

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 5, Quarter II 2008



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

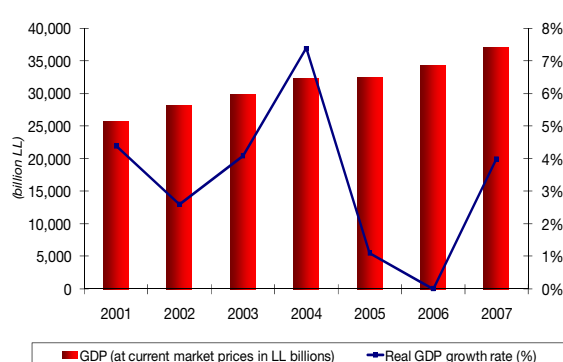
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HIGHLIGHTS

- By the end of June 2008, gross public debt reached LL 67,060 billion (US\$ 44.5 billion), a 5.83 percent increase over the end-December 2007 level.
- By end-June 2008, net public debt stood at LL 60,909 billion (US\$ 40.4 billion), registering an increase of LL 2,072 billion over the end-December 2007 level.
- By end-June 2008, domestic currency debt registered LL 34,672 billion, higher than the end-December 2007 level by 10.52 percent.
- Starting June 12th, high demand on Treasury bills and notes has been noted with primary market rates on a gradually decreasing trend. By end-June 2008, the primary market rates on 36 month notes decreased by 6 bps to 9.26 percent.
- By end-June 2008, foreign currency debt totaled LL 32,388 billion, 1.24 percent higher than the end-December 2007 level.
- In May 2008 the Lebanese Republic issued a US\$ 881.612 million 9 percent coupon Eurobond due 2014 at a yield of 9.000 percent. The issue was a result of: i) the successful completion of a voluntary debt exchange offer for the 7.000 percent notes due May 2008, 7.375 percent notes due June 2008 and 10.125 percent notes due August 2008, which settled on May 2nd, 2008. The aggregate participation rate for the offer was 58.53 percent; and ii) the issuance of new notes worth US\$ 150 million which settled on May 12th, 2008. The proceeds of the transactions were used for refinancing purposes. By June 27th 2008 the bond was trading at a bid yield of 8.44 percent.
- The disbursement of a United States Agency for International Development (USAID) grant worth US\$ 125 million to cover Lebanon's debt service to the World Bank was completed on June 1, 2008. Of this amount, \$100.7 million was received in QI 2008 and US\$ 10.2 million was received in QII 2008.

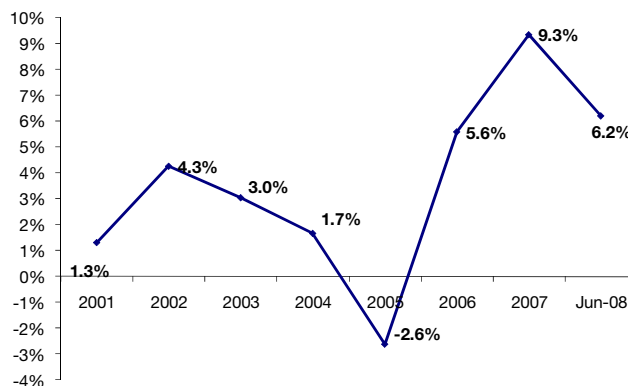
THE LEBANESE ECONOMY

GDP and GDP growth



Source: 2000-2003 are National Accounts Committee figures
2004-2006 are Banque Du Liban (BDL) figures
2007 Figures are as per latest BDL and IMF estimates

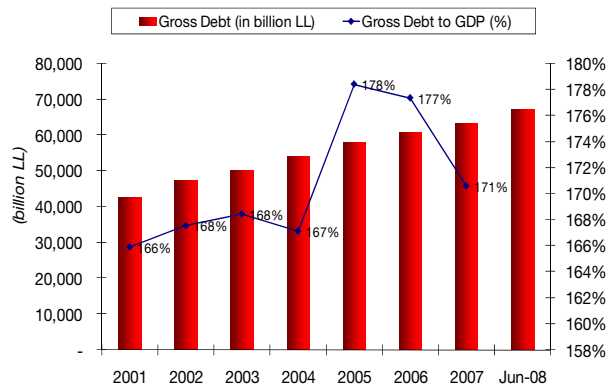
CPI % change



Source: Central Administration of Statistics
Consumer Price Index : 2001-2007, 1998 = 100 (base year), For June 2008, December 2007 = 100.

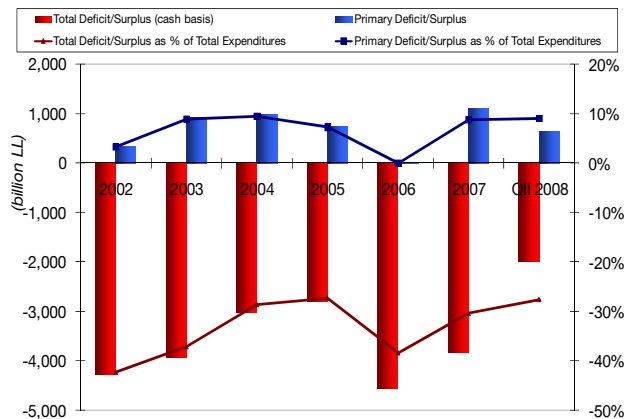
OVERALL DEBT DATA

Gross Public Debt



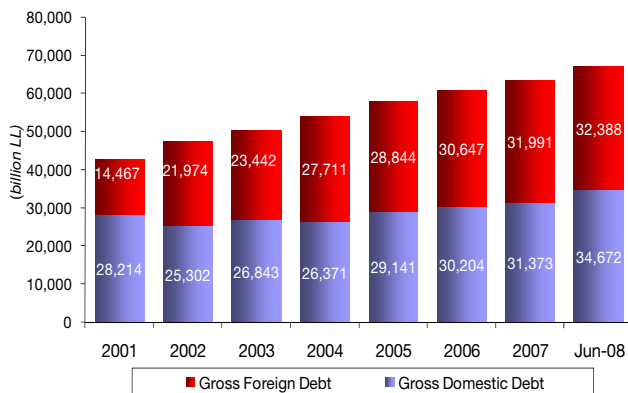
Source: MOF, BDL
Note: 2007 GDP figures are based on BDL, IMF GDP estimate.

Fiscal Performance



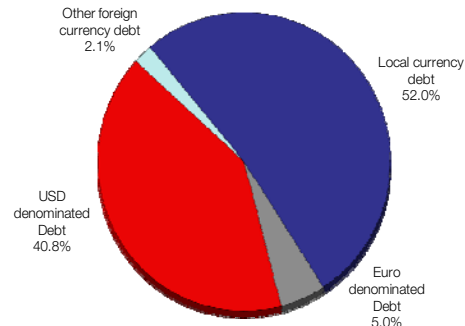
Source: MOF

Historical Debt Evolution



Source: MOF

Outstanding Debt by Currency Composition as of end-June 2008



Source: MOF

Public Debt (in LL billion)	Dec-04	Dec-05	Dec-06	Dec-07	Jun-08	Change Dec 07 -Jun 08	% Change Dec 07- Jun 08
Gross Public debt	54,082	57,985	60,851	63,364	67,060	3,696	5.83%
Local currency debt	26,371	29,141	30,204	31,373	34,672	3,299	10.52%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	10,652	11,686	9,588	9,052	9,054	2	0.02%
b. Commercial Banks	12,220	14,130	16,487	16,847	20,055	3,208	19.04%
c. Other Local Currency Debt (T-bills) o/w Public entities	3,500	3,325	4,129	5,474	5,563	89	1.63%
*Accrued interest included in debt	356	517	685	754	861	107	14.19%
Foreign currency debt⁽²⁾	27,711	28,844	30,647	31,991	32,388	397	1.24%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	2,963	2,983	20	0.67%
b. Paris II related debt (Eurobonds and Loans) ⁽³⁾	6,634	6,501	6,540	6,063	5,859	(203)	-3.35%
c. Paris III related debt (Eurobonds and Loans) ⁽⁴⁾	-	-	-	1,357	1,830	473	34.87%
d. Market-issued Eurobonds	17,686	18,729	20,399	20,780	20,927	147	0.71%
e. Accrued Interest on Eurobonds	388	406	434	410	370	(40)	-9.76%
f. Special Tbps in Foreign currency ⁽⁵⁾	-	419	419	419	419	-	0.00%
Public sector deposits	4,359	5,590	4,444	4,527	6,151	1,624	35.87%
Net debt	49,723	52,395	56,407	58,837	60,909	2,072	3.52%
Gross Market debt⁽⁶⁾	31,606	34,563	38,555	39,221	42,635	3,414	8.71%
% of total debt	58%	60%	63%	62%	64%	2%	2.85%

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 04 - Dec 07 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

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

⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution, IBRD Loans, UAE Loan, first tranche of the French loan received in February 2008, and IMF loan.

⁽⁵⁾ Special Tbps in Foreign currency (expropriation bonds)

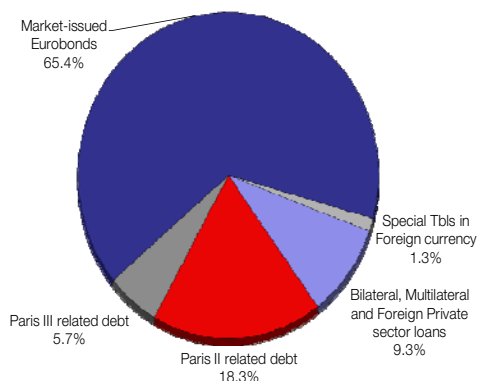
⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.



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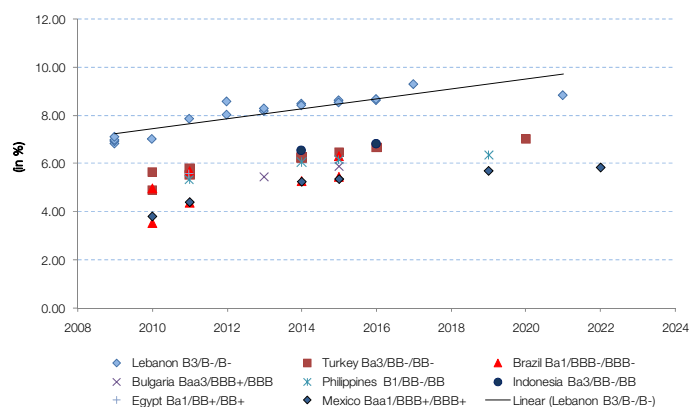
FOREIGN CURRENCY DEBT DATA

Outstanding Foreign Currency Debt by Holder
as of end-June 2008



Source: MOF

Yields for Republic of Lebanon Eurobonds
and Comparables
(as of August 15, 2008)



Source: Credit Suisse

Lebanon Secondary Issues						
15-Aug-08	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 7.250 09	100.00	102.00	7.12	4.41	208	-60
LEB 5.875 12	91.75	92.75	8.59	8.24	386	353
US Dollars						
LEB 10.250 09	103.63	104.63	6.84	5.94	374	283
LEB FRN 09	99.38	100.38	6.94	6.11	379	296
LEB 7.000 09	100.00	101.00	6.99	6.19	383	303
LEB 7.125 10	100.13	101.13	7.03	6.34	380	311
LEB 7.875 11	100.00	101.00	7.87	7.46	418	377
LEB 4.000 17 Av Life	80.75	81.75	9.31	8.99	509	476
LEB 7.750 12	99.00	100.00	8.04	7.75	404	374
LEB 9.125 13	103.50	104.50	8.19	7.93	409	383
LEB 8.625 13	101.25	102.25	8.30	8.05	418	393
LEB 7.375 14	95.00	96.00	8.50	8.27	429	405
LEB 9.000 14	102.50	103.50	8.43	8.21	422	400
LIEB 10.000 15	106.75	107.75	8.64	8.45	433	413
LEB 8.500 15	99.75	100.25	8.55	8.45	419	409
LEB 8.500 16	99.25	100.25	8.64	8.45	424	405
LEB 11.625 16	116.25	117.25	8.69	8.53	429	413
LEB 8.250 21	95.50	96.50	8.85	8.71	416	403

Source: Credit Suisse

Note: This table is intended for general information purposes only.

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of August 15, 2008			
Fitch IBCA Ltd	B-	B	Stable
Moody's Investor Services Ltd	B3		Stable
Standard and Poor's*	B-	C	Stable

Note: Standard and Poor Ratings Services revised its long-term sovereign credit rating for Lebanon from CCC+ to B- on August 5th 2008.



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FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of June 30, 2008)							
ISIN CODE	Eurobond	Outstanding Amount (in original currency)	Number of tranches	Currency	Coupon rate	Mat. Date mm/dd/yy	Years to maturity
XS0133469253	USD 750 MN - Aug 2008	399,174,000	1	USD	10.125%	08/06/08	0.10
XS0102480513	USD 650 MN - Oct 2009	635,500,000	2	USD	10.250%	10/06/09	1.27
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	1.68
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	4.19
XS0207128561	USD 625 MN FRN - Nov 2009	625,000,000	1	USD	6 months U.S \$ L + 3.25 %	11/30/09	1.42
XS0207129296	USD 425 MN - Dec 2009	425,000,000	1	USD	7.000%	12/14/09	1.46
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	2.89
XS0192976834	Euro 225 MN - May 2009	225,000,000	1	Euro	7.250%	05/20/09	0.89
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	7.87
XS0205838948	USD 700 MN -Nov 2010	700,000,000	1	USD	6.875%	11/12/10	2.37
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	4.98
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	7.56
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	5.79
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	12.79
XS0250883013	EUR 324.542 MN - April 2012	324,542,000	2	EUR	5.875%	04/12/12	3.79
XS0263574112	USD \$750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	3.09
XS0263573817	USD \$351.591 MN - August 2009	351,591,000	2	USD	7.500%	08/03/09	1.09
XS0352629546	USD \$875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	4.70
XS0361558413	USD \$881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	5.84
Eurobonds issued in the context of Paris III							
XS0312416000	USD \$300 MN due July 2017	300,000,000	1	USD	3.750%	07/20/17	9.06
XS0312416778	USD \$200 MN due July 2012	200,000,000	1	USD	3.750%	07/20/12	4.06
Eurobonds issued in the context of Paris II*							
XS0160503347	USD 2,007.511 MN - Dec 2017 (BDL)	1,907,135,450	2	USD	4.000%	12/31/17	4.92
XS0160456322	USD 950 MN - Dec 2017	617,500,000	1	USD	5.000%	12/27/17	4.92
XS0160456322	USD 700 MN - Mar 2018	700,000,000	1	USD	5.000%	03/07/18	4.92
XS0169203048	USD 200 MN - Mar 2018	200,000,000	1	USD	5.000%	05/27/18	5.09
Average Time to Maturity (in years, as of Jun 30, 2008):							4.94
Weighted average coupon rate:							7.38%

*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)

Euro exchange rate (US\$/Euro) (30 June 2008): 1.5787

6 month LIBOR (24 April 08): 3.03%



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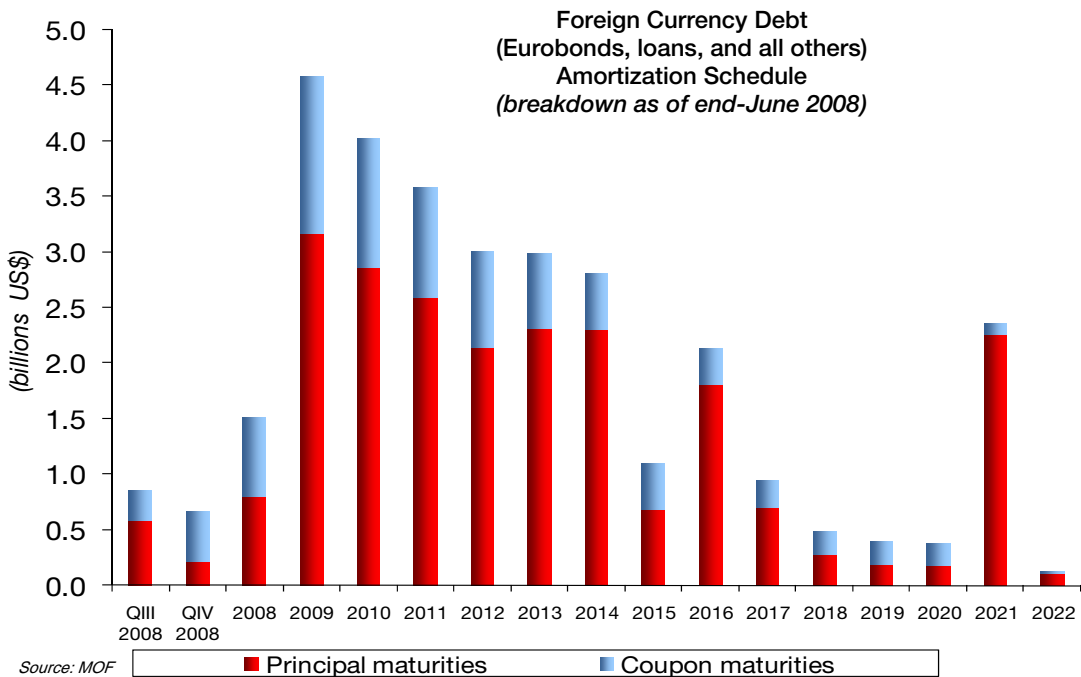
FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuance

Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
2-May-08	49 (2)	6	2-May-2008	9.000	9.000	USD 881.612 MN	XS0361558413
12-Mar-08	48	5	12-Mar-2013	9.125	9.250	USD 875 MN	XS0352629546
20-Nov-07	45 (2)	4	2-Aug-2011	7.500	9.000	USD 300 MN **	XS0263574112
4-Oct-07	33 (2)	3	12-Nov-2010	6.875	9.375	USD 400 MN **	XS0205838948
20-Jul-07	47	5	20-Jul-2012	3.750	3.750	USD 200 MN *	XS0312416778
20-Jul-07	46	10	1-Jul-2017	3.750	3.750	USD 300 MN *	XS0312416000
6-Jul-07	17 (2)	10	1-Dec-2017	4.000	9.250	USD 137.511 MN **	XS0160503347
31-May-07	39 (2)	6	20-Jun-2013	8.625	8.750	USD 400 MN	XS0222794249
26-Feb-07	42 (3)	14	12-Apr-2021	8.250	8.750	USD 431 MN**	XS0250882478
26-Feb-07	32 (2)	1	12-Mar-2008	6.375	6.375	USD 569 MN**	XS0205838435
27-Dec-06	44 (2)	3	3-Aug-2009	7.500	9.250	USD \$145 MN**	XS0263573817
2-Aug-06	44	3	3-Aug-2009	7.500	9.250	USD \$206.591 MN**	XS0263573817
2-Aug-06	45	5	2-Aug-2011	7.500	7.500	USD \$450 MN**	XS0263574112

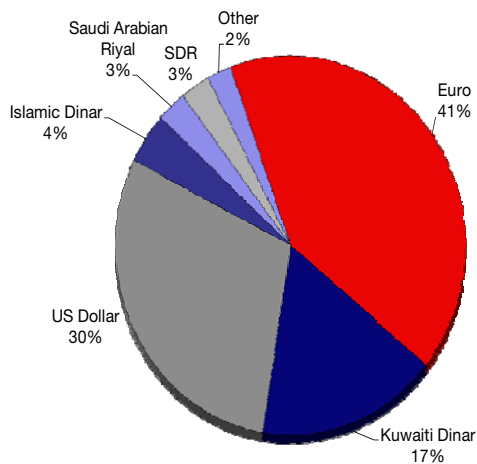
* Paris III conference Malaysia contribution

** Initial issuance to BDL



FOREIGN CURRENCY LOANS DATA

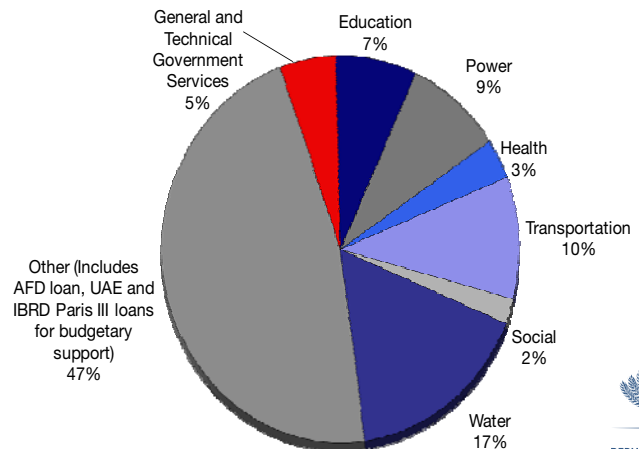
Bilateral and Multilateral Loans (concessional and otherwise) Breakdown by currency (as of end-June 2008)



Source: MOF, BDL

Total LL 4,962 billion

Bilateral and Multilateral Loans (concessional and otherwise) Breakdown by sector (as of end-June 2008)

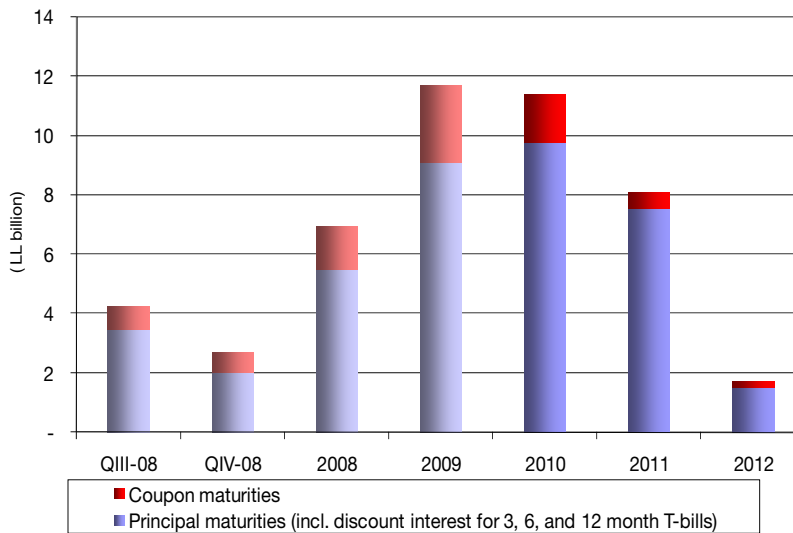


Total LL 4,962 billion



DOMESTIC CURRENCY DEBT DATA

Amortization Schedule of Domestic T-bills and Notes
(as of end-June 2008)



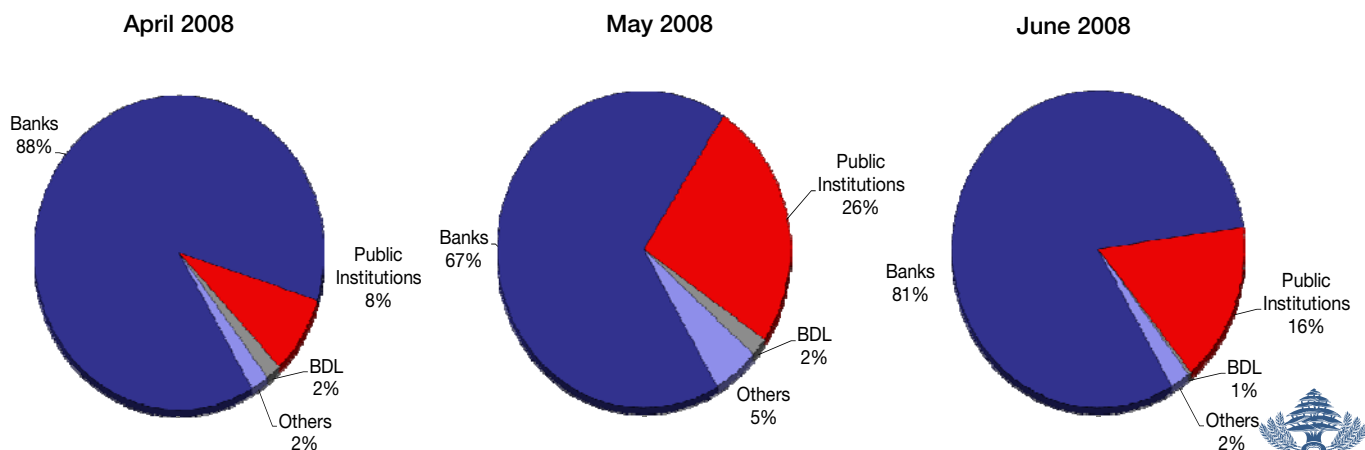
Average Time to Maturity of Domestic Currency T-bills and Notes
(In years, as of end-June 2008) **1.73**

Source: MOF, BDL

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
18-Aug-08	3 MN, 6 MN, 12 MN
19-Aug-08	24 MN, 36 MN
25-Aug-08	3 MN, 6 MN, 12 MN
26-Aug-08	24 MN, 36 MN
1-Sep-08	3 MN, 6 MN, 12 MN
2-Sep-08	24 MN, 36 MN
8-Sep-08	3 MN, 6 MN, 12 MN
9-Sep-08	24 MN, 36 MN
15-Sep-08	3 MN, 6 MN, 12 MN
16-Sep-08	24 MN, 36 MN
22-Sep-08	3 MN, 6 MN, 12 MN
23-Sep-08	24 MN, 36 MN
29-Sep-08	3 MN, 6 MN, 12 MN
30-Sep-08	24 MN, 36 MN

Source: MOF, BDL

T-Bill Subscription Results by Holder During QII-2008

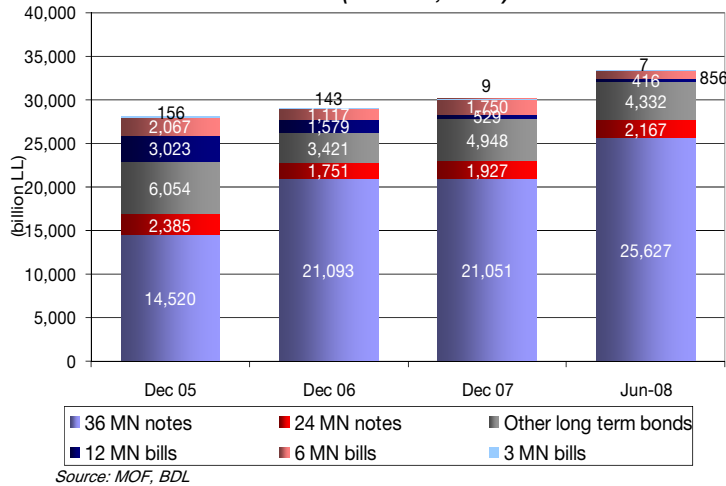


Source: MOF, BDL

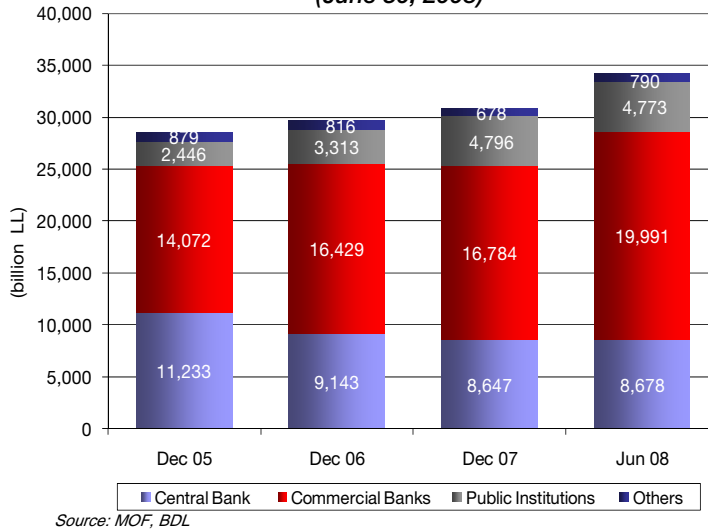


DOMESTIC CURRENCY DEBT DATA

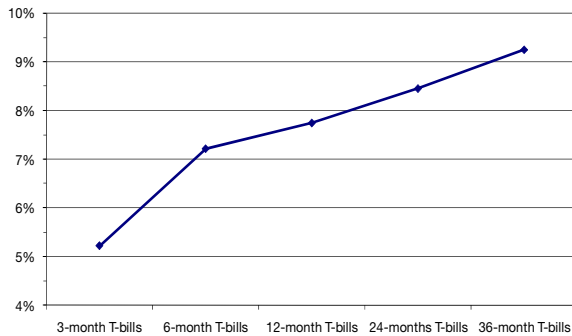
Domestic T-bills Outstanding by Tenor Type
(June 30, 2008)



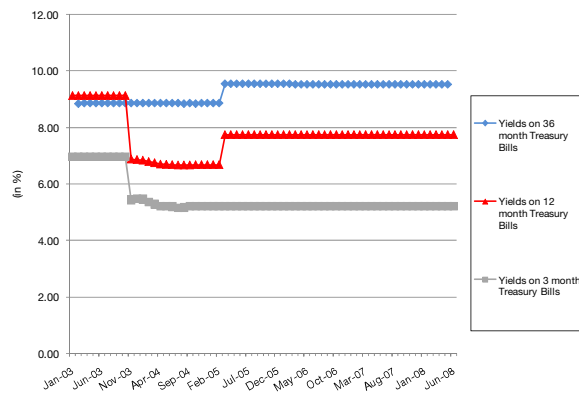
Domestic T-bills Outstanding by Investor Type
(June 30, 2008)



Primary Market Rates for T-Bills
(June 30, 2008)



Time Series of Primary Market Rates for T-Bills



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