

# DEBT AND DEBT MARKETS

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Issue No. 41, Quarter II 2017



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

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## HIGHLIGHTS

- At end-QII 2017, gross public debt stood at LL 115,263 billion (US\$ 76.46 billion), a 2.1 percent increase compared to end-2016.
- Net public debt registered LL 100,511 billion (US\$ 66.67 billion) at end- QII 2017, an increase of 1.9 percent from the end-2016 level.
- Domestic currency debt reached LL 70,555 billion at end- QII 2017, an increase of 0.04 percent compared to end-2016.
- Foreign currency debt totaled LL 44,708 billion (US\$ 29.66 billion) at the end- QII 2017, a 5.5 percent increase from the end-2016 level.

## KEY COST AND RISK INDICATORS

As end June 2017	QII 2017 Debt Data			Debt Portfolio Indicators		
	Total LBP billions	Total USD billions	% Change end 2016 - June 2017	Currency Risk	ATM of bills and bonds	Weighted Avg Interest Rate
<b>Gross Government Debt</b>	115,263	76.5	2.1%			
<b>DX</b>	70,555	46.8	0.0%	61.21%	3.59 yr	6.96%
<b>FX</b>	44,708	29.7	5.5%	38.79%	7.17 yr	6.13%
<b>Net Government Debt</b>	100,511	66.7	1.9%			

## SOVEREIGN RATINGS

### Lebanon Sovereign Debt Rating (as of August 18th, 2017)

Agency	Long – term tenor rating	Short – term tenor rating	Outlook
Fitch Ratings*	B-	B	Stable
Moody's Investor Services Ltd **	B2	-	Negative
Standard and Poor's ***	B-	B	Stable

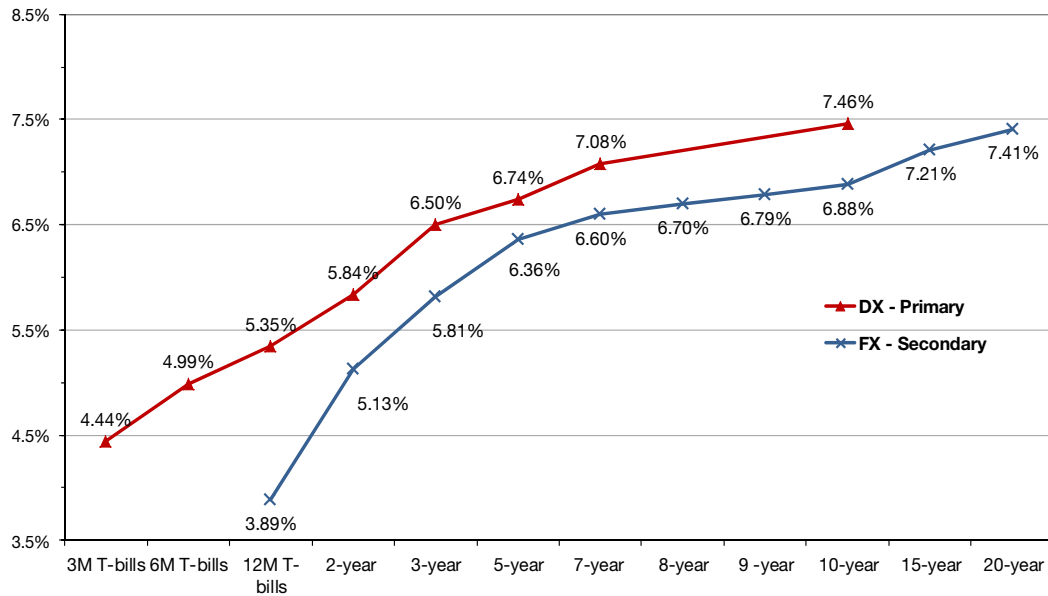
\*Fitch Ratings affirmed its ratings and maintained the Stable outlook on 21 February 2017.

\*\* Moody's affirmed its ratings and maintained the negative outlook on 15 May 2017

\*\* Standard and Poor's affirmed its rating and keeping the outlook of Lebanon stable on 3 Mar 2017

## INTEREST RATES & COST

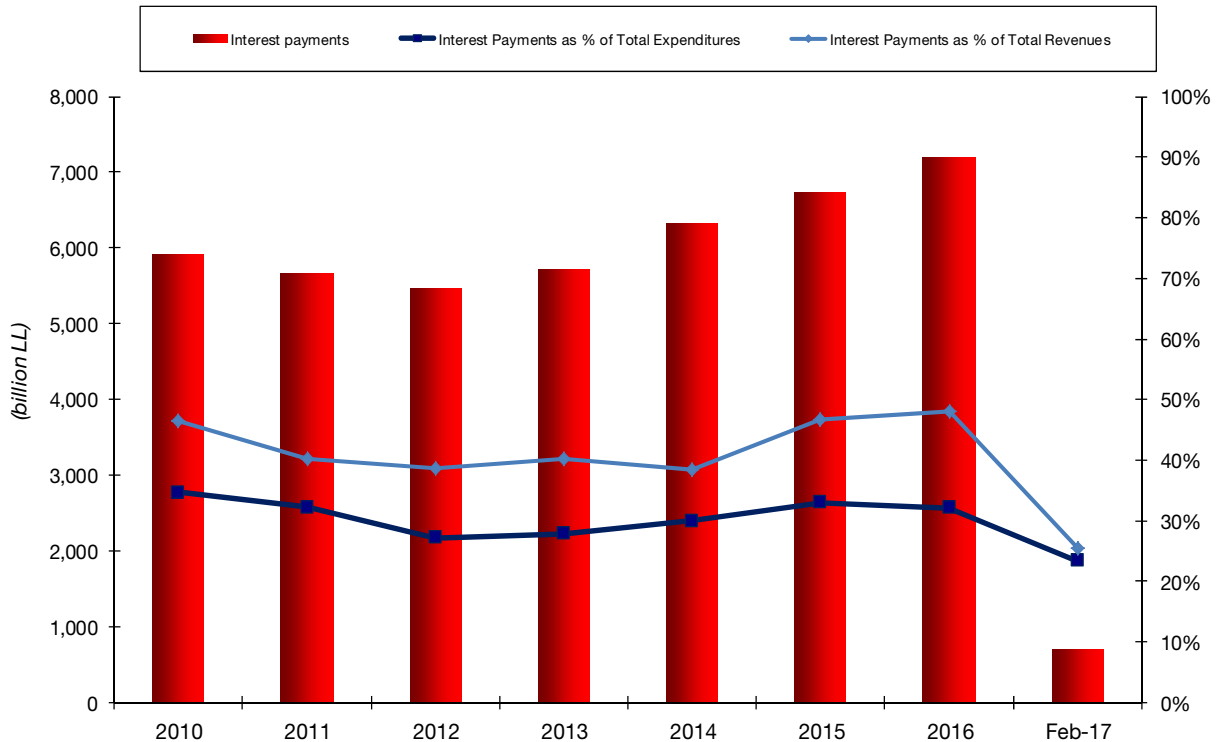
**Government DX & FX T-Bills and T-Bonds Yield Curve  
as at 18 August 2017**



Source: MOF, Reuters

During QII 2017, primary market rates on Treasury bills and bonds issued remained unchanged compared to end 2016 levels. Eurobonds secondary levels as at 18 August 2017 have widened by 44 bps on average from the 12 May 2017 levels quoted in the QI 2017 Debt & Debt Markets report.

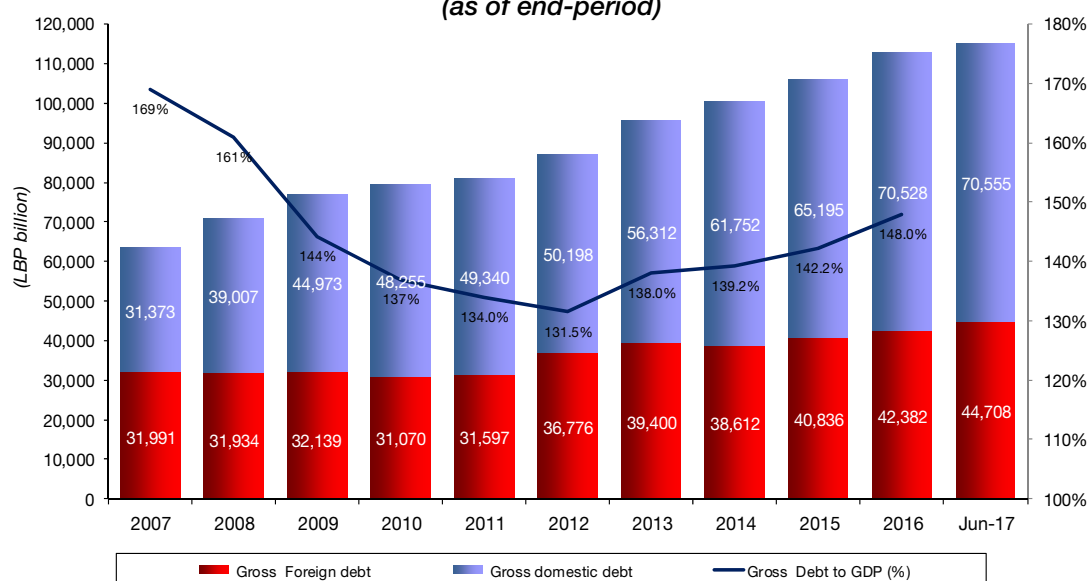
### Interest Payments As end of Period



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 - April 2017.

## Public Debt Table <sup>(1)</sup> (as of end-June 2017)

Public Debt (in LL billion)	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Jun-17	Change Jun 17- Dec 16	% Change Jun 17- Dec 16
<b>Gross Public Debt (A + B)</b>	<b>79,325</b>	<b>80,937</b>	<b>86,974</b>	<b>95,712</b>	<b>100,364</b>	<b>106,031</b>	<b>112,910</b>	<b>115,263</b>	<b>2,353</b>	<b>2.1%</b>
<b>A. Local currency debt</b>	<b>48,255</b>	<b>49,340</b>	<b>50,198</b>	<b>56,312</b>	<b>61,752</b>	<b>65,195</b>	<b>70,528</b>	<b>70,555</b>	<b>27</b>	<b>0.0%</b>
1. Central Bank (including REPOs)	13,130	16,374	15,049	17,171	19,855	24,308	30,150	29,366	(784)	-2.6%
2. Commercial Banks	27,214	25,177	27,267	29,905	31,468	29,878	29,581	30,264	683	2.3%
3. Other local debt (T-bills)	7,911	7,789	7,882	9,236	10,429	11,009	10,797	10,925	128	1.2%
o/w Public entities	6,268	6,538	6,479	7,117	7,701	8,461	8,718	8,848	130	1.5%
o/w Contractor bonds	-	41	134	134	180	180	139	80	(59)	-42.4%
*Accrued interest included in debt	867	788	789	877	1,029	997	1,098	1,061	(37)	-3.4%
<b>B. Foreign currency debt</b>	<b>31,070</b>	<b>31,597</b>	<b>36,776</b>	<b>39,400</b>	<b>38,612</b>	<b>40,836</b>	<b>42,382</b>	<b>44,708</b>	<b>2,326</b>	<b>5.5%</b>
<b>4. Eurobonds</b>	<b>26,738</b>	<b>27,490</b>	<b>32,789</b>	<b>35,533</b>	<b>34,850</b>	<b>37,561</b>	<b>39,240</b>	<b>41,275</b>	<b>2,035</b>	<b>5.2%</b>
Of which, Paris II at preferential rates <sup>(2)</sup>	3,677	3,161	2,646	2,130	1,615	1,099	583	326	(258)	-44.2%
Of which, Paris III at preferential rates <sup>(3)</sup>	709	663	317	271	226	181	136	113	(23)	-16.7%
Of which, market-issued Eurobonds	21,870	23,258	29,427	32,688	32,584	35,846	38,063	40,368	2,305	6.1%
* Accrued Interest on Eurobonds	483	407	400	444	425	435	458	468	10	2.2%
<b>5. Loans</b>	<b>4,265</b>	<b>4,033</b>	<b>3,884</b>	<b>3,738</b>	<b>3,648</b>	<b>3,207</b>	<b>3,079</b>	<b>3,396</b>	<b>317</b>	<b>10.3%</b>
5.1 Paris II loans	460	407	279	208	128	83	48	34	(14)	-29.2%
5.2 Paris III loans <sup>(4)</sup>	1,147	1,060	997	915	760	629	525	492	(33)	-6.3%
5.3 Bilateral loans (non-Paris II and III)	723	766	832	827	1,200	1,054	953	944	(10)	-1.0%
5.4 Multilateral loans (non-Paris II and III)	1,911	1,837	1,762	1,694	1,506	1,417	1,494	1,847	353	23.6%
5.5 Foreign Private Sector Loans	24	18	14	94	54	24	59	80	21	35.6%
<b>6. Other debt</b>	<b>67</b>	<b>74</b>	<b>103</b>	<b>129</b>	<b>114</b>	<b>68</b>	<b>63</b>	<b>37</b>	<b>(26)</b>	<b>-41.3%</b>
6.1 Special Tbls in Foreign currency <sup>(5)</sup>	67	74	103	129	114	68	63	37	(26)	-41.3%
<b>Public sector deposits</b>	<b>11,419</b>	<b>10,984</b>	<b>12,916</b>	<b>15,495</b>	<b>13,965</b>	<b>13,227</b>	<b>14,268</b>	<b>14,752</b>	<b>484</b>	<b>3.4%</b>
<b>Net debt</b>	<b>67,906</b>	<b>69,953</b>	<b>74,058</b>	<b>80,217</b>	<b>86,399</b>	<b>92,804</b>	<b>98,642</b>	<b>100,511</b>	<b>1,869</b>	<b>1.9%</b>
<b>Gross Market debt<sup>(6)</sup></b>	<b>51,301</b>	<b>50,129</b>	<b>58,614</b>	<b>65,379</b>	<b>67,373</b>	<b>68,799</b>	<b>70,303</b>	<b>73,294</b>	<b>2,991</b>	<b>4.3%</b>
<b>% of total debt</b>	<b>64.7%</b>	<b>61.9%</b>	<b>67.4%</b>	<b>68.3%</b>	<b>67.1%</b>	<b>64.9%</b>	<b>62.3%</b>	<b>63.6%</b>	<b>1.3%</b>	<b>2.1%</b>

Source: MOF, BDL

Notes:

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

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Issued to Malaysia as part of its Paris III contribution.

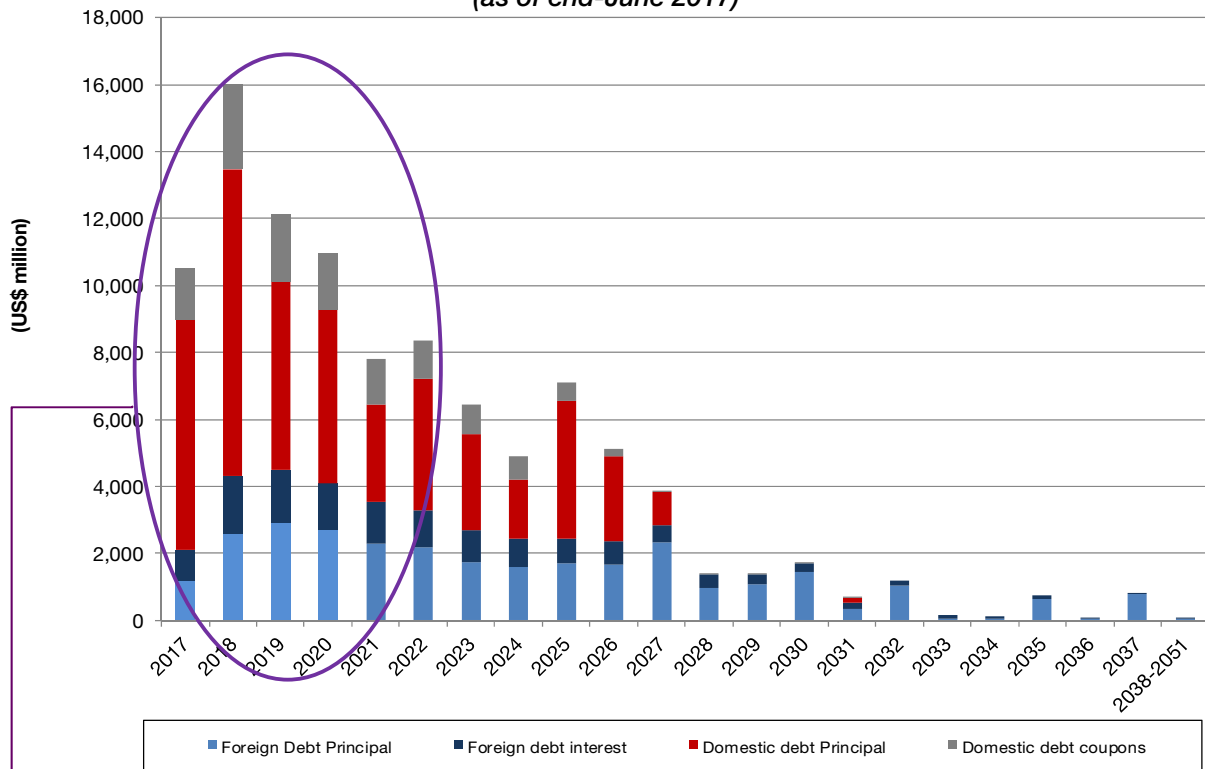
<sup>(4)</sup> IBRD loan, UAE loan and French loan of which the first tranche was received in February 2008 and the second tranche in September 2012

<sup>(5)</sup> Special Tbls in Foreign currency (expropriation and contractor bonds).

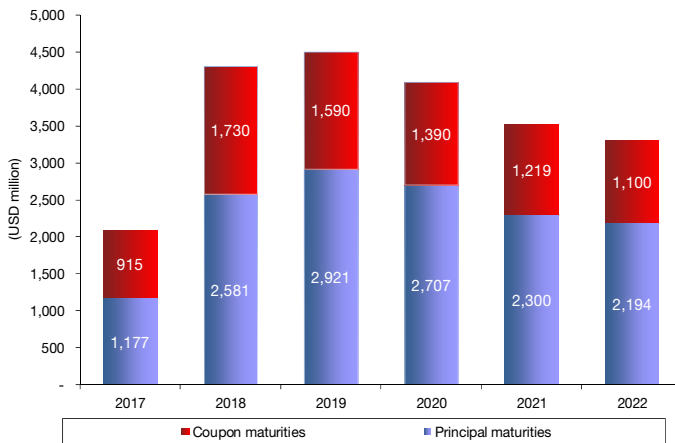
<sup>(6)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

# AMORTIZATION PROFILE

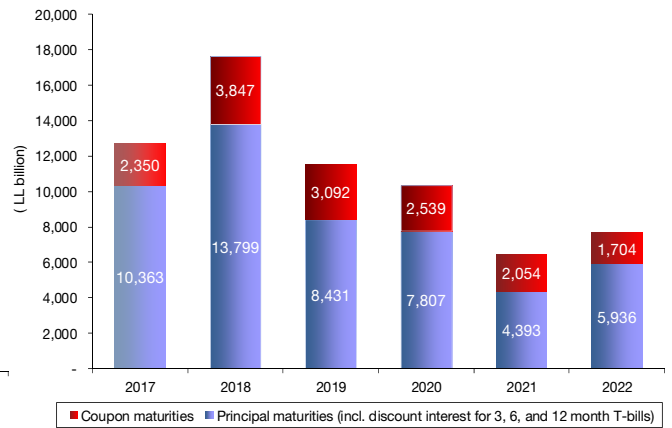
## Aggregate Debt Amortization (as of end-June 2017)



### Foreign Currency Debt (Eurobonds –Loans)



### Domestic T-bills and Bonds

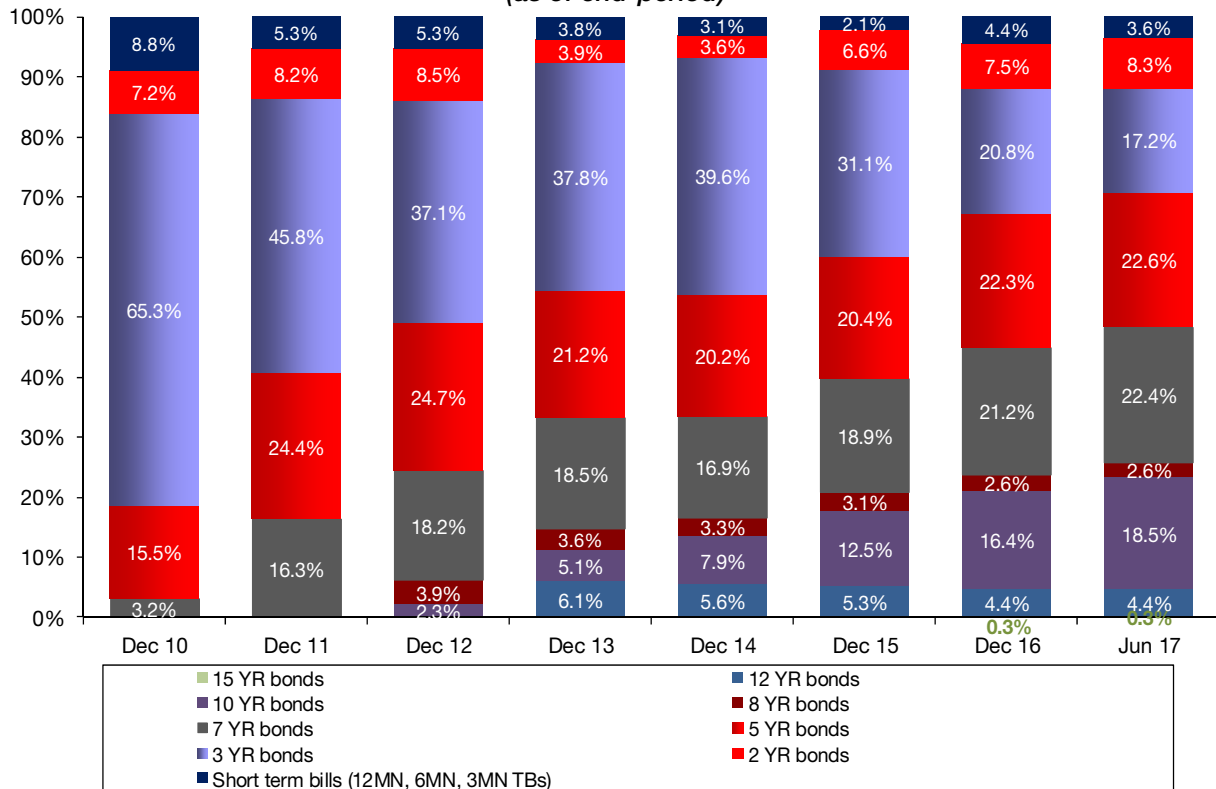


Source: MOF, BDL

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)



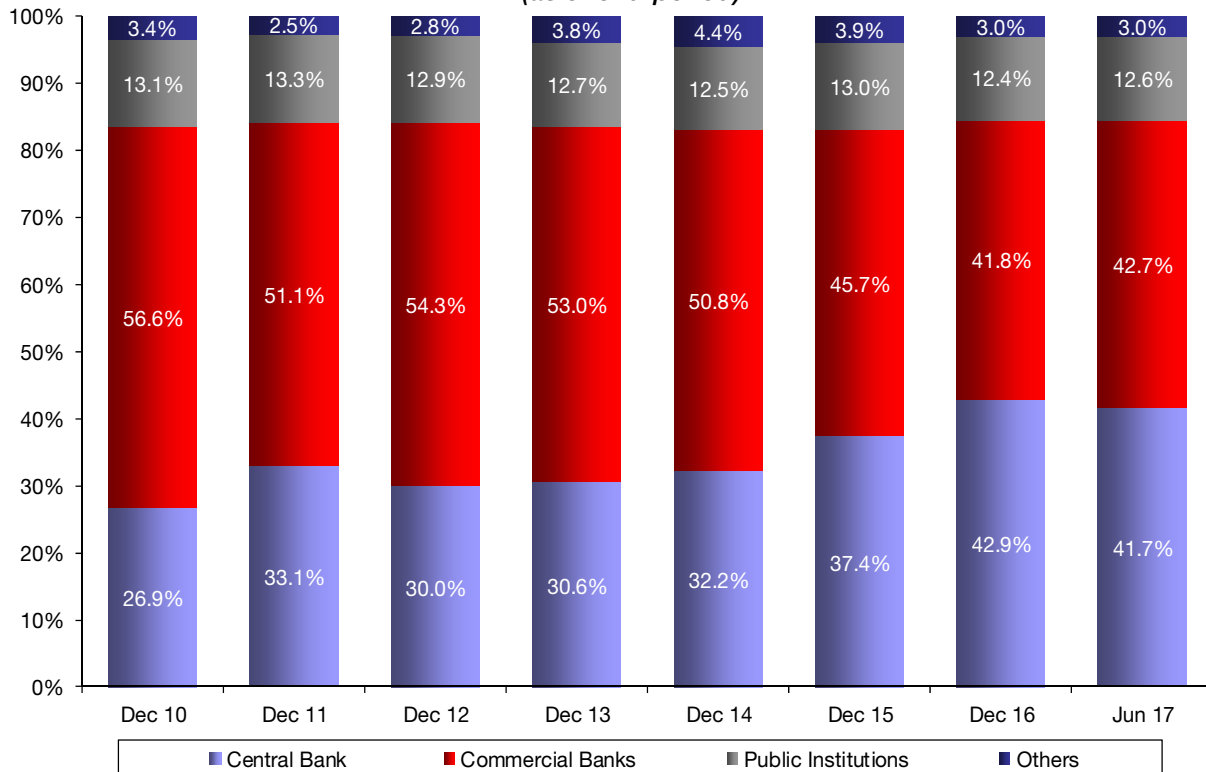
Source: MOF

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 80 billion contractor bonds issued in Aug 2012, Jan 2014, Nov 2014 and July 2016.

## 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.

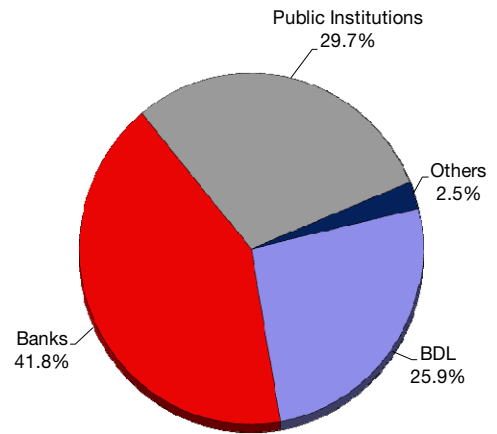
## DOMESTIC CURRENCY DEBT DATA

### T-Bills and Bonds Subscription Results— QII 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
06-04-17	25	-	80	-	-	101	-	-	206
13-04-17	-	26	-	125	-	-	-	100	251
20-04-17	25	-	79	-	-	101	-	-	205
27-04-17	-	27	-	-	126	-	100	-	254
04-05-17	51	-	53	-	-	101	-	-	205
11-05-17	-	52	-	176	-	-	-	250	479
18-05-17	51	-	53	-	-	101	-	-	205
25-05-17	-	52	-	-	206	-	171	-	428
01-06-17	51	-	53	-	-	101	-	-	204
08-06-17	-	92	-	331	-	-	-	341	764
15-06-17	25	-	53	-	-	51	-	-	129
22-06-17	-	16	-	-	110	-	75	-	201
29-06-17	25	-	53	-	-	50	-	-	129
Total QII	253	264	425	633	442	606	346	691	3,661
Grand Total	643	641	775	1,571	1,311	3,156	845	1,464	10,406

#### QII 2017 Subscription Results by Holder



During QII 2017 the largest subscriber in DX Treasury bills and bonds were the banks reaching 41.8 percent of the total subscriptions down from 65.9 percent in QI 2017. Public institutions share amounted to 29.7 percent of total quarter subscriptions while BdL share stood at 25.9 percent compared to 21.5 percent and 11.2 percent in QI 2017 respectively.

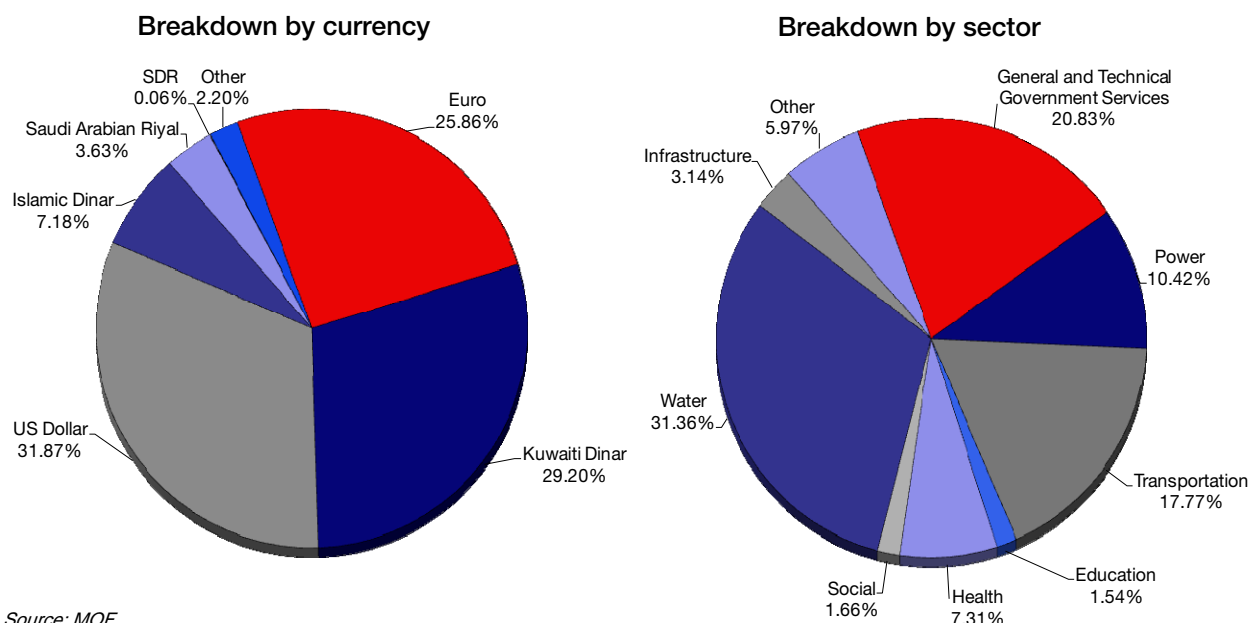
#### Domestic Treasury Bills & Bonds Auction Calendar QII-2017

Auction Date	July					August					September				Frequency
	3	10	17	24	31	7	14	21	28	4	11	18	25		
Issue Date	6	13	20	27	03-Aug	10	17	24	31	7	14	21	28		
3 M		x		x		x		x		x		x		6	
6 M	x		x		x		x		x		x		x	7	
12 M			x		x		x		x		x		x	6	
2 Y	x				x				x				x	4	
3 Y			x				x				x			3	
5 Y		x		x			x		x		x		x	6	
7 Y			x				x				x			3	
10 Y	x				x				x				x	4	

Source: MOF

# FOREIGN CURRENCY DEBT DATA

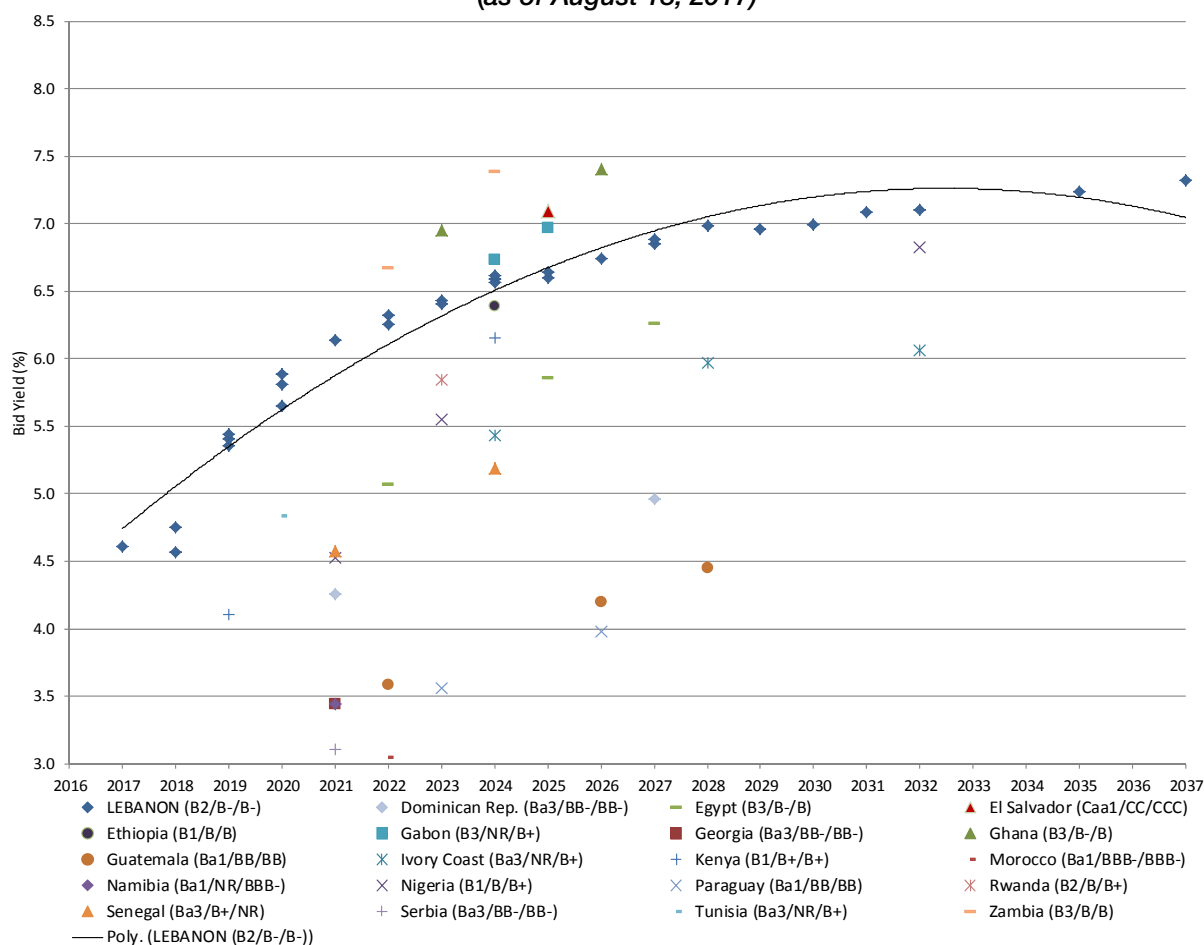
## Bilateral and Multilateral Loans (as of end-June 2017)



Source: MOF

The gross outstanding debt comprises less than 3% of loans in foreign currency amounting to LBP 3,397 billion, which is mostly for project financing.

## Yields for Republic of Lebanon Eurobonds and Comparables (as of August 18, 2017)



Source: DB, MOF

# FOREIGN CURRENCY DEBT DATA

## Marketable Eurobonds end June 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 (QII 2017- QI 2017)
<b>EURO</b>							
LEB 5	28/11/2018	445,000,000	101.75	102.50	3.75	395	119
<b>US DOLLARS</b>							
LEB 5	12/10/2017	775,000,000	100.20	100.70	3.28	196	-17
LEB 5.15	12/06/2018	700,000,000	100.38	100.88	4.46	301	56
LEB 5.15	12/11/2018	1,025,000,000	100.38	100.88	4.66	315	53
LEB 5.5	23/04/2019	500,000,000	100.50	101.50	4.91	332	55
LEB 6	20/05/2019	650,000,000	101.38	102.38	4.94	334	41
LEB 5.45	28/11/2019	1,500,000,000	100.13	101.13	5.17	350	66
LEB 6.375	09/03/2020	1,200,000,000	101.88	102.88	5.41	371	72
LEB 5.8	14/04/2020	700,000,000	100.38	101.38	5.45	374	58
LEB 6.15	19/06/2020	600,000,000	101.25	102.25	5.50	376	54
LEB 8.25	12/04/2021	2,092,469,000	107.88	108.88	5.74	395	69
LEB 6.25	27/05/2022	500,000,000	101.88	102.88	5.69	376	18
LEB 6.1	04/10/2022	1,540,000,000	100.25	101.25	5.93	397	49
LEB 6	27/01/2023	1,100,000,000	99.63	100.63	5.97	399	44
LEB 6.4	26/05/2023	500,000,000	101.50	102.50	5.99	399	26
LEB 6.65	22/04/2024	700,000,000	101.50	102.50	6.28	421	30
LEB 6.25	04/11/2024	538,467,000	99.13	100.13	6.31	421	22
LEB 7	03/12/2024	250,000,000	103.38	104.38	6.34	423	9
LEB 6.2	26/02/2025	800,000,000	98.63	99.63	6.35	422	18
LEB 6.25	12/06/2025	800,000,000	98.75	99.75	6.37	424	15
LEB 6.6	27/11/2026	1,600,000,000	100.25	101.25	6.49	429	24
LEB 6.85 *	23/03/2027	1,250,000,000	100.75	101.75	6.67	446	N/A
LEB 6.75	29/11/2027	1,000,000,000	99.88	100.88	6.70	445	23
LEB 6.65	03/11/2028	893,197,000	98.63	99.63	6.76	448	18
LEB 6.85	25/05/2029	1,000,000,000	100.13	101.13	6.77	448	14
LEB 6.65	26/02/2030	1,400,000,000	98.50	99.50	6.77	446	15
LEB 7	22/04/2031	300,000,000	100.75	101.75	6.86	452	5
LEB 7 *	23/03/2032	1,000,000,000	100.25	101.25	6.92	457	N/A
LEB 7.05	02/11/2035	600,000,000	99.75	100.75	7.02	463	10
LEB 7.25 *	23/03/2037	750,000,000	100.50	101.50	7.15	474	N/A

Source: DB

\* Eurobonds issued in a triple-tranche transaction on 23 March 2017.

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

List of Outstanding Eurobonds (values as of June 30, 2017)							
ISIN CODE	Eurobond	Outstanding Amount (USD)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS III</b>							
XS0312416000	USD \$300 MN - July 2017	75,000,000	1	USD	3.750%	07/20/17	0.00
<b>EUROBONDS ISSUED IN THE CONTEXT OF PARIS II</b>							
XS0160456322	USD 950 MN - Dec 2017	32,500,000	1	USD	5.000%	12/27/17	0.42
XS0160503347	USD 2,007.511 MN - Dec 2017	100,375,550	2	USD	4.000%	12/31/17	0.42
XS0164502352	USD 700 MN - Mar 2018	70,000,000	1	USD	5.000%	03/07/18	0.42
XS0169203048	USD 200 MN - May 2018	20,000,000	1	USD	5.000%	05/27/18	0.59

\*\*The Eurobond 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).

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