Bank Building Corporation

2005 Annual Report

Dear Shareholders:

As we have discussed previously, the primary purpose of Bank Building Corporation is to acquire, develop and lease offices to a group of Participating Banks. As the opportunities have presented themselves, the Company has also acquired several commercial properties, including a restaurant, two shopping centers, and an office complex.

We did not purchase any new bank or other properties during 2005. We are, however, continuing to evaluate new investments and will keep you informed on our progress

The Company earned $321,603, or $0.81 per share, during 2005, compared to $272,564, or $0.68 per share, during 2004, an increase of $49,039 or 18%. The Company's pre-tax income grew from $465,716 in 2004 to $511,546 in 2005, an increase of $45,830 or 9.8%. The increase in pre-tax income is primarily the result of increases in income from both bank offices and other properties.

The Proxy Statement and Proxy Card for the 2006 Annual Meeting of Shareholders are enclosed. The meeting will be held on December 28, 2006 at the Bank Services of Virginia Operations Center located at 320 College Drive in Martinsville, Virginia. We sincerely hope you will be able to attend the meeting.

Sincerely,

Worth Harris Carter, Jr.
Chairman of the Board and President

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Bank Building Corporation has prepared and is responsible for the accompanying financial statements, together with the financial data and other information presented in this annual report. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances. The financial statements include amounts that are based on management's best estimates and judgments.

Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial records are reliable as the basis for preparation of all financial statements, and that the Company's assets are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of control in relation to the expected benefits and to determine the appropriate balance between these costs and benefits.

The Board of Directors functions as the audit committee and meets periodically with the independent public accountants and management to review accounting, auditing and internal reporting matters. The independent public accountants have free access to the Board, without management present, to discuss the results of their audit work and their evaluations of internal controls and the quality of financial reporting.

The financial statements in this annual report have been audited by the Company's independent auditors, Goodman & Company, for the purposes of determining that the financial statements are presented fairly. Their independent professional opinion on the Company's financial statements is presented with the attached financial statements.

Worth Harris Carter, Jr.

Chairman of the Board, President and
Chief Financial Officer

MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITION AND PERFORMANCE AND PLAN OF OPERATIONS

The primary purpose of the Corporation is to acquire and develop property for lease as bank offices to the Participating Banks. As of December 31, 2005, the Participating Banks consisted of: Blue Ridge Bank, N.A., Floyd, Virginia; Central National Bank, Lynchburg, Virginia; Community National Bank, South Boston, Virginia; First National Bank, Rocky Mount, Virginia; First National Exchange Bank, Roanoke, Virginia; Mountain National Bank, Galax, Virginia; Patrick Henry National Bank, Bassett, Virginia; Patriot Bank, National Association, Fredericksburg, Virginia; Peoples National Bank, Danville, Virginia and Shenandoah National Bank, Staunton, Virginia.

The selection of sites and construction of the offices is done by the particular Participating Bank that will lease the site to insure the needs of that bank are met. There are, however, no commitments on the part of any Participating Bank to present prospective office properties to the Corporation nor are there any commitments on the part of the Corporation to accept any prospective office properties offered by any Participating Banks. The acquisition and development of property are financed through loans from various sources. From time to time Participating Banks make loans in connection with the acquisition of a site for another Participating Bank.

The Corporation does not, however, seek loans for the acquisition of a given site from the particular

Participating Bank that intends to lease that site. The Corporation also acquires funds for site acquisition and development from banks that are not Participating Banks.

The initial lease terms for a bank office are set to cover all carrying costs of the particular site plus a small amount for the accounting and record keeping costs of the Corporation. Subsequent lease terms are negotiated between the Participating Bank and the Corporation based on the conditions in the relevant market at that time.

Regardless of the amount of property purchased by the Company, the lease with the Participating Bank includes only the portion of the property utilized for the branch. The allocation of costs between the branch site and other property is based on the relative size and market value of each segment. Any property other than that used for the branch will be developed, leased or sold by the Corporation. Any buildings or other developments on this property will be compatible with the design of the bank office and consistent with the conduct of the business of banking.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Critical accounting policies are defined as those that require management to make estimates, judgements and assumptions, giving due consideration to materiality, in certain circumstances that affect amounts reported in the financial statements, and potentially result in materially different results under different conditions and assumptions. The Corporation considers the following accounting policies to be critical policies which involve various estimation processes: accounting for the acquisition and classification of real estate assets, and accounting for the disposition and impairment of real estate assets.

Acquisition and Classification of Real Estate Assets

Substantially all of the Corporations's properties are acquired from the Participating Banks at carrying value. Each acquisition from the Participating Banks is evaluated under SFAS No. 98, "Accounting for Leases; Sale-Leaseback Transactions Involving Real Estate; Sales-Type Leases of Real Estate; Definition of the Lease Term; Initial Direct Costs of Direct Financing Lease", to determine whether the transfer qualifies as an accounting sale from and leaseback to the Participating Bank. Once management determines that sale leaseback accounting is appropriate, directly owned and leased assets are classified as real estate held and leased under the operating method, or as net investment in financing leases at the inception of a lease, for financial reporting purposes. This classification is based on several criteria, including financing leases, but not limited to, estimates of the remaining economic life of the leased assets and the calculation of the present value of future minimum rents. The classification criteria are intended to indicate whether the risks and rewards of ownership are retained by the lessor or substantially transferred to the lessee.

Dispositions and Impairment of Real Estate

Gains and losses on dispositions of real estate are recognized upon sale of the underlying project in accordance with Statement of Financial Accounting Standards No. 66, " Accounting for Sales of Real Estate". The Corporation evaluates each real estate sale transaction to determine if it qualifies for gain recognition under the full accrual method. If the transaction does not meet the criteria for the full accrual method of profit recognition based on the Corporation's assessment, the Corporation accounts for a sale based on an appropriate deferral method determined by the nature and extent of the buyer's investment and the Corporation's continuing involvement.

FASB Statement No. 144 "Accounting for Impairment of Disposal of Long-Lived Assets", requires that long-lived assets held and used by an entity be reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This Statement also specifies criteria for reclassification and measurement for long-lived assets held for sale.

Properties

The Corporation did not acquire additional properties during 2005. As of December 31, 2005, the Corporation owned 46 offices that were leased to various Participating Banks under triple net operating leases. The leasing bank is responsible for all property taxes, insurance and maintenance costs on each leased office. The Corporation incurs interest and depreciation expenses related to each office as well as other, minimal operating costs.

The Corporation also owns the Westlake Corner Shopping Center near Smith Mountain Lake. This center consists of 50,000 square feet of space on 29 acres. The anchor tenants for the center are Food Lion, CVS Pharmacy, and Family Dollar Store. First National Bank, Rocky Mount, Virginia opened an office on a 10 acre tract of this property on June 5, 1998.

The Corporation also owns Blackstone Properties, L.L.C, a wholly owned subsidiary. Blackstone Properties owns two properties: a shopping center in Blackstone, Virginia and Executive Office Park, an office complex located in Roanoke, Virginia. The shopping center maintains various retail tenants. Executive Office Park is an office complex consisting of six separate buildings containing approximately 54,000 square feet of space divided into 28 suites. The Corporation also owns a Golden Corral Restaurant in Raleigh, North Carolina, which it leases to a third party.

Long-term mortgages payable by the Corporation as of December 31, 2005 and 2004 consisted of the following:

	2005	2004
Mortgage loan secured by real estate (Lake Shopping Center) and related leases. Monthly payments are $19,403 including principal and interest at 8.25% at December 31, 2005, with the final payment due in 2012.	$1,122,386	$1,256,554
Balance Carried Forward	$1,122,386	$1,256,554

	2005	2004
Balance Brought Forward	$ 1,122,386	$ 1,256,554
Mortgage loan secured by real estate (Lake Shopping Center) and related leases. Monthly payments are $8,418 including principal and interest at 7.00% as of December 31, 2005, with the final payment in 2011	482,638	547,386
Mortgage loan secured by real estate (Blackstone Shopping Center) and related leases. Monthly payments are $20,394 including principal and interest at 8.50% as of December 31, 2005, with the final payment in 2018	1,830,305	1,927,495
Mortgage loan secured by real estate (Golden Corral Restaurant) and related lease. Monthly payments are $16,302 including principal and interest at 6.0% as of December 31, 2005, with the final payment in 2013	1,269,984	1,385,611
Mortgage loan secured by real estate (Executive Office Park) and related leases. Monthly payments are $17,444, including principal and interest at 7.00% at December 31, 2005, with the final payment due in 2006.	2,000,085	2,066,851
Mortgage loans secured by real estate (branch bank facilities) and related leases. Monthly payments at December 31, 2005 are $212,379, including principal and interest, with the final payments due from 2017 to 2024. Interest rates range from 5.50% to 8.75% at December 31, 2005, and are subject to adjustments at various times	24,174,414	24,796,674
	30,879,812	31,980,571
Less current portion	(3,373,848)	(1,369,091)
	$27,505,964	$30,611,480

Operating Results

Net Income. The Corporation generated net income in 2005 of $321,603, or $0.81 per share, compared to net income in 2004 of $272,564, or $.68 per share, and net income in 2003 of $204,336, or $.51 per share. The increase of $49,039 from 2004 to 2005 is primarily attributable to the decrease in several operating expenses, while the increase from 2003 to 2004 is the result of the gain on sale of property. Lease income, which has historically been the Corporation's principal source of revenue, was $3,813,319 in 2005, a decrease of 2% from lease income in 2004 of $3,906,992. In comparison, the lease income in 2004 decreased 1% to $3,906,992 from $3,919,163 in 2003. Lease income accounted for 99% of total income in 2005 and 2004 and 98% in 2003.

The Corporation was a 50% limited partner in Waterlick, L.L.C. This partnership was dissolved in 2003 and a gain of $86,000 was recognized by the Corporation.

Operating Expenses. Operating expenses for 2005 were $3,348,284 compared to $3,500,123 for 2004. This decrease of $151,839, or 4%, is due mainly to a decrease in interest expense. Repairs and other expense also decreased, due to the sale of property. In comparison, operating expenses for 2003 of $3,666,415 decreased to $3,500,123 in 2004, a decrease of $166,292 or 5%. This drop was due primarily to a decrease in depreciation and interest expense, which are the Corporation's principal operating expenses.

Interest expense fell to $2,253,235 in 2005 from $2,423,659 in 2004, a decrease of $170,424 or 7%. Interest expense for 2004, when compared to 2003, decreased $140,376, or 5%. The change is principally due to the sale of property in 2005 and the related decrease in debt outstanding. Depreciation increased from $663,930 in 2004 to $672,690 in 2005 and decreased from $674,583 in 2003 to $663,930 in 2004. The increase of $8,760 from 2004 to 2005 was the result of the capitalization of property improvements for the year.

Operating expenses, other than depreciation and interest, consist largely of amortization, real estate taxes and insurance, repairs and the cost of corporate functions, including legal and accounting fees. These expenses increased to $422,359 in 2005 from $412,534 in 2004, for an increase of $9,825 or 2%. Professional fees increased, including an approximately $28,000 increase in audit fees that was principally attributable to additional professional services rendered in connection with the review of multiple delinquent periodic reports. Taxes and insurance also increased, while amortization was flat and all other categories of other expenses decreased. In comparison, these other operating expenses fell to $412,534 in 2004 from $427,797 in 2003, for an decrease of $15,263, or 4%. All of the other expenses decreased from 2003 to 2004 with the exception of professional fees, which rose that year.

The effective income tax rate was 37% in 2005, 41.5% in 2004, and 39.8% in 2003. The changes each year were due to changes in components of income, primary tax on regular income, capital gains on sales of property and investments and the effect of these items on deferred tax.

Analysis of Financial Condition, Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of business operations. The Corporation's main source of liquidity is lease income. Lease income was $3,813,319 in 2005, $3,906,992 in 2004 and $3,919,163 in 2003. Cash outflows consist of payments for operating expenses, interest expense, income taxes, and mortgage borrowings. The Corporation's cash flow from operations was $1,172,323 for 2005 compared to $764,469 for 2004, and $770,630 for 2003.

As of December 31, 2005, the Corporation's other sources of liquidity consist of $110,119 in cash and potential sales proceeds from real estate having an aggregate book value of approximately $32,266,395 at December 31, 2005. Management believes that its cash flow from operations and these other potential sources of cash will be sufficient to finance current and projected operations.

The Corporation has not paid dividends to its shareholders.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

The following paragraphs outline several accounting pronouncements that will become effective in future years.

FASB STATEMENT 123

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 (revised 2004), which is a revision of Statement 123 "Accounting for Stock-Based Compensation." This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement is effective for the Corporation as of the beginning of the first annual reporting period that begins after December 15, 2005. Management believes that the adoption of this statement will have no material impact on the Corporation's financial condition or results of operations for the foreseeable future.

FASB STATEMENT 153

In December 2004, the FASB issued Statement No. 153, "Exchanges of Nonmonetary Assets," an amendment of APB Opinion No. 29, "Accounting for Nonmonetary Transactions." This Statement eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance-that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. This Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management believes that the adoption of this statement will have no material impact on the Corporation's financial condition or results of operations for the foreseeable future.

FASB STATEMENT 154

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3." This Statement requires retrospective application to prior period financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balance of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable, and that a corresponding adjustment be made to the opening balance of retained earnings. This Statement improves financial reporting because its requirement to report voluntary changes in accounting principles via retrospective application, unless impracticable, enhances the consistency of financial information between periods. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Management believes that the adoption of this statement will have no material impact on the Corporation's financial condition or results of operations for the foreseeable future.

Goodman
& COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

Report of Independent Auditors

Board of Directors
Bank Building Corporation

We have audited the accompanying consolidated balance sheets of ***Bank Building Corporation and subsidiary,*** as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Bank Building Corporation and subsidiary*** as of December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Goodman + Company, LLP

Danville, Virginia
May 19, 2006

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Consolidated Balance Sheets

December 31, 2005 and 2004

ASSETS:	2005	2004
Current assets		
Cash	$ 110,119	$ —
Accounts receivable	—	158,035
	110,119	158,035
Property - net	32,266,395	32,909,935
Other assets	194,709	211,718
	32,571,223	33,279,688

LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities		
Bank overdraft	$ —	$ 3,778
Accounts payable	58,048	1,820
Accrued interest	195,492	180,209
Income taxes payable	184,839	194,204
Current portion of long-term debt	3,373,848	1,369,091
Note payable	25,000	—
Total current liabilities	3,837,227	1,749,102
Long-term liabilities		
Long-term debt-net of current portion	27,505,964	30,611,480
Deferred income taxes	66,313	78,990
Total long-term liabilities	27,572,277	30,690,470
Total liabilities	31,409,504	32,439,572
Stockholders' equity		
Common Stock, no par value, 400,000 shares authorized; 398,244 shares issued and outstanding	—	—
Retained earnings	1,161,719	840,116
Total stockholders' equity	1,161,719	840,116
	$ 32,571,223	$33,279,688

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Years ended December 31, 2005, 2004 and 2003

	2005	2004	2003
OPERATING INCOME:			
Lease Income	$3,813,319	$3,906,992	$ 3,919,163
Gain on sale of property	46,494	58,847	—
Gain on sale of investment in Waterlick	—	—	86,000
Other income	17	—	802
Total income	3,859,830	3,965,839	4,005,965
OPERATING EXPENSES:			
Interest	2,253,235	2,423,659	2,564,035
Depreciation	672,690	663,930	674,583
Amortization	16,914	16,914	17,046
Taxes and insurance	85,828	84,806	86,191
Repairs	136,332	157,347	168,764
Professional fees	71,594	31,556	24,375
Other	111,691	121,911	131,421
Total operating expenses	3,348,284	3,500,123	3,666,415
Income before income taxes	511,546	465,716	339,550
Income taxes	189,943	193,152	135,214
Net income	$ 321,603	$ 272,564	$ 204,336
Basic and diluted earnings (loss) per share	$ 0.81	$ 0.68	$ 0.51
Weighted average shares outstanding	398,244	398,244	398,244

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

Years ended December 31, 2005, 2004, and 2003

	Capital	Paid-in Capital	Retained Earnings	Total
Balance - December 31, 2002	$ —	$ —	$ 363,216	$ 363,216
Net Income	—	—	204,336	204,336
Balance - December 31, 2003	—	—	567,552	567,552
Net Income	—	—	272,564	272,564
Balance - December 31, 2004	—	—	840,116	840,116
Net Income	—	—	321,603	321,603
Balance - December 31, 2005	$ —	$ —	$1,161,719	$1,161,719

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2005, 2004 and 2003

	2005	2004	2003
Cash flows from operating activities:			
Net Income	$ 321,603	$ 272,564	$ 204,336
Adjustments to reconcile to net cash from operating activities:			
Depreciation	672,690	663,930	674,583
Amortization	16,914	16,914	17,046
Gain on sale of investment in Waterlick	—	—	(86,000)
Gain on sale of property	(46,494)	(58,847)	—
Deferred income taxes	(12,667)	(1,052)	(10,518)
Changes in:			
Accounts receivable	158,035	(158,035)	—
Other assets	95	(1,738)	(124)
Accounts payable	56,228	(250)	(13,514)
Income taxes payable	(9,365)	58,990	(6,725)
Accrued interest	15,284	(28,007)	(8,454)
Net cash from operating activities	1,172,323	764,469	770,630
Cash flows from investing activities:			
Purchase of property	(207,358)	(91,348)	(75,263)
Proceeds from sale of property	224,692	298,012	60,000
Proceeds from sale of investment in Waterlick	—	—	86,000
Net cash from investing activities	17,334	206,664	70,737
Cash flows from financing activities:			
Repayment of long-term debt	(1,100,760)	(993,980)	(905,088)
Proceeds from note payable	25,000	—	60,000
Repayment of notes payable	—	(60,000)	—
Net cash from financing activities	(1,075,760)	(1,053,980)	(845,088)
Net change in cash	113,897	(82,847)	(3,721)
Cash at beginning of year	(3,778)	79,069	82,790
Cash (overdraft) at end of year	$ 110,119	$ (3,778)	$ 79,069
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$2,237,952	$2,451,668	$2,572,489
Cash paid for income taxes	$ 207,550	$ 145,767	$ 141,939

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2005, 2004, and 2003

Note 1 - ORGANIZATION AND NATURE OF BUSINESS

Bank Building Corporation ("Corporation") conducts its business from its office located in Martinsville, Virginia. The principal business activity of the Corporation is to acquire and develop property for lease as bank offices to the Participating Banks. The Participating Banks consists of Blue Ridge Bank, N.A., Floyd, Virginia; Central National Bank, Lynchburg, Virginia; Community National Bank, South Boston, Virginia; First National Bank, Rocky Mount, Virginia; First National Exchange Bank, Roanoke, Virginia; Mountain National Bank, Galax, Virginia; Patrick Henry National Bank, Bassett, Virginia; Patriot Bank, National Association, Fredericksburg, Virginia; Peoples National Bank, Danville, Virginia and Shenandoah National Bank, Staunton, Virginia. The Corporation also acquires funds for site acquisitions and development from banks that are not Participating Banks. The Corporation and its Subsidiary Blackstone Properties, LLC (Blackstone) also own and lease two shopping centers, an office park and a restaurant.

The Corporation does not have any paid employees or directors. All of its accounting, other professional services, record keeping and other operational needs will be met by other organizations on a fee-for-service basis. It is contemplated that such fees will be based on time expended plus reimbursable expenses. It is anticipated that such costs and expenses will be covered by the lease payments from the lease of the bank branches. At the present time, Bank Services of Virginia, Inc., provides these services. Bank Services also currently provides various bookkeeping and related services for the Participating Banks.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

All intercompany transactions between the Corporation and Blackstone have been eliminated in these consolidated financial statements.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a purchased maturity of three months or less to be cash and cash equivalents.

Lease and Other Income

The Corporation leases its properties under noncancelable operating leases. Lease income is recognized ratably over the lease term. Other income represents fees charged to tenants for maintenance, insurance, and taxes as incurred.

Accounts Receivable and Bad Debts

Receivables are charged to bad debt expense when they are determined to be uncollectible, based upon a periodic review of the accounts by management.

Other Assets

Other assets represent loan origination fees being ratably amortized over the life of the loan and are included in other assets. Accumulated amortization of loan fees amounted to $100,319 and $83,299 at December 31, 2005 and 2004 respectively.

Property

Property is stated at cost and is depreciated using the straight-line method over the estimated useful lives (40 years) of the assets.

In accordance with, FASB Statement No. 144 "Accounting for Impairment of Disposal of Long-Lived Assets", the Corporation reviews long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these estimates.

Income Taxes

Deferred taxes are provided on the asset and liability method. Deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax return bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The only significant timing differences consists of loan origination fees, that are expensed, for income tax purposes, when incurred, but amortized over the life of the related loan for financial reporting purposes.

Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were issued, converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The Corporation had no common stock equivalents during the periods ended December 31, 2005, 2004, and 2003; therefore, diluted earnings per share equal basic earnings per share.

Acquisition and Classification of Real Estate Assets

Substantially all of the Corporation's properties are acquired from the Participating Banks at carrying value. Each acquisition from the Participating Banks is evaluated under SFAS No.98, "Accounting for Leases; Sale-Leaseback Transactions Involving Real Estate; Sales-Type Leases of Real Estate; Definition of the Lease Term; Initial Direct Costs of Direct Financing Lease," to determine whether the transfer qualifies as an accounting sale from and leaseback to the Participating Bank. Once Management determines that the sale leaseback accounting is appropriate, directly owned and leased assets are classified as real estate held and leased under the operating method, or as net investment in at the inception of a lease, for financial reporting purposes. This classification is based on several criteria, including, but not limited to, estimates of the remaining economic life of the leased assets and the calculation of the present value of future minimum rents. The classification criteria are intended to indicate whether the risks and rewards of ownership are retained by the lessor or substantially transferred to the lessee. As Management has determined that the criteria for classification as an operating lease are met, and that the Corporation retains the risks and rewards of ownership, all of the Corporation's Leases are currently classified as operating leases.

Dispositions and Impairment of Real Estate

Gains and losses on disposition of real estate are recognized upon sale of the underlying project in accordance with Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate." The corporation evaluates each real estate sale transaction to determine if it qualifies for gain recognition under the full accrual method. If the transaction does not meet the criteria for the full accrual method of profit recognition based on the Corporation's assessment, the Corporation accounts for a sale based on an appropriate deferral method determined by the nature and extent of the buyer's investment and the Corporation's continuing involvement. All of the Corporation's sales are recorded under the full accrual method.

FASB Statement 144 "Accounting for Impairment of Disposal of Long-Lived Assets," requires that long-lived assets held and used by an entity be reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This Statement also specifies criteria for reclassification and measurement for long-lived assets held for sale.

Recent Accounting Pronouncements

The following paragraphs outline several accounting pronouncements that will become effective in 2006 or 2007:

FASB Statement 123

In December 2004, the FASB issued Statement No. 123 (revised 2004), which is a revision of Statement 123 " Accounting for Stock-Based Compensation." This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement is effective for the Corporation as of the beginning of the first annual reporting period that begins after December 15, 2005. Management believes that the adoption of this statement will have no material impact on the Corporation's financial condition or results of operations for the foreseeable future.

FASB Statement 153

In December 2004, the FASB issued Statement on No. 153, "Exchanges of Nonmonetary Assets, " an amendment of APB Opinion No. 29, "Accounting for Nonmonetary Transactions." This Statement eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance-that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. This Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management believes that the adoption of this statement will have no material impact on the Corporation's financial condition or results of operations.

FASB Statement 154

In May, 2005, the FASB issued Statement No. 154, " Accounting Changes and Error Corrections: a replacement of APB opinion No. 20 and FASB Statement No. 3." This Statement requires retrospective application to prior period financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings. This Statement improves financial reporting because its requirement to report voluntary changes in accounting principles via retrospective application, unless impracticable, enhances the consistency of financial information between periods. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Management believes that the adoption of this statement will have no material impact on the Corporation's financial condition or results of operations.

Note 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2005	2004
Land	$ 10,130,519	$ 10,308,125
Buildings	26,541,536	26,334,780
	36,672,055	36,642,905
Less - accumulated depreciation	(4,405,660)	(3,732,970)
	$ 32,266,395	$ 32,909,935

Note 4 - LEASES

The primary purpose of ***Bank Building Corporation*** is to acquire and develop property for lease as bank offices to a number of Participating Banks. The selection of sites and construction of the offices is performed by the Participating Banks that will lease the premises to insure the needs of the bank are met. There are, however, no commitments on the part of any of the Participating Banks to present prospective office properties to ***Bank Building Corporation***, nor are there any commitments on the part of ***Bank Building Corporation*** to accept any prospective office properties offered by any of the Participating Banks.

At December 31, 2005, the Corporation owned 46 offices that are leased to various Participating Banks (as disclosed in Note 8) under triple net operating leases. The leasing bank is responsible for all property taxes, insurance and maintenance costs on each leased office. The Corporation incurs both interest and depreciation expense related to each office as well as other, minimal operating costs. In addition, the Corporation and its subsidiary own several non-bank commercial properties.

The Corporation leases substantially all of its property under noncancelable long term operating leases. Future minimum payments, due under existing leases were as follows at December 31, 2005:

2006	$ 3,716,304
2007	3,771,102
2008	3,774,765
2009	3,778,464
2010	3,782,201
Thereafter	18,145,142
	$ 36,967,978

A number of tenants leasing the Corporation's non-bank commercial properties have leases that expire over the next five years. Most of these have renewal options that may be exercised. If this occurs, the lease payments over the next five years will be higher than the amounts listed above.

Note 5 - INVESTMENT IN WATERLICK, L.L.C.

The Corporation was a 50% limited partner in Waterlick, L.L.C. This partnership was dissolved in 2003, and a gain of $86,000 was recognized by the Corporation. Waterlick owned and leased certain commercial properties in Lynchburg, Virginia, that were liquidated during 2004.

Note 6 - DEBT

Long-term debt consists of the following at December 31:

	2005	2004
Mortgage loan secured by real estate (shopping center) and related leases. Monthly payments are $19,403 including principal and interest at 8.25%, with the final payment due in 2012.	$ 1,122,386	$ 1,256,554
Mortgage loan secured by real estate (shopping center) and related leases. Monthly payments are $8,418 including principal and interest at 7.00%, with the final payment in 2011	482,638	547,386
Mortgage loan secured by real estate (shopping center) and related leases. Monthly payments are $20,394 including principal and interest at 8.50%, with the final payment due in 2018.	1,830,305	1,927,495
Mortgage loan secured by real estate and lease for a Golden Corral restaurant. Monthly payments are $16,302 including principal and interest at 6.0%, with the final payment due in 2013.	1,269,984	1,385,611
Mortgage loan secured by real estate (office park) and related leases. Monthly payments are $17,444, including principal and interest at 7.00%, with the final payment due in 2006.	2,000,085	2,066,851
Mortgage loans secured by real estate (branch bank facilities) and related leases. Monthly payments at December 31, 2005 are $212,379, including principal and interest, with the final payments due from 2017 to 2024. Interest rates range from 5.50% to 8.75% at December 31, 2005, and are subject to adjustments at various times..	24,174,414	24,796,674
	30,879,812	31,980,571
Less current portion.	(3,373,848)	(1,369,091)
	$ 27,505,964	$ 30,611,480

Maturities of long-term debt at December 31, 2005 are as follows:

2006	$ 3,373,848
2007	1,481,694
2008	1,598,220
2009	1,724,029
2010	1,701,991
Thereafter	21,000,030
	$30,879,812

At December 31, 2005, the Corporation had an unsecured demand note of $25,000 (6% interest) payable to Worth Harris Carter, Jr., Chairman of the Board and President of the Corporation, as further described in Note 8.

Note 7 - INCOME TAXES

The income tax expense consists of the following:

	2005	2004	2003
Current	$ 202,620	$ 194,204	$145,732
Deferred	(12,677)	(1,052)	(10,518)
	$ 189,943	$ 193,152	$135,214

Income tax expense differs from the amount of income tax determined by applying the U.S. Federal Income tax rate to pretax income due to the following:

	2005	2004	2003
Tax expense computed by applying federal statutory rates to income before income taxes	$ 159,277	$ 160,928	$115,447
State income taxes	30,666	32,224	19,767
	$ 189,943	$ 193,152	$135,214

There were no significant deferred tax assets or liabilities at December 31, 2005 and 2004.

Note 8 - RELATED PARTY TRANSACTIONS

The Chairman of the Board and President of the Corporation serves in a similar capacity for ten commercial banks throughout Virginia: Blue Ridge Bank, N.A., Central National Bank, Community National Bank, First National Bank, First National Exchange Bank, Mountain National Bank, Patrick Henry National Bank, Patriot Bank, National Association, Peoples National Bank, and Shenandoah

National Bank.

At December 31, 2005 and 2004, the Corporation had outstanding mortgage loans with certain of these banks totaling $29,757,426 and $30,724,017 respectively. The Corporation is directly obligated on these loans, and mortgage loans are not obtained (or guaranteed) from the same affiliated bank leasing the property securing the loan. No mortgage loans were obtained from these banks in 2005: principal payments on these loans were $985,132 for 2005, $882,441 for 2004, and $791,263 for 2003. The Corporation also leases branch-banking locations to certain of these banks. Lease income received from these banks was $2,641,855 in 2005, $2,746,779 in 2004, and $2,562,393 in 2003.

At December 31, 2005, the Corporation had accrued interest to these banks of $187,773 at December 31, 2005 and $153,403 at December 31, 2004. Total interest expense paid to these banks was $2,139,285 for 2005, $2,335,801 for 2004 and $2,450,179 for 2003.

At December 31, 2005, the Corporation was the obligor on a $25,000 demand note (6.0% interest) payable to Worth Harris Carter, Jr., Chairman of the Board and President of the Corporation. The note was issued on December 19, 2005.

Note 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Values of Financial Instruments* requires the Corporation to disclose the estimated fair values of its financial assets and liabilities. The estimated fair values were determined using the following assumptions:

Cash: The carrying value of cash approximates fair value.

Note Payable: The carrying value of the note payable approximates fair value.

Long-term Debt: The fair value of long-term debt is estimated by discounting the anticipated cash flows using estimated market rates for similar loans available in the Corporation's market area.

	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash	$ 110,119	$ 110,119	$ —	$ —
Financial liabilities				
Note payable	$ 25,000	$ 25,000	$ —	$ —
Long-term debt	30,879,812	31,584,017	31,980,571	33,579,560
	$ 30,904,812	$ 31,609,017	$ 31,980,571	$ 33,579,560

Note 10 - COMMITMENTS AND CONTINGENCIES

On July 30, 2002, Congress passed the Sarbanes-Oxley Act. This law affected the Corporation through enhanced corporate governance and Board oversight, as well as increased timeliness of required SEC filings.

The 2005 annual report on Form 10-KSB was filed in the third quarter of 2006 and the 2004, 2003 and 2002 annual reports on Form 10-KSB and the quarterly reports on Form 10-QSB for the quarters ended March 31, 2001, June 30, 2001, March 31, 2004, June 30, 2004, September 30, 2004, March 31, 2005, June 30, 2005, and September 30, 2005 were filed in the second quarter of 2006. Management is unable to determine the extent of contingent monetary effects, if any, of late filing (including fines, penalties and damages) on the financial statements of the Corporation.

Note 11- NEW ACCOUNTING PRONOUNCEMENTS

The following paragraphs outline several accounting pronouncements that became effective in 2003, 2004 and 2005. The Corporation had no transactions in 2003, 2004 or 2005 that were related to these new pronouncements.

SFAS Statement No. 145

In April 2002, the Financial Accounting Standards Board ("FSAB") issued Statement of Financial Accounting Standard SFAS No. 145, " Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The rescission of SFAS No. 4, "Reporting Gains and Losses from Extinguishments," and SFAS No. 64, "Extinguishments of Debt made to Satisfy Sinking Fund Requirements," which amended SFAS No. 4 will affect income statement classification of gains and losses from extinguishments of debt. SFAS No. 4 requires that gains and losses from extinguishments of debt be classified as an extraordinary item, if material. Under SFAS No. 145, extinguishment of debt is now considered a risk management strategy by the reporting enterprise and the FASB does not believe it should be considered extraordinary under the criteria in APB Opinion No. 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," unless the debt extinguishments meets the unusual in nature and infrequency of occurrence criteria in APB Opinion No. 30. SFAS No. 145 will be effective for fiscal years beginning after May 15, 2002.

SFAS Statement No. 146

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullified Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion reached by the FASB in this statement is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged.

FASB Interpretation 45

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45)." FIN 45 elaborates on the disclosures to be made by a guarantor in its financial statements under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 requires disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of the Interpretation were effective beginning January 1, 2003.

FIN 46R

The FASB also revised FASB Interpretation No. 46R, " Consolidation of Variable Interest Entities and Interpretation of ARB No. 51 (FIN 46R)." FIN 46 provides a framework for identifying variable interest entities (VIEs), and determining when a company should include the assets, liabilities, non controlling interests and results of activities of a VIE in its consolidated financial statements. As revised, FIN 46R is effective no later than end of first reporting period that ends after December 15, 2004 for all VIEs (other than what is commonly referred to as a special purpose entities, VIEs of small business issuers, and VIEs of non-public entities). The Corporation does not currently utilize VIEs or so called special purpose entities.

FASB Statement 149

In April 2003, the FASB issued Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement was effective for contracts entered into or modified after June 30, 2003.

FASB Statement 150

In May 2003, the FASB issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement was effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003.

FASB Staff Position 144-1

FASB issued FASB Staff Position (FSP) 144-1, "Determination of Cost Basis for Foreclosed Assets under FASB Statement No. 15, " Accounting by Debtors and Creditors for Troubled Debt Restructuring," and the Measurement of Cumulative Losses Previously Recognized under Paragraph 37 of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under FSP 144-1, the lender is required to measure the foreclosure on a long-lived asset (e.g. real estate) at fair value less cost to sell on foreclosure date, which establishes a new cost basis such that any valuation allowance is not retained. Thereafter, the lender would follow the impairment guidance in Statement No. 144, and could not reflect any recovery in value of the Property beyond the cost basis established upon foreclosure of the loan.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Corporation is authorized to issue 400,000 shares of common stock, with no par value. On February 28, 1995, the Corporation distributed 398,244 shares of its common stock to approximately 3,000 shareholders for no consideration. As of December 31, 2005, the Corporation had approximately 2,800 shareholders of record and 398,244 shares outstanding.

The Corporation is not aware of any brokerage firms making a market in the Corporation's common stock or any securities professionals following the Corporation, and no public trading market for the stock has developed. Management believes that the consideration for any shares of stock that may have been traded in recent years has been minimal.

The Corporation has not paid dividends since its incorporation and no dividends are anticipated in the foreseeable future.

DIRECTORS AND EXECUTIVE OFFICERS

The following information is provided as of March 27, 2006.

Directors

Name (Age)	Director Since	Principal Occupation During Past Five Years
Worth Harris Carter, Jr. (68)	1988	Chairman of the Board and President

Worth Harris Carter, Jr. is also a director and officer of the following companies:

Chairman of the Board of First National Bank since 1976, President since 1986;
Chairman of the Board and President of First National Exchange Bank since 1998;
Chairman of the Board and President of Patrick Henry National Bank since 1977;
Chairman of the Board of Peoples National Bank since 1976, President since 1981;
Chairman of the Board of Blue Ridge Bank since 1982, President since 2004;
Chairman of the Board and President of Community National Bank since 1985;
Chairman of the Board and President of Central National Bank since 1996;
Chairman of the Board and President of Mountain National Bank since 1996;
Chairman of the Board and President of Shenandoah National Bank since 1996;
Chairman of the Board and President of Patriot Bank since 1996;
Chairman of the Board and President of Mortgage Company of Virginia since 1984;
Chairman of the Board and President of Bank Services Insurance, Inc. since 2003;
Chairman of the Board and President of Coresoft, Inc. since 2004;
Chairman of the Board and President of Bank Services of Virginia, Inc. since 1984; and
Manager of Blackstone Properties, L.L.C. since 1998.

Conner, Robert W. (66)	1995	Robert W. Conner is and has been Clerk of the Circuit Court of Halifax County for more than five years. He has been a Director of Community National Bank, South Boston, Virginia since 1985. He has served on the Boards of Directors of both Bank Services of Virginia and Mortgage Company of Virginia.

DIRECTORS AND EXECUTIVE OFFICERS

Directors Name (Age)	Director Since	Principal Occupation During Past Five Years
Hall, Charles E. (64)	1995	Charles E. Hall is and has been a Farmer for more than five years. He has served on the Board of Directors for Blue Ridge Bank, N.A., Floyd, Virginia since 1978. He has served on the Boards of Directors of both Bank Services of Virginia and Mortgage Company of Virginia.
Prillaman, Haller G. (72)	1995	Haller G. Prillaman has been President of Prillaman Brothers, Inc., Martinsville, Virginia for more than five years. He has been a Director for Patrick Henry National Bank, Bassett, Virginia, since 1976 and has been a Director of Mountain National Bank, Galax, Virginia, since 1996. He has served on the Boards of Directors of both Bank Services of Virginia and Mortgage Company of Virginia.
Williams, R. E. (71)	1995	R. E. Williams is retired. Previously he was President of Dry Fork Milling Company, Inc., Danville, Virginia for more than five years. He has also served as a Director of Central National Bank, Lynchburg, Virginia, since 1996, Patriot Bank, National Association since 1996, and Peoples National Bank, Danville, Virginia, since 1977. He has served on the Boards of Directors of both Bank Services of Virginia and Mortgage Company of Virginia.

EXECUTIVE OFFICERS

Mr. Carter, Chairman of the Board and President of the Corporation, is discussed above.

Jane Ann Davis, (44), has served as Secretary and Treasurer of the Corporation since 1995. Ms. Davis also serves as an officer and director of both Bank Services of Virginia and Mortgage Company of Virginia.