

Palestine

Palestine Securities Exchange Performance 2008

Fighting the Tide...

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The PSE Holds its Ground

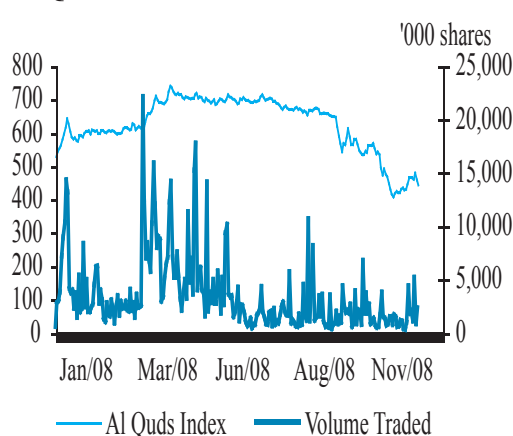
What was once regarded as a limitation for the Palestinian economy turned out to be its saving grace in 2008, as the Palestinian Securities Exchange (PSE) was able to ward off the devastating effects of the global financial crisis in the year 2008. With Palestine being a relatively closed and small economy, its exposure to foreign financial markets was rather limited. Furthermore, PSE exhibited resilience amidst the mounting political instability and the grinding poverty in the West Bank and Gaza.

Nonetheless, the PSE saw Al Quds Index shedding 16.2% in 2008 from its level in the previous year, unfazed by the sharp declines in regional bourses. The index reached a peak of 738.7 pts in April 2008, with an increase of 40.4%. However, troubled by the ongoing political turmoil in the Palestinian Territories and with the advent of the global financial crisis, the PSE began to witness some strain in its share prices and reached its lowest level of 407.3 pts on November 26, 2008 before recovering some of its losses toward the year-end to close at 441.7 pts, falling by 28.4% in the last three month of the year alone.

Al-Quds and Sector Indices

| Sector | Y- Close | Y- Open | Chg % | Y- High | Y- Low |
|------------------|-------------|------------|----------|------------|-----------|
| Al Quds Index | ▼ 441.66 | 527.26 | -16.2 | 738.67 | 407.33 |
| Investment Index | ▼ 22.11 | 38.27 | -42.2 | 47.9 | 21.34 |
| Insurance Index | ▼ 57.79 | 77.5 | -25.4 | 85.42 | 54.54 |
| Industrial Index | ▼ 54.38 | 66.1 | -17.7 | 71.71 | 51.85 |
| Banking Index | ▼ 78.74 | 81.52 | -3.4 | 103.04 | 73.22 |
| Services Index | ▼ 46.92 | 48.26 | -2.8 | 76.38 | 41.21 |

Al-Quds Index Performance



The year 2008 witnessed a large increase in the total number of traded shares where 339.2 million shares exchanged hands, up by 13.3% from the 2007 level of 299.4 million shares. The value of traded shares increased by more than one fold reaching JD1.2 billion compared to JD576.4 million in 2008.

Market Volume Traded

| (Shares) | 2008 | 2007 | Chg% |
|---------------------|--------------------|--------------------|-----------|
| Investments | 150,793,578 | 112,969,820 | 33.5% |
| Banking | 115,312,832 | 133,017,150 | -13.3% |
| Services | 59,162,878 | 38,310,037 | 54.4% |
| Industrial | 10,793,066 | 6,648,063 | 62.3% |
| Insurance | 3,106,453 | 8,477,744 | -63.4% |
| Total Volume | 339,168,807 | 299,422,814 | 13 |

Source: PSE Website

Market Value Traded

| (JD) | 2008 | 2007 | Chg% |
|--------------------|----------------------|--------------------|------------|
| Services | 495,655,316 | 142,373,314 | 248.1 |
| Investments | 346,451,541 | 159,516,669 | 117.2 |
| Banking | 293,323,264 | 243,988,993 | 20.2 |
| Industry | 44,730,790 | 13,763,386 | 225.0 |
| Insurance | 5,043,300 | 16,736,905 | -69.9 |
| Total Value | 1,185,204,211 | 576,379,267 | 106 |

Source: PSE Website

By the end of the year, the number of listed companies grew to reach 37, from a total of 35 at the end of 2007. Two new companies entered the market, Trust International Insurance Company (TRUST), and Nablus Surgical Center (NSC) on May 27th, 2008 and June 29th, 2008, respectively.

For the first quarter of 2008, most listed companies reported healthy profits, with 26 out of 35 companies reporting positive results. However, by the end of the third quarter, little improvement could be noted to the companies' bottom line. With the entrant of two new companies, the companies' third quarter financial results revealed 26 out of the 37 listed companies posted profits amounting to JD176.5 million for the period. Meanwhile, only 11 companies recorded losses which cumulatively reached JD9.1 million for the same period. Based on the companies' 12-month trailing net income, the market P/E ratio stood at a more attractive level of 8.85x at the end of 2008 compared to around 14.01x at 2007 year-end, illustrating the drop in prices against a general growth in earnings. This compares to a regional P/E ratio of 9.22x, thus rendering a comparatively cheaper market.

Summary of Companies' Q3 2007 Results

| | 2008 | 2007 | Market Breadth | |
|--|---------------|--------------|-------------------------|----|
| Number of Companies Reporting Results | 37 | 35 | Advancers | 8 |
| Number of Companies Achieving Positive Returns | 27 | 26 | Decliners | 28 |
| Corresponding Profits (JD mn) | 176.5 | 90.7 | Unchanged | 1 |
| Number of Companies Achieving Negative Returns | 11 | 9 | Total | 37 |
| Corresponding losses (JD million) | 9.1 | 1.3 | No. of Listed Companies | 37 |
| Overall Results (JD mn) | 169.37 | 89.31 | | |

Source: *Global Research*

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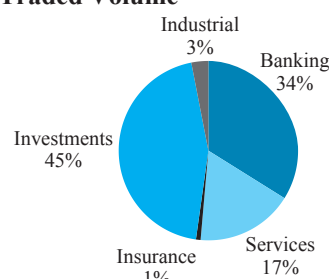
The PSE's total market capitalization decreases by 14.2% to stand at JD2.1 billion at the end of the year, representing around 53.0% of estimated real GDP for 2008, down from 58.9% in the previous year. In terms of market capitalization, the services sector had the largest weight, representing 46.9% of total market capitalization at the end of 2008. The banking sector came next constituting a 20.5% weight, followed by the investment sector, accounting for a 19.7% share. The industrial and insurance sectors are smaller in size, comprising 8.2% and 4.6%, respectively, of total market capitalization at year end 2008. The market continues to be dominated mainly by three companies, which comprise more than 68.0% of total market capitalization combined. In order, these companies are: Palestine Telecommunication Company (PALTEL), Palestine Development & Investment Company (PADICO) and Bank of Palestine (BOP).

Market Capitalization

| (USD '000) | 2008 | 2007 | Chg% |
|------------------------|------------------|------------------|--------------|
| Insurance | 98,016 | 90,679 | 8.1 |
| Banking | 436,284 | 429,829 | 1.5 |
| Services | 995,627 | 1,022,878 | -2.7 |
| Industrial | 174,708 | 207,862 | -16.0 |
| Investment | 418,419 | 723,428 | -42.2 |
| Total Mkt. Cap. | 2,123,057 | 2,474,679 | -14.2 |
| % of GDP | 53.0 | 58.9 | |

Source: *PSE Website, Palestinian Central Bureau of Statistics (PCBS) Website*

Sector's Contribution to Total Traded Volume



Source: *PSE Website*

The constituents of Al Quds Index were adjusted early in 2008, covering a total of 12 companies, however replacing National Insurance Company (NIC) and Palestine Real Estate Investment Company (PRICO) with Al-Rafah Microfinance Bank (AMB) and Union Construction and Investment Corporation (UCI). This came to give better representation of the market performance.

The Executive Chairman of the PSE, Dr. Hasan Abu-Libdeh, resigned from his position as Chairman and Managing Director of the PSE. Mr. Khaled Al Ji'an, the Financial & Administrative Manager of the PSE, was appointed as acting Managing Director. By October 30, the PSE had appointed Dr. Rami Hamdallah as its new Chairman. It is worthy to mention that Dr. Hamdallah had previously held the post of Chairman of the PSE over the period 2003-06.

On the PSE front, Economy Watch, an international news portal, placed PSE in an advanced rank worldwide among security markets with regards to investor protection policies. The PSE ranked the 33rd place amongst 178 countries included in the report. Regionally, the PSE came in second to Kuwait.

For purposes of better statistical analysis, the board of directors of the PSE decided to change the reporting currency in its reports to US Dollar, whereby the aggregate trading volume and value in addition to the different statistical daily weekly and monthly releases were changed to US dollars through its 'Market Watch' service. These changes were implemented on January 1st 2009.

The PSE began executing online trading transactions in April 2007. By the end of 2008, the total number of transactions increased by 67.5% to 44 thousand. Needless to mention, that the volume of online trades also increased by 56.1% to reach 64.1 million shares.

Online Trading Activities During 2008

| | 2008 | % of Total Market Trading |
|---------------------|-------------|---------------------------|
| Volume | 64,133,217 | 18.9 |
| Value (JD) | 223,247,711 | 18.8 |
| No. of Transactions | 44,099 | 29.0 |

Source: PSE Website

Political and Economic Overview

The Palestinian economy continues to be distorted by the imposed closures. The failure of the Palestinian economy to achieve the slightest growth is highly attributed to the tightening restrictions imposed by the Jewish state. Real GDP growth for 2007 was effectively flat, compared to 2006 levels. According to the Economic Intelligence Unit, real GDP in 2008 achieved negative growth of 0.5% compared to 2007, while per capita GDP also decreased by 9.8% in 2008. Due to the limitations in the availability of public statistics, the latest available figures are for the year 2007. The resumption of donor aid in June 2007, upon the formation of the Caretaker Government, slightly eased the economic situation of the West Bank, while it highlighted the disparity of Gaza's economic conditions. Therefore, donor aid and grants increased to 26.1% of GDP in 2007, compared to 13.8% in 2006. On the whole, the Palestinian economy grew at a CAGR of 2.5% between 2002 and 2007. Had Israel's restrictions and closures been lifted, the country's real GDP growth may have registered higher figures. The macroeconomic outlook for 2009 will depend primarily on the political situation. Given the ongoing closure and political unrest, it is more likely that constraints on growth will remain high for the Palestinian economy during the coming few years.

Key Macroeconomic Figures

| | 2006 | 2007 |
|--------------------------------|--------|---------|
| Real GDP Growth | -4.8% | -0.5% |
| GDP/ Capita (USD) | 1141.4 | 1029.34 |
| Inflation Rate | 3.7% | 2.7% |
| Fiscal Deficit/Surplus | -721.7 | -1012.0 |
| Trade Deficit as % of Real GDP | -15.6% | -6.4% |
| Donations & Grants as % of GDP | 13.8% | 26.1% |
| Unemployment Rate | 23.6% | 21.6% |

Source: Palestine Monetary Authority (PMA) Monthly Statistical Bulletin and the Palestinian Central Bureau of Statistics (PCBS) Website, Economic Intelligence Unit

With regards to Palestine's internal struggle, the Palestinian factions still grapple with National Unity talks. Many countries stepped up to bridge the gap between Fatah and Hamas. A Yemeni sponsored deal was signed in late March 2008 between Hamas and Fatah but the dialogue shortly fell apart as both parties fought over who will take control of Gaza. Eventually, Egypt was chosen as the official mediator between both sides in an attempt to resume reconciliation talks. However, they failed to reconcile their differences leaving the Palestinian Territories divided.

In November 2007, Palestinian and Israeli leaders agreed at the US-sponsored Middle East peace conference in Annapolis to try to forge a peace treaty and create a Palestinian state by the end of 2008, just before US President George Bush leaves office. However, the conference was a big disappointment to Palestinians with the absence of any practical improvement on the ground. This conference was followed by an international donors' conference in Paris, in which 68 countries were keen to extend around USD7.7 billion to the Palestinian Reform and Development Plan (PRDP) in donations to revive the Palestinian economy. The PRDP plan conceived of a gradual relaxation of restrictions by the government of Israel, to enable a recovery of private investment and trade. The plan also envisaged an improvement to the situation in Gaza. Nevertheless, as the events unfolded, the opposite was achieved.

Israel continues to tighten its grip even further on Gaza, while hundreds of checkpoints inhibit internal trade and hamper private and public investment. The year 2008 witnessed several clashes between the Palestinian Territories and Israel. As the violence escalated, the two parties fell under heavy diplomatic pressure to agree to an Egyptian mediation which would aid in negotiating terms and possibly reaching a ceasefire agreement. By June 19th 2008, a truce agreed upon between Hamas and Israel. It called for Hamas to stop cross border rocket fire and for Israel to gradually ease its cordon on Gaza. The truce lasted for almost five months before Israel breached it in November by killing several Palestinian militants, which caused an eruption of violence on both sides.

Following the attack, Hamas leaders declared early in December, the end of the Egyptian-brokered truce with no prospect for renewal. In retaliation, Israel defense forces launched warplanes and helicopters in a severe attack on the Hamas-ruled Gaza Strip, killing 225 people in the first day of attacks alone. The Israeli air strikes began less than a week after the expiry of a six-month-long ceasefire deal with Hamas. Israel refused a temporary truce to allow much needed humanitarian aid to get through to the Gaza Strip and continued its attacks for twenty two days until a unilateral ceasefire was reached.

Meanwhile, the cessation of fighting in Gaza has allowed the true scale of destruction in Gaza to be revealed. The onslaught killed at least 1,300 with the death toll expected to rise as more bodies are uncovered in the rubble, it also injured more than 5,400 people of which 1,855 are children, and destroyed approximately USD1.9 billion worth of infrastructure in the public and private sector.

Sectors News

The Services Sector

The PSE services sector, which is comprised of 8 companies, reported the lowest decline in its index as it fell by only 2.8% to end the year at 46.9 pts. The sector witnessed a 54.4% increase in trading volume to reach 59.6 million shares last year, thus constituting 17.4% of the market total trading volume. Moreover, the sector ranked first in terms of traded value, witnessing a sharper rise of 248.1% to reach JD495.7 million, mainly due to a general hike in share prices across the sector.

The heavyweight PALTEL, which has a dual listing on the Abu Dhabi Securities Market (ADSM), contributed 85.6% to the services sector's total trading volume and around 92.0% to its market capitalization. The company's share price recorded a slight increase of 0.2% to end the year at JD4.9. PALTEL's net income after tax for the period ending on September 30, 2008 reached JD65.7 million, up by 44.8% from the corresponding period in 2007. The company was able to expand the number of its ADSL subscribers to reach more than 50 thousand lines, achieving growth of more than two folds from its level last year. Moreover, the company's main revenue drivers are fixed and wireless lines along with internet providing services, in that respect the company managed to achieve a growth rate of 2.7 percent and 24.3 percent in the number of subscribers of its fixed line and mobile services, respectively

In early 2008 the CEO of PALTEL Dr. Abdelmalik Al Jabir expressed the readiness of the company to go into a strategic partnership that will benefit the development of the Palestinian Telecom market. By early 2009, PALTEL announced the entrance of the Kuwaiti-based ZAIN Cellular Telecommunications Company as a strategic partner in PALTEL.

In other sector related news, the Palestine Investment Fund (PIF) announced plans to restructure Grand Park Hotel & Resorts Company (HOTEL), whose shares were suspended from trading since October 2003. HOTEL was adversely affected by the increasing political turmoil in the Palestinian Territories with its revenue declining significantly in the past seven years, however, the company managed to recoup some of its losses with its impressive performance in 2008. HOTEL's preliminary financial results for 2008 posted net losses of JD121.0 thousand compared to net losses of JD220.0 thousand in 2007. In other news, Arab Real Estate Establishment Company (ARE) suffered the highest losses in the sector, losing 43.8% of its share price to close at JD0.4. The company's preliminary financial statements for the year 2008 revealed a net income of JD71.3 thousand compared to net losses of JD32.1 thousand in 2007. It is noteworthy to mention however that ARE's total revenue declined by 40.8%. The Company's main source of income was derived from other revenues which constituted 87.0% of the company's bottom line revenue, and mainly stemmed from the sale of securities.

The Banking Sector

The banking system is regulated by the Palestine Monetary Authority (PMA), which is considered the highest banking authority and regulator, and consists of 10 local banks operating through 81 branches and offices across the West Bank and Gaza. These banks operate alongside 11 foreign banks possessing a local network of 80 branches. Within the

foreign banks, 10 banks are Arab (8 Jordanian and 2 Egyptian banks) with one foreign bank, the HSBC Middle East.

The PSE banking sector, which comprises of 6 listed banks, witnessed buoyant trading activity last year as it ranked second in terms of traded volume, capturing a share of 34.0% of the overall market trading volume. The sector's index recorded a slight drop of 3.4% to wrap up the year at 78.7 pts. However, the sector's market capitalization increased by 43.3% reaching JD436.8 million due to the listing of capital increase shares.

The sector witnessed several developments throughout the year under the supervision of Deputy Governor, Dr. Jihad Al Wazir, who officially started his term on January 1, 2008 after the resignation of former Governor Dr. George Abed in December 2007, who served around 2.5 years.

Of the most important developments in 2008 was an agreement between the PSE and Bank of Palestine (BOP) to become PSE's designated Account Settlements Bank. The agreement entails that BOP will settle payment obligations associated with transactions occurring within any brokerage firm trading for the PSE. Previously and since 1997, it was the Arab Bank who handled accounts settlements, however due to BOP's broad network of branches, flexibility in extending credit facilities, and strong managerial expertise, it was selected to replace the Arab Bank's duties. BOP lost 9.2% of its share price in 2008 to close at USD2.8.

The PMA issued instructions in 2007 to raise the minimum capital requirement for banks from USD20.0 million to USD30.0 million, to become effective as of March 31, 2008. Moreover, the PMA issued new regulations allowing banks to extend loans to finance the investment in shares. In compliance with the PMA's new regulations, all banks increased their paid up capital in 2007 with the exception of the Commercial Bank of Palestine (CBP). However, in 2008, the bank managed to increase its paid-up capital from USD20.0 million to USD30.0 million through a public offering of USD1.0/ share.

In spite of internal instability, a number of banks continued their expansion plans in 2008 and extended their presence in the Palestinian Territories by opening new branches during the past year. BOP opened two new branches located in two small towns in Hebron, bringing the total number of its branches to 32 in 2008. Al-Quds Bank (QUDS) opened a new branch in Ramallah bringing its total branches to 11. In addition Al-Quds bank plans to undergo major expansion plans in the coming two years which will include merging the bank's services with Jordan Commercial Bank (JOGB.AM) branches in Palestine in an attempt to increase its customer base and enhance its services. Moreover, Al-Rafah Microfinance Bank (AMB) opened its newest and third branch in Hebron, while CBP opened up four new branches this year in Hebron, Genin, Nablus, and Ramallah.

While new branches were opening in the West Bank, worries dominated that some banks in Gaza could be forced to shut their branches after Hamas took full control and Israel began its financial embargo. For instance, QUDS relocated its headquarters from Gaza to Ramallah. The 42 bank branches in Gaza continue to suffer from the deteriorating economic conditions, the sharp drop in imports and exports and the limitations on the supply of shekels used for day-to-day transactions.

The Investment Sector

The PSE investment sector, which comprises of 8 listed companies, actively contributed to the market's traded volume, ranking in first place in terms of trading volumes with total traded shares reaching 150.8 million shares representing around 44.5% of the total market trading volume. The sector ranked second in terms of traded value, with total traded value reaching JD346.5 for the year. With the exception of Jerusalem Real Estate Investment Company (JREI) and Palestine Industrial Investment Company (PIIC), which posted a y-o-y gain of 26.2% and 14.12% respectively, all of the sector listed companies witnessed declines in their share prices, leading to a 42.2% drop in the sector's index to end the year at 22.11 pts. Accordingly, the sector's market capitalization went down by 18.4% to reach USD418.42 million at the end of 2008.

Palestine Development and Investment Company (PADICO) along with its subsidiaries listed in this sector, Palestine Real Estate Investment Company (PRICO) and PIIC, contributed around 96.29% to the sector's total traded volume.

Teaming up with Arab Investor Company (ARAB) and PADICO, both companies announced the launch of three new investment projects worth USD120 million. PADICO also announced the company's intent in establishing the 'Jerusalem Fund'. With a capital of USD100 million, the fund will be active in small and large investment projects, more specifically in the housing and real estate sectors. PADICO will contribute USD25 million to the fund, with the remainder of the capital to be collected from private and institutional investors.

In sector related news, PRICO also revealed plans of three major upcoming projects at an estimated investment cost of USD75.0 million. The three projects include two large residential areas in Jerusalem and Ramallah as well as establishing the Ramallah Financial Quarters Tower which will also be located in Ramallah. The projects are set to be completed within 18 months of initiation. The company, whose investments have exceeded USD250 million, provided employment opportunities and established several housing and other projects in various cities in Palestine.

The Industrial Sector

The industrial sector, the PSE's least active sector, albeit the largest one in terms of number of companies, captured a mere 3.2% of total trading volume for 2008, with only 10.79 million shares traded for the year, up by 62.3% from the 2007 level of 6.6 million shares. The sector, which comprises of 10 listed companies with combined market capitalization of JD174.7 million as of 2008 year-end, saw its index retreating 17.7% to end the year at 54.8 pts, compared to 66.1 pts in 2007.

With the exception of Arab Company for Paint products (APC) and Jerusalem Cigarette Company (JCC), the remaining 8 listed companies in the sector witnessed a decline in their share prices. The Arab Concrete Products (ACPC) was the sector's worst performer losing 75.2% last year to close at JD0.3. ACPC incurred sizable losses in the third quarter of 2008 reaching JD147.5 thousand, compared to losses of JD26.7 thousand in the corresponding period in 2007. This decline can be attributed to a large decline in total operating revenues in light of the turbulent climate which hinders growth in development structure.

The pharmaceutical sector, which collectively accounted for 54.2% of the sector's market capitalization, satisfies most of the local market demand due to its competitive edge over foreign pharmaceutical products. Birzeit Pharmaceutical Company (BPC) continues to enhance the quality of its products in preparing the company to obtain the "Certificate of Good Manufacturing" which will allow the company to penetrate other markets. BPC's board of directors also approved recommendations to expand and develop the company's manufacturing site.

The Insurance Sector

The insurance sector is regulated by the Palestine Capital Market Authority (PCMA), which controls 8 local insurance companies (operating in 48 branches) and 2 foreign companies (operating in 9 branches).

The PSE insurance sector, comprising of 4 listed companies in 2007, increased to 5 by mid 2008 with the entrant of Trust International Company (TRUST) as the fifth publicly listed insurance company. TRUST was the only listed company in the sector to achieve a gain of 16.2% in its share price to close at USD4.0; however, it captured a mere 3.1% of the sector's total traded volume. The sector still lags behind other financial sectors despite many attempts to improve it. The sector was the second worst performers last year, recording y-o-y losses of 25.4% in its index to close at 57.8 pts. Despite the drop, the sector's market capitalization showed the largest gain of 8.1% in 2008 reaching USD98.01 million compared to USD90.68 million in the previous year, however only accounting for 4.6% of total market capitalization.

The sector remains to be characterized by slim trading volumes as only 3.1 million shares exchanged hands last year, recording a drop of 63.4% from its level in the previous year, representing a mere 0.9% of total market trading volume. The sector's total traded value decreased by 69.9%, to reach JD5.1 million. Moreover, more than 73.7% of the sector's trading volume was captured by the Ahleia Insurance Group Company (AIG), which suffered the biggest losses across the market, shedding more than 30% of its value to end the year at USD0.9. It is worth mentioning that AIG is currently the only insurance company included in Al Quds Index after excluding National Insurance Company (NIC) on January 2, 2008.

In sector related news, the general assembly of NIC decided to change the currency of its capital from Jordanian Dinars to US Dollars. In addition, the PCMA awarded NIC a Certificate of Adequacy for its performance during the year 2008 and renewed and extended all the company's insurance services for the following year.

Top Five Price Gainers - 2008

| Company Name | Close | Chg % | Volume ('000' Shares) |
|--|----------|--------|---------------------------|
| Al-I'Timan for Invest & Dev Co. (IID) | JD 0.76 | 43.40% | 396 |
| Jerusalem Real Estate Investment Co. (JREI) | USD 1.2 | 26.32% | 5 |
| Trust International Insurance Co. (TRUST) | USD 3.95 | 16.18% | 401 |
| Palestine Investment Bank (PIBC) | USD 1.94 | 14.12% | 7,882 |
| The Commercial Bank Of Palestine P.L.C (CBP) | USD 0.78 | 11.43% | 1,849 |

Source: *Global Research***Top Five Price Losers - 2008**

| Company Name | Close | Chg % | Volume ('000' Shares) |
|--|---------|---------|---------------------------|
| Arab Concrete Products Company (ACPC) | JD 0.31 | -75.20% | 51 |
| Arab Insurance Establishment (AIE) | JD 0.54 | -59.40% | 105 |
| Palestine Industrial Investment Company (PIIC) | JD 0.4 | -52.40% | 4,091 |
| Palestine Plastic Industrial Company (LADAEN) | JD 0.31 | -51.60% | 135 |
| Nablus Surgical Center (NSC) | JD 0.54 | -46.00% | 142 |

Source: *Global Research***Highest Fluctuations During 2008**

| Company Name | Trading Currency | Close | High | Low | Chg % |
|--|---------------------|-------|------|------|-------|
| Arab Concrete Products Company (ACPC) | JD | 0.31 | 1.25 | 0.31 | 303.2 |
| Arab Insurance Establishment (AIE) | JD | 0.54 | 1.43 | 0.54 | 164.8 |
| Palestine Industrial Investment Company (PIIC) | JD | 0.4 | 0.97 | 0.37 | 162.2 |
| Palestine Development & Investment Ltd. (PADICO) | USD | 1.21 | 3.04 | 1.21 | 151.2 |
| AlQuds Bank (QUDS) | USD | 0.9 | 1.33 | 0.58 | 129.3 |
| Palestine Plastic Industrial Company (LADAEN) | JD | 0.31 | 0.68 | 0.31 | 119.4 |
| Palestine Real Estate Investment Co.(PRICO) | JD | 0.69 | 1.24 | 0.57 | 117.5 |
| Nablus Surgical Center (NSC) | JD | 0.54 | 1 | 0.47 | 112.8 |
| The Arab Real Estate Est. Co. (ARE) | JD | 0.36 | 0.67 | 0.34 | 97.1 |
| Palestine Telecommunication Co. (PALTEL) | JD | 4.94 | 8.24 | 4.21 | 95.7 |

Source: *Global Research***Top Ten Stocks by Volume**

| Company Name | Close | Chg % | Volume ('000' Shares) |
|---------------------------------------|----------|---------|---------------------------|
| Palestine Dev. & Inv. Co. (PADICO) | USD 1.21 | -45.7% | 132,733 |
| Bank of Palestine (BOP) | USD 2.80 | -9.7% | 60,633 |
| Palestine Telecom. Co. (PALTEL) | JD 4.94 | 0.2% | 50,671 |
| Al Quds Bank (QUDS) | USD 0.90 | -30.2% | 28,774 |
| Arab Islamic Bank (AIB) | USD 1.1 | -44.7% | 12,113 |
| Union Construction & Invest. (UCI) | USD 0.67 | -26.4% | 8,380 |
| Al Rafah Micro fin. Bank (AMB) | USD 0.67 | -26.4% | 6,562 |
| Palestine Investment Bank (PIBC) | USD 1.94 | 14.1% | 4,987 |
| Palestine Real Estate Invest. (PRICO) | JD 0.69 | -39.50% | 4,695 |
| Palestine Ind. Inv. (PIIC) | JD 0.40 | -52.40% | 4,091 |

Source: *Global Research*

Capital Increases During 2008

| Company Name | From | To | % Change |
|---|-----------------|-----------------|----------|
| Strategic Investor | | | |
| Bank of Palestine (BOP) | USD30.0 million | USD40.0 million | 33.3 |
| Al Rafah Microfinance Bank (AMB) | USD22.2 million | USD33.4 million | 50.5 |
| Stock Dividend | | | |
| Arab Islamic Bank (AIB) | USD35.5 million | USD38.4 million | 8 |
| Ahlieh Insurance Group (AIG) | USD7.6 million | USD8.1 million | 6 |
| Bank of Palestine (BOP) | USD59.8 million | USD77.3 million | 29.4 |
| Birzeit Pharmaceutical Company (BPC) | JD11.0 million | JD12.1 million | 10 |
| National Insurance Company (NIC) | USD7.6 million | USD8.0 million | 5.1 |
| Rights Issue | | | |
| Commercial Bank of Palestine (CBP) | USD20.0 million | USD35.0 million | 75 |
| Vegetable Oil Industries Company (VOIC) | JD3.0 million | JD4.0 million | 33.3 |

Source: Global Research

Initial Public Offerings During 2008

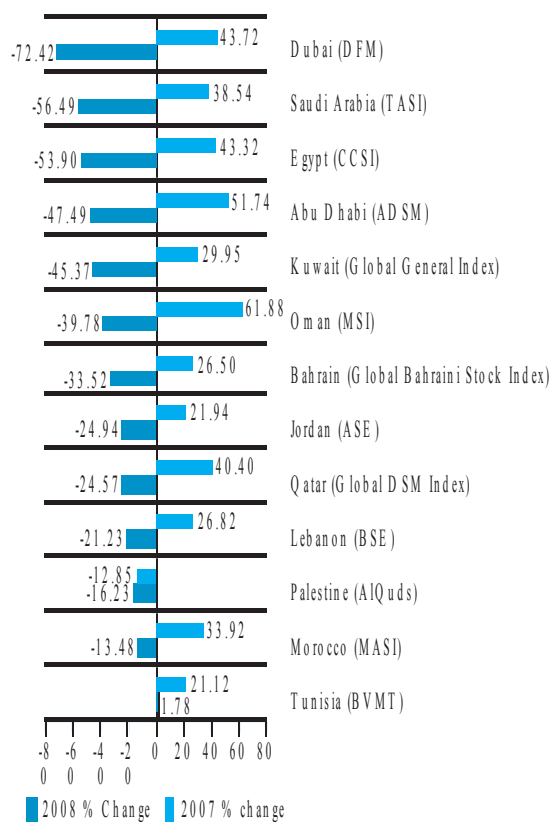
| Company Name | Size of Offering | Status | Date of Listing |
|---|--------------------|--------|-----------------|
| Trust International Insurance Co. (TRUST) | USD8.25 mn/ Shares | Listed | 27-May-08 |
| Nablus Surgical Center (NSC) | JD3.17 mn/ Shares | Listed | 29-Jun-08 |

2008 Selected MENA Markets Rankings in Terms of Market Capitalization

| Country | 2008 (USD Mn) | 2007 | Y-o-Y % Change |
|--------------|------------------|------------|-------------------|
| Saudi Arabia | 246,396.13 | 515,303.12 | -52.2% |
| Kuwait | 107,264.50 | 187,496.99 | -42.8% |
| Qatar | 76,421.21 | 95,490.18 | -20.0% |
| Morocco | 64,735.96 | 75,996.30 | -14.8% |
| Abu Dhabi | 60,724.74 | 110,748.44 | -45.2% |
| Egypt | 57,454.44 | 123,311.51 | -53.4% |
| Dubai | 37,496.34 | 125,277.45 | -70.1% |
| Jordan | 35,366.47 | 40,993.97 | -13.7% |
| Bahrain | 21,165.63 | 28,101.32 | -24.7% |
| Oman | 14,916.23 | 23,060.44 | -35.3% |
| Lebanon | 12,014.50 | 9,082.08 | 32.3% |
| Tunisia | 6,250.06 | 5,028.70 | 24.3% |
| Palestine | 2,123.06 | 2,474.68 | -14.2% |

Source: Zawya .com

2006 comparable figures were taken from the Arab Monetary Fund website

Selected MENA Stock Markets Performance for 2008 and 2007

Source: Reuters Website

| Company | Trading Currency | Closing Price | % Chg | Market Cap (JD000') | Traded Volume (000') | Net Income Q3 2008 (JD000') | P/E | P/Bv | ROE (%) | ROA (%) |
|---|------------------|---------------|---------|---------------------|----------------------|-----------------------------|--------------|-------------|--------------|--------------|
| Arab Islamic Bank (AIB) | USD | 1.1 | -44.72% | 29,922 | 12,113 | 2,338.49 | 12.80 | 0.94 | 7.33 | 1.04 |
| Al Rafah Microfin. Bank (AMB) | USD | 0.67 | -26.37% | 14,241 | 6,562 | 407.01 | 34.99 | 0.70 | 1.99 | 0.52 |
| Bank of Palestine (BOP) | USD | 2.8 | -9.68% | 161,490 | 60,633 | 16,051.39 | 10.06 | 2.12 | 21.08 | 2.22 |
| Commercial Bank of Palestine (CBP) | USD | 0.78 | 11.43% | 16,593 | 2,244 | -205.37 | - | 1.00 | - | - |
| Palestine Inv. Bank (PIBC) | USD | 1.94 | 14.12% | 54,980 | 4,987 | 2,633.90 | 20.87 | 1.19 | 5.71 | 1.64 |
| Al Quds Bank (QUDS) | USD | 0.9 | -30.23% | 31,883 | 28,774 | -1,801.47 | - | 0.96 | - | - |
| Total Sector | | | | 309,108 | 115,313 | 19,423.96 | 15.91 | 1.38 | 8.66 | 1.33 |
| Arab Concrete Pro. Co. (ACPC) | JOD | 0.31 | -75.20% | 204 | 51 | 58 | - | 3.52 | - | - |
| Arab Co. for Paints Products (APC) | JOD | 1.03 | 10.75% | 1,544 | 32 | 1,927 | 5.79 | 0.80 | 13.83 | 9.46 |
| Palestine Poultry Co. (AZIZA) | JOD | 0.71 | -26.80% | 6,664 | 290 | 17,905 | 3.60 | 0.37 | 10.33 | 10.33 |
| Birzeit Pharm. Co. (BPC) | JOD | 3.8 | -29.63% | 45,948 | 3,152 | 27,441 | 8.80 | 1.67 | 19.03 | 16.02 |
| Golden Wheat Mills Co. (GMC) | JOD | 0.84 | -5.62% | 12,591 | 2,686 | 15,348 | 7.83 | 0.82 | 10.48 | 8.47 |
| Jerusalem Cigarette Co. (JCC) | JOD | 3.55 | 0.85% | 24,832 | 1,105 | 10,175 | 15.99 | 2.44 | 15.27 | 10.06 |
| Jerusalem Pharm. Co. (JPH) | JOD | 4.24 | -15.37% | 21,185 | 1,619 | 20,864 | 10.61 | 1.02 | 9.57 | 8.47 |
| Palestine Plastic Ind. Co. (LADAEN) | JOD | 0.31 | -51.56% | 2,168 | 135 | 5,083 | - | 0.43 | - | - |
| National Carton Industries Co. (NCI) | JOD | 0.29 | -29.27% | 1,449 | 1,355 | 4,718 | 38.60 | 0.31 | 0.80 | 0.80 |
| Vegetable Oil Ind. Co. (VOIC) | JOD | 1.8 | -34.55% | 7,195 | 368 | 8,166 | 3.52 | 0.88 | 25.04 | 17.91 |
| Total Sector | | | | 123,781 | 10,793 | 111,685 | 8.70 | 1.11 | 12.74 | 10.48 |
| Arab Hotels Co. (AHC) | JOD | 0.77 | -23.00% | 15,389 | 1,319 | -362.04 | - | 0.73 | - | - |
| Arab Real Estate Est. Co. (ARE) | JOD | 0.36 | -43.75% | 341 | 98 | -222.34 | - | 0.36 | - | - |
| Grand Park Hotel & Resorts (HOTEL) * | JOD | 1.94 | 0.00% | 2,229 | 4 | -218.48 | - | - | - | - |
| Nablus Surgical Center (NSC) | JOD | 0.54 | -46.00% | 1,715 | 142 | 9,225.00 | - | - | - | - |
| Palestine Telecom. Co. (PALTEL) | JOD | 4.94 | 0.20% | 649,769 | 50,671 | 85,848.04 | 7.57 | 2.10 | 27.71 | 18.81 |
| Palestine Electric Co. (PEC) | USD | 0.68 | -32.67% | 28,907 | 3,789 | 3,676.30 | 7.86 | 0.57 | 7.22 | 3.63 |
| Arab Palestinian Shopping Centers (PLAZA) | JOD | 0.53 | -29.33% | 2,765 | 693 | -120.80 | - | 0.68 | - | - |
| The Palestinian Dist. & Logist. Ser. (WASSEL) | JOD | 0.66 | -29.79% | 4,287 | 2,447 | 930.70 | 4.61 | 0.66 | 14.31 | 7.24 |
| Total Sector | | | | 705,402 | 59,163 | 98,756.39 | 7.14 | 1.79 | 25.01 | 15.98 |
| Arab Insurance Establishment (AIE) | JOD | 0.54 | -59.40% | 540 | 105 | -624.81 | - | 0.16 | - | - |
| Ahliea Insurance Group Co. (AIG) | USD | 0.91 | -38.51% | 20,768 | 2,290 | 1,596.71 | 13.01 | 2.37 | 18.22 | 4.67 |
| Al Mashriq Insurance Co. (MIC) | USD | 0.54 | -33.33% | 2,378 | 235 | 1,107.63 | 2.15 | 97.24 | 4,529.70 | 10.35 |
| National Insurance Co. (NIC) | JOD | 4 | -21.41% | 22,672 | 380 | 2,304.48 | 9.84 | 2.30 | 23.37 | 6.38 |
| Trust International Insurance Co. (TRUST) | USD | 3.95 | 16.18% | 23,088 | 96 | 1,961.34 | - | - | - | - |
| Total Sector | | | | 69,445 | 3,106 | 6,345.35 | 10.94 | 1.80 | 16.45 | 4.45 |
| Arab Investors Co. (ARAB) | JOD | 0.65 | -10.96% | 6,140 | 33 | -2,532.04 | - | 0.87 | - | - |
| Al-ITiman for Inv. & Dev. Co. (IID) | JOD | 0.76 | 43.40% | 3,038 | 457 | 0.00 | NA | NA | NA | NA |
| Jerusalem Real Estate Invest. Co. (JREI) | USD | 1.2 | 26.32% | 8,502 | 5 | 163.48 | 52.01 | 1.33 | 2.56 | 1.92 |
| Palestine Dev. & Inv. Co. (PADICO) | USD | 1.21 | -45.74% | 214,321 | 132,733 | 30,188.51 | 7.10 | 0.84 | 11.89 | 7.65 |
| Palestine Invest. and Dev. Co. (PID) | JOD | 0.9 | -7.22% | 4,353 | 399 | 488.85 | 8.91 | 0.16 | 1.79 | 1.50 |
| Palestine Industrial Invest. Co. (PIIC) | JOD | 0.4 | -52.38% | 7,495 | 4,091 | -683.78 | - | 2.45 | - | - |
| Palestine Real Estate Invest. Co. (PRICO) | JOD | 0.69 | -39.47% | 33,614 | 4,695 | 187.14 | 179.6 | 0.00 | 0.00 | 0.25 |
| Union Const. & Invest. (UCI) | USD | 0.67 | -26.37% | 18,988 | 8,380 | 2,797.06 | 6.79 | 0.55 | 8.15 | 7.99 |
| Total Sector | | | | 296,450 | 150,794 | 30,609.23 | 9.69 | 0.00 | 0.04 | 5.50 |
| Total Market | | | | 1,504,186 | 339,169 | | 8.88 | 0.02 | 0.24 | 5.82 |

Source: Companies' financial statements and Global Research

- All ratios above are calculated based on the last reported financial statements and the closing price for the year.

- Companies which have the (-) sign corresponding to their P/E, ROA and ROE indicates that those companies have negative net income for the last 12 months, rendering these ratios meaningless.

- NA: Not Available.

- * Suspended from trading since October 2003.

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