

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 12, Quarter I 2010



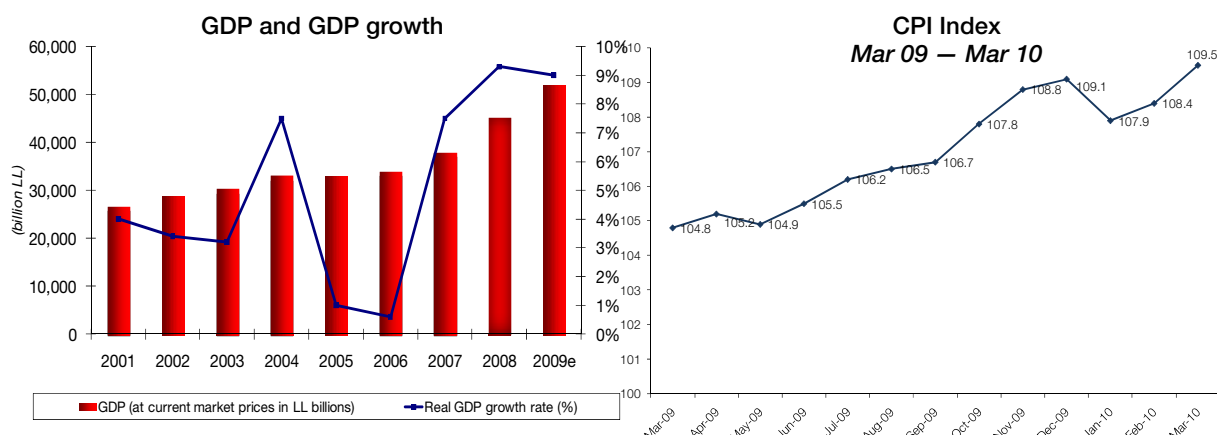
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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HIGHLIGHTS

- At the end of Q1 2010, gross public debt reached LL 77,588 billion (US\$ 51.47 billion), 0.7 percent higher than at end December 2009.
- Net public debt registered LL 66,933 billion (US\$ 44.40 billion) at the end of Q1 2010, also 0.7 percent higher than the end 2009 level.
- Domestic currency debt stood at LL 45,653 billion at the end of Q1 2010, an increase of 1.5 percent compared to end December 2009.
- In Q1 2010 (no auctions were held for value dates in March 2010) commercial banks remained the main subscribers of Treasury bills and notes with 65 percent of subscriptions, followed by public institutions with 13 percent, and BDL and public at banks each with 10 percent of subscriptions.
- At the weekly auctions held in January and February 2010, primary market rates on Treasury bills and notes continued their downward trend across all maturities. The highest decrease in rates was seen for the 60-month Treasury Notes whose rate decreased by 36 bps since year-end 2009 to reach 7.38 percent. The rate of the 24-month instrument went down by 28 bps during the same period reaching 6.04 percent. The yield of 36-month Treasury Notes decreased to 6.86 percent, 24 bps lower than at end-2009.
- Foreign currency debt totaled LL 31,935 billion (US\$ 21.18 billion) at the end of Q1 2010, a decrease of 0.3 percent since the end of December 2009.
- On March 9th, 2010, the Lebanese Republic issued a ten-year USD 1.2 billion Eurobond at par with a coupon of 6.375 percent. The deal was substantially oversubscribed reflecting strong domestic demand and quality demand from international investors. International orders accounted for 30 percent of subscriptions. The lead managers for the transaction were BNP Paribas, BLOM Bank S.A.L, and FRANSA INVEST Bank S.A.L.

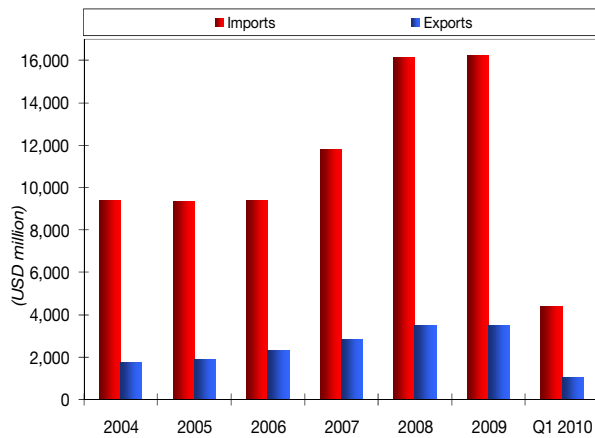
THE LEBANESE ECONOMY



Source: 2001-2008 are National Accounts Committee figures
2009 GDP real growth rate as per the Lebanese authorities' latest estimate as revised in June 2010.

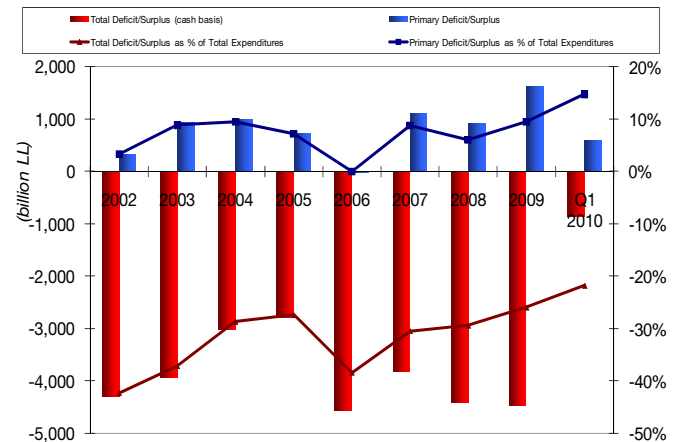
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.

Trade Statistics



Source: MoF, Directorate of Customs

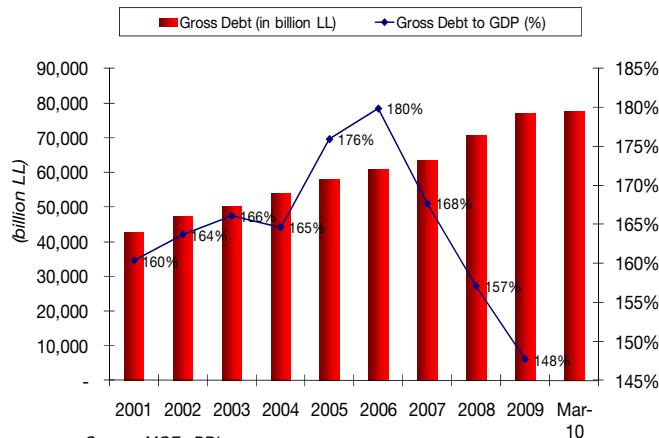
Fiscal Performance



Source: MoF

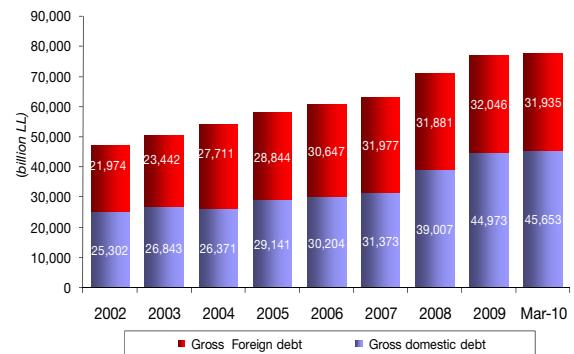
OVERALL DEBT DATA

Gross Public Debt



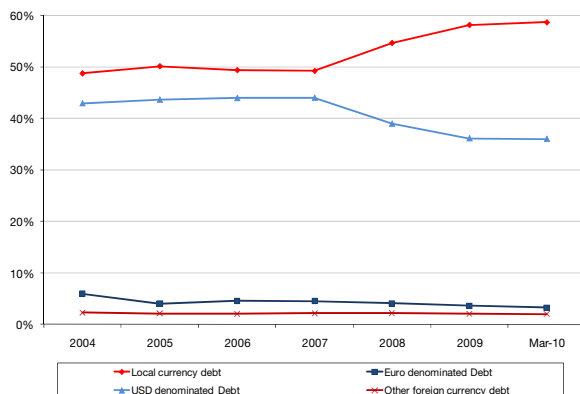
Source: MOF, BDL
Note: 2009 GDP figure estimate based on Lebanese authorities' latest estimates for GDP growth as revised in June 2010.

Historical Debt Evolution



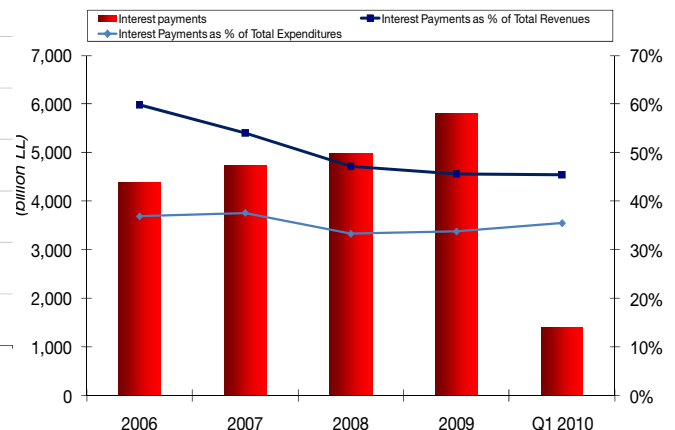
Source: MOF

Outstanding Debt by Currency Composition as of end-period



Source: MOF
Note: Excluding accrued interest.

Interest Payments



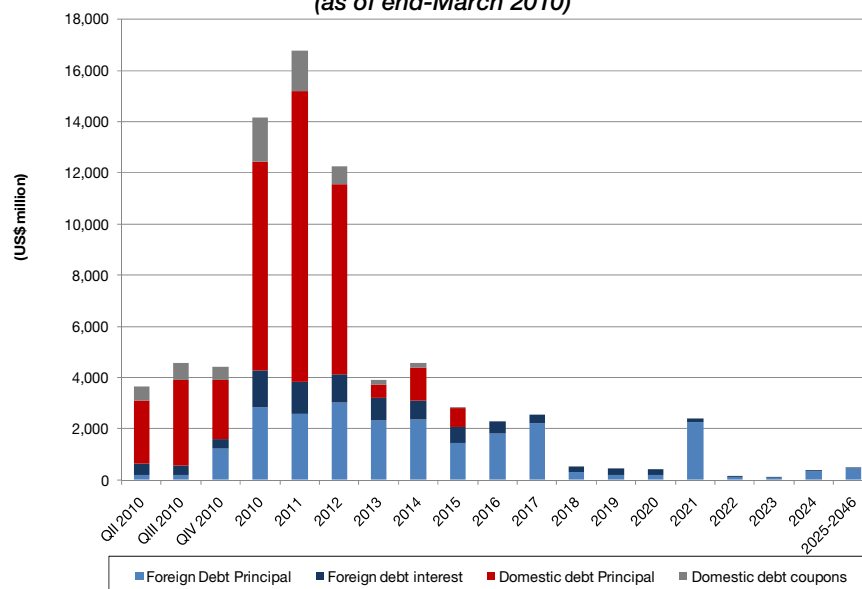
Source: MoF

OVERALL DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Aggregate Debt Amortization Profile (as of end-March 2010)



Source: MoF

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Mar-10	Change Dec 08 - Dec 09	% Change Dec 09 - Mar 10
Gross Public Debt (A + B)	57,985	60,851	63,350	70,888	77,019	77,588	569	0.7%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	45,653	680	1.5%
1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	11,686	9,588	9,052	8,781	10,334	10,408	74	0.7%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,758	472	1.7%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,487	134	1.8%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	5,966	(112)	-1.8%
* Accrued interest included in debt	517	685	730	1,029	999	969	(30)	-3.0%
B. Foreign currency debt⁽¹⁾	28,844	30,647	31,977	31,881	32,046	31,935	(111)	-0.3%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	27,228	86	0.3%
Of which, Paris II at preferential rates ⁽²⁾	5,608	5,608	5,156	4,708	4,192	4,140	(53)	-1.3%
Of which, Paris III at preferential rates ⁽³⁾	-	-	754	754	754	731	(23)	-3.0%
* Accrued Interest on Eurobonds	406	434	410	430	460	487	27	5.9%
5. Loans	3,682	3,787	4,459	4,645	4,457	4,260	(197)	-4.4%
5.1 Paris II loans	893	932	907	748	627	528	(99)	-15.8%
5.2 Paris III loans ⁽⁴⁾	-	-	603	1,095	1,210	1,180	(30)	-2.5%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	745	716	697	(19)	-2.6%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,026	2,104	2,002	1,878	1,831	(47)	-2.5%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	(3)	-11.1%
6. Other debt	419	419	419	419	447	447	-	0.0%
6.1 Special Tbls in Foreign currency ⁽⁵⁾	419	419	419	419	447	447	-	0.0%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	10,655	133	1.3%
Net debt	52,395	56,407	58,823	62,562	66,497	66,933	436	0.7%
Gross Market debt⁽⁶⁾	34,720	38,670	39,219	46,992	51,231	52,107	877	1.7%
% of total debt	60%	64%	62%	66%	67%	67%	0	1.0%

Source: Ministry of Finance, Banque du Liban
Notes:

⁽¹⁾ The BDL has extended loans to EDL for the equivalent amount of US\$ 300 million to purchase fuel oil. These loans are listed as public debt as they are government guaranteed.

⁽²⁾ Figures for Dec 04 - Dec 09 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system and are updated from the end-September 2009 figures published in the Public Finance Monitor for September 2009.

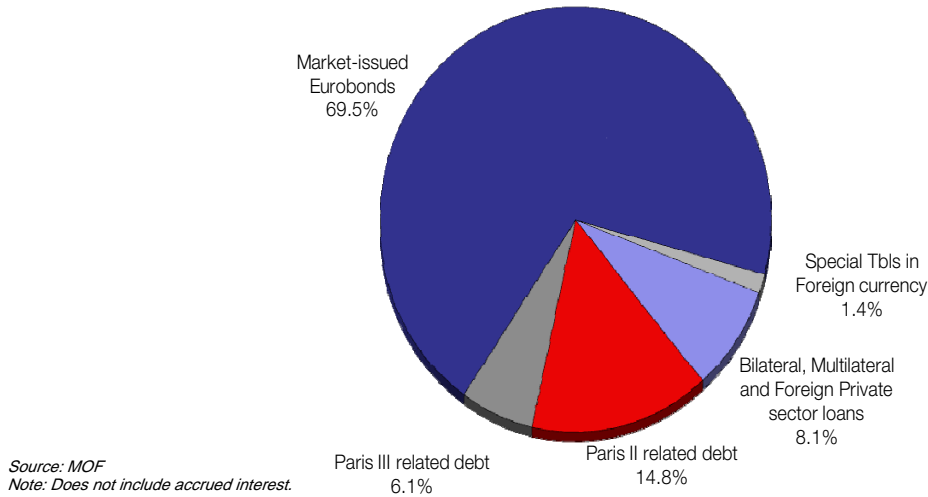
⁽³⁾ Paris II related debt (Eurobonds and Loans) including Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

⁽⁵⁾ Special Tbls in Foreign currency (expropriation bonds)

⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

Outstanding Foreign Currency Debt by Holder as of end-March 2010



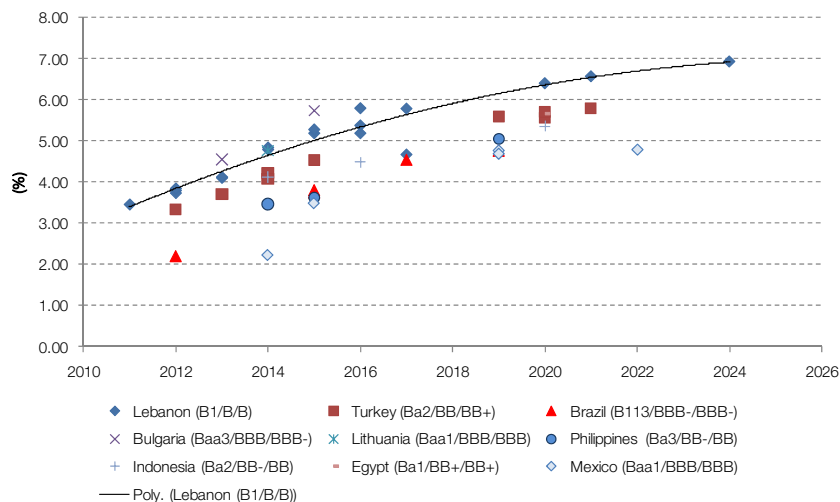
Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	103.5	104.5	4.03	3.52	270	220
US Dollars						
LEB 7.875 11	105.00	106.00	3.29	2.42	267	179
LEB 7.500 12	106.75	107.75	3.88	3.36	271	220
LEB 7.750 12	108.63	109.63	3.97	3.56	251	210
LEB 9.125 13	113.13	114.13	4.31	3.97	258	224
LEB 8.625 13	112.63	113.63	4.36	4.05	248	217
LEB 4.000 17 Av Life	95.75	96.75	5.23	4.93	260	230
LEB 7.375 14	108.38	109.38	5.05	4.78	278	251
LEB 9.000 14	114.50	115.50	5.02	4.77	275	250
LEB 5.875 15	102.25	103.25	5.33	5.10	274	250
LIEB 10.000 15	120.00	121.00	5.42	5.21	279	258
LEB 8.500 15	114.50	115.50	5.34	5.14	260	240
LEB 8.500 16	114.50	115.50	5.53	5.35	266	247
LEB 11.625 16	129.50	130.50	5.81	5.64	290	273
LEB 9.000 17	118.25	119.25	5.78	5.62	262	246
LEB 6.375 20	100.25	101.25	6.34	6.20	265	251
LEB 8.250 21	113.00	114.00	6.57	6.45	281	269
LEB 7.000 24	101.63	102.63	6.82	6.71	274	263

Source: Credit Suisse 31 March 2010

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	103.5	105	3.84	3.01	259	176
US Dollars						
LEB 7.875 11	104.00	105.25	3.45	2.13	233	101
LEB 7.500 12	106.25	107.75	3.79	2.94	263	178
LEB 7.750 12	108.50	109.88	3.73	3.12	248	187
LEB 9.125 13	112.88	113.75	4.10	3.79	264	233
LEB 8.625 13	112.63	113.75	4.12	3.75	255	218
LEB 4.000 17 Av Life	95.75	96.50	4.67	4.55	345	321
LEB 7.375 14	108.75	110.00	4.84	4.50	293	259
LEB 9.000 14	114.75	116.00	4.79	4.46	287	254
LEB 5.875 15	102.75	103.75	5.19	4.95	299	275
LIEB 10.000 15	120.00	121.00	5.28	5.07	303	282
LEB 8.500 15	114.75	116.00	5.19	4.94	284	258
LEB 8.500 16	114.88	116.00	5.38	5.17	290	269
LEB 11.625 16	128.75	129.25	5.80	5.71	328	320
LEB 9.000 17	117.75	118.63	5.79	5.64	304	290
LEB 6.375 20	99.75	100.50	6.41	6.30	316	305
LEB 8.250 21	112.75	113.50	6.58	6.49	326	317
LEB 7.000 24	100.50	102.00	6.94	6.78	334	318

Source: Credit Suisse 11 June 2010

Yields for Republic of Lebanon Eurobonds and Comparables (as of June 11, 2010)



Source: Credit Suisse, MOF

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of March 31, 2010)

ISIN CODE	Eurobond	Outstanding Amount (in original cur)	no. of tranches	Cur	Coupon Rate	Mat. Date mm/dd/y	Years to maturity
XS0205838948	USD700 MN -Nov 2010	700,000,000	1	USD	6.875%	11/12/10	0.62
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	1.14
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	1.34
XS0418193750	USD \$600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	1.97
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	2.04
XS0200329950	USD 600 MN -Sept 2012	600,000,000	2	USD	7.750%	09/07/12	2.44
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	2.95
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	3.22
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	4.04
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	4.09
XS0471737105	USD 250 MN - Jan 2015*	250,000,000	1	USD	5.875%	01/15/15	4.80
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	5.35
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	5.81
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	6.12
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	2	USD	9.000%	03/20/17	6.98
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1	USD	6.375%	03/09/20	9.95
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	11.04
XS0471737444	USD 250 MN Notes due Dec 2024	250,000,000	1	USD	7.000%	12/03/24	14.69
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III**							
XS0312416778	USD 200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	2.01
XS0312416000	USD 300 MN - July 2017	285,000,000	1	USD	3.750%	07/20/17	4.49
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II***							
XS0160456322	USD 950 MN - Dec 2017	520,000,000	1	USD	5.000%	12/27/17	3.92
XS0160503347	USD 2,007.511 MN - Dec 2017	1,606,008,800	2	USD	4.000%	12/31/17	3.92
XS0160456322	USD 700 MN - Mar 2018	560,000,000	1	USD	5.000%	03/07/18	4.17
XS0169203048	USD 200 MN - May 2018	170,000,000	1	USD	5.000%	05/27/18	4.09
					Average Time to Maturity		5.11
					(in years, as of March 31, 2010):		
					Weighted average coupon rate:		7.31%

* These bonds have a long first interest period for the first coupon payment.

**The two Eurobonds restructured in the context of the Paris III conference have an amortized principal repayment structure.

***Eurobonds issued in the context of the Paris II conference are redeemable in 20 equal semiannual payments starting from year 6 (grace period of 5 years Euro exchange rate (US\$/Euro) (31 March 2010): 1.348

FOREIGN CURRENCY DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
9-Mar-10	55	10	9-Mar-2020	6.375	6.375	USD 1,200 MN	XS0493540297
3-Dec-09	54	15	3-Dec-2024	7.000	7.000	USD 250 MN	XS0471737444
3-Dec-09	53	5 (long)	15-Jan-2015	5.875	5.875	USD 250 MN	XS0471737105
19-Mar-09	52 (2)	8	20-Mar-2017	9.000	9.000	USD 268.937 MN	XS0418193917
19-Mar-09	52	8	20-Mar-2017	9.000	9.000	USD 1,231.063 MN	XS0418193917
19-Mar-09	51 (2)	3	19-Mar-2012	7.500	7.500	USD 175.739 MN	XS0418193750
19-Mar-09	51	3	19-Mar-2012	7.500	7.500	USD 424.261 MN	XS0418193750
19-Mar-09	43 (3)	3	12-Apr-2012	5.875	7.750	EUR 211.097 MN	XS0250883013

* Paris III conference Malaysia contribution

** Initial issuance to BDL

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long -term tenor rating	Short-term tenor rating	Outlook
As of June 11 2010			
Fitch IBCA Ltd*	B	B	Stable
Moody's Investor Services Ltd**	B1	-	Stable
Standard and Poor's***	B	B	Positive

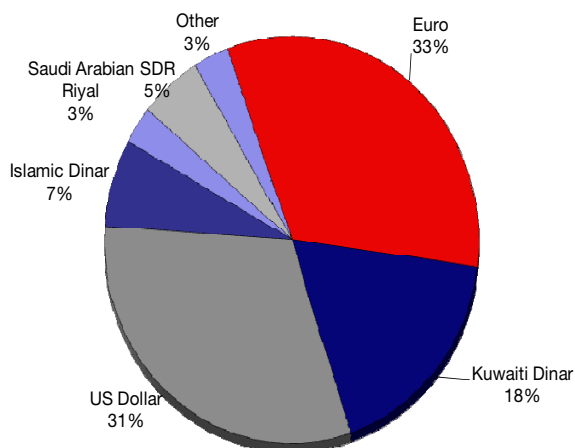
* On March 31, 2010, Fitch Ratings upgraded the long term foreign and local currency Issuer Default Ratings from B- to B and retained stable outlooks on both.

** On April 13, 2010 Moody's Investors Services upgraded Lebanon's bond rating from B2 with a positive outlook to B1 with a stable outlook.

*** On December 22, 2009 Standard & Poor's raised its long and short term sovereign credit ratings from "B-/C" with a stable outlook to "B/B" with positive outlook.

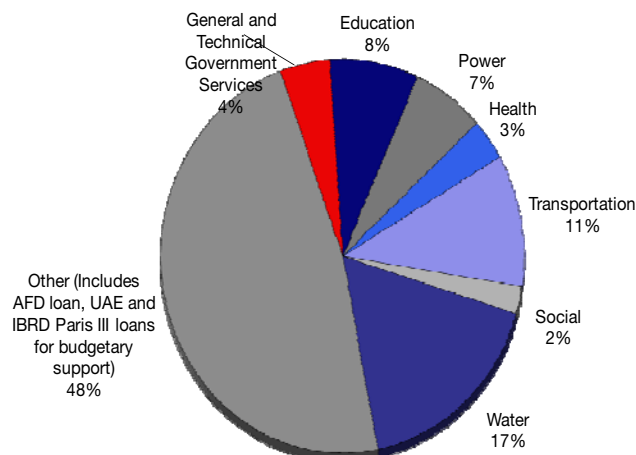
FOREIGN CURRENCY LOANS DATA

Bilateral and Multilateral Loans (concessional and otherwise)
Breakdown by currency
(as of end-March 2010)



Total Outstanding LL 4,259 billion

Bilateral and Multilateral Loans (concessional and otherwise)
Breakdown by sector
(as of end-March 2010)

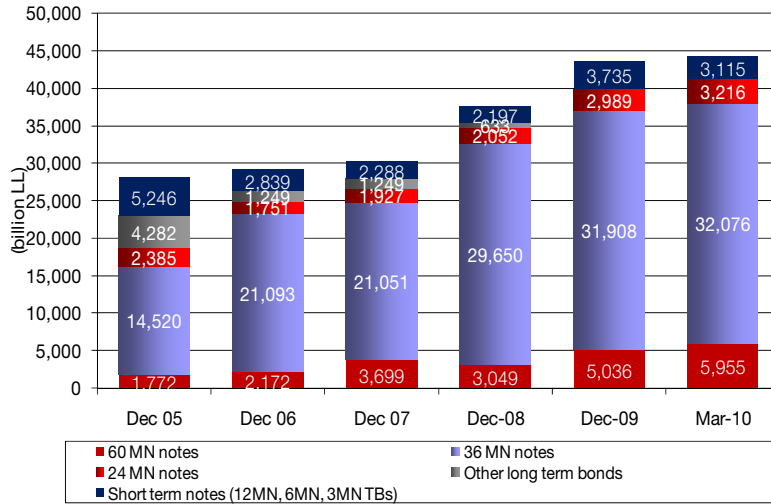


Total Outstanding LL 4,259 billion

Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

Domestic T-bills Outstanding by Tenor Type
(March 31, 2010)

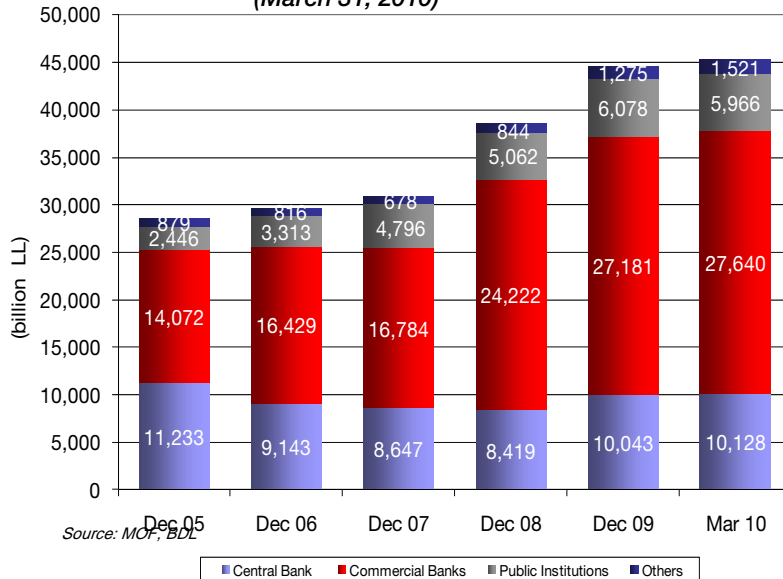


Average Time to Maturity of Domestic Currency T-bills and Notes
(In years, as of end-March 2010) **1.5**

Source: MOF, BDL

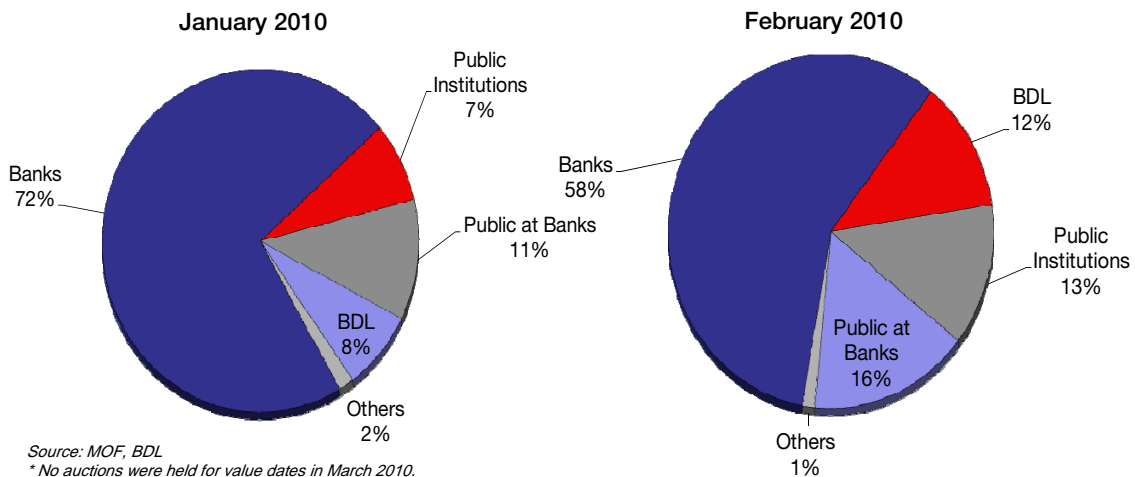
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type
(March 31, 2010)



Source: MOF, BDL

T-Bill Subscription Results by Holder During Q1 2010*



Source: MOF, BDL

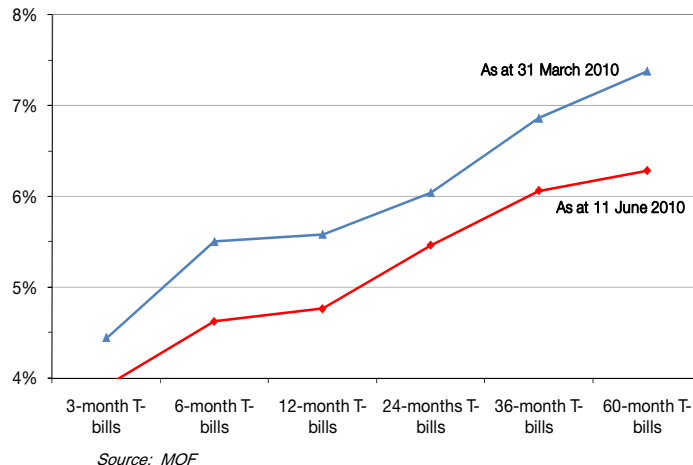
* No auctions were held for value dates in March 2010.

DOMESTIC CURRENCY DEBT DATA

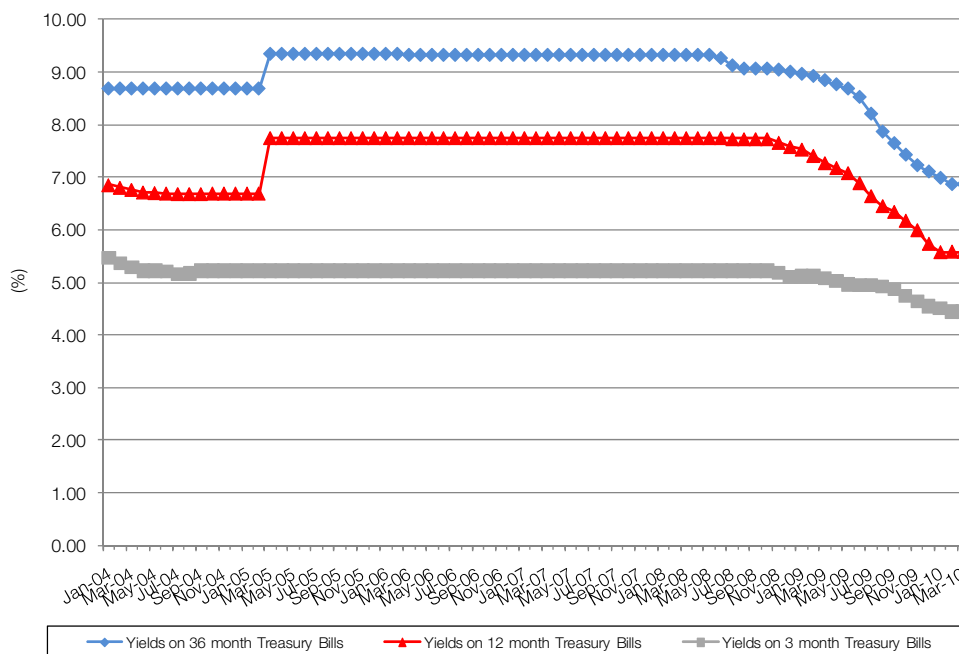
Upcoming Government Treasury Bill Auctions

Auction Date	Value Date	Tenors to be auctioned (in months)
14-Jun-10	17-Jun-10	12 MN, 24 MN, 36 MN
21-Jun-10	24-Jun-10	3 MN, 6 MN, 60 MN
28-Jun-10	1-Jul-10	12 MN, 24 MN, 36 MN
5-Jul-10	8-Jul-10	3 MN, 6 MN, 60 MN
12-Jul-10	15-Jul-10	12 MN, 24 MN, 36 MN
19-Jul-10	22-Jul-10	3 MN, 6 MN, 60 MN
26-Jul-10	29-Jul-10	12 MN, 24 MN, 36 MN

Yield Curve for T-Bills



Time Series of Primary Market Rates for T-Bills
(end-March 2010)*



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