

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 7, Quarter IV 2008



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

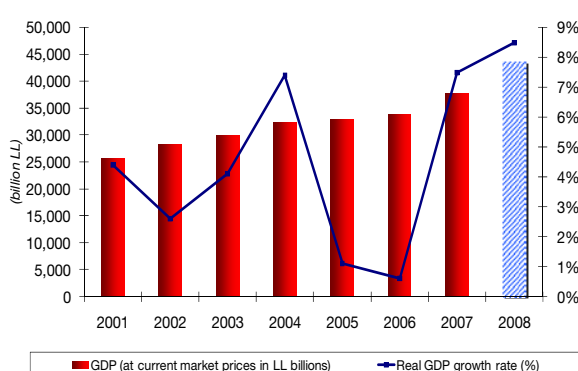
HIGHLIGHTS	1
THE LEBANESE ECONOMY	1
OVERALL DEBT DATA	2
FOREIGN CURRENCY DEBT DATA	3
FOREIGN CURRENCY LOANS DATA	5
DOMESTIC CURRENCY DEBT DATA	6

HIGHLIGHTS

- By the end of 2008, gross public debt stood at LL 70,874 billion (US\$ 47.01 billion), 11.85 percent higher than the end-2007 level.
- By end-December 2008, net public debt reached LL 62,592 billion (US\$ 41.52 billion), registering an increase of LL 3,755 billion over the end-December 2007 level.
- By end-December 2008, domestic currency debt totaled LL 39,006 billion, higher than the end-December 2007 level by 24.33 percent.
- In the fourth quarter of 2008, commercial banks continued to be the main subscriber of Treasury bills and notes, accounting for 84 percent of subscriptions, followed by public entities with 10 percent of subscriptions and Banque du Liban with 3 percent of subscriptions for the quarter.
- Declining primary market rates on Treasury bills and notes continued to be witnessed in QIV 2008. The highest decrease in rates was seen on the 12-month instrument whose rate was 15 bps lower to 7.58 percent by end-December 2008 compared to its rate end-September 2008. Primary market rates on the other auctioned instruments were the following as of end-2008: 5.10 percent on 3-month Treasury bills, 7.10 percent on 6-month T-bills, 8.26 percent on 24-month Treasury notes, and 9.00 percent on 36-month Treasury notes.
- By the end of 2008, foreign currency debt totaled LL 31,868 billion, 0.38 percent lower than the end-December 2007 level.
- The impact of the financial crisis in QIV 2008 was relatively limited on the performance of Lebanese Eurobonds. Eurobond yields increased by an average of 291 bps in the third week of October 2008. Compared to those levels, bid yields decreased by an average of 260 bps by November 13th 2008. By early January 2009, bid yields on Lebanese Eurobonds had decreased further, almost to pre-financial crisis levels for most bonds.

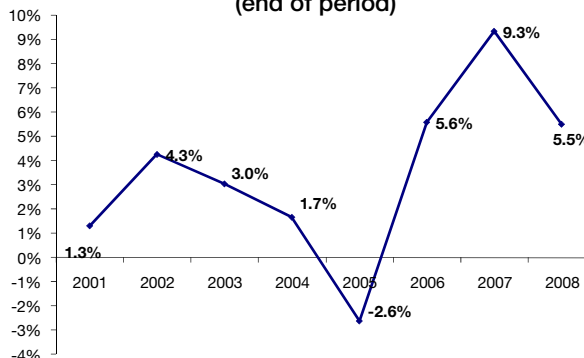
THE LEBANESE ECONOMY

GDP and GDP growth



Source: 2001-2007 are National Accounts Committee figures
2008: IMF estimates as per 2009 Article IV consultation mission

CPI % change (end of period)



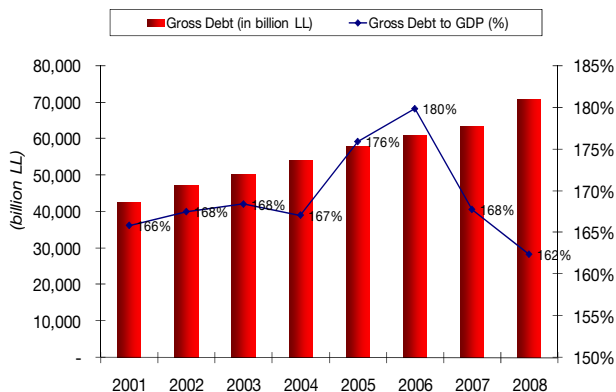
Source: Central Administration of Statistics
Consumer Price Index : 2001-2007, 1998 = 100 (base year); For December 2008, December 2007 = 100.

OVERALL DEBT DATA



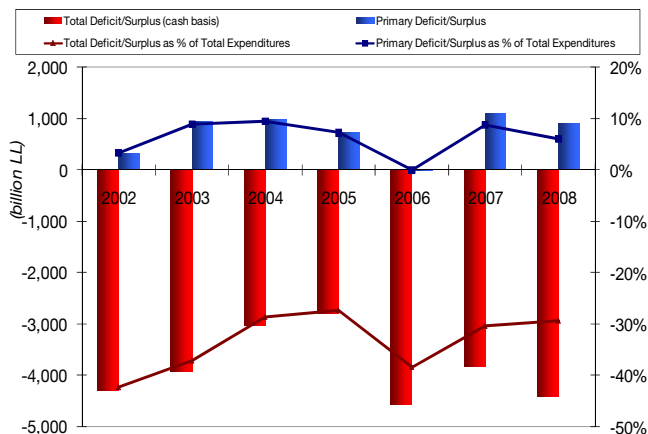
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Gross Public Debt



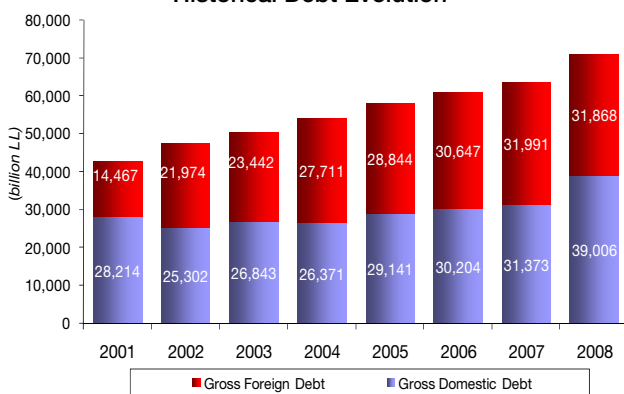
Source: MOF, BDL
Note: 2008 GDP figure based IMF 2009 Article IV consultation mission

Fiscal Performance



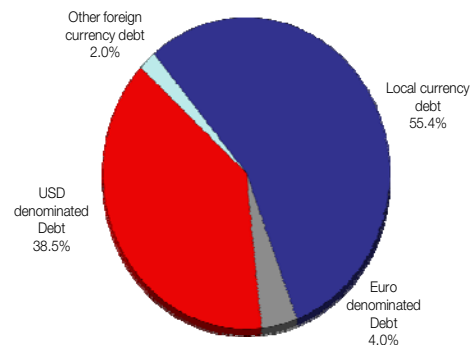
Source: MOF

Historical Debt Evolution



Source: MOF

Outstanding Debt by Currency Composition as of end-December 2008



Source: MOF

Public Debt (in LL billion)	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Change Dec 07 - Dec 08	% Change Dec 07 - Dec 08
Gross Public debt	54,082	57,985	60,851	63,364	70,874	7,510	11.85%
Local currency debt	26,371	29,141	30,204	31,373	39,006	7,633	24.33%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	10,652	11,686	9,588	9,052	8,781	(271)	-2.99%
b. Commercial Banks	12,220	14,130	16,487	16,847	24,319	7,472	44.35%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,474	5,906	432	7.89%
d/w Public entities	2,187	2,446	3,313	4,796	5,062	266	5.55%
*Accrued interest included in debt	356	517	685	754	1,001	247	32.76%
Foreign currency debt⁽²⁾	27,711	28,844	30,647	31,991	31,868	(123)	-0.38%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	2,963	2,789	(174)	-5.89%
b. Paris II related debt (Eurobonds and Loans) ⁽³⁾	6,634	6,501	6,540	6,063	5,456	(607)	-10.01%
c. Paris III related debt (Eurobonds and Loans) ⁽⁴⁾	-	-	-	1,357	1,849	492	36.29%
d. Market-issued Eurobonds	17,686	18,729	20,399	20,780	20,925	145	0.70%
e. Accrued Interest on Eurobonds	388	406	434	410	430	20	4.88%
f. Special Tbls in Foreign currency ⁽⁵⁾	-	419	419	419	419	-	0.00%
Public sector deposits	4,359	5,590	4,444	4,527	8,282	3,755	82.95%
Net debt	49,723	52,395	56,407	58,837	62,592	3,755	6.38%
Gross Market debt⁽⁶⁾	31,606	34,563	38,555	39,221	46,990	7,769	19.81%
% of total debt	58%	60%	63%	62%	66%	4%	6.63%

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

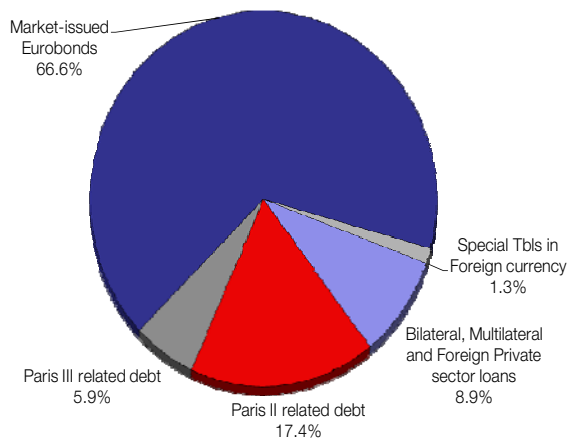
⁽³⁾ Paris II related debt (Eurobonds and Loans) including Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

⁽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)

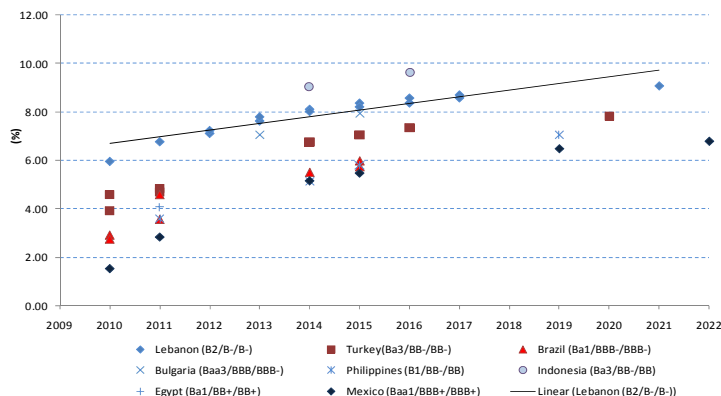
⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

**Outstanding Foreign Currency Debt by Holder
as of end-December 2008**



Source: MOF

**Yields for Republic of Lebanon Eurobonds
and Comparables
(as of April 2nd, 2009)**



Source: Credit Suisse

Lebanon Secondary Issues						
13-Jan-09	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 7.250 09	99.50	101.50	8.20	2.65	599	24
LEB 5.875 12	92.00	95.00	8.62	7.52	604	494
US Dollars						
LEB 10.250 09	101.50	104.00	8.03	4.54	720	369
LEB FRN 09	97.00	99.00	8.55	6.10	768	522
LEB 7.000 09	99.50	101.50	7.57	5.28	670	441
LEB 7.125 10	99.00	101.00	8.05	6.19	714	528
LEB 7.875 11	99.00	101.00	8.35	7.40	697	602
LEB 4.000 17 Av Life	79.00	82.00	10.05	9.04	802	700
LEB 7.750 12	96.50	98.50	8.89	8.23	713	647
LEB 9.125 13	99.00	101.00	9.41	8.83	758	699
LEB 8.625 13	97.00	99.00	9.47	8.90	758	701
LEB 7.375 14	90.00	93.00	9.86	9.08	785	707
LEB 9.000 14	96.25	99.25	9.92	9.18	792	717
LEB 10.000 15	102.75	103.75	6.72	6.37	506	471
LEB 8.500 15	93.50	96.50	9.87	9.22	771	707
LEB 8.500 16	93.00	96.00	9.91	9.29	771	709
LEB 11.625 16	108.50	111.50	9.96	9.41	776	721
LEB 8.250 21	79.00	82.00	10.05	9.04	802	700

Source: Credit Suisse 13th January 2009

Lebanon Secondary Issues						
2-Apr-09	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
EURO						
LEB 5.875 12	97.75	99.75	6.72	5.97	454	379
US Dollars						
LEB 7.125 10	101.00	102.00	5.97	4.85	484	371
LEB 7.875 11	102.13	103.13	6.78	6.27	536	486
LEB 4.000 17 Av Life	83.75	85.25	8.70	8.21	644	594
LEB 7.500 12	101.00	102.00	7.12	6.74	545	507
LEB 7.750 12	101.50	102.50	7.24	6.91	543	510
LEB 9.125 13	105.00	106.00	7.63	7.34	569	540
LEB 8.625 13	102.88	103.88	7.80	7.53	580	552
LEB 7.375 14	97.00	98.00	8.11	7.86	593	568
LEB 9.000 14	104.00	105.00	8.02	7.78	584	560
LEB 10.000 15	107.63	108.63	8.37	8.16	584	560
LEB 8.500 15	101.38	102.38	8.21	8.01	581	561
LEB 8.500 16	100.63	101.63	8.37	8.18	591	571
LEB 11.625 16	116.00	117.00	8.57	8.39	610	592
LEB 9.000 17	102.38	103.38	8.58	8.41	599	582
LEB 8.250 21	94.06	95.31	9.07	8.89	618	600

Source: Credit Suisse 2nd April 2009

Lebanon Sovereign Debt Rating			
Agency	Foreign Currency		
	Long-term tenor rating	Short-term tenor rating	Outlook
As of April 2nd, 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. As of end-December 2008, Moody's rating of local and foreign currency government bonds was B3 with a positive outlook, following a change in outlook from stable to positive on December 11, 2008.

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of December 31, 2008)

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	635,500,000	2	USD	10.250%	10/06/09	0.76
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	1.18
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	3.69
XS0207128561	USD 625 MN FRN - Nov 2009	625,000,000	1	USD	6 months U.S \$ L + 3.25 %	11/30/09	0.92
XS0207129296	USD 425 MN - Dec 2009	425,000,000	1	USD	7.000%	12/14/09	0.95
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	2.38
XS0192976834	EUR 225 MN - May 2009	225,000,000	1	Euro	7.250%	05/20/09	0.38
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	7.36
XS0205838948	USD 700 MN -Nov 2010	700,000,000	1	USD	6.875%	11/12/10	1.87
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	4.47
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	7.05
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	5.29
XS0250882478	USD 2092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	12.29
XS0250883013	EUR 324.542 MN - April 2012	324,542,000	2	EUR	5.875%	04/12/12	3.28
XS0263574112	USD 750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	2.59
XS0263573817	USD 351.591 MN - August 2009	351,591,000	2	USD	7.500%	08/03/09	0.59
XS0352629546	USD 875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	4.20
XS0361558413	USD 881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	5.34
XS0381915353	USD 500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	6.60
<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	8.56
XS0312416778	USD 200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	3.55
<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	4.67
XS0160456322	USD 950 MN - Dec 2017	585,000,000	1	USD	5.000%	12/27/17	4.67
XS0160456322	USD 700 MN - Mar 2018	665,000,000	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	4.84
						Average Time to Maturity (in years, as of Dec 31, 2008):	4.66
						Weighted average coupon rate:	7.24%

*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).

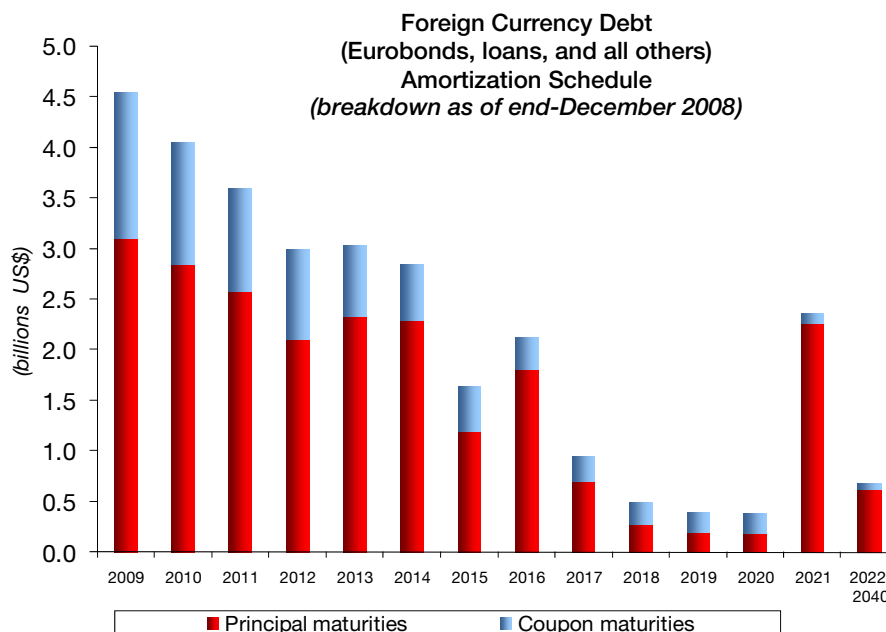
Euro exchange rate (US\$/Euro) (30 December 2008): 1.418

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

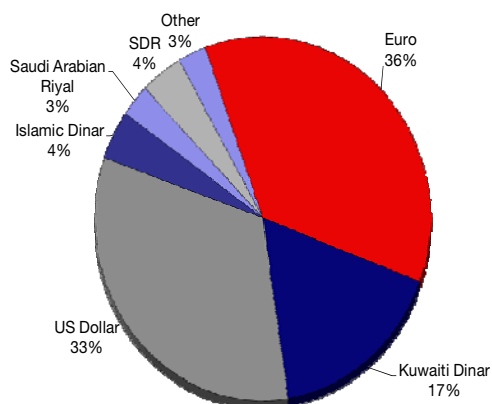
** Initial issuance to BDL



Source: MOF

FOREIGN CURRENCY LOANS DATA

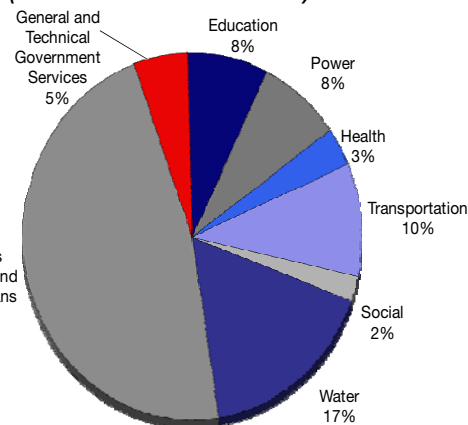
**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-December 2008)**



Source: MOF, BDL

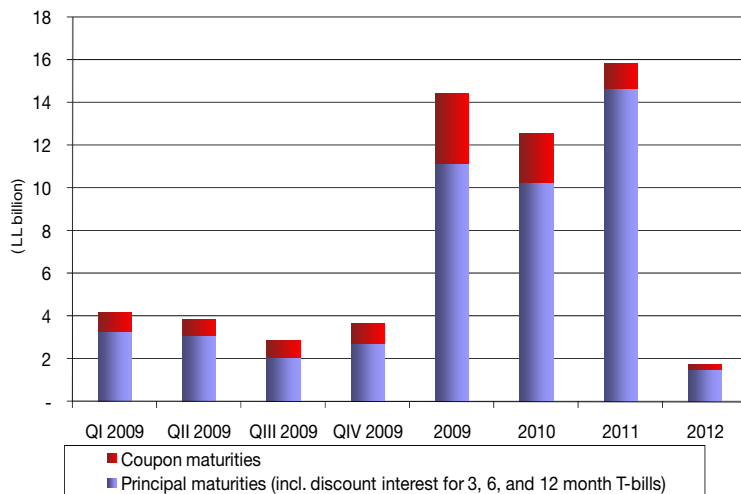
Total LL 4,631 billion

**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by sector
(as of end-December 2008)**



Total LL 4,631 billion

Amortization Schedule of Domestic T-bills and Notes (as of end-December 2008)



Average Time to Maturity of Domestic Currency T-bills and Notes	
(In years, as of end-December 2008)	1.69

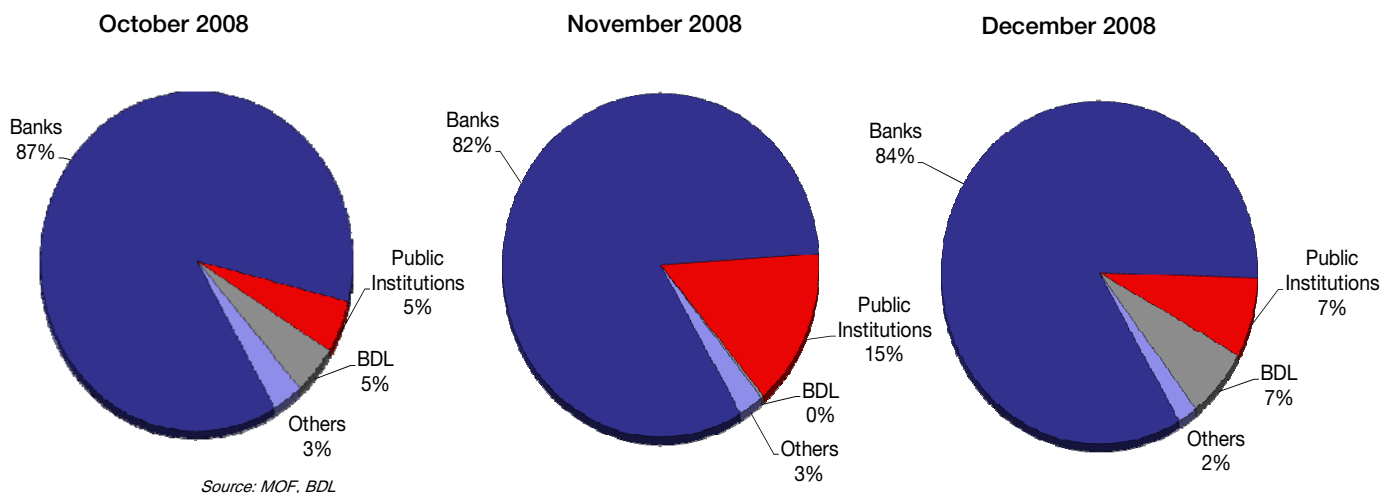
Source: MOF, BDL

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
6-Apr-09	3 MN, 6 MN, 12 MN
7-Apr-09	24 MN, 36 MN
14-Apr-09*	3 MN, 6 MN, 12 MN, 24 MN, 36 MN
21-Apr-09*	3 MN, 6 MN, 12 MN, 24 MN, 36 MN
27-Apr-09	3 MN, 6 MN, 12 MN
28-Apr-09	24 MN, 36 MN
4-May-09	3 MN, 6 MN, 12 MN
5-May-09	24 MN, 36 MN
11-May-09	3 MN, 6 MN, 12 MN
12-May-09	24 MN, 36 MN

Source: MOF, BDL

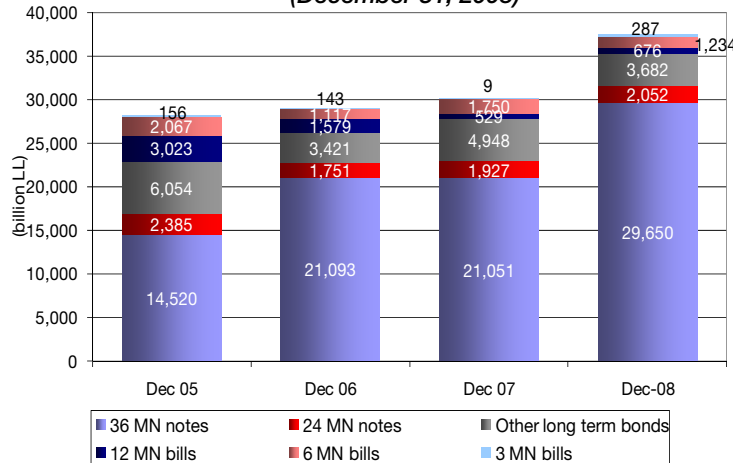
*Auctions of 3MN, 6MN and 12MN will be held on Tuesdays 14th and 21st of April given that Mondays April 13th and 20th are public holidays.

T-Bill Subscription Results by Holder During QIV 2008



Source: MOF, BDL

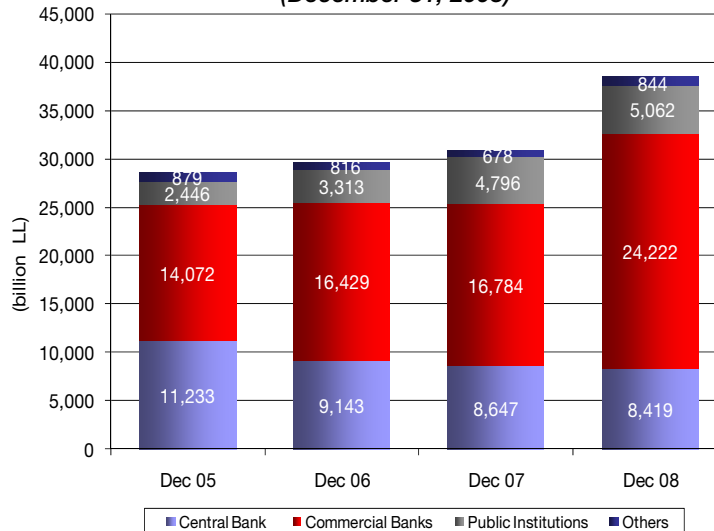
Domestic T-bills Outstanding by Tenor Type (December 31, 2008)



Source: MOF, BDL

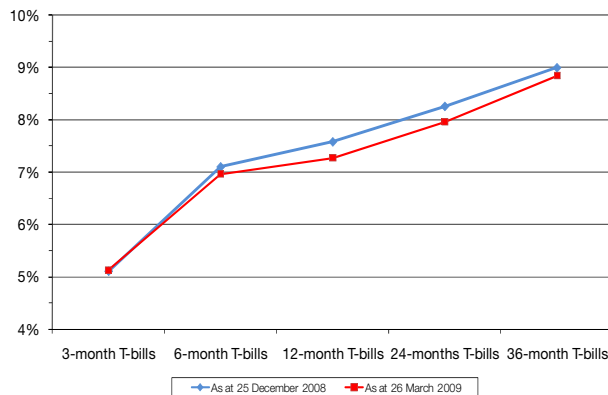
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

Domestic T-bills Outstanding by Investor Type (December 31, 2008)



Source: MOF, BDL

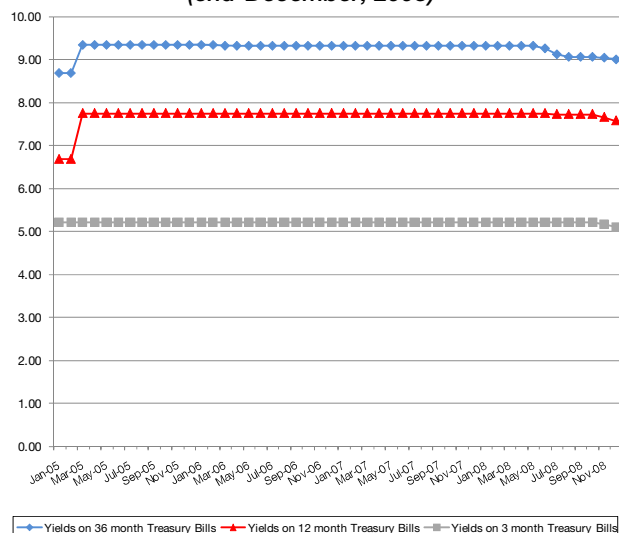
Primary Market Rates for T-Bills



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 (end-December, 2008)



Source: MOF