

Acknowledgements

First of all, I offer the best thanks to almighty Allah because without his blessing I was not in position to complete my internship report on national bank of Pakistan.

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OBJECTIVES OF STUDYING THE ORGANIZATION

The main objective of studying the organization is to see the application of theoretical concepts. An internship of at least six weeks is necessary to fulfill the requirements to get MBA (banking & Finance) degree. I have completed my required working period as an internee in the bank that provides me opportunities to learn about financial sector and my discipline of study.

Chapter # 1

INTRODUCTION TO THE ORGANIZATION

1.1) Brief History of National Bank of Pakistan (NBP)

Establishment of National Bank of Pakistan

National Bank of Pakistan was established on November 8, 1949 through passing of a special ordinance in the National Assembly. The need for the establishment came due to the reason when after that time newly born country was facing economic crises. To get rid of the intervention from the reserve bank of India, a self owned and operated Central Bank by the name of State Bank of Pakistan was formed in July 1948 to carry on the responsibilities of issuing the currency and most importantly controlling the flow of money inside the country.

State Bank of Pakistan after its formation demanded from the Indian Reserve bank the assets against the Indian currency retired from Pakistan territory. Government of India refused to hand over the assets worth about five hundred million rupees. This dispute is still unsettled and these assets are still not delivered to Pakistan.

1.2) NATURE OF BUSINESS

National Bank of Pakistan was established under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It is registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas.

1.3) BUSINESS VOLUMEⁱ

1.4) Number of employees (designation wise break up)ⁱⁱ

DESIGNATIONS	NO.OF EMPLOYEES
Executives	531
Officers	6636
Clerical	3982
Non-clerical	1327
Others	796
Total Employees	15,204

1.5) PRODUCT/ SERVICES OFFERED BY THE NATIONAL BANK OF PAKISTAN

With the passage of time National Bank of Pakistan introduced variety of products and services. The bank now deals in almost all products that commercial banks deal in.

PRODUCT/ SERVICES OFFERED

Treasury Products

- a) Pakistan Investment Bond
- b) Derivatives Products

I. Currency Options

II. Interest Rate Swaps and FRAs

Hedges the Interest Rate risk A client can convert a fix rate loan into floating rate one or vice versa by using these derivative instruments

Cross Currency Swaps

Hedges the Interest Rate Risk This product allow a client to convert its rupee based loans into a dollar based loan. The client's exposure is shifted from PKR KIBOR to USD LIBOR.

Home Financing

- a) Home Purchase
- b) Home Construction
- c) Home Renovation
- d) Purchase of Land + Construction
- e) Balance Transfer Facility (BTF)

Insurance Product

Term Deposits or Time Deposits

PLS Saving Accounts

Internet Based Home Remittance Service

Agricultural loan

Micro Finance

Islamic Banking Products and Services

- 1) Deposit Scheme
 - a) Current Deposit.
 - b) Profit & loss Sharing Deposit (PLS) Scheme
- 2) Financing Facilities
 - a) Ijarah (Leasing)
 - b) Other Services



International Banking Services

- 1) Trade Services
- 2) Trade Financing
- 3) International Payments and Collection Services
- 4) Structured Trade Finance
- 5) Exporter's Needs

CHAPTER # 2

ORGANIZATIONAL STRUCTURE

2.1) Organization Structure of the National Bank of Pakistan

Main Offices

Main Offices of the National Bank of Pakistan are of three types

- i. Head Office
- ii. Regional Offices
- iii. Branch Office

Network of National Bank of Pakistan

National Bank of Pakistan has a very wide network of branches and offices. According to NBP official website it has domestic as well as overseas network as follows

Domestic and Overseas Branches staff.

Domestic Network	
Regional Offices	29
Branches	1254
Online Branches	147
Subsidiaries	4
Overseas Network	
Overseas Branches	22
Representative Offices	4
Subsidiary	2
Joint Venture	1

Head Office

Head office of the National Bank of Pakistan is located in Karachi. Head office controls and monitors all the activities of the bank. The President of the National Bank of Pakistan seats the head office. A secretariat is established to assist the president in the head office. The head office is divided into twelve Departments. A Group Chief controls a Group.

President

All Groups/Departments are headed by Group/Department Chiefs. President is the head of all Group Chiefs. All strategic matters are discussed and approved by the president and Group Chiefs.

In Head Office following are the Group/Department Chiefs

- 1) Operations Group Chief
- 2) Corporate & Invest. Group Chief
- 3) Special Assets & Remedial Mgt. Group Chief
- 4) Strategic Planning & Economic Research Group Chief
- 5) Treasury Mgt Group Chief
- 6) Risk Mgt. Group Chief
- 7) Commercial & Retail Banking Group Chief
- 8) Audit & Inspection Group Chief
- 9) I.T. Planning Dept. & Implementation Group Chief
- 10) HRM Dept. Chief
- 11) Org. Development & Training Dept Chief
- 12) Over-seas Operations Chief

Regional Offices

The network of National Bank of Pakistan is divided into 29 regions within Pakistan. Detail of these regions is in annexure. In all Regions all Group Chiefs have their respective assistant as Regional Group Chief for that group. Regional Group Chiefs are directly reported to concerned group chief. Following are the list of Regional Group Chief.

- 1) Regional Business Chief
- 2) Regional Operation Chief
- 3) Regional HR Head
- 4) Regional Compliance Chief
- 5) Regional Credit Head
- 6) Regional Corporate & Investment Head
- 7) Regional Commercial & Retail Banking Head
- 8) Regional Audit & Inspection Head
- 9) Regional I.T. Planning & Implementation Head
- 10) Regional Org. Development & Training Head

Branch Offices

National Bank of Pakistan have vast network of branches in Pakistan. National Bank of Pakistan has 1254 braches throughout Pakistan at the end of December, 2008. In a branch setup following are the designation responsible for the implementation of policies and procedures.

2.3) Functions & Responsibilities of Departments of National Bank of Pakistan

Chapter # 3

STRUCTURE AND FUNCTIONS OF ACCOUNTS/FINANCE DEPARTMENT

3.1) Structure of the Finance Departments

- a) National Bank of Pakistan has three levels of offices; Head Office, Regional Offices, and Branch Offices. Head Office is in Karachi at I.I. Chandrigarh Road. Head Office has twelve departments that are called Groups deals with the function of total braches of all regions of the bank.

Corporate & Investment Banking and Finance Group

Corporate & Investment Banking and Finance Group Chief is Chief financial officer of NBP.

Finance Group has following responsibilities

- Maintaining liquidity
- Financial Accounts
- Maintaining SBP accounts
- Suggestion on mark rates and profit rates
- Equity & Investment

3.2) Finance & Accounting operations

National Bank of Pakistan is a financial institution. It has proper setup of operation of all of its accounts and finance activities.

3.3) Role of Chief Financial Officer

Corporate & Finance Group Chief is Chief Financial Officer of NBP. He has following main functions and responsibilities as CFO.

1. Monitoring and Maintaining Liquidity of Cash

Finance group is responsible to get information of the cash requirement and usage in all branches of NBP. It gathers data from Operation group to assess the cash in position of the bank. CFO continuously monitors the changing cash requirements of the bank. Lower cash reserves are not only makes the payments of account holder late but also may be charged by penalties by SBP if it falls below the limit given by SBP. Excessive cash in hand is also harmful for the bank as non-productive cash bears the cost of funds.

3.5) Sources of Funds (Latest five year figures from financial statements)

Generation of Funds Statement

Funds Generated (In Rs. million)	2004	2005	2006	2007	2008
interest earned	20,947	33,634	43,789	50,569	60,943
Non interest income	5,099	4,927	6,145	6,782	7,925
Dividend income	1,274	1,718	2,892	3,263	2,879
Foreign Currency dealing income	1,009	1,206	1,334	1,043	3,969

3.7) Allocation of Funds (Latest five year figures from financial statements)ⁱⁱⁱ

Allocation of Funds

Comments

NBP is allocating funds in Operating Assets continuously to introduce modern techniques and introducing modern banking services. The biggest account for allocating fund of NBP over the last five years was advances. NBP extends loan and advances to borrowers with an increasing ratio.

CHAPTER # 4**CRITICAL ANALYSES OF THE THEORETICAL CONCEPTS RELATING TO
PRACTICAL EXPERIENCE DURING INTERNSHIP**

National Bank of Pakistan is an organization controlled and supervised in public sector. Bank has slogan “Nation’s Bank” and practically NBP has to play its role in economy as a National Bank. National Bank has many distinct features that normally business organizations do not possess.

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FINANCIAL ANALYSES

5.1) Five Latest Year Balance Sheets in A Single Table

BALANCE SHEET (as at December 31)^{iv}

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5.2) Five Latest Year Income Statements in a Single Table

Income Statements (For the year ended on December 31)^v

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5.3) Ratio Analyses for last five years

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5.4) Horizontal Analyses of Balance Sheets for Last Five Years

In horizontal analyses of the balance sheet, one year is taken as base year and year 2005,2006,2007,2008 as Y1, Y2, Y3, and Y4 respectively. All accounts of base year is taken as 100 and relative increase or decrease of the accounts of the other years are calculated with comparison to base year account.

Comments

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5.5) Vertical Analyses of Balance Sheets for Last Five Years

In vertical analyses of the balance sheet, one of account of the balance sheet is considered as 100% other are accounts are shown in relative proportion.

Comments

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5.6) Horizontal Analyses of Income Statements for Last five Years

Comments

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5.7) Vertical Analyses of Income Statements for Last five Years

Comments

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5.8) Analyses of National Bank with Reference to the Industry^{vi}

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5.9) Future Prospects of the National Bank of Pakistan

After financial analysis of the National Bank of Pakistan, some impending diagnosis is revealed

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CHAPTER # 6

WEAKNESSES OF THE NATIONAL OF BANK

Chapter # 7

RECOMMENDATIONS FOR IMPROVEMENT

I have highlighted some weak areas of NBP in financial perspectives in previous chapter. Here in this chapter some recommendation for the improvement of its weak areas.

Asset Effectiveness

National Bank of Pakistan should analyze its assets portfolio. NBP is needed to get rid of less effective and less productive assets. All those advances which are declared as non-performing should be taken in a position that they start their performance. New investments, advances, and loans should be granted only to the persons that fulfill the very requirements of loan applicants. Nepotism culture should be discouraged.

CHAPTER # 8

CONCLUSIONS

I studied the organization thoroughly. I made following conclusions about National Bank of Pakistan.

- NBP serves the purpose of Nation's Bank.
- Federal government, provincial government, and local government accounts are primarily managed by NBP.

Chapter # 9

REFERENCES

- ⁱ Annual Published Report of National Bank of Pakistan
- ⁱⁱ Annual Published Report of National Bank of Pakistan
- ⁱⁱⁱ Annual Published Report of National Bank of Pakistan

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Chapter # 10

Annexure

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