



# DEBT AND DEBT MARKETS

## A Quarterly Bulletin of the Ministry of Finance

Issue No. 1, Quarter II 2007

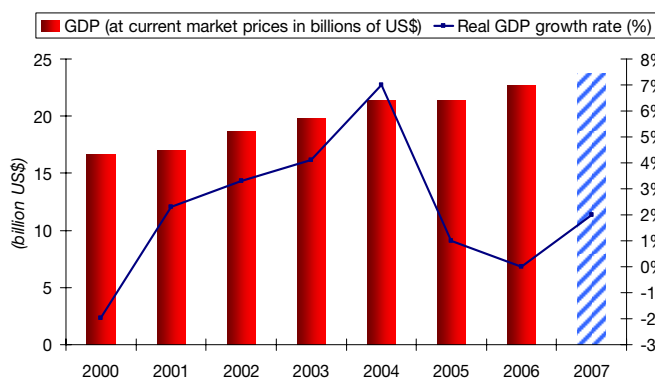
<b>HIGHLIGHTS</b> .....	<b>1</b>
<b>THE LEBANESE ECONOMY</b> .....	<b>1</b>
<b>OVERALL DEBT DATA</b> .....	<b>2</b>
<b>FOREIGN CURRENCY DEBT DATA</b> .....	<b>3</b>
<b>CONCESSIONAL FOREIGN CURRENCY DEBT DATA</b> .....	<b>5</b>
<b>DOMESTIC CURRENCY DEBT DATA</b> .....	<b>6</b>
<b>LIST OF FORTHCOMING PUBLICATIONS</b> .....	<b>7</b>

### HIGHLIGHTS

- By the end of June 2007, gross public debt reached US\$ 39.76 billion, registering an decrease of 1.48 % over the end-December 2006 debt level.
- Local currency debt amounted to US\$ 19.56 billion, decreasing by 2.42 % over the end-December 2006 level. This decrease is largely due to the redemption of US\$1.57 billion worth of T-bills held by the central bank using proceeds resulting from the re-evaluation of the BDL's gold reserves.
- By end-June 2007 foreign currency debt amounted to US\$ 20.21 billion, decreasing slightly by 0.55% over the end-December 2006 level.
- On May 31, 2007, Lebanon successfully issued a \$400 million Eurobond to the market. The transaction was issued through a reopening of the series 39 June 2013- 8.625% coupon USD Eurobond.
- As part of Malaysia's contribution to the Paris III conference, a debt re-profiling transaction was undertaken on July 20, 2007 relating to US\$ 500 million worth of Eurobonds held by that country. The re-profiling extended maturities and grace periods, lowered the interest rate charged to 3.75%, and resulted in debt service savings for Lebanon equal to \$60 million.

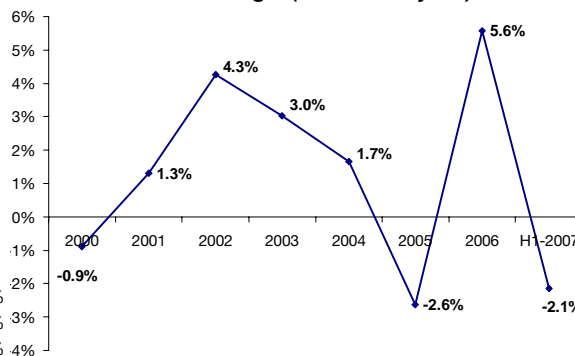
### THE LEBANESE ECONOMY

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

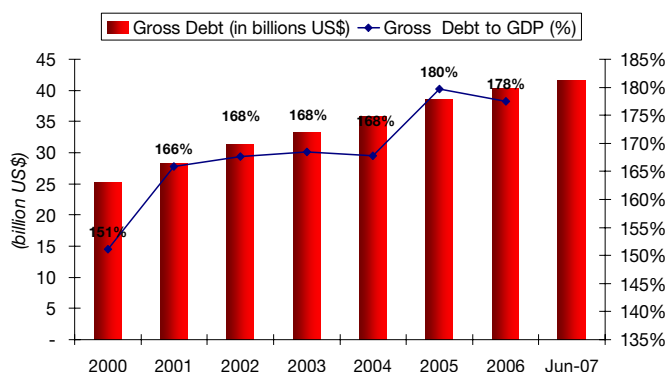
CPI % change (1998 base year)



Source: Central Administration of Statistics

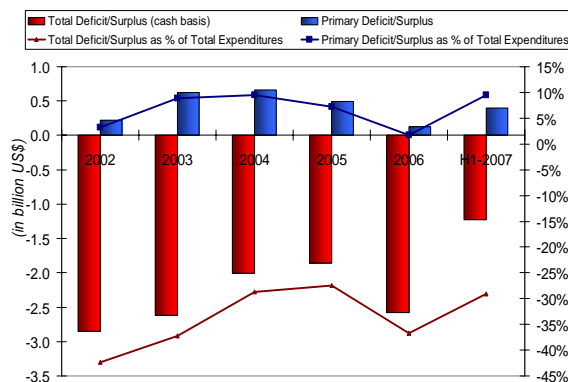
# OVERALL DEBT DATA

## Gross Public Debt



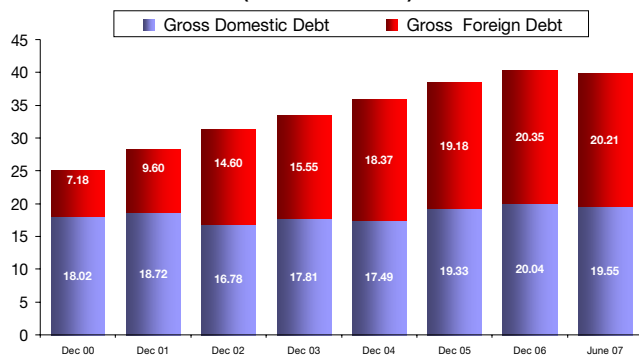
Source: MOF, BDL

## Fiscal Performance



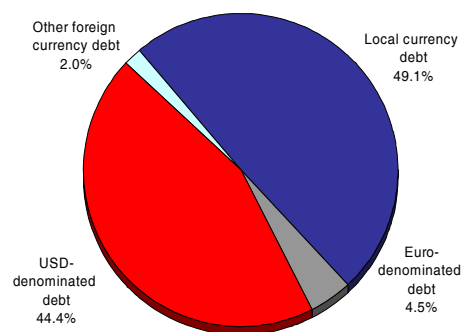
Source: MOF

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



Source: MOF

## Gross Debt of \$39.76 billion as of end June 2007 (by currency composition)



Source: MOF

Public Debt (in billions of US\$)	Dec 04	Dec 05	Dec 06	Jun 07	% change Dec 06 - Jun 07
<b>Gross public debt</b>	35.88	38.46	40.36	39.76	-1.48%
<b>Local currency debt</b>	17.49	19.33	20.04	19.55	-2.42%
a. Central Bank (including REPOs and Loans to EDL to finance	7.07	7.75	6.36	5.48	-13.88%
b. Commercial Banks	8.11	9.37	10.94	10.49	-4.09%
c. Other Local Currency Debt (T-bills)	2.32	2.21	2.74	3.58	30.83%
o/w Public entities	1.45	1.62	2.20	3.06	39.09%
<b>Foreign currency debt</b>	18.38	19.13	20.32	20.21	-0.55%
a. Bilateral, Multilateral and Foreign Private sector loans	1.99	1.85	1.89	1.90	0.63%
b. Paris II related debt (Eurobonds and Loans)	2.53	2.44	2.47	2.44	-1.05%
c. BDL Eurobond (Paris II)	1.87	1.87	1.87	1.87	0.00%
d. Market Eurobonds	11.73	12.42	13.53	13.45	-0.61%
e. Accrued Interest on foreign currency debt	0.26	0.27	0.29	0.27	-5.30%
f. Special Tbs in Foreign currency**	0.00	0.28	0.28	0.28	0.00%
<b>Public sector deposits</b>	2.89	3.71	2.95	2.32	-21.20%
<b>Net debt</b>	32.98	34.76	37.41	37.44	0.07%
<b>Gross Market debt***</b>	21.13	23.03	25.65	25.08	-2.22%
<b>% of total debt</b>	59%	60%	64%	63%	

Source: MOF, BDL

Notes:

\* 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.

\*\* Special Tbs in Foreign currency (expropriation bonds)

\*\*\* Gross market debt = gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, & Paris II related debt.

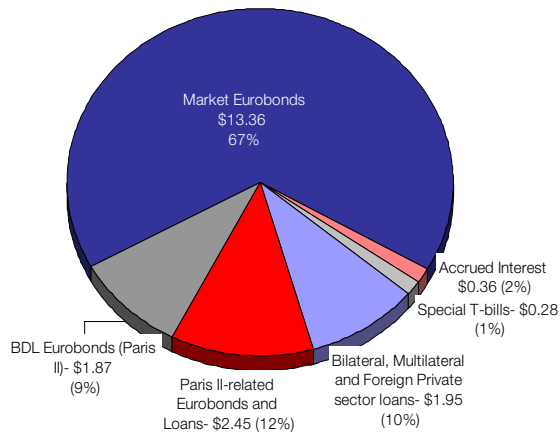
\*\*\*\* Figures for Dec04- Dec05 -Dec06 may have changed from previously published information due to the exchange rate of Euro



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

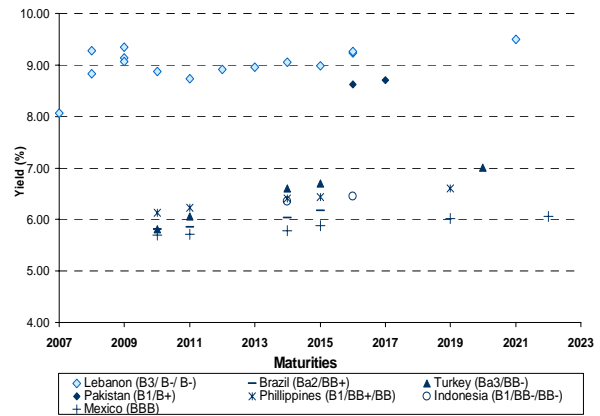
# FOREIGN CURRENCY DEBT DATA

**Foreign Currency Debt Outstanding**  
US \$20.21 billion as of end-June 2007  
(in billions of US\$)



Source: MOF

**Yields for Republic of Lebanon Eurobonds and Comparables**  
(as of July 20, 2007)



Source: Credit Suisse

## Lebanon Secondary Issues

25-Sep-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	9.34	7.89	437	292
LEB 10.125 08	101	102	8.86	7.64	394	273
LEB 10.250 09	102	103	9.14	8.6	447	393
LEB FRN 09	98.5	99.5	8.75	8.24	407	355
LEB 7.000 09	96.25	97.25	8.9	8.38	421	369
LEB 7.125 10	96	97	8.99	8.51	430	382
LEB 7.875 11	96.25	97.25	9.1	8.77	431	398
LEB 4.000 17 Av Life	78	79	9.52	9.22	450	419
LEB 7.750 12	94.5	95.5	9.16	8.89	425	399
LEB 8.625 13	97.25	98.25	9.25	9.02	429	406
LEB 7.375 14	91	92.25	9.24	8.96	422	395
LIEB 10.000 15	103	104	9.43	9.25	436	418
LEB 8.500 16	93	94	9.74	9.56	462	444
LEB 11.625 16	111	112	9.71	9.55	459	443
LEB 8.250 21	88.75	89.75	9.76	9.62	446	431

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 August 30, 2007)

ISIN CODE	Eurobond	Outstanding Amount (in original currency)	Number of tranches	Currency	Coupon rate	Mat. Date mm/dd/yy	Years to Maturity
USM87883AB63	USD 400 MN - Oct 2007	368,668,000	1	USD	8.625%	10/31/07	0.17
XS0133469253	USD 750 MN - Aug 2008	750,000,000	1	USD	10.125%	08/06/08	0.94
XS0102480513	USD 650 MN - Oct 2009	635,500,000	2	USD	10.250%	10/06/09	2.10
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	2.52
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	5.03
XS0207128561	USD 625 MN FRN - Nov 2009	625,000,000	1	USD	6 months U.S.\$ Libor + 3.25%	11/30/09	2.25
XS0207129296	USD 425 MN - Dec 2009	425,000,000	1	USD	7.000%	12/14/09	2.29
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	3.72
XS0192976834	EUR 225 MN - May 2009	225,000,000	1	Euro	7.250%	05/20/09	1.72
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	8.70
XS0205838435	USD 1,269 MN - Mar 2008	869,000,000	2	USD	6.375%	03/12/08	0.53
XS0205838948	USD 300 MN -Nov 2010	300,000,000	1	USD	6.875%	11/12/10	3.21
XS0219573051	USD 250 MN -May 2008	250,000,000	1	USD	7.000%	05/11/08	0.70
XS0222790841	USD 250 MN - June 2008	250,000,000	1	USD	7.375%	06/20/08	0.81
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	5.81
US52238PAJB4	USD 750 MN - Jan 2016	750,000,000	1	USD	8.500%	01/19/16	8.39
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	6.63
XS0250882478	USD 2092.469 MN - April 2021	2,092,469,000	3	USD	8.250%	04/12/21	13.63
XS0250883013	EUR 324.542 MN - April 2012	324,542,000	2	EUR	5.875%	04/12/12	4.62
XS0263574112	USD 450 MN - Aug 2011	450,000,000	1	USD	7.500%	08/02/11	3.93
XS0263573817	USD 351.591 MN - Aug 2009	351,591,000	2	USD	7.500%	08/03/09	1.93
<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	9.90
XS0312416778	USD 200 MN due July 2012	200,000,000	1	USD	3.750%	07/20/12	4.89
<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	10.35
XS0160456322	USD 950 MN - Dec 2017	650,000,000	1	USD	5.000%	12/27/17	10.33
XS0160456322	USD 700 MN - Mar 2018	700,000,000	1	USD	5.000%	03/07/18	10.53
XS0169203048	USD 200 MN - Mar 2018	200,000,000	1	USD	5.000%	05/27/18	10.75
Average Time to Maturity (in years, as of August 30, 2007):							6.21

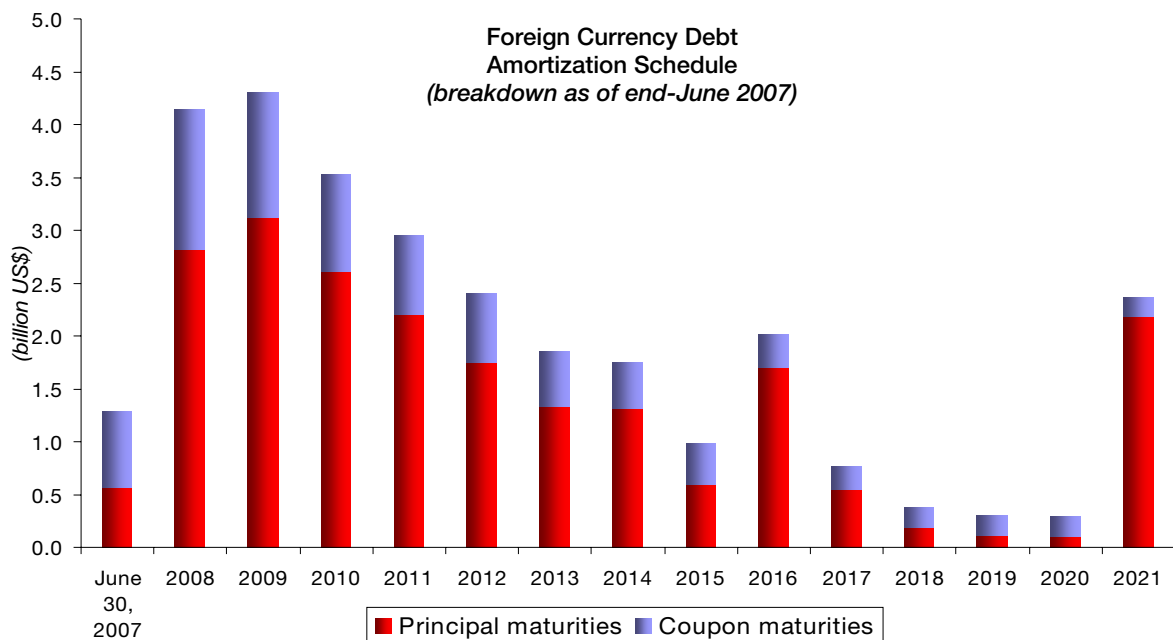


## FOREIGN CURRENCY DEBT DATA

### Recent Government Eurobond Issuance

Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
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

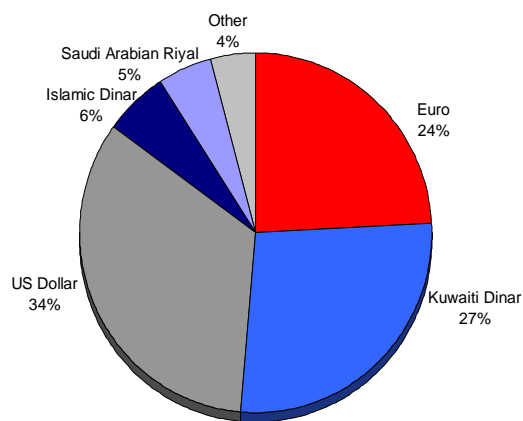
\* Paris III conference Malaysia contribution  
 \*\* Initial Issuance to BDL



Source: MOF

## CONCESSIONAL FOREIGN CURRENCY DEBT DATA

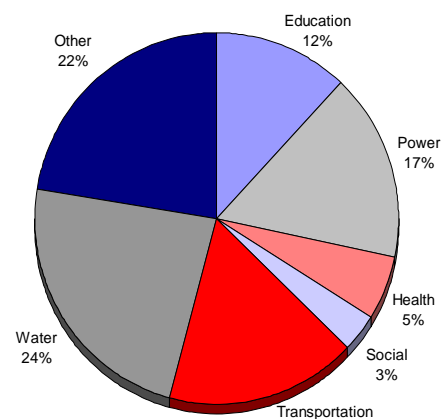
**Concessional Project Finance Loans breakdown by currency (breakdown as of end-August 2007)**



Total US\$ 1.9 billion

Source: MOF, BDL

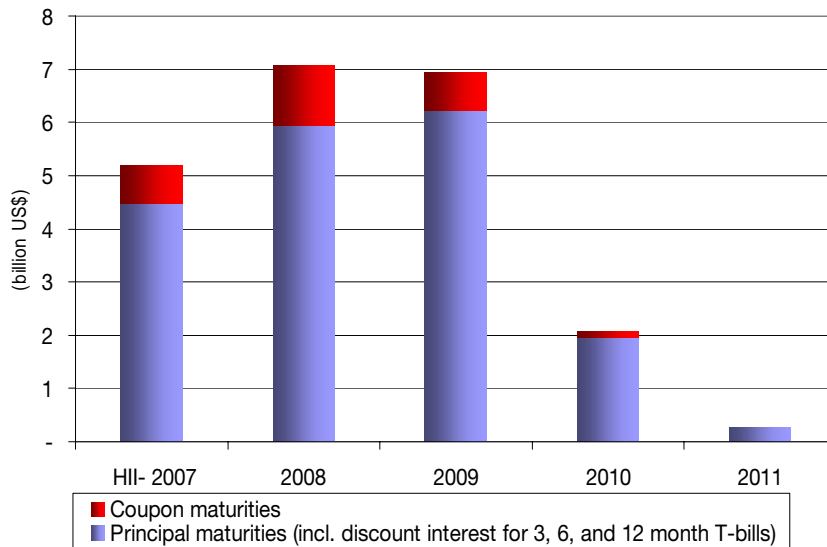
**Concessional Project Finance Loans breakdown by sector (breakdown as of end-August 2007)**



Total US\$ 1.9 billion

# DOMESTIC CURRENCY DEBT DATA

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



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

(In years, as of end-June 2007)

1.19

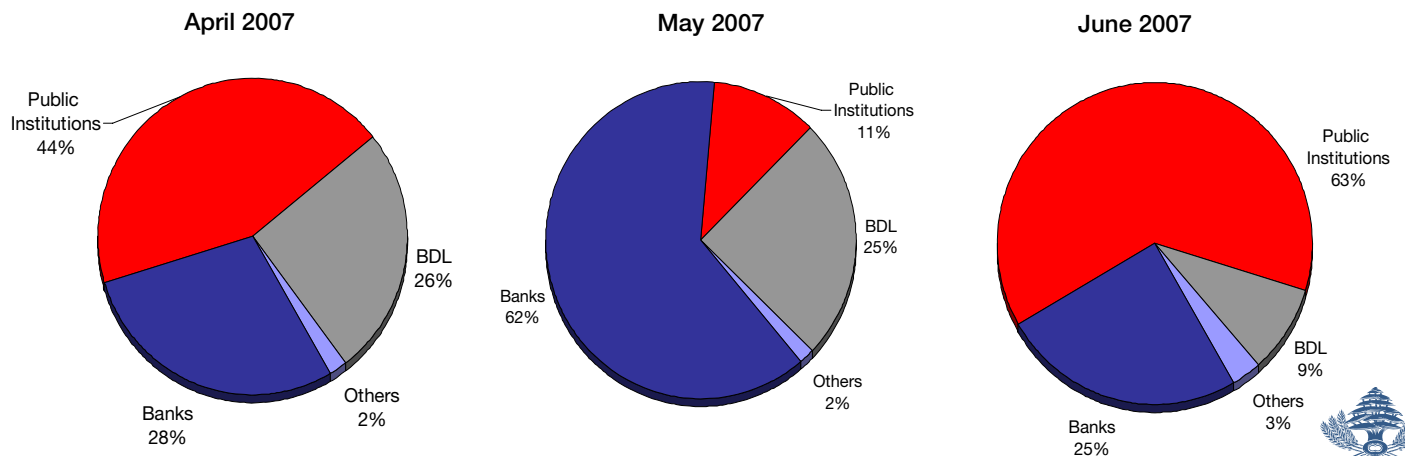
Source: MOF, BDL

## Upcoming Government Treasury Bill Auctions

Auction Date	Tenors to be auctioned (in months)
17-Sep-07	3 MN, 6 MN
22-Sep-07	12 MN
24-Sep-07	24 MN, 36 MN
1-Oct-07	3 MN, 6 MN
6-Oct-07	12 MN
8-Oct-07	24 MN, 36 MN
15-Oct-07	3 MN, 6 MN
20-Oct-07	12 MN
22-Oct-07	24 MN, 36 MN
29-Oct-07	3 MN, 6 MN
3-Nov-07	12 MN
5-Nov-07	24 MN, 36 MN
12-Nov-07	3 MN, 6 MN

Source: MOF, BDL

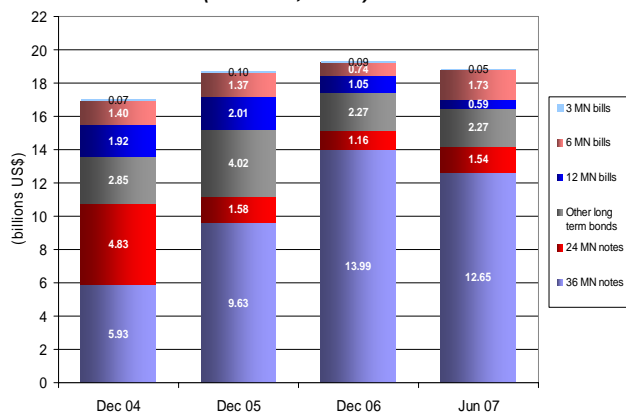
## T-Bill Auction Results by Holder During Q II-2007



Source: MOF, BDL

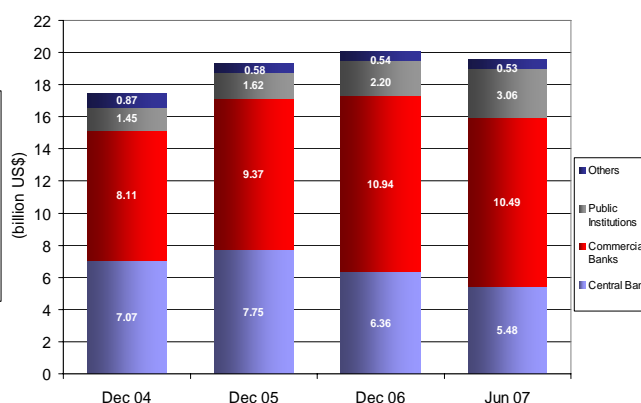
## DOMESTIC CURRENCY DEBT DATA

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



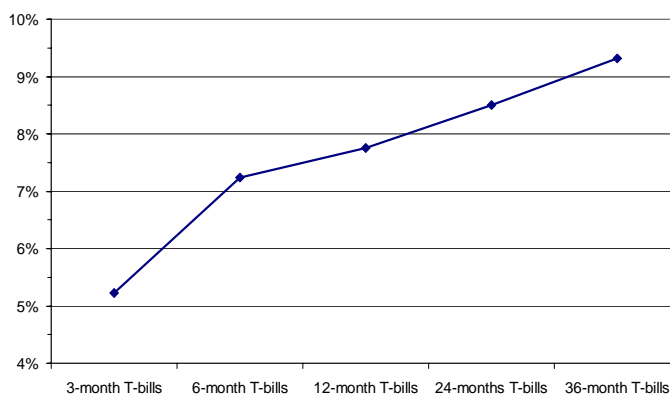
Source: MOF, BDL

Domestic T-bills Outstanding by Investor Type



Source: MOF, BDL

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



Source: MOF

## LIST OF FORTHCOMING PUBLICATIONS

Publication	Week of Release
Public Finance Monitor– June	1st week of September
Quarterly Public Finance Report– QI 2007	4th week of September
Monthly Fiscal Performance for August	4th week of September
Note on Budget 2007	1st week of October
Public Finance Monitor– July	1st week of October
Paris III Conference- Third Progress Report	1st week of October
Ministry of Finance Internal Reforms	2nd week of October
Debt and Debt Markets– QIII 2007	4th week of October

For Further information, please contact:

**Economic Unit**

Rola Rizk, Head

Nadine Abou Khaled

Ghassan Hitti

Léa Hakim

Ministry of Finance UNDP Project

Tel: 961 1 981 057/8 Fax: 961 1 981 059

Email: [infocenter@finance.gov.lb](mailto:infocenter@finance.gov.lb)

[www.finance.gov.lb](http://www.finance.gov.lb)



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE