

Directors' Report to the Shareholders

The Board of Directors of First International Investment Bank Limited ("Interbank") is pleased to present the annual report and audited financial statements for the year ended June 30, 2005 to the fifteenth Annual General Meeting of the shareholders.

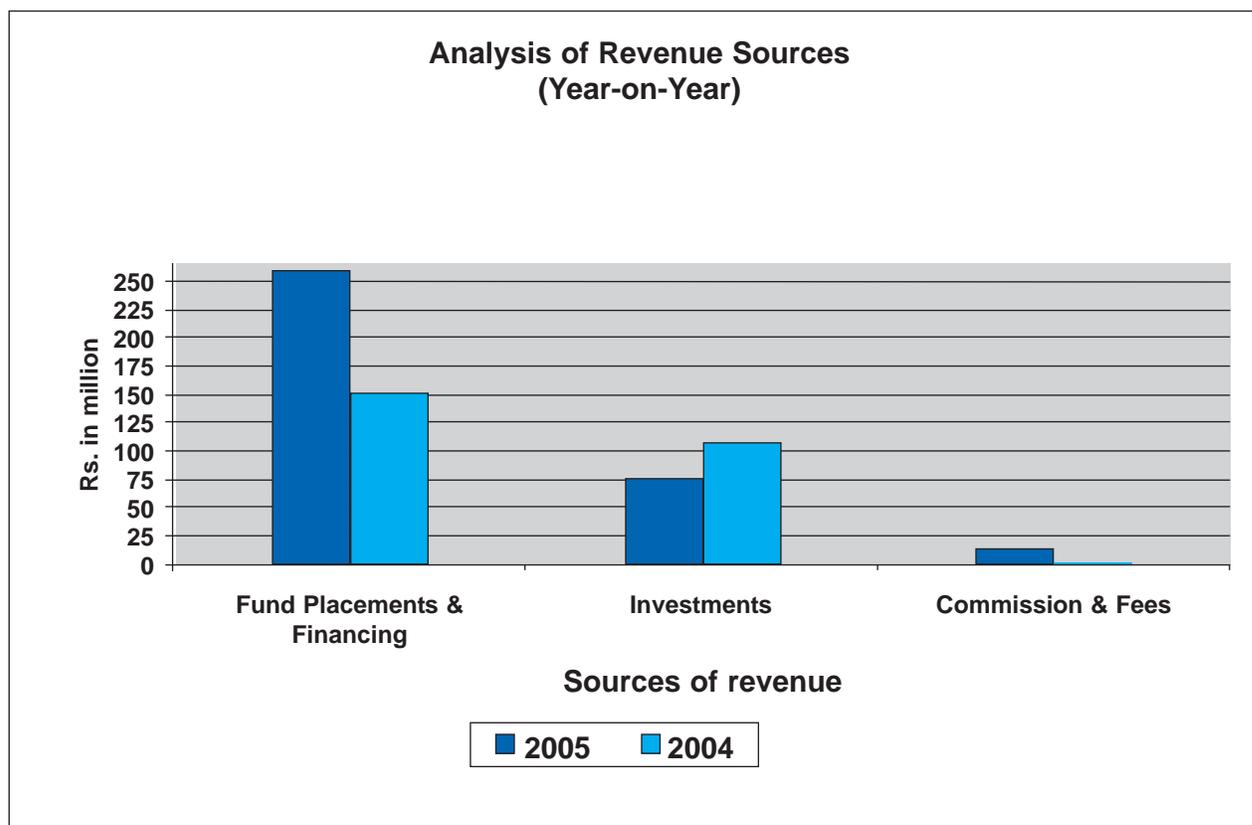
FINANCIAL HIGHLIGHTS

Rs. in million

	2005	2004	Growth (%)
Gross revenue	354.8	262.9	34.96
Profit for the year before taxation	80.9	48.0	68.54
Less: Taxation	6.2	6.0	-
Profit for the year after taxation	74.7	42.0	77.86
Total Assets	4,368.5	3,433.0	27.25
Earnings per share	1.78	1.11	60.36

BUSINESS OPERATIONS

Interbank registered a pre-tax profit of Rs. 80.9 million for the year under review compared to last year's pre-tax profit of Rs. 48.0 million. Your company focused on a strategy of expanding the existing lines of business as well as diversifying its revenue sources.



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Our income from fund placements and financing, including lease finance, increased from Rs. 152.1 million to Rs. 259.1 million and is in line with a general growth in our business activity. Our net fund-based income increased from last year's Rs. 92.7 million to Rs. 134.3 million this year showing a growth rate of 44.8%. Income from investments decreased from Rs. 108.1 million to Rs. 78.4 million due to rising mark-up rates, resulting in trading losses on disposal of the government securities portfolio, together with a lower return on the residual portfolio of government securities and Term Finance Certificates. The revenue generated from new lines of business, i.e. brokerage, corporate finance, portfolio management, and advisory services have significantly contributed to our non-fund based income which increased significantly from Rs. 0.9 million in 2004 to Rs. 14.9 million this year.

As a result of all the above-mentioned factors, after-tax profit increased to Rs. 74.7 million showing a growth of 77.87% from the previous year. Earning per share (EPS) has grown by 60.36% to Rs.1.78 per share as against Rs. 1.11 for the previous year.

Total assets at year end grew by 27.25% from last year's Rs. 3,433.0 million to Rs. 4,368.5 million this year. Leasing portfolio sustained its healthy growth pattern in a highly competitive environment, and reached Rs. 1,671.9 million as compared to Rs. 1,148.6 million last year showing a growth of 45.56%. Our term finance portfolio and fund placements increased to Rs. 577.6 million and Rs. 749.4 million, respectively, from Rs. 435.7 million and Rs. 694.6 million last year. Our total deposits increased from Rs. 945.4 million to Rs. 1,486.7 million demonstrating a growth rate of 57.26%.

Our Unsecured Term Finance Certificates, with an outstanding amount of Rs. 178.6 million on June 30, 2004, were redeemed during the year.

Furthermore, your company repaid its borrowing from the International Finance Corporation, which amounted to Rs. 33.5 million (as on June 30, 2004) during the year.

Your company introduced new lines of business and broadened its range of activities. Equity Brokerage business was initiated and at present Interbank offers this service to retail and institutional clients through its membership of the Lahore Stock Exchange. Additionally Portfolio Management services have also been initiated and a client base comprising both institutional and high net worth individual clients is being developed. Both of these lines of business should continue to grow and add value to your company in terms of profits and goodwill.

Corporate Finance and Advisory services have been well received by the market and a number of significant mandates have been received. As these mandates are completed, it is expected that this line of business will add significantly to Interbank's non-fund-based revenues.

A summary of key operating and financial data for the last six years appears at the beginning of this annual report.

APPROPRIATIONS

The Directors recommend the following appropriations:

	(Rupees '000)
Profit for the year from ordinary activities after taxation	74,695
Unappropriated profit brought forward	50
Available for appropriation	74,745
Appropriations:	
Transfer to special reserve	14,939
Transfer to general reserve	-
Transfer to reserve for issue of bonus shares	-
	14,939
Unappropriated profit carried forward	59,806

DIVIDEND

The Directors recommend cash dividend of Rs. 1.40 per share i.e. 14%, to be paid out of the general reserves of the company.

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CREDIT RATING

In December 2004, the Pakistan Credit Rating Agency (PACRA) maintained the long-term and short-term entity ratings of Interbank at 'A' (single A) and 'A1' (A one) respectively.

DIRECTORS

During the year, Mr. Kamal A. Chinoy retired, and the Board appointed Mr. Towfiq H. Chinoy as Director to fill the casual vacancy thus created. The Board welcomes Mr. Towfiq H. Chinoy, and records its appreciation for the valuable services rendered by Mr. Kamal A. Chinoy during his tenure of office as Director of Interbank.

During the year under review, the Board met five times. The meetings were held on September 15, 2004, October 28, 2004, February 26, 2005, April 27, 2005, and June 9, 2005. The attendance of each Director at the Board meetings is given below:

Directors	Number of Board meetings attended
Syed Babar Ali - Chairman	5
Mr. Nasim Beg	3
Mr. Nadeem Karamat	4
Mr. Kamal A. Chinoy (resigned during the year)	-
Mr. Khalid Yacob	4
Mr. Naveed Qazi	5
Mr. Samir Ahmed - Managing Director and Chief Executive	5
Mr. Towfiq H. Chinoy (appointed during the year)	3

AUDITORS

The present auditors A.F. Ferguson & Co., Chartered Accountants, retire and have offered themselves for re-appointment. The Board as well as the Audit Committee of Interbank has recommended their re-appointment.

STAFF RETIREMENT BENEFITS

Interbank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by Interbank and the employee, to the fund at 10% of basic salary. Based on the financial statements of the provident fund as of June 30, 2005, the investments of the fund amount to Rs. 13,304,383.

Interbank also has a funded staff gratuity scheme for its permanent employees who complete the qualifying period of service. Provision in the books of account has been made in accordance with actuarial recommendations. Investments of the staff gratuity fund as of June 30, 2005 amount to Rs. 2,293,395.

CODE OF CORPORATE GOVERNANCE

The Board has adopted the Code of Corporate Governance, as per the listing regulations of the stock exchanges. As required by the Code, it is stated that:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, except for changes stated in note 4.1 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there has been no departure from them.

The system of internal control is sound in design and has been effectively implemented and monitored.

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- Timely corrective action is taken to address any exceptions that are identified.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of the Karachi and Lahore Stock Exchanges.

FUTURE

Going forward, we will keep promoting savings and investments in Pakistan and will continue to observe our core values of integrity, innovation, and fairness. Our focus remains on strengthening our market presence and implementing a focused strategy, which will have long-term growth implications for your company.

Building upon the results of this year, your company will continue to grow in its existing lines of business. On balance, we will devote more efforts to growing our capital markets and fee-related investment banking business, with the financing and leasing activities showing normal growth in line with the growth in the economy.

We also expect our Asset Management Company (a wholly owned subsidiary) to become operational in the year 2005-06 adding to our product mix. The Asset Management Company shall focus upon introducing a range of mutual funds, which provide investors innovative investment opportunities.

We continue to fund our growth with a mix of short-term and long-term customer deposits and bank lines. We will continue to explore additional options for long-term funds with low costs and expect to issue the first tranche of Term Finance Certificates (TFCs) worth Rs. 500 million in 2005-06 out of a total planned issue of Rs. 1,000 million.

Establishing a presence beyond the existing network is seen as beneficial to tap into a wider client base. Significant opportunities exist in selected cities of Pakistan and there are synergies for your company given its mix of savings, investments and financing products for the corporate and retail markets. In line with this view, Interbank is in the process of opening a branch office in Faisalabad and a brokerage office in Sialkot in 2005-06. Over the coming years, this branch network should continue to grow selectively and expand your company's client base and establish its brand image throughout Pakistan.

Your company will continue to upgrade and improve its Information Technology infrastructure in order to perform efficiently and to keep pace with its growing business.

PATTERN OF SHAREHOLDING

The pattern of shareholding, disclosing the aggregate number of shares held by various categories of shareholders, appears at the end of this annual report. There were no trades in the shares of Interbank during the year, carried out by its Chief Executive, Directors, Chief Financial Officer, Company Secretary, and their spouses and minor children.

ACKNOWLEDGEMENT

The Directors thank all members of the staff for their dedication and commitment.

For and on behalf of the Board.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Lahore-

September 09, 2005