

# DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 6, Quarter III 2008



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

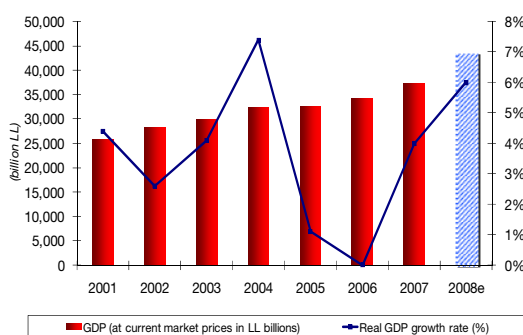
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## HIGHLIGHTS

- By the end of September 2008, gross public debt reached LL 68,811 billion (US\$ 45.6 billion), an 8.60 percent increase over the end-December 2007 level.
- By end-September 2008, net public debt stood at LL 61,600 billion (US\$ 40.9 billion), registering an increase of LL 2,763 billion over the end-December 2007 level.
- By end-September 2008, domestic currency debt registered LL 36,555 billion, higher than the end-December 2007 level by 16.52 percent.
- In quarter III 2008, commercial banks continued to be the main subscriber of Treasury bills and notes, accounting for 84 percent of subscriptions, followed by public entities and Banque du Liban with 7 percent of subscriptions each.
- Primary market rates on Treasury bills and notes continued to gradually decline given ongoing high market demand. In the third quarter of 2008, the most pronounced decrease in primary market rates was witnessed on the 36 month instrument's rate which decreased by 20 bps to 9.06 percent by end-September 2008.
- By end-September 2008, foreign currency debt totaled LL 32,256 billion, 0.83 percent higher than the end-December 2007 level.
- On August 6th 2008, the Lebanese Republic issued a US\$ 500 million 8.50 percent coupon Eurobond due 2015 at a yield of 8.625 percent. The issue was more than double oversubscribed. The lead managers for the transaction were BLOM Bank, Byblos Bank and Deutsche Bank.

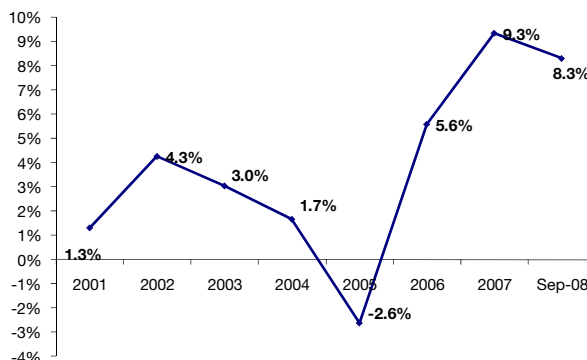
## THE LEBANESE ECONOMY

**GDP and GDP growth**



Source: 2000-2003 are National Accounts Committee figures  
2004-2006 are Banque Du Liban (BDL) figures  
2007 and 2008 Figures are as per latest BDL and IMF estimates

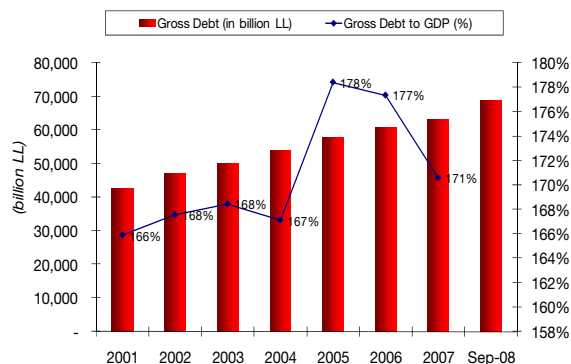
**CPI % change**



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

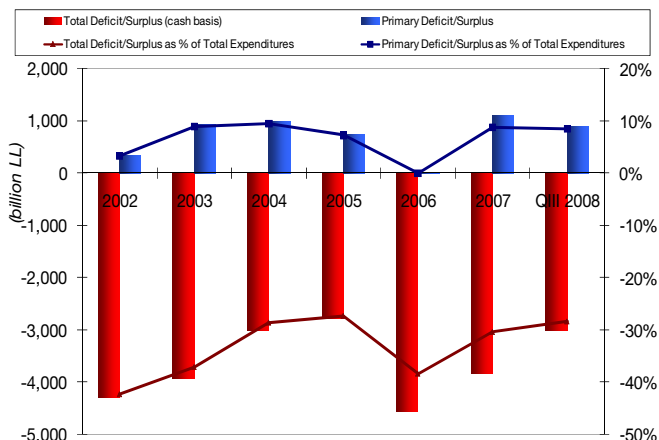
# OVERALL DEBT DATA

## Gross Public Debt



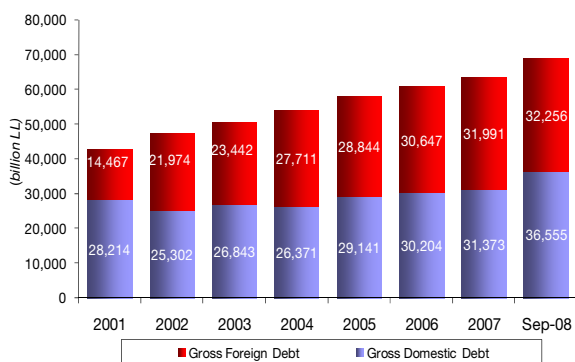
Source: MOF, BDL  
Note: 2007 GDP figures are based on BDL, IMF GDP estimate.

## Fiscal Performance



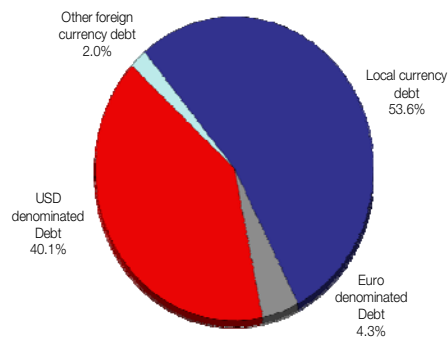
Source: MOF

## Historical Debt Evolution



Source: MOF

## Outstanding Debt by Currency Composition as of end-September 2008



Source: MOF  
Note: Excluding accrued interest on Eurobonds.

Public Debt (in LL billion)	Dec-04	Dec-05	Dec-06	Dec-07	Sep-08	Change Dec 07 - Sep 08	% Change Dec 07- Sep 08
<b>Gross Public debt</b>	54,082	57,985	60,851	63,364	68,811	5,447	8.60%
<b>Local currency debt</b>	26,371	29,141	30,204	31,373	36,555	5,182	16.52%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) <sup>(1)</sup>	10,652	11,686	9,588	9,052	8,570	(482)	-5.32%
b. Commercial Banks	12,220	14,130	16,487	16,847	22,211	5,364	31.84%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,474	5,774	300	5.48%
d. o/w Public entities	2,187	2,446	3,313	4,796	4,913	117	2.44%
*Accrued interest included in debt	356	517	685	754	850	96	12.73%
<b>Foreign currency debt<sup>(2)</sup></b>	27,711	28,844	30,647	31,991	32,256	265	0.83%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	2,963	2,864	(99)	-3.34%
b. Paris II related debt (Eurobonds and Loans) <sup>(3)</sup>	6,634	6,501	6,540	6,063	5,670	(393)	-6.48%
c. Paris III related debt (Eurobonds and Loans) <sup>(4)</sup>	-	-	-	1,357	1,797	441	32.47%
d. Market-issued Eurobonds	17,686	18,729	20,399	20,780	20,950	171	0.82%
e. Accrued Interest on Eurobonds	388	406	434	410	555	145	35.37%
f. Special Tbls in Foreign currency <sup>(5)</sup>	-	419	419	419	419	-	0.00%
<b>Public sector deposits</b>	4,359	5,590	4,444	4,527	7,211	2,684	59.29%
<b>Net debt</b>	49,723	52,395	56,407	58,837	61,600	2,763	4.70%
<b>Gross Market debt<sup>(6)</sup></b>	31,606	34,563	38,555	39,221	45,052	5,832	14.87%
<b>% of total debt</b>	58%	60%	63%	62%	65%	3%	5.01%

Source: Ministry of Finance, Banque du Liban

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> Special Tbls in Foreign currency (expropriation bonds)

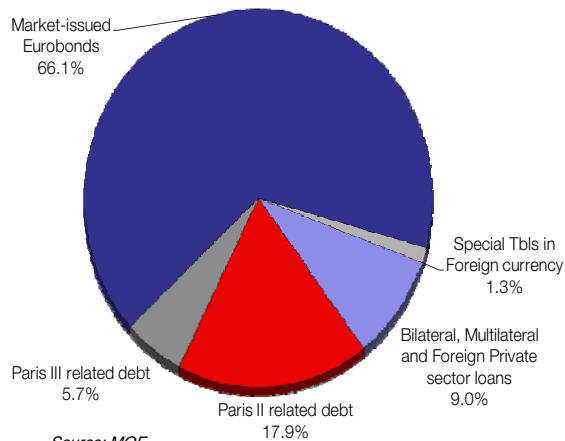
<sup>(6)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.



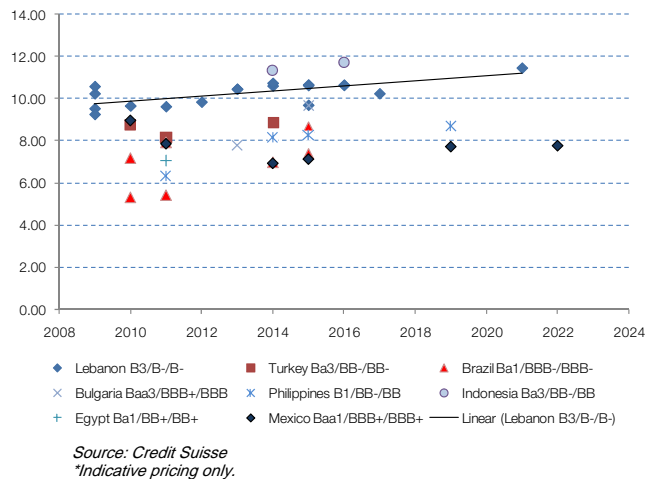
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# FOREIGN CURRENCY DEBT DATA

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



Yields for Republic of Lebanon Eurobonds and Comparables



## Lebanon Secondary Issues

13-Nov-08	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
<b>Lebanese Issues</b>						
<b>EURO</b>						
LEB 7.250 09	99.00	100.00	9.22	7.12	480	269
LEB 5.875 12	89.00	91.00	9.82	9.05	619.9	543
<b>US Dollars</b>						
LEB 10.250 09	100.00	100.50	10.22	9.62	750	690
LEB FRN 09	95.50	97.50	10.57	8.45	797	585
LEB 7.000 09	97.50	98.50	9.50	8.49	676	575
LEB 7.125 10	97.00	98.50	9.63	8.36	697	569.6
LEB 7.875 11	96.25	97.25	9.60	9.13	695	649
LEB 4.000 17 Av Life	79.00	81.00	10.22	9.52	733	654
LEB 7.750 12	94.00	95.50	9.67	11.35	655	605
LEB 9.125 13	95.50	97.50	10.44	9.84	718.8	659.5
LEB 8.625 13	93.50	95.50	10.44	9.86	711.8	654
LEB 7.375 14	87.00	89.00	10.59	10.06	707	654
LEB 9.000 14	93.00	95.00	10.73	10.22	721	669
LIEB 10.000 15	97.00	99.00	10.65	10.21	697	652.7
LEB 8.500 15	90.00	92.00	10.62	10.17	687	642
LEB 8.500 16	89.50	91.50	10.63	10.20	681	638.5
LEB 11.625 16	105.00	107.00	10.64	10.26	683	646
LEB 8.250 21	79.00	82.00	11.46	10.93	738	685

Source: Credit Suisse

Note: This table is intended for general information purposes only. Above data is indicative pricing given low volume of trading.

## Lebanon Sovereign Debt Rating

Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of November 13th, 2008			
Fitch IBCA Ltd	B-	B	Stable
Moody's Investor Services Ltd	B3	-	Stable
Standard and Poor's*	B-	C	Stable



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# FOREIGN CURRENCY DEBT DATA

## List of Outstanding Eurobonds (values as of September 30, 2008)

ISIN CODE	Eurobond	Outstanding Amount (in original currency)	Number of tranches	Currency	Coupon rate	Mat. Date mm/dd/yy	Years to maturity
XS0102480513	USD 650 MN - Oct 2009	635,500,000	2	USD	10.250%	10/06/09	1.02
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	1.43
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	3.94
XS0207128561	USD 625 MN FRN - Nov 2009	625,000,000	1	USD	6 months U.S \$ L + 3.25 %	11/30/09	1.17
XS0207129296	USD 425 MN - Dec 2009	425,000,000	1	USD	7.000%	12/14/09	1.21
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	2.64
XS0192976834	Euro 225 MN - May 2009	225,000,000	1	Euro	7.250%	05/20/09	0.64
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	7.62
XS0205838948	USD700 MN - Nov 2010	700,000,000	1	USD	6.875%	11/12/10	2.12
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	4.72
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	7.31
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	5.54
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	12.54
XS0250883013	EUR 324.542 MN - April 2012	324,542,000	2	EUR	5.875%	04/12/12	3.53
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	2.84
XS0263573817	USD 351.591 MN - August 2009	351,591,000	2	USD	7.500%	08/03/09	0.84
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	4.45
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	5.59
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	6.85
<b>Eurobonds issued in the context of Paris III</b>							
XS0312416000	USD 300 MN due July 2017	300,000,000	1	USD	3.750%	07/20/17	8.81
XS0312416778	USD 200 MN due July 2012	200,000,000	1	USD	3.750%	07/20/12	3.81
<b>Eurobonds issued in the context of Paris II</b>							
XS0160503347	USD 2,007.511 MN - Dec 2017	1,907,135,450	2	USD	4.000%	12/31/17	4.67
XS0160456322	USD 950 MN - Dec 2017	617,500,000	1	USD	5.000%	12/27/17	4.67
XS0160456322	USD 700 MN - Mar 2018	665,000,000	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	4.84
						Average Time to Maturity (in years, as of Sep 30, 2008):	4.87
						Weighted average coupon rate:	7.23%

\*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 September 2008): 1.435

6 month LIBOR (24 April 08): 3.03%



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# FOREIGN CURRENCY DEBT DATA

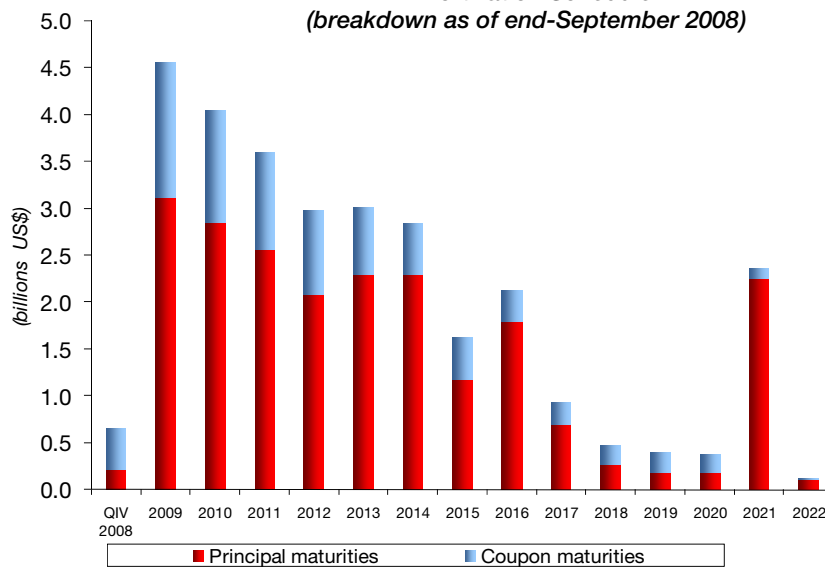
## Recent Government Eurobond Issuance

Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
6-Aug-08	50	7	6-Aug-2015	8.500	8.625	USD 500 MN	XS0381915353
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

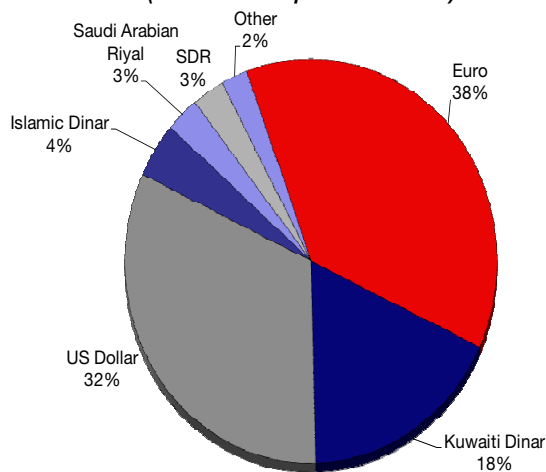
Foreign Currency Debt  
(Eurobonds, loans, and all others)  
Amortization Schedule  
(breakdown as of end-September 2008)



Source: MOF

# FOREIGN CURRENCY LOANS DATA

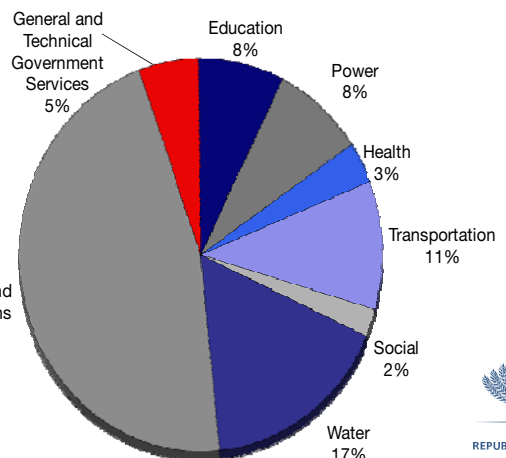
Bilateral and Multilateral Loans  
(concessional and otherwise)  
Breakdown by currency  
(as of end-September 2008)



Source: MOF, BDL

Total LL 4,664 billion

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

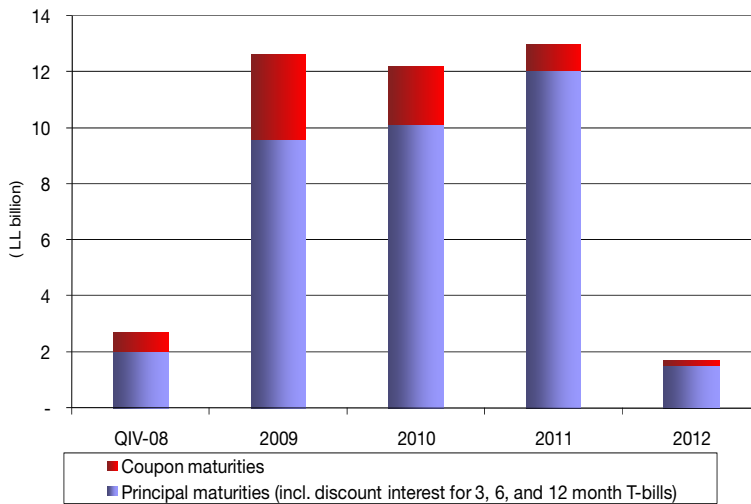


Total LL 4,664 billion



# DOMESTIC CURRENCY DEBT DATA

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



**Average Time to Maturity of Domestic Currency T-bills and Notes**  
(In years, as of end-September 2008) **1.81**

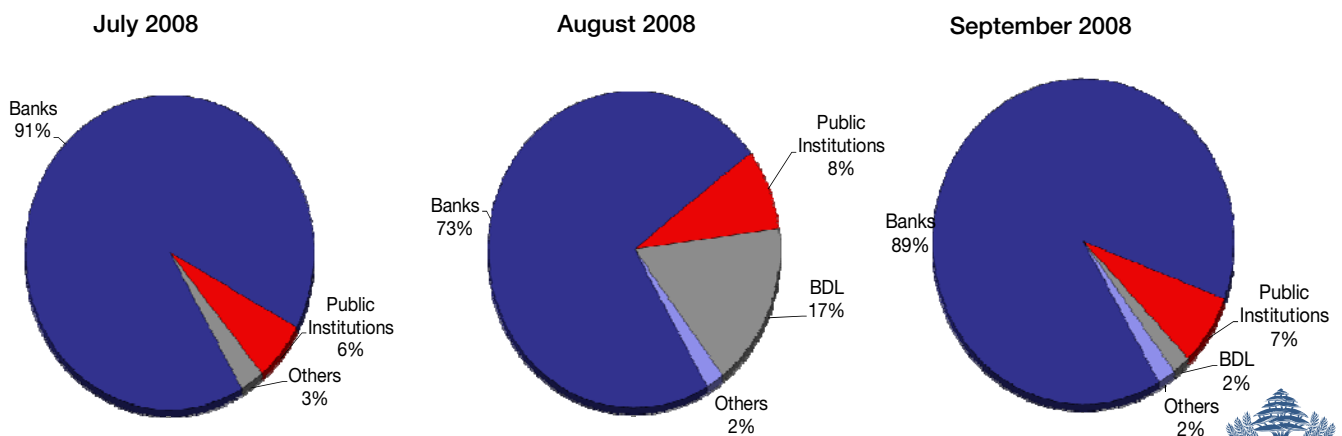
Source: MOF, BDL

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
24-Nov-08	3 MN, 6 MN, 12 MN
25-Nov-08	24 MN, 36 MN
1-Dec-08	3 MN, 6 MN, 12 MN
2-Dec-08	24 MN, 36 MN
4-Dec-08*	3 MN, 6 MN, 12 MN
5-Dec-08*	24 MN, 36 MN
15-Dec-08	3 MN, 6 MN, 12 MN
16-Dec-08	24 MN, 36 MN
22-Dec-08	3 MN, 6 MN, 12 MN
23-Dec-08	24 MN, 36 MN
29-Dec-08	3 MN, 6 MN, 12 MN
30-Dec-08	24 MN, 36 MN

Source: MOF, BDL

\*Auctions will be held on December 4th and 5th 2008 given that December 8th and 9th are public holidays.

T-Bill Subscription Results by Holder During QIII-2008

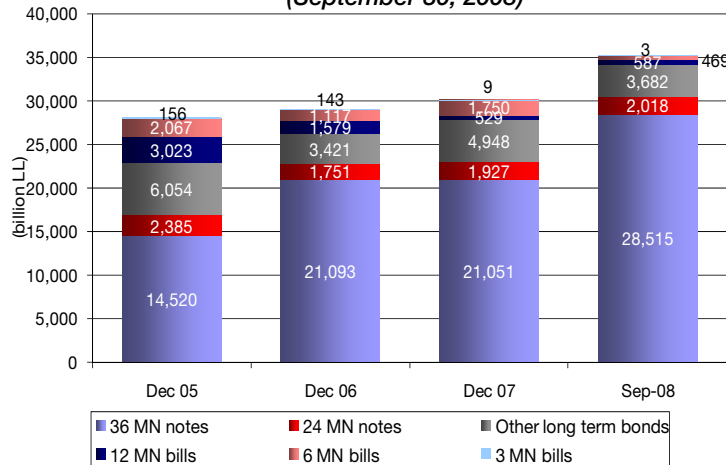


Source: MOF, BDL



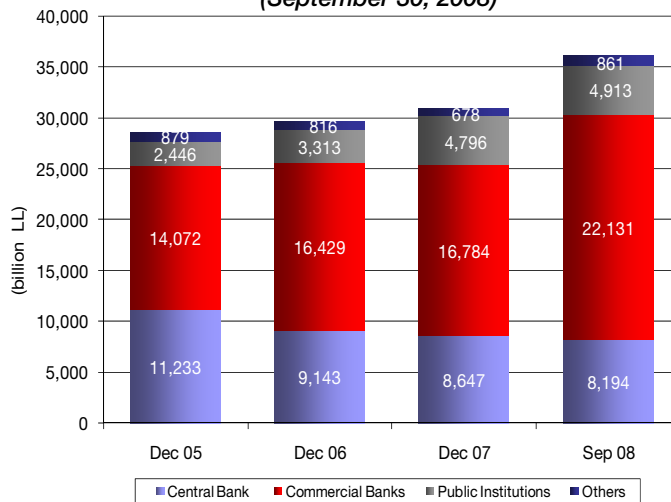
# DOMESTIC CURRENCY DEBT DATA

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



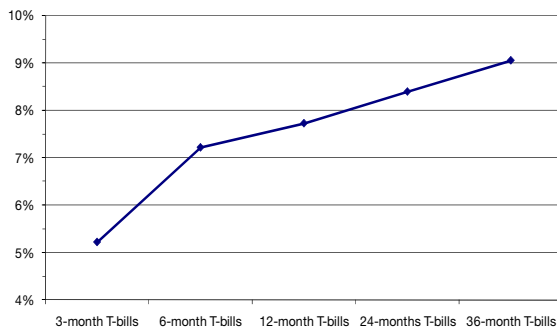
Source: MOF, BDL

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



Source: MOF, BDL

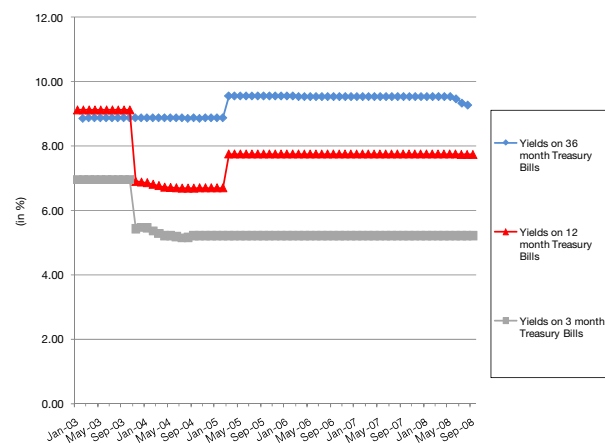
Primary Market Rates for T-Bills  
(September 30, 2008)



Source: MOF

For further information, please contact:  
Economic Unit, UNDP Project  
Rola Rizk, Head  
Nadine Abou Khaled  
Léa Hakim  
Ministry of Finance  
Tel: 961 1 981 057/8 Fax: 961 1 981 059  
Email: [infocenter@finance.gov.lb](mailto:infocenter@finance.gov.lb)  
[www.finance.gov.lb](http://www.finance.gov.lb)

Time Series of Primary Market Rates for T-Bills



Source: MOF



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