

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 15, Quarter IV 2010



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

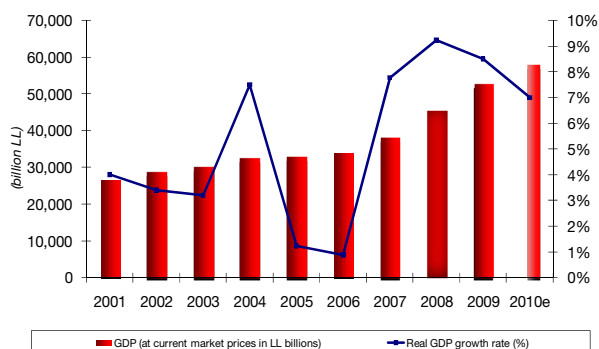
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HIGHLIGHTS

- At the end of 2010, gross public debt stood at LL 79,295 billion (US\$ 52.60 billion), a 2.8 percent increase end-2009.
- Net public debt registered LL 67,876 billion (US\$ 45.03 billion) at the end of QIV 2010, higher by 1.9 percent from the end 2009 level.
- Domestic currency debt reached LL 48,255 billion at the end of QIV 2010, an increase of 7.3 percent compared to end December 2009.
- BDL was the highest subscriber of Treasury bills and bonds in QIV 2010 capturing 81 percent of subscriptions compared to 9 percent for commercial banks. On a yearly basis, BDL was also the highest subscriber accounting for 44 percent of subscriptions, followed by 35 percent by commercial banks, 12 percent by public institutions and 7 percent by public at banks.
- After stabilizing during QIII 2010, primary market rates on Treasury bills and bonds remained unchanged during QIV 2010. On a yearly basis, rates on the auctioned instruments (3MN, 6MN, 12MN, 2YR, 3YR, and 5YR) had decreased by an average of 107 bps by end-2010 compared to end-2009 levels.
- On December 17th, 2010, the Lebanese Republic introduced a seven-year Treasury Bond to the domestic currency market by issuing a LBP 1,500 billion offering under its LBP 10 trillion Medium-Term Note Program (Series 2). The bond was issued with a coupon of 7.90 percent with an oversubscribed deal that included international investor participation. Byblos Bank was the lead manager for the transaction.
- Foreign currency debt totaled LL 31,040 billion (US\$ 20.59 billion) at the end of QIV 2010, a 3.4 percent reduction since the end of December 2009.
- On November 12th, 2010, the Lebanese Republic issued a US\$ 725 million dual-tranche offering, resulting in the lowest market -yields ever issued by the Republic of Lebanon on fixed rate bonds. The first series consisted of a US\$ 500 million 5.15 percent coupon Eurobond due November 2018 (Series 56) and the second series was a US\$ 225 million 6.10 percent coupon Eurobond due October 2022 (Series 57). The aggregate transaction was more than three times oversubscribed and international orders accounted for 26 percent of subscriptions on the aggregate amount. The lead managers for the transaction were Bank of Beirut S.A.L, and Credit Suisse.

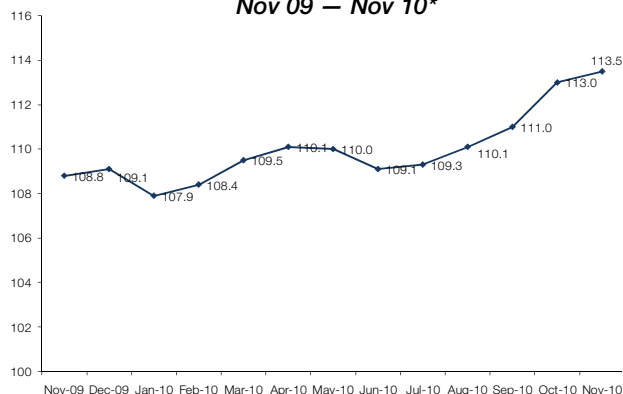
THE LEBANESE ECONOMY

GDP and GDP growth



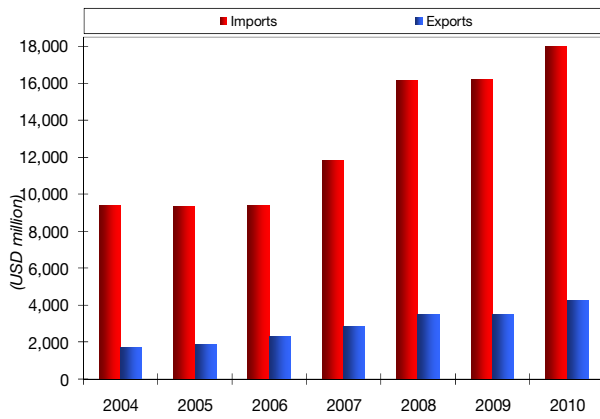
Source: 2001-2009 are National Accounts Committee figures
2010 GDP : Latest estimates (February 2011).

CPI Index
Nov 09 – Nov 10*



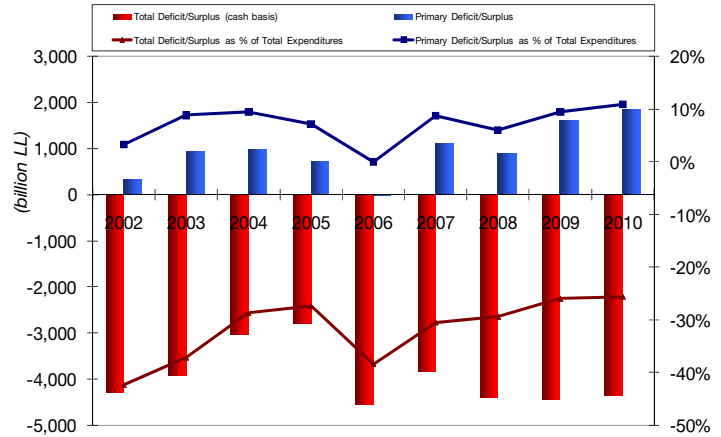
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.
* By the time of this report's publication, the December 2010 CPI Index had not yet been published.

Trade Statistics



Source: MoF, Directorate of Customs

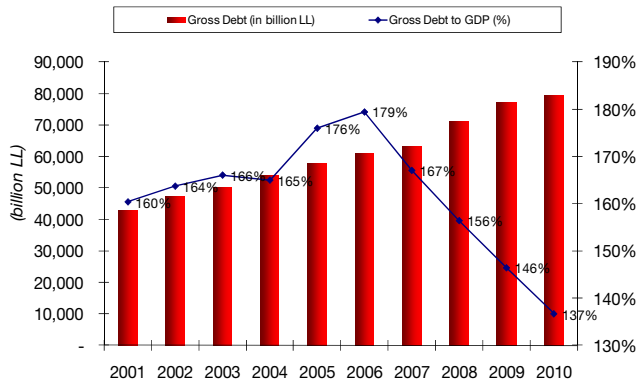
Fiscal Performance



Source: MOF

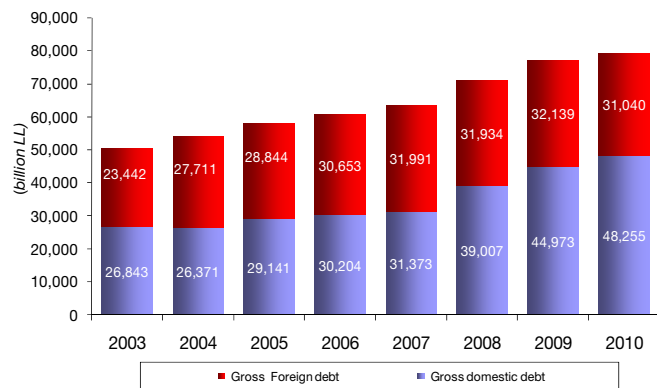
OVERALL DEBT DATA

Gross Public Debt



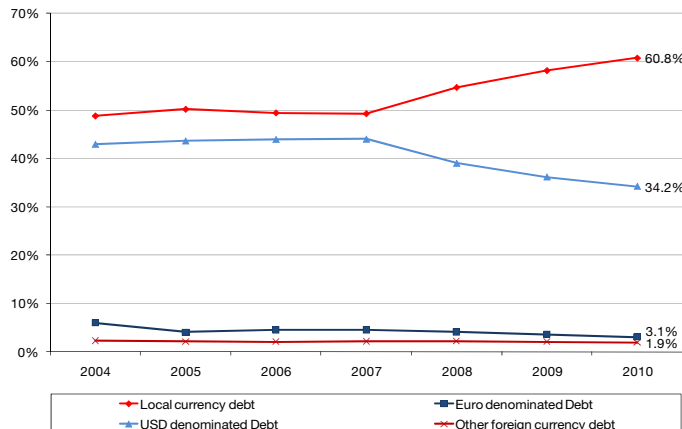
Source: MOF, BDL
Note: 2010 GDP real growth rate as per Ministry of Finance estimates.

Historical Debt Evolution



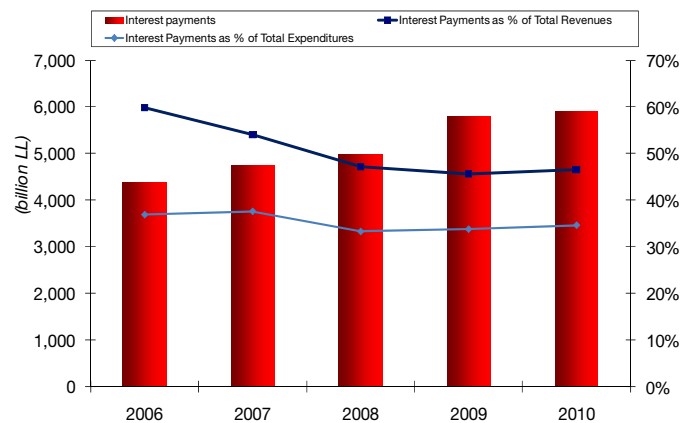
Source: MOF

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



Source: MOF
Note: Excluding accrued interest.

Interest Payments



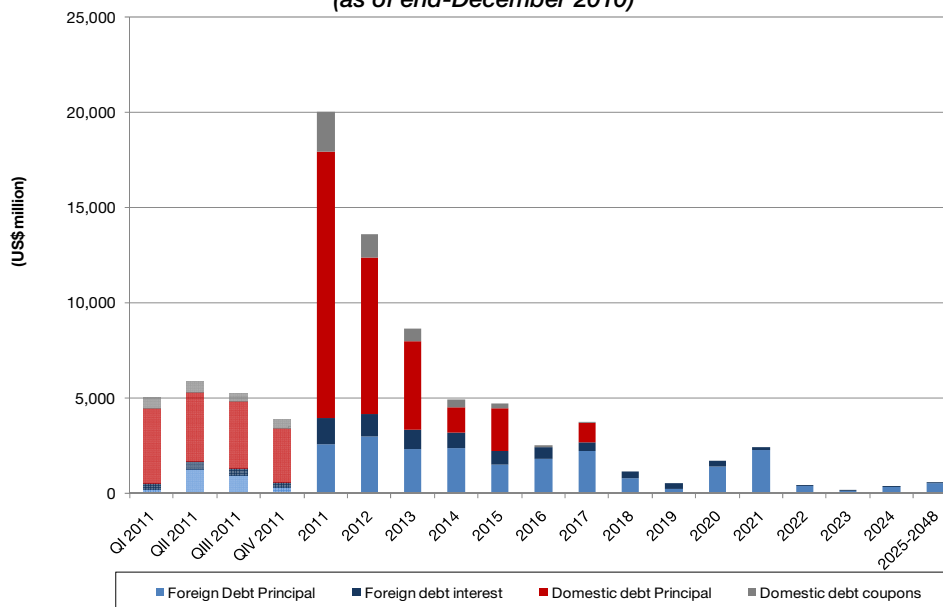
Source: MoF

OVERALL DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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



Source: MoF

Public Debt Table (as of end-December 2010)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Change Dec 09 - Dec 10	% Change Dec 09 - Dec 10
Gross Public Debt (A + B)	57,985	60,857	63,364	70,941	77,112	79,295	2,183	2.8%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	48,255	3,282	7.3%
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	2,796	27.1%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	(72)	-0.3%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	558	7.6%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	190	3.1%
* Accrued interest included in debt	517	685	730	1,029	999	867	(132)	-13.2%
B. Foreign currency debt⁽²⁾	28,844	30,653	31,991	31,934	32,139	31,040	(1,099)	-3.4%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,738	(404)	-1.5%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,677	(516)	-12.3%
Of which, Paris III at preferential rates ⁽⁴⁾	-	-	754	754	754	709	(45)	-6.0%
Of which, market-issued Eurobonds	18,729	21,567	21,551	21,568	22,720	22,568	(152)	-0.7%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	23	5.0%
5. Loans	3,682	3,793	4,473	4,698	4,550	4,228	(322)	-7.1%
5.1 Paris II loans	893	932	907	748	627	460	(167)	-26.6%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,147	(63)	-5.2%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	724	8	1.2%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,873	(97)	-4.9%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	(3)	-11.1%
6. Other debt	419	419	419	419	447	74	(373)	-83.4%
6.1 Special Tbls in Foreign currency ⁽⁶⁾	419	419	419	419	447	74	(373)	-83.4%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	11,419	897	8.5%
Net debt	52,395	56,413	58,837	62,615	66,590	67,876	1,286	1.9%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	51,308	77	0.2%
% of total debt	60%	64%	62%	66%	66%	65%	(0)	-2.6%

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 05-Dec 10 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.

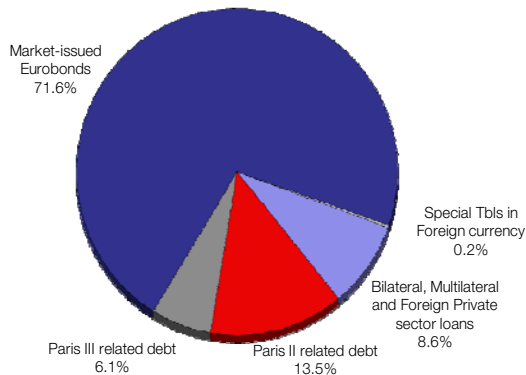
⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution.

⁽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 Tbls in Foreign currency (expropriation and contractor bonds issued in 2010)

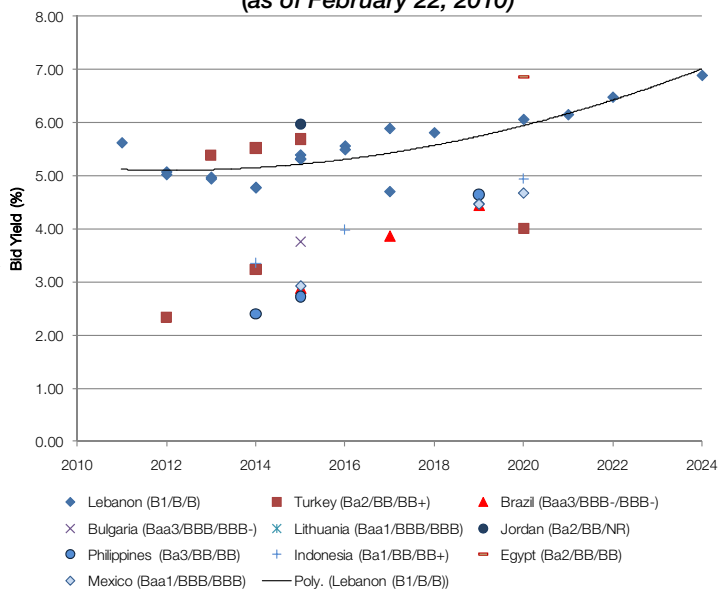
⁽⁷⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

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



Source: MOF
Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds] (as of February 22, 2010)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	102.00	103.00	4.20	3.40	293	215
US Dollars						
LEB 7.875 11	101.50	102.50	3.78	1.17	350	84
LEB 7.500 12	104.25	105.25	3.85	3.03	328	246
LEB 7.750 12	106.13	107.13	3.92	3.33	315	256
LEB 9.125 13	110.56	111.56	4.02	3.57	303	258
LEB 8.625 13	110.56	111.56	4.07	3.66	294	253
LEB 4.000 17 Av Life	97.00	98.00	4.91	4.60	278	247
LEB 7.375 14	109.13	110.13	4.35	4.04	283	252
LEB 9.000 14	114.13	115.13	4.38	4.09	285	256
LEB 5.875 15	103.88	104.88	4.80	4.54	292	265
LIIEB 10.000 15	119.75	120.75	4.89	4.66	303	280
LEB 8.500 15	114.81	115.81	4.86	4.63	277	255
LEB 8.500 16	115.13	116.13	5.06	4.85	280	259
LEB 11.625 16	127.63	128.63	5.58	5.39	326	308
LEB 9.000 17	119.25	120.25	5.32	5.15	269	252
LEB 5.15 18	98.00	99.00	5.47	5.23	234	218
LEB 6.375 20	102.63	103.63	6.00	5.86	269	255
LEB 8.250 21	114.38	115.38	6.32	6.20	292	280
LEB 6.1 22	98.50	99.50	6.28	6.16	264	291
LEB 7.000 24	103.00	104.00	6.66	6.56	290	279

Source: CS 31st December 2010

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	100.50	102.75	5.39	3.34	366	161
US Dollars						
LEB 7.875 11	100.50	102.25	5.61	-1.59	535	-18
LEB 7.500 12	102.50	105.00	5.06	2.71	460	225
LEB 7.750 12	104.00	106.00	5.01	3.69	436	304
LEB 9.125 13	108.00	110.50	4.96	3.75	405	283
LEB 8.625 13	108.00	110.50	4.93	3.85	386	278
LEB 4.000 17 Av Life	96.00	98.00	4.69	4.34	359	293
LEB 7.375 14	107.50	109.00	4.77	4.28	327	278
LEB 9.000 14	112.38	113.50	4.76	4.41	326	290
LEB 5.875 15	102.00	102.00	5.30	5.30	343	343
LIIEB 10.000 15	117.00	118.00	5.38	5.14	345	320
LEB 8.500 15	112.50	114.50	5.31	4.84	323	276
LEB 8.500 16	112.50	114.50	5.55	5.12	329	286
LEB 11.625 16	127.50	128.50	5.48	5.29	316	297
LEB 9.000 17	115.75	118.50	5.88	5.38	324	274
LEB 5.15 18	96.00	98.50	5.80	5.39	265	224
LEB 6.375 20	102.25	103.50	6.05	5.87	269	251
LEB 8.250 21	115.75	117.00	6.14	5.99	268	252
LEB 6.1 22	97.00	98.50	6.47	6.28	277	258
LEB 7.000 24	101.00	103.50	6.88	6.61	305	276

Source: CS 22nd February 2011

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 22 February 2010			
Fitch IBCA Ltd	B	B	Stable
Moody's Investor Services Ltd	B1	-	Stable
Standard and Poor's*	B	B	Stable

* Standard and Poor's revised their outlook to stable from positive on 18 January 2011.

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of December 31, 2010)

ISIN CODE	Eurobond	Outstanding Amount (in original cur)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to Maturity
US52238PAD15	USD 1,000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	0.38
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	0.59
XS0418193750	USD 600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	1.22
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	1.28
XS0200329950	2USD 600MN - September 2012	600,000,000	2	USD	7.750%	09/07/12	1.69
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	2.20
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	2.47
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	3.29
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	3.34
XS0471737105	USD 250 MN Notes - Jan 2015*	250,000,000	1	USD	5.875%	01/15/15	4.04
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	4.60
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	5.05
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	5.36
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	2	USD	9.000%	03/20/17	6.22
XS0559237952	USD 500 MN - November 2018	500,000,000	1	USD	5.150%	11/12/18	7.87
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1	USD	6.375%	03/09/20	9.19
XS0250882478	USD 2,092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	10.29
XS0559237796	USD 225 MN - October 2022	225,000,000	1	USD	6.100%	10/04/22	11.77
XS0471737444	USD 250 MN Notes - Dec 2024	250,000,000	1	USD	7.000%	12/03/24	13.93
<u>EUROBONDS ISSUED IN THE CONTEXT OF PARIS III**</u>							
XS0312416778	USD 200 MN- July 2012	200,000,000	1	USD	3.750%	07/20/12	0.93
XS0312416000	USD 300 MN - July 2017	270,000,000	1	USD	3.750%	07/20/17	5.37
<u>EUROBONDS ISSUED IN THE CONTEXT OF PARIS II***</u>							
XS0160456322	USD 950 MN - Dec 2017	455,000,000	1	USD	5.000%	12/27/17	3.67
XS0160503347	USD 2,007.511 MN - Dec 2017	1,405,257,700	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	3.67
XS0169203048	USD 200 MN - May 2018	150,000,000	1	USD	5.000%	05/27/18	3.84
					Average Time to Maturity (as of December 31, 2010):		4.84 years
					Weighted average coupon rate:		7.31%

* 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.

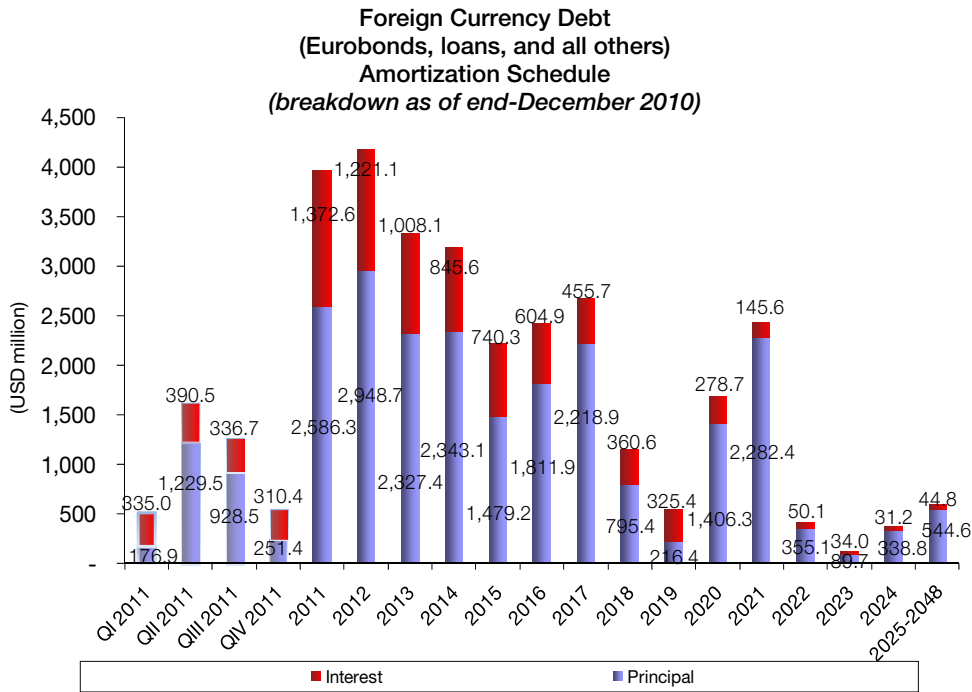
***Eurobonds issued in the context of the Paris II conference are redeemable in 20 equal semiannual payments starting from year 6 (grace period of 5 years from issue date).

Euro exchange rate (US\$/Euro) (30 December 2010): 1.325

FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
18-Jan-11	57 (2)	11.7	4-Oct-2022	6.100	6.100	USD 265 MN***	XS0559237796
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

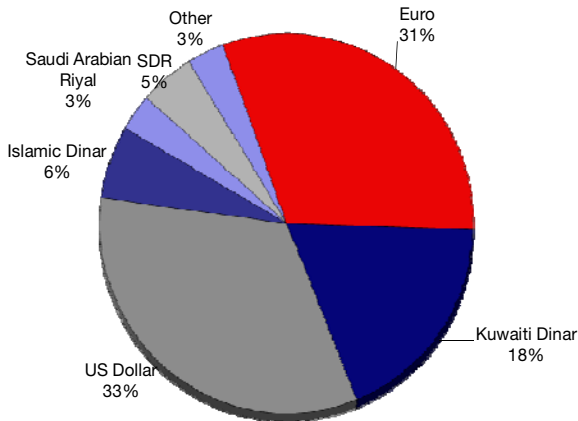
* Re-opening of Series 57 through a "Debt Replacement Agreement" between the Ministry of Finance (MoF) and Banque du Liban (BdL).



Source: MOF

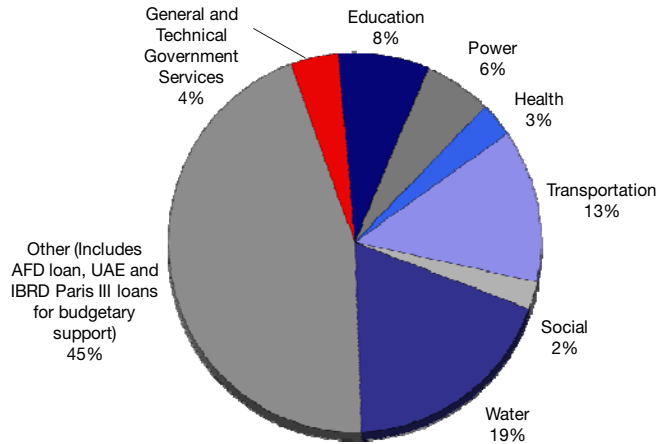
FOREIGN CURRENCY LOANS DATA

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



Total Outstanding LL 4,230 billion

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



Total Outstanding LL 4,230 billion

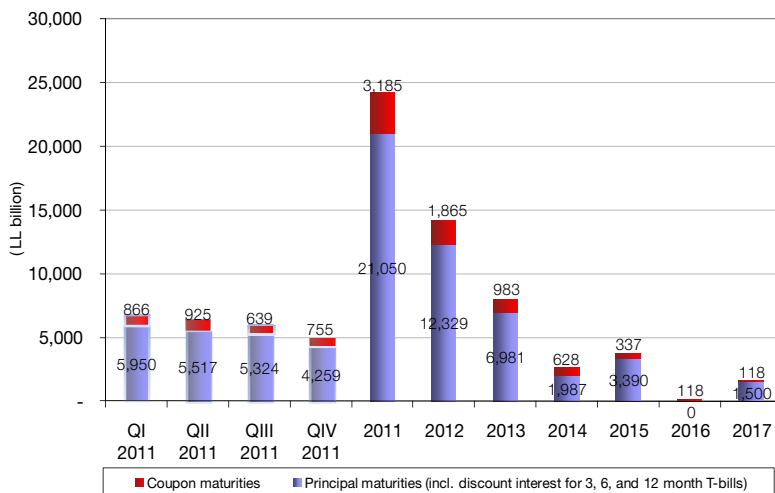
Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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



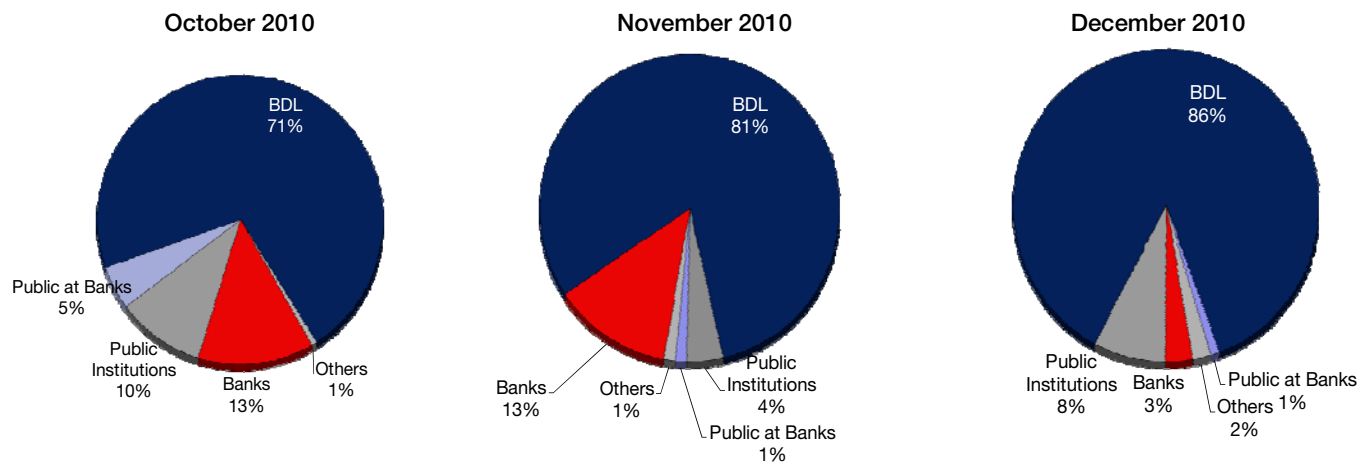
Average Time to Maturity
of Domestic Currency
T-bills and Notes
As of end-Dec 2010 1.7 years

Source: MOF, BDL

Upcoming Government Treasury Bill and Bond Auctions

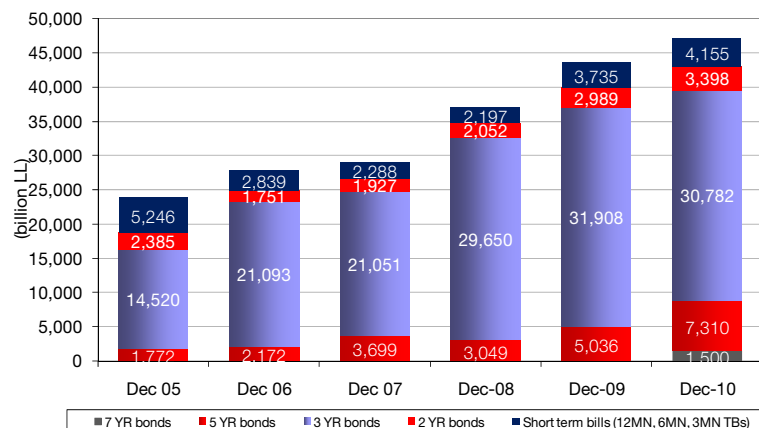
Auction Date	Value Date	Tenors to be auctioned (in months)
21-Feb-11	24-Feb-11	12 MN, 2YR, 3YR
28-Feb-11	3-Mar-11	3 MN, 6 MN, 5YR
7-Mar-11	10-Mar-11	12 MN, 2YR, 3YR
14-Mar-11	17-Mar-11	3 MN, 6 MN, 5YR
21-Mar-11	24-Mar-11	12 MN, 2YR, 3YR
28-Mar-11	31-Mar-11	3 MN, 6 MN, 5YR

T-Bill and Bond Subscription Results by Holder During QIV 2010



Source: MOF, BDL

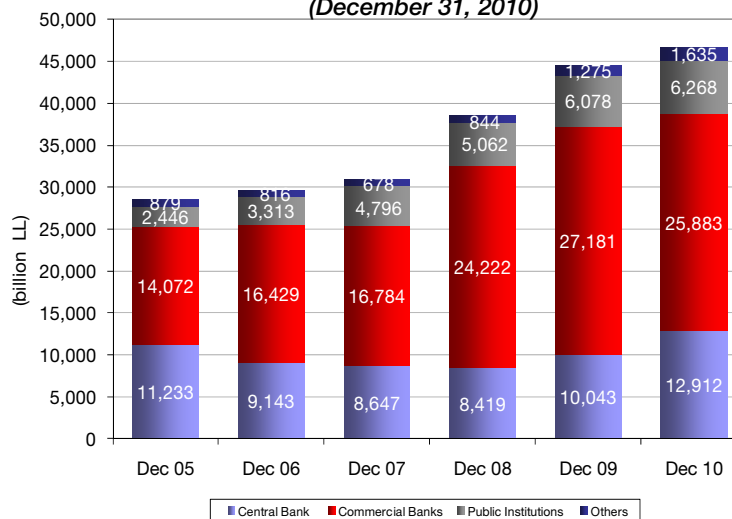
Domestic T-bills Outstanding by Tenor Type (December 31, 2010)



Source: MOF, BDL

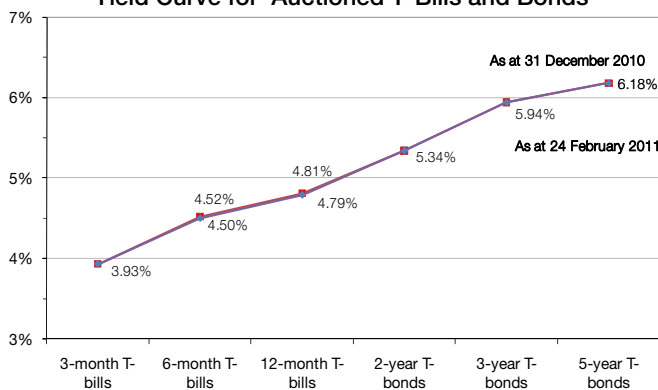
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (December 31, 2010)



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. It does not feature in this table as it was not issued in the regular auction process. Source: MOF

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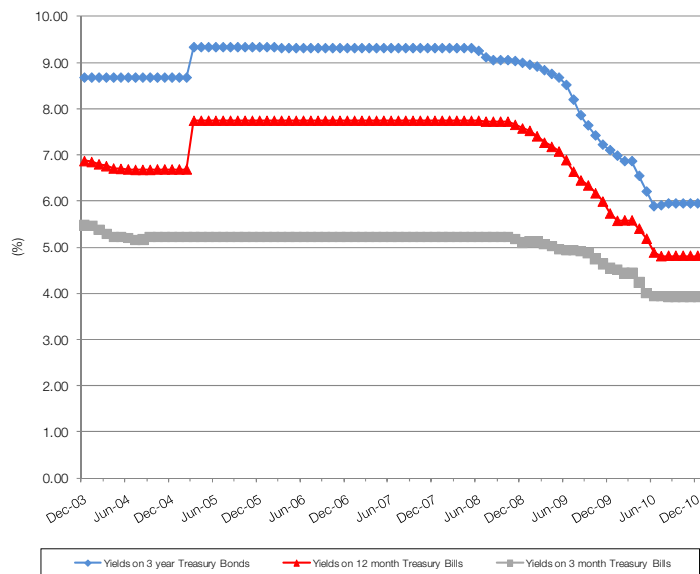
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Tel: 961 1 981 057/8 Fax: 961 1 981 059

Email: infocenter@finance.gov.lb

www.finance.gov.lb

Time Series of Primary Market Rates for T-Bills and



Source: MOF