BLOMINVEST BANK S.A.L

Your Investment Reference

THE LEBANON BRIEF

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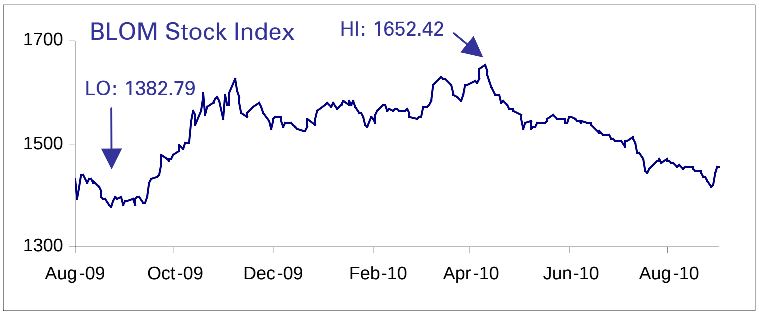
FINANCIAL MARKETS

Equity Market

Stock Market

	03/09/10	27/08/10	% Change
BLOM Stock Index*	1456.96	1427.88	2.04%
Avg Traded Volume	113,773	82,803	37.40%
Avg Traded Value	2,317,216	1,069,075	116.75%

*22 January 1996 = 1000



Banking Sector

	Mkt	03/09/10	27/08/10	% Change
BLOM (GDR)	BSE	$93.85	$93.85	0.00%
BLOM Listed	BSE	$86.00	$85.50	0.58%
BLOM (GDR)	LSE	$94.30	$93.50	0.86%
Audi (GDR)	BSE	$9.00	$8.70	3.45%
Audi Listed	BSE	$8.00	$8.00	0.00%
Audi (GDR)	LSE	$8.95	$8.73	2.52%
Byblos (C)	BSE	$1.80	$1.79	0.56%
Byblos Priority	BSE	$1.82	$1.80	1.11%
Byblos (GDR)	LSE	$87.00	$87.00	0.00%
Bank of Beirut (C)	BSE	$18.39	$18.39	0.00%
BLC (C)	BSE	$1.66	$1.66	0.00%
Fransabank (B)	OTC	$29.00	$29.00	0.00%
BEMO (C)	BSE	$4.60	$4.60	0.00%

	Mkt	03/09/10	27/08/10	% Change
Banks' Preferred Shares Index *		102.97	102.8	0.17%
BLOM Preferred 2004	BSE	$102.50	$102.50	0.00%
BLOM Preferred 2005	BSE	$102.50	$101.00	1.49%
BEMO Preferred 2006	BSE	$99.00	$99.00	0.00%
Audi Pref. D	BSE	$10.45	$10.35	0.97%
Byblos Preferred 08	BSE	$100.10	$100.10	0.00%
Byblos Preferred 09	BSE	$100.00	$100.00	0.00%
Bank of Beirut Pref. C	BSE	$25.41	$25.41	0.00%
Bank of Beirut Pref. D	BSE	$25.60	$25.60	0.00%
Bank of Beirut Pref. E	BSE	$25.00	$25.50	-1.96%

* 25 August 2006 = 100

As we expected, the market recovered some of its losses after it had overreacted last week with Solidere sharp decline. The daily average volume of trades improved, climbing a weekly 37.4% to 113,773 shares worth $2.31M compared to last week's level of 82,803 shares, but still lower than the year to date daily average of 685,045 shares. The BLOM Stock Index (BSI), Lebanon's equity benchmark index, hovered between a lower band of 1,417 points and an upper band of 1,457points by the end of the week. Thus, the BSI reversed last week's loss, closing 2.04% higher, tracking the rally in international market, and limiting its year to date performance to a negative 6%.

From a technical analysis viewpoint, the Relative Strength Index (RSI) for the BSI is hovering just above the lower band throughout the month of August, only to breach the 30 limit on the 25th of August for a brief period indicating an oversold signal. This signal was mild and soon the RSI rebounded above the lower limit. Ultimately, the BSI picked up shortly after, closing at values around 1,456 from 1,417. To note that the RSI is a momentum oscillator measuring the speed and change of price movements. It oscillates between 0 and 100, indicating an overbought signal above 70 and an oversold signal below 30. The RSI is calculated on a 14-day moving average.

When comparing to regional and emerging markets, the Lebanese equity benchmark outperformed the Morgan Stanley (MSCI) Arab index that rose 1.88% to close at 484 points. Among Arab countries, Lebanon was the second best performer of the week after Saudi Arabia stock market that increased 2.63%. Qatar ranked third, advancing 2.03%. As for the MSCI Emerging index, it reversed last week's loss, adding a weekly 3.03% to 995 points as stronger-than-expected US economic data eased concern over the strength of the global economic recovery.

Real Estate

	Mkt	03/09/10	27/08/10	% Change
Solidere (A)	BSE	$20.04	$19.14	4.70%
Solidere (B)	BSE	$20.09	$18.83	6.69%
Solidere (GDR)	LSE	$19.65	$18.71	5.02%

Manufacturing Sector

	Mkt	03/09/10	27/08/10	% Change
HOLCIM Liban	BSE	$12.30	$12.46	-1.28%
Ciments Blancs (B)	BSE	$3.15	$3.15	0.00%
Ciments Blancs (N)	BSE	$0.50	$0.50	0.00%

Funds

	Mkt	03/09/10	27/08/10	% Change
Beirut Preferred Fund	BSE	$103.00	$103.00	0.00%
BLOM Cedars Balanced Fund Tranche “A”	-----	6,592.30	6,564.38	0.43%
BLOM Cedars Balanced Fund Tranche “B”	-----	5,586.66	5,564.11	0.41%
BLOM Cedars Balanced Fund Tranche “C”	-----	5,021.47	5,000.72	0.41%
BLOM Bond Fund	-----	10173.16	10173.16	0.00%

Retail Sector

	Mkt	03/09/10	27/08/10	% Change
RYMCO	BSE	$2.25	$2.25	0.00%
ABC (New)	OTC	$19.00	$19.00	0.00%

Tourism Sector

	Mkt	03/09/10	27/08/10	% Change
Casino Du Liban	OTC	$470.00	$450.00	4.44%
SGHL	OTC	$6.00	$6.00	0.00%

Lebanese banks were the main market movers this week, accounting for 62.16% of the total value traded. Lebanon’s BLOM banking index rose by 1.81% as all traded stocks climbed. In details, BLOM listed shares rose 0.58% to end the week at $86, while Audi GDR surged by 3.45% to $9. As for Byblos bank, its common and priority shares advanced by 0.56% and 1.11% to $1.8 and $1.82 respectively. BLOM preferred shares index (BPSI) added 0.17% to 102.97 points, boosted by an increase in BLOM preferred Class 2005 that gained 1.49% to $109.5. On the London Stock Exchange, BLOM GDR rose 0.86% to end the week at $94.3, and Audi GDR added 2.52% to settle at $8.95.

Heavyweight Solidere stock rallied this week backed by a more stable political situation in the country following last week clashes. Solidere A surged 4.7% to close at $20.04, whereas Solidere B climbed 6.69% to end the week at $20.09 on price correction. Solidere’s movement was closely correlated to that of the BSI with its RSI dropping at the same dates and picking up thereafter. It showed an oversold signal when the stock reached near 18$ levels only to recoup to the 20$ range in the following days. In London, Solidere GDR gained 5.02% to end the week at $19.65.

Looking ahead, next week’s performance is expected to mark the end of this period’s slow activity as trade will probably pick up as of September 13, following the holiday of Eid El-Fitr.

Foreign Exchange Market

Lebanese Forex Market

	03/09/10	27/08/10	%Change
Dollar / LP	1507.50	1507.50	0.00%
Euro / LP	1934.42	1916.48	0.94%
Swiss Franc / LP	1486.10	1472.74	0.91%
Yen / LP	17.86	17.80	0.34%
Sterling / LP	2321.55	2339.19	-0.75%
NEER Index**	96.22	96.73	-0.53%

*Close of GMT 09:00+2
**Nominal Effective Exchange Rate; Base Year Jan 2006=100
**The unadjusted weighted average value of a country's currency relative to all major currencies being traded within a pool of currencies. The NEER represents the approximate relative price a consumer will pay for an imported good.

Nominal Effective Exchange Rate (NEER)

The US dollar remained oversupplied in the local exchange market this week as the high interest rate of Lebanese Pound deposits at 5.8% vs. 2.9% for the US currency continued to attract funds. Hence, the local exchange rate stabilized towards the lower edge of the trading band at the $/LP1500.5-$/LP1502.5 level with a mid price of $/LP1501.5. The Lebanese Central Bank intervened by purchasing the excess of dollars in order to sustain the pegged exchange rate regime and prevent further appreciation of the LBP. Foreign assets of the Central Bank (excluding gold) reached $31.28B by the end of August 2010 at a time when the dollarization rate of deposits dropped to 62.53% by June 2010.

Despite the stronger-than-expected US data on housing and jobless claims, the dollar fell against the euro this week as investors remained cautious ahead of US jobs report. The euro was also supported by healthy results in Spanish and French bond auctions. For the week ending September 04, 2010, the Euro climbed 0.94% to close at $/€1.2832 from $/€1.2713 last week. Accordingly, the US dollar-pegged Lebanese currency depreciated to LP/€1,934.42 from LP/€1,916.48 on Friday 03/09/10.

Gains made by the euro weighed negatively over the Nominal Effective Exchange Rate (NEER) that fell by 0.53% to 96.22 from 96.73 a week earlier. The NEER had improved 4.6% since year start and 3.71% from the same period last year.

Money & Treasury Bills Markets

Money Market Rates

	03/09/10	27/08/10	Change bps
Overnight Interbank	2.75%	2.75%	0
BDL 45-day CD	4.40%	4.40%	0
BDL 60-day CD	4.89%	4.89%	0

Treasury Yields

	03/09/10	27/08/10	Change bps
3-M TB yield	3.89%	3.89%	0
6-M TB yield	4.41%	4.41%	0
12-M TB yield	4.59%	4.60%	-1
24-M TB coupon	5.34%	5.34%	0
36-M TB coupon	5.94%	5.90%	4
60-M TB coupon	6.18%	6.18%	0

Lebanon's broad money M3 rebounded from last week's decline, rising by LP268B ($178M) on a weekly basis to reach LP132,577B ($87.95B) by August 19th, 2010. Consequently, broad money improved 6.99% from end of December 2009 while increased by 14.5% from the same period a year earlier. Total deposits grew by $163M during that week, as both LP and foreign currencies deposits progressed by a respective $65M and $98M. As for the dollarization rate of M3, it stayed unchanged at 56.78%. The Central Bank of Lebanon continued to maintain the overnight interbank rate quoted at 2.75% for the sixth month in a row as market liquidity remains high.

Demand for TBs in August was outsized, with the Ministry of Finance (MoF) collecting funds worth LP1,053B ($699M) more than needed to finance the maturing TBs. On August 26, the MoF raised LP174.701B ($115.89M) worth of TBs following an auction held over 12M, 24M and 36M maturities. The amount collected exceeded the maturing TBs that valued LP80.557B ($53.44M). The higher yielding TBs (36M) attracted more investors and represented 60.83% of the total subscriptions, while the 12M and 24M maturities captured the remaining 27.37% and 11.8% respectively. The average discount rate offered to institutions on the 1Y maturity was cut by 1 to 4.59%, while the average coupon on the 3Y maturity added 4bps to 5.94%. As for the average coupon on the 2Y paper, it remained constant at 5.34%. The portfolio weighted effective yield for the combined auctions (August 19 and 26) rose by 18bps from 2 weeks earlier to 5.43%. To note that the MoF continued to undertake all of accepted bids and public institutions bids for the fifth consecutive auction.

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Eurobond Market

Eurobonds Index and Yield

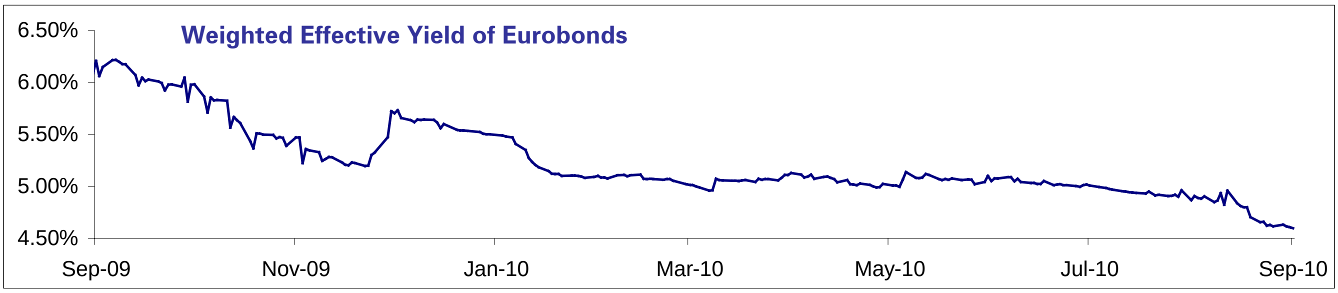
	03/09/10	27/08/10	Change	Year to Date
BLOM Bond Index (BBI)*	112.72	112.66	0.05%	2.42%
Weighted Yield**	4.60%	4.63%	-3	-90
Weighted Spread***	343	349	-6	35

*Base Year 2000 = 100; includes US$ sovereign bonds traded on the OTC market
** The change is in basis points ***Against US Treasuries (in basis points)

Lebanese Government Eurobonds

Maturity - Coupon	03/09/10 Price*	27/08/10 Price*	Weekly Change%	03/09/10 Yield	27/08/10 Yield	Weekly Change bps
2011, May - 7.875%	103.50	103.50	0.00%	2.79%	2.92%	-13
2011, Aug - 7.500%	104.25	104.63	-0.36%	2.69%	2.39%	30
2012, Mar - 7.500%	106.38	106.63	-0.23%	3.20%	3.09%	11
2012, Sep - 7.750%	108.50	108.75	-0.23%	3.32%	3.24%	8
2013, Mar - 9.125%	112.75	113.13	-0.34%	3.75%	3.65%	10
2013, Jun - 8.625%	112.50	112.88	-0.34%	3.84%	3.74%	10
2014, Apr - 7.375%	109.75	109.50	0.23%	4.41%	4.50%	-9
2014, May - 9.000%	115.63	115.25	0.33%	4.32%	4.45%	-13
2015, Jan - 5.875%	104.25	104.25	0.00%	4.78%	4.79%	-1
2015, Aug - 8.500%	115.88	115.75	0.11%	4.83%	4.87%	-4
2016, Jan - 8.500%	116.25	116.25	0.00%	5.00%	5.02%	-2
2016, May – 11.625%	130.50	130.50	0.00%	5.32%	5.34%	-2
2017, Mar - 9.000%	120.13	120.13	0.00%	5.31%	5.32%	-1
2020, Mar - 6.375%	103.63	103.50	0.13%	5.87%	5.89%	-2
2021, Apr - 8.250%	116.00	115.63	0.32%	6.17%	6.22%	-5
2024, Dec - 7.000%	103.75	103.75	0.00%	6.59%	6.59%	0

- Mid Prices ; BLOMINVEST bank



During the month of August, Lebanon's sluggish equity market was counterbalanced with heavy Eurobond acquisitions matching the upward trend in demand for world debt. Accordingly, the Blom bond index (BBI) climbed by 1.2% to 112.66 points and gained an extra push to 112.72 points in the week ending September 3, 2010, after Merrill Lynch upgraded Lebanon's debt from "market weight" to "overweight". The portfolio's weighted yield thus fell to an all-time low of 4.6%. However, the BBI still lagged behind the JP Morgan emerging markets' bond index that gained 1.77% to 523.8 points. Moreover, the spread between the weighted yield on holding Eurobonds and the US yield benchmark continued to hover around the 350bps mark, as the rise in demand for Lebanese sovereign debt initially paralleled the US Fed's resolution to invest in long term treasuries, causing both figures to slump by an average of 30bps during the period.
Lebanon's credit default swap for 5 years (CDS) eased to 282-295bps from 296-314bps registered by the end of July, as investors were reassured by the successful issuances of new bonds in heavily indebted EU countries such as Portugal and Spain. In regional markets, Dubai and Saudi Arabia's CDS quotes remained at 458-469bps and 71-91bps respectively. As for emerging markets, the insurance premiums against state-debt default closed at 121-122bps in Brazil and 178-182bps in Turkey.

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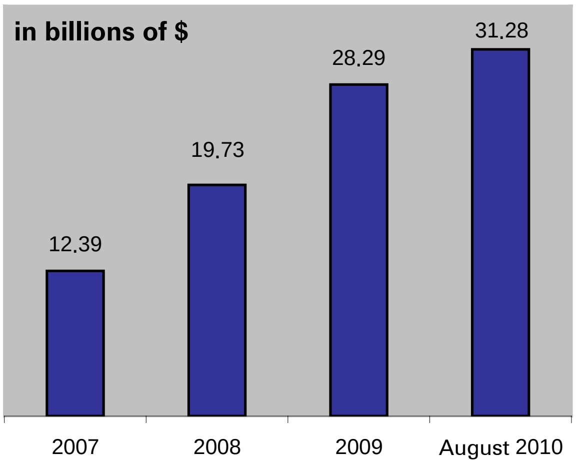
ECONOMIC STATISTICS & INDICATORS

BdL Foreign Assets

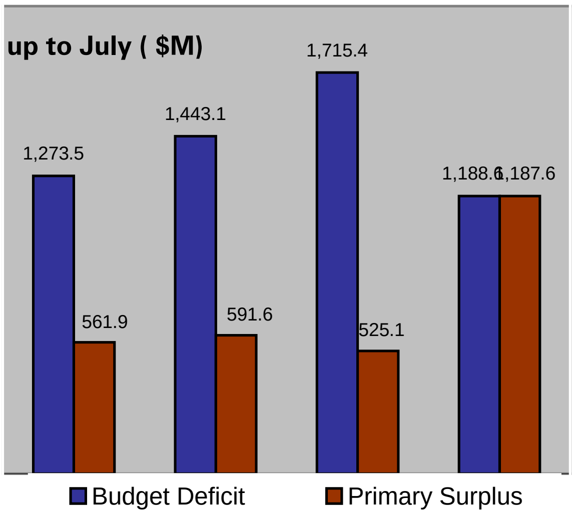


Source: BdL

BdL Foreign Assets Reach $31.28B by August 2010

The Central Bank's (BdL) bi–weekly balance sheet recorded a growth of 17.7% to reach $58.33B by the end of August 2010 as compared to the same period last year, while it increased by 0.77% from end of July, and by 8.54% from year end 2009. In details, foreign assets (excluding gold) kept their upward trend in the second half of August 2010, recording a monthly increase of 1% to reach $31.28B and adding a 10.55% from year start. This rise is mainly attributed to the continuous foreign capital inflows into the country as well as the constant intervention of the BdL to maintain the pegged exchange rate regime and prevent an appreciation of the local currency. Securities portfolio dropped by 9.3% to $6.65B compared to the second half of July as the Central Bank is not renewing part of its holdings in Treasury Bills., while Gold reserves gained 5.54% to $11.37B, reflecting the global appreciation in commodity prices with the price of Gold rising from an average of 1,192 in July 2010 to a mean of 1,216 in August 2010. As for loans to public sector and to local financial sector, they both climbed by 0.42% and 0.17% to $0.16B and $0.93B respectively. On the liabilities side, financial sector deposits with 72% of total liabilities rose on a monthly basis by 1.4% to $41.93B, while public sector's deposits, which correspond to 7.75% of liabilities, declined by 15.36% to $4.52B. Moreover, currency in circulation outside of BdL increased by 1.25% to $1.9B.

Fiscal Deficit and Primary Surplus



Source: Ministry of Finance

Fiscal Deficit Reaches $1.18B in July

Lebanon's Fiscal Performance maintained its year on year improvement up until July 2010 as the budget deficit declined by 30.7% to $1.18 Billion against $1.7 Billion during the same period in 2009. In addition, the primary surplus, which is government net lending excluding interest payments on consolidated government liabilities, jumped by 126% to $1.18 Billion. During the reported period, government expenditures slid by almost 7% to $6.3 Billion as transfers to Electricite du Liban (EDL) slumped by 34.8% to $1.08B due to a change in schedule for the reimbursement of the new fuel providers. Conversely, interest payments on domestic and foreign obligations climbed by 8.7% and 1.3% respectively despite the sharp decline in interest rates over the period. This was due to the 7% rise in the country's gross debt from a year earlier to $51.4B by Q1 2010. Worth noting that the yields on 1Y and 3Y Treasury bills stood at 6.8% and 8.5% respectively in July 2009 and had fallen to 4.65 and 5.8 by July 2010, whereas the weighted yield on holding Eurobonds plunged more than 100bps to 5%. Government revenues on the other hand were limited to a modest 1% y-o-y rise due to a technical change in procuring non-tax revenues during the first 7 months of 2010, regarding a delay in the transfer of Telecom proceeds from the concerned ministry to the Treasury. Excluding Telecom receipts, government revenues jumped by 14.3% to $4.5B with tax revenues making up 93% of the amount. For the month of July alone, the government fiscal balance recorded a deficit of $271.9 Million compared to $157M in July 2009.

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Excise Taxes up to July ($M)

	2009	2010	% change
Fuel	385.3	398.3	3.4
Alcoholic beverages	3.6	4.3	20.3
Non-alcoholic beverages	0	0	-100
Tobacco	97.9	137.0	39.9
Cars	239.6	239.0	-0.2
Other excises	0	0	-21.5
Total	726.3	778.5	7.2

Source: Ministry of Finance

Government Revenues at $5,139M up to July 2010

Government's revenues excluding transfers from telecommunication services grew by 13.4% during the first seven months of 2010 to attain $4,920.3M compared to $4,337.7M a year earlier, mainly backed by strong tourism and construction activities. In more details, tax revenues which accounted for 81.8% of total revenues added 15.1% to attain $4,208M by July 2010 compared to the same period a year ago. Their major components, value added taxes (VAT) and customs, rose by 12.2% and 7.4% to $1,314M and $1,087M respectively, partly due to a 22.12% surge in tourism activity during the first seven of months of 2010 compared to 2009, in addition to a rise in trade activity. Moreover, real estate registration fees and stamp fees rose by 80.1% and 24.6% to $335M and $190M respectively on higher land and housing prices due to a boost in domestic and foreign demand. Excise taxes managed to add 7.2% from last year reaching $778M, mainly attributed to a 39.9% rise in revenues from Tobacco excises and a 20.3% climb in revenues from alcoholic beverages excises. With respect to non-tax items, revenues from government properties dropped 56.2% to $404M, primarily driven by a sharp decrease of 70.7% in telecommunication services transfers to $219M due to a delay in the transfer of telecom revenues from the Ministry of Telecommunication to the Treasury. Worth pointing out that the slump in telecommunication transfers limited the increase in total government revenues during the first seven months of 2010 to 1% compared to a year earlier.

ECONOMIC AND FINANCIAL NEWS

Environmental Aid Highlights

Financing Agent	Project	Amount
Ministry of Environment	Environmental Studies	$5.60
Italian Government	Construction of Water Treatment Plants	14M Euros
Italian Government	Solar Power	1M Euros
Kuwait Fund	Beaufort Castle Renovation	$3M

Source: Ministry of Finance

Environmental Aid Blossoms in August

Environmental aid dominated the month of August in Lebanon witnessing the initiation of several projects. First of all, the United Nations Development Program (UNDP) launched with the Ministry of Environment (MoE) a project of four different environmental studies that will be financed by the MoE for a total of $5.6M over a period of 4 years. The project's purpose will be to develop designs that will limit the pollution of the Litani River and the Qaraoun Lake, in addition to the reorganization of quarrying permits and dumping sites. Furthermore, the Italian Development Cooperation Office (IDCO) will construct water treatment plants, install sewage pipes in designated Lebanese villages. IDCO will also install 900 photovoltaic panels on public buildings in collaboration with the MoE. These projects, which are expected to reduce water and electricity-production pollution and further encourage the use of solar power, will be financed by the Italian government with 14M Euros worth of soft loans and a 1M Euro grant for the respective tasks. Finally, the Kuwait fund for Economic Development announced that it will contribute up to 70% to the cost of a $3M aimed at renovating Beaufort Castle in Southern Lebanon.

Lebanon's Foreign Currency LT Debt Rating

Rating Agency	Rating	Outlook
Moody's	B1	Stable
Standard & Poor's	B	Positive
Fitch	B	Stable

Source: Bloomberg

Merrill Lynch Upgrades Lebanese Eurobonds

Lebanon's external debt recommendation was upgraded by Merrill lynch from "market weight" to "overweight", the first time since April 2007 while raising its allocations by 0.4 points to 5.8 percent in August 2010, when it was only 2.1 percent in the first four months of the year. This places Lebanon in the same category as Qatar, Bahrain, Russia, Mexico, Indonesia and South Africa. According to Merrill Lynch, even though Lebanon is facing some medium-term political risks, the credit has great potential to perform better due to the low volatility of its external debt and given the low correlation it has with other emerging markets. In Europe, Middle East and Africa region (EMEA), Lebanon accounted for 17.4 percent of the allocations in august compared to only 6.9 percent in January, which makes it the 7th biggest among countries in the same portfolio. The Lebanese external debt return is ranked 13th of 22 markets in the EMEA region with 5.56%.

Lebanon's Economic Growth Forecasts in 2010

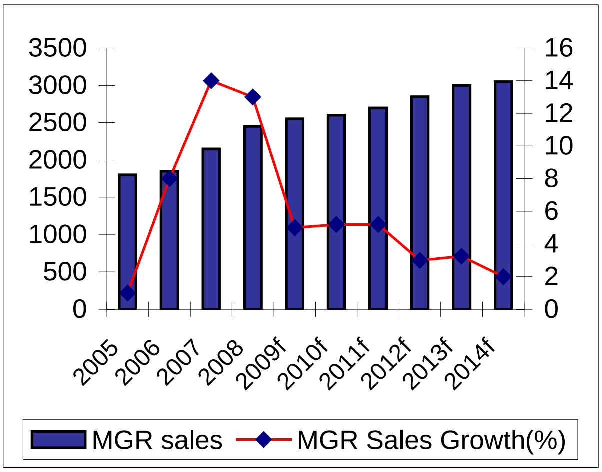
	2010
IIF	6.6%
HSBC	6.9%
World Bank	7.0%
BMI	7.0%
IMF	8.0%
EIU	6.8%
Lebanese Government	8.0%

Source: IMF, World Bank, BMI, IIF, HSBC

EIU Raises Lebanon's 2010 GDP Growth

The Economist Intelligence Unit (EIU) raised its forecast on Lebanon's 2010 real gross domestic growth to 6.8% in 2010 and 5.8% in 2011. According to the report, Lebanon's growth was boosted by an increase in local demand, especially in the tourism sector, in addition to a rise in regional growth. This expansion would surpass growth in the Middle East that is forecasted at an average of 4.4% in 2010-2011. The report also showed that the growth rate projection for 2010 is below the growth observed in 2009 but higher than Lebanon's long term average growth rate. In addition, EIU forecasted the current-account deficit to narrow to $6.7B (18.5% of GDP) in 2010 and to 13.1% of GDP in 2011. Lebanon's inflation declined sharply in 2009 but the EIU expected it to climb in 2010-2011 to an annual average of 3.4% following the rise in world commodity prices.

Lebanon MGR Sales Forecast (2005-2014)(in Billions of LBP)



Source: BMI

Slow Growing Retail Market in Lebanon

Although the Food and Beverages (F&B) industry has been attracting sizeable investments in the MENA region over the past few years, Lebanon's Mass Grocery Retail (MGR) has conversely been lagging behind in the sector's development, according to the latest report on the subject by Business Monitor International (BMI). BMI's forecast for Q4 2010 reveals that MGR growth in Lebanon has been almost static, vastly underperforming regional economies since 2005. The analysis offered by the study emphasizes the failure of the Lebanese retail industry to attract sufficient investment despite the $7,700 per Capita GDP enjoyed by the country, which compares well in the MENA region. As such, the evident absence of major regional operators according to BMI is more correlated to the limited market size of Lebanon that doesn't compare favorably with population-dense Egypt and Iraq. However, Lebanon's prospective strength as a solid MGR market lies in its severely 'under-retailed population' combined with its fast growing wages and growth rates as GDP per Capita is expected to hit $19,000 by 2019.

CORPORATE DEVELOPMENTS

Misr Lebanon Bank to Call for General Assembly

Bank Misr Liban (BML) invited its shareholders for an ordinary general assembly that will be held on the 17th of September 2010 at the banks' headquarters located in downtown Beirut, Riad El Solh Street. The meeting's agenda will include the election of new members for the board of directors in addition to granting the latter authorities according to articles 158 and 159 of the Commerce Law, and to article 152 of the Monetary and Credit Code. Other diverse subjects are also on the assembly's schedule.

Misr Lebanon Bank Financial Highlights ($M)

	2009	2008	%Change
Total Assets	621	523.8	18.5
Deposits from Customers	570	418	36.4
Loans and Advances	80	72.7	10
Net Income	0.095	0.041	128.6

Source: Company Data

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Lebanese Government Revenues Performance 2005-2009

Lebanese Government Revenues Outcome

(million of $)	2005	2006	2007	2008	2009	up to July 2010
Tax revenues	3,229	3,265	3,703	4,764	5,948	4,208
Non-tax revenues	1,404	1,290	1,665	1,733	2,036	645
Other treasury revenues	279	283	435	503	444	287
Total Revenues	4,912	4,838	5,804	7,000	8,428	5,140

Source: Ministry of Finance

Total revenues collected by the Lebanese government grew at an Annual Compounded Growth Rate (CAGR) of 14.45% between 2005 and 2009. This was mostly due to the significant improvement in government collection performance and economic growth that rose from a rate of 1% in 2005 to reach 8% in 2009 underlined by strong tourism and construction activities and a relatively stable political environment in the last three years.

In fact, government revenues fell in 2006 from the previous year to $4,839M due to the July war and the political instability that arose after it, in addition to the steep increase in oil prices during the third and fourth quarters of that year. Afterwards, total revenues started to pick up on a yearly basis to attain $8,428M in 2009, a 75% increase from the 2006 figure.

Taxes constituted the bulk of total government revenues with a stake of around 67%, while non-tax proceeds and other Treasury revenues account for 25% and 8% respectively. Tax revenues rose from $3,228M in 2005 to $5,948M in 2009 lifted by a significant advance of 70.6% in value added tax (VAT), reaching $1,916M in 2009 from $1,123M in 2005. Moreover, proceeds from taxes on property, which consist of built property taxes and real estate registration fees, followed an upward trend to reach $782M in 2009 compared to $274.6M in 2005. This is mainly attributable to the boom in the real estate sector during the aforementioned period. Construction activity rose significantly following the 2006 war, in addition to the surge in demand for properties from foreign and domestic investors due to the decline in interest rates and the crash in the stock markets following the global financial crisis.

Furthermore, the Lebanese government collected $1,769M in 2009 from taxes on international trades which include custom duties and excise taxes compared to $841M in 2005. During that period, the country's trade activity considerably expanded from $11.22B in 2005 to $19.72B in 2009 mostly supported by a climb in imports.

More specifically, excise taxes, which consist of excises from gasoline, tobacco and cars, generated $1,259M for the government in 2009, an all time high, compared to $457M and $600M recorded in 2007 and 2008 respectively. This is mainly driven by a considerable rise in taxes on fuel as the government benefited from the drop in oil prices in the first half of the year. Moreover, the number of imported cars increased to a record of 100,000 vehicles during that year as consumer spending on durable goods peaked.

The flourishing tourism activity that Lebanon witnessed following the Doha Agreement and the election of a new president in May 2008 helped boosting government collections from non-tax revenues to $2,036M in 2009 compared to $1,733M in 2008 and $1,290M in 2006. In fact, government revenues from Casino du Liban, Beirut International Airport and tourist sites more than doubled in 2009 to $145.7M from 2007. Transfers from telecommunication services which account for the bulk of non-tax government revenues climbed from $965.8M in 2005 to $1,363M in 2009 as the sector's profits were on the rise during the corresponding period following a sharp increase in new mobile phone subscribers. Worth pointing out, that this increase was largely observed after the two mobile operators, MTC Touch and Alfa, lowered tariffs on post- paid and pre-paid card in

March 2009. Further, revenues collected from administrative fees and charges, which include traffic, consulate and general security fees etc., reached $335M in 2009 relative to $242M in 2005 and $280M in 2007. As for treasury revenues, they peaked in 2008 attaining $502.6M, and then slightly fell to $443.6M in 2009.

In 2010, as economic growth is expanding amid a stable political climate, total government revenues reached to $5,140M in the first seven months of the year. This amount remains relatively low due to a delay in the transfer of telecom revenues from the Ministry of Telecommunication to the Treasury. Looking ahead, we expect total government revenues to attain $9,905M by the end of this fiscal year.

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