

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 19, Quarter IV 2011



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

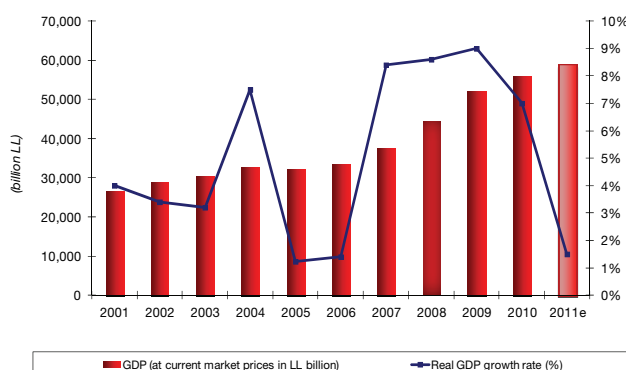
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HIGHLIGHTS

- By the end of QIV 2011, gross public debt stood at LL 80,869 billion (US\$ 53.64 billion), higher than end-2010 levels by 1.98 percent.
- At LL 69,885 billion (US\$ 46.36 billion) by the end of 2011, net public debt increased by 2.96 percent from the end-2010 level.
- Domestic currency debt registered LL 49,340 billion at the end of 2011, an increase of 2.25 percent compared to end-December 2010.
- The highest subscriber of Treasury bills and bonds in QIV 2011 was BDL with 45 percent of subscriptions. Commercial banks captured 41 percent of subscriptions during QIV 2011 as in QIII 2011, compared to 13 percent for public institutions. On a yearly basis, the central bank captured 50 percent of total subscriptions following by commercial banks with 31 percent and public institutions with 17 percent.
- Primary market rates on Treasury bills and bonds ended QIV 2011 at the same levels as at end-QIII 2011. These levels are mostly stable compared to end-2010 levels except for 6MN Treasury Bills that were 2bps lower at 4.50 percent at end-2011.
- On November 28th, 2011, the Ministry of Finance issued 5YR LBP-denominated contractor bonds with a coupon of 6.00 percent totaling LL 40.6 billion (pursuant to Law # 69 dated April 23rd, 2009) to settle the changes in the cost of construction materials.
- Foreign currency debt totaled LL 31,529 billion (US\$ 20.91 billion) at the end of 2011, a 1.57 percent increase since the end of December 2010.
- On November 28th, 2011, the Lebanese Republic issued the equivalent of US\$ 1.47 billion as a result of a voluntary debt exchange transaction and issuance of new notes. The resulting series and their terms are available on page 6. The aggregate participation in the exchange was 64.3 percent. The new notes issued via the voluntary exchange offer amounted to US\$1,229,625,215 while the additional notes for cash amounted to US\$238,337,285. The new cash portion was almost 3 times oversubscribed, with international orders accounting for 19 percent of these subscriptions. The transaction was jointly lead managed by Fransa Invest Bank, Standard Chartered, and Deutsche Bank.

THE LEBANESE ECONOMY

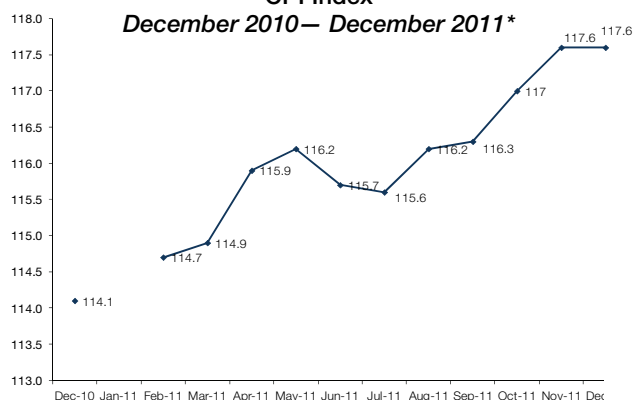
GDP and GDP growth



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

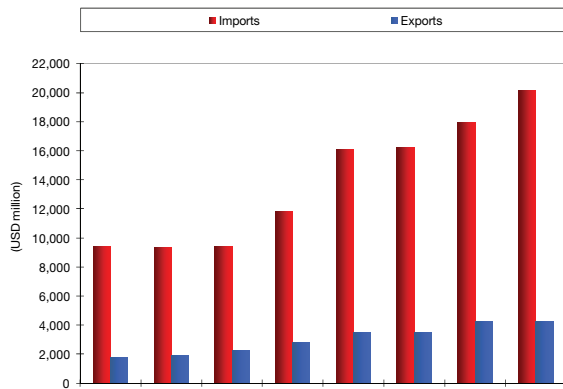
CPI Index

December 2010 – December 2011*



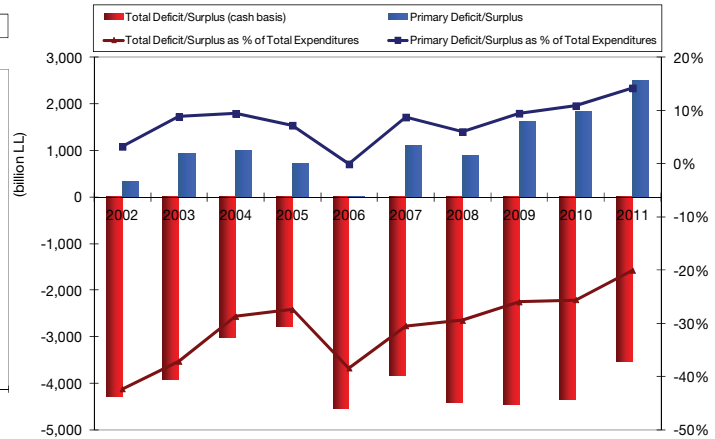
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.
* CAS did not release the January 2011 CPI.

Trade Statistics



Source: MoF, Directorate of Customs

Fiscal Performance

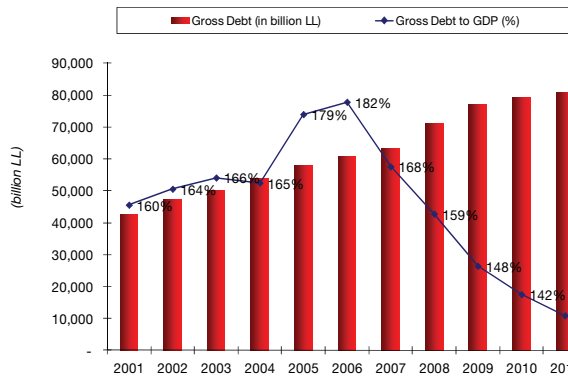


Source: MOF

Note: Revenue figures include the LL 2,261 billion effective transfer by the Ministry of Telecom to the Treasury for the year 2011 of which LL301 billion were transferred in early January 2012.

OVERALL DEBT DATA

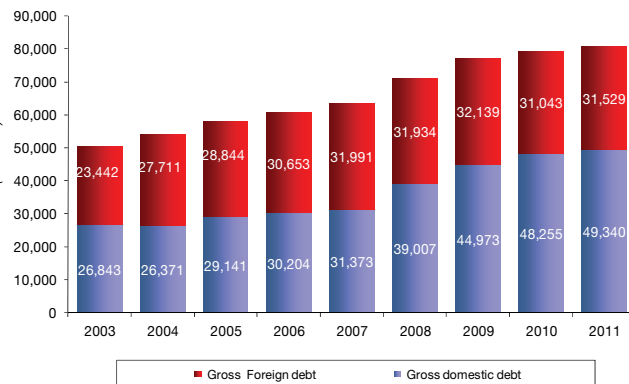
Gross Public Debt



Source: MOF, BDL

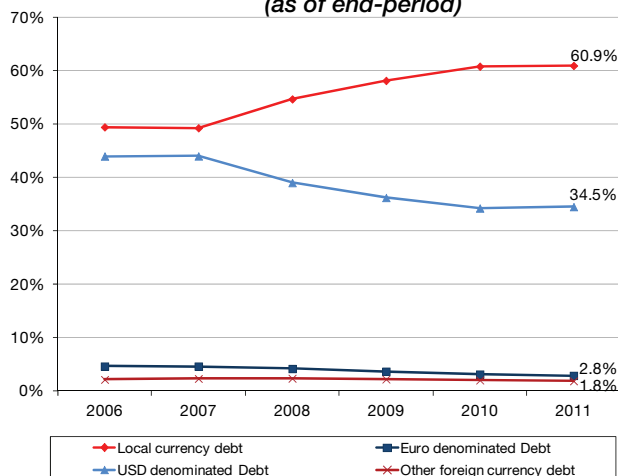
Source GDP: 2001-2010 are National Accounts Committee figures, some of which have been revised.

Historical Debt Evolution



Source: MOF

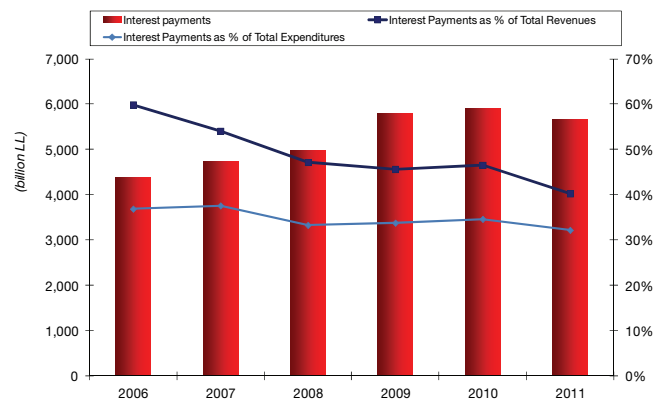
Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

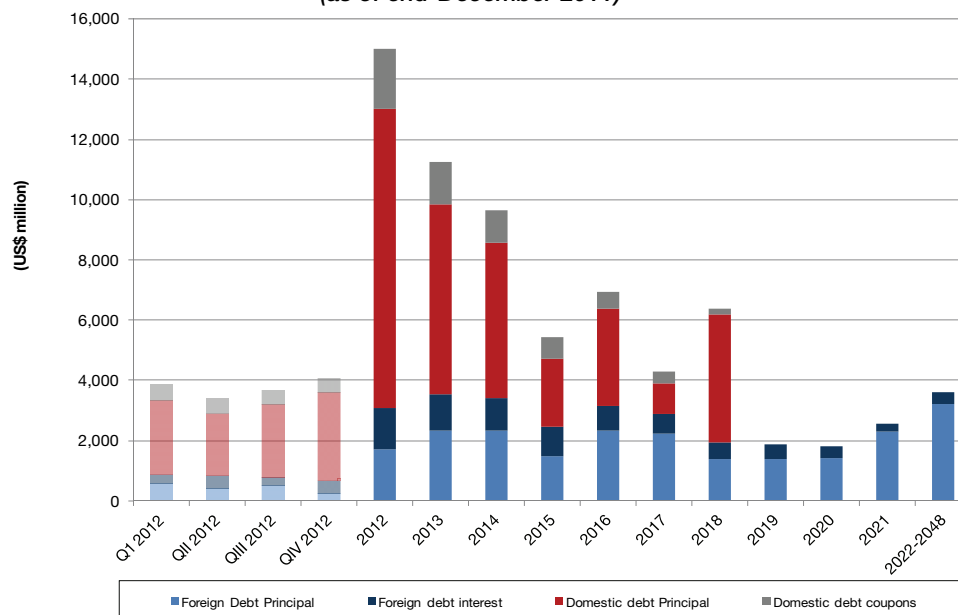
Interest Payments



Source: MOF

Note: Revenue figures include the LL 2,261 billion effective transfer by the Ministry of Telecom to the Treasury for the year 2011 of which LL301 billion were transferred in early January 2012.

Aggregate Debt Amortization Profile (as of end-December 2011)



Source: MoF

Public Debt Table (as of end-December 2011)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Change Dec 10 - Dec 11	% Change Dec 10 - Dec 11
Gross Public Debt (A + B)	57,985	60,857	63,364	70,941	77,112	79,298	80,869	1,571	2.0%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	48,255	49,340	1,085	2.25%
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	3,244	24.7%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	25,177	(2,037)	-7.5%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,789	(122)	-1.5%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	6,538	270	4.3%
o/w Contractor bonds	-	-	-	-	-	-	41	41	-
*Accrued interest included in debt	517	685	730	1,029	999	867	788	(79)	-9.1%
B. Foreign currency debt⁽²⁾	28,844	30,653	31,991	31,934	32,139	31,043	31,529	486	1.57%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,738	27,490	752	2.8%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,677	3,161	(516)	-14.0%
Of which, Paris III at preferential rates ⁽⁴⁾	-	-	754	754	754	709	663	(45)	-6.4%
Of which, market-issued Eurobonds	18,729	20,399	20,780	20,925	21,736	21,870	23,258	1,388	6.3%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	407	(76)	-15.7%
5. Loans	3,682	3,793	4,473	4,698	4,550	4,231	3,959	(272)	-6.4%
5.1 Paris II loans	893	932	907	748	627	460	351	(109)	-23.7%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,147	1,060	(86)	-7.5%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	723	757	34	4.7%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,772	(105)	-5.6%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	18	(6)	-25.0%
6. Other debt	419	419	419	419	447	74	80	6	8.1%
6.1 Special TBIs in Foreign currency ⁽⁶⁾	419	419	419	419	447	74	80	6	8.1%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	11,419	10,984	(435)	-3.8%
Net debt	52,395	56,413	58,837	62,615	66,590	67,879	69,885	2,006	2.96%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	51,308	50,191	(200)	-0.4%
% of total debt	60%	64%	62%	66%	66%	65%	62%	(0)	-4.1%

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-Sep 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).

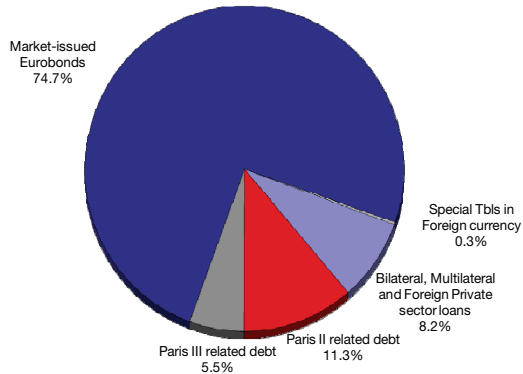
⁽³⁾ Paris II related Eurobonds including Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution.

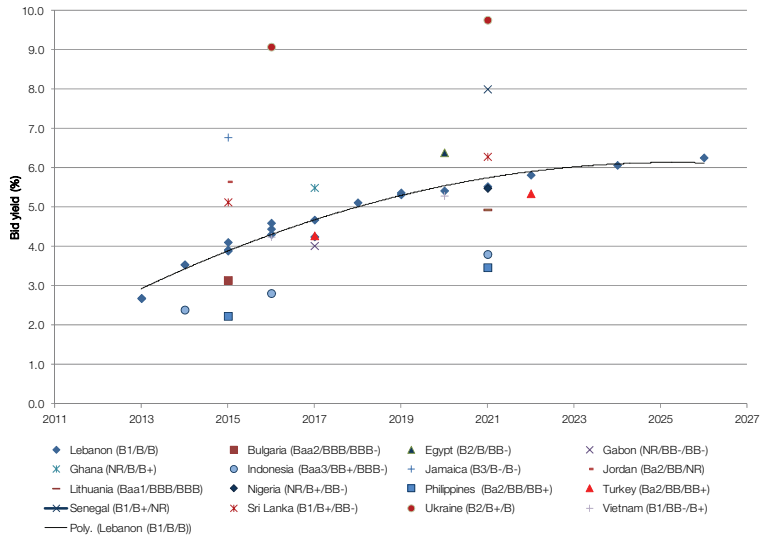
⁽⁵⁾ IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

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

Outstanding Foreign Currency Debt by Holder (as of end-December 2011)



Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds] (as of March 22, 2011)



Source: MOF
Note: Does not include accrued interest.

Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.350 18	100.00	100.50	5.35	5.26	330	321
US Dollars						
LEB 9.125 13	106.25	107.25	3.70	2.87	297	215
LEB 8.625 13	106.25	107.25	3.83	3.15	309	241
LEB 7.375 14	107.25	107.75	4.01	3.79	322	300
LEB 9.000 14	111.00	112.00	4.00	3.58	321	279
LEB 5.875 15	104.50	105.50	4.28	3.93	339	305
LEB 4.000 17 Av Life	97.50	98.50	4.48	4.29	297	278
LEB 10.000 15	117.38	118.38	4.30	4.01	338	309
LEB 8.500 15	115.00	115.50	3.97	3.83	299	285
LEB 8.500 16	115.00	115.63	4.41	4.25	333	317
LEB 11.625 16	126.00	127.00	4.91	4.69	379	356
LEB 4.750 16	100.13	100.63	4.72	4.60	346	334
LEB 9.000 17	119.00	119.50	4.83	4.73	352	342
LEB 5.150 18	99.38	99.88	5.26	5.17	361	352
LEB 6.000 19	103.13	103.63	5.48	5.40	377	369
LEB 5.450 19	100.00	100.50	5.45	5.37	366	358
LEB 6.375 20	105.30	105.80	5.56	5.48	375	367
LEB 8.250 21	117.88	118.38	5.74	5.67	384	377
LEB 6.100 22	101.38	101.88	5.93	5.86	385	379
LEB 7.000 24	106.00	106.50	6.31	6.26	412	407
LEB 6.600 26	100.13	100.63	6.59	6.53	412	407

Source: CS 30th December 2011.

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.350 18	100.38	101.19	5.28	5.13	339	324
US Dollars						
LEB 9.125 13	106.05	106.80	2.69	1.93	165	90
LEB 8.625 13	107.14	107.84	2.68	2.13	172	117
LEB 7.375 14	107.50	108.25	3.54	3.18	289	252
LEB 9.000 14	110.94	111.75	3.54	3.16	287	250
LEB 5.875 15	105.13	105.63	3.92	3.74	313	295
LEB 4.000 17 Av Life	98.75	99.50	4.25	4.10	271	256
LEB 10.000 15	117.56	118.56	3.89	3.57	305	273
LEB 8.500 15	113.63	114.38	4.11	3.89	320	298
LEB 8.500 16	114.56	115.31	4.31	4.11	330	310
LEB 11.625 16	126.75	127.75	4.45	4.22	337	314
LEB 4.750 16	100.63	101.38	4.60	4.41	336	318
LEB 9.000 17	118.98	119.83	4.68	4.51	339	321
LEB 5.150 18	100.19	101.19	5.12	4.94	340	322
LEB 6.000 19	104.00	105.00	5.32	5.15	351	334
LEB 5.450 19	100.50	101.50	5.37	5.21	346	330
LEB 6.375 20	106.13	107.13	5.42	5.27	347	332
LEB 8.250 21	119.13	120.13	5.53	5.41	346	333
LEB 6.100 22	102.19	103.19	5.82	5.69	352	340
LEB 7.000 24	108.13	109.13	6.07	5.96	362	351
LEB 6.600 26	103.25	104.25	6.26	6.15	367	357

Source: CS 22nd March 2012.

Lebanon Sovereign Debt Rating

Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 22 March 2012			
Fitch IBCA Ltd	B	B	Stable
Moody's Investor Services Ltd *	B1	-	Stable
Standard and Poor's**	B	B	Stable

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

**Standard and Poor's affirmed its rating on 31 January 2012.



FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of December 31, 2011)

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
XS0418193750	USD 600 MN - March 2012	292,951,000	292,951,000	2	USD	7.500%	03/19/12	0.22
XS0250883013	EUR 535.639 MN - April 2012	114,697,000	148,263,961	3	EUR	5.875%	04/12/12	0.28
XS0200329950	USD 600 MN - September 2012	238,329,000	238,329,000	2	USD	7.750%	09/07/12	0.69
XS0352629546	USD 875 MN - March 2013	875,000,000	875,000,000	1	USD	9.125%	03/12/13	1.20
XS0222794249	USD 650 MN - June 2013	650,000,000	650,000,000	2	USD	8.625%	06/20/13	1.47
XS0250882809	USD 676.902 MN- April 2014	676,902,000	676,902,000	1	USD	7.375%	04/14/14	2.29
XS0361558413	USD 881.612 MN - May 2014	881,612,000	881,612,000	2	USD	9.000%	05/02/14	2.34
XS0471737105	USD 250 MN - January 2015*	250,000,000	250,000,000	1	USD	5.875%	01/15/15	3.04
XS0381915353	USD 500 MN - August 2015	500,000,000	500,000,000	1	USD	8.500%	08/06/15	3.60
US52238PAJ84	USD 750 MN- January 2016	750,000,000	750,000,000	1	USD	8.500%	01/19/16	4.05
XS0128547147	USD 400 MN - May 2016	400,000,000	400,000,000	1	USD	11.625%	05/11/16	4.36
XS0655338555	USD 500 MN - November 2016*	500,000,000	500,000,000	1	USD	4.750%	11/02/16	4.84
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	1,500,000,000	2	USD	9.000%	03/20/17	5.22
XS0559237952	USD 500 MN - November 2018	500,000,000	500,000,000	1	USD	5.150%	11/12/18	6.87
XS0707821467	EUR 445 MN - November 2018	445,000,000	575,232,678	2	EUR	5.350%	11/28/18	6.92
XS0629509943	USD 650 MN - May 2019	650,000,000	650,000,000	1	USD	6.000%	05/20/19	7.39
XS0707819727	USD 500 MN - November 2019	500,000,000	500,000,000	2	USD	5.450%	11/28/19	7.92
XS0493540297	USD 1,200 MN - March 2020	1,200,000,000	1,200,000,000	1	USD	6.375%	03/09/20	8.19
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	2,092,469,000	3	USD	8.250%	04/12/21	9.29
XS0559237796	USD 1,540 MN - October 2022	1,540,000,000	1,540,000,000	4	USD	6.100%	10/04/22	10.77
XS0471737444	USD 250 MN - December 2024	250,000,000	250,000,000	1	USD	7.000%	12/03/24	12.93
XS0707820659	USD 375 MN - November 2026	375,000,000	375,000,000	2	USD	6.600%	11/27/26	14.92
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III								
XS0312416000	USD 300 MN - July 2017	240,000,000	240,000,000	1	USD	3.750%	07/20/17	3.44
XS0312416778	USD 200 MN - July 2012	200,000,000	200,000,000	1	USD	3.750%	07/20/12	0.25
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II								
XS0160456322	USD 950 MN - December 2017	390,000,000	390,000,000	1	USD	5.000%	12/27/17	3.17
XS0160503347	USD 2,007.511 MN - December 2017	1,204,506,600	1,204,506,600	2	USD	4.000%	12/31/17	3.17
XS0160456322	USD 700 MN - March 2018	455,000,000	455,000,000	1	USD	5.000%	03/07/18	3.17
XS0169203048	USD 200 MN - May 2018	130,000,000	130,000,000	1	USD	5.000%	05/27/18	3.34
							Average Time to Maturity (in years, as of December 31, 2011):	5.69
							Weighted average coupon rate:	7.02%

* 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.

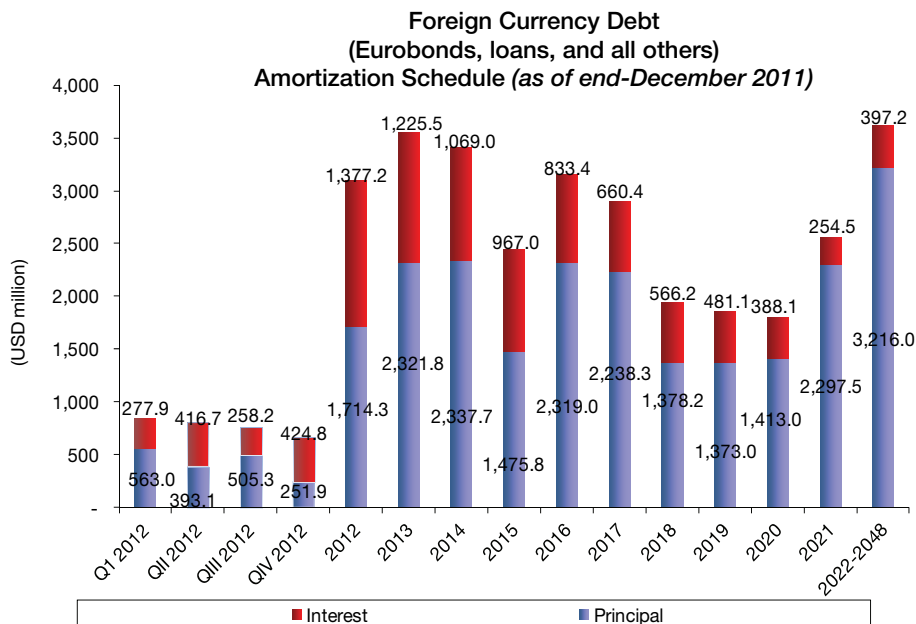
***Eurobonds issued in the context of the Paris II conference are redeemable in 20 equal semiannual payments starting from year 6 (grace period of 5 years from issue date).

Euro exchange rate (US\$/Euro) (30 December 2011): 1.293

FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
28-Nov-11	62 (2)	7.0	28-Nov-2018	5.350	5.350	EUR 24.058	XS0707821467
28-Nov-11	62	7.0	28-Nov-2018	5.350	5.350	EUR 420.942	XS0707821467
28-Nov-11	61 (2)	15.0	27-Nov-2026	6.600	6.600	USD 139.463 MN	XS0707820659
28-Nov-11	61	15.0	27-Nov-2026	6.600	6.600	USD 235.537 MN	XS0707820659
28-Nov-11	60 (2)	8.0	28-Nov-2019	5.450	5.450	USD 66.817 MN	XS0707819727
28-Nov-11	60	8.0	28-Nov-2019	5.450	5.450	USD 433.183 MN	XS0707819727
2-Aug-11	57 (4)	11 (long)	4-Oct-2022	6.100	6.200	USD 700 MN	XS0559237796
2-Aug-11	59	5 (long)	2-Nov-2016	4.750	4.750	USD 500 MN	XS0655338555
20-May-11	58	8.0	20-May-2019	6.000	6.000	USD 650 MN	XS0629509943
20-May-11	57 (3)	11.4	4-Oct-2022	6.100	6.475	USD 350 MN	XS0559237796
18-Jan-11	57 (2)	11.7	4-Oct-2022	6.100	6.100	USD 265 MN*	XS0559237796

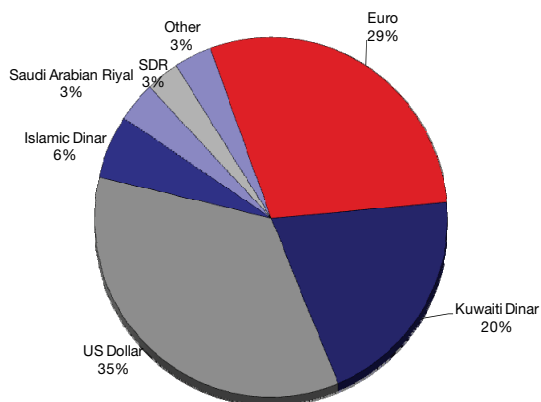
* Re-opening of Series 57 through a "Debt Replacement Agreement" between the Ministry of Finance (MoF) and Banque du Liban (BdL).



Source: MOF

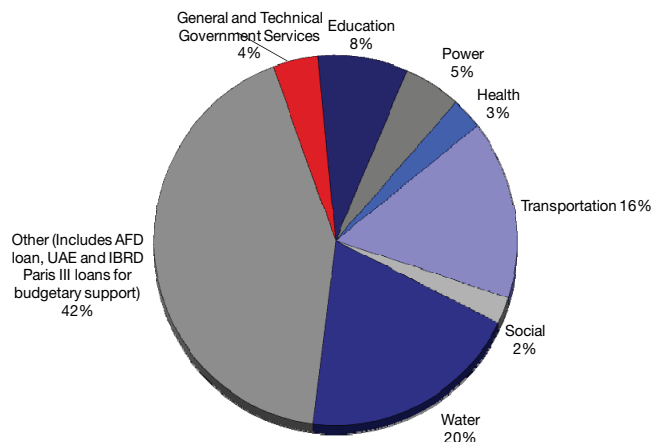
FOREIGN CURRENCY LOANS DATA

**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-December 2011)**



Total Outstanding LL 3,959 billion

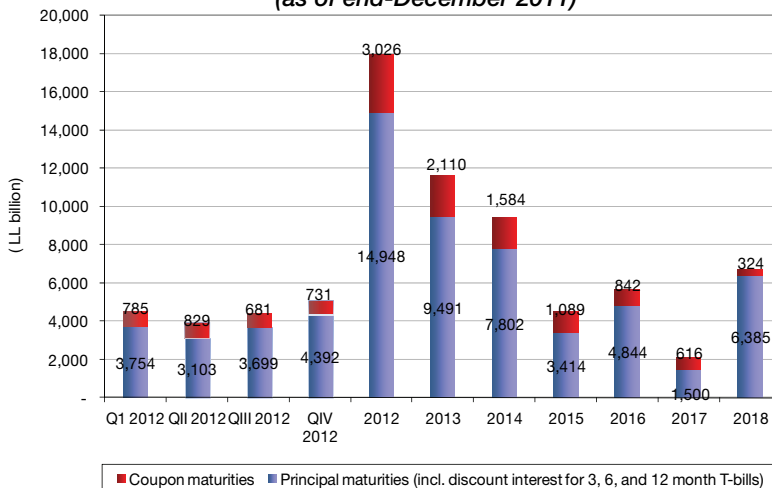
**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by sector
(as of end-December 2011)**



Total Outstanding LL 3,959 billion

Source: MOF, BDL

**Amortization Schedule of Domestic T-bills and Notes
(as of end-December 2011)**



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

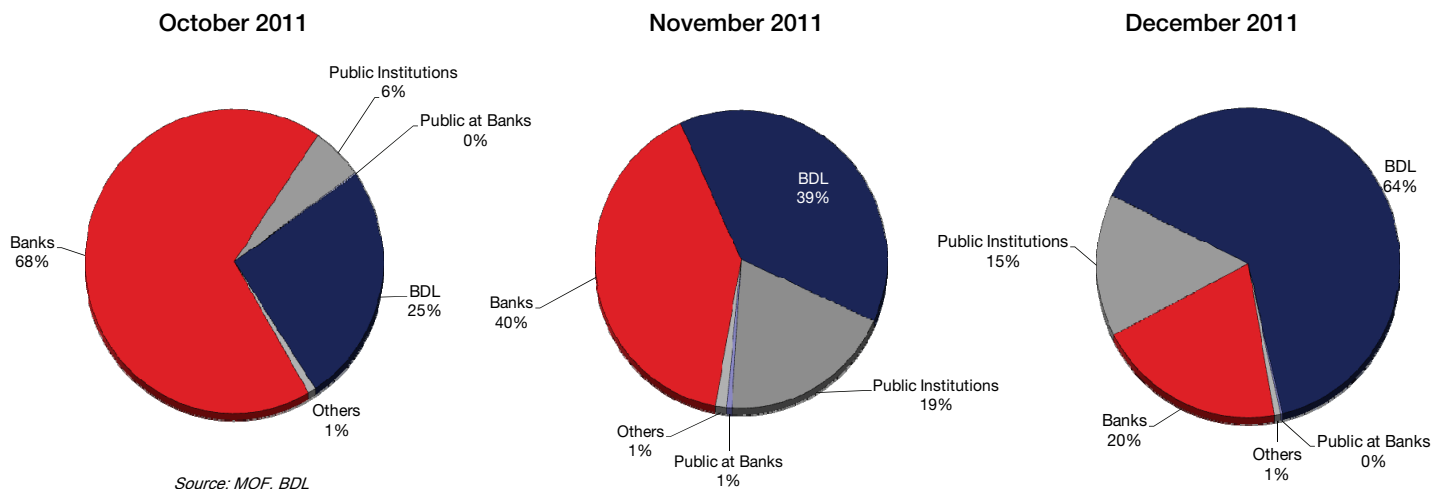
As of end-December 2011: **2.64 years**

Source: MOF, BDL

Upcoming Government Treasury Bill and Bond Auctions

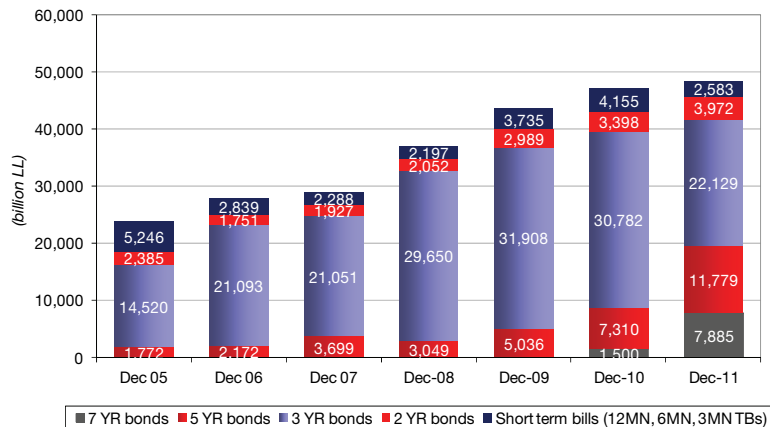
Auction Date	Value Date	Tenors to be auctioned
19-Mar-12	22-Mar-12	12 MN, 2YR, 3YR
26-Mar-12	29-Mar-12	3 MN, 6 MN, 5YR
2-Apr-12	5-Apr-12	12 MN, 2YR, 3YR
9-Apr-12	12-Apr-12	3 MN, 6 MN, 5YR
16-Apr-12	19-Apr-12	12 MN, 2YR, 3YR
23-Apr-12	26-Apr-12	3 MN, 6 MN, 5YR
30-Apr-12	3-May-12	12 MN, 2YR, 3YR

T-Bill and Bond Subscription Results by Holder During QIV 2011



Source: MOF, BDL

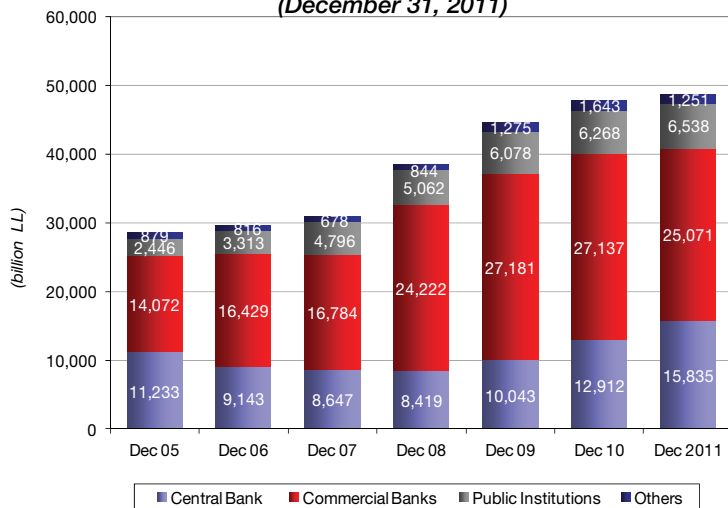
Domestic T-bills Outstanding by Tenor Type (December 31, 2011)



Source: MOF, BDL

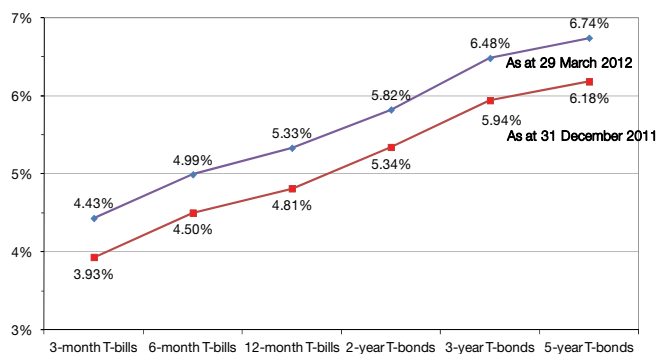
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (December 31, 2011)



Source: MOF, BDL

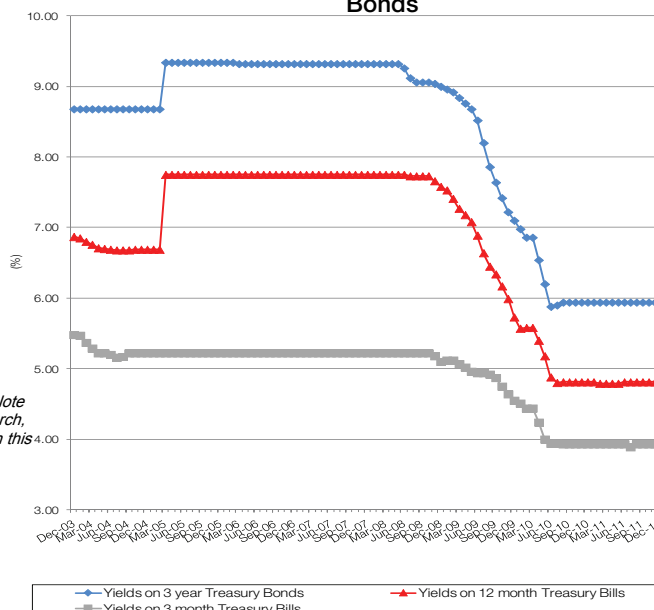
Yield Curve for Auctioned T-Bills and Bonds



Note: 7-yr Treasury bonds were introduced in December 2010 under the LBP Medium-Term Note Program with a coupon of 7.90 percent. 7YR bond 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 table as they were not part of the auction process.

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



Source: MOF