

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 8, Quarter I 2009



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

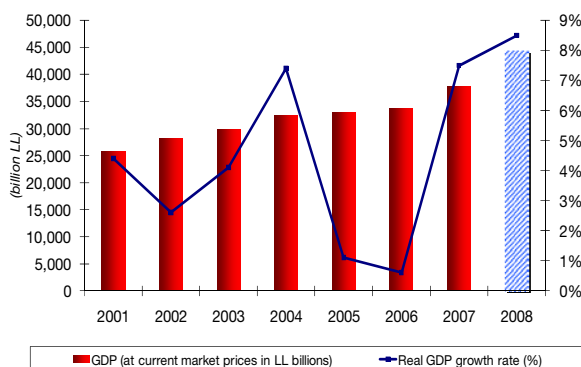
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HIGHLIGHTS

- By the end of the first quarter 2009, gross public debt registered LL 72,249 billion (US\$ 47.93 billion), 1.92 percent higher than at end-December 2008.
- By the end of March 2009, net public debt stood at LL 63,935 billion (US\$ 42.41 billion), 2.19 percent higher than the end-2008 level.
- By end-March 2009, domestic currency debt totaled LL 39,969 billion, higher than the end-December 2008 level by 2.47 percent.
- In Q1 2009, commercial banks were the main subscribers of Treasury bills and notes, accounting for 67 percent of subscriptions, followed by public entities with 16 percent of subscriptions and Banque du Liban with 15 percent of subscriptions for the quarter.
- Primary market rates on Treasury bills and notes continued to decrease in Q1 2009. The highest decrease in rates was seen on the 12-month instrument whose rate was 31 bps lower to 7.27 percent by end-March 2009 compared to its rate end-2008, followed by a 30 bps decrease of the 24-month instrument over the same period to 7.96 percent.
- By the end of Q1 2009, foreign currency debt totaled LL 32,280 billion, 1.25 percent higher than the end-December 2008 level.
- On March 19th, 2009 the Lebanese Republic settled its voluntary debt exchange offer. The aggregate participation rate for the exchange offer was 82.8 percent. Five bonds maturing in 2009 were submitted for exchange into longer dated notes. The issuance of USD 444.7 million of new cash in conjunction with the Eurobond voluntary exchange transaction resulted in new issues of \$2,100,000,000 and €11,097,000. Credit Suisse, Credit Libanais and Byblos Bank acted as lead managers for the transaction.
- On March 25th, 2009 the Lebanese Republic issued 6.00 percent US\$ 18.5 million Treasury Bonds due 2014 for the settlement of expropriations.

THE LEBANESE ECONOMY

GDP and GDP growth



Source: 2001-2007 are National Accounts Committee figures
2008 GDP real growth rate as per the Lebanese authorities' latest estimate.

**CPI Index
Mar 08 – Mar 09**



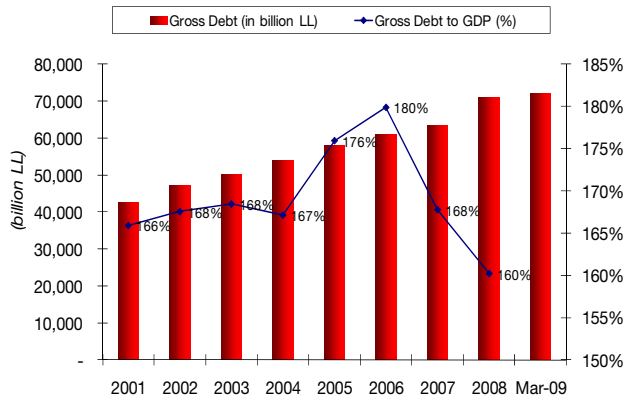
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.

OVERALL DEBT DATA



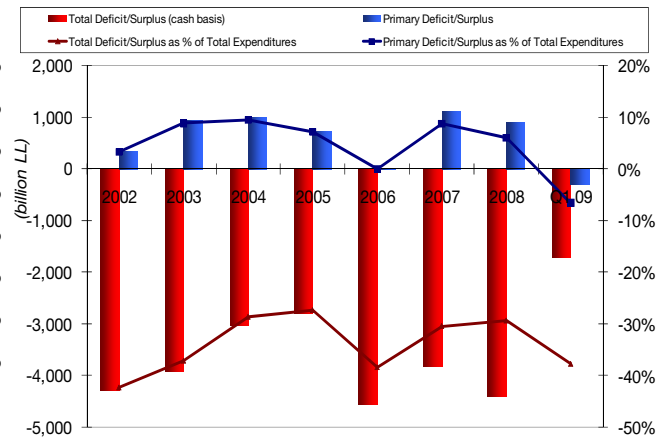
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Gross Public Debt



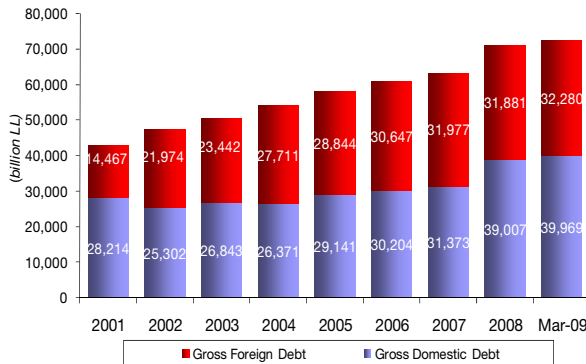
Source: MOF, BDL
Note: 2008 GDP figure estimate based on Lebanese authorities' latest estimates for GDP growth.

Fiscal Performance



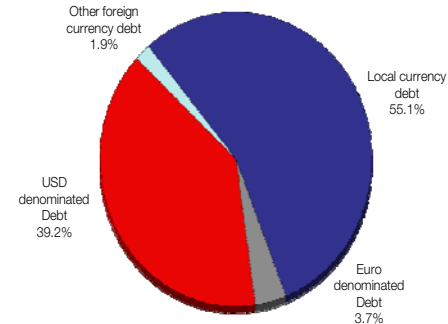
Source: MOF

Historical Debt Evolution



Source: MOF

Outstanding Debt by Currency Composition as of end-March 2009



Source: MOF
Note: Excluding accrued interest.

Public Debt (in LL billion)	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Mar-09	Change Dec 08 - Mar 09	% Change Dec 08 - Mar 09
Gross Public debt	54,082	57,985	60,851	63,350	70,888	72,249	1,361	1.92%
Local currency debt	26,371	29,141	30,204	31,373	39,007	39,969	962	2.47%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	10,652	11,686	9,588	9,052	8,781	10,044	1,263	14.38%
b. Commercial Banks	12,220	14,130	16,487	16,847	24,320	23,768	(552)	-2.27%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,474	5,906	6,157	251	4.25%
o/w Public entities	2,187	2,446	3,313	4,796	5,062	5,265	203	4.01%
*Accrued interest included in debt	356	517	685	754	1,001	947	(54)	-5.39%
Foreign currency debt⁽²⁾	27,711	28,844	30,647	31,977	31,881	32,280	399	1.25%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	2,953	2,802	2,678	(124)	-4.43%
b. Paris II related debt (Eurobonds and Loans) ⁽³⁾	6,634	6,501	6,540	6,063	5,456	5,298	(158)	-2.89%
c. Paris III related debt (Eurobonds and Loans) ⁽⁴⁾	-	-	-	1,357	1,849	1,829	(20)	-1.08%
d. Market-issued Eurobonds	17,686	18,729	20,399	20,776	20,925	21,526	601	2.87%
e. Accrued Interest on Eurobonds	388	406	434	410	430	502	72	16.74%
f. Special Tbls in Foreign currency ⁽⁵⁾	-	419	419	419	419	447	28	6.68%
Public sector deposits	4,359	5,590	4,444	4,527	8,326	8,314	(12)	-0.14%
Net debt	49,723	52,395	56,407	58,823	62,562	63,935	1,373	2.19%
Gross Market debt⁽⁶⁾	31,606	34,563	38,555	39,216	46,992	47,176	184	0.39%
% of total debt	58%	60%	63%	62%	66%	65%	(0)	-1.50%

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

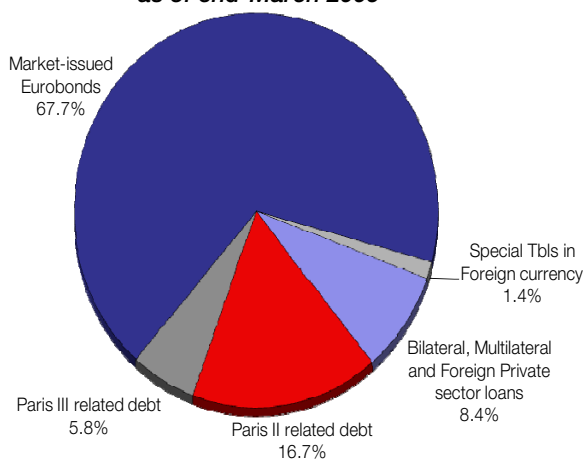
⁽³⁾ Paris II related debt (Eurobonds and Loans) including Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

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

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

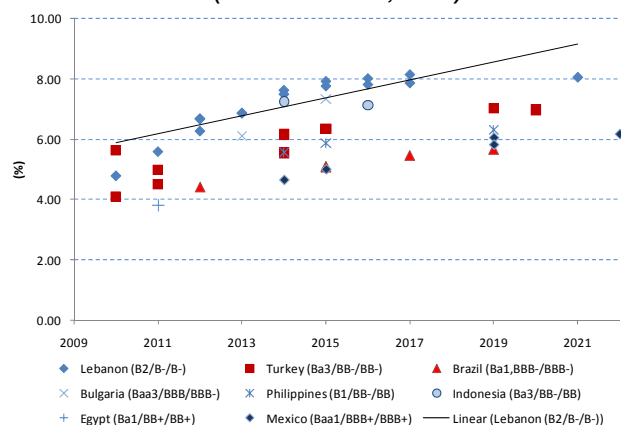
⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

Outstanding Foreign Currency Debt by Holder
as of end-March 2009



Source: MOF

Yields for Republic of Lebanon Eurobonds and Comparables
(as of June 30th, 2009)



Source: Credit Suisse

Lebanon Secondary Issues						
25-Mar-09	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 5.875 12	96.00	99.00	7.39	6.24	512	396
US Dollars						
LEB 7.125 10	100.13	101.13	6.98	5.90	480	371
LEB 7.875 11	101.50	102.50	7.11	6.57	553	503
LEB 4.000 17 Av Life	81.00	82.00	9.62	9.27	778	737
LEB 7.500 12	100.50	101.38	7.31	6.98	548	515
LEB 7.750 12	101.13	102.13	7.37	7.04	541	508
LEB 9.125 13	103.75	104.75	8.00	7.71	591	562
LEB 8.625 13	102.00	103.00	8.05	7.77	590	562
LEB 7.375 14	96.50	97.50	8.24	7.99	591	566
LEB 9.000 14	103.00	104.00	8.26	8.03	594	570
LIEB 10.000 15	106.75	107.75	8.55	8.34	607	586
LEB 8.500 15	100.13	101.13	8.47	8.27	594	573
LEB 8.500 16	99.50	100.50	8.59	8.40	600	580
LEB 11.625 16	115.00	116.00	8.75	8.57	614	597
LEB 9.000 17	101.63	102.50	8.71	8.56	599	585
LEB 8.250 21	92.75	93.75	9.26	9.12	624	610

Source: Credit Suisse 25 March 2009

Lebanon Secondary Issues						
30-Jun-09	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 5.875 12	99.00	100.00	6.27	5.86	413	374
US Dollars						
LEB 7.125 10	101.50	102.50	4.79	3.28	408	256
LEB 7.875 11	104.00	105.00	5.59	5.04	420	365
LEB 4.000 17 Av Life	85.38	86.88	8.14	7.67	529	481
LEB 7.500 12	102.00	103.00	6.67	6.27	477	436
LEB 7.750 12	103.00	104.00	6.68	6.33	452	418
LEB 9.125 13	107.25	108.25	6.86	6.56	449	420
LEB 8.625 13	106.00	107.00	6.87	6.58	438	410
LEB 7.375 14	99.00	101.00	7.62	7.12	486	435
LEB 9.000 14	106.00	107.00	7.49	7.25	473	449
LIEB 10.000 15	109.50	110.50	7.92	7.71	484	464
LEB 8.500 15	103.50	104.50	7.76	7.56	470	449
LEB 8.500 16	103.50	104.50	7.81	7.61	466	446
LEB 11.625 16	118.75	119.75	8.01	7.84	486	469
LEB 9.000 17	106.50	107.50	7.86	7.69	455	438
LEB 8.250 21	101.50	103.00	8.05	7.85	439	419

Source: Credit Suisse 30 June 2009

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of June 30, 2009			
Fitch IBCA Ltd	B-	B	Stable
Moody's Investor Services Ltd*	B2	-	Stable
Standard and Poor's*	B-	C	Stable

* Moody's upgraded Lebanon's government bond ratings to B2 on April 1st 2009.

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of March 31, 2009)

ISIN CODE	Eurobond	Outstanding Amount (in original cur)	Number of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
XS0102480513	USD 650 MN - Oct 2009	150,010,000	2	USD	10.250%	10/06/09	0.52
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	0.93
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	3.44
XS0207128561	USD 625 MN FRN - Nov 2009	40,203,000	1	USD	6 months U.S \$ L + 3.25 %	11/30/09	0.67
XS0207129296	USD 425 MN - Dec 2009	103,661,000	1	USD	7.000%	12/14/09	0.71
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	2.14
XS0192976834	EUR 225 MN - May 2009	13,903,000	1	Euro	7.250%	05/20/09	0.14
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	7.12
XS0205838948	USD 700 MN - Nov 2010	700,000,000	1	USD	6.875%	11/12/10	1.62
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	4.22
US52238PAJ84	USD 750 MN - Jan 2016	750,000,000	1	USD	8.500%	01/19/16	6.81
XS0250882809	USD 676.902 MN - April 2014	676,902,000	1	USD	7.375%	04/14/14	5.04
XS0250882478	USD 2,092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	12.04
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	3.04
XS0263574112	USD \$750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	2.34
XS0263573817	USD \$351.591 MN - August 2009	87,893,000	2	USD	7.500%	08/03/09	0.34
XS0352629546	USD \$875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	3.95
XS0361558413	USD \$881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	5.09
XS0381915353	USD \$500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	6.35
XS0418193750	USD \$600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	2.97
XS0418193917	USD \$1,500 MN March 2017	1,500,000,000	2	USD	9.000%	03/20/17	7.98
<u>Eurobonds issued in the context of Paris III</u>							
XS0312416000	USD \$300 MN - July 2017	300,000,000	1	USD	3.750%	07/20/17	8.31
XS0312416778	USD \$200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	3.31
<u>Eurobonds issued in the context of Paris II*</u>							
XS0160503347	USD 2,007.511 MN - Dec 2017	1,806,759,900	2	USD	4.000%	12/31/17	4.42
XS0160456322	USD 950 MN - Dec 2017	585,000,000	1	USD	5.000%	12/27/17	4.42
XS0160456322	USD 700 MN - Mar 2018	630,000,000	1	USD	5.000%	03/07/18	4.67
XS0169203048	USD 200 MN - Mar 2018	190,000,000	1	USD	5.000%	05/27/18	4.59
					Average Time to Maturity (in years, as of Mar 31, 2009):		5.08
					Weighted average coupon rate:		7.34%

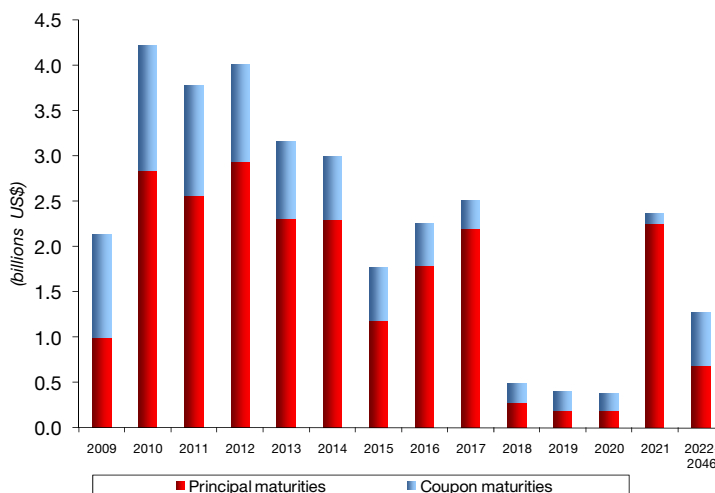
FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuance							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
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
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

* Paris III conference Malaysia contribution

** Initial issuance to BDL

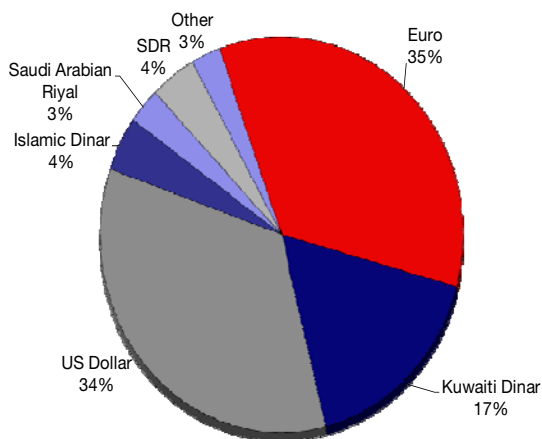
Foreign Currency Debt
(Eurobonds, loans, and all others)
Amortization Schedule
(breakdown as of end-March 2009)



Source: MOF

FOREIGN CURRENCY LOANS DATA

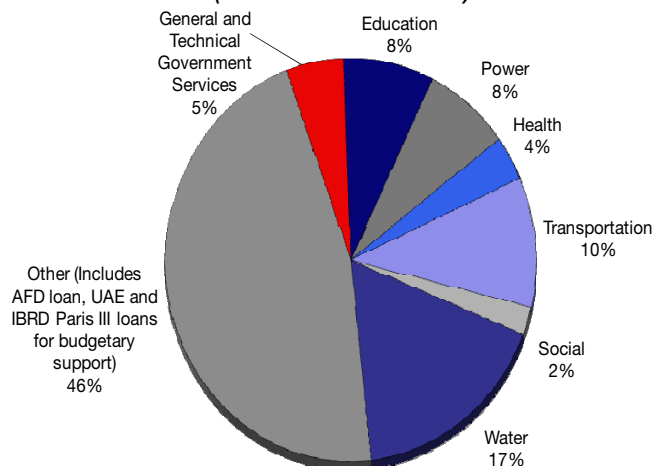
Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-March 2009)



Source: MOF, BDL

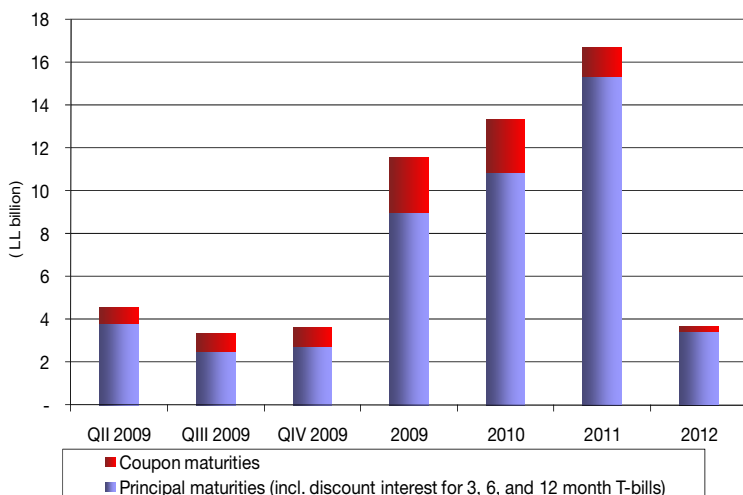
Total LL 4,397 billion

Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by sector
(as of end-March 2009)



Total LL 4,397 billion

Amortization Schedule of Domestic T-bills and Notes (as of end-March 2009)



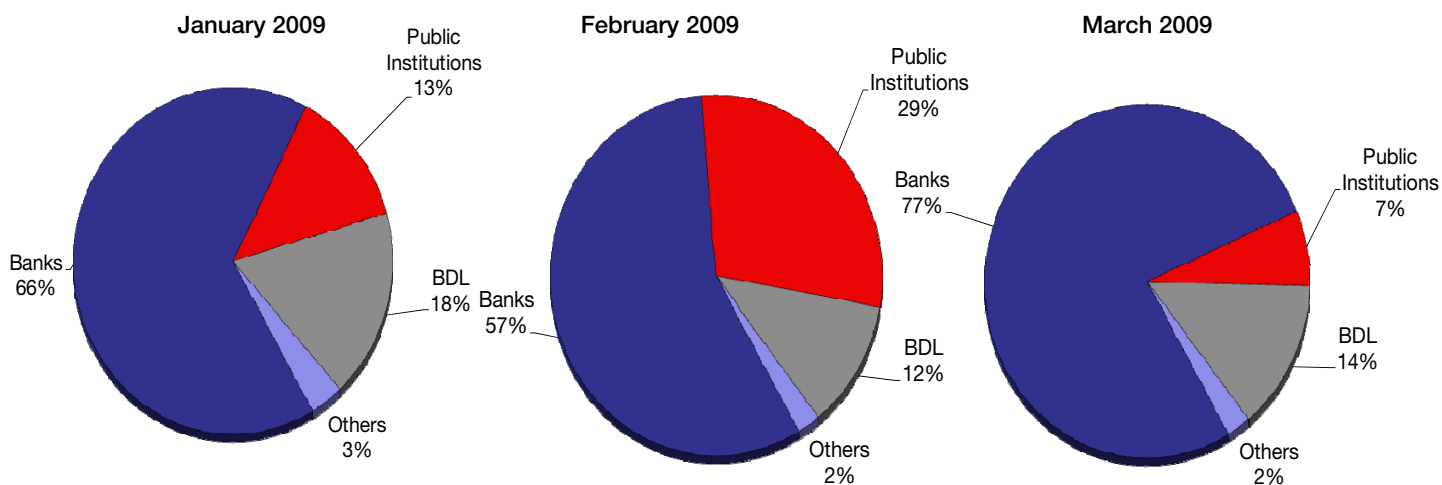
Average Time to Maturity of Domestic Currency T-bills and Notes	
(in years, as of end-March 2009)	1.61

Source: MOF, BDL

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
29-Jun-09	3 MN, 6 MN, 12 MN
30-Jun-09	24 MN, 36 MN
6-Jul-09	3 MN, 6 MN, 12 MN
7-Jul-09	24 MN, 36 MN
13-Jul-09	12 MN, 24 MN, 36 MN
20-Jul-09	3 MN, 6 MN, 60 MN
27-Jul-09	12 MN, 24 MN, 36 MN

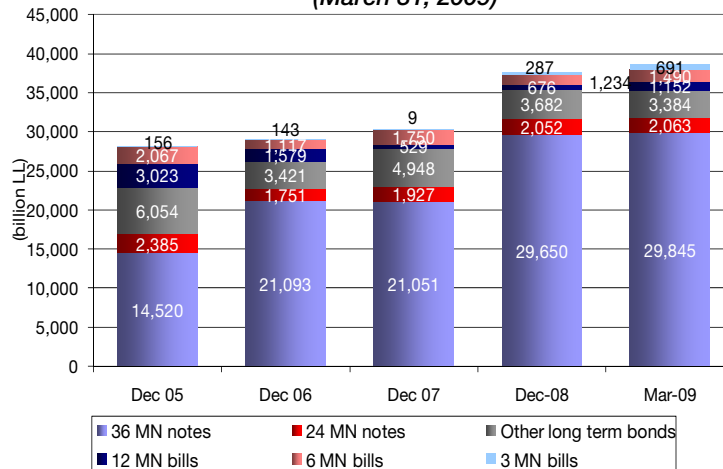
Source: MOF, BDL

T-Bill Subscription Results by Holder During QI 2009



Source: MOF, BDL

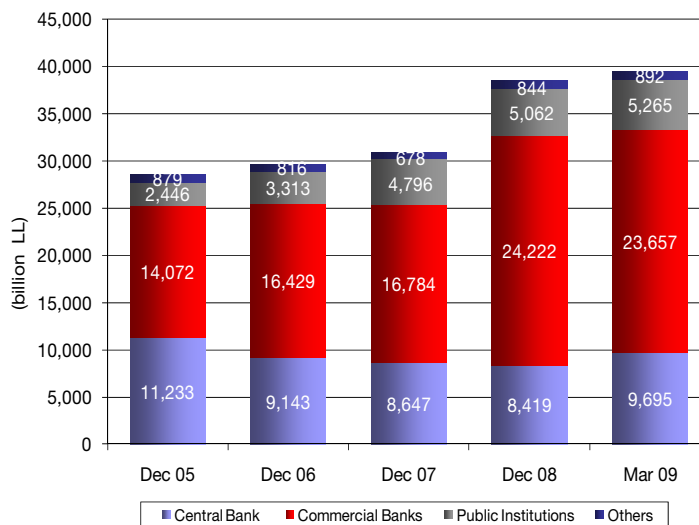
Domestic T-bills Outstanding by Tenor Type (March 31, 2009)



Source: MOF, BDL

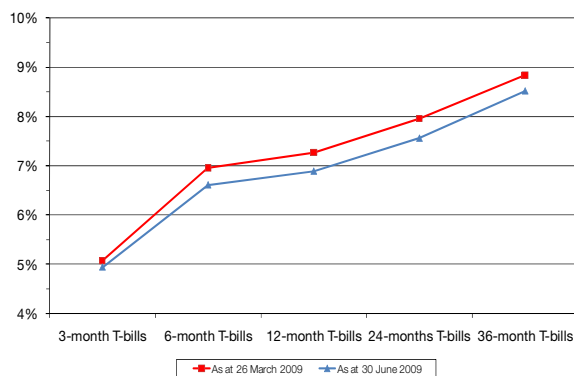
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (March 31, 2009)



Source: MOF, BDL

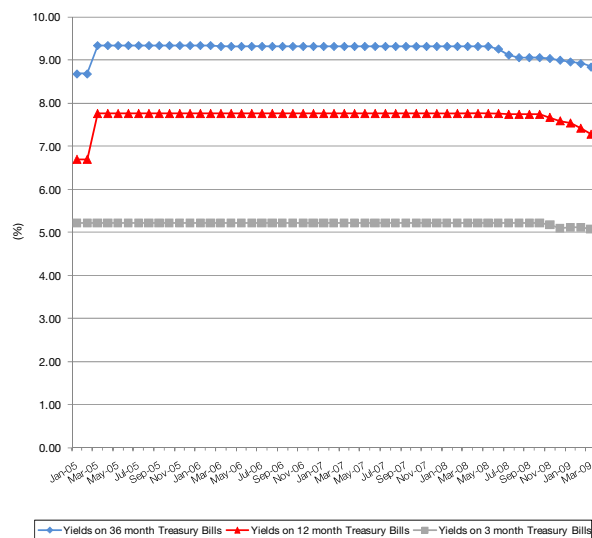
Primary Market Rates for T-Bills



Source: MOF

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Time Series of Primary Market Rates for T-Bills (end-March 2009)



Source: MOF