

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 13, Quarter II 2010



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

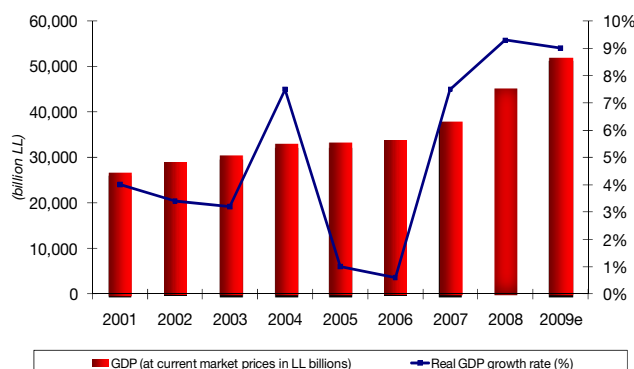
HIGHLIGHTS	1
THE LEBANESE ECONOMY	1
OVERALL DEBT DATA	2
FOREIGN CURRENCY DEBT DATA	4
FOREIGN CURRENCY LOANS DATA	6
DOMESTIC CURRENCY DEBT DATA	7

HIGHLIGHTS

- At the end of QII 2010, gross public debt reached LL 76,910 billion (US\$ 51.02 billion), decreasing by 0.2 percent compared to end December 2009.
- Net public debt registered LL 66,542 billion (US\$ 44.14 billion) at the end of QII 2010, 0.02 percent lower than the end 2009 level.
- Domestic currency debt stood at LL 45,439 billion at the end of QII 2010, an increase of 1.0 percent compared to end December 2009.
- In QII 2010, commercial banks remained the main subscribers of Treasury bills and notes with 52 percent of subscriptions, although lower than their share in Q1 2010 at 65 percent. BDL was the second highest subscriber of Treasury and bills in QII 2010 with 19 percent of subscriptions followed by public institutions with 17 percent, then public at banks with 10 percent of subscriptions.
- During QII 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 122 bps since the end of Q1 2010 to reach 6.16 percent. The rate of 6-month Treasury bill went down by 107 bps during the same period reaching 4.43 percent. The yield of 36-month Treasury Notes decreased to 5.86 percent, 100 bps lower than at end-QI 2010.
- Foreign currency debt totaled LL 31,471 billion (US\$ 20.88 billion) at the end of QII 2010, a 2.0 percent reduction since the end of December 2009.
- On April 22, 2010 the Lebanese Republic issued \$15,984,633.28 6.00 percent bonds due 2015 (pursuant to Law #69 dated 23 April 2009). These bonds were issued to contractors to settle the changes in the cost of construction material.

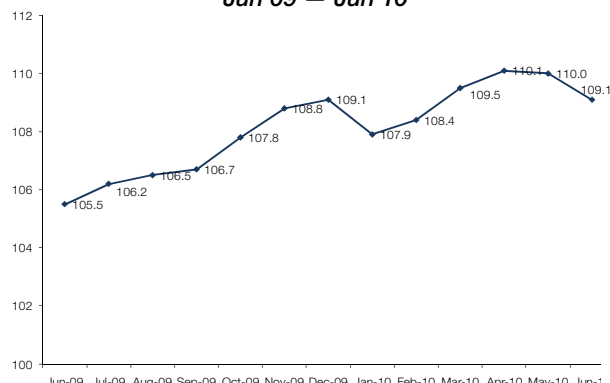
THE LEBANESE ECONOMY

GDP and GDP growth



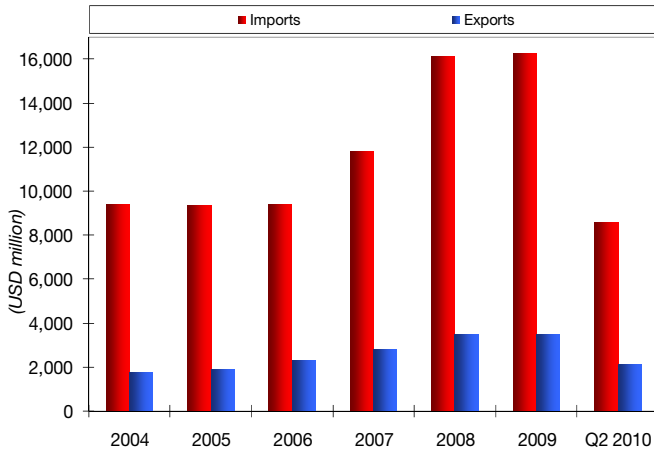
Source: 2001-2008 are National Accounts Committee figures
2009 GDP real growth rate as per the Lebanese authorities' latest

CPI Index
Jun 09 – Jun 10



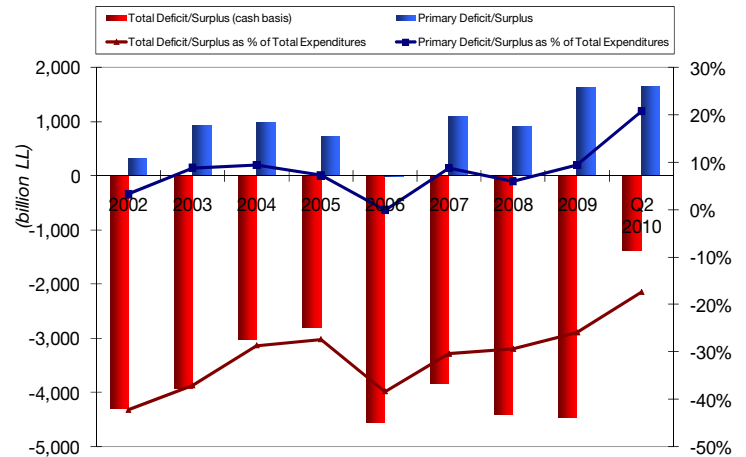
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.

Trade Statistics



Source: MoF, Directorate of Customs

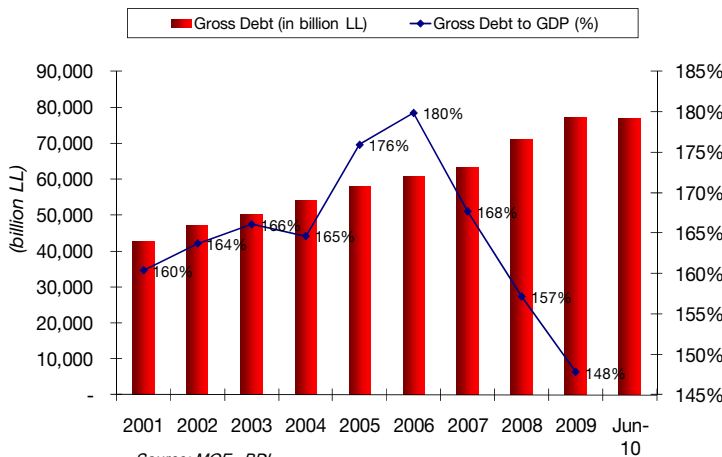
Fiscal Performance



Source: MOF

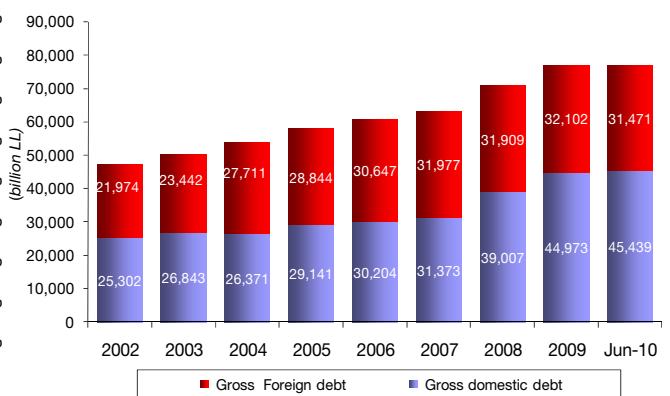
OVERALL DEBT DATA

Gross Public Debt



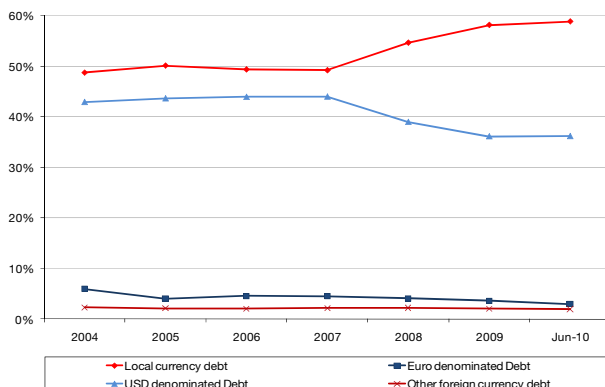
Source: MOF, BDL
Note: 2009 GDP figure estimate based on Lebanese authorities' latest estimates for GDP growth as revised in June 2010.

Historical Debt Evolution



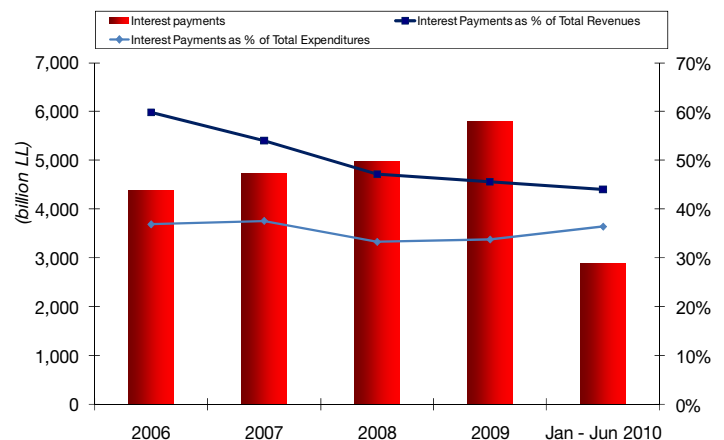
Source: MOF

Outstanding Debt by Currency Composition as of end-period



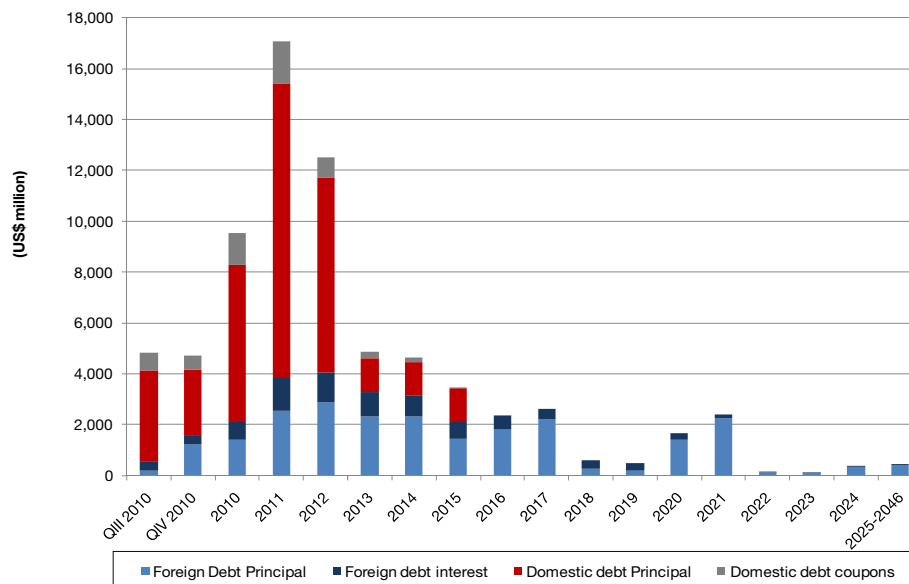
Source: MOF
Note: Excluding accrued interest.

Interest Payments



Source: MoF

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



Source: MoF

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Jun-10	Change Dec 09 - Jun 10	% Change Dec 09 - Jun 10
Gross Public Debt (A + B)	57,985	60,851	63,350	70,916	77,075	76,910	(165)	-0.2%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	45,439	466	1.0%
1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	11,686	9,588	9,052	8,781	10,334	10,573	239	2.3%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,396	110	0.4%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,470	117	1.6%
<i>o/w Public entities</i>	2,446	3,313	4,796	5,062	6,078	6,010	(68)	-1.1%
*Accrued interest included in debt	517	685	730	1,029	999	1,028	29	2.9%
B. Foreign currency debt⁽²⁾	28,844	30,647	31,977	31,909	32,102	31,471	(631)	-2.0%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,879	(263)	-1.0%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,935	(258)	-6.1%
Of which, Paris III at preferential rates ⁽⁴⁾	-	-	754	754	754	731	(23)	-3.1%
Of which, market-issued Eurobonds	18,729	20,399	20,780	20,925	21,736	21,764	28	0.1%
* Accrued Interest on Eurobonds	406	434	410	430	460	449	(11)	-2.4%
5. Loans	3,682	3,787	4,459	4,673	4,513	4,121	(392)	-8.7%
5.1 Paris II loans	893	932	907	748	627	481	(146)	-23.3%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,142	(68)	-5.6%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	730	713	674	(39)	-5.4%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,026	2,104	2,045	1,937	1,803	(134)	-6.9%
5.5 Foreign Private Sector Loans	158	115	86	54	27	21	(6)	-22.2%
6. Other debt	419	419	419	419	447	471	24	5.4%
6.1 Special Tbls in Foreign currency ⁽⁶⁾	419	419	419	419	447	471	24	5.4%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	10,368	(154)	-1.5%
Net debt	52,395	56,407	58,823	62,590	66,553	66,542	(11)	0.0%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	51,561	331	0.6%
% of total debt	60%	64%	62%	66%	66%	67%	0	0.9%

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 08 and Dec 09 differ from previously published data reflecting an update of disbursement figures of IBRD and IDB project loans in the Debt Management and Financial Analysis System (DMFAS).

⁽³⁾ Paris II related Eurobonds 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.

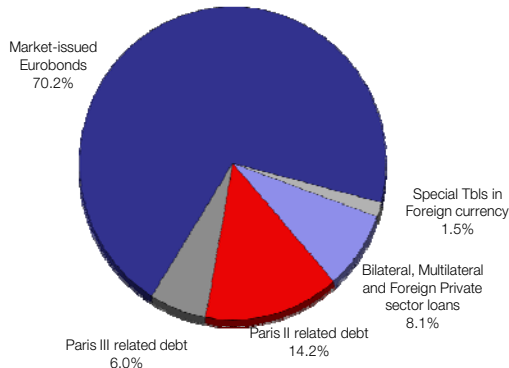
⁽⁵⁾ IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

⁽⁶⁾ Special Tbls in Foreign currency (expropriation and contractor bonds)

⁽⁷⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

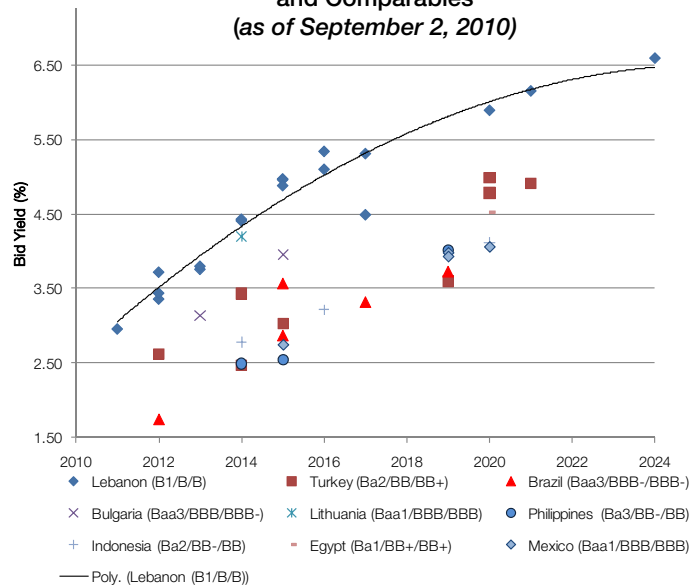
FOREIGN CURRENCY DEBT DATA

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



Source: MOF
Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds and Comparables (as of September 2, 2010)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	103.13	105	4	2.93	271	164
US Dollars						
LEB 7.875 11	104.00	105.25	3.18	1.78	212	71
LEB 7.500 12	106.25	107.75	3.67	2.80	263	176
LEB 7.750 12	108.38	109.88	3.69	3.01	265	197
LEB 9.125 13	112.75	113.75	4.06	3.69	285	248
LEB 8.625 13	112.50	113.75	4.09	3.67	279	237
LEB 4.000 17 Av Life	95.63	96.50	4.70	4.56	365	338
LEB 7.375 14	109.00	110.00	4.74	4.46	315	288
LEB 9.000 14	114.88	116.00	4.70	4.40	311	281
LEB 5.875 15	102.75	103.75	5.18	4.94	333	309
LEB 10.000 15	120.00	121.00	5.23	5.02	334	312
LEB 8.500 15	114.88	116.00	5.14	4.90	314	291
LEB 8.500 16	114.88	116.00	5.36	5.14	324	302
LEB 11.625 16	128.63	129.25	5.78	5.67	362	352
LEB 9.000 17	117.38	118.63	5.83	5.62	345	325
LEB 6.375 20	99.88	100.50	6.39	6.30	353	344
LEB 8.250 21	112.50	113.50	6.61	6.49	366	354
LEB 7.000 24	100.50	102.00	6.94	6.78	371	355

Source: Credit Suisse 30 June 2010

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	103.25	104.25	3.72	3.09	248	185
US Dollars						
LEB 7.875 11	103.38	104.38	2.96	1.56	233	93
LEB 7.500 12	106.13	107.13	3.36	2.71	260	195
LEB 7.750 12	108.25	109.25	3.44	2.95	275	225
LEB 9.125 13	112.75	113.88	3.76	3.32	292	248
LEB 8.625 13	112.63	113.75	3.80	3.40	288	248
LEB 4.000 17 Av Life	97.00	98.00	4.49	4.32	370	339
LEB 7.375 14	109.75	110.88	4.41	4.09	325	293
LEB 9.000 14	115.25	116.38	4.43	4.12	326	295
LEB 5.875 15	103.50	104.50	4.97	4.72	358	332
LEB 10.000 15	120.63	121.63	4.96	4.74	352	330
LEB 8.500 15	115.63	116.63	4.88	4.67	335	314
LEB 8.500 16	115.75	116.75	5.10	4.91	346	326
LEB 11.625 16	130.38	131.25	5.34	5.19	366	350
LEB 9.000 17	120.13	121.00	5.31	5.17	341	327
LEB 6.375 20	103.50	104.25	5.89	5.79	349	339
LEB 8.250 21	116.13	116.50	6.15	6.11	368	364
LEB 7.000 24	103.75	104.50	6.59	6.51	384	376

Source: Credit Suisse 2 September 2010

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 2 September 2010			
Fitch IBCA Ltd	B	B	Stable
Moody's Investor Services Ltd*	B1	-	Stable
Standard and Poor's	B	B	Positive

* 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.

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of June 30, 2010)

ISIN CODE	Eurobond	Outstanding Amount (USD)	no. of tranches	Cur	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
XS0205838948	USD 700 MN - Nov 2010	700,000,000	1	USD	6.875%	11/12/10	0.37
US52238PAD15	USD 1,000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	0.89
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	1.09
XS0418193750	USD 600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	1.72
XS0250883013	EUR 535.639 MN - April 2012	658,621,714	3	EUR	5.875%	04/12/12	1.79
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	2.19
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	2.70
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	2.98
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	3.79
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	3.84
XS0471737105	USD 250 MN - Jan 2015*	250,000,000	1	USD	5.875%	01/15/15	4.55
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	5.10
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	5.56
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	5.87
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	2	USD	9.000%	03/20/17	6.73
XS0493540297	USD 1,200 MN Notes - Mar 2020	1,200,000,000	1	USD	6.375%	03/09/20	9.70
XS0250882478	USD 2,092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	10.79
XS0471737444	USD 250 MN - Dec 2024	250,000,000	1	USD	7.000%	12/03/24	14.44
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III**							
XS0312416778	USD 200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	1.76
XS0312416000	USD 300 MN - July 2017	285,000,000	1	USD	3.750%	07/20/17	4.24
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II***							
XS0160456322	USD 950 MN - Dec 2017	487,500,000	1	USD	5.000%	12/27/17	3.92
XS0160503347	USD 2,007.511 MN - Dec 2017	1,505,633,250	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	3.92
XS0169203048	USD 200 MN - May 2018	160,000,000	1	USD	5.000%	05/27/18	4.09
					Average Time to Maturity (in years, as of June 30, 2010):		4.91
					Weighted average coupon rate:		7.34%

* 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 from issue date).

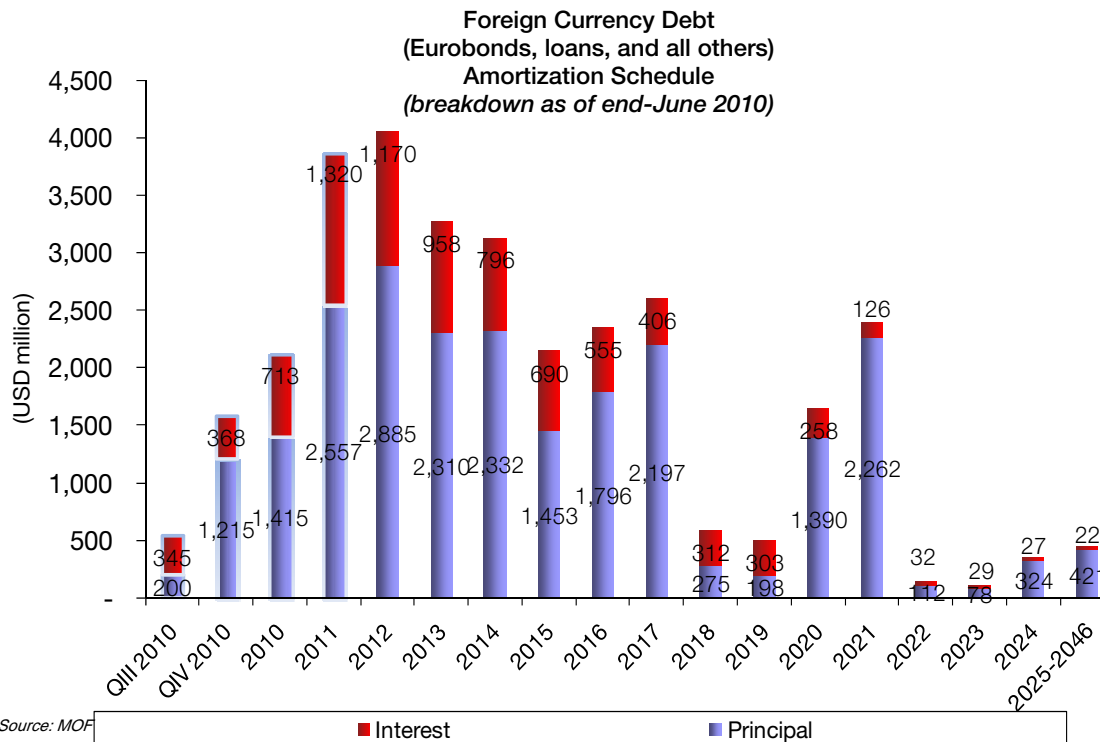
Euro exchange rate (US\$/Euro) (30 June 2010): 1.230

FOREIGN CURRENCY DEBT DATA

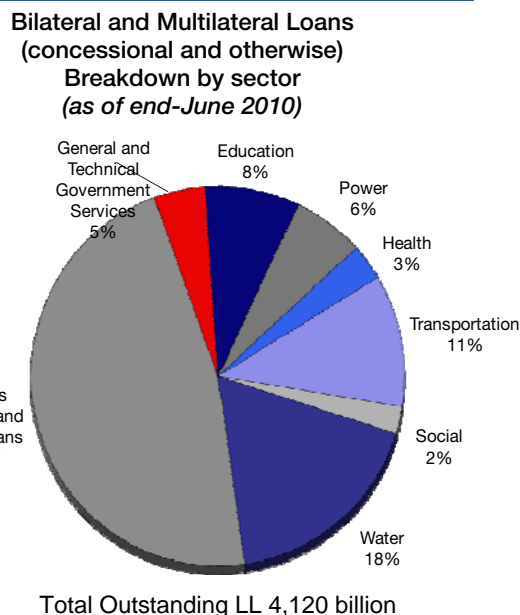
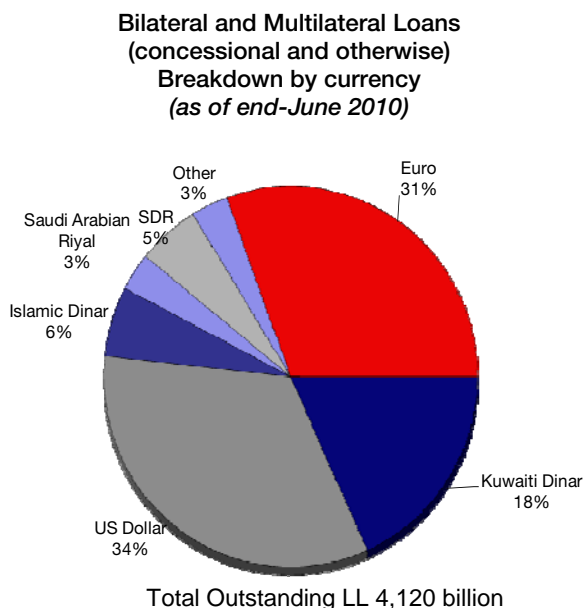
Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
9-Mar-10	55	10	9-Mar-2020	6.375	6.375	USD 1,200 MN	XS0493540297
3-Dec-09	54	15	3-Dec-2024	7.000	7.000	USD 250 MN	XS0471737444
3-Dec-09	53	5 (long)	15-Jan-2015	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



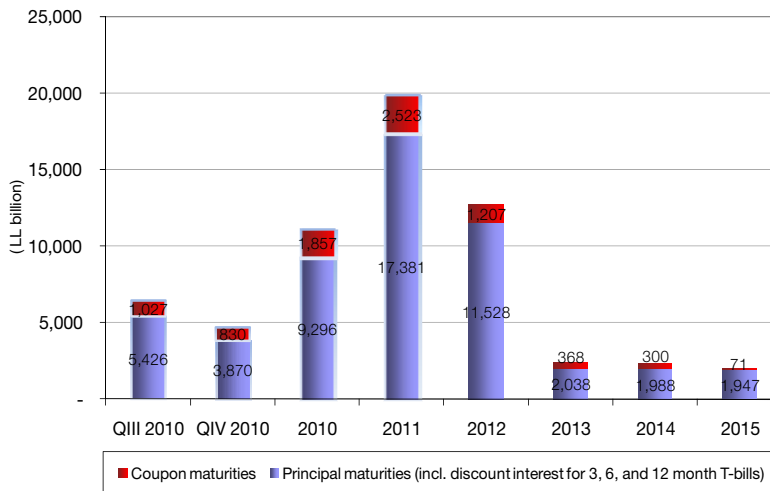
FOREIGN CURRENCY LOANS DATA



Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

Amortization Schedule of Domestic T-bills and Notes
(as of end-June 2010)



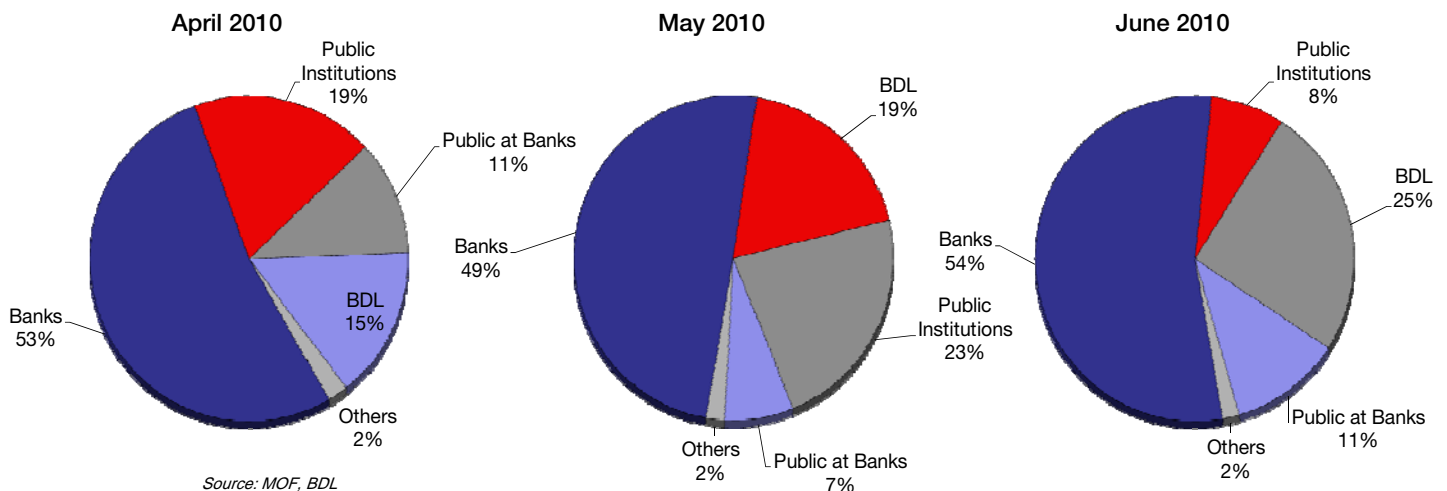
Average Time to Maturity of Domestic Currency T-bills and Notes
(In years, as of end-June 2010) **1.5**

Source: MOF, BDL

Upcoming Government Treasury Bill Auctions

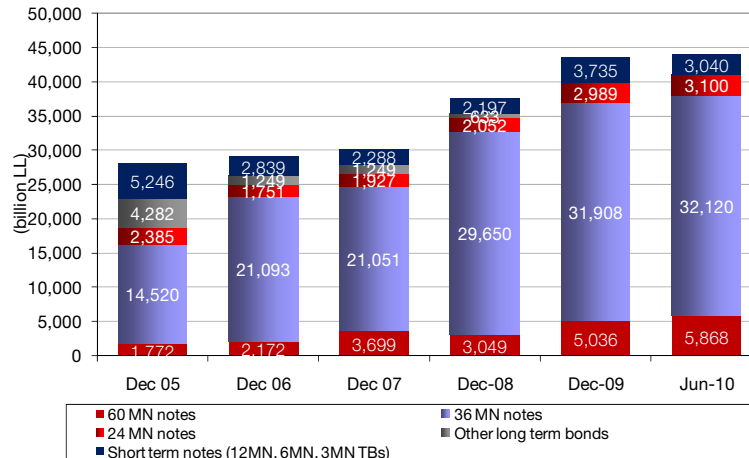
Auction Date	Value Date	Tenors to be auctioned (in months)
6-Sep-10	9-Sep-10	12 MN, 24 MN, 36 MN
13-Sep-10	16-Sep-10	3 MN, 6 MN, 60 MN
20-Sep-10	23-Sep-10	12 MN, 24 MN, 36 MN
27-Sep-10	30-Sep-10	3 MN, 6 MN, 60 MN
4-Oct-10	7-Oct-10	12 MN, 24 MN, 36 MN
11-Oct-10	14-Oct-10	3 MN, 6 MN, 60 MN
18-Oct-10	21-Oct-10	12 MN, 24 MN, 36 MN
25-Oct-10	28-Oct-10	3 MN, 6 MN, 60 MN

T-Bill Subscription Results by Holder During QII 2010



Source: MOF, BDL

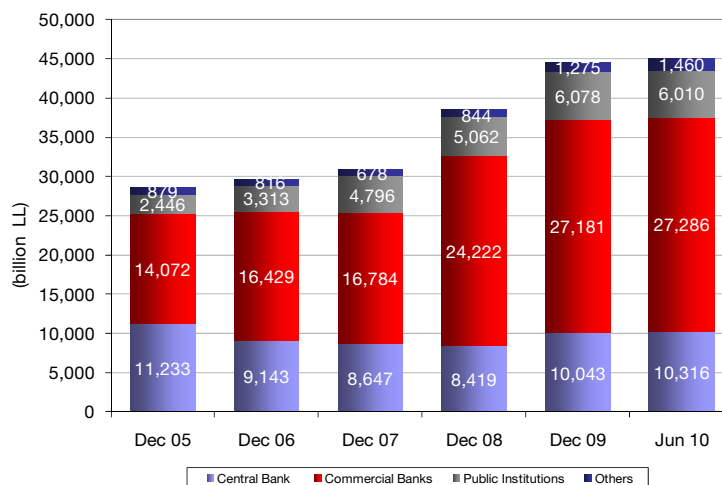
Domestic T-bills Outstanding by Tenor Type (June 30, 2010)



Source: MOF, BDL

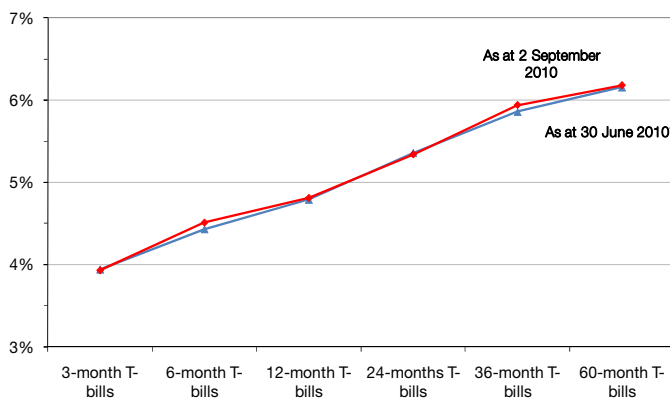
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (June 30, 2010)



Source: MOF, BDL

Yield Curve for T-Bills



Source: MOF

For further information, please contact:

Economic Unit, UNDP Project

Rola Rizk, Head

Nadine Abou Khaled

Léa Hakim

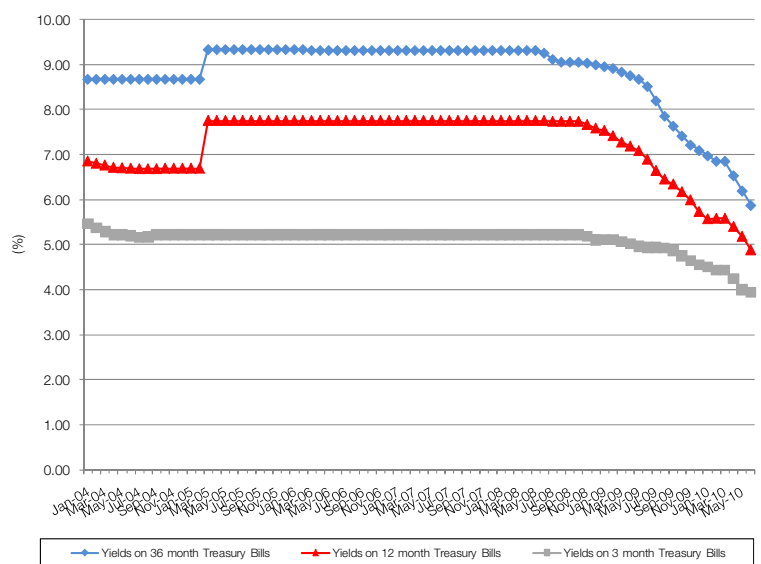
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Tel: 961 1 981 057/8 Fax: 961 1 981 059

Email: infocenter@finance.gov.lb

www.finance.gov.lb

Time Series of Primary Market Rates for T-Bills



Source: MOF