

Directors' Review

We are pleased to present the financial results of the Bank for the nine months ended September 30, 2006.

Rs in million
NINE MONTHS ENDED SEPTEMBER 30

	2006	2005	Growth
Operating Profit	6,012	3,776	59%
Provisions/charge for non performing assets	910	359	153%
Profit before tax	5,102	3,417	49%
Taxation	1,722	1,365	26%
Profit after tax	3,380	2,052	65%
Earning per share – Rupees	7.53	4.57	65%

The Bank continued its growth trajectory and recorded substantial increase in business volumes and profitability in the first nine months of 2006. The new deposit products, online banking and web based banking remained instrumental factors for providing improved customer service and mobilizing business across various segments of the market.

The mark-up/interest income of the Bank grew by Rs 5,979 million (90%) to Rs 12,594 million mainly due to improved asset mix and rising interest rate scenario. Despite increase in cost of funds resulting from introduction of new high return deposit products and upward revision in profit rates on other deposit products, the net mark-up/interest income increased to Rs 7,919 million showing a growth of Rs 2,367 million (43%) over the corresponding period. Profit before tax improved by Rs. 1,685 million (49%) to Rs. 5,102 million and correspondingly Profit after tax improved by Rs 1,328 million (65%) to Rs 3,380 million.

The Balance Sheet footing increased by 21% to Rs 232 billion, funded mainly by deposits which increased by 23% over December 2005 to Rs 198 billion. The Bank continued to follow prudent risk management and aggressive recovery for non performing portfolio while enhancing its assets base. The Bank continued to expand its loan portfolio by extending financing to top notch customers in the country. Resultantly, the loan portfolio increased to Rs. 144 billion, posting a growth of 20% over December 2005. The NPLs to Gross Loans Ratio dropped to 8.5% from 10.6% of December 2005, while Loan Loss Coverage Ratio improved to 75% as against 68% in December 2005.

The Bank is investing heavily in automation and IT infrastructure to improve its customer service and achieve cost efficiency. The Bank has recently signed an agreement with Temenos, for acquisition and implementation of Core Banking Solution – T 24, in its endeavour to be customer focused and deliver world class products and services. Your Bank now has the second largest ATM network in the country of 225 machines providing our customers withdrawal of cash facility round the clock. The monthly quantum of transactions of our cardholders increased by 132% as compared to December 2005. The Bank continued to strengthen its human capital by extending training and development programs, and inducting new human resource to enhance professional expertise.

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The tight monetary stance taken by the State Bank through enhancement in Statutory Liquidity Requirements and Cash Reserves Requirements and increase in Discount Rate aimed at controlling inflation has squeezed the overall liquidity of banking sector. The Bank had to consequently realign its funds management and pricing strategy to maintain its growth momentum.

Your Bank is currently assigned credit rating of 'A1+' for short term and 'A+' for long term with positive outlook by JCR-VIS.

Your Bank is aiming to consolidate and continue its financial progress by launching new products tailor-made to suit the market dynamics, investing heavily in information technology and training human capital for meeting the future challenges. We are optimistic of posting better results in the ensuing quarter.

We express our deepest gratitude to our valued customers for their continued trust and patronage and our thanks to the employees of the Bank for their hard work and dedication, the State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and support.

KHALID A. SHERWANI
PRESIDENT

MOHAMMAD NAEEM MUKHTAR
CHAIRMAN

October 30, 2006
Lahore