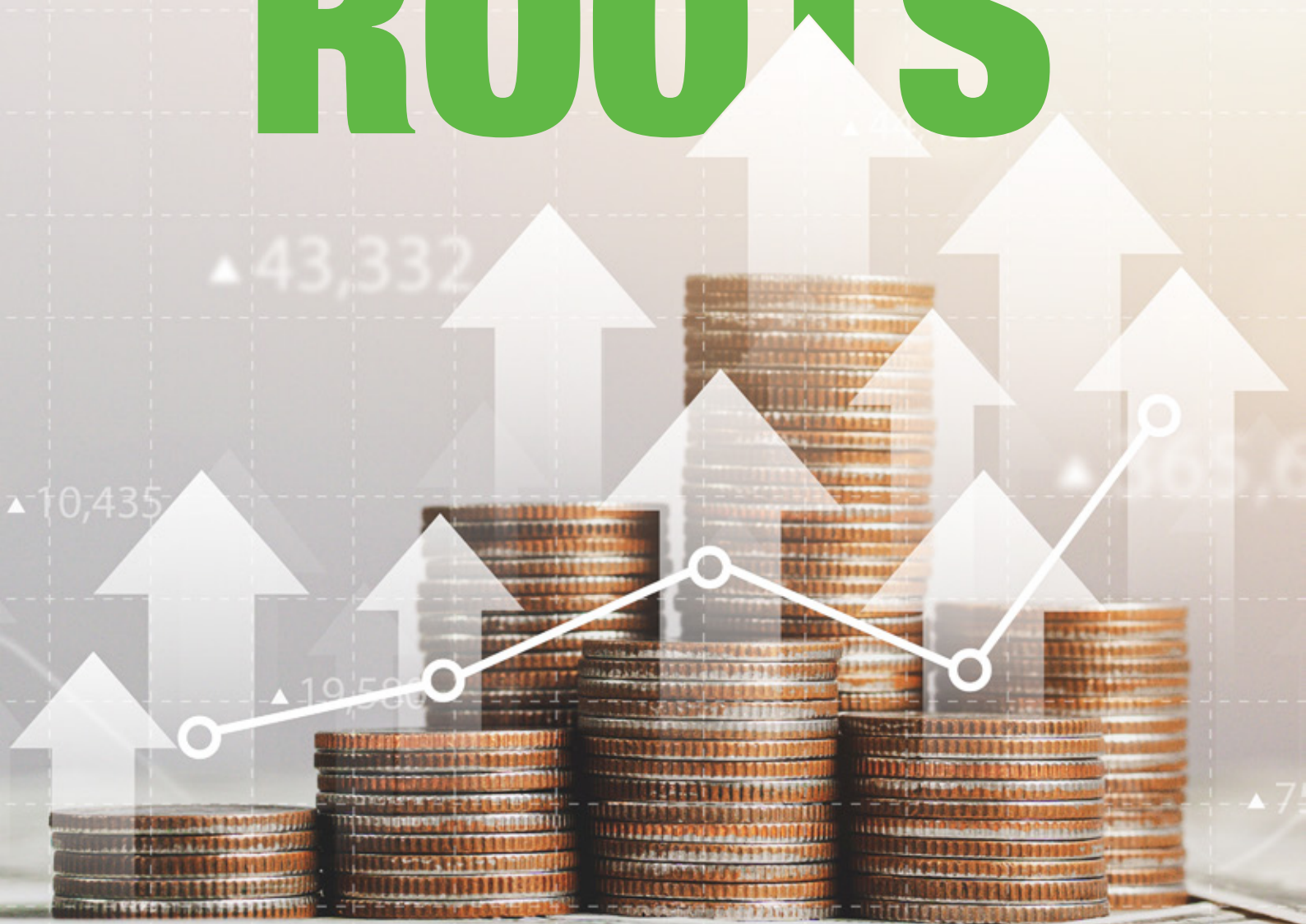




A QUARTERLY NEWSLETTER OF
KHUSHHALI MICROFINANCE BANK

GRASS ROOTS



JULY | AUGUST | SEPTEMBER
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CEO's Message

Global economies are facing recession, and economic activities are experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost of living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 % in 2021 to 3.2 % in 2022 and is projected at 2.7 % in 2023. This is the weakest growth profile since 2001, except for the global financial crisis and the acute phase of the COVID-19 pandemic. Pakistan's economy was grappling with multinational economic challenges as sluggish growth was witnessed on several economic fronts. We witnessed large-scale growing govt debts, external imbalances, hyperinflation, and monitoring policy tightening. These challenges intensified with the impacts of devastating floods caused by unprecedented rainfalls in August 2022. The immediate economic impact of floods on agriculture due to significant crop losses and disruption to crop cycles affected industrial and services activity and caused loss of infrastructure. Pakistan's economy is at an inflection point, a difficult external environment and procyclical domestic policies have worsened the challenges manifolds, and recovery options are severely limited. Policymakers need to devise tangible plans and policies to tackle inflationary pressures, protect foreign currency reserves, and pursue inclusive growth trajectories.

Pakistan's Microfinance Sector is facing enormous challenges in the wake of last year's floods and historic inflation that have dented the ability of small borrowers to repay loans, just as the sector was on the path of recovery from the COVID-19 pandemic, torrential monsoon rains that began in mid-June 2022 and triggered floods across the country posed a fresh challenge to its growth and recoveries in the pipelines. Unfortunately, these people were also the main borrowers for the sector, and their ability to pay back loans was severely compromised. Thus, the sector faced an unprecedented liquidity crunch, and the vulnerability of its business model was exposed through deteriorating portfolio quality. The devastation caused by the calamity would have a greater impact on the institutions compared to COVID-19 as around 60 percent of the

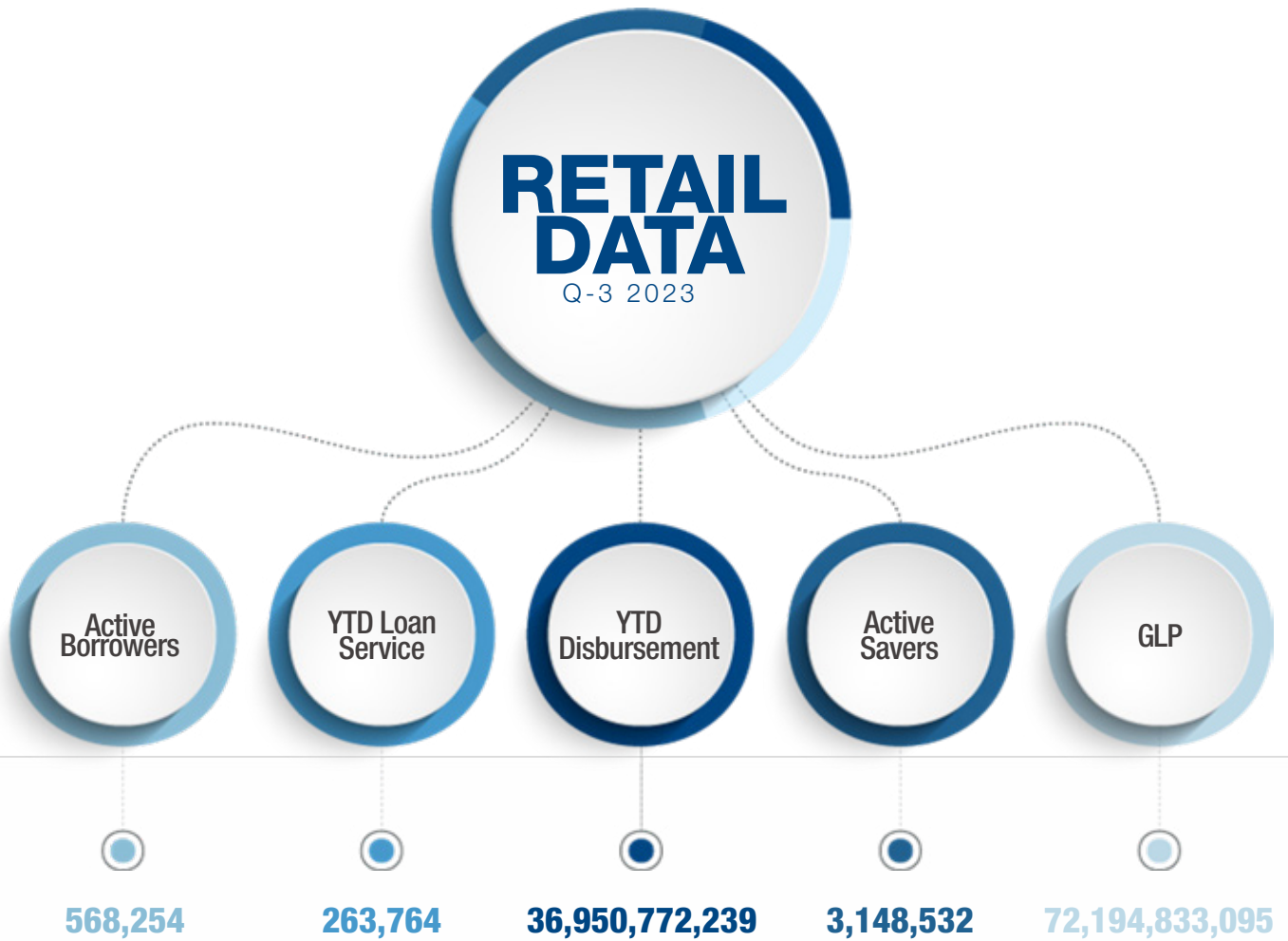


microfinance lending portfolio is for Agri inputs and livestock in rural parts of the country. Future Outlook During the outgoing year 2022, Pakistan has faced unprecedented challenges on the economic front due to multiple reasons, together with devastating floods and political uncertainty. Moving forward, Govt of Pakistan had to make some tough decisions of prioritizing imports to tackle macroeconomic imbalances, stabilize the national economy, correct the economic fundamentals, and also has to focus on improving food security, improving investor confidence, starting barter trade with neighbor countries, and increasing reliance on indigenous sources for power generation. The bank has gone through some major transformations over the years and will be going through another evaluation to consolidate, de-risk, and further optimize business operations in the coming year. However, the bank recognizes the challenging times ahead and is committed to serving our best to our clients. Lastly, we remain committed to pursuing our mission of financial inclusion and poverty alleviation with prudent risk mitigation. I would like to express my special thanks to the Board and appreciate their wise counsel and understanding during this challenging time. At the same time, I also wish to acknowledge the support of our shareholders, regulators, and committed Khushhali team.



Aameer Karachiwalla
President & CEO

Business Highlights



KMBL's New Beginnings

Let's write this new chapter in our story together with optimism, enthusiasm, and commitment to our shared vision and mission.

We are thrilled to share the exciting news of our recent corporate office relocation from the Ufone Towers to the vibrant heart of Gulberg Greens, Islamabad. This transition, which took place in July 2023, marks a significant milestone in our journey towards becoming a leading Micro Finance Bank, providing financial services to Micro, Small, and Medium Enterprises and low-income households across Pakistan.

This move wouldn't have been possible without the tireless efforts and unwavering support of every team member. We want to take a moment to express our heartfelt gratitude to you all for your dedication and hard work during this strenuous process. Changing our corporate office location was no small feat, and your commitment played a pivotal role in making it a reality.



Our Vision remains steadfast—to be a leading Micro Finance Bank offering financial solutions to businesses and households across Pakistan. This move aligns with our commitment to expanding our reach and serving our clients more effectively. Gulberg Greens is strategically located, providing better accessibility for our clients, partners, and employees.

Our Mission continues to be our guiding star as we strive for excellence and adopt sustainable practices for the long-term interests of all our stakeholders. The new location at Gulberg Greens is not just a change of address but also a reflection of our dedication to sustainable growth and development.

Gulberg Greens, with its lush greenery and contemporary amenities, is a perfect setting for our new corporate headquarters. The serene environment and modern infrastructure offer an inspiring backdrop for our work. We firmly believe that a comfortable and conducive workspace is essential for creativity and productivity, and this move is a testament to our commitment to our team's well-being.

➤ Celebrating 23 years of Growth, Empowerment & Financial Inclusion

As we marked this remarkable 23-year milestone, our team came together to commemorate a journey filled with growth, success, and unwavering dedication. It was a day filled with joy, camaraderie, and a profound sense of pride in all that we have accomplished.

From the cutting of the anniversary cake to the inspiring speeches, at every moment, we encapsulated the spirit of KMBL – a cohesive force dedicated to excellence. These pictures summarize the essence of our 23rd Anniversary Celebration, capturing the smiles, the strong bonds, and the resolute determination that defines Khushhali Microfinance Bank.

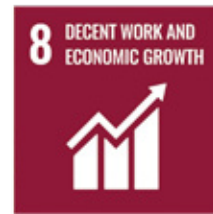
As we journey onward into the future, these memories serve as a reminder of what we can accomplish when we work together. We extend our heartfelt gratitude to everyone who has been part of our story and contributed to our growth over these 23 years.



➤ KMBL's Activities on Corporate Social Responsibility

With unwavering commitment to Corporate Social Responsibility, KMBL CSR initiatives focus mainly on:

FOCUSED AREAS



Khushali Microfinance Bank strongly believes in contributing towards achieving the Sustainable Development Goals established by the United Nations. While the organization keeps strategizing and planning policies and organizing events to ensure fulfillment of all of the goals, our team focused on the following in Q3:

➤ Goal #15: Life on Land

• Tree Plantation Drive

The President & CEO of Khushhali Microfinance Bank Limited, Mr. Aameer Karachiwala, along with the KMBL Management, recently organized a tree plantation event near their new Corporate Office in Gulberg Greens, Islamabad. This effort highlights their dedication to environmental sustainability and their responsibility towards the communities they are a part of.

Participating in community-focused initiatives fosters a sense of unity and teamwork among the KMBL staff. Working together towards a common goal, such as environmental sustainability, strengthens bonds and enhances collaboration within the team. Engaging in activities like tree plantation instills a sense of ownership and pride in the workplace. Team members become more connected to the organization and the community, fostering a deeper commitment to the bank's overall mission and vision.



► Goal #8: Decent Work and Economic Growth

• Employee Engagement

In our commitment to Corporate Social Responsibility (CSR), we prioritize Employee Engagement as a key initiative. This involves fostering a positive workplace culture, encouraging volunteerism, and supporting employee-led initiatives that contribute to social and environmental causes. Through Employee Engagement in CSR, we aim to create a workplace where employees are actively involved in positively impacting the community and the environment, aligning our corporate values with social responsibility.



➤ KMBL's Customer Success Stories

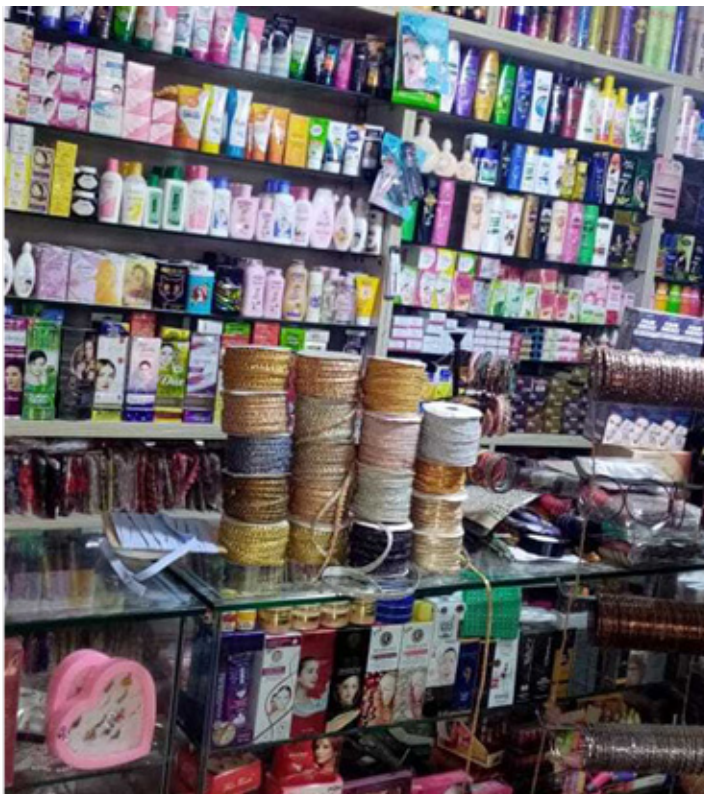
• Musarrat Ibrar's Journey of Confronting Challenges.

In the vibrant streets of New Chakra, Rawalpindi, where the high cost of living casts a daunting shadow over people's dreams, Musarrat Ibrar's tale remains a beacon of hope. Confronted with these challenges, she took control of her fate with steadfast support from her husband. With determination, Musarrat embarked on a challenging journey to establish her own home-based business. In 2019, she invested her hard-earned savings, even parting with her gold, to generate an initial capital of Rs 100,000. During this critical period, Musarrat learned about Khushhali Microfinance Bank Limited (KMBL), a name that soon became synonymous with her path to prosperity. Musarrat shared,

“The KMBL staff was able to see my business beyond the surface and recognized my passion and potential. In a banking setup that makes it hard for low-income groups to approach a bank, KMBL gave me the helping hand I needed, embracing my vision as theirs.”

Following a comprehensive interview about her business model, structure, and future plans, the bank approved her loans within just a week. Musarrat's journey not only empowered her but also her family. Currently, they lead a comfortable life as her business profits cover family expenses and other financial responsibilities.

Microfinance banks play a crucial role in empowering micro-entrepreneurs by providing essential financial assistance, enabling individuals with limited means to initiate or expand their businesses. Khushhali Bank's dedication to uplifting entrepreneurs like Musarrat Ibrar exemplifies the transformative impact of microfinance banks when they invest in an individual's dreams. Musarrat's story underscores the reality that behind many small businesses, there often lies a bank that believes in the potential of the dreamer.



• From Struggles to Dreams: Bibi Naheed's Journey at 55.

At the age of 55, Bibi Naheed has seen and faced numerous struggles and triumphs. However, the dream of owning her own home remained unachievable. As the wife of a laborer, she and her family spent their lives in rented accommodations. While her husband managed to provide for the family's basic needs, even the thought of constructing their own home seemed out of reach.

The situation became more challenging when her eldest son got married, and a larger house for the growing family became a necessity. Naheed's determination to own a stable place intensified. Despite being a client of Khushhali Microfinance Bank Limited, she was unaware of the possibilities available to her until an agent introduced her to the concept of a construction loan.



The agent explained the convenient installment plans and manageable repayment methods of the home loan, filling Naheed's heart with hope. For the first time, she felt that her lifelong dream could become a reality. Naheed took a leap of faith and applied for the loan, which had straightforward conditions: a plot no larger than 125 square yards, a stable income for monthly repayments, and a CNIC for verification. As the loan was approved and the construction of their new home commenced, there was a palpable sense of excitement and anticipation in the air. After years of hard work and perseverance, their dream of owning a house began to take shape, brick by brick.

Two years after the loan approval and completion of construction, Naheed now resides in her own safe abode. A profound sense of accomplishment swept over her when she stepped foot into her own house. "I am highly grateful to Khushhali Bank for turning my dream into a reality. Building a house in these challenging times is not easy but also a tense procedure, I am glad they eased my worries." The concrete realization of her dream had come to fruition. The walls of her home resonated with her family's laughter and happiness; for the first time in her existence, she experienced a profound feeling of pride and ownership.

Her sons now flourish in their respective careers, and after numerous sacrifices, Naheed's hope and perseverance celebrate her journey. Her story inspires many in the community and is proof of the impact of microfinance banking on the lives of many.

The endeavors of Khushhali Microfinance Bank Limited have played a pivotal role in empowering women in rural and low-income communities. Serving as a crucial financial exemplar, the bank provides access to those unable to avail themselves of conventional banking services. Functioning as a financial aid institution, it enhances living standards and overall well-being for those benefiting from its services. The microfinance industry offers individuals opportunities to utilize financial resources for education, healthcare, and housing. Khushhali Microfinance Bank Limited assumes a prominent role in overseeing these matters, making substantial contributions to the sustainability of Pakistan.



• Masood Ahmed's New Beginning & Successful Achievements.

Masood Ahmed, residing in Kohat Bazaar in Rawalpindi, stands as a genuine embodiment of hard work, determination, and perseverance. At the age of 51, Masood shoulders the responsibility of providing for his family, consisting of four daughters and one son. He has been the primary earner throughout his life, working as a laborer. Masood faced challenges in meeting financial needs, particularly when dealing with the costs of marrying off his four daughters.

In an effort to better his financial circumstances, Masood opted to start his own shoe-manufacturing business, leveraging the skills he had acquired over the years. Despite his determination, he faced a hurdle: insufficient funds to kickstart his venture. Given the absence of collateral and formal financial records, traditional banks were not an option.

Discovering Khushhali Microfinance Bank, an institution offering financial services to low-income individuals and micro-entrepreneurs, Masood realized that he could access a loan using his CNIC or utility bills with straightforward repayment methods—an opportunity he was eager to seize. Applying for a business loan, Masood underwent a meticulous evaluation and was successfully granted a loan of 50,000 rupees. With this initial funding, he acquired materials and launched his shoe-manufacturing business. Masood's business flourished, thanks to the high quality of his products and his diligent work ethic, establishing a favorable reputation in the local market. As he aimed to broaden his operations, Masood sought additional funds and, once again, approached Khushhali Microfinance. To his delight, he discovered that his successful track record and timely repayments rendered him eligible for a more substantial loan amounting to 300,000 rupees.

Benefiting from the increased loan amount, Masood upgraded the quality of his leather, acquired modern machinery, and expanded his workforce, boosting production and sales. The fruits of his labor and unwavering commitment became evident as his business thrived, ensuring a consistent income for his family.

Presently, Masood stands as a proud and accomplished entrepreneur, offering job opportunities within his community and making valuable contributions to the local economy. He expressed complete contentment with the customer service offered by Khushhali Microfinance, emphasizing the absence of challenges during the loan application process—a factor that has played a pivotal role in sustaining the ongoing success of his business.

Masood's experience not only shows his personal resolve and determined efforts but also highlights the transformative influence of microfinance in enabling individuals to break free from poverty. Through the assistance of Khushhali Microfinance, Masood has surmounted financial obstacles, built a thriving business, and ensured a brighter future for his family. His narrative serves as an inspiring example for those confronting comparable hardships, showcasing the potential for positive transformation when individuals are equipped with the necessary tools and support to achieve success.



➤ HR Initiatives for Team Building, Better Customer Service and Faster Growth

➤ Performance Excellence in Branch Banking Operations

This initiative not only streamlines internal processes but also translates to a more seamless and customer-centric experience. By optimizing operations, we ensure quicker transaction times and improved service delivery, ultimately enhancing customer satisfaction and loyalty.



➤ Strengthening Branch Banking Operations

A strategic effort to fortify the foundations of branch banking operations by creating a safer and more efficient banking environment. Improved processes lead to quicker service, while heightened security measures enhance the safety of customer transactions, fostering trust and confidence.



Operations Staff Training
(Sahiwal Area Branches)



Operations Staff Training
(Bahawalnagar Area Branches)



Operations Staff Training
(Vehari Area Branches)

► High-Impact Sales Training

Customers experience a more personalized and informed interaction with our sales teams thanks to the high-impact sales training. The focus on honing sales techniques ensures that customers receive tailored solutions, fostering a positive customer experience and increasing overall satisfaction.



► Team Leads

The leadership development program not only empowers team leads but also trickles down to improved customer service. Effective team leads translate to better-coordinated efforts, resulting in more responsive and customer-focused service delivery across various touchpoints.



Safeguarding the legal integrity of KMBL

In the Corporate Affairs unit, the 3rd Quarterly Board and Committee meetings for 2023 took place from August 16th to 17th. The Board of Directors reviewed economic updates, operating results, and business updates. The litigation team diligently reduced frivolous cases, improving performance and decreasing turnaround time. In 2023, 21 new litigation cases were filed, and 30 cases were favorably disposed of, reducing the total count to 969. Notably, 5 cases from ex-employees at NIRC were resolved in the bank's favor. Legal action, including FIRs, was taken against employees involved in fraud, leading to a recovery of 2,341,857/-. The legal team adopted a new strategy, offering lawyers a 10% incentive on recovered amounts. Proactive criminal complaints are pursued against ex-employees engaged in fraud/embezzlement. Collateral-related opinions, especially for the KAM loan scheme, are provided daily with no pending opinions. Turnaround time for KAM Loan Legal opinions and opinions on Employee Home Loan, SME, and KHP loans has been significantly reduced to one day. The legal team maintains a swift 3-hour response time for branch advisory on succession, guardianship, lease, tax, and zakat matters.



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