

# DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 18, Quarter III 2011



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

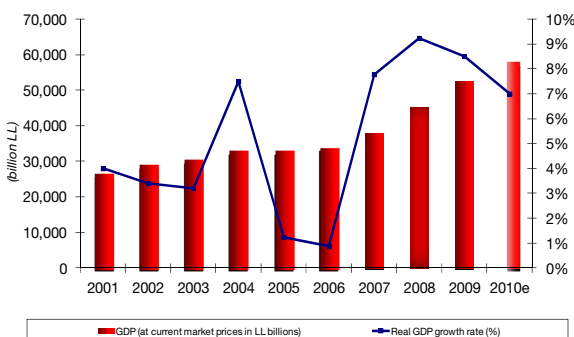
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## HIGHLIGHTS

- By the end of QIII 2011, gross public debt stood at LL 81,956 billion (US\$ 54.37 billion), higher than end-2010 levels by 3.35 percent.
- At LL 69,079 billion (US\$ 45.82 billion) by the end of QIII 2011, net public debt increased by 1.77 percent from the end-2010 level.
- Domestic currency debt registered LL 50,300 billion at the end of QIII 2011, an increase of 4.24 percent compared to end-December 2010.
- The highest subscriber of Treasury bills and bonds in QIII 2011 was BDL with 43 percent of subscriptions. In line with higher shares of subscriptions each quarter this year, commercial banks captured 41 percent of subscriptions during QIII 2011 compared to 14 percent for public institutions.
- Primary market rates on Treasury bills and bonds ended QIII 2011 at the same levels as at end-QII 2011.
- On September 15<sup>th</sup>, 2011, the Ministry of Finance issued 7YR Treasury bonds with a coupon of 7.60 percent. Commercial banks were authorized to subscribe to this 7YR bond either by swapping BDL-issued Certificates of Deposit or purchasing new bonds. Total subscriptions to this issuance amounted to LL 1,966 billion of which 10 percent were subscribed in exchange for Certificates of Deposit.
- Foreign currency debt totaled LL 31,656 billion (US\$ 21.00 billion) at the end of QIII 2011, a 1.97 percent increase since the end of December 2010.
- On August 2<sup>nd</sup> 2011, the Lebanese Republic issued a US\$ 1.2 billion dual-tranche offering. The first series consisted of a US\$ 500 million 4.75 percent coupon Eurobond due November 2016 (Series 59). Its yield of 4.75 percent was the lowest ever paid by the Republic on an issuance in foreign currency since 1994. The second series was a US\$ 700 million re-opening of the 6.10 percent coupon Eurobond due October 2022 (Series 57, Tranche 4) at a yield of 6.20 percent. International orders accounted for 21 percent of subscriptions in each of the two tranches. The transaction was jointly lead managed by BLOM Bank S.A.L and Citi.

## THE LEBANESE ECONOMY

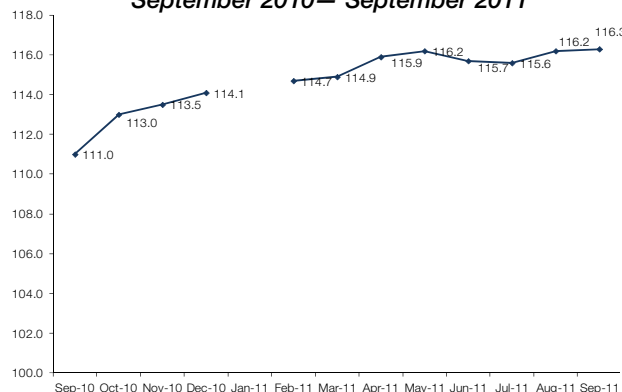
GDP and GDP growth



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

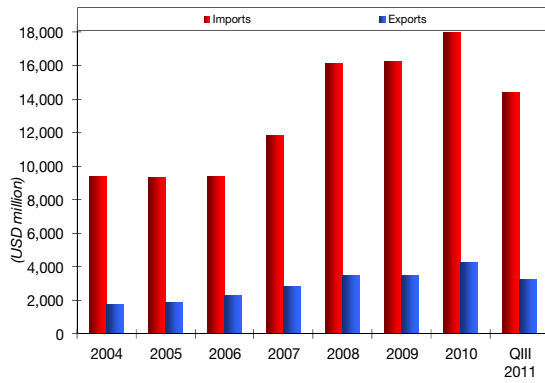
CPI Index

September 2010 – September 2011\*



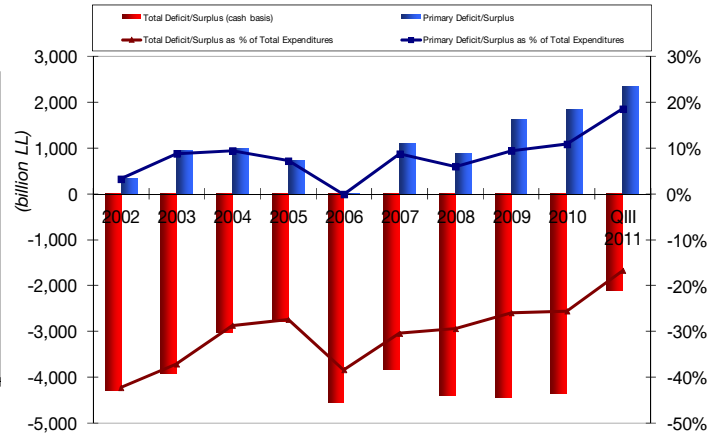
Source: Central Administration of Statistics  
Consumer Price Index base year December 2007 = 100.  
\* CAS did not release the January 2011 CPI.

## Trade Statistics



Source: MoF, Directorate of Customs

## Fiscal Performance

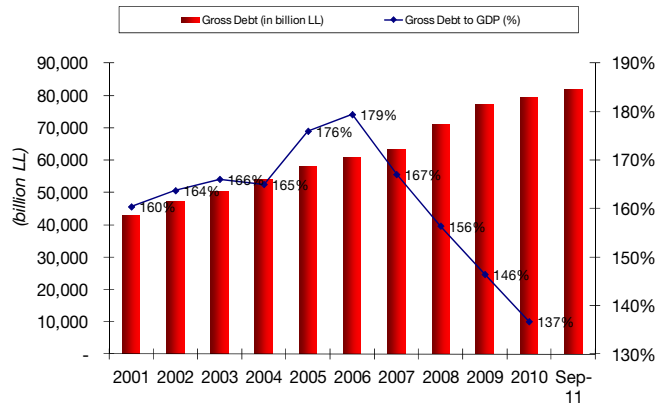


Source: MOF

Note: In accordance with the published September 2011 Fiscal Performance, the revenue figure for September 2011 includes expected transfers from the Telecom Surplus rather than actual transfers. Previous year figures include actual transfers.

# OVERALL DEBT DATA

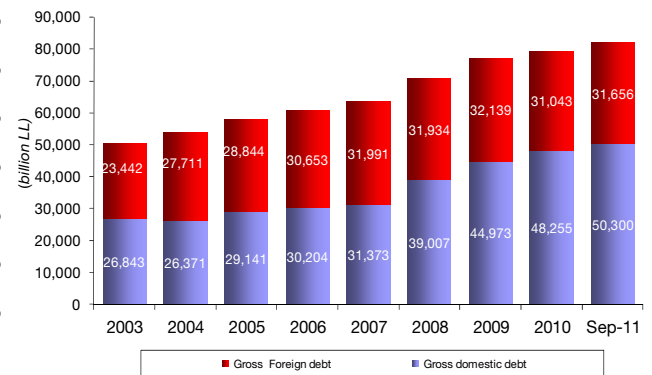
## Gross Public Debt



Source: MOF, BDL

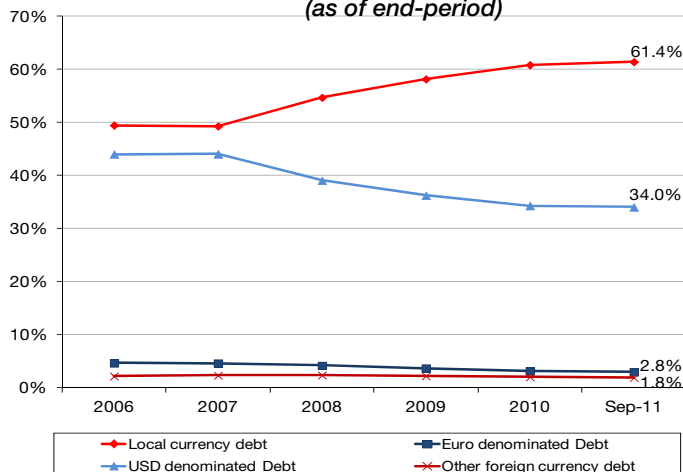
Note: 2010 GDP real growth rate as per Ministry of Finance estimates.

## Historical Debt Evolution



Source: MOF

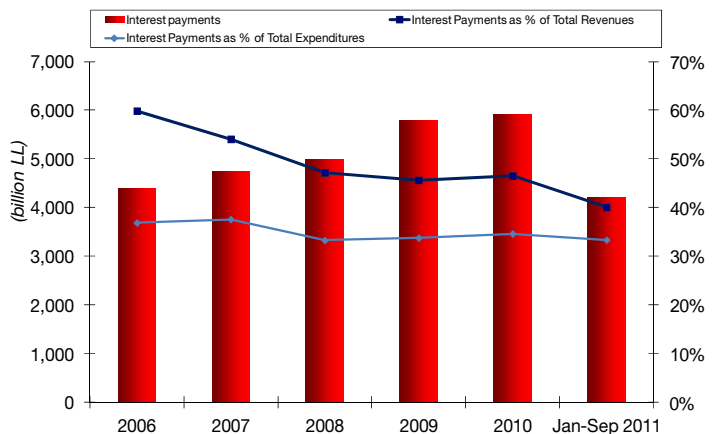
## Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

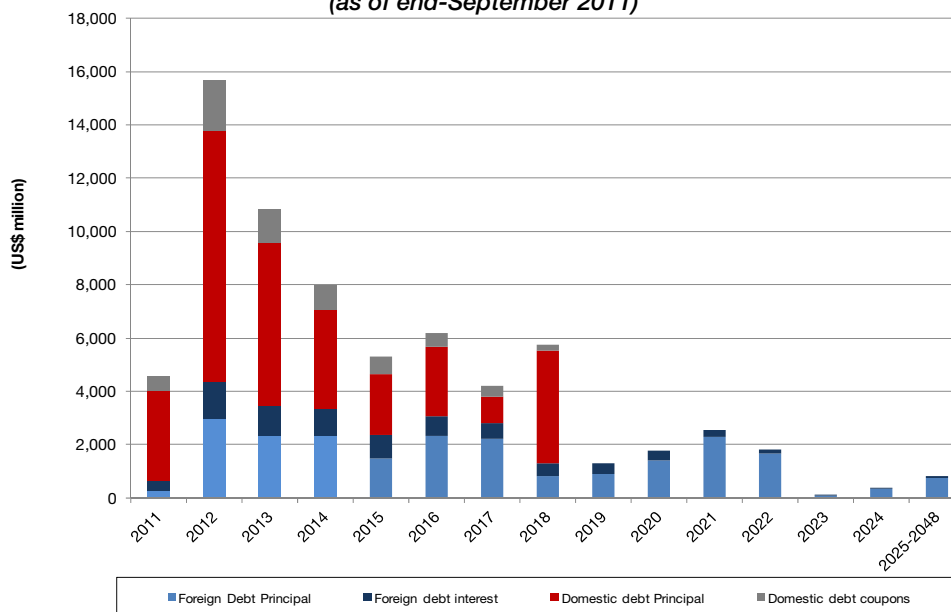
## Interest Payments



Source: MOF

Note: In accordance with the published September 2011 Fiscal Performance, the revenue figure for September 2011 includes expected transfers from the Telecom Surplus rather than actual transfers. Previous year figures include actual transfers.

## Aggregate Debt Amortization Profile (as of end-September 2011)



Source: MoF

## Public Debt Table (as of end-September 2011)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Sep-11	Change Dec 10 - Sep11	% Change Dec 10 - Sep 11
<b>Gross Public Debt (A + B)</b>	57,985	60,857	63,364	70,941	77,112	79,298	81,956	2,658	3.4%
<b>A. Local currency debt</b>	29,141	30,204	31,373	39,007	44,973	48,255	50,300	2,045	4.2%
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	16,257	3,127	23.8%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	26,241	(973)	-3.6%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,802	(109)	-1.4%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	6,496	228	3.6%
*Accrued interest included in debt	517	685	730	1,029	999	867	790	(77)	-8.9%
<b>B. Foreign currency debt<sup>(2)</sup></b>	28,844	30,653	31,991	31,934	32,139	31,043	31,656	613	2.0%
<b>4. Eurobonds</b>	24,743	26,441	27,099	26,817	27,142	26,738	27,488	750	2.8%
Of which, Paris II at preferential rates <sup>(3)</sup>	5,608	5,608	5,156	4,708	4,192	3,677	3,366	(311)	-8.4%
Of which, Paris III at preferential rates <sup>(4)</sup>	-	-	754	754	754	709	663	(45)	-6.4%
Of which, market-issued Eurobonds	18,729	20,399	20,780	20,925	21,736	21,870	22,960	1,090	5.0%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	498	15	3.1%
<b>5. Loans</b>	3,682	3,793	4,473	4,698	4,550	4,231	4,088	(143)	-3.4%
5.1 Paris II loans	893	932	907	748	627	460	368	(92)	-20.0%
5.2 Paris III loans <sup>(5)</sup>	-	-	603	1,095	1,210	1,147	1,104	(43)	-3.7%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	723	759	35	4.9%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,835	(43)	-2.3%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	23	(1)	-4.2%
<b>6. Other debt</b>	419	419	419	419	447	74	80	6	8.1%
6.1 Special Tbls in Foreign currency <sup>(6)</sup>	419	419	419	419	447	74	80	6	8.1%
<b>Public sector deposits</b>	5,590	4,444	4,527	8,326	10,522	11,419	12,877	1,458	12.8%
<b>Net debt</b>	52,395	56,413	58,837	62,615	66,590	67,879	69,079	1,200	1.8%
<b>Gross Market debt<sup>(7)</sup></b>	34,720	38,670	39,219	46,992	51,231	51,308	51,108	(200)	-0.4%
<b>% of total debt</b>	60%	64%	62%	66%	66%	65%	62%	(0)	-3.6%

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 05-Sep 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).

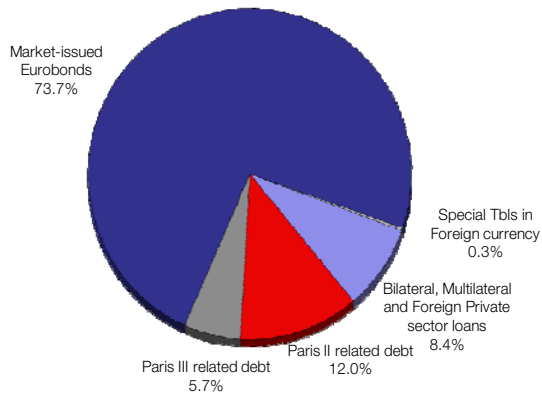
<sup>(7)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

# FOREIGN CURRENCY DEBT DATA



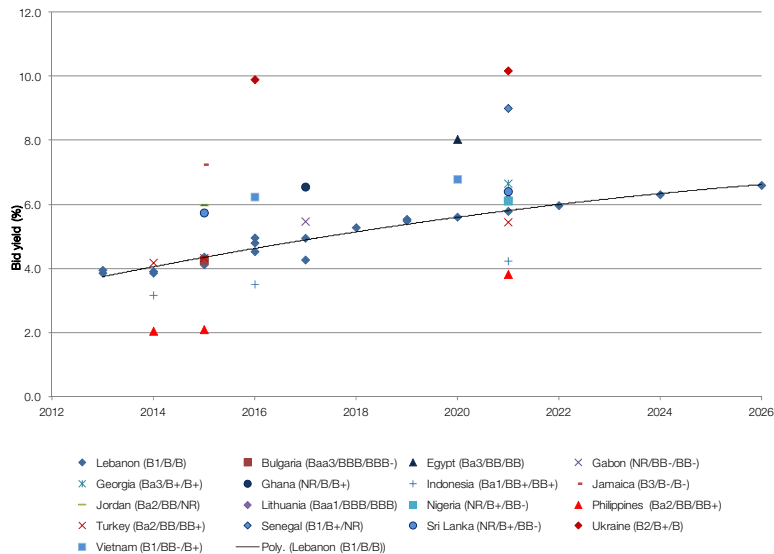
REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

## Outstanding Foreign Currency Debt by Holder (as of end-September 2011)



Source: MOF  
Note: Does not include accrued interest.

## Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds] (as of December 15, 2011)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
<b>EURO</b>						
LEB 5.875 12	100.00	101.00	5.71	3.79	400	204
<b>US Dollars</b>						
LEB 7.500 12	101.50	102.50	4.11	1.92	366	147
LEB 7.750 12	103.50	104.50	3.83	2.76	330	222
LEB 9.125 13	108.00	109.00	3.36	2.68	281	213
LEB 8.625 13	108.38	109.38	3.52	2.94	296	239
LEB 7.375 14	108.13	109.13	3.96	3.56	332	292
LEB 9.000 14	112.50	113.50	3.85	3.47	321	283
LEB 5.875 15	105.00	106.00	4.22	3.90	344	312
LEB 4.000 17 Av Life	98.00	99.00	4.37	4.18	394	358
LEB 10.000 15	119.00	120.00	4.19	3.91	335	307
LEB 8.500 15	115.13	116.13	4.19	3.93	327	301
LEB 8.500 16	115.13	116.13	4.57	4.33	355	331
LEB 11.625 16	126.50	128.00	5.09	4.77	401	369
LEB 4.750 16	100.00	101.00	4.74	4.52	350	328
LEB 9.000 17	118.00	119.00	5.17	4.98	388	369
LEB 5.150 18	99.00	101.00	5.32	4.98	368	334
LEB 6.000 19	103.00	104.00	5.51	5.35	381	365
LEB 6.375 20	105.00	106.00	5.62	5.48	381	367
LEB 8.250 21	117.00	118.00	5.89	5.77	400	387
LEB 6.100 22	100.13	101.13	6.08	5.96	401	389
LEB 7.000 24	103.50	105.50	6.60	6.37	442	419

Source: CS 30th September 2011

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
<b>EURO</b>						
LEB 5.350 18	99.63	100.25	5.41	5.30	328	317
<b>US Dollars</b>						
LEB 9.125 13	106.25	107.25	3.86	3.06	316	237
LEB 8.625 13	106.75	107.75	3.95	3.29	325	259
LEB 7.375 14	107.60	108.60	3.91	3.48	318	275
LEB 9.000 14	111.50	112.50	3.86	3.45	313	272
LEB 5.875 15	104.50	105.50	4.29	3.95	347	313
LEB 4.000 17 Av Life	98.58	99.58	4.27	4.08	281	262
LEB 10.000 15	117.38	118.38	4.36	4.07	349	320
LEB 8.500 15	114.63	115.63	4.12	3.84	319	291
LEB 8.500 16	114.63	115.63	4.53	4.28	351	327
LEB 11.625 16	126.00	127.00	4.96	4.74	389	367
LEB 4.750 16	99.75	100.75	4.80	4.57	360	337
LEB 9.000 17	118.50	119.50	4.95	4.76	370	350
LEB 5.150 18	99.25	100.38	5.28	5.08	368	348
LEB 6.000 19	102.75	103.75	5.54	5.38	387	371
LEB 5.450 19	99.75	100.38	5.49	5.39	374	364
LEB 6.375 20	105.00	106.00	5.61	5.46	384	369
LEB 8.250 21	117.50	118.50	5.79	5.66	393	380
LEB 6.100 22	101.00	102.00	5.97	5.85	393	381
LEB 7.000 24	106.00	107.00	6.31	6.21	416	405
LEB 6.600 26	100.00	101.00	6.60	6.49	434	423

Source: CS 15th December 2011

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 15 December 2011			
Fitch IBCA Ltd*	B	B	Stable
Moody's Investor Services Ltd	B1	-	Stable
Standard and Poor's	B	B	Stable

\*Fitch Ratings reaffirmed these ratings on 5 July 2011.

## FOREIGN CURRENCY DEBT DATA

### List of Outstanding Eurobonds (values as of September 30, 2011)

ISIN CODE	Eurobond	Outstanding Amount (in original cur)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity (yrs)
XS0418193750	USD 600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	0.47
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	0.53
XS0200329950	USD 600 MN - September 2012	600,000,000	2	USD	7.750%	09/07/12	0.94
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	1.45
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	1.72
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	2.54
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	2.59
XS0471737105	USD 250 MN Notes - January 2015*	250,000,000	1	USD	5.875%	01/15/15	3.30
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	3.85
US52238PAJ84	USD 750 MN - January 2016	750,000,000	1	USD	8.500%	01/19/16	4.31
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	4.62
XS0655338555	USD 500 MN - November 2016*	500,000,000	1	USD	4.750%	11/02/16	5.10
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	2	USD	9.000%	03/20/17	5.47
XS0559237952	USD 500 MN - November 2018	500,000,000	1	USD	5.150%	11/12/18	7.12
XS0629509943	USD 650 MN - May 2019	650,000,000	1	USD	6.000%	05/20/19	7.64
XS0493540297	USD 1,200 MN - March 2020	1,200,000,000	1	USD	6.375%	03/09/20	8.45
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	9.54
XS0559237796	USD 1,540 MN - October 2022	1,540,000,000	4	USD	6.100%	10/04/22	11.02
XS0471737444	USD 250 MN Notes - December 2024	250,000,000	1	USD	7.000%	12/03/24	13.19
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS III**</b>							
XS0312416778	USD 200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	0.50
XS0312416000	USD 300 MN - July 2017	240,000,000	1	USD	3.750%	07/20/17	3.69
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS II***</b>							
XS0160456322	USD 950 MN - December 2017	422,500,000	1	USD	5.000%	12/27/17	3.17
XS0160503347	USD 2,007.511 MN - December 2017	1,304,882,150	2	USD	4.000%	12/31/17	3.17
XS0160456322	USD 700 MN - March 2018	455,000,000	1	USD	5.000%	03/07/18	3.42
XS0169203048	USD 200 MN - May 2018	140,000,000	1	USD	5.000%	05/27/18	3.34
						<b>Average Time to Maturity (in years, as of September 30, 2011):</b>	<b>5.23</b>
						<b>Weighted average coupon rate:</b>	<b>7.10%</b>

\* 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.

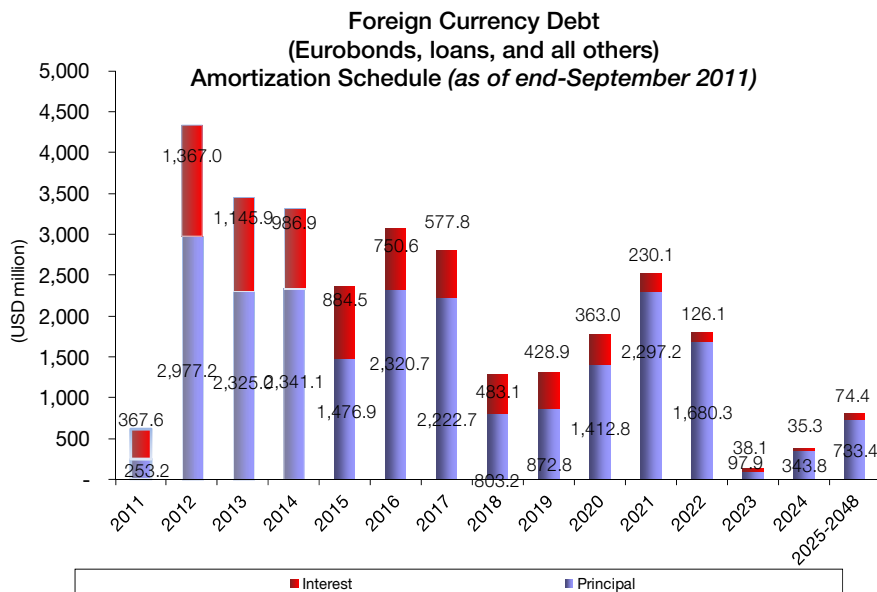
\*\*\*Eurobonds issued in the context of the Paris II conference are redeemable in 20 equal semiannual payments starting from year 6 (grace period of 5 years from issue date).

Euro exchange rate (US\$/Euro) (30 September 2011): 1.354

## FOREIGN CURRENCY DEBT DATA

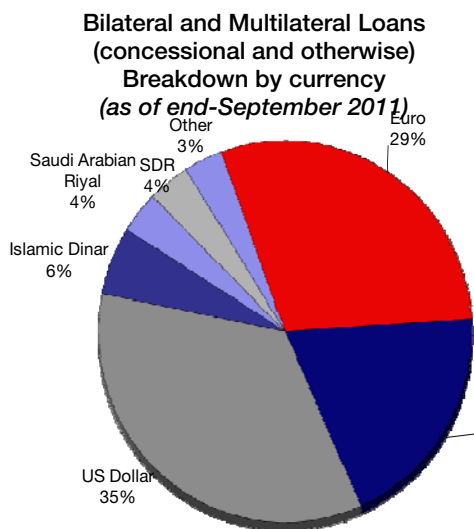
Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
28-Nov-11	62 (2)	7.0	28-Nov-2018	5.350	5.350	EUR 24.058	XS0707821467
28-Nov-11	62	7.0	28-Nov-2018	5.350	5.350	EUR 420.942	XS0707821467
28-Nov-11	61 (2)	15.0	27-Nov-2026	6.600	6.600	USD 139.463 MN	XS0707820659
28-Nov-11	61	15.0	27-Nov-2026	6.600	6.600	USD 235.537 MN	XS0707820659
28-Nov-11	60 (2)	8.0	28-Nov-2019	5.450	5.450	USD 66.817 MN	XS0707819727
28-Nov-11	60	8.0	28-Nov-2019	5.450	5.450	USD 433.183 MN	XS0707819727
2-Aug-11	57 (4)	11 (long)	4-Oct-2022	6.100	6.200	USD 700 MN	XS0559237796
2-Aug-11	59	5 (long)	2-Nov-2016	4.750	4.750	USD 500 MN	XS0655338555
20-May-11	58	8.0	20-May-2019	6.000	6.000	USD 650 MN	XS0629509943
20-May-11	57 (3)	11.4	4-Oct-2022	6.100	6.475	USD 350 MN	XS0559237796
18-Jan-11	57 (2)	11.7	4-Oct-2022	6.100	6.100	USD 265 MN*	XS0559237796

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

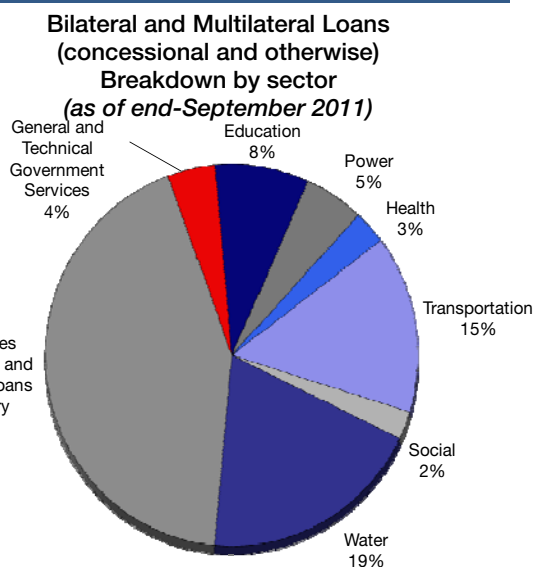


Source: MOF

## FOREIGN CURRENCY LOANS DATA



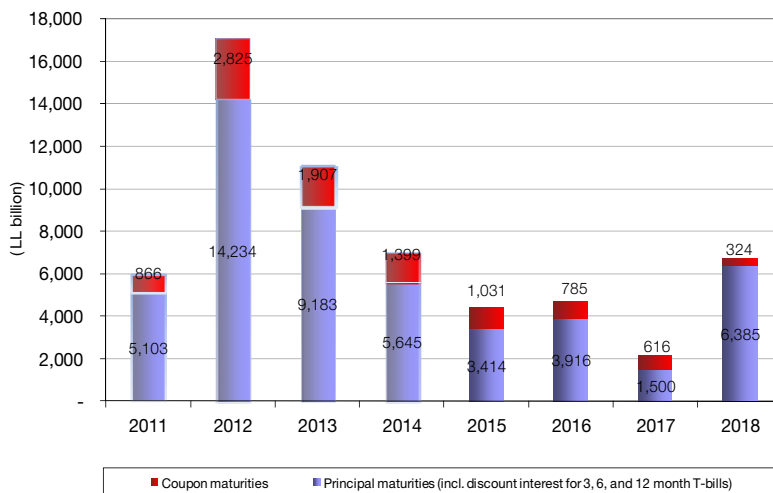
Total Outstanding LL 4,086 billion



Total Outstanding LL 4,086 billion

Source: MOF, BDL

**Amortization Schedule of Domestic T-bills and Notes**  
(as of end-September 2011)



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

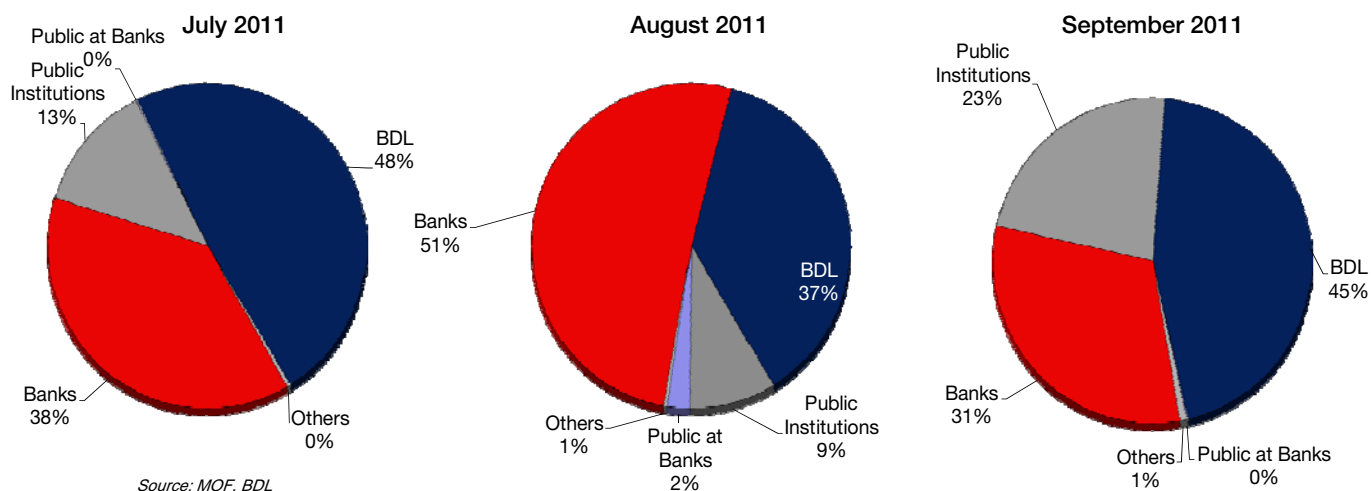
As of end-September 2011: **2.6 years**

Source: MOF, BDL

Upcoming Government Treasury Bill and Bond Auctions		
Auction Date	Value Date	Tenors to be auctioned
19-Dec-11	22-Dec-11	3 MN, 6 MN, 5YR
27-Dec-11*	29-Dec-11	12 MN, 2YR, 3YR
3-Jan-12*	5-Jan-12	3 MN, 6 MN, 5YR
9-Jan-12	12-Jan-12	12 MN, 2YR, 3YR
16-Jan-12	19-Jan-12	3 MN, 6 MN, 5YR
23-Jan-12	26-Jan-12	12 MN, 2YR, 3YR
30-Jan-12	2-Feb-12	3 MN, 6 MN, 5YR

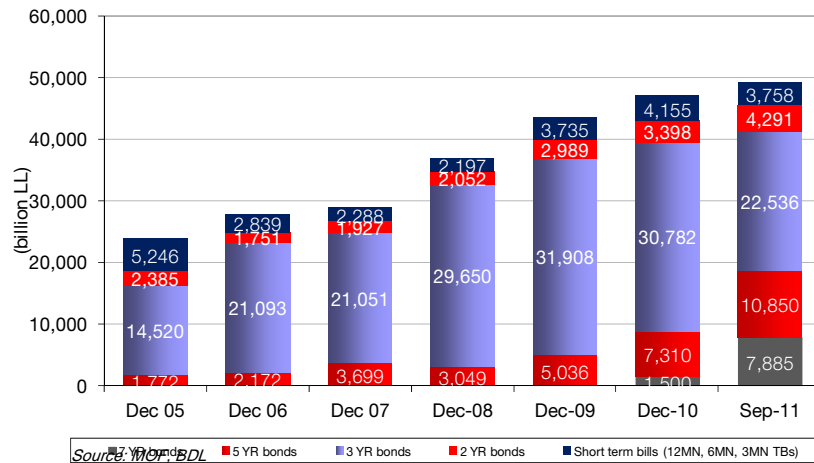
\*Since Mondays 26 December 2011 and 2 January 2012 are public holidays, the auctions will be held on the respective Tuesday instead.

**T-Bill and Bond Subscription Results by Holder During QIII 2011**



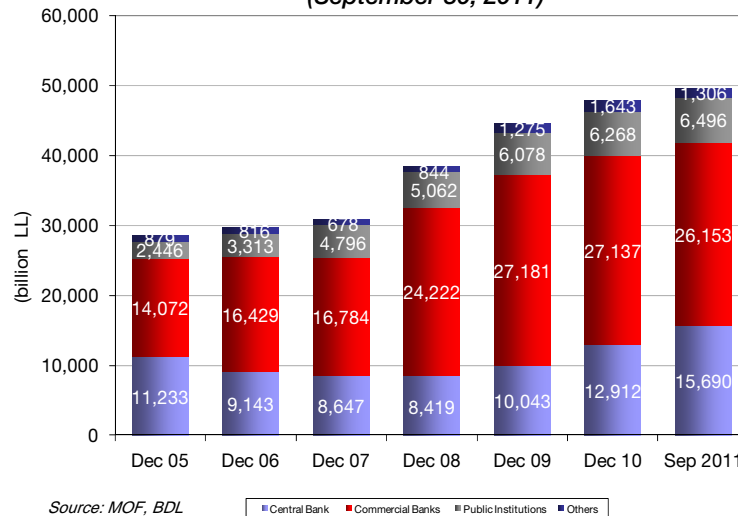
Source: MOF, BDL

## Domestic T-bills Outstanding by Tenor Type (September 30, 2011)



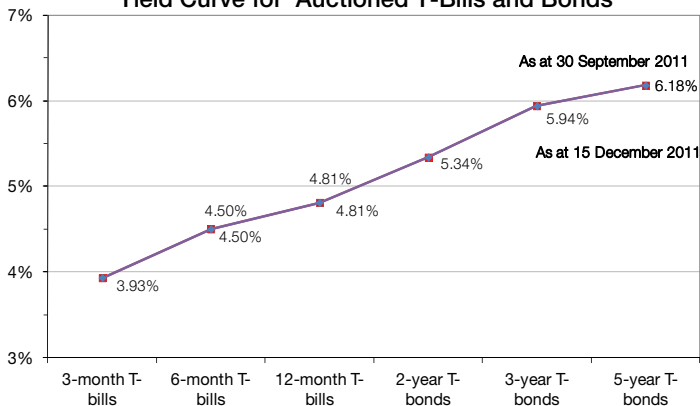
Source: MOF, BDL  
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

## Domestic T-bills Outstanding by Investor Type (September 30, 2011)



Source: MOF, BDL

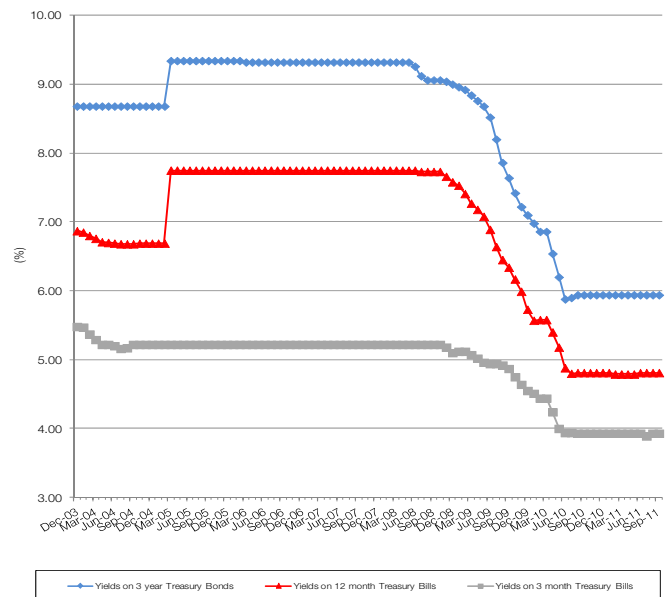
## Yield Curve for Auctioned T-Bills and Bonds



Note: 7-yr Treasury bonds were introduced in December 2010 under the LBP Medium-Term Note Program with a coupon of 7.90 percent. 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 table as they were not part of the auction process.

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## Time Series of Primary Market Rates for T-Bills and



Source: MOF