

Ladies & Gentlemen,

The major events of 2005 marked deeply the whole country and perturbed the economic activity especially during the first half of the year, leading to an annual rate of growth close to 0%.

The Lebanese Economy and particularly the Banking Sector showed a high flexibility and capacity to face the challenges of this period. The Balance of payments scored a surplus amounting to US\$747.2 Mio and the Central Bank maintained its Gross Foreign Reserves at a high level amounting to US\$11.83 Bio at December 31, 2005.

The exchange rate of the National Currency remained stable versus the US Dollar, and the Interest Rates resisted in the face of the strong pressures of the market.

The deposits in the Banking Sector grew by 3.9% and the Budget registered a deficit of US\$1.86 Bio, outlining a decrease of 7.5% compared to 2004 deficit, while the Net Public Debt increased by 5.5% and reached the equivalent of US\$34.8 Bio end of 2005.

In this prevailing atmosphere, BIT Bank was ready, with its conservative operating policy, to face all the adversities. The Bank pursued its strategic plan of expansion, increasing its Capital by US\$4.5 Mio. This increase comes as a part of a total increase of US\$29.5 Mio to be accomplished during 2006. Thus, the Shareholders Equity would become around US\$60 Mio.

The Bank developed its Private Banking Unit, reorganized and enlarged its Credit Risk Department and reinforced its Risk Management. Also a "Basel II committee" was created in order to prepare for the implementation of Basel II requirements.

On the other hand, BIT Bank scored a high growth in Net Income before provision for doubtful debts of around 53% over year 2004. This Net Income reached US\$1.72 Mio. The Bank maintained a relatively high risk based capital ratio of 25% and a liquidity ratio of 77.6%. Return on average Assets and Return on average paid up Capital in year 2005 stood at 0.5% and 13.5% respectively.

BIT Bank, similarly to previous years, and in view to strengthen its provisions and net worth, has taken the profit realized in 2005 to provisions account; this practice has generated an over provision balance totaling US\$2 Mio which will be transferred later on to the capital account in consolidation of the shareholders' equity.

Finally, I would like to thank our Shareholders for their constant support, our Staff for their loyalty and competence and our Clients for their valued confidence. I would like also to wish to BIT Bank further growth and sustainable competitiveness for the years to come.

Sincerely,



Fouad El Khazen
Chairman - General Manager

ECONOMIC & MONETARY INDICATORS

2005 witnessed several political events which disturbed the normal course of the economic activity. Following a decline of growth during the first half of the year, slight improvements were recorded in the main economic sectors during the second half.

The real growth of the Gross Domestic Product (GDP) is estimated to be at a rate of 0%, for the first time in the last 10 years.

- **External Trade**
- **Balance of Payments and Central Bank Reserves**
- **Budget Deficit and Public Debt**
- **Exchange and Money Markets**
- **Banking Sector**

External Trade

The Exports rose by 7.6% only in 2005 compared to 2004, and the Imports decreased by 0.6% for the same period, reaching respectively US\$1,880 Million and US\$9,340 Million. Thus, the Trade Balance deficit decreased by 2.5% and reached the amount of US\$7,460 Million.

Balance of Payments and Central Bank Reserves

The Balance of Payments registered a surplus for 2005 amounting to US\$747.2 Million, compared with a surplus for 2004 amounting to US\$168.5 Million.

The Central Bank Gross Reserves in foreign currencies amounted to US\$11,828.7 Million at December 31, 2005, against US\$11,672.4 Million at December 31, 2004, and total foreign reserves, including gold, reached US\$16,565.2 Million against US\$15,678.4 Million end of 2004.

Budget Deficit and Public Debt

The Budget Deficit amounted to LBP2,798 Billion (US\$1,856 Mio) in 2005 against LBP3,026 Billion (US\$2,007 Mio) in 2004, outlining a decrease of 7.5%. The Budget Deficit represented 27.4% of Total Budget against 28.7% in 2004, and 37.8% of total revenues against 40.27% in 2004. This decrease was generated by a decrease of 3.2% in total public expenditures during this period and a decrease of 1.5% in total public revenues.

On the other hand, **Public Debt Service** dropped by 12.1%, from LBP4,021 Billion (US\$2,667 Mio) at 2004 year-end to LBP3,534 Billion (US\$2,344 Mio) at 2005 year-end. Public Debt Service represented 34.6% (38.15% for year 2004) of total public expenditures and 47.7% (53.5% for year 2004) of total public revenues for the year 2005.

The Net Public Debt reached the equivalent of US\$34.8 Billion end of 2005 against US\$32.97 Billion end of 2004 registering an increase of 5.5%:

The Net Domestic Debt increased from LBP22,011 Billion end of 2004 to LBP23,550 Billion end of 2005. The Central Bank contribution in total public debt in Lebanese Pounds stood at 40% in years 2004 and 2005. In figures, it amounted to LBP11,686 Billion end of 2005 against LBP10,652 Billion end of 2004. The contribution of the Commercial Banks had increased for the same period, from 46.3% to 48.5%. In figures, it increased from LBP12,220 Billion end of 2004 to LBP14,128 Billion end of 2005. It should be noted that the amounts, starting from 2003, do not include the Obligatory placement with BDL, zero coupon.

The foreign-currency denominated Public Debt rose by 4.4% and registered US\$19,177 Million end of 2005 against US\$18,368 Million end of 2004. They represent 55.1% of total net Public Debt for year 2005 (55.7% for year 2004).

Exchange and Money Markets

Despite the strong pressures on the national currency, the Lebanese Pound remained stable vis-à-vis the US Dollar during the year, with an exchange rate of LBP1,507.5 per US\$ at end of 2005 and 2004.

As for Bank Interest Rates, the average LBP lending rate declined from 10.48% in December 2004 to 10.12% in December 2005, and the average LBP deposit rate went up from 7.01% to 7.70% for the same period.

Remaining stable since October 1999, the Interest Rates on all categories of Treasury Bills followed a downward trend after Paris II. However, owing to the climate of political tensions, yields on the three-month, six-month, one-year and two-year Treasury Bills went up from 5.22%, 6.31%, 6.69% and 7.89% as at end of 2004, to 5.22%, 7.24%, 7.75% and 8.50% respectively, at end of 2005. The yield on the three-year Treasury Bills stood at 9.34% as at end of 2005.

Banking Sector

Also because of the political events, the Banks' consolidated balance sheet noted a growth of only 3.75% end of 2005 (12.76% in year 2004), standing at LBP106,015 Billion or US\$70.3 Billion.

The Volume of **Deposits of Private Sector** in the Banking System (including non-resident deposits) reported a net growth of only 3.9% relative to 2004 (12.6% in year 2004). They amounted to LBP85,906 Billion equivalent to about US\$57 Billion at the end of 2005.

Deposits in Lebanese Pounds decreased by 6.9% end of 2005 (and by 0.3% end of 2004). They went down from LBP24,796 Billion at end of December 2004 to LBP23,080 Billion at end of December 2005, representing 26.87% of total bank deposits against 30% in year 2004.

While **Deposits in Foreign Currencies** rose by 8.5% in year 2005 (19.2% in year 2004). They increased from US\$38,405 Million at end of December 2004 to US\$41,676 Million at end of December 2005.

Loans and Advances to Private Sector (including loans to non-resident) increased by 2.94% in year 2005, reaching LBP26,109 Billion or US\$17.32 Billion (they increased by 6.76% in year 2004).

Loans in Lebanese Pounds rose by 0.9% (10.7% in year 2004). They went up from LBP4,268 Billion at end of December 2004 to LBP4,306 Billion at end of December 2005, and their share of total bank credits reached 16.5% (16.8% in the previous year).

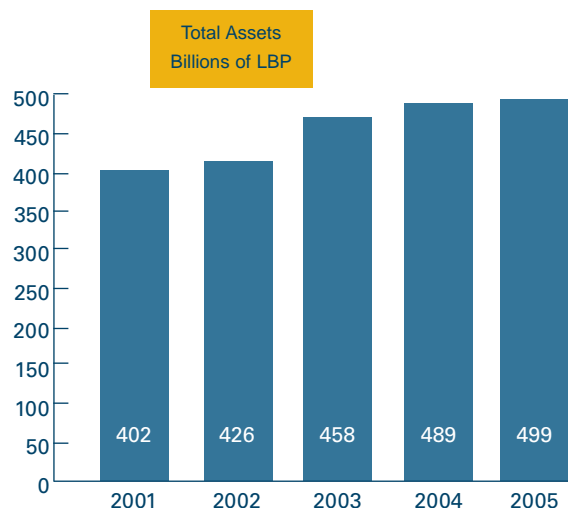
While **Loans in Foreign Currencies** increased by 3.35% (6% in the previous year). They went up from US\$13,994 Million at end of December 2004 to US\$14,463 Million at end of December 2005.

Financial Review of the Bank

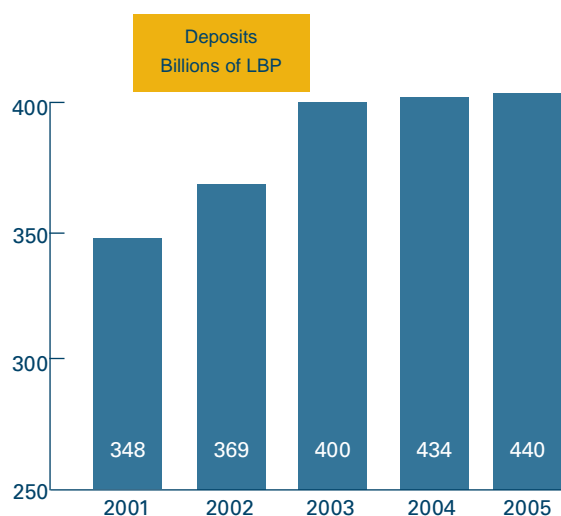
- **Overview**
- **Sources of Funds**
- **Application of Funds**
- **Operating Results**

I- OVERVIEW

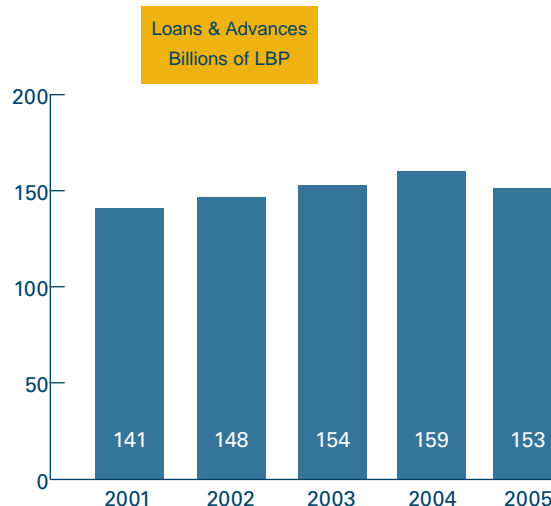
BIT Bank's total assets registered a 1.96% growth at the end of 2005. It went up from LBP489.14 Billion (US\$324.5 Million) at the end of 2004 to LBP498.73 Billion (US\$330.8 Million) at the end of 2005.



Deposits followed the same trend. They recorded a growth of 1.45% at the end of 2005 compared to a 3.9% growth in the Lebanese Banking Sector. Total deposits increased from LBP433.9 Billion (US\$287.82 Million) at the end of 2004 to LBP440.16 Billion (US\$291.98 Million) at the end of 2005.



This caption continues to evolve at a slow shape. In fact, Total Loans and Advances to customers decreased at the end of 2005 by 4.26%. They varied from LBP159.44 Billion (US\$105.77 Million) at the end of 2004 to LBP152.65 Billion (US\$101.26 Million).



Loans to Deposits ratio in Foreign Currencies decreased from 49.2% in 2004 to 46.24% in 2005 year-end. While the Loans to Deposits ratio in LBP decreased from 10.3% in 2004 to 4.95% in 2005 year-end.

Consequently, the liquidity of the Bank has improved securing a better and more sound assets readiness.

The liquidity ratio (cash, banks, T/Bs in LBP and US Dollar and available-for-sale securities over deposits net of cash collateral) has improved from 77.1% in 2004 to 77.6% in 2005 and is composed of the following:

Net liquidity ratio	2005	2004
LBP	101.30%	95.03%
US\$	67.40%	67.47%
Compounded ratio	77.62%	77.14%

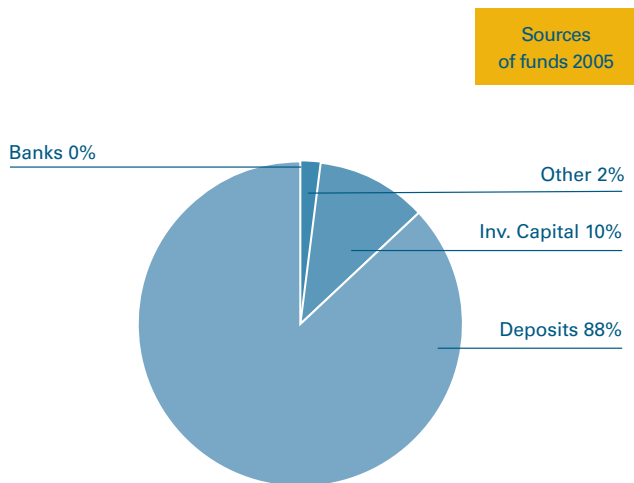
The Banking Control Commission has recommended a new calculation of the net liquidity ratio in US\$ which excludes TBs in Foreign Currencies and the compulsory reserve deposit at the BDL according to circular #236. This ratio stood at 23.37% as at December 2005 (minimum required by said circular being 10%).

II - SOURCES OF FUNDS

Millions of LBP	2005	2004
Banks	31	23
Deposits	440,162	433,884
Other financial accounts	7,521	6,276
Shareholders' funds/ Equity	51,014	48,959

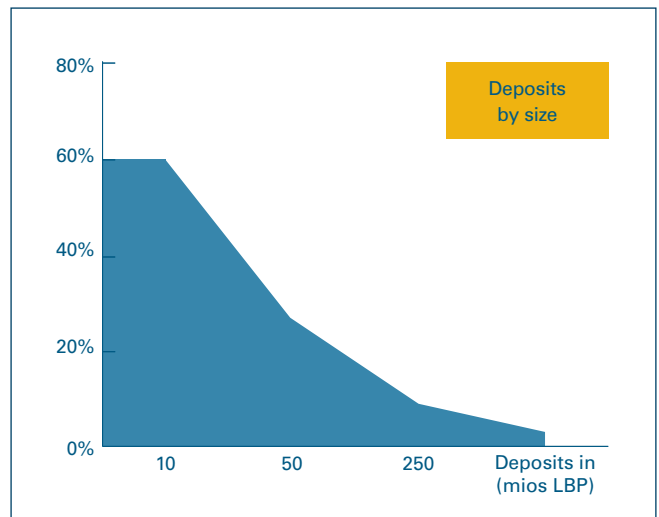
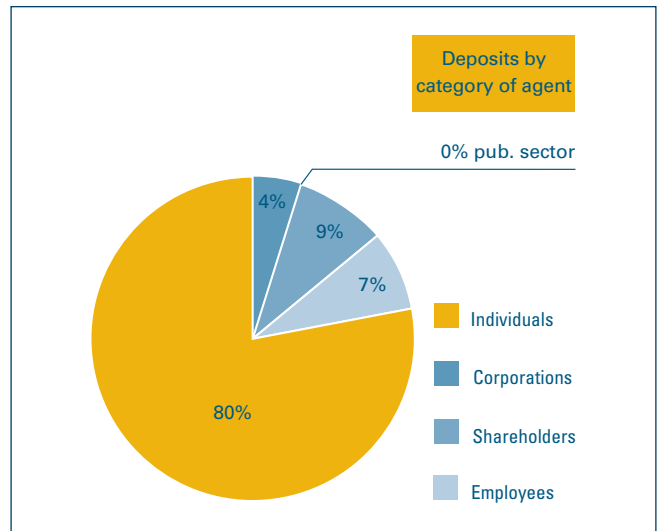
BIT Bank has a solid funding base. Customer deposits continued to be the major source of funds (88%).

About 10% of BIT's funding is from Investment Capital. The share of Banks and Financial Institutions is insignificant.



a - Deposits:

Deposits are allocated at December 31, 2005 for 72% in Foreign Currency, and for 28% in Lebanese Pound. Within these customer accounts, the majority (88%) are in the form of saving accounts or time deposits.



b - Shareholders' Funds/ Equity

The Bank continued to enforce its capital base in the form of cash contribution to Capital. For that, between 1992 and 1997, the shareholders made a non refundable and interest free capital injection of US\$9.725 Million. In November 2005, they made another capital injection of US\$4.5 Million. This increase comes as part of a total increase of US\$29.5 Million. The remaining Capital to be injected during 2006 would amount to US\$25 Million. The Bank's shareholders equity would become around US\$60 Million and will enhance its corporate and commercial activities. These amounts are booked and maintained in foreign currency thus providing a hedge against national currency fluctuation. The Central Bank of Lebanon considers shareholders' cash contribution to capital to be Tier I Capital.

Further, the Bank has conducted a partial revaluation of assets originally booked at long-out-of-date acquisition prices, revalued in 1996 to take advantage of tax laws allowing a concessionary tax rate of only 1.5% on such revaluations. Another advantage of the revaluation is a 5% saving on dividend withholding taxes to the extent dividends do not exceed the amount of the revaluation surplus. The Central Bank of Lebanon has given its approval on this revaluation on 18.07.1997.

Included as well in this caption, the shareholders' transitory fund (S.T.F) amounting to US\$2 Million at 2005 year-end. It represents the excess of pledged guarantee funds over the shortfall of provisions for credit losses which will be allocated to enhance the core capital of the Bank.

Consequently, the Bank's net worth, together with the shareholders' transitory fund, amounted to LBP51,014 Million or US\$33.84 Million at December 31, 2005 (LBP48,959 Million or US\$32.48 Million in 2004).

The following figures outline the Bank's capital base components and development since 2003:

	2005	2004	2003
	Millions of LBP		
Capital/Reserves/Net Income for the year/Retained Earnings	7,475	6,994	6,207
Cash contribution to Capital (in US\$)	<u>21,444</u>	<u>14,660</u>	<u>14,660</u>
a- Tier I Capital	28,919	21,654	20,867
Capital gain on assets	<u>19,095</u>	<u>19,095</u>	<u>19,095</u>
b- Tier II Capital	19,095	19,095	19,095
Shareholders' Equity before S.T.F.(a + b)	48,014	40,749	39,962
Shareholders' transitory funds (S.T.F.)	<u>3,000</u>	<u>8,210</u>	<u>10,000</u>
Shareholders' Equity after S.T.F.	51,014	48,959	49,962

The ratios indicated here under are an indication of the financial strength of the Bank in respect of its level of capitalization.

	2005	2004	2003
Ratio Equity after S.T.F. to Assets	10.23%	10.01%	10.91%
Solvency ratio	24.88%	20.05%	22.05%
Gearing ratio (deposits to equity)	9.17	10.65	10.01

III - APPLICATION OF FUNDS

Millions of LBP	2005	2004
Liquid Assets	307,779	297,256
Loans and Advances	152,651	159,442
Other financial accounts	13,883	12,269
Permanent assets	24,415	20,175

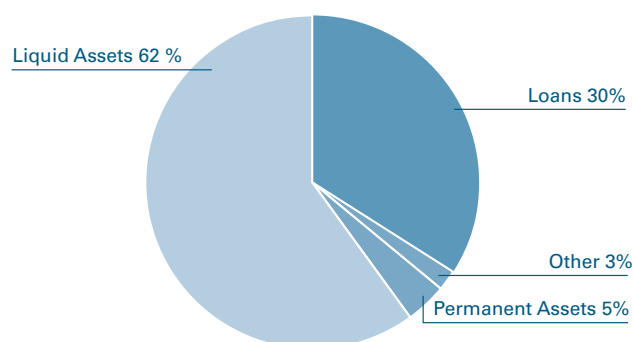
BIT's assets are composed as follows:

-*Liquid assets*: around 62% (LBP308 Billion) out of which 18.8% (LBP94 Billion) are held in cash & deposits with banks, 15.7% (LBP78 Billion) in LBP treasury bonds, also 15.7% (LBP78 Billion) in Lebanese Treasury bonds in US\$. 4% (LBP20 Billion) are held in LBP Certificates of Deposits and 4.4% (LBP22 Billion) in US\$ Certificates of Deposits.

- *Loan portfolio*: 30.6% (LBP152.7 Billion).

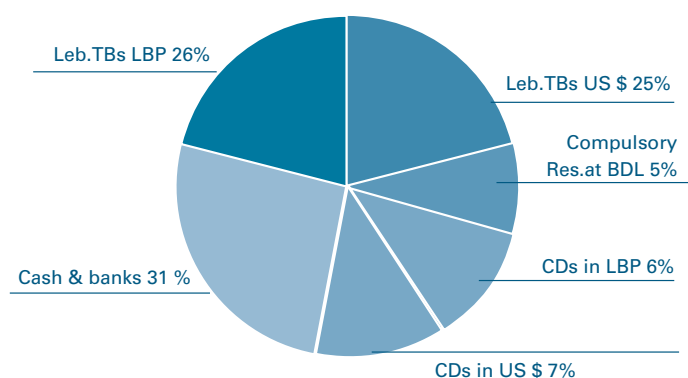
- *Permanent Assets*: 5% (LBP24.4 Billion) representing owned premises, computer equipments,...

Application of funds 2005

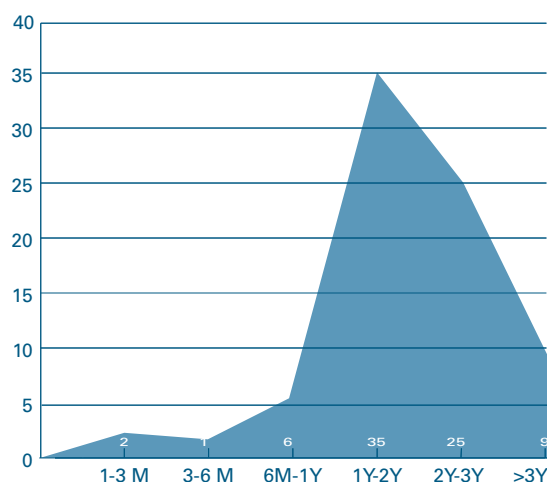


a - Liquid Assets:

Breakdown of Liquid Assets

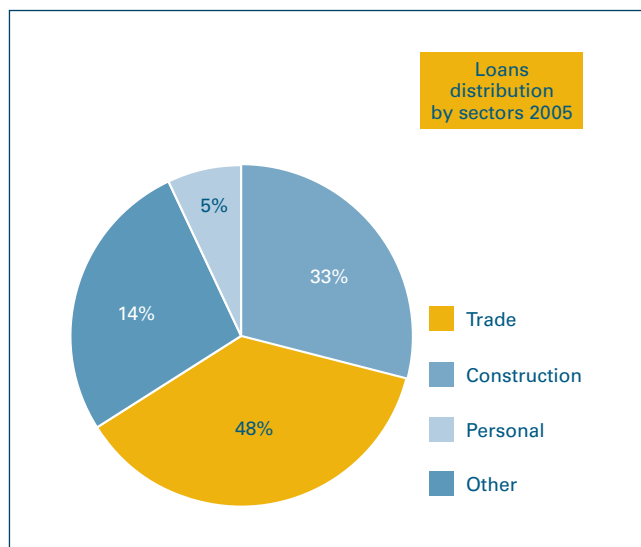
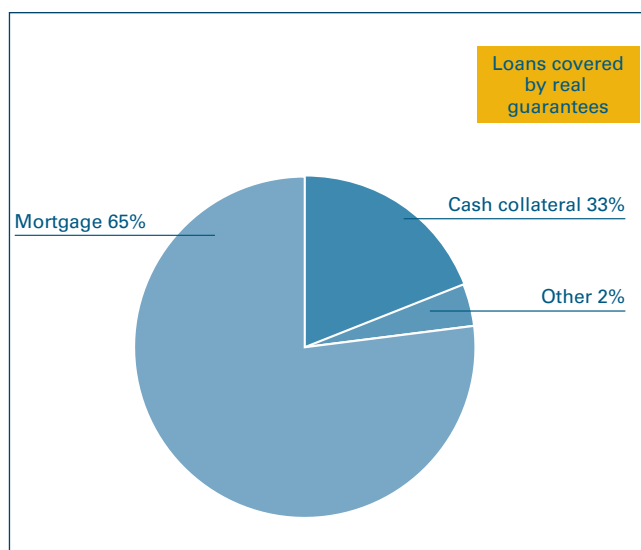


Lebanese TBs in LBP Billions of LBP



b - Loans and Advances:

They are allocated at December 31, 2005 for 96% loans in Foreign Currency, and for only 4% loans in Lebanese Pound. Within loans and advances to customers, the majority (75.7%) are covered by real guarantees (mortgage, cash collateral,...), the remaining, 24.3%, are covered by personal guarantees.



33% of loans were allocated to Trade and Services, 48% to Construction, 5% to personal loans and 14% to other sectors.

The provisions for bad debts are set up against specific accounts to offset the losses that may result therefrom. These provisions are determined on the basis of an assessment of credit risks updated regularly. This credit loss assessment is made by three different parties:

1. The Internal Audit department of the Bank which is a dependent party and performs its credit risk assessment regularly every 3 months.
2. The external Auditors Messrs. Deloitte & Touche who perform their credit risk assessment while conducting their annual audit of the Bank's accounts. And,
3. The Banking Control Commission which is an independent institution acting as a regulatory and as a control body on behalf of the Central Bank of Lebanon.

The Bank has complied with the risk assessment of all above parties and maintains therefore adequate provisions covering 100% the required provisions by these parties. The Bank has an excess amount in provisions for bad debts for approximately US\$2 Million (LBP3 Billion) as at 31 December 2005 which is reflected under Shareholders' Transitory Fund.

The credit loss assessment is made based on objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is based on the value of real guarantees supporting the debt, discounted to 60% of its estimated value and, impairment loss being assessed based on the difference between the asset carrying value and the recoverable amount estimated as indicated above and is provided for and included in the determination of the results of operations. Starting fiscal year 2001 and in conformity with International Accounting Standard #39, the impairment loss indicated above would be assessed based on the difference between the asset carrying value and the present value of future anticipated cash flows, taking into consideration the liquidation value of the guarantee in hand. There was no impact resulting from the application of this principle on the December 31, 2005 financial statements of the Bank.

As to the shareholders' transitory fund referred to above, and amounting to US\$2 Million at 2005 year-end, it represents the excess of pledged guarantee funds over the shortfall of provisions for credit losses which will be allocated to enhance the core capital of the Bank.

IV - OPERATING RESULTS

BIT's operating policy is a very conservative one. Keeping at December 31, 2005 a risk based capital ratio of 24.9% and a liquidity ratio of 77.6% reduces in fact the profitability of the Bank. In spite of these ratios, BIT has realized during the last three years an average yearly net income of US\$2 Million. Its potential in this respect is much higher.

In Thousands of US\$	2005	2004	2003
Net interest income	8,231	7,140	8,852
Net financial revenues before provision for doubtful debts	9,375	8,212	10,185
Net income before provision for doubtful debts	1,721	1,126	3,204

In 2004, and in the context of the restructuring process taking place at the Bank, Management has reclassified some of the loans in the amount of US\$17 Million approximately under substandard caption and accordingly has provided for related interest income. Therefore, the 2004 Net Income has dropped by US\$2 Million approximately.

In 2005, the Bank has recovered its profitable situation by increasing its placements in the Capital Markets in sovereign debts.

The main profitability ratios of the Bank:

	2005	2004	2003
R.O.A.	0.53%	0.36%	1.09%
Return on paid up capital	13.49%	9.10%	25.88%
Net Margin	18.36%	13.71%	31.46%
Overhead to revenue	31.97%	32.56%	29.31%
Cost of resources to revenue	64.24%	66.60%	62.82%

It is the Bank's policy that a big portion of the yearly profits be allocated to provisions for credit losses; in this respect, an amount of US\$779,000 and an amount of US\$1,402,000 relating to years 2004 and 2005 respectively, were transferred from related years profits to the provision account.

The allocation of profits between provisions for credit losses and net income is to a large extent driven to strengthen the bank's provisions. It should be noted that the provisions for credit losses are charged to P & L in order to release by the same amount, the shareholders' account held to cover the probable shortfall in the provision for credit losses. Accordingly, the released provisions come to add up to the existing shareholders' equity at the end of each respective year.

**Consolidated Financial
Statements and
Auditor's Report
year ended
December 31,2005**

- **Independent Auditor's Report**
- **Consolidated Balance Sheet**
- **Consolidated Statement of Operations**
- **Consolidated Statement of Cash Flows**
- **Consolidated Statement of Changes in Shareholders' Equity**
- **Notes to the Consolidated Financial Statements**



Deloitte & Touche
Arabia House
131 Phœnicia Street
P.O.Box 961
Beirut - Lebanon
Tel: +961 (1) 364 700
Tel: +961 (1) 364 701
Fax: +961 (1) 367 087
Fax: +961 (1) 369 820
www.deloitte.com

BT 4803/DTT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Banque de l'Industrie et du Travail S.A.L.
Beirut, Lebanon

We have audited the accompanying Consolidated Balance Sheet of BANQUE DE L'INDUSTRIE ET DU TRAVAIL S.A.L. and its subsidiary as of December 31, 2005, and the related Statements of Income, Cash Flows and Changes in Shareholders' Equity for the year then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements within the limitations imposed by the existing banking laws in Lebanon which preclude verification procedures on coded accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Banque de l'Industrie et du Travail S.A.L. and its subsidiary as of December 31, 2005 and the results of their operations and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Beirut, Lebanon
June 13, 2006



Deloitte & Touche

Consolidated Balance Sheet

D e c e m b e r 3 1 ,

ASSETS	Notes	2005 LBP'000	2004 (Restated) LBP'000
Non-interest earning compulsory reserves and obligatory placements	4	16,123,131	50,098,154
Cash and deposits with banks	5	11,606,241	10,381,052
Interest earning deposits with banks	5	82,296,162	81,086,807
Securities:	6		
Available-for-sale		1,351,568	1,300,863
Held-to-maturity		201,696,936	159,665,806
Loans and advances (net)	7	152,650,449	159,442,223
Banks' acceptances	8	640,392	514,743
Regularization accounts and other debit balances	9	7,947,595	6,477,472
Assets acquired in satisfaction of debts	10	4,403,523	11,029
Property and equipment	11	20,011,624	20,163,799
Total Assets		498,727,621	489,141,948

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS: 22

Guarantees and standby letters of credit		21,340,850	33,632,135
Documentary and commercial letters of credit		924,679	929,436
Fiduciary deposits	23	29,527,703	33,445,677

See accompanying notes to the consolidated financial statements

Consolidated Balance Sheet

D e c e m b e r 3 1 ,

LIABILITIES	Notes	2005 LBP'000	2004 Restated LBP'000
Banks and financial institutions:			
Demand deposits		30,900	22,955
		30,900	22,955
Customers' deposits and other credit balances: 12			
Demand deposits		15,189,993	16,005,070
Time deposits		7,755,397	3,902,885
Saving accounts		342,150,034	340,786,160
Related parties		41,277,798	42,449,669
Pledged accounts		33,789,243	30,740,396
		440,162,465	433,884,180
Accounts payable and miscellaneous creditors	13	2,914,329	2,059,955
Engagements by acceptances	8	640,392	514,743
Regularization accounts and other liabilities	14	3,007,291	2,842,972
Provisions for losses and contingencies	15	958,611	858,412
		447,683,088	440,160,262
Total liabilities		447,713,988	440,183,217
Shareholders' transitory account	7	3,000,000	8,209,945
EQUITY			
Capital	16	4,000,000	4,000,000
Shareholders' cash contribution to capital	17	21,444,188	14,660,438
Reserves	18	2,730,958	2,259,829
Revaluation surplus	19	19,094,461	19,094,461
Change in fair value of available-for-sale securities	6	262,929	262,929
Accumulated losses		-	(52,737)
Net income for the year		481,097	523,866
Total equity		48,013,633	40,748,786
Total Liabilities and Equity		498,727,621	489,141,948

See accompanying notes to the consolidated financial statements

Consolidated Income Statement

		Year Ended December 31,	
Notes		2005	2004
		LBP'000	LBP'000
Interest income:			
Loans and advances		13,874,138	12,047,869
Advances to related parties		751,889	851,984
Securities		16,471,632	15,774,979
Deposits with Banks		3,603,896	3,554,051
		34,701,555	32,228,883
Interest expenses:			
Customers' deposits and credit balances from customers	20	20,537,204	19,649,670
Deposits from related parties		1,513,015	1,789,206
Deposits from banks		243,008	26,378
		22,293,227	21,465,254
Net interest income		12,408,328	10,763,629
Commissions, fees and other revenues, net	21&24	1,569,226	1,496,821
Foreign exchange gain, net		155,247	119,247
Net financial revenues		14,132,801	12,379,697
Other expenses:			
Salaries and related charges	24	7,022,858	6,741,643
General operating expenses	24	3,491,541	3,105,153
Depreciation	24	578,741	645,928
		11,093,140	10,492,724
Income, before provisions		3,039,660	1,886,973
Provision for credit losses, net	7	(2,113,218)	(1,174,125)
Income, before taxes		926,443	712,848
Income tax provision	13	(445,346)	(188,982)
Net income for the year	25	481,097	523,866

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

Year Ended December 31,

	2005	2004
	LBP'000	LBP'000
Cash flows from operating activities:		
Net income for the year	481,097	523,866
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Provision for credit losses (net)	2,113,218	1,174,125
Depreciation	578,741	645,928
Accretion of Lebanese treasury bills at year-end	(113,427)	(162,663)
Loss on disposal of foreclosed assets	1,693	-
Increase/(decrease) in provisions for losses and contingencies	100,199	(77,356)
Net increase in regularization accounts and other assets	(1,470,123)	(147,551)
Increase/(decrease) in regularization accounts and other liabilities	164,319	(414,289)
Net cash provided by operating activities	1,855,717	1,542,060
Cash flows from investing activities:		
Proceed from sale of securities	(41,968,407)	(9,938,713)
Interest earning deposits with banks and financial institutions	(1,209,355)	(16,495,419)
Loans and advances	(5,064,266)	(8,234,788)
Proceeds from sale of foreclosed assets	138,690	-
Property and equipment	(426,566)	(915,754)
Net cash used in investing activities	(48,529,904)	(35,584,674)
Cash flows from financing activities:		
Non-interest earning compulsory reserves and obligatory placements	33,975,023	1,065,411
Due to banks and financial institutions	7,945	4,007
Customers' deposits and other credit balances	7,132,658	32,833,034
Shareholders' cash contribution to capital	6,783,750	-
Net cash provided by financing activities	47,899,376	33,902,452
Net increase/(decrease) in cash and deposits with banks	1,225,189	(140,162)
Cash and deposits with banks -- Beginning of year	10,381,052	10,521,214
Cash and deposits with banks -- End of year	11,606,241	10,381,052

See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Shareholders Equity

	Capital	Shareholders' Cash Contribution to Capital	Reserves	Assets Revaluation Surplus	Change in Fair Value Available-for-sale Securities	Accumulated Losses	Net income for the Year	Total Equity
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance - December 31, 2003	4,000,000	14,660,438	2,070,765	19,094,461	-	-	136,327	39,961,991
Net Income for the year 2004	-	-	-	-	-	523,866	-	523,866
Change in fair value of available -for-sale securities (net of deferred tax)	-	-	-	-	262,929	-	-	262,929
Comprehensive income 2004	-	-	-	-	262,929	523,866	-	786,795
Allocation from retained earnings	-	-	189,064	-	-	-	(189,064)	-
Balance - December 31, 2004 (Restated)	4,000,000	14,660,438	2,259,829	19,094,461	262,929	523,866	(52,737)	40,748,786
Net income for the year 2005	-	-	-	-	-	481,097	-	481,097
Comprehensive income 2005	-	-	-	-	262,929	1,004,963	-	1,267,892
Allocation of 2004 net income	-	-	471,129	-	-	(523,866)	52,737	-
Shareholders' cash contribution to capital	-	6,783,750	-	-	-	-	-	6,783,750
Balance - December 31, 2005	4,000,000	21,444,188	2,730,958	19,094,461	262,929	481,097	-	48,013,633

See accompanying notes to the consolidated financial statements

1. ORGANIZATION AND ACTIVITIES OF THE BANK

Banque de l'Industrie et du Travail S.A.L. was established on October 28, 1960 and registered in the Lebanese commercial register under No. 9849 and in the list of banks published by the Central Bank of Lebanon under No. 48. The Bank is owned to the extent of 52.22% by Al Bustania S.A.L. and provides banking services through a network of twelve branches in the different regions of Lebanon. The Bank headquarter is located in Beirut, Central District.

The consolidated financial statements are presented in Lebanese Pounds.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Bank has adopted the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) that are relevant to the Bank's operations and applicable for accounting periods beginning on January 1, 2005. The adoption of the new and revised standards and interpretations has resulted in changes to the Bank's presentations and disclosures in the financial statements as required by the following Standards:

- Presentation of financial statements (IAS 1)
- Related party disclosures (IAS 24)
- Financial instruments: Disclosures and presentation (IAS 32)
- Financial instruments: Recognition and measurement (IAS 39)

Also, and as of the date of authorization to issue the accompanying financial statements, the following standards and interpretations, which relate to the Bank's

activities, were issued but not yet applicable:

IFRS 7: Financial instruments Disclosures (Effective from January 1, 2007)

IFRS 7 replaces the disclosures required by IAS 30 (disclosures in the financial statements of banks and similar financial institutions), and some of the disclosure requirements in IAS 32, (financial instruments: disclosure and presentation).

IFRIC 4: Determining whether an arrangement contains a lease (effective from January 1, 2006).

IFRIC 4 requires the determination of whether an arrangement is, or contains, a lease to be based on the substance of the arrangement.

IAS 39: (Amendment) the fair value option (effective from January 1, 2006)

This amendment changes the definition of financial instruments classified at fair value through profit and loss and restricts the ability to designate financial instruments as part of this category.

Management anticipates that the adoption of these standards and interpretations (where applicable) in future periods will not have material impact on the financial statements of the Bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. Assets and liabilities are grouped according to their nature and are listed in an approximate order that reflects their relative liquidity.

The consolidated financial statements are prepared on the historical cost basis, except for owned real estate properties recorded at revalued amounts and measurement at fair value of certain financial instruments.

The significant accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Banque de l'Industrie et du Travail S.A.L. include the accounts of the Bank and its subsidiary company, the Société Immobilière pour la Construction (SIPC) S.A.L. fully owned by the Bank. Control over a company is achieved when the Bank has the power to govern the financial and operating policies of the investee company. The business activity of (SIPC) is the ownership of a building of seven floors located in the Banks' street in Beirut Central District, where the Bank headquarters are located.

Inter-company balances and transactions have been eliminated in the consolidated financial statements.

B. Foreign Currencies:

Assets and liabilities denominated in foreign currencies are translated into Lebanese Pounds at year-end exchange rates, as published by the Central Bank of Lebanon. Translation gains and losses are included in the determination of net income. Transactions effected during the year in foreign currencies, including revenues and expenses, are translated into Lebanese Pounds using rates of exchange prevailing at the transaction date.

Cash flows provided and used in foreign currencies under various activities, as included in the statement of cash flows, are converted into Lebanese Pounds at year-end exchange rates, except for cash and due from banks at beginning of year which is converted at prior year-end closing exchange rates.

C. Property and Equipment:

Property and equipment are stated at historical cost. The Bank reviews at year end the book value of its assets to ascertain it approximates the net realizable value. The Bank's owned premises previously acquired are stated at revalued amounts which represents the fair value at the date when evaluated less accumulated depreciation. The related revaluation surplus is disclosed under "Shareholders Equity". Impairment loss, if any is booked to the profit and loss account or deducted from the revaluation surplus, where applicable. Depreciation is calculated using the straight-line method calculated on the estimated useful lives on the basis of the following annual rates:

Owned premises	2½%
Leasehold improvements	20%
Furniture and fixtures	9%
Computer equipment	20%
Vehicles	15%

D. Employees' End-of-Service Indemnities:

Contributions paid regularly by the Bank to the Lebanese Social Security National Fund on account of employees' termination indemnities are computed on the basis of 8fi percent of the actual employees' earnings. However, upon completion of twenty years of service or upon termination of employment, and for those employees wishing to settle their account with the Fund, the related indemnities are computed on the basis of the last declared salary paid, times number of years of service, and differences between such amounts due and amounts already paid are settled to the Fund at that time. The Bank follows the policy of accruing for the abovementioned differences on a current basis.

E. Loans and Advances:

Loans and advances are disclosed net of unearned interest and provision for credit losses. Bad and doubtful loans are carried on cash basis because of doubts and the probability of non-collection of principal and/or interest.

The provision for credit losses is set up against specific accounts to offset the losses that may result therefrom, determined on the basis of an assessment of credit risks updated regularly. The impairment loss indicated above is assessed based on the difference between the asset carrying value and the present value of future anticipated cash flows, taking into consideration the liquidating value of the guarantee in hand.

Guarantee funds pledged by the shareholders to cover shortfall in provision for credit losses was deducted from the loans and advances portfolio in the financial statements.

F. Securities:

Securities are classified as trading securities, available-for-sale and held-to-maturity securities:

Securities are initially measured at cost, increased by transactions costs directly attributable to the acquisition. Premiums and discounts related to held-to-maturity securities are amortized over the period until their maturity and amortization is reflected under "Interest Income".

Subsequent to initial recognition, available-for-sale securities are re-measured to fair value. Gains and losses arising from the changes in fair value are reported in equity until the financial asset is sold or determined to be impaired, at which time the gain or loss previously reported under equity, is reported in the income statement. Related impairment losses previously reported in the income statement are reversed to the income statement in case an increase in the fair value of the available-for-sale securities follows the impairment loss recorded on these instruments.

Subsequent to initial recognition, held-to-maturity securities are carried at amortized cost using the effective

interest rate less any other non-temporary impairment losses which are accounted for in the income statement. Gains and losses are not reported in the income statement until the financial asset is derecognized or determined to be impaired. Impairment loss is calculated by deducting the book value from the expected present value of the financial instruments discounted at the effective interest rate. Subsequently, impairment losses are reversed in the income statement in case consecutive increases in the fair value follows the recorded impairment on condition that the current value of the instruments does not exceed the amortized cost before recording the impairment loss..

Debt securities exchanged against securities with longer maturities, with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

For securities traded in organized financial markets, fair value is determined by reference to stock exchange quoted average market prices.

For securities where there is no quoted price, a reasonable estimate of the fair value is determined by reference to the current market value of other instruments which are substantially the same, or based on the expected cash flows or the underlying net asset base of the investment.

G. Checks for Collection:

Checks deposited by customers for collection are recorded, prior to dispatch to the clearing house, under assets for collection in the off-balance sheet pending final collection.

H. Trade and Settlement Date Accounting:

All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date that the entity settles or delivers the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

I. Revenue and Expense Recognition:

Interest income and expense are recognized in the income statement on the accrual basis based on interest market rates. Fee income from banking services are recognized based on adequate fee rates applied.

J. Income Tax:

Taxation is provided for in accordance with the Lebanese income tax law and regulations. The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of operations because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Provision for income tax is reflected in the balance sheet net of taxes previously settled in the form of withholding tax.

The change in fair value of available-for-sale securities reported under "shareholders' equity", is reflected net of income tax shown under "withheld taxes".

K. Use of Estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the notes accompanying these financial statements in accordance with the International Financial Reporting Standards. Actual results may differ from management's estimates and assumptions because events and circumstances frequently do not occur as expected.

4. NON-INTEREST EARNING COMPULSORY RESERVES AND OBLIGATORY PLACEMENTS

This caption is composed of the following:

	D e c e m b e r 3 1 ,	
	2005	2004
	LBP'000	LBP'000
Cash compulsory reserves at Central Bank of Lebanon	16,123,131	17,343,017
Obligatory placements	-	32,755,137
	16,123,131	50,098,154

Banking laws and regulations in Lebanon require banks to maintain cash compulsory reserves on customers' deposits in Lebanese Pounds with the Central Bank of Lebanon in the basis of 25% and 15% of the weekly average demand deposits and term deposits respectively. Therefore, compulsory reserves required to be maintained as of December 31, 2005 and 2004 amounted to approximately LBP15.6billion and LBP16.9billion respectively. In this connection, actual cash compulsory reserves in the amount of approximately LBP16.1billion and LBP17.3billion were maintained in the current account with the Central Bank of Lebanon at December 31, 2005 and 2004 respectively.

Obligatory placements represents subscription during 2003 in the form of non-interest earning two years treasury bonds or deposit certificates to maintain 10% of its deposits in local and foreign currencies as of October 31, 2002, in compliance with banking laws and regulations, excluding deposits blocked against facilities and cash margins. These obligatory placements matured during 2005.

Non-interest earning obligatory placements are composed of the following:

	D e c e m b e r 3 1 ,	
	2005	2004
	LBP'000	LBP'000
Certificates of deposit in Lebanese Pounds - issued by the Central Bank of Lebanon	-	6,551,640
Certificates of deposit in U.S. Dollars - issued by the Central Bank of Lebanon	-	11,163,704
Lebanese Government bonds in U.S. Dollar	-	4,557,173
Lebanese treasury bills	-	10,482,620
	-	32,755,137

5. CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks comprise the following:

	D e c e m b e r 3 1 ,	
	2005	2004
	LBP'000	LBP'000
Cash and Current Accounts with Banks:		
Cash on hand	4,426,181	4,116,444
Current accounts with Central Bank of Lebanon	3,965,405	2,121,315
Demand deposits with banks	3,214,655	4,143,293
	11,606,241	10,381,052
Interest Earning Deposits with Banks and financial institutions:		
Call and time deposits with Central Bank of Lebanon	54,315,130	47,758,660
Call and time deposits with banks and financial institutions	27,981,032	33,328,147
	82,296,162	81,086,807

The above mentioned cash and deposits with banks balances are segregated as follows in terms of Lebanese Pounds and foreign currencies base accounts:

	D e c e m b e r 3 1 , 2 0 0 5		
	LBP	F/Cy	Total
	LBP'000	LBP'000	LBP'000
Cash and Current Accounts with Banks:			
Cash on hand	1,659,363	2,766,818	4,426,181
Central Bank of Lebanon	-	3,965,405	3,965,405
Resident banks	40,299	1,028,031	1,068,330
Non-resident banks	-	2,146,325	2,146,325
	1,699,662	9,906,579	11,606,241
Interest Earning Deposits with Banks and financial Institutions:			
Central Bank of Lebanon	6,100,000	48,215,130	54,315,130
Resident banks and financial institutions	3,156	-	3,156
Non-resident banks and financial institutions	-	27,977,876	27,977,876
	6,103,156	76,193,006	82,296,162

Notes to the Consolidated Financial Statements

D e c e m b e r 3 1 , 2 0 0 4

	LBP LBP'000	F/Cy LBP'000	Total LBP'000
Cash and Current Accounts with Banks:			
Cash on hand	1,271,674	2,844,770	4,116,444
Central Bank of Lebanon	-	2,121,315	2,121,315
Resident banks	34,130	1,636,376	1,670,506
Non-resident banks	-	2,472,787	2,472,787
	1,305,804	9,075,248	10,381,052
Interest Earning Deposits with Banks and financial Institutions:			
Central Bank of Lebanon	700,000	47,058,660	47,758,660
Resident banks and financial institutions	3,034	-	3,034
Non-resident banks and financial institutions	-	33,325,113	33,325,113
	703,034	80,383,773	81,086,807

Interest earning deposits with banks and financial institutions mature according to the following schedules:

D e c e m b e r 3 1 , 2 0 0 5

Maturity	LBP or Equivalent in LBP LBP'000	Average Interest Rate %
1st quarter 2006	49,838,865	4.10
2nd quarter 2006	2,002,641	2.61
2nd half 2006	756,906	2.95
Year 2007	12,361,500	5.62
Year 2008	16,582,500	5.28
Year 2009	753,750	5.11
	82,296,162	

D e c e m b e r 3 1 , 2 0 0 4

Maturity	LBP or Equivalent in LBP LBP'000	Average Interest Rate %
1st quarter 2005	52,893,522	3.48
2nd quarter 2005	10,552,500	8.25
2nd half 2005	3,018,035	5.44
Year 2006	1,507,500	2.88
Year 2007	12,361,500	3.58
Year 2009	753,750	3.71
	81,086,807	

Interest earning deposits with Central Bank of Lebanon include deposits in Lebanese Pounds and foreign currency in the amount of LBP6.1billion and LBP48.22billion as at December 31, 2005 (LBP0.7billion and LBP47.06billion in 2004), out of which USD31.5million in 2005 are held as obligatory foreign currency interest earning deposits to the extent of 15% of its total foreign currency customers' deposit base, certificates of deposit and borrowings from non-resident banks and financial institution (USD29.5million in 2004).

Call and time deposits with banks and financial institutions include interest deposits in the amount of LBP1.28billion (LBP1.36billion in 2004) deposited with non-resident banks and pledged in their favour against the financing of international trade facilities granted to the Bank.

6. Securities

This caption consists of the following:

D e c e m b e r 3 1 , 2 0 0 5

	Lebanese Treasury Bills LBP'000	Other Securities LBP'000	Total LBP'000
Available-for-sale securities	-	1,351,568	1,351,568
Held-to-maturity securities	78,151,085	123,545,851	201,696,936
	78,151,085	124,897,419	203,048,504

D e c e m b e r 3 1 , 2 0 0 4

	Lebanese Treasury Bills LBP'000	Other Securities LBP'000	Total LBP'000
Available-for-sale securities	-	1,300,863	1,300,863
Held-to-maturity securities	63,685,722	95,980,084	159,665,806
	63,685,722	97,280,947	160,966,669

Available-for-sale securities comprise the following unquoted equity securities stated at fair value, if available or cost in Lebanese Pounds as follows:

D e c e m b e r 3 1 ,

	No. of Shares	2005 LBP'000	2004 LBP'000
KAFALAT S.A.L.	500	50,000	50,000
Banque Nationale pour le Développement Industriel et Touristique S.A.L.	11,000	1,000	1,000
Banque de l'Habitat S.A.L.	83,935	662,180	662,180
Société Financière du Liban S.A.L.	16,000	159,990	159,990
Société Financière et Immobilière du Port de Beyrouth S.A.L.	11,789	1,897	1,897
Compagnie de Gestion et l'Exploitation du Port de Beyrouth S.A.L.	159,960	11,706	5,868
Starco Center	1,976	7,646	7,646
BMB Technology and Telecommunication Investment Co.	1,000	153,765	153,765
Berytech	500	75,000	75,000
National Institution for Guarantee of Deposits (fully amortized)	100	-	-
Arab Financial Services Company (E.C.)	10,000	150,448	150,448
Others		77,936	33,069
		1,351,568	1,300,863

Notes to the Consolidated Financial Statements

The change in fair value of available-for-sale securities included under a separate caption in the shareholders' equity represents the increase in "Société Financière du Liban sal" and "Arab Financial Services Company (E.C.)" in the amount of LBP159million and LBP150million, respectively.

Lebanese treasury bills portfolio as at December 31, 2005 and December 31, 2004 comprise the following:

	D e c e m b e r 3 1 , 2 0 0 5		D e c e m b e r 3 1 , 2 0 0 4	
	Balance LBP'000	Average Interest Rate %	Balance LBP'000	Average Interest Rate %
Held-to-Maturity Securities:				
Discounted treasury bills (net of unearned interest)	1,072,520	6.27	4,881,763	6.25
Coupon treasury bills (net of discount and premiums)	77,078,565	9.05	58,803,959	8.73
	78,151,085		63,685,722	

Notes to the Consolidated Financial Statements

Discounted ordinary treasury bills are bought net of discount interest and stated in the balance sheet at their par value, less related unearned interest, which amounted to LBP5million as at December 31, 2005 (LBP118million as at December 31, 2004).

The coupon treasury bills carry two, three and five year maturity periods, and related interest is paid semi-annually. Accrued interest receivable amounting to LBP1.99billion as at December 31, 2005 (LBP1.64billion as at December 31, 2004) is included under "Regularization accounts and other debit balances" - Note 9 in the accompanying balance sheet. Accretion of discounts and amortization of premiums representing a yield adjustment are accounted for in the consolidated income statement as an adjustment to interest income.

Lebanese treasury bills may be discounted at the Central Bank of Lebanon using prevailing market rates. It is to be noted that most of the Bank's deposits in Lebanese Pounds have been invested in short-term Lebanese treasury bills.

The Lebanese treasury bills in Lebanese Pounds outstanding at December 31, 2005 and December 31, 2004 carry the following maturities in terms of remaining period to maturity date:

Period	December 31, 2005			
	Net Book Value	Fair Value	Change in Fair Value	Weighted Average Discount/Coupon Rates
	LBP'000	LBP'000	LBP'000	%
First quarter 2006	2,072,517	2,078,520	6,003	7.03
Second quarter 2006	999,974	1,007,441	7,467	7.79
Second half 2006	6,000,653	6,032,737	32,084	8.05
2007	35,334,677	35,914,388	579,711	8.64
2008	25,039,522	25,269,381	229,859	9.18
2010	8,703,742	9,071,327	367,585	11.3
	78,151,085	79,373,794	1,222,709	

Period	December 31, 2004			
	Net Book Value	Fair Value	Change in Fair Value	Weighted Average Discount/Coupon Rates
	LBP'000	LBP'000	LBP'000	%
First quarter 2005	10,999,274	11,045,199	45,925	9.29
Second quarter 2005	2,921,078	2,921,872	794	6.28
Second half 2005	1,961,885	1,972,979	11,094	7.06
First half 2006	1,999,770	2,020,062	20,292	7.81
Second half 2006	6,001,613	6,053,346	51,733	8.05
2007	39,802,102	40,124,438	322,336	8.68
	63,685,722	64,137,896	452,174	

Notes to the Consolidated Financial Statements

The held-to-maturity securities as at December 31, 2005 are detailed as follows:

	Coupon Rate	Maturity Date	Nominal Value	Carrying Cost	Fair Value	Net Changes in Fair Value
	%		USD	USD	USD	USD
Lebanese Government Eurobonds - U.S. Dollar:						
	9.875	April 24, 2006	8,000,000	8,002,180	8,093,000	90,820
	10.500	August 2, 2006	9,352,000	9,493,518	9,579,955	86,437
	8.625	October 31, 2007	500,000	518,125	516,562	(1,563)
	7.375	June 20, 2008	5,000,000	4,986,708	5,071,875	85,167
	10.125	August 6, 2008	1,000,000	1,000,000	1,079,375	79,375
	10.250	October 6, 2009	4,000,000	4,101,250	4,445,000	343,750
	7.000	December 14, 2009	5,500,000	5,487,937	5,527,500	39,563
	7.125	March 5, 2010	3,500,000	3,491,056	3,521,875	30,819
	7.875	May 20, 2011	5,000,000	4,975,619	5,168,750	193,131
	7.750	September 7, 2012	8,000,000	7,726,389	8,180,000	453,611
	8.500	January 19, 2016	2,000,000	2,012,195	2,087,500	75,305
Total USD			51,852,000	51,794,977	53,271,392	1,476,415
Certificates of deposits issued by Central Bank of Lebanon - LBP						
	9.125	Second quarter of 2006	4,000,000	4,000,000	4,242,184	242,184
	12.320	Second Half of 2006	5,000,000	5,000,000	5,157,863	157,863
	11.300	Year 2010	11,000,000	10,546,003	11,325,413	779,410
			20,000,000	19,546,003	20,725,460	1,179,457
Certificates of deposits issued by Central Bank of Lebanon - USD						
	10.000	April 25, 2015	15,000,000	14,577,391	17,165,625	2,588,234
Total U.S. Dollar			15,000,000	14,577,391	17,165,625	2,588,234
Debt securities issued by Lebanese banks - USD						
Banque de l'Habitat S.A.L.	8.750	July 15, 2006	600,000	600,000	600,000	-
Banque de la Méditerranée S.A.L.	6.375	October 6, 2006	2,000,000	2,015,922	2,015,922	-
Total USD			2,600,000	2,615,922	2,615,922	-
Counter value of total held-to-maturity securities in LBP'000			124,698,890	123,545,851	130,852,766	7,306,915

Notes to the Consolidated Financial Statements

7. LOANS AND ADVANCES

This caption comprises the following:

	D e c e m b e r 3 1 ,	
	2005	2004
	LBP'000	LBP'000
Short term loans and advances to customers	87,408,990	83,529,060
Medium and long term loans and advances to customers	7,683,078	10,494,430
Discounted bills (net of unearned interest)	746,684	1,336,770
Loans and advances to sister companies and directors	10,656,432	14,663,756
Substandard loans (net of unearned interest)	25,328,242	21,903,576
Bad and doubtful loans (net of unearned interest)	46,830,306	47,121,753
Less: Provision for credit losses	(12,996,610)	(11,810,394)
Less: Guarantee funds	(13,006,673)	(7,796,728)
	152,650,449	159,442,223

Loans and advances to customers are allocated between foreign currencies and Lebanese Pounds accounts to the extent of 96% and 4% respectively (91% and 9% respectively in 2004). Advances in foreign currencies include advances in the U.S. Dollar to the extent of 89%.

Loans and advances to customers are allocated in terms of guarantees as follows:

	D e c e m b e r 3 1 , 2005		D e c e m b e r 3 1 , 2004	
	Short Term	Long Term	Short Term	Long Term
	LBP'000	LBP'000	LBP'000	LBP'000
Clean overdrafts	11,213,250	-	6,348,634	-
Loans against personal guarantees	11,927,356	-	10,950,744	5,177,704
Loans against mortgage of real estate	39,858,021	6,582,500	45,570,692	5,316,726
Loans against cash collateral	22,716,683	1,098,420	19,071,426	-
Loans against bills and shares	737,233	-	1,578,192	-
Other loans	956,447	2,158	9,372	-
	87,408,990	7,683,078	83,529,060	10,494,430

During 2005 year-end, the Bank has reached an agreement to acquire assets in satisfaction of debts. The Bank's management has reversed LBP4.7billion of the total unearned interest related to these accounts to the 2005 income statement. Up to the date of issuance of these financial statements those assets were not registered.

Loans and advances as at December 31, 2005 are allocated between residents and non-residents to the extent of 92% and 8% respectively.

The weighted average interest rate applied during 2005 on the total loans and advances portfolio (excluding non-interest earning accounts) on accrual basis, amounted to 7.67%.

Accrued interest receivable on loans and advances as at December 31, 2005 amounted to LBP156million (LBP214million in 2004) and is reflected under "Regularization accounts and other debit balances" - Note 9.

Notes to the Consolidated Financial Statements

The loans and advances portfolio is allocated among the various economic sectors as follows:

Economic Sector	D e c e m b e r 3 1 ,	
	2005	2004
	%	%
Contracting and construction	48	35
Commerce and trade	33	37
Personal	5	6
Other sectors	14	22
	100	100

The loans and advances to customers portfolio reflects a concentration in the distribution of loans among debtors and in specific economic sectors.

Loans and advances to sister companies and directors are secured by pledged funds in the aggregate of LBP9.95billion (LBP14.04billion in 2004).

Effective January 1, 1991, banks were requested by the Banking Control Commission to stop accruing interest on doubtful debts and to disclose such amounts of interest, had it been accrued for. Also, effective January 1, 1999 banks were requested by the Central Bank of Lebanon to stop accruing interest on substandard loans.

The movement of unearned interest on bad and doubtful loans and substandard loans during 2005 and 2004, was as follows:

	2 0 0 5		2 0 0 4	
	Doubtful Loans LBP'000	Substandard Loans LBP'000	Doubtful Loans LBP'000	Substandard Loans LBP'000
Balance -- Beginning of year	55,603,044	6,469,060	73,114,478	3,722,733
Unearned interest for the year	13,878,934	3,140,371	19,175,421	2,746,327
Write-backs during the year	(1,466,394)	(3,257,558)	(26,668)	-
Write-offs during the year	(1,298,116)	-	(6,479)	-
Unearned interest on bad debts transferred to the off-balance sheet	-	-	(36,653,708)	-
Balance -- End of year	66,717,468	6,351,873	55,603,044	6,469,060

Notes to the Consolidated Financial Statements

The movement in the provision for credit losses in 2005 and 2004 consists of the following:

	2005 LBP'000	2004 LBP'000
Balance -- Beginning of year	11,810,394	21,172,445
Provision set up during the year	2,390,178	2,399,353
Write backs during the year	(276,960)	(1,225,228)
Provision written-off	(500,937)	-
Provision transferred to the off-balance sheet	(426,065)	(10,536,233)
Effects of exchange rates changes	-	57
Balance -- End of year	12,996,610	11,810,394
Pledged guarantee funds -- Beginning of year	7,796,728	6,006,673
Funds transferred from shareholders' transitory account	5,209,945	1,790,055
Pledged guarantee funds -- End of year	13,006,673	7,796,728
Total provision for credit losses and guarantee funds	26,003,283	19,607,122
Bad and doubtful loans (net of unearned interest)	46,830,306	47,121,753

The excess of bad and doubtful loans in 2005 and 2004 over provision for credit losses and guarantee funds is secured by real guarantees and mortgages.

The shareholders' transitory account referred to above, amounting to LBP3billion at 2005 year-end (LBP8.2billion in 2004), represents excess of pledged guarantee funds over the shortfall of provisions for credit losses which will be allocated to enhance the core capital of the bank. This account is reflected under liabilities in the accompanying balance sheet.

Most of bad and doubtful loans are delinquent since many years and are subject to various law suits pending before the court and there is reasonable doubt regarding their collectibility, except for certain account balances which cannot be quantified at present, that can be realized from proceeds of foreclosure of mortgaged properties.

Provision for credit losses in respect of the indicated doubtful loans was set up in various currencies to the extent of LBP12.99billion up to December 31, 2005 (LBP11.8billion in 2004). Furthermore, pledged guarantee funds amounting to LBP13.01billion as at December 31, 2005 (LBP7.8billion in 2004) were deposited by the shareholders of the bank in order to cover shortfall in the amount of provisions set up for bad and doubtful loans.

According to Decree No. 83 of June 27, 1977, provisions set up by banks for bad and doubtful debts are considered as deductible charges for tax purposes, provided the approval of the Banking Control Commission is secured.

According to Central Bank of Lebanon Circulars, all banks are required to take provisions between 60% and 100% for all bad and doubtful debts for which no agreement have been reached up to 2006 and 2007 year-end within a maximum period ending December 31, 2006 and 2008 respectively.

8. CUSTOMERS' ACCEPTANCES LIABILITY

This caption represents the liability to the Bank of its customers on outstanding drafts and bills of exchange which have been accepted by the Bank and/or other banks for its account. These acceptances relate to negotiated deferred payment import letters of credit. The commitments resulting from these acceptances are stated as a liability in the accompanying balance sheet and for the same amount.

9. REGULARIZATION ACCOUNTS AND OTHER DEBIT BALANCES

This section consists of the following:

	D e c e m b e r 3 1 ,	
	2005	2004
	LBP'000	LBP'000
Accrued interest receivable:		
Loans and advances	155,731	213,869
Banks	364,865	422,098
Lebanese treasury bills	1,987,283	1,635,342
Securities	3,922,201	2,971,580
Prepaid expenses	371,385	259,703
Deferred charges	237,020	285,967
Commissions due not yet received	57,484	26,538
Sundry debtors	851,626	662,375
	7,947,595	6,477,472

"Prepaid Expenses" as at December 31, 2004 includes LBP64million deferred tax related to revenues realized on the sale of Lebanese Government bonds, resulting from a "Swap" transaction effected during 2004.

10. ASSETS ACQUIRED IN SATISFACTION OF DEBTS

Acquisition of assets in satisfaction of debts is approved by the Lebanese banking regulatory authorities. These assets should be liquidated within two years as from the date of approval given by the Central Bank of Lebanon to acquire these properties. In the event of default of liquidation, such properties should be fully provided for over a period of twenty years, commencing in the last year of the period during which assets should have been liquidated. In this connection, approval of the banking regulation was obtained.

The movement of properties acquired as settlement of debts during 2005 and 2004 is summarized as follows:

	2005 LBP'000	2004 LBP'000
Acquisition Value:		
Beginning balance	372,284	372,284
Properties acquired as settlement of debts	4,532,877	-
Disposals	(140,382)	-
Revaluation surplus	617,382	617,382
Ending balance	5,382,161	989,666
Less Reserves:		
Beginning balance	(978,638)	(978,637)
Ending balance	(978,638)	(978,637)
	4,403,523	11,029

11. PROPERTY AND EQUIPMENT

This caption comprises the following:

	December 31, 2005		December 31, 2004	
	BANK LBP'000	SIPC LBP'000	BANK LBP'000	SIPC LBP'000
Land	-	2,479	-	2,479
Owned premises	6,713,897	13,578,138	6,714,922	13,578,138
Freehold improvement	1,654,094	214,024	1,487,705	208,882
Pre-operating expenses	24,534	-	24,534	-
Key money	190	-	190	-
Office equipment	820,075	63	753,417	-
Furniture and fixtures	366,225	7,345	278,354	5,743
Computer equipment	2,261,983	1,734	2,198,683	1,734
Electrical equipment	-	245,853	-	231,531
Industrial equipment	-	182,904	-	181,957
Vehicles	58,676	-	58,676	-
	11,899,674	14,232,540	11,516,481	14,210,464
Accumulated depreciation	(5,298,389)	(860,064)	(4,757,224)	(843,785)
Net book value	6,601,285	13,372,476	6,759,257	13,366,679
Advances on fixed assets	37,863	-	37,863	-
	6,639,148	13,372,476	6,797,120	13,366,679

Notes to the Consolidated Financial Statements

The current net realizable value of the Bank's owned premises and properties acquired in satisfaction of debts was estimated according to an independent valuation at approximately USD12,645,338 in 1996. The revaluation surplus resulting therefrom, was booked as an adjustment to the carrying value of these properties and was reflected under a separate caption in shareholders' equity. This revaluation was approved by the Central Bank of Lebanon and the tax authorities.

Property and equipment movement during the year 2005 is summarized as follows:

	Opening Balance LBP'000	Additions LBP'000	Disposals LBP'000	Closing Balance LBP'000
Cost:				
Land	2,479	-	-	2,479
Owned premises	20,293,060	-	(1,025)	20,292,035
Freehold improvement	1,696,587	171,531	-	1,868,118
Office equipment	753,417	87,308	(20,587)	820,138
Furniture and fixtures	284,097	92,824	(3,351)	373,570
Computer equipment	2,200,418	63,299	-	2,263,717
Electrical equipment	231,531	14,322	-	245,853
Industrial equipment	181,957	947	-	182,904
Vehicles	58,676	-	-	58,676
	25,702,222	430,231	(24,963)	26,107,490
Accumulated Depreciation:				
Owned premises	1,420,864	189,901	(25)	1,610,740
Freehold improvement	1,059,943	228,541	-	1,288,484
Office equipment	591,930	38,016	(18,259)	611,687
Furniture and fixtures	89,517	30,643	(3,014)	117,146
Computer equipment	1,979,372	79,356	-	2,058,728
Electrical equipment	217,803	3,305	-	221,108
Industrial equipment	181,957	139	-	182,096
Vehicles	34,900	8,840	-	43,740
	5,576,286	578,741	(21,298)	6,133,729
Net Balance	20,125,936			19,973,761
Advances on fixed assets	37,863			37,863
	20,163,799			20,011,624

12. CUSTOMERS' DEPOSITS AND CREDIT BALANCES

Customers' deposits include coded accounts stated at LBP17.63billion as at December 31, 2005 (LBP7.38billion as at December 31, 2004). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law date September 3, 1956. Under the provisions of this Article, the Bank's Management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its auditors.

The average balances of deposits and related cost of funds were as follows over the last three years:

Year	Deposits as at December 31 LBP'000	Average Annual Balance of deposits LBP'000	Allocation of Deposits		Cost of funds LBP'000	Average Cost of Funds %
			LBP %	F/Cy %		
2005	440,162,465	438,457,000	28	72	22,050,219	5.03
2004	433,884,180	422,471,000	32	68	21,438,876	5.07
2003	400,163,589	385,426,000	35	65	22,512,371	5.84

The customers' deposit base as at December 31, 2005 consists of Lebanese Pounds and foreign currency deposits to the extent of 28% and 72% respectively (32% and 68% respectively in 2004), which are of short term maturities and reflect a concentration in the distribution of deposits among account holders.

Customers' deposits are segregated between residents and non-residents to the extent of 94% and 6% respectively as at December 31, 2005 and 2004 respectively.

13. ACCOUNTS PAYABLE AND MISCELLANEOUS CREDITORS

This section comprises the following:

	D e c e m b e r 3 1 ,	
	2005	2004
	LBP'000	LBP'000
Margins on letters of credit	103,897	186,917
Margins on letters of guarantee and others	1,085,337	1,013,357
Withheld taxes	387,638	292,148
Provision for income tax	-	63,985
Checks and orders to be paid	32,774	63,344
Miscellaneous creditors	1,304,683	440,204
	2,914,329	2,059,955

Tax returns for 2001 were reviewed in 2005 and an additional tax of LBP42million was settled and recorded in 2005. The Bank's tax returns for the years 2002 till 2005 remain subject to examination and final tax assessment by the tax authorities.

The provision for income tax is stated net of withholding taxes on certain interest income amounting to LBP445million (LBP189million in 2004).

Provision for income tax can be reconciled as follows:

	2005	2004
	LBP'000	LBP'000
Income before tax	926,443	712,848
Adjustment of income before tax:		
Non-deductible expenses	1,176,983	575,747
Non-taxable revenues	(103,760)	(89,554)
Losses of subsidiary company	349,878	487,404
Taxable income	2,349,544	1,686,445
Income tax on the basis of 15%	352,432	252,967
Less: Tax settled in the form of withholding tax	(445,346)	(188,982)
Provision for income tax at year end	-	63,985

14. REGULARIZATION ACCOUNTS AND OTHER CREDIT BALANCES

This section comprises the following:

	D e c e m b e r 3 1 ,	
	2005 LBP'000	2004 LBP'000
Accrued interest payable on customers' deposits	1,937,425	1,757,958
Unearned revenues	158,999	224,075
Accrued expenses	798,730	753,524
Social security dues	112,137	107,415
	3,007,291	2,842,972

15. PROVISIONS FOR LOSSES AND CONTINGENCIES

This section comprises the following:

	D e c e m b e r 3 1 ,	
	2005 LBP'000	2004 LBP'000
Provision for employees end-of-service indemnities	952,973	852,857
Provision for exchange fluctuations	2,867	2,784
Provision for contingencies	2,771	2,771
	958,611	858,412

The movement in the provision for employees end-of-service indemnities during 2005 and 2004 is summarized as follows:

	D e c e m b e r 3 1 ,	
	2005 LBP'000	2004 LBP'000
Balance -- Beginning of year	852,857	932,080
Provision set up during the year	193,437	188,215
Settlements	(87,245)	(267,438)
Adjustments	(6,076)	-
Balance -- End of year	952,973	852,857

16. CAPITAL

The Bank's capital is represented by 4,000,000 shares with a par value of LBP1,000 each authorized, issued and fully paid.

The Bank's solvency ratio as at December 31, 2005 and 2004 amounted to 24.88% and 20.05% respectively, detailed as follows:

	D e c e m b e r 3 1 ,	
	2005 LBP'000	2004 LBP'000
Assets and off-balance sheet weighted risk	185,766,000	198,761,000
Tier I and Tier II capital	46,225,000	39,860,000
Risk based capital ratio	24.88%	20.05%

17. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

As at December 31, 2004, Shareholders' cash contribution to capital amounted to USD9,725,000. As at August 20, 2005 The shareholders' general assembly meeting decided to increase these contributions up to USD 39,225,000 with an increase of USD29,500,000 as follows:

An immediate increase of USD4,500,000 settled by the current shareholders during 2005.

An increase of USD25,000,000 proposed to the new shareholders for a period of one year.

These contributions are interest free and are made by the major shareholders to support and help the bank develop its activities. This sort of equity financial instrument has the advantage of being booked and maintained in foreign currency thus providing a hedging against national currency fluctuation. According to local banking laws and regulations, shareholders' cash contribution to capital is considered as Tier I capital for the purpose of computation of the risk-based capital ratio.

18. RESERVES

This caption includes the following:

	D e c e m b e r 3 1 , 2 0 0 5		D e c e m b e r 3 1 , 2 0 0 4	
	BANK LBP'000	SIPC LBP'000	BANK LBP'000	SIPC LBP'000
Reserve for general banking risks	2,349,052	-	1,979,050	-
Legal reserve	375,577	1,500	274,450	1,500
General reserve	4,829	-	4,829	-
	2,729,458	1,500	2,258,329	1,500

In accordance with the requirements of Article 133 of the Lebanese Money and Credit Law, and as stipulated by the Bank's bylaws, the Bank has transferred from its inception, 10% of its net income, to the legal reserve account. This legal reserve is not available for distribution.

The reserve for general banking risks is constituted according to local banking regulations from the Bank's net income on the basis of a maximum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution.

19. REVALUATION SURPLUS

Revaluation surplus resulted from the revaluation at current net realizable value of the Bank's premises, and investment in the wholly owned subsidiary. The revaluation differences were reflected in the balance sheet net of tax paid as follows:

	LBP'000
Bank premises	6,287,200
Subsidiary company owned properties (SIPC)	12,189,879
Assets acquired in satisfaction of debts	617,382
	19,094,461

According to local banking regulations the revaluation surplus of owned premises is eligible to be incorporated in the Tier II capital for the purpose of computation of the risk based capital ratio.

20. COST OF FUNDS

Interest expense on customers' deposits includes an amount of LBP219million in 2005 (LBP203million in 2004) representing premiums paid to the National Institution for Guarantee of Deposits.

21. COMMISSIONS, FEES AND OTHER REVENUES

	Year Ended December 31,	
	2005	2004
	LBP'000	LBP'000
Rent income (subsidiary company)	114,881	167,505
Dividends from investments	42,747	89,554
Commissions on letters of guarantee	437,019	366,558
Commissions on letters of credit	30,753	38,964
Commissions on credit files and statements' fee	89,877	103,881
Domiciliation (telephone, cellular, electricity)	88,325	90,166
Commissions on check books and credit cards	180,067	120,230
Commissions on safe locker rental	29,494	31,580
Commissions on private banking	209,869	69,227
Commissions on transfers	88,428	118,764
Other commissions	257,766	300,392
	1,569,226	1,496,821

22. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risks. The guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans on the balance sheet. However, documentary and commercial letters of credit, which represent written understandings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore, have significantly less risks.

23. FIDUCIARY TRANSACTIONS

Fiduciary transactions as at 2005 and 2004 year-ends include the following:

	D e c e m b e r 3 1 ,	
	2005 LBP'000	2004 LBP'000
Back to back lending	27,396,013	28,161,889
Fiduciary deposits with banks	1,070,325	761,288
Other placements	1,061,365	4,522,500
	29,527,703	33,445,677

Fiduciary transactions are subject to interest differential of 0.5% to 2% representing a fee income to the Bank. The Bank's participation in the credit risk of the above debtors amounts to LBP14.48billion (USD9.61million) as of December 31, 2005 (LBP13billion the equivalent of USD8.6million in 2004).

24. DISTRIBUTION OF EXPENSES AND OTHER REVENUES BETWEEN THE BANK AND ITS SUBSIDIARY

The statement of operations for the year ended December 31, 2005 includes the Bank's and Subsidiary's income and expenses after the elimination of intra-company transactions as follows:

	BANK LBP'000	SIPC LBP'000	TOTAL LBP'000
Commissions, fees and other revenues	(1,460,495)	(108,731)	(1,569,226)
Salaries and related charges	6,657,452	365,406	7,022,858
General operating expenses	3,239,453	252,088	3,491,541
Depreciation	562,465	16,276	578,741
Accrued income tax	445,346	-	445,346

25. NET INCOME FOR THE YEAR

The consolidated income is segregated as follows:

	Bank's Share LBP'000
Net income for the Bank	830,975
Net results of SIPC S.A.L. (a subsidiary company)	(349,878)
Total	481,097

26. COMPARATIVE FINANCIAL STATEMENTS

Certain 2004 comparative figures were reclassified to conform with the current year's presentation.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUE

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently difference can arise between carrying values and fair value estimates.

The on-balance sheet financial instruments are reflected in the financial statements according to their classifications, in accordance with IAS 39. Available-for-sale securities are reflected at their fair value. Held-to-maturity securities are carried at cost and adjusted for non-temporary decline in value and/or impairment loss. Fair values of these instruments are disclosed in Note 6.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank manages its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific business segments and/or locations. It also takes security as deemed appropriate.

The debt instruments included in investment portfolio are mainly sovereign risk. For details of the composition of the loans and advances refer to Note 6.

Notes to the Consolidated Financial Statements

MARKET RISK

The market risk includes, among other things, the exchange risk and interest rate risk:

Exchange Risk:

The Bank attempts to cover the exchange risk rate might affect its financial position, its profitability and cash flows through operating within the operational exchange position limits set by the Alco Committee. Furthermore, the Bank hedges its capital against currency fluctuation by maintaining a fixed position in foreign currency in line with the regulatory authorized limits.

SEGREGATION OF ASSETS AND LIABILITIES AMONG MAJOR CURRENCIES

D e c e m b e r 3 1 , 2 0 0 5

	LBP In 000	US C/V in LBP In 000	Euro C/V in LBP In 000	Other Currencies C/V in LBP In 000	Total LBP'000
ASSETS:					
Non-interest earning compulsory reserve and obligatory placements	16,123,131	-	-	-	16,123,131
Cash and deposits with banks	1,699,663	7,766,840	1,671,933	467,805	11,606,241
Interest bearing deposits with banks	6,103,156	67,165,263	5,269,010	3,758,733	82,296,162
Securities	98,828,400	104,220,104	-	-	203,048,504
Loans and advances (net of provision for credit losses)	5,950,289	132,329,317	16,571,175	225	154,851,006
Customers' acceptance liability	-	434,460	205,932	-	640,392
Regularization accounts and other debit balances	5,027,642	2,897,675	5,962	16,316	7,947,595
Property acquired in satisfaction debts	(797,105)	5,200,628	-	-	4,403,523
Property and equipment (net of accumulated depreciation)	19,063,612	948,012	-	-	20,011,624
Total Assets	151,998,788	320,962,299	23,724,012	4,243,079	500,928,178
LIABILITIES:					
Due to banks and financial institutions:					
Demand deposits	30,900	-	-	-	30,900
Customers deposits and credit balances	123,242,349	289,221,591	23,622,450	4,076,075	440,162,465
Accounts payable and miscellaneous creditors	803,038	2,085,184	21,073	5,034	2,914,329
Outstanding acceptances	-	434,460	205,932	-	640,392
Regularization accounts and other credit balances	1,603,882	1,366,882	(125,443)	161,970	3,007,291
Provisions for losses and contingencies	958,611	-	-	-	958,611
Shareholders' transitory account	-	5,200,557	-	-	5,200,557
Total Liabilities	126,638,780	298,308,674	23,724,012	4,243,079	452,914,545
Net currencies risks	25,360,008	22,653,625	-	-	48,013,633

Notes to the Consolidated Financial Statements

D e c e m b e r 3 1 , 2 0 0 4

	LBP In 000	US C/V in LBP In 000	Euro C/V in LBP In 000	Other Currencies C/V in LBP In 000	Total LBP'000
ASSETS:					
Non-interest earning compulsory reserve and obligatory placements	34,377,277	15,720,877	-	-	50,098,154
Cash and deposits with banks	1,305,804	6,635,922	1,768,100	671,226	10,381,052
Interest bearing deposits with banks	703,034	74,707,050	3,384,315	2,292,408	81,086,807
Securities	93,811,195	67,155,474	-	-	160,966,669
Loans and advances (net of provision for credit losses)	12,773,680	128,234,294	18,428,701	5,548	159,442,223
Customers' acceptance liability	-	449,650	65,093	-	514,743
Regularization accounts and other debit balances	4,136,959	2,277,625	21,170	41,718	6,477,472
Property and equipment (net of accumulated depreciation)	19,233,664	941,164	-	-	20,174,828
Total Assets	166,341,613	296,122,056	23,667,379	3,010,900	489,141,948
LIABILITIES:					
Due to banks and financial institutions:					
Demand deposits	22,955	-	-	-	22,955
Customers deposits and credit balances	137,024,829	270,259,969	23,748,365	2,851,017	433,884,180
Accounts payable and miscellaneous creditors	834,337	1,152,588	69,680	3,350	2,059,955
Outstanding acceptances	-	449,650	65,093	-	514,743
Regularization accounts and other credit balances	1,448,299	1,379,916	10,691	4,066	2,842,972
Provisions for losses and contingencies	858,412	-	-	-	858,412
Shareholders' transitory account	-	8,209,945	-	-	8,209,945
Total Liabilities	140,188,832	281,452,068	23,893,829	2,858,433	448,393,162
Net currencies risks	26,152,781	14,669,988	(226,450)	152,467	40,748,786

Interest Rate Risk:

Interest sensitivity of assets, liabilities and off balance sheet items

The Bank is exposed to various risk associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching the pricing of assets and liabilities through risk management strategies regularly reviewed by the Alco Committee.

The Bank has no off-balance sheet instruments subject to interest rate risk exposure.

The effective interest rate (effective yield) of a monetary financial instruments is the rate that, when used in a present value calculation, results in carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

Allocation of assets and liabilities in Lebanese Pounds as of December 31, 2005 by maturity and split between floating and fixed interest rates:

	Floating Interest Rate					Fixed Interest Rate					Grand Total	
	Non-Interest Earning	Up to One Year	1-3 Years	3-5 Years	Over 5 Years	Total	Up to One Year	1-3 Years	3-5 Years	Over 5 Years		Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets												
Non interest earning compulsory reserves and obligatory placements	16,123,131	-	-	-	-	-	-	-	-	-	-	16,123,131
Cash and deposits with banks	1,661,130	38,533	-	-	-	38,533	-	-	-	-	-	1,699,663
Interest earning deposits with banks	-	6,100,000	-	-	-	6,100,000	3,155	-	-	-	3,155	6,103,155
Securities	1,131,313	-	-	-	-	-	18,073,144	60,374,198	19,249,745	-	97,697,087	98,828,400
Loans and advances	-	1,206,276	1,348,738	1,028,716	2,366,559	5,950,289	-	-	-	-	-	5,950,289
Regularization accounts and other debit balances	5,027,642	-	-	-	-	-	-	-	-	-	-	5,027,642
Assets acquired in settlement of debts	(797,105)	-	-	-	-	-	-	-	-	-	-	(797,105)
Property and equipment (net of accumulated depreciation)	19,063,612	-	-	-	-	-	-	-	-	-	-	19,063,612
Total assets	42,209,723	7,344,809	1,348,738	1,028,716	2,366,559	12,088,822	18,076,299	60,374,198	19,249,745	-	97,700,242	151,998,787
Liabilities												
Banks and financial instruments												
Demand deposits	30,900	-	-	-	-	-	-	-	-	-	-	30,900
Customers' deposits and credit balances	4,035,429	119,206,921	-	-	-	119,206,921	-	-	-	-	-	123,242,350
Accounts payable and miscellaneous creditors	417,265	385,773	-	-	-	385,773	-	-	-	-	-	803,038
Regularization accounts and other credit balances	1,603,883	-	-	-	-	-	-	-	-	-	-	1,603,883
Provisions for losses and contingencies	958,611	-	-	-	-	-	-	-	-	-	-	958,611
Total liabilities	7,046,088	119,592,694	-	-	-	119,592,694	-	-	-	-	-	126,638,782
Interest sensitivity	35,163,635	(112,247,885)	1,348,738	1,028,716	2,366,559	(107,503,872)	18,076,299	60,374,198	19,249,745	-	97,700,242	25,360,005

Notes to the Consolidated Financial Statements

Allocation of assets and liabilities in Lebanese Pounds as of December 31, 2004 by maturity and split between floating and fixed interest rates:

	Floating Interest Rate					Fixed Interest Rate					Grand Total	
	Non-Interest Earning	Up to One Year	1-3 Years	3-5 Years	Over 5 Years	Total	Up to One Year	1-3 Years	3-5 Years	Over 5 Years		Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets												
Cash and deposits with banks	3,314,604	6,591,974	-	-	-	6,591,974	-	-	-	-	-	9,906,578
Interest earning deposits with banks	-	43,738,866	28,944,000	753,750	-	73,436,616	2,756,391	-	-	-	2,756,391	76,193,007
Securities	220,256	-	-	-	-	-	30,318,269	9,806,036	19,718,466	44,157,077	103,993,848	104,220,104
Loans and advances	-	144,840,303	1,235,586	445,243	179,028	146,700,160	-	-	-	-	-	146,700,160
Customers' acceptances liability	640,392	-	-	-	-	-	-	-	-	-	-	640,392
Regularization accounts and other debit balances	2,919,953	-	-	-	-	-	-	-	-	-	-	2,919,953
Assets acquired in settlement of debts	5,200,628	-	-	-	-	-	-	-	-	-	-	5,200,628
Property and equipment (net of accumulated depreciation)	948,012	-	-	-	-	-	-	-	-	-	-	948,012
Total assets	13,243,845	195,171,143	30,179,586	1,198,993	179,028	226,728,750	33,074,660	9,806,036	19,718,466	44,157,077	106,756,239	346,728,834
Liabilities												
Customers' deposits and credit balances	16,588,570	300,331,545	-	-	-	300,331,545	-	-	-	-	-	316,920,115
Accounts payable and miscellaneous creditors	1,307,829	803,462	-	-	-	803,462	-	-	-	-	-	2,111,291
Engagement by acceptance	640,392	-	-	-	-	-	-	-	-	-	-	640,392
Regularization accounts and other credit balances	1,403,408	-	-	-	-	-	-	-	-	-	-	1,403,408
Shareholders' transitory accounts	3,000,000	-	-	-	-	-	-	-	-	-	-	3,000,000
Total liabilities	22,940,199	301,135,007	-	-	-	301,135,007	-	-	-	-	-	324,075,206
Interest sensitivity	(9,696,354)	(105,963,864)	30,179,586	1,198,993	179,028	(74,406,257)	33,074,660	9,806,036	19,718,466	44,157,077	106,756,239	22,653,628

LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity approach, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained.

OPERATIONAL RISK

Operational risk is the risk that might cause losses to the Bank resulting from deficiency of computer processing from deficiencies and lack of procedures, and inappropriate behavior of employees. The Bank manages this risk through regular training and seminars to employees and through putting in place procedures for proper internal control and segregating of duties.

28. RELATED PARTY TRANSACTIONS

Credit facilities granted and utilized by the member of Board of Directors or companies in which those members are either chairman or board members are shown under related party loans and advances and customers' deposits.

The Bank rented from "El-Bustan Hotel S.A.L." a plot up to June 1, 2006 against an annual fee of LBP2million.

The Bank rented from "Société Immobilière pour le Construction S.A.L. (SIPC)" a plot against an annual fee of LBP111million for the period from June 1, 2006 till December 31, 2006, in addition to a 10% valued added tax and another plot against an annual fee of USD175,600 including VAT for the period starting May 16, 2006 up till May 15, 2007.

The Bank signed a maintenance contract with "El-Bustan Maintenance S.A.R.L." against an annual commission between 5% and 15% of total value of the work performed.

The Bank renewed the contract with United Consulting Group for 2006, to provide consulting services related to the computerization of all Bank operations and specifically to act as an intermediary between the bank and the service providers. During 2005, no settlements have been made in connection with this contract.

The Bank has also signed a consulting contract with "Finserver Limited" for financial services. Total consulting fees during 2005 amounted to LBP452million.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements of the Bank and its subsidiary for the year ended December 31, 2005 in its meeting held on June 13, 2006.