



# DEBT AND DEBT MARKETS

## A Quarterly Bulletin of the Ministry of Finance

Issue No. 2, Quarter III 2007

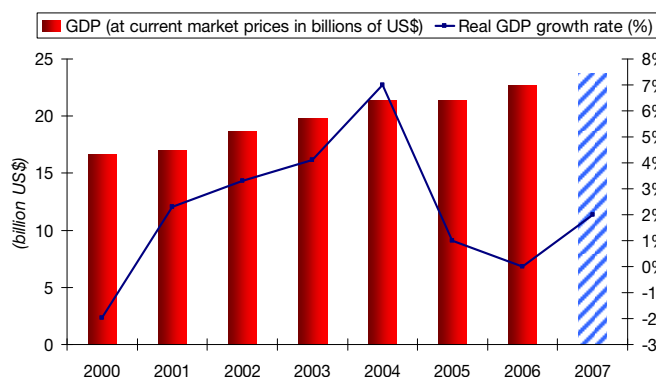
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### HIGHLIGHTS

- By the end of September 2007, gross public debt reached US\$ 40.57 billion, registering an increase of 1.98% over the end-June 2007 debt level.
- By end September 2007, local currency debt amounted to US\$ 20.08 billion, increasing by 2.66 % over the end-June 2007 level.
- By end-September 2007 foreign currency debt amounted to US\$ 20.49 billion, increasing by 1.37% over the end-June 2007 level.
- On October 4, 2007, Lebanon issued a \$400 million Eurobond that was placed directly with Banque Du Liban. The transaction was issued through a reopening of the series 33 November 2010– 6.875% coupon USD Eurobond.
- Lebanon signed an agreement on August 31, 2007 with the United States Agency for International Aid and Development for a US\$ 75 million grant that will be used to service payments due on debt held by the International Bank for Reconstruction and Development (IBRD). This grant is part of the Government of the United States' Paris III Conference contribution.
- On September 29, 2007, also as part of the Paris III Conference pledges, Lebanon received a US\$ 100 million Reform Implementation Development Policy Loan from the IBRD that was earmarked for budgetary support.

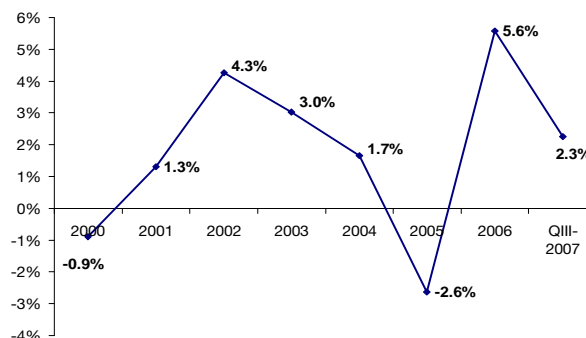
### THE LEBANESE ECONOMY

GDP and GDP growth



Source: 2000-2003 are National Accounts Committee figures  
2004-2006 are Banque Du Liban (BDL) figures  
2007 Figures are as per latest IMF estimates

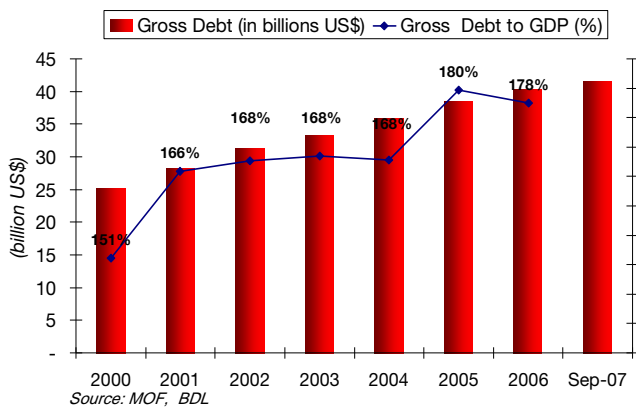
CPI % change (1998 base year)



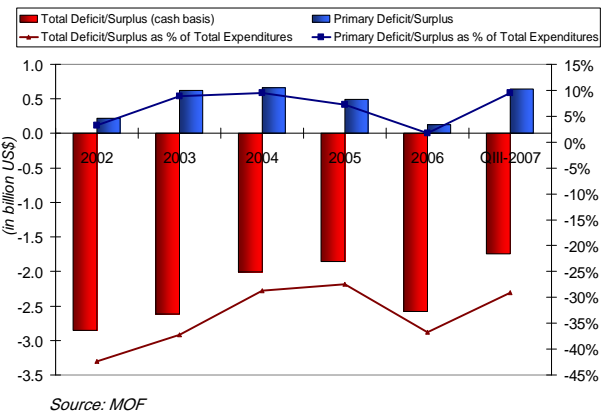
Source: Central Administration of Statistics

# OVERALL DEBT DATA

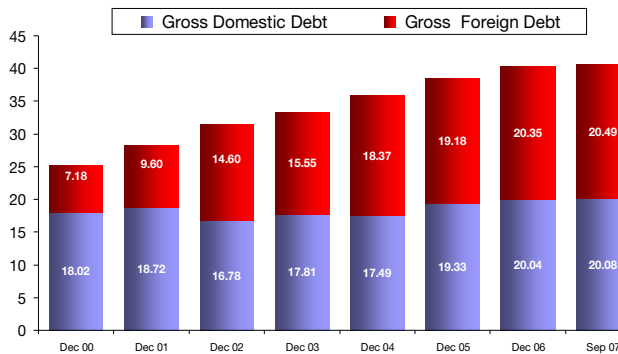
## Gross Public Debt



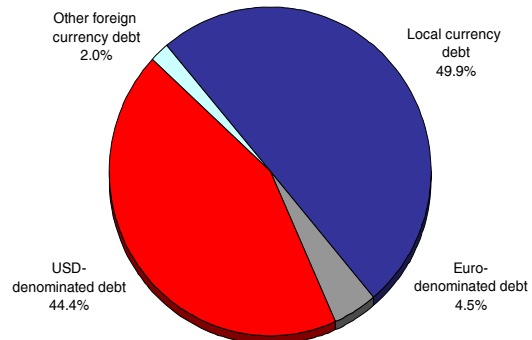
## Fiscal Performance



## Historical Debt Evolution (billions of US\$)



## Gross Debt of \$40.57 billion as of end September 2007



Public Debt (in billions of US\$)	Dec 04	Dec 05	Dec 06	QI 07	QII 07	QIII 07	Change QII - QIII	% change QII - QIII
<b>Gross Public debt</b>	35,875	38,466	40,357	41,232	39,772	40,570	798	1.98%
<b>Local currency debt</b>	17,493	19,331	20,036	20,787	19,550	20,083	533	2.66%
a. Central Bank (including REPOs and Loans to EDL to finance)	7,066	7,752	6,360	6,967	5,477	6,248	771	12.12%
b. Commercial Banks	8,106	9,373	10,937	10,525	10,490	10,242	(247)	-2.26%
c. Other Local Currency Debt (T-bills)	2,322	2,206	2,739	3,294	3,583	3,593	9	0.34%
o/w Public entities	1,451	1,623	2,198	2,718	3,057	3,087	31	22.75%
<b>Foreign currency debt<sup>(2)</sup></b>	18,382	19,135	20,321	20,445	20,209	20,487	278	1.37%
a. Bilateral, Multilateral and Private sector loans	1,992	1,851	1,894	1,948	1,897	1,912	15	0.81%
b. Paris II related debt (Eurobonds and Loans) <sup>(3)</sup>	4,401	4,312	4,338	4,306	4,312	4,139	(174)	-4.01%
c. Paris III related debt (Eurobonds) <sup>(4)</sup>	-	-	-	-	-	500	500	
d. Market-issued Eurobonds	11,732	12,424	13,523	13,540	13,449	13,288	(160)	-1.19%
e. Accrued Interest on foreign currency debt	257	269	288	373	273	369	97	33.64%
f. Special Tbs in Foreign currency <sup>(5)</sup>	-	278	278	278	278	278	-	0.00%
<b>Public sector deposits</b>	2,892	3,708	2,948	2,664	2,323	2,329	6	0.20%
<b>Net debt</b>	32,984	34,758	37,409	38,568	37,449	38,241	792	2.12%
<b>Gross Market debt<sup>(6)</sup></b>	20,966	22,927	25,567	25,292	25,028	24,683	(345)	-1.35%
<b>% of total debt</b>	58%	60%	63%	61%	63%	61%		

Source: Ministry of Finance, Banque du Liban

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Figures of Dec04 -Jan06 change because of exchange rate of Euro

<sup>(3)</sup> Paris II related debt (Eurobonds and Loans) declined due to the re-profiling of debt held by Malaysia as part of that country's Paris III contribution and because of a payment of principal of 30M EURO on AFD debt in this month.

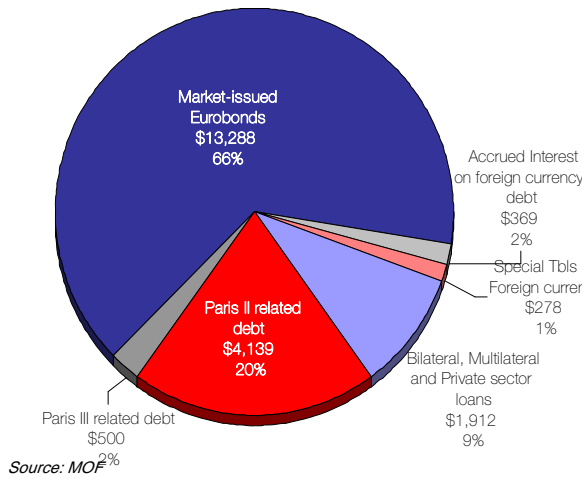
<sup>(4)</sup> Issued to Malaysia as part of its Paris III contribution

<sup>(5)</sup> Special Tbs in Foreign currency (expropriation bonds)

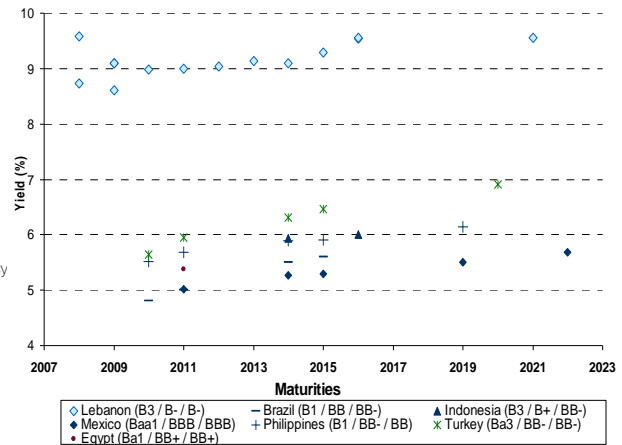
<sup>(6)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

# FOREIGN CURRENCY DEBT DATA

**Foreign Currency Debt Outstanding**  
US \$20.48 billion as of end-September 2007  
(in billions of US\$)



**Yields for Republic of Lebanon Eurobonds and Comparables**  
(as of October 23, 2007)



Lebanon Secondary Issues						
23-Oct-07	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
Lebanese Issues						
Euro						
LEB 7.250 09	99.25	100.25	7.7	7.06	308	245
LEB 5.875 12	92.5	93.5	7.87	7.59	324	298
US Dollars						
LEB 7.375 08	98.625	99.625	9.58	7.95	478	317
LEB 10.125 08	101	102	8.73	7.4	398	266
LEB 10.250 09	102	103	9.1	8.54	459	403
LEB FRN 09	98.5	99.5	8.61	8.08	411	357
LEB 7.000 09	96.00	97.00	9.1	8.56	458	405
LEB 7.125 10	96.125	97.125	8.98	8.49	447	398
LEB 7.875 11	96.625	97.625	9	8.66	440	406
LEB 4.000 17 Av Life	78.75	79.75	9.38	9.08	454	423
LEB 7.750 12	95	96	9.04	8.77	432	405
LEB 8.625 13	97.75	98.75	9.14	8.91	437	414
LEB 7.375 14	91.75	93	9.09	8.82	426	399
LIEB 10.000 15	103.75	104.75	9.29	9.11	441	423
LEB 8.500 16	94.125	95.125	9.54	9.36	461	443
LEB 11.625 16	111.875	112.875	9.56	9.4	463	447
LEB 8.250 21	90.25	91.25	9.55	9.41	445	430

Source: Credit Suisse  
Note: This table is intended for general information purposes only.

Lebanon Sovereign Debt Rating			
Agency	Long-term tenor rating	Short-term tenor rating	Outlook
Fitch IBCA Ltd	B-	B	Stable
Moody's Investor Services Ltd	B3		Negative
Standard and Poor's	B-	C	Negative

# FOREIGN CURRENCY DEBT DATA

## List of Outstanding Eurobonds (Values as of October 30, 2007)

ISIN CODE	Eurobond	Outstanding Amount (in original currency)	Number of tranches	Currency	Coupon rate	Mat. Date mmm/dd/yy	Years to Maturity
USM87883AB63	USD 400 MN - Oct 2007	368,668,000	1	USD	8.625%	10/31/07	0.00
XS0133469253	USD 750 MN - Aug 2008	750,000,000	1	USD	10.125%	08/06/08	0.77
XS0102480513	USD 650 MN - Oct 2009	635,500,000	2	USD	10.250%	10/06/09	1.94
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	2.35
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	4.86
XS0207128561	USD 625 MN FRN - Nov 2009	625,000,000	1	USD	6 months U.S \$ Libor + 3.25 %	11/30/09	2.09
XS0207129296	USD 425 MN - Dec 2009	425,000,000	1	USD	7.000%	12/14/09	2.13
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	3.56
XS0192976834	EUR 225 MN - May 2009	225,000,000	1	Euro	7.250%	05/20/09	1.56
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	8.54
XS0205838435	USD 1,269 MN - Mar 2008	869,000,000	2	USD	6.375%	03/12/08	0.37
XS0205838948	USD 700 MN -Nov 2010	700,000,000	1	USD	6.875%	11/12/10	3.04
XS0219573051	USD 250 MN -May 2008	250,000,000	1	USD	7.000%	05/11/08	0.53
XS0222790841	USD 250 MN - June 2008	250,000,000	1	USD	7.375%	06/20/08	0.64
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	5.64
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	8.23
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	6.46
XS0250882478	USD 2092.469 MN - April 2021	2,092,469,000	3	USD	8.250%	04/12/21	13.46
XS0250883013	EUR 324.542 MN - April 2012	324,542,000	2	EUR	5.875%	04/12/12	4.45
XS0263574112	USD 450 MN - Aug 2011	450,000,000	1	USD	7.500%	08/02/11	3.76
XS0263573817	USD 351.591 MN - Aug 2009	351,591,000	2	USD	7.500%	08/03/09	1.76
<b>Eurobonds issued in the context of Paris III</b>							
XS0312416000	USD 300 MN due July 2017	300,000,000	1	USD	3.750%	07/20/17	9.73
XS0312416778	USD 200 MN due July 2012	200,000,000	1	USD	3.750%	07/20/12	4.73
<b>Eurobonds issued in the context of Paris II</b>							
XS0160503347	USD 2,007.511 MN - Dec 2017	2,007,511,000	2	USD	4.000%	12/31/17	10.18
XS0160456322	USD 950 MN - Dec 2017	650,000,000	1	USD	5.000%	12/27/17	10.17
XS0160456322	USD 700 MN - Mar 2018	700,000,000	1	USD	5.000%	03/07/18	10.36
XS0169203048	USD 200 MN - Mar 2018	200,000,000	1	USD	5.000%	05/27/18	10.58
Average Time to Maturity (in years, as of October 30, 2007):							5.93
Weighted average coupon rate:							7.18%

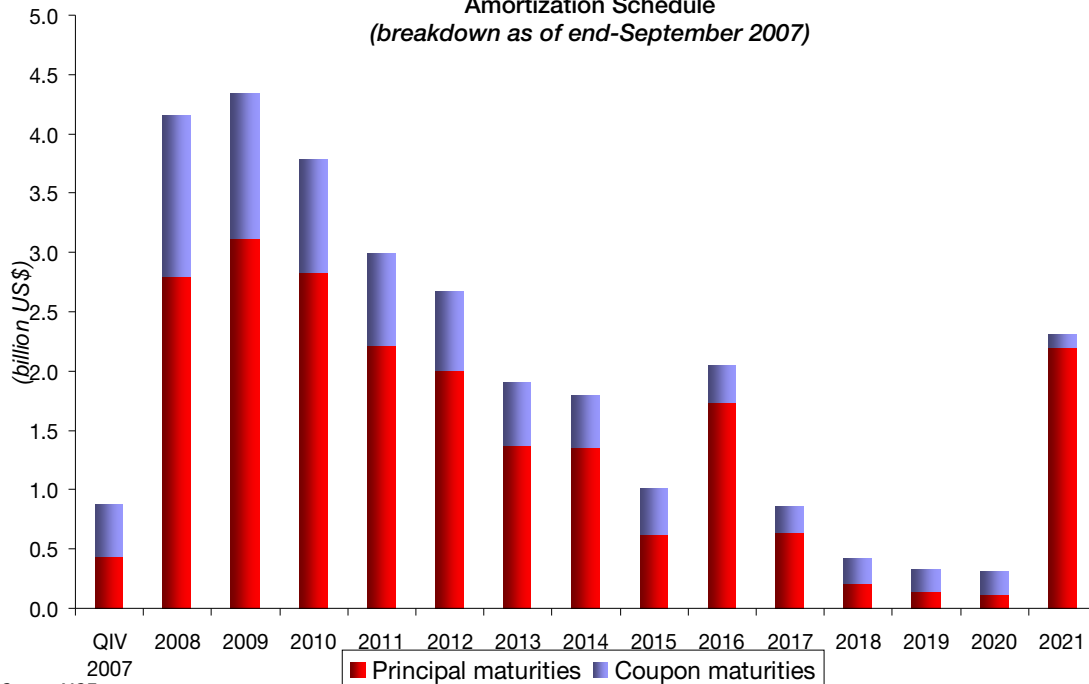
# FOREIGN CURRENCY DEBT DATA

## Recent Government Eurobond Issuance

Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
4-Oct-07	33 (2)	3	Nov-2010	6.875	9.375	USD 400 MN **	XS0205838948
20-Jul-07	47	5	Jul-2012	3.750	3.750	USD 200 MN *	XS0312416778
20-Jul-07	46	10	Jul-2017	3.750	3.750	USD 300 MN *	XS0312416000
6-Jul-07	17 (2)	10	Dec-2017	4.000	9.250	USD 137.511 MN **	XS0160503347
31-May-07	39 (2)	6	Jun-2013	8.625	8.750	USD 400 MN	XS0222794249
26-Feb-07	42 (3)	14	Apr-2021	8.250	8.750	USD 431 MN**	XS0250882478
26-Feb-07	32 (2)	1	Mar-2008	6.375	6.375	USD 569 MN**	XS0205838435
27-Dec-06	44 (2)	3	Aug-2009	7.500	9.250	USD \$145 MN**	XS0263573817
2-Aug-06	44	3	Aug-2009	7.500	9.250	USD \$206.591 MN**	XS0263573817
2-Aug-06	45	5	Aug-2011	7.500	7.500	USD \$450 MN**	XS0263574112

\* Paris III conference Malaysia contribution  
 \*\* Initial Issuance to BDL

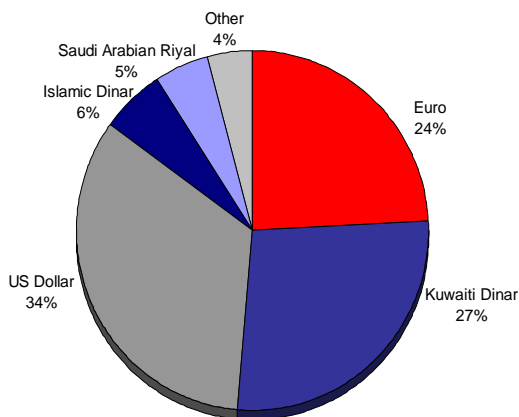
Foreign Currency Debt Amortization Schedule (breakdown as of end-September 2007)



Source: MOF

# FOREIGN CURRENCY LOANS DATA

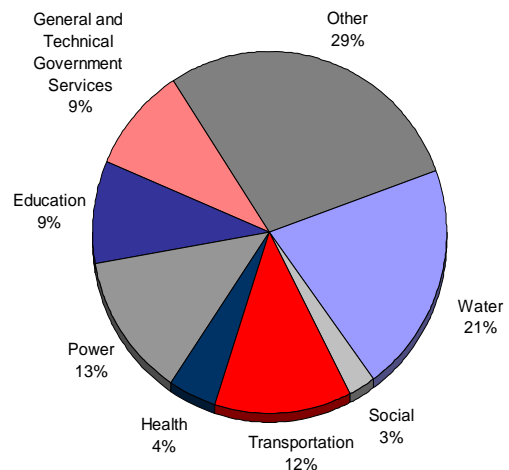
Bilateral and Multilateral Loans (concessional and otherwise) breakdown by currency (as of end-October 2007)



Total US\$ 2.5 billion

Source: MOF, BDL

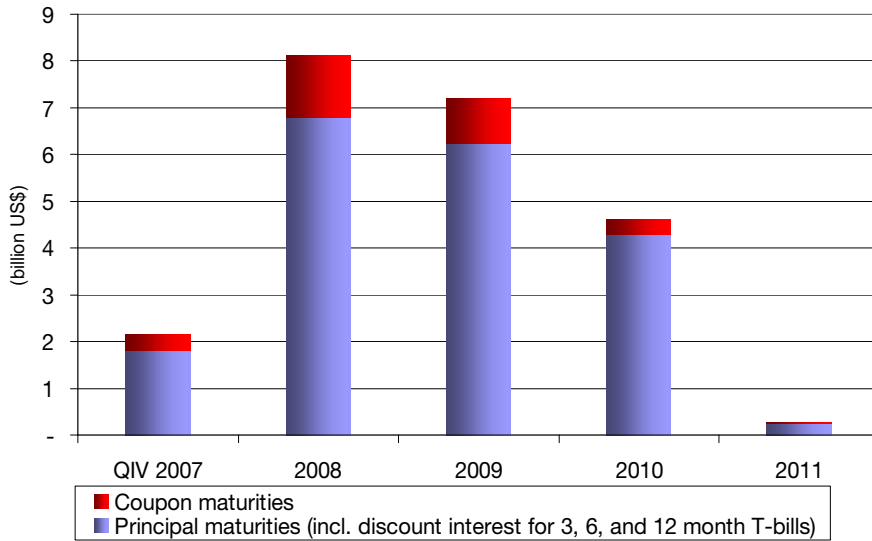
Bilateral and Multilateral Loans (concessional and otherwise) breakdown by sector



Total US\$ 2.5 billion

# DOMESTIC CURRENCY DEBT DATA

Amortization Schedule of Domestic T-bills and Notes  
(in billions of US\$, as of Sept 30, 2007)



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

(In years, as of end-Oct 2007)

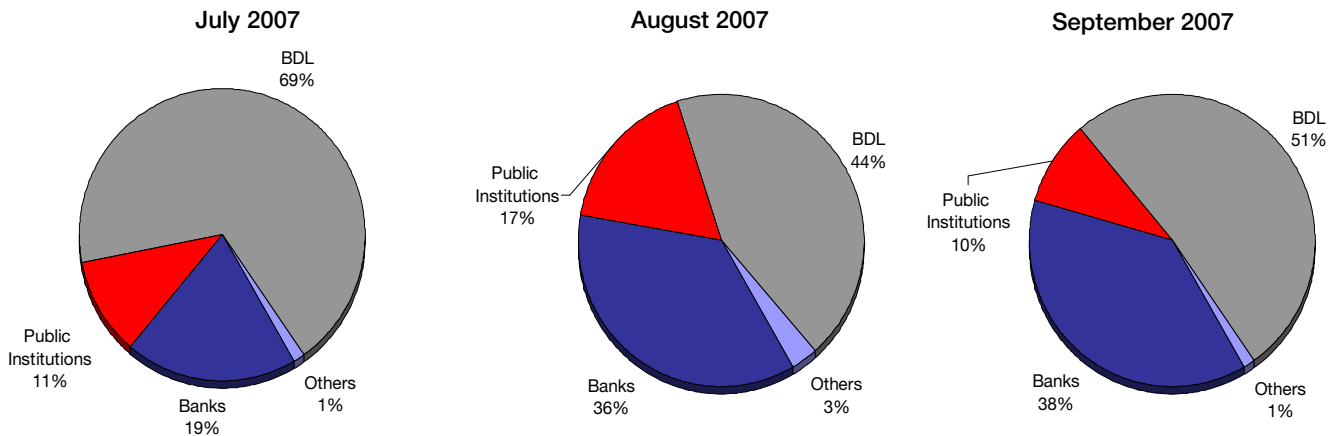
1.36

Source: MOF, BDL

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
3-Nov-07	12 MN
5-Nov-07	24 MN, 36 MN
12-Nov-07	3 MN, 6 MN
17-Nov-07	12 MN
19-Nov-07	24 MN, 36 MN
26-Nov-07	3 MN, 6 MN
3-Dec-07	12 MN
10-Dec-07	24 MN, 36 MN
17-Dec-07	3 MN, 6 MN
24-Dec-07	12 MN
31-Dec-07	24 MN, 36 MN
7-Jan-08	3 MN, 6 MN

Source: MOF, BDL

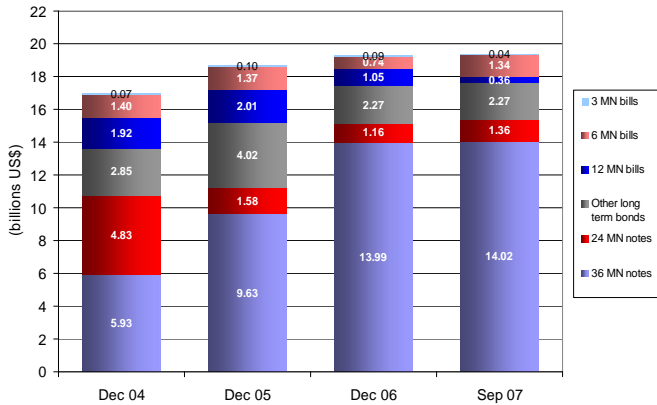
T-Bill Auction Results by Holder During Q III-2007



Source: MOF, BDL

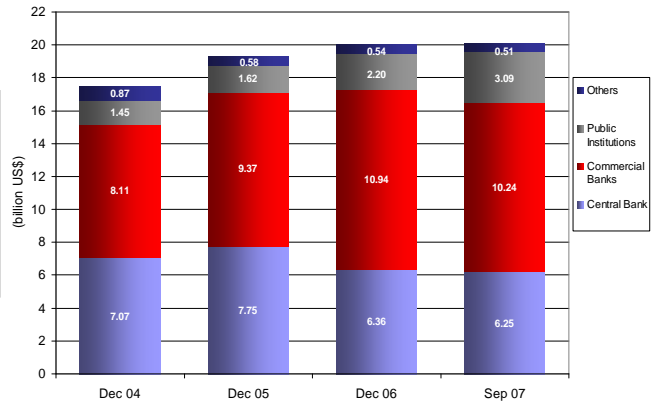
# DOMESTIC CURRENCY DEBT DATA

Domestic T-bills Outstanding by Tenor Type  
(September 30, 2007)



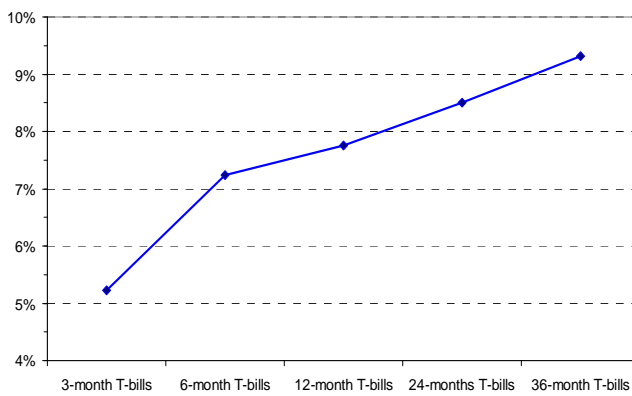
Source: MOF, BDL

Domestic T-bills Outstanding by Investor Type  
(September 30, 2007)



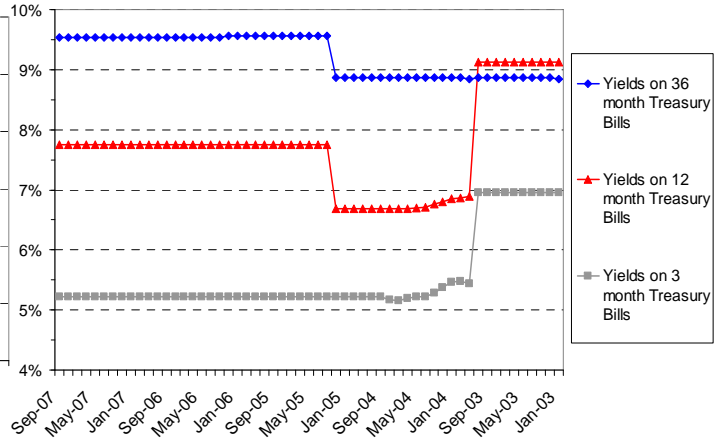
Source: MOF, BDL

Primary Market Rates for T-Bills  
(September 30, 2007)



Source: MOF

Time Series of Primary Market Rates for T-Bills



Source: MOF

## LIST OF FORTHCOMING PUBLICATIONS

Publication	Week of Release
Paris III Conference- Third Progress Report	1st week of October
Monthly Fiscal Performance for September	1st week of November
Note on Budget 2007	1st week of November
Public Finance Monitor- August	1st week of November
Public Finance Monitor-September	2nd week of November
Ministry of Finance Internal Reforms	3rd week of November
Quarterly Public Finance Report- QII 2007	4th week of November
Debt and Debt Markets- QIV 2007	4th week of January

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