



JAMMAL TRUST BANK S.A.L.

2006 Annual Report





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Chairman's Letter

Unlike in 2005, when nation-wide economic growth was hard-hit by political and security instability, 2006 brought the further challenge of a devastating war. While Lebanon's tragic loss of PM Rafic Hariri in 2005 heightened private sector fears and stifled initiatives, that same year had also brought a more personal tragic loss with the passing away of our Chairman and Founder, Mr. Ali Jammal. This event prompted a clear test of our clients' faith, of the general public's trust and of the banking sector's confidence in JTB. The bank's reputation, financial soundness and solidity were brought to test by the Lebanese banking sector and the Central Bank of Lebanon.

Against this background, I am happy to announce to our shareholders that Jammal Trust Bank has proven to be a financially solid institution, growing in terms of assets, deposits, loan portfolio, and performing loans, all while attempting continuous service innovation and operational upgrades, tapping unmet demand in Lebanon's various economic sectors, and planning for a leadership role that is befitting of this first class bank with an entrenched and long-standing history.

In fact, since its establishment in 1963 by the well-known business man Mr. Ali Jammal, JTB had neither succumbed to civil war nor post-war economic pressures, and the bank's recent recovery from past year performance drops stands witness to this fact. I can happily state that not only did we prove that we are at par with the best in our sector but that we have excelled and improved in comparison to past years.

Upon my election as Chairman of the Board of Directors, I have embarked on a new course that would take JTB to another level of achievement, one that combines our entrenched market presence and history with policy improvements and innovative operational strategies. With the Board of Director's support and the commitment of our professional human resource assets, JTB has achieved many milestones over the past year. Of these, I note the solvency ratio of 30.67% recorded by end 2006, which compares with an international norm of 8% and a local Central Bank requirement of 12%. Another notable indicator is our 25% foreign currency liquidity, one that compares with a local BDL requirement of 10%. In fact, JTB's liquidity at end of 2006 covered up to 72% of total bank liabilities.

On the 2007 agenda are a number of expansion strategies and operational enhancements, including:

- 1) Expanding the shareholder base*
- 2) Expand the Board of Directors, through the introduction of banking and international business experts*
- 3) Expanding locally and internationally, especially in West Africa*
- 4) Enhancing middle-management capabilities*
- 5) Engaging an international audit firm for operational process upgrades*
- 6) Enhancing service quality across all departments and business units*

Finally, I would like to thank the bank's shareholders, clients, correspondent banks, and especially the JTB staff for their confidence, devotion and readiness to take up JTB's challenges.

Anwar Ali Jammal
Chairman

Management Notes to the Financial Statements

Key Legal & Administrative Improvements

Jammal Trust Bank's Board of Directors was a vital contributor towards the realization of operational improvements during 2006. The Board's dynamism was manifested through new policy adoption and close implementation guidance. A word of appreciation goes to all Board members for their full support of JTB's development mission, for their enriching expertise, relentless participation and unremitting support, thanks to which JTB steadfastly achieved its 2006 objective of "Exceeding Past Performance". Such achievement is now evident at various administrative, legal and financial levels.

Election of New Board Members

During 2005 and 2006, Jammal Trust Bank lost three of its Board members, of which notably JTB's Founder, Chairman & General Manager Mr. Ali Abdullah Jammal, alongside Board Members Nasri El Maalouf and Mohamad Safieddine. In order to uphold management efficiency, an Ordinary General Assembly held on November 9, 2006 elected from amongst JTB's shareholders the following new Board members: Dr. Mohamad Abed El Hassan Chëib, Dr. Ghaleb Sobhi Mahmassani, Mr. Michel Fouad Ferneini and Mr. Mohamad Ali Jammal, all of whom possess previous long-standing experience in the banking, financial, legal and management fields. As such the Board of Directors is presently composed of seven members, inclusive of the Chairman & General Manager:

• Mr. Anwar Ali Jammal	<i>Chairman of the Board & General Manager</i>
• Former Prime Minister Rashid El Solh	<i>Member</i>
• Dr. Hussein Yateem	<i>Member</i>
• Dr. Mohamad Abed El Hassan Chëib	<i>Member</i>
• Dr. Ghaleb Sobhi Mahmassani	<i>Member</i>
• Mr. Michel Fouad Ferneini	<i>Member</i>
• Mr. Mohamad Ali Jammal	<i>Member</i>

The above Board will continue to hold its responsibilities until such time as the General Assembly, following its approval of the Year 2006 Financial Statements, elects a new Board with a three-year term ending in 2009.

Share Transfer & Redistribution

Following the decease of Mr. Ali Abdullah Jammal, Founder, Chairman & General Manager of Jammal Trust Bank, it was necessary to undertake the legal steps and procedures for ensuring legal stability of the shareholders' assembly, and this especially since the late Chairman was holder of more than 99% of total JTB shares.

On April 26, 2006, the Founder's heirs concluded a signed agreement identifying each party's legal rights with respect to heritage ownership, inclusive of JTB's shares. Such agreement was ratified by the relevant Lebanese civic courts.

Specific beneficiary agreements concluded before and after the signature of the above-mentioned accord provided for the sale and purchase of JTB's share capital. The file was brought to the attention of the esteemed Central Council at the Central Bank of Lebanon, which convened on April 18, 2007 and provided its approval on April 20, 2007 with regard to the following distribution of Jammal Trust Bank shares, a distribution effected through a settlement agreement sanctioned by Decree number 07/12/16:

Shareholder	Share Percentage	Number of Shares
Mr. Anwar Ali Jammal	27.1405%	157,412,558
Mr. Mohamad Ali Jammal	27.1464%	157,449,300
Former Prime Minister Rashid El Solh	0.0034%	20,021
Dr. Hussein Yateem	0.0034%	20,021
Dr. Mohamad Chëib	0.0001%	1,100
Dr. Ghaleb Mahmassani	0.0001%	1,100
Mr. Michel Ferneini	0.0001%	1,100
S.P.V. 1 Holding S.A.L.	3.75%	21,750,000
S.P.V. 2 Holding S.A.L.	2.50%	14,500,000
Mrs. Taghreed Ali Jammal	11.406%	66,154,800
Mr. Abbas Ali Jammal	11.20%	64,960,000
Miss Hiba Ali Jammal	5.60%	32,480,000
Mr. Ismail Ali Jammal (minor)	11.25%	65,250,000
Total	100%	580,000,000

Automation Improvements

In tandem with Lebanon's banking sector automation trend, Jammal Trust Bank implemented several IT upgrades that were crucial and highly beneficial for enhancing both the speed and safety of daily banking transactions. These included:

- An Anti-Money Laundering surveillance system aimed at monitoring banking transactions. The system was introduced in 2006 and remains under testing for official launch as of August 2007.
- A Data Exchange System for the management of information flows between the bank's central HOST system and credit card companies (CSC). Alongside a number of important features and benefits, this system benefits from a real-time online network enabling the instant posting of ATM transactions to JTB's central information network, and the immediate dispatch of such transactions to various JTB branch accounts.

Committee Empowerment

The various banking committees continued to execute their duties with objectivity, team spirit, transparency, and close involvement in the decision-making process within a bank-wide objective-oriented environment. The structure, breadth of responsibility and scope of authority for each of the following committees was the subject of Board discussions:

- The Executive Management Committee
- The Risk Management Committee
- The Credit Committee (Central & Branch-level)
- ALCO: The Assets and Liabilities Committee
- The Anti-Money Laundry Committee
- The Information Technology Security Committee
- The Purchasing Committee

Board discussions involved revisiting the roles and authorities of JTB's banking committees with the objectives of ensuring compliance with modern international corporate governance standards, and devising the appropriate procedures for the optimal attainment of objectives. These issues remain currently under scrutiny, and discussion of improvement venues continues.

Human Resource Development

Concurrently with the development of automation systems and the broadening of committees' authorities, the bank is devoted to the development of its human resource base. The bank continues to recruit young, skilled and experienced individuals as needed, while continuous training rounds aim to upgrade employee know-how, ensure an updated understanding of modern banking practices, and improve operational skills and capabilities.

The refurbishment of JTB headquarters along with a number of branches has doubtlessly been noticed. Redesign of the JTB image, both interior and exterior, should conform to the requirements of a modern banking image and be noticeable within Lebanon's banking sector façade landscape.

Management has therefore sought to balance human resource development with brick and mortar embellishment. It is hoped that such efforts would continue to bear fruit and continue positively in the spirit of the Year 2006 financial achievements.

Compliance with Basel II

JTB has established a Risk Management Committee reporting to the Board of Directors through the Chairman & General Manager. Risk reports are issued to the Board both regularly as well as upon necessity, and the Board keeps abreast with JTB's scope of risk, take any required preventive action to preserve the bank's operational stability.

Following the announcement of Basel II requirements, Jammal Trust Bank immediately launched a full strategic plan to implement all necessary procedures in accordance with the three basic Basel II pillars:

- Minimum Capital Requirements
- Supervisory Review
- Market Discipline and Disclosures

JTB has completed its risk addressing procedures to where solvency has reached 20%, and this following the implementation of all Basel II requirements related to market, credit and operational risk. JTB's solvency ratio exceeds Basel II requirements

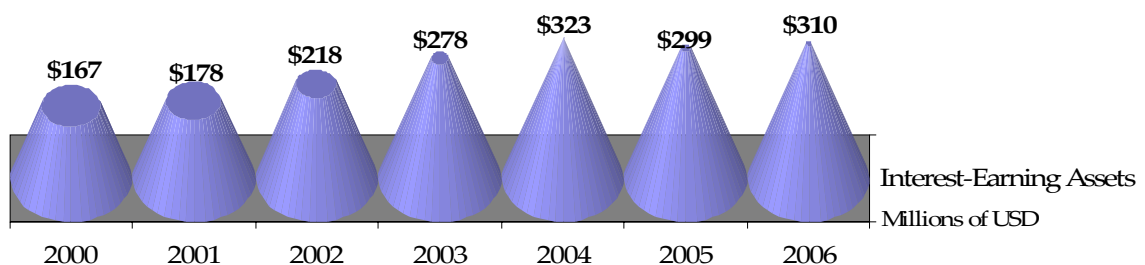
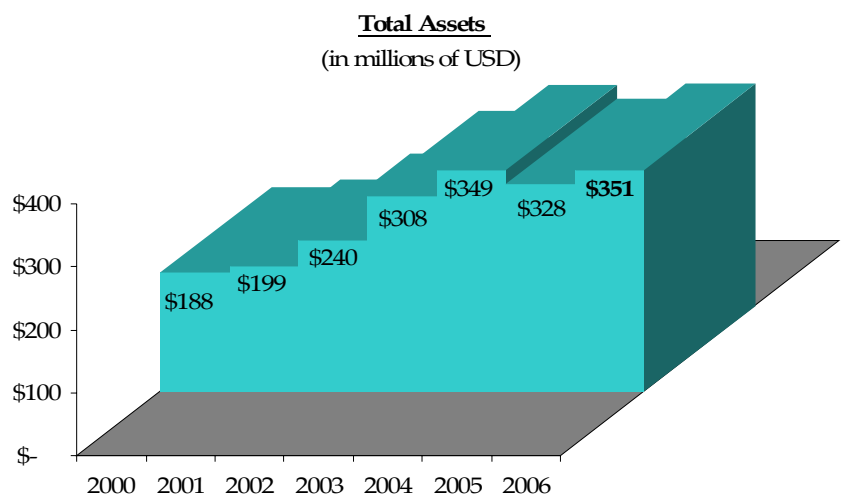
Currently, the bank is in the process of preparing a set of Risk Management Policies and Procedures covering credit, market and operational risk. Such policies will be presented to the Board for approval.

Key Financial Indicators & Results

Following the passing away of Founder and Chairman Mr. Ali Al Jammal in 2005, the Bank witnessed a slight slump that was followed by a financial and operational restructuring exercise undertaken by JTB's new management, based on which renewed market confidence was clearly reflected through a surge in Customer Deposits to above-sector average levels and an asset increase that came contrary to prevalent market conditions. Net Interest income also increased as a result of JTB's focus on targeting unmet and growing demand in Lebanon's SME sector.

Assets

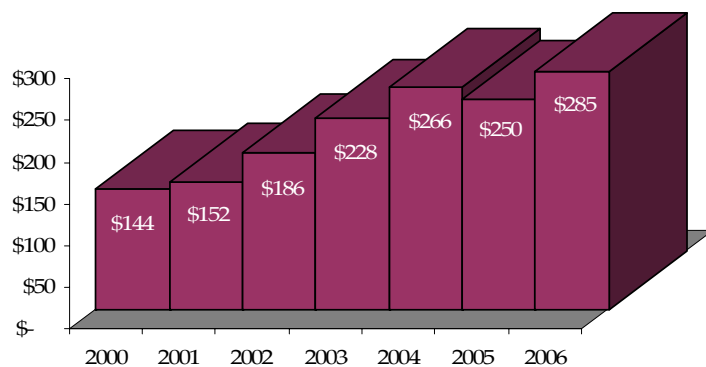
Against a background of economic stagnation, Jammal Trust Bank's assets improved considerably over the year 2006, recording LL 529 billion as compared with LL 494 billion at the end of 2005, representing an increase of 7% equivalent to LL 35 billion. Such increase was invested in loan portfolios in accordance with JTB's plans for the redistribution of credit portfolio risk.



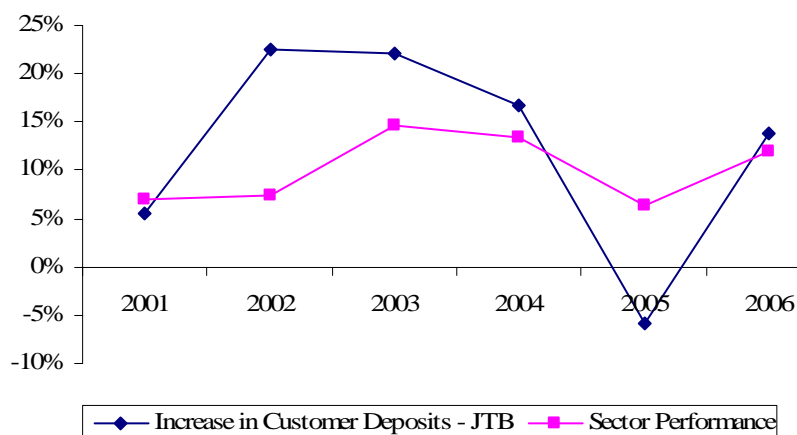
Deposits

Total bank deposits reached LL 430 billion at the end of 2006 compared with LL 377 billion in 2005, thus registering a 14% increase of LL 53 billion. This surge occurred in tandem and in spite of the withdrawal of a dollar-denominated deposit equivalent to LL 7.5 billion during 2006. It should also be noted that the 2006 objective was to increase foreign-currency denominated deposits, given their more favorable margins as compared to Lebanese Pound deposits.

Customer Deposits
(millions of USD)



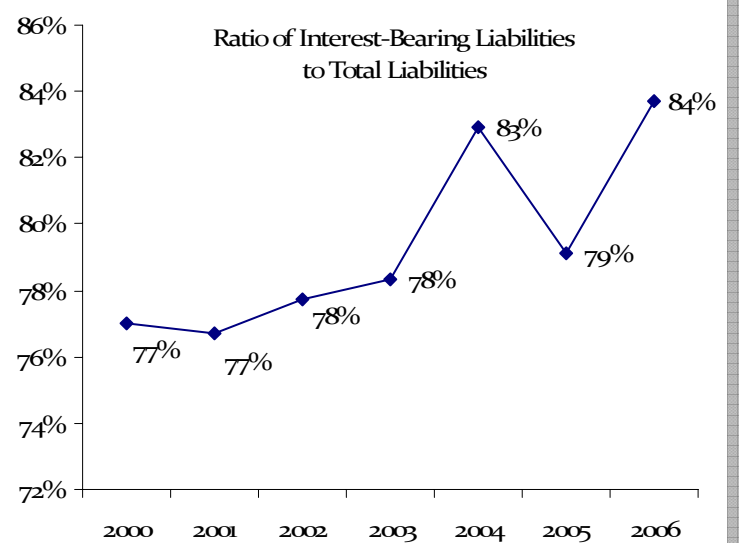
Increase in Customer Deposits (JTB vs Sector)



JTB 14% surge in deposits was sufficient for the bank to surpass the 2006 sector-wide growth of 12%. The bulk of the increase came from time deposits and savings accounts, which have increased by 18% and 17% respectively, while sight deposits registered a 17% drop. Such point towards renewed confidence in JTB's banking services.

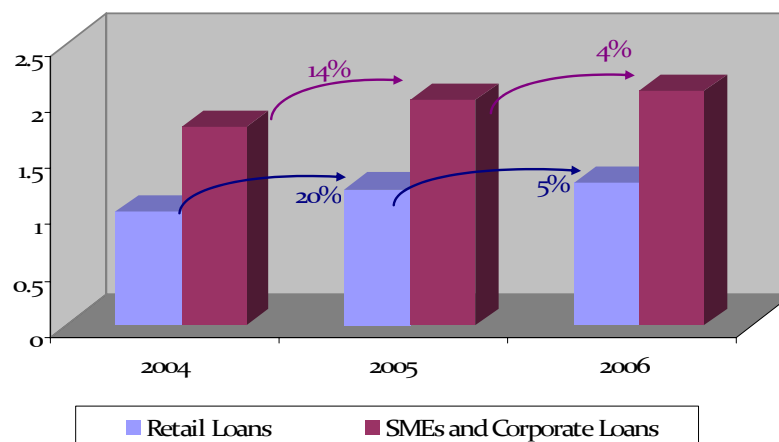
Loans

JTB's performing loans portfolio amounted to a total of LL 81 billion in 2006 compared with LL 85 billion in 2005, a LL 4 billion decrease representing 5%. This has mainly been due to the settlement of LL 20 billion credit owed by the Tourist Development Co. SAL and Savoy Suites SAL in the beginning of the year. Shares from the two companies were transferred to the bank in a transaction approved by BDL as well as the Banking Control Commission. This led to an *apparent* decline in total loans, while credit activity had *in fact* registered a 19% increase equivalent to LL 16 billion.



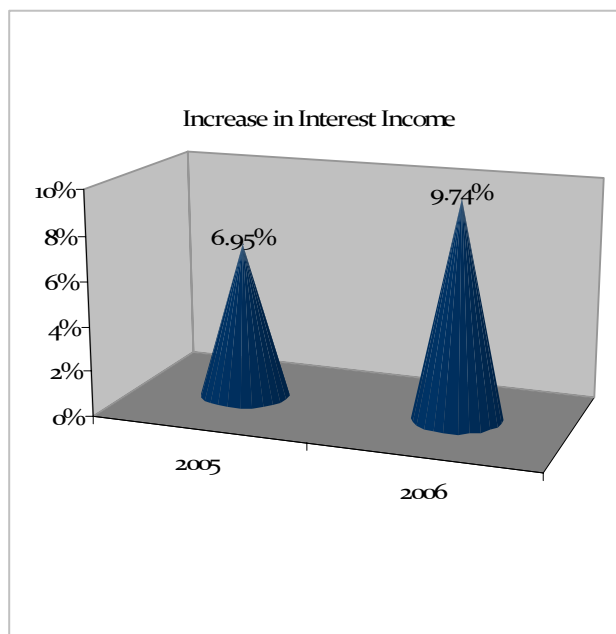
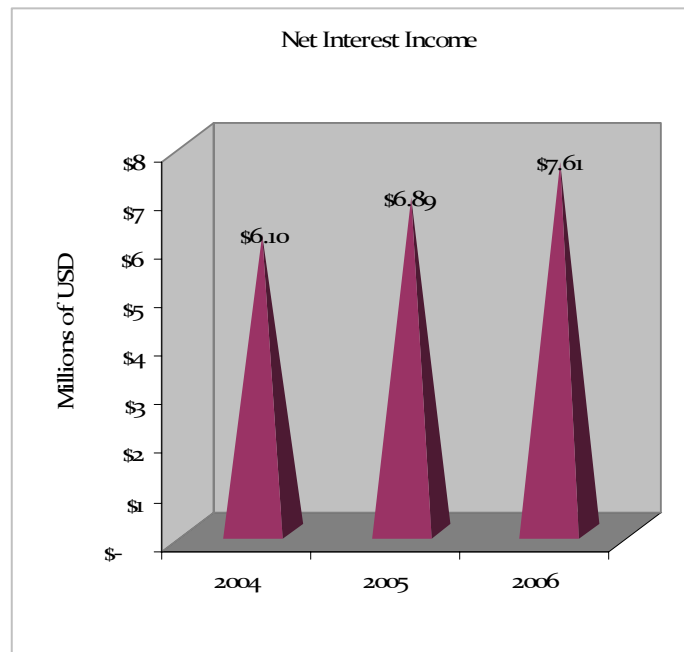
Through the introduction of wider-reach services in the Trade Finance area, and particularly through expanding the Bank's geographic presence, both loans and deposits have witnessed a marked increase over the past 2 years. The introduction of SME lending at the forefront of strategies has also enhanced the bank's overall operational volume and diversified JTB's customer base significantly.

Loan Portfolio Growth



Enhancing Portfolio Quality

According to local industry surveys, 78% of Lebanon's "bank-able" population (age between 18 and 60) is not being served by the local commercial banking sector primarily due to a rooted belief by this segment that it is "un-bankable". Credit worthiness in Lebanon generally implies the provision of real estate and / or collateral amounting to 150% of loan principal, assets that are usually unavailable to a very large segment of the population. Against this background and following from JTB's quest for product innovation and development, the bank has sought to identify and serve unmet demand through providing credit facilities with less stringent arrangements and requirements. The bank has taken a rare and bold step in Lebanon's generally risk-averse market, and has launched a campaign targeting small businesses, agriculturalists, self-employed professionals, and similar segments that generally find it highly difficult if not impossible to harbor sufficient credit worthiness to be considered by any commercial bank.



Against a growing retail lending portfolio, financial restructuring along with credit quality controls have resulted in the achievement of a minimal, insignificant default rate of 0.5%. Further, a 16.5% improvement in credit portfolio quality (ratio of non-performing loans to total loans) has been recorded over the past year, as JTB proactively dealt with bad debt and enhanced loan portfolio volumes. Results point to a reduction in non-performing loans by 43.2% between 2004 and 2006, against an overall rise of 8.3% in the total lending portfolio.

The 7% increase in Net Interest Income of 2005 was followed by a 9.7% rise in 2006. Net Interest Income recorded a rise of 13% in 2005 and 10% in 2006.

Liquidity

At the end of 2006, the bank enjoyed sufficient liquidity to cover 93% of its local currency obligations, a rise from 81% in 2005. As for foreign currency cover, the bank's liquidity stood at 21.91% at the end of 2006, which is equivalent to three times the ratio required by monitoring bodies.

Solvency

The bank enjoys sufficient equity capital and private funding for covering its entire asset base inclusive of risk factors. The solvency ratio reached 30.67% at the end of 2006, and this against an international norm of 8% and a local Central Bank requirement of 12%.

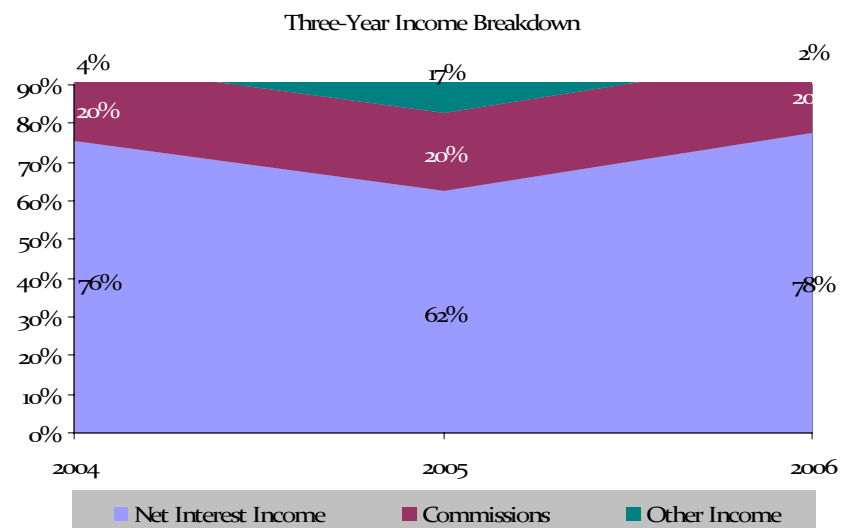
Operating Profits

Recognized profits excluding provisions were equivalent to LL 3.51 billion by the end of 2006 compared with LL 2.809 billion at the end of 2005. These represented a 25% increase equivalent to LL 700 million.

It should be noted that the July 2006 Israeli war on Lebanon had an enormous negative impact on the various economic sectors, of which the banking sector. As the collateral base of a number of JTB clients was hard-hit, total damage equivalent to some \$3.5 million (LL 5.2 billion) had to be accounted for through provisions deducted from 2006 profits.

Given JTB management's close follow up on client status and the enactment of cushioning measures to alleviate the effects of losses, such provisions were reduced to only LL 170 million by year-end 2006, a figure deducted as provisions from 2006 profits, as confirmed by external auditors in their annual report.

As such, while 2006 results would have fared much better had it not been for the July 2006 war on Lebanon, the exertion of every effort on the part of JTB management and the determination to control the situation for the benefit of shareholders and all stakeholders served to alleviate the effects of such unforeseen situations.



Improving Cost Efficiency

Alongside payroll improvements, JTB has managed to maintain operating cost increases at a minimal 2% over the past 2 years, as efficient operational procedures were set in place while fixed expenses were maintained in check. Administrative restructuring has also led to tighter cost monitoring and control, while financial restructuring of the bank's deposit portfolio has resulted in enhanced profit generation.

It should be noted that JTB's overall operating cost increase has been maintained at low levels in spite of a 15.5% increase in salaries and a 5.8% increase in general operating expenses since 2004.

Introducing Banking Insurance Services

JTB plans to revive two of its dormant companies in the insurance field with the aim of providing both traditional and innovative insurance products on the Lebanese market. The bank's customer base is expected to represent a major portion of demand for such banking insurance products.

Summary of Management Notes to Financial Statements

The Board hereby expresses its satisfaction with respect to JTB's 2006 positive performance which rode contrary to the wave of difficulties facing Lebanon during and since the past year. The Board is steadfast in its quest for continuing the bank's development on all fronts to where the JTB becomes a modern, competitive and first class bank. We look towards our shareholders' full support in this quest.

On Behalf of the JTB Board

Anwar Ali Jammal
Chairman



2006 Audited Consolidated Financial Statements

Consolidated Balance Sheet – Statement of Assets

Jammal Trust Bank - Audited Consolidated Balance Sheet as of Dec. 31, 2006			
Notes	STATEMENT OF ASSETS (in 000's of LL)	2005	2006
3	Cash and Central Bank	142,385,007	130,563,087
4	Lebanese Treasury Bills & other government bills	156,972,760	192,135,323
5	Head Office, branches, partner company, sister institutions & subsidiaries	421,372	7,042
6	Banks and Financial Institution	24,908,353	42,381,258
	Current accounts	16,403,595	17,494,284
	Term deposits	8,340,441	24,886,974
	Purchased Checks	164,317	
7	Loans and advances to customers	123,211,746	98,779,941
	Commercial Loans	57,984,024	52,528,072
	Other Loans to customers	44,808,096	28,859,575
	Overdraft accounts	641,512	48,583
	Loans and advances to related parties (Art. 152 of Code of Money & Credit)	7,074,237	7,930,292
	Doubtful Loans, Net	12,703,877	9,413,419
8	Debtors against acceptances	12,072,402	10,115,046
9	Investments and loans to related parties	1,618,035	1,618,035
10	Tangible fixed assets (including revaluation variance approved by the central bank)	23,041,679	22,174,733
11	Property against debts	1,948,204	3,855,668
12	Investments against debt		19,632,756
13	Intangible fixed assets	30,778	27,664
14	Other assets	61,519	52,500
15	Regularization & Miscellaneous debtor accounts	7,192,592	7,170,023
	TOTAL ASSETS*	493,864,447	528,513,076

* After deducting LBP 15.3 billion representing the provision for doubtful debts and LBP 27 billion representing unrealized interest, for a total of LBP 42.3 billion.

Off-Balance Sheet	31-12-05	31-12-06
Authorized commitments received from financial intermediaries	362,683	175,348
Total Off-Balance Sheet	362,683	175,348



**Consolidated Balance Sheet - Statement of Liabilities & Shareholders' Equity**

Jammal Trust Bank - Audited Consolidated Balance Sheet as of Dec. 31, 2006			
Notes	STATEMENT OF LIABILITIES & SHAREHOLDERS' EQUITY (in 000's of LL)	2005	2006
	LIABILITIES		
16	Banks and Financial Institutions	13,260,593	12,396,344
	<i>Current accounts</i>	388,600	5,970,444
	<i>Time deposits and borrowings</i>	12,871,993	6,425,900
	Head Office, branches, parent company, sister institutions & subsidiaries		
17	Customers' Deposits	377,370,957	429,892,206
	<i>Sight Deposits</i>	33,303,263	27,460,399
	<i>Time Deposits</i>	65,487,430	77,011,594
	<i>Saving accounts</i>	274,910,003	321,807,772
	<i>Related parties accounts</i>	3,670,261	3,612,441
8	Liabilities by acceptances	12,072,402	10,115,046
18	Other Liabilities	15,006,564	6,975,782
19	Regularization & other credit accounts	4,838,160	1,359,625
20	Provisions for contingencies	2,083,357	2,646,089
	TOTAL LIABILITIES	424,632,033	463,385,092
	SHAREHOLDERS' EQUITY		
21	Capital	58,000,000	58,000,000
22	Reserves for general banking risks	1,992,764	1,992,764
23	Revaluation variance	4,218,043	4,218,043
24	Legal reserve	1,257,701	1,392,070
	<i>Group Shares</i>	973,871	1,099,446
	<i>Minority Shares</i>	283,830	292,624
	Profit brought forward	357,024	585,008
	<i>Group Shares</i>	343,158	517,160
	<i>Minority Shares</i>	13,866	67,848
25	Unrealized Profit & Loss	3,177,057	(1,093,521)
	Net Results for the year	229,825	33,620
	<i>Group Shares</i>	235,228	14,066
	<i>Minority Shares</i>	(5,403)	19,554
	TOTAL SHAREHOLDERS' EQUITY	69,232,414	65,127,984
	TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	493,864,447	528,513,076
	Off-Balance Sheet	31-12-05	31-12-06
	Financial engagements issued	6,250,653	14,672,843
	<i>Financial Intermediaries</i>	6,250,653	14,672,843
	<i>Customers</i>		
	Engagements by signature issued to	16,223,583	10,900,443
	<i>Financial Intermediaries</i>	2,928,207	627,331
	<i>Customers</i>	13,295,376	10,273,112
	Total Off-Balance Sheet	32,447,166	25,573,286





Consolidated Statement of Income

Jammal Trust Bank - Audited Consolidated Income Statement for the year ended Dec. 31, 2006			
Notes	Amounts in 000's of LL	2005	2006
	Interest and similar income	28,651,166	31,440,585
26	<i>Lebanese treasury bills</i>	11,747,021	14,360,966
	<i>Deposits with banks and financial institutions</i>	2,827,522	3,109,591
	<i>Deposits at Head Office, branches, sister institutions & subsidiaries</i>	249	-
	<i>Bonds and financial instruments with fixed income</i>	5,695,928	5,775,985
	<i>Loans and advances to customers</i>	8,171,100	7,839,801
	<i>Advances to related parties</i>	209,322	354,217
	<i>Other interests and revenues</i>	24	25
27	Interest and related expenses	(18,267,294)	(19,969,408)
	<i>Deposits and similar accounts from banks</i>	(1,165,891)	(276,315)
	<i>Customers' deposits and other credit accounts</i>	(16,944,177)	(19,632,864)
	<i>Deposits from related parties</i>	(157,226)	(60,229)
	Net allocation to provisions	(1,908,031)	(1,592,086)
	<i>Provisions on loans and advances</i>	(2,454,053)	(2,401,477)
	<i>Provisions write-back</i>	546,022	809,391
	Net Interest Earned	8,475,841	9,879,091
	Revenues from marketable securities with variable income	60,433	138,971
	Net commissions received	2,719,590	2,551,456
	<i>Commissions received</i>	2,915,340	2,905,357
	<i>Commissions paid</i>	(195,750)	(353,901)
	Profit on financial operations	1,618,256	575,330
	<i>Marketable securities</i>	1,216,462	181,952
	<i>Foreign exchange transactions</i>	401,794	393,378
	Loss on financial operations	(116,448)	(137,678)
	<i>Marketable securities</i>		(87,323)
	<i>Foreign exchange transactions</i>	(116,448)	(50,355)
	Net Profit on financial operations	1,501,808	437,652
28	Other operating revenues	1,341,961	980,289
	Other operating expenses	(572,858)	(656,557)
	General and administrative expenses	(11,827,444)	(11,006,568)
29	<i>Salaries and related expenses</i>	(5,321,808)	(5,422,216)
30	<i>General operating expenses</i>	(6,505,636)	(5,584,352)
	Depreciation and amortization of tangible and intangible assets	(1,479,216)	(1,549,002)
	Net income for the year before taxes	220,115	775,332
	Exceptional results before taxes	37,844	(593,897)
	<i>Exceptional revenue</i>	242,041	251,313
	<i>Exceptional expenses</i>	(204,197)	(845,210)
	Income tax	(7,989)	(14,539)
	Net Income for the year (before reserve for general banking risk)	249,970	166,896
	<i>Less: Legal Reserve</i>	(20,145)	(133,276)
	Net Results for the year	229,825	33,620
	<i>Group share</i>	235,228	14,066
	<i>Minority share</i>	(5,403)	19,554





Notes to the Consolidated Financial Statements

