

GOVERNOR'S SPEECH



Governor : Mr. Tariq Bajwa
Title : Opening of BOC Pakistan Operations
Date : November 7, 2017
Event : Official Opening Ceremony of Bank of China Limited Pakistan Operations
Venue : President House, Islamabad

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

H.E. President Mamnoon Hussain, Honorable President of Pakistan,

Mr. Chen Siqing, Chairman Bank of China,

Distinguished Dignitaries and Guests,

Ladies and Gentlemen,

Assalam-o-Alaikum and Good Morning,

It is a great pleasure to be here at the inauguration ceremony of Bank of China's operations in Pakistan. I welcome Bank of China in Pakistan. This is indeed a very auspicious occasion as the two brotherly countries, Pakistan and China, further cement their ties in the fields of Banking and Finance. Banks are to an economy what lubricants are for a machine.

Going forward, I hope that Bank of China will play its due role not only in the economic development of Pakistan but also be a catalyst in further strengthening our bilateral trade and banking relationships.

Ladies and Gentlemen!

In contrast to the protectionist sentiments that are gaining momentum in some parts of the world, Pakistan and China present a distinct example of regional cooperation and harmony. The financial linkages between Pakistan and China are growing manifold. We are already host to Industrial and Commercial Bank of China Limited (ICBC). Recently, consortium of Chinese investors acquired forty percent shares in Pakistan Stock Exchange. Chinese investors have evinced interest in acquiring KE. I am also aware that other Chinese institutions are exploring the possibility of making investments in the financial and other sectors of our economy. Our banks have also been venturing into China and some of them have established branches and representative offices in China, such as Habib Bank Limited, National Bank of Pakistan, United Bank limited and Bank Al-Habib.

With start of Bank of China operations, ties between Pakistan and China will strengthen further. Bank of China is not an ordinary bank. It is one of the big-four banks in China and is a Global Systematically Important Bank. It is ranked amongst the top global banks in terms of assets and has a significant footprint in over 50 countries. It brings with it a rich heritage of over 100 years of banking experience, practices, and knowledge. As Bank of China is a key partner in China's "One-Belt One-Road" initiative, we expect that it will be able to effectively cater to the financing needs of CPEC projects by leveraging its specialized services and expertise.

Presence of Bank of China in Pakistan is also expected to benefit the banking sector through technology transfers and associated innovation in products and processes, human capital development and improved competition and efficiency in the financial services. Further, increased diversity of foreign banks and access to external financial resources will facilitate in enhancing the resilience of our financial

sector. The financial sector assets in Pakistan as a percentage GDP are still low at 74.3 percent. The presence of world top banks like BoC will facilitate in exploiting this potential through enhancing the size of bank assets and the much needed access to credit.

These growing banking relationships between Pakistan and China are critical considering that the trade linkages have increased manifold. In FY17 alone, China-Pakistan merchandise trade volume has increased to USD 12.2 billion from a level of USD 7.4 billion in FY13. With the China Pakistan Economic Corridor (CPEC) now taking shape in the form of completion of various projects, the trade and financial linkages between the two countries are set to increase exponentially in the near future. In this perspective, as the CPEC continues to mature and more infrastructure projects are initiated, Specialized Economic Zones are established, and trade starts to flow faster; more and more economic and business opportunities will be created for the banking sector that can be capitalized with careful business strategies. The demand for fixed investment and infrastructure loans particularly relating to the CPEC projects is expected to rise. Banks with relevant expertise in long-term project financing and resources such as the Bank of China would be the key player to meet this additional demand. I am confident that with growing cooperation the two countries would continue to grow with a sense of solidarity and mutual benefit.

I understand that Bank of China also provides services and products designed to meet the banking needs of Small and Medium Enterprises (SMEs), across the various jurisdictions in which it operates. We, at State Bank of Pakistan, believe that the growth of SMEs is vital for country's economic growth and provision of quality banking services and products in this area remains paramount. I hope that, we can learn from Bank of China's diverse experience in serving this particular segment. State Bank of Pakistan is already facilitating banks in this regard and is willing to support them further.

Ladies and Gentlemen!

The future prospects of China and Pakistan's economic cooperation are very bright; more so in the wake of sustained improvement in Pakistan's GDP growth resulting in growing investor confidence. This is reflected by rise in private sector credit especially the increasing share of fixed investment loans across wide segments of the economy. Monetary easing, stable prices, better availability of energy, and improved law & order conditions have created an enabling macroeconomic environment. As a result, the GDP growth in Pakistan increased to 5.3 percent in FY17 highest since FY07. Moreover, stable economic outlook of Pakistan coupled with high dividends expected from CPEC suggest a promising future. However, of course we will have to manage the challenge of the Current Account Deficit.

In the end, I am confident that the emergence of Bank of China on the financial horizon of Pakistan will be beneficial for our banking industry and the growing linkages between our two brotherly nations would create a better future for all of us.

Thank you very much.