

DEBT AND DEBT MARKETS

A Quarterly Bulletin of the Ministry of Finance

Issue No. 37, Quarter II 2016



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

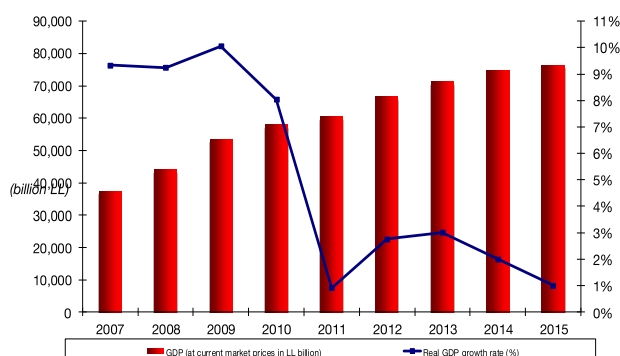
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HIGHLIGHTS

- At end of QII 2016, gross public debt stood at LL 109,878 billion (US\$ 72.89 billion), a 3.64 percent increase compared to end-2015.
- Net public debt registered LL 95,170 billion (US\$ 63.13 billion) at end-QII 2016, an increase of 2.57 percent from the end-2015 level.
- Domestic currency debt reached LL 66,276 billion at end-QII 2016, an increase of 1.66 percent compared to end-2015.
- The largest subscriber in DX Treasury bills and bonds in QII 2016 were the Banks reaching 44.34 percent of the total subscriptions. BdL share stood at 36.59 percent while Public institutions share 18.07 percent of total subscriptions.
- During QII 2016, primary market rates on Treasury bills and bonds issued remained unchanged compared to end QI 2016 levels.
- Foreign currency debt totaled LL 43,602 billion (US\$ 28.92 billion) at the end-QII 2016, a 6.82 percent increase from the end-2015 level.
- On April 22nd, 2016 the Lebanese Republic issued a US\$ 1 Billion dual-tranche Eurobond, under the Republic's Global Medium Term Note Program, noting that the program's ceiling was increased earlier during the year to USD 28 billion from USD 25 billion. The new notes issued in April carried a weighted average yield of 6.755 percent and an average time to maturity of 10.10 years. The first series consisted of a US\$ 700 million 6.65% coupon Eurobond due April 2024 (Series 78) issued at par. The second series was a US\$ 300 million 7.00% coupon Eurobond due April 2031 (Series 79) issued at par. Together, the issued tranches were oversubscribed by 128 percent.
- On 27 May 2016 the Lebanese Ministry of Finance (MoF) conducted a "Debt Replacement Agreement" with the Central Bank (BdL), whereby MoF issued to BDL US\$ 2.0 billion in Eurobonds and BDL redeemed to MoF Treasury bonds in Lebanese Pounds.
- The three series consisted of a US\$ 500 million 6.25 percent coupon Eurobond due May 2022 (Series 80), a US\$ 500 million 6.40 percent coupon Eurobond due May 2023 (Series 81), and a US\$ 1,000 million 6.85 percent coupon Eurobond due May 2029 (Series 82).

THE LEBANESE ECONOMY

GDP and GDP growth



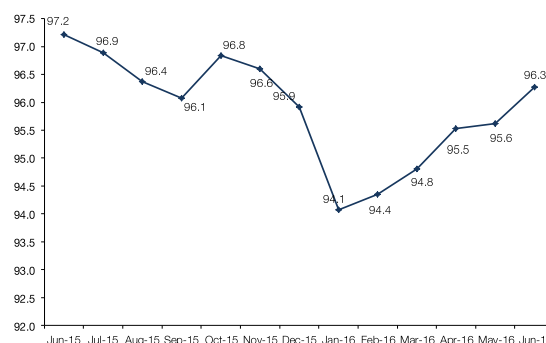
Source: National Accounts

Notes:

1- GDP 2006-2013: Lebanese National Accounts - CAS revised estimates - Comments and Tables 2004-2013. Published in December 2014.

2- GDP 2014-2015 using the IMF growth rate and deflator published on WEO - April 2016

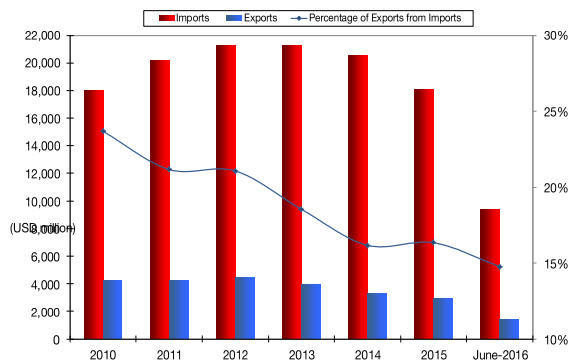
CPI Index
Jun 2015 – Jun 2016



Source: Central Administration of Statistics / CPI - Dec 2013= 100.

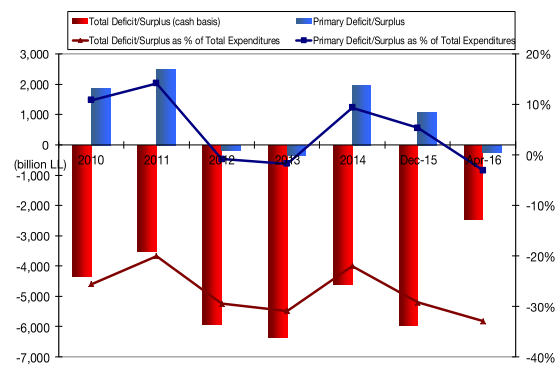
THE LEBANESE ECONOMY

Trade Statistics (as of end-period)



Source: MoF, Directorate of Customs

Fiscal Performance

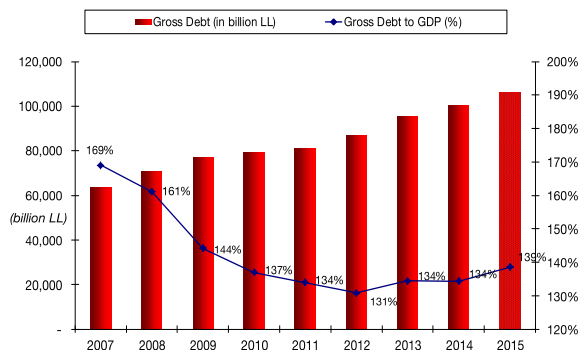


Source: MOF

Note: Revenues are calculated from the latest Fiscal Performance published and are based on actual cash transfers made to MoF. For further details refer to the Ministry of Finance website.

OVERALL DEBT DATA

Gross Public Debt

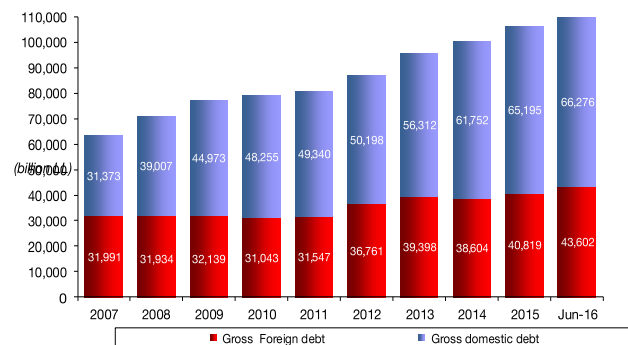


Source: National Accounts

Notes:

- 1- GDP 2006-2013: Lebanese National Accounts - CAS revised estimates - Comments and Tables 2004-2013. Published in December 2014.
- 2- GDP 2014-2016 using the IMF growth rate and deflator published on WEO - April 2016

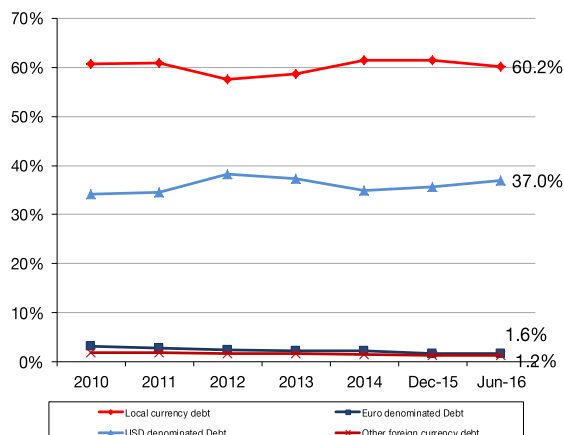
Historical Debt Evolution (as of end-period)



Source: MOF, BDL

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

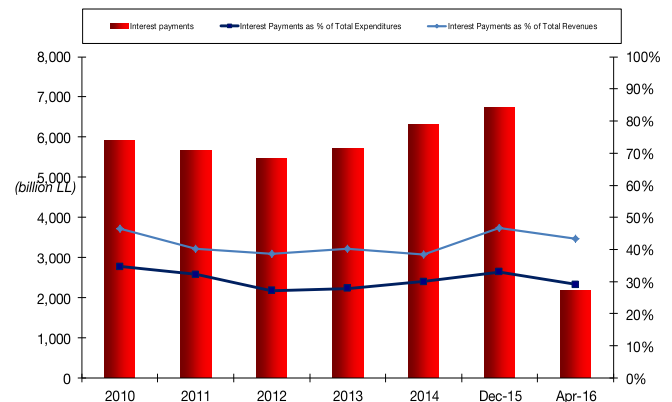
Outstanding Debt by Currency Composition (as of end-period)



Source: MOF

Note: Excluding accrued interest.

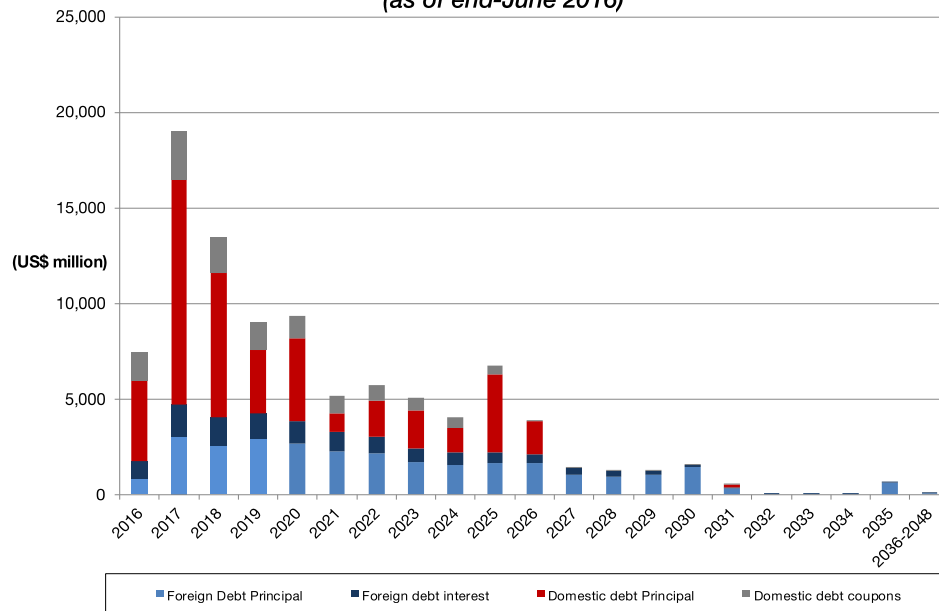
Interest Payments



Source: MOF

OVERALL DEBT DATA

Aggregate Debt Amortization Profile
(as of end-June 2016)



Source: MOF, BDL

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

Public Debt Table ⁽¹⁾
(as of end-June 2016)

Public Debt (in LL billion)	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Jun-16	Change June 16- Dec 15	% Change June 16- Dec 15
Gross Public Debt (A + B)	79,298	80,887	86,959	95,710	100,356	106,014	109,878	3,864	3.6%
A. Local currency debt	48,255	49,340	50,198	56,312	61,752	65,195	66,276	1,081	1.7%
1. Central Bank (including REPOs)	13,130	16,374	15,049	17,171	19,855	24,308	28,560	4,252	17.5%
2. Commercial Banks	27,214	25,177	27,267	29,905	31,468	29,878	26,749	(3,129)	-10.5%
3. Other local debt (T-bills)	7,911	7,789	7,882	9,236	10,429	11,009	10,967	(42)	-0.4%
o/w Public entities	6,268	6,538	6,479	7,117	7,701	8,461	8,574	113	1.3%
o/w Contractor bonds	-	41	134	134	180	180	180	-	0.0%
*Accrued interest included in debt	867	788	789	877	1,029	997	960	(37)	-3.7%
B. Foreign currency debt	31,043	31,547	36,761	39,398	38,604	40,819	43,602	2,783	6.8%
4. Eurobonds	26,738	27,490	32,789	35,533	34,850	37,561	40,349	2,788	7.4%
Of which, Paris II at preferential rates ⁽²⁾	3,677	3,161	2,646	2,130	1,615	1,099	841	(258)	-23.5%
Of which, Paris III at preferential rates ⁽³⁾	709	663	317	271	226	181	158	(23)	-12.5%
Of which, market-issued Eurobonds	21,870	23,258	29,427	32,688	32,584	35,846	38,865	3,018	8.4%
* Accrued Interest on Eurobonds	483	407	400	444	425	435	485	50	11.5%
5. Loans	4,231	3,977	3,860	3,729	3,640	3,190	3,187	(3)	-0.1%
5.1 Paris II loans	460	407	279	208	128	83	67	(16)	-19.3%
5.2 Paris III loans ⁽⁴⁾	1,147	1,060	997	915	760	629	585	(44)	-7.0%
5.3 Bilateral loans (non-Paris II and III)	723	766	832	821	1,192	1,040	1,016	(25)	-2.4%
5.4 Multilateral loans (non-Paris II and III)	1,877	1,781	1,738	1,691	1,506	1,414	1,502	88	6.2%
5.5 Foreign Private Sector Loans	24	18	14	94	54	24	18	(6)	-25.0%
6. Other debt	74	80	112	136	114	68	66	(2)	-2.9%
6.1 Special Tbls in Foreign currency ⁽⁵⁾	74	80	112	136	114	68	66	(2)	-2.9%
Public sector deposits	11,419	10,984	12,916	15,495	13,965	13,227	14,708	1,481	11.2%
Net debt	67,879	69,903	74,043	80,215	86,391	92,787	95,170	2,383	2.6%
Gross Market debt ⁽⁶⁾	51,308	50,135	58,623	65,386	67,373	68,799	68,576	(224)	-0.3%
% of total debt	64.7%	62.0%	67.4%	68.3%	67.1%	64.9%	62.4%	-2.5%	-3.8%

Source: Ministry of Finance, Banque du Liban

Notes:

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

1- Debt data for December 2010 and December 2015 may be subject to slight modification.

2- Figure of Gross Public Debt in this report may differ from the figure in September 2015 PFM report to be published.

⁽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.

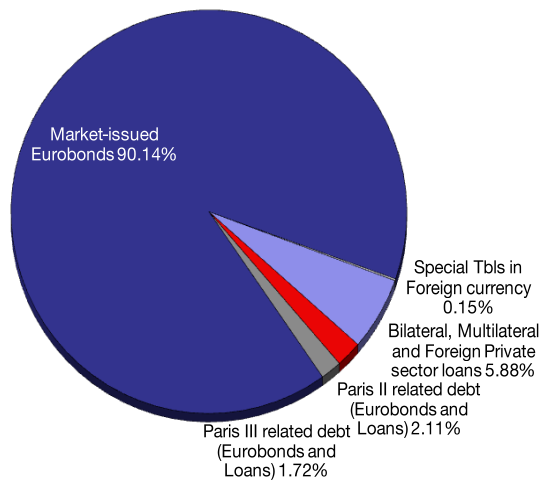
⁽⁴⁾ IBRD loan, UAE loan and French loan of which the first tranche was received in February 2008 and the second tranche in September 2012

⁽⁵⁾ Special Tbls in Foreign currency (expropriation and contractor 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.

FOREIGN CURRENCY DEBT DATA

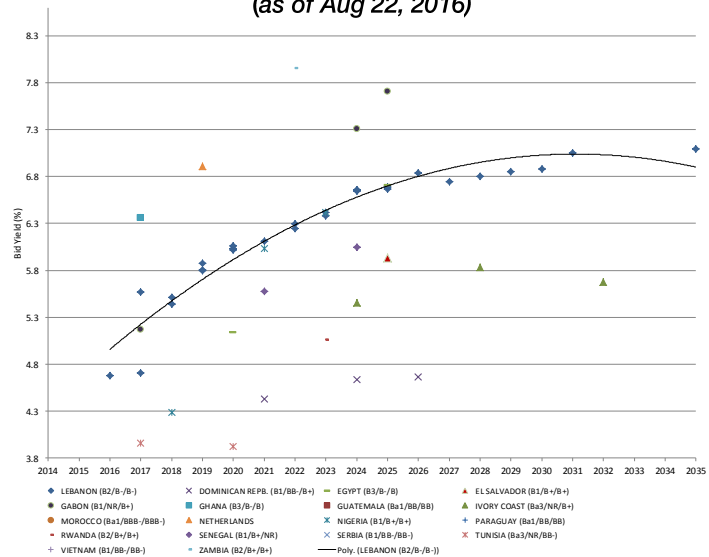
Outstanding Foreign Currency Debt by Holder
(as of end-June 2016)



Source: MOF, BDL

Note: Does not include accrued interest.

Yields for Republic of Lebanon Eurobonds
and Comparable [USD Eurobonds]
(as of Aug 22, 2016)



Source: DB, MOF

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.35 2018	103.50	104.50	3.92	3.53	406	366
US Dollars						
LEB 4.75 2016	100.00	100.63	4.71	2.79	406	212
LEB 9 2017	103.00	103.50	4.63	3.93	396	326
LEB 5 2017	99.63	100.63	5.30	4.48	461	379
LEB 5.15 2018	99.75	100.75	5.29	4.74	456	401
LEB 5.15 2018	99.63	100.63	5.32	4.86	456	410
LEB 5.5 2019	99.25	100.25	5.79	5.40	500	461
LEB 6 2019	100.50	101.50	5.81	5.43	502	463
LEB 5.45 2019	98.75	99.75	5.86	5.53	503	469
LEB 6.375 2020	101.13	102.13	6.03	5.72	517	486
LEB 5.8 2020	99.13	100.13	6.06	5.76	520	489
LEB 6.15 2020	100.00	101.00	6.15	5.86	527	498
LEB 8.25 2021	108.00	109.00	6.28	6.05	534	510
LEB 6.1 2022	98.13	99.13	6.47	6.27	541	520
LEB 6 2023	97.25	98.25	6.52	6.33	544	524
LEB 6.25 2024	96.50	97.50	6.81	6.64	560	543
LEB 7 2024	101.25	102.25	6.80	6.65	560	544
LEB 6.2 2025	96.00	97.00	6.82	6.66	560	543
LEB 6.25 2025	96.00	97.00	6.86	6.70	562	546
LEB 6.6 2026	97.50	98.00	6.94	6.87	556	549
LEB 6.75 2027	98.13	99.13	6.99	6.86	563	549
LEB 6.65 2028	97.00	98.00	7.02	6.89	562	549
LEB 6.65 2030	96.25	97.25	7.08	6.96	564	552
LEB 7.05 2035	98.00	99.00	7.24	7.15	568	558
LEB 6.65 2030	97.63	98.63	6.92	6.80	518	506
LEB 7.05	99.50	100.50	7.10	7.00	524	514

Source: DB 30 June 2016

Lebanon Secondary Issues						
	Price		Yield		Z-Spread	
	Bid	Ask	Bid	Ask	Bid	Ask
EURO						
LEB 5.35 2018	103.00	104.00	3.93	3.47	415	367
US Dollars						
LEB 4.75 2016	100.00	100.38	4.68	2.66	386	182
LEB 9 2017	102.38	102.88	4.70	3.83	380	293
LEB 5 2017	99.38	100.38	5.57	4.65	462	370
LEB 5.15 2018	99.50	100.50	5.44	4.85	445	386
LEB 5.15 2018	99.25	100.25	5.51	5.03	450	401
LEB 5.5 2019	99.25	100.25	5.81	5.40	478	436
LEB 6 2019	100.50	101.50	5.80	5.40	476	436
LEB 5.45 2019	98.75	99.75	5.87	5.53	481	447
LEB 6.375 2020	101.13	102.13	6.02	5.70	494	462
LEB 5.8 2020	99.25	100.25	6.03	5.72	495	464
LEB 6.15 2020	100.30	101.30	6.06	5.76	497	467
LEB 8.25 2021	108.50	109.50	6.11	5.87	499	475
LEB 6.25 2022	100.00	101.00	6.25	6.04	507	486
LEB 6.1 2022	99.00	100.00	6.30	6.10	510	490
LEB 6.4 2023	99.88	100.88	6.42	6.24	519	500
LEB 6 2023	98.00	99.00	6.38	6.19	517	497
LEB 6.25 2024	97.50	98.50	6.65	6.49	536	519
LEB 6.65 2024	100.00	101.00	6.65	6.48	538	521
LEB 7 2024	102.13	103.13	6.66	6.50	537	521
LEB 6.2 2025	97.00	98.00	6.67	6.51	536	520
LEB 6.25 2025	97.13	98.13	6.69	6.53	537	521
LEB 6.6 2026	98.25	99.25	6.84	6.70	547	533
LEB 6.75 2027	100.00	101.00	6.75	6.62	535	522
LEB 6.65 2028	98.75	99.75	6.80	6.68	538	525
LEB 6.85 2029	100.00	101.00	6.85	6.73	542	529
LEB 6.65 2030	98.00	99.00	6.88	6.76	543	531
LEB 7 2031	99.50	100.50	7.05	6.94	558	547
LEB 7.05 2035	99.50	100.50	7.10	7.00	557	546

Source: DB 23th August 2016

Lebanon Sovereign Debt Rating

Agency	Foreign Currency		
	Long – term tenor rating	Short – term tenor rating	Outlook
As of August 22 nd , 2016			
Fitch Ratings	B-	B	Negative
Moody's Investor Services Ltd *	B2	-	Negative
Standard and Poor's **	B-	B	Negative

* Moody's affirmed it's ratings and maintained the negative outlook on 08 June 2016

** Standard and Poor's affirmed its rating and maintained the negative outlook on 03 March 2016

FOREIGN CURRENCY DEBT DATA

List of Outstanding Eurobonds (values as of June 30, 2016)								
ISIN CODE	Eurobond	Outstanding Amount (in original cur)	Outstanding Amount (USD)	No. of tranches	Currency	Coupon Rate	Mat. Date mm/dd/yy	Years to maturity
XS0655338555	USD 500 MN - November 2016*	500,000,000	500,000,000	1	USD	4.750%	11/02/16	0.34
XS0418193917	USD 1,500 MN - March 2017	1,500,000,000	1,500,000,000	2	USD	9.000%	03/20/17	0.72
XS0769530238	USD 775 MN - October 2017	775,000,000	775,000,000	2	USD	5.000%	10/12/17	1.28
XS0793155838	USD 700 MN - June 2018	700,000,000	700,000,000	1	USD	5.150%	06/12/18	1.95
XS0559237952	USD 1,025 MN - November 2018	1,025,000,000	1,025,000,000	3	USD	5.150%	11/12/18	2.37
XS0707821467	EUR 445 MN - November 2018	445,000,000	495,932,241	2	EUR	5.350%	11/28/18	2.41
XS0922623755	USD 500 MN - April 2019	500,000,000	500,000,000	1	USD	5.500%	04/23/19	2.81
XS0629509943	USD 650 MN - May 2019	650,000,000	650,000,000	1	USD	6.000%	05/20/19	2.89
XS0707819727	USD 1,500 MN - November 2019	1,500,000,000	1,500,000,000	3	USD	5.450%	11/28/19	3.41
XS0493540297	USD 1,200 MN - Mar 2020	1,200,000,000	1,200,000,000	1	USD	6.375%	03/09/20	3.69
XS1052421150	USD 700 MN - April 2020	700,000,000	700,000,000	3	USD	5.800%	04/14/20	3.79
XS0944226637	USD 600 MN - June 2020	600,000,000	600,000,000	1	USD	6.150%	06/19/20	3.97
XS0250882478	USD 2092.469 MN - April 2021	2,092,469,000	2,092,469,000	3	USD	8.250%	04/12/21	4.79
XS1419879504	USD 500 MN - May 2022	500,000,000	500,000,000	1	USD	6.250%	05/27/22	5.91
XS0559237796	USD 1,540 MN - October 2022	1,540,000,000	1,540,000,000	4	USD	6.100%	10/04/22	6.27
XS0859367194	USD 1,100 MN - January 2023	1,100,000,000	1,100,000,000	3	USD	6.000%	01/27/23	6.58
XS1419879686	USD 500 MN - May 2023	500,000,000	500,000,000	1	USD	6.400%	05/26/23	6.91
XS1396347566	USD 700 MN - April 2024	700,000,000	700,000,000	1	USD	6.650%	04/22/24	7.82
XS1313647841	USD 538.467 MN - November 2024	538,467,000	538,467,000	3	USD	6.250%	11/04/24	8.35
XS0471737444	USD 250 MN - December 2024	250,000,000	250,000,000	1	USD	7.000%	12/03/24	8.43
XS1196417569	USD 1000 MN - February 2025	800,000,000	800,000,000	1	USD	6.200%	02/26/25	8.67
XS0793155911	USD 800 MN - June 2025	800,000,000	800,000,000	1	USD	6.250%	06/12/25	8.96
XS0707820659	USD 725 MN - November 2026	1,600,000,000	1,600,000,000	6	USD	6.600%	11/27/26	10.42
XS0859366899	USD 500 MN - November 2027	1,000,000,000	1,000,000,000	3	USD	6.750%	11/29/27	11.42
XS1313675974	USD 500 MN - November 2028	893,197,000	893,197,000	3	USD	6.650%	11/03/28	12.35
XS1419879769	USD 1000 MN - May 2029	1,000,000,000	1,000,000,000	1	USD	6.850%	05/25/29	12.91
XS1196419854	USD 1000 MN - February 2030	1,400,000,000	1,400,000,000	1	USD	6.650%	02/26/30	13.67
XS1396347723	USD 300 MN - April 2031	300,000,000	300,000,000	1	USD	7.000%	04/22/31	14.82
XS1313654623	USD 600 MN - November 2035	600,000,000	600,000,000	1	USD	7.050%	11/02/35	19.35
EUROBONDS ISSUED IN THE CONTEXT OF PARIS III								
XS0312416000	USD \$300 MN - July 2017	105,000,000	105,000,000	1	USD	3.750%	07/20/17	0.79
EUROBONDS ISSUED IN THE CONTEXT OF PARIS II								
XS0160456322	USD 950 MN - Dec 2017	97,500,000	97,500,000	1	USD	5.000%	12/27/17	0.92
XS0160503347	USD 2,007.511 MN - Dec 2017	301,126,650	301,126,650	2	USD	4.000%	12/31/17	0.92
XS0164502352	USD 700 MN - Mar 2018	140,000,000	140,000,000	1	USD	5.000%	03/07/18	0.92
XS0169203048	USD 200 MN - May 2018	40,000,000	40,000,000	1	USD	5.000%	05/27/18	1.09
						Average Time to Maturity (in years, of June 30, 2016):		6.52
						Weighted average coupon rate:		6.41%

* These bonds have a long first interest period for the first coupon payment.

**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).

Euro exchange rate (US\$/Euro) (30 June 2016): 1.114

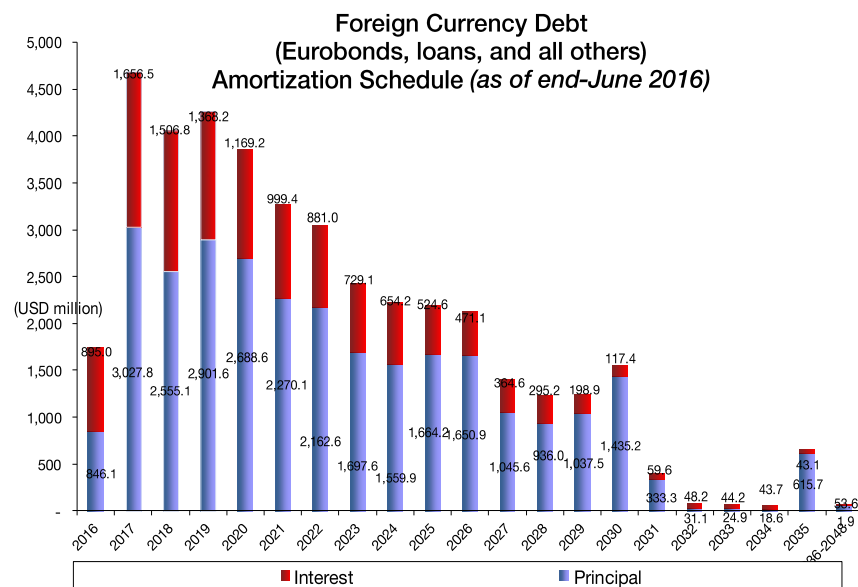
FOREIGN CURRENCY DEBT DATA

Recent Government Eurobond Issuances

Issue Date	Series (Tranche)	Term (years)	Maturity Date	Coupon Rate	Issuance Yield	Amount issued	ISIN Code
27-May-2016	82*	13.0	25-May-2029	6.850	6.850	USD 1,000 MN	XS1419879769
27-May-2016	81*	7.0	26-May-2023	6.400	6.400	USD 500 MN	XS1419879686
27-May-2016	80*	6.0	27-May-2022	6.250	6.250	USD 500 MN	XS1419879504
22-Apr-2016	79	15.0	22-Apr-2031	7.000	7.000	USD 300 MN	XS1396347723
22-Apr-2016	78	8.0	22-Apr-2024	6.650	6.650	USD 700 MN	XS1396347566
19-Jan-2016	76 (3)**	13 (Short)	3-Nov-2028	6.650	6.650	USD 393.197 MN	XS1313675974
19-Jan-2016	75 (3)**	9 (Short)	4-Nov-2024	6.250	6.250	USD 38.467 MN	XS1313647841
4-Nov-2015	77	20.0	2-Nov-2035	7.050	7.050	USD 600 MN	XS1313654623
4-Nov-2015	76(2)	13.0	3-Nov-2028	6.650	6.650	USD 282.417 MN	XS1313675974
4-Nov-2015	76 (1)	13.0	3-Nov-2028	6.650	6.650	USD 217.583 MN	XS1313675974
4-Nov-2015	75 (2)	9.0	4-Nov-2024	6.250	6.250	USD 399.247 MN	XS1313647841
4-Nov-2015	75(1)	9.0	4-Nov-2024	6.250	6.250	USD 100.753 MN	XS1313647841
26-Feb-2015	74	15.0	26-Feb-2030	6.650	6.650	USD 1400 MN	XS1196419854
26-Feb-2015	73	10.0	26-Feb-2025	6.200	6.200	USD 800 MN	XS1196417569

* Series 80-81-82 were issued as a part of a Debt Replacement Agreement between the Ministry of Finance and Banque du Liban.

** Re-opening of Series 75 and 76 through a "Purchase Agreement" dated 18 December 2015 between the Ministry of Finance (MoF) and Banque du Liban (BdL).

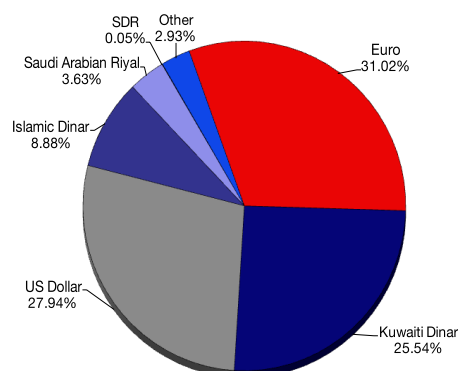


Source: MOF, BDL

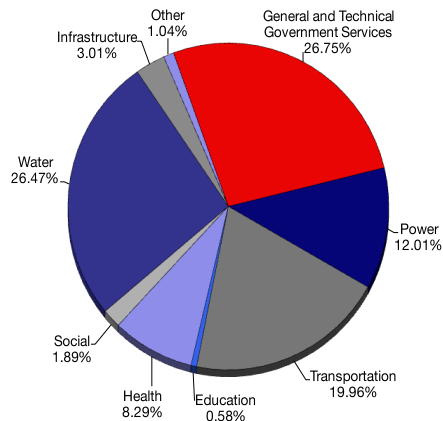
The data used for the amortization schedule is based on outstanding and not on committed amounts.

FOREIGN CURRENCY LOANS DATA

**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by currency
(as of end-June 2016)**



**Bilateral and Multilateral Loans
(concessional and otherwise)
Breakdown by sector
(as of end-June 2016)**

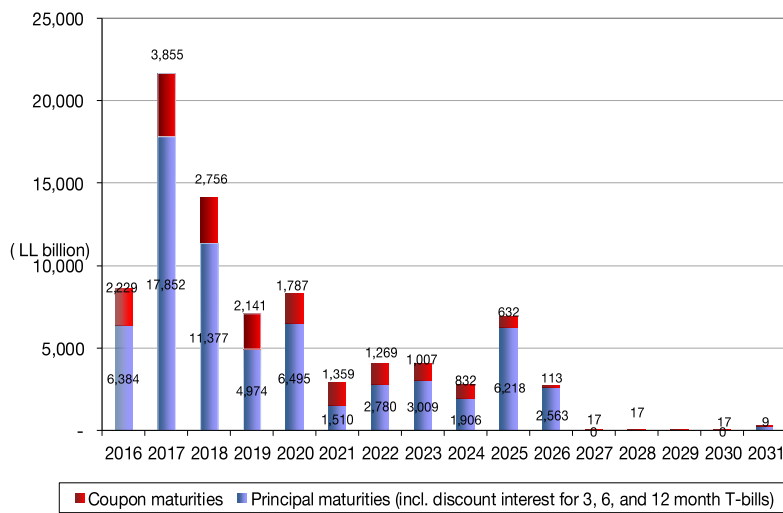


Source: MOF, BDL

Total Outstanding LL 3,187 billion

DOMESTIC CURRENCY DEBT DATA

Amortization Schedule of Domestic T-bills and Bonds



As of end-June 2016

Average Time to Maturity of Domestic Currency T-bills and Bonds (in years)

3.49

Weighted Average Coupon Rate of Domestic Currency T-bills and Bonds

7.02%

Source: MOF, BDL

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

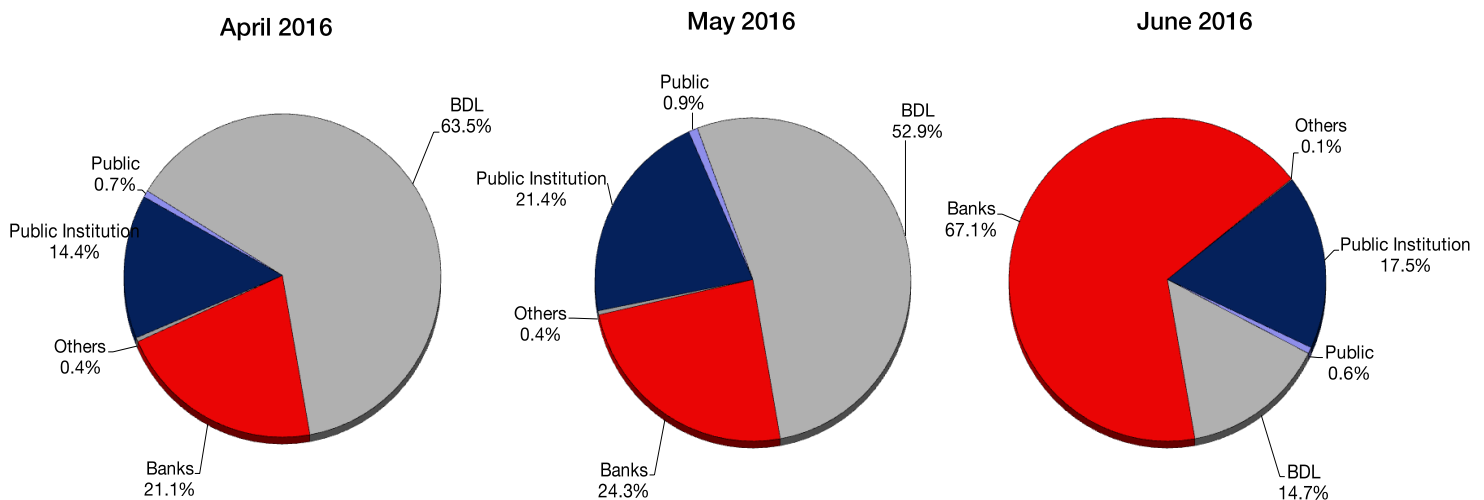
Upcoming Government Treasury Bill and Bond Auctions

Auction Date	Value Date	Tenors to be auctioned
05-Sep-16	08-Sep-16	3MN, 12MN, 5Y
12-Sep-16	15-Sep-16	6MN, 3Y, 7Y
19-Sep-16	22-Sep-16	3MN, 12MN, 5Y
26-Sep-16	29-Sep-16	6MN, 2Y, 10Y

The Ministry of Finance has published on its website the auction calendar for QIII 2016.

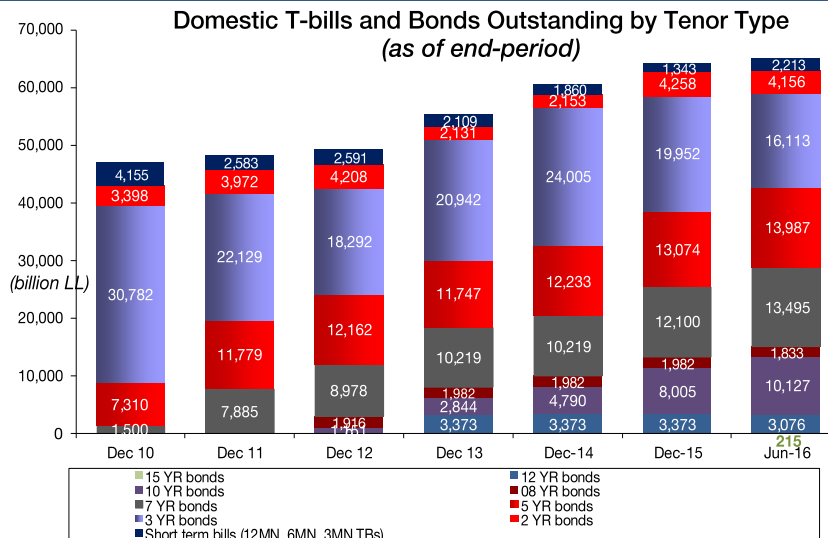
<http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DomesticAuctionCalendar2016.aspx>

T-Bill and Bond Subscription Results by Holder During QII 2016



Source: MOF, BDL

DOMESTIC CURRENCY DEBT DATA

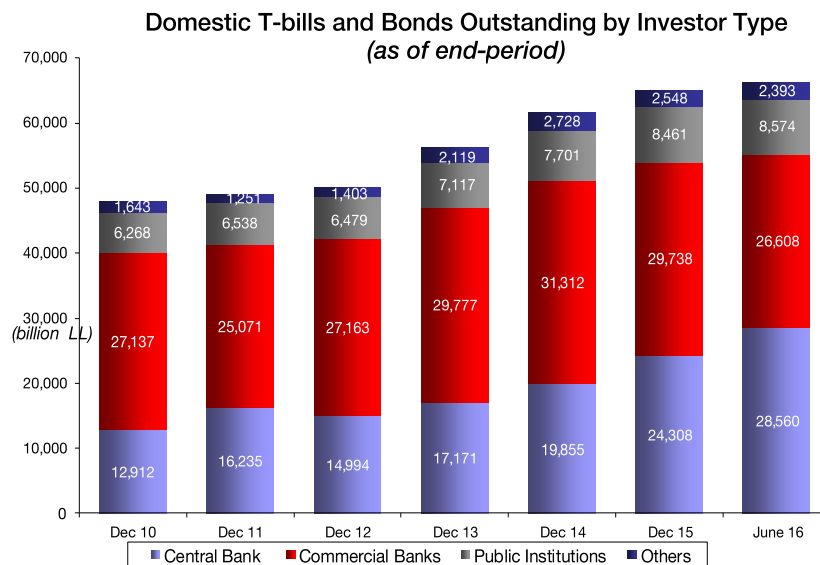


Source: MOF, BDL

Notes:

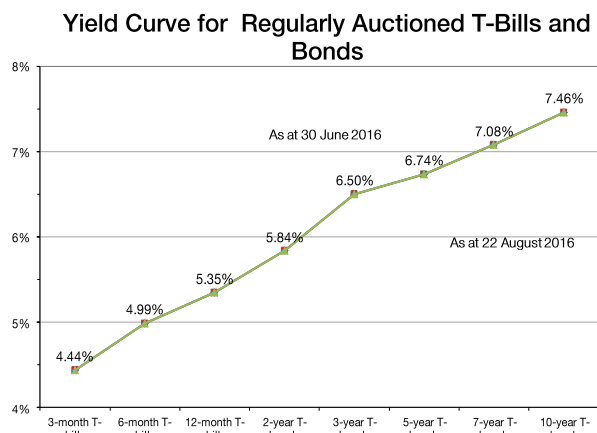
1- Only treasury bills with maturities less than 24 months are issued at a discount to their face value.

2- The 5 YR bonds figure includes LL 180 billion contractor bonds issued in Nov 2011, May 2012, Aug 2012, Jan 2014 and Nov 2014.



Source: MOF, BDL

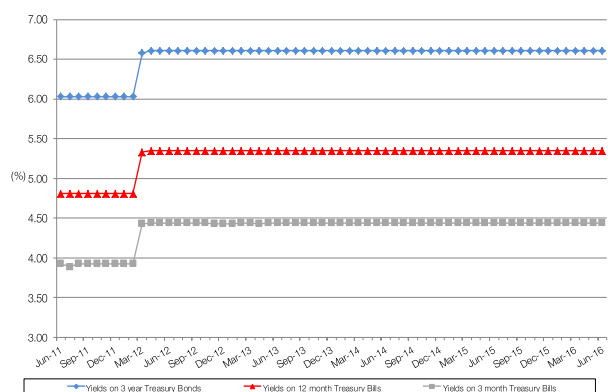
Note: Central Bank figures include the amounts of repurchase agreements.



Source: MoF

For further information, please contact:
Public Debt Directorate
Ministry of Finance
Tel: 961 1 956 000 ext: 1555/1520
Fax: 961 1 983 268
Email: PDD@finance.gov.lb
www.finance.gov.lb

Time Series of Primary Market Rates for T-Bills and Bonds (end-June 2016)



Source: Bdl

Note: Primary rates for 7-8-10-12 year T-bonds issued by the Lebanese government were 7.08%, 7.8%, 7.46% and 8.74% respectively.