



# Pakistan

## COUNTRY PROFILE

**DEVELOPMENT SPENDING:**  
4% of GDP approx. (2003)

**GDP COMPOSITION BY SECTOR:**  
agriculture 23.3%  
industry 23.5%  
services 53.2%

**INVESTMENT (gross fixed):** 12.9%

**GDP growth:** 6.7% (2004)

**EXPORTS:** \$11.7 billion (2003 est.)

**EXPORT PARTNERS:**  
U.S. 23.1%, UAE 9.4%, UK 7.1%, Germany 5.1%, Hong Kong 4.6% (2003)

**IMPORTS:** \$12.51 billion (2003 est.)

**IMPORT PARTNERS:**  
UAE 11.2%, Saudi Arabia 10.4%, China 7.3%, Japan 6.6%, Kuwait 6.4%

Source: CIA World Factbook

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▶▶▶ FIVE YEARS HAVE GONE BY SINCE PAKISTAN INITIATED ITS ECONOMIC REFORM PROCESS. NOW IT IS TIME FOR THE COUNTRY TO SHOWCASE ITS ACHIEVEMENTS TO THE WORLD. PRESIDENT PERVEZ MUSHARRAF GIVES A COMPREHENSIVE INSIGHT INTO THE FACTORS THAT SHAPE PAKISTAN'S REVITALIZED ECONOMY.

AN INTRODUCTION BY PRESIDENT MUSHARRAF

## The regional economic hub

Pakistan is a growing economy and all set to play its rightful role in the international community. The country's main accomplishment in the last five years has been the strengthening of its macro-economic base, which has enabled it to put in place the right processes for full integration and participation in international economic activity. Pakistan's economy is growing at around 7% and heading towards a growth of 8% in the coming years. Its economic policies are consistent and transparent; the confidence of the private sector is restored, which is reflected in the sharp pick-up in bank credit to the private sector and high double-digit growth in industrial production.

Expatriate Pakistanis are bringing their capital back in, the current account balance has been in surplus for three years in a row, foreign exchange reserves are approaching \$12.5 billion, the rupee is stable, the interest rate environment has never been so investment friendly, the budget deficit has been lowered, and the country's debt bur-

den has declined sharply. Exports, imports, and tax collection are growing at double-digit levels; and Pakistan has \$1.6 billion high-cost external debt pre-paid.

Exports, which were estimated to be \$7.8 billion in 1999, will reach \$14 billion this year. Pakistan's credit rating has been upgraded by both Moody's and S&P. It has exited from the IMF program and is now relying on domestic as well as international capital markets to meet its financing needs for development projects. All these indicators are positive and prove that Pakistan's economy is progressing in leaps and bounds. Pakistan offers 100% equity to foreign investment with the facility of repatriation of capital and profit on investment.

The country has replaced the antiquated financial system with a stronger and more robust one. Liquidity in banks has now increased. The new financial system represents a shift to market-based monetary and credit management. It comprises privatization of public sector commercial banks and a freedom for private and foreign banks to operate in Pakistan. Strong corporate governance, consumer and mortgage financing, ATMs and e-banking have all been introduced. The foreign exchange regime is liberalized and legal difficulties in loan

President Musharraf assures that Pakistan is already a thriving economy with competitive labor costs and a 150 million-consumer market that is now booming.



has the ability to achieve any goal. Through its economic policies, it has managed to reach a stage where it can achieve fairly high rates of economic growth and look forward to doubling our national output every decade. Pakistan is already a thriving market with competitive labor costs, both skilled and unskilled, a favorable climate for IT, textiles, oil and gas, and corporate farming. It has an abundance of raw materials and the right infrastructure for investment projects. The existence of over 600 multinational proves that the nation has stable economic policies in place and that the federation is unified, despite the diversity of cultures and norms. Pakistan has a 150 million-consumer market that is not only booming but is also supporting other consumer markets in the region. With these advantages to its credit, we feel that Pakistan's vision of becoming a vibrant and modern Islamic state where people have a myriad of opportunities can be easily accomplished.

President's Website:  
<http://www.presidentofpakistan.gov.pk/>  
[www.pakistan.gov.pk](http://www.pakistan.gov.pk)  
An exclusive interview with President Musharraf can be read online at:  
[www.nytimes.com/global/pakistan\\_interview](http://www.nytimes.com/global/pakistan_interview)

recovery have been removed. The government has strengthened the central bank's capacity for supervision and prudential regulations. It believes in promoting transparency and accountability, observing international standards, and strengthening the financial system through better supervision. The strengthening of the legal frame-

work is also on the cards. The government's role will be confined to creating an appropriate regulatory framework and incentive regime. Its ultimate objective is to have fewer but strong, adequately capitalized, and well-managed private banks that can compete in modern day banking. Given the right environment the country

INTERVIEW WITH PRIME MINISTER SHAUKAT AZIZ

## "We are now very well placed to face any shocks that may come along"

LURED AWAY from a high profile international banking career, Prime Minister Shaukat Aziz returned to his native Pakistan in 1999 and accepted President Musharraf's offer to lead efforts aimed at reversing Pakistan's economic perils. As Minister of Finance, Mr. Aziz headed the team that would finally turn the country's long-troubled economy around. Sworn in as prime minister in August of 2004, Mr. Aziz takes a look back at the past five years and discusses some of the monumental decisions he and his team took when faced with the daunting task of reconstructing the Pakistani economy.

"We have increased transparency, created better management practices, attracted greater investment, and encouraged exports"

**How did you raise the foreign exchange reserve levels?**

We approached the International Monetary Fund and agreed with them on a special program. This gave us the funding to fill the gap in our foreign exchange reserves and we started building from there.

We attracted foreign and domestic investment, encouraged exports, and announced new measures to attract workers' remittances. There was also a change in the exchange rate policy, which we made far more dynamic and market driven. The result is that our reserves have reached levels that are unprecedented in Pakistan's history, which can support 10 to 12 months of imports. We are very well positioned

to face any shocks that may come along.

**A key achievement has been the re-organization and restructuring of Pakistan's foreign debt. Would you elaborate a bit on how you managed to eliminate substantial short-term debt?**

Our debt profile was skewed because it had far too much short-term debt, which meant we were living on a treadmill where we were constantly having to pay money back. We decided to stretch our liabilities where we could, and successful renegotiations with the Paris Club resulted in one of the Club's most historic deals. We were able to extend maturities, reduce interest rates, and extend grace periods. Once this was accomplished, our whole foreign exchange situation changed completely, and we have used the savings for developing the country, building reserves, and containing the deficit.

**In November of 1999, you accepted President Musharraf's challenge to reform the economy. At that time the country faced great economic and political difficulties?**

**H.E. Prime Minister Shaukat Aziz:** When I arrived we put together a team of people and developed a plan to address some of the issues the country was facing. We used a two-track approach. First we addressed the macro-economic imbalances, and, in parallel, we launched what was clearly one of the most comprehensive structural reform programs the country had ever undertaken.

**What measures were taken to address the fiscal deficit?**

We aggressively cut waste, got rid of unnecessary expenditure, and at the same time we made great efforts to increase revenue and generate income. We started a whole series of tax reforms, which were based on actually lowering tax rates, not imposing new ones. Consequently, we were able to plug the leaks and build better trust between the taxpayer and the tax collector. In the first quarter of this year, our tax collection was up by 30%. This is the way we went about cutting the deficit. Today it is below 4% of GDP, and this is in spite of the fact that we did not impose any new taxes - we just implemented policies that were taxpayer friendly, and the people responded."



Primer Minister Shaukat Aziz has transformed the economy through the most comprehensive structural reform program the country has ever undertaken.

## Overwhelming response at country's return to international capital markets

PRESIDENT MUSHARRAF'S administration has made the decision to withdraw Pakistan from its current International Monetary Fund (IMF) program. As a result of the gaining momentum of Pakistan's economic recovery, the government will forego on the final installment of its Poverty Reduction and Growth Facility program, estimated at approximately \$1.5 billion in total. The decision to exit the IMF program reflects the

government's increasing confidence in the strength of the economy, as well as a growing reliance on alternative sources of funding such as international capital markets. In 2004, Pakistan launched a \$500 million Eurobond that was four times oversubscribed to \$2 billion. This marked the return of the country to international capital markets for the first time in ten years, and the overwhelmingly successful response was a clear vote of

confidence from the international investor community. Additionally, Standard & Poor's upgraded the country's rating to B+ in November of 2004, a far cry from the negative Selective Default rating Pakistan received from the agency in 1999. After having successfully fulfilled the requirements of two IMF programs, Islamabad has been able to firmly establish its credibility as a respectable player in the international arena.

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**Union Bank**

# Pakistan

## Deregulation pushes foreign direct investment to unprecedented heights

SPURRED on by a consistently strong fiscal management and a stable economic environment, as well as an improved image abroad, foreign direct investment in Pakistan is soaring to unprecedented levels. An increase of 52% was registered in the first quarter of this fiscal year alone, totaling some \$550 million. Add that to the recent privatization of 73% of the Karachi Electric Supply Company, which was acquired by the Kandooz Al Watan Group from Saudi Arabia, and you have an estimated total for the year set to exceed the \$1 billion mark – a first in national history. This continues a trend seen throughout the last four years and represents a marked improvement over pre-1999 levels. FDI totals for 2003-2004 registered \$949 million compared to just \$376 million in the year 1998-1999. Sectors registering the highest levels of new investment are respectively oil and gas, telecommunications, energy, trade and financial services. The U.S. has been the top investor in Pakistan throughout the last few years, followed closely by firms from the United Kingdom.

President Musharraf has repeatedly emphasized that his administration is a strong believer in deregulation and privatization, and that Pakistan offers a very liberal and legally protected environment, backed by a stable banking and finance system. Consequently, investors in Pakistan are enjoying previously unknown benefits as the government strives to create the most liberal investment regime possible. All sectors are open to FDI and investors can hold unlimited equity. Additionally, companies have full access to foreign capital through the newly liberalized foreign exchange regime, and are entitled to full repatriation of dividends and profits. President Musharraf has also estimated that the profits of the largest 600-700 foreign companies in the country are currently running at 25% or higher. This is

in part due to the low operating costs, which give companies an edge over those in other regional bases. Investors are also taking advantage of the fact that Pakistan in itself represents a market of 150 million people.

Major opportunities for new investment exist in power and infrastructure projects. Pakistan has substantial untouched coal reserves and this market has yet to be developed. Moreover, only 3% of the country's oil reserves and 15% of its gas deposits have been explored. Other areas for investment include IT and telecoms, agriculture, and small and medium-sized enterprises.

**Pakistan offers a very liberal and legally protected environment as the government strives to create the best investment climate possible**

## "We been involving larger segments of society in the privatization process"



Minister for Privatization and Investment Abdul Hafeez Shaikh is at the head of Pakistan's new pro-private sector image

### Analysis of Foreign Direct Investment 2004-05 (July - January)

● FDI Inflow July - January 2005 registered a +51.7% increase as compared to July - January, 2004.

● FDI inflow during July - January 2005 \$ 515.0 million compared to \$ 339.5 million during the corresponding period last year (+51.7%)

Top investing countries			Leading Sectors		
Country	Million \$	% age	Sector	Million \$	% age
USA	129.2	25.1	Oil & Gas and Petro Ref	123.2	23.9
UK	95.0	18.4	Communication	72.1	14.0
Japan	28.1	5.5	Financial Business	60.1	11.7
UAE	26.8	5.2	Power	43.4	8.4
Netherlands	25.8	5.0	Chemical	30.0	5.8
Hong Kong	15.6	3.0	Trade	27.5	5.3
Others	194.5	37.8	Others	158.7	30.8
<b>Total</b>	<b>515.0</b>	<b>100.0</b>	<b>Total</b>	<b>515.0</b>	<b>100.0</b>

● \$ 949.4 million during 2003-04 which was 19% higher than corresponding period previous year (2002-03)

● \$ 798.0 million during 2002-03 which was 65% higher than corresponding period previous year (2001-02)

● \$ 484.7 million during 2001-02 which was 50% higher than corresponding period previous year (2000-01)

Source: State Bank of Pakistan

MINISTER for Privatization and Investment Abdul Hafeez Shaikh has been a decisive actor in the country's restructuring. A reputed economist with extensive experience at the World Bank and in consulting with governments on five continents, Dr. Abdul Hafeez Shaikh comments on Pakistan's ambitious privatization program.

**What have been the key objectives for expanding private sector participation in the Pakistani economy?**

**Abdul Hafeez Shaikh:** Pakistan, like many other countries, came to the realization that the state should not be involved in running a business, but rather should perform the role of policy-making. Our basic objective at the Ministry for Privatization and Investment is to undertake privatizations in a transparent man-

ner and to try and bring well-qualified parties into the different economic sectors. We also aim to have a process that improves Pakistan's image.

**Based on your extensive experience, how important would you say privatization is in attracting new investment to Pakistan?**

I think that privatization can be important in several ways. First, when you undertake a privatization and bring in new management and new ownership, you also bring in new capital. In this way, there is a direct injection of capital into the companies. Secondly, when the government sells these companies, there is an obvious fiscal space created which allows the government to undertake more public sector investments. Thirdly, privatization helps to create a good image of the country as pro-private sector.

**Under the current government, the public has been given the opportunity to actively participate in the privatization process through Initial Public Offerings (IPO). The response has been overwhelmingly positive – almost 400,000 people have bought shares that doubled in value. What made the Ministry decide to offer shares in this way?**

When I took over at this Ministry, I felt that there was a popular perception that privatization was a rich man's game and that the ordinary citizen was excluded from it. We have tried to correct that perception and to give ownership of the program to larger segments of society. The IPOs were motivated by four considerations: first of all, we wanted to broaden the base ownership; secondly, they would give new investment opportunities to the middle class; thirdly, it was a much more transparent way of carrying out the privatization process; and, finally, we wanted to tap into some of the liquidity that is available in the market and give depth to the stock market.

**For President Musharraf's government and for the Privatization Commission, transparency and improved corporate governance have been top priority issues. How have you been able to foster these two issues through the Commission?**

We are actually very proud of our privatization program. I had the opportunity to become acquainted with privatization programs in about 18 countries prior to my time here at the Privatization Commission and I really think that our program is second to none in terms of its scope and in terms of the transparency of its procedures. With regards to corporate governance, we naturally try to ensure that the right kinds of people get the larger assets and that we have a proper qualification process in place. In the cases where we have been able to privatize big-ticket items, you will find that they have gone into the hands of people who have been able to make them better. United Bank, for example, was a company that was under public ownership for more than 25 years and hardly ever made a profit during that entire time. In the first year of its privatization, profits have been 22.5%. It is a remarkable turnaround.

**How would you qualify the opportunities in the private sector?**

We have a very good story to tell in terms of investment and our opportunities are unparalleled. FDI has more than doubled in the last two years and companies are showing rates of return that range from 20% to 60%.

BANKS ARE THE BACKBONE OF RECOVERY

## Private capital owns 80% of banking sector

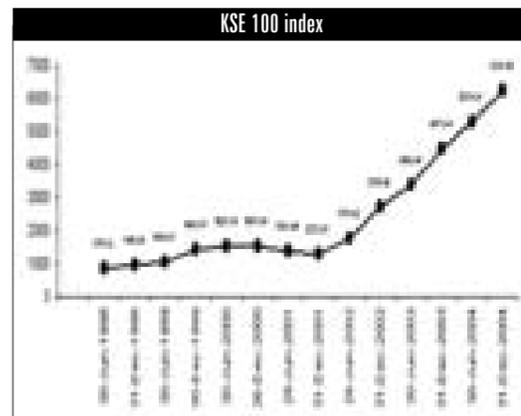
COMPREHENSIVE reform and privatization of Pakistan's banking sector since President Musharraf's administration came to power in 1999 has led to the creation of a modern and thriving financial sector in Pakistan that is fuelling economic growth in the country. Now boasting 36 commercial banks, the sector has been a top destination for new foreign investment and has diversified to provide an array of new services for customers.

This is a far cry from the situation of just five years ago when five national banks provided the majority of financial services and represented a sector plagued by structural inefficiencies, average interest rates of 21%, and a non-

\$600 million Islamic bond attracted a total subscription of \$1.2 billion, making it the largest ever launched by any country. Prime Minister Shaukat Aziz says that these endeavors have been a watershed in the country's turnaround. "This was a defining moment for us because Pakistan re-entered international capital markets with a bang, and the message was heard loud and clear – that the Pakistan of today and tomorrow is not the Pakistan of yesterday."

At home, the revitalized domestic banking sector has become the backbone of the nation's economic recovery. "During the last five years, we have encouraged consumer financing for auto-performing loan (NPL), consumer durable financing, credit cards, and personal loans," comments Ishrat Husain, Governor of SBP. "We have also encouraged banks to provide agricultural credit and this has consequently quadrupled over the past three years." Dr. Husain continues, "There has been an upsurge in lending to small- and medium-sized enterprises (SMEs) in the last year and this is being reflected in higher production and increased levels of employment."

Askari Commercial Bank is a model of the new Pakistani bank. At the forefront of banking technology in the country, Askari was the first to introduce real time banking, ATMs on a nationwide basis, debit card and Internet banking, and to allow clients to pay their utility bills through the ATM or Internet accounts. CEO Kalim-ur-Rahman states, "Askari is one of the fastest growing and most progressive banks in the country. When others were shying away, we stepped in to fill the gap and we will continue to diversify in the future."



## Asia's best performer - Karachi Stock Exchange remains prudent, consistent, and secure

REFLECTING the general optimism in the country as a whole, the Karachi Stock Exchange (KSE) has in the past three years been experiencing its most bullish period ever, and to the delight of the nation's brokers an end to this period of grace is nowhere in sight. Hitting its high point of 5,675 points in early December of 2004, the market went on to its all time ever high of 5,800 later that same month. By early February of this year, a new record of 7,091 had been set, only to be broken by the end of the same month when the KSE-100 (a capital weighted index consisting of 100 companies representing 86% of the exchange's market capitalization) breached the 8,000 mark for the first time. By the end of March, it was hitting 9,499. Good times for a market that was created 1950, with an original listing of just 15 companies and a listed capital of \$2 billion. Today, KSE, the largest and most liquid exchange in the country, boasts a total of 659 listed companies and a market capitalization of \$31 billion and rising, a far cry from the \$4 billion figure registered in 2000. Registering an average daily trade value of \$806 million, KSE was rated as the "Best Performing Stock Market in the World" for the year 2002 by Business Week, and has generally been considered as the best performing exchange in the Asian region throughout the last three years.

According to KSE Managing Director Moin M. Fudda, prudent and consistent economic policies on the

part of the government have had a tremendous influence on the exchange's success. In addition, the effective monetary policy implemented by the State Bank has resulted in increasing foreign exchange reserves on the one hand and the release of liquidity at low mark-up rates on the other. "In 2002, KSE showed a 112% rise in the index. This went up another 60% in 2003 and growth was recorded again in 2004," says Mr. Fudda. "Moreover, behind our average daily turnover of 300 million shares there are sound and effective risk management policies and a strong clearing house that ensures timely collections and disbursements," he adds. Although there are challenges ahead, Mr. Fudda says that new products are in the pipeline. Margin finance and the future market should be developed this year, and the exchange has submitted a proposal to the Securities and Exchange Commission for Index Futures.

KSE operates a fully automated trading system with T+3 settlement cycle. In December 2004, the exchange also launched Internet-based trading. KSE is regulated by the Securities and Exchange Commission of Pakistan under the guidelines of the Securities and Exchange Commission Act of 1999. An accountability mechanism has been created through the establishment of a Securities and Exchange Policy Board, which is directly answerable to Parliament.

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# Pakistan

## As a premier financial institution, Habib Bank stakes funds on Pakistan's development



Habib Bank is the oldest and most well-established bank in Pakistan. It serves five million customers in the country and is present in some of the principal financial centers.

THE HABIB BANK GROUP is a national leader in Pakistan's financial services industry and the largest private sector bank in the country. With an extensive network of 1,425 domestic branches and 55 international branches in 26 countries, Habib Bank (HB) is also the oldest and most well-established bank in Pakistan. Founded in 1941, before the partition between India and Pakistan, HB moved its headquarters to Karachi in 1947 at the time of the formation of Pakistan as a separate state. "Habib Bank has been the premier financial services institution in Pakistan since its inception," states President Zakir Mahmood. "We are Pakistan's best-known brand. We serve over five million customers in the country in every sector of the economy, from the very smallest to the very largest of customers. Internationally, we are present in a number of emerging markets and some of the principal global financial centers."

The bank's main activities include trade finance, the financing of industry and infrastructure, and the financing of SMEs, as well as the provision of consumer loans. Due to its size and diversity, HB also plays a central role in Pakistan's financial and economic development.

Like many banks in the country, HB has undergone extensive restructuring since



Left: President and CEO of Habib Bank Zakir Mahmood: "We are Pakistan's best known brand." Right: Chairman of Habib Bank Sultan Allana: "The bank acts as a catalyst for development."



Allana says the bank will continue to maintain its social and economic development policies with its new owners.

"HB will be actively working in areas which will contribute directly to the growth of the economy in the coming years such as agriculture, infrastructure development, and SME development, which are the backbone of the economy," he comments. "In doing so, the bank will, hopefully, act as a catalyst in the development process, attracting higher investment to the country in the future."

Mr. Allana also emphasizes the importance of microfinance in the country's future. In his experience with The First MicroFinance Bank Ltd., he has been a first-hand witness to the incredible transformation that access to small amounts of credit can have on the lives of those in rural communities, and in particular in empowering women. With just a small amount of capital, people are able to engage in new income-generating activities, and improve their lives significantly. He elaborates, "What MicroBank has been able to achieve in a short span of time is highly satisfying because of the impact that it has on the lives of people. There are many success stories on how a small loan has changed the quality of life of whole families."

1997. More than \$100 million has been invested in state-of-the-art technology in the past four years, and the bank now has a fully established electronic platform on which a variety of new services such as Internet banking are based. The restructuring process led the bank's landmark privatization in February of 2004, when 51% of its shares were sold to the Aga Khan Fund for Economic Development (AKFED), a for-profit international develop-

ment agency with business interests in 17 countries and annual revenues in excess of \$1.5 billion. Apart from Habib Bank, AKFED's investments in Pakistan include the renowned Serena Hotels hotel chain, the New Jubilee Insurance Company and New Jubilee Life Insurance Company, and The First MicroFinance Bank Ltd. Because AKFED's mission is to create economic capacity and opportunity in developing regions of the world, HB Chairman Sultan

## National Bank of Pakistan enhances its competitive advantage as a regional lynchpin



NBP President and Chairman Syed Ali Raza: "As the number one Asian bank in terms of return on capital, we focus on global trade."

within Canada's growing Asian Community," he adds.

NBP has undergone extensive restructuring since 1999, in parallel with banking sector reform throughout the country. Today, the bank's streamlined corporate structure and improved efficiency is reflected in its profits; prior to 1999 pre-tax profits amounted to 500 million rupees (\$8.4 million), whereas 2003 registered at 9000 million rupees (\$151.5 million), representing almost a 20-fold increase. Enhanced training for employees, a streamlined management decision-making process, and an increased reliance on technology were essential elements in the bank's restructuring. Mr. Raza comments, "I am pleased to say that our performance has been the best of any financial institution in the country."

International recognition of the bank's achievements has not been slow in arriving. NBP has been voted Asia's number one bank in terms of return on capital by Banker Magazine of the UK, which also awarded the bank its Bank of the Year award in 2001, 2002, and 2004.

The awards have helped justify painful decisions made throughout the restructuring of the bank, especially with regards to downsizing staff numbers. Mr. Raza elaborates, "When we had a staff of 25,000 people, our assets were about 230 billion rupees (\$3.8 billion). Today we have half the workforce, and our asset base is 520 billion rupees (\$8.7 billion)."

Drastically reducing costs in relation to income, NBP achieved the highest ranking in Asia in terms of return on capital. Looking forward, Mr. Raza says that the bank's

vision is to become a premier trade bank in partnership with the government to facilitate Pakistan's global trade. Extremely optimistic of continued growth in the country, Mr. Raza comments: "The fact that NBP has done so well reflects the improvements in Pakistan's macroeconomic environment. NBP's shares were listed at 10 rupees (\$0.16) in February of 2002 and today the share price is 75 rupees (\$1.2)."

ESTABLISHED in 1946, the National Bank of Pakistan (NBP) has been a major historical partner of the government. Today it serves over nine million customers in 1,200 branches throughout the country in commercial, corporate, retail and consumer banking. Pakistan's largest financial institution, NBP represents a 22% share of the country's total deposits and a 30% share of accounts. The bank also continues to be the principal treasury bank in Pakistan, providing extensive government agency revenue collections.

NBP has 18 overseas branches and five representative offices in the U.S., Europe, and Asia. "We are present in 21 countries and our focus for overseas business is trade finance and correspondent banking," comments NBP President and Chairman Syed Ali Raza. He says that the bank is concentrating its foreign presence where there exists the possibility of growth in trade and commerce. "We realize our competitive advantage lies in finding niches where we can add more value than the major international banks," adds Mr. Raza. As such, NBP is now present in all the Central Asia countries - Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, and Azerbaijan. The bank, which was the first foreign bank to open its doors in Kabul, Afghanistan, in October of 2003, has since opened another branch in Jalalabad and has plans for an upcoming branch in Kandahar.

"Therefore, looking forward in the next three to five years the link between Central Asia, Afghanistan, and Pakistan will provide a competitive advantage for NBP," says Mr. Raza. "We have also recently opened a representative office in Toronto and are in the process of applying for a local subsidiary, because we believe that there are niches we can successfully target

"We realize our competitive advantage lies in finding niches where we can add more value than the major international banks"

With 18 overseas branches and five representative offices worldwide, NBP focuses on trade finance and correspondent banking.



## Union Bank's universal solutions lead the way for a new generation of modern bankers

"UNION BANK is a private bank that was licensed in the early 1990s. Our Group took over the bank in 2000, and over the last five years we have come a long way as a universal bank providing banking solutions to a variety of customers," begins Shaukat Tarin, President and CEO of Union Bank, one of the youngest and most dynamic in Pakistan's new generation of modern banks. Diversification has been the cornerstone of Union Bank's remarkable growth and profitability throughout the last five years. It has expanded its branches in the country to 42, covering 19 cities and reaching thousands of new customers, and spread its wings abroad by establishing a correspondent network of more than 300 banks in over 85 countries. Mr. Tarin, who before assuming his current position had a twenty-year-long career with Citibank throughout Asia, states: "Our strategy today is extremely diversified. We have a branch network of premier banking and then consumer, corporate and SME lending, which were all put into place in the first three years. Now I think the engine has truly started and we really expect our balance sheet to grow at a rate of 25% annually for the next several years."

Growth has been impressive so far. Since acquiring Bank of America's operations in 2000, as well as the franchises of Emirates Bank in 2002, Union Bank has shown incredible growth year on year. Operating profits grew by 106% from 2003 to 2004 alone, while the bank's assets grew by 32% over the same period. According to Mr. Tarin, this growth stems from being ahead of the game in consumer banking products. While other banks in the country were scrambling to put their consumer products portfolio together, Union Bank had already established its own and was offering a range of products in mortgages, auto financing, personal loans, and credit cards. Unique secured asset products such as Unicard and Business Power were amplified last year with the bank's launch of the highly successful 'My Home', one of the most comprehensive home financing products available in Pakistan.

"We have a very diversified consumer portfolio that allows us to provide a wide range of services," explains Mr. Tarin, adding that Union Bank is probably one of the few banks in the country whose range of activities is increasing and whose revenue from the balance sheets is improving significantly. "We have been doubling our activity year on year and this is likely to continue. The momentum is with us, and we have the volume, the product menu and the right people to make this happen," concludes Mr. Tarin.

Union Bank is also the authorized operator for American Express Cards in Pakistan, which has given it leverage over other banks in the country and a head start in the fast-growing credit card market. As the sole issuer of American Express credit, charge, and corporate cards, the bank penetrated the top end of the market, boosting its brand and credibility in the country. Success was immediate. For the twenty previous years, only 10,000 American Express cards had been is-

sued. Union Bank managed to increase this number to 120,000 within one year. Now the bank plans to expand with Visa and MasterCard and has the issuance and acquiring license for both. Other recent additions to the bank's card line have been its Shopping Card, which is Pakistan's first Visa Debit Card, and its Kissan Card, the country's first agricultural credit card that offers exclusive benefits for farmers.

Determined to become a premier banking institution in emerging mar-

kets and expand its regional presence, Union Bank bought MashreqBank in Sri Lanka in 2003 and will offer all its premium services in the Sri Lankan market. Additionally, the acquisition lays the foundation of Union Bank's offshore network. "Our strategy is to enter these emerging markets, where we have the opportunity to replicate what we are doing in Pakistan," says Mr. Tarin. "We will link our services through regional processing and this will also add value to our overseas business."



President and CEO of Union Bank Shaukat Tarin: "We are ahead of the game in consumer banking products."

## Pakistan's largest private bank



Comprehensive products and services supported by the latest information technology infrastructure, guaranteeing quality and work.

Industrial & project financing

Structured trade financing

Local & foreign currency financing

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# Pakistan

HUGE TOURISM POTENTIAL ON THE RUNWAY

## Propelling Pakistan's destinations



Chairman of Pakistan International Airlines Ahmad Saeed: "We guarantee customer satisfaction."

WHETHER bartering for that perfect souvenir in one of the country's colorful markets or trekking in some of the highest mountains on the globe, Pakistan represents a little known destination for travelers, offering some of Asia's most spectacular landscapes, a rich blend of cultures, and a warm and hospitable people. Once part of the legendary Silk Route, Pakistan, which means 'Land of the Pure', offers visitors a glimpse of the bazaars, markets, mosques and teahouses of centuries long past.

Mogul forts and gardens dominate the towns and cities of the eastern plains, such as Lahore, the cultural heart of Pakistan, home to the UNESCO site of the Shalimar Gardens and the setting for the opening scene in Kipling's 'Kim'. Further north the tribal city of Peshawar offers some of the

most exquisite carpets in the world and is a stone's throw from the historic Khyber Pass. A visit to the lush valley of Swat in the Himalayan foothills is also a must: Renowned for its apple and apricot orchards, it is the garden of ancient Hindu epics, where Alexander the Great fought some of his most famous battles. Here, one can still see signs of the ancient Silk Route and the alleged blue-eyed, blonde haired descendants of the great Greek warrior. When one arrives at the northern mountains, a range of unparalleled mountaineering and hiking adventures are on hand. Providing a stark contrast, the hot dry deserts of Sindh province blend into miles of golden beaches on the Mekran coast in the south.

Pakistan International Airlines (PIA), the national airline created in 1946, provides convenient domestic routes to hop from one part of the country to another, as well as connecting routes to other regional destinations and direct routes to the U.S. and Europe. PIA's new fleet modernization, which included the purchase of six new Boeing 777s and six Airbus A-310s, has boosted the airline's image abroad and guarantees customers a comfortable, convenient and safe flying experience.

**Warming up its engines for expansion, Pakistan International Airlines recently bought six new Boeing 777s and six Airliners A-310s**

"We offer a very good product. Our planes are high quality and our safety record is excellent," affirms PIA Chairman and CEO Ahmad Saeed. "PIA is a flagship company with excellent cabin service, great food, and direct flights. Our prices are competitive and our commitment to our clients is second to none. The company's image today is far better than it was a few years ago, in particular because we guarantee our passengers 90% punctuality."

Since Mr. Saeed took control of the company in 2002, the airline has under-

gone a reform program aimed at restoring its financial situation and putting in place a more efficient corporate structure. One important step in this respect has been the signing of a \$351 million financing agreement with American bank Eximbank, a deal that has sent a strong positive signal to the international financial community. "Eximbank gave us its guarantee on the basis of their confidence in our business plan," explains Mr. Saeed. "We signed the loan at the lowest possible upfront mark-up rate that Eximbank charges. This was clearly a sign of confidence. A guarantee from Eximbank is like a U.S. government guarantee, it gives confidence to the other commercial banks."

PIA today covers 37 domestic destinations and 38 major international destinations across four continents. According to Mr. Saeed, PIA's route expansion, which has been underway since last year with new flights to New York, Chicago, and Houston, will continue in the near future and is one of the priority items on the airline's restructuring agenda.



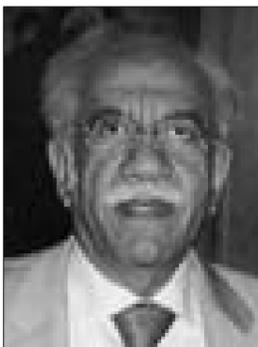
Pakistan International Airlines is continuing to expand its U.S. destinations

## Hashoo Group spearheads first-class hospitality

ONCE in Pakistan, the visitor has a choice of some of the world's most luxurious accommodation. First-class hotels can be found in all the country's major cities, as well as in the scenic towns of the lush Himalayan foothills – popular summer resorts for those wishing to escape the heat of summer on the plains or simply with a desire to experience the unspoiled natural beauty, unique culture and ancient traditions of Northern Pakistan. One of the country's premier strings of luxury hotels is operated by Hashoo Group, the pioneer in Pakistan's hotel industry.

In addition to owning and managing the Marriot Hotels in Karachi and Islamabad, Hashoo Group, through its subsidiary Pakistan Services Limited, owns and operates the first-rate Pearl Continental chain with hotels throughout the country, all offering superior service in world-class accommodation. Having established an impeccable reputation, the Group continues to expand and upgrade their facilities within Pakistan as part of continuing efforts to remain at the cutting edge of the hospitality business.

Currently in progress are the expansion of the Pearl Continental Hotel Peshawar and the large-scale modernization of other existing properties, while new hotels are being built in Muzaffarabad, the capital of Azad Jammu and Kashmir, and



Chairman of Hashoo Group Sadruddin Hashwani: "The reputation of our world-class hotels has spread far."

Gwadar, the western port city on the Arabian Sea. Plans are also in the pipeline for a new hotel and convention center tower in Lahore and in Islamabad.

"My vision has always been to contribute to developing the tourism potential of Pakistan on a par with world standards," comments Hashoo Group Chairman and founder, Sadruddin Hashwani. "I believe that it is very important to invest in quality and in building the product and its image," he says. "The reputation of our world-class hotels has spread far and brought new business and leisure travelers to our cities, which has been a big boost to the domestic hospitality and tourism industry."

Mr. Hashwani has been the driving force behind Hashoo Group for over thirty years, during which he has single-handedly built the Group into what it is today – one of Pakistan's leading business powerhouses. Hashoo Group is involved in a variety of activities in the country including oil & gas exploration and production (the Group has a 75% share in private sector exploration in Pakistan), information technology (com-

## PAKISTAN ON THE WEB

### BANKING AND FINANCE

- The State Bank of Pakistan [www.sbp.org.pk](http://www.sbp.org.pk)
- The World Bank Group on Pakistan [www.worldbank.org.pk](http://www.worldbank.org.pk)
- Asian Development Bank on Pakistan [www.adb.org/pakistan](http://www.adb.org/pakistan)

### GOING TO PAKISTAN

- Pakistan International Airlines [www.pia.com](http://www.pia.com)
- Pakistan Tourism Development Corporation [www.tourism.gov.pk](http://www.tourism.gov.pk)
- Serena Hotels [www.serinahotels.com](http://www.serinahotels.com)
- Hashoo Hotels  
A list of Marriott and Pearl Continental hotels in Pakistan [www.hashoogroup.biz](http://www.hashoogroup.biz)

puter systems installed in the Group's hotel rooms for planning travel itineraries use Hashoo-developed software), mining, real estate, tourism and travel services among others.

Hashoo Group is also deeply involved in social development projects and has established various foundations in the country, including the Hashoo Foundation Trust, which to date has built and operates 18 schools in the nation's underprivileged communities and plans to build another 40 schools throughout the country. Mr. Hashwani elaborates: "We are taking in children from disadvantaged areas and providing them with free education, enabling them to become graduates so that they can play a positive role in the building of Pakistan."

Mr. Hashwani's wife is in charge of running the Umeed-e-Noor foundation, which provides special education for disabled children and plans to establish a permanent home for 300 students.

## The winning moves

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