

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 45, Quarter II 2018



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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HIGHLIGHTS

- At end-QII 2018, gross public debt stood at LL 125,039 billion (US\$ 82.9 billion), a 4.3 percent increase compared to end-2017.
- Net public debt registered LL 108,903 billion (US\$ 72.2 billion) at end- QII 2018, an increase of 4.5 percent from the end-2017 level.
- Domestic currency debt reached LL 72,122 billion at end- QII 2018, an decrease of 2.6 percent compared to end-2017.
- On 14 June 2018, and following an agreement between the Ministry of Finance and BdL, the Ministry of Finance issued LL 2,000 billion 3-year Tbond at 1% coupon instead of 6.50%.
- Foreign currency debt totaled LL 52,917 billion (US\$ 35.1 billion) at the end- QII 2018, a 15.5 percent increase from the end-2017 level.
- On 17 May 2018 the Lebanese Ministry of Finance (MoF) conducted a “Debt Replacement Agreement” with the Central Bank (BdL), whereby MoF issued to BDL US\$ 5.5 billion in Eurobonds and BDL redeemed to MoF the equivalent in domestic Treasury bonds. The 4 series consisted of a reopening of the 7.0 percent coupon Eurobond due March 2028 (Series 86) and the 7.15 percent coupon Eurobond due November 2031 (Series 87) for US\$ 1,000 million a US\$ 1,500 million respectively; a new US\$ 1,500 million 8.20% coupon Eurobond due May 2033 (Series 88); and a new US\$ 1,500 million 8.25% coupon Eurobond due May 2034 (Series 89). For details please visit: <http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtT/>

KEY COST AND RISK INDICATORS

As end June 2018	QII 2018 Debt Data			Debt Portfolio Indicators		
	Total LBP billions	Total USD billions	% Change end 2017 - Jun 2018	Currency Risk	ATM of bills and bonds	Weighted Avg Interest Rate
Gross Government Debt	125,039	82.9	4.3%			
DX	72,122	47.8	-2.6%	57.68%	3.99 yr	6.46%
FX	52,917	35.1	15.5%	42.32%	7.11 yr	6.23%
Net Government Debt	108,903	72.2	4.5%			

SOVEREIGN RATINGS

Lebanon Sovereign Debt Rating (as of September 14, 2018)

Agency	Long – term tenor rating	Short – term tenor rating	Outlook
Fitch Ratings*	B-	B	Stable
Moody's Investor Services Ltd **	B3	-	Stable
Standard and Poor's ***	B-	B	Stable

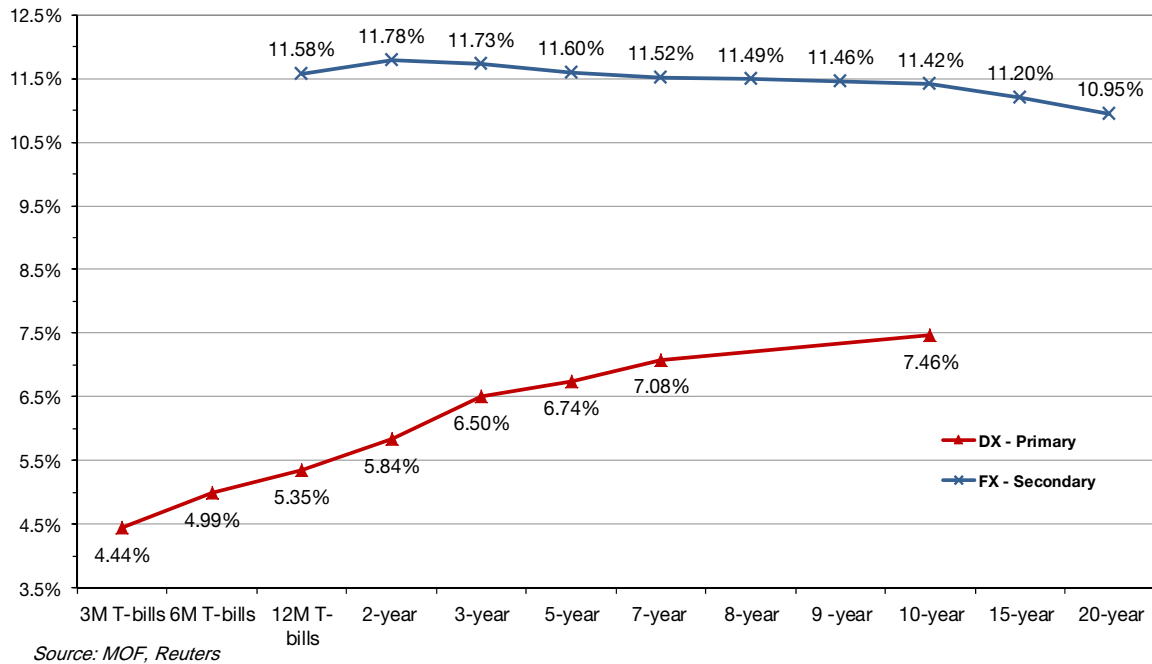
*Fitch Ratings affirmed its ratings and maintained the Stable outlook on 01 February 2018

** Moody's Investors Services affirmed its ratings and maintained the Stable outlook on 05 June 2018

*** Standard and Poor's affirmed its rating and keeping the outlook of Lebanon stable on 02 March 2018

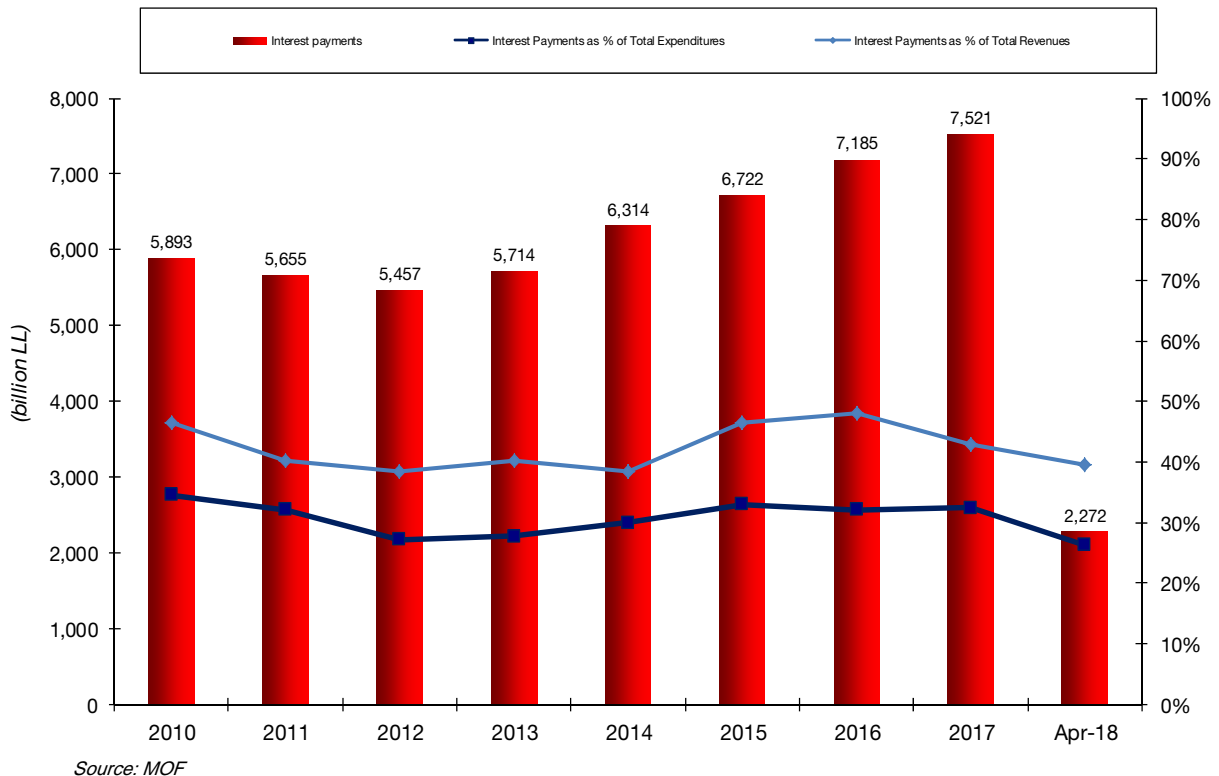
INTEREST RATES & COST

**Government DX & FX T-Bills and T-Bonds Yield Curve
as at 17 September 2018**



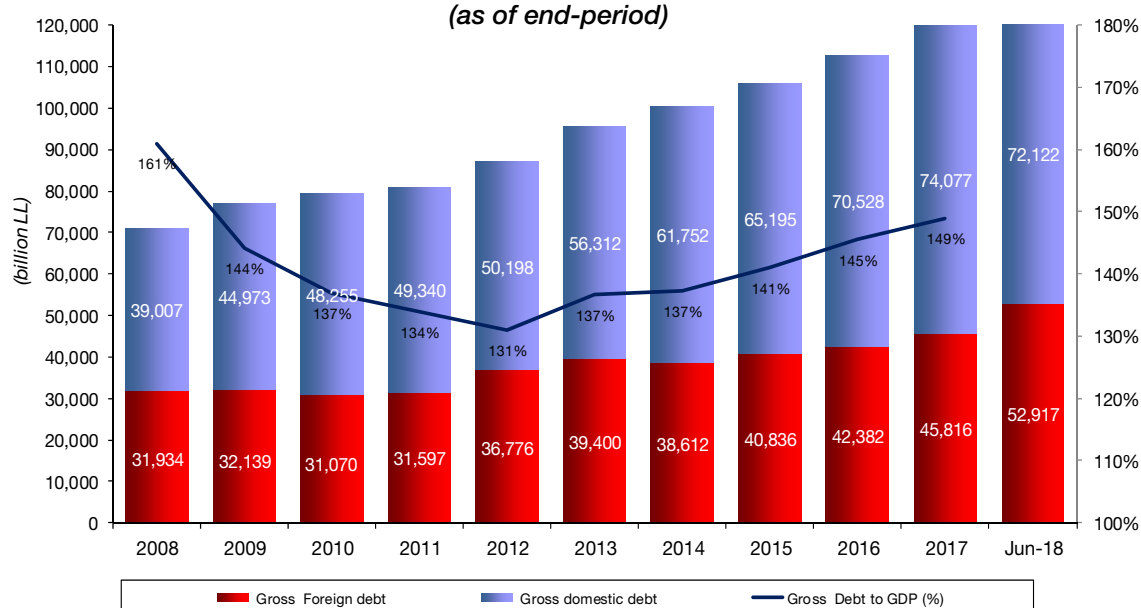
During QII 2018, primary market rates on DX Treasury bills and bonds issued remained unchanged compared to end QI 2018 levels. Eurobonds secondary levels as at 17 Sep 2018 have widened by 269 bps on average from the 12 July 2018 levels quoted in the QI 2018 Debt & Debt Markets report.

Interest Payments As end of Period



OVERALL DEBT DATA

Historical Debt Evolution (as of end-period)



Source: MOF, BDL

Notes:

1- Debt data may be subject to slight modification due to the revision of the Debt Management and Financial Analysis System (DMFAS).

2- GDP 2008-2016: Lebanese National Accounts - CAS revised estimates - Comments and Tables 2004-2016. Published in May 2018.

3- GDP 2017 using the IMF growth rate and deflator published on WEO - April 2018.

Public Debt Table ⁽¹⁾ (as of end-June 2018)

Public Debt (in LL billion)	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Jun-18	Change Jun 18 - Dec 17	% Change Jun 18 - Dec 17
Gross Public Debt (A + B)	80,937	86,974	95,712	100,364	106,031	112,910	119,893	125,039	5,146	4%
A. Local currency debt	49,340	50,198	56,312	61,752	65,195	70,528	74,077	72,122	(1,955)	-3%
1. Central Bank	15,974	14,649	16,761	19,454	23,907	30,150	35,580	34,620	(960)	-3%
2. Commercial Banks (including REPOs)	25,577	27,667	30,315	31,869	30,279	29,581	27,756	26,363	(1,393)	-5%
3. Other local debt (T-bills)	7,789	7,882	9,236	10,429	11,009	10,797	10,741	11,139	398	4%
o/w Public entities	6,538	6,479	7,117	7,701	8,461	8,718	8,941	9,417	476	5%
o/w Contractor bonds	41	134	134	180	180	139	166	166	-	0%
*Accrued interest included in debt	788	789	877	1,029	997	1,098	1,159	1,125	(34)	-3%
B. Foreign currency debt	31,597	36,776	39,400	38,612	40,836	42,382	45,816	52,917	7,101	15%
4. Eurobonds	27,490	32,789	35,533	34,850	37,561	39,240	42,339	49,587	7,248	17%
Of which, Paris II at preferential rates	3,161	2,646	2,130	1,615	1,099	583	68	-	(68)	-100%
Of which, Paris III at preferential rates	663	317	271	226	181	136	-	-	-	-
Of which, market-issued Eurobonds	23,258	29,427	32,688	32,584	35,846	38,063	41,791	49,005	7,214	17%
* Accrued Interest on Eurobonds	407	400	444	425	435	458	480	582	102	21%
5. Loans	4,033	3,884	3,738	3,648	3,207	3,079	3,444	3,324	(120)	-3%
5.1 Paris II loans	351	279	208	128	83	48	18	-	(18)	-100%
5.2 Paris III loans ⁽²⁾	1,060	997	915	760	629	525	452	396	(56)	-12%
5.3 Bilateral loans (non-Paris II and III)	787	841	827	1,200	1,054	953	935	866	(69)	-7%
5.4 Multilateral loans (non-Paris II and III)	1,816	1,753	1,694	1,506	1,417	1,494	1,955	1,968	13	1%
5.5 Foreign Private Sector Loans	18	14	94	54	24	59	84	94	10	12%
6. Other debt	74	103	129	114	68	63	33	6	(27)	-82%
6.1 Special Tbls in Foreign currency ⁽³⁾	74	103	129	114	68	63	33	6	(27)	-82%
Public sector deposits	10,984	12,916	15,495	14,246	13,555	14,586	15,659	16,136	477	3%
Net debt	69,953	74,058	80,217	86,118	92,476	98,324	104,234	108,903	4,669	4%
Gross Market debt⁽⁴⁾	50,585	59,014	65,789	67,774	69,200	70,303	71,944	77,772	5,828	8%
% of total debt	62.5%	67.9%	68.7%	67.5%	65.3%	62.3%	60.0%	62.2%	2.2%	4%

Source: MOF, BDL

Notes:

⁽¹⁾ Due to revisions in the Debt Management and Financial Analysis System (DMFAS):

1- Debt data for December 2011 to December 2016 may be subject to slight modification.

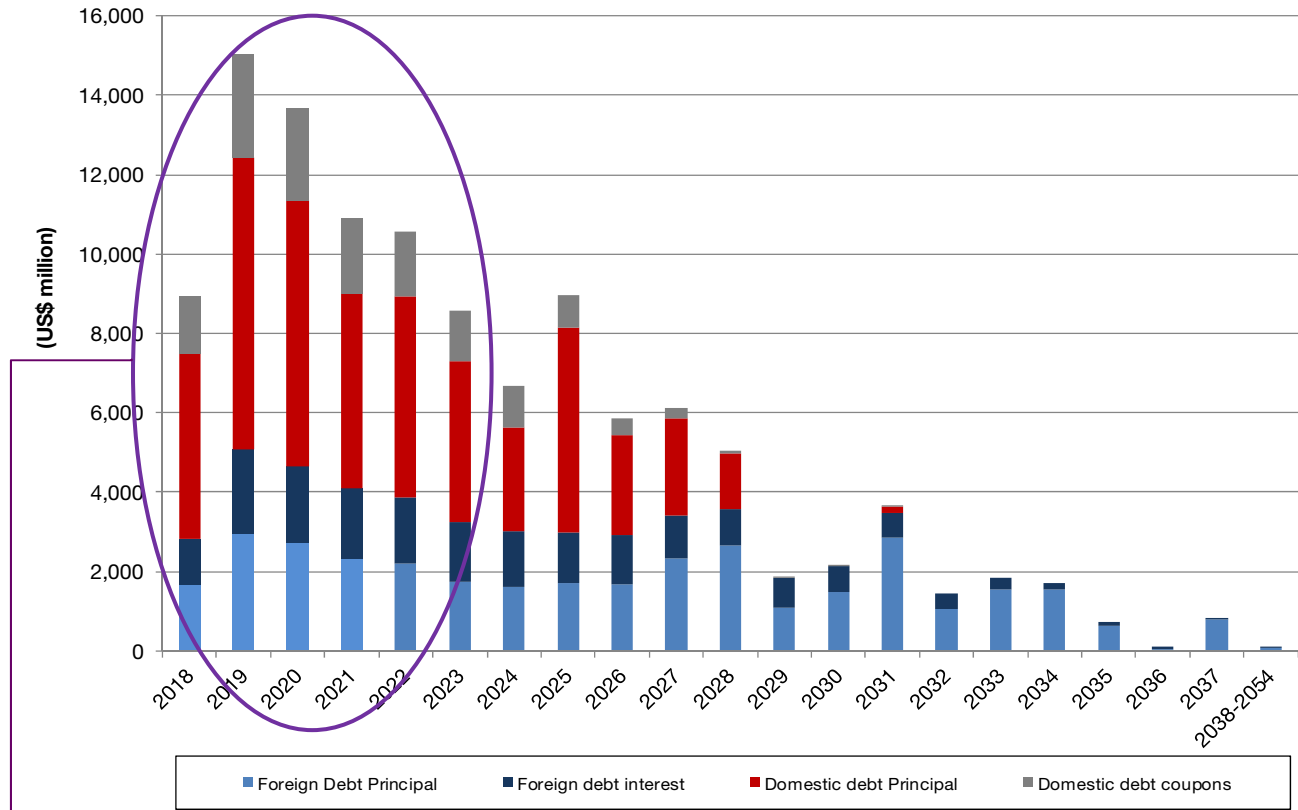
⁽²⁾ IBRD loan, UAE loan and French loan of which the first tranche was received in February 2008 and the second tranche in September 2012

⁽³⁾ Special Tbls in Foreign currency (expropriation and contractor bonds).

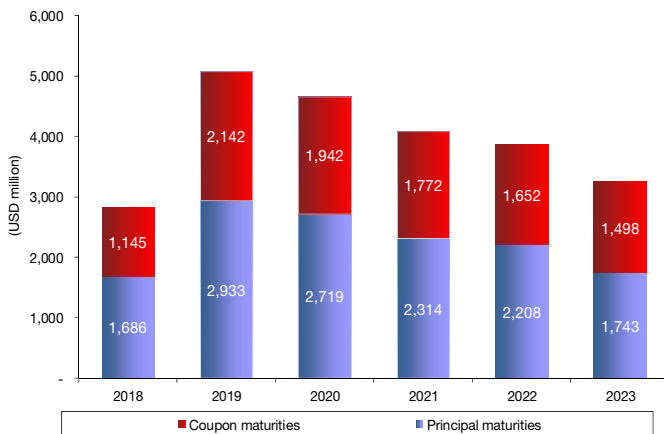
⁽⁴⁾ Gross market debt equals gross debt less the portfolios of the BDL, Public Entities, bilateral and multilateral loans, Paris II and Paris III related debt.

AMORTIZATION PROFILE

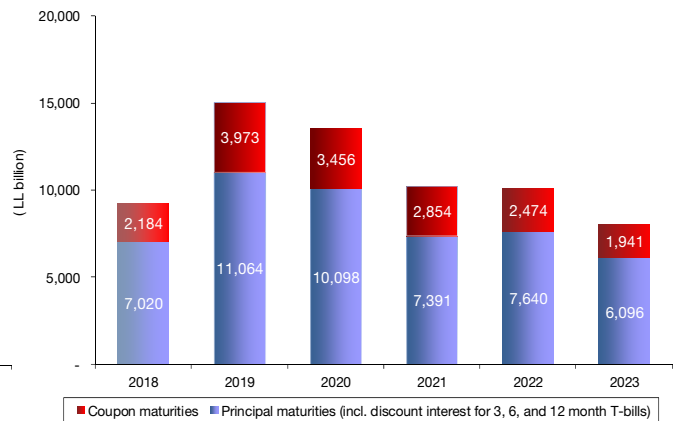
Aggregate Debt Amortization (as of end-June 2018)



Foreign Currency Debt (Eurobonds –Loans)



Domestic T-bills and T-Bonds

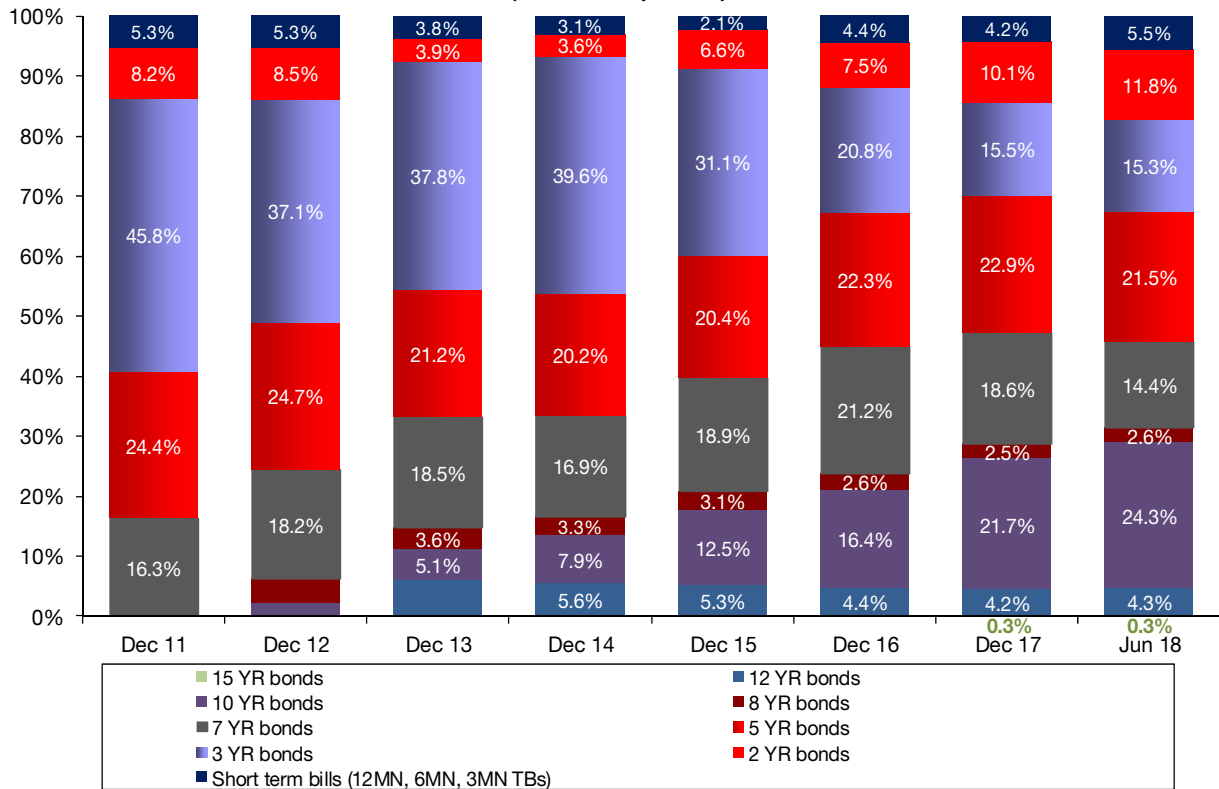


Source: MOF, BDL

Note : The data used for the amortization schedule is based on outstanding and not on committed amounts.

DOMESTIC CURRENCY DEBT DATA

Outstanding Domestic T-bills and Bonds by Tenor Type (as of end-period)



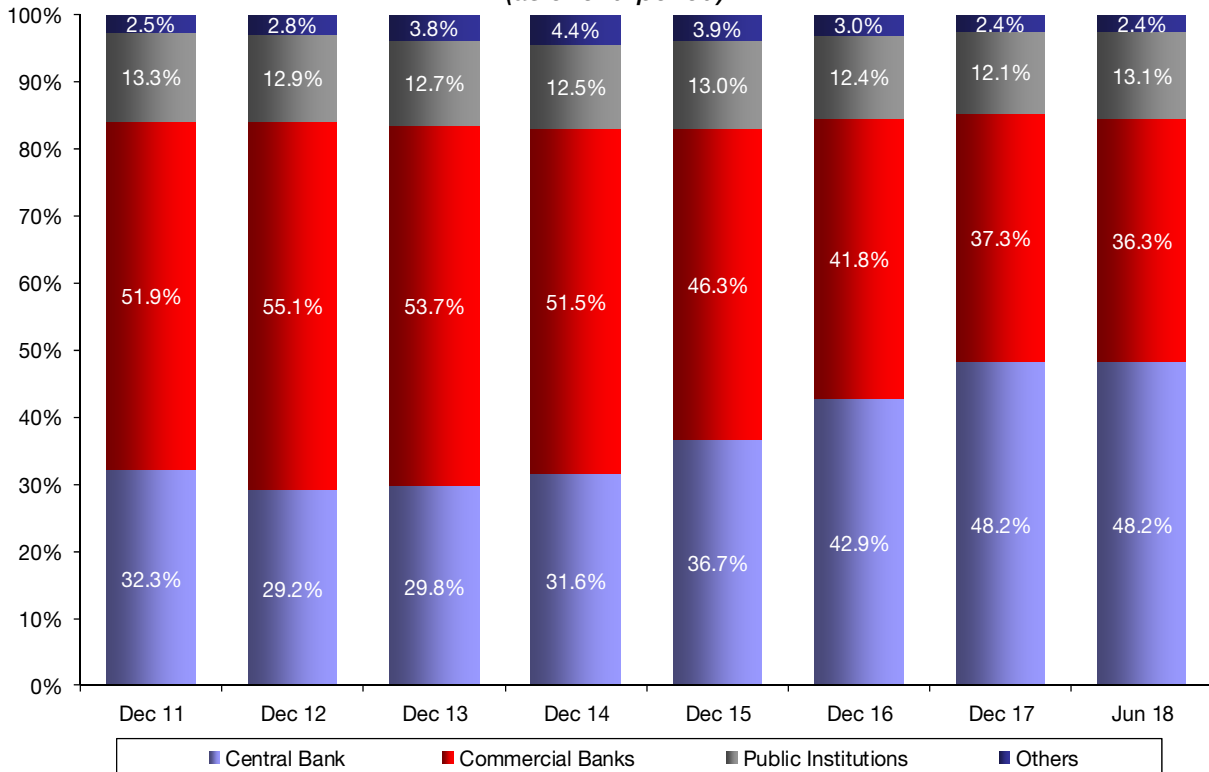
Source: MOF

Notes:

1- Only treasury bills with maturities less than 24 months are issued at a discount to their face value.

2- The 5 YR bonds figure includes LL 166 billion contractor bonds issued in Jan 2014, Nov 2014, Jul 2016 and Jun 2017.

Outstanding Domestic T-bills and Bonds by Investor Type (as of end-period)



Source: MOF, BDL

Notes: Commercial Banks figures include the amounts of repurchase agreements.

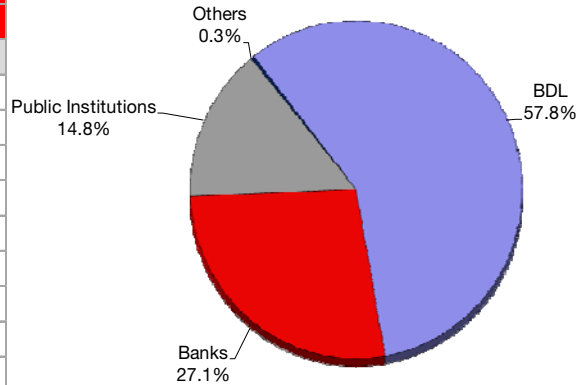
DOMESTIC CURRENCY DEBT DATA

T-Bills and Bonds Subscription Results— QII 2018

Weekly Issued Amounts

Date	Categories								
	Nominal Value - LBP Billions								
	3 Mn	6 Mn	12 Mn	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Total
QI-2018	567	596	732	965	1,292	1,601	1,142	876	7,771
05-04-18	76	-	139	-	-	200	-	-	415
12-04-18	-	103	-	650	-	-	-	1,000	1753
19-04-18	76	-	79	-	-	200	-	-	355
26-04-18	-	103	-	-	301	-	300	-	704
03-05-18	76	-	205	-	-	200	-	-	481
10-05-18	-	103	-	300	-	-	-	201	603
17-05-18	101	-	79	-	-	125	-	-	305
24-05-18	-	103	-	-	300	-	300	-	703
31-05-18	4	-	6	-	-	125	-	-	135
07-06-18	-	8	-	52	-	-	-	50	109
14-06-18	21	-	22	-	2,000	50	-	-	2092
21-06-18	-	21	-	-	50	-	50	-	121
28-06-18	20	-	21	-	-	50	-	-	92
Total QII-2018	373	439	551	1,002	2,651	952	651	1,251	7,870
Grand Total	940	1,035	1,283	1,967	3,943	2,553	1,793	2,127	15,640

QII 2018 Subscription Results by Holder



In QII 2018 the largest subscriber in DX Treasury bills and bonds was BDL reaching 57.8 percent of the total subscriptions. Banks share stood at 27.1 percent and the Public institutions share amounted to 14.8 percent of the total quarter subscriptions.

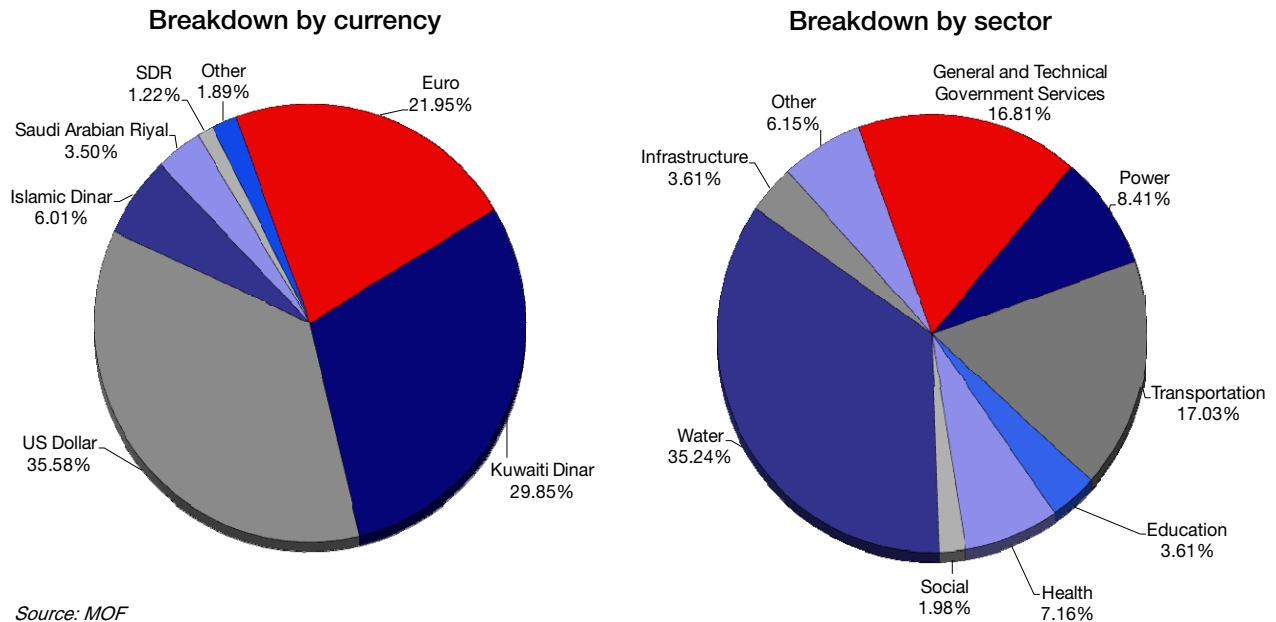
Domestic Treasury Bills & Bonds Auction Calendar QIV 2018

Auction Date	October					November				December					Frequency
	1	8	15	22	29	5	12	19	26	3	10	17	24	31	
Issue Date	4	11	18	25	01-Nov	8	15	22	29	6	13	20	27	03-Jan	
3 M	x		x		x		x		x		x		x		7
6 M		x		x		x		x		x		x		x	7
12 M	x		x		x		x		x		x		x		7
2 Y				x				x				x			3
3 Y		x				x				x				x	4
5 Y	x		x		x		x		x		x		x		7
7 Y		x				x				x				x	4
10 Y				x				x				x			3

Source: MOF

FOREIGN CURRENCY DEBT DATA

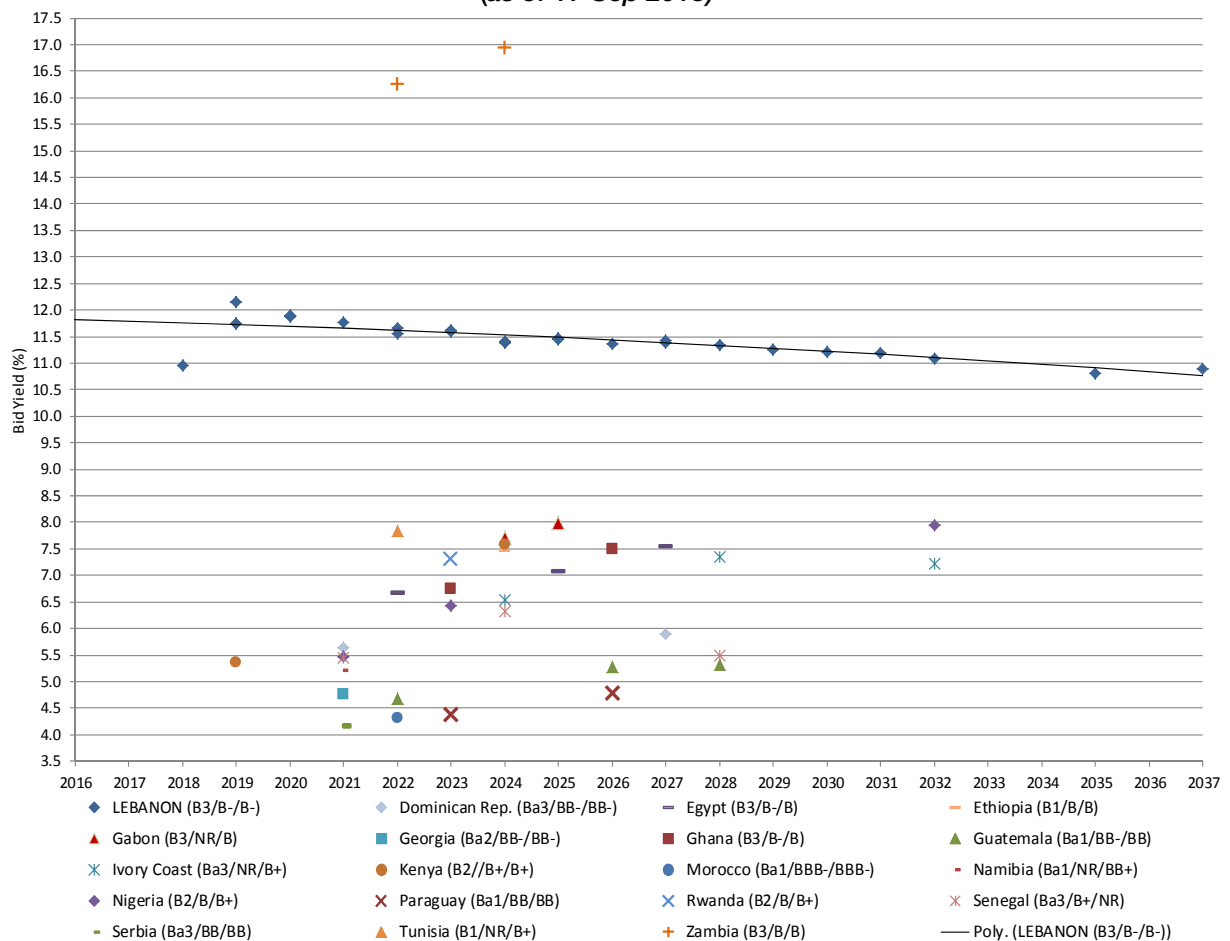
Bilateral and Multilateral Loans (as of end-June 2018)



Source: MOF

The gross outstanding debt comprises less than 3% of loans in foreign currency amounting to LBP 3,322 billion, which is mostly for project financing.

Yields for Republic of Lebanon Eurobonds and Comparables (as of 17 Sep 2018)



Source: DB, MOF

FOREIGN CURRENCY DEBT DATA

Marketable Eurobonds end June 2018

Lebanon Secondary Trading Levels							
Mat. Date dd/mm/yy	Outstanding Amount (in original cur)	Bid Price	Ask Price	Mid Yield	Mid Z- spread	Change Mid Z- spread (QII 2018-QI 2018)	
EURO							
LEB 5.35	28/11/2018	445,000,000	100.75	101.75	3.33	430	68
US DOLLARS							
LEB 5.15	12/11/2018	1,025,000,000	99.85	100.35	4.97	270	10
LEB 5.5	23/04/2019	500,000,000	99.88	100.38	5.37	472	178
LEB 6	20/05/2019	650,000,000	100.38	100.88	5.42	476	178
LEB 5.45	28/11/2019	1,500,000,000	99.38	99.88	5.69	504	189
LEB 6.375	09/03/2020	1,200,000,000	100.63	101.13	5.89	565	232
LEB 5.8	14/04/2020	700,000,000	99.38	99.88	6.00	581	238
LEB 6.15	19/06/2020	600,000,000	99.88	100.38	6.08	591	241
LEB 8.25	12/04/2021	2,092,469,000	105.38	106.13	6.14	687	338
LEB 6.25	27/05/2022	500,000,000	99.00	100.00	6.39	708	338
LEB 6.1	04/10/2022	1,540,000,000	98.25	99.25	6.42	704	331
LEB 6	27/01/2023	1,100,000,000	97.38	98.38	6.52	730	348
LEB 6.4	26/05/2023	500,000,000	97.88	98.88	6.78	739	331
LEB 6.65	22/04/2024	700,000,000	98.88	99.88	6.78	730	324
LEB 6.25	04/11/2024	538,467,000	96.38	97.38	6.85	734	321
LEB 7	03/12/2024	250,000,000	99.88	100.88	6.93	735	314
LEB 6.2	26/02/2025	800,000,000	95.25	96.25	6.99	743	317
LEB 6.25	12/06/2025	800,000,000	95.13	96.13	7.03	746	316
LEB 6.6	27/11/2026	1,600,000,000	94.50	95.50	7.39	740	275
LEB 6.85	23/03/2027	1,250,000,000	96.75	97.75	7.27	748	296
LEB 6.75	29/11/2027	1,000,000,000	95.50	96.50	7.33	727	270
LEB 7 *	20/03/2028	1,700,000,000	#N/A	#N/A	#N/A	#N/A	#N/A
LEB 6.65	03/11/2028	893,197,000	94.00	95.00	7.41	737	273
LEB 6.85	25/05/2029	1,000,000,000	94.25	95.25	7.55	734	256
LEB 6.65	26/02/2030	1,400,000,000	92.50	93.50	7.55	719	243
LEB 7	22/04/2031	300,000,000	93.88	94.88	7.69	741	251
LEB 7.15 *	20/11/2031	2,500,000,000	#N/A	#N/A	#N/A	#N/A	#N/A
LEB 7	23/03/2032	1,000,000,000	93.38	94.38	7.72	736	244
LEB 8.2 **	17/05/2033	1,500,000,000	#N/A	#N/A	#N/A	#N/A	#N/A
LEB 8.25 **	17/05/2034	1,500,000,000	#N/A	#N/A	#N/A	#N/A	#N/A
LEB 7.05	02/11/2035	600,000,000	92.63	93.63	7.77	708	212
LEB 7.25	23/03/2037	750,000,000	94.00	95.00	7.81	718	219

Source: DB

* Re-opening through a "Debt Replacement Agreement" between the Ministry of Finance (MoF) and Banque du Liban (BdL) on 17 May 2018.

** Eurobonds issued as part of a Debt Replacement Agreement between the Ministry of Finance and Banque du Liban on 17 May 2018.

Note:

Non Marketable Eurobonds issued in the Context of Paris II & III have been fully amortized

For further information, please contact:

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