

THE LEBANON BRIEF

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TABLE OF CONTENTS

FINANCIAL MARKETS	3
Equity Market	3
Foreign Exchange Market	5
Money & Treasury Bills Markets	5
Eurobond Market	6
ECONOMIC STATISTICS & INDICATORS	7
Number of Tourists Increases by 18.7% in Jan 2008	7
Port of Beirut Activity Reveals Mixed Results in Jan 2008	7
Industrial Exports Increase by 36% in 2007	7
ECONOMIC AND FINANCIAL NEWS	8
Salame Expects Inflation to Slow Down but Interest Rates to Stay Stable	8
Electricite Du Liban Postpones Bid Submission	8
Status of Saudi Arabian Investments in Lebanon	8
CORPORATE DEVELOPMENTS	9
Fransabank to Enter Syrian Market and Issue IPO	9
Lebanon Heads the Mediterranean Insurance Association	9
FOCUS IN BRIEF	10
Record Profits for Lebanese Banks in 2007 but Fall Short of Regional Rates	10

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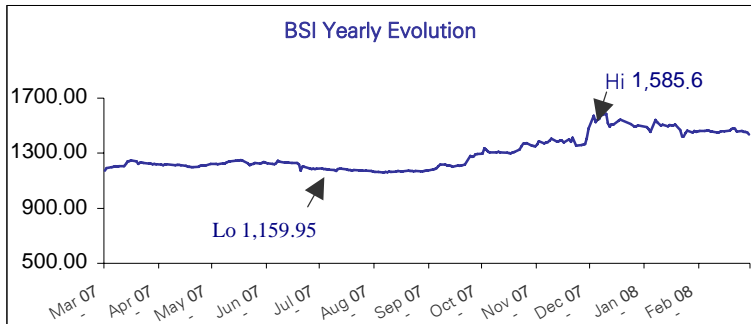
FINANCIAL MARKETS

Equity Market

Stock Market

	29/02/08	22/02/08	% Change
BLOM Stock Index †	1436.02	1,456.66	(1.42%)
Total Volume Traded	535,067	768,837	(30.41%)
Total Value Traded	8,625,433	13,424,413	(35.75%)

†22 January 1996 = 1000



Activity on the Beirut Stock Exchange (BSE) was adversely influenced by the ongoing political deadlock among local politicians. As such, the relative improvement witnessed last week, was reversed and the BLOM Stock Index (BSI) ended the week at 1,436 declining 1.42% from last week and 4.38% year to date. Total market capitalization decreased 1.7% to stand at \$9.8B by end of this week. A total volume of 535,067 stocks with a value of \$8.6M exchanged hands decreasing 30% and 36% respectively. Solidere shares accounted for 70% of trading activity while banking stocks constituted the remaining 30%. Out of the fourteen active stocks, two increased, four stabilized and eight declined

Banking Sector

	Mkt	29/02/08	22/02/08	% Change
BLOM (GDR)	BSE	\$88.00	\$88.05	(0.06%)
BLOM Listed	BSE	\$81.55	\$81.55	0.00%
BLOM (GDR)	LSE	\$87.6	\$91.00	(3.74%)
Audi (GDR)	BSE	\$72.00	\$73.50	(2.04%)
Audi Listed	BSE	\$70.00	\$70.00	0.00%
Audi (GDR)	LSE	\$73.00	\$74.6	(2.14%)
Byblos (C)	BSE	\$2.24	\$2.25	(0.44%)
Byblos Priority	BSE	\$2.25	\$2.27	(0.88%)
Bank of Beirut (C)	BSE	\$12.83	\$11.83	8.45%
BLC (C)	BSE	\$8.00	\$8.00	0.00%
Fransabank (B)	OTC	\$32.50	\$32.50	0.00%
BEMO (C)	BSE	\$4.00	\$4.00	0.00%

In the banking sector, BLOM GDR declined 0.56% to close at \$88.00 on a total of 8,500 shares valued at \$755,750. Audi GDR followed suit decreasing 3.29% to \$72.00 ,with 8,010 traded stocks amounting to \$579,598. All three of Bank Byblos stocks underwent trading this week, where common shares witnessed a slight 0.4% drop to \$2.24 on 133,172 shares valued at \$302,192. Priority shares decreased 2.17% to end the week at \$2.25 on 79,625 stocks at \$182,577. Lastly, of Byblos shares, the preferred stocks declined 0.96% to \$103.10 on a single trade of 211 stocks with a value of \$21,754. Bank of Beirut common shares increased 8.45% to \$12.83 on a volume of 5000 shares amounting to \$63,450. Finally in the banking sector, Banque Bemo's preferred shares stabilized at \$102.00 on a single trade of 1000 stocks with a value of \$102,000. As such, the Banks' Preferred Shares Index declined 0.17% to close at 103.23 end of this week.

Banks' Pref. Shares

	Mkt	29/02/09	22/02/09	% Change
Banks' Preferred Shares Index †		103.23	103.41	(0.17%)
BLOM Preferred 2002	BSE	\$102.00	\$102.00	0.00%
BLOM Preferred 2004	BSE	\$101.00	\$101.00	0.00%
BLOM Preferred 2005	BSE	\$101.20	\$101.20	0.00%
BEMO Preferred 2006	BSE	\$102.00	\$102.00	0.00%
Audi Pref. C	BSE	\$27.25	\$27.25	0.00%
Audi Pref. D	BSE	\$105.50	\$105.50	0.00%
Byblos Preferred	BSE	\$103.10	\$104.10	(0.96%)
Bank of Beirut Pref. B	BSE	\$11.50	\$11.50	0.00%
Bank of Beirut Pref. C	BSE	\$24.85	\$24.85	0.00%
Bank of Beirut Pref. D	BSE	\$25.00	\$25.00	0.00%

† 25 August 2006 = 100

On international markets, BLOM GDR decreased 3.74% to \$87.6 whereas Audi GDR dropped 2.14% to \$73.00.

Real Estate

	Mkt	29/02/08	22/02/08	Change
Solidere (A)	BSE	20.54	\$21.51	(4.51%)
Solidere (B)	BSE	20.87	\$21.32	(2.11%)
Solidere (GDR)	LSE	20.93	21.47	(2.52%)

In the real estate sector, Solidere 'A' and 'B' shares ended the week in the red where the former declined 4.42% to \$20.54 and the latter dropped 3.15% to \$20.87. Total 'A' shares amounted to 217,459 on a value of \$4.5M, while 'B' stocks summed to 77,527 at \$1.6M.

On the London Stock Exchange (LSE) Solidere shares decreased 2.52% to \$20.93.

Manufacturing Sector

	Mkt	29/02/08	22/02/08	Change
HOLCIM Liban	BSE	\$19.42	\$19.60	(0.92%)
Ciments Blancs (B)	BSE	\$1.90	\$1.90	0.00%
Ciments Blancs (N)	BSE	\$1.40	\$1.40	0.00%
Uniceramic (A)	BSE	\$0.45	\$0.45	0.00%
Uniceramic (C)	BSE	\$1.70	\$1.70	0.00%

Industrial sector stocks, Holcim decreased 0.19% to \$19.42 on a total of 417 stocks amounting to \$8,097.

Funds

	Mkt	29/02/08	22/02/08	Change
Beirut Global Income	BSE	\$102.00	\$102.00	0.00%
Beirut Preferred Fund	BSE	\$100.50	\$100.50	0.00%
Beirut Lira Fund	BSE	LP101,700	LP101,700	0.00%
Beirut Golden Income	BSE	LP102,500	LP102,000	0.49%
BLOM Cedars Balanced Fund Tranche "A"	-----	\$4953.13	\$4965.40	(0.25%)
BLOM Cedars Balanced Fund Tranche "B"	-----	\$4953.13	\$4965.40	(0.25%)

All four of the listed funds witnessed trading this week. LP denominated Beirut Golden Income increased 0.5% to LP102,500 with 61 traded shares at LP6.2M. On the other hand, Beirut Lira Fund stabilized at LP101,700 on a single trade of 1,315 stocks valued at LP133.7M. Dollar denominated Beirut Global Income and Beirut Preferred Fund both stabilized at \$102.00 and \$100.5 respectively, on a total of 970 and 1,800 shares amounting to \$98,940 and \$180,900.

Retail Sector

	Mkt	29/02/08	22/02/08	Change
RYMCO		\$1.35	\$1.35	0.00%
ABC (New)	OTC	\$16.50	\$16.50	0.00%

The retail sector witnessed no trading this week.

Tourism Sector

	Mkt	29/02/08	22/02/08	Change
Casino Du Liban	OTC	\$280.00	\$280.00	0.00%
SGHL	OTC	\$6.50	\$6.50	0.00%

The tourism sector witnessed no trading this week.

To sum up, activity on the Beirut Stock Exchange (BSE) reverberated the adversity of last week's close finishing another week of downside trading. But overall, a flattened trend of the Blom Stock Index prevailed over the past four weeks. Investor sentiment towards the BSE remains bearish in light of the escalating political developments. Nevertheless, hopes for a better investment climate could be restored with the reaching of a political settlement in the upcoming Arab summit,

Foreign Exchange Market

Lebanese ForEx Market

	29/02/08	22/02/08	% Change
LP / Dollar	1,507.5	1,507.5	0.00%
LP / Euro	2291.25	2,235.92	2.47%
LP / Swiss Franc	1437.22	1,386.33	3.67%
LP / Sterling	2988.17	2,963.29	0.84%
NEER Index*	89.98	90.86	(0.97%)

*Nominal Effective Exchange Rate; Base Year Jan 2006=100

This week, interbank trading within Lebanese banks with respect to the US dollar remained once again on the supply side. This supply was driven by higher margins on \$ rates in Lebanese money markets. The greenback closed on a similar note to last week's at LP/\$1512.25-1512.75.

The Nominal Effective Exchange this week closed at 89.98 down 0.97% from last week .

International ForEx Market

	29/02/08	22/02/08	% Change
Dollar / Euro	1.5189	1.4833	2.40%
Dollar / Sterling	1.9847	1.9672	0.89%
Swiss Franc/Dollar	1.0465	1.0866	(3.69%)
Yen / Dollar	104.13	106.97	(2.65%)

Globally, the greenback fell to its lowest against the Euro since the single currency was introduced in 1999. The US \$ closed at 1.5189 by end of week after reaching a new high of 1.5239 on Friday. The driving force behind the dollar's fall were the lower than expected consumer confidence and GDP figures in addition to a rise in the jobless claims in the US. The euro appreciated further with news coming from the European Central Bank (ECB) signaling the maintenance of euro zone interest rates at 4%. On the Lebanese side, the Pound reflected its peg ratio to the dollar and declined by 2.4% to 2291.25. This also explains the fall in NEER cited above

Money & Treasury Bills Markets

Money Market Rates

	29/02/08	22/02/08	Change bps.
Interbank Average†	3.50%	3.50%	0
BDL 45-day CD	4.40%	4.40%	0
BDL 60-day CD	4.89%	4.89%	0

Treasury Yields

	29/02/08	22/02/08	Change bps.
3-M TB yield	5.22%	5.22%	0
6-M TB yield	7.24%	7.24%	0
12-M TB yield	7.19%	7.19%	0
24-M TB coupon	8.50%	8.50%	0
36-M TB coupon	9.32%	9.32%	0
60-M TB coupon	11.5%	11.5%	0

As with the previous weeks this month, money markets continued to be buoyed by enhanced liquidity and to exhibit stable interbank rates at 3.5%. Unperturbed by international economic changes and unstable domestic politics, broad money M3 increased by LP344B to LP91,495 up to February, 2008, rising by 13.5% y-o-y and witnessing a boost in FC deposits by \$230M.

The CDs market kept its negligible activity and lack of interest by investors, with BDL issuing 1B, 45-days CDs only; but BDL replaced a maturing \$100M CD with one for 5 years at 9%. The February 21st TB auction resulted in a balance between purchase and maturing bills where nominal surplus amounted to LP10B. Nominal subscriptions amounted to LP1,256B (\$833M) in short and long term papers. Subscriptions in 36-M papers dominated the subscription accounting for 90.7% of total subscriptions while 6-M and 3-M papers constituted the remaining 9% and 0.15% respectively. The 36-M subscription was not scheduled for this week, but was conducted as internal to the BDL. As to the weighted effective yield, it closed at 9.41% down 16b.p week-on-week. Concerning yields on outstanding TBs, they remained unchanged across all maturities.

Eurobond Market

Eurobonds Index and Yield

	29/02/08	22/02/08	% Change
BLOM Bond Index †	97.47	97.47	0.00%
Bonds' Weighted Offer Yield	7.83%	7.83%	0 bp

†7 April 2004 = 100; includes sovereign bonds listed on the Beirut Stock Exchange

Lebanese Government Eurobonds

Maturity-Coupon	Currency	29/02/08 Mid-Price	22/02/08 Mid-Price	Weekly Change %	Mid-Yield
2008, Jun - 7.375%	USD	99.975	99.975	0.00%	7.35%
2008, Aug - 10.125%	USD	101.150	101.150	0.00%	7.24%
2009, May - 7.250%	EUR	101.000	101.000	0.00%	6.33%
2009, Oct - 10.250%	USD	103.125	103.125	0.00%	8.10%
2009, Nov - 6.790%	USD	100.250	100.250	0.00%	8.46%
2009, Dec - 7.000%	USD	97.625	97.500	0.13%	8.46%
2010, Mar - 7.125%	USD	97.500	97.500	0.00%	8.51%
2011, Mar - 9.375%	LBP	98.250	97.000	1.29%	10.05%
2011, May - 7.875%	USD	98.250	98.250	0.00%	8.50%
2011, Aug - 7.500%	USD	97.375	97.375	0.00%	8.40%
2012, Apr - 5.875%	EUR	96.375	96.375	0.00%	6.91%
2012, Sep - 7.750%	USD	96.500	96.500	0.00%	8.71%
2013, Jun - 8.625%	USD	99.378	99.315	0.06%	8.77%
2014, Apr - 7.375%	USD	93.375	93.375	0.00%	8.80%
2016, May -11.625%	USD	115.250	115.625	(0.32%)	8.95%
2016, Jan - 8.500%	USD	97.625	97.750	(0.13%)	8.92%
2021, Apr - 8.250%	USD	94.375	94.375	0.00%	8.99%

Lebanese Corporate Eurobonds

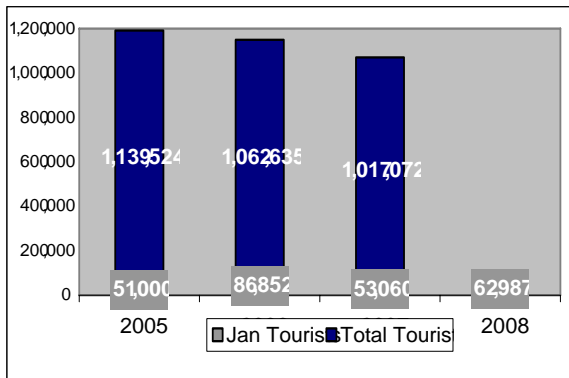
Issuer	Maturity-Coupon	29/02/08 Mid-Price	22/02/08 Mid-Price	Weekly Change	Mid-Yield
Audi	2010, May -10.750%	106.500	106.500	0.00%	7.45%
Byblos	2012, Jun - 9.000%	99.750	99.750	0.00%	9.05%
Credit Libanais	2008, Sep - 6.875%	94.375	94.375	0.00%	8.67%
BankMed	2010, July - 7.625%	98.000	98.000	0.00%	8.57%
BankMed	2012, Dec - 7.625%	96.315	96.315	0.00%	8.58%

Demand on the Eurobond market was timid this week, given the stagnant political atmosphere and the waiting attitude of investors for the terms of the new bond to be issued mid of this month. The government has mandated Credit Suisse and Bank Audi to manage the bond, however details on the coupon and maturity remain unknown. As such, trading was thin this week, resulting in an unchanged weighted offer yield at 7.83% and the BLOM Bond Index stabilized at 97.47 as no local trades took place. The average offer spread increased, however, by close to 15bps to 538bps due to lower yields on the benchmark US 10-year bond caused by expectations of lower rates in the US.

With no change occurring in the political scene, the credit default swaps (CDS) remained unchanged from that of last week at 530-600bps. The CDS spread is the premium paid by investors buying protection from default, and varies positively with the country's default risk. With risk in Lebanon not abating, Lebanese CDS have stayed close to those of other emerging markets of similar profile such as Pakistan at 500-550bps, but noticeably higher than other emerging markets like Brazil at 141-143bps or regional countries such as Egypt at 78-88bps.

ECONOMIC STATISTICS & INDICATORS

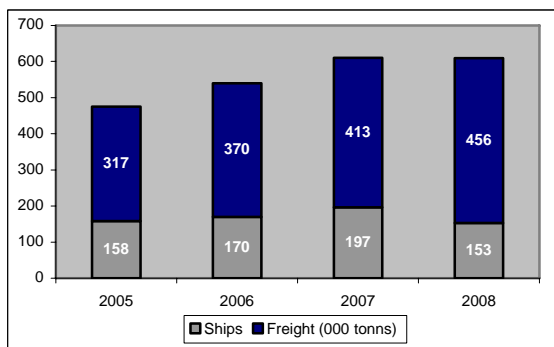
Tourist Activity in Jan



Number of Tourists Increases by 18.7% in Jan 2008

The latest tourism figures reveal an increase of 18.7% from the same period of last year. However, a politically comparable year would be that of 2006 where tourism recorded 86,852 incomers. Hence, depicting a decrease of 27.5% for this year. On the other hand, Arab nationals constituted 38% of all tourists with Jordanians representing the bulk at 9,277 tourists. European nationals came in second place with 16,622 led by the French at 26% of total January arrivals. In third place came the Asians with 9,297 half of which were Iranians. Finally, the American continent came in fourth place with 7,464. With respect to spending demographics, Saudi's topped the list with 19%, followed by Kuwaitis at 15%, UAE nationals at 11%, Jordanians at 8% and Egyptians 6%. Fashion and watches made up 67% and 12% of all spending, with Beirut and Mount Lebanon making up 82% and 13% of spending cities. Worth noting that Tourism constituted 9% of GDP in 2007 whereas it stood at 20% pre 1975

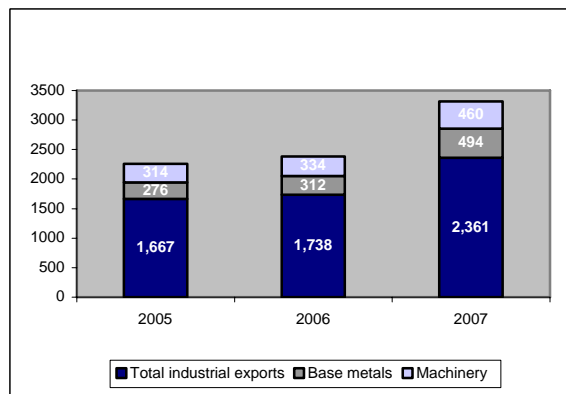
Port of Beirut Activity in Jan



Port of Beirut Activity Reveals Mixed Results in Jan 2008

The January figures released by the Port of Beirut authorities show opposing results with respect to the number of container activity and generated revenue. On one hand, the number of containers in January decreased 19.3% to 66,678 from the same period last year while revenues increased 46% to \$9.5M. This can be explained by the dues received from car importers that deferred the payment of customs duties to the start of the year to benefit from the 15% reduction in tariffs. Moreover, the number of ships docked in January decreased by 28% and freight (in 000 tons) increased by 10% reflecting larger sized vessels and bulk imports

Total Industrial Exports up to Dec. (\$M)



Industrial Exports Increase by 36% in 2007

Industrial exports increased by an impressive 36% to \$2.3B in 2007, representing 84% of total exports. This was facilitated by an increase in total machinery imports that topped 25% to \$162.6M, and acted as needed inputs for industrial exports. Machinery and mechanical appliances constituted 19% of exports, whereas base metals (mainly gold) constituted another 21%. Both product categories have witnessed a growth in their exports due to the competitive industrial environment that they operate in i.e. a skilled labor force and competitive exchange rates and wages. Power generation units intended for the Iraqi market and Jewelry products for the Gulf are the main destinations.

ECONOMIC AND FINANCIAL NEWS

Key Lebanese Economic Indicators 2008

Moody's Rating	B3
Standard & Poor's	CCC+
Eurobonds Outstanding	\$17.7B
Weighted Average Interest Rate	7.12%

Electricite Du Liban Highlights 2005

Electricity Production	9.183B kwhr
Electricity Consumption	10.58B kwhr
Electricity Imports	0.455B kwhr

FDI In Lebanon \$B (1995-2006)

Total	11.9
Arab	8.8
KSA	4.2

Salame Expects Inflation to Slow Down but Interest Rates to Stay Stable

In a recent interview, Lebanon's Central Bank Governor revealed that inflation for 2008 should slow down to 5%. He also mentioned that interest rates would remain stable but would decline if a political settlement were achieved. Currently, Lebanese banks offer close to 5% on dollar deposits and 8% on domestic currency deposits. On the debt side, the Governor said the government would be able to refinance some \$2.1B of maturing Eurobonds that would be held locally. The transaction is scheduled for mid-March. But this will take place at a higher spread between Lebanese government-issued Eurobonds and US treasury bonds which has increased from 350-400 bps to 550-600bps due to political unrest and lower US rates. Worth noting that the Central Bank was able to swap \$1.8B in maturing CDs with TBs for 5 years with commercial banks

Electricite Du Liban Postpones Bid Submission

The ailing Electricite Du Liban has deferred the submission of bids for two contracts from 15 February to 15 April amidst the political uncertainty prevailing in the country.

The first contract calls for a better tariff management system by the introduction of automatic metering, and the installations of 1.25M meters across the country. The second contract aims at the operation and maintenance of the distribution network. Nine companies have been prequalified for the first contract and three for the second. Worth noting that EDL has been draining the government coffers by \$1B annually

Status of Saudi Arabian Investments in Lebanon

The current political turmoil in Lebanon has reportedly started to adversely influence Saudi Arabia's (and others') investment sentiment in Lebanon. Saudi investments are estimated at \$4.2B and are spread across the real estate and commercial sectors with the former accounting for two thirds of Saudi investment activity in Lebanon. However, Saudi interests in local real estate remains strong given the significance of existing investments in this profitable sector. Also, Saudi tourists account for 30% of all tourism activity in Lebanon, although this figure has decreased as a direct result of the July 2006 war and its aftermath. Nevertheless, this emerging sentiment does not bode well for the country's image as a host of foreign investment, with preliminary figures already estimating \$5B in lost FDI in 2005-2007, and calls for the need to solve the political crisis and consequently help improve Lebanon's investment climate.

CORPORATE DEVELOPMENTS

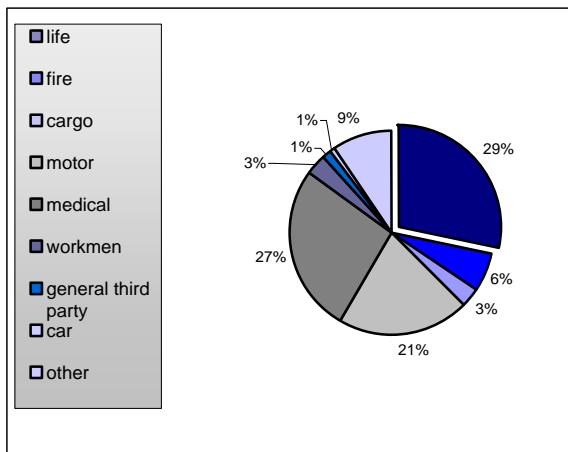
Fransabank Syria Shareholder Structure %

Fransabank SAL	48
Adel Kassar	1
Ahmad Al Shihabi	5
Rodolphe Saade	5
Tania Saade	5
IPO	36

Fransabank to Enter Syrian Market and Issue IPO

The Syrian Commission on Financial Markets and Securities has approved Fransabank’s request to start a new Syrian operation (Fransabank Syria) by launching a 36% share Initial Public Offering (IPO). The IPO will run throughout 13 March and will include 1.26M shares. Fransabank Syria is a \$36M venture that is 48% owned by Fransabank SAL. The other 16% of shareholders include prominent Syrian business people in addition to founding member Adel Kassar. Fransabank was already active in Syria through a branch it operated in Damascus Free Trade Zone since 2001. Fransabank is the fifth largest bank in Lebanon with a consolidated balance sheet of \$7B. As part of its expansion operation, Fransabank has been active in acquiring other banks, the last of which was Banque Libanaise pour le Commerce.

Lebanese Insurance Sector Breakdown 2006



Lebanon Heads the Mediterranean Insurance Association

Lebanon was chosen to chair the first board of the Mediterranean Insurance Association (MIA) after two years of its founding. In addition to this success and despite all the political troubles, Lebanon earned also one of five seats on MIA’s board of directors. The MIA adjoins 24 Mediterranean countries from Europe, Africa and Asia. It incorporates a region of 480 million Mediterranean citizens, where the financial market is estimated at €6000 B. Also, it intends to promote an insurance environment that utilizes better risk strategies and to position itself before the application of the Euro-Med free trade area in 2010.

FOCUS IN BRIEF

Record Profits for Lebanese Banks in 2007 but Fall Short of Regional Rates

2007	Net Profits (\$M)	ROAE %	ROAA %
BLOM	205	15.71	1.31
AUDI	201	11.38	1.23
BYBLOS	93	13.59	1.05
Lebanon	847	12.27	0.94
Region*	-	26.2	2.75
* Figures for 2006			

The top three Lebanese banks, Bank Audi, Byblos Bank and BLOM Bank, issued on February 1st, 2008, their unaudited financial statements for the year 2007

It appears that the top three banks continue to witness high growth, as their combined profits exceeded the half billion-dollar mark, reaching \$ 504 M and reflecting an increase of 19% over 2006. This combined figure also represents 60% of the whole Lebanese banking sector profits, which preliminary reports put at \$ 847 M.

BLOM : Highest Profits by any Standard Measure

BLOM Bank generated the highest profits, with net profits amounting to \$ 205 M; followed by Audi, which generated \$ 201 M; and then Byblos, which made \$ 93 M.

While these figures can appear impressive, they should be measured in reference to the equity and the asset bases that have generated them. As a result, the three banks' Return on Average Equity (ROAE) and Return On Average Assets (ROAA), are benchmarked to the Lebanese and regional averages as in the table above.

We can see that while the top three Lebanese banks outperform the average for Lebanese banks, with BLOM Bank leading in both ratios having an ROAE of 15.7% and a ROAA of 1.3%, it appears that Lebanese banks still lag their regional peers, as regional averages reached 26.2% for ROAE and 2.75% for ROAA

This puts the high figure of half a billion dollars of profits for the top three Lebanese banks in perspective. For despite this notable performance, there is still room for improvement and growth, given that the assets and equity bases could have delivered even higher profits if profitability was in line with the region's average

Controlling Costs is What Matters

While many factors can explain a bank's profitability, one of the important factors is cost and expenses, which reflects bank's efficiency as measured by the cost to income ratio. In this respect, the cost to income ratio for BLOM Bank stood at 38% in 2007, demonstrating its operational soundness and management efficiency: the bank pays 38 cents to generate 1 dollar of income compared to an average of more than 50 cents for the banking sector as a whole. More specifically, BLOM's cost to income ratio is lower than Audi's and Byblos' ratio which each stood at 55.2% and 52.1% respectively, thereby explaining BLOM's better profit performance

All in all, it appears that the top three Lebanese banks continue to deliver good results, especially when taking into account the current difficult economic environment in Lebanon. Although the progress has been significant since 2006, there is still however room for improvement to close the gap that exists versus regional banks' performances.



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