

## one promise

Our 12<sup>th</sup> year marks the achievement of nearly three 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, a promise to opportunity.

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President Khushhalibank along with the Management at the concluding session of ACL Training

## Audit Automation - Successful Implementation of ACL

With the expansion of bank's services from asset based products to diverse liability product through full service banking, risk profile of bank has increased manifold. Eyeing on business risk associated with large number of transactions, Internal Audit department recognized the use of Computer Assisted Audit Techniques (CAAT) for data analysis for ensuring compliance of policy and procedures with technology support.

Internal Audit initiated evaluation of data analysis tool available for use and planned for acquisition by end of year 2011. ACL application was identified as the best solution available around the world, since 70% of fortune 500 companies of the world are using ACL. In Pakistan, major users include State Bank of Pakistan, Auditors General Office, Total Parco, HSBC bank, etc.

Earlier internal audit department was relying on spreadsheets (MS EXCEL) which carry limitations of data retrieval, data compatibility, etc. To meet the audit requirement and to address productivity on analyzing complex and different types of data, ACL was considered the best option to handle unlimited data with accuracy in minimum time. ACL also carries capacity to produce results on actual live data.

Bank successfully completed acquisition and implementation process of ACL by June 2012. For its effective utilization, five days comprehensive training was provided to staff of Internal Audit and Compliance Department by M/s Prodigy Group - Singapore, sole distributor for ACL in Asia Pacific. Khushhalibank is the only Microfinance bank, which has acquired and implemented ACL.

After implementation of ACL, Internal Audit department has started using ACL to analyze data in credit management system and core banking transactions for branch auditing. Further IT audit team assisted Compliance department for review of detailed transactions not matching with the known customer profile. Going forward ACL will also be used by Compliance department to analyze transactions by all branches with

## President's Message



The quarter in review witnessed a major milestone in Bank's history with the completion of divestment process and the new investment pattern reflects the confidence of domestic and international investors in Khushhalibank. These investors represent the best within the industry.

This reflects positively on the Microfinance Sector in Pakistan and presents tremendous opportunity to all stakeholders to pursue the agenda for financial Inclusion.

The completion of the online connectivity - all branches on the new Core Banking Application is once again another important event that will enable us to offer multiple savings and deposit services to our clients besides achieving sustainability.

This has enabled us to reach out to more customers and at the end of the quarter our deposits crossed the PKR 2.5 billion mark and I am confident that with the passage of time we will be able to meet our funding requirements from retail deposits at affordable cost which is key to success of any financial institution.

We continue to invest in skill development of our staff and technology to provide service innovation to our clients and will continue to offer new products, services and more convenient distribution channels while maintaining our market leadership.

I would like to wish the Khushhali Team continued success and a more prosperous future for the bank and its clients.

minimal efforts, enabling quick delivery of exceptions to the internal stakeholders.

IT audit team assisted in development of different tests to support the financial auditors, and successfully crafted ACL manual covering more than thirty ACL audit tests. These tests will assist audit teams in monitoring daily transactions and identify exceptions such as credit policy compliance threshold, duplication of records, missing record, un-authorized transaction, regulatory non-compliance etc.

It is anticipated that use of this audit tool will increase the efficiency and productivity of audit and compliance departments in particular and the Bank in general.

## Khushhalibank launches Online Services in its 100<sup>th</sup> Branch at Pattoki

Khushhalibank recently launched online services in its 100<sup>th</sup> branch at Pattoki, offering multiple liability and asset products and services. Online/real-time banking allows customers to access their funds and make transactions from any of the real-time branch offices of the bank. The launch of online/real-time services in Khushhalibank's 100<sup>th</sup> branch in record time is indeed a great milestone for the bank. The successful implementation of core banking application across network enables the bank to interface with alternate delivery channels for customer service and convenience. The innovation in technology, risk assessment and business models is enabling banks in emerging markets to serve the micro, small and medium entrepreneurs that represent a huge potential for revenue growth in the coming years. Khushhalibank remains committed to serve this promising segment of the market.

Khushhalibank's network is spread across the four provinces of Pakistan and AJK with about 80% of its branches located in the rural and under banked locations of the country. The bank intends opening more branches in remote areas of the country to bring financial accessibility with convenience to the marginalized segments of the population, thereby offering opportunities to small entrepreneurs particularly across rural communities.

## Reconstitution of Board of Directors

After the successful completion of divestment of 67.4% stakes of Khushhalibank, the new shareholders held its Board meeting on June 4, 2012 to reconstitute its seven members Board.

The Board comprise of nominee directors from the leading national and international investors comprising of United Bank Limited, Habib Bank Limited, ASN-NOVIB Mikroedietfonds, Credit Suisse Microfinance Fund Management Company, Rural Impulse Fund II S.A. SICAV-FIS and ShoreCap II Limited.

The Board brings along a diverse experience from domestic and international best practices and technologies to achieve scale and efficiency in distribution.

Khushhalibank's partnership with the UBL-led consortium presents a tremendous opportunity for the stakeholders to benefit from each other's strengths and leverage opportunities for accelerated growth.

## Quarterly Business Update, April - June, 2012

	Microcredit		Savings		Insurance	
	Active Borrowers	Value (PKR Millions)	Active Savers	Value (PKR Millions)	Policy Holders	Sum insured (PKR Millions)
2012-Q1	350,085	4,503.4	294,730	1,129.5	350,085	4,503.4
2012-Q2	340,553	4,564.5	339,296	2,166.9	340,553	4,564.5

### Khushhalibank Cricket and Badminton Championship 2012

Khushhalibank organized an inter-regional 'Khushhalibank Cricket and Badminton Championship' in April 2012. The Cricket matches were played at 4 levels, wherein all cricket teams were divided into Pool A and Pool B. After a tough competition, Sahiwal won the Regional Championship. Later the winning team played a match with Corporate Office which was again won by the team from Sahiwal.

The badminton teams were also divided into Pool A and Pool B. After a close competition, Bahawalpur won the Regional



President Khushhalibank and the management along with the winning team of Cricket Championship 2012



Winner of Badminton Championship 2012 receiving award from President khushhalibank

Championship. The final match was played between Corporate Office and Bahawalpur team in which Corporate Office, won the match.

On this occasion, President Khushhalibank Ghalib Nishtar said, "Khushhalibank firmly believes that its growth depends on its employees' sustained motivation and enthusiasm, and this Championship is an initiative exclusively taken to boost our employees' engagement and association with the largest microfinance bank of the country".

The championship awards and special prizes were given for each category by Ghalib Nishtar, President Khushhalibank.

### Khushhalibank's Sports Festival in Mandi Bahauddin

Aimed at promoting social events through healthy activities among the local people and villagers, Khushhalibank sponsored a Sports Festival in Bhojowal village, Mandi Bahauddin in June 2012. The festival was attended by a large number of local residents, including young spectators, people especially from low income groups, villagers and farmers.

personalities from the adjacent areas and districts also came to watch the sports festival. Khushhalibank was represented by the Area Manager, Branch Manager, Relationship Manager and branch staff of Mandi Bahauddin at the occasion. During the event, the audience were also made aware of the different sources of microfinance available to them along with product specific information of Khushhalibank.

Festival was the first mega sports event organised in Mandi Bahauddin by any financial institution, which was much appreciated by the locals who applauded the efforts of Khushhalibank for engaging them in healthy and useful activities.



Khushhalibank's Sports Festival in Mandi Bahauddin

## Seminar on Empowering Women through Microfinance

In Pakistan, we still have a lot to do for women empowerment, but a majority of our people now realize the true worth and significance of women's active participation in every field of life. Realizing the important role women can play in the social and economic uplift of the country if given access to financial services, the Department of Public Administration, Fatima Jinnah Women University arranged a seminar on 'Role of Microfinance in Women Empowerment' in April 2012. The seminar aimed at creating awareness about microfinance and its contribution towards women empowerment.

Ghalib Nishtar, President Khushhalibank, while speaking at the seminar emphasized the vital role of microfinance in reaching out to the women and involving them in the development



President Khushhalibank delivering a speech at the Seminar



Students and faculty of Fatima Jinnah Women University along with the guest speaker

process of the country. He said it has been seen that women tend to spend more of their income on their families and hence when women are given an opportunity to enhance their incomes, it results in the wellbeing of the entire family. Thus, by empowering women we can empower the whole society and lead the country towards economic growth and prosperity.

Muhammad Asif Khan, Assistant Vice President, National Bank of Pakistan, Dr. Iqtadar Mahmood Dara, Managing Partner of Speed-Flo Filter Industries, and Amna Bano (Member Steering Committee at Akhuwat Foundation) also spoke on the occasion. The seminar was attended by a large number of students and guest faculty members.

## SME Financial Expo 2012

SME Business Support Fund (BSF) and Ministry of Finance, Government of Pakistan arranged a SME FINANCIAL EXPO 2012 in collaboration with State Bank of Pakistan on May 31, 2012 in Lahore. This event was planned with respect to the launch of first SME Development Centre at Sundar Industrial Estate, which is an initiative taken by BSF to foster private sector development in Pakistan by providing high quality information support, competent policy advice and research, ensuring a wide dissemination of best practices of SME support in business community and providing effective professional services to the Industrial Estate.

Syed Saquib Mohyuddin, Chief Executive Officer, BSF reiterated



President Khushhalibank at SME Financial Expo 2012



Khushhalibank's staff briefing the guests at the stall

that the SME Financial Expo 2012 would help all commercial banks in displaying their financial products, therefore having a rampant exposure in term of a direct linkage to the targeted audience, expanding their clientele base and assisting them to disseminate information about their financial products and services available for SMEs.

Kazi Abdul Muktadir, Deputy Governor, State Bank of Pakistan while giving his key note speech elaborated on the regulatory role of State Bank of Pakistan in creating opportunity for SME financing. He also said that these types of event will definitely pay dividends in term of increased exports, enhanced GDP, jobs creation and improved overall competitiveness.

Khushhalibank also participated in the Expo by setting up a stall to provide information to the participants about microfinance in general and its products and services in particular. Ghalib Nishtar, President Khushhalibank who was the Guest of Honour at the Expo also delivered a speech on the pivotal role of micro, small & medium enterprises. While addressing the audience he highlighted the importance of micro, small and medium enterprise in revitalizing Pakistan's economy and the fundamental role it can play in strengthening the foundations of the country. He also emphasized that public policy should accord high priority to the development of the SME sector because of its potential for generating employment, increasing incomes and reducing poverty.

Other speakers included, Rana Siddique, Chief Executive of SME Development Centre, Kaukab Parveen, President, Central and North Punjab Women Chamber of Commerce and Industry, Regional Manager Sales, Telenor Pakistan.

## Training and Development Highlights

In order to empower newly appointed and recently promoted Branch Managers (BMs) a seven days client-focused and practical training was designed and conducted by Zigron, a highly reputed consulting firm. The training concentrated on essential branch banking knowledge, in-depth reviews of prudential regulations, every day scenarios faced by a branch manager and the overall tools to help a BM run the operations



Refresher Training of KB-105 at NIBAF Islamabad



BMs Training at NIBAF Islamabad

smoothly and effectively.

Furthermore, to ensure quality of work and services delivered by Retail staff, refresher trainings of employee batches KB 105, 106 & 107 comprising of Trainee Officer Branch Sales and Trainee Officer branch Operations were conducted in May & June 2012. Ghalib Nishtar, President Khushhalibank, graced these trainings to directly address and motivate these frontline staff members.



Sales Consultants and Personal Bankers Training at NIBAF Islamabad



Refresher Training of KB-106 at NIBAF Islamabad

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

### Ghulam Faiza - Transforming the dreary into a flourishing dairy



Ghulam Faiza has had a life altering experience ever since she was compelled by circumstances to fend for her family



and provide them the means of sustenance. While a milkman might be a common sight in the streets of Pakistan, a milk-woman on the contrary is something rather unheard of. Being a woman it was difficult for Ghulam Faiza to collect milk and then further sell it in the market given the male dominant society she was working in. However, she struggled to break the taboos and not only managed to sell the milk of her cattle in the market but also went out in the field to get the fodder for her cattle.

Being the sole bread winner of the family it was no easy task to provide for nine dependants. Faiza was striving not only for their basic needs but also for providing her children good education and saving for their future.

She started her business with one buffalo which was once bought to fulfill the dairy needs of her family. But instead of relying on the lone buffalo, she also purchased milk from the market and sold it on profit. To increase the volume and improve the productivity of her business, she relied on Khushhalibank's microfinance facility that has paid great dividends for her livestock business. With the bank's micro credit facility she has been able to increase the number of cattle considerably and the volume of her business substantially. Her monthly sales now average Rs 57,000 with the bank's 4<sup>th</sup> loan cycle.

She is now a symbol of pride for the women of her locality who look up to her and try to follow the manner in which she supports her family. A number of people have contacted her for the supply of milk due to her hard work and honesty. She therefore thinks that it is absolutely necessary for her to further expand her business to cater for the large demand of milk. Ghulam Faiza also plans to hire the land for the cultivation of fodder on lease, through which she would be able to save around Rs. 30,000 per annum on fodder cost.

Faiza feels pride in what she does and balances her life in a way that serves justice to all. Today, she takes care of her family emotionally as well as financially and at the same time runs her business successfully. She is a great example for those women who are determined to fight against all odds and contribute not only to their families but also to the community.

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