

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 16, Quarter I 2011



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

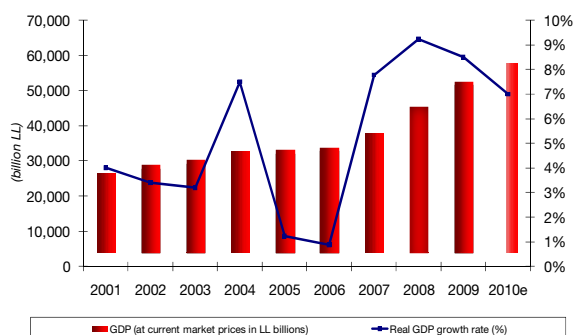
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HIGHLIGHTS

- By the end of Q1 2011, gross public debt stood at LL 79,282 billion (US\$ 52.59 billion), a 0.02 percent reduction compared to end-2010.
- Net public debt registered LL 68,752 billion (US\$ 45.61 billion) at the end of Q1 2011, an increase of 1.28 percent from the end- 2010 level.
- Domestic currency debt reached LL 47,838 billion at the end of Q1 2011, a decrease of 0.9 percent compared to end-December 2010.
- BDL was the highest subscriber of Treasury bills and bonds in Q1 2011 capturing 66 percent of subscriptions compared to 22 percent for public institutions and 11 percent percent for commercial banks.
- During Q1 2011, primary market rates on Treasury bills and bonds remained relatively stable. Only 6MN and 12MN TBs witnessed changes with 2bps reductions on their rates to 4.50 percent and 4.79 percent respectively.
- On March 24th, 2011, the Ministry of Finance issued 7YR Treasury bonds with a coupon of 7.90 percent. Commercial banks were authorized to subscribe to this 7YR bond either by swapping certificates of deposits issued by Banque du Liban or purchasing new bonds. Total subscriptions to the issuance amounted to LL 1,761 billion of which 59 percent were subscribed in exchange for certificates of deposits.
- Foreign currency debt totaled LL 31,444 billion (US\$ 20.86 billion) at the end of Q1 2011, a 1.3 percent increase compared to December 2010.
- On January 18th 2011, the Lebanese Republic issued US\$265 million (Series 57, tranche 2), through a Debt Replacement Agreement between the Ministry of Finance and Banque du Liban. The issue was a re-opening of the 6.10 percent October 2022 Eurobond issued in November 2010.

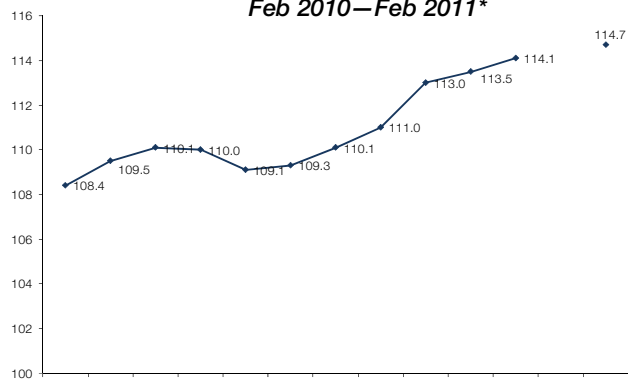
THE LEBANESE ECONOMY

GDP and GDP growth



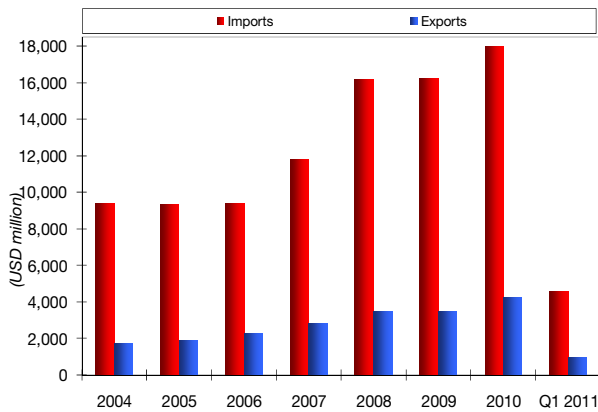
Source: 2001-2009 are National Accounts Committee figures
2010 GDP : Latest estimates (February 2011).

CPI Index
Feb 2010—Feb 2011*



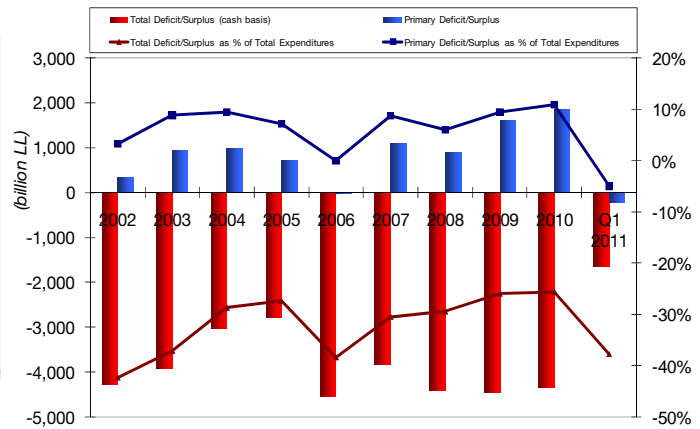
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.
* CAS did not release the January 2011 CPI . By the time of this publication the March 2011 CPI had not yet been published.

Trade Statistics



Source: MoF, Directorate of Customs

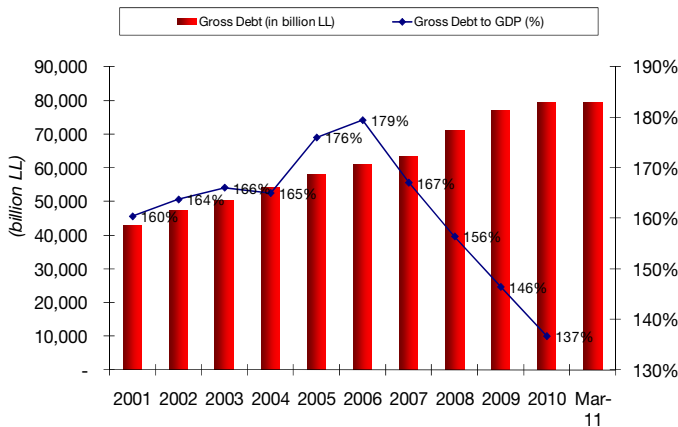
Fiscal Performance



Source: MOF

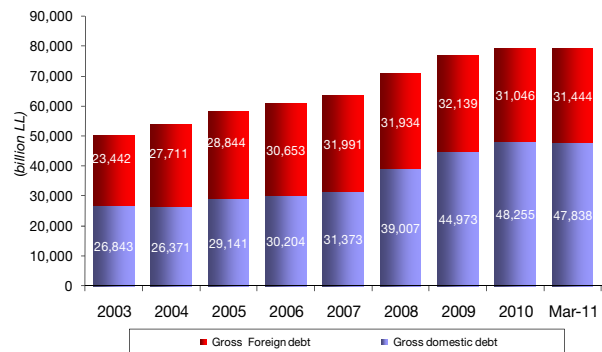
OVERALL DEBT DATA

Gross Public Debt



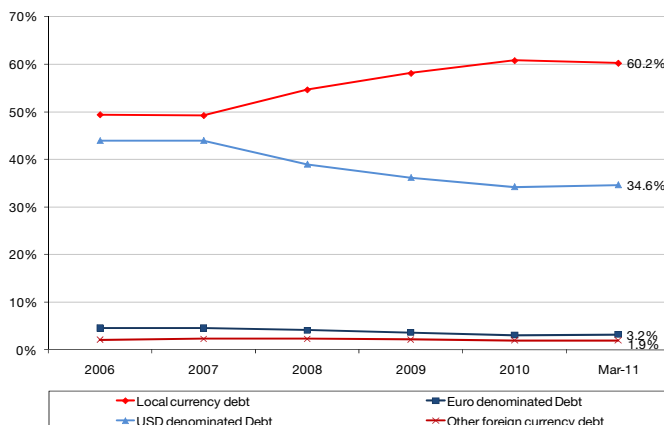
Source: MOF, BDL
Note: 2010 GDP real growth rate as per Ministry of Finance estimates.

Historical Debt Evolution



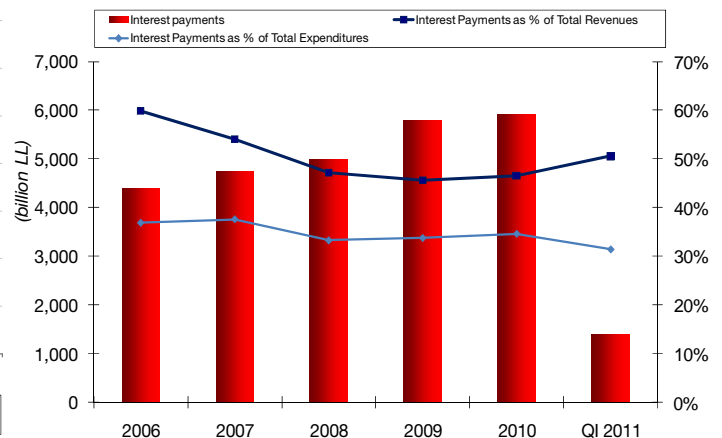
Source: MOF

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



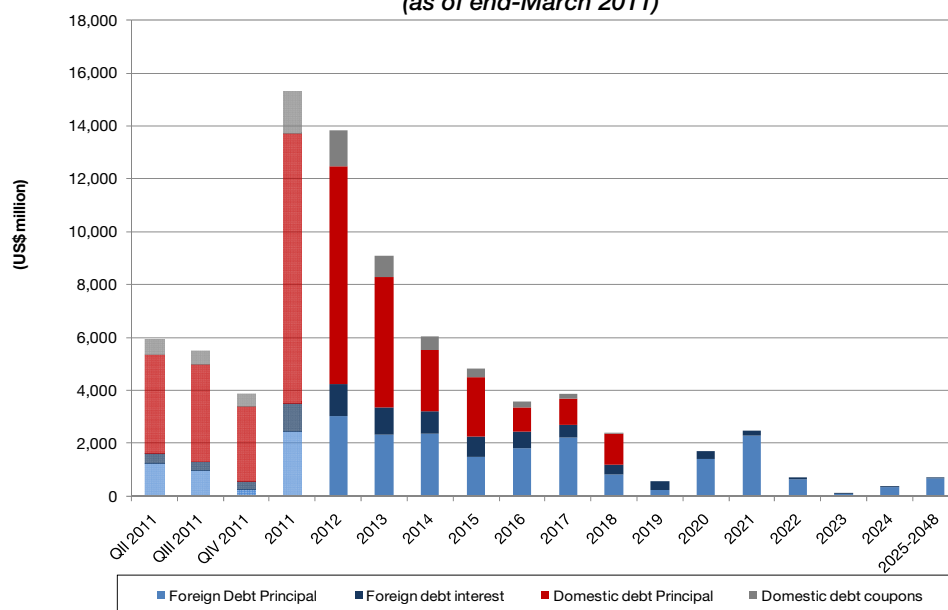
Source: MOF
Note: Excluding accrued interest.

Interest Payments



Source: MoF

Aggregate Debt Amortization Profile (as of end-March 2011)



Source: MoF

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Mar-11	Change Dec 10 - Mar 11	% Change Dec 10 - Mar 11
Gross Public Debt (A + B)	57,985	60,857	63,364	70,941	77,112	79,301	79,282	(19)	-0.02%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	48,255	47,838	(417)	-0.9%
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	14,585	1,455	11.1%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	25,390	(1,824)	-6.7%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,863	(48)	-0.6%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	6,481	213	3.4%
*Accrued interest included in debt	517	685	730	1,029	999	867	857	(10)	-1.2%
B. Foreign currency debt⁽²⁾	28,844	30,653	31,991	31,934	32,139	31,046	31,444	398	1.3%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,738	27,104	366	1.4%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,677	3,624	(53)	-1.4%
Of which, Paris III at preferential rates ⁽⁴⁾	-	-	754	754	754	709	686	(23)	-3.2%
Of which, market-issued Eurobonds	18,729	20,399	20,780	20,925	21,736	21,870	22,346	476	2.2%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	448	(35)	-7.2%
5. Loans	3,682	3,793	4,473	4,698	4,550	4,234	4,266	32	0.8%
5.1 Paris II loans	893	932	907	748	627	460	428	(32)	-7.0%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,147	1,163	16	1.4%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	726	751	25	3.5%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,898	21	1.1%
5.5 Foreign Private Sector Loans	158	115	86	54	27	24	26	2	8.3%
6. Other debt	419	419	419	419	447	74	74	-	0.0%
6.1 Special Tbls in Foreign currency ⁽⁶⁾	419	419	419	419	447	74	74	-	0.0%
Public sector deposits	5,590	4,444	4,527	8,326	10,522	11,419	10,530	(889)	-7.8%
Net debt	52,395	56,413	58,837	62,615	66,590	67,882	68,752	870	1.28%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	51,308	49,666	(1,642)	-3.2%
% of total debt	60%	64%	62%	66%	66%	65%	63%	(0)	-3.2%

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 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.

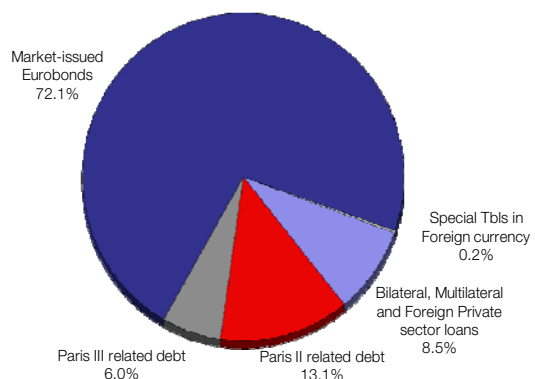
⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution.

⁽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.

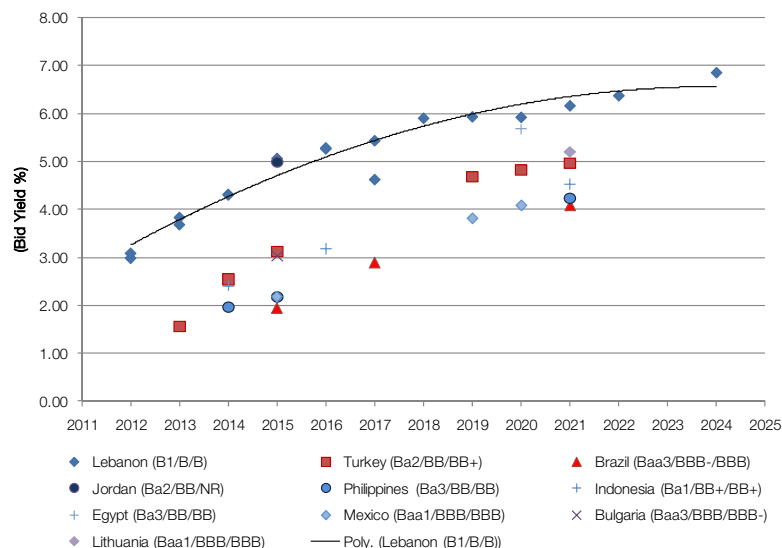
Outstanding Foreign Currency Debt by Holder (as of end-March 2011)



Source: MOF

Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds] (as of June 14, 2011)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	100.25	102.25	5.61	3.59	370	168
US Dollars						
LEB 7.875 11	100.00	100.75	7.65	1.81	750	155
LEB 7.500 12	103.00	104.50	4.26	2.70	382	226
LEB 7.750 12	104.50	105.50	4.45	3.74	381	311
LEB 9.125 13	108.13	109.13	4.68	4.17	378	327
LEB 8.625 13	108.13	109.13	4.70	4.25	365	320
LEB 4.000 17 Av Life	95.88	96.88	4.72	4.54	369	335
LEB 7.375 14	107.25	108.25	4.77	4.43	329	295
LEB 9.000 14	112.00	113.00	4.76	4.43	326	294
LEB 5.875 15	101.38	102.38	5.46	5.17	362	333
LEB 10.000 15	117.00	118.00	5.29	5.03	336	311
LEB 8.500 15	112.13	113.13	5.33	5.09	328	304
LEB 8.500 16	112.13	113.13	5.58	5.35	335	313
LEB 11.625 16	126.50	128.00	5.58	5.29	329	299
LEB 9.000 17	115.25	116.25	5.92	5.74	333	314
LEB 5.15 18	96.00	98.00	5.81	5.47	273	239
LEB 6.375 20	101.25	102.25	6.19	6.04	292	277
LEB 8.250 21	114.00	115.00	6.34	6.22	297	284
LEB 6.1 22	96.75	98.75	6.51	6.25	290	265
LEB 7.000 24	100.75	102.75	6.91	6.69	318	295

Source: CS 31st March 2011

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	101.50	103.00	3.92	2.09	205	21
US Dollars						
LEB 7.500 12	103.30	104.05	2.99	2.01	266	167
LEB 7.750 12	105.50	106.25	3.09	2.49	268	208
LEB 9.125 13	109.00	109.75	3.69	3.27	316	274
LEB 8.625 13	109.13	109.88	3.84	3.47	322	285
LEB 4.000 17 Av Life	96.50	97.00	4.63	4.54	412	394
LEB 7.375 14	108.00	109.00	4.32	3.96	338	302
LEB 9.000 14	112.50	113.50	4.31	3.97	336	301
LEB 5.875 15	102.75	103.75	5.02	4.72	375	345
LEB 10.000 15	117.00	118.00	5.07	4.81	372	346
LEB 8.500 15	112.88	113.88	5.01	4.76	352	327
LEB 8.500 16	113.00	114.00	5.27	5.04	360	337
LEB 11.625 16	127.00	128.50	5.29	4.98	354	324
LEB 9.000 17	117.38	117.75	5.44	5.37	337	330
LEB 5.15 18	95.50	97.50	5.91	5.57	331	296
LEB 6.00 19	100.38	100.75	5.94	5.88	324	318
LEB 6.375 20	103.00	104.00	5.93	5.78	309	294
LEB 8.250 21	115.13	115.50	6.17	6.12	321	316
LEB 6.1 22	97.75	98.25	6.38	6.32	315	309
LEB 7.000 24	101.25	103.25	6.86	6.63	348	324

Source: CS 14th June 2011

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 14 June 2011			
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 March 31, 2011)

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	0.14
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	0.34
XS0418193750	USD 600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	0.97
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	1.04
XS0200329950	USD 600 MN - September 2012	600,000,000	2	USD	7.750%	09/07/12	1.44
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	1.95
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	2.22
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	3.04
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	3.09
XS0471737105	USD 250 MN - Jan 2015*	250,000,000	1	USD	5.875%	01/15/15	3.80
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	4.35
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	4.81
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	5.12
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	2	USD	9.000%	03/20/17	5.98
XS0559237952	USD 500 MN - November 2018	500,000,000	1	USD	5.150%	11/12/18	7.62
XS0493540297	USD 1,200 MN - March 2020	1,200,000,000	1	USD	6.375%	03/09/20	8.95
XS0250882478	USD 2092.469 MN - April 2021	2,092,469,000	3	USD	8.250%	04/12/21	10.04
XS0559237796	USD 490 MN - October 2022	490,000,000	1	USD	6.100%	10/04/22	11.52
XS0471737444	USD 250 MN - Dec 2024	250,000,000	1	USD	7.000%	12/03/24	13.69
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III							
XS0312416778	USD 200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	1.01
XS0312416000	USD 300 MN - July 2017	255,000,000	1	USD	3.750%	07/20/17	3.96
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II							
XS0160503347	USD 2,007.511 MN - December 2017	1,405,257,700	2	USD	4.000%	12/31/17	3.42
XS0160456322	USD 950 MN - December 2017	455,000,000	1	USD	5.000%	12/27/17	3.42
XS0169203048	USD 200 MN - May 2018	150,000,000	1	USD	5.000%	05/27/18	3.59
XS0160456322	USD 700 MN - March 2018	490,000,000	1	USD	5.000%	03/07/18	3.67
					Average Time to Maturity (in years, as of March 31, 2011):		4.69
					Weighted average coupon rate:		7.29%

* 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.

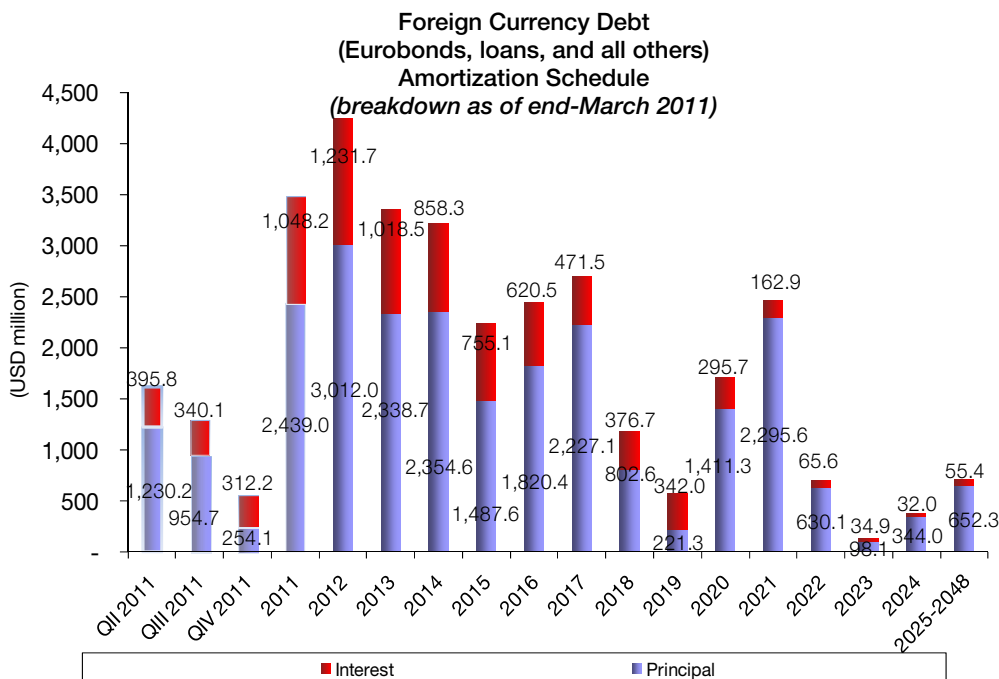
***Eurobonds issued in the context of the Paris II conference are redeemable in 20 equal semiannual payments starting from year 6 (grace period of 5 years from issue date).

Euro exchange rate (US\$/Euro) (31 March 2011): 1.421

FOREIGN CURRENCY DEBT DATA

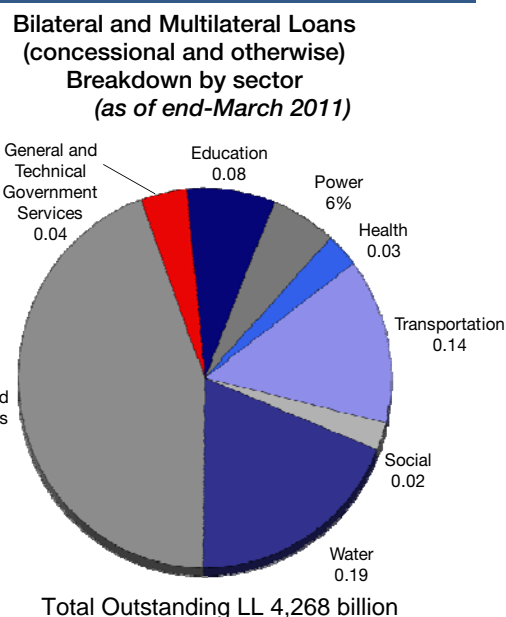
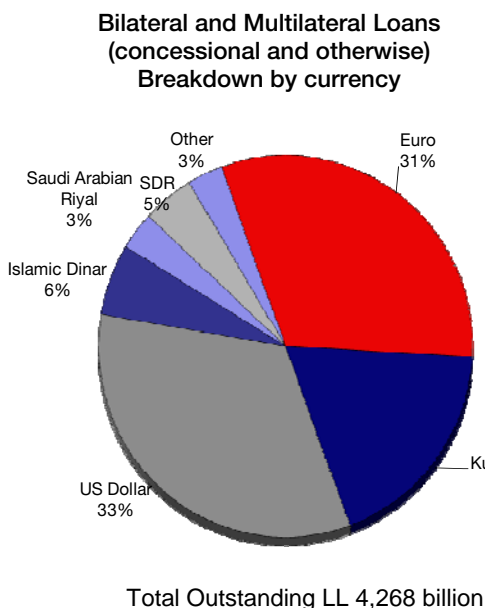
Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
20-May-11	58	8	20-May-2019	6.000	6.000	USD 650 MN	XS0629509943
20-May-11	57 (3)	11.4	4-Oct-2022	6.100	6.475	USD 350 MN	XS0559237796
18-Jan-11	57 (2)	11.7	4-Oct-2022	6.100	6.100	USD 265 MN*	XS0559237796
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

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



Source: MOF

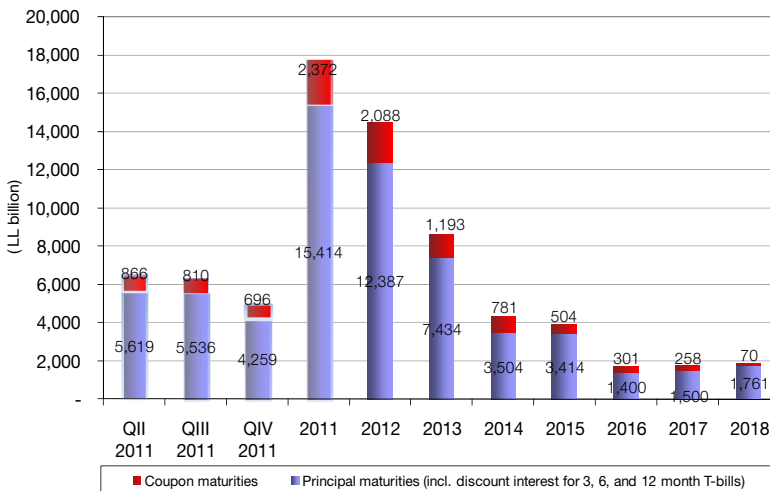
FOREIGN CURRENCY LOANS DATA



Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

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



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

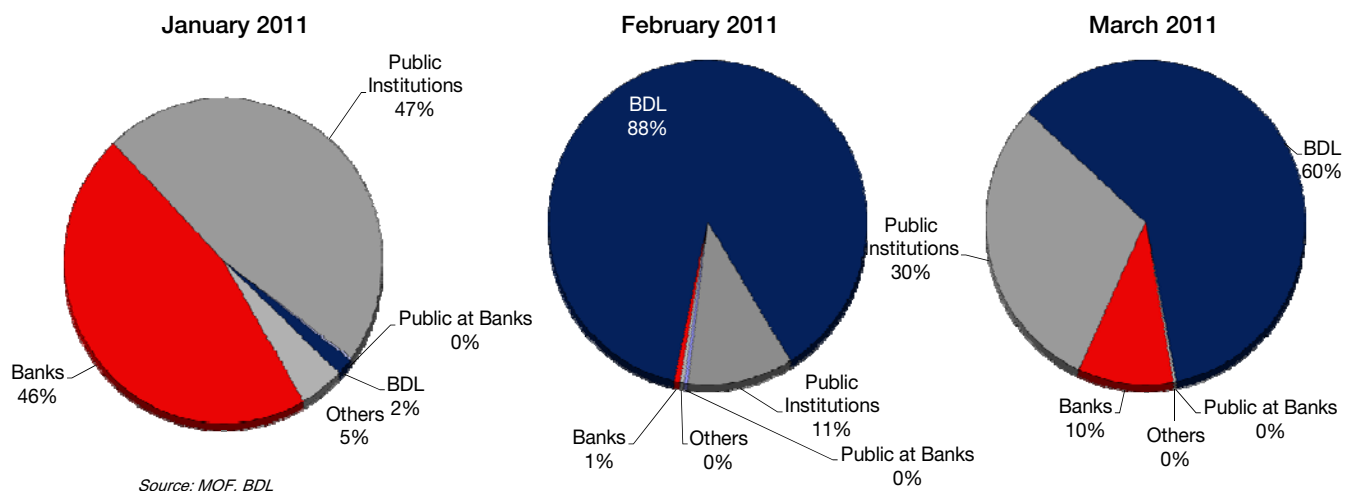
As of end-March 2011: **2.0 years**

Source: MOF, BDL

Upcoming Government Treasury Bill and Bond Auctions

Auction Date	Value Date	Tenors to be auctioned
20-Jun-11	23-Jun-11	3 MN, 6 MN, 5YR
27-Jun-11	30-Jun-11	12 MN, 2YR, 3YR
4-Jul-11	7-Jul-11	3 MN, 6 MN, 5YR
11-Jul-11	14-Jul-11	12 MN, 2YR, 3YR
18-Jul-11	21-Jul-11	3 MN, 6 MN, 5YR
25-Jul-11	28-Jul-11	12 MN, 2YR, 3YR

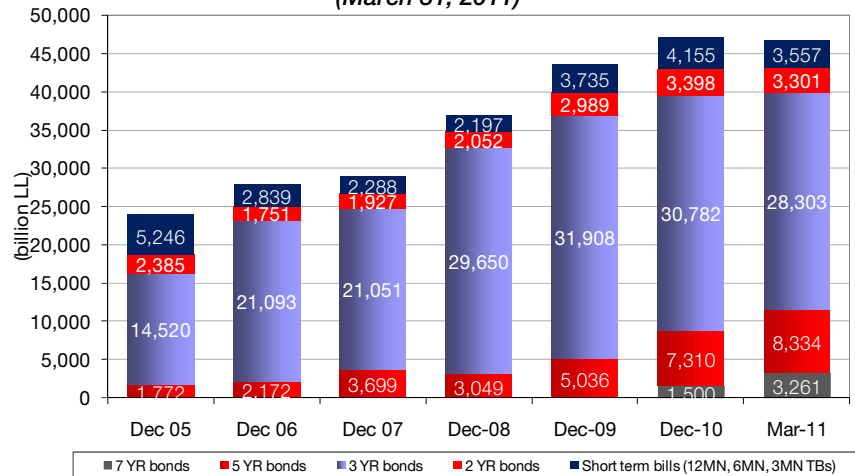
T-Bill and Bond Subscription Results by Holder During QI 2011



Source: MOF, BDL

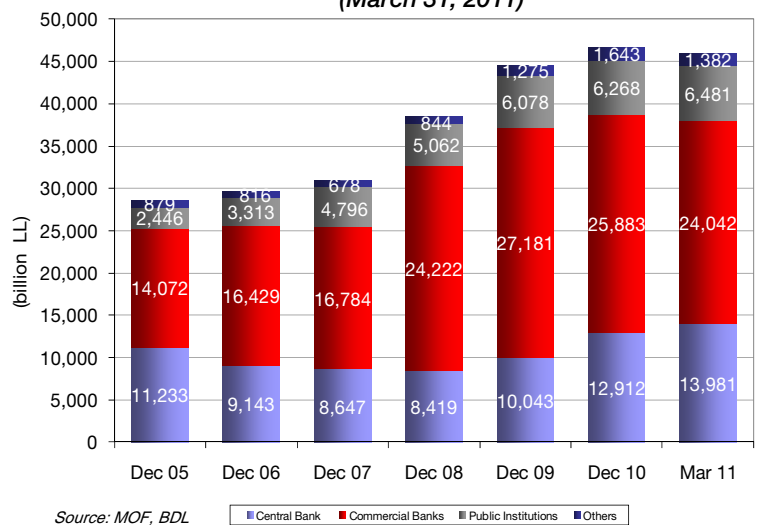
DOMESTIC CURRENCY DEBT DATA

Domestic T-bills Outstanding by Tenor Type (March 31, 2011)



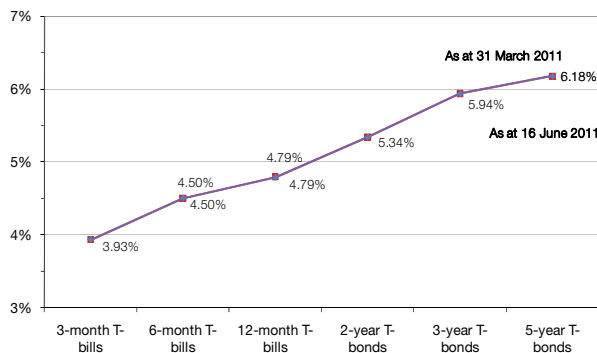
Source: MOF, BDL
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (March 31, 2011)



Source: MOF, BDL

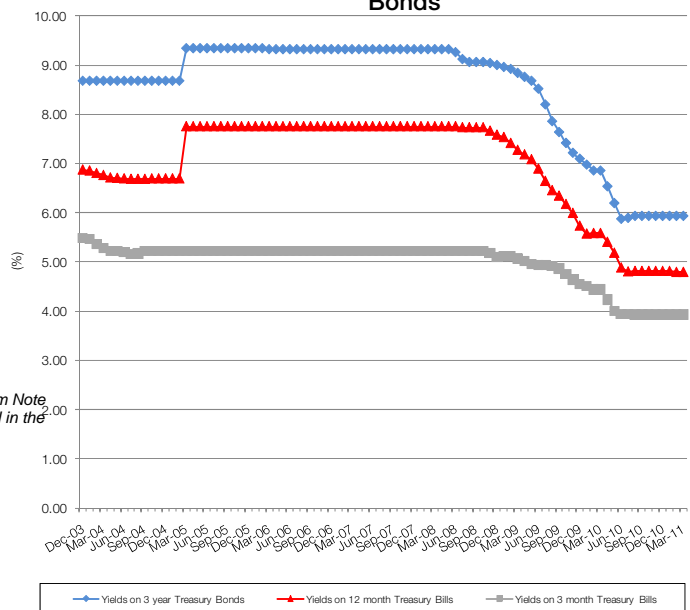
Yield Curve for Auctioned T-Bills and Bonds



Note: 7-yr Treasury bonds were introduced in December 2010 under the LBP Medium-Term Note Program with a coupon of 7.90 percent. It does not feature in this table as it was not issued in the regular auction process. Source: MOF

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



Source: MOF