

The Lebanon Weekly Monitor

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Bankmed reported US\$ 11.4 million in net profits in the first quarter of 2008, up by 21.7% from US\$ 9.3 million in the first quarter of 2007.

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Lebanese capital markets benefited from the relaxed mood that spread across the country after electing the President and initiating parliamentary consultations to form the new cabinet. In fact, the foreign exchange market continued to witness a wave of US\$-to-LP conversions this week, at higher volumes relative to the previous week, which called for the Central Bank's intervention as a buyer of the green currency surpluses at a rate that started at 1,508.5 on Monday (versus LP 1,510 at the end of the previous week), then retreated to LP 1,508 on Friday, its lowest intervention rate since July 2006. As to the equity market, some profit-taking operations took place on the Beirut Stock Exchange this week following the unprecedented surge in prices witnessed last week after the announcement of a general political consensus in Doha. Subsequently, the price index closed at 185.58, down by 4.3% week-on-week, yet up by 25% since year-end 2007. The total trading value amounted to US\$ 67 million this week versus US\$ 141 million last week, and the trading volume index dropped by 53% to 676.4. At the level of the Eurobond market, the local and foreign demand that emerged last week was extended to this week, with local investors capturing the bulk of activity. The demand translated into a rise in prices, and the average spread shrank by 25 basis points to 483 basis points due to a decrease in Lebanese yields and an increase in benchmark yields.

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► ECONOMY

Passengers at the airport up by 9.8% in the first four months of 2008

Figures released by the Hariri International Airport (HIA) reveal that air transport activity indicators displayed a growth in the first four months of 2008 relative to the same period of 2007; however, this does not necessarily mean an amelioration in tourism activity during the said period. Airline traffic saw a rise of 6.5%, with the total planes using the airport in the first four months of 2008, amounting to 12,707. Passengers at the airport totaled 1,034,882, up by 9.8% relative to the same period of 2007.

Detailed aircraft activity suggests an equal increase of 6.5% in both landings and take-offs. The former amounted to 6,355 planes, while the latter was at a very close 6,352 planes. As for in-depth passengers' activity at the HIA, one can notice a large difference between the yearly rise in arriving passengers on one hand, and the yearly increase in departing passengers on the other hand. Departing passengers increased by 14.0%, whereas arrivals went up by a much lower 5.4% relative to the same period of the previous year. This difference in growth rates of arrivals and departures has led to a discrepancy in the number of those passengers with the former largely surpassing the latter. Indeed, arriving passengers totaled 493,000 in the first four months of the year, while departing passengers amounted to 541,882. The aforesaid two notable differences in the number of departing and arriving passengers and their growth rates reflect the low number of tourists, business and short-term visitors to Lebanon while highlighting a much more notable outflow that could be indicative of an increase in emigration. As for transit passengers, they decreased by 41.0% relative to the first four months of 2007 to become 18,377.

During the month of April 2008, a year-on-year as well as a monthly increase can be noted in air transport activity indicators. When compared to April 2007, total number of planes using the airport went up by 5.9% to reach 3,304,

divided into 1,656 incoming planes and 1,648 outgoing planes. Arriving passengers were at 146,165 in April 2008, up by 3.1% year-on-year, while departures fell by 1.0% to become 139,155. As for transit passengers, they totaled 5,242, down by 32.3%. When referring to the previous month, landing planes rose by 3.2%, and departing planes went up by a slightly lower 2.6%. Within the same context, arriving passengers increased by 9.2% relative to March 2008, whereas departures rose by 5.0%. This monthly acceleration in airport activity, as well as the fact that the growth rate in arrivals exceeded that of departures, highlights increased visits of expatriate Lebanese to their home country for the holidays of April 2008.

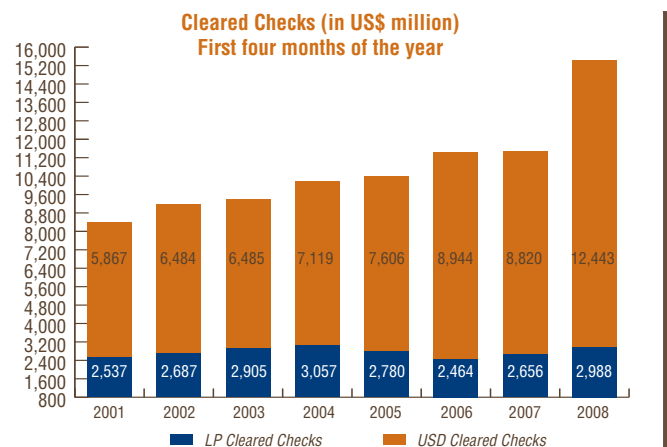
Clearing activity up by 34.5% in the first four months of 2008

The value of cleared checks in the banking system, a coincident indicator of overall spending patterns in the economy showed a continuous nominal improvement on the monetary front. According to the Association of Banks in Lebanon, total cleared checks amounted to US\$ 15,431 million in the first four months of 2008, up by 34.5% from the corresponding period of the previous year. The strong increase is the result of a 12.5% increase in local currency denominated checks that totaled LP 4,505 billion, and a more important 34.5% growth in foreign currency denominated checks up to US\$ 12,443 million. This leaves the dollarization of cleared checks at 80.6%, up from 76.9% in the same period of the previous year.

On a monthly basis, the total value of cleared checks amounted to US\$ 4,129 million in April 2008, up 43.7% from the same month of the previous year and by 7.6% relative to March 2008. Both the year-on-year and monthly increases in clearing activity were mostly driven by increased foreign currency denominated transactions. LP denominated cleared checks amounted to LP 1,138 billion in April 2008, up by 18.9% year-on-year and by a monthly 0.7%. On the other hand, the value of US Dollar denomi-



Source: Hariri International Airport



Source: Central Bank

nated cleared checks was at US\$ 3,374 million in April 2008, up by 50.7% relative to April 2007 and by a monthly 9.3%.

Property sales up by 22.4% in the first quarter of the year

Figures released by the Directorate of Real Estate showed a yearly increase in all aggregates of property sales and property transactions, except for the number of property transactions, in the first quarter of 2008 relative to the same quarter of 2007. The number of property transactions went down by 7.7% in the said period to reach 33,866 transactions. In parallel, the number of sales operations saw an increase of 22.4% in the first quarter of 2008 relative to the same period of the previous year, to reach 15,140 operations. This was coupled with a significant rise in property taxes receipts of 61.7% to reach LP 114.3 billion, or US\$ 75.8 million. Likewise, the value of property sales and the average value of property transactions, both, went up during the first quarter of the year. The former went up by 84.1% to LP 1,592,704 million, or US\$ 1,056.4 million in the first quarter of the year, while the latter went up by 99.5% to LP 47.0 million, or US\$ 31,178.7 per transaction.

The aforesaid increase in the number of sales operations is in line with the surge in real estate demand. It would be interesting to highlight particularly the number of sales operations to foreigners that grew by 37.7% relative to the first quarter of 2007. Foreigners have long since considered real estate as a sound investment in Lebanon, and the fall in interest rates on the Lebanese Pound and the US Dollar has been a further stimulus for investors. Moreover, one should note that although property prices have been on an upward path in Lebanon for the last couple of months, this rise has been at a slower pace than the global increase in real estate prices, thereby leading to a further interest in Lebanon's real estate sector. As for the important soar in the value of property sales and the average value of property transactions, they clearly reflect the aforesaid hike in prices of real estate, which is only a natural consequence of the extraordinarily high demand for real estate as well as global increases in real estate prices, resulting from an overall worldwide rise in construction costs.

During the third month of the year, property sales totaled 5,895 transactions, up by 9.8% year-on-year. On the contrary, the number of transactions went down by 6.6% to become 12,629 transactions. As for property taxes, they totaled LP 42.4 billion, or US\$ 28.2 million in March 2008, up by 47.7% year-on-year. In parallel, the value of property sales underwent a year-on-year increase of 55.6% in March 2008 to reach LP 602,566 million, or US\$ 399.7 million. Finally, the average value of transaction also saw eminent year-on-year increases of 66.5% to become LP 47.7 million, or US\$ 31,650.4.

When comparing the month of March 2008 to February 2008, one can notice an increase in real estate activity, indicating that this rising trend is on-going, rather than a one time surge. The number of property sales went up by 20.5%, while the number of transactions increased by 16.8%. Similarly, the value of property sales registered a 5.6% monthly increase in March 2008. However, the fact that the monthly rise in the value of property sales was lower than the rise in the number of property sales indicates a monthly decline in the average value per transaction which reached 9.6%. As for collected taxes on property, they recorded a monthly increase of 21.7% when compared to February 2008.

The majority of collected property taxes in the first quarter of 2008 were in Beirut with 30.0% of the total amount. It was followed by the Baabda area with 23.2%, the Metn area with 16.7%, the Keserouan area with 10.6%, the North with 7.1%, the South with 6.3%, and the Bekaa area with 5.1%.

Kafalat guarantees reach US\$ 43.5 million in the first four months of 2008

Figures released by the Kafalat Corporation indicate that loans extended to small and medium sized companies under the guarantee of Kafalat totaled LP 65.6 billion, or US\$ 43.5 million in the first four months of 2008, more than two times the value of loans during the same period of 2007, which was at LP 31.2 billion, or US\$ 20.7 million. The aggregate number of guarantees amounted to 327 in the first four months of the year, 79.7% higher than the number of guarantees in the first four months of 2007. This means that the average value per guarantee went up by a yearly 17.1% to reach LP 200.8 million, or US\$ 133,168.3 during the said period of 2008.

Industry retained the lion's share in extended guarantees in the first four months of 2008, with 43.7% of total guarantees. Agriculture came in next with 42.2% of the total, followed by tourism (11.0%), handicrafts (2.8%), and specialized technologies (0.3%). As for the distribution of guarantees by area, Mount Lebanon accounted for the majority of distributed guarantees with 50.8% of the total, followed by the Bekaa with 19.0%, the South (13.5%), the North (13.2%), and Beirut (3.4%).

Kafalat is a state-sponsored organization that provides financial guarantees for loans up to US\$ 200,000 earmarked for the set up and expansion of small and medium-sized companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during that grace period.

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A 20.3% growth in Alpha banks profits in the first quarter of 2008

The Alpha report for the first quarter of 2008, which shows the performances and positioning of the Alpha banks operating in Lebanon, i.e those banks with deposits above US\$ two billion, was released this week. The report suggests that the aggregate profits of alpha banks reported LP 301,870 million in the first quarter of 2008, growing by 20.3% relative to the first quarter of 2007. It is worth mentioning that net profits of Alpha banks have been growing at an accelerating pace as the said growth compares to a 15.8% year-on-year growth in the first quarter of 2007. The first quarter of 2008 was marked by a significant discrepancy between the net earnings growth of the best performer and that of the least performer, as the former was at 82.8%, while the latter was at -28.7%.

This net income was driven by a 21.3% year-on-year rise in net financial income in the first quarter of 2008, which was opposed by a 22.1% rise in general operating expenses, and a 21.1% increase in income tax during the same period. In turn, the growth in net financial income was driven by a 22.2% growth in net interest income, accompanied by a 19.2% growth in non-interest income which indicates that the banking sector has indeed positioned itself in a safety zone amidst sluggish operating conditions. However, this healthy growth in non-interest income was still short of the progression in the net interest income, thereby leading to a slight setback in the ratio of non-interest income to net financial income from 29.38% in the first quarter of 2007 to 28.86% in the first quarter of 2008.

It is worth mentioning that the income growth is the result mainly of a size effect, with the significant growth in the balance sheet, rather than a price effect, as the overall net spread dropped by 5 basis points, moving from 1.97% in the first quarter of 2007 to 1.92% in the same quarter of this year. As a matter of fact, the cut in interest rates on the US Dollar has had an adverse consequence on the price effect, with the drop in interest received by local banks from US Dollar denominated Eurobonds exceeding the decline in interest paid by those banks on deposits in US Dollars.

At the same time, the number of branches of Alpha banks continued to expand, with the number of branches of those banks rising by 19.0% from 580 branches at end-March 2007 to 690 branches at end-March 2008. Moreover, the number of staff employed by those banks increased in line with the geographical expansion of these banks, as it went up by 21.4% from 12,079 employees at the end of the first quarter of 2007 to 14,663 employees twelve months after-

wards. Within this context, one should note that this spreading out of banks has been mainly driven by branching out abroad rather than locally. After having diversified their business lines towards universal bank profiles, large Lebanese banks have embarked on a fierce regional expansion policy in order to diversify their markets of presence and secure a more balanced activity and earnings between Lebanon and abroad, especially that the region is currently witnessing an unprecedented oil boom.

In parallel, the cost to income ratio reported a small increase from 53.19% in the first quarter of 2007 to 53.53% in the first quarter of 2008. Indeed, this growth is the result of rising total expenses of Alpha banks in the first quarter of this year, which reached 22.08%, slightly above the rise in net financial income (21.3%), mainly to meet the growing costs of the aforesaid cross-border expansion policy of those banks.

The healthy growth in net profits in the first quarter of 2008 led to an improvement in one of the return ratios. Specifically, the net return on average equity moved up by 0.93% from 10.71% in the first quarter of 2007 to 11.64% in the first quarter of 2008. As for the net return on average assets, it remained almost unchanged as it was at 1.06% in the first quarter of 2007, only to fall inconsequentially to 1.05% in the same quarter of this year. Such levels are considered satisfactory relative to international benchmarks.

As far as individual performances are concerned, the rankings of the first 10 banks in Lebanon, which correspond to the Alpha Group of banks reveals that Bank Audi sal – Audi Saradar Group continued to rank first in assets, shareholders' equity, deposits, loans, number of branches and staff employed while Blom Bank also continued to lead in terms of net profits for the first quarter of this year.

Alpha Banks' Rankings as at end-March 2008 (in US\$ million)

Bank	Assets		Deposits		Loans		Equity		Net Profits	
	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume
Bank Audi - Audi Saradar Group	1	17,550	1	14,491	1	5,696	1	1,889	2	54.6
BLOM Bank	2	17,460	2	14,402	2	3,095	2	1,446	1	56.5
Byblos Bank	3	10,069	3	7,583	4	2,352	3	764	3	21.0
BankMed	4	8,757	4	6,419	3	2,688	4	749	6	11.4
Fransabank	5	7,367	5	6,290	5	1,564	5	525	4	20.7
Bank of Beirut	6	5,367	6	3,785	6	1,198	6	452	5	13.5
Crédit Libanais	7	3,910	7	3,290	8	802	7	370	7	10.0
Lebanese Canadian Bank	8	3,530	8	3,063	9	781	8	236	8	66.7
BBAC	9	3,005	9	2,552	10	545	9	221	9	5.5
SGBL	10	2,975	10	2,381	7	893	10	176	-	-

Sources: Bankdata Financial Services wll

► CORPORATE NEWS

Bankmed posts net profits of US\$ 11.4 million in the first quarter of 2008

Bankmed reported US\$ 11.4 million in net profits in the first quarter of 2008, up by 21.7% from US\$ 9.3 million in the first quarter of 2007. Net interest margin increased by 73.9% to US\$ 34.3 million, while non-interest income declined from US\$ 17.4 million to US\$ 10.3 million. Subsequently, net financial income increased by 20.2%, from US\$ 37.1 million in the first quarter of 2007 to US\$ 44.5 million in the first quarter of 2008. As such, the ratio of non-interest income to net financial income reached 23.1% in the first quarter of 2008, down from a ratio of 46.9% in the same period of 2007.

General operating expenses increased by 24.4% to US\$ 29.5 million, due to an increase of 86.7% in staff expenses and a decrease of 17.0% in other operating expenses. The bank's cost-to-income ratio stood at 71.8% in the first quarter of 2008, compared to a ratio of 69.2% in the first quarter of 2007.

Total assets amounted to US\$ 8.8 billion at end-March 2008, up by 23.9% from US\$ 7.1 billion at end-March 2007, while customer deposits totaled US\$ 6.4 billion, posting a 28.5% increase from US\$ 5.0 billion at end-March 2007. FC deposits reached US\$ 5.7 billion, and constituted about 88.2% of total deposits. Loans increased by 51.4% to US\$ 2.7 billion, and the ratio of loans to deposits was 41.9% at end-March 2008, compared to a ratio of 35.6% at end-March 2007.

The bank's shareholders' equity amounted to US\$ 748.7 million at end-March 2008, up by 19.6% from US\$ 626.2 million at end-March 2007. Subsequently, the bank's equity to assets ratio stood at 8.6%. The bank's net return on average assets amounted to 0.51% in the first quarter of 2008, while its net return on average equity reached 6.0%. Bankmed operated 69 branches and employed a staff of 1,486 people at end-March 2008.

Fransabank posts net profits of US\$ 20.7 million in the first quarter of 2008

Fransabank reported US\$ 20.7 million in net profits in the first quarter of 2008, up from US\$ 11.4 million in the first quarter of 2007. Net interest margin increased by 59.5% to US\$ 41.9 million, while non-interest income increased from US\$ 4.9 million to US\$ 11.3 million. Subsequently, net financial income grew by 70.3%, from US\$ 31.2 million in the first quarter of 2007 to US\$ 53.2 million in the first quarter of 2008. As such, the ratio of non-interest income to net financial income reached 21.2% in the first quarter of 2008, up from 15.8% in the same period of 2007.

General operating expenses increased by 60.5% to US\$ 25.2 million, due to an increase of 64.4% in staff expenses and an increase of 54.3% in other operating expenses. The bank's cost-to-income ratio stood at 51.9% in the first quarter of 2008, compared to 55.5% in the first quarter of 2007.

Total assets amounted to US\$ 7.4 billion at end-March 2008, up by 40.4% from US\$ 5.2 billion at end-March 2007, while customer deposits totaled US\$ 6.3 billion, posting a 45.5% increase from US\$ 4.3 billion at end-March 2007. FC deposits reached US\$ 4.3 billion, and constituted about 68.6% of total deposits. Loans increased by 76.6% to US\$ 1.6 billion, and the ratio of loans to deposits was 24.9% at end-March 2008, compared to a ratio of 20.5% at end-March 2007.

The bank's shareholders' equity amounted to US\$ 525.0 million at end-March 2008, up by 14.7% from US\$ 457.7 million at end-March 2007. Subsequently, the bank's equity to assets ratio stood at 7.1%, compared to a higher ratio of 8.7% a year earlier. The bank's net return on average assets amounted to 1.1% in the first quarter of 2008, while its net return on average equity reached 15.0%. Fransabank operated 102 branches and employed a staff of 1,763 people at end-March 2008.

Crédit Libanais registers a 31.4% increase in net profits to US\$ 10.0 million in the first quarter of 2008

Crédit Libanais reported US\$ 10.0 million in net profits in the first quarter of 2008, up by 31.4% from US\$ 7.6 million in the first quarter of 2007. Net interest margin increased by 12.1% to US\$ 18.8 million, while non-interest income rose by 16.5% to US\$ 7.1 million. Subsequently, net financial income grew by 13.3% to US\$ 25.9 million over the same period. As such, the ratio of non-interest income to net financial income reached 27.3% in the first quarter of 2008.

General operating expenses increased by 8.8% to US\$ 13.6 million, due to an increase of 7.4% in staff expenses and an increase of 11.5% in other operating expenses. The bank's cost-to-income ratio stood at 56.2% in the first quarter of 2008, compared to 61.5% in the first quarter of 2007.

Total assets amounted to US\$ 3.9 billion at end-March 2008, up by 13.0% from US\$ 3.5 billion at end-March 2007, while customer deposits totaled US\$ 3.3 billion, posting a 13.8% increase from US\$ 2.9 billion at end-March 2007. FC deposits reached US\$ 2.1 billion, and constituted about 64.8% of total deposits. Loans increased by 21.0% to US\$ 802.0 million at end-March 2008, and the ratio of loans to deposits was 23.9%.

The bank's shareholders' equity amounted to US\$ 370.2 million at end-March 2008, up by 4.8% from US\$ 353.2 million at end-March 2007. Subsequently, the bank's equity to assets ratio stood at 9.5%, compared to 10.2% a year earlier. The bank's net return on average assets amounted to 1.0% in the first quarter of 2008, while its net return on average equity reached 10.5% over the same period. Crédit Libanais operated 61 branches and employed a staff of 1,151 people at end-March 2008.

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► CAPITAL MARKETS

Money Market: Overabundance of LP liquidity

With the continuous flow of conversions in favor of the Lebanese Pound on the foreign exchange market this week, the money market witnessed an overabundance of local currency liquidity, which translated into a stable overnight rate at 3.5%. As to Certificates of Deposits, no subscriptions were made this week, with total subscriptions standing at LP 42 billion since the beginning of the year 2008 and distributed as follows: LP 5 billion in the 45-day category and LP 37 billion in the 60-day category.

On the other hand, the monetary aggregates for the week ending May 15 showed a decline in local currency deposits of LP 209 billion and a decrease in foreign currency deposits of US\$ 161 million. These weekly variations compare to an average increase of LP 114 billion for LP deposits since the beginning of the year 2008, and an average rise of US\$ 104 million in foreign currency deposits. In addition, total money supply in its large sense (M4) shrank by LP 536 billion, versus an average weekly increase of LP 228 billion since the beginning of the year 2008. It is worth noting that since year-end 2007, the money supply (M4) expanded by LP 3,624 billion mainly as a result of an increase in LP saving deposits of LP 2,123 billion and a rise in FX deposits of US\$ 1,216 million, which reflects the continuous flow of capital into the Lebanese banking sector.

Interest rates	30/05/08	23/05/08	28/12/07
Overnight rate	3.50%	3.50%	3.50% ↔
7 days rate	3.63%	3.63%	3.63% ↔
1 month rate	4.17%	4.17%	4.17% ↔
45-day CDs	4.40%	4.40%	4.40% ↔
60-day CDs	4.89%	4.89%	4.89% ↔

Treasury Bills Market: Nominal deficit of LP 108 billion in May 2008

The latest results of the short-term Treasury bills auction, released by the Central Bank this week, showed that total subscriptions for value date May 29, 2008 amounted to LP 14 billion, and were distributed as follows: LP 1 billion in the three-month category and LP 13 billion in the six-month category. These compare to maturities of LP 354 billion, resulting in a nominal deficit of LP 340 billion. The average yields on the three-month and six-month categories stood at 5.22% and 7.24% respectively. As to the secondary Treasury bills market, a shy activity was reported on the three-year category this week.

On a cumulative basis, total subscriptions amounted to LP 579 billion during May 2008 and were distributed as follows: LP 38 billion in the short-term categories (three-month and six-month categories), LP 146 billion in the

medium-term categories (one-year and two-year categories), and LP 395 billion in the three-year category. These compare to maturities of LP 687 billion, which led to a nominal deficit of LP 108 billion during May 2008.

T-Bills Yields	30/05/08	23/05/08	28/12/07
3-month	5.22%	5.22%	5.22% ↔
6-month	7.24%	7.24%	7.24% ↔
1-year	7.75%	7.75%	7.75% ↔
2-year	8.50%	8.50%	8.50% ↔
3-year	9.32%	9.32%	9.32% ↔
Nom. Subs. (LP billion)	14	202	288 ↓
Short-term (3&6 mths)	14	0	288 ↑
Medium-term (1&2 yrs)	0	133	0 ↓
Long-term (3 yrs)	0	69	0 ↓
Maturities	354	50	326 ↑
Nom. Surplus/Deficit	-340	152	-38 ↓

Foreign Exchange Market: Wave of US\$-to-LP conversions

The foreign exchange market continued to witness a wave of US\$ -to-LP conversions this week, at higher volumes relative to the previous week, within the context of the favorable mood that spread across Lebanese capital markets after electing the President, nominating the Prime Minister and initiating parliamentary consultations to form the new cabinet. Accordingly, the Central Bank intervened as a buyer of the green currency surpluses throughout this week, except for Tuesday when the Bank remained on the sidelines. Its FX intervention rate started at LP 1,508.5 on Monday –after closing at LP 1,510 at the end of the previous week- then retreated to LP 1,508 on Friday.

On the other hand, the Central Bank's latest bi-monthly balance sheet ending May 31, showed an increase in foreign assets of US\$ 252 million to reach a record high level of US\$ 14.47 billion. Accordingly, the BDL's foreign assets covered 81.5% of LP money supply at end-May, i.e. if LP depositors wanted to convert more than 80% of their deposits in US Dollar, the Central Bank will be able to meet the demand drawing on its high level of foreign assets.

Exchange rate	30/05/08	23/05/08	28/12/07
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,971.58	2,980.33	3,011.83 ↑
LP/¥	14.29	14.52	13.31 ↑
LP/SF	1,434.89	1,465.30	1,330.77 ↑
LP/Can\$	1,522.11	1,526.74	1,538.89 ↑
LP/Euro	2,334.21	2,371.45	2,212.56 ↑

Stock Market: Profit-taking operations drove prices lower

After the staggering rise in prices registered last week following the announcement of a general consensus among local political parties, some profit-taking operations emerged this week which translated into a decline in prices. However, market players started to consolidate their positions on Friday and showed little demand for Lebanese equities, which gave a little boost to the market as compared to the closing of the previous day. In general, the price index closed at 185.58, down by 4.3% week-on-week, yet up by 25% since year-end 2007 with the bulk of increase being concentrated during the month of May. The total trading value amounted to US\$ 67 million this week versus US\$ 141 million last week, and the average daily trading value dropped from US\$ 28 million last week to US\$ 13 million this week which resulted in a fall in the trading volume index of 53% to reach 676.4.

In details, Solidere shares captured 85% of the total trading value this week. The Solidere "A" share price decreased by 5.1% to US\$ 33.35, and the Solidere "B" share price fell by 5.4% to close at US\$ 33.20. On the other hand, the banking shares accounted for 14% of activity this week. Bank Audi's GDRs price moved down by 2.2% to close at US\$ 99.9 and Bank Audi's "listed shares" price declined by 3.1% at US\$ 95. BLOM's GDRs price regressed by 1.1% to US\$ 101.5. Byblos Bank's "listed shares" price tumbled by 9.7% to US\$ 2.71 and Byblos Bank's "priority shares" price fell by 8.6% to US\$ 2.78. In contrast, Bank of Beirut's "listed shares" price rose by 1.3% to US\$ 15.19.

As to the industrial shares, Holcim's share price moved down by 5.7% to reach US\$ 22.14, while the Ciments blancs bearer's share price rose by 7.9% to US\$ 2.05. At the level of the investment funds, the Beirut Golden Income's share price increased by 1% to LP 105,500.

Finally, Lebanon's equity market performance was lower

than that of other emerging markets this week, as reflected by a tiny increase of 0.2% in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) and a 0.4% decline in the MSCI East Europe, Middle East and Africa Index (MSCI EMEA). In addition, Lebanon performed lower than other Arabian markets, as reflected by a weekly decrease of 0.8% in the Morgan Stanley Capital International Arabian markets index.

Bond Market: Considerable local demand for Lebanese debt instruments

The considerable local and foreign demand that emerged last week was extended to this week, with the bulk of demand coming from local investors. The demand came within the context of the relaxed mood that swayed over capital markets following the election of the President and the initiation of parliamentary consultations to form the new cabinet. Accordingly, bond prices increased this week, as reflected by a decrease in the average yield of 10 basis points to 7.98%, while the average spread shrank significantly by 25 basis points to 483 basis points due to a decrease in Lebanese yields and an increase in benchmark yields. For instance, the average yield on the 5-year US Treasury bills increased by twenty basis points, from 3.19% to 3.39%, as worries emerged about the US Federal Reserve raising interest rates to contain inflationary pressures.

On the other hand, Eurobond prices in other emerging markets remained unchanged this week with the average yield standing at 4.81%, while the average spread shrank by eight basis points to 204 basis points after a report suggesting surprising strength in the US factory sector eased some of the concerns about the world's largest economy.

The J.P. Morgan Emerging Markets Bond Index plus (EMBI+), which is an unmanaged index, tracking total returns for external-currency denominated debt instruments of emerging markets, moved down by 0.9% week-on-week closing at 440.5.

Week
22
May 26 - May 31
2008

Audi Indices for BSE 30/05/08 23/05/08 28/12/07

22/1/96=100

Market Cap. Index	629.74	658.21	504.87 ↓
Trading Vol. Index	676.44	1,441.59	538.1 ↓
Price Index	185.58	193.97	149.12 ↓
Change %	-4.32%	11.71%	-2.42% ↓
Market Cap. \$m	14,940	15,615	11,977 ↓
No. of shares traded	2,837,690	6,398,875	3,419,011 ↓
Value Traded \$000	66,902	141,182	42,288 ↓
o.w. : Solidere	56,599	111,721	28,355 ↓
Banks	9,646	28,645	11,500 ↓
Others	657	816	2,433 ↓

Eurobonds Indicators 30/05/08 23/05/08 28/12/07

Total tradable size \$m	17,321	17,333	16,686 ↓
o.w.: Sovereign bonds	16,691	16,703	16,056 ↓
Average Yield	7.98%	8.08%	8.17% ↓
Average Spread	483	508	461 ↓
Average Life	4.89	4.91	4.86 ↓
Yield on US 5-year note	3.39%	3.19%	3.58% ↑

ARAB STOCK MARKETS INDICES:

	30-May-08	23-May-08	01-Jan-08	Weekly change	End-year-to-date change
Beirut stock market	185.6	194.0	149.1	-4.3%	24.5%
Abu Dhabi securities market	115.9	115.2	129.1	0.6%	-10.2%
Amman stock exchange	530.9	519.4	482.6	2.2%	10.0%
Bahrain stock exchange	248.0	250.6	260.4	-1.0%	-4.8%
Casablanca stock exchange	345.6	345.1	319.1	0.2%	8.3%
Doha securities market	190.2	192.5	183.6	-1.2%	3.6%
Dubai financial market	138.3	138.3	164.8	0.0%	-16.1%
Egypt capital market	570.0	543.3	585.2	4.9%	-2.6%
Kuwait stock market	247.9	252.3	302.7	-1.8%	-18.1%
Muscat securities market	408.0	402.5	427.5	1.4%	-4.6%
Saudi stock market	229.0	232.6	330.3	-1.5%	-30.7%
Tunis Stock Exchange	121.0	121.4	109.3	-0.4%	10.7%
AMF Composite	287.1	288.4	345.4	-0.5%	-16.9%

Source: Arab Monetary Fund

INTERNATIONAL MARKET INDICATORS:

	30-May-08	23-May-08	28-Dec-07	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	105.49	103.19	112.06	2.2%	-5.9%
\$/£	1.9740	1.9830	1.9980	-0.5%	-1.2%
\$/Euro	1.5530	1.5770	1.4713	-1.5%	5.6%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	12,638.32	12,479.63	13,365.87	1.3%	-5.4%
S&P 500	1,400.38	1,375.93	1,487.49	1.8%	-5.9%
NASDAQ	2,522.66	2,444.67	2,674.46	3.2%	-5.7%
CAC 40	5,014.28	4,933.77	5,612.41	1.6%	-10.7%
Xetra Dax	7,096.79	6,944.05	8,067.32	2.2%	-12.0%
FT-SE 100	6,053.50	6,087.30	6,476.90	-0.6%	-6.5%
NIKKEI 225	14,338.54	14,012.20	15,307.78	2.3%	-6.3%
COMMODITIES					
GOLD OUNCE	884.40	928.05	839.19	-4.7%	5.4%
SILVER OUNCE	16.76	18.20	14.84	-7.9%	13.0%
BRENT CRUDE	127.53	132.37	96.57	-3.7%	32.1%
LEADING INTEREST RATES (%)					
1-month Libor	2.46	2.38	4.63	0.08	-2.17
US Prime Rate	5.25	5.25	7.25	0.00	-2.00
US Discount Rate	2.25	2.25	4.75	0.00	-2.50
US 10-year Bond	4.04	3.87	4.14	0.17	-0.10

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