

# DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 20, Quarter I 2012



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

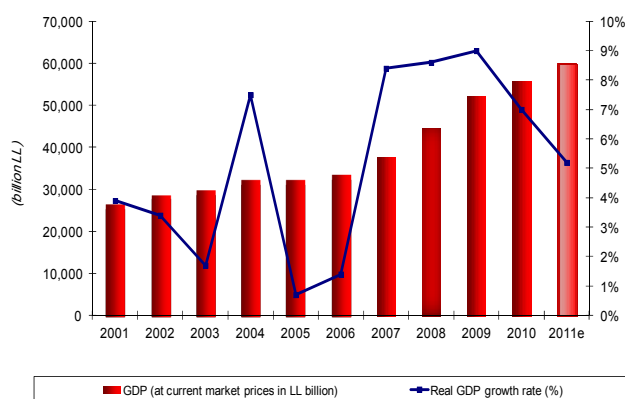
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## HIGHLIGHTS

- By the end of QI 2012, gross public debt stood at LL 81,564 billion (US\$ 54.11 billion), higher than end-2011 levels by 0.84 percent.
- At LL 70,757 billion (US\$ 46.94 billion) by the end of QI 2012, net public debt increased by 1.22 percent from the end-2011 level.
- Domestic currency debt registered LL 50,491 billion at the end of QI 2012, an increase of 2.33 percent compared to end-December 2011.
- The highest subscriber of Treasury bills and bonds in QI 2012 were commercial banks with 43 percent of subscriptions. Decreasing from 45 percent in QIV 2011, BDL captured 40 percent of subscriptions during QI 2012, compared to 15 percent for public institutions.
- Primary market rates on Treasury bills and bonds ended in QI 2012 at a level higher than the levels as at end of QIV 2011 by an average of 52 bps.
- Foreign currency debt totaled LL 31,073 billion (US\$ 20.61 billion) at the end of QI 2012, a 1.5 percent decrease since the end of December 2011.
- On January 23, 2012, pursuant to Law No 450 dated July 29, 2002 (amending Law No 95 date June 18, 1999), the Republic issued U.S.\$16,516,566 in aggregate principal amount of bonds to settle expropriation claims. The bonds mature on January 23, 2017 and carry an interest rate of 4.70 percent.

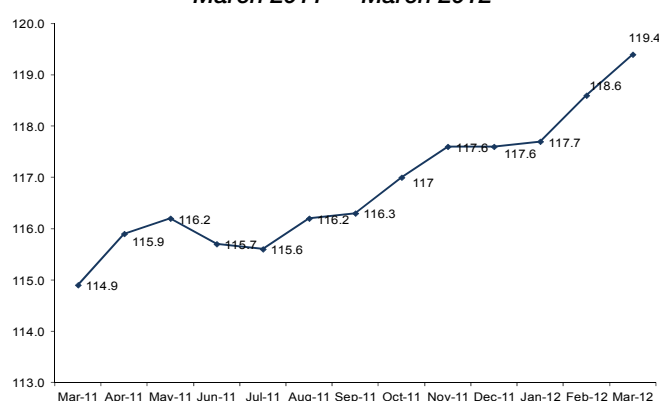
## THE LEBANESE ECONOMY

**GDP and GDP growth**



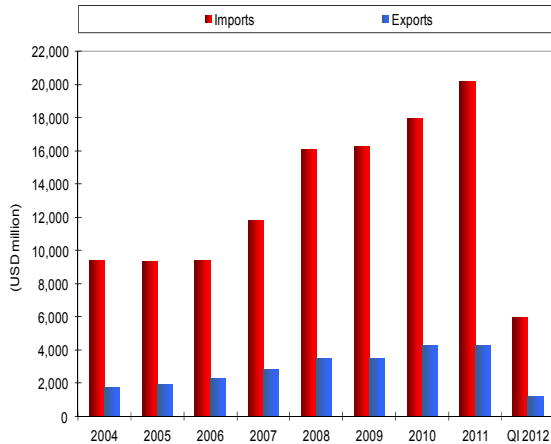
Source: 2001-2010 are National Accounts Committee figures, some of which have been revised.  
2011 GDP : Latest estimates (May 2012).

**CPI Index**  
**March 2011 – March 2012**



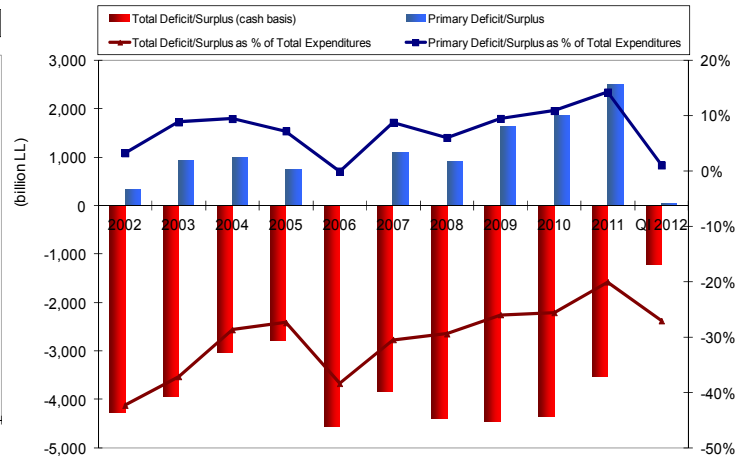
Source: Central Administration of Statistics  
Consumer Price Index base year December 2007 = 100.

## Trade Statistics



Source: MoF, Directorate of Customs

## Fiscal Performance

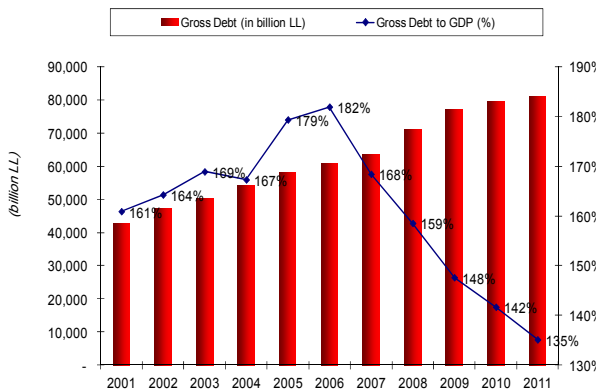


Source: MOF

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 March 2012 Public Finance Monitor.

# OVERALL DEBT DATA

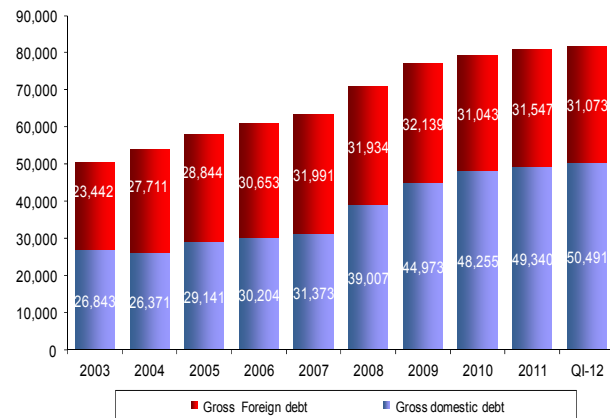
## Gross Public Debt



Source: MOF, BDL

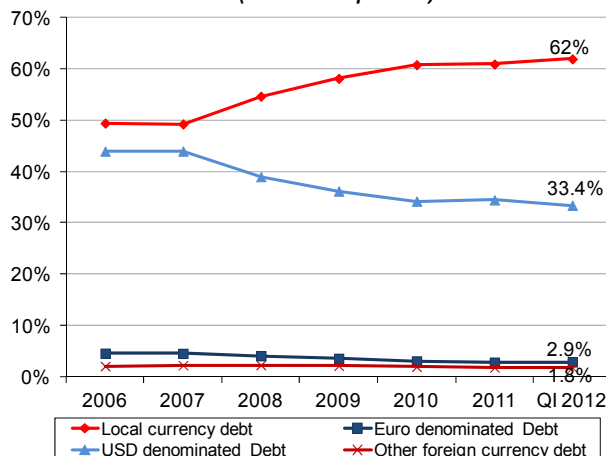
Source GDP: 2001-2011 are National Accounts Committee figures, some of which have been revised.  
2011 GDP: Latest estimates (May 2012).

## Historical Debt Evolution



Source: MOF, BDL

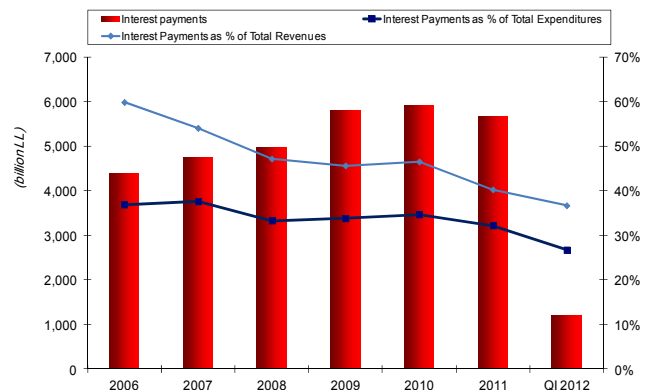
## Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

## Interest Payments

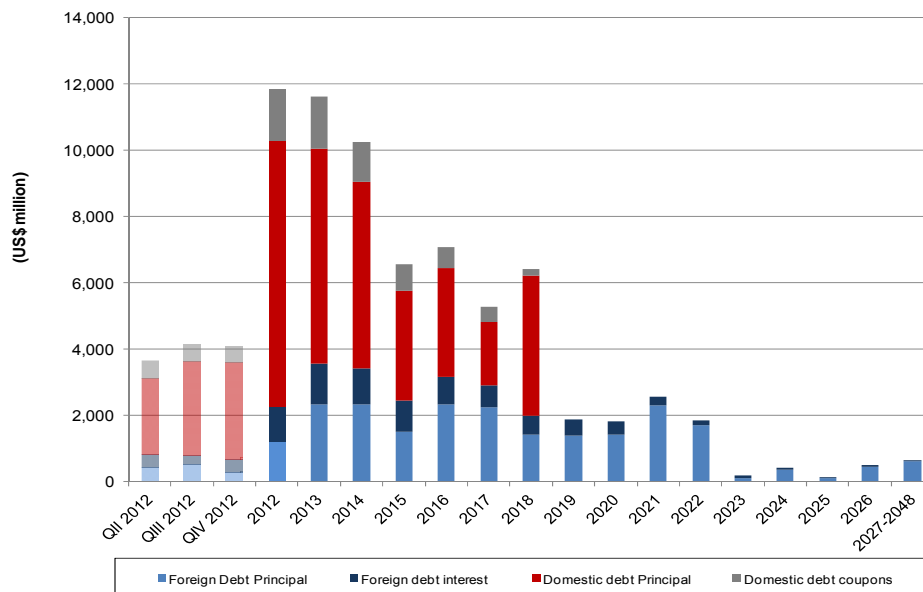


Source: MOF

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 March 2012 Public Finance Monitor.

# OVERALL DEBT DATA

## Aggregate Debt Amortization Profile (as of end-March 2012)



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

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Mar-12	Change Dec 11 - Mar 12	% Change Dec 11 - Mar 12
<b>Gross Public Debt (A + B)</b>	57,985	60,857	63,364	70,941	77,112	79,298	80,887	81,564	677	0.8%
<b>A. Local currency debt</b>	29,141	30,204	31,373	39,007	44,973	48,255	49,340	50,491	1,151	2.3%
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	18,006	1,632	10.0%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	25,177	24,618	(559)	-2.2%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,789	7,867	78	1.0%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	6,538	6,638	100	1.5%
o/w Contractor bonds	-	-	-	-	-	-	41	41	-	0.0%
*Accrued interest included in debt	517	685	730	1,029	999	867	788	756	(32)	-4.1%
<b>B. Foreign currency debt<sup>(2)</sup></b>	28,844	30,653	31,991	31,934	32,139	31,043	31,547	31,073	(474)	-1.5%
<b>4. Eurobonds</b>	24,743	26,441	27,099	26,817	27,142	26,738	27,490	26,953	(537)	-2.0%
Of which, Paris II at preferential rates <sup>(3)</sup>	5,608	5,608	5,156	4,708	4,192	3,677	3,161	3,108	(53)	-1.7%
Of which, Paris III at preferential rates <sup>(4)</sup>	-	-	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	22,852	(407)	-1.7%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	407	503	96	23.6%
<b>5. Loans</b>	3,682	3,793	4,473	4,698	4,550	4,231	3,977	4,014	37	0.9%
5.1 Paris II loans	893	932	907	748	627	460	351	322	(29)	-8.3%
5.2 Paris III loans <sup>(5)</sup>	-	-	603	1,095	1,210	1,147	1,060	1,057	(4)	-0.3%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	723	766	818	52	6.7%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,781	1,799	18	1.0%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	18	18	-	0.0%
<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	10,807	(177)	-1.6%
<b>Net debt</b>	52,395	56,413	58,837	62,615	66,590	67,879	69,903	70,757	854	1.2%
<b>Gross Market debt<sup>(7)</sup></b>	34,720	38,670	39,219	46,992	51,231	51,308	50,191	49,326	(866)	-1.7%
<b>% of total debt</b>	60%	64%	62%	66%	66%	65%	62%	60%	(0)	-2.5%

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 loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

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

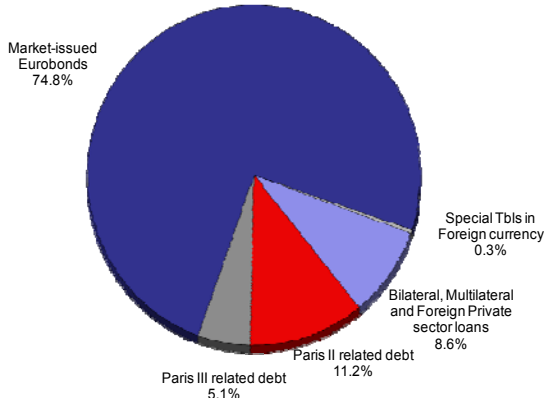
<sup>(7)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

# FOREIGN CURRENCY DEBT DATA



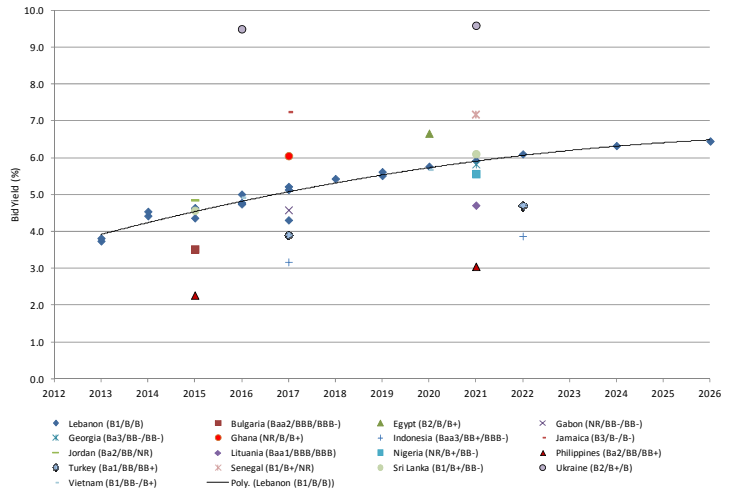
REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

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



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

## Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds] (as of June 27, 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	100.38	101.25	5.28	5.12	342	332
<b>US Dollars</b>						
LEB 9.125 13	106.00	106.88	2.61	1.71	167	157
LEB 8.625 13	106.88	107.75	2.81	2.11	203	192
LEB 7.375 14	107.50	108.38	3.51	3.08	272	262
LEB 9.000 14	111.00	111.88	3.47	3.06	272	262
LEB 5.875 15	104.88	105.88	4.00	3.63	317.84	307.84
LEB 4.000 17 Av Life	99.50	100.00	4.10	4.00	269.9	259.9
LIEB 10.000 15	117.50	118.64	3.88	3.52	295.31	285.31
LEB 8.500 15	113.50	114.50	4.13	3.83	326.09	316.09
LEB 8.500 16	114.25	115.38	4.38	4.08	335.71	325.71
LEB 11.625 16	126.75	128.00	4.42	4.13	334.01	324.01
LEB 4.750 16	100.50	101.38	4.63	4.41	343.49	333.49
LEB 5.000 17	100.00	100.25	5.00	4.95	363	358
LEB 9.000 17	118.75	119.88	4.72	4.49	347.06	337.06
LEB 5.150 18	100.13	101.38	5.13	4.90	347	337
LEB 6.000 19	104.25	105.25	5.28	5.11	353.67	343.67
LEB 5.450 19	100.50	101.38	5.37	5.23	353.4	343.4
LEB 6.375 20	105.88	106.88	5.45	5.30	358.47	348.47
LEB 8.250 21	118.75	119.75	5.58	5.45	357.59	347.59
LEB 6.100 22	102.13	103.13	5.83	5.70	360.29	350.29
LEB 7.000 24	108.00	109.13	6.08	5.96	370.07	360.07
LEB 6.600 26	102.50	103.75	6.33	6.21	379.11	369.11

Source: CS 30st March 2012

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
<b>EURO</b>						
LEB 5.350 18	100.50	101.50	5.25	5.06	374	355
<b>US Dollars</b>						
LEB 9.125 13	103.63	104.63	3.74	2.34	331	190
LEB 8.625 13	104.50	105.50	3.82	2.79	335	233
LEB 7.375 14	105.00	106.00	4.42	3.86	389.8	333.1
LEB 9.000 14	107.75	108.75	4.54	4.00	401	347
LEB 5.875 15	103.00	104.00	4.61	4.20	403.1	361.9
LEB 4.000 17 Av Life	98.50	100.00	4.31	4.00	325.1	294.1
LIEB 10.000 15	114.75	115.75	4.37	4.02	377	342.2
LEB 8.500 15	111.00	112.00	4.64	4.31	401.2	368.5
LEB 8.500 16	112.00	113.00	4.78	4.49	408.4	379.7
LEB 11.625 16	124.00	125.00	4.74	4.49	400.2	375.3
LEB 4.750 16	99.00	100.00	5.01	4.75	417	391
LEB 5.000 17	99.00	100.00	5.22	5.00	420.8	398.9
LEB 9.000 17	116.00	117.00	5.13	4.92	424.6	402.7
LEB 5.150 18	98.50	100.00	5.43	5.15	422.9	394.7
LEB 6.000 19	102.75	103.75	5.51	5.34	423.7	406.4
LEB 5.450 19	99.00	101.00	5.62	5.28	425.4	392.2
LEB 6.375 20	103.75	104.75	5.76	5.60	437.4	421.5
LEB 8.250 21	115.75	117.00	5.92	5.75	442.2	425.4
LEB 6.100 22	100.00	101.50	6.10	5.90	440.7	420.8
LEB 7.000 24	105.75	106.75	6.32	6.21	447.5	436.2
LEB 6.600 26	101.40	102.38	6.45	6.35	448	437.6

Source: CS 27th June 2012

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of June 27, 2012			
Fitch IBCA Ltd	B	B	Stable
Moody's Investor Services Ltd *	B1	-	Stable
Standard and Poor's**	B	B	Negative

\*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 March 31, 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
XS0250883013	EUR 535.639 MN - April 2012	114,697,000	152,990,530	3	EUR	5.875%	04/12/12	0.03
XS0200329950	USD 600 MN - September 2012	238,329,000	238,329,000	2	USD	7.750%	09/07/12	0.44
XS0352629546	USD 875 MN - March 2013	875,000,000	875,000,000	1	USD	9.125%	03/12/13	0.95
XS0222794249	USD 650 MN - June 2013	650,000,000	650,000,000	2	USD	8.625%	06/20/13	1.22
XS0250882809	USD 676.902 MN- April 2014	676,902,000	676,902,000	1	USD	7.375%	04/14/14	2.04
XS0361558413	USD 881.612 MN - May 2014	881,612,000	881,612,000	2	USD	9.000%	05/02/14	2.09
XS0471737105	USD 250 MN January 2015*	250,000,000	250,000,000	1	USD	5.875%	01/15/15	2.79
XS0381915353	USD 500 MN - August 2015	500,000,000	500,000,000	1	USD	8.500%	08/06/15	3.35
US52238PAJ84	USD 750 MN- January 2016	750,000,000	750,000,000	1	USD	8.500%	01/19/16	3.81
XS0128547147	USD 400 MN - May 2016	400,000,000	400,000,000	1	USD	11.625%	05/11/16	4.12
XS0655338555	USD 500 MN - November 2016*	500,000,000	500,000,000	1	USD	4.750%	11/02/16	4.59
XS0418193917	USD 1,500 MN March 2017	1,500,000,000	1,500,000,000	2	USD	9.000%	03/20/17	4.97
XS0559237952	USD 500 MN - November 2018	500,000,000	500,000,000	1	USD	5.150%	11/12/18	6.62
XS0707821467	EUR 445 MN- November 2018	445,000,000	593,570,762	2	EUR	5.350%	11/28/18	6.67
XS0629509943	USD 650 MN - May 2019	650,000,000	650,000,000	1	USD	6.000%	05/20/19	7.14
XS0707819727	USD 500 MN - November 2019	500,000,000	500,000,000	2	USD	5.450%	11/28/19	7.67
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1,200,000,000	1	USD	6.375%	03/09/20	7.95
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	2,092,469,000	3	USD	8.250%	04/12/21	9.04
XS0559237796	USD 1,540 MN - October 2022	1,540,000,000	1,540,000,000	4	USD	6.100%	10/04/22	10.52
XS0471737444	USD 250 MN - December 2024	250,000,000	250,000,000	1	USD	7.000%	12/03/24	12.68
XS0707820659	USD 375 MN - November 2026	375,000,000	375,000,000	2	USD	6.600%	11/27/26	14.67
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS III</b>								
XS0312416778	USD \$200 MN due July 2012	100,000,000	100,000,000	1	USD	3.750%	07/20/12	0.25
XS0312416000	USD \$300 MN due July 2017	225,000,000	225,000,000	1	USD	3.750%	07/20/17	3.42
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS II</b>								
XS0160456322	USD 950 MN - December 2017	390,000,000	390,000,000	1	USD	5.000%	12/27/17	2.92
XS0160503347	USD 2,007.511 MN - December 2017	1,204,506,600	1,204,506,600	2	USD	4.000%	12/31/17	2.92
XS0160456322	USD 700 MN - March 2018	420,000,000	420,000,000	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	3.09
						Average Time to Maturity (in years, as of March 31, 2012):	5.58	
						Weighted average coupon rate:	7.04%	

\* 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.

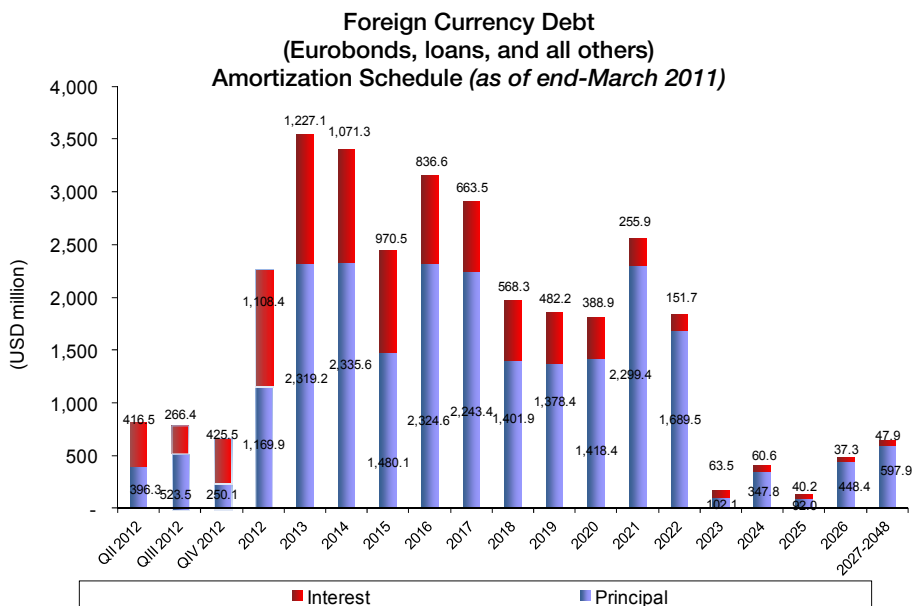
\*\*\*Eurobonds issued in the context of the Paris II conference are redeemable in 20 equal semiannual payments starting from year 6 (grace period of 5 years from issue date).

Euro exchange rate (US\$/Euro) (30 March 2012): 1.334

# FOREIGN CURRENCY DEBT DATA

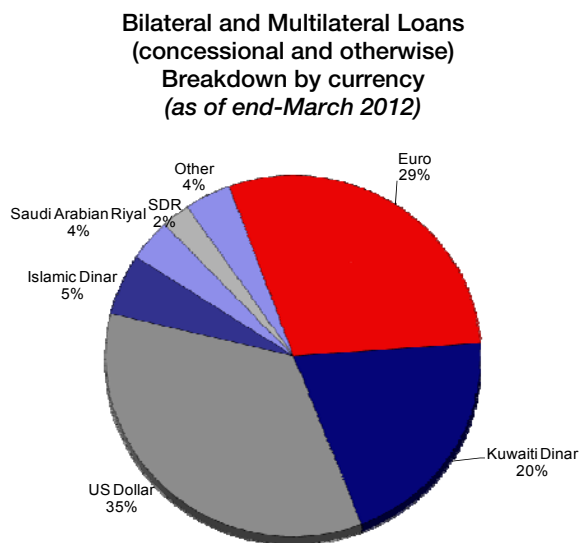
Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
12-Apr-2012	61 (3)	14.6	27-Nov-2026	6.600	6.375	USD 350 MN	XS0707820659
12-Apr-2012	63	5.5	12-Oct-2017	5.000	5.000	USD 600 MN	XS0769530238
28-Nov-2011	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
20-May-2011	58	8.0	20-May-2019	6.000	6.000	USD 650 MN	XS0629509943
20-May-2011	57 (3)	11.4	4-Oct-2022	6.100	6.475	USD 350 MN	XS0559237796

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

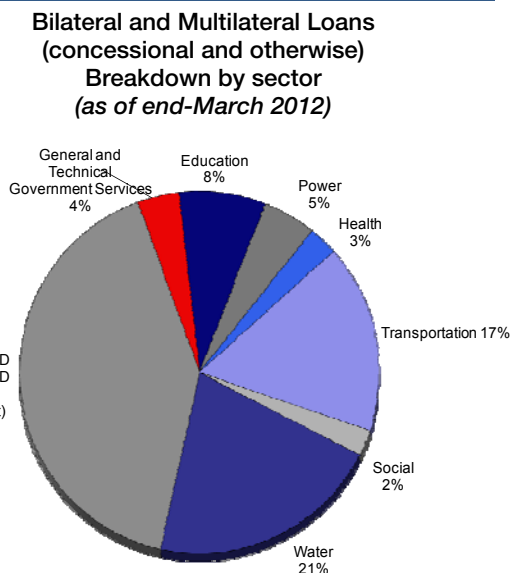


Source: MOF, BDL

# FOREIGN CURRENCY LOANS DATA



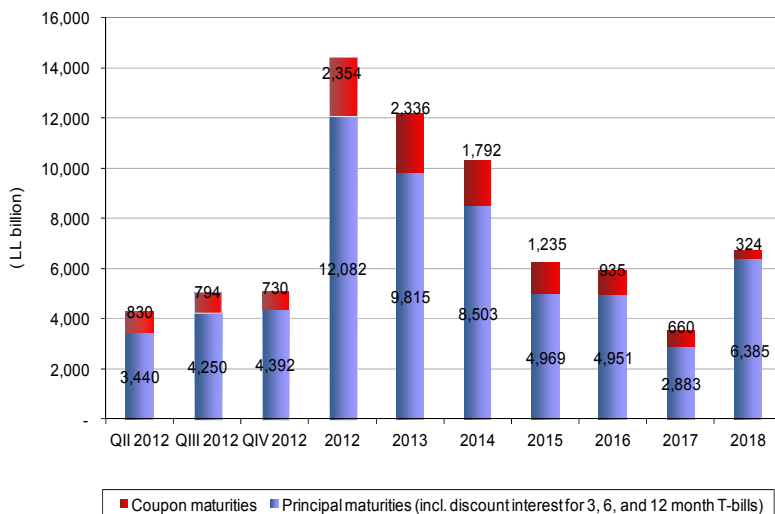
Total Outstanding LL 4,014 billion



Total Outstanding LL 4,014 billion

Source: MOF, BDL

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



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

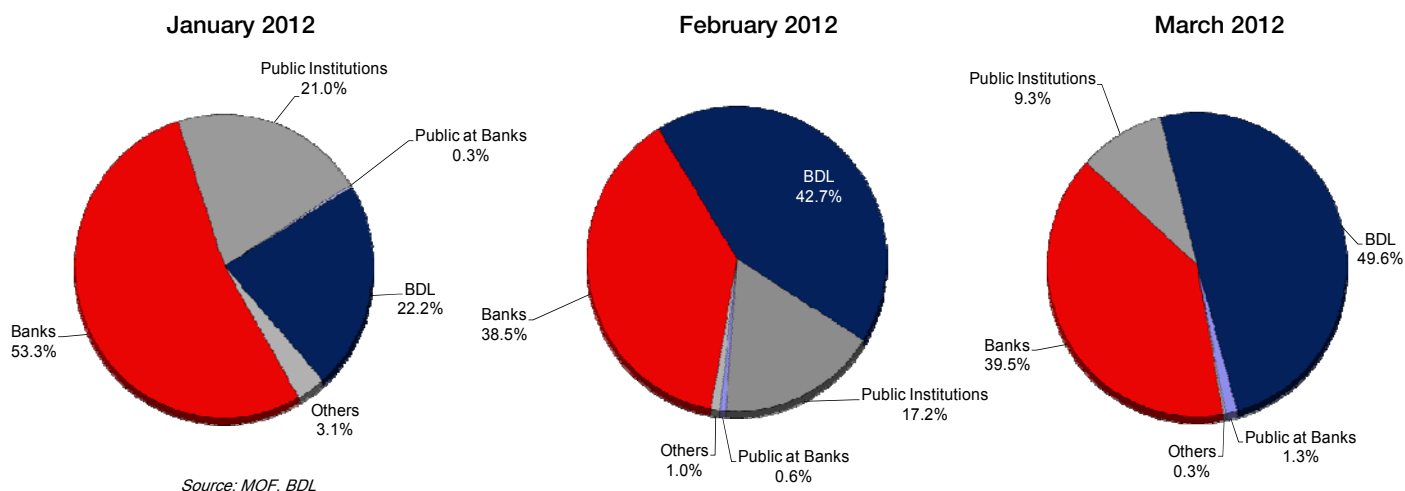
As of end-March 2012 **2.62 years**

Source: MOF, BDL

## Upcoming Government Treasury Bill and Bond Auctions

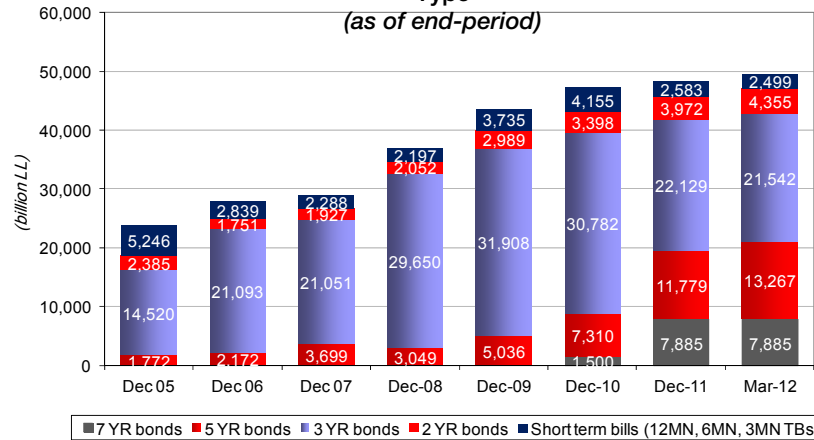
Auction Date	Value Date	Tenors to be auctioned
02-Jul-12	05-Jul-12	3 MN, 6 MN, 5YR
09-Jul-12	12-Jul-12	12 MN, 2YR, 3YR
16-Jul-12	19-Jul-12	3 MN, 6 MN, 5YR
23-Jul-12	26-Jul-12	12 MN, 2YR, 3YR
30-Jul-12	02-Aug-12	3 MN, 6 MN, 5YR
06-Aug-12	09-Aug-12	12 MN, 2YR, 3YR
13-Aug-12	16-Aug-12	3 MN, 6 MN, 5YR
20-Aug-12	23-Aug-12	12 MN, 2YR, 3YR
27-Aug-12	30-Aug-12	3 MN, 6 MN, 5YR

## T-Bill and Bond Subscription Results by Holder During QI 2012

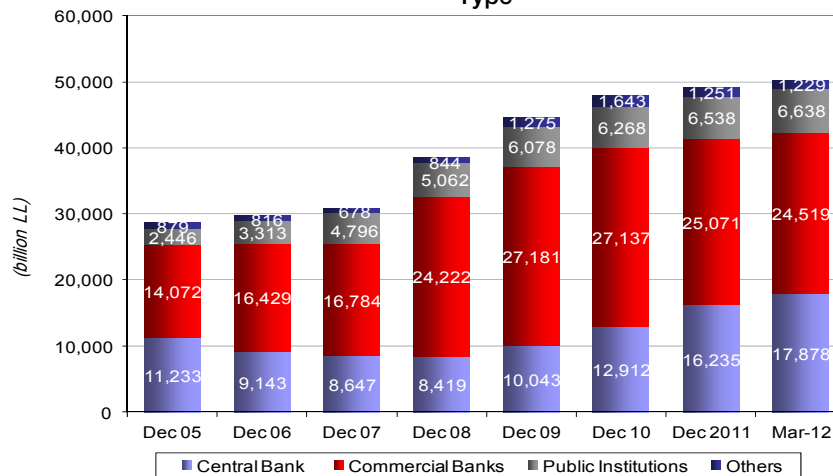


Source: MOF, BDL

## Domestic T-bills and Bonds Outstanding by Tenor Type



## Domestic T-bills and Bonds Outstanding by Investor Type



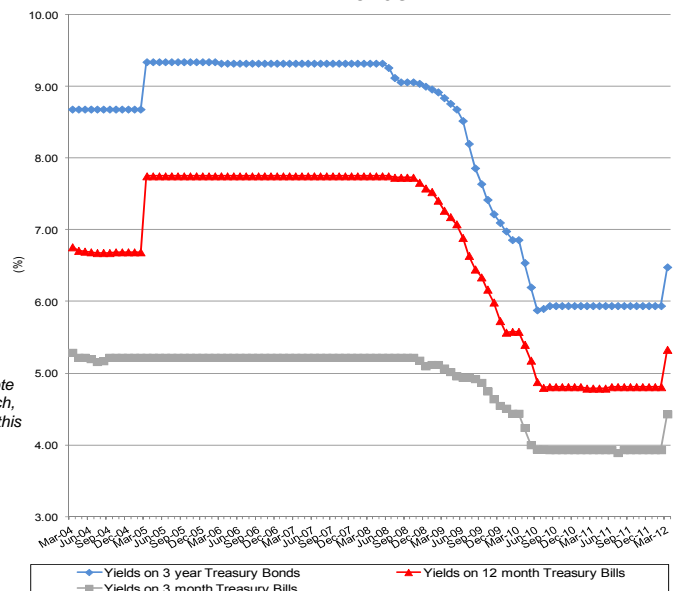
## Yield Curve for Auctioned T-Bills and Bonds



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 graph 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