

Rating and Investment Information, Inc. (R&I) has placed the following rating on the Rating Monitor with a view to downgrading.

ISSUER: Republic of Lebanon
Foreign Currency Issuer Rating
R&I RATING: (BB); Placed on the Rating Monitor with a view to downgrading

Foreign Currency Short-term Credit Rating
R&I RATING: (a-3); Placed on the Rating Monitor with a view to downgrading

RATIONALE:

The Israeli Military made an incursion into Southern Lebanon on July 12, as a retaliation attack against Hezbollah guerrilla who had captured Israeli soldiers. The situation is changing rapidly with Israelis imposing attacks on Beirut International Airport and sea blockade on the 13th.

If Israeli attacks continue, there will be a negative impact on Lebanese tourism and foreign investment inflows which are the main driving forces of the economic recovery. A decline in fiscal revenue as well as an increase in fiscal expenditure accompanying the reconstruction of infrastructure may lead to fiscal deterioration. Furthermore, it is becoming vague whether Lebanon will be able to hold a meeting with international organizations and developed countries in order to obtain low-interest rate borrowings so that it can relax its debt servicing. R&I will announce a new rating after confirming the coming military actions and their impacts on the Lebanese economic activity.

ISSUER: Republic of Lebanon
FOREIGN CURRENCY ISSUER RATING: (BB); Placed on the Rating Monitor
with a view to downgrading

FOREIGN CURRENCY SHORT-TERM CREDIT RATING: (a-3); Placed on the Rating Monitor
with a view to downgrading

Issuer Rating is an R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than Issuer Rating.