

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, 2006 to the Sixteenth Annual General Meeting of the shareholders.

FINANCIAL HIGHLIGHTS

-----Rs. in million-----

	2006	2005	Growth (%)
Gross revenue	522.2	354.8	47.18
Profit for the year before taxation	28.8	80.8	(64.35)
Less: Taxation	(8.5)	6.1	-
Profit for the year after taxation	37.3	74.7	(50.06)
Total Assets	5,292.1	4,429.7	19.47
Earnings per share	Rs. 0.89	Rs. 1.78	(50.0)

Our income from fund placements and financing, including lease finance, increased from Rs. 259.1 million to Rs.408.1 million and is in line with a general growth in our business activity. Our net fund-based income increased marginally from last year's Rs. 134.3 million to Rs. 152 million this year. Income from investments increased from Rs. 78.4 million to Rs. 81.1 million. The revenue generated from fee based lines of business, i.e. brokerage; corporate finance & advisory and portfolio management have significantly contributed to our non-fund based income which increased from Rs. 14.9 million in 2005 to Rs. 27.1 million this year.

Total assets at year end grew by 19.47% from last year's Rs. 4,429.7 million to Rs. 5,292.1 million this year. Leasing portfolio sustained its healthy growth pattern in a highly competitive environment, and reached Rs. 1,929 million as compared to Rs. 1670.8 million last year showing a growth of 16.63%. The term finance portfolio and fund placements increased to Rs. 820 million and Rs. 809 million, respectively, from Rs. 577.6 million and Rs. 749.4 million last year. The total deposits increased from Rs. 1,486.7 million to Rs. 2,038 million demonstrating a growth rate of 37.14%.

The profit after tax for the year has decreased by approximately 50.06%, owing mostly to the realization of loss of approximately Rs. 46 million on sale of PIBs. This was a considered decision taken in view of the continuing adverse interest rate scenario. Furthermore, in line with the future growth plans of the company, INTERBANK has invested in human resource and other assets to facilitate the growth of new business lines.

During the year your company floated a 5 year secured Term Finance Certificate of Rs 500 million. Out of this amount, the pre-IPO(Initial Public Offer) amount of Rs. 375 million was received before June 30, 2006 whereas the balance amount of Rs. 125 million was raised through IPO subsequent to the year end. The TFC has been floated at six months KIBOR + 225 Basis Points (i.e. 2.25%)

During the year your company acquired 100% of the shareholding of Finex Securities Limited (FSL), a full service brokerage firm. FSL is member of Karachi Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. In addition to these FSL is also a member of The Financial Markets Association and has a fully established money market and foreign exchange brokerage desk.

During the year your company also successfully established an asset management company under the name of IGI Funds Limited, as a wholly owned subsidiary of INTERBANK. The company has been established to capture the growth potential of the asset management industry, which is still in the early stages of its development in Pakistan. The company is expected to become fully operational during 2006-07.

The above figures do not incorporate the figures of Finex Securities Limited and IGI Funds Limited, which are reflected in consolidated accounts.

With the growth prospects of the asset management industry in mind, your company also successfully launched a new product by the name of Fund Select. This is a mutual fund advisory and distribution service which has signed distribution agreements with most of the major asset management companies in the country. This product will be independent of the asset management company and shall be part of INTERBANK.

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	37,310
Unappropriated profit brought forward	59,806
	<u>97,116</u>
Less: Cash Dividend for the year 2005	(58,685)
Available for appropriation	<u>38,431</u>
Appropriations:	
Transfer to special reserve	7,462
Transfer to general reserve	-
Transfer to reserve for issue of bonus shares	-
	<u>(7,462)</u>
Unappropriated profit carried forward	<u><u>30,969</u></u>

BONUS SHARES

The Directors recommend issue of Bonus Shares in the proportion 1 (one) share for every 10 (ten) shares held. The bonus shares are proposed to be issued out of general reserve (Rs. 41,917,500)

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, there were no changes in the Board of Directors of INTERBANK.

During the year under review, the Board met six times. The meetings were held on September 09, 2005, October 28, 2005, December 07, 2005, January 20, 2006, February 23, 2006 and April 27, 2006. The attendance of each Director at the Board meetings is given below:

Directors	Number of Board meetings attended
Syed Babar Ali – Chairman	6
Mr. Nasim Beg	3
Mr. Nadeem Karamat	6
Mr. Khalid Yacob	5
Mr. Naveed Qazi	6
Mr. Samir Ahmed – Managing Director and Chief Executive	6
Mr. Towfiq H. Chinoy	4

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 latest financial statements of the provident fund as of June 30, 2004, the investments of the fund amount to Rs. 14,747,287.

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.

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:

- n 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.
- n Proper books of account of the company have been maintained.
- n Appropriate accounting policies have been consistently applied in preparation of financial statements, except for changes stated in note 4.10 and 5.1.1 and to the financial statements, and accounting estimates are based on reasonable and prudent judgment.

- n International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there has been no departure from them.
- n The system of internal control is sound in design and has been effectively implemented and monitored. Timely corrective action is taken to address any exceptions that are identified.
- n There are no doubts upon the company's ability to continue as a going concern.
- n 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 continue to strengthen our presence in our chosen areas in the investment banking and leasing markets. Our two subsidiaries i.e. Finex Securities Limited and IGI Funds Limited shall synergies with our existing client base in the areas of brokerage and asset management. We have over the last two years introduced a number of new products and services and do not expect any major additions. Our focus will now be on profitable growth in the existing lines of business with the ultimate objective of long term shareholder value creation. Needless to say, we will continue to observe our core values of integrity, innovation, and fairness, which has always been a hallmark of all Packages group companies.

SUBSEQUENT EVENTS

Subsequent to the year end, American Express Bank as divested its shareholding in INTERBANK and the same has been taken over by International General Insurance Company of Pakistan Limited, taking its total shareholding in INTERBANK to 24.99%.

In the Extra Ordinary General Meeting of the bank held on September 22, 2006, the shareholders of the company approved the change of name of the bank from First International Investment Bank Limited to IGI Investment Bank Limited. This change has been necessitated to encompass the value of the IGI brand developed over a period of more than 50 years of services to the industrial and financial sector. In line with this vision the name of Finex Securities Limited has also been changed subsequent to the year end to IGI Finex Securities Limited.

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 except as follows:

- 1 Syed Babar Ali, Chaiman, INTERBANK, bought 10,000 shares.
- 1 Sameer Ahmeed, Managing Director and Chief Executive, INTERBANK, bought 500 shares.

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