²	2%	2%

<i>Source of Income Generation</i>				
Income from Financial Services	Jan-Mar '07	Apr-June '07	%age Change	Share (%)
Service Charge	116,745,570	153,815,140	37.15%	92.70%
Investments	1,414,254	6,756,160	377.72%	4.07%
Other Income	3,264,391	5,365,584	64.37%	3.23%
Total Income	121,424,215	165,936,884	36.66%	100%

<i>Portfolio Quality-Recovery & Risk Analysis</i>		
	Jan-Mar '07	Apr-June '07
Recovery %	100%	100%
PAR (%)	0.09%	0.10%
Overdue amount	854,550	1,217,603

<i>Efficiency Ratios</i>		
Efficiency Ratios	FY-Mar '07	FY-June '07
Administrative Efficiency	20.60%	17.63%
Operational Self sufficiency	142.32%	144.81%
Financial Self Sufficiency	116.74%	118.10%

<i>Profitability Ratios</i>		
Profit Ratios	FY-Mar '07	FY-June '07
Return on Assets (Adj.)	4.19%	4.37%
Return on Equity (Adj.)	9.28%	10.36%
Yield on Portfolio	40.48%	37.02%

¹ Total number of GL clients

² Attrition rate = exit clients/active clients

CHANGES THIS QUARTER:

- The quarter closed on 208,825 clients, pushing the outstanding portfolio over Rs. 2 billion and the total number of branches to 114.
- During this quarter, the organization experienced growth of 27 % in terms of clients and 12% in terms of loan portfolio.
- Twenty-nine new branches were opened while maintaining PAR of less than 1%. Out of these 25 were GL (Group Lending) ones, which brings the total up to 101.
- BSL's coverage has been further expanded into the areas of Sialkot and Kasur. The number of BSL branches thus opened in this quarter is 4, which brings the total number to 13.
- Preliminary research was carried out in rural microfinance by reviewing strategies, products & services and delivery methodology of 3 rural finance players within Sindh and Punjab.
- Core features of the health insurance product were finalized in collaboration NJI Life/AKAM. The product shall be piloted initially and based on field feedback, it will either be rolled out or shall be tweaked

PROGRAM PERFORMANCE DURING APRIL-JUNE 2007

Total Outreach of the Program

Outreach					
	As on March '07	Apr	May	June	As on June '07
Active Clients (cumulative)	164,554	175,468	188,734	200,951	200,951
Exit Clients (Cumulative)	2,828	1,261	1,613	1,044	3,918
Customers attrition rate (%)	2%	0.7%	0.9%	0.5%	2%

The program has been undergoing consistent client base expansion, as is evident from the table above. The cumulative outreach increased by slightly more than 22% since last quarter.

Disbursement – General Loan

The following table is indicative of the burgeoning GL disbursement over previous two quarters. The total cumulative amount of loans disbursed in the quarter April-June 2007 has increased by approx. 16.1 %, while the cumulative number of loans disbursed registered a raise of 14.3% as compared to the previous quarter.

A positive trend in the cumulative amount of the disbursed loan was witnessed in the Apr-June quarter. This increase is attributed to the widening outreach of nascent branches as they enlarge their portfolios, as well as the return of existing clients into higher loan cycles. Monitoring of branches on a monthly basis with regards to achieving the targets for center formation, besides keeping track of exit clients, has led to the boosting of the Average Loan Size.

Disbursement-General Loan					
	As on Mar '07	Apr	May	Jun	As on Jun '07
Loan Amount Disbursed (cumulative)	5,390,656,166	264,092,000	53,090,000	250,219,000	6,258,057,166
Number of Loans	428,046	18,715	23,891	18,799	489,451
Average Loan Size (Rs.)	12,594	14,111	14,779	13,310	12,786

Disbursement-General Loan			
	Jan-Mar'07	Apr-Jun'07	% change
Loan Amount Disbursed	646,968,000	867,401,000	34%
Number of Loans	48,430	61,405	27%
Average Loan Size (Rs.)	13,359	14,126	6%

The loan amount disbursed recovered to around the levels of 2006's last quarter. The respective amount thus increased by around 34% in the quarter April-June. This positive trend has carried over to both the number of loans as well as ALS that increased by 27% and 6% respectively.

Disbursement- Emergency Loan

Disbursement-Emergency Loan					
	Jan-Mar '07	Apr	May	Jun	Apr-Jun '07
Loan Amount Disbursed (Cum.)	850,504,669	54,248,000	57,481,000	38,088,400	1,000,322,069
Number of Loans	288,791	14,307	15,210	10,171	328,479
Average Loan Size (Rs.)	2,945	3,792	3,779	3,745	3,045

When assessed cumulatively, the disbursements of the EL have undergone an increase of 17.6% over the last quarter. However, even the loan amount for the April-June period has witnessed an increase of 9% over that of the last quarter. The ALS has also seen a slight increase of 3.4%.

Disbursement-Emergency Loan			
	Jan-Mar'07	Apr-Jun'07	% change
Loan Amount Disbursed	137,457,000	149,817,400	9%
Number of Loans	36,391	39,688	9%
Average Loan Size (Rs.)	3,777	3,775	0%

The cumulative number of loans disbursed experienced a jump of 13.7% which were bolstered by the quarterly rise in the number of loans by 9% against that of the previous quarter's numbers. These increases are the result of constantly motivating the clients and making them realize the ease of access of this product

as compared to availing the services of money lenders. The popularity of this product is sustained due to its timely access, that too being twice in a year.

Disbursement – Business Surmaya Loan

Disbursement-BSL					
	As on Mar '07	Apr	May	Jun	As on Jun '07
Loan Amount Disbursed (Cum.)	198,120,000	38,595,000	42,933,000	34,080,000	313,728,000
Number of Loans	5,183	1,066	1,180	965	8,394
Average Loan Size (Rs.)	38,225	36,205	36,384	35,316	37,375

Even for this quarter, the product of IL continues to display impressive growth figures, with an increase of 58% in the cumulative loan amount disbursed as well as a jump of 62% in the number of loans granted.

The drop in the Average Loan Size is actually evident of the products ever-expanding outreach. The increase in the number of IL branches has led to more clients availing the product in their first loan cycles, with loan amounts ranging from Rs. 20,000 to 50,000. The ALS will only significantly increase when a greater proportion of client progress to their second loan cycle while availing amounts between Rs. 50,000 and a 100,000.

FINANCIAL SUSTAINABILITY

Overall performance

The organization's equity stood at Rs 1.03 B [Mar 2007: Rs 968 M]. The growth of Rs 68 M in equity resulted from income for the quarter of Rs. 165 M. The income from loans increased by 35% to Rs.135 [Quarter ended Mar2007: Rs 116] primarily due to increase in outreach and growth in portfolio.

The total assets base grew to Rs 2.8 billion [Mar 07: 2.3 billion]. The asset mix by weight showed improvement in general, enhancing ability of entity to generate income at a higher rate. Net fixed assets increased by Rs.97.5 M primarily due to purchase of new land that amounts to Rs. 91M. The sources of finances did not change during the quarter and on lending funds were met through PPAF funds.

Personnel costs for the quarter increased by Rs.3 M [March 2007: 39 M]. The variation is primarily due to the increase in the number of total staff hired for 28 new branches. Staff strength has reached to 1,065 [Mar 2007: 952]. The administrative costs increased by Rs. 3 M over the quarter due to setup cost of 28 more branches. However, total admin expenses are 88% as compare with projected.

Exp Head	Actual for Apr-June 2007	Projected for the quarter	Actual for Jan-Mar 2007
Personnel Exp	44	50	41
Admin Exp	25	47	16
Financial charges	36	40	17

The total amount outstanding as on June is Rs 2.0B [Mar 2007: Rs 1,748M]. The average loan size disbursed during the period was Rs 14,092 [Mar: Rs 12,810].

PAR has gone up to 2.1 M [Mar 2007: 1.5M] representing 0.10% [Mar 2007: 0.09%], and it remained below 1%.

Portfolio Quality-Recovery & Risk Analysis		
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Recovery %	100%	100%
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Source of Income Generation				
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Total Income	121,424,215	165,936,884	36.66%	100%

Total income on loans has shown increase of over 37%, from Rs. 121 million to around 166 million as compared to previous quarter. This occurred primarily due to the increase in portfolio size and maturing portfolio base experiencing growth. The percentage share of income contribution from service charges was 92.7%, from investment income (on receipt basis) it was 4.07% and 3.23% from other sources.

Recalling the respective indicators from the previous

quarters, 96.14%, 1.16% and 2.69%, it is observed that the situation has reversed. The share of income generation has declined while those of the income from investments and other sources have gone up. An overview of quantitative information in this regard has also been provided in the **ANNEXURE**.

Efficiency Ratios

Efficiency Ratios		
Efficiency Ratios	FY-Mar '07	FY-June '07
Administrative Efficiency	20.60%	17.63%
Operating Efficiency	29.58%	27%
Operational Self Sufficiency	142.32%	144.81%
Financial Self Sufficiency	116.74%	118.10%

Administrative Efficiency is defined as the cost required in maintaining Rs 1 in the market. **Operational Efficiency** highlights the efficiency of the loan disbursement system. The operating efficiency ratio has gone down to 27% [Mar 2007: 29%], as the average total portfolio has gone up and budgetary controls are comparatively tightened.

Operational Self-Sufficiency measures whether the revenue generated by the program is sufficient to cover its overheads and financial self-sufficiency estimates whether the program would still be sustainable if it is compelled to borrow at market rates. For this quarter, Operational Self Sufficiency stood at 145% [Mar 2007: 142%]. **Financial Self-Sufficiency** has also slightly improved to 118% [Mar 2007: 116%] as there is less COF adjustment due to lesser unspent donated funds. The sustainability ratios show a steadily improving trend, though another 29 new branches were opened during the quarter.

Profitability Ratios

Profitability Ratios		
Profit Ratios	FY-Mar '07	FY-June '07
Return on Assets (Adj.)	4.19%	4.37%
Return on Equity (Adj.)	9.28%	10.36%
Yield on Portfolio	40.48%	37.02%

The Adjusted Return on Assets increased from 4.19% last quarter to 4.37%, whereas the Adjusted Return on Equity increased from 9.28% to 10.36%.

The Yield on Portfolio dropped nearly three-and-a-half percentage points, from 40.48% last quarter to 37.02%. The representative income has remained the same but the portfolio has grown by Rs. 300 M. Hence the ratio between the former and the latter has decreased as the denominator i.e. loan portfolio has increased enormously. This signifies that the organization has been experiencing overall growth as well as deeper penetration into existing areas of operation.

HUMAN RESOURCES

Kashf is constantly undergoing expansion, both in terms of numbers and coverage. Hence, the network of branches is being perpetually increased besides furthering penetration in mature branches, and so extensive hiring was done at the field level.

A 14.6% increase in staff strength registered this quarter taking total staff count to 920. The overall female staff ratio increased from 43% in March to 46% in June because of giving preference to the hiring of female employees to achieve gender balance. Kashf Foundation aspires to be a trendsetter in promoting opportunities for women's development and leadership at all levels in the organization. The gender ratio at the office level however remains more inclined towards male employees and the focus in the coming quarters would be to pursue an active policy of hiring women.

	Jan- March 2007		Apr-07		May-07		Jun-07	
Total Permanent Staff	803		865		896		920	
Total HO Staff	67		66		66		68	
Total Field Staff	736		799		830		852	
Gender	Male	Female	Male	Female	Male	Female	Male	Female
Ratio	57%	43%	56%	44%	55%	45%	54%	46%
Number	461	342	483	382	495	401	497	423
Total Trainee Staff	171		123		167		224	
Total Trainee Staff (HO)	4		4		2		4	
Total Trainee Staff (Field)	167		119		165		220	
Trainees Gender	Male	Female	Male	Female	Male	Female	Male	Female
Ratio	45%	55%	35%	65%	40%	60%	47%	53%
Number	77	94	43	80	67	100	105	119
Total Staff (Trainee+Perm)	974		988		1063		1144	
Total Staff (HO)	71		70		68		72	
Total Staff(Field)	903		918		995		1072	
Gender (Trainee+Perm)	Male	Female	Male	Female	Male	Female	Male	Female
Ratio	55%	45%	53%	47%	53%	47%	53%	47%
Number	538	436	526	462	562	501	602	542
Total Staff Recruited	162		51		90		79	
Total Staff Recruited(HO)	8		1		0		3	
Total Staff Recruited(Field)	154		50		90		76	
Gender Recruited Staff	Male	Female	Male	Female	Male	Female	Male	Female
Ratio	43%	57%	20%	80%	46%	54%	42%	58%
Number	70	92	10	41	41	49	33	46
Turn Over	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary	Voluntary	Involuntary
(Quarterly)	81%	19%	83%	17%	100%	0%	100%	0%
Number	17	4	5	1	7	0	9	1
Overall Turn Over	4%		1%		1%		1%	
Number	21		6		7		10	

Training center

Kashf Foundation has a specially designated training center that focuses on enhancing the productivity and analytical faculties of its employees. In-house and external programs as well as exposure visits also attempt to build the staff's customer care and support skills, optimize teamwork and impart improved auditing controls.

In last three months Kashf has designed a new orientation package for Loan Officers and run five training sessions. Another achievement has been the development of a course for star performer Loan officers for their professional and personal grooming and run one session. Apart from that, a training guide book has been prepared with the consultation of AMs for all trainee staff. A case study book has also been composed for all field staff.

Internal trainings

Training	No of training	No. of participant
TLO orientation	05	88
IL orientation	03	53
CO orientation	02	48
IL WWB Training (3 – 4)	01	42
IL- policy refresher	02	75
Fraud management for BMs by CEO/HOps/RMs	01	45
Development course for LOs	01	20
Customer care for LOs by president & CEO	06	340
Values & Ethics seminar by President & CEO	02	120
TOTAL	23	831

External trainings

Month	Training	Department	Pax	Training institution	Location
April	Exposure visit -To learn best practices of microfinance, training & gender issues from leading MFIs	Learning, GESA team	05	Grameen,ASA,Brac	-
„	Financial Education for poor	GESA/Ops	02	Citi bank	Bangladesh
„	HRM - Strategic role of HR	HR	03	Ask foundation	Islamabad
April/May	Harvard course	HOD Operation	01		
May	Internal audit	IA manager	01	EDA rural system, India	India
„	Risk Management	CEO MFB	01		
„	Rural MF Exposure	Research	02	Safwco/TRDP	Sindh
„	Negotiating access to commercial loans& the capital Markets - To prepare MFP,s to become investment ready with a clear understanding of the core requirements necessary to pitch commercial investors on the attractive investment potential of MF	Finance	02	PMN	KHI
„	Delinquency Management & interest rate setting -To have in depth knowledge of delinquency, its control, cost, coupled with different interest rate calculations	Learning team/AM	02	PPAF	ISB
June	Positive attitude - Enriching & improving personality traits of the pax for more efficiency & effectiveness	Admin	01		LHR
„	Making microfinance work -To get in depth knowledge about risk management, marketing, greater productivity, efficiency -To develop/deliver the acquired knowledge in the context of organization	OPS/ LC	02	PMN	ISB
„	Financial analysis -To format income statement & balance in such a way that the effect of donor funds can be easily identified	Finance	01	PPAF	ISB
Total			26		

GENDER EMPOWERMENT & SOCIAL ADVOCACY

With the objective of realizing the potential for self-actualization of both the staff and the clients, GESA conducts training workshops and formulates information packages. These programs complement and further enhance the financial services that the foundation is providing.

Initiative	OUTCOME
Theater	<p>GESA has been at the forefront of promoting KASHF's image as a responsible MFI and creating awareness among its clients through various initiatives. Theatre is the most effective interactive tool to delight and inform the clients on a multiple of social issues and involve them actively in the debate which naturally proceeds from open ended theatre performance. The performance is usually based on a true story depicting the socio-economic plight of women in the patriarchal set-up of our society. In the interactive session, true stories of the clients who voluntarily climb up the stage and share their experiences are recorded.</p> <ul style="list-style-type: none"> • Community Research conducted • 5 Groups trained (2 New Groups added) • 58 theater performances delivered in Area 1,2,3,4,6,7,8,10 • 13889 clients outreach covered (256 clients per performance) • Theatre skits on importance of center meeting, health, education and cleanliness designed and trained 5 theatre groups on these skits • 9 Focus Groups conducted 65 clients interviewed • Theatre for males conducted at FSB and Kasur
Leadership	<ul style="list-style-type: none"> • 28 Trainings delivered • Branches 616 Center Managers Trained (J.P, K.P, , Walton, Bedian, A.P ,Chungi, B.R, Ichhra, K2 , MB) • 4 session monitored • 8 focus Groups conducted
Gender Client Council	<ul style="list-style-type: none"> • 6 GCC 2 new established 6 meetings conducted • Each council highlighted 1-2 issues • Anti violence committees played in active role to solve the domestic problems of Area • Water & Sanitation awareness project at B.pura GCC:
GAD Workshop	<ul style="list-style-type: none"> • 6 workshops conducted and 160 new loan officers gender sensitized
Media and Networking	<ul style="list-style-type: none"> • press conference organized 100 media officials covered in Sargodha , Illhabad , Lahore • Presidents Interviews for daily Jung • Media Database for new districts • FSB inauguration coverage • Extensive press coverage on 10 YCC • 3 Gender network meetings
Orientation for Nazism and	<ul style="list-style-type: none"> • 10 sessions conducted • 10 Nazims and 70 Councilors out reach covered

councilors at UC level	<ul style="list-style-type: none">• Database for Karachi, Multan and Rawalpindi compiled and sent to RMs• Contact lists provided to HR and OPS for new area research and hiring
Foreign visits	Bangladesh Exposure Visit by GESA senior Members

ANNEXURE:
PERFORMANCE INDICATORS & RATIO ANALYSIS

Indicators	Target for the Quarter June 07	Actual for the Quarter June 07	Actual for previous quarter 07
Institutional characteristic:			
1 Total assets (In million)	3,683	2,808	2,273
2 Number of offices	147	135	99
3 Number of employees	2,146	1,065	952
Outreach indicators:			
4 Number of branches	131	115	85
5 Number of active clients	215,510	208,825	167,970
6 Number of active clients per branch	1,645	1,816	1,976
7 Number of loan officers	1,094	606	545
Portfolio and credit quality			
8 Total loan outstanding (gross) (in Millions)	2,529	2,046	1,739
9 Portfolio at risk ratio (PAR)	1.90%	0.10%	0.09%
10 Overdue loans (In milion)	0	1.22	1.26
Sustainability/Profitability ratios:			
11 Return on equity (ROE)	20%	21%	19.24%
12 Operating self sufficiency (OSS)	138%	145%	142.32%
13 Financial self sufficiency (FSS)	110%	118%	116.74%
Asset / Liability management ratios:			
14 Yield on gross portfolio	36%	37%	40.48%
15 Financial Cost Ratio	5%	8%	7.60%
Efficiency and productivity ratios:			
16 active Clients per LO	197	345	308
17 active Clients per total staff	100	196	176
18 Administrative Efficiency	17%	18%	20.60%
19 Operating expense ratio	26%	27%	29.58%
20 Staff Turnover	8%	5%	6%
21 Exit Rate	3%	3%	2%
22 Portfolio per loan officer (in million)	2	3	3.19
Financing structure:			
23 Debt/equity ratio	2.0x	1.5x	1.2x