

DEBT AND DEBT MARKETS

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REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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HIGHLIGHTS

- At end-QIV 2017, gross public debt stood at LL 119,898 billion (US\$ 79.5 billion), a 6.2 percent increase compared to end-2016.
- Net public debt registered LL 104,522 billion (US\$ 69.3 billion) at end- QIV 2017, an increase of 6.0 percent from the end-2016 level.
- Domestic currency debt reached LL 74,077 billion at end- QIV 2017, an increase of 5.0 percent compared to end-2016.
- On 30 November and 14 December 2017, and following an agreement between the Ministry of Finance and BdL, the Ministry of Finance issued respectively LL 1,500 billion 2-year Tbond at 1% coupon instead of 5.84% and LL 1,500 billion 3-year Tbond at 1% coupon instead of 6.50%.
- Foreign currency debt totaled LL 45,821 billion (US\$ 30.4 billion) at the end- QIV 2017, an 8.1 percent increase from the end-2016 level.
- On 20 November 2017 the Lebanese Ministry of Finance (MoF) conducted a “Debt Replacement Agreement” with the Central Bank (BdL), whereby MoF issued to BDL US\$ 1.7 billion in Eurobonds and BDL redeemed to MoF Treasury bonds in Lebanese Pounds. The 2 series consisted of a US\$ 700 million 7.0 percent coupon Eurobond due March 2028 (Series 86) and a US\$ 1,000 million 7.15 percent coupon Eurobond due November 2031 (Series 87).

KEY COST AND RISK INDICATORS

As end December 2017	QIV 2017 Debt Data			Debt Portfolio Indicators		
	Total LBP billions	Total USD billions	% Change end 2016 - end 2017	Currency Risk	ATM of bills and bonds	Weighted Avg Interest Rate
Gross Government Debt	119,898	79.5	6.2%			
DX	74,077	49.1	5.0%	61.78%	3.84 yr	6.70%
FX	45,821	30.4	8.1%	38.22%	7.34 yr	6.23%
Net Government Debt	104,522	69.3	6.0%			

SOVEREIGN RATINGS

Lebanon Sovereign Debt Rating (as of March 15th, 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

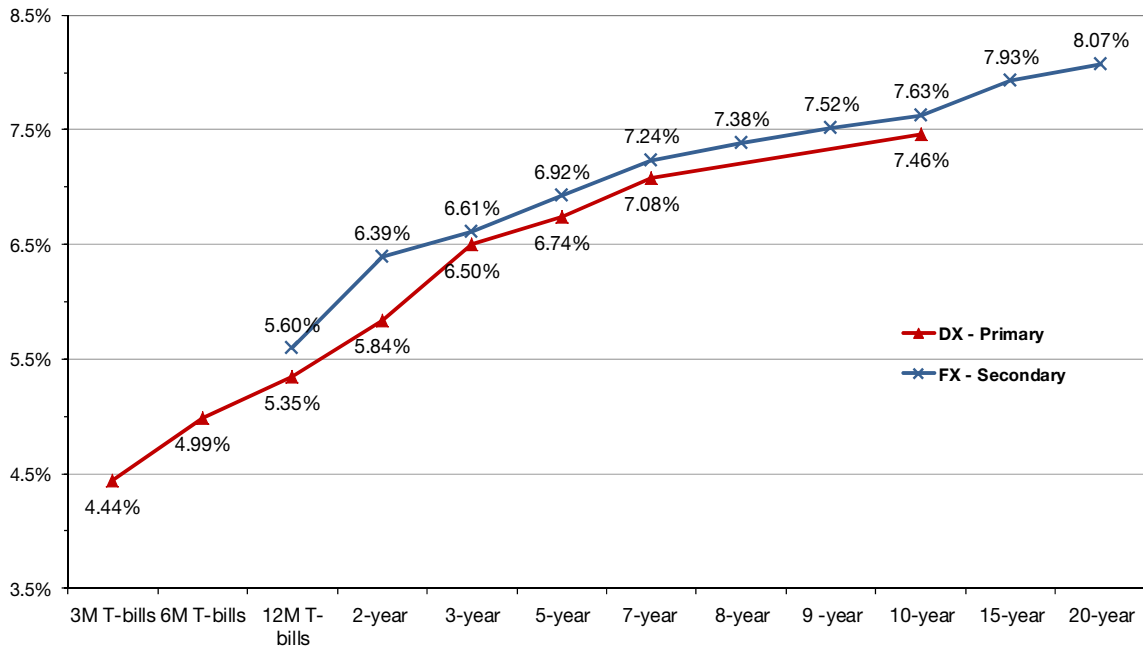
*Fitch Ratings affirmed its ratings and maintained the Stable outlook on 01 February 2018

** Moody's Investors Services downgraded Lebanon's bond rating from B2 to B3 and revised the outlook from negative to stable on 25 August 2017

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

INTEREST RATES & COST

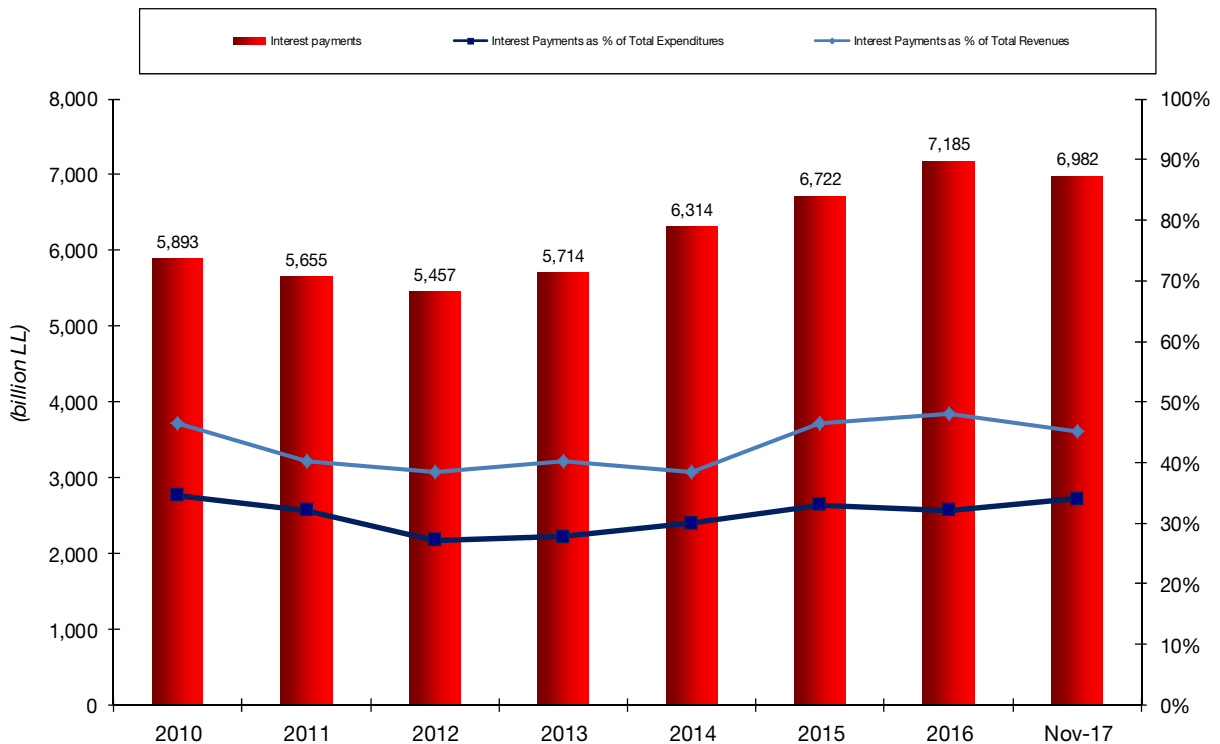
Government DX & FX T-Bills and T-Bonds Yield Curve
as at 15 March 2018



Source: MOF, Reuters

During QIV 2017, primary market rates on DX Treasury bills and bonds issued remained unchanged compared to end 2016 levels. Eurobonds secondary levels as at 15 March 2018 have narrowed by 92 bps on average from the 20 November 2017 levels quoted in the QIII 2017 Debt & Debt Markets report.

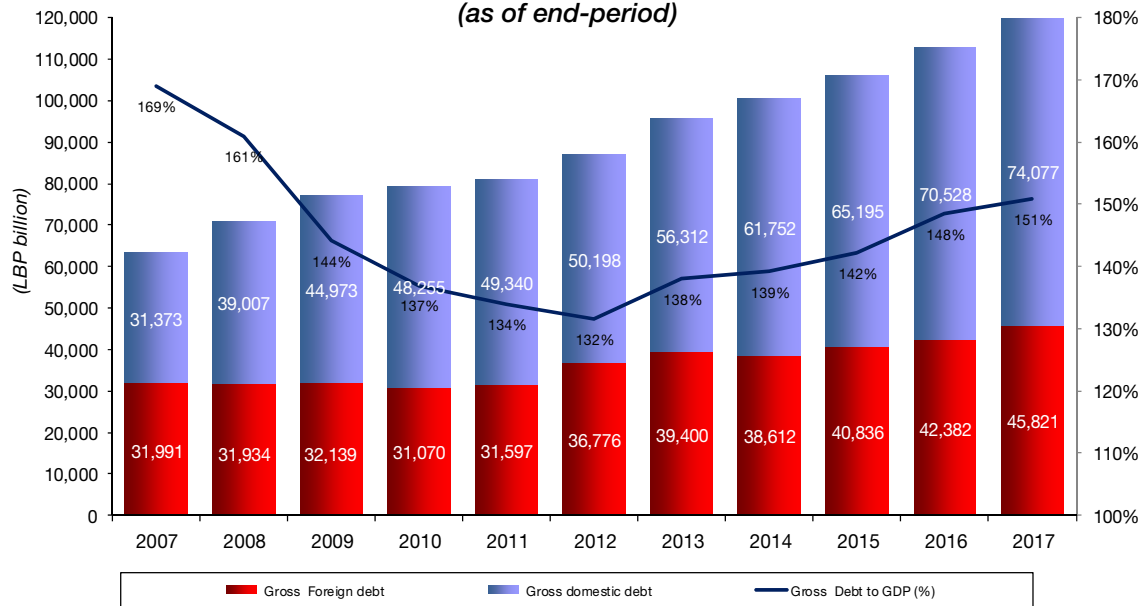
Interest Payments As end of Period



Source: MOF

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 2006-2015: Lebanese National Accounts - CAS revised estimates - Comments and Tables 2004-2015. Published in April 2017.

3- GDP 2016 using the IMF growth rate and deflator published on WEO - October 2017.

Public Debt Table ⁽¹⁾ (as of end-December 2017)

Public Debt (in LL billion)	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Change Dec 17 - Dec 16	% Change Dec 17 - Dec 16
Gross Public Debt (A + B)	79,325	80,937	86,974	95,712	100,364	106,031	112,910	119,898	6,988	6.2%
A. Local currency debt	48,255	49,340	50,198	56,312	61,752	65,195	70,528	74,077	3,549	5.0%
1. Central Bank	13,130	15,974	14,649	16,761	19,454	23,907	30,150	35,580	5,430	18.0%
2. Commercial Banks (including REPOs)	27,214	25,577	27,667	30,315	31,869	30,279	29,581	27,756	(1,825)	-6.2%
3. Other local debt (T-bills)	7,911	7,789	7,882	9,236	10,429	11,009	10,797	10,741	(56)	-0.5%
o/w Public entities	6,268	6,538	6,479	7,117	7,701	8,461	8,718	8,941	223	2.6%
o/w Contractor bonds	-	41	134	134	180	180	139	166	27	19.4%
*Accrued interest included in debt	867	788	789	877	1,029	997	1,098	1,159	61	5.6%
B. Foreign currency debt	31,070	31,597	36,776	39,400	38,612	40,836	42,382	45,821	3,439	8.1%
4. Eurobonds	26,738	27,490	32,789	35,533	34,850	37,561	39,240	42,339	3,099	7.9%
Of which, Paris II at preferential rates ⁽²⁾	3,677	3,161	2,646	2,130	1,615	1,099	583	68	(516)	-88.4%
Of which, Paris III at preferential rates ⁽³⁾	709	663	317	271	226	181	136	-	(136)	-100.0%
Of which, market-issued Eurobonds	21,870	23,258	29,427	32,688	32,584	35,846	38,063	41,791	3,728	9.8%
* Accrued Interest on Eurobonds	483	407	400	444	425	435	458	480	22	4.8%
5. Loans	4,265	4,033	3,884	3,738	3,648	3,207	3,079	3,449	370	12.0%
5.1 Paris II loans	460	351	279	208	128	83	48	18	(30)	-62.5%
5.2 Paris III loans ⁽⁴⁾	1,147	1,060	997	915	760	629	525	452	(73)	-13.8%
5.3 Bilateral loans (non-Paris II and III)	736	787	841	827	1,200	1,054	953	934	(20)	-2.0%
5.4 Multilateral loans (non-Paris II and III)	1,898	1,816	1,753	1,694	1,506	1,417	1,494	1,961	467	31.3%
5.5 Foreign Private Sector Loans	24	18	14	94	54	24	59	84	25	42.4%
6. Other debt	67	74	103	129	114	68	63	33	(30)	-47.6%
6.1 Special Tbs in Foreign currency ⁽⁵⁾	67	74	103	129	114	68	63	33	(30)	-47.6%
Public sector deposits	11,419	10,984	12,916	15,495	13,965	13,227	14,268	15,376	1,108	7.8%
Net debt	67,906	69,953	74,058	80,217	86,399	92,804	98,642	104,522	5,880	6.0%
Gross Market debt⁽⁶⁾	51,301	50,585	59,014	65,789	67,774	69,200	70,303	71,944	1,641	2.3%
% of total debt	64.7%	62.5%	67.9%	68.7%	67.5%	65.3%	62.3%	60.0%	-2.3%	-3.6%

Source: MOF, BDL

Notes:

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

1- Debt data for December 2010 to December 2016 may be subject to slight modification.

⁽²⁾ Paris II related Eurobonds including the outstanding of the Eurobond originally issued at USD 1,870 billion to BDL in the context of Paris II conference.

⁽³⁾ Issued to Malaysia as part of its Paris III contribution.

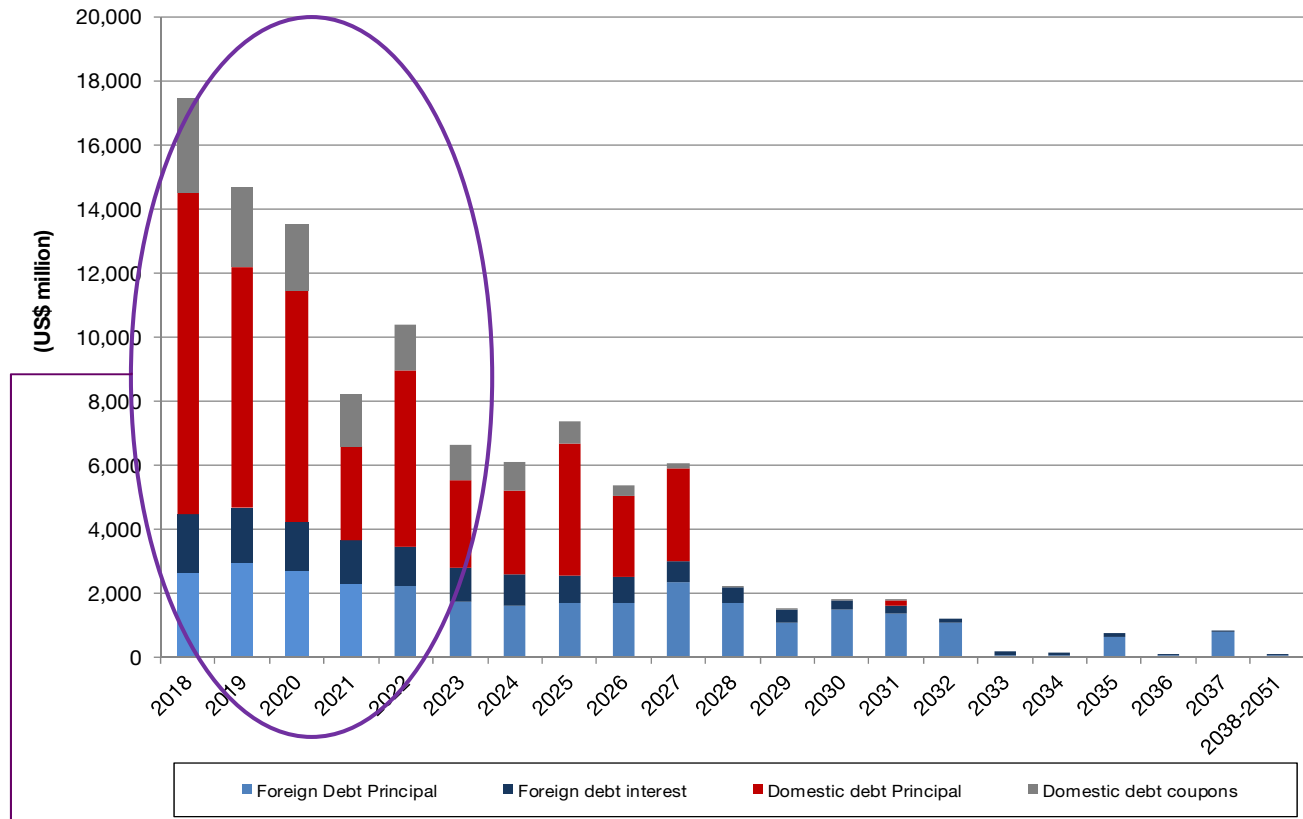
⁽⁴⁾ IBRD loan, UAE loan and French loan of which the first tranche was received in February 2008 and the second tranche in September 2012

⁽⁵⁾ Special Tbs in Foreign currency (expropriation and contractor bonds).

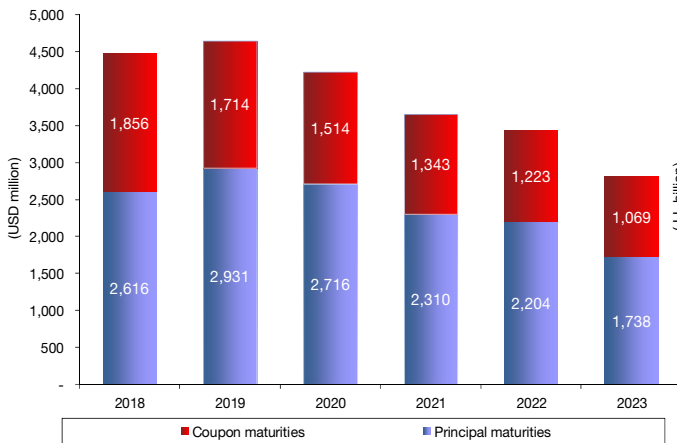
⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, Public Entities, bilateral and multilateral loans, Paris II and Paris III related debt.

AMORTIZATION PROFILE

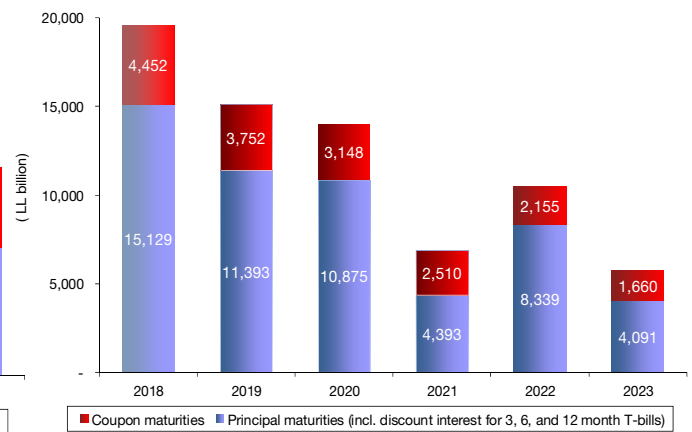
Aggregate Debt Amortization (as of end-December 2017)



Foreign Currency Debt (Eurobonds –Loans)



Domestic T-bills and T-Bonds

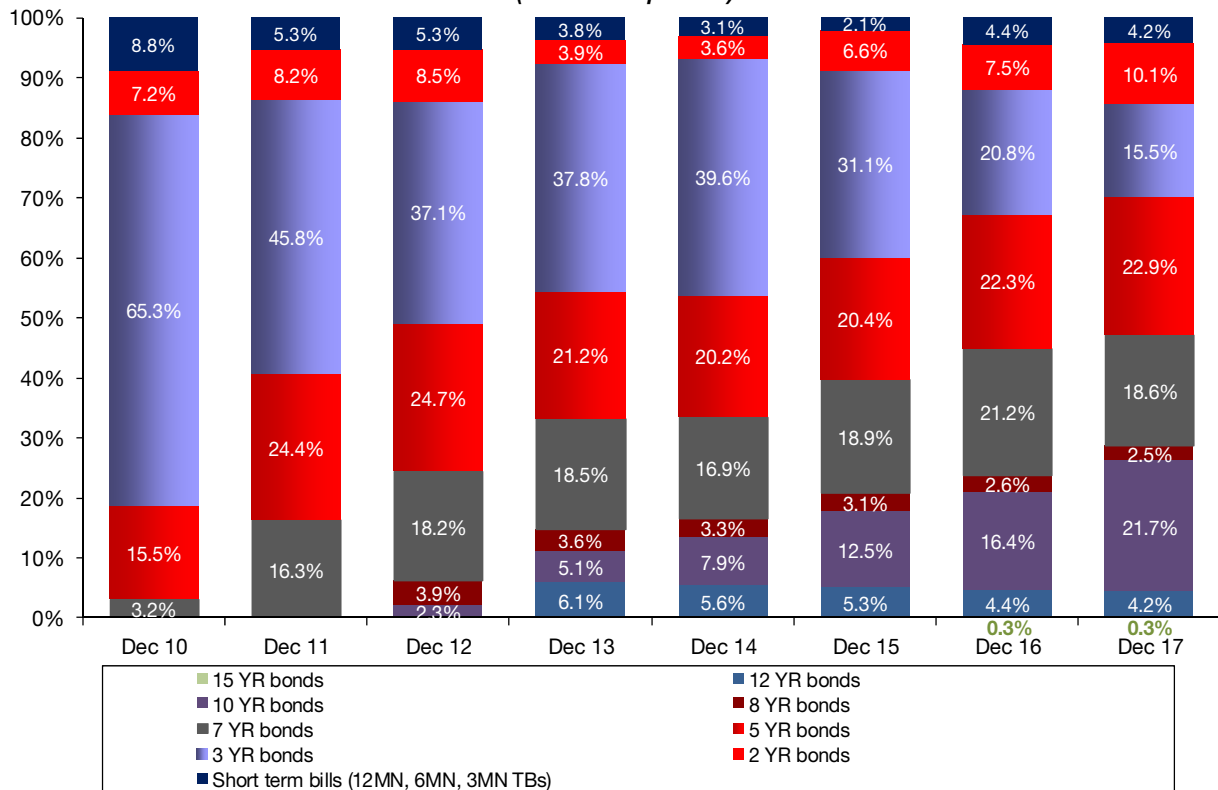


Source: MOF, BDL

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)



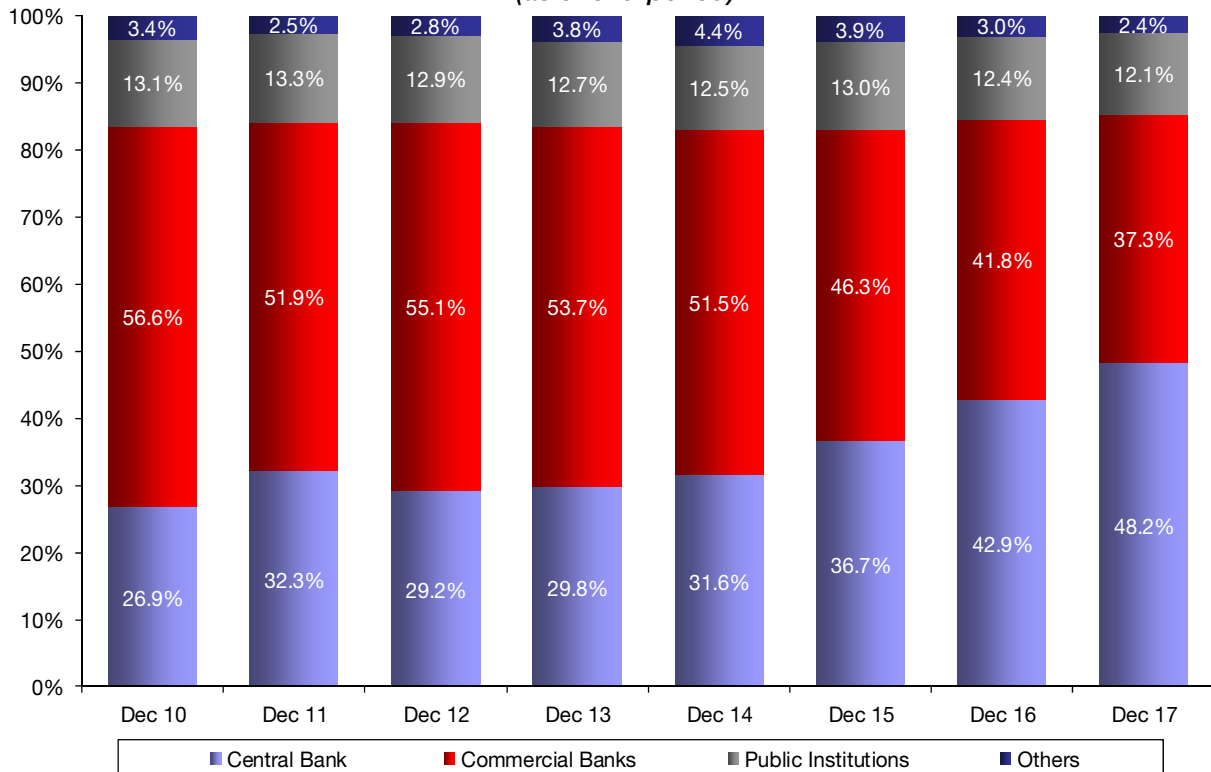
Source: MOF

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: Central Bank figures include the amounts of repurchase agreements.

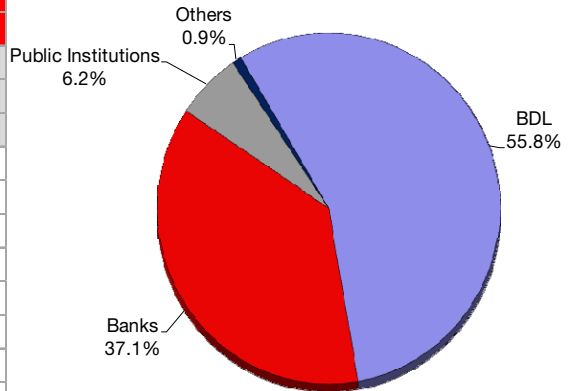
DOMESTIC CURRENCY DEBT DATA

T-Bills and Bonds Subscription Results— QIV 2017

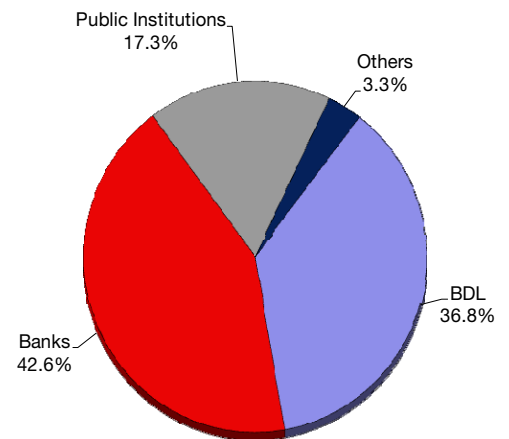
Weekly Issued Amounts

Date	Categories								
	Nominal Value - LBP Billions								
	3 Mn	6 Mn	12 Mn	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Total
QI-2017	389	377	350	938	868	2,550	499	773	6,745
QII-2017	253	264	425	633	442	606	346	691	3,661
QIII-2017	648	673	539	1,103	1,091	782	721	1,382	6,939
05-10-17	20	-	132	-	-	401	-	-	553
12-10-17	-	82	-	-	521	-	350	-	954
19-10-17	20	-	132	-	-	401	-	-	553
26-10-17	-	83	-	401	-	-	-	481	965
02-11-17	20	-	132	-	-	401	-	-	553
09-11-17	-	26	-	-	400	-	201	-	627
16-11-17	9	-	48	-	-	100	-	-	157
23-11-17	-	21	-	65	-	-	-	451	537
30-11-17	20	-	105	1,500	-	100	-	-	1726
07-12-17	-	21	-	-	401	-	185	-	607
14-12-17	20	-	106	-	1,500	100	-	-	1726
21-12-17	-	21	-	66	-	-	-	601	688
28-12-17	20	-	105	-	-	100	-	-	226
Total QIV	130	253	760	2,032	2,823	1,603	737	1,533	9,872
Grand Total	1,421	1,567	2,073	4,706	5,225	5,542	2,303	4,379	27,216

QIV 2017 Subscription Results by Holder



Year 2017 Subscription Results by Holder



On yearly basis the largest subscriber in DX Treasury bills and bonds were the banks reaching 42.6 percent of the total subscriptions. BdL share stood at 36.8 percent and the Public institutions share amounted to 17.3 percent of total year subscriptions.

Domestic Treasury Bills & Bonds Auction Calendar QII 2018

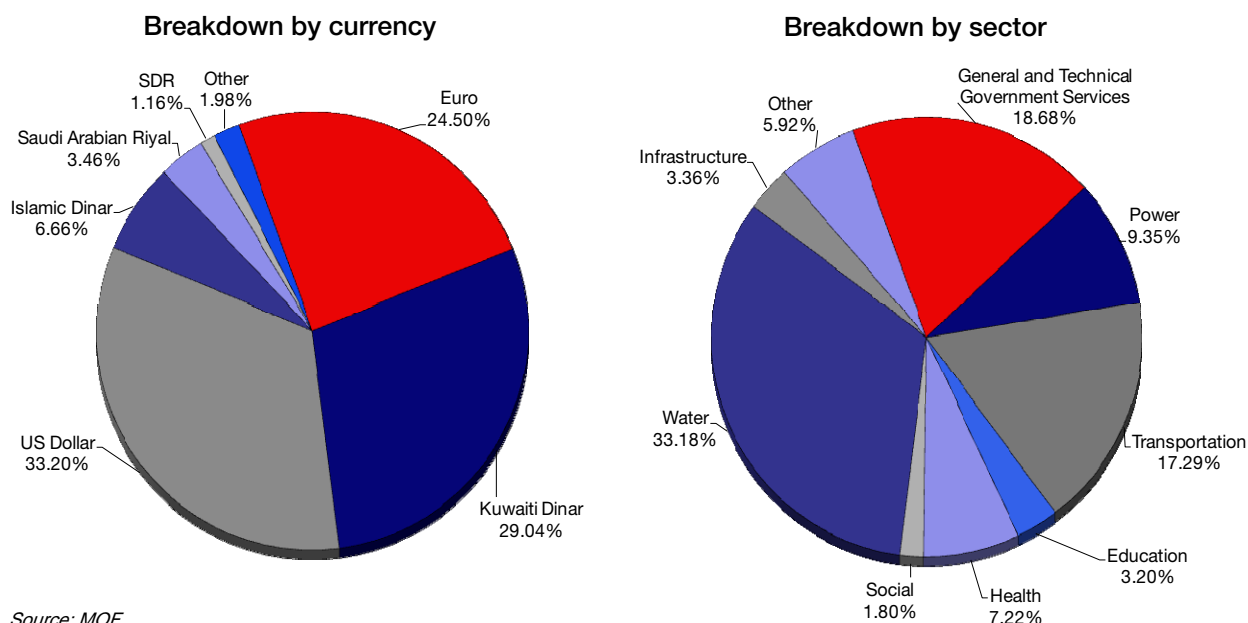
Auction Date	April					May				June				Frequency
	1	8	15	22	29	5	12	19	26	5	12	19	26	
Issue Date	4	11	18	25	01-Feb	8	15	22	43160	8	15	22	29	
3 M	x		x		x		x		x		x		x	7
6 M		x		x		x		x		x		x		6
12 M	x		x		x		x		x		x		x	7
2 Y		x				x				x				3
3 Y				x				x				x		3
5 Y	x		x		x		x		x		x		x	7
7 Y				x				x				x		3
10 Y		x				x				x				3

*Auctions falling on holidays will be rescheduled accordingly.

Source: MOF

FOREIGN CURRENCY DEBT DATA

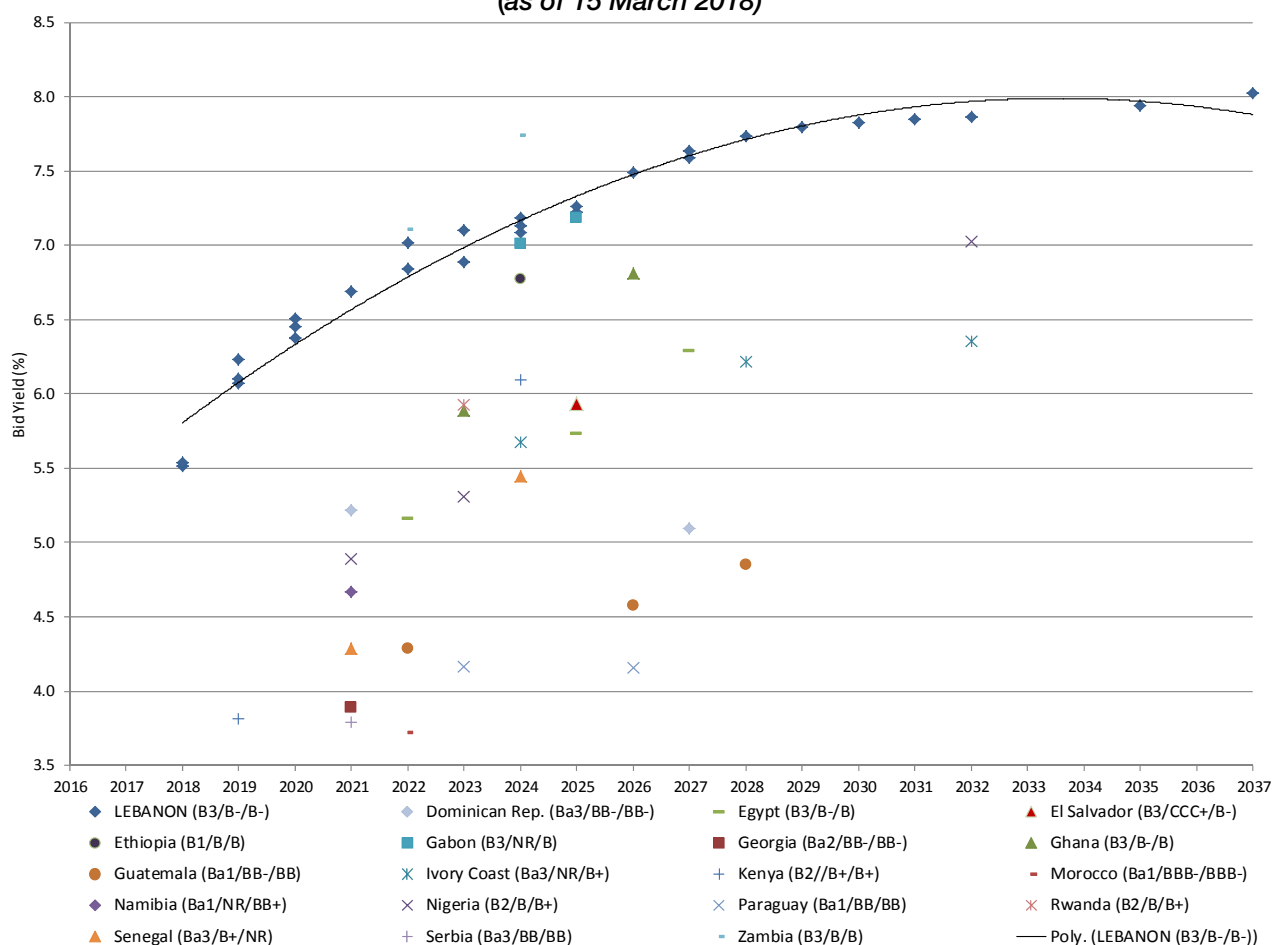
Bilateral and Multilateral Loans (as of end-December 2017)



Source: MOF

The gross outstanding debt comprises less than 3% of loans in foreign currency amounting to LBP 3,449 billion, which is mostly for project financing.

Yields for Republic of Lebanon Eurobonds and Comparables (as of 15 March 2018)



Source: DB, MOF

FOREIGN CURRENCY DEBT DATA

Marketable Eurobonds end December 2017

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 (QIV 2017-QIII 2017)
EURO							
LEB 5.35	28/11/2018	445,000,000	101.00	102.00	3.62	388	54
US DOLLARS							
LEB 5.15	12/06/2018	700,000,000	99.88	100.38	4.85	311	20
LEB 5.15	12/11/2018	1,025,000,000	99.63	100.13	5.29	343	34
LEB 5.5	23/04/2019	500,000,000	99.75	100.50	5.39	344	11
LEB 6	20/05/2019	650,000,000	100.38	101.13	5.42	345	10
LEB 5.45	28/11/2019	1,500,000,000	99.38	100.13	5.59	353	-4
LEB 6.375	09/03/2020	1,200,000,000	100.13	100.88	6.12	404	45
LEB 5.8	14/04/2020	700,000,000	98.63	99.38	6.27	418	39
LEB 6.15	19/06/2020	600,000,000	99.25	100.00	6.32	421	43
LEB 8.25	12/04/2021	2,092,469,000	104.63	105.63	6.48	432	51
LEB 6.25	27/05/2022	500,000,000	97.88	98.88	6.68	447	27
LEB 6.1	04/10/2022	1,540,000,000	97.25	98.25	6.66	443	35
LEB 6	27/01/2023	1,100,000,000	95.88	96.88	6.86	462	38
LEB 6.4	26/05/2023	500,000,000	97.00	98.00	6.96	472	34
LEB 6.65	22/04/2024	700,000,000	97.75	98.75	7.00	472	23
LEB 6.25	04/11/2024	538,467,000	95.25	96.25	7.04	475	31
LEB 7	03/12/2024	250,000,000	99.00	100.00	7.09	480	32
LEB 6.2	26/02/2025	800,000,000	94.38	95.38	7.13	483	35
LEB 6.25	12/06/2025	800,000,000	94.38	95.38	7.15	484	35
LEB 6.6	27/11/2026	1,600,000,000	95.25	96.25	7.26	491	30
LEB 6.85	23/03/2027	1,250,000,000	96.75	97.75	7.26	491	27
LEB 6.75	29/11/2027	1,000,000,000	95.50	96.50	7.32	496	32
LEB 6.65	03/11/2028	893,197,000	93.75	94.75	7.43	504	34
LEB 6.85	25/05/2029	1,000,000,000	94.38	95.38	7.53	513	45
LEB 6.65	26/02/2030	1,400,000,000	92.25	93.25	7.57	516	49
LEB 7	22/04/2031	300,000,000	94.50	95.50	7.60	518	38
LEB 7	23/03/2032	1,000,000,000	93.75	94.75	7.67	523	39
LEB 7.05	02/11/2035	600,000,000	93.00	94.00	7.73	526	36
LEB 7.25	23/03/2037	750,000,000	93.13	94.13	7.90	543	34
LEB 7*	20/03/2028	700,000,000	N/A	N/A	N/A	N/A	N/A
LEB 7.15*	20/11/2031	1,000,000,000	N/A	N/A	N/A	N/A	N/A

Source: DB

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

Non Marketable Eurobonds issued in the Context of Paris II & III

List of Outstanding Eurobonds (values as of December 31, 2017)

ISIN CODE	Eurobond	Outstanding Amount (USD)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II							
XS0164502352	USD 700 MN - Mar 2018	35,000,000	1	USD	5.000%	03/07/18	0.16
XS0169203048	USD 200 MN - May 2018	10,000,000	1	USD	5.000%	05/27/18	0.33

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).

* Note : Eurobonds issued in the context of the Paris II conference have been fully amortized.

For further information, please contact:

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