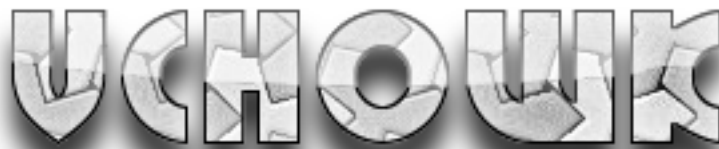


Summer Internship Report For Bank Alfalah



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1 Executive Summary

Pakistan after getting its independence, did not inherit a strong banking industry and since then saw a number of events in the industry, like the nationalization of banks in the 1970's. However today, the banking industry of Pakistan has been growing over the past few years, mainly because of the consistent policies implemented by the Government of Pakistan, including the privatization of banks in Pakistan. Also the State Bank of Pakistan's, monetary policy has been very friendly toward the banking industry.

There are a number of different banks established in Pakistan, including local incorporated commercial banks, foreign incorporated commercial banks, development financial institutions, investment banks, discount & guarantee houses, housing finance companies, venture capital companies, micro finance banks and Islamic banks.

Bank Alfalah was incorporated in 1997 and was later privatized by the Government of Pakistan. The Abu Dhabi Group bought the majority shares of the bank and so got the rights to control the bank's operations. Since the privatization of the bank, Bank Alfalah has implement different policies to make it one of the best banks of Pakistan, which included introducing new products and services and increase its operations by opening new branches in Pakistan.

Today Bank Alfalah is operating in more than 70 cities of Pakistan and operating its foreign branches in Bangladesh, Afghanistan and Bahrain. The total employees of Bank Alfalah in 2006 were 6,543, which was an increase of 25% from the past year. The increase in the number of employees joining Bank Alfalah shows that people feel confident in Bank Alfalah as a prospect employer.

The financial statistics of Bank Alfalah are also as impressive as their human resource. The profit after taxation for Bank Alfalah in 2006 amounted to Rs 1,762,691 ('000) and its total assets for 2006 amounted to Rs.275,685,541 ('000). The stock prices and earning per share of the bank have also increased over the years. Bank Alfalah promotes its products and services through print and electronic media. Bank Alfalah also promotes itself by sponsoring different events.

For Bank Alfalah, it has to compete in an industry that has grown in 2006 by almost 17% in overall assets and profits growth was 33% from the previous year in 2006. The major

competitors of Bank Alfalah, pose close competition and are mainly large nationally incorporated banks and a few international banks, that all want to become the leading banks of Pakistan, by creating some edge in the industry. To create this edge, technology has played an important role in the industry as banks are continuously trying to improve its products and services by introducing innovative products.

I did my six weeks internship at Bank Alfalah I-8 Markaz Branch and worked in account opening department, operations department, accounts department, home loans department, car finance department and credits department.

Some of the work that I did in these departments included collecting cheques, filling account opening forms, activity checking and making a borrowers basic fact sheet.

Although there were no such big problems found in the working of Bank Alfalah, there were some problems in training of the employees, incentive schemes and product innovation.

Some of the recommendations include workshops for employees, job rotation, teams work to find innovative products and scholarship programs for employees.

Lastly Bank Alfalah has seen a rapid growth in its activities by introducing a range of products and services and showing its presence in the country by opening new branches and in future should keep this momentum and always strive to become the best.

2 Introduction

2.1 Central Background Information

Banking is one of the most sensitive businesses all over the world. Banks play an important role in the economy and are considered as the backbone of an economy in every country and Pakistan is no exemption. Banks are custodian to the assets of the general masses. The banking sector plays a significant role in a contemporary world of money and economy. It influences and facilitates many different but integrated economic activities like resources mobilization, poverty elimination, production and distribution of public finance.

Pakistan has a well-developed banking system, which consists of a wide variety of institutions ranging from a central bank to commercial banks and to specialized agencies to cater for special requirements of specific sectors. The country started without any worthwhile banking network in 1947 but witnessed phenomenal growth in decades to come.

By 1970, it had acquired a flourishing banking sector. Nationalization of banks in the seventies was a major upset to domestic banking industry of the country, which changed the whole complexion of the banking industry. With irrational decision at the top all the commercial banks were made subservient to the political leadership and the bureaucracy. The commercial banks thus lost their **assets management equilibrium**, initiative and growth momentum. They ceased to be a business concern and became big bureaucracies. The era of nineties was the climax of privatization, deregulation and restructuring in the domestic banking industry and financial institutions. The Muslim Commercial Bank was the first bank to privatize. Followed by Allied Bank limited, United Bank Limited and Habib Bank Limited have all been privatized.

Today, the banking sector is providing financial solutions to the masses and is growing and becoming a solid partner in the development of the Pakistani economy, this growth potential has seen different acquisitions in the banking sector, with the Standard Chartered and Union Bank being the most prominent. Standard Chartered acquired an

80.86% interest in Union Bank Limited for a cash consideration of US\$413 million¹. Other acquisitions include ABN AMRO acquiring 93.4% interest in Prime Bank for Rs. 13.8 billion² and Temasek Investment Holding of Singapore taking up a stake in PICIC Commercial Bank. Temasek also has its stake in NIB Bank.

2.2 Company Background

Bank Alfalah Limited (“BAL”) is a private bank in Pakistan owned by the Abu Dhabi Group. Bank Alfalah was incorporated on June 21, 1997 as a public limited company under the Companies Ordinance 1984. Bank Alfalah is registered at both Karachi and Lahore Stock Exchange with a ticker name of “BAFL”. Its banking operations commenced from November 1, 1997. The bank is engaged in commercial banking and related services as defined in the Banking companies ordinance, 1962, with the registered office at B.A.Building, I.I.Chundrigar Road, Karachi.

Since its inception, as the new identity of H.C.E.B (Habib Credit and Exchange Bank Limited) after the privatization in 1997, the management of the bank started implementing strategies and policies to carve a distinct position for the bank in the market place.

This was further strengthened with a partnership with the Abu Dhabi Group which owns 70% of Bank Alfalah shares. This allowed the bank to invest more in revolutionary technology to increase its range of products and services, perceiving the requirements of their customers and matching them with quality products and service solutions.

Vision

To be the premier organization operating locally & internationally that provides the complete range of financial services to all segments under one roof.

Mission

To develop & deliver the most innovative products, manage customer experience, deliver quality services that contributes to brand strength, establishes a competitive advantage and enhances profitability, thus providing value to the stakeholders of the bank.

¹ Standard Chartered Bank website (Press Release)

² ABN AMRO Website (Press Release)

Board of Directors:

- H.E. Sheikh Hamdan Bin Mubarak Al Nahayan
- Mr. Mohammad Saleem Akhtar
- Mr. Abdulla Nasser Hawalileel Al-Mansoori
- Mr. Abdulla Khalil Al Mutawa
- Mr. Ikram Ul-Majeed Sehgal
- Mr. Khalid Mana Saeed Al Otaiba
- Mr. Nadeem Iqbal Sheikh

Now 10 years after being incorporated, Bank Alfalah has emerged as one of the foremost financial institution in the region, endeavoring to meet the needs of tomorrow today, operating through 198 branches in 74 cities nation wide, with total employees exceeding 6000. Bank Alfalah also expanded its network internationally by opening branches in Afghanistan, Bangladesh and Bahrain to further improve its image as a premier banking institution.

Figure 1: Celebrating 10 Years of Bank Alfalah



Source: Bank Alfalah Website

3 Company's Analysis

3.1 Operational Analysis

Bank Alfalah is operating with an extensive network of 198 branches nationwide that are spread all over the four provinces, Different varieties of services that each branch is equipped to provide include:

- **Branch/Retail Banking:**

Example: Deposits, Remittances, Lockers

- **Consumer Banking:**

Example: Credit Cards, Auto Loans, Home Loans

- **Electronic Banking:**

Example: Phone Banking, ATM's, Online Banking

- **Corporate Banking:**

Example: Short/Long Term Finance, Trade Finance, Structured Finance

- **Treasury Finance:**

Example: Money Market, FOREX Market, Investments, Govt. Securities

Some of the major cities of Pakistan and the number of branches located in these cities are as follows

Table 1: Cities where Bank Alfalah has its branches

City	Number of Branches
Islamabad	8
Karachi	35
Lahore	30
Peshawar	4
Quetta	4
Rawalpindi	8

Source: Bank Alfalah Website

As Bank Alfalah is operating with such an extensive network of branches, it is not possible for it to control all activities of its different branches from one main location, that is their head office in Karachi, so due to this reason they have divided their branches in two areas: the north and south, these two areas are further divided into different areas,

each controlled and monitored by their respective area office. There are 9 area offices in the northern area.

Each branch of Bank Alfalah comes under an area office, for example, the area office of Bank Alfalah I-8 Markaz is located in Rawalpindi. The area offices are responsible for authorizing its branches on providing different services to its customers. Each branch has to first get an approval from the area office before providing any service to its customers. For example, a car financing application needs to be approved by the area office before any legal documents or order for a car is placed by the bank.

Furthermore Bank Alfalah is also operating 7 foreign branches in three countries, namely Bangladesh, Afghanistan and Bahrain.

Another major part of operations for Bank Alfalah includes remittances that come from abroad and are thus considered as home remittances. Some of banks with which Bank Alfalah has agency agreements are as follows:

- Union National Bank, Abu Dhabi, U.A.E
- First Gulf Bank, Abu Dhabi, U.A.E
- Alfalah Exchange Company, Abu Dhabi, U.A.E
- U.A.E Exchange Center, Abu Dhabi, U.A.E

Bank Alfalah has also established relationships with other internationally renowned banks are part of Bank Alfalah list of correspondence banks. The total numbers of banks that are included in this list of correspondence are 170, in all major countries of the world and help Bank Alfalah in providing services to its customers.

Furthermore Bank Alfalah is also a member of MoneyGram, a service that facilitates speedy transfer of remittances on a person-to-person basis and SWIFT (Society for Worldwide Integrated Financial Transfers), a service that facilitates banks to transfer important messages or financial transfers securely and speedily to other banks. Both these services are recognized globally, with members from all over the world.

Bank Alfalah being a member of both these services reiterates its commitment of providing its customers with the state of the art services.

3.2 Financial Analysis

No company can remain in business if it cannot sustain and grow its profits and banks are no exemption. If Bank Alfalah wants to become a premier banking institution and to satisfy its customers, it itself needs to become a profitable organization, that not only has growth in profits, increase its assets but also provide its shareholders with the maximum return so that they are also satisfied.

3.2.1 Operational Result

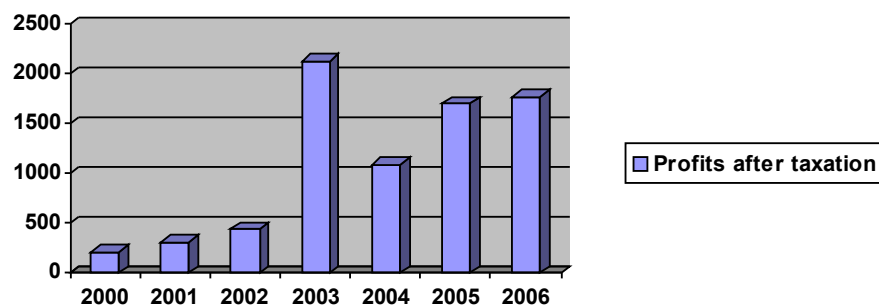
Table 2: Profit Comparison for 2005 & 2006

Description	2005	2006
	Rupees in '000	
Profit before provisions and taxes	2,965,588	3,263,635
Provisions	(402,298)	(697,960)
Profit before taxation	2,563,290	2,565,945
Taxation	(861,196)	(803,245)
Profit after taxations	1,702,094	1,762,691
Earning per share	Rs. 3.92	Rs 3.86

Source: Bank Alfalah Annual Report 2006

Profit after taxation for the year 2006 is Rs 1,762,691, which is just an increase of 3.5%, however earning per share, a ratio that is closely looked over by the shareholders of a company decreased from Rs. 3.92 to Rs. 3.86. The major reason for this decrease in this ratio is mainly the small increase in profits before taxation, increase in provisions and finally, the increase in share capital of Rs. 2 million from the past year.

Figure 2: Profit figures for the past five years (in million)



As shown in Figure 2, profits for Bank

Source: Bank Alfalah Annual Report 2006

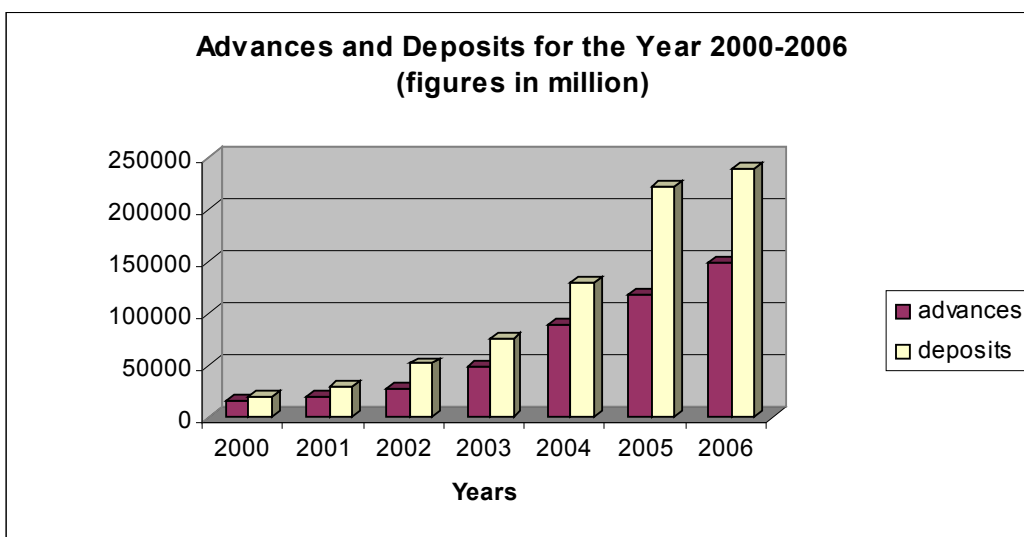
Alfalah have been growing from 2000 to 2003, after which they declined, however they have again shown an upward trend for the past two years, which is favorable.

3.2.2 Balance Sheet Results

The total assets for 2006, amounted to Rs.275,685,541 ('000), advances of the bank, which include the loan and other services that the bank receives interest on, had the greatest share of Rs. 149,999,325 ('000), followed by investments made by the bank, for Rs. 56,502,210 ('000).

The total liabilities for the year 2006 amounted to Rs. 263,443,596('000), of which deposits and other accounts amount to Rs. 239,509,391 ('000). This is 91% of the total liabilities for Bank Alfalah.

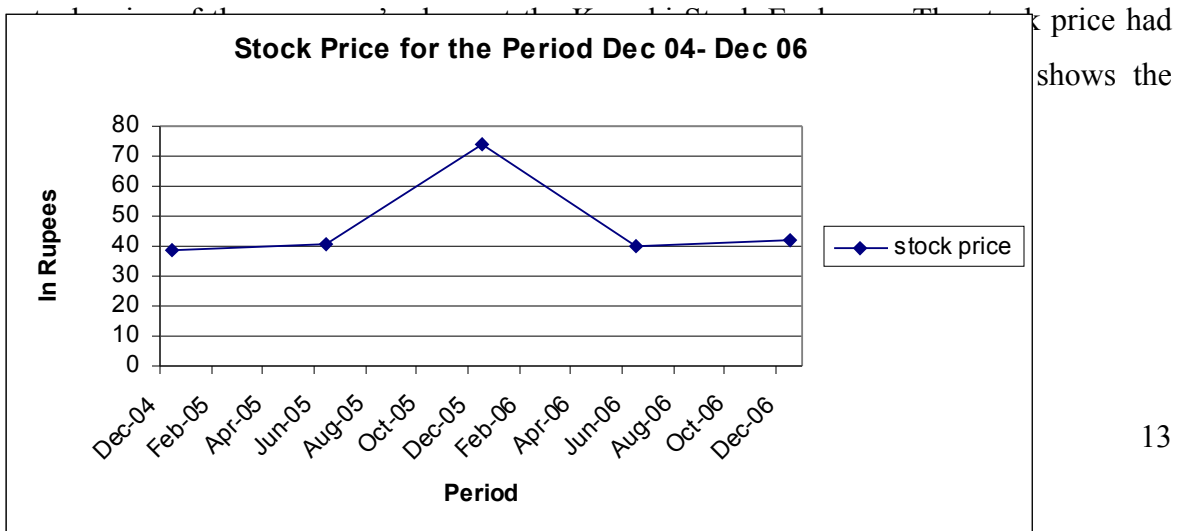
Figure 3: Advances and Deposits for the year 2000-2006



Source: Bank Alfalah Annual Report 2006

The above figure again shows that fact that both advances and deposits have been increasing at a steady rate over the past six years, which not only shows excellent policies of the top management but also the immense confidence of the customers that not only deposit money but also take advances from the bank itself.

The immense confidence of the customers and its shareholders has also seen a rise in the



Source: State Bank of Pakistan Website

Earning per share is an important ratio that is useful for the shareholders of the company, as it measures the amount of earnings available for outstanding common stockholders. EPS, although had been raising and falling for some periods but it has now remained at a constant rate, as seen in the table below:

Table 3: EPS for the period 2000-2006

Year	2000	2001	2002	2003	2004	2005	2006
EPS (in Rs)	3.59	3.65	2.23	8.49	3.9	3.92	3.86

Source: Bank Alfalah Annual Report 2006

3.2.3 Ratio Analysis

Some of the ratios calculated for Bank Alfalah are as follows:

Income/Expense Ratio: The income to expense ratio is 4.13 in 2006, which rose from 3.34 in 2005 and is thus very favorable as now Bank Alfalah has more income to pay off its expenses from.

Advances/Deposits Ratio: This ratio was 62.63% in 2006, a rise of 8.9% from the previous year. This ratio shows that for every 100 deposits for Bank Alfalah, a liability, there are 62.63 advances, an asset for Bank Alfalah. As this ratio has increased, it shows that Bank Alfalah now has more capacity to pay off its total deposits from the advances it gives out.

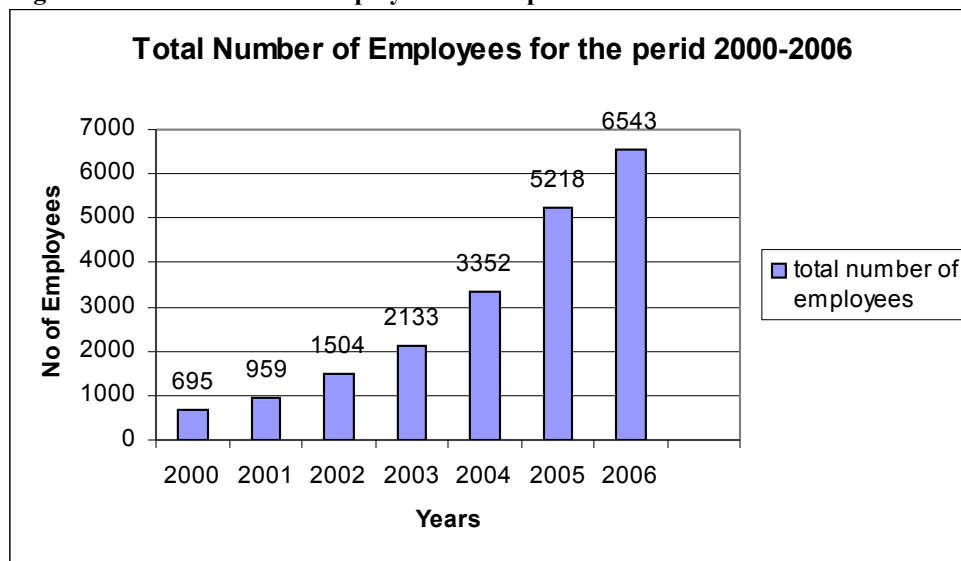
Return on Total Assets: This ratio measures the extent to which total assets of the bank were used to generate income available for common stockholders. This ratio was 0.67% in 2006, which was a decrease from 0.84% from the previous year and is mainly due to the fact there was a small increase in profits as compared to the total assets.

Return on Total Equity: This ratio like the ROA previously calculated is a debt management ratio and is calculated by dividing the net income available for common stockholders by the common stockholders equity. This ratio was 20.37% in 2006, which decreased from 30.65% in 2005. The decrease in this ratio is mainly due to two reasons: firstly there was a small increase in the earnings available for common stockholders and secondly there was an increase in common stockholders equity in 2006.

3.3 Human Resource Assessment

Bank Alfalah not only is one of the fastest growing bank in Pakistan, that provides its customers with a number of financial services, but is also a great employer of human resources, that provides its employees with a conducive environment that not only is challenging but also helps them in applying and gaining knowledge.

Figure 5: Total Number of Employees for the period 2000-2006



Source: Bank Alfalah Annual Report 2006

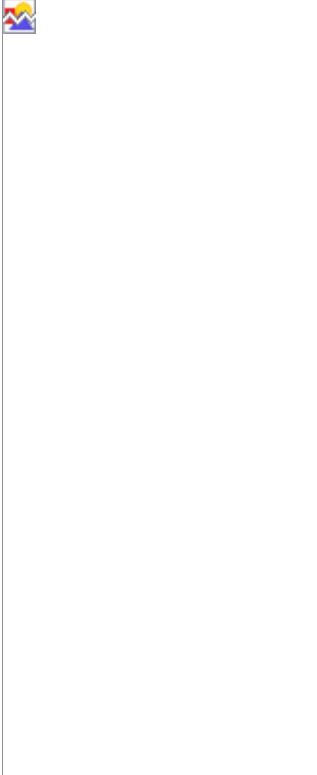
The above figures show that all prospect employees feel confidence in Bank Alfalah as their prospective employer.

Bank Alfalah, as a response to this confidence has three ways of employing prospect employees for their organization.

3.3.1 Batch Trainees

All employees selected through this process, have to first complete a probation period before given a complete status of a Bank Alfalah employee. The major benefit of this procedure is that Bank Alfalah can employee a large number of employees at a lower cost. The procedure for accepting a batch trainee is as follows:

Figure 6: Procedure for Accepting Batch Trainees



Source: Bank Alfalah website

3.3.2 Direct Induction of Fresh Candidates

Through direct induction of fresh candidates, Bank Alfalah is able to employ fresh postgraduate candidates for its organization and the process is as follows:



Source: Bank Alfalah Website

3.3.3 Experienced Professionals

Based on requirements of experienced staff, Bank Alfalah also recruits talent from the marketplace. Bank Alfalah offers competitive salary / benefits to worthy professionals at all levels who wish to join hands with Bank Alfalah. The procedure for selecting such professionals is as follows:

Figure 8: Procedure for Employing Experienced Professionals



Source: Bank Alfalah Website

3.3.4 Training

Bank Alfalah's management believes in developing the potential of the Bank's employees to the fullest extent. Training & Development Centre of the Bank are housed in state of the art facilities at Karachi and Lahore of provide training to its employees. It is

obligatory for each staff member of the bank to attend at least two days of training in a calendar year, with training programs in the following areas:

- Consumer Banking and Operations
- Credit Marketing & Proposals
- Credit Administration/Documentation
- Marketing and Selling Skills
- Customer Service Skills
- Leadership and Management Skills
- Personal Effectiveness and Skills

Furthermore training programs have also been introduced for fresh entrants into the bank, to help them in learning and performing their new tasks.

3.3.5 Benefits provided by Bank Alfalah

Some of the monetary and non monetary benefits that Bank Alfalah provides to its employees are as follows:

- Attractive Salary Package
- Employee Provident Fund
- Gratuity Fund
- Medical Insurance
- Bonuses
- Life Insurance
- Promotions
- Various types of Staff Loans
- Assistance in Pursuing Higher Education
- Cash Rewards on completing IBP Diploma

3.4 Marketing Analysis

In today's contemporary business world, marketing plays an important role and banks, such as Bank Alfalah, that have a number of competitors in the banking industry, need to use their marketing plan and strategies effectively to attract customer loyalty for its customer.

The major ways in which Bank Alfalah markets itself and its products are through the following ways:

- Electronic
- Print
- Sponsorships

3.4.1 Electronic

The major way in which today's organizations promote its products and services is through television, not only because it's economical but also because the visual and audio aids help in promoting its product.

Television ads for Bank Alfalah mainly try to emphasis the 'The Caring Bank', message in its advertisements, by showing how its services can help you with the different financial problems that you face in your every day life. For example, an advertisement showed how Bank Alfalah Credit Cards helped a couple when they had no cash left during a shopping trip or how a father happily shows his family a new car that he had financed from Bank Alfalah .

Another major way in which Bank Alfalah advertises its products electronically is through its website, which is designed in an effective manner with detailed information, so that visitors can effectively know about the different services that the bank provides.

3.4.2 Print

Print advertisements are another major way in which Bank Alfalah advertises its product to the masses. Print media advertisements are mainly printed in major English and Urdu newspapers across Pakistan.

The messages of these advertisements are mainly of new financial services that the bank may introduce over time. These advertisements are so effectively designed that All Pakistan Newspaper Society (APNS), gave Synergy Advertising the Gold Award for Best Visual Design (color) for their advertisement in 2004³.

Figure 9: A Print Advertisement of Bank Alfalah



Source: Google.com

Figure 10: Unveiling Logo for a Cricket Series



Source: DailyTimes.com.pk

3.4.3 Sponsorships

Bank Alfalah has been sponsoring different sporting tournament, especially cricket which is the most popular sports activity of Pakistanis and is watched by millions whenever there is a tournament featuring the Pakistani cricket team and is thus a great way to advertise their products. Some of the tournaments that Bank Alfalah has sponsored over the year are as follows:

Table 4: Series Sponsored By Bank Alfalah

Series	Year
Tri series b/w SL,NZ and PAK	2003
Pakistan Vs England	2005

³ Dawn Newspaper 15th Dec 2004

4 Environmental Analysis

4.1 Industry and Market Analysis

4.1.1 Major Product Lines Market Segments

Banking Sector has a wide variety of products that cater to the financial need of the masses; some of the major products that a bank provides to its customers and is mostly used by the banks customers are as follows:

- Checking Accounts
- Car Financing
- Home Loans
- Credit Cards
- Funded and Unfunded Loans

4.1.1.1 Checking Accounts

There are the main types of checking accounting that banks provide:

- Basic Banking Account (BBA)
- Current Account
- Profit & Loss Account (Pls A/c)

Basic Banking Account (BBA)

These accounts have no minimum balance requirement and can be opened by just Rs. 1000⁴. A customer with a BBA, does receives an ATM card but the account cannot be turned to an 'Online Account'. The segment that this account is targeted is towards the salaried individuals that have just started their professional careers, students or any other individual that may want to open an account with a small amount of money.

Current Account

⁴ State Bank of Pakistan Requirement

Current accounts are another type of account that banks offer, this account does not provide any profit on it and neither zakat is deducted on this account. This account can be turned into an 'Online Account' and its customers also receive an ATM card. The major segments of this account are sole proprietors, partnerships, companies (both private & public) and any other individual that wants to open their account and not earn profit or pay zakat on their balances.

Profit & Loss Account

Profit and loss accounts are one of the basic accounts that give interest to its customer's deposits. These accounts pay interest annually and zakat is also deducted on these accounts. ATM card are also provided to these accountholders. The main segment targeting these accountholders are people that want to save money which might include household etc. This account does not target companies however.

4.1.1.2 Car Financing

Car financing facility is a very popular facility with all bank customers as it facilitates them to pay for their car over a period of time (1-5 yrs). Today banks provide additional facilities of insurance and tracking devices in cars as well. The main segments of people to whom this service is targeted are salaried individuals, businessmen and other individuals with a high disposable income.

4.1.1.3 Home Loans

A home loan is a product that eases the way how a bank's customers purchase their home. Home loans provide the facility to purchase a new home, construct a new home or renovate a current home. Home loans are a long term loan and the main segments of population targeted include high paid salaried individuals and businessmen that are below the age of 65 and some banks even provide home loans to Pakistani's living abroad.

4.1.1.4 Credit Cards

Credit Cards are today's one of the most selling product that banks offer. There are three major types of credit cards:

Table 5: Types of credit cards and their market segments

Credit Card	Market Segment ⁵
-------------	-----------------------------

⁵ Source: Bank Alfalah I-8 Markaz Credit Card Officer

Silver	Salaried and self employed individuals starting their careers
Gold	Salaried individuals or self employed individuals with high income
Platinum	For exclusive customers of the bank with huge deposits or very high income

4.1.1.5 Funded and Unfunded Loans

Funded capital is a facility where that bank provides capital to a person, in response the person places a security with the bank. Funded capitals are mainly short term; it can be a long term facility too.

Unfunded capital facility comes in the form of either Letter of Credit (LC), a facility that is used for import and export facility and Letter of Guarantee (LG), a facility used in tenders filled for a specific job.

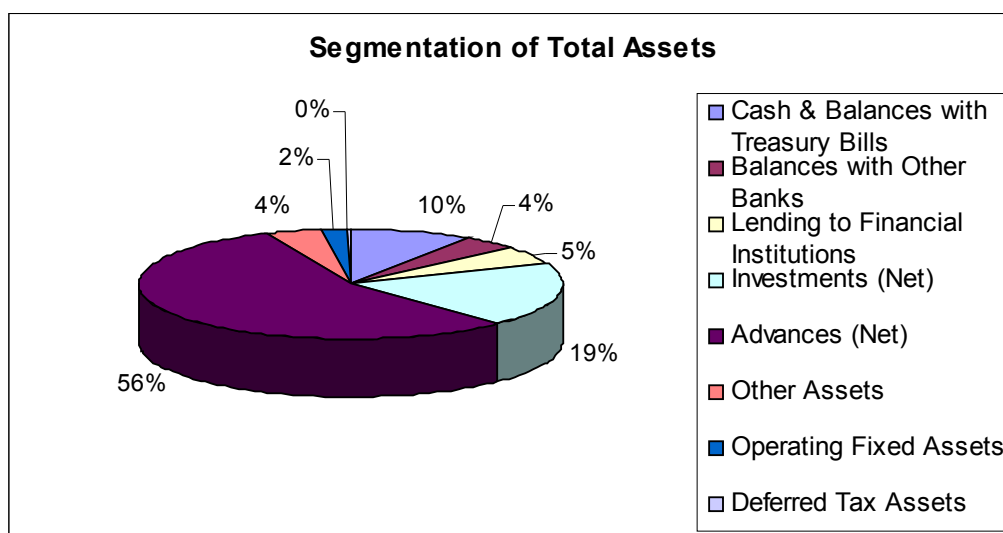
The main segments of society that these products are targeted are the businessmen that maybe a sole proprietor, be in a partnership or own his company.

4.1.2 Growth Rate for the entire Industry

Since the present democratic government, which came into power in 2002, it has implemented a number of policies for social and economic reform in the country that will reap favorable results for the future to come, and one of these policies was the privatization of commercial banks in the country. This favorable policy has led to a massive growth in the banking sector.

According to a report published by the State Bank of Pakistan, the total assets for 2006, for all banks overall were Rs. 4,280,030 (Million), a growth of 16.87% from the previous year. The total assets were segmented in the following ways:

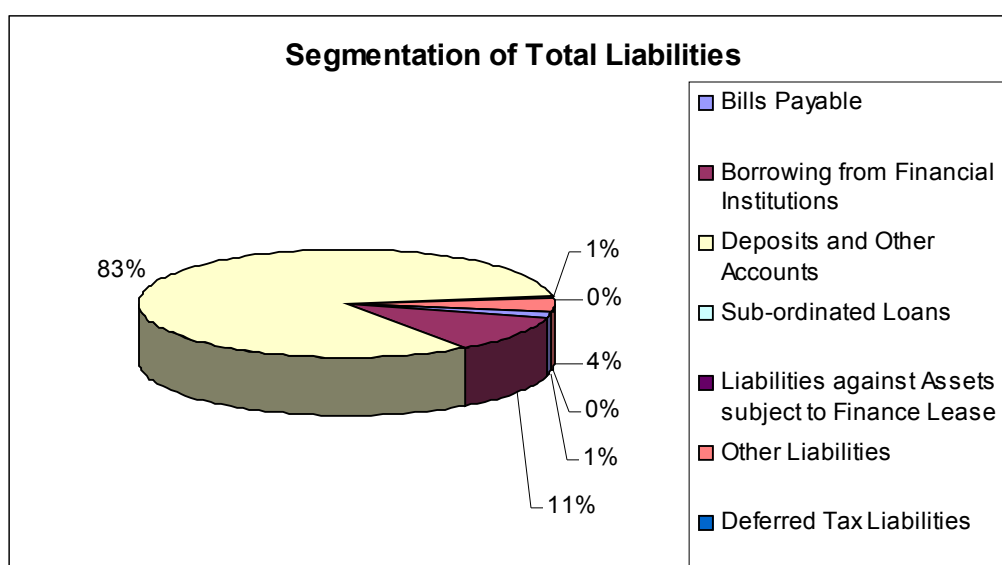
Figure 11: Segmentation of Total Assets



Source: Banking Statistics of Pakistan 2006 (SBP)

Total advances for 2006 amounted to Rs. 2,390,503 (million) and make up 56% of the total assets for all banks in 2006, the growth in advances was 20.17% from the past year. The total liabilities for 2006 amounted to Rs. 3,879,514 (million), with a growth of 15.14% from the past year. The segmentation of total liabilities is as follows

Figure 12: Segmentation of Total Liabilities



Source: Banking Statistics of Pakistan 2006 (SBP)

Deposits and other accounts amount to Rs. 3,200,332, which is 83% of total liabilities and saw a growth of 12.94% from the past year.

The profit for the year 2006, according to the Banking Statistics of Pakistan 2006 report for all banks was Rs. 84,176(million), with a growth of 33%.

Also according to a report of the Daily Times⁶, consumer finance grew by 29% to reach Rs. 325 Billion in 2006. Furthermore share of consumer finance in overall loans increased to 13.5 percent in CY06 from 9.4 percent in CY04 on the back of persistent higher growth.

⁶ 10th August 2007

4.2 Competitor Analysis

4.2.1 Major Competitors

The growth in the banking industry of Pakistan has led to an increase in the number of banks both domestic and international to be established and create a competitive industry. For Bank Alfalah its competitors come in the form of both domestic and international commercial banks established in Pakistan.

Table 6: Lists of Local Private Banks

Local Private Banks in Pakistan
Allied Bank of Pakistan Limited, Karachi
Arif Habib Rupali Bank Limited, Karachi
Askari Commercial Bank Limited, Rawalpindi
Atlas Bank Limited, Karachi
Bank Al Habib, Karachi
Bank Al Falah Limited, Karachi
BankIslami Pakistan Limited, Karachi
Crescent Commercial Bank Limited, Karachi
Dawood Bank Limited, Karachi
Faysal Bank Limited, Karachi
Habib Bank Limited, Karachi
Habib Metropolitan Bank, Karachi
JS Bank
KASB Bank Limited, Karachi
Meezan Bank Limited, Karachi
MCB Bank, Islamabad
MyBank Limited, Karachi
NIB Bank Limited, Karachi
PICIC Commercial Bank Limited, Karachi
Saudi Pak Commercial Bank Limited, Karachi
Soneri Bank Limited, Karachi
United Bank Limited, Karachi
GR Bank Limited, Karachi

Table 7: List of Foreign Banks

Source: Wikipedia.com

Foreign Banks in Pakistan
ABN AMRO Bank NV
Albaraka Islamic Bank
Bank of Tokyo Mitsubishi Limited
Citibank NA
Deutsche Bank AG
Habib Bank AG Zurich
HSBC
Oman International Bank SOAG
The Bank of Ansar Saeed
American Express Bank Limited
Doha Bank
Emirates Bank

Source: Wikipedia.com

However Bank Alfalah feels that its major competitors are as follows:

- United Bank Limited (UBL)
- MCB Bank
- Citibank
- Askari Bank

As far as UBL is concerned, Bank Alfalah feels that it is a competitor because UBL itself is a sister company of Bank Alfalah as the Abu Dhabi Group has stake in UBL and so there is always a comparison between them.

Furthermore, Askari Bank is a competitor because of the fact that the product and services that it offers is fairly similar to that of Bank Alfalah and its markup rates are similar as well. MCB, after being privatized has also introduced a wide variety of services and with its large number of account holders, it is also a big competitor.

Citibank is a foreign bank that has been established in Pakistan for a long period of time and has introduced a number of first class services and as Bank Alfalah is also competing in the services industry, it needs to benchmark its product and services to a bank with a stature to that of Citibank.

4.2.2 Their Market Shares

According to a publication of the State Bank of Pakistan, 'The Banking Statistics of Pakistan 2006', the total deposits for banks over all were Rs. 3,200,332 (million) and market shares of the competitor banks in term of deposits and other accounts are as follows:

Table 8: Market Shares in terms of Deposits

Banks	Deposits(in thousands)	Overall Market Shares	Domestic Banks Market Shares	Foreign Banks Market Shares
Bank Alfalah	239509391	7%	8%	
Askari Bank	131839283	4%	4%	
MCB Bank	257461838	8%	8%	
United Bank Limited	335077873	10%	11%	
Citi Bank	63103884	2%		42%
Total Market Shares		31%	31%	42%
Total Deposits (in millions)	3200332			
Total Deposits of Domestic Banks (in millions)	3050239			
Total Deposits of Foreign Banks (in mill)	150093			

As deposits in a bank are an indicator of its performance, in terms of gaining confidence of the people, so this indicator of measuring market shares in terms of deposits show that bank Alfalah has a very close competition in terms of deposits.

Another measure to calculate market shares of Bank Alfalah competitors is through their net profit after tax and the table below shows the market shares.

Table 9: Market Shares in terms of Profit after Taxes

Banks	Profits after taxes	Overall Market Shares	Domestic Banks Market Shares⁷	Foreign Banks Market Shares⁸
Bank Alfalah	1762691000	2%	2%	
Askari Bank	2249974000	3%	3%	
MCB Bank	12142398000	14%	15%	
United Bank Limited	9468232000	11%	12%	
Citi Bank	2575161000	3%		60%
Total Market Shares		33%	32%	60%
Total Profits	84176000000			

⁷ Incorporated in Pakistan

⁸ Incorporated Outside Pakistan

Total Domestic Profits	79888000000			
Total Foreign Profit	4288000000			

Source: Banking Statistics of Pakistan 2006 (SBP)

Profits after taxes show how effectively a company is operating and more profits show not only show that the company is successful in selling its products and services profitably but also that it is able to control its expenses, which makes that company's shareholders happy.

Bank Alfalah is lacking when it comes to its market share and that of its competitors in terms of profits after taxes mainly because of the high cost deposits incurred by Bank Alfalah.

4.2.3 Their Goals and Strategies

4.2.3.1 United Bank Limited

UBL was established in 1959, to provide banking facilities to the nation, after its nationalization in 1971, the bank became an inefficient enterprise, however after its privatization in 2000; the whole face of UBL has been changed.

Today UBL stands on a solid network of more than 1000 branches nationwide and 15 overseas branches and with an experience of 46 years its main goal is to become the leading bank of Pakistan.

To achieve its goal, UBL has introduced innovative products in the banking sector to facilitate the general public. It was one of the very first banks to introduce internet and SMS banking to its customers. It has divided its banking into three divisions, each having customized products to satisfy the needs of that particular division:

- Consumer: for individual customers
- Commercial: for small and medium enterprises
- Corporate: for large national and multinational companies

These strategies have helped UBL to raise its image in the banking sector. Its long term credit rating is 'AA+⁹'.

4.2.3.2 MCB Bank

In 1974, MCB was nationalized along with all other private sector banks. This led to deterioration in the quality of the Bank's loan portfolio and service quality. Eventually, MCB was privatized in 1991. The vision of MCB is

‘Challenging and Changing the Way you Bank.’

The main strategies of the bank have concentrated on growth through improving service quality, investment in technology and people, utilizing its extensive branch network, developing a large and stable deposit base and managing its non-performing loans via improved risk management processes.

In 2006, MCB Bank was awarded the Euromoney Award for the ‘best bank in Pakistan’, which shows its commitment of changing the way you bank.

⁹ JCR - VIS Credit Rating Company Limited (Jun 29, 07)

4.2.3.3 Askari Bank

Askari Commercial Bank was established in 1992, with the vision of maintaining excellent standards of banking quality and service, so as to serve its customers better. With time Askari Bank has also changed its identity, changing its name to a shorter 'Askari Bank', a new logo and a new slogan 'Ask Us'.

Askari Bank has a wide variety of product and services that cater to need of all type of customers. It also developed a wide variety of products for the 'Ksaans' or farmers of Pakistan, a segment of Pakistani's neglected by the banking sector of Pakistan. Askari bank was also the first bank in Pakistan to introduce ATM machines on a third party basis.

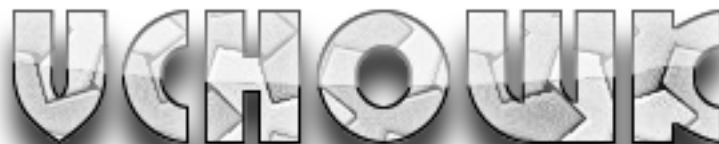
Askari Banks long term rating of 'AA+' by Pakistan Credit Rating Agency Limited (PACRA) also shows its commitment of developing excellent standard of products and services for its customers.

4.2.3.4 Citi Bank

Citi Bank was established in Pakistan in 1990 and since then has been using its international roots and knowledge to make a name in the Pakistani banking sector. Its main vision is to provide right financial solutions - every time, all the time and to fulfill their vision Citi Bank has used its ability to identify market needs and develop products which are unique in concept and fulfill customer requirements. Every customer is served by a versatile team of relationship managers who ensure in-depth knowledge of trends and opportunities while synchronizing their financial activities.

Some of the innovative products introduced by Citi Bank or the very first time in the Pakistani Banking sector are as follows:

- CitiGold Priority Banking
- Photo Credit Card
- First to launch Personal Loans in Pakistan
- First foreign bank to launch MasterCard in Pakistan
- Complaint Tracking System (CTS) launched



4.3 Technology Analysis

4.3.1 Technical Methods that Affect the Industry

The banking industry of Pakistan is at the forefront of modernizing its daily operations by introducing the latest technologies in its operations. Some of the technical methods that are used and affect the banking industry are as follows:

- Advanced technological products and services
- Automation of operational tasks
- Decision making tools

4.3.1.1 Advanced technological products and services

Automatic Teller Machines (ATM) and ATM cards have been the biggest innovations that have simply changed the way people today are now making their personal transaction. With ATM cards, people can take out money from their accounts at any time, from any bank that they want to, at their convenience.

ATM cardholders can take money out of their accounts, from any '1 link' network ATM, the largest ATM network of the country. Other ATM networks include 'Mnet' and 'Cirrus'. Today all banks are members of '1 link', while most of them are members of Mnet and Cirrus.

Internet Banking is another major technological product introduced by different banks of Pakistan. With the help of internet banking, customers with the convenience of their own personal computers can transfer money from their accounts, view their balances and a lot more.

SMS and Phone Banking is another major advancement in the products and services introduced by banks. Telephone banking can be done 24/7, with the help of banking assistants, while SMS banking can be done at the customer's convenience.

4.3.1.2 Automation of operational tasks

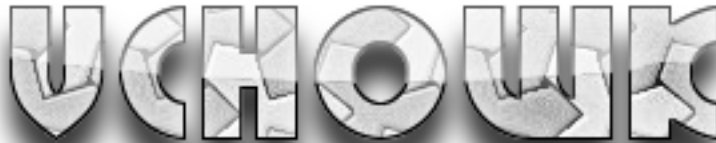
Technical advancements have also impacted the daily operations of banks in Pakistan. Online transfer of money between branches has increased the efficiency of exchange of money between different account holders of the same bank.

Simple tasks such as balance inquiry and bank statements have become as easy as a click of a button with highly sophisticated information systems.

All banks today have their own information systems that they can use in almost all departments like clearing, account opening, car leasing and remittances.

4.3.1.3 Decision Making Tools

In today's contemporary business, critical and timely decision making is a must and important too. Today's bank use sophisticated software's that not only help in operations but also improves decision making by providing different reports, which can produced at different periods of time, that can help employees at every level of the banks administration.



4.3.2 Innovation

Innovation is a must in modern times, as it will help banks to compete in today's highly technologically advanced industry. Some of the innovations that the banking industry is looking forward are:

- More advanced means of connectivity between branches through better and advanced software and hardware to maintain connections with banks in remote areas and during natural calamities in Pakistan. These might include better connection through WiFi or WiMax, both new technologies.
- More advanced information systems in banks that are more secured than before to eliminate any chances of fraud and which are even more user friendly to help employees to use them not only to make critical decisions but also satisfy customer need in a more timely manner.
- Advancements in online transfer from inter branch to an even more helpful inter bank transfers.

- Automation of simple operations task that will not only improve efficiency but also reduce costs like stationery and courier services, like automation of check books etc.
- All banks in Pakistan starting internet, mobile and telephone banking in its operations.

5 Departments Worked During Internship

I did my internship at Bank Alfalah I-8 Markaz, for a total duration of six weeks and the departments that I worked during this time are as follows:

- Accounts Opening
- Operations
- Accounts
- Home Finance
- Credits
- Car Financing

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5.1 Accounts Opening Department

Accounts opening department is one of the departments that come under the retail/general banking facilities provided by Bank Alfalah I-8 Markaz. Some of the major deposit accounts opened by Bank Alfalah I-8 Markaz are as follows:

5.1.1 Major Deposit Account Products

5.1.1.1 Current Account

Current Accounts are non interest bearing accounts that have a minimum account opening requirement of Rs 10,000. No zakat is deducted on the accounts balance. Furthermore all current account holders receive a Hilal debit card and there are no restriction on the number of withdraws or deposits made to and from the account.

5.1.1.2 Profit& Loss Saving Account

Profit& Loss saving accounts can be opened with a minimum balance requirement of Rs 5,000 and profit is credited on a half yearly basis. There are no restrictions on the number of deposits and withdrawal made to and from the account and all account holders receive

a Hilal debit card as well. Profit and loss saving account cannot be opened by a business corporation, however can be jointly opened by individuals. Profits are paid at 2% on all account balances.

5.1.1.3 Basic Banking Account (BBA)

Basic Banking Account was introduced by banks on an order by the State Bank of Pakistan and is current in nature. There is no minimum balance requirement for BBA, however initial deposit must be Rs 1000. Maximum two withdrawals and deposits are allowed by cheque, while there is no restriction on ATM withdrawals.

5.1.1.4 Royal Profit Account

Royal profit accounts are opened with a minimum balance requirement of Rs 50,000. The basic aim of this account is that the higher the balance the higher the return, as profit is credited on a monthly basis. The profit paid to account holders is as follows:

Table 10: Profits paid on Royal Profit Account

Amount	Profit pa.
From Rs.50,000 to 999,999	2.50%
From Rs.1,000,000 to 4,999,999	3.50%
Rs.5,000,000 and above	Negotiable

Source: Bank Alfalah I-8 Markaz

5.1.1.5 Kifayat Account

Kifayat account is another saving account product that can be opened with a minimum balance requirement of Rs 10,000, with a maximum limit of Rs 1 million. Profit is calculated on a monthly basis, while it is credited on quarterly basis. Bank Alfalah pays 7% pa interest on Kifayat Account.

5.1.1.6 Mahana Amdan Account

Mahana Amdan account is Term Deposit Receipt (TDR) for three years that can be opened with a minimum balance requirement of Rs 100,000, with a maximum limit of Rs 15 million. Profits are paid at 10% pa, credited on a monthly basis. Other features of this account include free personal accident insurance and automatic renewal for another 3 years, after the expiry of original period.

5.1.1.7 Alfalah Education

Alfalah education is a one year TDR that can be purchased by people having school going children's. A person can purchase a unit for Rs 100.000, with a maximum of 3 years. This TDR pays 7%, paid at maturity and gives an additional advantage of giving monthly school fee of the children's if the breadwinner of the family dies.

5.1.2 Basic Requirements for Account Opening

The basic requirements to open an account for individuals/self employed are as follows:

- CNIC
- Source of income (salary slip etc)
- NTN certificate (optional)
- Company letterhead or authorization (as required)

The basic requirement to open an account for a partnership

- Partnership Deed
- Partners CNIC
- Company Letterhead
- NTN certificate (optional)

The basic requirement to open an account for companies:

- Memorandum of Association
- Article of Association
- Directors CNIC
- Company Letterhead
- NTN certificate (optional)

5.1.3 Internal Codes for Bank Alfalah Accounts

Some of the major account opened at Bank Alfalah I-8 Markaz and their internal codes are as follows:

Table 11: Internal Codes for Some Accounts

Account Type	Code
Current Account	010*****

Profit& Loss Account	020*****
BBA Account	0189*****
Royal Profits	029*****
Current Account USD	018*****

Source: Bank Alfalah I-8 Markaz

5.1.4 Major Work Done by Account Opening Department

5.1.4.1 Stop Payment

If a customer loses their cheque book, then that customer will have to come to the bank and firstly report the loss and then stop payment, by telling the series of cheque he has lost. By stopping payment, the customer is guaranteed that no illegal payment is made from their account.

The process for stopping payment, after the customer tells that he has lost his cheque book is that he fills a 'Form B', which is same as a cheque book requisition form and an indemnity form, stating no responsibility on behalf of the bank if any illegal payment is made before the time of announcing a cheque book lost.

As part of my internship, I was to assist a customer towards the whole process of stopping payment.

5.1.4.2 Bank Statement and Bank Balance

A bank statement tells the whole activity of a bank account over a period of time. Customers often come and want their bank statements and have to fill a form, relating to the time period for which the bank statement is needed.

As part of my internship, I was to assist the customer to fill the 'Bank Statement Form' and produce the statement through the bank's software and print it as well.

Often customers want to know their accounts balance over the phone and thus I had to tell them their account balances using the bank's information system 'Bank Smart'.

5.1.4.3 Account Opening

Whenever a customer comes to open their account, they have to fill a relationship contract with the bank. As part of my internship I had to fill these forms and then use the appropriate bank stamps to complete these forms. Also as part of the relationship form, I also had to do a 'Verisys', a verification system started by NADRA on the CNIC of the

new account opener. A 'Verisys' tells, if more information pertaining to the customer is needed to open the account or not.

Furthermore as all relationship forms have to be sent to Karachi, a central location, for all account relationship forms, I had to develop a list of daily forms sent and their quantity.

5.2 Home Finance

Bank Alfalah has introduced home loans as part of their consumer banking and some of the products that come under home finance are:

5.2.1 Major Home Finance Products

5.2.1.1 Buy your Home

Bank Alfalah gives its customers the facility to purchase their own home, with 80% of the financing coming from the bank.

5.2.1.2 Build your Home

Bank Alfalah gives the facility to build your home on a plot that you have purchased and even if haven't purchased a plot yet, Bank Alfalah will provide 60% of the plots value to its customer.

5.2.1.3 Renovate your Home

When you have your home, you wish to furnish and renovate your home with the best of accessories available; Bank Alfalah provides you with the facility of renovating your home, with a loan of 40% of your surveyed home value.

5.2.1.4 Start it Together

This product is especially designed for young professional starting their careers. With Bank Alfalah start it together, these professional can purchase a home and get a moratorium of up to 3 years, that is they only have to pay the mark up on their loan, while the payment on principal amount start after that period.

5.2.1.5 Easy Transfer

With Bank Alfalah easy transfer, customers can now transfer their existing home loan from any other bank to Bank Alfalah. Bank Alfalah will on your behalf pay the other

bank and will start a repayment schedule according to Bank Alfalah's rates and conditions.

5.2.2 Features of Home Finance

Some of the features of Bank Alfalah home finance are as follows:

- A tenure of 3 to 20 years (renovation tenure for 10 years)
- For people between the age of 23 to 65
- Facility of home loans range from 0.5 million to 50 million (renovation facility for 3.5 million)
- Financing up to 80% of property value while 50% of plot value
- Fixed and Variable rates of markup
- Fixed rate for one year @ 11.5% Salaried and @ 13.5% Businessmen and expatriate Pakistani's

5.2.3 Procedure for a Home Loan

The process for a home loan starts when a customer provides all the required documents like an allotment letter, bank statements, tax returns, authority to mortgage from a housing authority etc. All these documents go to the Credit Information Bureau (CIB), a State Bank Department that provides a Customer Credit Information Report (CCIR), explaining if the customer is a credit risk or not.

After the CCIR is received, the bank does a private valuation of the property, which determines the amount of loan that will be provided to the customer. These documents provide the basis for a Credit Line Proposal (CLP) that determines the amount of loan provided to the customer and other important information relating to the loan finance.

When the customer signs and approves the CLP, Documentation Control Centre (DCC) will get in touch with the customer to complete finance & security documentation pertaining to the home finance.

Later a pay order is made and provided to the customer and all papers relating to the property are given to the DCC, while other documents go to the bank that gives the loan.

During my internship, I had to make Credit Line Proposals for different customers that had a loan in progress.

5.3 Car Financing

Car financing has become one of the most selling financial products of almost all banks. People prefer getting their cars financed rather than paying upfront because it is convenient and lessens the burden of paying a huge sum of money upfront. Some of the features of Bank Alfalah Car Financing are:

- Tenure of 1-5 years
- Minimum down payment- starting from 10% of car value
- 5 % extra at time of pre-mature payment.
- Insurance facility from three different insurance companies
- Tracking devices with all Suzuki Mehran and all Toyota Models
- Fixed mark up rates
- Co borrowers facility

The mark up rates for all locally build new cars is as follows:

Table 12: Mark up Rates for Car Financing

Financing Product	1Yr	2Yr	3Yr	4Yr	5Yr
Car Loan for Brand New Vehicles	14.00%	14.50%	15.00%	15.50%	15.50%

Source: Bank Alfalah Website

5.3.1 Procedure for Car Financing

The procedure for car financing starts when a customer comes and asks for a plan for a specified car. When he receives this plan, he will fill an application form for a car financing, stating the car he wants to finance, its color, personal details and two references. They also pay a processing fee which is non refundable.

The bank then conducts a verification of the two references, which for Bank Alfalah I-8 Markaz is conducted in Rawalpindi. A 'Verisys' is also conducted on the applicants CNIC and a Customer Credit Information Report is taken from the CIB.

After the verification process is completed, a Credit Line Proposal (CLP) is generated by Bank Alfalah I-8 Markaz, to be sent to the Area Office for a final approval with all other documents as well. The final authority of passing the application remains with the Area Office.

After the Area Office approves the application, the customer will make the down payment, give the bank post dated cheques and sign a legal document with the bank.

When this process is complete, a quotation is sent to the car dealer for the specified car, insurance documents are sent to the specified insurer. Later on the car is registered with the Excise and Taxation Officer and is given a number.

When all this process is complete, the key to the car is handed over to the customer with all documents relating to the car. When the tenure for the car financing is completed, the bank issues a NOC to the customer.

As part of my internship I had to complete the final legal document signed by the customer, by writing in detail about the car, the financing period and witnesses pertaining to the agreement etc.



5.4 Accounts Department

Accounts department is a backend department at Bank Alfalah I-8 Markaz that performs the following functions

1. Reports

It generates reports like **Statement of Account Activity** (a report on the activity of all accounts at Bank Alfalah I-8 Markaz), **Statement of Affairs** (a report on the assets and liabilities of Bank Alfalah I-8 Markaz), **Statement of Foreign Exchange** (a report on the foreign exchange currencies at the bank) and **Statement of Profit & Loss** (a report on the income and expenditures of Bank Alfalah I-8 Markaz).

These reports can be generated at daily, weekly, monthly, quarterly or yearly basis as required by the bank.

2. Income and Expense

The department also needs to calculate the revenues and expenses, control expenditure and forecast profits every month.

3. Budget

Formulation of yearly budgets & targets in consultation with the branch manager is also done by the accounts department.

4. Activity Checking

Daily activity checking and monitoring is done by the accounts department of the whole bank

5. Storage of Records

Accounts Department also has the duty to store vouchers and system generated reports.

6. Payments

The accounts department is responsible to pay vendors on behalf of the bank with authorization from the branch manager. It also has to amortize large payments and calculate depreciation of branch assets.

5.4.1 Activity Checking

In the accounts department, I had to do daily activity checking and there are four stages in which activity checking takes place:

1. Collecting vouchers, cheques etc from all departments
2. Sorting Vouchers
3. Checking Activity
4. Packing

Collecting Vouchers

The first stage of activity checking is collecting all vouchers, cheques, DD's, pay order, pay slips etc from all departments of the bank. Mainly vouchers come from the operations department. After collecting these vouchers etc from the departments, we need to check if all stamps are stamped on these vouchers etc.

Sorting Vouchers

After all vouchers are collected, they need to be sorted into eight categories:

1. Customer Debit: Includes debit vouchers and cheques
2. Customer Credit: Includes credit vouchers and credit slips
3. Income: Income vouchers
4. Expenditure: Expenses vouchers and payment vouchers
5. Others: Includes vouchers about excise duty, FED, teller, ATM, payables etc
6. Online: Contain online vouchers and online credit slips etc
7. Head Office (H.O): Includes HO vouchers and IBCA, DD advices
8. Bills Payable General (BPG): Includes vouchers and DD, Pay orders, Pay slips etc

Checking Activity

After sorting takes place, daily activity is checked using the statement of account activity, which contains all daily activity of the accounts in the bank. Activity checking is done by seeing if the values and account numbers in the sorted vouchers match that of the activity and whether or not there is any missing activity that is not in the vouchers.

Packing

After the activity is checked, all sorted vouchers are counted, both debit and credit and then packed by totaling the vouchers.

5.5 Credits Department

The credit departments of Bank Alfalah work with both SME's and corporate clients. There are two major categories of credit line facilities that Bank Alfalah provide to its customers

- Funded Credit Line Facility
- Unfunded Credit Line Facility

5.5.1 Funded Credit Line Facility

There are three major products that come under the funded credit line facility:

- Current Finance
- Karobar Finance
- Milkiat Finance

5.5.1.1 Current Finance

Current Finance is a short term facility mainly provided to companies. It provides the customers with the funds over a period of time, mainly one year. The main advantage of the current finance facility is that markup is only charged on the utilized part of the finance facility and is mainly used by companies for their working capital management.

The bank to provide this facility keeps a security; mainly a mortgaged property and can provide 60% of its assessed value as funds.

5.5.1.2 Karobar Finance

Alfalah Karobar Finance is another short term facility that is only provided to individuals and sole proprietors. This facility also has one year validity with markup charged on the amount used.

This facility again provides individuals to maintain their working capital management and is again given to individuals for a security. The conditions for current finance and

karobar finance are same with one big difference, which is that in karobar finance, the individual has to clear all his balance in his account, once in a year.

5.5.1.3 Milkiat Finance

Alfalah Milkiat Finance is a long term facility that is provided to SME's and there are four main types of facilities provided:

- Acquisition of rented commercial/industrial property
- Construction on an owned commercial/industrial plot
- Purchase of a commercial/industrial property
- Renovation of owned commercial property

Some of the features of Milkiat finance are as follows:

- Tenure of 2-12 years except for renovation, which is for 2-4 years
- Mark up of (KIBOR+4%)
- Financing from Rs 0.5 million to Rs 20 million, renovation financing up to 3.5 million
- Eligibility age should be less than 65, with 3 years of existing business

Procedure for Milkiat Finance

All documents are gathered from the customer, and then they are sent to the CIB, which sends a CCIR to the bank. Other forms of verification also take place in this process. Later a valuation is done of the property to see how much financing can be provided.

After the valuation process is complete, a CLP is made by the bank, which with other documents is sent for approval to the area office.

When the area office approves the application, the customer is called into the bank to give the security papers to the bank and also gets all legal documents are signed and the money is transferred to the bank.

5.5.2 Unfunded Credit Line Facility

There are two types of unfunded credit line facility, which are as follows:

- Letter of Credit (LC)
- Letter of Guarantee (LG)

5.5.2.1 Letter of Credits

A letter of credit is a written undertaking by a bank (issuing bank) given at the request and accordance of a buyer (the applicant) to the seller (the beneficiary) to a fact payment up to a stated amount of money within prescribed time limit provided that the terms and conditions are complied with. Letter of Credits issued in the international trade business.

There are two types of Letter of Credits:

- Usance
- Sight

Usance

Usance LC is a form of LC, whereby the bank engages to honor the beneficiary usance draft on an acceptance that the items are in accordance with the conditions. Payment is made against acceptance.

Sight LC

These are letter of credit where the bank engages to honor the beneficiary's sight draft upon presentation provided that the documents are in accordance with the conditions of the L/C. This is a more safe form of letter of credit as payment is made against the documents.

5.5.2.2 Letter of Guarantees

Letter of guarantees is a guarantee that the bank gives to an organization on behalf of the bank. Letter of Guarantee's are mainly used when a tender for a specific job is filled by a customer. There are three main types of LG's:

Bid Bond: Bid Bond are filled at the time of filling out the tender and states that if the company is given the tender, it will start working on it and will not walk away

Performance Bonds: Performance Bonds are issued to the beneficiary, to guarantee him that the applicant of the tender will perform the contract under a specific period of time. Performance bonds are issued after the tender is approved of the applicant.

Mobilization against LG (MALG): This is a guarantee that the bank gives when the beneficiary (the firm that issued the tender) that pays an advance of tender to the applicant (the firm that gets the tender), that he will return that advance amount.

5.5.2.3 Process for LC's & LG's

The process for LC's and LG's is a ten step process:

1. A request letter for the facility is received by the bank
2. All documents pertaining to the facility are received
3. Documents are looked over by the lawyers
4. CCIR is received from the CIB
5. A CLP is made
6. Borrowers Basic Fact Sheet (BBFS) is made
7. Credit Facility Application Form is filled by the customer
8. Documents are sent to the Area Office for approval
9. Documents relating to the security is kept by the bank
10. Letter is issued to the customer

5.5.3 Types of Securities

Some of the types of securities that the bank may keep as a part of security for both funded and unfunded credit line facilities are:

- Mortgage of Property
- Pledge of Stocks
- Hypothecation of Stocks
- Lien on Stocks & Securities

As part of my internship I had to make BBFS and CLP for different applicants that had applied for an unfunded credit line facility.

5.6 Operations Department

The operations department is responsible for three major activities:

- Clearing
- Transfers
- Remittances
- Cash Transfers

In large branches of Bank Alfalah, all these jobs are done by different departments, but as Bank Alfalah I-8 Markaz is a small branch, all these jobs are done by one department, known as operations. Operations department is sometimes also known as the Transact department.

5.6.1 Clearing

The clearing department is responsible for the clearing of all cheques that the bank receives daily and the different types of clearing cheques that come in the bank are:

- Inward Clearing
- Outward Clearing
- Online Clearing
- Outward Bills for Collection

5.6.1.1 Inward Clearing

Inward clearing takes place when a Bank Alfalah I-8 Markaz account holder drew's a cheque in favor of a Non- Bank Alfalah account holder. The process for inward clearing is as follows:

1. Cheques are received by the operations department from NIFT
2. The bank officer verifies all particulars from the instruments and the system for sufficient balance etc. If any fault is found, then the officer will mark the cheques as a return, stating the reasons with them.
3. If no fault is found, then the officer will post these cheques in the system by debiting the customer account.
4. The particular of the returned cheques are entered in the 'O/W return of inward clearing' register and returned to NIFT.

5.6.1.2 Outward Clearing

Cheques drawn by Non-Bank Alfalah customers in favor of Bank Alfalah I-8 Markaz customer and deposited at I-8 Markaz Branch are known as outward clearing cheques.

The process for outward clearing is as follows:

1. Cheques are received by the operations department of Bank Alfalah I-8 Markaz
2. The customer in favor of whom the cheque is drawn is credited
3. Clearing stamps are affixed on the cheque and sent to the other bank via NIFT.

If any cheque returns the next days as a returned, the posted entries are reversed and the cheque is returned to the customer who presented it and is recorded in the cheque return register.

5.6.1.3 Online Clearing

Online clearing takes place when a cheque is drawn by a Non-Bank Alfalah customer in favor of a Bank Alfalah customer but is deposited at Bank Alfalah I-8 Markaz. The person, who had drawn this cheque, however should have an account in the Islamabad/Rawalpindi area. The process for online clearing is as follows:

1. The cheque is sent as an outward clearing via NIFT
2. When the cheque is cleared, it is credited to the Bank Alfalah account via the online transfer software.

5.6.1.4 Outward Bills for Collection (OBC):

There are some cheques that are drawn by a Non Bank Alfalah Account that is outside the twin city area in favor of Bank Alfalah I-8 Markaz account holders and thus are treated as OBC's. The process for clearing of the OBC's is as follows:

- Cheques received by Bank Alfalah I-8 Markaz
- The officer affixes the OBC stamp on the cheques and writes its individual number from the OBC register.
- Entries of all OBC cheques are written in an OBC register.
- An OBC letter is printed, which shows the cheque numbers, the branch drawn on and amount.
- Original Cheques are attached to these letter and sent to the main Bank Alfalah branch in that area by courier

- When that area branch clears the amount from the Non-Bank Alfalah branch, it sends an Inter Branch Credit Advice (IBCA) to Bank Alfalah I-8 Markaz and the officer at the branch credits the customer account with that amount

5.6.2 Transfers

Transfers are conducted by Bank Alfalah I-8 Markaz Branch, using its software 'Bank Smart'. There are two types of transfers:

1. Internal Transfers
2. Online Transfers

5.6.2.1 Internal Transfers

Internal transfers take place when a Bank Alfalah I-8 Markaz account holder draws a cheque in favor of another Bank Alfalah I-8 Markaz account holder. The process for internal transfer is as follows:

1. Officer of the bank receives the cheque and determine if the cheque is an internal transfer by looking at the branch code, if they are same then it is an internal transfer
2. The officer will post entries by credit the account in favor of whom the cheque was drawn and debit the account that drew it in the banks software.
3. The cheque will be sent for supervision to the operations manager for authentication of the entries
4. When supervised, the cheque will be affixed with the official stamps and kept with the bank.

5.6.2.2 Online Transfers

All those transfers that take place when a Bank Alfalah account holder draws a cheque in favor of a Bank Alfalah I-8 Markaz account holders are known as online transfers. The process for online transfer is as follows:

1. The bank officer collects the cheque from the depositors.
2. Verify's if the accounts are online and need to be transferred online
3. Posts entries by debiting the account of the cheque, while crediting the account on the slip attached with the cheque.
4. Sends the cheque for supervision to the operations manager

5. When supervised, the cheque will be affixed with the official stamps and kept with the bank.

5.6.3 Remittances

There are two main types of instruments that are used to transfer money, which are as follows:

- Pay order: Used to transfer money within the city
- Demand Draft: Used to transfer money outside the city

5.6.3.1 Pay Order

Pay orders are made to transfer money within the city and this is a safe way to transfer money as the person who makes the transfer through pay order pays in advance. The procedure that is carried out in transferring money through pay order is as follows:

Procedure for Transferring Money through Pay Order

The customer will come to the bank and fill in the pay order application, giving in the details to which account the money is being transferred, the amount etc and attach a cheque to pay for the pay order. Pay orders can also be made through cash but mainly it is made through cheque.

The officer checks all the details in the application, makes out the charges for the transfer that the customer will pay and then make the pay order for the customer and pass the following entry:

Customer A/c

 Pay order payable

When the customer in favor of whom the pay order was made gives the pay order to his branch, the entries passed are:

Pay order payable

 Customer A/c

5.6.3.2 Demand Draft

Demand Draft is another way in which customers can transfer money outside the city.

There are two types of situations for transfer of money through demand drafts:

Outward DD's

When a customer comes to Bank Alfalah to make a DD to transfer money outside the city is known as outward DD. The customer will fill the details in a DD application form, and will attach a cheque or pay cash as he wish.

Then the officer will check all the details and make a demand draft for the customer and pass the following entries:

For Cheque	For Cash
Customer A/C	Sundry A/c
Head Office	Head Office

Inward DD's

This is the procedure adopted when the issuing branch sends copy of the instrument as an advice. When the bank receives the advice, the officer will pass the following entries:

Head Office A/c

DD Payable A/c

When the customer comes with the DD to get his payment, the following entries are passed:

DD Payable A/c

Cash

If that customer is a Bank Alfalah account holder then the following entries are passed:

DD Payable A/c

Customer Account

5.6.3.3 Foreign Remittances

Another type of remittances is foreign exchange transfer from another country to a Bank Alfalah account in Pakistan, through SWIFT. Bank Alfalah for foreign exchange transfers takes the help of Citi Bank for routing.

Procedure for Foreign Transfers

The customer will come to Citibank to transfer money to Pakistan. The entries passed will be:

Customer A/c

Citibank A/c

Citibank will then transfer that money to Bank Alfalah Karachi. The entries are:

Citibank A/c

Bank Alfalah Nostro A/c (chi)

Later Bank Alfalah will transfer the Nostro A/c money into the demand account.

Nostro A/c Bank Alfalah

Demand A/c

Now when the customer will come to take his money, the following entries will be made:

Demand A/c

Customer A/c

5.6.4 Cash Transfers

The cash transfers in the transact department are responsible with the cash deposits and withdraws made by Bank Alfalah I-8 Markaz account holders. There are two types of cash withdraws and deposits. The first is when a Bank Alfalah I-8 Markaz account holder either deposits or withdraws cash, while the second one is when a Bank Alfalah account holder, with an online account can withdraw or deposit money to his account from the I-8 Markaz branch.

As part of my internship, I was responsible to collect cheques from the customers that they deposited, put the official stamps on the different kinds of cheques, register the return cheques in a register and make OBC schedules.

6 Identification of a Main Problems and Findings

The main vision of Bank Alfalah is to become a premier banking institution in not only Pakistan but also abroad. In achieving this mission, Bank Alfalah has been successful by increasing its revenues, deposit base and branches in Pakistan. Although there are no major problems at Bank Alfalah, some of the problems observed are as follows:

6.1 *Technological Advancements*

Bank Alfalah has equipped its branches with all major IT tools being used in the industry like ATM's, fax machines, photocopiers, printers, latest computers and a good connectivity architecture, however it has been observed that when its time to work, there are many failures seen in the different devices used by Bank Alfalah, especially its connectivity architecture and remains offline with the main server, that creates problems for the customers.

6.2 *Training & Development*

There are effective training centers of Bank Alfalah at Karachi and Lahore. For Bank Alfalah I-8 Markaz, its employees get to train at the Lahore center. The problem with training and development is that it is only available for the officers of the bank and not for the lower staff members.

6.3 *Job Advancements*

There is no job advancements procedure for lower staff members or junior executives that have joined recently at Bank Alfalah. The main problem that was observed was that the lower staff should be trained about the operations of the bank and also the junior executives should be given promotions by defining the criteria's like performance etc.

6.4 Lack of Employees in some Departments

Although Bank Alfalah is a very good employer of talented professionals at different branches, however, it was observed that there were some departments in the bank that lacked the number of professionals in it that resulted in inefficiencies in that department.

6.5 New Products Introduction

Bank Alfalah has a wide variety of financial products to cater to the needs of its competitors; nonetheless the main problem seen is that it is not introducing innovative products like other banks in Pakistan, for example Standard Chartered Bank introduced a self depositing machine, a machine that can be used by consumers to deposit money at any time of the day.

6.6 Priority Banking

Bank Alfalah does not have any priority banking department that can cater to the need to high end customer. At Bank Alfalah I-8 Markaz, there were no large company's accounts mainly because there was no department to develop relationships with large customers.

6.7 Amenities at Branch

Providing amenities like a separate room for prayers because currently the employees pray in the conference room of the branch. Also separate rooms should be made for the account department for sorting of vouchers as it is also done in the conference room.

6.8 Incentive Schemes

There are no incentive schemes for employees of Bank Alfalah like scholarship schemes for employees that want to pursue higher education. Bank Alfalah although gives a number of incentives to its employees, like personal loans at nominal markup but they are only provided to employees that are in higher ranks. Education fees are also returned by Bank Alfalah to its employees, after they have finished their studies

7 Conclusion

The economy of the country is booming and with the investment favorable policies and their smooth implementation, the role of banks in today's economy have become an important one.

The banking industry is also reaping the fruits of this economic boom by growing rapidly over the past few years. There are a number of mergers happening in the economy with foreign investments coming into the banking sector.

It has been ten years since the establishment of Bank Alfalah, and since its establishment it has aimed to become the leading bank of Pakistan by that provides outstanding services to its customers.

The bank has seen phenomenal growth in the past few years by opening more branches in the country, increasing the deposit base, while also increasing the assets and profits of the bank.

The services that Bank Alfalah provides have a great market penetration not only because of their features but also the profit and markup rates that they charge. Also the products that Bank Alfalah provides cater to sector of the economy.

The top management of the bank is always developing strategies that cope with unexpected challenges to deliver products and services more efficiently

Furthermore, as the bank is growing, the number of employees at Bank Alfalah are increasing, which shows that Bank Alfalah is being considered as a an employer, that provides its employees with a challenging environment to work in, where they can harness their full potential and shows confidence as an employer by the employees of the bank.

Lastly to become the leading bank of Pakistan, Bank Alfalah has to benchmark its services to its major competitors in the industry or the market leader in the industry and provide a continuous mean of improvement in its existing products and services, while introducing new ones to the industry.

In the last section, I would like to give some recommendations and is hoped that if they are implemented will bring benefits to Bank Alfalah.

8 Recommendations

Some of the recommendations that I would recommend to some of the problems discussed in the above section, that might increase the efficiency of both the operations and employees of Bank Alfalah are as follows

8.1 Technological Advancements

Bank Alfalah should develop a modern connectivity architecture to effectively maintain an online connection of the branch with other branches and also the ATM link, which may include using modern technologies like fiber cables, routers etc. Also backup links should also be developed,

Also a proper IT department should be established in all branches, with professional having the knowledge to maintain a secured connection with other banks. Also scheduled backups of data should be done with in the bank.

8.2 Workshops and Counseling

Work shop programs should be conducted in every city, rather than just two centers, for all Bank Alfalah employees. These workshops should relate to all aspects of banking and may also be conducted with other banks as a joint program.

Also as parts of the human resource training, counseling programs should be started for junior executives or new entrants into the bank, introducing them to their prospects in this industry.

The lower staff employed at Bank Alfalah should also be given a chance to succeed in life by training them in different simple jobs at the bank, which my include sorting of cheques, phone banking etc.

8.3 Incentives

Incentive schemes should be developed for the employees that can help motivate them, which might include:

- Personal loans and car financing facilities for all ranks of employees.
- Scholarship programs for all employees.

- Introducing employee awards at branch and regional levels.
- Job rotation programs to enhance the skills of employees.

8.4 Priority Banking and Business Development Department

There is no priority banking department at Bank Alfalah, like that of other bank. A priority banking department should be developed so as to give even more exclusive and customized services to high end customers with large deposit accounts. Also Business Development Department should be developed in all branches, so that they can actively find prospect customers to take up products from Bank Alfalah.

8.5 Innovative Products

New and innovative products should be introduced by Bank Alfalah, like other bank such as Citibank and Standard Chartered Bank develops for their customer. For this purpose, special teams should be developed that include professional from all departments of the banks to come with ideas. This process will increase the number of ideas generated and even produce innovative products for the bank that might give them the edge.

8.6 Placements of Employees

There are some departments in the bank that do not have enough employees, while some have more than needed. All this creates inefficiencies and so the operations manager should look at the department of the branch and see where inefficiencies lie, in consultation of with the heads of the departments and hire individuals where there are less employees or rotate employees from other departments.

8.7 Amenities in Branch

There should be a prayer room developed in all branches as many employees want to pray, but do not have the proper place to do it. Also work like sorting, which takes up a lot of space should be done in a separate place and amenities like television and internet connection should be placed in the common room, so as to give employees a relaxing environment when they have a break.

9 Appendix

9.1 Web Resources

- Bank Alfalah (www.bankalfalah.com)
- The Daily Times Newspaper (www.dailytimes.com.pk)
- Wikipedia (www.wikipedia.com)
- ABN AMRO Pakistan (www.abnamro.com.pk)
- United Bank Limited (www.ubl.com.pk)
- State Bank of Pakistan (www.sbp.org.pk)
- Askari Bank (www.askaribank.com.pk)
- MCB Bank (www.mcb.com.pk)
- Citibank (www.citibank.com/pakistan)

9.2 Reports

- Annual Report Bank Alfalah 2006
- Banking Statistics of Pakistan 2006

9.3 Balance Sheet Extract for Bank Alfalah 2006

BALANCE SHEET

AS AT DECEMBER 31, 2006

	Note	2006	2005 Restated
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	8	27,859,360	24,798,070
Balances with other banks	9	12,731,952	9,713,369
Lendings to financial institutions	10	12,456,653	27,050,493
Investments	11	56,502,210	57,416,255
Advances	12	149,999,325	118,864,010
Operating fixed assets	13	10,502,990	6,620,067
Deferred tax assets		-	-
Other assets	14	5,633,051	3,851,529
		275,685,541	248,313,793
LIABILITIES			
Bills payable	15	3,091,135	3,733,124
Borrowings	16	8,394,130	5,844,389
Deposits and other accounts	17	239,509,391	222,345,067
Sub-ordinated loans	18	3,222,106	3,223,355
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	19	1,921,338	484,066
Other liabilities	20	7,305,496	5,219,666
		263,443,596	240,849,667
NET ASSETS		12,241,945	7,464,126
REPRESENTED BY			
Share capital	21	5,000,000	3,000,000
Reserves		2,749,533	1,851,218
Unappropriated profit		2,823,072	1,886,845
		10,572,605	6,738,063
Surplus on revaluation of assets	22	1,669,340	726,063
		12,241,945	7,464,126
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Chairman

9.4 Profit and Loss Extract for Bank Alfalah 2006

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006	2005 Restated
		(Rupees in '000)	
Mark-up / Return / Interest Earned	25	21,191,470	12,246,811
Mark-up / Return / Interest Expensed	26	15,232,886	7,204,992
Net Mark-up / Interest Income		5,958,584	5,041,819
Provision against non-performing loans and advances	124	(697,690)	(802,298)
Provision for diminution in value of investments		-	-
Bad debts written off directly	125	(1,537)	(512)
		(699,227)	(802,810)
Net Mark-up / Interest Income after provisions		5,259,357	4,639,009
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		1,804,998	1,158,747
Dividend income		37,393	52,014
Income from dealing in foreign currencies		386,997	290,091
Gain on sale of securities	27	180,751	239,551
Unrealized (loss) / gain on revaluation of investments classified as held for trading		(27,599)	23,163
Other income	28	842,099	504,967
Total Non-Mark-up / Interest Income		3,224,639	2,268,533
		8,483,996	6,907,542
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	5,874,745	4,313,023
Other provisions / write offs		-	10,125
Other charges	30	43,306	21,104
Total Non-Mark-up / Interest Expenses		5,918,051	4,344,252
		2,565,945	2,563,290
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		2,565,945	2,563,290
Taxation	31		
- Current		476,226	592,635
- Prior years		(100,874)	1,037
- Deferred		427,902	267,524
		803,254	861,196
PROFIT AFTER TAXATION		1,762,691	1,702,094
Unappropriated profit brought forward		1,886,845	860,300
Transferred from surplus on revaluation of fixed assets - net of tax		26,074	24,870
Profit available for appropriation		3,675,610	2,587,264
		(Rupees)	
Basic / Diluted earnings per share	32	3.86	3.92

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Chairman