DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 9, Quarter II 2009

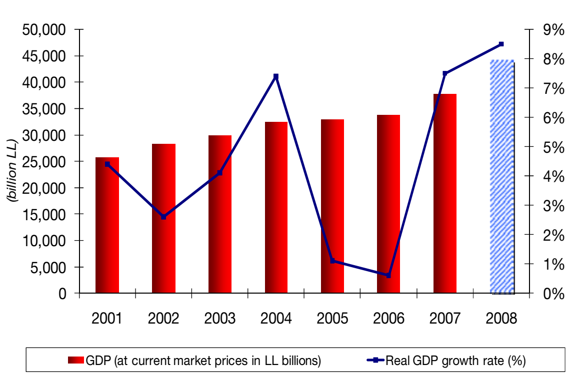
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

HIGHLIGHTS

- Gross public debt reached LL 71,384 billion (US$ 47.35 billion) by the end of the second quarter 2009, 0.7 percent higher than at end December 2008.
- Net public debt stood at LL 64,833 billion (US$ 43.01 billion), 3.63 percent higher than the end 2008 level.
- Domestic currency debt totaled LL 39,195 billion, increasing by 0.48 percent compared to end December 2008.
- In QII 2009 commercial banks remained the main subscribers of Treasury bills and notes with 49 percent of subscriptions, followed by BDL with 28 percent and public entities with 19 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 24-month instrument whose rate went down by 70 bps since year-end 2008 to reach 7.56 percent at end QII 2009. The 12-month instrument's rate went down by 69 bps during the same period reaching 6.89 percent at end QII 2009.
- Foreign currency debt totaled LL 32,189 billion by the end of QII 2009, an increase of 0.97 percent since the end of December 2008.
- The Arab Monetary Fund (AMF) disbursed a loan of US$ 32 million on June 24, 2009 as part of its pledge at the Paris III conference which totaled US$ 250 million. The proceeds of the loan were used to pay debt servicing in foreign currency.
- The European Commission disbursed a loan of €25 million as part of the first tranche of the Macro-Financial Assistance (MFA) on June 5, 2009 (a €15 million grant was already received in December 2008). The MFA is a component of the assistance package pledged by the European Union at the Paris III conference and consists of a loan of €50 million and a grant of €30 million.

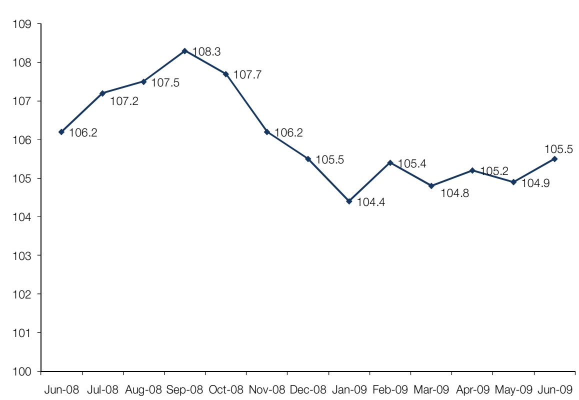
THE LEBANESE ECONOMY

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

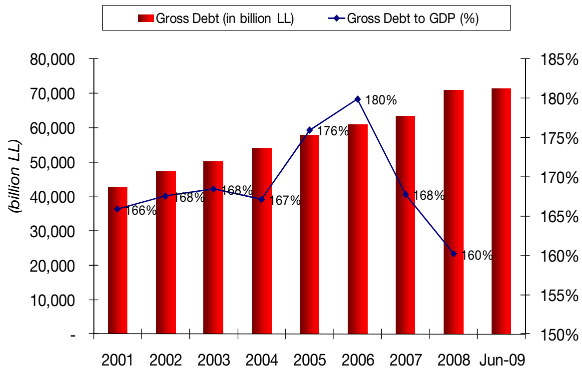


Source: Central Administration of Statistics
Consumer Price Index base year December 2007 = 100.

OVERALL DEBT DATA

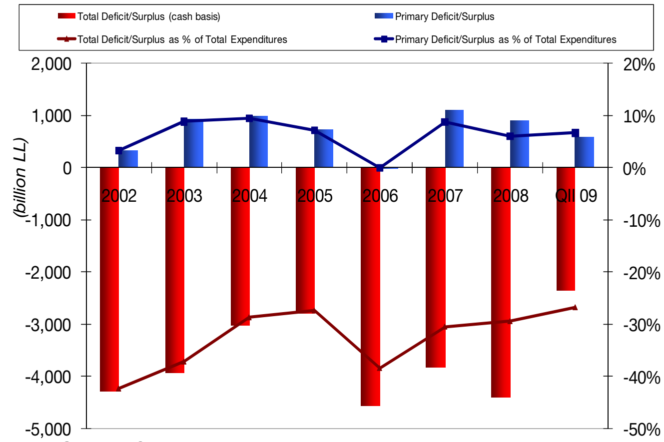
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Gross Public Debt



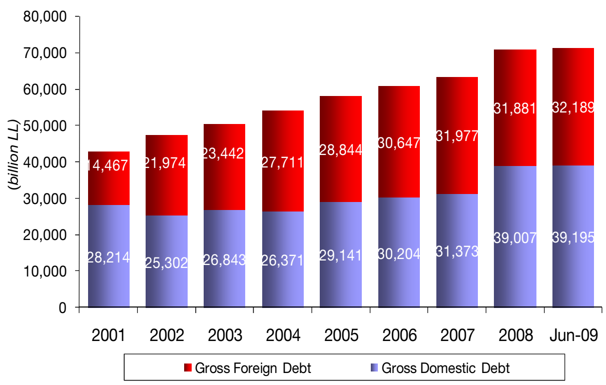
Source: MOF, BDL
Note: 2008 GDP figure estimate based on Lebanese authorities' latest estimates for GDP growth.

Fiscal Performance



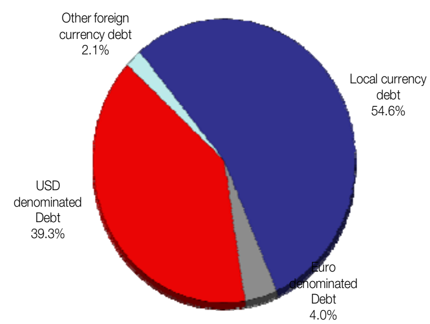
Source: MOF

Historical Debt Evolution



Source: MOF

Outstanding Debt by Currency Composition
as of end-June 2009



Source: MOF
Note: Excluding accrued interest .

Public Debt (in LL billion)	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Jun-09	Change Dec 08 - Jun 09	% Change Dec 08 - Jun 09
Gross Public debt	54,082	57,985	60,851	63,350	70,888	71,384	496	0.70%
Local currency debt	26,371	29,141	30,204	31,373	39,007	39,195	188	0.48%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)(1)	10,652	11,686	9,588	9,052	8,781	10,530	1,749	19.92%
b. Commercial Banks	12,220	14,130	16,487	16,847	24,320	22,289	(2,031)	-8.35%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,474	5,906	6,376	470	7.96%
o/w Public entities	2,187	2,446	3,313	4,796	5,062	5,398	336	6.64%
**Accrued interest included in debt*	*356*	*517*	*685*	*754*	*1,001*	*1,058*	57	5.69%
Foreign currency debt(2)	27,711	28,844	30,647	31,977	31,881	32,189	308	0.97%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	2,953	2,802	2,680	(122)	-4.35%
b. Paris II related debt (Eurobonds and Loans)(3)	6,634	6,501	6,540	6,063	5,456	5,131	(325)	-5.95%
c. Paris III related debt (Eurobonds and Loans)(4)				1,357	1,849	1,955	106	5.73%
d. Market-issued Eurobonds	17,686	18,729	20,399	20,776	20,925	21,551	626	2.99%
e. Accrued Interest on Eurobonds	*388*	*406*	*434*	*410*	*430*	*425*	(5)	-1.16%
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	6,551	(1,775)	-21.32%
Net debt	49,723	52,395	56,407	58,823	62,562	64,833	2,271	3.63%
Gross Market debt(6)	31,606	34,563	38,555	39,216	46,992	45,731	(1,261)	-2.68%
% of total debt	58%	60%	63%	62%	66%	64%	(0)	-3.36%

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 08 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 orginally issued at USD 1,870 billion to BDL in the context of Paris II conference.

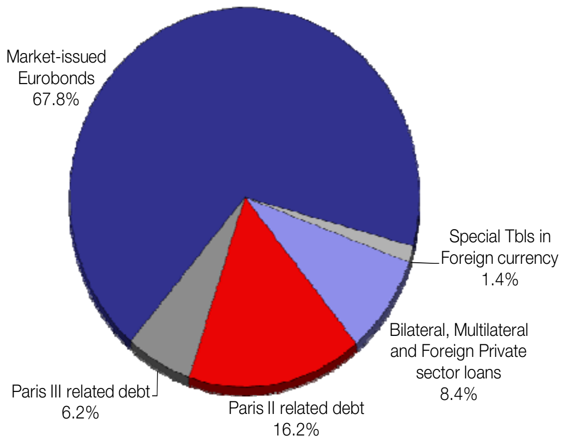
(4)Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

(5) Special Tbs 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.

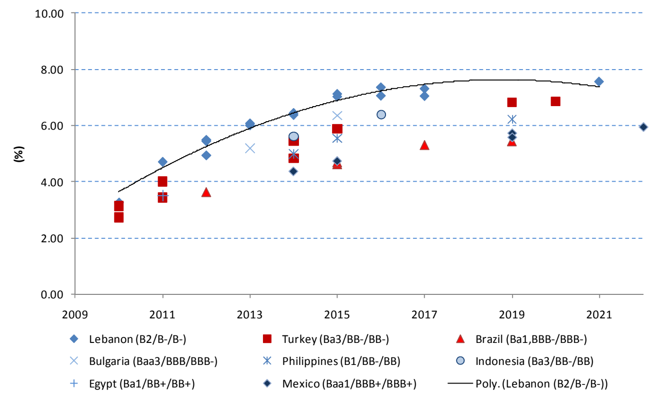
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Outstanding Foreign Currency Debt by Holder
as of end-June 2009



Source: MOF

Yields for Republic of Lebanon Eurobonds and Comparables
(as of August 14th, 2009)



Source: Credit Suisse

Lebanon Secondary Issues						
30-Jun-09	*Price*		*Yield*		*Z-Spread*	
	Bid	*Ask*	*Bid*	*Ask*	*Bid*	*Ask*
Lebanese Issues						
EURO						
LEB 5.875 12	99.00	100.00	6.27	5.86	413	374
US Dollars						
LEB 7.125 10	101.50	102.50	4.79	3.28	408	256
LEB 7.875 11	104.00	105.00	5.59	5.04	420	365
LEB 4.000 17 Av Life	85.38	86.88	8.14	7.67	529	481
LEB 7.500 12	102.00	103.00	6.67	6.27	477	436
LEB 7.750 12	103.00	104.00	6.68	6.33	452	418
LEB 9.125 13	107.25	108.25	6.86	6.56	449	420
LEB 8.625 13	106.00	107.00	6.87	6.58	438	410
LEB 7.375 14	99.00	101.00	7.62	7.12	486	435
LEB 9.000 14	106.00	107.00	7.49	7.25	473	449
LIEB 10.000 15	109.50	110.50	7.92	7.71	484	464
LEB 8.500 15	103.50	104.50	7.76	7.56	470	449
LEB 8.500 16	103.50	104.50	7.81	7.61	466	446
LEB 11.625 16	118.75	119.75	8.01	7.84	486	469
LEB 9.000 17	106.50	107.50	7.86	7.69	455	438
LEB 8.250 21	101.50	103.00	8.05	7.85	439	419

Source: Credit Suisse 30 June 2009

Lebanon Secondary Issues						
14-Aug-09	*Price*		*Yield*		*Z-Spread*	
	Bid	*Ask*	*Bid*	*Ask*	*Bid*	*Ask*
Lebanese Issues						
EURO						
LEB 5.875 12	101.00	102.00	5.44	5.04	332	292
US Dollars						
LEB 7.125 10	102.06	103.06	3.27	1.46	280	98
LEB 7.875 11	105.25	106.25	4.71	4.14	340	282
LEB 4.000 17 Av Life	88.38	89.38	7.30	6.99	433	402
LEB 7.500 12	106.13	107.13	4.94	4.54	304	264
LEB 7.750 12	106.25	107.25	5.49	5.15	332	298
LEB 9.125 13	109.88	110.88	6.00	5.71	360	331
LEB 8.625 13	108.63	109.63	6.07	5.79	355	327
LEB 7.375 14	104.00	105.00	6.37	6.12	354	329
LEB 9.000 14	110.25	111.25	6.44	6.20	362	338
LIEB 10.000 15	113.25	114.25	7.12	6.92	423	403
LEB 8.500 15	107.13	108.13	7.02	6.82	384	364
LEB 8.500 16	107.38	108.38	7.05	6.86	378	359
LEB 11.625 16	122.38	123.38	7.35	7.18	407	390
LEB 9.000 17	111.38	112.38	7.04	6.88	357	341
LEB 8.250 21	105.38	106.38	7.55	7.42	367	354

Source: Credit Suisse 14 August 2009

Lebanon Sovereign Debt Rating			
Agency	**Foreign Currency**		
As of August 14th, 2009	***Long –term tenor rating***	***Short-term tenor rating***	*Outlook*
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.*

FOREIGN CURRENCY DEBT DATA

REPUBLIC OF LEBANON
MINISTRY OF FINANCE

List of Outstanding Eurobonds
(values as of June 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	0.27
XS0200337979	USD 1,265 MN - Mar 2010	1,065,000,000	1	USD	7.125%	03/05/10	0.68
XS0200329950	USD 600 MN - Sept 2012	600,000,000	2	USD	7.750%	09/07/12	3.19
XS0207128561	USD 625 MN FRN - Nov 2009	40,203,000	1	USD	6 months U.S $ L + 3.25 %	11/30/09	0.42
XS0207129296	USD 425 MN - Dec 2009	103,661,000	1	USD	7.000%	12/14/09	0.46
US52238PAD15	USD 1000 MN - May 2011	1,000,000,000	1	USD	7.875%	05/20/11	1.89
XS0128547147	USD 400 MN - May 2016	400,000,000	1	USD	11.625%	05/11/16	6.87
XS0205838948	USD 700 MN - Nov 2010	700,000,000	1	USD	6.875%	11/12/10	1.37
XS0222794249	USD 650 MN - June 2013	650,000,000	2	USD	8.625%	06/20/13	3.98
US52238PAJ84	USD 750 MN- Jan 2016	750,000,000	1	USD	8.500%	01/19/16	6.56
XS0250882809	USD 676.902 MN- April 2014	676,902,000	1	USD	7.375%	04/14/14	4.79
XS0250882478	USD 2,092.469 MN- April 2021	2,092,469,000	3	USD	8.250%	04/12/21	11.79
XS0250883013	EUR 535.639 MN - April 2012	535,639,000	3	EUR	5.875%	04/12/12	2.79
XS0263574112	USD $750 MN- August 2011	750,000,000	2	USD	7.500%	08/02/11	2.09
XS0263573817	USD $351.591 MN - August 2009	87,893,000	2	USD	7.500%	08/03/09	0.09
XS0352629546	USD $875 MN - March 2013	875,000,000	1	USD	9.125%	03/12/13	3.70
XS0361558413	USD $881.612 MN - May 2014	881,612,000	2	USD	9.000%	05/02/14	4.84
XS0381915353	USD $500 MN - August 2015	500,000,000	1	USD	8.500%	08/06/15	6.10
XS0418193750	USD $600 MN - March 2012	600,000,000	2	USD	7.500%	03/19/12	2.72
XS0418193917	USD $1,500 MN March 2017	1,500,000,000	2	USD	9.000%	03/20/17	7.73
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III*							
XS0312416000	USD $300 MN - July 2017	300,000,000	1	USD	3.750%	07/20/17	5.01
XS0312416778	USD $200 MN - July 2012	200,000,000	1	USD	3.750%	07/20/12	2.76
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II**							
XS0160503347	USD 2,007.511 MN - Dec 2017	1,706,384,350	2	USD	4.000%	12/31/17	4.42
XS0160456322	USD 950 MN - Dec 2017	552,500,000	1	USD	5.000%	12/27/17	4.42
XS0160456322	USD 700 MN - Mar 2018	630,000,000	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	4.59
					Average Time to Maturity (in years, as of June 30, 2009):		4.90
					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 June 2009): 1.412

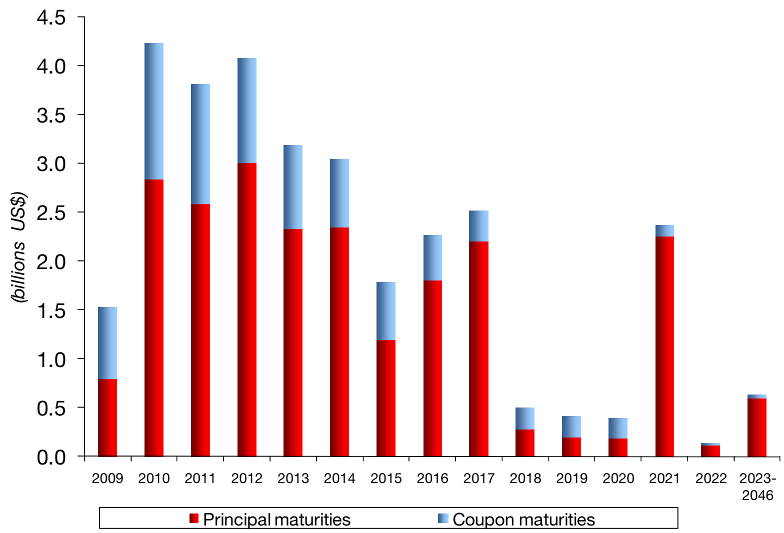
FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuances: January - June 2009							
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

** Paris III conference Malaysia contribution*

*** Initial issuance to BDL*

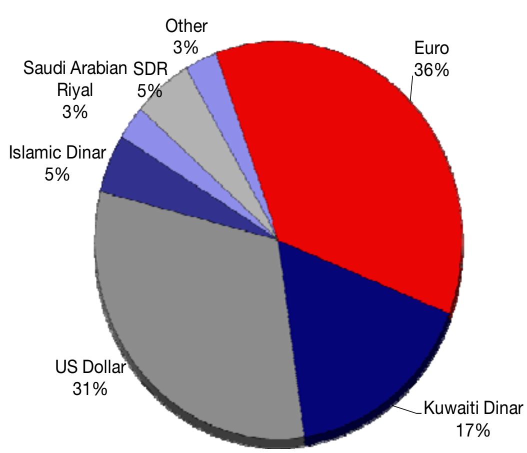
Foreign Currency Debt
(Eurobonds, loans, and all others)
Amortization Schedule
(breakdown as of end-June 2009)



Source: MOF

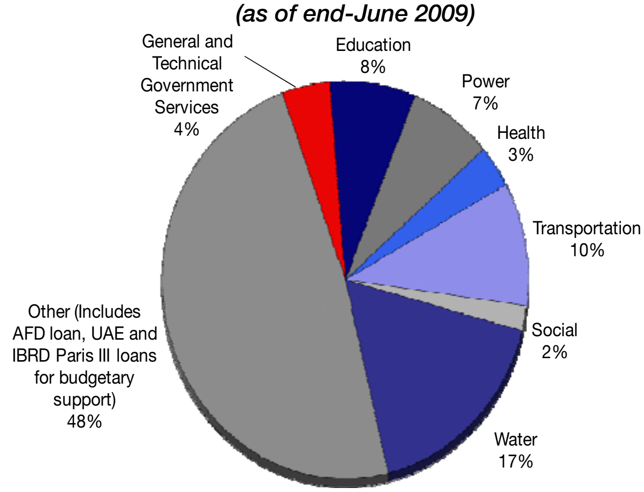
FOREIGN CURRENCY LOANS DATA

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



Total LL 4,560 billion

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



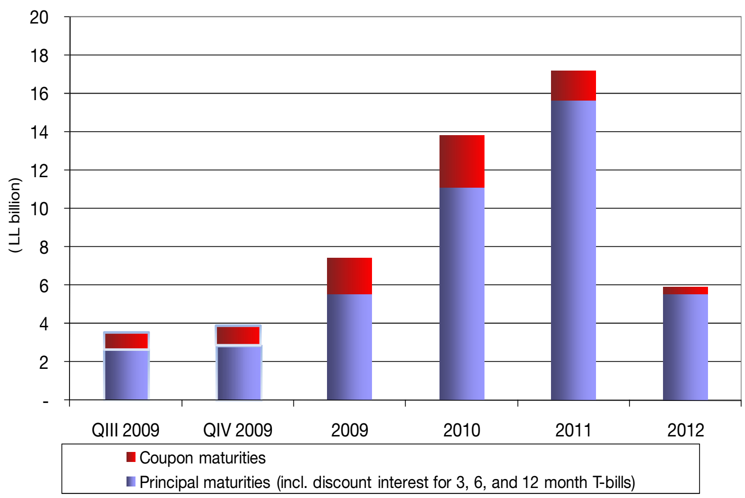
Total LL 4,560 billion

Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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



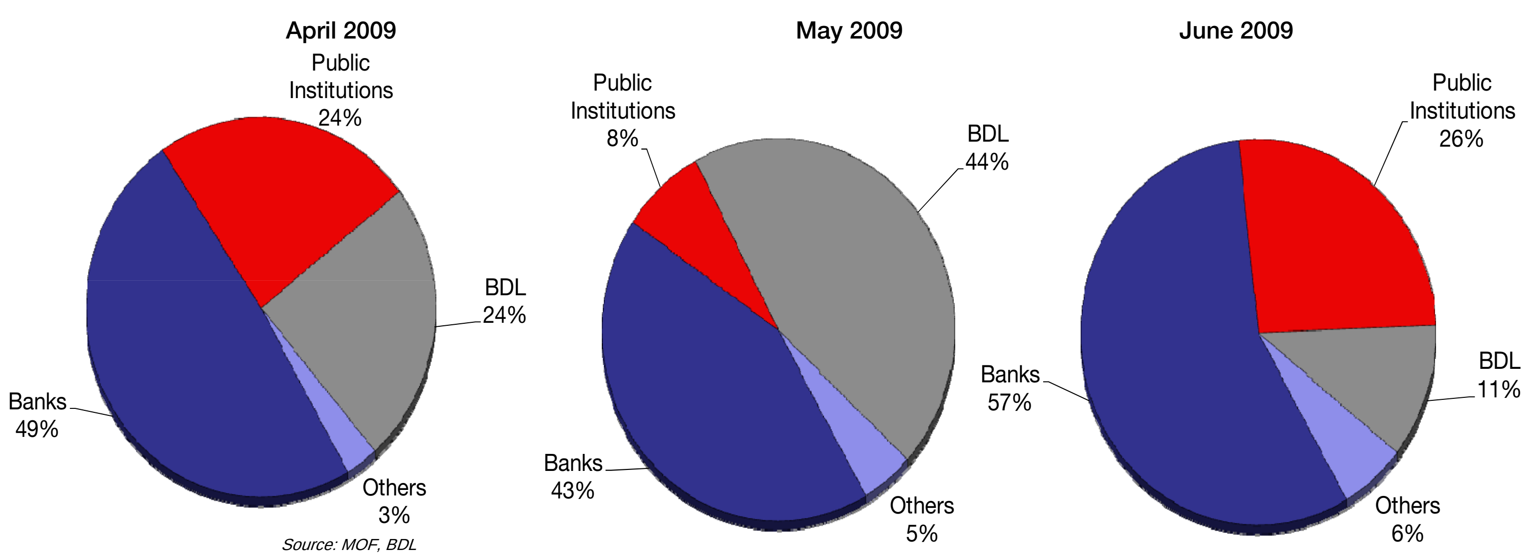
Source: MOF, BDL

Average Time to Maturity of Domestic Currency T-bills and Notes	
(In years, as of end-June 2009)	1.59

Upcoming Government Treasury Bill Auctions	
Auction Date	Tenors to be auctioned (in months)
17-Aug-09	3 MN, 6 MN, 60 MN
24-Aug-09	12 MN, 24 MN, 36 MN
31-Aug-09	3 MN, 6 MN, 60 MN
7-Sep-09	12 MN, 24 MN, 36 MN
14-Sep-09	3 MN, 6 MN, 60 MN
21-Sep-09	12 MN, 24 MN, 36 MN
28-Sep-09	3 MN, 6 MN, 60 MN

Source: MOF, BDL

T-Bill Subscription Results by Holder During QII 2009

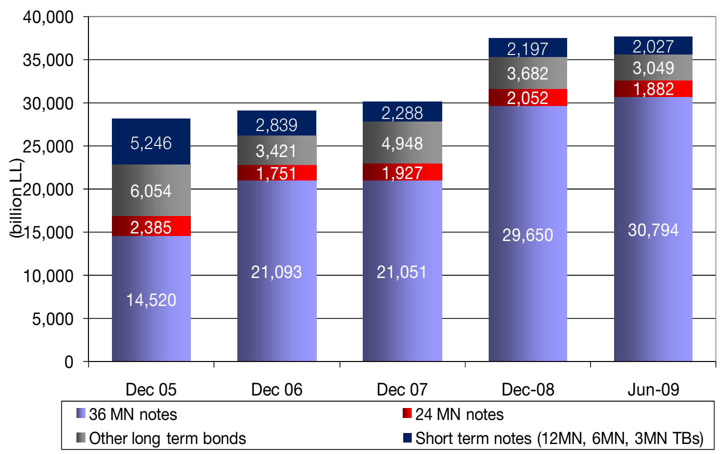


Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

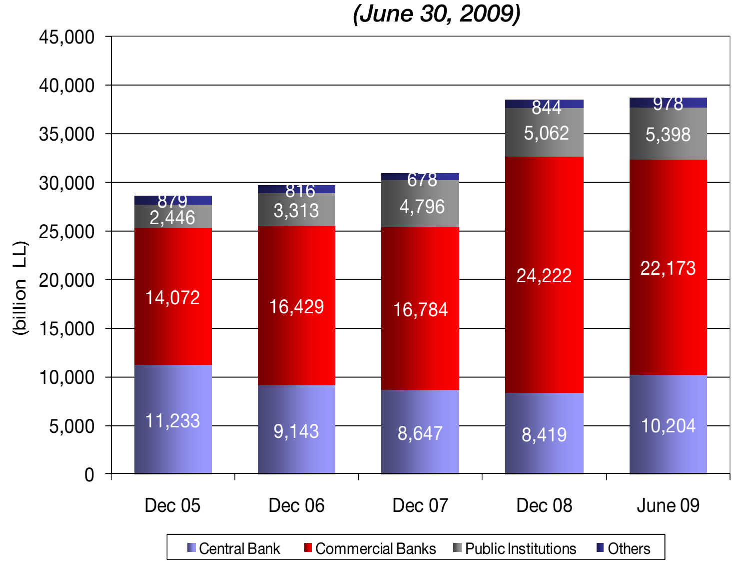
REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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



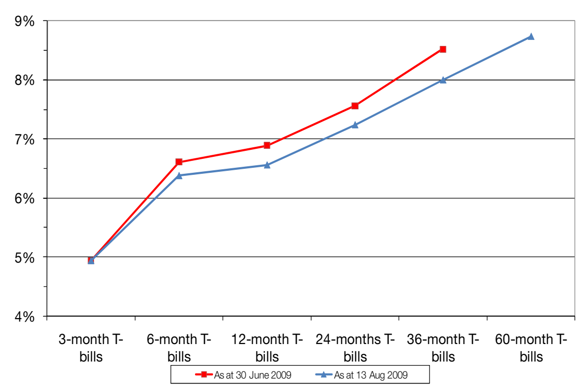
Source: MOF, BDL
Note: Treasury bills with maturities less than 24 months are issued at a discount to their face value. All maturities greater than 24 months are not issued at discount.

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



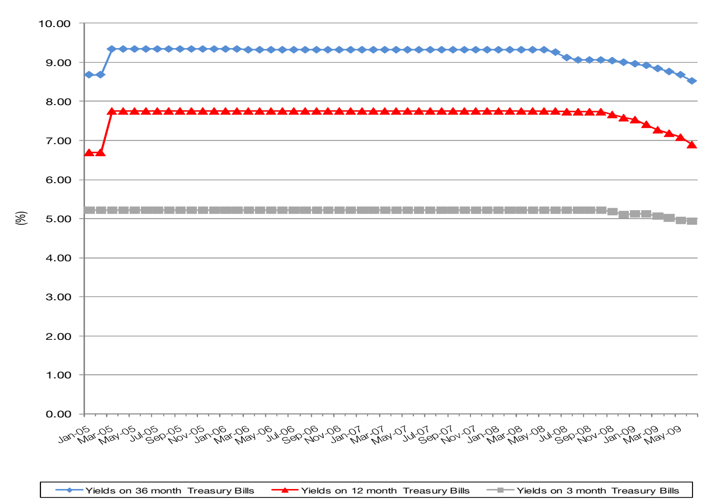
Source: MOF, BDL

Primary Market Rates for T-Bills



Source: MOF

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



Source: MOF

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