

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 21, Quarter II 2012



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

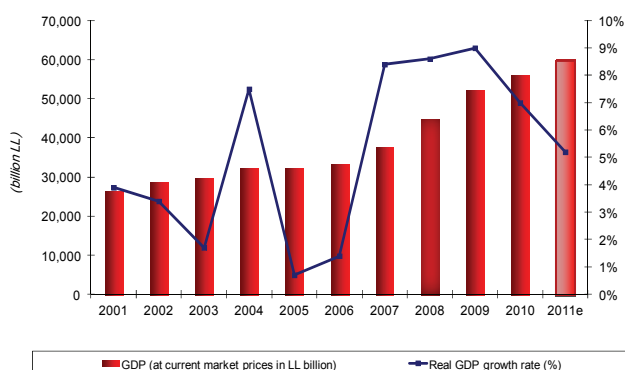
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HIGHLIGHTS

- At the end of QII 2012, gross public debt stood at LL 83,313 billion (US\$ 55.27 billion), a 3.0 percent increase compared to end-2011.
- Net public debt registered LL 71,039 billion (US\$ 47.12 billion) at the end of QII 2012, an increase of 1.6 percent from the end-2011 level.
- Domestic currency debt reached LL 48,508 billion at the end of QII 2012, a decrease of 1.7 percent compared to end-December 2011.
- As in QI 2012, commercial banks were the highest subscriber of Treasury bills and bonds. In QII 2012, they captured 68 percent of subscriptions compared to 15 percent for public institutions and 14 percent for BDL.
- On May 3rd, 2012, the Ministry of Finance issued 5YR LBP-denominated contractor bonds with a coupon of 6.00 percent totaling LL 59.3 billion (pursuant to Law # 69 dated April 23rd, 2009) to settle the changes in the cost of construction materials
- Compared to the end of QI 2012, primary market rates on Treasury bills and bonds remained relatively unchanged at end-QII 2012: 3MN TBs increased by 1-bps from 4.43 to 4.44 percent, 12MN, 24MN and 36MN TBs increased by 2-bps on to reach 5.35 percent, 5.84 percent and 6.50 percent respectively.
- Foreign currency debt totaled LL 34,805 billion (US\$ 23.09 billion) at end-June 2012, a 10.33 percent increase since end-2011, constituting 42 percent of total debt compared to a recent low of 38 percent end-March 2012.
- On April 12th, 2012, the Lebanese Republic issued a US\$ 950 million dual-tranche Eurobond transaction. The first series consisted of a US\$ 350 million re-opening of the 6.60 percent coupon Eurobond due November 2026 (Series 61 – Tranche 3) at a yield of 6.375 percent. The second series was a US\$ 600 million 5.00 percent coupon Eurobond due October 2017 (Series 63) issued at par. International orders accounted for 33 percent of the total issued amount. The deal was lead managed by Byblos Bank and Bank of America Merrill Lynch.
- On June 12th, 2012, the Lebanese Republic issued a US\$2 billion triple-tranche Eurobond transaction through a Debt Replacement Agreement between the Ministry of Finance and the Banque du Liban. BdL redeemed to MoF Treasury bonds in LBP from its existing portfolio for an equivalent LBP amount of US\$ 2 billion of Eurobonds. The first series consisted of a US\$ 500 million 4.10 percent coupon Eurobond due June 2015 (Series 64). The second series was a US\$ 700 million 5.15 percent coupon Eurobond due July 2018 (Series 65). The third series was a US\$ 800 million 6.25 percent coupon Eurobond due June 2025 (Series 66). All tranches were issued at par.

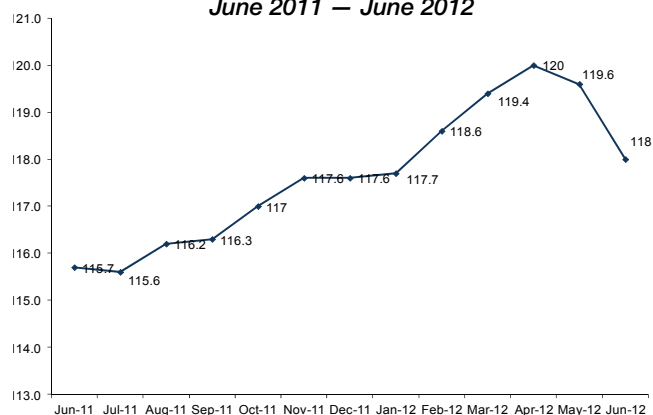
THE LEBANESE ECONOMY

GDP and GDP growth



Source: 2001-2010 are National Accounts Committee figures, some of which have been revised.
2011 GDP : Latest estimates (May 2012).

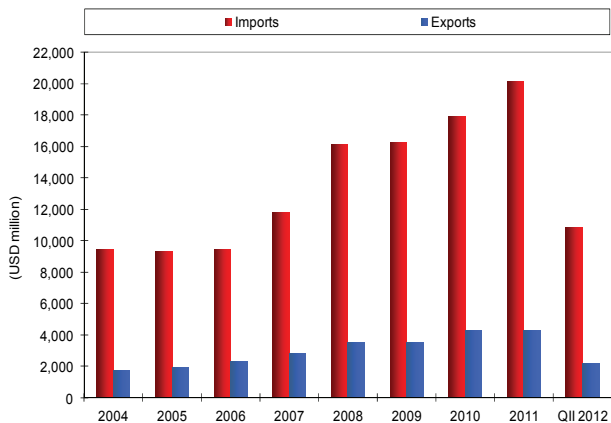
**CPI Index
June 2011 – June 2012**



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

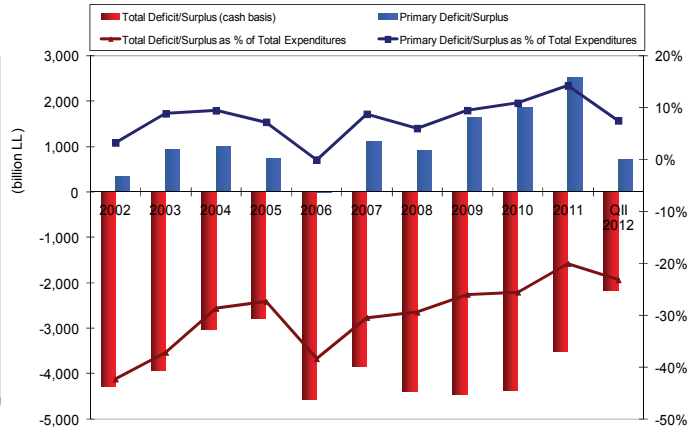
THE LEBANESE ECONOMY

Trade Statistics



Source: MoF, Directorate of Customs

Fiscal Performance

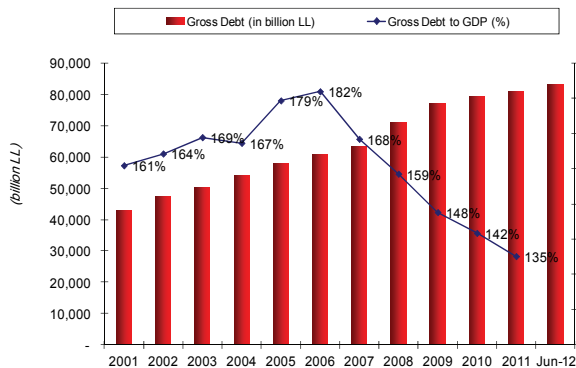


Source: MOF

Note: Revenues are based on actual cash transfers made to MoF and thus different from the Fiscal Performance on the MoF website. For further details refer to June 2012 Public Finance Monitor.

OVERALL DEBT DATA

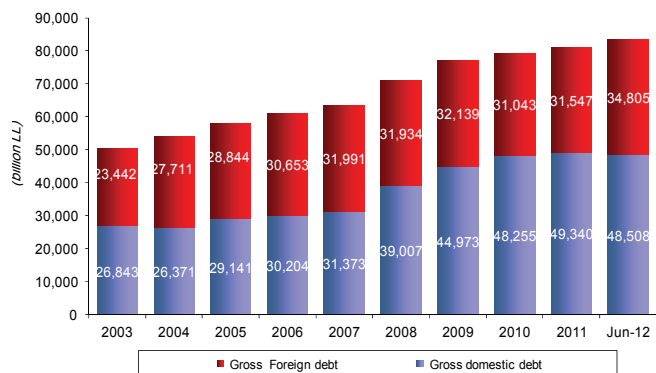
Gross Public Debt



Source: MOF, BDL

Source GDP: 2001-2011 are National Accounts Committee figures, some of which have been revised.
2011 GDP: Latest estimates (May 2012).

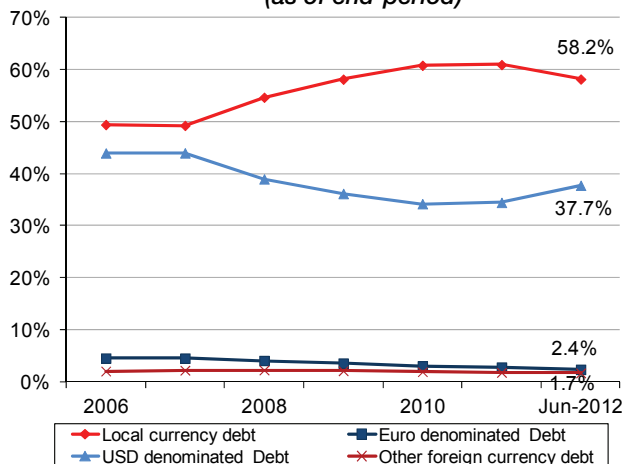
Historical Debt Evolution (as of end-period)



Source: MOF, BDL

Note: Debt data for June 2012 may be subject to slight modification due to revisions in the Debt Management and Financial Analysis System

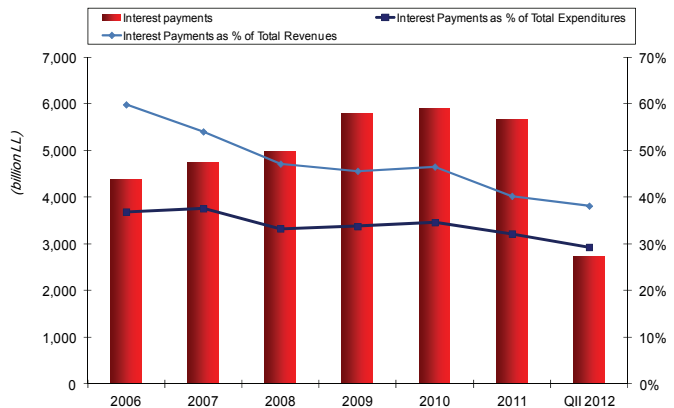
Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

Interest Payments



Source: MOF

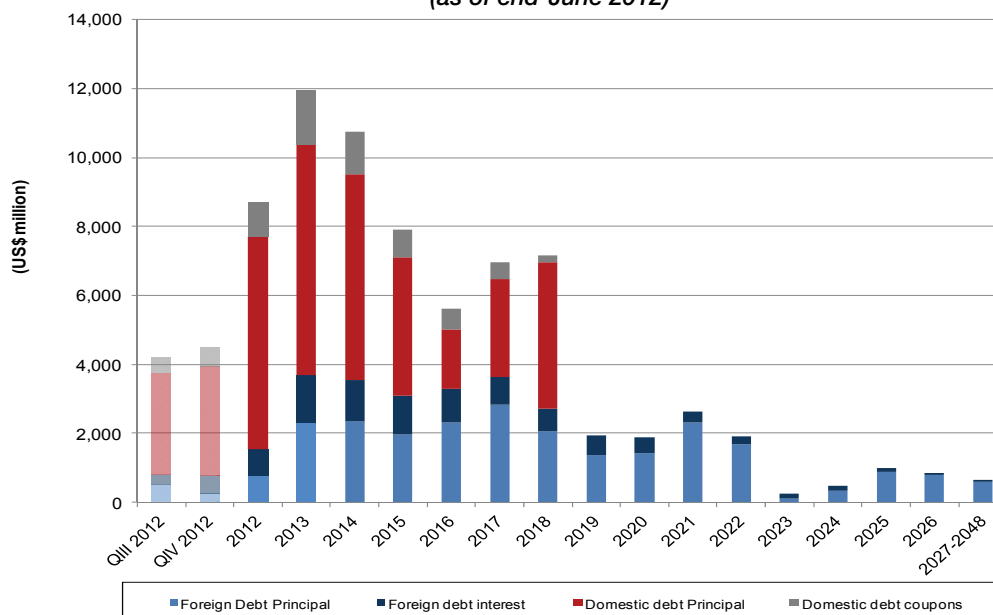
Note:

1) Revenues are based on actual cash transfers made to MoF and thus different from the Fiscal Performance on the MoF website. For further details refer to June 2012 Public Finance Monitor.

2) Interest payments include debt service payments made on EDL loans.

OVERALL DEBT DATA

Aggregate Debt Amortization Profile (as of end-June 2012)



Source: MOF, BDL

Public Debt Table (as of end-June 2012)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Jun-12 ⁽⁸⁾	Change Dec 11 - Jun 12	% Change Dec 11 - Jun 12
Gross Public Debt (A + B)	57,985	60,857	63,364	70,941	77,112	79,298	80,887	83,313	2,426	3.0%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	48,255	49,340	48,508	(832)	-1.7%
1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	11,686	9,588	9,052	8,781	10,334	13,130	16,374	15,569	(805)	-4.9%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	25,177	24,840	(337)	-1.3%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,789	8,099	310	4.0%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	6,538	6,817	279	4.3%
o/w Contractor bonds	-	-	-	-	-	-	41	100	59	143.9%
*Accrued interest included in debt	517	685	730	1,029	999	867	788	730	(58)	-7.4%
B. Foreign currency debt⁽²⁾	28,844	30,653	31,991	31,934	32,139	31,043	31,547	34,805	3,258	10.3%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,738	27,490	30,824	3,334	12.1%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,677	3,161	2,903	(258)	-8.2%
Of which, Paris III at preferential rates ⁽⁴⁾	-	-	754	754	754	709	663	490	(173)	-26.1%
Of which, market-issued Eurobonds	18,729	20,399	20,780	20,925	21,736	21,870	23,258	27,007	3,748	16.1%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	407	424	17	4.2%
5. Loans	3,682	3,793	4,473	4,698	4,550	4,231	3,977	3,875	(102)	-2.6%
5.1 Paris II loans	893	932	907	748	627	460	351	303	(48)	-13.7%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,147	1,060	974	(86)	-8.1%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	723	766	810	43	5.7%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,781	1,771	(11)	-0.6%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	18	17	(1)	-5.6%
6. Other debt	419	419	419	419	447	74	80	106	26	32.5%
6.1 Special Tbs in Foreign currency ⁽⁶⁾	419	419	419	419	447	74	80	106	26	32.5%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	11,419	10,984	12,274	1,290	11.7%
Net debt	52,395	56,413	58,837	62,615	66,590	67,879	69,903	71,039	1,136	1.6%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	51,308	50,191	53,676	3,484	6.9%
% of total debt	60%	64%	62%	66%	66%	65%	62%	64%	0	3.8%

Source: Ministry of Finance, Banque du Liban

Notes:

⁽¹⁾ In November 2003 and July 2004, BDL extended two loans to EDL, of amounts LL 300 billion and LL 150 billion respectively, to finance the payment electricity bought from Syria. The amortization schedule ends in 2013. These loans are listed as public debt as they are government guaranteed.

⁽²⁾ Figures for Dec 05-Dec 11 differ from previously published data reflecting an update of disbursement figures of bilateral and multilateral 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 loan, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

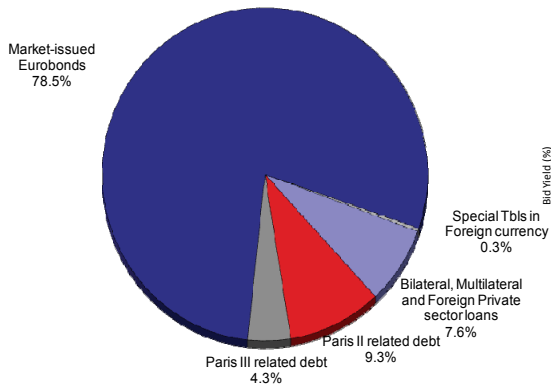
⁽⁶⁾ Special Tbs in Foreign currency (expropriation and contractor bonds).

⁽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.

⁽⁸⁾ Debt data for June 2012 may be subject to slight modification due to revisions in the Debt Management and Financial Analysis System.

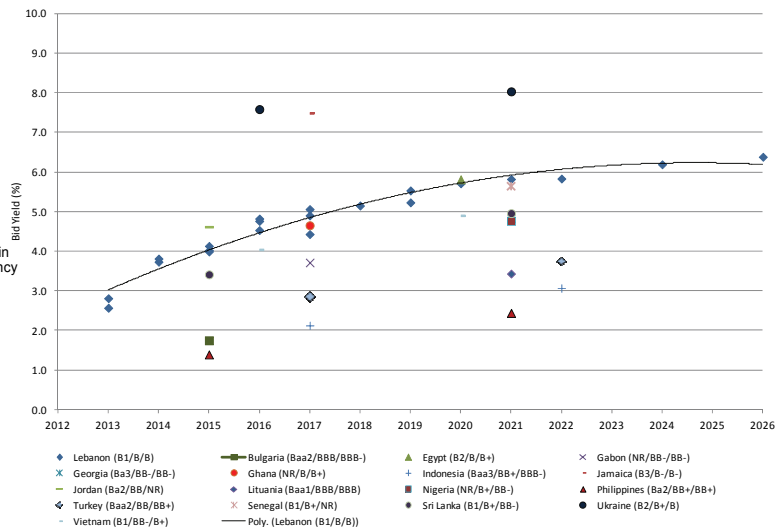
FOREIGN CURRENCY DEBT DATA

Outstanding Foreign Currency Debt by Holder
(as of end-June 2012)



Source: MOF, BDL
Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds]
(as of September 28, 2012)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.350 18	100.50	101.50	5.25	5.06	372	353
US Dollars						
LEB 9.125 13	103.63	104.63	3.70	2.28	323	181
LEB 8.625 13	104.50	105.50	3.80	2.77	331	228
LEB 7.375 14	105.00	106.00	4.41	3.84	388	331
LEB 9.000 14	107.75	108.75	4.52	3.98	399	345
LEB 5.875 15	103.00	104.00	4.60	4.19	403	362
LEB 4.000 17 Av Life	98.50	100.00	4.31	4.00	326	295
LEB 10.000 15	114.75	115.75	4.35	4.00	376	341
LEB 8.500 15	111.00	112.00	4.63	4.30	401	368
LEB 8.500 16	112.00	113.00	4.77	4.49	409	380
LEB 11.625 16	124.00	125.00	4.73	4.48	400	375
LEB 4.750 16	99.00	100.00	5.01	4.75	418	392
LEB 5.000 17	99.00	100.00	5.22	5.00	422	400
LEB 9.000 17	116.00	117.00	5.13	4.91	425	403
LEB 5.150 18	98.50	100.00	5.43	5.15	424	396
LEB 6.000 19	102.75	103.75	5.51	5.34	425	407
LEB 5.450 19	99.00	101.00	5.62	5.28	426	393
LEB 6.375 20	103.75	104.75	5.76	5.60	438	422
LEB 8.250 21	115.75	117.00	5.92	5.75	443	426
LEB 6.100 22	100.00	101.50	6.10	5.90	441	421
LEB 7.000 24	105.75	106.75	6.32	6.21	447	435
LEB 6.600 26	101.40	102.38	6.45	6.34	447	436

Source: CS 29th June 2012

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.350 18	101.00	102.00	5.15	4.96	401	382
US Dollars						
LEB 9.125 13	102.75	103.50	2.81	1.15	223	57
LEB 8.625 13	104.25	105.25	2.57	1.21	178	42
LEB 7.375 14	105.38	106.38	3.73	3.08	306	241
LEB 9.000 14	107.88	108.88	3.81	3.19	318	256
LEB 5.875 15	104.00	105.00	4.02	3.57	362	317
LEB 4.000 17 Av Life	98.00	99.00	4.43	4.21	363	341
LEB 10.000 15	114.13	115.13	4.13	3.75	370	332
LEB 8.500 15	112.00	113.00	3.99	3.64	355	320
LEB 8.500 16	112.00	113.00	4.53	4.23	405	374
LEB 11.625 16	122.50	123.50	4.76	4.49	424	397
LEB 4.750 16	99.75	100.75	4.82	4.55	423	396
LEB 5.000 17	99.75	100.75	5.06	4.83	430	407
LEB 9.000 17	116.25	117.25	4.90	4.67	426	403
LEB 5.150 18	100.00	101.00	5.15	4.96	418	399
LEB 6.000 19	104.25	105.25	5.23	5.06	418	400
LEB 5.450 19	99.50	100.50	5.53	5.36	438	421
LEB 6.375 20	104.00	105.00	5.71	5.54	451	435
LEB 8.250 21	116.13	117.13	5.82	5.69	448	435
LEB 6.100 22	102.00	103.00	5.83	5.70	426	412
LEB 7.000 24	106.88	107.88	6.19	6.07	440	428
LEB 6.600 26	102.00	103.00	6.38	6.28	443	432

Source: CS 28th September 2012

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long - term tenor rating	Short - term tenor rating	Outlook
As of September 28 th , 2012			
Fitch IBCA Ltd*	B	B	Stable
Moody's Investor Services Ltd**	B1	-	Stable
Standard and Poor's***	B	B	Negative

* Fitch reaffirmed Lebanon's Ratings on 5 July 2012

**Moody's affirmed its rating on 27 February 2012.

***Standard and Poor's affirmed its rating at B/B on May 28, 2012 but revised the outlook to negative from stable.

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of June 30, 2012)

ISIN CODE	Eurobond	Outstanding Amount (in original cur)	Outstanding Amount (USD)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
XS0200329950	USD 600 MN - September 2012	238,329,000	238,329,000	2	USD	7.750%	09/07/12	0.19
XS0352629546	USD 875 MN - March 2013	875,000,000	875,000,000	1	USD	9.125%	03/12/13	0.70
XS0222794249	USD 650 MN - June 2013	650,000,000	650,000,000	2	USD	8.625%	06/20/13	0.97
XS0250882809	USD 676.902 MN- April 2014	676,902,000	676,902,000	1	USD	7.375%	04/14/14	1.79
XS0361558413	USD 881.612 MN - May 2014	881,612,000	881,612,000	2	USD	9.000%	05/02/14	1.84
XS0471737105	USD 250 MN January 2015*	250,000,000	250,000,000	1	USD	5.875%	01/15/15	2.55
XS0793155754	USD 500 MN - June 2015	500,000,000	500,000,000	1	USD	4.100%	06/12/15	2.95
XS0381915353	USD 500 MN - August 2015	500,000,000	500,000,000	1	USD	8.500%	08/06/15	3.10
US52238FAJ84	USD 750 MN- January 2016	750,000,000	750,000,000	1	USD	8.500%	01/19/16	3.56
XS0128547147	USD 400 MN - May 2016	400,000,000	400,000,000	1	USD	11.625%	05/11/16	3.87
XS0655338555	USD 500 MN - November 2016*	500,000,000	500,000,000	1	USD	4.750%	11/02/16	4.35
XS0418193917	USD 1,500 MN March 2017	1,500,000,000	1,500,000,000	2	USD	9.000%	03/20/17	4.72
XS0769530238	USD 600 MN - October 2017	600,000,000	600,000,000	1	USD	5.000%	10/12/17	5.29
XS0793155838	USD 700 MN - June 2018	700,000,000	700,000,000	1	USD	5.150%	06/12/18	5.95
XS0559237952	USD 500 MN - November 2018	500,000,000	500,000,000	1	USD	5.150%	11/12/18	6.37
XS0707821467	EUR 445 MN- November 2018	445,000,000	559,748,428	2	EUR	5.350%	11/28/18	6.42
XS0629509943	USD 650 MN - May 2019	650,000,000	650,000,000	1	USD	6.000%	05/20/19	6.89
XS0707819727	USD 500 MN - November 2019	500,000,000	500,000,000	2	USD	5.450%	11/28/19	7.42
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1,200,000,000	1	USD	6.375%	03/09/20	7.70
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	2,092,469,000	3	USD	8.250%	04/12/21	8.79
XS0559237796	USD 1,540 MN - October 2022	1,540,000,000	1,540,000,000	4	USD	6.100%	10/04/22	10.27
XS0471737444	USD 250 MN - December 2024	250,000,000	250,000,000	1	USD	7.000%	12/03/24	12.44
XS0793155911	USD 800 MN - June 2025	800,000,000	800,000,000	1	USD	6.250%	06/12/25	12.96
XS0707820659	USD 725 MN - November 2026	725,000,000	725,000,000	3	USD	6.600%	11/27/26	14.42
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III								
XS0312416778	USD \$200 MN due July 2012	100,000,000	100,000,000	1	USD	3.750%	07/20/12	0.00
XS0312416000	USD \$300 MN due July 2017	225,000,000	225,000,000	1	USD	3.750%	07/20/17	3.17
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II								
XS0160456322	USD 950 MN - December 2017	357,500,000	357,500,000	1	USD	5.000%	12/27/17	2.92
XS0160503347	USD 2,007.511 MN - December 2017	1,104,131,050	1,104,131,050	2	USD	4.000%	12/31/17	2.92
XS0164502352	USD 700 MN - March 2018	420,000,000	420,000,000	1	USD	5.000%	03/07/18	2.92
XS0169203048	USD 200 MN - May 2018	120,000,000	120,000,000	1	USD	5.000%	05/27/18	3.09
							Average Time to Maturity (in years, as of June 30, 2012):	5.83
							Weighted average coupon rate:	6.83%

* 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).

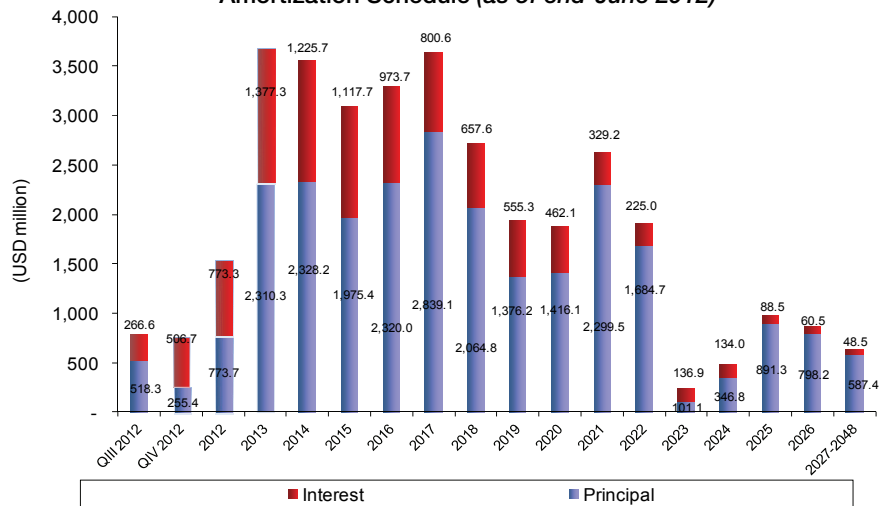
Euro exchange rate (US\$/Euro) (29 June 2012): 1.258

FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
12-Jun-2012	66*	13.0	12-Jun-2025	6.250	6.250	USD 800 MN	XS0793155911
12-Jun-2012	65*	6.0	12-Jun-2018	5.150	5.150	USD 700 MN	XS0793155838
12-Jun-2012	64*	3.0	12-Jun-2015	4.100	4.100	USD 500 MN	XS0793155754
12-Apr-2012	61 (3)	14.6	27-Nov-2026	6.600	6.375	USD 350 MN	XS0707820659
12-Apr-2012	63	5.5	12-Oct-2017	5.000	5.000	USD 600 MN	XS0769530238
28-Nov-2011	62 (2)	7.0	28-Nov-2018	5.350	5.350	EUR 24.058	XS0707821467
28-Nov-2011	62	7.0	28-Nov-2018	5.350	5.350	EUR 420.942	XS0707821467
28-Nov-2011	61 (2)	15.0	27-Nov-2026	6.600	6.600	USD 139.463 MN	XS0707820659
28-Nov-2011	61	15.0	27-Nov-2026	6.600	6.600	USD 235.537 MN	XS0707820659
28-Nov-2011	60 (2)	8.0	28-Nov-2019	5.450	5.450	USD 66.817 MN	XS0707819727
28-Nov-2011	60	8.0	28-Nov-2019	5.450	5.450	USD 433.183 MN	XS0707819727
2-Aug-2011	57 (4)	11 (long)	4-Oct-2022	6.100	6.200	USD 700 MN	XS0559237796
2-Aug-2011	59	5 (long)	2-Nov-2016	4.750	4.750	USD 500 MN	XS0655338555

* Series 64-65-66 were issued as a part of a Debt Replacement Agreement between the Ministry of Finance (MoF) and Banque du Liban (BDL).

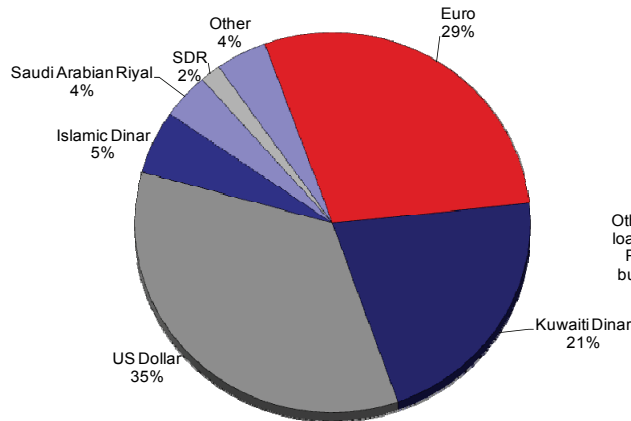
**Foreign Currency Debt
(Eurobonds, loans, and all others)
Amortization Schedule (as of end-June 2012)**



Source: MOF, BDL

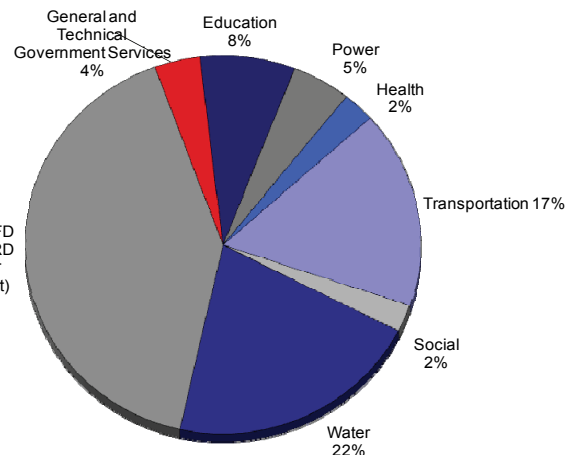
FOREIGN CURRENCY LOANS DATA

**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-June 2012)**



Total Outstanding LL 3,873 billion

**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by sector
(as of end-June 2012)**

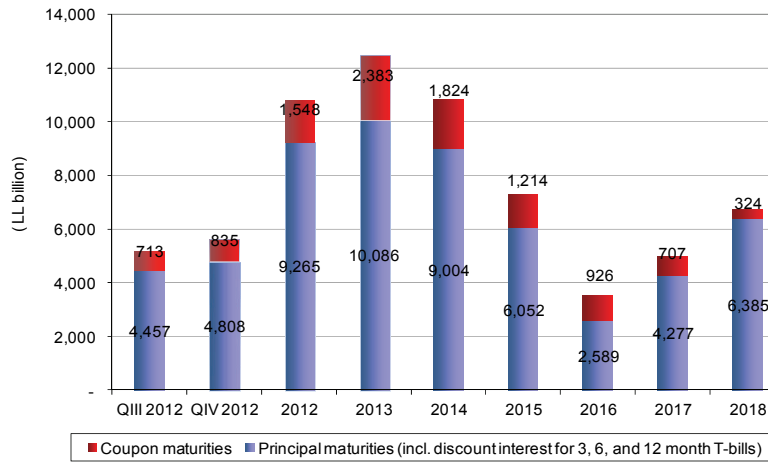


Total Outstanding LL 3,873 billion

Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

Amortization Schedule of Domestic T-bills and Bonds
(as of end-June 2012)



Average Time to Maturity
of Domestic Currency
T-bills and Bonds

As of end-June
2012

2.53 years

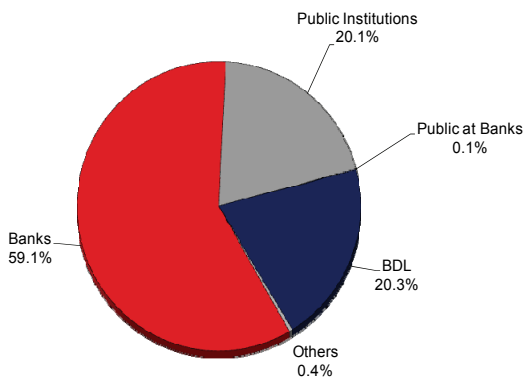
Source: MOF, BDL

Upcoming Government Treasury Bill and Bond Auctions

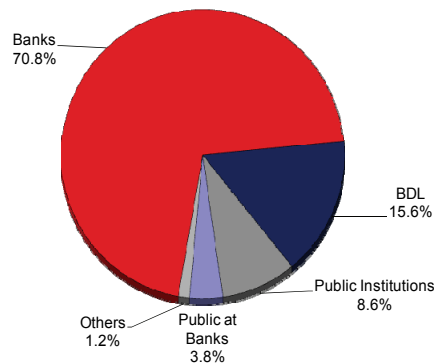
Auction Date	Value Date	Tenors to be auctioned
01-Oct-12	04-Oct-12	12 MN, 2YR, 3YR
08-Oct-12	11-Oct-12	3 MN, 6 MN, 5YR
15-Oct-12	18-Oct-12	12 MN, 2YR, 3YR
22-Oct-12	25-Oct-12	3 MN, 6 MN, 5YR
29-Oct-12	01-Nov-12	12 MN, 2YR, 3YR

T-Bill and Bond Subscription Results by Holder During QII 2012

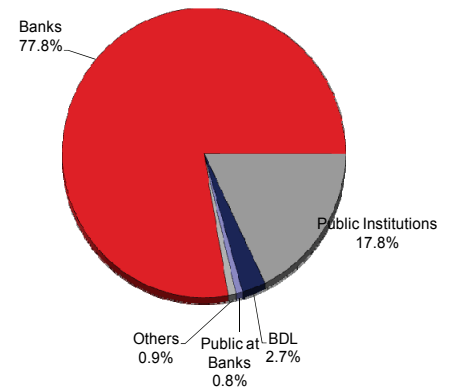
April 2012



May 2012



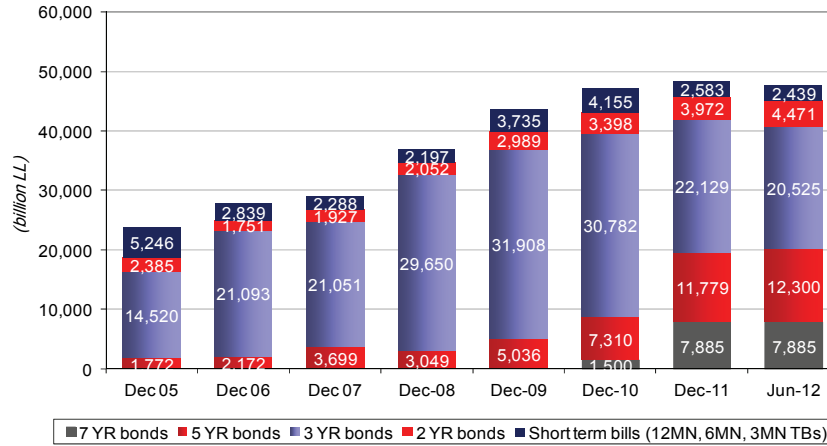
June 2012



Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

Domestic T-bills and Bonds Outstanding by Tenor Type (as of end-period)

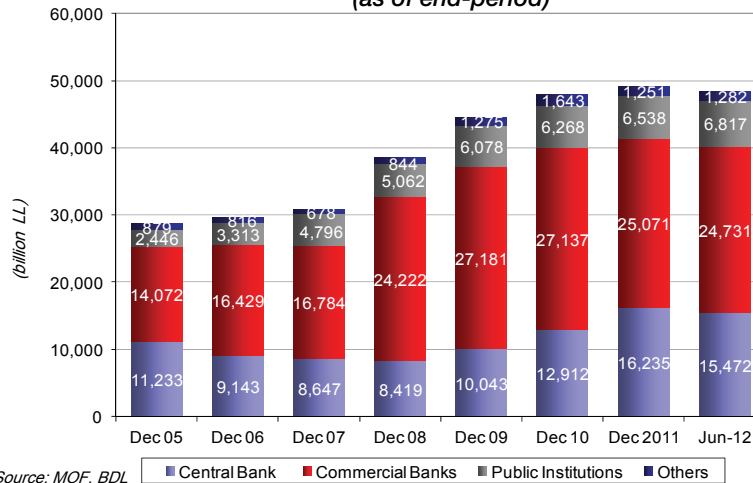


Source: MOF, BDL

Notes:

- 1) Only treasury bills with maturities less than 24 months are issued at a discount to their face value.
- 2) The 5 YR bonds figure includes LL 100 billion contractor bonds issued in Nov 2011 and May 2012.

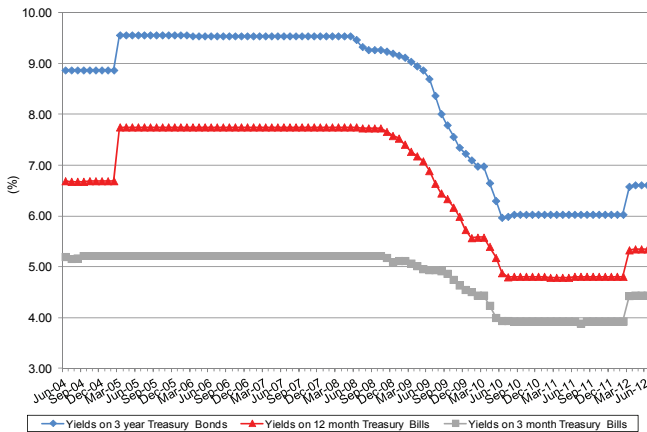
Domestic T-bills and Bonds Outstanding by Investor Type (as of end-period)



Source: MOF, BDL

Note: Central Bank figures include the amounts of repurchase agreements

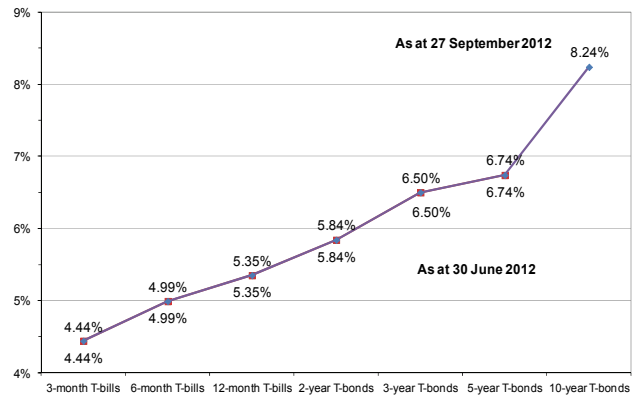
Time Series of Primary Market Rates for T-Bills and Bonds



Source: MOF

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Yield Curve for Auctioned T-Bills and Bonds



Notes:

- 1) 7-yr Treasury bonds were introduced in December 2010 under the LBP Medium-Term Note Program with a coupon of 7.90 percent. 7YR bonds were also issued in special schemes in March, April and September 2011 at 7.90, 7.90 and 7.60 percent respectively. These do not feature in this graph as they were not part of the auction process.
- 2) 10-yr Treasury bonds were introduced in the auction of September 20, 2012 with a coupon of 8.24 percent. 10-yr bonds are not part of the weekly auctions calendar.