

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 10, Quarter III 2009



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

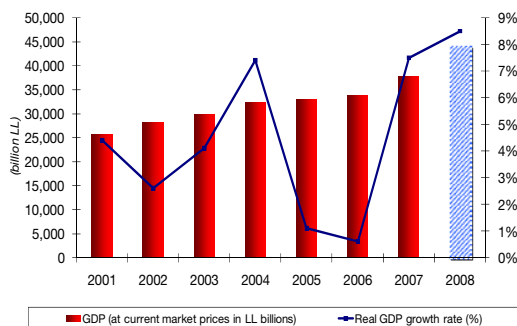
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HIGHLIGHTS

- Gross public debt reached LL 74,107 billion (US\$ 49.16 billion) by the end of the third quarter of 2009, 4.5 percent higher than at end December 2008.
- Net public debt stood at LL 65,716 billion (US\$ 43.59 billion), 5.0 percent higher than the end 2008 level.
- Domestic currency debt totaled LL 41,974 billion, increasing by 7.6 percent compared to end December 2008.
- In QIII 2009 commercial banks remained the main subscribers of Treasury bills and notes with 67 percent of subscriptions, followed by public institutions with 24 percent and BDL with 4 percent.
- Primary market rates on Treasury bills and notes continued their downward trend across all maturities. The highest decrease in rates was seen for the 36-month instrument whose rate went down by 136 bps since year-end 2008 to reach 7.64 percent at end QIII 2009. The 24-month instrument's rate went down by 128 bps during the same period reaching 6.98 percent at end QIII 2009.
- The Lebanese Republic introduced a 60-month Treasury Note in the Treasury Bill Auctions starting the week of July 20, 2009 given favourable market conditions and in line with the Republic's strategy to increase the maturity profile of the local currency debt portfolio and create a yield curve in LBP through the creation of a market for medium-term notes. The auction schedule was modified from weekly auctions of the 3MN, 6MN, 12 MN, 24 MN, and 36 MN instruments to the following combination of issuances on a weekly basis: 3 MN, 6 MN, and 60 MN instruments one week, and 12 MN, 24 MN, 36 MN instruments the following week.
- Foreign currency debt totaled LL 32,133 billion by the end of QIII 2009, an increase of 0.8 percent since the end of December 2008.

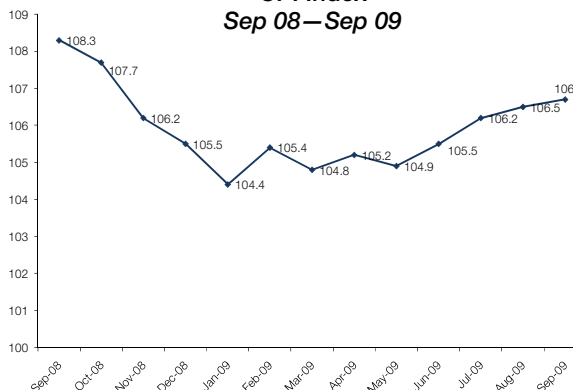
THE LEBANESE ECONOMY

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
Sep 08 – Sep 09**



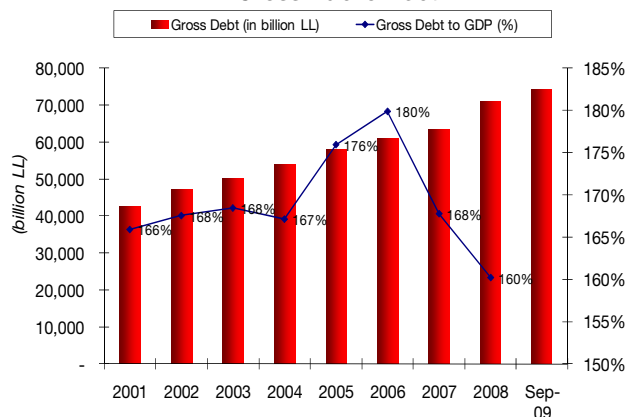
Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.

OVERALL DEBT DATA



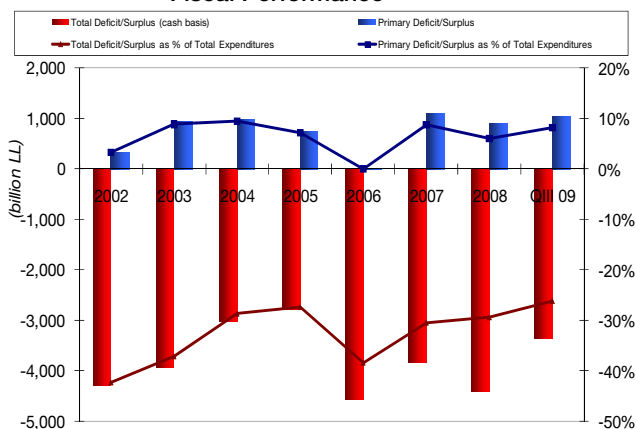
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Gross Public Debt



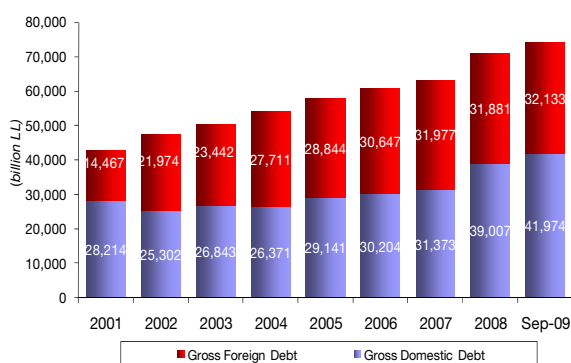
Source: MOF, BDL
Note: 2008 GDP figure estimate based on Lebanese authorities' latest estimates for GDP growth.

Fiscal Performance



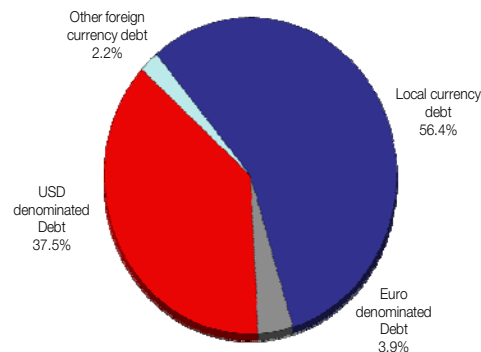
Source: MOF

Historical Debt Evolution



Source: MOF

Outstanding Debt by Currency Composition as of end-September 2009



Source: MOF
Note: Excluding accrued interest.

Public Debt (in LL billion)	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Sep-09	Change Dec 08 - Sep 09	% Change Dec 08 - Sep 09
Gross Public debt	54,082	57,985	60,851	63,350	70,888	74,107	3,219	4.54%
Local currency debt	26,371	29,141	30,204	31,373	39,007	41,974	2,967	7.61%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	10,652	11,686	9,588	9,052	8,781	10,407	1,626	18.52%
b. Commercial Banks	12,220	14,130	16,487	16,847	24,320	24,568	248	1.02%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,474	5,906	6,999	1,093	18.51%
d/w Public entities	2,187	2,446	3,313	4,796	5,062	5,816	754	14.90%
*Accrued interest included in debt	356	517	685	754	1,001	1,027	26	2.60%
Foreign currency debt⁽²⁾	27,711	28,844	30,647	31,977	31,881	32,133	252	0.79%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	2,953	2,802	2,725	(76)	-2.72%
b. Paris II related debt (Eurobonds and Loans) ⁽³⁾	6,634	6,501	6,540	6,063	5,456	5,038	(418)	-7.65%
c. Paris III related debt (Eurobonds and Loans) ⁽⁴⁾	-	-	-	1,357	1,849	1,973	124	6.71%
d. Market-issued Eurobonds	17,686	18,729	20,399	20,776	20,925	21,462	537	2.56%
e. Accrued Interest on Eurobonds	388	406	434	410	430	487	57	13.26%
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	8,391	65	0.78%
Net debt	49,723	52,395	56,407	58,823	62,562	65,716	3,154	5.04%
Gross Market debt⁽⁶⁾	31,606	34,563	38,555	39,216	46,992	48,177	1,185	2.52%
% of total debt	58%	60%	63%	62%	66%	65%	(0)	-1.93%

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 - Sep 09 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system and are updated from the end-September 2009 figures published in the Public Finance Monitor for September 2009.

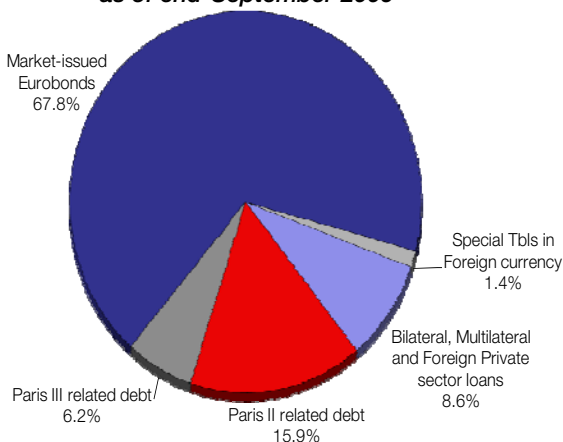
⁽³⁾ Paris II related debt (Eurobonds and Loans) including Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

⁽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, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

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

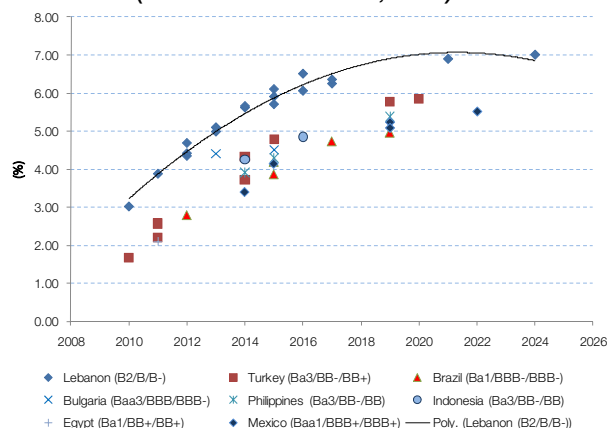
⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

**Outstanding Foreign Currency Debt by Holder
as of end-September 2009**



Source: MOF

**Yields for Republic of Lebanon Eurobonds
and Comparables
(as of December 22nd, 2009)**



Source: Credit Suisse, MOF

Lebanon Secondary Issues						
30-Sep-09	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 5.875 12	101.00	102.00	5.42	4.99	360	318
US Dollars						
LEB 7.125 10	101.75	102.75	2.86	0.51	255	18
LEB 7.875 11	105.25	106.25	4.48	3.87	342	280
LEB 4.000 17 Av Life	89.25	90.25	7.11	6.80	449	418
LEB 7.500 12	105.25	106.25	5.19	4.77	359	317
LEB 7.750 12	106.25	107.25	5.41	5.05	355	319
LEB 9.125 13	110.25	111.25	5.79	5.49	371	341
LEB 8.625 13	109.25	110.25	5.81	5.53	362	334
LEB 7.375 14	104.50	105.50	6.22	5.97	373	349
LEB 9.000 14	110.50	111.50	6.32	6.08	384	360
LEB 10.000 15	113.25	114.25	7.07	6.87	436	416
LEB 8.500 15	107.50	108.50	6.91	6.71	412	391
LEB 8.500 16	107.63	108.63	6.98	6.79	409	390
LEB 11.625 16	123.50	124.50	7.10	6.93	421	404
LEB 9.000 17	111.50	112.50	6.99	6.83	393	377
LEB 8.250 21	106.50	107.50	7.40	7.28	397	384

Source: Credit Suisse 30 September 2009

Lebanon Secondary Issues						
22-Dec-09	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 5.875 12	102.50	103.50	4.68	4.23	298	254
US Dollars						
LEB 7.125 10	100.75	101.25	3.01	0.39	281	15
LEB 7.875 11	105.38	106.38	3.87	3.16	308	236
LEB 4.000 17 Av Life	92.50	93.50	6.24	5.92	355	324
LEB 7.500 12	106.63	107.63	4.34	3.89	300	255
LEB 7.750 12	108.38	109.38	4.41	4.04	279	241
LEB 9.125 13	112.13	113.13	4.98	4.66	309	278
LEB 8.625 13	111.13	112.13	5.09	4.80	306	276
LEB 7.375 14	106.63	107.63	5.61	5.36	321	295
LEB 9.000 14	112.75	113.75	5.65	5.40	324	300
LEB 5.875 15	100.75	101.75	5.70	5.47	299	276
LEB 10.000 15	117.50	118.50	6.10	5.90	328	308
LEB 8.500 15	112.25	113.25	5.90	5.70	307	287
LEB 8.500 16	112.25	113.25	6.05	5.87	309	290
LEB 11.625 16	126.38	127.38	6.50	6.33	352	335
LEB 9.000 17	115.13	116.13	6.35	6.20	315	299
LEB 8.250 21	110.50	111.50	6.89	6.77	313	301
LEB 7.000 24	100.00	101.00	7.00	6.89	295	284

Source: Credit Suisse 22 December 2009

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long -term tenor rating	Short-term tenor rating	Outlook
As of December 22nd, 2009			
Fitch IBCA Ltd	B-	B	Stable
Moody's Investor Services Ltd*	B2	-	Positive
Standard and Poor's**	B	B	Positive

* On December 18, 2009 Moody's Investors Services changed the outlook from stable to positive.

** On December 22, 2009 Standard & Poor's raised its long and short term sovereign credit ratings from "B-/C" with a stable outlook to "B/B" with positive outlook.

FOREIGN CURRENCY DEBT DATA



REPUBLIC OF LEBANON
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List of Outstanding Eurobonds (values as of September 30, 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	0.02
XS0200337979	USD 1,065 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	0.43
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	2.94
XS0207128561	USD 625 MN FRN - Nov 2009	40,203,000	1	USD	6 months U.S \$ L + 3.25 %	11/30/09	0.17
XS0207129296	USD 425 MN - Dec 2009	103,661,000	1	USD	7.000%	12/14/09	0.21
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	1.64
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	6.62
XS0205838948	USD700 MN - Nov 2010	700,000,000	1	USD	6.875%	11/12/10	1.12
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	3.72
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	6.31
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	4.54
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	11.54
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	2.53
XS0263574112	USD \$750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	1.84
XS0352629546	USD \$875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	3.45
XS0361558413	USD \$881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	4.59
XS0381915353	USD \$500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	5.85
XS0418193750	USD \$600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	2.47
XS0418193917	USD \$1,500 MN March 2017	1,500,000,000	2	USD	9.000%	03/20/17	7.47
<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	4.76
XS0312416778	USD \$200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	2.50
<u>EUROBONDS ISSUED IN THE CONTEXT OF PARIS II**</u>							
XS0160503347	USD 2,007.511 MN - Dec 2017	1,706,384,350	2	USD	4.000%	12/31/17	4.17
XS0160456322	USD 950 MN - Dec 2017	552,500,000	1	USD	5.000%	12/27/17	4.17
XS0160456322	USD 700 MN - Mar 2018	595,000,000	1	USD	5.000%	03/07/18	4.42
XS0169203048	USD 200 MN - Mar 2018	180,000,000	1	USD	5.000%	05/27/18	4.34
					Average Time to Maturity (in years, as of September 30, 2009):		4.67
					Weighted average coupon rate:		7.36%

*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 2009): 1.466

FOREIGN CURRENCY DEBT DATA

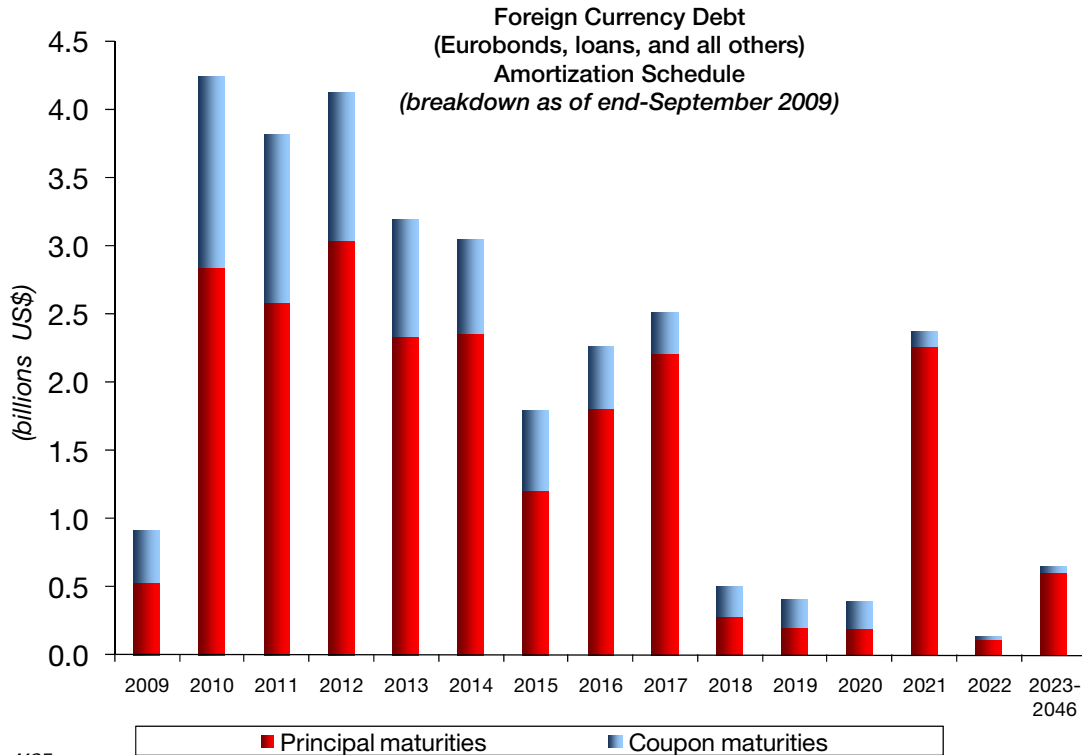


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Recent Government Eurobond Issuances							
Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
3-Dec-09	54	15	3-Dec-2024	7.000	7.000	USD 250 MN	XS0471737444
3-Dec-09	53	5 (long)	15-Jan-2015	5.875	5.875	USD 250 MN	XS0471737105
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

* Paris III conference Malaysia contribution

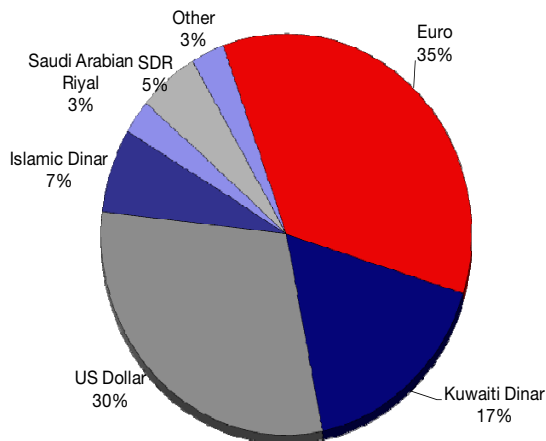
** Initial issuance to BDL



Source: MOF

FOREIGN CURRENCY LOANS DATA

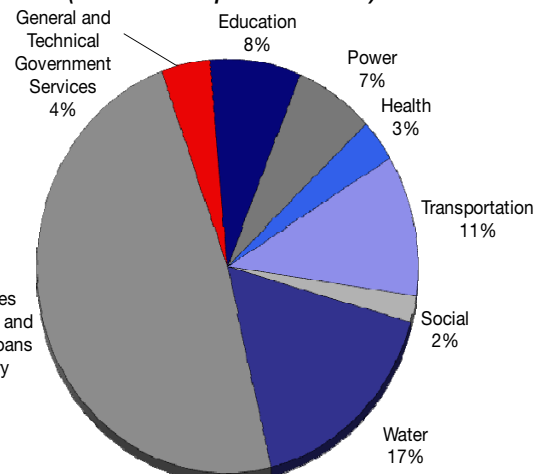
**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-September 2009)**



Source: MOF, BDL

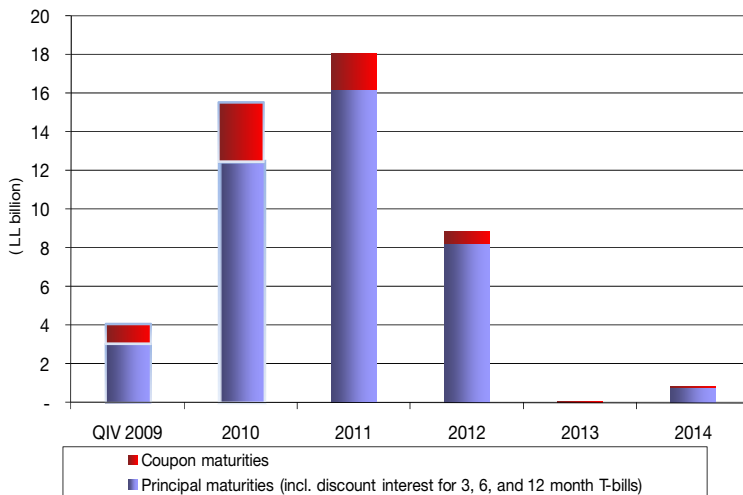
Total LL 4,586 billion

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



Total LL 4,586 billion

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



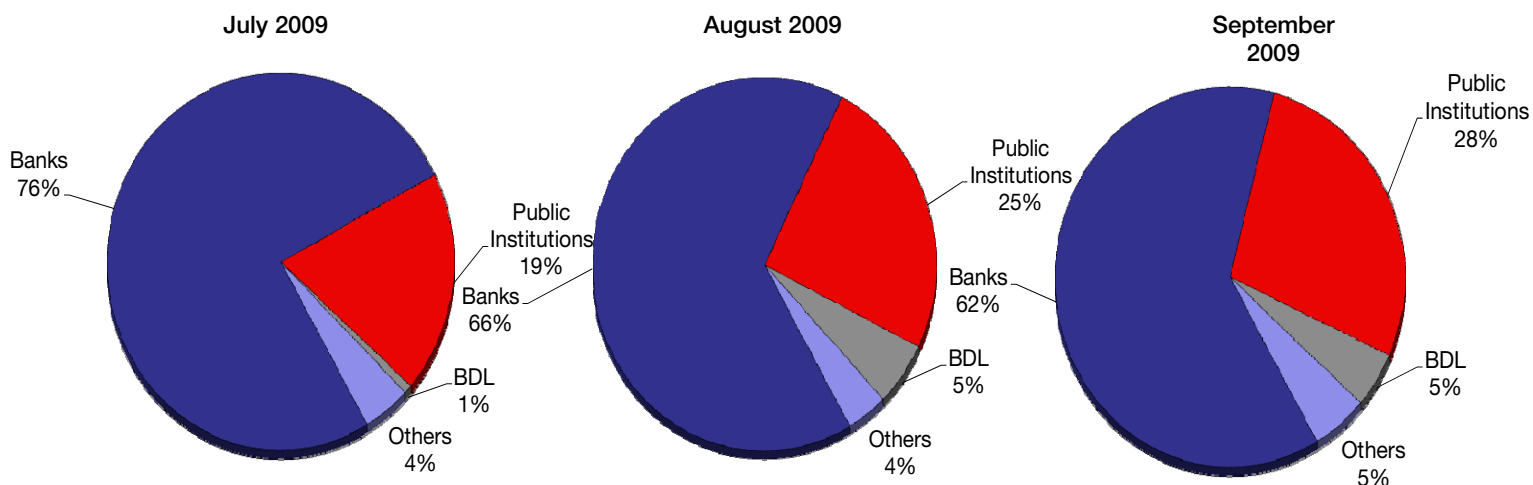
Average Time to Maturity of Domestic Currency T-bills and Notes
(In years, as of end-September 2009) **1.57**

Source: MOF, BDL

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
21-Dec-09	3 MN, 6 MN, 60 MN
28-Dec-09	12 MN, 24 MN, 36 MN
4-Jan-10	3 MN, 6 MN, 60 MN
11-Jan-10	12 MN, 24 MN, 36 MN
18-Jan-10	3 MN, 6 MN, 60 MN
25-Jan-10	12 MN, 24 MN, 36 MN

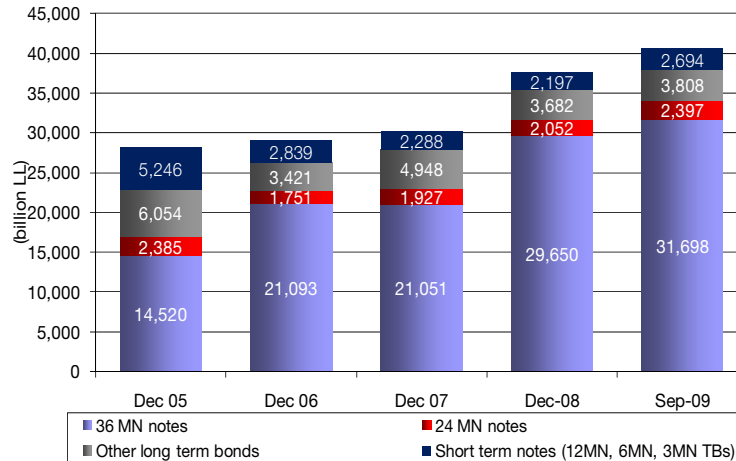
Source: MOF, BDL

T-Bill Subscription Results by Holder During QIII 2009



Source: MOF,

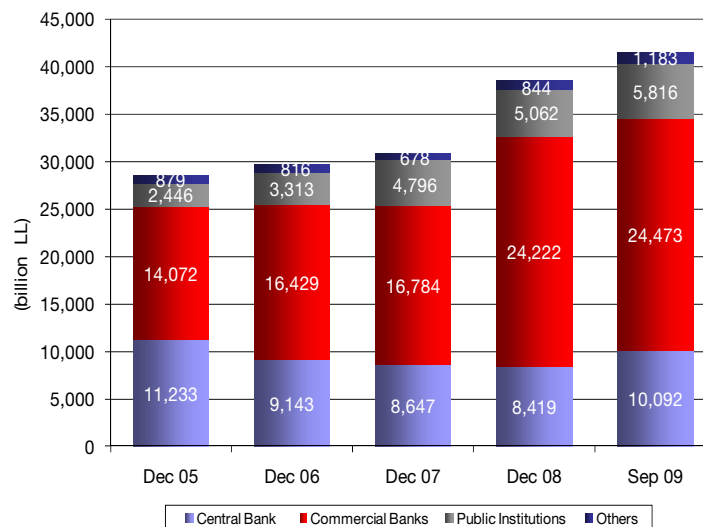
Domestic T-bills Outstanding by Tenor Type (September 30, 2009)



Source: MOF, BDL

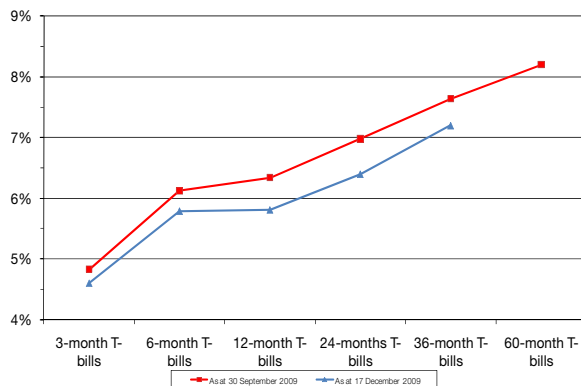
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (September 30, 2009)



Source: MOF, BDL

Primary Market Rates for T-Bills



Source: MOF

For further information, please contact:

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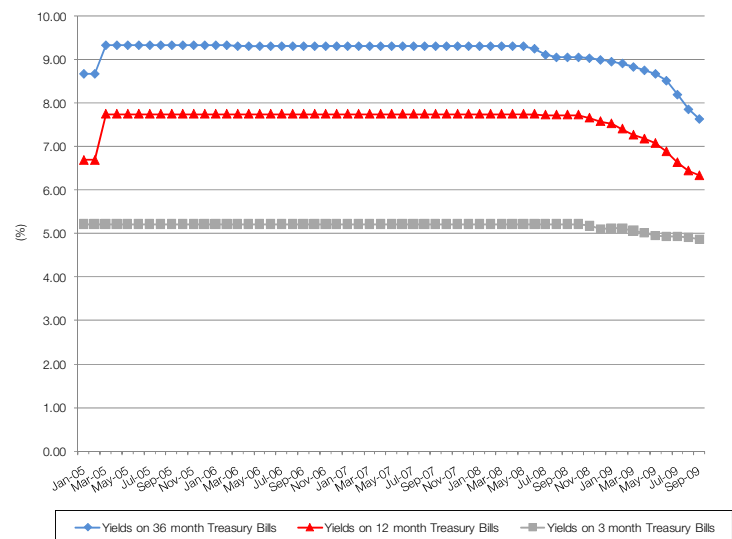
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www.finance.gov.lb

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



Source: MOF