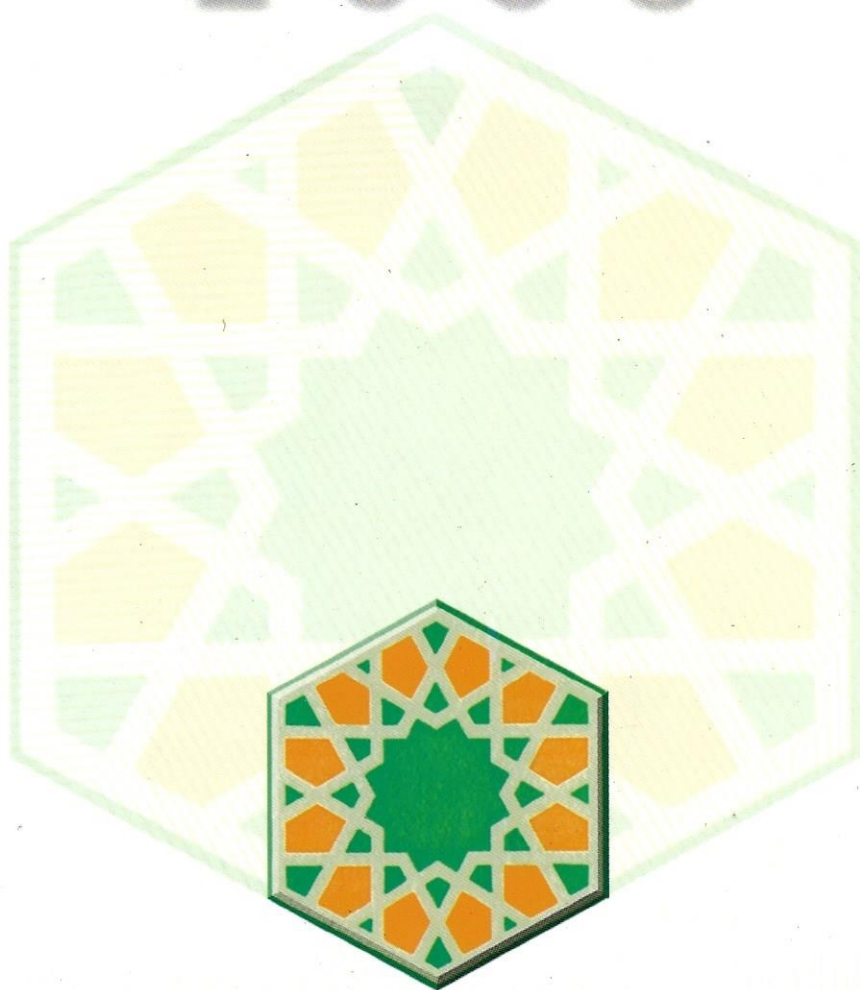




**BANK OF COMMERCE
& DEVELOPMENT**

NINTH ANNUAL REPORT

2 0 0 5





BANK OF COMMERCE & DEVELOPMENT

A JOINT STOCK LIBYAN COMPANY

NINTH ANNUAL REPORT

2 0 0 5

PREPARE BY COMMITTEE MEMBERS

MR. FATHI JUMA BUSNAINA

MR. ABDELFAHATTAH A. ALFAGIH

MR. SALEM M. ELBARRANI

TRANSLATED BY

ABDULGADER R. ETTAIB





BANK OF COMMERCE & DEVELOPMENT

A JOINT STOCK LIBYAN COMPANY

The Bank of Commerce and Development was established in accordance with Statute number (1) /1993 and its amendments concerning banks, money and credit as follows:

- 1- The Secretary of the General People's Committee for Planning and Finance Decree number (234)/1993.
 - 2- The Secretary of the General Committee for Planning, Economy and Trade Decree number (529)/1994.
 - 3- Commercial Registration number (9515) dated 9/11/1995.
- The Bank opened officially for business on 9/6/1996.
- Member of the Union of Arab Banks as of 1/5/1996.
- Member of the Society of Libyan Banks as of 10/8/1996.
- Member of the Union of Magreb Banks as of 30/5/1998.

Capital

(28,154,420.000 LYD)

Twenty eight millions one hundred fifty four thousand and four handed and Twenty Libyan Dinars.

Stockholders

Natural persons (2342).

Public and Private Corporations and Organizations (36).

I N D E X

BANK ADDRESSES	04
The Board of Directors	06
The Executive Management	07
Branches and Agencies	07
The Speech of Chairman & General Manager	09
The Bank of Commerce and Development's Vision	12
The Board of Directors Report	13
The Balance Sheet	30
The Income Statement	31
Adopted Accounting Policies	32
Notes on the Financial Statements	34
A Listing of the Net Profits of the Head Office, Branches and Agencies	40
Income, Jihad and Stamp Taxes Accrued On Gross Profits after Deducting All	
Expenses on 31/12/2005	41

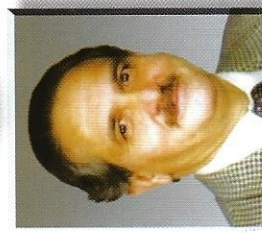
BOARD OF DIRECTORS



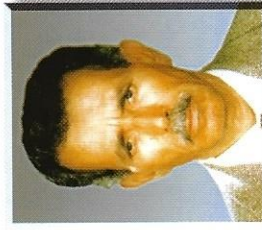
Mr. Jamal T. Abdelmalek
Chairman of the Board & GM



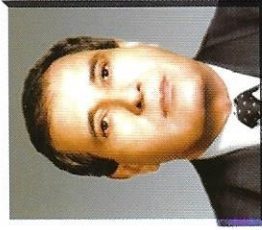
Mr. Fathi Juma Busnaina
Vice Chairman & Deputy General Manager



Eng. MUBARAK ABDULLAH EL SHERIF
Member



Dr. MOHAMED RAMADAN BUZAKUK
Member



Eng. MOHAMMAD MOHAMMAD HUWADI
Member



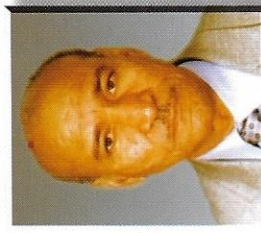
MR. HASSAN OMRAN HAROUN
Member



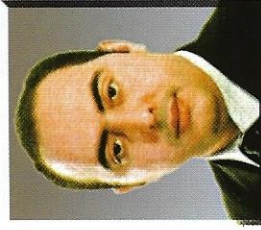
MR. FADAL ALLAH FARAJ FANOOSH
Member



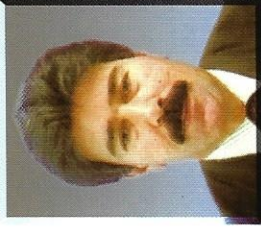
MR. OMAR FARAJ AL LAHIEWEL
Secretary to the Board



MR. HASSAN ABDELATI ALBARGATHI
Chairman



MR. SULAIMAN SALEM ASHOHOMI
Member



MR. RAMADAN YOUNES KWAIRI
Member

Control Committee

EXECUTIVE MANAGEMENT

- | | |
|----------------------------------|---|
| 1- MR. JAMAL T. ABDULMALEK | Chairman of the Board & GM |
| 2- MR. FATHI JUMA BUSNAINA | Deputy Chairman of Board and GM |
| 3- MR. ABDELFAATTAH AHMAD ALFAGI | Assistant GM & Accounts Manager |
| 4- MR. IBRAHIM MUSTAFA ARRAIS | Credit Department Manager |
| 5- MR. SALEM MOUSA ALBARRANI | Operations Department Acting Manager |
| 6- MR. ALI MOHAMMAD JUOUDA | Administration and personnel manager |
| 7- MR. BASHIR HASSAN ALHOUDI | Systems and Electronic Services Deputy Manger |
| 8- MR. JASIR MANSOUR ASSANOUSI | Audit and Inspection Department Assistant Manager |
| 9- MR. ALI RAJAB ARRUTOB | General Affairs Section Head |

BRANCHES AND AGENCIES

- | | |
|-------------------------------------|------------------------------------|
| 1- Mr. Ashour Ali Alwarfalli | Benghazi Main Branch Manager |
| 2- Mr. Abdurraof Moh'd Okhai | Tripoli Main Branch Manager |
| 3- Mr. Yosef Abdalla Albakoush | Misurata Main Branch Manager |
| 4- Mr. Mohsen Ashour Zogogo | Tobruk Main Branch Manager |
| 5- Mr. Said Ahmad Zahmoul | Azzawia Main Branch Manager |
| 6- Mr. Abdussalam Mansour Azzawi | Alforosia Agency A/Head |
| 7- Mr. Fawzi Mohamed Burzaiza | Addawa Agency A/Head |
| 8- Mr. Jamal Musbah Nashad | Alhadiag Agency A/Head |
| 9- Mr. Ahmed Mohamed Azzraidi | Albirka Agency A/Head |
| 10- Mr. Salah Salem Algomati | Benina Int. A/P Supervisor |
| 11- Mr. Ali Khalifa Arruhaibi | Dat Elimad Agency A/Head |
| 12- Mr. Mahmoud Mustafa Algajiji | Gout Ashaal Agency A/Head |
| 13- Mr. Hassan Assadig Attoumi | Markaz Africa Agency A/Head |
| 14- Mr. Ahmad Masoud Alhamdy | Gargarish Agency A/Head |
| 15- Mr. Attahir Alhadi Ahamouri | Burj Alfateh Agency A/Head |
| 16- Mr. Ahmad Mahmoud Alawami | Musaad Border Agency A/Head |
| 17- Mr. Osama Ahmad Shabash | Tripoli Int. A/P Agency Supervisor |
| 18- Mr. Abdulhamid Busbu Albargathi | Giulo Agency A/Head |
| 19- Mr. Mahmoud Bin Gharat | Fonduk Alkahir Agency A/Head |
| 20- Mr. Aisha Mohamed Attajori | Child Agency/Benghai A/Head |
| 21- Mr. Ali Mohamed Attarhouini | Child Agency/Tripoli A/Head |
| 22- Mr. Muftah Ali Azzian | Zuara Agency A/Head |
| 23- Mr. Muazib Assadi Muazib | Agetabia Agency A/Head |

CARD-EX 2005

Conference Program
11-12 April
Cairo.Egypt

3rd Middle East & Africa Card Technology Conference

المؤتمر الثالث لتقنية البطاقات على مستوى الشرق الأوسط وأفريقيا

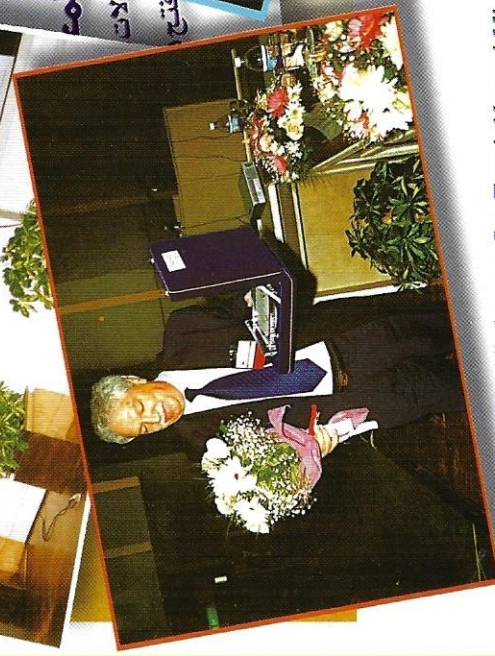
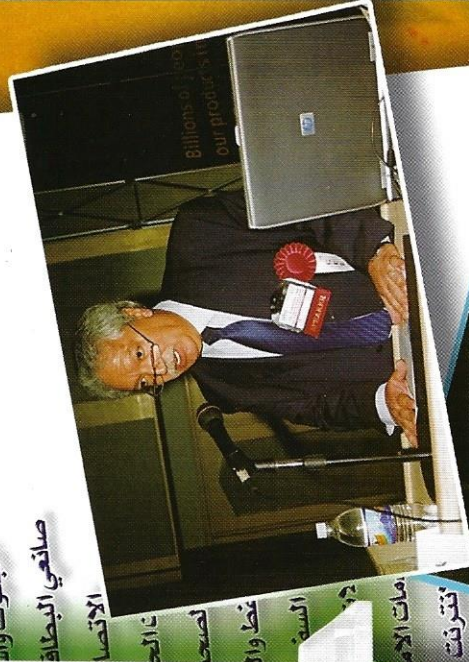
عنا

يجمع ويعرض البطاقة الذكية والحالية



جائزة إحتراف
مقدمة إلى
مصرف التجارة والتنمية
للإجازات الرائعة في انتشار وتوسيع تقنية بطاقة الرقاقة
في وسائل الدفع الإلكترونية

البنوك وأه



Honoring Party

In Attendance Of

His Highness Dr. Tarek Kamal Ministry Of Communications And Information Technology
And His Highness Dr. Ahmed Darwish Minister Of State For Administrative Development

08

Address by the Chairman of the Board
of Directors & the General Manager
to the Ninth Ordinary Shareholders Meeting on 08/02/2006

Ladies and Gentlemen,

Shareholders of the Bank of Commerce and Development

I have the pleasure and honor to welcome you in your ordinary Shareholders Meeting and I appreciate your support and care for your bank ever since its establishment in 1995 up to now.

Your esteemed shareholders meeting is a legal procedure required by the applicable laws for the approval of the agenda proposed by your board of directors. Nevertheless, it is an opportunity to enjoy your meeting and exchange views and to formulate decisions and to reap together the fruits of a whole year of hard work and labor for the development and progress of our bank and to realize the target for its interest.

We thank Allah for enabling us to achieve several contemporary and new bank services which have been introduced for the first time to the Libyan banking system through your bank such as the electronic payment cards of all their types- VISA GOLD, VISA ELECTRON as well as Pre-Paid Cards like pilgrimage (Hajj) and minor pilgrimage (Omra) cards, travel cards, and marketing cards through internet. All the above have been realized by the membership of your bank in VISA International Institution; our bank is the first Libyan bank to be a main member in this institution and it is still the only Libyan bank in it. Your bank introduced our beloved Libya to the international level by the issuance of CHIP CARDS and thus the cards of your bank have been accepted throughout the whole world even on board of international airplanes.

During this year, Contracts have been made with several service producing accesses as well as fixing Point of sales machines at several hotels, restaurants and at commercial stores and at all our branches and agencies through which the cards issued by Visa International Institution carried by it members in various world countries are accepted as well as the acceptance the local KENZE cards in Libyan Dinar issued by your bank.

Several Automatic Teller Machines (ATM) have been installed during this year which operate 24 hours a day, 7 days a week and throughout the days of the year so as to enable the customers of the bank to obtain cash withdrawal by VISA or KENZE cards; this also an achievement which has not been preceded by any other bank (in Libya).

The bank has achieved new banking services which were not known in the Libyan banking market and has become the first bank which renders these services and with agreement with Madar and Libyana companies it offered the banking services of mobile phone and the electronic banking services whereby a code was given and SMS was sent to receive banking services, to be aware of the balance, to be aware of the last three depositing movements and three withdrawing movements, to inquire about the foreign currency rate, to order for balance sheet to be sent by fax. These services are available around the clock and 7 days a week.

09

The bank has achieved new banking services which were not known this year, your bank has become the first official agent for the American Western Union company which is specialized in swift transfer within a few minutes to reply from 220000 agent site in more than 196 countries in the world.

The bank was able to agree with the General Company for Post and Communications upon laying ground cables to connect the communications network to the bank through Fiber Optic Cables so as to be as an alternative to satellites and to enable the bank to directly link all its branches in Benghazi, Tripoli and Misurata ; all the bank's branches and agencies shall be linked during this year.

The efforts exerted in all the bank works, in rendering all modern banking services and in opening several banking units have yielded profitable revenues and realizing net profits after deduction of all expenses and burdens and before calculating the taxes have yielded the sum of (15,598,186,791 LYD) a rate of increase of (35%) compared to last year 2004.

All the balance items and the income statement have witnessed positive growth where the capital income before tax reached (55%) and the income of one share after tax reached (3,100 LYD) .

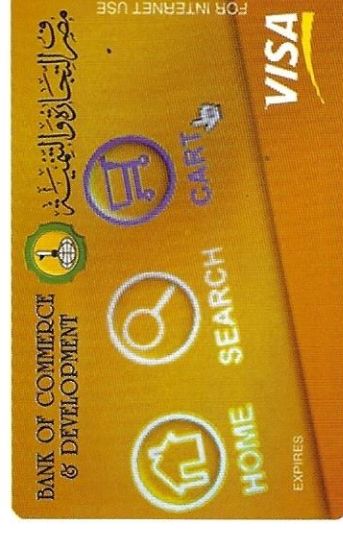
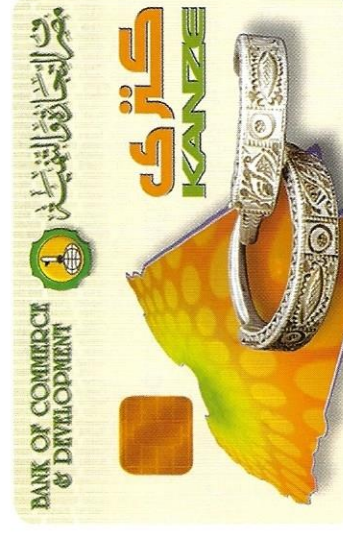
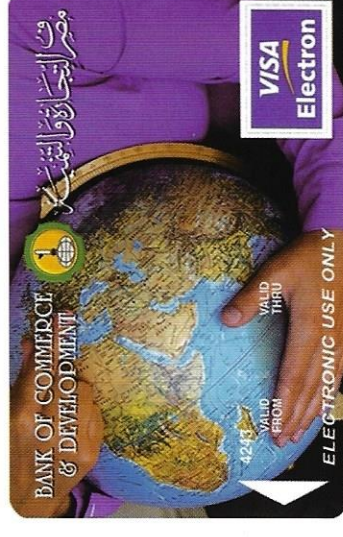
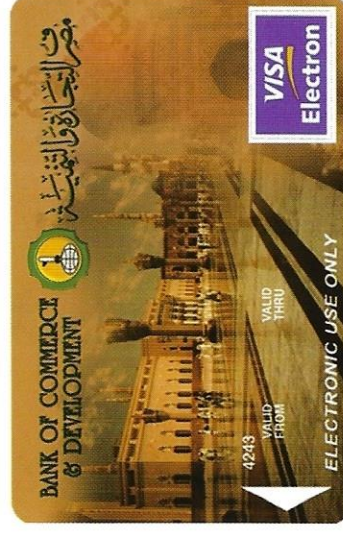
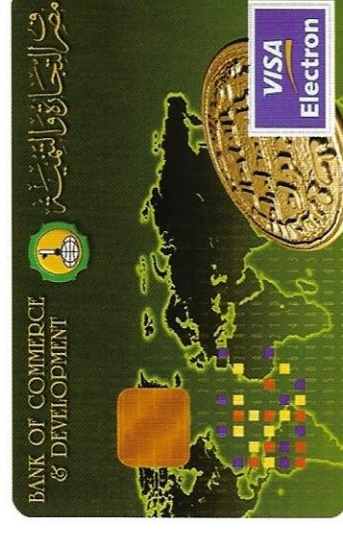
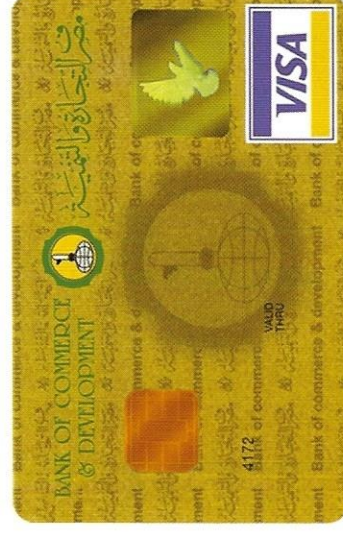
Your bank has never been a burden upon the public treasury since its establishment nevertheless it has always supported it ; the amount of (36,640,150,237 LYD) has been paid and allocated to the Tax Department since 1997 up to now representing Corporate, Jihad and Stamp taxes.

In conclusion, I would like to extend my gratitude and appreciation to our shareholders whose support and encouragement for their administration had the best effect for these successes . My thanks go also to our esteemed customers who chose to use our services. I highly treasure the family made up by our employees for the hard work and effort that they have exerted.

May Allah's peace, mercy and blessings be with you.

Gamal T. Abdelmalek

Chairman of the Board, The General Manager



The Bank of Commerce and Development's Vision

◆ Our Vision :

- The Bank of Commerce and Development aspires to be the bank favored by everyone.

◆ Our Mission :

- To provide the best, highest quality and fastest modern banking services. And to introduce the most advanced technologies and methods in the banking industry.
- And to satisfy our customers by providing diversified products and services to meet their varied purposes, needs and activities.

◆ Our Objectives :

- To meet our customer's expectations and gain their satisfaction.
- To increase the Bank's business and multiply our financial indicators.
- To increase profits and reduce costs to increase Stockholders' equity and strengthen the Bank financial position.
- To build a sound banking institution focusing on asset quality.
- To recruit, train, motivate and reward talented leading banking personnel by providing local and foreign training programs and incentives for the distinguished among them.
- To install the single family spirit in all the branches and agencies under the leadership of the Bank's top management.

THE BOARD OF DIRECTORS' 9th ANNUAL REPORT

ON THE BANK'S ACTIVITIES AND FINANCIAL POSITION ON 31/12/2005

Ladies and Gentlemen: Esteemed Shareholders, The Bank of Commerce and Development

The Board of Directors is pleased to present to you the Ninth Annual Report on the Bank's activities and results realized during the year ended on 31/12/2005. This year is considered a record year for our Bank in which it attained distinguished and spectacular results as well as significant growth.

This year witnessed more development in the Bank's business and expansion of services and the introduction of new banking products for the first time all over the Jamahyria such as **mobile banking, electronic banking** and fast transfer services through the International **Western Union** Company. Additionally there was an increase in the issue of **Visa Cards** for example; **the Hajj and Omra, Internet Shopping and Tourism cards**. At the same time the launching of the national **Kanze card** in Libyan Dinars and the distribution of the Automatic Teller Machines in locations in the Bank Branches and Agencies as well as other locations such as hotels, airports and Points of Sale in many hotels, airports, shops, supermarkets and restaurants.

The Bank -during this year- contributed in the stimulation of the economy in addition to the finance area through issue of local and foreign letters of guarantee, opening documentary credits, executing transfers and granting credit, your esteemed Meeting will notice the rise in the Bank's business in all the activities it performs.

The expended efforts in all the Bank's business have paid back in realizing pre-tax profits of (15,598,186.791 LYD) during the year ended 31/12/2005, an increase of (4,063,565.082 LYD) over the year ended 31/12/2004 which amounted to (11,534,621.709 LYD) a rate of increase of (35 %). On the other hand, net profits (after tax) available for appropriation amounted to (8,961,969.475 LYD), an increase of (1,773,196.409 LYD) a rate of increase of (25 %) compared to the profits of 2004, which amounted to (7,188,772.066 LYD).

The financial results realized by the Bank during the financial year 2005 are considered above standard as all the balance sheet items indicated a positive growth in the form of rising revenues and assets. The Return On Capital Employed (ROCE) before tax was (55 %) and after tax was (24 %). The Earnings Per Share (EPS) before tax were (5.550 LYD) and after tax were (3.100 LYD). The capital and per share returns on investment are considered larger than their international equivalents.

The taxes on the total income amounted to (6,636,218.316 LYD) representing (42.5 %) of the total profits during the year ended 31/1/2005, whereas the taxes for the year ended 31/12/2004 amounted to (4,345,849.649 LYD) a rate of (37 %) of the total profits for that year.

Referring to the total amount of paid to the Tax Department during the period 1997 until the financial year ended 31/12/2005 it amounted to (36,640,150.237 LYD). The Bank Directors hope that by this mention of the taxes paid on the Bank's revenues to have the Tax Laws revised in order to encourage local investment in line with policies followed by neighboring countries, which have reduced their taxes down to (20 %) to vitalize local economic activity and encourage it, especially that the exemption from all taxes to foreign investment under Law Number (5) Dealing with Encouraging Investments.

In this vein, as we present the numbers and data of this report, it should not escape us to point to the contributions of the Bank in the economic, cultural, and community social activities. The Bank effectively participated in providing differentiated banking and Automatic Teller services during the African Summit, which was held in the city of Sirte. The Bank also sponsored the thirty-fifth anniversary of Nationalizing the Banking and Insurance Sector, held on 25/12/2005 and participation in the awarding ceremony of (20) employees of the commercial banks, four of whom were from the Bank of Commerce and Development. The ceremony featured the award to the Chairman of the Board of Directors/the General Manager a certificate of recognition as the First Banker for the year 2005.

The Bank's Management continued the scheme of both monetary and non-monetary incentives approach and recognition of hardworking employees.

The persistent hard work and resolve of the Bank's Management and its incessant labors in area of 'Marketing Banking Services', the introduction of modern technology, the continuous development of human resources, utilization and investment of funds and facilitating the provision of services to its customers in the manner that benefits the Bank, had a positive return on the Bank's performance and the remarkable rise of its ratios during the year emphasizing the good reputation and the high performance which distinguishes our Bank and is confirmed by the numbers and indicators as shown in the following:

First: Assets and Liabilities

1- The Bank's total assets increase for the year ended 31/12/2005 amounted to (907,073,263.816 LYD) up by (315,079,675.773 LYD) over the year ended on 31/12/2004, which amounted to (591,993,588.043 LYD) a rate of increase of (53.2 %).

2- Deposit Liabilities increased to (808,184,536.643 LYD) which is more than the deposit liabilities for the year 2004 by (257,393,944.106 LYD), a rate of increase of (47 %) compared to the year 2004, which were (550,790,592.537 LYD). The Management marketing efforts and the level attained by the Bank in the advancement and quality of its services had their effect on the increase of the Bank's Deposit Liabilities.

3- Time Deposits at the year ended on 31/12/2005 amounted to (38,500,000.000 LYD), an increase of (5,400,000.000 LYD) over the year ended 31/12/2004, which amounted to (33,100,000.000), a rate of increase of (6.1 %).

However, with view to providing distinguished banking services and good performance by the Bank and despite the instructions issued by the General People's Committee for Finance to restrict opening the accounts of the entities and sectors financed by the Public Treasury to the Central Bank of Libya and the Five Commercial Banks; consequently these organizations were restricted in transacting their deposit liabilities to the mentioned banks, and our Bank's business was limited to the private sector. Nonetheless, transacting and opening current accounts with our Bank has increased in our branches and agencies to benefit from the advanced services, which are provided by the network connecting these branches and agencies. As we present in our report this increase in the number of current accounts which amounted to (59 %) compared to the year 2004 which was (49.2 %), we hope that the concerned authorities in the Secretariat for Finance would review these instructions concerning the opening of accounts to promote competition and encourage all the banks to seek development and improve performance.

Accounts	Number of Accounts		Rate of increase
	2004/12/31	2005/12/31	
Individuals	35574	58781	% 65
Partnerships	4483	5859	% 30
Companies	1691	1900	% 12
Foreign Companies	205	272	% 32
Total accounts :	41953	66812	% 59

On the other hand, savings deposits (savings accounts) amounted to (22,648,367.468 LYD) during the year, while during 2004 they amounted to (24,297,867.402 LYD).

Management adopted a wise policy in accepting and managing deposits in a manner that maintains and increases the Bank's revenues and benefits the shareholders.

Second: Credit Policy

The Bank Management continued its moderate credit policy by agreeing to grant credit facilities in various areas, especially those that have an impact on our national development and providing the different services to the citizens. The Bank Management in granting credit observed conducting thorough studies and the availability of securities when granting credit, thus avoiding the associated risks. The granted facilities and commercial loans amounted to (53,771,814.507 LYD) against (58,378,243.611 LYD) during the previous year.

During 2005 various credit facilities previously granted were paid up, similarly some installments of the loan granted to the National Oil Corporation were paid up. The credit facilities granted during 2005 represented (6 %) of the deposit liabilities, which is considered a very small ratio compared with the international credit facility grants which vary between 60 to 70 % of the total deposit liabilities. In other words, we should have granted credit facilities amounting to (450 million LYD). The low rate determined by the instructions of the Central Bank of Libya at (15 %) of the capital and reserves to grant credit facilities is considered insufficient to encourage investment, which compels us in the Bank Management to request raising this rate to (40 %) to enable the Bank to employ the funds in worthwhile investments. The low credits granted by the Bank are also attributable to barring our Bank from contribution in the intermediate and long term loans contracted by the commercial banks under the auspices of the Central Bank of Libya with corporations and companies such as the National Oil Corporation and others. Added to this, is the compulsory rate determined by the instructions of the Central Bank of Libya at (25 %) for the cash cover of documentary credits and letters of guarantee and prohibiting granting cash credit facilities for the purposes of opening documentary credits, opening local letters of guarantee or credit facilities to foreign companies undertaking projects inside the Jamahyria except against an external letter of guarantee covering a rate of (125 %) of the value of the requested facility.

The Board of Directors hopes a review of the policies pertaining to credit in order to enable our Bank and others to gainfully employ the resources for the benefit of the shareholders and the society at large.

The credit facilities and commercial loans granted by the Bank are in their majority secured by good guarantees, whether mortgages, foreign currency accounts, gold jewelry, insurance policies or relinquishment of contract payments. Non-performing debts do not exceed (2,326,805.069 LYD) a ratio of (4 %) of the total credit facilities and commercial loans, which amount to (53,771,814.507 LYD). The following is a classification of debts.

Item	Regular debts	Irregular debts	Non-performing
Amount	48,570,234.100	2,874,775.338	2,326,805.069

In the area of debt collection, management continuously follows them up for collection through the Legal Office and the Bank's Lawyer. Some of them have been taken to litigation, where judgments were obtained in some cases while others are still pending in front of the courts, which take considerable time in their procedures going through the different levels of litigation and lengthy and complex procedures when executing sentences against the debtors. Whereas, the Law Number (152) 1970 concerning Administrative Distraint of private funds gave several establishments including the five commercial banks the right to direct action on the funds of debtors without need for recourse to the courts. This prompts us to request amendment of this Law to extend the right to take distraint action to other commercial banks including ours.

In order for The Bank Management to avoid the non-performance of these debts, it set aside profits from some of these debts, where these profits amounted to (4,964,569.230 LYD) in the year ended 31/12/2005. The doubtful debts reserve was increased during the financial year ended 31/12/2005 by (650,000.000 LYD) so the provision reached (3,350,000.000 LYD) subject to tax by law, which compels us to form the reserve after subjecting the gross income to the taxes, contrary to international practice which allows allocating the reserve before tax deduction calculation.

Third: Banking Operations

Foreign operations have increased in such a manner that augments the Banks standing and strength among the local and international banks through the volume of its operations and its ability to cover its commitments. During the year 2005 it realized a large growth in foreign operations, which had an effect on the increase of the Bank's revenue. Our Bank, immediately upon the lifting of the unjust sanctions took the initiative to open the doors to transact with American Banks and exchange banking relations and open accounts with the BANK OF NEW YORK and A.B.C. NEW YORK to the Bank customers to in conducting their banking transactions and consequently increasing customer confidence in the differentiated performance shown by the banking operations figures as follows:

1- Documentary Credits

- The volume of documentary credits for imports and exports during this year has arisen due to the Bank's rapid responsiveness to customers' requests and the accurate execution of these requests through the SWIFT system in the shortest period of time. The value of opened imports documentary credits during the year amounted to (282,114,028.213 LYD) in comparison to the value for import credits for the previous year, which amounted to (158,330,425.792 LYD) an increase of (123,783,602.421 LYD) and a ratio of increase of (78.2 %).

- The export documentary credits during the year 2005 amounted to (6,981,041.000 LYD) in comparison to export credits for the previous year of (312,406.000 LYD) an increase of (6,668,653.000 LYD) and a ratio of increase of (2134 %).

The following is an illustration of the total documentary credits and value break down of the currencies of transaction and the Libyan Dinar equivalents:

Total documentary credits opened during 2005

Number of credits	Value in foreign currency		Equivalent in LYD
370	US \$	127,937,831.64	172,716,072.714
335	€	61,735,554.60	98,776,887.360
11	£	4,393,943.46	10,237,655.026
4	Tun D	271,970.93	266,531.150
2	SF	114,031.28	116,882.062
722	Total		282,114,028.213

Export documentary credits during the year 2005

Number of credits	Value		Total
16	LYD		6,981,041.000

2- Foreign bills for collection

The foreign bills for collection for the year ended 31/12/2005 amounted to (88,556,672.792 LYD) while for the year ended 31/12/2004 they amounted to (42,806,412.449 LYD), a rate of increase of (106 %). Following is an illustration of the numbers of the foreign bills for collection and their values in accordance to their currencies and Libyan equivalents:

Bills for collection \$ US 2005

Number of bills	Total	Equivalent in LYD
253	38,623,961.77	52,142,348.389

Bills for collection € 2005

Number of bills	Total	Equivalent in LYD
249	22,675,001.72	36,280,002.752

Bills for collection Tunisian Dinar 2005

Number of bills	Total	Equivalent in LYD
1	137,062.91	134,321.651

3- Letters of guarantee

The issued letters of guarantee amounted on 31/12/2005 to (76,688,893.103 LYD), whereas, the previous year they amounted to (24,080,441.505 LYD), an increase of (52,608,451.598 LYD) a rate of increase of (219.1 %).

4- Inward and outward foreign transfers

Because of the distinguished services provided by the Bank and its good reputation inside and outside the Jamahyria, foreign companies increased their business with the Bank, opened current accounts in our branches and agencies and supplemented these accounts with foreign currency transfers from their accounts abroad. The bank cashes in these transfers in LYD through the Central Bank of Libya and obtains the equivalent of these transfers in \$ US and € bank notes after the Central Bank of Libya averages the LYD buying and selling rates. The Central Bank of Libya also mandated that only four outlets of our Bank may sell these currencies; Tripoli Main Branch, Tripoli International Airport Agency, Benghazi Main Branch and Benina International Air Port Agency, thus denying our remaining branches and agencies their right to sell foreign currencies. And although these currencies are not made available to us in parity with the remaining operating banks, but are obtained through the inward transfers to our customer foreign companies, whereas, some of them have been held as time deposits with our foreign correspondents abroad. The inward foreign transfers at the end of the year amounted to (298,961,671.941 LYD), the previous year they amounted to (144,820,443.159 LYD), an increase of (154,141,228.782 LYD), a rate of increase of (106 %).

Total inward foreign transfers during 2005

Equivalent in LYD	Value in foreign currency	Number of transfers
1509	€ 85,091,711.73	136,146,786.768
1199	US \$ 116,685,386.81	157,525,272.183
177	£ 2,148,298.52	5,027,018.536
38	SF 212,124.55	218,488.286
7	CAN \$ 38,353.19	44,106.168
2930	Total	298,961,671.941

The outward foreign transfers at the end of the year amounted to (191,669,172.137 LYD), whereas in the previous year they amounted to (87,800,510.534 LYD), an increase of (103,868,661.603 LYD), a rate of increase of (118 %).

Total outward foreign transfers during 2005

Equivalent in LYD	Value in foreign currency	Number of transfers
2261	€ 59,430,448.83	95,088,718.128
3362	US \$ 68,251,475.23	92,139,491.560
481	£ 1,850,684.07	4,330,600.723
17	SF 73,143.00	75,337.024
3	Tun D 5,500.00	5,445.000
4	CAN \$ 25,721.48	29,579.702
6128	Total	191,669,172.137

5- Western Union Network Transfers

The bank, after approval by the Central Bank of Libya and agreement with Western Union Company as of 16/11/2005 commenced transfers through the Western Union Network conveniently and easily and in minutes to any place in the world with an upper limit of (1000 \$ US) in compliance with controls and instructions of the Central Bank of Libya. The first transfer took place on 17/11/2005, and during this short period of time (1112) transfers were conducted, of which (858) were outward transfers and (254) inward, with a total amount of (89,052.660 LYD).

Type of transfer	Number	Equivalent in LYD
Outward transfers	858	663,956.700
Inward transfers	254	235,095.960
Total :	1112	899,052.660

6- Foreign currency sales

The Central Bank of Libya continued its ban on our Bank from purchases of foreign currency banknotes against LYD since the month of August 2002, a period of over 40 months. It however, allowed us to purchase foreign currencies in \$ US and Euros against the inward foreign transfers for our branches and agency's customers, which would be cashed into LYD. Nonetheless, it imposed upon us averaging the Libyan Dinar in the selling and buying prices of foreign currencies. Our Bank is forced to deposit the foreign currency amounts through our correspondent bank abroad or through the Arab Libyan Foreign Bank, amounts which represent our customers' transfers in accounts with the Central Bank of Libya. It then buys the foreign currency at the buying price and enters the equivalents in LYD in our accounts with it. It then sells us the foreign currency against the selling price. This means that our Bank bears the difference between the buying and selling prices. Furthermore the Central Bank of Libya imposed upon us that these currencies can only be sold through four of our Bank outlets, namely: Tripoli Main Branch, Tripoli International Airport Agency, Benghazi Main Branch and Benina International Airport Agency despite the fact that our Bank has (24) branches and agencies. The Central Bank of Libya also denies us the opportunity to buy foreign currencies in LYD in parity with the other commercial banks, the domestic banks and the Exchange Company, this resulted in reducing our revenues during the mentioned period by an amount exceeding (17 million LYD), thus denying our shareholders dividends that would have been paid out to them not to mention denying the National Treasury of (45 %) of that amount in payments of income, jihad and stamp taxes.

Despite all the difficulties and obstacles facing the Bank in the area of selling currencies, the sales of foreign currencies in our branches and agencies amounted to the following:

- Sales of (33,655,587.00 \$ US), of which (32,500.00 \$ US) represent transfer amounts to our Bank from abroad cashed and the equivalent obtained from the Central Bank of Libya, the remainder represents purchases of foreign currencies from customers.
- Sales of (8,000,000.00 €), which represent draughts to our Bank from abroad cashed and the equivalent obtained from the Central Bank of Libya, the remainder represents purchases of foreign currencies from customers.
- Sales of (252060 £) and (77010 SF) which represent the total of purchases directly from customers.
- Sales of Travelers Cheques (1,050,600.00 \$ US) and (425,550.00 €).

7- Local inward and outward transfers

Introduction of the latest technology into the Bank operations, such as the electronic network between the branches and agencies enabled it to attract numerous customers who desired fast and easy transactions. Through the use of the network, rising local transfer operations were realized to reach a number of (28610) on 31/12/2005, they amounted to (465,971,206.500 LYD), and the previous year they amounted to (324,609,982.338 LYD).

The inward local transfers reached a number of (23393) on 31/12/2005, they amounted to (477,334,741.499 LYD), and the previous year they amounted to (489,624,939.215 LYD).

The total inward and outward local transfers on 31/12/2005 amounted to (943,305,947.999 LYD), against (814,234,831.553 LYD) on 31/12/2004, an increase of (129,071,116.446 LYD).

The following illustration indicates the movement of inward and outward transfers and their value during the year 2005:

Local inward and outward transfers

	2004/12/31	2005/12/31	Rate of increase
Numbers	39528	52003	
Value in LYD	814,234,831.553	943,305,947.999	% 16

Fourth: Capital

In its extraordinary shareholders meeting on 16/2/2005, the shareholders meeting resolved to increase the Bank capital from (20,000,000 LYD) twenty million to (50,000,000 LYD) fifty million Libyan Dinars, such that the rise in the capital will be paid in three years, with the addition of a premium of (10 LYD) per share for new shareholders. The underwriting and issue of the first rise in the capital was announced effective the date of the resolution Extraordinary Meeting. The fully paid shares on 31/12/2005 (2815442 shares) amounted to (28,154,420.000 LYD), so that the total paid up in the first rise was (8,154,420.000 LYD).

Fifth: New Bank Outlet

1- A Child Agency was opened in 'Alhadaik' district in the city of Benghazi on 1/2/2005. This agency was provided with equipment and instruments to suit its extraordinary customers from the child age group. The agency is provided with a child game room, a computer room, a library, a painting studio for children and a reception and transaction hall. Following up the deposit liabilities indicated that transacting with this agency is quite popular with children.

2- Zwara Agency was opened for business on 27/8/2005. The location of this agency in the city of Zwara is an outlet for our Bank on our western borders. The agency will provide our distinguished banking services to the public in that area and its surroundings. The agency is part of the Azzawia Main Branch and is housed in premises owned by the Bank.

3- A Child Agency was opened in Tripoli on 22/12/2005. This agency will provide services similar to its counter part in the city of Benghazi by serving to the all important age child group. It will train our children -tomorrow's adults- on dealing with banks and developing banking awareness to expand their vision and to make them competent in meeting their future huge responsibilities. The introduction of this unique and innovative experiment in the banking business in the city of Tripoli will provide opportunities for large numbers of this age group to benefit from the components of this agency in the banking, financial, educational and recreational areas.

4- Agedabia Agency was opened on 25/12/2005 as a part of the Benghazi Main Branch. It will provide its services to all the sectors of the community of the Agedabia populace. The Bank secured well situated premises in a main street of the city owned by the Libyan Red Crescent Society in Agedabia. The building was modified to suit the services provided by the Bank.

All these agencies were staffed, provided with equipment and instrumentation including the money transfer system through the International Western Union Network.

Work is underway to open some branches and agencies during the year 2006, they are; Almadar Company Agency/Tripoli, Souk Aljouma, Ain Zara, Benghazi Central Hospital, Alfaihat and Al Bieda Branch. We have also communicated with the Central Bank of Libya concerning opening branches and agencies for the Bank in the city of Zleten, Tajoura, Ras Lanuf, Brega, Gasr Hamad in Misurata, Almarj, Alwahda Alarabia Street in Benghazi, Maidan Asswaihly in Tripoli.

Sixth: New Buildings

Construction was started on the Head Office Building adjacent to the present premises in 2005 to accommodate the Head Office expansion. The work has progressed by about (60), while the main hall on the ground floor is under completion to be used in the early part of the year 2006 as an extension of the present premises of Albirka Agency. The remaining floors are planned for completion before the end of this year.

The Zwara Agency premises, situated in the main street of the city of Zwara was purchased and half of it was modified to house the agency, while the other half will be used for the future expansion of the agency.

The Bank Management always desires to attain the satisfaction of the Bank customers and its shareholders as well as the other different sectors by introducing the innovative and state of the art in the banking industry and caring for the Bank new and existing buildings in order to facilitate conducting business for those who frequent its branches and agencies in an easy, simple, comfortable and secure manner.

Seventh: Technology Developments in the Bank

The Bank continued its policy of innovation by adopting technology solutions and banking products to remain abreast of the latest banking technologies. It linked its branches and agencies in the city of Benghazi through a single network, and linked the Tripoli Main Branch with the Alkabir Agency, The Misurata Main Branch and Markaz Africa Agency in Misurata. The remaining branches and agencies are in the process of being linked to this network.

Agreement was reached with the Post and Telecommunications Company to provide land cables to connect the communications network by means of fiber optic cables to replace satellite communications. This will save large sums paid to foreign companies managing, operating and maintaining the equipment which link the Bank with the satellites.

The Bank, in its endeavor to introduce modern banking products it provides the following services:

- Mobile Phone Banking Services (Mobile Banking). -Electronic Banking Services (eBanking).

Mobile Phone Banking Services

The Bank of Commerce and Development is considered the first Libyan bank to provide the mobile banking service. It enables access through a PIN and using short messaging 'SMS' to connect to this distinguished service. This feature provides our customers with comfortable services while they can use several banking operations; saving them the need to physically visit the branch. Both enquiries about currency exchange rates and account balances and movements are available promptly.

This service was launched by Libyan engineers -not foreign companies- saving effort and time, as the customer can access the service from any location by his/her mobile phone, and with the security of the PIN assigned to the phone set the following can be conducted:

- * Open a current account/ savings account/foreign currency account.
- * Identify the PIN to enquire about the balances and other facilities.
- * Check the account balance.
- * Check the last three pages of the account movements.
- * Check the last three withdrawal movements.
- * Check the last three deposit movements.
- * Enquire about the transfer exchange rates (for all purposes).
- * Enquire about bank note currency prices.
- * Request a statement to be sent by fax.

These services are available 24 hours and seven days a week.

Electronic Banking Services

The Bank customers may obtain the e-banking services through the internet, some of these services are:

- * Open a bank account
- * Current account
- * Savings account
- * Apply for a credit card
- * Visa gold card
- * Kanze card
- * Apply for a cheque book
- * View the exchange rates against the LYD

Customers may have secure access through the (SSL 128 bit) technology to the web site which enable a Bank customer to:

- * Check the account balance
- * View a statement for the following periods:
 - One day - One week - Two weeks - Three weeks - One month
 - Two months - Three months

Eighth: Electronic Payment Methods

The Bank of Commerce and Development is considered the first Libyan bank to introduce the advanced banking technology solutions in addition to the package of advanced services which were completed throughout the previous years. It continued this approach by upgrading and expanding the network linking its branches and agencies and working on the development of its electronic services. It installed a number of automatic teller machines "ATM's" in the branches, agencies, some hotels and the University of Garyounis - School of Medicine. Work is underway to install more ATM's in many location and points of interest.

A number of (131) point of sale "POS" devices were placed in several hotels, shops, restaurants and gas stations. Work is underway to increase this number despite the communications obstacles that face some "POS's" in shops, restaurants and other locations.

The area of marketing credit cards during the year 2005 witnessed the issue of (3479) credit cards, (2046) of which were International Visa cards and (1433) were the National Kanze cards in LYD. Revenue realized from the electronic payment methods; cards and "POS's" amounted to (262,581.823 LYD).

In addition to the National Kanze cards in LYD, the Visa Gold and the Visa Electron; the Bank issued the Visa Tourist card, the Visa Haj and Omra card and the Visa internet shopping card.

These developments and modern technologies introduced by the Bank had a remarkable impression in the financial establishment. During the year 2005 the Bank was awarded the "Pioneering and Excellence" prize on 11/4/2005, presented for its formidable achievements in issuing electronic chip payment cards. The award was presented to the Chairman of the Board and General Manager during the Middle East and Africa Card Technology - Third Conference, which was held in Cairo, the Egyptian Arab Republic. The Bank of Commerce and Development by issuing the electronic chip payment cards, made Libya as the first nation to issue this type of high technology card.

Ninth: Human Resources

The numbers of clerical and non-clerical employees at the end of the year reached (395), an increase of (67) over the year 2004, a rate of (20 %), this increase reflects the growth of the human resources resulting from the horizontal and vertical expansion of the Bank departments, branches and agencies.

New agencies were opened during the year 2005; they are (the Child Agency-Benghazi, Zware, Child Agency-Tripoli and Agedabia). The qualified staff in the Department of Electronic Services Systems increased and the increase in this department represents a rate of (41 %) while the increase in all the branches and agencies was (15 %). The following table illustrates the clerical and non-clerical employees' distribution on their locations of employment.

3- A training course of one month duration in Banking Operations attended by (11) employees, six of them new recruits in the Bank, started on 21/3/2005.

The course included a presentation of the banking operations starting from opening the current account for a customer, whether a natural or legal person, and familiarization with the commercial papers used in the bank, with special emphasis on the "cheque" by defining and classification of its types until it reaches the clearinghouse.

4- A training course was organized in the Banking Training Center in Tripoli on 7/6/2005 on the Visa cards and how they are marketed in the branches and agencies and receiving the customers. The course targeted the branch managers, agency heads and one employee from each branch or agency who was responsible for filling in customer applications for Visa cards. (17) trainees attended this course.

5- A number of courses were held in the Banking Training Center in Tripoli under the supervision of the Arab Academy for Financial and Banking Sciences which targeted the sister commercial banks' employees, our Bank was represented by (23) employees from both sexes. These courses were as follows:

Course Title From To :

Auditing And External Control	06/02/2005	10/02/2005
Credit Risk Management	19/02/2005	24/02/2005
Financial Markets	12/03/2005	06/03/2005
Documentary Credits	10/04/2005	14/04/2005
Accounting And Managerial Information Systems	15/05/2005	19/05/2005
Network Security And Counter Measures	27/05/2005	01/06/2005
The Bank Transfer Electronic System	05/06/2005	19/06/2005
Analysis And Assessment Of The Bank Customers	07/08/2005	18/08/2005
Audit And Control	18/09/2005	28/09/2005
Marketing Banking And Financial Services	20/11/2005	24/11/2005

6- The Bank contracted the European Languages Center (the Educational Center of the Greek Community in Benghazi) to nominate (30) trainees from various levels to receive an English Language training course which started on 18/9/2005 and ended on 22/1/2005.

These preliminary courses -which will be followed by more advanced training, include the subjects that cover various banking knowledge, and the subjects of study will include banking practices such as: documentary credits – SWIFT – foreign transfers – international commercial (or banking) correspondence. Doubtless, receiving this training will provide the Bank with the means to develop the competencies of its employees because the execution of many banking operations depends on the English Language, especially after the introduction of modern technology fields such as electronic cards and transfers through international money transfer companies (Western Union).

Distribution of employees by location of employment

Type of transfer	Clerical Jobs		Non-Clerical jobs	
	2004	2005	2004	2005
Head Office	48	64	20	32
Benghazi Main Branch	21	21	9	6
Alforosia Agency	15	10	3	3
Benina Airport Agency	2	2	-	-
Addawa Alislamia Agency	12	15	2	2
Albirka Agency	6	11	-	-
Alhadaig Agency	7	9	2	2
Child Agency – Benghazi	-	3	-	-
Tripoli Main Branch	26	30	12	12
Gout Ashaal Agency	11	13	4	3
Dat Elemad Agency	21	22	5	5
Burj Alfateh Agency	7	9	3	3
Tripoli Int. Airport Agency	4	4	-	-
Gargarish Agency	8	10	3	2
Fonduk Alkabir Agency	5	5	-	-
Child Agency – Tripoli	-	2	-	-
Misurata Main Branch	16	21	6	6
Markaz Africa Attijary Agency	4	4	-	-
Tobruk Main Branch	15	17	5	5
Musaad Border Agency	4	4	2	2
Azzawia Main Branch	9	11	3	2
Zwara Agency	-	6	-	3
Gialo Agency	5	5	3	3
Agedabia Agency	-	4	-	2
Total :	246	302	82	93

Tenth: Training

Through the activities of the Banking Training Center situated in the seventh and eighth floors of the Head Office building in Benghazi and the fourth floor of the Tripoli Main Branch building in Tripoli several courses were delivered to the Bank staff as follows:

1- A ten day training course to the Bank staff in the Banking Training Center in Benghazi, started on Monday evening 3/1/2005; its subject was the Launching of the Electronic Card Service and included the following:

- Opening a customer Visa card application file.
- Types of cards in current use.
- The features of these cards.
- Marketing.

The course was attended by (32) staff employees.

2- A training course for the employees of the Electronic Services Systems Department prepared and delivered by the representative of the International Visa Company. The course was divided into three sections:

- Section 1: introduction to the Visa features and Visa history in the world and the Visa card types.
- Visa card issuer.
- Visa card acquirer.

Local Training

Subject	Number Of Trainees			
	2001	2002	2003	2004
The Business Of Banking	12	19	14	62
Computers	6	1	-	6
English Language	2	4	1	-
The SWIFT System	6	5	2	4
Electronic Payment Methods	-	-	-	8
Telecommunications Systems	-	-	-	-
Seminars And Conferences	7	9	6	7
Total :	33	38	23	87
				136

Training Abroad

Type of transfer	Number Of Trainees			
	2001	2002	2003	2004
The Business Of Banking	5	11	12	16
The SWIFT System	3	1	5	-
Electronic Payment Methods	-	-	-	7
Total :	8	12	17	23
				11

Eleventh: Internal Auditing

The Audit Department carries out its activities through the internal audit sections in the different Bank branches and agencies. These sections audit semi automatically through the "Associate Control System". The auditors through control of the daily work discover errors at an early stage. The Department through the auditors in the branches and agencies carries out periodic and unplanned inventories of the main and subsidiary cashiers in the branches and agencies at a rate of once or twice per month and in close succession to ensure the secure handling of cash in local and foreign currencies. They produce daily and weekly reports to the Department Manager who in turn directs these reports to the top executive management for review, in addition to the daily auditing of all the banking operations through the associate control system.

The Audit and Inspection Department prepares memoranda, chairs and participates in investigation committees of anomalies that are uncovered by the auditors or by the Bank departments. These committees are constituted by resolutions passed by the top management.

The Internal Audit Department coordinates between its work and the work of the External Auditors. It follows up on the reports received by the Bank Management from the Department of Banking Control and Currency concerning the inspection tours conducted by the Central Bank of Libya inspectors in the branches and agencies.

In compliance with Law number (1) 2005 concerning banking; auditing operations assigned to the Audit and Inspection Department, were separated and an Internal Auditing Department was established and directly subordinated to the Board of Directors in accordance with its resolution of 3/12/2005 and has the following tasks:

1. Auditing and control of the Bank's daily business.
2. Preparing a quarterly report of its operations to the Board of Directors.
3. Coordination between the Bank Management and the External Auditors.
4. Any other tasks as may be assigned to it by the Board of Directors.

In compliance with the above mentioned Law, a unit was established in accordance with the Chairman of Board's resolution on 3/12/2005; this unit is directly subordinated to the Board of Directors and has the following tasks:

- a. Follow up of the control instructions issued by the Central Bank of Libya and ascertaining conformity of the Bank Departments and branches with them.
- b. Follow up of the conformity of the Bank and compliance with the standards of the daily banking business.
- c. Any other tasks as may be assigned to it by the Board of Directors.
- d. Preparing a periodic report of its activities to the Board of Directors.

Twelfth: Marketing of Banking Services

The Bank activities in the area of marketing its services have expanded through the increase of its outlets and the launching of new products such as mobile banking and e-banking in addition to its policy of fast and differentiated performance to satisfy its customer needs and encourage these customers to fully benefit from all the advanced services on offer to them. With view to the requirements of marketing banking services a marketing strategy to attract new customers and retaining current customers; Management has conducted several training courses for employees in this area in addition to directing the Bank staff through work meetings and periodic meetings to the importance of marketing and marketing techniques. Management emphasis on marketing banking services increased with the increase of resources following a resolution made by the Board of Directors in its tenth meeting held on 3/12/2005, establishing a financial incentives systems to increase the Bank revenue through marketing the banking services offered by the Bank. The resolution included the types of services provided by the Bank and the rate of the incentive opposite each service. The Bank Management is hopeful that the Shareholders meeting will approve this system for the positive impact it will have on the Bank revenue, as part of the approval of the Board of Directors' Report.

Management has published a booklet which contains the prices of the banking services of all types of transactions, local or foreign. This booklet will inform our customers of the cost of each service in addition to the bulletin boards in the branches and agencies that serve the same purpose. While management ensures that the services are provided at prices that are highly competitive in the local market.

Thirteenth: The Extraordinary Shareholders Meeting on 28/12/2005

In compliance with the resolution of the Extraordinary Shareholders Meeting of 16/2/2005; to amend the Articles of Association in accordance with Law number (1) (2005), concerning banking, article (68.69.100), the Extraordinary Shareholders Meeting and the Ordinary Shareholders Meeting were invited to meet on 28/12/2005. The meeting convened at the stated time and place with the correct quorum of (52.345 %) of the total shares. The Extraordinary Meeting discussed the proposal to amend the Bank's Articles of Association and it was passed unanimously without alteration then it was transmitted to the Central Bank of Libya for approval in conformance with article (100) of Law number (1) 2005 concerning banking.

The Shareholders continued with an Ordinary Meeting with the following two items on its agenda:

1. Nomination members of the Board of Directors of the Bank of Commerce and Development in conformance with Law number (1) 2005 concerning banking.

2. Selection of the Control Committee.

The Meeting resolved to nominate the following Bank Board Members who meet the criteria stipulated in Law number (1) 2005 concerning banking:

1. Mr. Jamal T. Abdulmalek
2. Mr. Fathi Juma Busnaina
3. Eng. Mubarak Abdullah Al Shareef
4. Dr. Mohamed Ramadan Buzakuk
5. Eng. Mohamed Mohamed Huwaidi
6. Mr. Fadlalla Faraj Fanoosh

In compliance with the resolution of the Shareholders Meeting, the Governor of the Central Bank of Libya was notified of the nominations of the above mentioned Board Members and all their details.

The Meeting resolved to appoint the following to the chair and membership of the Control Committee for the legally stipulated duration:

Mr. Hassan Abdulati Albargathy	Chairman
Mr. Ramadan Younes Kwairi	Working Member
Mr. Sulaiman Salem Ashohomi	Working Member
Mr. Khalifa Mohamed Annaas	Standby Member
Mr. Fathi Raman Badir	Standby Member

The Board of Directors, while presenting your Meeting with its report, would like to thank the Members of the Meeting for renewing their trust and nominating it for three more years.

Fourteenth: The Appropriations Account

The Bank performance during the passing year was excellent; profits have risen during the year 2005 to realize gross profits of (15,598,186.791 LYD) and net profits of (8,968,547.073 LYD).

The amount of corporate, jihad and stamp taxes accrued on the gross profits during the year was (6,636,218.316 LYD) representing (40 %) of the gross profits. We, in the Bank of Commerce and Development, as pointed out previously in the introduction to this report restate the necessity of reviewing the Tax Law and amending it by lowering the tax rates to encourage local investments, consequently helping the national economic development.

Total expenses amounted to (6,902,583.868 LYD) of which the amount of (5,236,648.607 LYD) were general and administrative expenses and (1,665,935.261 LYD) assets depreciation against (4,373,428.938 LYD) during the year ended 31/12/2004. The rise in expenses was due to the Bank expansion by establishing new outlets and employment of new staff and the increase of employees in the existing units in the Head Office and the branches and agencies to meet the rising business volume in the Bank. The rise in the numbers of trainee-employees, accommodations and transportation expenses to introduce the modern technology such as ATM's and Points Of Sale and distributing them in the different areas and premises. In addition to the other expenses such as printing, stationary, lighting, water, security and litigation expenses.

The Board of Directors takes pleasure in presenting your Meeting with the proposed appropriations hoping they meet your approval; they are as follows:

Proposed Appropriations

Legal Reserve To Reach 50 %	793,806.801
Dividends And Board Of Directors Remuneration	6,489,179.208
Provision For Doubtful Debts	650,000.000
General Reserve	1,030,000.000
Profits Carried Forward	5,561.064
Total :	8,968,547.073

In conclusion, the Board of Directors takes this opportunity to pay tribute to all the banks which cooperated with our Bank locally and internationally and for the good reciprocal relations with these banks.

The Board of Directors would like to extend its profound thanks to its esteemed customers and distinguished shareholders for their continued support for the Bank Management, and to extend thanks and appreciation to the Chairman of the Board the General Manager, his deputy, his assistant, the department and branch managers, the heads of agencies and all the employees in the Head office, branches and agencies who spared no effort and performed well, each in his capacity, and all who are loyal to this establishment resulting in the remarkable results for the financial year ended 31/12/2005.

Godspeed

May goods peace and mercy be with you.

The Board of Directors
08/02/2005

The balance sheet
as at 31/12/2005 compared with 31/12/2004

	Notes	2005 L. D.	2004 L. D.
Assets			
Cash and balances with CBL	1	166,979,027.158	133,508,618.617
Deposits and balances with banks	2	583,393,258.712	339,975,727.398
Investments	3	1,493,200.000	1,193,200.000
Loans and advances	4	53,771,814.507	58,378,243.611
Buildings under construction	5	759,557.633	2,241,375.903
Debtors and other debtor balances	6	79,185,459.870	39,655,009.090
Fixed assets after depreciation	7	21,490,945.936	17,041,413.424
Total assets		907,073,263.816	591,993,588.043
Liabilities and shareholders equity			
Liabilities			
Customers deposits (current accounts)	8	632,558,602.733	367,950,239.517
Customers time deposits	9	38,500,000.000	33,100,000.000
Savings deposits	10	22,648,367.468	24,297,867.402
Cash securities	11	71,749,889.718	69,437,685.164
Certified cheques	12	42,727,676.724	19,584,312.000
Creditors and other liabilities	13	44,771,011.852	36,420,488.454
Total liabilities		852,955,548.495	550,790,592.537
Shareholders equity			
Capital	14	28,154,420.000	20,000,000.000
Legal reserve	15	14,077,210.000	11,828,363.199
General reserve	16	5,319,899.363	4,289,899.363
Various provisions	17	71,445.686	87,462.346
Dividends and board of directors remuneration	18	6,489,179.208	4,990,692.000
Profits carried forward		5,561.064	6,578.598
Total shareholders equity		54,117,715.321	41,202,995.506
Total liabilities and shareholders equity		907,073,263.816	591,993,588.043
Contingent accounts and other liabilities			
Documentary credits – imports		180,574,212.311	113,211,880.546
Documentary credits – exports		6,981,041.000	-----
Inward bills for collection		8,053,443.000	3,613,446.849
Letters of guarantee – local and foreign		76,688,893.103	24,080,441.505
Total contingent accounts and other liabilities		272,297,589.414	140,905,768.900
Grand total		1,179,370,853.230	732,899,356.943

*LYD travelers cheques in stock

7,288,626,225.747

7,292,013,090.000

Abdelfattah Ahmad Alfagih
Assistant General Manager

Gamal T. Abdelmalek
Chairman of the Board and GM

(Notes attached from (1) to (18))

The Income statement
for the year ended on 31/12/2005 compared with 31/12/2004

	Notes	2005 L. D.	2004 L. D.
Revenue			
Interest revenue	1	15,333,379.523	14,760,346.952
Interest expense	2	6,699,762.147	6,381,079.349
Net interest		8,633,617.376	8,379,267.603
Commissions and other revenues	3	13,867,153.283	7,528,782.244
Total revenues		22,500,770.659	15,908,049.847
expenses			
General and administrative expenses	4	5,236,648.607	3,135,919.712
Depreciation	5	1,665,935.261	1,237,508.426
Total expenses		6,902,583.868	4,373,428.138
Net earnings before taxes		15,598,186.791	11,534,621.709
Corporate, juhud and stamp taxes		6,636,218.316	4,345,849.643
Net earning after taxes		8,961,968.475	7,188,772.066
Plus profits carried forward from previous year		6,578.598	7,588.731
Net profit		8,968,547.073	7,196,360.797
Proposed appropriations			
Legal reserve to 50%		793,806.801	1,799,090.199
Dividends and Board of Directors remuneration		6,489,179.208	4,990,692.000
Doubtful debts provision		650,000.000	400,000.000
General reserve		1,030,000.000	-----
General reserve		5,561.064	6,578.598
Total		8,968,547.073	7,196,360.797

(Notes attached from (1) to (5))

Adopted accounting policies

Auditors Report

Date: 25/1/2006

To the Shareholders of
Bank of Commerce and Development
Benghazi

We have examined the balance sheet of the Bank of Commerce and Development as of 31 December 2005 and the related statement of income for the year then ended. We obtained all information that we considered important.

The balance sheet of the Bank of Commerce and Development as of 31/12/2005 and its income statement are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our examination in accordance with international Standards on Auditing, which require that we plan and perform our examination to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our examination covered, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our examination also included an assessment the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that our examination provides a reasonable basis for our opinion.

The bank kept proper books of accounts as required by the Libyan Laws and the Bank's Articles of Association; the contents of these books are in agreement with the bank's financial statements and the Board of Directors Report.

In our opinion, the financial statements fairly present the financial position of the Bank as of 31 December 2005, and the results of its operations for the year then ended in accordance with Generally Accepted Accounting Principles, which the Bank follows with consistency.

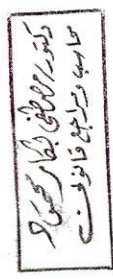


Mohamed B. Barghathi
Authorized Public
Accountant





Dr. Mustafa B. Mahmoud
Authorized Public
Accountant



Copy to: The Governor, Central Bank of Libya

a. Interest revenue and expenses

Interest revenue and expenses are calculated according to the money accrual principle. The received and paid commissions are recorded in the revenue account upon accrual.

b. Depreciation of fixed assets

Fixed assets are disclosed with their total cost value. Payments are calculated on the basis of the straight line method according to the Tax Law number (11) 2004.

c. Investments

All investments are recorded in the Bank books at their cost values.

d. Foreign currencies

All transactions in foreign currencies are recorded in LYD according to the exchange rates in force as they are published by the Central Bank of Libya at the time of transaction. Assets and liabilities in foreign currencies are transferred to LYD according to the exchange rates in force on the date of the balance sheet. Currency valuation losses resulting in the revenue and expense accounts or they are disclosed in the balance sheet when profits are realized.

e. Doubtful debts

Doubtful debts provision was augmented this year by an amount of (650,000 LYD) six hundred and fifty thousand pounds, although the granted facilities balance compared to the total assets is a small figure. Additionally the Bank sets aside interest on some of the non-moving debtor accounts.



Notes to the financial statements for the year ended 31/12/2005

The Balance Sheet

First: Assets

1. Cash and balances with CBL

	Value in LYD	
	2005/12/31	2004/12/31
Cash with CBL	135,086,364.565	86,681,491.823
Local cheques under clearance	1,032,335.791	13,394.000
Cashier balance local currency	25,049,552.922	44,300,002.481
Cashier balance foreign currency	5,430,978.044	2,513,730.313
Total :	166,599,231.322	133,508,618.617

2. Deposits and balances with banks

	Value in LYD	
	2005/12/31	2004/12/31
Deposits with CBL	104,913,698.630	84,000,000.000
Deposits with local banks	-----	30,000,000.000
* Balances with foreign banks	464,339,160.011	211,758,251.651
Balances with local banks	14,140,400.071	14,217,475.747
Total :	583,393,258.712	339,975,727.398

* A part of the amount of (464.339.160.011LYD) represents the remainders of Form (M) to cover the documentary credits until 31/12/2005 of foreign currencies equaling to (117.576.646 LYD) the remaining amount represents foreign transfers at the sum of (346.762.512.365 LYD) Some of which has been submitted to the bank by the customers and some has been remained in the customers' accounts in foreign currency.

3. Local investments

Investment entities	Value in LYD	
	2005/12/31	2004/12/31
Almutahida Insurance Company	588,200,000	588,200,000
Assafaa Development Company	500,000,000	500,000,000
Attariq Computer Services Company	105,000,000	105,000,000
Assawahel Alibya Holding Company	300,000,000	-----
Total :	1,493,200,000	1,193,200,000

4. Loans and advances

	Value in LYD	
	2005/12/31	2004/12/31
Over draughts	40,484,882.118	35,104,198.768
Loans	9,723,711.055	19,571,113.862
Social advances	5,431,429.637	2,980,025.307
Bank employees advances	731,791.697	722,905.674
Total :	56,371,814.507	58,378,243.611

5. Buildings under construction

	Value in LYD	
	2005/12/31	2004/12/31
Buildings under construction	759,557.633	2,241,375.903
Total :	759,557.633	2,241,375.903

6. Debtors and debtor balances

	Value in LYD	
	2005/12/31	2004/12/31
Branch and agency accounts with Head Office	64,866,691.020	27,008,507.805
Non personal accounts under reconciliation	12,478,218.023	11,270,178.324
Non personal accounts (current assets)	186,898.504	184,903.877
Various debtors	1,618,263.564	1,088,565.222
Local cheques in transit	379,795.836	102,853.857
Total :	79,529,866.947	39,655,009.090

7. Fixed assets

	Value in LYD	
	2005/12/31	2004/12/31
Equipment, machines and spare parts	10,858,546.267	5,906,998.319
Furniture	2,269,668.227	1,708,435.267
Buildings (Bank premises)	8,950,160.637	7,487,719.652
Vehicles	1,478,505.804	900,218.329
Aluminum dividers and fixtures	1,308,872.123	985,824.429
Floor carpeting	81,880.370	52,217.428
Total :	24,947,633.428	17,041,413.424

Second: Liabilities

8. Current accounts

	Value in LYD	
	2005/12/31	2004/12/31
Current accounts of individuals	353,092,867.870	222,352,495.482
Current account of business organizations	264,716,634.161	137,612,526.394
Foreign currency accounts of individuals and organizations	14,197,458.611	7,056,830.039
Frozen current accounts	549,602.463	780,129.861
Current account of non-residents	2,039.628	148,257.741
Total :	632,558,602.733	367,950,239.517

9. Customer time deposits

	Value in LYD	
	2005/12/31	2004/12/31
Customer time deposits	38,500,000.000	33,100,000.000
Total :	38,500,000.000	33,100,000.000

10. Savings deposits

	Value in LYD	
	2005/12/31	2004/12/31
Savings deposits	22,648,367.468	24,297,867.402
Total :	22,648,367.468	24,297,867.402

11. Cash securities

	Value in LYD	
	2005/12/31	2004/12/31
Documentary credits cash securities	63,049,131.960	61,853,210.846
Letters of guarantee cash securities	8,700,757.758	7,584,474.318
Total :	71,749,889.718	69,437,685.164

12. Certified cheques

	Value in LYD	
	2005/12/31	2004/12/31
Certified cheques	42,727,676.724	19,584,312.000
Total :	42,727,676.427	19,584,312.000

13. Creditors and other liabilities

	Value in LYD	
	2005/12/31	2004/12/31
Non-personal accounts under reconciliation	20,346,643.736	21,235,260.084
Non-personal accounts (other liabilities)	18,189,312.416	9,461,760.929
Provision for taxes on income	2,178,574.939	4,345,849.643
Other creditors	4,056,480.761	1,377,617.798
Total :	44,771,011.852	36,420,488.454

Third: Shareholders Equity

14. Capital

	Value in LYD	
	2005/12/31	2004/12/31
Capital	28,154,420.000	20,000,000.000
Total :	28,154,420.000	20,000,000.000

15. Legal reserve

	Value in LYD	
	2005/12/31	2004/12/31
Legal reserve	14,077,210.000	11,828,363.199
Total :	14,077,210.000	11,828,363.199

16. General reserve

	Value in LYD	
	2005/12/31	2004/12/31
General reserve	5,319,899.363	4,289,899.363
Total :	5,319,899.363	4,289,899.363

17. Contingent provisions

	Value in LYD	
	2005/12/31	2004/12/31
Contingent provisions	71,445.686	87,462.346
Total :	71,445.686	87,462.346

18. Dividends and Board of Directors remuneration

	Value in LYD	
	2005/12/31	2004/12/31
Dividends and Board of Directors remuneration	6,489,179.208	4,990,692.000
Total :	6,489,179.208	4,990,692.000

Numbers and categories of shareholders

category	Number	Number of shares	Percentage
Males	1560	2343270	%52.578
Females	782	628736	%14.108
Legal entities	36	1484740	%33.310
Total :	2378	4456746	%100.000

Geographical istribution of shares by city

City	Number ofShareholder	Number of shares		
		individuals	Legal persons	Public entities
Tripoli	708	1578419	418600	734750
Benghazi	1219	1096389	254140	64000
Misurata	107	112341	2500	---
Azzawia	52	59863	1250	---
Tobruk	65	43384	100	---
Augila	25	25590	---	---
Almarj	12	16830	8050	---
Derna	119	24750	---	---
Sebha	19	6800	---	---
Albeida	29	5900	100	---
Sorman	1	---	1250	---
Sulug	6	830	---	---
Brack Sh.	6	410	---	---
Shahat	4	200	---	---
Alkufra	1	100	---	---
Murzuk	3	100	---	---
Sousa	1	50	---	---
Sirte	1	50	---	---
Total :	2378	2972006	685990	798750

Notes to the income statement for the year ended 31/12/2005

1. Interest revenue

	Value in LYD	
	2005/12/31	2004/12/31
Interest on over draughts	1,497,468.088	988,329.596
Interest on deposits with CBL and local banks	2,471,973.694	5,507,782.114
Interest on branch and agency balances	5,702,637.846	4,137,499.499
Other interest revenues	23,793.810	32,991.049
Interest from correspondent banks	4,792,192.712	1,686,474.253
Interest on social advances	141,112.041	32,375.427
Interest on treasury notes and bonds	-----	1,115,920.851
Interest on the NOC loan	538,303.620	1,152,387.562
Interest on documentary credits	87,085.212	33,836.601
Interest on Alburaq Company loan	78,812.500	72,750.000
Total :	15,333,379.523	14,760,346.952

2. Interest expenses

	Value in LYD	
	2005/12/31	2004/12/31
Interest on time deposits	676,201.398	991,289.934
Interest on savings accounts	319,700.726	1,046,059.392
Other paid interest	1,222.177	206,230.524
Interest on branch and agency balances	5,702,637.846	4,137,499.499
Total :	6,699,762.147	6,381,079.349

3. Commissions and revenues

	Value in LYD	
	2005/12/31	2004/12/31
Commissions on banking operations	2,868,624.249	3,464,143.182
Currency differential	1,512,694.470	1,551,620.476
Revenue from telecommunications	1,039,139.971	453,332.558
Other revenue	5,829,991.096	1,098,345.784
Revenue from travelers cheques and phone banking	12,052.559	1,300.000
Revenues from sales of foreign currencies	932,458.324	477,096.197
Commissions on documentary credits	1,076,394.393	356,514.579
Commissions on local letters of guarantee	277,732.174	-----
Interest on investmtns	-----	94,112.000
Revenues from Visa cards	241,917.632	247.468
Capital profits	18,795.036	32,070.000
Revenue from Western Union	36,689.188	-----
Revenue from the Points Of Sale	8,810.691	-----
Revenue from the internet	11,853.500	-----
Total :	13,867,153.283	7,528,782.244

4-a. General and administrative expenses and assets depreciation

Item	2005/12/31	2004/12/31
Rent of branch and agency premises	451,051.130	482,832.116
Printing and stationary	263,934.390	32,401.150
Publicity, advertising and donations	139,500.645	12,407.500
Assets, vaults and other insurance expenses	146,111.639	125,065.519
Equipment, machines and furniture maintenance and repair	56,911.386	19,281.200
Post and communications expenses	355,026.705	150,502.513
Vehicle maintenance and fuel expenses	75,173.050	33,176.140
Stamp tax expenses	10,814.400	12,535.171
External auditors fees	50,000.000	45,000.000
Computer systems and software expenses	178,007.950	257,262.300
Building maintenance expenses	173,702.696	33,217.594
Arab Banks Union and Libyan Banks Association membership fees	6,092.553	19,935.481
Bank security staff expenses	124,575.000	55,153.000
Lighting, air-conditioning and water expenses	67,873.504	38,834.514
Legal expenses	205,385.230	2,567.315
SWIFT system expenses	46,879.133	43,017.525
Hosting and cleaning expenses	153,622.152	37,700.079
Other administrative expenses	77,956.061	7,703.315
P.O.S. and Visa card usage expenses	205,323.490	-----
Total :	2,787,941.114	1,408,592.432

4-b. Bank staff expenses for the period 1/1/2005 to 31/12/2005

Item	2005/12/31	2004/12/31
Salaries and wages	1,505,433.381	1,180,224.446
Cash rewards and allowances	367,378.815	212,143.000
Grants, payments addition wages	60,578.988	43,765.000
Bank contribution to Social Security	149,126.184	114,179.700
Medical expenses	55,945.803	43,712.124
Other staff expenses	146,845.820	112,567.070
Duty trips expenses	127,175.813	19,398.190
Non-clerical personnel uniform and other expenses	2,270.000	1,337.750
Training and travel	33,952.689	-----
Total :	2,448,707.493	1,727,327.280

5. Fixed assets depreciation

	Value in LYD	
	2005/12/31	2004/12/31
buildings	225,344.831	173,592.117
Equipment and machines	859,397.371	613,767.142
Dividers and fixtures	111,931.871	64,872.243
Furniture and steel vaults	203,400.969	139,816.591
Floor carpeting	7,923.951	7,132.199
vehicles	257,936.268	238,328.134
Total :	1,665,935.261	1,237,508.426

Net profits of the Head Office, Branches and Agencies

Branch or agency	revenue	Interest revenue	expenses	Interest expenses	Net income	Percent
Head Office	5,997,337.901	7,958,382.655	4,546,524.141	5,925,870.177	3,483,326.238	% 23.00
Benghazi Branch	343,029.513	670,367.934	208,925.663	48,566.262	755,905.522	% 05.00
Tripoli Branch	1,868,897.149	1,446,290.866	317,646.457	142,222.602	2,855,318.956	% 19.00
Misurata Branch	1,837,189.082	818,782.190	254,051.975	7,627.878	2,394,291.419	% 15.00
Tobruk Branch	239,026.705	304,720.187	191,210.661	21,452.770	331,083.461	% 02.00
Azzawia Branch	187,906.388	143,563.557	100,404.187	16,315.650	214,750.108	% 01.30
Gout Ashaal Agency	163,298.667	542,664.088	134,527.466	26,861.720	544,573.569	% 03.00
Alforosia Agency	106,579.193	271,944.159	147,971.363	14,506.918	216,045.071	% 01.30
Dat Elmad Agency	1,031,392.839	2,064,208.244	333,025.279	433,193.930	2,329,381.874	% 15.00
Benina Airport Agency	168,710.614	3,978.951	25,604.122	2,878.623	144,206.820	% 01.00
Burf Alfateh Agency	151,190.539	201,561.467	79,593.013	16,614.598	256,544.395	% 02.00
Musaad Agency	34,152.015	14,636.968	0.000	0.000	48,788.983	% 08.00
Addawa Alislamia Agency	340,004.477	215,471.373	158,916.886	109.961	396,449.003	% 02.50
Tripoli Airport Agency	349,181.146	2,935.173	45,286.110	5,646.330	301,183.879	% 02.00
Albirka Agency	147,022.411	217,053.439	57,360.630	225.142	306,490.078	% 02.00
Gargarish Agency	215,202.404	267,484.323	90,513.615	0.000	392,173.112	% 02.50
Markaz Africa Agency	390,264.853	2,677.289	40,002.797	37,585.875	315,362.433	% 02.00
Gialo Agency	49,530.903	31,730.614	37,565.875	0.000	43,675.642	% 02.00
Child Agency Benghazi	13,442.185	576.919	3,352.100	5.703	10,661.301	% 06.00
Zwara Agency	6,448.023	2,447.131	11,200.298	0.000	-2,305.144	% 00.00
Fonduk Alkabar Agency	109,845.743	16,878.955	65,440.713	0.000	61,283.985	% 04.00
Child Agency Tripoli	26.000	0.000	0.000	0.000	26.000	% 00.00
Agedabia Agency	326.050	0.000	0.000	0.000	326.050	% 00.00
Alhadaga Agency	117,148.483	135,023.041	53,440.517	86.971	198,644.036	% 01.20
Total :	13,867,153.283	15,333,379.523	6,902,583.868	6,699,762.147	15,598,186.791	% 100.0000

**Income, Jihad and Stamp Taxes
Accrued on Profits after Deduction of all Expenses on 31/12/2005**

INCOME TIERS LYD	TAX PER.	TAX LYD
(1) ACCRUED CORPORATE TAX		
FIRST 200,000.000	% 15	30,000.000
SECOND 300,000.000	% 20	60,000.000
THIRD 500,000.000	% 25	125,000.000
FOURTH 500,000.000	% 30	150,000.000
FIFTH 500,000.000	% 35	175,000.000
SIXTH ANY EXCESS AFTER		
13,598,186.791	% 40	5,439,274.716
Total (1)		5,979,274.716
(2) J. TAX		
PROFITS SUBJECT TO J. Tax	15,598,186.791	
Total (2)	% 4	623,927.500
(3) STAMP TAX		
Total (3)	% 0.005	33,016.100
AMOUNT ACCRUED TO TAX DEPARTMENT	Total (1, 2 AND 3)	6,636,218.316

Following is a table listing of taxes paid by the Bank on its income during the period from the year 1997 until the year 2005.

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005
Amount in LYD	229,966	1,174,139	1,466,637	4,317,755	8,493,916	4,600,709	5,374,961	4,345,849	6,636,218
Total :	36,640,150.237								



THE BALANCE SHEET

FOR THE YEARS 2001 TO 2005 Amounts (in Libyan dinars)

Item	2001	2002	2003	2004	2005
Assets					
Cash and balances with CBL	115,280,275	73,466,814	97,883,162	133,508,618	166,979,027
Deposits and balances with banks	152,374,277	199,032,594	270,263,274	339,975,727	583,393,258
Investments	50,855,000	51,293,200	51,293,200	1,193,200	1,493,200
Loans and advances	31,260,199	43,644,939	48,982,233	58,378,243	53,771,814
Buildings under construction	-----	4,315,342	6,133,603	2,241,375	759,557
Debtors and other debtor balances	12,258,810	17,582,470	23,427,200	39,655,009	79,185,459
Fixed assets after depreciation	3,322,965	6,722,503	7,944,921	17,041,413	21,490,945
Total assets	365,351,526	396,057,865	505,927,595	591,993,588	907,073,263
Liabilities and shareholders equity					
Liabilities					
Customers deposits (current accounts)	235,938,119	246,753,074	313,188,746	367,950,239	632,558,602
Customers time deposits	7,000,000	17,188,200	39,494,808	33,100,000	38,500,000
Savings deposits	20,572,560	23,165,239	23,444,766	24,297,867	22,648,367
Cash securities	24,902,657	13,910,878	31,863,092	69,437,685	71,749,889
Certified cheques	24,500,125	35,505,005	17,078,433	19,584,312	42,727,676
Creditors and other liabilities	35,340,084	39,642,740	47,162,996	36,420,488	44,771,011
Total liabilities	348,253,546	376,165,136	472,232,843	550,790,592	852,955,548
Shareholders equity					
Capital	9,000,000	9,000,000	17,317,890	20,000,000	28,154,420
Legal reserve	4,500,000	5,959,793	8,658,945	11,828,363	14,077,210
General reserve	205,848	770,848	2,203,435	4,289,899	5,319,899
Various provisions	1,400,000	2,153,342	2,106,892	87,462	71,445
Dividends and board of directors remuneration	1,991,557	2,003,687	3,400,000	4,990,692	6,489,179
Profits carried forward	574	5,057	7,588	6,578	5,561
Total shareholders equity	17,197,980	19,892,729	33,694,752	41,202,995	54,117,715
Total liabilities and shareholders equity	365,451,526	396,057,865	505,927,595	591,993,588	907,073,263
Contingent accounts and other liabilities					
Documentary credits – imports	37,086,818	48,411,995	81,415,012	113,211,880	180,574,212
Documentary credits – exports	-----	-----	-----	-----	6,981,041
Inward bills for collection	-----	3,392,755	3,115,546	3,613,446	8,053,443
Letters of guarantee – local and foreign	742,750	2,941,424	10,909,493	24,080,441	76,688,893
LYD travelers cheques in stock	7,302,296,910	7,310,806,540	7,302,247,170	7,292,013,090	7,288,626,225
Total contingent accounts and other liabilities	7,340,126,478	7,365,552,714	7,397,687,221	7,432,918,858	7,560,923,815
Grand total	7,705,578,004	7,761,610,579	7,903,614,816	8,024,912,446	8,467,997,078

