

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 17, Quarter II 2011



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

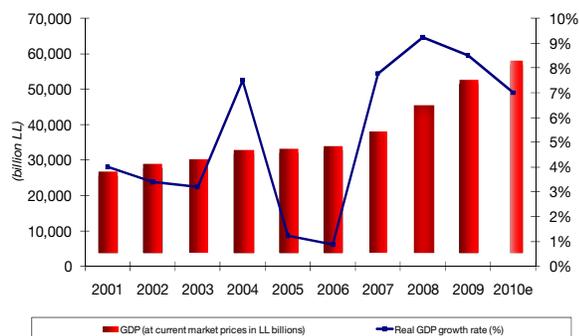
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HIGHLIGHTS

- By the end of QII 2011, gross public debt stood at LL 79,208 billion (US\$ 52.54 billion), a 0.1 percent reduction compared to end-2010.
- Net public debt registered LL 68,760 billion (US\$ 45.61 billion) at the end of QII 2011, an increase of 1.3 percent from the end-2010 level.
- Domestic currency debt reached LL 47,955 billion at the end of QII 2011, a decrease of 0.6 percent compared to end-December 2010.
- As in QI 2011, BDL was the highest subscriber of Treasury bills and bonds, albeit with a lower share of subscriptions. In QII 2011, BDL captured 51 percent of subscriptions compared to 24 percent for commercial banks and 23 percent for public institutions.
- During QII 2011, primary market rates on Treasury bills and bonds remained relatively unchanged. Only 12MN TBs witnessed changes with a 2-bps increase on its rate to 4.81 percent from 4.79 percent.
- On April 21st 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 Treasury bills and bonds maturing between 28 April 2011 and 30 June 2011 or purchasing new bonds. Total subscriptions to the this issuance amounted to LL 2,658 billion of which 76 percent were subscribed in exchange for Treasury bills and bonds.
- Foreign currency debt totaled LL 31,253 billion (US\$ 20.73 billion) at the end of QII 2011, a 0.7 percent increase since the end of December 2010.
- On May 20th 2011, the Lebanese Republic issued a US\$ 1 billion dual-tranche offering. The first series consisted of a US\$ 650 million 6.00 percent coupon Eurobond due May 2019 (Series 58) issued at par with international orders subscribing to 28 percent of the issue. The second series was a US\$ 350 million re-opening of the 6.10 percent coupon Eurobond due October 2022 (Series 57, Tranche 3) at a yield of 6.475 percent with international orders accounting for 29 percent of subscriptions. The lead managers for the transaction were Byblos Bank SAL, Fransa Invest Bank SAL, and HSBC Bank PLC.

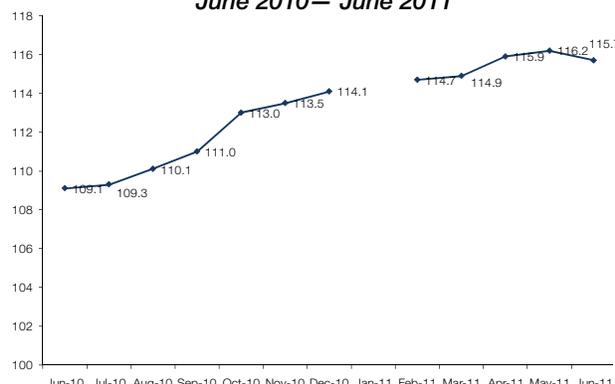
THE LEBANESE ECONOMY

GDP and GDP growth



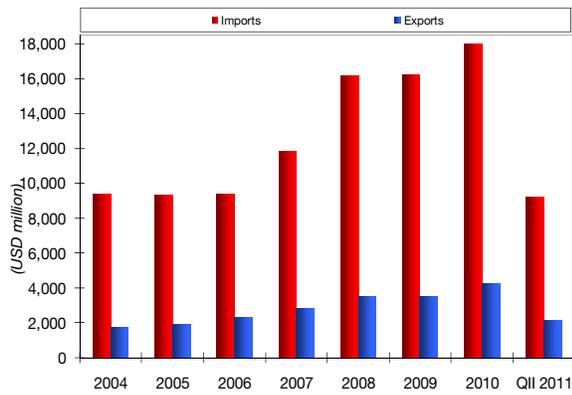
Source: 2001-2009 are National Accounts Committee figures
2010 GDP : Latest estimates (February 2011).

CPI Index
June 2010 – June 2011*



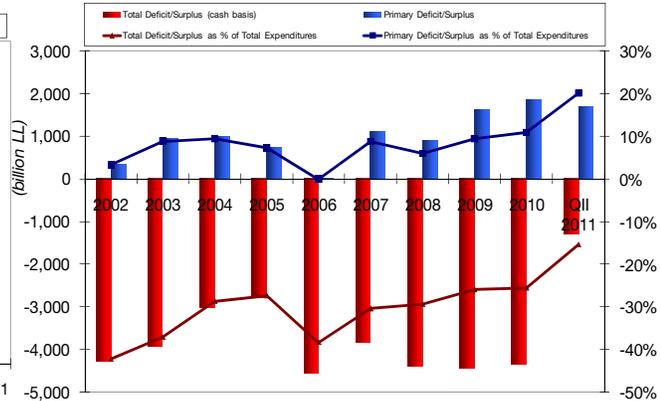
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.
* CAS did not release the January 2011 CPI.

Trade Statistics



Source: MoF, Directorate of Customs

Fiscal Performance

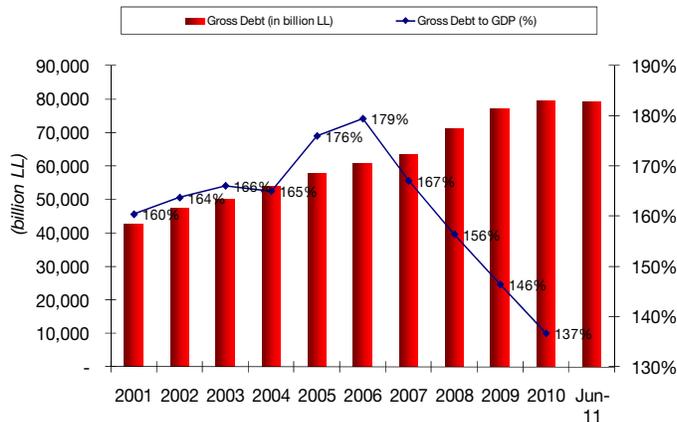


Source: MOF

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

OVERALL DEBT DATA

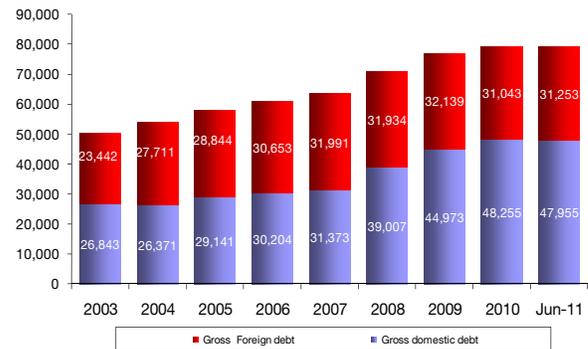
Gross Public Debt



Source: MOF, BDL

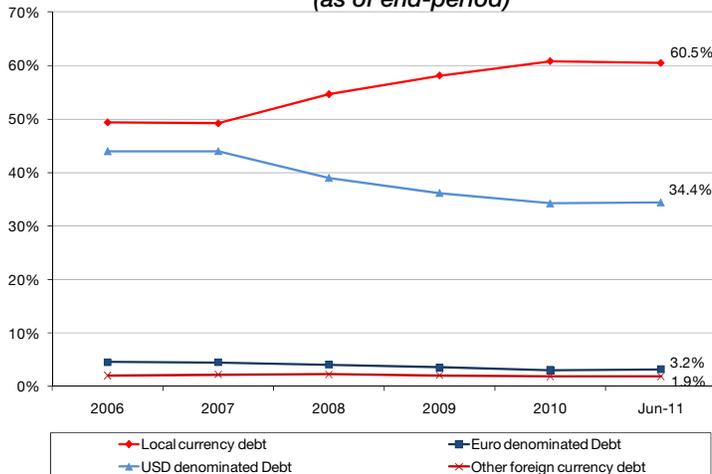
Note: 2010 GDP real growth rate as per Ministry of Finance estimates.

Historical Debt Evolution



Source: MOF

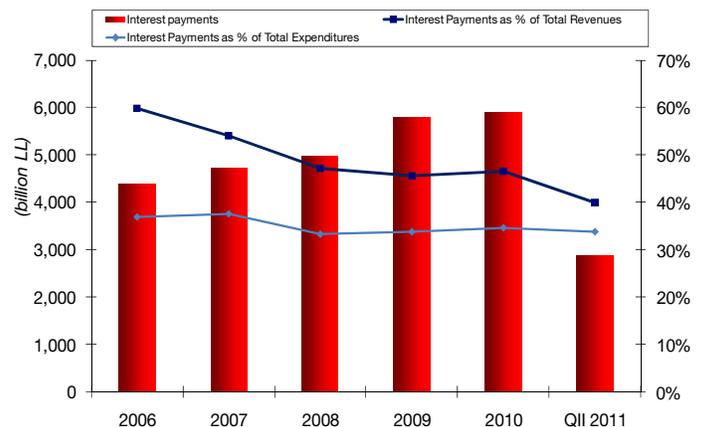
Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

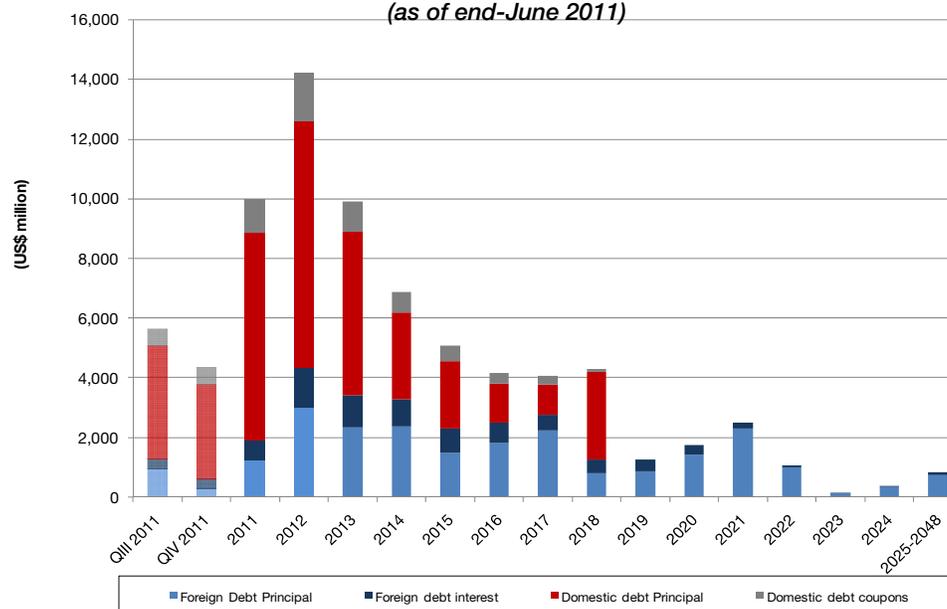
Interest Payments



Source: MOF

Note: In accordance with the published June 2011 Fiscal Performance, the revenue figure for June 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-June 2011)



Source: MoF

Public Debt Table (as of end-June 2011)

Public Debt (in LL billion)	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Jun-11	Change Dec 10 - Jun 11	% Change Dec 10 - Jun 11
Gross Public Debt (A + B)	57,985	60,857	63,364	70,941	77,112	79,298	79,208	(90)	-0.1%
A. Local currency debt	29,141	30,204	31,373	39,007	44,973	48,255	47,955	(300)	-0.6%
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	15,975	2,845	21.7%
2. Commercial Banks	14,130	16,487	16,847	24,320	27,286	27,214	24,067	(3,147)	-11.6%
3. Other local debt (T-bills)	3,325	4,129	5,474	5,906	7,353	7,911	7,913	2	0.0%
o/w Public entities	2,446	3,313	4,796	5,062	6,078	6,268	6,575	307	4.9%
*Accrued interest included in debt	517	685	730	1,029	999	867	847	(20)	-2.3%
B. Foreign currency debt⁽²⁾	28,844	30,653	31,991	31,934	32,139	31,043	31,253	210	0.7%
4. Eurobonds	24,743	26,441	27,099	26,817	27,142	26,738	26,894	156	0.6%
Of which, Paris II at preferential rates ⁽³⁾	5,608	5,608	5,156	4,708	4,192	3,677	3,419	(258)	-7.0%
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	22,357	487	2.2%
* Accrued Interest on Eurobonds	406	434	410	430	460	483	432	(51)	-10.6%
5. Loans	3,682	3,793	4,473	4,698	4,550	4,231	4,285	54	1.3%
5.1 Paris II loans	893	932	907	748	627	460	437	(23)	-5.0%
5.2 Paris III loans ⁽⁵⁾	-	-	603	1,095	1,210	1,147	1,147	-	0.0%
5.3 Bilateral loans (non-Paris II and III)	703	714	759	731	716	723	754	31	4.3%
5.4 Multilateral loans (non-Paris II and III)	1,928	2,032	2,118	2,069	1,971	1,877	1,921	44	2.3%
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	10,448	(971)	-8.5%
Net debt	52,395	56,413	58,837	62,615	66,590	67,879	68,760	881	1.3%
Gross Market debt⁽⁷⁾	34,720	38,670	39,219	46,992	51,231	51,231	48,294	(3,014)	-5.9%
% of total debt	60%	64%	62%	66%	66%	65%	61%	(0)	-5.8%

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.

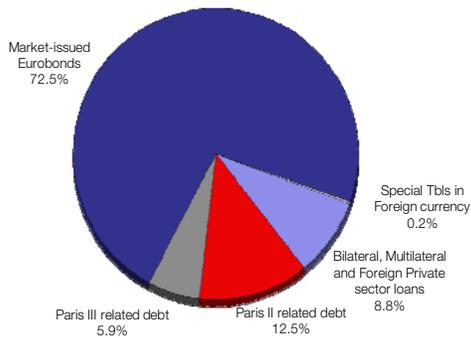
⁽⁴⁾ Issued to Malaysia as part of its Paris III contribution.

⁽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)

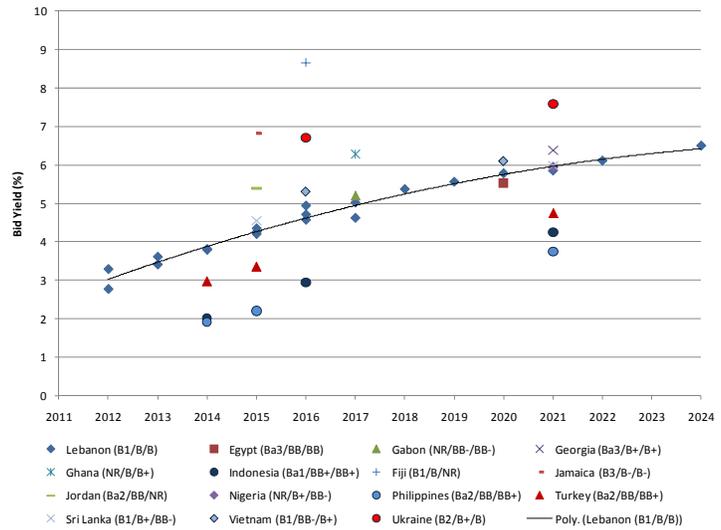
⁽⁷⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

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



Source: MOF
Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds and Comparables [USD Eurobonds] (as of September 13, 2011)



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	101.50	103.00	3.82	1.90	192	-1
US Dollars						
LEB 7.500 12	103.20	103.95	2.86	1.81	252	147
LEB 7.750 12	105.40	106.15	3.01	2.38	258	195
LEB 9.125 13	108.90	109.65	3.62	3.19	305	262
LEB 8.625 13	109.13	109.88	3.74	3.36	308	270
LEB 4.000 17 Av Life	96.50	97.05	4.63	4.53	387	368
LEB 7.375 14	108.50	109.50	4.10	3.73	310	274
LEB 9.000 14	113.00	114.00	4.07	3.72	306	272
LEB 5.875 15	103.25	104.00	4.86	4.63	353	330
LEB 10.000 15	117.00	118.00	5.03	4.76	361	335
LEB 8.500 15	113.25	114.00	4.88	4.69	334	315
LEB 8.500 16	113.50	114.25	5.13	4.95	340	323
LEB 11.625 16	127.25	128.50	5.19	4.94	338	313
LEB 9.000 17	117.50	118.00	5.39	5.30	326	317
LEB 5.15 18	97.00	98.00	5.65	5.48	299	282
LEB 6.00 19	100.88	101.38	5.86	5.78	310	302
LEB 6.375 20	103.00	104.00	5.93	5.78	302	288
LEB 8.250 21	115.50	116.00	6.12	6.05	309	303
LEB 6.1 22	97.63	98.13	6.40	6.33	312	305
LEB 7.000 24	102.75	104.00	6.69	6.55	324	310

Source: CS 30th June 2011

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.875 12	101.50	102.25	3.12	1.85	141	13
US Dollars						
LEB 7.500 12	102.38	103.38	2.76	0.83	228	35
LEB 7.750 12	104.25	105.25	3.28	2.27	276	175
LEB 9.125 13	108.25	109.00	3.40	2.90	287	238
LEB 8.625 13	108.50	109.25	3.60	3.18	307	265
LEB 7.375 14	108.75	109.50	3.78	3.49	320	291
LEB 9.000 14	112.88	113.88	3.80	3.43	322	285
LEB 5.875 15	105.00	106.00	4.25	3.93	353	322
LEB 4.000 17 Av Life	96.71	97.62	4.61	4.44	423	394
LEB 10.000 15	119.25	120.75	4.19	3.79	343	302
LEB 8.500 15	114.75	115.75	4.34	4.08	351	325
LEB 8.500 16	115.33	116.32	4.56	4.33	363	339
LEB 11.625 16	127.50	129.00	4.93	4.62	394	362
LEB 4.750 16	100.19	100.77	4.70	4.58	354	341
LEB 9.000 17	119.00	120.00	5.01	4.82	380	361
LEB 5.150 18	98.75	99.75	5.36	5.19	375	358
LEB 6.000 19	102.75	103.25	5.55	5.47	386	378
LEB 6.375 20	104.00	104.50	5.77	5.70	396	389
LEB 8.250 21	117.50	118.13	5.84	5.76	392	384
LEB 6.100 22	100.00	100.50	6.10	6.04	395	389
LEB 7.000 24	104.50	106.00	6.49	6.32	420	403

Source: CS 13th September 2011

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of 13 September 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 June 30, 2011)

ISIN CODE	Eurobond	Outstanding Amount (in original cur)	No. of tranches	Cur	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity (yrs)
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	0.09
XS0418193750	USD 600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	0.72
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	0.79
XS0200329950	USD 600 MN - September 2012	600,000,000	2	USD	7.750%	09/07/12	1.19
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	1.70
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	1.98
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	2.79
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	2.84
XS0471737105	USD 250 MN - January 2015*	250,000,000	1	USD	5.875%	01/15/15	3.55
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	4.10
US52238PAJ84	USD 750 MN - January 2016	750,000,000	1	USD	8.500%	01/19/16	4.56
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	4.87
XS0418193917	USD 1,500 MN March 2017	1,500,000,000	2	USD	9.000%	03/20/17	5.73
XS0559237952	USD 500 MN - November 2018	500,000,000	1	USD	5.150%	11/12/18	7.38
XS0629509943	USD 650 MN - May 2019	650,000,000	1	USD	6.000%	05/20/19	7.89
XS0493540297	USD 1,200 MN - March 2020	1,200,000,000	1	USD	6.375%	03/09/20	8.70
XS0250882478	USD 2,092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	9.79
XS0559237796	USD 840 MN - October 2022	840,000,000	3	USD	6.100%	10/04/22	11.27
XS0471737444	USD 250 MN - December 2024	250,000,000	1	USD	7.000%	12/03/24	13.44
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III							
XS0312416778	USD \$200 MN due July 2012	200,000,000	1	USD	3.750%	07/20/12	0.75
XS0312416000	USD \$300 MN due July 2017	255,000,000	1	USD	3.750%	07/20/17	3.71
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II							
XS0160456322	USD 950 MN - December 2017	422,500,000	1	USD	5.000%	12/27/17	3.42
XS0160503347	USD 2,007.511 MN - December 2017	1,304,882,150	2	USD	4.000%	12/31/17	3.42
XS0160456322	USD 700 MN - March 2018	490,000,000	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	3.59
					Average Time to Maturity (in years. as of June 30, 2011):		4.99
					Weighted average coupon rate:		7.21%

* 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).

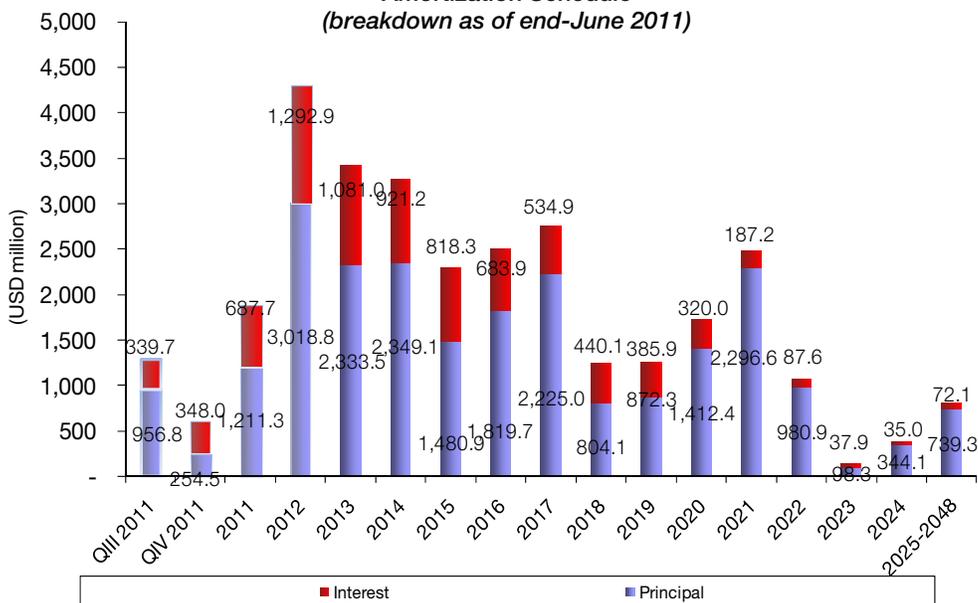
Euro exchange rate (US\$/Euro) (30 June 2011): 1.448

FOREIGN CURRENCY DEBT DATA

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

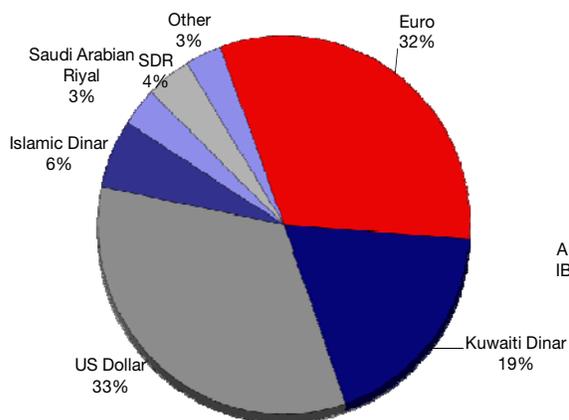
**Foreign Currency Debt
(Eurobonds, loans, and all others)
Amortization Schedule
(breakdown as of end-June 2011)**



Source: MOF

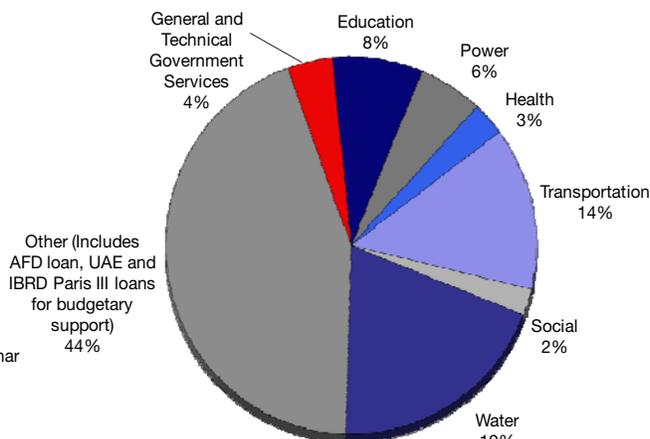
FOREIGN CURRENCY LOANS DATA

**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-June 2011)**



Total Outstanding LL 4,284 billion

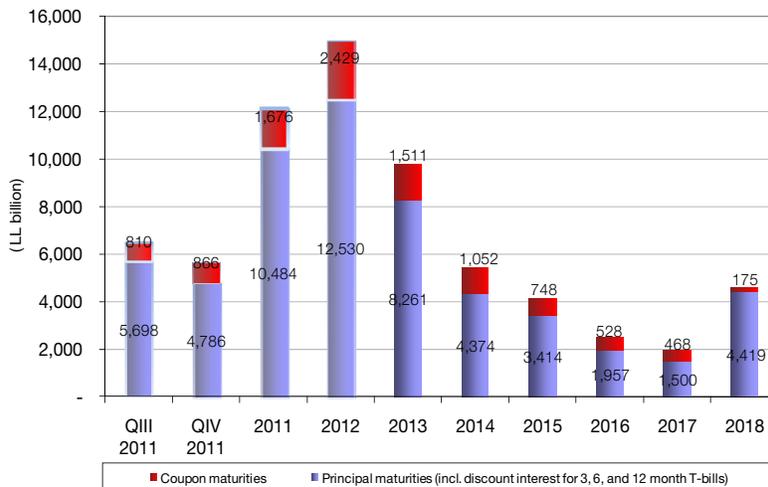
**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by sector
(as of end-June 2011)**



Total Outstanding LL 4,284 billion

Source: MOF, BDL

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



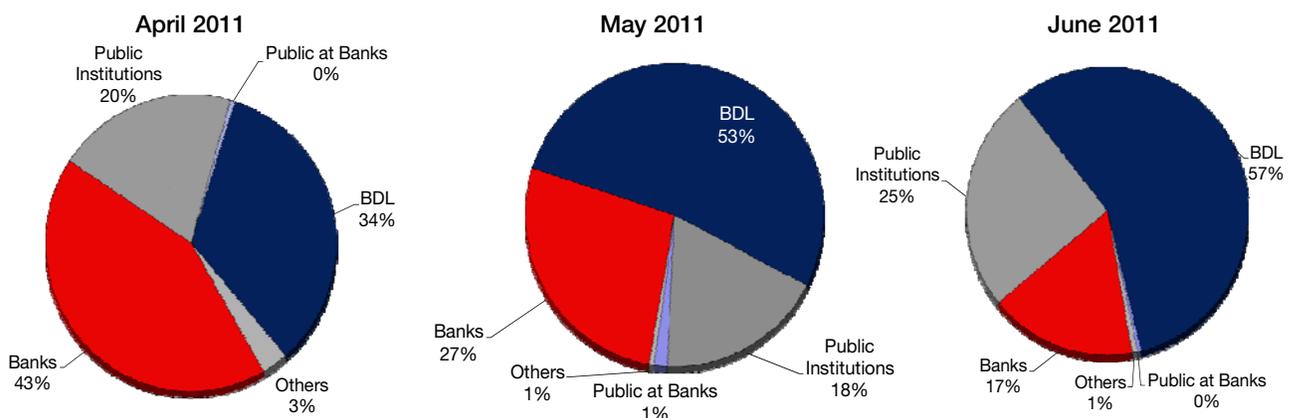
**Average Time to Maturity
of Domestic Currency
T-bills and Notes**

As of end-June 2011 **2.3 years**

Source: MOF, BDL

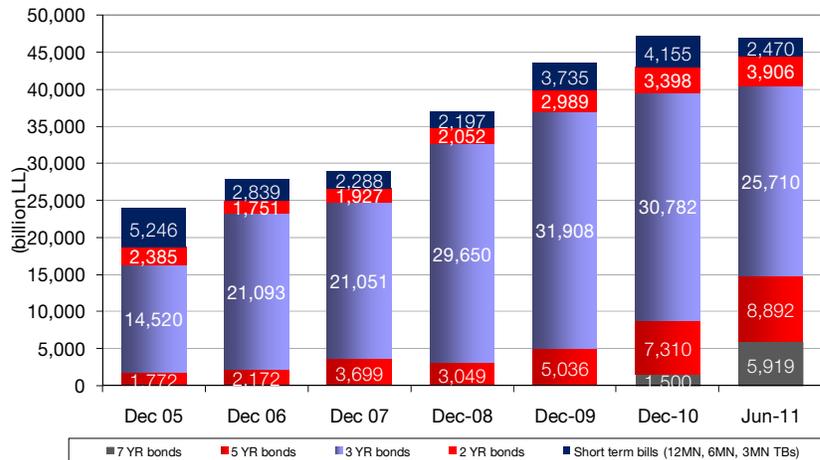
Upcoming Government Treasury Bill and Bond Auctions		
Auction Date	Value Date	Tenors to be auctioned
19-Sep-11	22-Sep-11	12 MN, 2YR, 3YR
26-Sep-11	29-Sep-11	3 MN, 6 MN, 5YR
3-Oct-11	6-Oct-11	12 MN, 2YR, 3YR
10-Oct-11	13-Oct-11	3 MN, 6 MN, 5YR
17-Oct-11	20-Oct-11	12 MN, 2YR, 3YR
24-Oct-11	27-Oct-11	3 MN, 6 MN, 5YR
31-Oct-11	3-Nov-11	12 MN, 2YR, 3YR

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



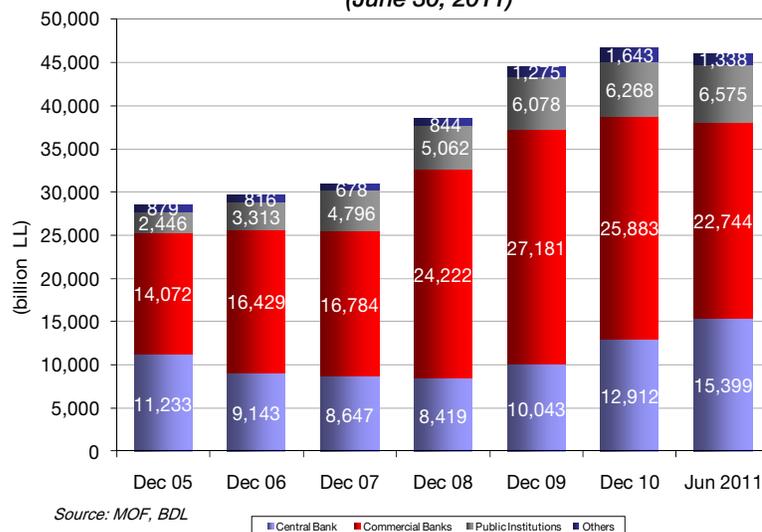
Source: MOF, BDL

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



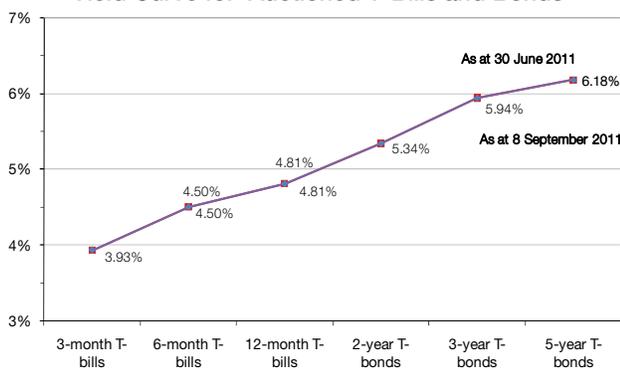
Source: MOF, BDL
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

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



Source: MOF, BDL

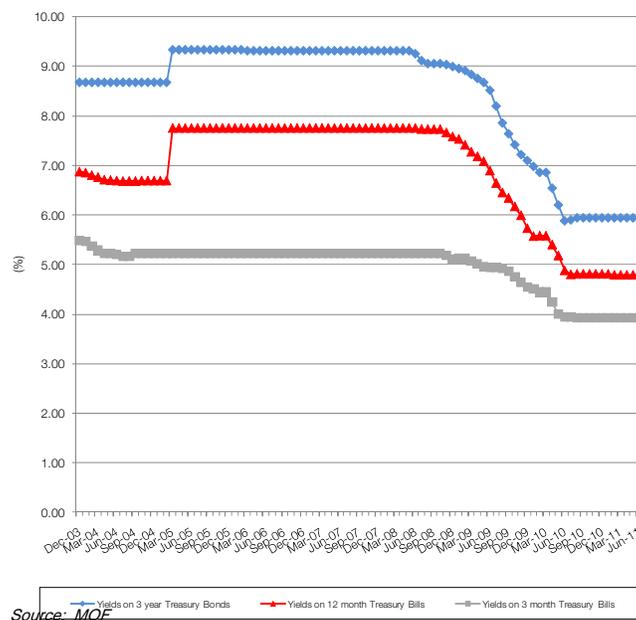
Yield Curve for Auctioned T-Bills and Bonds



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

For further information, please contact:
Economic Unit, UNDP Project
Rola Rizk, Head
Nadine Abou Khaled
Léa Hakim
Ministry of Finance
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 Bonds



Source: MOF