

# DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 22, Quarter III 2012



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

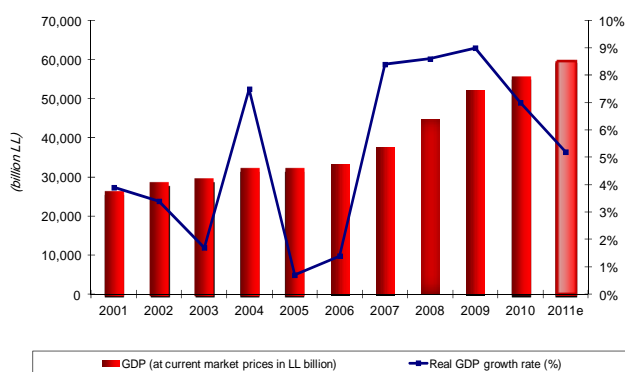
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## HIGHLIGHTS

- At the end of QIII 2012, gross public debt stood at LL 84,521 billion (US\$ 56.07 billion), a 4.5 percent increase compared to end-2011.
- Net public debt registered LL 72,138 billion (US\$ 47.85 billion) at the end of QIII 2012, an increase of 3.2 percent from the end-2011 level.
- Domestic currency debt reached LL 50,095 billion at the end of QIII 2012, an increase of 1.5 percent compared to end-December 2011.
- While commercial banks were still the biggest subscribers of Treasury bills and bonds in QIII 2012 capturing 61 percent of total subscriptions, BDL's share rose from 14 percent in QII 2012 to 24 percent. Public institutions' share accounted for 13 percent of total subscriptions in QIII 2012.
- On September 20th, 2012, the Ministry of Finance issued for the first time and on an ad hoc basis the value of LBP 1,151 billion 10YR LBP Treasury Bonds with a coupon of 8.24 percent at auction.
- On August 2nd, 2012, the Ministry of Finance issued 5YR LBP-denominated contractor bonds with a coupon of 6.00 percent totaling LL 33.7 billion (pursuant to Law # 69 dated April 23rd, 2009) to settle the changes in the cost of construction materials.
- During QIII 2012, primary market rates on Treasury bills and bonds remained unchanged compared to end QII 2012 levels.
- Foreign currency debt totaled LL 34,426 billion (US\$ 22.84 billion) at the end of QIII 2012, a 9.1 percent increase since the end of December 2011.

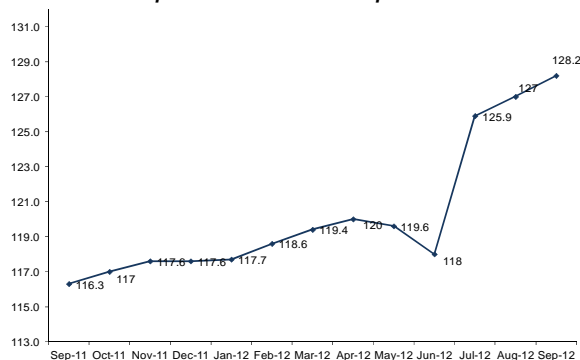
## THE LEBANESE ECONOMY

**GDP and GDP growth**



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

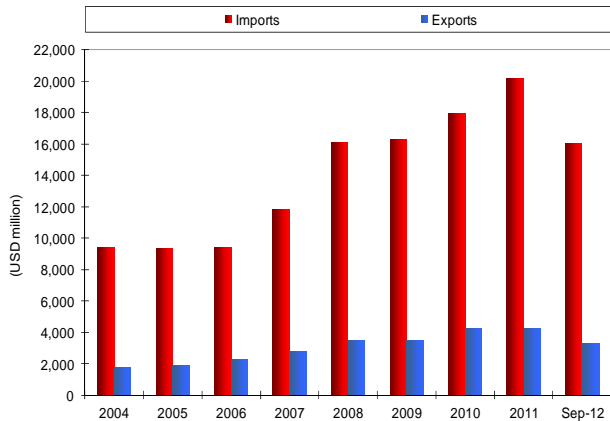
**CPI Index**  
**September 2011 – September 2012**



Source: Central Administration of Statistics  
Consumer Price Index base year December 2007 = 100.  
Note: The July 2012 inflation figure reflects a one-time adjustment in housing costs, which makes the July 2012 and subsequent inflation figures in 2012 not indicative of year-on-year inflation.

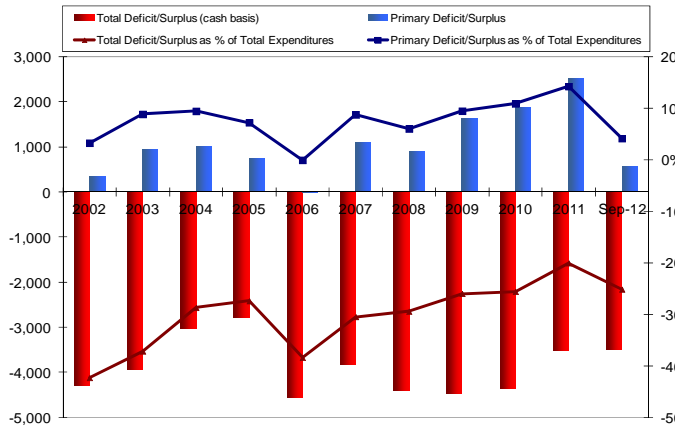
# THE LEBANESE ECONOMY

## Trade Statistics



Source: MoF, Directorate of Customs

## Fiscal Performance

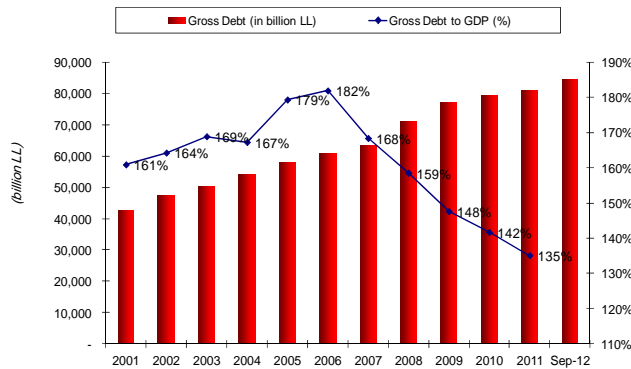


Source: MOF

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 September 2012 Public Finance Monitor.

# OVERALL DEBT DATA

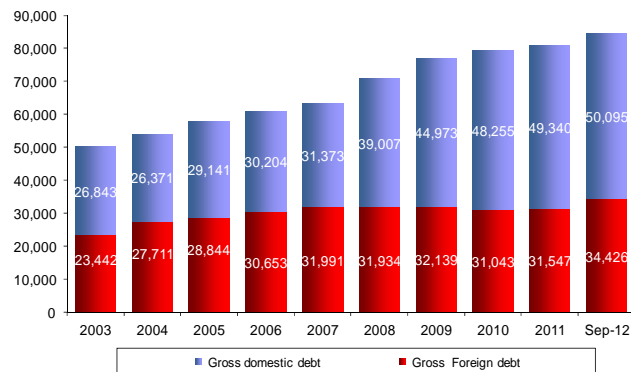
## Gross Public Debt



Source: MOF, BDL

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

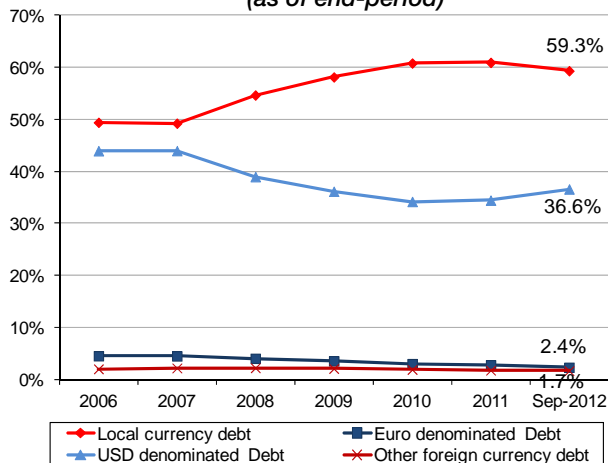
## Historical Debt Evolution



Source: MOF, BDL

Note: Debt data for September 2012 may be subject to slight modification due to the revision of the Debt Management and Financial Analysis System (DMFAS).

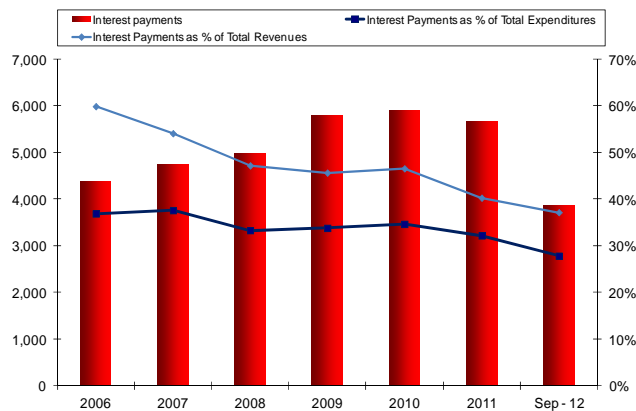
## Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

## Interest Payments



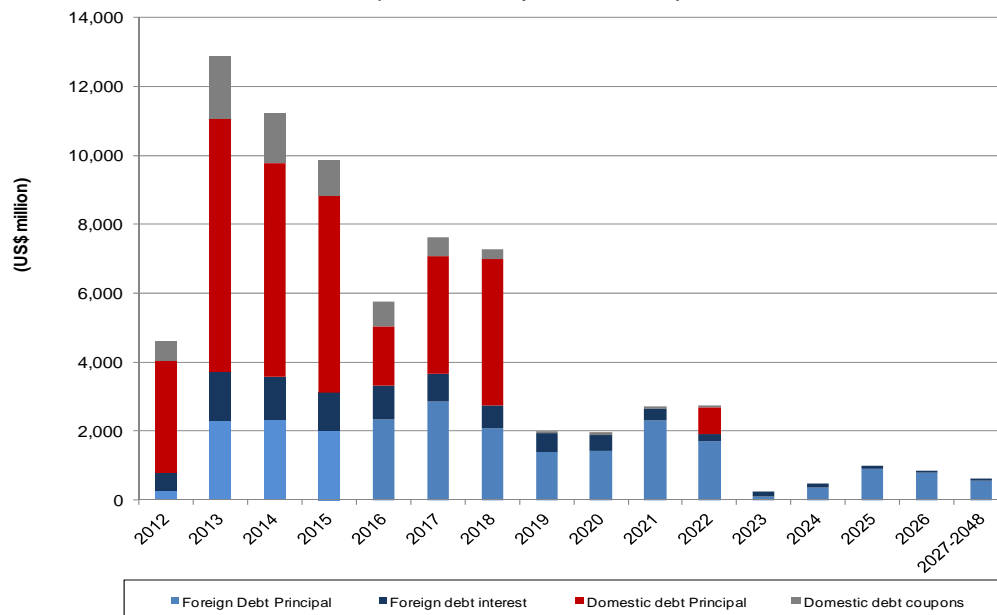
Source: MOF

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 September 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-September 2012)



Source: MOF, BDL

## Public Debt Table (as of end-September 2012)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Sep-12 <sup>(8)</sup>	Change Dec 11 - Sep 12	% Change Dec 11 - Sep 12
<b>Gross Public Debt (A + B)</b>	57,985	60,857	63,364	70,941	77,112	79,298	80,887	84,521	3,634	4.5%
<b>A. Local currency debt</b>	29,141	30,204	31,373	39,007	44,973	48,255	49,340	50,095	755	1.5%
1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) <sup>(1)</sup>	11,686	9,588	9,052	8,781	10,334	13,130	16,374	16,079	(295)	-1.8%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	25,177	25,933	756	3.0%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,789	8,083	294	3.8%
<i>o/w Public entities</i>	2,446	3,313	4,796	5,062	6,078	6,268	6,538	6,734	196	3.0%
<i>o/w Contractor bonds</i>	-	-	-	-	-	-	41	134	93	226.8%
*Accrued interest included in debt	517	685	730	1,029	999	867	788	764	(24)	-3.0%
<b>B. Foreign currency debt<sup>(2)</sup></b>	28,844	30,653	31,991	31,934	32,139	31,043	31,547	34,426	2,879	9.1%
<b>4. Eurobonds</b>	24,743	26,441	27,099	26,817	27,142	26,738	27,490	30,442	2,952	10.7%
Of which, Paris II at preferential rates <sup>(3)</sup>	5,608	5,608	5,156	4,708	4,192	3,677	3,161	2,851	(311)	-9.8%
Of which, Paris III at preferential rates <sup>(4)</sup>	-	-	754	754	754	709	663	317	(347)	-52.3%
Of which, market-issued Eurobonds	18,729	20,399	20,780	20,925	21,736	21,870	23,258	26,672	3,413	14.7%
* Accrued interest on Eurobonds	406	434	410	430	460	483	407	603	196	48.2%
<b>5. Loans</b>	3,682	3,793	4,473	4,698	4,550	4,231	3,977	3,878	(99)	-2.5%
5.1 Paris II loans	893	932	907	748	627	460	351	273	(78)	-22.2%
5.2 Paris III loans <sup>(5)</sup>	-	-	603	1,095	1,210	1,147	1,060	978	(82)	-7.8%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	723	766	854	87	11.4%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,781	1,759	(23)	-1.3%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	18	15	(3)	-16.7%
<b>6. Other debt</b>	419	419	419	419	447	74	80	106	26	32.5%
6.1 Special Tbls in Foreign currency <sup>(6)</sup>	419	419	419	419	447	74	80	106	26	32.5%
<b>Public sector deposits</b>	5,590	4,444	4,527	8,326	10,522	11,419	10,984	12,383	1,399	12.7%
<b>Net debt</b>	52,395	56,413	58,837	62,615	66,590	67,879	69,903	72,138	2,235	3.2%
<b>Gross Market debt<sup>(7)</sup></b>	34,720	38,670	39,219	46,992	51,231	51,308	50,191	54,678	4,486	8.9%
<b>% of total debt</b>	60%	64%	62%	66%	66%	65%	62%	65%	3%	4.3%

Source: Ministry of Finance, Banque du Liban

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> 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).

<sup>(3)</sup> Paris II related Eurobonds including Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

<sup>(4)</sup> Issued to Malaysia as part of its Paris III contribution.

<sup>(5)</sup> 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.

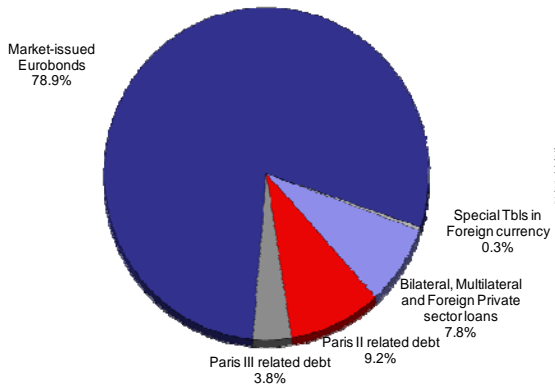
<sup>(6)</sup> Special Tbls in Foreign currency (expropriation and contractor bonds).

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

<sup>(8)</sup> Debt data for September 2012 may be subject to slight modification due to revisions in the Debt Management and Financial Analysis System.

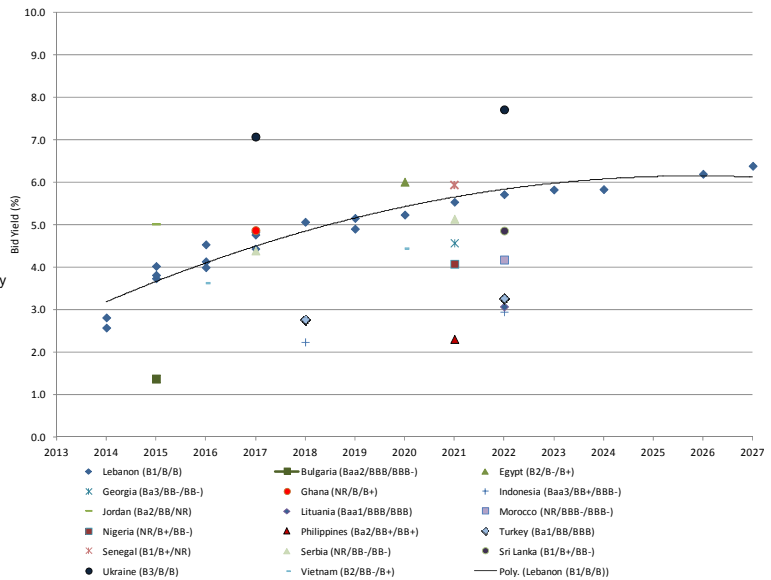
# FOREIGN CURRENCY DEBT DATA

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



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

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



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
<b>EURO</b>						
LEB 5.350 18	101.00	102.00	5.15	4.96	401	382
<b>US Dollars</b>						
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 Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
<b>EURO</b>						
LEB 5.350 18	101.00	102.00	5.15	4.95	424	404
<b>US Dollars</b>						
LEB 7.375 14	106.75	107.50	2.01	1.44	166	109
LEB 9.000 14	108.75	109.75	2.28	1.56	193	121
LEB 5.875 15	104.00	105.00	3.81	3.31	342	292
LEB 4.000 17 Av Life	100.00	101.00	4.00	3.78	318	296
LEB 10.000 15	113.75	114.75	3.73	3.31	332	290
LEB 8.500 15	111.00	112.00	3.99	3.61	355	317
LEB 8.500 16	111.75	112.75	4.34	4.01	386	353
LEB 11.625 16	122.25	124.25	4.41	3.85	390	333
LEB 4.750 16	100.00	101.00	4.75	4.46	415	386
LEB 5.000 17	100.00	101.00	5.00	4.76	423	399
LEB 9.000 17	116.25	117.25	4.70	4.46	405	381
LEB 5.150 18	100.25	101.00	5.10	4.95	411	397
LEB 6.000 19	104.00	105.00	5.25	5.07	418	400
LEB 5.450 19	100.25	101.25	5.41	5.23	423	405
LEB 6.375 20	104.75	105.25	5.56	5.48	435	426
LEB 8.250 21	115.75	116.75	5.82	5.68	446	432
LEB 6.100 22	101.38	102.38	5.91	5.78	430	417
LEB 6.000 23	100.25	100.75	5.96	5.90	431	424
LEB 7.000 24	106.25	107.25	6.25	6.13	441	429
LEB 6.600 26	101.50	102.00	6.43	6.38	443	437
LEB 6.750 27	100.50	101.00	6.70	6.64	463	457

Source: CS 28th December 2012

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

# FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of September 30, 2012)								
ISIN CODE	Eurobond	Outstanding Amount (in original cur)	Outstanding Amount (USD)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/y	Years to maturity
XS0352629546	USD 875 MN - March 2013	875,000,000	875,000,000	1	USD	9.125%	03/12/13	0.45
XS0222794249	USD 650 MN - June 2013	650,000,000	650,000,000	2	USD	8.625%	06/20/13	0.72
XS0250882809	USD 676.902 MN - April 2014	676,902,000	676,902,000	1	USD	7.375%	04/14/14	1.54
XS0361558413	USD 881.612 MN - May 2014	881,612,000	881,612,000	2	USD	9.000%	05/02/14	1.59
XS0471737105	USD 250 MN - January 2015*	250,000,000	250,000,000	1	USD	5.875%	01/15/15	2.29
XS0793155754	USD 500 MN - June 2015	500,000,000	500,000,000	1	USD	4.100%	06/12/15	2.70
XS0381915353	USD 500 MN - August 2015	500,000,000	500,000,000	1	USD	8.500%	08/06/15	2.85
US52238PAJ84	USD 750 MN - January 2016	750,000,000	750,000,000	1	USD	8.500%	01/19/16	3.30
XS0128547147	USD 400 MN - May 2016	400,000,000	400,000,000	1	USD	11.625%	05/11/16	3.61
XS0655338555	USD 500 MN - November 2016*	500,000,000	500,000,000	1	USD	4.750%	11/02/16	4.09
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	1,500,000,000	2	USD	9.000%	03/20/17	4.47
XS0769530238	USD 600 MN - October 2017	600,000,000	600,000,000	1	USD	5.000%	10/12/17	5.04
XS0793155838	USD 700 MN - June 2018	700,000,000	700,000,000	1	USD	5.150%	06/12/18	5.70
XS0559237952	USD 500 MN - November 2018	500,000,000	500,000,000	1	USD	5.150%	11/12/18	6.12
XS0707821467	EUR 445 MN - November 2018	445,000,000	576,126,359	2	EUR	5.350%	11/28/18	6.16
XS0629509943	USD 650 MN - May 2019	650,000,000	650,000,000	1	USD	6.000%	05/20/19	6.64
XS0707819727	USD 500 MN - November 2019	500,000,000	500,000,000	2	USD	5.450%	11/28/19	7.16
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1,200,000,000	1	USD	6.375%	03/09/20	7.44
XS0250882478	USD 2092.469 MN - April 2021	2,092,469,000	2,092,469,000	3	USD	8.250%	04/12/21	8.54
XS0559237796	USD 1,540 MN - October 2022	1,540,000,000	1,540,000,000	4	USD	6.100%	10/04/22	10.02
XS0471737444	USD 250 MN - December 2024	250,000,000	250,000,000	1	USD	7.000%	12/03/24	12.18
XS0793155911	USD 800 MN - June 2025	800,000,000	800,000,000	1	USD	6.250%	06/12/25	12.71
XS0707820659	USD 725 MN - November 2026	725,000,000	725,000,000	3	USD	6.600%	11/27/26	14.17
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS III</b>								
XS0312416000	USD 300 MN - July 2017	210,000,000	210,000,000	1	USD	3.750%	07/20/17	3.15
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS II</b>								
XS0160456322	USD 950 MN - December 2017	357,500,000	357,500,000	1	USD	5.000%	12/27/17	2.67
XS0160503347	USD 2,007.511 MN - December 2017	1,104,131,050	1,104,131,050	2	USD	4.000%	12/31/17	2.67
XS0164502352	USD 700 MN - March 2018	385,000,000	385,000,000	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	2.84
							Average Time to Maturity (in years, as of September 30, 2012):	5.69
							Weighted average coupon rate:	6.84%

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

\*\*The Eurobond 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) (28 September 2012): 1.295

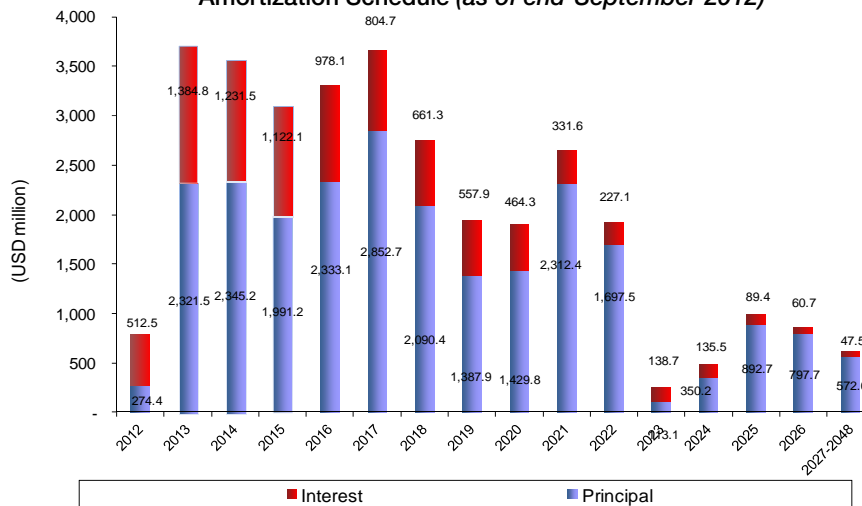
# FOREIGN CURRENCY DEBT DATA

## Recent Government Eurobond Issuances

Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
20-Dec-2012	60 (3)*	7 (Short)	28-Nov-2019	5.450	5.400	USD 1,000 MN	XS0707819727
29-Nov-2012	68 (2)	15.0	29-Nov-2027	6.750	6.750	USD 368.788 MN	XS0859366899
29-Nov-2012	68	15.0	29-Nov-2027	6.750	6.750	USD 131.212 MN	XS0859366899
29-Nov-2012	67 (2)	10 (Long)	27-Jan-2023	6.000	6.000	USD 115.138 MN	XS0859367194
29-Nov-2012	67	10 (Long)	27-Jan-2023	6.000	6.000	USD 384.862 MN	XS0859367194
29-Nov-2012	56 (3)	6 (Short)	12-Nov-2018	5.150	5.150	USD 339.682 MN	XS0559237952
29-Nov-2012	56 (2)	6 (Short)	12-Nov-2018	5.150	5.150	USD 185.318 MN	XS0559237952
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

\* Series 64-65-66-60(3) were issued as a part of a Debt Replacement Agreement between the Ministry of Finance (MoF) and Banque du Liban

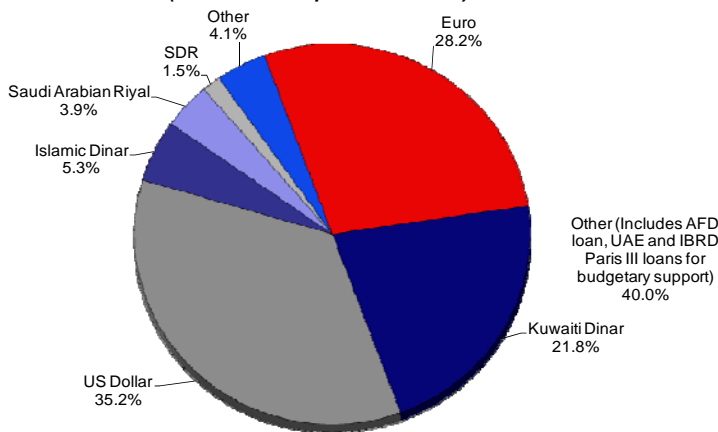
## Foreign Currency Debt (Eurobonds, loans, and all others) Amortization Schedule (as of end-September 2012)



Source: MOF, BDL

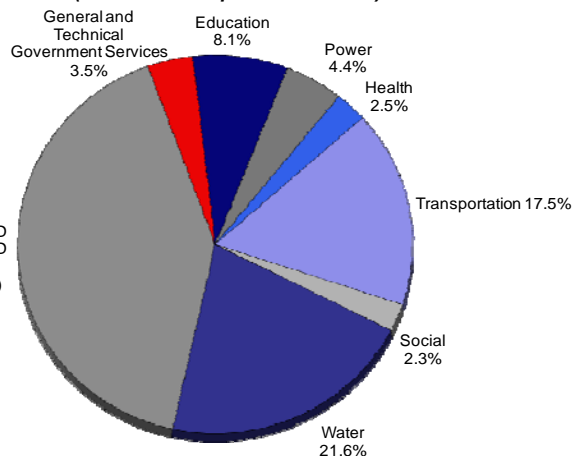
# FOREIGN CURRENCY LOANS DATA

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



Total Outstanding LL 3,879 billion

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

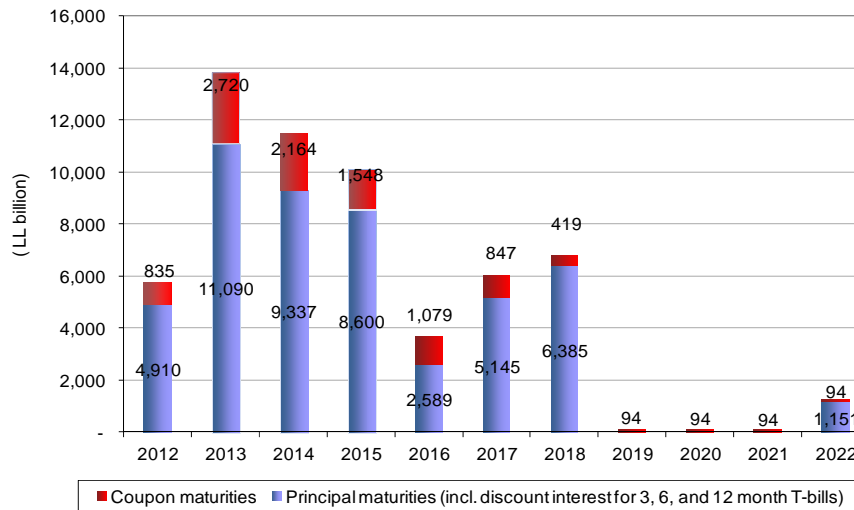


Total Outstanding LL 3,879 billion

Source: MOF, BDL

# DOMESTIC CURRENCY DEBT DATA

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



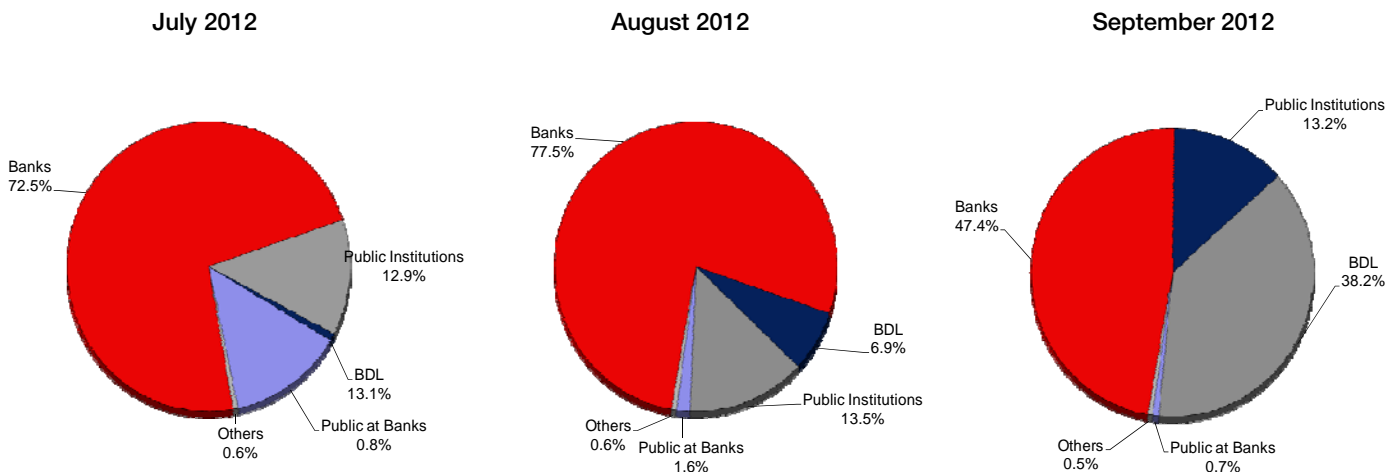
**Average Time to Maturity of Domestic Currency T-bills and Bonds**

As of end-September 2012: **2.70 years**

Source: MOF, BDL

Upcoming Government Treasury Bill and Bond Auctions		
Auction Date	Value Date	Tenors to be auctioned
07-Jan-12	10-Jan-13	12 MN, 2YR, 3YR
14-Jan-12	17-Jan-13	3 MN, 6 MN, 5YR
21-Jan-12	24-Jan-13	12 MN, 2YR, 3YR
28-Jan-12	31-Jan-13	3 MN, 6 MN, 5YR

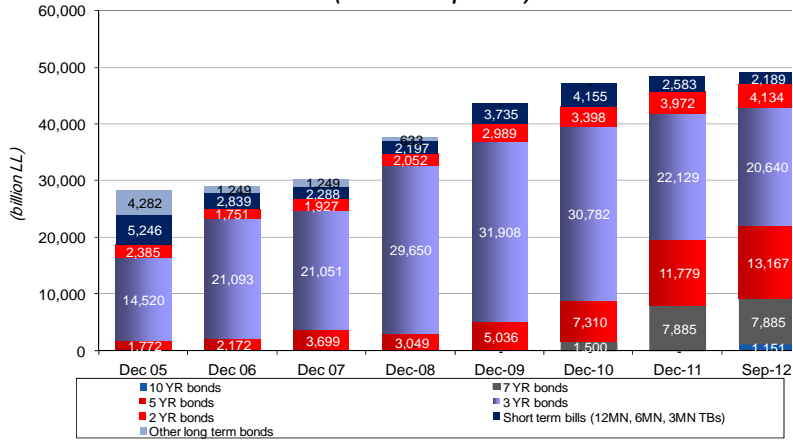
T-Bill and Bond Subscription Results by Holder During QIII 2012



Source: MOF, BDL

# DOMESTIC CURRENCY DEBT DATA

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

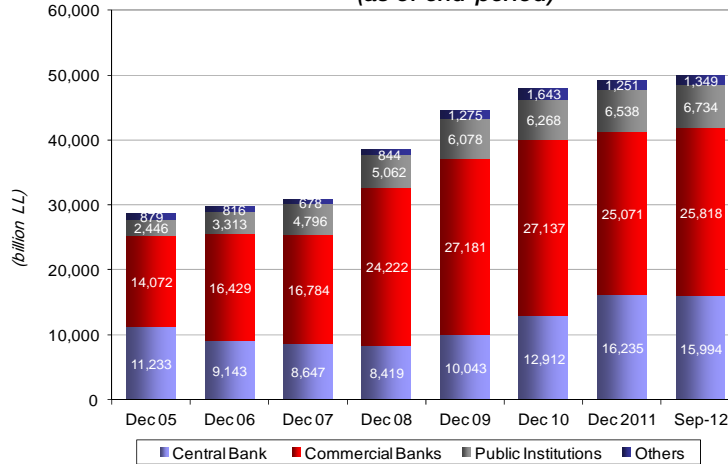


Source: MOF, BDL

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 134 billion contractor bonds issued in Nov 2011, May 2012 and August 2012.

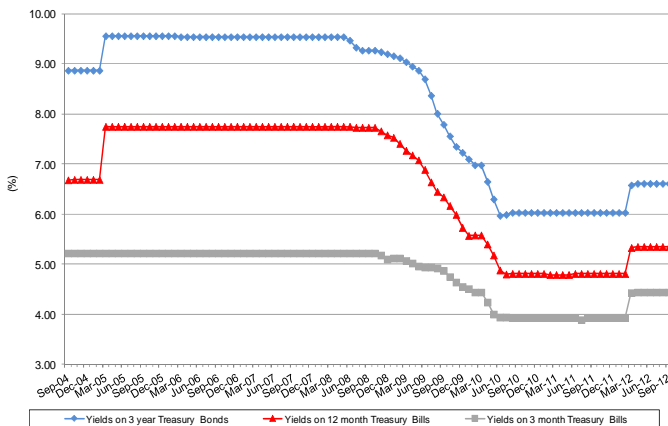
## Domestic T-bills and Bonds Outstanding by Investor Type (as of end-period)



Source: MOF, BDL

Note: Central Bank figures include the amounts of repurchase agreements

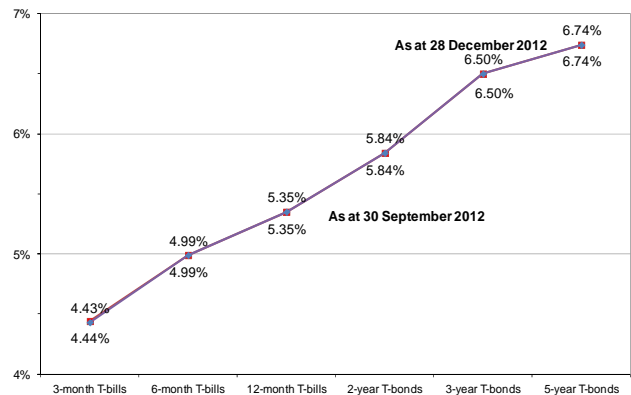
## Time Series of Primary Market Rates for T-Bills and Bonds



Source: MOF

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## Yield Curve for Regularly Auctioned T-Bills and Bonds



Note: The following instruments were issued at auction but do not appear in the above graph as they are not part of the regular auction calendar:

- \* 7-year Treasury bonds were issued on 15 November 2012 at a rate of 7.50 percent
- \* 8-year Treasury bonds were issued on 18 October 2012 at a rate of 7.80 percent
- \* 10-year Treasury bond were issued on 20 September 2012 at a rate of 8.24 percent.