

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 14, Quarter III 2010



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

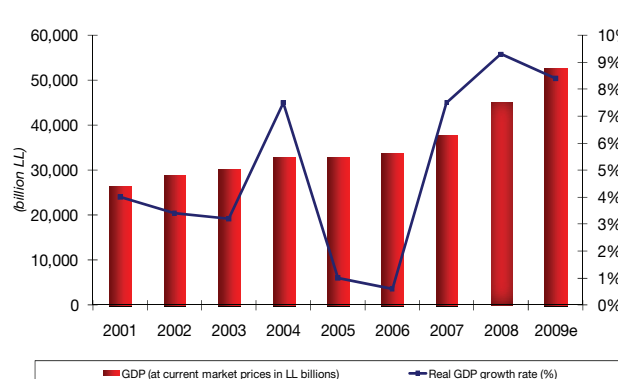
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HIGHLIGHTS

- At the end of QIII 2010, gross public debt reached LL 76,664 billion (US\$ 50.86 billion), decreasing by 0.6 percent compared to end December 2009.
- Net public debt registered LL 67,300 billion (US\$ 44.64 billion) at the end of QII 2010, 1.1 percent higher than the end 2009 level.
- Domestic currency debt stood at LL 45,028 billion at the end of QIII 2010, an increase of 0.1 percent compared to end December 2009.
- In QIII 2010, commercial banks and BDL captured similar shares of Treasury bills and notes in the weekly auctions accounting for 37 and 38 percent shares respectively. Public institutions subscribed to 17 percent, followed by public at banks with 7 percent.
- Primary market rates on Treasury bills and notes more or less stabilized during QIII 2010 at rates close to those attained by end-QII 2010. The rates on the 3-month Treasury bill and 24-month Treasury Notes decreased by 1 basis point and 2bps compared to end-Q1 to 3.93 percent and 5.34 percent respectively. The rates on the 6-month Treasury bills and 36-month Treasury Notes increased by 9 bps and 8 bps to 4.52 percent and 5.94 percent respectively. Finally, the rate on the 60-month Notes increased by 2bps to 6.18 percent compared to end-QII 2010.
- Foreign currency debt totaled LL 31,636 billion (US\$ 20.99 billion) at the end of QIII 2010, a 1.5 percent reduction since the end of December 2009.
- On July 15, 2010, the Lebanese Republic issued U.S.\$ 6,930,256.88 6.00 percent bonds due 2015 (pursuant to Law No.69 dated April 23, 2009). These bonds were issued to contractors to settle the changes in the cost of construction materials.

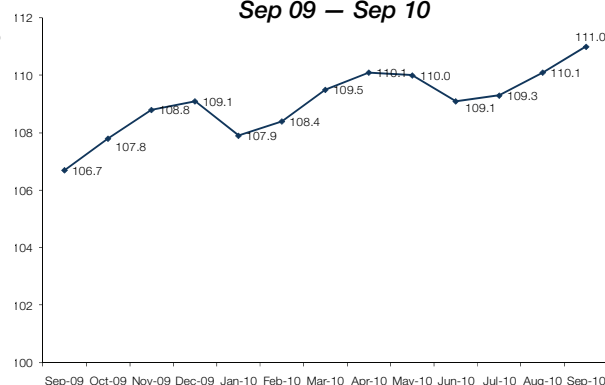
THE LEBANESE ECONOMY

GDP and GDP growth



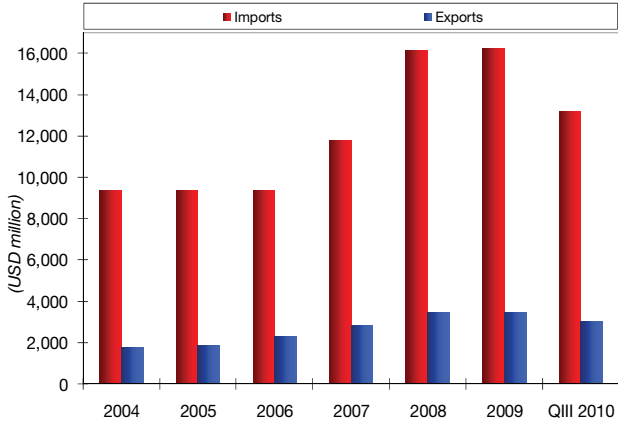
Source: 2001-2008 are National Accounts Committee figures
2009 GDP real growth rate as per National Accounts Committee estimates.

**CPI Index
Sep 09 – Sep 10**



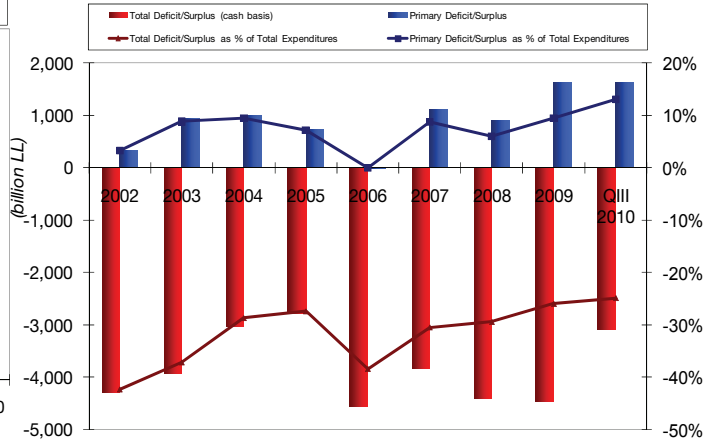
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.

Trade Statistics



Source: MoF, Directorate of Customs

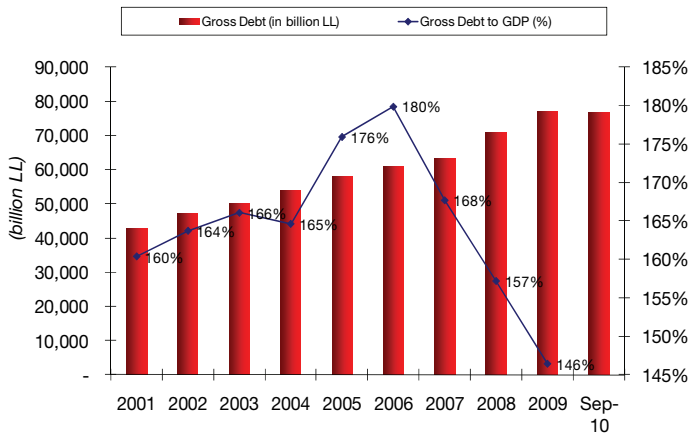
Fiscal Performance



Source: MOF

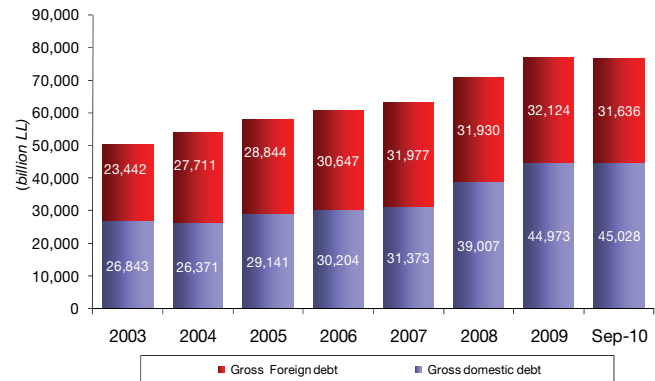
OVERALL DEBT DATA

Gross Public Debt



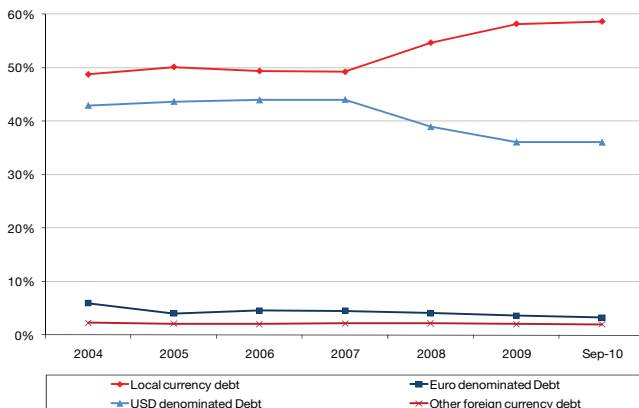
Source: MOF, BDL
Note: 2009 GDP real growth rate as per National Accounts Committee

Historical Debt Evolution



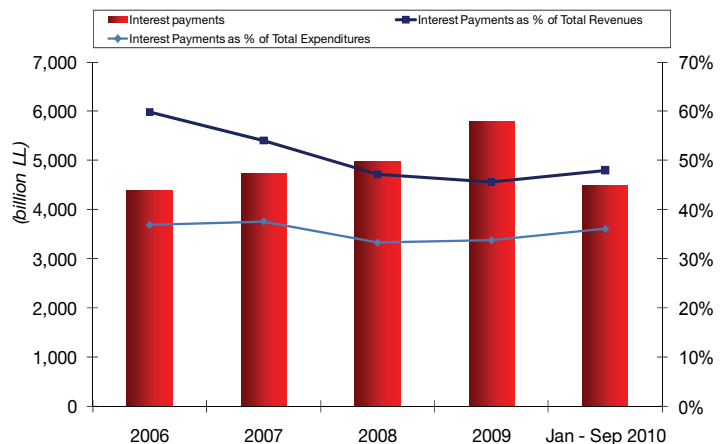
Source: MOF

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



Source: MOF
Note: Excluding accrued interest.

Interest Payments



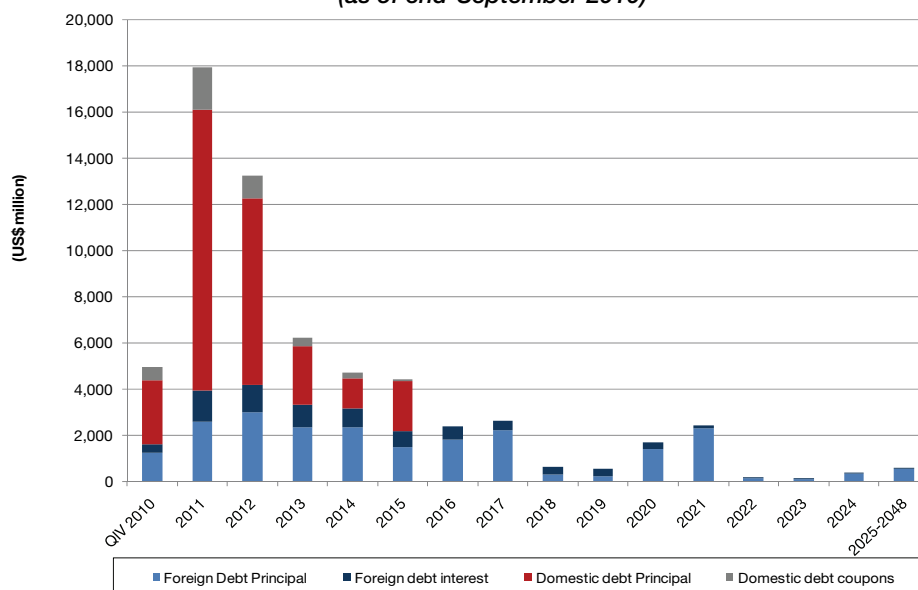
Source: MoF

OVERALL DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Aggregate Debt Amortization Profile (as of end-September 2010)



Source: MoF

Public Debt Table (as of end-September 2010)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Sep-10	Change Dec 09 - Sep 10	% Change Dec 09 - Sep 10
Gross Public Debt (A + B)	57,985	60,851	63,350	70,937	77,097	76,664	(433)	-0.6%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	45,028	55	0.1%
1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	11,686	9,588	9,052	8,781	10,334	9,630	(704)	-6.8%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,637	351	1.3%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,761	408	5.5%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,210	132	2.2%
*Accrued interest included in debt	517	685	730	1,029	999	853	(146)	-14.6%
B. Foreign currency debt⁽²⁾	28,844	30,647	31,977	31,930	32,124	31,636	(488)	-1.5%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,934	(208)	-0.8%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,882	(311)	-7.4%
Of which, Paris III at preferential rates ⁽⁴⁾	-	-	754	754	754	709	(45)	-6.0%
Of which, market-issued Eurobonds	18,729	20,399	20,780	21,826	21,797	21,875	78	0.4%
* Accrued Interest on Eurobonds	406	434	410	430	460	469	9	2.0%
5. Loans	3,682	3,787	4,459	4,694	4,535	4,221	(314)	-6.9%
5.1 Paris II loans	893	932	907	748	627	473	(154)	-24.6%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,172	(38)	-3.1%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	720	4	0.6%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,026	2,104	2,065	1,956	1,829	(126)	-6.5%
5.5 Foreign Private Sector Loans	158	115	86	54	27	27	-	0.0%
6. Other debt	419	419	419	419	447	481	34	7.6%
6.1 Special Tbls in Foreign currency ⁽⁶⁾	419	419	419	419	447	481	34	7.6%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	9,364	(1,158)	-11.0%
Net debt	52,395	56,407	58,823	62,611	66,575	67,300	725	1.1%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	52,040	809	1.6%
% of total debt	60%	64%	62%	66%	66%	68%	0	2.2%

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 08 and Dec 09 differ from previously published data reflecting an update of disbursement figures of IBRD and IDB project 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.

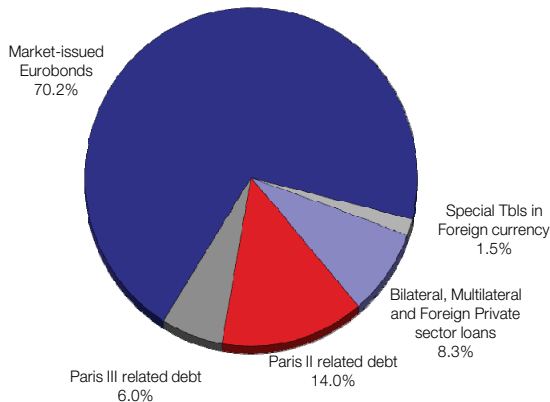
⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution.

⁽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 Tbls in Foreign currency (expropriation and contractor bonds)

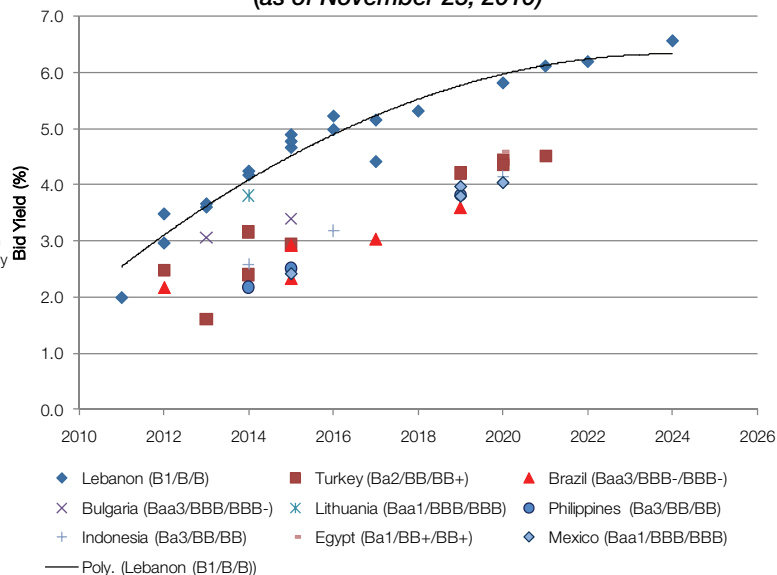
⁽⁷⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

Outstanding Foreign Currency Debt by Holder (as of end-September 2010)



Source: MOF
Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds and Comparables (as of November 25, 2010)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	103.25	104.25	3.61	2.95	223	157
US Dollars						
LEB 7.875 11	103.38	104.38	2.35	0.78	181	24
LEB 7.500 12	106.13	107.13	3.14	2.47	244	176
LEB 7.750 12	108.25	109.25	3.27	2.76	265	214
LEB 9.125 13	112.75	113.75	3.60	3.20	289	249
LEB 8.625 13	112.63	113.63	3.67	3.31	290	253
LEB 4.000 17 Av Life	97.50	98.50	4.41	4.24	373	342
LEB 7.375 14	109.75	110.75	4.36	4.07	336	307
LEB 9.000 14	115.50	116.50	4.27	3.99	327	299
LEB 5.875 15	103.50	104.50	4.95	4.70	373	348
LEB 10.000 15	121.00	122.00	4.80	4.59	353	331
LEB 8.500 15	115.88	116.88	4.78	4.56	341	320
LEB 8.500 16	116.00	117.00	5.01	4.81	352	332
LEB 11.625 16	130.50	131.50	5.26	5.08	372	354
LEB 9.000 17	120.50	121.50	5.22	5.05	344	328
LEB 6.375 20	103.75	104.75	5.85	5.71	352	338
LEB 8.250 21	116.38	117.38	6.12	6.00	369	357
LEB 7.000 24	103.63	104.63	6.60	6.49	386	375

Source: Credit Suisse 30th September 2010

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	102.25	103.25	4.12	3.38	265	190
US Dollars						
LEB 7.875 11	102.75	103.75	1.99	-0.06	157	-48
LEB 7.500 12	105.75	106.75	2.96	2.21	236	160
LEB 7.750 12	107.25	108.25	3.48	2.93	277	222
LEB 9.125 13	112.00	113.00	3.60	3.17	277	234
LEB 8.625 13	112.00	113.00	3.66	3.28	276	238
LEB 4.000 17 Av Life	97.50	98.50	4.41	4.25	358	326
LEB 7.375 14	109.75	110.75	4.24	3.94	308	277
LEB 9.000 14	115.25	116.25	4.17	3.88	300	271
LEB 5.875 15	103.63	104.63	4.89	4.63	345	318
LEB 10.000 15	121.00	122.00	4.66	4.44	316	293
LEB 8.500 15	115.50	116.50	4.77	4.55	314	293
LEB 8.500 16	115.75	116.75	4.98	4.78	321	301
LEB 11.625 16	130.00	131.00	5.22	5.04	340	322
LEB 9.000 17	120.50	121.50	5.15	4.98	304	287
LEB 5.15 18	99.00	100.00	5.31	5.15	270	255
LEB 6.375 20	104.00	105.00	5.81	5.67	300	286
LEB 8.250 21	116.25	117.25	6.11	5.99	319	307
LEB 6.1 22	99.25	100.25	6.19	6.07	302	290
LEB 7.000 24	104.00	105.00	6.56	6.45	325	314

Source: Credit Suisse 25th November 2010

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 26 November 2010			
Fitch IBCA Ltd	B	B	Stable
Moody's Investor Services Ltd	B1	-	Stable
Standard and Poor's*	B	B	Positive

*Standard and Poor's affirmed its rating on 26 November 2010.

FOREIGN CURRENCY DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

List of Outstanding Eurobonds (values as of September 30, 2010)							
ISIN CODE	Eurobond	Outstanding Amount (in original cur)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
XS0205838948	USD700 MN - Nov 2010	700,000,000	1	USD	6.875%	11/12/10	0.12
US52238PAD15	USD 1,000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	0.64
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	0.84
XS0418193750	USD 600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	1.47
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	1.53
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	1.94
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	2.45
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	2.72
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	3.54
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	3.59
XS0471737105	USD 250 MN Notes - Jan 2015*	250,000,000	1	USD	5.875%	01/15/15	4.30
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	4.85
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	5.31
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	5.62
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	2	USD	9.000%	03/20/17	6.47
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1	USD	6.375%	03/09/20	9.45
XS0250882478	USD 2,092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	10.54
XS0471737444	USD 250 MN Notes - Dec 2024	250,000,000	1	USD	7.000%	12/03/24	14.19
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III**							
XS0312416778	USD 200 MN- July 2012	200,000,000	1	USD	3.750%	07/20/12	1.50
XS0312416000	USD 300 MN - July 2017	270,000,000	1	USD	3.750%	07/20/17	4.23
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II***							
XS0160456322	USD 950 MN - Dec 2017	487,500,000	1	USD	5.000%	12/27/17	3.67
XS0160503347	USD 2,007.511 MN - Dec 2017	1,505,633,250	2	USD	4.000%	12/31/17	3.67
XS0160456322	USD 700 MN - Mar 2018	525,000,000	1	USD	5.000%	03/07/18	3.92
XS0169203048	USD 200 MN - May 2018	160,000,000	1	USD	5.000%	05/27/18	3.84
						Average Time to Maturity (in years, as of September 30, 2010):	4.66
						Weighted average coupon rate (as of September 30, 2010):	7.34%

* This bond has 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).

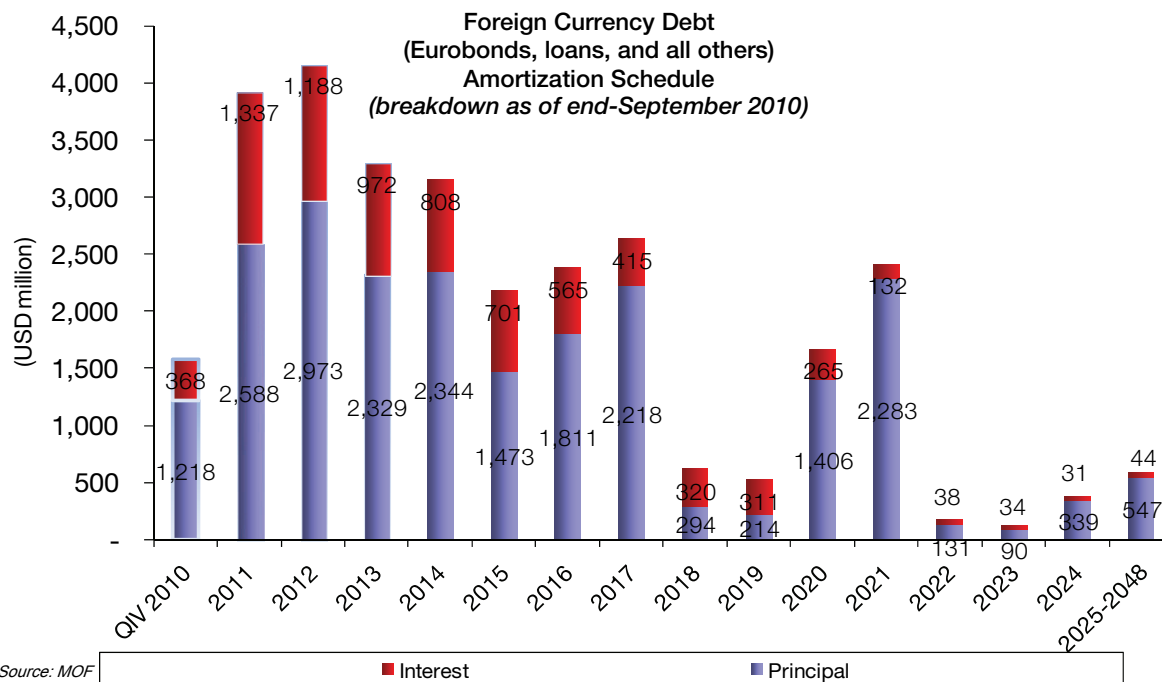
Euro exchange rate (US\$/Euro) (30 September 2010): 1.365

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-Nov-10	57	12 (short)	4-Oct-2022	6.100	6.100	USD 225 MN	XS0559237796
12-Nov-10	56	8	12-Nov-2018	5.150	5.150	USD 500 MN	XS0559237952
9-Mar-10	55	10	9-Mar-2020	6.375	6.375	USD 1,200 MN	XS0493540297
3-Dec-09	54	15	3-Dec-2024	7.000	7.000	USD 250 MN	XS0471737444
3-Dec-09	53	5 (long)	15-Jan-2015	5.875	5.875	USD 250 MN	XS0471737105
19-Mar-09	52 (2)	8	20-Mar-2017	9.000	9.000	USD 268.937 MN	XS0418193917
19-Mar-09	52	8	20-Mar-2017	9.000	9.000	USD 1,231.063 MN	XS0418193917
19-Mar-09	51 (2)	3	19-Mar-2012	7.500	7.500	USD 175.739 MN	XS0418193750
19-Mar-09	51	3	19-Mar-2012	7.500	7.500	USD 424.261 MN	XS0418193750
19-Mar-09	43 (3)	3	12-Apr-2012	5.875	7.750	EUR 211.097 MN	XS0250883013

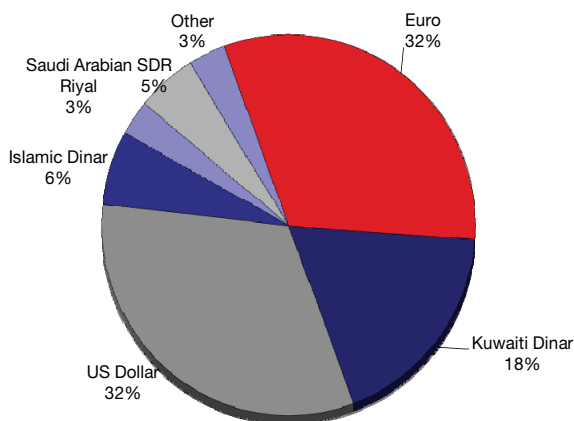
* Paris III conference Malaysia contribution

** Initial issuance to BDL



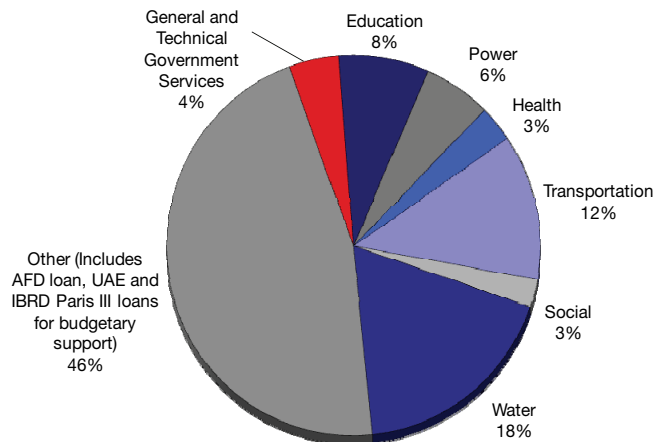
FOREIGN CURRENCY LOANS DATA

Bilateral and Multilateral Loans (concessional and otherwise) Breakdown by currency (as of end-September 2010)



Total Outstanding LL 4,221 billion

Bilateral and Multilateral Loans (concessional and otherwise) Breakdown by sector (as of end-September 2010)



Total Outstanding LL 4,221 billion

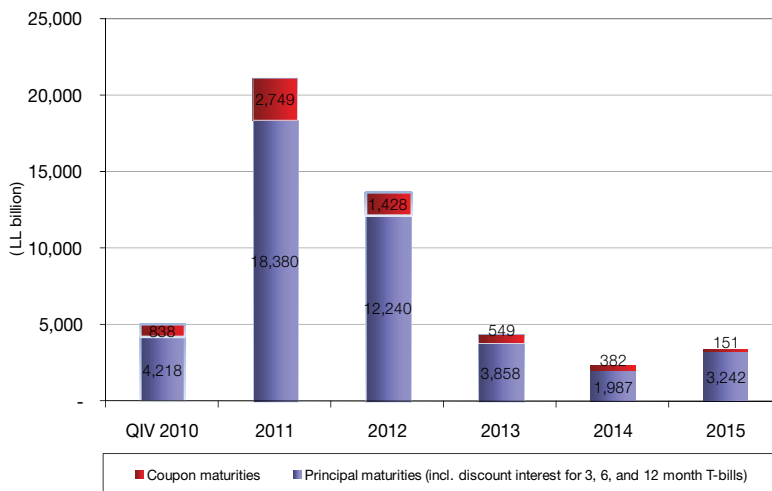
Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Amortization Schedule of Domestic T-bills and Notes
(as of end-September 2010)

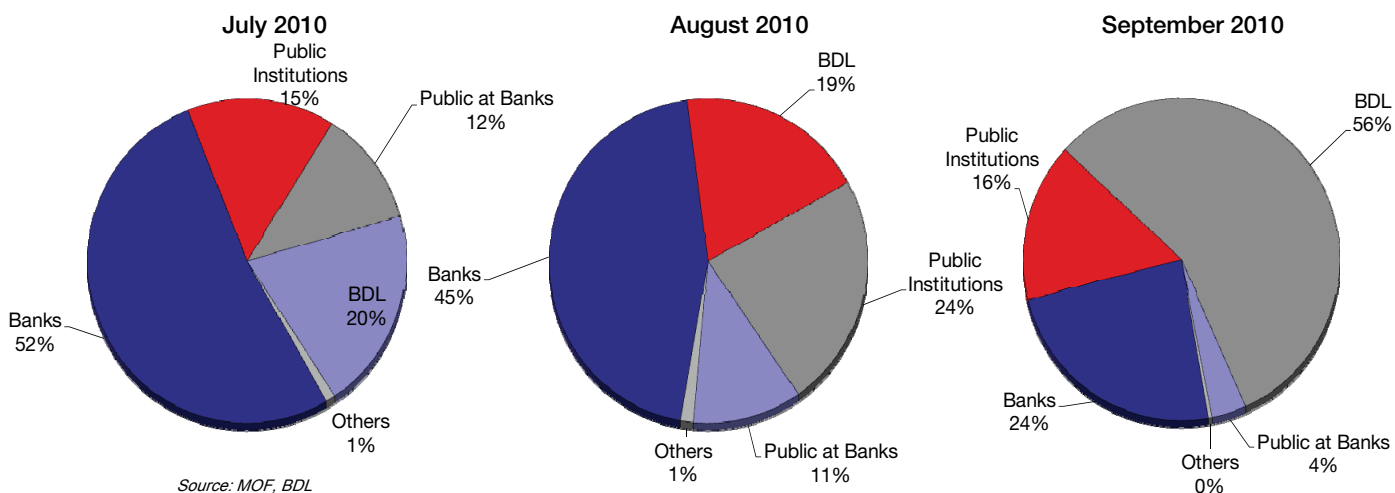


**Average Time to Maturity
of Domestic Currency
T-bills and Notes**
(In years, as of end-Sep 2010) **1.6**

Source: MOF, BDL

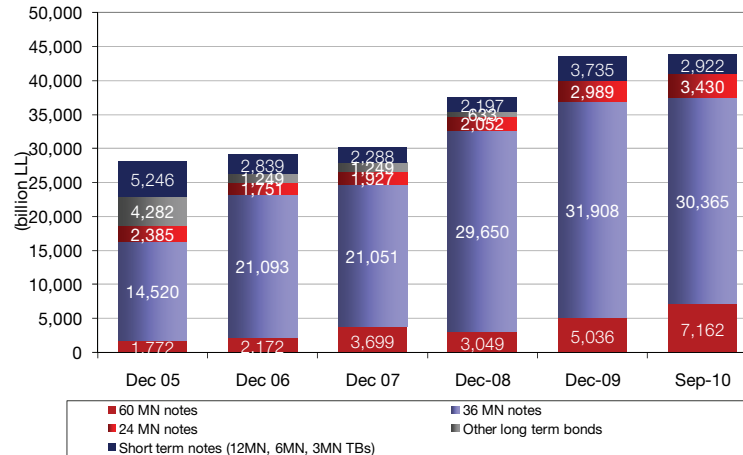
Upcoming Government Treasury Bill Auctions		
Auction Date	Value Date	Tenors to be auctioned (in months)
22-Nov-10	25-Nov-10	3 MN, 6 MN, 60 MN
29-Nov-10	2-Dec-10	12 MN, 24 MN, 36 MN
6-Dec-10	9-Dec-10	3 MN, 6 MN, 60 MN
13-Dec-10	16-Dec-10	12 MN, 24 MN, 36 MN
20-Dec-10	23-Dec-10	3 MN, 6 MN, 60 MN
27-Dec-10	30-Dec-10	12 MN, 24 MN, 36 MN

T-Bill Subscription Results by Holder During QIII 2010



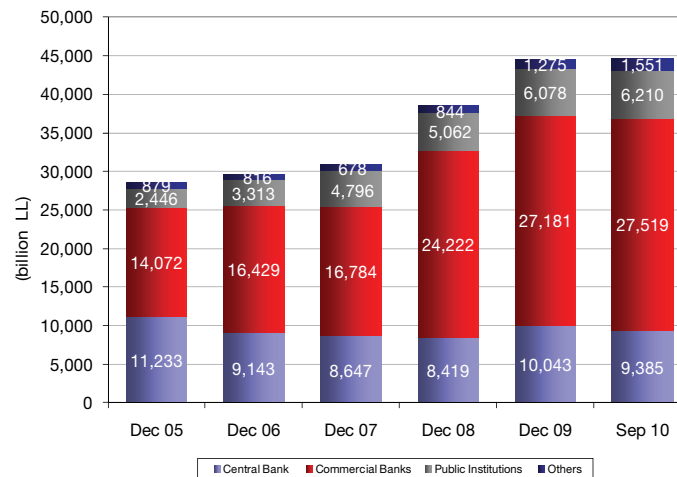
Source: MOF, BDL

Domestic T-bills Outstanding by Tenor Type (September 30, 2010)



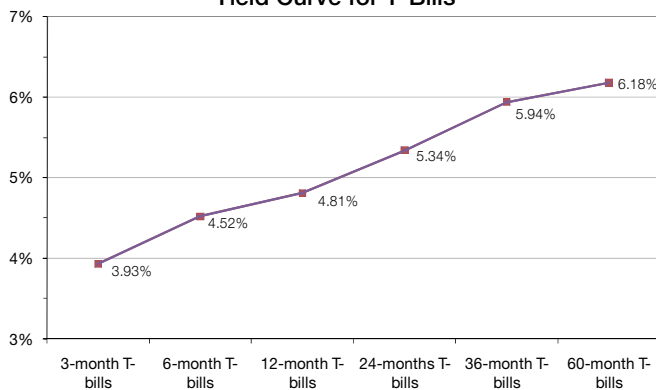
Source: MOF, BDL
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (September 30, 2010)



Source: MOF, BDL

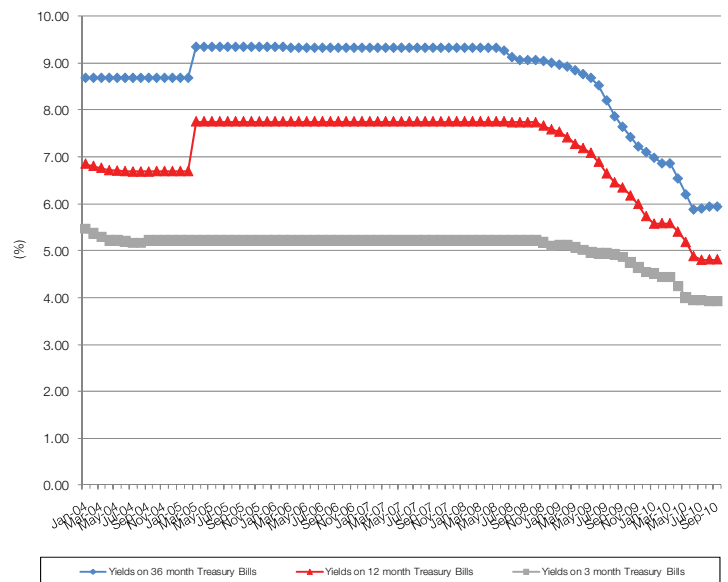
Yield Curve for T-Bills*



*Primary market rates as at 30 September 2010 and 25 November 2010.
Source: MOF

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www.finance.gov.lb

Time Series of Primary Market Rates for T-Bills (end-September 2010)



Source: MOF