Notes

concerning

THE LEBANESE GOVERNMENT'S FINANCIAL RECOVERY PLAN

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(This report has been prepared in collaboration with qualified experts)

A. Some Reference Quotations from the Executive Summary

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8. Competitiveness will be strongly improved by the adjustment of the Lebanese Pound to the market rate in the near future. The existing dual exchange rate is not suited for the long-term recovery of the Lebanese economy. The government plan is based on an estimation of a rate of 3500 US$/LBP.

Mitigating measures will remain in place to protect the poorest segments of the population from inflationary pressures

11. The banking sector is faced with large losses on its credit portfolio, sovereign holdings and its very large exposure to BdL.

Acknowledging these losses is a prerequisite for a long-term solution, while analyzing each bank's situation will help determine each one's needs

12. The aggregate level of losses incurred by Lebanese entities that have to be addressed in the program amount to LBP241 trillion (BUS$ 159.867)**:**

- **LBP73 trillion** (BUS$ 48.425) related to the restructuring of the government's debt (losses generated by excessive fiscal deficits over a long period of time, and notably by very high interests paid to local banks and BdL)
- **LBP66 trillion** (BUS$ 43.780) (related to BdL past accumulated losses (losses generated by loss making transactions aimed at
  - **i. preserving the peg**
  - **ii. and maintain a high dollar inflow, including the financial engineering since 2016)**
- **LBP40 trillion** (BUS$ 26.535) related to banks' losses on their credit portfolio (losses related to non-performing loans generated by the recession)
- **LBP62 trillion** (BUS$ 41.128) of net losses on the balance sheets of BdL and the banks

The losses will materialize in the balance sheets of the BdL and the banks based on an estimation of the **Lebanese Pound at the rate of 3,500 US$/LBP**

- **LBP177 trillion** (BUS$ 117.413) aggregated losses in the BdL balance sheet
- **LBP64 trillion** (BUS$ 42.454) direct aggregated losses in the banks' balance sheets

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B. Table of Estimated Loss

Losses in Tri LL	Initial	Adj	Note
The aggregate level of losses	-154	-81	
Restructuring Government's debt	-73	-57	*1*
BdL past accumulated losses	-66	-32	*2*
Bank NPL	-40	-15	3
Net gain or losses on BS of BdL + Bank(FX at 3,500 LL/$)	-62	+23	*4*
Current capital base	+31		
BdL balance sheet Loss	-177	-93	*5*
Existing capital base	6	0	
Netting against value adjustment, Currency/Gold revaluation	36	14	*6*
Transitory negative equity position / Money in circulation	14	15	*6*
Provision for Contingencies		5	*6*
Estimated BDL's FX gain based on FX rate at 3,500LBP		7	*6*
Other contingent adjustment		35	*7*
Total Loss coverage	56	76	
Remaining Losses	-121	-17	
Banks' balance sheets Loss	-64	-64	*8*
Remaining Losses	-33	-64	
Net remaining losses	-154	-81	

C. Notes

Note 1: Loss from Restructuring Government's debt

Restructuring Government's debt	-73	-57	54.8%

The haircut on Eurobonds and T-bills were taken at 60% and 30%

BDL and Banks are holding 16.7BS in Eurobonds and 58.3TLL in T-Bills

The actual distribution of Eurobond is as follow

- 5.1 B$ BDL
- 11.6 B$ Bank

- 13.7 B$ Foreign Funds
- 1.6 B$ Other

The T-Bills distribution is as per below table

Fev-2020	
II. Local currency debt	**87,696**
1. Central Bank	**51,116**
1.1 Loans to public entities	0
1.2 Treasury bills portfolio	51,116
2. Banks	**25,092**
2.1 Treasury bills portfolio	24,834
2.1.1 repurchase agreements	11,943
2.2 Listed tbs	0
2.3 Other loans	258
3. Other local debt (Tbs)	**11,488**
3.1 Public tbs	799
3.1.1 contractors	120
3.2 Public entities tbs	10,236
3.3 Financial institutions tbs	453
** Accrued interest included in debt*	*1,360*

Loss on BDL and Bank share in Eurobond and T-Bills are estimated as per considered haircut (60% and 30%), is estimated to be around **57TLL**

(Detail in Note 5&8)

Note 2: BDL past accumulated losses

BdL past accumulated losses	--66	**-32**	30.8%

Generated from financial engineering and subsidizing cost of funds of the treasury bills to support the inflow of foreign capital, and to hold the conversion from LBP to dollar thru swap.

The **66TLL** are offset with

- revaluation of Gold (art 115). **14TLL**
- Contingency reserve in the BS **5TLL**

- Money in circulation which represent the seignorage of **15TLL** (gain of 10 B$),

Thus, reducing the balance from **66 to 32 TLL**

Note 3: NPL losses

Bank NPL	-40	**-16**	14.40%

Total loan was 63B$ in October and dropped to 43B$.:

- ➞ 10 B$ retail
- ➞ 33 B$ corporate (coming down from 53 B$),

This offset has resulted in drop in deposit

a. *NPL on Corporate*

NPL are mostly in corporate, where 20% of corporate are subsidized and can't default.

From the remaining 26.4 B$ the default part is 25%, equivalent to 6.6B$, or 23 TLL.

Out of these 6,6 B$ (23 TLL), if we assume 50% recovery thru mortgage, this will bring the **impairment** to 3.3 B$ **(11.5 TLL)**.

b. *NPL on retail*

Retail consist mainly of mortgages on housing loan, majority being in LBP. NPL on retail may reach a blended rate of 10% equivalent to 1 B$ **(3.5 TLL)**

Loss due to NPL will amount to 15TLL

Note 4: Net gain or losses on BS of BdL + Bank(FX at 3,500 LL/$)

Net losses on BS of BdL + Bank	**-62**	**23**

This is the estimated loss or gain derived from the revaluation of value of assets and liabilities labeled in US dollars from 1,500 LL/$ to 3,500 LL/$.

Never less on BDL balance sheet and under liabilities, out of 89B$ we have only revaluated the part of financial papers due until 2027 (7 years ahead) of an amount of 47B$, the remaining 33B$ which maturity extend from 2028 until 2040 were kept at par

The net amount of revaluation of both BDL and Bank's has generated a gain of **23TLL**

Note 5: BDL Balance sheet loss estimated

BdL balance sheet Loss	**-177**	**-93**

Balance sheet BDL loss estimated at **LBP 93 Trillion** is broken down as follows:

1) Write down of BDL holding in Treasury bonds of $5 billion by around 60% = 3B$ equivalent to **11.5TLL**
2) Write down of BDL holding in treasury bills of 51TLL by around 30% i.e. **15.5TLL**
3) Deferred currency stabilization cost +accrued negative interest i.e. **66TLL**

Note 6: Offset on BDL losses

Netting against value adjustment, Currency/Gold revaluation	36	**14**
Transitory negative equity position / Money in circulation	14	**15**
Provision for Contingencies		**5**
Estimated BDL's FX gain based on FX rate at 3,500LBP		**7**

The offset are as follow:

- 14 TLL (réévaluation réserve art 115 code de la monnaie)

- 15 TLL (Money in circulation)
- 5 TLL (contingency Reserve)
- 7TLL (BDL FX gain)

Note 7: Other contingent adjustment on BDL Balance Sheet

Other contingent adjustment		**35**

Total bank exposure to BDL is mainly in foreign currency amounting to a net of 70B$ total deposit in BDL in $, less 20 B$ Current Acc abroad and 15 B$ gold evaluation, will result in approximate **35B$.**

With probable expected credit loss on BDL exposure in foreign currency at 43% applied on the net short position will result in a loss of approximatively **15B$**.

Assuming depreciation of 30% out of this amount due to the future recovery from future capital inflow (IMF + other sources and Funds), therefore the net expected credit loss will be (10B$) **35TLL.**

This loss if any will translate into write down of debt for BDL, resulting in a profit in BDL books for same amount

Note 8: Banks loss estimated

Banks' balance sheets Loss	**-64**	**-64**

Banks loss

1) 60% of 10.7B$ Eurobonds = 6.4B$ (but already mentioned in Note 5 under "Eurobond"}, C/V **22.5TLL**
2) 30% of 25TLL of Treasury-bills = C/V **7.5TLL**
3) 30% of short BDL position (Note 7) = 10B$ i.e. **35TLL**
4) ECL on NPL **15TLL**

Total 1 thru 4 above = 80TLL

This **80TLL** is offset by **16TLL** deriving from estimated Bank's FX gain based on FX rate at 3,500LBP

The net bank loss will be equivalent to 80-16 = **64TLL**

D. The approach

The government has adopted in its "Recovery Plan" an approach based on acknowledging the "losses" and to wipe out in one move their totality, putting the burden on those who didn't generate these losses.

"Acknowledging these losses is a prerequisite for a long-term solution,"

Therefore, it is important to highlight the following comments:

1) One of the objectives of the Recovery Plan is to reduce the Debt over GDP from 172% to below 90%

2) By end of February the Local currency debt thru BDL and Banks was equivalent to **76.3TLL** which represent at 1,507.5 LL/$, the value of **50.6B$.** This amount will be reduced to **21.8B$** with the projected drop in exchange rate by LBP 2,000 (3,500 – 1,500) for each dollar thus reducing local debt weight to the GDP by almost **30B$.**

   By wiping out this devaluated debt amount of 21.8B$ **or 76.3 TLL,** it will have the following negative impact:

   - After the devaluation of the real value of this debt as shown above and after the substantial reduction of the interest rate and the positive primary balance expected, it will be devastating to the loan holder to put this unjustified, unbearable and economically damaging effect on their shoulder
   - It will dry the main pillar and resources for the economy i.e. diaspora funds and remittance

- It will gratify the immense wrongdoing of the government's over the years
- It will diffuse the main incentives for reform
- It will create an encouraging context to repeat the same wrongdoing without addressing the roots of the problem

3) **The methodology** of acknowledging in one step the "losses" taking as reference what happened in the USA in 2008, is unrealistic, unfair and it will cut the possibility for a stable recovery. Everything differs in the 2 cases from
   i. the side who defaulted,
   ii. the volume and the capacity of the economy,
   iii. the attractiveness and competitiveness of the business legal and context environment,
   iv. the leverage and capacity of its regulatory authority
   v. the fact that the loss was carried in the USA in its own currency

4) The government plan reflects **notional losses** in excess of LBP 241 Trillion, which are exaggerated based on nonrealistic assumptions and wrong approaches that are neither economical nor financially justifiable.

   It is quite dangerous that these deemed losses be adopted as a base for the reconstruction & rehabilitation of the state's finances, **whereas a realistic estimate of total losses does not exceed 1/3 of the losses embedded in the plan.**

   An example of the wrong assessment is

   i. **the adoption of duplications** in the calculation of the losses and their non-predictable impact on the balance sheet of the Central Bank and the banks

ii. **the assumption of considering the shortage in liquidity as a loss** without giving a considerable weight to the solvability of the system at the levels of BDL and the banks, and their ability to reconstitute the liquidity over time

iii. **switching financial responsibility of the borrower to the shoulder of the lenders** including the lender of last resort, an attempt which is neither legal nor constitutional.

5) The government can manage the servicing of its borrowing by re introducing the concept of special treasury bills as part of the compulsory reserve at the BDL (Measures applied from 1979-1990)

6) 69% of the government debt is hold by Lebanese entities and 63% are in Lebanese currency, therefore a general default is not in accordance with basic principle

7) It is a penalizing approach not to consider the **positive leverage of the devaluation** of the Lebanese pound on the competitiveness of the productive sector of the economy and its impact on the balance of payment and the reconfiguration of the macro fiscal stability.

8) Due to a quick deterioration in the trust in the banking sector, pertaining to a series of internal and external crisis and the total ignorance from the political players of repetitive signals that such collapse is heading to us, *the mismatch between the call of fund and their maturity arise*. **This mismatch can't be labelled totally under loss, but under liquidity shortage**

9) The **dollar account** in the system has **to be addressed differently** according to its origin, taking into account that substantial part is due to an accounting entry, either being conversion from Lebanese pound or interest entry.

10) **The recovery and restructuring package** are of low-grade approach, omitting numerus and creative solutions to enable preserving the capacity of the financial sector and its role in the rebound of a sustainable development of the economy

In the light of the above, it is not acceptable to decide on the restructuring of the financial system based on extreme inappropriate assumptions and notional figures that are inaccurate.

We should instead work with *the cooperating with the entrusted authorities, the supervisory regulatory authorities, and the banking sectors to **rehabilitate and restore the resources in the system*** which remains the corner stone for rebuilding a sustain economic development with the generation of jobs and social welfare.

E. Conclusion

In the government "recovery plan" the proposed options to resolve the financial distress we are facing take into consideration 6 factors:

1. Losses
2. Debt
3. GDP
4. Debt/GDP
5. Growth
6. Reform

Below are statements which shed the light on the strategy and options, proposed by the government in their plan and our analysis and proposal on the way to go forward

1- Losses

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Government statement

15. ***Net remaining losses***: **LBP154 trillion (BUS$ 102.156)**. These are real losses that the financial system is faced with, Banque du Liban (BdL) and the banks' combined

17. *Remaining available options are limited*. The Plan proposes to **mitigate the remaining losses** through:

i. Mobilization of resources by the government through
   - **recovery of stolen assets** thks to forensic work initiated by the gov
   - **recovery of deposits evaded** from Lebanon in **breach of the capital controls**
   - **recovery excessive dividends paid abroad** by the banks over the last 5 years
   - **recovery financial engineering proceeds**

ii. **Recover excessive interest income** serviced by the banks to depositors

iii. **Using some of the state assets** (land, real estate, state-owned enterprises, etc.). This option would raise serious issues in terms of inter-generational equity. However, a better management of some specific state assets could generate income that can partially be allocated to loss absorption

iv. **Absorption of BdL losses by the bail-in of banks' deposits and CDs at BdL**, adding to the net losses incurred by the banks, *and potentially leading to the transfer of banks' ownership to depositors*

v. **Use real estate and land on banks' balance sheets at their market value**, and use their existing foreign assets

vi. **Use real estate owned by BdL at market value**

vii. Other options to be determined down the road

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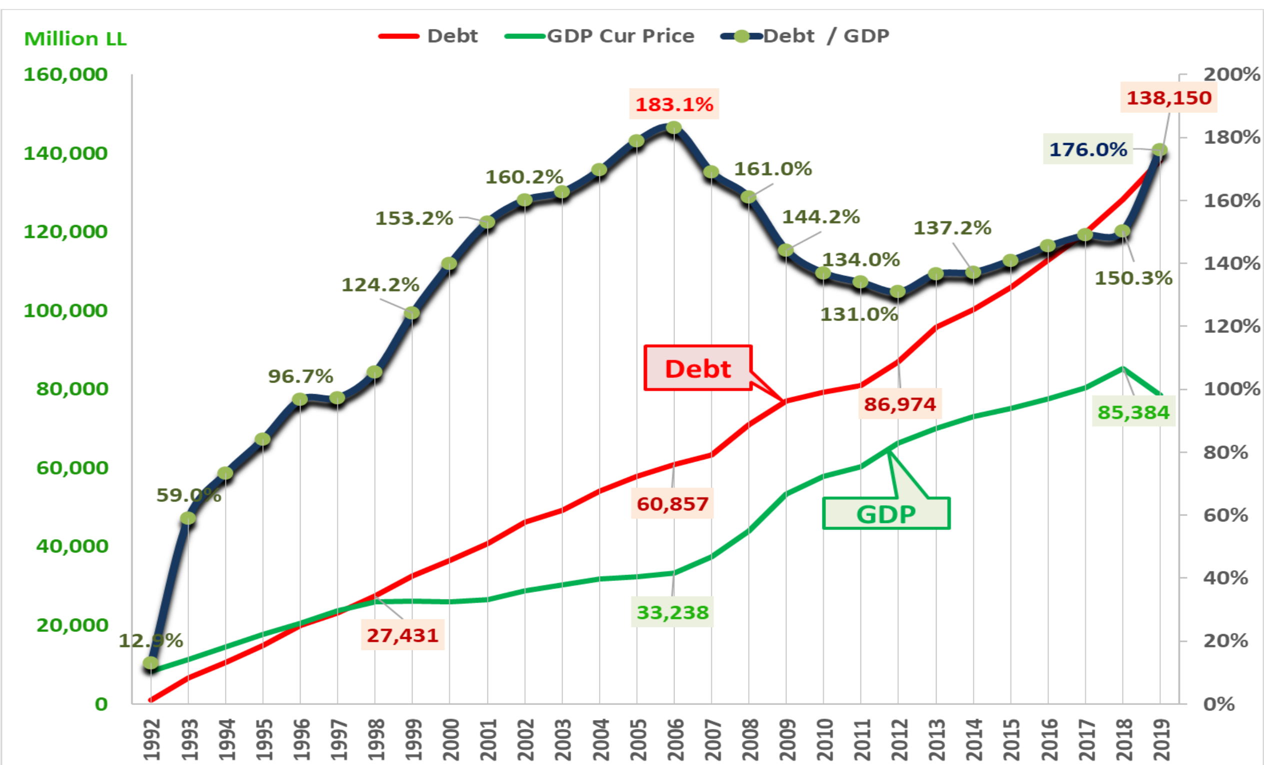
A debt is not considered a loss until the holder of the debt is in full incapacity of repaying its debt on the set maturity date, coupled with a deep insolvency and lack of collateral asset. A default on short position is not necessarily an act of loss, if there is a possibility of self-correcting restructuring and resetting the modus operandi of the economy on a sound basis.

Therefore, the assumption that Lebanon is suffering a gross Loss of 240.9 TLL, cutting all maturity date of bonds and T-Bills as if they are due to date, is an act of last resort when a general collapse of all economic factors and resources happened simultaneously, coupled with the depletion of state asset, and when most of creditors are foreigners and are decoupled from the sovereign interest of the country.

But going further we have to admit that we are in a deep crisis mode, deriving from an unsustainable model of governance and economic environment and state model, which produced some of the worst financial ratios. But we have been there before, Lebanon has seen a worst scenario in 2006 when Debt/GDP reached 183% compared with 176% today. In 2006 due to multiple factors internal and specially external, we were able to get out of this mess getting down from 183% to 131% in 2012.



The government has proposed to resort to a stock model approach by "mitigating all other losses". Resorting to a stock model in solving the stock of debt to reduce debt/GDP ratios to satisfy one of the main requests of IMF, will go against the purpose. If you deflate the numerator (Debt) in one stroke by wiping out the debt, it will penalize deeply the sources of funds, which will deflate more aggressively the denominator (GDP) and for much longer time.

As in 2006 **the solution should put forward the growth model and not the contraction model**. Penalizing the depositors, the green oil wealth of Lebanon, is like cutting the oxygen from a cardiovascular patient in a hospital. Therefore **the extensive haircut model** proposed, in a mostly internal type of creditors, is an unorthodox approach, **penalizing heavily the growth model** thru curtailing the financial sector who should remain after an adequate reform package, the backbone of the economic rebounce of the country, and subsequently the engine of growth.

It is also of importance to mention that a stock approach is to be supported by a bail out proposal to give more power to the growth engine and to enable the rebuilding of a more sound framework and environment for the distress sectors of the economy.

The measures proposed to mitigate the losses are of doubtful nature and are somehow a restatement of long time rhetoric announcement, in the field of fighting corruption, with no result in sight, like: recovery of stolen assets, recovery of deposits evaded from Lebanon in breach of the capital controls, recovery of excessive dividends paid abroad by the banks over the last 5 years, recovery of financial engineering proceeds, recover excessive interest income etc…

2- Debt

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Government statement

72. The overall debt restructuring strategy of the government contemplates e three-pronged approach:

- i. **Suspending principal and interest payments on Eurobonds…….**
- ii. **The rollover of domestic debt principal maturities**
- iii. **The ongoing payment of interest due** (except to BdL), albeit at a reduced rate,
- iv. **The parameters of**
  1. **the Eurobond** restructuring,
  2. **the macroeconomic and fiscal framework** (including inflation trajectory),
  3. the assessment of the impact of a **domestic debt restructuring** on the banking sector and on depositors

  will inform the government decision on domestic debt restructuring.
- v. **A principal discount on the domestic debt will be required** to restore the overall stock of public debt to a sustainable level;
- vi. **Remaining current** on debt service payments to multilateral partners and bilateral partners.
- vii. Multilateral institutions benefiting from a **preferred creditor status** will be fully serviced..

73. The objective of the government is to restore a clear downward debt trajectory over the short to medium run while **returning to a debt to GDP ratio of e. 83% by 2027**.

This objective is achieved under an illustrative scenario of

a. **principal discounts on domestic debt** and on international bond debt

b. **a reduction of interest rates** to 3% p.a.

81. The plan currently envisages a contribution from banks' deposits and holdings of CDs to cover losses that cannot be covered by the existing BdL capital base. The remaining bank deposits on the BdL balance sheet will be re-profiled to help bridge the liquidity gap.

In order to reduce the social cost of such a brutal immediate adjustment. the government will consider**: Assigning to BdL the profits of stakes in a newly created Public Asset Management Company** (PAMC) to help strengthen its financial position after restructuring.

Debt Data

Debt	Today TLL	Deval TLL	New TLL	New US$
T-bills	87.7	23	**64.7**	**$18.5**
Eurobond	42		**42**	**$12**
Bilateral	7		**7**	**$2**
	136.7	23	**113.7**	**$32.5**

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Suspending, rollover, discount, contribution or else are not the only remedies to handle the stock of debt, accumulated since 1992.

The provision of 2 funds PAMC and Recovery are the first symptoms of admitting that the real owner of the debt i.e. the government has to be the main contributor in the reduction of the debt stock, thru putting its asset in a more appropriate and optimized framework stretching from a privatization option to an asset fund or else.

3- GDP

The cut off on the debt stock as proposed by the government is geared by the necessity of meeting the IMF basic request to bring the debt/GDP below the 90% threshold.

However, if we go back to the last report of the *"Central Administration for Statistics (CAS)"* published in June 2019 as shown below, we can estimate that 2 major factors have an impact on the evolution of the GDP between 2019 and 2020:

- A big proportion of the basic necessity is still covered by the central bank at the rate of 1,500LL/$,
- 2/3 of the "Expenditure Division" are priced at the official rate as per CAS. (Table in annex)
- Many business transactions are still carried thru the dollar account of the business operators.

- The slowdown in activity due to the disruption of the banking sector since 17 of October, in addition to Corona epidemic.

				annual % of change				
		Year ending Jun 2018 at current prices	Year ending Jun 2019 at current prices	Value	Price	Volume		
Gross domestic product at market prices		**82,567**	**82,377**	**-0.20%**	**3.60%**	**-3.70%**		
Taxes less subsidies on products		5,376	4,516	-16%	-10%	-7%	6.5%	5.5%
Gross value added at basic prices		**77,191**	**77,862**	**0.90%**	**4.50%**	**-3.50%**	**93.5%**	**94.3%**
Real estate	L	12,228	12,994	6%	3%	3%	14.8%	15.7%
Commercial trade & transport	G,H	13,515	12,816	-5%	3%	-8%	16.4%	15.5%
Public administration, education & health	O,P,Q	10,677	11,274	6%	6%	0%	12.9%	13.7%
Personal services, private education & health	P,Q R,S,T	9,727	10,296	6%	5%	1%	11.8%	12.5%
Mining, manufacturing & utilities	B,C,D,E	8,765	8,557	-2%	3%	-5%	10.6%	10.4%
Financial services	K	6,892	6,796	-1%	4%	-5%	8.3%	8.2%
Business services	M,N	5,495	5,359	-2%	9%	-10%	6.7%	6.5%
Construction	F	3,240	2,807	-13%	3%	-16%	3.9%	3.4%
Agriculture, livestock, forestry & fishing	A	2,408	2,661	11%	14%	-3%	2.9%	3.2%
Hotels & restaurants	I	2,503	2,606	4%	4%	0%	3.0%	3.2%
Information & communications	J	1,742	1,696	-3%	1%	-3%	2.1%	2.1%
Source: Central Administration for Statistics								

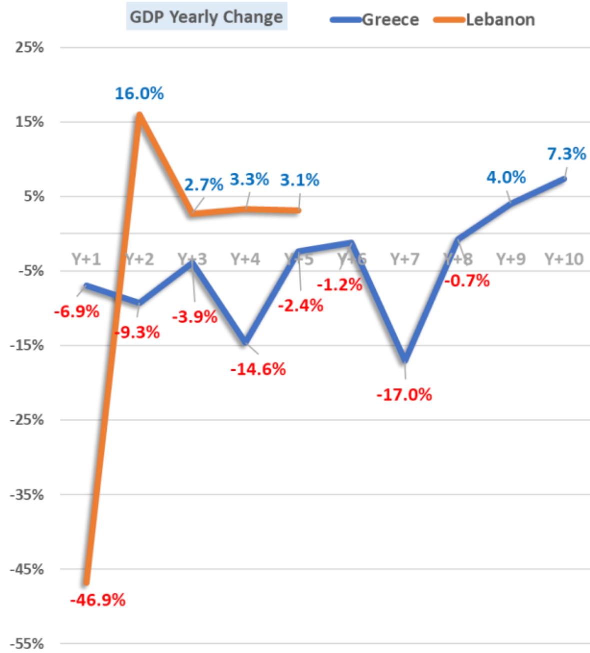
The announced figure of the government of 26B$, which is a contraction of 47% is not substantiated nor explained in their plan.

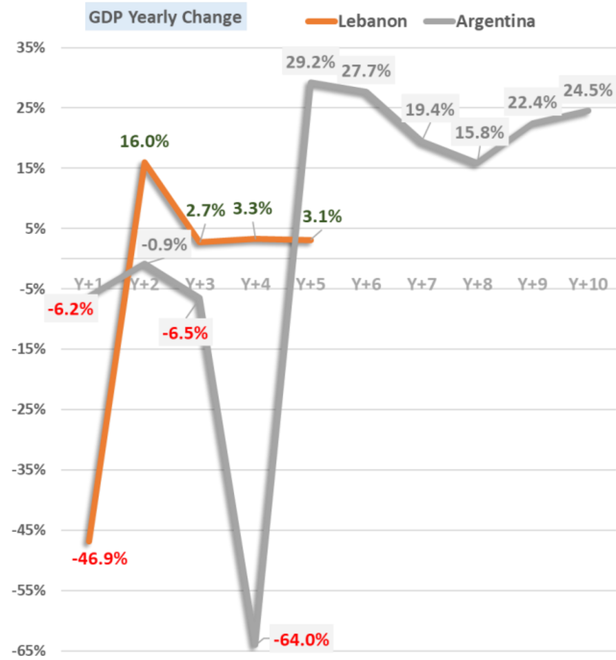
- **GDP** is estimated to be around **35B$** to **42B$** (122TLL-140TLL) at 3500LL/$
- **Debt / GDP = 32.5/37.5 = 86.7% down from 176%**

The 47% is one of the highest in the history of a country downturn, and as in Argentina model it should generate after the arrangement with creditors to a very high pattern of growth exceeding 25% for several years.

The government model shows a very weak and modest path of growth between 2.7% to 3.6% until 2024.

	2019	2020	2021	2022	2023	2024
Nom nal GDP (LBP b !hon)	77,419	90,912	111,441	!20215	130,921	142,360
Nominal GDP (USS billion)	49.0	**26.0**	30.2	31.0	32.1	33.1





We are in a "V" shape model as to the contraction of GDP more like the Argentina model then the Greek model. In the "V" shape (more then 40% contraction in one year) as in Argentina model the rebounce of the GDP the year after has been above 20% for several years. In the government model the rebounce is more like a hybrid model with no history about its sustainability.

The 26B$ GDP is a deforming number and misleading on the way going forward. The wrong approach was in evaluating the GDP for 2020 by dividing the nominal GDP in LBP at 3,500 LL /$. With 2/3 at 1,500 LL/$, the weighted average will be 2,100 LL/$, leading to a GDP around 42B$. Besides it plays in the court of the IMF or any other creditors, and it show a lack of strategy of how to face, manage and lead the country forward.

4- Reform

It is not a matter of numbers; it is a matter of approach of strategy and of basic options towards a reverse engineering of the Lebanese model.

The Debt is local, the funds has been always local, our strength are enormous if unleashed. We just need to unleash its power.

The unleash will be only and only by putting forward the necessary reforms, not as generic term, but being a clear political path accepting to get out of the denial mode and admitting to go along the unavoidable implementation of the following pillars of reform:

1. Review the following 2 main functions of the "Government" to enhance and refocus its role in building a sustainable, efficient and modern model of governance
    a. Government hierarchical line of authority
    b. Government responsibility on implementation of global and national social and economic vision, strategies and policies
2. State restructuring in view of reinforcing its independence from political influence (alienate nepotism) and in view of enhancing accountability and productivity
3. Role of state in the production of public service
4. Implementation of efficient monitory bodies
5. Implementation of independent regulatory bodies
6. Judiciary independence
7. Review and work on laws and stipulations to enhance and enforce competitiveness of the private sector

8. Review and work on laws and stipulations to enhance the environment and framework of "Doing Business" to attract FDI and productive investments
9. Implement all 44 foreseen reforms stated in the CEDRE protocol
10. Appoint a crisis management committee to oversee the implementation of the above

Finally, the "Recovery Plan" should be the end not the beginning of a process. To have a feasible start in the negotiation with IMF or else, there is a need for leadership, vision, strategy, appropriate consultation on the main options and a wide national backing. Unfortunately, we have seen division and confrontation on approaches, figures and priorities

Trying to focus on IMF wishful list is also a wrong approach, which will weaken our negotiation stand and limit our options.

"Leading" is to discover the unknown limit

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Estimated losses		Gov Approach				Alternative Approach		
Description		FX Rate used 3,500				FX Rate used 3,500		
Gov estimated losses related to restructuring of public debt		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
Eurobonds balance	M$	$5,030	$11,632	**$16,662**		$5,030	$11,632	**$16,662**
Eurobonds C/V LBP	BLL	17,605	40,712	**58,317**		17,605	40,712	**58,317**
Assumed Haircut%	%	75%	75%	**75%**		60%	60%	**60%**
Assumed Haircut on Eurobonds	**BLL**	**13,204**	**30,534**	**43,738**		**10,563**	**24,427**	**34,990**
T-bills balance	BLL	50,717	21,631	**72,348**		50,717	21,631	**72,348**
Assumed Haircut%	%	40%	40%	**40%**		30%	30%	**30%**
Assumed Haircut on T-Bills	**BLL**	**20,287**	**8,652**	**28,939**		**15,215**	**6,489**	**21,704**
Total Assumed Haircut on Public Debt	BLL	33,491	39,186	72,677		25,778	30,917	56,695
Estimated losses related to BDL past accumulated losses		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
Other Assets	BLL	47,991		**47,991**		47,991		**47,991**
Assets from Exchange operations of Financial Instruments	BLL	18,081		**18,081**		18,081		**18,081**
Existing capital base	BLL							
Netting against value adjustment, Currency/Gold revaluatior	BLL							
Transitory negative equity position / Money in circulation	BLL							
Provision for Contingencies	BLL							
Total accumulated losses in BDL balance sheet	BLL	66,072		66,072		66,072		66,072
Estimated adjustment related to banks balance sheet		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
Current capital base	BLL							
Adjustment on Bank;s balance sheet	BLL							
Estimated losses related to banks'losses on credit portfolio		**BDL**	**Banks**	**Total**				
Credit portfolio in LBP(resident&non-resident)	BLL		23,073	**23,073**				
Credit portfolio in FCY(resident&non-resident)	M$		107,204	**107,204**				
Total Credit portfolio	**BLL**		**130,277**	**130,277**				
Additional assumed Impairment %	%		31%	**31%**				
Assumed additional impairment	BLL		40,000	40,000				
Estimated losses related to banks'losses on credit portfolio						**BDL**	**Banks**	**Total**
Credit portfolio on corporate 33B$ -20% subsidized	BLL						92,400	**92,400**
Assumed amount for impairment	%						25%	**25%**
Credit portfolio on corporate subject to impairement	BLL						23,100	**23,100**
Assumed impairment %	%						50%	**50%**
Assumed credit loss on corporate loan	**BLL**						**11,550**	**11,550**
Credit portfolio on retail 10B$	BLL						35,000	**35,000**
Assumed Impairment %	%						10%	**10%**
Assumed credit loss on retail loan	**BLL**						**3,500**	**3,500**
Assumed additional impairment	BLL						15,050	15,050
Gov estimated losses from devalution to LBP 3,500		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
BDL FX Losses								
BDL Assets in FCY (20 Gold+15 Ovrdrft+15 Corspnd)	M$	($50,471)		**($50,471)**		($50,471)		**($50,471)**
BDL Liabilities in FCY	M$	$89,421		**$89,421**	*	$47,000		**$47,000**
Net FX position	M$	$38,950		**$38,950**		($3,471)		**-$3,471**
Estimated BDL FX losses based on FX rate LBP 3,500	**BLL**	**77,608**		**77,608**		**-6,942**		**-6,942**
Banks FX profit/(Losses)								
Banks'Assets in FCY	M$		($134,125)	**($134,125)**			($134,125)	**($134,125)**
Banks'Liabilities in FCY	M$		$126,337	**$126,337**			$126,337	**$126,337**
Net FX position	M$		($7,788)	**($7,788)**			($7,788)	**($7,788)**
Estimated Banks'FX losses based on FX rate LBP 3,500	**BLL**		**-15,517**	**-15,517**			**-15,576**	**-15,576**
Total Estimated FX Losses	BLL	77,608	-15,517	62,091		-6,942	-15,576	-22,518
Total Losses	BLL	177,170	63,669	240,839		84,908	30,391	115,299

* 47B$ =(89 -33-9) 33B$ being LT maturity from yr 2028-2040
9B$ being short loan to banks

Estimated Losses Adjusted		Gov Approach				Alternative Approach		
Description		FX Rate used 3,500				FX Rate used 3,500		
Estimated losses related to restructuring of public debt		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
Eurobonds balance	M$	$5,030	$11,632	**$16,662**		$5,030	$11,632	**$16,662**
Eurobonds C/V LBP	BLL	17,605	40,712	**58,317**		17,605	40,712	**58,317**
Assumed Haircut%	%	75%	75%	**75%**		60%	60%	**60%**
Assumed Haircut on Eurobonds	**BLL**	**13,204**	**30,534**	**43,738**		**10,563**	**24,427**	**34,990**
T-bills balance	BLL	50,717	21,631	**72,348**		50,717	21,631	**72,348**
Assumed Haircut%	%	40%	40%	**40%**		30%	30%	**30%**
Assumed Haircut on T-Bills	**BLL**	**20,287**	**8,652**	**28,939**		**15,215**	**6,489**	**21,704**
Total Assumed Haircut on Public Debt	BLL	33,491	39,186	72,677		25,778	30,917	56,695
Estimated losses related to BDL past accumulated losses		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
Other Assets	BLL	47,991		**47,991**		47,991		**47,991**
Assets from Exchange operations of Financial Instrume	BLL	18,081		**18,081**		18,081		**18,081**
Existing capital base	BLL	-6,000		**-6,000**				
Netting against value adjustment, Currency/Gold revalu	BLL	-36,000		**-36,000**		-14,000		**-14,000**
Transitory negative equity position / Money in circulatio	BLL	-14,000		**-14,000**		-15,000		**-15,000**
Provision for Contingencies	BLL					-5,000		**-5,000**
Total accumulated losses in BDL balance sheet	BLL	10,072		10,072		32,072		32,072
Estimated adjustment related to banks balance sheet		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
Current capital base	BLL		(31000)	-31,000				
Adjustment on Bank;s balance sheet	BLL		-31,000	-31,000				
Estimated losses related to banks'losses on credit portfolio		**BDL**	**Banks**	**Total**				
Credit portfolio in LBP(resident&non-resident)	BLL		23,073	**23,073**				
Credit portfolio in FCY(resident&non-resident)	M$		107,204	**107,204**				
Total Credit portfolio	**BLL**		**130,277**	**130,277**				
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Estimated losses from devalution to LBP 3,500		**BDL**	**Banks**	**Total**		**BDL**	**Banks**	**Total**
BDL FX Losses								
BDL Assets in FCY (20 Gold+15 Ovrdrft+15 Corspnd)	M$	($50,471)		**($50,471)**		($50,471)		**($50,471)**
BDL Liabilities in FCY	M$	$89,421		**$89,421**	*	$47,000		**$47,000**
Net FX position	M$	$38,950		**$38,950**		($3,471)		**-$3,471**
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Banks'Liabilities in FCY	M$		$126,337	**$126,337**			$126,337	**$126,337**
Net FX position	M$		($7,788)	**($7,788)**			($7,788)	**($7,788)**
Estimated Banks'FX losses based on FX rate LBP 3,500	**BLL**		**-15,517**	**-15,517**			**-15,576**	**-15,576**
Total Estimated FX Losses	BLL	77,608	-15,517	62,091		-6,942	-15,576	-22,518
Total Losses	BLL	121,171	32,669	153,840		50,908	30,391	81,299
* 47B$ =(89 -33-9) 33B$ being LT maturity from yr 2028-2040								
9B$ being short loan to banks								

Lebanese Republic — **الجمهورية اللبنانية**
Presidency of Council of Ministers — **رئاسة مجلس الوزراء**
Central Administration of Statistics — إدارة الإحصاء المركزي

Lebanon — ***لبنان***
December 2013 =100 — ***كانون الاول 2013=100***

Expenditure Divisions	Monthly Change التغير الشهري	Apr index 2020 مؤشر نيسان 2020	Mar index 2020 مؤشرآذار 2020	Weights التثقيلات	أبواب الانفاق
Food and non-alcoholic beverages	79.48%	*282.06	157.15	20.0	المواد الغذائية والمشروبات غيرالروحية
Alcoholic beverages, tobacco	83.30%	*328.14	179.02	1.4	مشروبات روحية وتبغ وتنباك
Clothing and footwear	88.35%	*442.74	*235.07	5.2	الألبسة والأحذية
Housing water,electricity,gas and other fuels	-2.95%	106.77	110.02	28.4	مسكن ماء وغاز وكهرباء ومحروقات أخرى
Actual rent	0.67%	141.05	140.11	2.9	*ايجار*
Old rent	*0.14%*	*175.55*	*175.31*	*36.1%*	*ايجار قديم*
New rent	*1.05%*	*120.73*	*119.48*	*63.9%*	*ايجار جديد*
Owner occupied	0.92%	123.22	122.09	13.6	*القيمة التاجيرية للمالكين*
Water,electricity,gas and other fuels	-8.05%	84.61	92.03	11.8	*ماء وغاز وكهرباء ومحروقات أخرى*
Furnishings, household equipment and routine household maintenance	39.79%	*219.66	*157.14	3.8	أثاث وتجهيزات منزلية وصيانة مستمرة للمنزل
Health	1.95%	100.88	98.95	7.7	الصحة
Transportation	2.83%	124.22	120.80	13.1	النقل
Communication	50.48%	135.70	90.17	4.5	الإتصالات
Recreation,amusement, and culture	32.60%	183.44	138.35	2.4	الإستجمام والتسلية والثقافة
Education	0.00%	124.03	124.03	6.6	التعليم
Restaurant & hotels	85.00%	*257.07	*138.95	2.8	50% at 1500LL/$ مطاعم و فنادق
Miscellaneous goods & services	46.72%	*194.70	*132.70	4.1	سلع وخدمات متفرقة
Consumer price index	**25.36%**	**160.90**	**128.35**	**100.0**	الرقم القياسي لأسعار الإستهلاك

*: Indexes based on a majority of imputed prices

Jan - Apr CPI 37.6%

*: تم احتساب المؤشر على اساس اسعار مفقودة في معظمها وتم احلالها (imputed)
ان رقم مؤشر الأسعار مدور على حد 1على 10000

The Yellow row are Items were prices are at 1,500 LL/$