http://www.oblible.com

The Lebanese Republic

U.S.$25,000,000,000
Global Medium-Term Note Program

Under this U.S.$25,000,000,000 Global Medium-Term Note Program (the "**Program**"), the Lebanese Republic (the "**Republic**", "**Lebanon**" or the "**Issuer**") may, from time to time, subject to compliance with all relevant laws, regulations and directives, issue notes in either bearer or registered form (the "**Notes**").

The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$25,000,000,000 (or its equivalent in other currencies determined at the time of the agreement to issue), subject to any duly authorized increase. Notes may be denominated in U.S. Dollars, Euros and such other currencies as may be agreed between the Republic and the relevant Dealers (as defined below). Notes will have maturities of not less than three months nor more than 30 years and will bear interest on a fixed or floating rate basis.

SEE "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

Any Notes to be issued after the date hereof under the Program are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

The Notes may be issued on a continuing basis to the Dealers and any additional Dealer(s) appointed under the Program from time to time pursuant to the terms of the Second Amended and Restated Program Agreement dated 1 March 2010 (as the same may be amended from time to time, the "**Program Agreement**"), which appointment may be for a specific issue or on an ongoing basis (each, a "**Dealer**" and, together, the "**Dealers**"). References in this Base Prospectus to the "**relevant Dealer**", in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, shall be to all Dealers agreeing to subscribe for such Notes.

Notes will be issued in series (each, a "**Series**"), with all Notes in a Series having the same maturity date and terms otherwise identical (except in relation to issue dates, interest commencement dates, issue prices and related matters). Notes in each Series may be issued in one or more tranches (each, a "**Tranche**") on different issue dates. Details applicable to the Notes in a particular Series or Tranche will be supplied in a final terms to this Base Prospectus (each, a "**Final Terms**"), which will contain the aggregate principal amount of such Notes, interest (if any) payable in respect of such Notes, the issue price of such Notes and other details applicable to such Series or Tranche. This Base Prospectus may not be used to consummate sales of Notes unless accompanied by a Final Terms.

The price and amount of Notes to be issued under the Program will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority, under the Law on Prospectuses for Securities, to approve this document as a base prospectus. By approving this Base Prospectus, the CSSF gives no undertaking as to the economic or financial opportuneness of any transaction contemplated by this Base Prospectus or the quality and solvency of the Republic in line with the provisions of Article 7(7) of the Law on Prospectuses for Securities. Application has also been made to the Luxembourg Stock Exchange for Notes issued under this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, Notes may be issued under the Program which will not be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange, and the Final Terms applicable to the Notes in a Series will specify whether or not Notes in such Series will be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange.

Arranger

Citigroup

Dealers

Citigroup
Deutsche Bank
Morgan Stanley
Standard Chartered Bank

Commerzbank
J.P. Morgan
Nomura

The date of this Base Prospectus is 22 October 2015.

http://www.oblible.com

IMPORTANT NOTICE

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, or under the securities laws of any other jurisdiction. This Base Prospectus has been prepared by the Republic for use in connection with the offer and sale of Notes outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act ("**Regulation S**") and, with respect to Notes in registered form only, within the United States to qualified institutional buyers ("**QIBs**") in reliance upon and as defined in Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Notes, see "Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions" and "Subscription and Sale".*

Notes other than Bearer Notes offered otherwise than in reliance on Regulation S pursuant to the Program Agreement may be offered by the Dealers through their respective agents in the United States.

Notes of each Tranche will initially be represented by either a Temporary Global Note, a Permanent Global Note, a Regulation S Global Note and/or a Restricted Global Note (each as defined herein) as indicated in the applicable Final Terms. See "Forms of the Notes".

Application has been made to the CSSF, in its capacity as competent authority under the Law on Prospectuses for Securities, to approve this document as a base prospectus.

Copies of the Final Terms will be available from the office of the Ministry of Finance and from the specified office set out below of each of the Paying Agents (as defined below).

The Republic has agreed to comply with any undertakings given by it from time to time to the Luxembourg Stock Exchange in connection with Notes in a Series to be listed on the Official List of the Luxembourg Stock Exchange and, without prejudice to the generality of the foregoing, shall in connection with the listing of the Notes on the Official List of the Luxembourg Stock Exchange or on any other relevant stock exchange, so long as any Note remains outstanding, prepare a supplement to this Base Prospectus, or, as the case may be, publish in a new Base Prospectus, whenever required by the rules of the Luxembourg Stock Exchange or any other relevant stock exchange, or by the Law on Prospectuses for Securities, and in any event (i) if the maximum aggregate principal amount of Notes that may be issued under the Program is increased, (ii) upon the Republic becoming aware that (A) there has been a significant change (including any change to the Terms and Conditions of the Notes in a Series to be listed on the Official List of the Luxembourg Stock Exchange) affecting any matter contained in this Base Prospectus or (B) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this Base Prospectus if it had arisen before this Base Prospectus was issued or (iii) if the terms of the Program are modified or amended in a manner which would make this Base Prospectus, as supplemented, materially inaccurate or misleading. In the event that a supplement to this Base Prospectus is produced pursuant to such undertakings, a copy of such supplement will accompany this Base Prospectus. Any such supplement to this Base Prospectus will also be available from the specified office of the Fiscal Agent and Transfer Agent in Luxembourg. See "General Information—Documents on Display".

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Republic or any other person in connection with the Program or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Republic under the Program.

No person is or has been authorized to give any information or to make any representation not contained in or not consistent with this Base Prospectus, the Program Agreement or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Republic or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an offer by the Republic or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Program or any Notes should purchase any Notes in any jurisdiction where it is unlawful for such person to make such a recommendation or offer. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Republic. Neither this Base Prospectus nor any other information supplied in connection with

the Program or any Notes constitutes an offer or invitation by or on behalf of the Republic or any of the Dealers to any person to whom it is unlawful to make such offer to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstance imply that the information contained herein concerning the Republic is correct at any time subsequent to the date hereof or the date as of which it is expressed to be given or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Republic during the life of the Program. Investors should review, inter alia, documents incorporated by reference herein when deciding whether or not to purchase any Notes.

This Base Prospectus has been approved by the CSSF and published in accordance with the Prospectus Directive, as implemented in Luxembourg. Pursuant to Article 7(7) of the Luxembourg Law on prospectuses for securities, by approving this Base Prospectus, the CSSF gives no undertaking as to the economic or financial soundness of any transaction contemplated by this Base Prospectus or the quality and solvency of the Republic.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Dealers or the Republic makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. The Republic and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Republic or the Dealers (save for the approval of this document as a Base Prospectus by the CSSF) which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area and the United Kingdom. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Base Prospectus, see "Subscription and Sale" and "Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions" below.

*The Notes have not been registered with, recommended by or approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**") or any other federal or state securities commission in the United States, nor has the SEC or any other federal or state securities commission confirmed the accuracy or determined the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offense in the United States. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable federal or state securities laws pursuant to a registration statement or an exemption from registration. See "Subscription and Sale" and "Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions" below. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.*

In making an investment decision regarding the Notes, prospective investors must rely on their own examination of the Republic and the terms of the Program, including the merits and risks involved. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period.

The Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes in bearer form having a maturity (at issue) of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. See "Subscription and Sale".

RESPONSIBILITY STATEMENT

The Republic accepts responsibility for the information contained in this Base Prospectus. Having taken all reasonable care that such is the case, the information contained in this Base Prospectus is, to the best of the knowledge of the Republic, in accordance with the facts and contains no omission likely to affect the import of such information.

This section is to be read in conjunction with "*Important Information Relating to Public Offers of Notes—Consent Given in Accordance With Article 3.2 of the Prospectus Directive (Retail Cascades)*" below.

IN CONNECTION WITH THE ISSUE OF NOTES IN ANY SERIES OR TRANCHE UNDER THE PROGRAM, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (EACH, A "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES IN SUCH A SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN DOING SO SUCH STABILIZING MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE REPUBLIC. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT SERIES OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SERIES OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SERIES OF NOTES. ANY STABILIZATION WILL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE REGULATIONS. ANY LOSS RESULTING FROM OVER-ALLOTMENT AND STABILIZATION SHALL BE BORNE, AND ANY NET PROFIT ARISING THEREFROM SHALL BE RETAINED, BY ANY STABILIZING MANAGER FOR ITS OWN ACCOUNT. SEE "*SUBSCRIPTION AND SALE*".

NOTICE TO FLORIDA RESIDENTS

THESE NOTES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 517.061 OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT AND HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. ALL FLORIDA RESIDENTS (OTHER THAN EXEMPT INSTITUTIONAL INVESTORS) HAVE THE RIGHT TO VOID THE PURCHASE OF THESE NOTES WITHOUT PENALTY WITHIN THREE (3) DAYS OF MAKING SUCH PURCHASE.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED ("**RSA**"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER SUCH RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PRESENTATION OF FINANCIAL INFORMATION

All references in this document to "**Lebanese Pounds**" and "**LL**" are to the currency of the Lebanese Republic; to "**U.S. Dollars**" and "**U.S.$"** are to the currency of the United States of America; to "**Euros**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union; and to "**SDR**" are to Special Drawing Rights of the International Monetary Fund (the "**IMF**"). References in this document to "**billions**" are to thousands of millions, and to the "**Government**" are to the Government of Republic.

For ease of presentation, certain financial information relating to the Republic included herein is presented as translated into U.S. Dollars. On the date of this Base Prospectus the closing U.S. Dollar/Lebanese Pound rate of exchange as reported by *Banque du Liban* ("**BDL**"), the Republic's Central Bank, was LL 1,507.5 = U.S.$1.00. However, this translation should not be construed as a representation that the Lebanese Pound amount actually represents such U.S. Dollar amount or could be converted into U.S. Dollars at the rate indicated or any other rate.

The Gross Domestic Product ("**GDP**") figures, the ratios that include GDP figures and the statements regarding the evolution of GDP presented in this Base Prospectus differ from previously published data due to the publication of new official GDP estimates published by the Central Administration for Statistics ("**CAS**"). See "*The Economy—Gross Domestic Product*".

Certain other figures included in this Base Prospectus differ from previously published figures for a number of reasons, including continuing implementation of a debt management system, consultation with the IMF and ongoing statistical revisions. Also, certain monetary amounts included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them. See "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Base Prospectus constitute forward-looking statements. Statements that are not historical facts are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. These statements are based on the Government's current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date that they are made and the Republic does not undertake to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements include, but are not limited to, certain statements relating to the general political, military and economic conditions in the Republic, the absence of military conflict between the Republic and Israel, the state of relations between the Republic and Syria, the ability of the Government to implement economic and fiscal reforms, including its privatization program, the effective implementation of decisions of donor countries and international financial institutions regarding financial assistance to the Republic, estimates of external debt repayment and the effects of the global financial crisis on the Republic's economy and finances.

JURISDICTION AND ENFORCEMENT

Jurisdiction and Immunity

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments against the Republic in the courts of the United States. The Republic has irrevocably submitted to the non-exclusive jurisdiction of any New York State or federal court sitting in The City of New York in the Borough of Manhattan for purposes of any suit, action or proceeding arising out of or relating to the Notes (a "**Related Proceeding**"). The Republic has also irrevocably agreed that all claims in respect of any Related Proceeding may be heard and determined in any such New York State court or any such federal court, subject to the following. The Republic has irrevocably waived the defense of an inconvenient forum to the maintenance of any Related Proceeding whether on the grounds of venue, residence or domicile; however, the Republic will not waive any right to seek removal or transfer of any Related Proceeding from any such court of the State of New York to any U.S. federal court sitting in New York City, in the Borough of Manhattan.

To the extent that the Republic or its assets have or hereafter may acquire any immunity (sovereign or otherwise) from the jurisdiction of any such courts or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) in any such court, the Republic has, to the extent it is lawfully entitled to do so, irrevocably agreed not to claim and will irrevocably waive such immunity in respect of any Related Proceeding. This waiver of immunity by the Republic will have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976 but will not constitute a general waiver or a waiver of immunity in respect of property that is used solely or principally for official purposes (such as ambassadorial and consular real property and buildings and the contents thereof, any military property or military assets or property or assets of the Republic related thereto, or any bank accounts of embassies or consulates to the extent of monies maintained therein for ambassadorial, consular or other official purposes, but not commercial purposes, in each case necessary for the proper official, ambassadorial or consular functioning of the Republic).

Prospective investors in Notes should be aware that, pursuant to Lebanese law, including Article 860 of the Code of Civil Procedure of Lebanon, the Republic's properties and assets are immune from execution, attachment or other legal or judicial process and, in any Related Proceeding brought in the courts of Lebanon against the Republic or brought in those courts to enforce or seek recognition of a judgment obtained outside Lebanon, the Republic's waiver of immunity referred to above would not be given effect to the extent it violates Article 860 of the Code of Civil Procedure of Lebanon.

Proceedings and Enforcement

The enforcement of foreign judgments in Lebanon is governed by Articles 1013, 1014, 1015 and 1016 of the Lebanese Code of Civil Procedure. Under those provisions, a judgment obtained in any U.S. court would be recognized and enforced by the courts in Lebanon without reconsideration of its merits provided that the foreign judgment satisfies the following additional conditions: (i) the foreign judgment must have been issued by a court competent to do so under the law of the relevant country in a proceeding in which the court's jurisdiction was not based solely on the nationality of the plaintiff; (ii) the foreign judgment must be final and enforceable in the country in which it was rendered, and the foreign judgment must not be based on documents subsequently deemed or found to be untrue and must not contain contradictory terms; (iii) the laws of the country in which the foreign judgment was rendered must permit the enforcement of judgments rendered by Lebanese courts without reconsideration of the merits; (iv) the defendant must have been properly served with legal process with respect to the proceeding in which the foreign judgment was rendered and due process must have been observed in connection with the proceeding, and no party to the litigation must have failed to deliver to the court material documents relating to the dispute; (v) the foreign judgment must not be contrary to Lebanese public policy; (vi) a final judgment in the same case between the same parties must not have been rendered by a Lebanese court; and (vii) no action commenced prior to the relevant foreign proceeding may be pending with respect to the same subject matter and between the same parties before the Lebanese courts.

Enforcement of foreign judgments in Lebanon also involves the payment of significant court and related fees, which may be as high as 2.5% of the amount claimed. Court costs and fees in connection with a direct action brought against the Republic in Lebanese courts may be as high as 5% of the amount claimed.

TABLE OF CONTENTS

IMPORTANT NOTICE i
RESPONSIBILITY STATEMENT iii
NOTICE TO FLORIDA RESIDENTS iii
NOTICE TO NEW HAMPSHIRE RESIDENTS iii
PRESENTATION OF FINANCIAL INFORMATION iv
FORWARD-LOOKING STATEMENTS iv
JURISDICTION AND ENFORCEMENT v
TABLE OF CONTENTS vi
SUMMARY 1
RISK FACTORS 16
INCORPORATION BY REFERENCE 26
GENERAL DESCRIPTION OF THE PROGRAM 27
IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES 31
TABLE OF SELECTED LEBANESE ECONOMIC INDICATORS 33
THE LEBANESE REPUBLIC 34
THE ECONOMY 51
EXTERNAL SECTOR 67
MONETARY SYSTEM 77
PUBLIC FINANCE 86
PUBLIC DEBT 99
TERMS AND CONDITIONS OF THE NOTES 113
USE OF PROCEEDS 132
FORMS OF THE NOTES 133
BOOK-ENTRY CLEARANCE SYSTEMS 135
NOTICE TO PURCHASERS AND HOLDERS OF RESTRICTED NOTES AND TRANSFER RESTRICTIONS 140
TAXATION 142
SUBSCRIPTION AND SALE 153
GENERAL INFORMATION 157
FORM OF APPLICABLE FINAL TERMS 160

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. As some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Section A – Introduction and Warnings

Element	Requirement	
A.1	**Introductory disclaimer**	This summary should be read as introduction to the Base Prospectus. Any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.
A.2	**Consent to use of Base Prospectus**	[*Not Applicable*—the Notes are being offered in circumstances falling within Article 3(2) of the Prospectus Directive.] [*Not Applicable*—the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).] [The Issuer consents to the use of this Base Prospectus in connection with a Non-exempt Offer of the Notes subject to the following conditions: (i) the consent is only valid during the period from [•] until [•] (the "**Offer Period**"); (ii) the only persons ("**Offerors**") authorized to use this Base Prospectus to make the Non-exempt Offer of the Notes are the relevant Dealer(s) and [(i) [•] [and [•]] or (ii) if the Republic appoints additional financial intermediaries after [•] (being the date of the Final Terms) and publishes details of them on its website, each financial intermediary whose details are so published]/ or [any financial intermediary which is authorized to make such offers under Directive 2004/39/EC (the Markets in Financial Instruments Directive) and which acknowledges on its website that it is relying on this Base Prospectus to offer the relevant Tranche of Notes during the Offer Period]; [and] (iii) the consent only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Luxembourg (the "**Public Offer Jurisdiction**"); [and] [(iv) the consent is subject to the following other condition[s]: [•]] [Any Offeror falling within sub-paragraph (ii) above who meets all of the other conditions stated above and wishes to use this Base Prospectus in connection

		with a Non-exempt Offer is required, at the relevant time, to publish on its website that it is relying on this Base Prospectus for such Non-exempt Offer with the consent of the Republic.] [The consent referred to above is valid for the period of twelve months from the date of this Base Prospectus. The Republic accepts responsibility in Luxembourg, the jurisdiction to which the consent to use this Base Prospectus extends, for the content of this Base Prospectus in relation to any investor who acquires any Notes in a Non-exempt Offer made by any person to whom consent has been given to use this Base Prospectus in that connection in accordance with the preceding paragraphs, provided that such Non-exempt Offer has been made in accordance with all the conditions attached to that consent.] **[INFORMATION ON THE TERMS AND CONDITIONS OF THE OFFER BY ANY FINANCIAL INTERMEDIARY IS TO BE PROVIDED AT THE TIME OF THE OFFER BY THE FINANCIAL INTERMEDIARY.]**

Section B – Issuer

Element	Requirement	
B.17	**Credit ratings of the Issuer or Notes**	The long term foreign currency sovereign credit ratings of the Republic are: B- (negative outlook) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), B2 (negative outlook) by Moody's Investor Services Limited ("**Moody's**") and B (negative outlook) by Fitch Ratings Limited ("**Fitch**"). *[Not applicable*—The Notes to be issued have not been rated.] /[The Notes to be issued [have been/are expected to be] rated:] [S&P: [ ]] [Moody's: [ ]] [Fitch: [ ]]

B.47	**Description of the Issuer, its solvency and economy**	The Issuer's official name is the Lebanese Republic. It is a sovereign state. **Founding and Geography** Effective political independence of the Republic from French rule occurred on 22 November 1943. The Republic is situated in the Levant on the eastern most part of the Mediterranean Sea. The total area of the Republic is 10,452 km^2. **Economy** Lebanon has a long and established tradition of having an open and free market economy. The state sector has traditionally been small, with the Government having a history of minimal intervention in economic activity. The Government continues to favor a strong role for the private sector in a liberal policy environment. It welcomes foreign investment in the economy. The Government is facing a number of economic challenges, including (i) higher energy prices and the corresponding impact on the Treasury, (ii) the events in Syria and their impact on the economy of the Republic and the impact of recently implemented measures requiring additional expenditures, including Law № 181 regarding the electricity sector, (iii) the cost-of-living increases for public sector employees and the increases in public sector wages currently under discussion, and (iv) disagreements among political parties, which have led to an inability of the Council of Ministers to adopt resolutions and a stalemate on a number of material issues. Despite these challenges, the Government remains committed to improving the Government's fiscal position and the debt-to-GDP ratio. The Republic's real GDP growth slowed to 0.9% in 2011, 2.8% in 2012 and 3.0% in 2013, as compared to an average real GDP growth rate of 9.2% between 2007 and 2010, mainly as a result of political instability in the region. The IMF has estimated real GDP growth at 2.0% in 2014 and has projected real GDP growth in 2015 and 2016 at 2.5%. In 2013, the services sector accounted for approximately 70% of GDP (figures for 2014 are not available). This includes commercial trade and motor vehicle repairs, transport, catering, information and communication services, financial services, real estate and business services, public administration and education, health and other services. The Republic faces significant debt maturities in the coming years, with approximately LL 7,458 billion (approximately U.S.$4.9 billion), of which LL 2,692 billion in interest payments, maturing in the period 1 September – 31 December 2015 (including approximately LL 1,461 billion (U.S.$0.97 billion) in foreign currency debt) as at 30 June 2015 and LL 23,061 billion (approximately U.S.$15.3 billion), of which LL 6,008 billion in interest payments, maturing in the period 1 January – 31 December 2016 (including approximately LL 6,681 billion (U.S.$4.43 billion) in foreign currency debt) as at 30 June 2015. While the Republic does not currently rely on international financial assistance in order to service its debt, it has benefited from international financial assistance in the past. *Not Applicable*—No recent events have occurred with respect to the Republic that are relevant to the evaluation of the Republic's solvency.
B.48	**Description of public finance and trade information**	**Balance of Payments and Foreign Trade** Lebanon is a predominantly importing country characterized by large trade deficits; these deficits generally have been offset by capital account inflows, as well as by inflows from remittances, income earnings, tourism and other

services. The trade balance recorded deficits of approximately U.S.$13.9 billion in 2011, U.S.$14.7 billion in 2012, U.S.$15.3 billion in 2013 and U.S.$15.0 billion in 2014. In the six months ended 30 June 2015, the trade balance recorded a deficit of U.S.$6.2 billion. The current account deficit increased from U.S.$10.0 billion in 2012, to U.S.$11.7 billion in 2013 and to U.S.$12.1 billion in 2014.

In 2014, the balance of payments registered a deficit of U.S.$1.4 billion, as compared to a deficit of U.S.$1.1 billion in 2013.

Overview of Government Operations

Total revenues were LL 16,400 billion in 2014, as compared to LL 14,201 billion in 2013, representing an increase of 15.5%. This increase was primarily due to the collection of arrears from the telecommunications surplus and the collection of telecommunications revenues on behalf of municipalities (which are classified as treasury revenues), as well as, to a lesser extent, the efforts of the tax administration to improve revenue collections (in particular, income tax and administrative fees collections). Tax revenues increased by 2.7% from LL 10,116 billion in 2013 to LL 10,388 billion in 2014, primarily due to increased revenues from taxes on income, profits and capital gains (LL 293 billion) and taxes on property (LL 44 billion), which were partially offset by lower revenues from taxes on international trade (LL 116 billion). Non-tax revenues were LL 4,354 billion in 2014, as compared to LL 3,269 billion in 2013, representing an increase of 33.2%. This increase was primarily due to a LL 878 billion increase in transfers from the telecommunications surplus to LL 3,034 as at 31 December 2014, which was, in turn, primarily a result of the collection of arrears.

Total expenditures in 2014 were LL 21,032 billion, as compared to LL 20,563 billion in 2013, representing an increase of 2.3%, primarily due to: (i) a 10.5% increase in interest payments from LL 5,714 billion in 2013 to LL 6,314 billion in 2014; and (ii) a 3.9% increase in personnel costs from LL 6,473 billion in 2013 to LL 6,727 billion in 2014. The increases in expenditures were partially offset by: (i) a 60% decrease in transfers to the national social security fund from LL 250 billion in 2013 to LL 100 billion in 2014; and (ii) a 10.5% decrease in capital expenditures from LL 987 billion in 2013 to LL 883 billion in 2014, which was, in turn, primarily a result of lower spending on maintenance.

Total revenues were LL 7,546 billion in the six months ended 30 June 2015, as compared to LL 7,897 billion in the corresponding period of 2014, representing a decrease of 4.4%. On a cash basis, total revenues increased by 8.5%, primarily due to the receipt of actual transfers of LL 829 billion in respect of the telecommunications surplus.

Total expenditures in the six months ended 30 June 2015 were LL 10,237 billion, as compared to LL 10,274 billion in the corresponding period of 2014, representing a decrease of 0.4%. This decrease was primarily due to: (i) a 39.6% decrease in transfers to EDL; (ii) a 21.7% decrease in capital expenditures; and (iii) a 100.0% decrease in transfers to the national social security fund.

Fiscal Deficit

The fiscal balance registered a deficit of LL 2,690 billion in the six months ended 30 June 2015, as compared to a deficit of LL 2,377 billion in the corresponding period of 2014, representing an increase of 13.2%. The primary balance registered a surplus of LL 716 billion in the six months ended 30 June 2015, as compared to a surplus of LL 874 billion in the corresponding period of 2014, representing an 18.1% decrease.

The fiscal balance registered a deficit of LL 4,632 billion in 2014, as compared to a deficit of LL 6,362 billion in 2013, representing a decrease of 27.2%. The

		primary balance registered a surplus of LL 1,970 billion in 2014, as compared to a deficit of LL 361 billion in 2013. **Inflation and Monetary Policy** The consumer price index ("**CPI**") inflation figure published by CAS for December 2014, as compared to December 2013, showed a 0.7% decrease, primarily due to decreases in international oil prices, which resulted in reduced utility prices (*i.e.,* water, electricity, gas and other fuels) and decreases in transportation costs. A decrease in communication prices as a result of cost reduction measures introduced by the Ministry of Telecommunications also contributed to the decrease in inflation. The average yearly inflation for 2014, as compared to 2013, was 1.9%. The increase in annual inflation was primarily due to increases in food and non-alcoholic beverages, education, alcoholic beverages and tobacco prices, partially offset by decreases in communication and transportation prices. As of June 2015, CAS estimated the twelve-month average inflation at (0.9%). The IMF's preliminary inflation projection is 1.1% for 2015, on a period-average basis. In January 2012, Decree № 7426 was adopted (i) increasing the monthly minimum wage for private sector employees from LL 500,000 to LL 675,000 and (ii) providing for a cost-of-living increase up to a maximum of LL 299,000 per month, both effective 1 February 2012. Although Decree № 7426 applies to private sector employees, similar increases have been proposed in favor of public sector employees. Such increases in the minimum wage and other salaries could have an inflationary impact on prices. In addition, in September 2012 cost of living payments for public sector employees were increased with retroactive effect from 1 February 2012. The annual expenditure for this cost of living increase is estimated at approximately LL 851 billion (equivalent to U.S.$564 million). In addition, the Council of Ministers approved the transmittal to Parliament of a new salary scale for public sector employees, which may be retroactive. BDL's exchange rate policy since October 1992 has been to anchor the Lebanese Pound nominal exchange rate to the U.S. Dollar. This appreciation was limited to 0.03% in 1999 and the Lebanese Pound exchange rate has remained unchanged since 2000. In 2011, the Lebanese Pound weighted lending rate declined as lending incentives and exemptions from reserves requirements were offered by BDL, resulting in a further narrowing of the spread between the Lebanese Pound and the U.S. Dollar weighted lending rates to 0.36% in December 2011 and 0.20% in December 2012, increasing to 0.41% in December 2013 and 0.52% in December 2014. The spread between the Lebanese Pound and the U.S. Dollar lending rates decreased to 0.09% in June 2015. **Public Debt** In recent years, the Republic has been active in the domestic and global sovereign debt markets. In 2013, 2014 and 2015 (to date), the Republic issued an aggregate of U.S.$6.8 billion of U.S. Dollar-denominated Notes under the Program. As at 30 June 2015, the Republic's gross public debt was LL 104,053 billion (U.S.$69.0 billion) consisting of LL 63,985 billion (U.S.$42.4 billion) of gross domestic debt and LL 40,158 billion (U.S.$26.6 billion) of public debt denominated in foreign currencies. Net outstanding public debt of the Republic was LL 89,637 billion (U.S.$59.5 billion) as at 30 June 2015. As at 31 December 2014, the Republic's gross public debt was LL 100,363 billion (U.S.$66.6 billion) consisting of LL 61,752 billion (U.S.$41.0 billion) of gross domestic debt and LL 38,611 billion (U.S.$25.6 billion) of public debt

		denominated in foreign currencies. Net outstanding public debt of the Republic was LL 86,398 billion (U.S.$57.3 billion) as at 31 December 2014. As at 31 December 2013, the Republic's gross public debt was LL 95,710 billion (U.S.$63.5 billion) consisting of LL 56,312 billion (U.S.$37.4 billion) of gross domestic debt and LL 39,398 billion (U.S.$26.1 billion) of public debt denominated in foreign currencies. Net outstanding public debt of the Republic was LL 80,215 billion (U.S.$53.2 billion) as at 31 December 2013. Net public debt as a percentage of GDP was 117% in 2010, 116% in 2011, 111% in 2012, 113% in 2013 and 116% in 2014. **No Significant Change** *Not applicable*—There has been no significant change in the Republic's public finance and trade since 31 December 2014.

Section C – Securities

Element	Requirement	
C.1	**The type and class of the securities, including any security identification number**	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The Notes to be issued are [[ ] [ ]%/Floating Rate/Zero Coupon] Notes. The Notes are unsecured. The ISIN for the Notes is [ ]. The common code for the Notes is: [ ].
C.2	**Currency**	The currency of the Notes is [ ].
C.5	**Restrictions on free transferability**	*Not Applicable* - There are no restrictions on the free transferability of the Notes subject, as is customary, to selling restrictions.
C.8	**Rights attaching to the Notes, including ranking and limitations**	**Meetings of Holders** The Fiscal Agency Agreement contains provisions relating to the convening of meetings of Holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders that did not attend and vote at the meeting and Holders that voted in a manner contrary to the majority. **Events of Default** The terms of the Notes contain events of default including those relating to: (i) non-payment of principal and interest; (ii) breach of other obligations under the Notes; (iii) cross-default of payments in respect of public external indebtedness in excess of U.S.$.20,000,000; and (iv) rescheduling of, or imposition of a moratorium on, the payment of any public external indebtedness in excess of U.S.$.20,000,000. If an Event of Default occurs and is continuing, the Holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Republic, with a copy to the Fiscal Agent, declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with, if appropriate, accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Holders of Notes by the Republic.

		Negative Pledge The terms of the Notes contain a negative pledge provision, which prohibits the Republic from creating or permitting to subsist on any of its present or future assets or revenues any lien to secure any Public External Indebtedness of the Republic or any other person or any guarantees given by the Republic after 2 July 1997 of Public External Indebtedness of any third party, unless either (i) at the same time of prior thereto, the Republic's obligations under the Notes are secured by the lien equally and ratably with such Public External Indebtedness or guarantee so secured at the cost of the Republic, and the instrument or the enactment creating such Lien shall expressly so provide, or (ii) such Lien shall have been approved by an extraordinary resolution of the Holders of Notes. For the purpose of the Conditions, "**Public External Indebtedness**" means any External Indebtedness (as defined below) which is for the time being or is intended to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other notes market outside the Republic." **Status of the Notes** The Notes constitute direct, general, unconditional, unsubordinated and, subject to "—*Negative* Pledge" below, unsecured obligations of the Republic which rank *pari passu* in priority of payment, without any preference among themselves and at least *pari passu* with all other present and future unsecured and, subject to "—*Negative Pledge*" below, unsubordinated External indebtedness of the Republic, other than any external indebtedness preferred by Lebanese law and *provided, however*, that the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. The full faith and credit of the Republic will be pledged for the due and punctual payment of the Notes and for all obligations of the Republic in respect thereof. "**External Indebtedness**" means any notes, debentures, bonds, or other similar securities with a stated maturity of more than one year from their date of issue which by their terms are payable, or confer a right to receive payment, in any currency other than the lawful currency of the Republic ("**Lebanese Currency**"). **Governing law** New York

C.9	**Interest, maturity and redemption provisions, yield and representative of the Holders of Notes**	Please also see Element C.8 for the rights attached to the Notes, ranking and limitations. **Interest** Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The Notes to be issued are [interest bearing and are Fixed Rate Notes/Floating Rate Notes]/[Non-interest bearing Notes] [*Fixed Rate Notes* The Notes bear interest from [Issue Date] at the fixed rate of [ ] payable [annually/semi-annually/quarterly/monthly] in arrear] on [ ] in each year up to and including the Maturity Date, commencing [ ].] [*Floating Rate Notes* The Notes bear interest from [*Issue Date*] at a floating rate calculated by reference to [Screen Rate Determination/ISDA Determination] as follows: [Reference Rate: [ ] month [LIBOR/EURIBOR] Interest Determination Date(s): [ ] Relevant Screen Page: [ ]] [Floating Rate Option: [ ] Designated Maturity: [ ] Reset Date: [ ]]. [Margin: [+/-][ ]% per annum] [Minimum Interest Rate: [ ]% per annum] [Maximum Interest Rate: [ ]% per annum] Interest will be paid in arrear on [ ] in each year up to and including the Maturity Date, commencing [ ].] [Non-interest bearing Notes The Notes do not bear any interest.] **Redemption** *Amortization* [If specified in the applicable Final Terms, the principal will be amortized on [Amortization Date] in [Amortization Amounts].] / [Not Applicable] *Maturity* Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at 100% of their nominal amount on [ ] (the "**Maturity Date**"). *[Early Redemption, Redemption at the Option of the Republic and Redemption at the Option of the Holders*

		The Early Redemption Amount of each Note payable on redemption on event of default or other early redemption is: [ ] per Calculation Amount.] [Notes may be redeemed before their stated maturity at the option of [the Republic [(either in whole or in part)]/the Holders of Notes]. [The Optional Redemption Amount [(Put)]/[(Call)] of each Note is [ ] per Calculation Amount.] [Notes may not be redeemed before their stated maturity.] **Yield** The yield on the Notes is [ ]%. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. **Name of representative of debt security holders** *Not Applicable* – There is no representative of the Holders of Notes.
C.10	**Derivative component**	Please also see Element C.9 for details of the interest, maturity and redemption provisions, yield and representative of the Holders of Notes. *Not Applicable* – Notes issued under the Program do not contain any derivative components.
C.11	**Admission to trading of the Notes on a regulated market**	[Application has been made for the Notes to be admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] / [ ].] [*Not Applicable* - The Notes are not admitted to trading on a regulated market.]
C.21	**Indication of the market where the securities will be traded and for which the prospectus has been published**	[Application has been made for the Notes to be admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] / [ ].]

Section D – Risks

Element	Requirement	
D.2	**Key risks specific to the Issuer**	An investment in the Notes under the Program involves significant risks, including: **Risks Investing in Emerging Markets** Investing in securities of issuers in emerging markets, such as Lebanon, generally involves a higher degree of risk than investments in securities of sovereign or corporate issuers from more developed countries and carries risks that are not typically associated with mature markets. **Political Considerations** The political, social and economic situation in Lebanon is tied to the absence of military conflict in Lebanon and in its neighboring countries, as well as internal stability. Adverse events have led to political and social unrest and negatively affected, and may continue to negatively affect, the economy of the Republic and the finances of the Government. If these or similar events recur, it could continue to materially adversely affect the Republic's economy and may lead to political

		and economic instability, as well as loss of confidence in business investment in Lebanon. **Parliamentary Elections** Parliamentary elections were scheduled to take place on 20 June 2013 but Parliament adopted laws postponing these elections first to 20 November 2014 and subsequently to 20 June 2017. In anticipation of the upcoming elections, political tensions have increased in the Republic. There are disagreements among political parties regarding the electoral law, with most parties rejecting the current law that governed the last Parliamentary elections, as well as disagreements regarding the voting system and the electoral districts. The failure to agree on a law to govern the elections, whether the current law or a new law, and delays in holding the elections may further increase political tensions in the Republic. In addition, under Article 69 of the Constitution of the Republic (the "**Constitution**"), the Government's term in office expires at the beginning of the next presidential term. As in the past, there may be delays in forming the post-election government. The post-election government may pursue different policies and priorities than the current Government, reverse or alter certain reforms or take actions that make domestic or foreign investment in the Republic less attractive. **Presidential Election** President Sleiman's term expired on 25 May 2014, and the constitutional deadline for Parliament to elect a new President has passed without a new President being elected. A Parliamentary session was held on 23 April 2014 to elect a new President; however no candidate won the requisite two-thirds majority. Since then, a number of Parliamentary sessions have been called to elect a new President but have not been quorate, reflecting disagreements among the principal political parties. Article 49 of the Constitution provides that, in the event of a vacancy of the Presidency, executive power is exercised on a temporary basis by the Council of Ministers, which is headed by the Prime Minister (currently, Mr. Tammam Salam). **Regional and International Considerations; Events in Syria and their Impact on Lebanon** Adverse developments in other countries in the Middle East and North Africa region, including, in particular, in Syria, may have a negative impact on the Republic. In particular, recent events in Syria have had, and are likely to continue to have, an adverse impact on the political, economic and security situation in the Republic, including disruption to the transit of Lebanese and international goods through Syria, a decline in tourism and potential overspill of the dispute in Syria into the Republic. In addition, there are divisions in the Republic between supporters of the Syrian government and supporters of the Syrian opposition, which have, at times, led to clashes amongst civilians and subsequent interventions by Lebanese security forces to restore order. **Refugees and Displaced Persons** The presence of refugees and displaced persons in Lebanon has, at times, led to political disagreements, armed clashes between such persons and Lebanese citizens, interventions by Lebanese security forces and incursions by Lebanon's neighbors. The Republic is currently experiencing an inflow of Syrian nationals fleeing the conflict in Syria, and this trend is expected to continue. The presence of the Syrian displaced persons in Lebanon has had an impact on the economic and social stability of the Republic, as well as on the labour market and infrastructure. The Government has provided displaced persons with limited access to the Republic's education and healthcare systems and has played an

		active role in facilitating the coordination of the Republic's response to the inflow of the Syrian displaced persons. Providing displaced persons with basic accommodation and social services requires considerable resources, which has created an additional burden on the Government's finances. If the flow of Syrian displaced persons continues and the Republic does not receive significant assistance from the international community to partially offset the cost of accommodating Syrian displaced persons, this will continue to strain the general resources of the Government and the Government's finances and negatively affect the Republic's economy. **Public Debt** In recent years, the Government has incurred significant internal and external debt, principally for the purpose of financing the fiscal deficit. Any failure to reduce the Republic's net outstanding public debt could materially impair the Republic's capacity to service its debt, including the Notes, and have a negative impact on the Republic's credit ratings. **Fiscal Deficit** Lebanon has incurred large and growing fiscal deficits. If the Republic is unable to control or reduce the deficit and the resulting impact on the public debt, it could raise the Republic's cost of funding of its debt, strain the general resources of the Government and the Government's finances, materially impair the Republic's capacity to service its debt (including the Notes) and negatively affect the Republic's economy. **Refinancing Risk** The Republic faces significant debt maturities in the coming years. Lebanese banks are major holders of securities issued by the Government, including Notes issued under the Program. These banks' ability to continue purchasing such securities is tied, in large part, to the continued growth of their deposits. Any significant net deposit outflows would adversely affect these banks' ability to purchase securities issued by the Government, including Notes issued under the Program, which could, in turn, limit the ability of the Republic to refinance its debt. If the Republic is not able to refinance its debt on favorable terms or at all, it could materially impair the Republic's capacity to service its debt, including Notes issued under the Program. **Decline in Economic Growth** In recent years, the growth of the Republic's economy has slowed. The trade balance has recorded increasing deficits and the balance of payments recorded deficits in 2012, 2013 and 2014. There can be no assurance that these trends will be reversed. If they are not reversed, they will adversely affect the Republic's economy, its ability to raise capital in the external debt markets in the future and its ability to service the Notes. **No Approved Budgets; Extra-Budgetary Expenditures** There have been no approved budgets since 2005 due to a variety of factors. During the period 2006-2014, successive Governments have incurred extra-budgetary expenditures, which resulted in a controversy. This controversy, *inter alia*, has contributed to the non-approval of the Budgets for the years 2006-2014 by Parliament, which in turn limits the Government's ability to have a Budget approved for 2015. **Legal Authorization to Borrow** Since 2005, Parliament has not approved an annual budget law, and the Government's borrowing since that date has been based on refinancing

provisions contained in existing laws, including Law № 212 of 2012 and Law №14 of 2014. There can be no assurance that Parliament will adopt budget laws or other laws authorizing future borrowings, especially borrowings denominated in foreign currencies. Failure to pass such laws in the future may impact the Government's ability to finance the fiscal deficit and refinance maturing debt.

Lebanese Banking Sector – United Against Nuclear Iran

United Against Nuclear Iran (UANI) launched a campaign in February 2012 against the Lebanese banking sector, the BDL and the Republic, alleging, *inter alia*, that the Lebanese banking sector and the BDL have been engaged in money laundering activities and facilitating the evasion of international sanctions imposed upon Iran. UANI has called on international holders of Lebanese sovereign debt, including Notes issued under the Program, to divest their ownership of such securities. The Republic views UANI's allegations as being without merit.

Foreign Exchange Risk; Monetary Policy

The Lebanese Pound is convertible, and BDL intervenes when necessary in order to maintain orderly conditions in the foreign exchange market. There is no assurance that the BDL will continue to be willing or able to maintain a stable currency and the peg of the Lebanese Pound to the U.S. Dollar, through intervention in the exchange markets or otherwise. The possible depreciation of the Lebanese Pound to the U.S. Dollar or the decline in the level of foreign reserves as a result of BDL's intervention in the currency markets could materially impair the Republic's capacity to service its debt, including the Notes. In addition, Lebanon's economy is highly dollarized.

Prices and Inflation

The Republic has, in the past, experienced high levels of inflation, although, since 2001, estimated inflation has eased. The Government is currently considering the implementation of measures that would result in increased public sector wages, as well as the simultaneous implementation of revenue measures to finance such increases, which could have an inflationary effect. An increased inflow of displaced Syrians into Lebanon, if not matched by aid and assistance, may also exert an upward pressure on prices. There can be no guarantee that BDL will be able to achieve or maintain price stability and thus control inflation. Significant inflation could have a material adverse effect on the Republic's economy and the Republic's capacity to service its debt, including the Notes.

Failure to Implement Economic Reforms and Privatization Program

As part of the "International Conference for Support to Lebanon", known as the Paris III Conference, the then-Government agreed to an economic reform program of which privatization is an essential component. Disagreements among political parties and the July 2006 War have contributed to delay the implementation of the program. There is no assurance that some of these obstacles will not persist. In addition, due to political interference and disagreements within the executive branch of the Government, the Republic's privatization program, which provides that the proceeds from privatization will be applied towards debt repayment, has not been successfully implemented

Accuracy of Financial and Statistical Information

The analysis of the economic situation and prospects in Lebanon is hampered by the lack of timely data on the economy. Statistical weaknesses constitute serious obstacles to the analysis of the Republic's economy.

Global Financial Crisis

		As a result of market turmoil caused by the global financial crisis, there is significant price volatility in the secondary market for instruments similar to the Notes. Moreover, systemic risk within the financial system and the related general deterioration in global economic conditions could result in a decline in the recoverability and value of the market price of the Notes. **Sovereign Debt Ratings** Lebanon's sovereign debt ratings are below investment grade credit ratings. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.
D.3	**Key risks specific to the Notes**	There are also risks associated with the Notes including: **Risks relating to events in other emerging markets** Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Lebanon, adversely affect the Lebanese economy or adversely affect the trading price of Notes. Adverse developments in other countries in the Middle East and North Africa region, including, in particular, in Syria, may have a negative impact on the Republic if investors perceive risk that such developments will adversely affect the Republic. **Suitability of Notes as an Investment** The Notes may not be suitable for all investors. Each prospective purchaser of Notes must determine the suitability of the investment in light of its own circumstances, including: (i) its ability to make a meaningful evaluation of the Notes; (ii) its access to appropriate analytical tools to make such evaluation; (iii) the sufficiency of its financial resources and liquidity to bear all of the risks of an investment in such Notes; (iv) its ability to understand thoroughly the Terms and Conditions applicable to such Notes and familiarity with the financial markets; and (v) its ability to evaluate changes in economic conditions, interest rates and other factors that may affect its investment and ability to bear the associated risks. **Limited Liquidity; Trading Prices May Fluctuate** The trading market for the Notes will be influenced by economic and market conditions in the Republic and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries. Each Series of Notes is a new issue of securities with no established trading market. There can be no assurance that a secondary market will develop for the Notes or, if a secondary market therein does develop, that it will continue. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, prevailing interest rates and the general economic conditions in, and the financial condition of, the Republic. **The Terms of the Notes May Be Modified, Waived or Substituted Without the Consent of All the Holders of the Notes** The Terms and Conditions of the Notes permit defined majorities to bind all Holders of Notes including Holders who did not attend and vote at a relevant meeting and Holders of Notes who voted in a manner contrary to the majority. Also, the Republic may issue additional notes fungible with outstanding Notes, which would dilute the voting powers of existing Holders of Notes. **Jurisdiction and Sovereign Immunity** The Republic is a sovereign state. Consequently, it may be difficult for investors

		to obtain or realize upon judgments against the Republic in the courts of the United States of America. Investors should therefore be aware that, as a result of Lebanese law, the Republic's waiver of immunity is likely to be ineffective in respect of the attachment of assets and properties located in the Republic. The enforcement of foreign judgments in Lebanon involves the payment of significant court and related fees, which may be as high as 2.5% of the amount claimed. Court costs and fees in connection with a direct action brought against the Republic in Lebanese courts may be as high as 5% of the amount claimed. **EU Savings Directive** Following the adoption of EC Council Directive 2003/48/EC (Savings Directive) EU Member States are (and equivalent measures have been introduced by certain non-EU countries) required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. If a payment is made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Republic nor any Paying Agent nor any other person is obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Republic will be required to maintain a Paying Agent in a Member State that would not be obliged to withhold or deduct tax pursuant to the Savings Directive.

Section E – Offer

Element	Requirement	
E.2b	**Reasons for the offer and use of proceeds**	The net proceeds of issues of Notes will be used for [ ].
E.3	**Description of the terms and conditions of the offer**	[*Not Applicable*—the Notes are being offered in circumstances falling within Article 3(2) of the Prospectus Directive] [*Not Applicable* – the Notes are in denominations of at least €100,000 (or its equivalent in any other currency).] [An Investor intending to acquire or acquiring any Notes in a public offer from an Offeror other than the Issuer will do so, and offers and sales of such Notes to an Investor by such Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements.] Offer Price: [Issue Price/Not Applicable/[ ]] Conditions to which the offer is subject: [Not Applicable/[ ]] The time period, including any possible amendments, during which the offer will remain open: [Not Applicable/[ ]] Description of the application process: [Not Applicable/[ ]] Description of possibility to reduce subscriptions and manner for refunding excess amounts paid by applicants: [Not Applicable/[ ]]

		Details of the minimum and/or maximum amount of the application: [Not Applicable/[ ]] Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/[ ]] Manner in and date on which results of the offer are to be made public: [Not Applicable/[ ]] Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/[ ]] Whether tranche(s) have been reserved for certain countries: [Not Applicable/[ ]] Process for notification to applicants of the amount allotted and an indication whether dealing may begin before notification is made: [Not Applicable/[ ]] Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[ ]] Countries where the offer takes place: [Not Applicable/[ ]] Name(s) and address(es), to the extent known to the Republic, of the placers in the various countries where the offer takes place: [Not Applicable/[ ]] Categories of potential investors to which the Notes are offered: [Offers or solicitations may be made by the Dealers and [ ] in [ ] during the Offer Period set out above to any person [ ]. No offer or solicitation in respect of the Notes shall be made by the Dealers [or the financial intermediaries] except pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus (a) in any other Member State of the European Economic Area or (b) after the Offer Period set out above has ended.] / [Not Applicable]
E4	**Interests material to the issue/offer**	[*Not Applicable* - The Issuer is not aware of any interest(s) material to issues of Notes under the Program, other than any fees payable to the Dealer(s) acting as underwriter(s) or Stabilizing Manager(s) of issues of Notes.] / [ ].
E7	**Expenses charged to the Investor by the Issuer or the Offerors**	[*Not Applicable* - No expenses will be chargeable by the Issuer [or the Offeror(s)] to an Investor in connection with any offer of Notes.] / [Expenses may be chargeable to Investors by the Offeror(s); these expenses are beyond the control of the Issuer and are not set by the Issuer. Such expenses may vary depending on the size of the amount of Notes subscribed for and the Investor's arrangements with the Offeror. The estimated expenses chargeable to the Investor by the Offeror are: [ ]]

RISK FACTORS

The purchase of Notes involves substantial risks and is suitable only for, and should be made only by, investors that are fully familiar with the Republic in general and that have such other knowledge and experience in financial and business matters as may enable them to evaluate the risks and the merits of an investment in the Notes. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below. Prospective purchasers of Notes should make such inquiries as they think appropriate regarding the Notes and the Republic without relying on the Republic or the Dealers.

Risks Relating to the Republic

Emerging Markets

Investing in securities of issuers in emerging markets, such as Lebanon, generally involves a higher degree of risk than investments in securities of sovereign or corporate issuers from more developed countries and carries risks that are not typically associated with mature markets. Lebanon's below investment grade credit ratings, large fiscal deficits and other weaknesses characteristic of certain emerging market economies make it susceptible to future adverse effects. Prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in securities of issuers in emerging markets, such as Lebanon, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult their own legal and financial advisers before making an investment in the Notes.

Political Considerations

Lebanon's financial environment is related to the overall political, social and economic situation in Lebanon and in its neighboring countries, as well as internal stability.

A combination of internal and external factors led to a heavily militarized conflict, which lasted from April 1975 until October 1990. Successive rounds of fighting took place, aggravated by two Israeli military invasions in 1978 and 1982. The conflict resulted in significant human losses, a substantial decline in GDP and reduction of economic activity, a significant reduction of Government authority, substantial physical and infrastructure damage, and a large public sector deficit and capital outflows.

The post-conflict era has been characterized by large reconstruction efforts, which resulted in large public sector deficits and setbacks in the implementation of political and economic reforms due, among other matters, to differences in views between political leaders and disagreements within the executive branch of the Government. The post-conflict era has also witnessed a series of adverse events, which have led to significant political and social unrest and negatively affected, and may continue to negatively affect, the economy of the Republic and the finances of the Government, including, *inter alia*:

- the assassination of the former Prime Minister Rafik Hariri;
- a campaign of assassinations and attempted assassinations of other political leaders and public figures, including the assassination of former Minister of Finance Mohamed Chatah in December 2013;
- the adoption of a series of U.N. Security Council Resolutions, including Resolution 1757, which established the Special Tribunal for Lebanon (the "**STL**") to prosecute persons responsible for the bombing that killed former Prime Minister Hariri, the indictment by the Prosecutor of the STL of five individuals, alleged by the Prosecutor to be members of Hizbollah, and tensions surrounding this indictment, the continued financing of, and cooperation with, the STL by the Government and the commencement of the trial before the STL of these five individuals in January 2014;
- armed conflicts involving Lebanon's neighbors, including the ongoing armed conflicts in Syria and the war in July 2006 during which Israel waged war on Lebanon following the kidnapping by Hizbollah of two Israeli soldiers (the "**July 2006 War**");
- internal armed clashes, which took place in Beirut, northern Lebanon, the Bekaa Valley and the Chouf Mountains in May 2008, and subsequent clashes in Tripoli and elsewhere in Lebanon;

- various instances of political instability, such as the failure to elect a President, the resignations of ministers, the failure of Parliament to convene and delays in forming governments;

- disagreements among political parties and ministers representing them regarding the decision-making process for the adoption of resolutions by the Council of Ministers in the absence of a President;

- the decision of ministers representing certain political parties to boycott certain meetings of the Council of Ministers; and

- popular protests, demonstrations and general unrest, including, the recent demonstrations in Beirut, precipitated by discontent over uncollected trash following the Government's inability to find a replacement landfill site for the main landfill site previously serving the greater Beirut area and the failure to timely appoint replacement refuse collection companies, following expiration of the refuse collection contract with the previous provider.

The aforementioned events, as well as events in the surrounding region (especially Syria) that have an impact on Lebanon, have, on occasion, escalated into violence, sometimes of a general nature and more often with particular political or civil targets. If these or similar events recur, it could continue to materially adversely affect the Republic's economy and lead to political and economic instability, as well as loss of confidence in business investment in Lebanon.

Parliamentary Elections

Parliamentary elections were scheduled to take place on 20 June 2013 but Parliament adopted laws postponing these elections first to 20 November 2014 and subsequently to 20 June 2017. There are disagreements among political parties regarding the electoral law, with most parties rejecting the current law that governed the last Parliamentary elections, as well as disagreements regarding the voting system and the electoral districts. The failure to agree on a law to govern the elections, whether the current law or a new law, and delays in holding the elections may further increase political tensions in the Republic.

Presidential Election

President Sleiman's term expired on 25 May 2014, and the constitutional deadline for Parliament to elect a new President has passed without a new President being elected. A Parliamentary session was held on 23 April 2014 to elect a new President; however no candidate won the requisite two-thirds majority. Since then, a number of Parliamentary sessions have been called to elect a new President but have not been quorate, reflecting disagreements among the principal political parties. Article 49 of the Constitution provides that, in the event of a vacancy of the Presidency, executive power is exercised on a temporary basis by the Council of Ministers, which is headed by the Prime Minister (currently, Mr. Tammam Salam).

Regional and International Considerations; Events in Syria and their impact on Lebanon

The Republic is located in a region that is and has been subject to ongoing political and security concerns. Some Middle Eastern and North African countries have experienced in the recent past, or are currently experiencing, political, social and economic instability, extremism, terrorism, armed conflicts and war, some of which have negatively affected the Republic in the past. In particular, since the "Arab Spring" began in January 2011, a number of Arab countries have experienced significant political and military upheaval, conflict and revolutions leading to the departure of long-time rulers in Tunisia, Egypt, Yemen and Libya. The continuation of such events or new events in the region could further strain the general resources of the Government and the Government's finances and negatively affect the Republic's economy.

Syria has recently been experiencing significant armed conflict. Although the stated policy of the Government has been to maintain neutrality with respect to the events in Syria in an attempt to shield the Republic from any repercussions, these events have had, and are likely to continue to have, an adverse impact on the political, economic and security situation in the Republic. These adverse consequences include, among others, a disruption to the transit of Lebanese and international goods through Syria resulting in higher transit fees for Lebanese exporters, a decline in tourism from Syria and other Arab countries, and the potential overspill of the dispute in Syria into the Republic.

There are divisions in the Republic between supporters of the Syrian government and supporters of the Syrian opposition, which have, at times, led to clashes amongst civilians and subsequent interventions by Lebanese security forces to restore order. Hizbollah has acknowledged that its fighters are participating in the conflict alongside the Syrian regime, and the Syrian government has accused the Future Party of supporting the Free Syrian Army. In addition, a number of other kidnappings for ransom related to the conflict in Syria have taken place in the territory of the Republic.

The Lebanese Army and internal security forces rescued a number of detainees and other kidnap victims and arrested some of the perpetrators. However, as a result of such kidnappings, Turkey, Saudi Arabia, Qatar and other Gulf countries had issued travel warnings for their citizens about travel to Lebanon, although these were subsequently lifted. In August 2015, Bahrain, Kuwait and Saudi Arabia issued new travel warnings following the demonstrations in Beirut. In addition, various Lebanese parties have voiced differing positions regarding the intervention by Gulf Co-operation Council ("**GCC**") countries in the Yemen conflict, with some parties expressing support and some opposition.

There have been a series of attacks by militants in the Beka'a Valley from al-Nusra Front and the so-called "Islamic State" (sometimes referred to as ISIS or ISIL) against the Lebanese army, the Lebanese internal security forces and members of Hizbollah, resulting in death and injury. Successive attacks in Arsal (in the Beka'a Valley on the border with Syria) during 2014, resulted in the kidnapping of 39 Lebanese military personnel, four of whom have been executed and 19 have been released. The Government has stated its willingness to negotiate for the release of the remaining 16 Lebanese military personnel on certain terms and those negotiations are currently being conducted in private.

The impact of the events in Syria continue to spill over and be felt in the Republic, which has led to tensions and armed clashes between supporters of the Syrian government and supporters of the Syrian opposition in the north of the country. On 10 January 2015, nine people were killed and more than 30 were wounded in a cafe in an attack by two suicide bombers in the Jebel Mohsen neighborhood in Tripoli. Before the attack, the Government had launched a security plan to control armed clashes between Bab Al Tebbeneh and Jebel Mohsen, which has been successful.

Following an attack by Israel in the Golan heights on a Hizbollah convoy killing six members of Hizbollah and an Iranian General, on 28 January 2015, Hizbollah retaliated with an attack on an Israeli military convoy in the Sheba'a farms area. Two Israeli soldiers were killed and others were injured as a result of this attack. Israel retaliated by conducting artillery strikes on several Lebanese villages, which resulted in the death of a Spanish U.N. peacekeeping soldier. Both sides then shortly ended hostilities and indicated their respective intentions not to further escalate the conflict. On 30 January 2015, the Republic filed a complaint with the U.N. Security Council against Israel in respect of the artillery strikes on Lebanese territory.

The continuation of the conflict in Syria and the resulting repercussions in the Republic could further strain the general resources of the Government and the Government's finances and negatively affect the Republic's economy.

Refugees and Displaced Persons

The Republic has traditionally hosted large numbers of refugees and displaced persons fleeing armed conflict, including Palestinians and Syrians. The presence of these persons in the Republic has, at times, led to political disagreements, armed clashes between such persons and Lebanese citizens, interventions by Lebanese security forces and military incursions by Lebanon's neighbors.

The Republic is currently experiencing an inflow of Syrian nationals fleeing the conflict in Syria, and this trend is expected to continue. According to statistics published by the U.N. High Commission for Refugees (the "**UNHCR**"), there were over 1.1 million displaced persons from the Syrian conflict in Lebanon as at January 2015. The presence of Syrian displaced persons in Lebanon has had an impact on the economic and social stability of the Republic, as well as on the Republic's labour market and infrastructure. The Government has provided displaced persons with limited access to the Republic's education and healthcare systems and has played an active role in facilitating the coordination of the Republic's response to the inflow of the Syrian displaced persons. Providing displaced persons with basic accommodation and social services requires considerable resources, which has created an additional burden on the Government's finances. The Government has made a number of appeals for international aid and support to help the Government partially defray the direct and indirect costs incurred by it in providing health, education and other basic services to Syrian displaced persons in Lebanon. The Government is taking steps to limit new refugee arrivals in the Republic. In an effort to improve security in Lebanon in the midst of the tension created by the Syrian crisis, the Government has launched a security plan in the north of the country and in the Beka'a Valley aimed at controlling armed clashes, especially between the districts of Bab Al Tebbeneh and Jebel Mohsen. If the flow of Syrian displaced persons continues and Republic does not receive significant assistance from the international community to partially offset the cost of accommodating Syrian displaced persons, this will continue to strain the general resources of the Government and the Government's finances and negatively affect the Republic's economy

Public Debt

In recent years, the Government has incurred significant internal and external debt, principally for the purpose of financing the fiscal deficit. As at 30 June 2015, the Republic's gross public debt was LL 104,053 billion (U.S.$69.0 billion), consisting of LL 63,895 billion (U.S.$42.4 billion) of gross domestic debt and LL 40,158 billion (U.S.$26.6

billion) of public debt denominated in foreign currencies. Net outstanding public debt of the Republic was LL 89,637 billion (U.S.$59.4 billion) as at 30 June 2015. As at 31 December 2014, the Republic's gross public debt was LL 100,363 billion (U.S.$66.6 billion), consisting of LL 61,752 billion (U.S.$41.0 billion) of gross domestic debt and LL 38,611 billion (U.S.$25.6 billion) of public debt denominated in foreign currencies. Net outstanding public debt of the Republic was LL 86,398 billion (U.S.$57.3 billion) as at 31 December 2014.

Net outstanding public debt as a percentage of estimated GDP increased from approximately 46% in 1992 to approximately 170% as at 31 December 2006 before decreasing to 111% as at 31 December 2012 and subsequently increasing to 113% as at 31 December 2013 and 116% as at 31 December 2014. The debt burden of the Government is significant. In 2014, interest payments represented 30.0% of total expenditures (as compared to 27.8% in 2013), 38.5% of total revenues (as compared to 40.2% in 2013) and 8.5% of estimated GDP (as compared to 8.0% in 2013). Although the Government intends to reduce the Republic's net outstanding public debt, as well as the Republic's net outstanding public debt as a percentage of GDP, there is no assurance that it will be able to do so. Any failure to reduce the Republic's net outstanding public debt could materially impair the Republic's capacity to service its debt, including the Notes, and have a negative impact on the Republic's credit ratings.

Fiscal Deficit

Lebanon has incurred large fiscal deficits. Lebanon's fiscal deficit has increased in recent years from LL 5,918 billion (U.S.$3.9 billion or 8.9% of GDP) in 2012 to LL 6,362 billion (U.S.$4.2 billion or 8.9% of GDP) in 2013, before decreasing to LL 4,632 billion (U.S.$3.1 billion or 6.2% of GDP) in 2014. Lebanon's large fiscal deficits are primarily due to increased expenditures, in turn, as a result of increases in total spending and higher transfers to *Electricité du Liban* ("**EDL**"), which is financed in part by the Treasury and is the state-owned supplier of virtually all electricity in the Republic. EDL is a substantial contributor to the fiscal deficit in light of its large continuing losses. Treasury transfers to EDL amounted to U.S.$2.3 billion in 2012, U.S.$2.0 billion in 2013 and U.S.$2.1 billion in 2014. In addition, if a new salary scale for public sector employees is approved without accompanying additional revenues, the deficit is likely to increase further. In the six months ended 30 June 2015, Lebanon's fiscal deficit increased to LL 2,690 billion (U.S.$1.8 billion) from LL 2,377 billion (U.S.$1.6 billion) in the corresponding period of 2014, primarily due to continued high levels of expenditure, in particular, personnel costs (which are primarily comprised of salaries, wages and related benefits, as well as retirement and end of service compensations), coupled with lower revenues, in turn, as a result of a decrease in transfers from the telecommunications surplus and a decline in revenues from value added tax.

Lebanon's fiscal deficits have led to increased levels of Government borrowing, which has, in turn, increased the public debt. If the Republic is unable to control or reduce the fiscal deficit and the resulting impact on the public debt, it could raise the Republic's cost of funding of its debt, strain the general resources of the Government and the Government's finances, materially impair the Republic's capacity to service its debt (including the Notes) and negatively affect the Republic's economy.

Refinancing Risk

The Republic faces significant debt maturities in the coming years, with approximately LL 7,458 billion (approximately U.S.$4.9 billion), of which LL 2,692 billion in interest payments, maturing in the period 1 September – 31 December 2015 (including approximately LL 1,461 billion (U.S.$0.97 billion) in foreign currency debt) as at 30 June 2015 and LL 23,061 billion (approximately U.S.$15.3 billion), of which LL 6,008 billion in interest payments, maturing in the period 1 January – 31 December 2016 (including approximately LL 6,681 billion (U.S.$4.43 billion) in foreign currency debt as at 30 June 2015. While the Republic does not currently rely on international financial assistance in order to service its debt, it has benefited from international financial assistance in the past, in particular following the Paris II Conference. In addition, Lebanese banks are major holders of securities issued by the Government, including Notes issued under the Program. These banks' ability to continue purchasing such securities is tied, in large part, to the continued growth of their deposits. Any significant net deposit outflows would adversely affect these banks' ability to purchase securities issued by the Government, including Notes issued under the Program, which could, in turn, limit the ability of the Republic to refinance its debt. If the Republic is not able to refinance its debt on favorable terms or at all, it could materially impair the Republic's capacity to service its debt, including Notes issued under the Program.

Decline in Economic Growth

In recent years, the growth of the Republic's economy has slowed. The Republic's real GDP growth slowed to 0.9% in 2011, 2.8% in 2012 and 3.0% in 2013, as compared to an average real GDP growth rate of 9.2% between 2007 and 2010, mainly as a result of political instability in the region. The IMF has estimated real GDP growth at 2.0% in 2014 and has projected real GDP growth in 2015 and 2016 at 2.5%. In addition, the trade balance recorded deficits of approximately U.S.$14.7 billion in 2012, U.S.$15.3 billion in 2013 and U.S.$15.0 billion in 2014. According to preliminary figures, the balance of payments registered a deficit of U.S.$1.4 billion in 2014, as compared to a deficit of U.S.$1.1 billion in 2013. There can be no assurance that these trends will be reversed. If they are not reversed, they will

adversely affect the Republic's economy, its ability to raise capital in the external debt markets in the future and its ability to service the Notes.

No Approved Budgets; Extra-Budgetary Expenditures

There have been no approved budgets since 2005 due to a variety of factors, including political polarization in Parliament and the dispute regarding extra-budgetary expenditures discussed below. As provided in Article 86 of the Constitution and public accounting law decree № 14969/1963, in the absence of approved budgets for the years 2006-2014, Government expenditures have been incurred and are currently incurred on the basis of the "one-twelfth rule", pursuant to which the Government is authorized to spend monthly one-twelfth of the last approved Budget (*i.e.,* the 2005 Budget) and other enabling legislation.

During the period 2006-2014, successive Governments have incurred extra-budgetary expenditures. There was a controversy regarding the extra-budgetary expenditures incurred during the period 2006-2010 with certain members of the March 8 Coalition (as defined below) having requested a review of these expenditures by the Audit Court. This controversy has contributed to the non-approval of the Budgets for the years 2006-2014 by Parliament, which, in turn, limits the Government's ability to have a Budget approved for 2015. Claims that certain errors were contained in the Government's accounts between 1993 and 2003 has also contributed to the non-approval of the Budgets. In 2012, the Ministry of Finance initiated a process to review and finalize the Government's accounts since 1993. This process has not been concluded as yet.

Legal Authorization to Borrow

Pursuant to Article 88 of the Constitution, borrowing by the Republic requires the passage of a law. Borrowing authorizations have in the past been contained in annual budget laws or in specific laws. Since 2005, Parliament has not approved an annual budget law, and the Government's borrowing since that date has been based on refinancing provisions contained in existing laws. There can be no assurance that Parliament will adopt budget laws or other laws authorizing future borrowings, especially borrowings denominated in foreign currencies. Parliament has, however, adopted two new laws authorizing borrowings: (i) Law № 212 that was published in the *Official Gazette* on 31 March 2012, which authorizes the Government to incur new borrowings of up to U.S.$2 billion to finance foreign currency treasury needs and for debt refinancing of up to U.S.$3 billion, in each case with maturities of up to 30 years; and (ii) Law № 14 that was published in the *Official Gazette* on 11 November 2014, which authorizes the Government to incur new borrowings for debt refinancing of up to U.S.$2.5 billion with maturities of up to 30 years. Failure to pass such laws in the future may impact the Government's ability to finance the fiscal deficit and refinance maturing debt.

Lebanese Banking Sector – United Against Nuclear Iran

United Against Nuclear Iran ("**UANI**"), a New York-based advocacy group that seeks to prevent Iran from obtaining nuclear weapons, launched a campaign in February 2012 against the Lebanese banking sector, BDL and the Republic, alleging, *inter alia*, that the Lebanese banking sector and BDL have been engaged in money laundering activities and facilitating the evasion of international sanctions imposed upon Iran. UANI has called on international holders of Lebanese sovereign debt, including Notes issued under the Program, to divest their ownership of such securities. The Republic views UANI's allegations as being without merit.

Foreign Exchange Risk; Monetary Policy

The Lebanese Pound is convertible, and BDL intervenes when necessary in order to maintain orderly conditions in the foreign exchange market. BDL's exchange rate policy since October 1992 has been to anchor the Lebanese Pound exchange rate to the U.S. Dollar. BDL has been successful during the past several years in maintaining a stable exchange rate with the U.S. Dollar through the use of its foreign exchange reserves and its interest rate policy. Past instances of instability or conflict have led to significant conversions from Lebanese Pound denominated deposits to foreign currency (principally U.S. Dollar) denominated deposits, consequently leading to a decline in BDL's foreign currency reserves.

Although the authorities expect to gear their monetary policy toward maintaining stability in the exchange rate, there is no assurance that the BDL will continue to be willing or able to maintain a stable currency and the peg of the Lebanese Pound to the U.S. Dollar, through intervention in the exchange markets or otherwise. The possible depreciation of the Lebanese Pound to the U.S. Dollar or the decline in the level of foreign reserves as a result of BDL's intervention in the currency markets could materially impair the Republic's capacity to service its debt, including the Notes.

Lebanon's economy is highly dollarized. BDL data indicate that the proportion of foreign currency deposits as a share of total deposits was approximately 65.9% as at 31 December 2011, 64.8% as at 31 December 2012, 66.1% as at 31 December 2013, 65.7% as at 31 December 2014 and 65.1% as at 30 June 2015.

Prices and Inflation

The Republic has, in the past, experienced high levels of inflation. Since 2001, however, estimated inflation has eased and the Republic's economy enjoyed relative price stability until 2006, when inflation increased to 5.6%, mainly due to shortages of supply and consequent price increases as a result of the July 2006 War. CAS estimated inflation at 5.5% in 2008, 3.4% in 2009, 4.6% in 2010 and 3.1% in 2011 on an end-of-period basis. The year-on-year estimate for 2012 is 10.1%, however, housing costs, as a component of inflation, were subject to a one-time adjustment in July 2012, and, accordingly, inflation figures are not indicative of year-on-year inflation. The estimate for 2013 is 1.1% on an end-of-period basis. These fluctuations were primarily due to fluctuations in the exchange rate between the Lebanese Pound and the Euro (the Euro is the currency of the principal trading partners of the Republic) and global energy and commodity prices.

The CPI inflation figure published by CAS for December 2014 decreased by 0.7%, as compared to December 2013, primarily due to decreases in international oil prices, which, in turn, resulted in lower utility prices, and decreases in transportation costs. A decrease in communication prices as a result of cost reduction measures introduced by the Ministry of Telecommunications also contributed to the decrease in inflation. The average yearly inflation for 2014, as compared to 2013, was 1.9%. The increase in annual inflation was primarily due to increases in food and non-alcoholic beverages, education, alcoholic beverages and tobacco prices, partially offset by decreases in communication and transportation prices. As of June 2015, CAS estimated the twelve-month average inflation at (0.9%). The IMF's preliminary inflation projection for 2015 is 1.1%, on a period-average basis.

The Government is also considering the implementation of measures that would result in increased public sector wages, as well as the simultaneous implementation of revenue measures to finance such increases, which could have an inflationary effect. An increased inflow of displaced Syrians into Lebanon, if not matched by aid and assistance, may also exert an upward pressure on prices. Although price stability is at the center of BDL's monetary policy, there can be no guarantee that BDL will be able to achieve or maintain price stability and thus control inflation. Significant inflation could have a material adverse effect on the Republic's economy and the Republic's capacity to service its debt, including the Notes.

Failure to Implement Economic Reforms and Privatization Program

As part of the "International Conference for Support to Lebanon", known as the Paris III Conference, the then-Government agreed to an economic reform program of which privatization is an essential component. Disagreements among political parties and the July 2006 War have contributed to delay the implementation of the program. There is no assurance that some of these obstacles will not persist.

In May 2000, Parliament adopted a privatization law, which sets the framework for the privatization of state-owned enterprises. The privatization law established the Higher Council for Privatization (the "**HCP**") and provides that the proceeds from privatization will be applied towards debt repayment. Plans for privatization included, *inter alia*, the electricity, water and telecommunications sectors. However, due to political interference and disagreements within the executive branch of the Government, the Republic's privatization program has not been successfully implemented.

Accuracy of Financial and Statistical Information

The analysis of the economic situation and prospects in Lebanon is hampered by the lack of timely data on the economy. At present, only inflation data, the monetary accounts, the fiscal operations of the Lebanese Government and trade data are available on a timely basis. In 2012, responsibility for preparing Lebanon's national accounts, which since 1997 had been undertaken under an interim arrangement by the Presidency of the Council of Ministers-National Accounts Committee (the "**National Accounts Committee**"), was transferred back to CAS. In 2013, CAS released GDP estimates for the first time, which covered the period from 2004 to 2011, as well as a preliminary estimate for GDP growth for 2012. These estimates, which differed from the figures published by the National Accounts Committee, were released in line with a revised national accounts framework and were compiled based on international standards adopted by the U.N. Statistical Commission (2008 SNA). In December 2014, CAS published revised GDP figures for the period 2004 to 2013 in the *Lebanese National Accounts 2004-2013*. These figures were compiled based on the same standards as the previously published CAS figures.

BDL is responsible for the compilation of the balance of payments statistics for Lebanon. The External Sector Section ("**ESS**") at the Statistics and Economic Research Department at BDL has set the methodology for estimating the various

components of the balance of payments, which is believed to be consistent with the methodology of the IMF fifth edition of the balance of payments manual ("**BPM5**"). The ESS has applied the BPM5 principles in 2003, in respect of data for 2002 and thereafter, accordingly, the balance of payments figures appearing in this Prospectus have been revised. The ESS uses various data sources for the establishment of the balance of payments statistics, in particular: (i) the High Council of Customs, (ii) the ministries and public administrations' administrative records, (iii) the BDL departments, (iv) the General Directorate of General Security and Ministry of Labor statistics, (v) statistics from the Coordinated Portfolio Investment Survey (BDL Circular № 91, issued on 13 February 2002), and (vi) the International Transactions Reporting System established on 4 February 2002 through BDL Circular № 90 addressed to commercial banks and medium- and long-term banks, as amended through BDL Intermediate Circular № 201 dated 14 September 2009.

Certain current account items, such as transportation services, tourism, insurance services, and workers' remittances and certain items in the capital and financial accounts, such as direct investment and trade credits are estimates due to lack of available data.

Figures included in this Base Prospectus are subject to updates and differ from previously published figures.

Statistical weaknesses constitute serious obstacles to the analysis of the Republic's economy, and the GDP, balance of payments and other data included in this Base Prospectus should be viewed as best estimates by prospective investors in the Notes.

Global Financial Crisis

The recent global financial crisis contributed to the failures of a number of financial institutions in the United States and Europe and unprecedented action by governmental authorities, regulators and central banks around the world. Its effects continue to be felt, with some countries experiencing difficulties with refinancing their debt obligations and maintaining solvency in their respective banking sectors. As a result of market turmoil, there is significant price volatility in the secondary market for instruments similar to the Notes. Moreover, systemic risk within the financial system and the related general deterioration in global economic conditions could result in a decline in the recoverability and value of the market price of the Notes.

It is difficult to predict how long the volatility in the financial sector and capital markets will persist or whether related concerns about further failures of financial and other institutions will exacerbate the prevailing difficulties in the global economy and, accordingly, it is not possible to foresee the specific impacts these conditions may have on the Republic.

Sovereign Debt Ratings

As of the date of this Base Prospectus, the foreign currency obligations of the Republic were rated as follows:

Rating Agency	**Tenor**	**Rating**	**Outlook**
Standard & Poor's Credit Market Services Europe Limited	Long-term	B-	Negative
	Short-term (less than one year)	B	
Moody's Investor Services Limited	Long-term	B2	Negative
Fitch Ratings	Long-term	B	Negative
	Short-term (less than one year)	B	

In April 2014, S&P revised its outlook on the Republic to stable from negative and affirmed its "B-" long-term sovereign credit rating and "B" short-term sovereign credit rating. S&P affirmed these ratings in October 2014 and March 2015. In September 2015, S&P revised its outlook on the Republic to negative from stable and affirmed its "B-" long-term sovereign credit rating and "B" short-term sovereign credit rating.

In May 2014, Moody's revised its outlook on the Republic to negative from stable, and affirmed its "B1" long-term sovereign credit rating. In December 2014, Moody's downgraded the Republic's long-term credit rating to B2 from B1 and maintained its outlook on the Republic as negative. Moody's affirmed these ratings in June 2015.

In June 2014, Fitch affirmed its outlook on the Republic as negative and affirmed its "B" long-term and short-term sovereign credit ratings. Fitch affirmed these ratings and the negative outlook in December 2014 and June 2015.

The credit ratings included or referred to in this Base Prospectus will be treated for the purposes of Regulation (EC) № 1060/2009 on credit rating agencies, as amended by Regulation (EU) № 513/2011 (the "**CRA Regulation**"), as having been issued by S&P, Moody's and Fitch, respectively. Each of S&P, Moody's and Fitch is established in the

European Union and is registered under the CRA Regulation. As such, each of S&P, Moody's and Fitch is included in the latest update of the list of registered credit rating agencies published by the European Securities and Markets Authority on its website: http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in accordance with the CRA Regulation as of the date of this Base Prospectus.

The definition applicable to S&P's long-term rating referred to above is that debt of this rating is generally regarded as having significant speculative characteristics, and that while such debt will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions, according to *Standard & Poor's Rating Definitions*. The definition applicable to S&P's short-term rating referred to above is that debt of this rating is vulnerable and has significant speculative characteristics; the obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments, according to the same source.

The definition applicable to Moody's rating referred to above is that debt of this rating is considered speculative and is subject to high credit risk, according to *Moody's Rating Symbols and Definitions*.

The definition applicable to Fitch's long-term rating referred to above is that material default risk is present in respect of debt of this rating, but a limited margin of safety remains; financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment, according to *Fitch's Definitions of Ratings and Other Forms of Opinion*. The definition applicable to Fitch's short-term rating referred to above is that there is speculative short-term credit quality in respect of debt of this rating; minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions, according to the same source.

All of the ratings referred to above are non-investment grade and a credit rating is not a recommendation by the rating organization or any other person to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning rating organization and each should be evaluated independently from the other. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Risks Relating to the Notes

Events in Other Emerging Markets

Economic distress in any emerging market country may adversely affect the prices of securities and the level of investment in other emerging market jurisdictions as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Lebanon, adversely affect the Lebanese economy or adversely affect the trading price of Notes. Even if the Lebanese economy remains relatively stable, economic distress in other emerging market countries could adversely affect the market price of Notes and the availability of international funding sources for the Government or private sector borrowers. Adverse developments in other countries in the Middle East and North Africa region, including, in particular, in Syria, may have a negative impact on the Republic if investors perceive risk that such developments will adversely affect the Republic.

Suitability of Notes as an Investment

Each prospective purchaser of Notes must determine the suitability of the investment in light of its own circumstances. In particular, each prospective purchaser should:

- have sufficient knowledge and experience to make a meaningful evaluation of such Notes, the merits and risks of investing in such Notes and the information contained in this Base Prospectus and any applicable supplement;
- have access to, and a knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in Notes and the resulting effect on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in such Notes, including any risk resulting from the currency of such Notes being different from the purchaser's functional currency
- understand thoroughly the Terms and Conditions applicable to such Notes and be familiar with the financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) changes in economic conditions, interest rates and other factors that may affect its investment and ability to bear the associated risks.

Limited Liquidity; Trading Prices may Fluctuate

The trading market for each Series or Tranche of Notes will be influenced by economic and market conditions in the Republic and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries (such as, the United States, EU Member States and elsewhere). Although application will be made to list the Notes issued and to be issued under the Program on the Official List of the Luxembourg Stock Exchange, and although the Notes may also be listed on the Beirut Stock Exchange, each Series of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes, but are not obligated to do so and may discontinue any market making, if commenced, at any time without notice. There can be no assurance that a secondary market will develop for the Notes or, if a secondary market therein does develop, that it will continue. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, prevailing interest rates and the general economic conditions in, and the financial condition of, the Republic.

The Terms of the Notes may be Modified, Waived or Substituted without the Consent of all the Holders of the Notes

The Terms and Conditions of the Notes contain provisions for convening meetings of Holders of Notes to consider matters affecting their interest. The provisions permit defined majorities to bind all Holders of Notes including Holders who did not attend and vote at the relevant meeting and Holders of Notes who voted in a manner contrary to the majority. Also, the Republic may issue additional notes fungible with outstanding Notes, which would dilute the voting powers of existing Holders of Notes.

No obligation to effect equal or rateable payment(s) with respect to other debt obligations

The Notes will at all times rank at least *pari passu* with all other unsecured and unsubordinated External Indebtedness of the Republic. However, the Republic will have no obligation to effect equal or rateable payment(s) at any time with respect to any other External Indebtedness and, in particular, will have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Republic may choose to grant preferential treatment to, and therefore prioritize payment obligations to, other unsecured and unsubordinated creditors of the Republic as payments fall due.

Jurisdiction and Sovereign Immunity

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments against the Republic in the courts of the United States of America. The Republic has irrevocably submitted to the non-exclusive jurisdiction of any New York State or federal court sitting in the City of New York in the Borough of Manhattan for purposes of any Related Proceeding. The Republic has also irrevocably agreed that all claims in respect of any Related Proceeding may be heard and determined in any such New York State court or any such federal court, subject to the following. The Republic has irrevocably waived the defense of an inconvenient forum to the maintenance of any Related Proceeding whether on grounds of venue, residence or domicile; however, the Republic will not waive any rights to seek removal or transfer of any Related Proceeding from any such court of the State of New York to any United Stated federal court sitting in New York City, in the Borough of Manhattan.

Prospective investors in Notes should be aware that, pursuant to Lebanese law, including Article 860 of the Code of Civil Procedure of Lebanon, the Republic's properties and assets are immune from execution, attachment or other legal or judicial process and, in any Related Proceeding brought in the courts of Lebanon against the Republic or brought in those courts to enforce or seek recognition of a judgment obtained outside Lebanon, the Republic's waiver of immunity referred to above would not be given effect to the extent it violates Article 860 of the Code of Civil Procedure of Lebanon. Investors should therefore be aware that the waiver of immunity is likely to be ineffective in respect of the attachment of assets and properties located in the Republic.

Prospective investors in Notes should also be aware that enforcement of foreign judgments in Lebanon involves the payment of significant court and related fees, which may be as high as 2.5% of the amount claimed. Court costs and fees in connection with a direct action brought against the Republic in Lebanese courts may be as high as 5% of the amount claimed.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria will (unless during that period it elects otherwise) instead apply a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within their jurisdiction to, or collected by such a paying agent for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the EU has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive), which indirectly benefit an individual resident in a Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Republic nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in the Member States, such withholding may occur in a wider range of circumstances than at present, as explained above. The Republic is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to such Directive. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the EU Savings Directive, as amended.

Noteholders should consult their own tax advisers regarding the implications of the EU Savings Directive in their particular circumstances.

INCORPORATION BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents, which have previously been published, have been filed with the CSSF and which shall be incorporated by reference in, and form part of, this Base Prospectus:

- the Base Prospectus Supplement dated 17 February 2015 relating to the Program;
- the Base Prospectus dated 2 April 2014 relating to the Program;
- the Base Prospectus dated 23 March 2012 relating to the Program;
- the Base Prospectus dated 26 February 2009 relating to the Program;
- the Base Prospectus dated 17 April 2008 relating to the Program;
- the Base Prospectus dated 4 April 2007 relating to the Program;
- the Base Prospectus dated 17 October 2005 relating to the Program; and
- the Base Prospectus dated 23 December 2002 relating to the Program.

Cross-Reference List relating to Information Incorporated by Reference

The following information appears on the pages of the relevant documents as set out below:

- the Amendments to the Terms and Conditions of the Notes set out on page 26 of the Base Prospectus Supplement dated 17 February 2015 relating to the Program;
- the Terms and Conditions of the Notes set out on pages 105-123 of the Base Prospectus dated 2 April 2014 relating to the Program;
- the Terms and Conditions of the Notes set out on pages 90-109 of the Base Prospectus dated 23 March 2012 relating to the Program;
- the Terms and Conditions of the Notes set out on pages 83-104 of the Base Prospectus dated 26 February 2009 relating to the Program;
- the Terms and Conditions of the Notes set out on pages 90-111 of the Base Prospectus dated 17 April 2008 relating to the Program;
- the Terms and Conditions of the Notes set out on pages 79-100 of the Base Prospectus dated 4 April 2007 relating to the Program;
- the Terms and Conditions of the Notes set out on pages 67-88 of the Base Prospectus dated 17 October 2005 relating to the Program; and
- the Terms and Conditions of the Notes set out on pages 57-79 of the Base Prospectus dated 23 December 2002 relating to the Program.

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) 809/2004. All documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the specified office of the Paying Agent for the time being in Luxembourg and on the Luxembourg Stock Exchange's website at www.bourse.lu. This Base Prospectus and Final Terms for Notes listed on the Official List of the Luxembourg Stock Exchange are also published on the website of the Luxembourg Stock Exchange at www.bourse.lu. See "*General Information—Documents on Display*".

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Republic may, from time to time, issue Notes denominated in U.S. Dollars, Euros and, subject to compliance with all relevant laws, regulations and directives, other currencies and with a minimum maturity of three months and a maximum maturity of 30 years, subject to the terms more fully set forth herein. An overview of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed upon by and between the Republic and the relevant Dealer prior to the issue of the Notes and will be set forth in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as completed by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "*Forms of the Notes*" below.

This Base Prospectus and any supplement will only be valid for listing Notes on the Official List of the Luxembourg Stock Exchange in an aggregate principal amount of the Notes which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.$25,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. Dollar equivalent of the aggregate principal amount of Notes issued under the Program from time to time, the U.S. Dollar equivalent of Notes denominated in another Specified Currency (as defined below) shall be determined, at the discretion of the Republic, either as of the date on which agreement is reached for the issue of Notes or on the first preceding day on which commercial banks and foreign exchange markets are open for business, in each case on the basis of the spot rate for the sale of the U.S. Dollar against the purchase of such Specified Currency in a foreign exchange market quoted by any leading international bank selected by the Republic on the relevant day of calculation.

Overview of the Terms and Conditions of the Program and the Notes

Issuer	The Lebanese Republic.
Arranger	Citigroup Global Markets Limited.
Dealers	Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc., Morgan Stanley & Co. International plc, Nomura International plc and Standard Chartered Bank. Pursuant to the terms of the Program Agreement, the Republic may issue Notes to persons other than Dealers and may terminate the appointment of any Dealer or appoint further Dealers for a particular Tranche or Series of Notes or for the Program.
Fiscal Agent, Transfer Agent, Registrar and Exchange Agent	Deutsche Bank Trust Company Americas.
Paying Agent and Transfer Agent in London	Deutsche Bank AG, London Branch.
Paying Agent and Transfer Agent in Luxembourg and Listing Agent	Deutsche Bank Luxembourg S.A.
Description	Global Medium-Term Note Program.
Size	Up to U.S.$25,000,000,000 (or its equivalent in other currencies, calculated as described in "*General Description of the Program*") outstanding at any time, subject to any duly authorized increase.
Distributions	Notes may be distributed on a syndicated or non-syndicated basis.
Currencies	U.S. Dollars, Euros and, subject to compliance with all relevant laws, regulations and directives, such other currencies as may be specified in the applicable Final Terms (each, a "**Specified Currency**").

Issuance in Series	Notes will be issued in Series, with all Notes in a Series having the same maturity date and terms otherwise identical (except in relation to issue dates, interest commencement dates, issue prices and related matters). The Notes in each Series may be issued in one or more Tranches on different issue dates.
Further Issuances	The Issuer reserves the right, with respect to the Notes in any Series or Tranche, from time to time, without the consent of the holders of the Notes in such Series or Tranche, to issue additional Notes in a Series or Tranche so that the same shall be consolidated with, form a single issue with, and increase the aggregate principal amount of, the Notes issued in such Series or Tranche.
Final Terms	The Final Terms for each issue of Notes in a Series or Tranche shall set forth, among other things, certain information about the terms and conditions of such Notes and the offering and sale thereof.
Maturities	Such maturities as indicated in the applicable Final Terms, subject to a minimum maturity of three months and a maximum maturity of 30 years. Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year are subject to additional selling restrictions in the United Kingdom. See "*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*".
Amortization	If specified in the applicable Final Terms, the Notes will be redeemed in the Amortization Amounts and on the Amortization Dates set forth in the applicable Final Terms.
Issue Price	Notes may be issued at an issue price which is at par or at a discount to, or at a premium over, par, as set forth in the applicable Final Terms.
Interest Rate Option	Notes in respect of any Series or Tranche may be issued bearing interest at a fixed rate or a floating rate or may be non-interest bearing.
Status and Ranking	The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 4, relating to the Republic's negative pledge covenant) unsecured obligations of the Republic which will rank *pari passu* in priority of payment among themselves, and at least *pari passu* with all other present and future unsecured (subject to Condition 4, relating to the Republic's negative pledge covenant) and unsubordinated External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Republic, other than any External Indebtedness preferred by Lebanese law (as more fully described in this Base Prospectus) and provided, however, that the Republic should have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.
Events of Default	See Condition 10 for a description of certain Events of Default, such that, if any of them shall have occurred and be continuing, the Holder of any Note then outstanding may, by written notice given to the Republic at the specified office of the Fiscal Agent, declare such Note to be due and payable and such Note shall accordingly become immediately repayable, together with accrued interest.
Negative Pledge	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Default	The terms of the Notes will contain a cross-default provision as further described in Condition 10.
Redemption	The Final Terms relating to each Tranche of Notes will indicate whether or not the Notes of such Tranche may be redeemed prior to their stated maturity, at whose option, under which circumstances, and at what terms.
Withholding Tax	The principal of, and interest on, the Notes will be payable by the Republic without withholding or deductions for, or on account of, taxes imposed by or in the Republic, except as otherwise required by law. If the Republic is required by law to deduct or withhold any taxes, imposed or levied by or in the Republic, the Republic will, subject to certain exceptions, be required to take such additional actions as necessary to enable Holders of Notes to receive, after such deductions or withholding, the amounts they would have received in the absence of such withholding or deductions. Interest paid in respect of Notes issued by the Republic after 31 January 2003 is subject to withholding tax at the rate of 5%. See "*Terms and Conditions of the Notes—8. Taxation*".
Tax Consequences	Notes may not be a suitable investment for all investors. The acquiring, holding or disposing of Notes and receiving payments under Notes may have tax consequences for an investor.
Forms of the Notes	Notes may be issued in bearer or in registered form, as specified in the applicable Final Terms. Bearer Notes will not be exchangeable for Registered Notes, and Registered Notes will not be exchangeable for Bearer Notes. Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note. A Temporary Global Note will be exchangeable, for either a Permanent Global Note or Definitive Bearer Notes, upon the terms indicated in the applicable Final Terms, including certification of non-U.S. beneficial ownership delivered to the Republic or the Fiscal Agent on its behalf as required by United States Treasury Regulations. A Permanent Global Note will only become exchangeable in whole, but not in part, for Notes in definitive form in limited circumstances, unless otherwise specified in the applicable Final Terms. Each Tranche of Registered Notes sold outside the United States in reliance on Regulation S will be represented by a Regulation S Global Note. Each Tranche of Registered Notes sold in private transactions to QIBs pursuant to Rule 144A will be represented by a Restricted Global Note. See "*Terms and Conditions of the Notes—1. Form, Denomination and Title" and* "*Terms and Conditions of the Notes—2. Exchange and Transfer of Notes*".
Delivery and Clearance	Any interest in a Temporary Global Note, a Permanent Global Note, a Regulation S Global Note or a Restricted Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, DTC, MIDCLEAR and/or any other agreed clearance system, as applicable. See "*Book-Entry Clearance Systems*" for a further description of the delivery and clearance procedures.

	The transfer of a Global Note, as well as the transfer of Definitive Notes after exchange of the Global Note, must be made in compliance with Lebanese law. Under Lebanese law, instruments of transfer must be signed by both the Transferor and the Transferee.
Denominations	Notes will be issued in the denominations indicated in the applicable Final Terms (the "**Specified Denominations**") save that the minimum denomination of each Note will be the equivalent in Specified Currency of U.S.$1,000 or such higher minimum as may be required from time to time by any laws or regulations applicable to the relevant Specified Currency.
Selling Restrictions	The offer and sale of Notes and the delivery of this Base Prospectus is restricted in certain jurisdictions, including the United States, the European Economic Area and the United Kingdom. There are selling restrictions in relation to the United States, the European Economic Area and the United Kingdom and certain other jurisdictions in connection with the offering and sale of a particular Tranche of Notes of a particular Series. In the case of Bearer Notes, the relevant Final Terms will specify whether United States Treasury Regulations §§1.163-5(c)(2)(i)(C) or (D), or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the "**TEFRA Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, or that the TEFRA Rules are not applicable. See "*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*" and "*Subscription and Sale*".
Governing Law	The Program Agreement and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.
Submission to Jurisdiction	Non-exclusive jurisdiction of any New York State or federal court sitting in The City of New York, in the Borough of Manhattan. See "*Jurisdiction and Enforcement*".
Listing and Admission to Trading	Application has been made to the Luxembourg Stock Exchange for Notes issued under this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange. However, Notes may be issued under the Program which will not be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange, and the Final Terms applicable to each Tranche of Notes will specify whether or not the Notes will be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange. Application may, on a series-by-series basis, be made to the Beirut Stock Exchange for Notes issued under this Base Prospectus to be listed and traded on the Beirut Stock Exchange. However, Notes may be issued under the Program which will not be listed on the Beirut Stock Exchange.

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

Restrictions on Public Offers of Notes in Relevant Member States

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Notes. Any person making or intending to make a Non-exempt Offer of Notes in any Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), however, may only do so if this Base Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Republic has consented to the use of this Base Prospectus in connection with such offer as provided under "*—Consent Given in Accordance With Article 3.2 of the Prospectus Directive (Retail Cascades)"* below and the terms of that consent are complied with by the person (the "**Offeror**") making the Non-exempt Offer of such Notes.

Save as provided above, neither the Republic nor any Dealer has authorized, nor do they authorize, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Republic or any Dealer to publish or supplement the Base Prospectus for such offer.

Consent Given in Accordance With Article 3.2 of the Prospectus Directive (Retail Cascades)

Any person (an "**Investor**") intending to acquire or acquiring any Notes from any Offeror other than the Republic or a relevant Dealer should be aware that, in the context of a Non-exempt Offer of such Notes, the Republic will be responsible to the Investor for this Base Prospectus under Article 6 of the Prospectus Directive only if the Republic has consented to the use of this Base Prospectus by that Offeror to make the Non-exempt Offer to the Investor. Neither the Republic nor any Dealer makes any representation as to the compliance by that Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and neither the Republic nor any Dealer has any responsibility or liability for the actions of that Offeror. **Save as provided below, neither the Republic nor any Dealer has authorized the making of any Non-exempt Offer by any Offeror or consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Republic is unauthorized and neither the Republic nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorized offer.**

If the Republic has not consented to the use of this Base Prospectus by an Offeror, the Investor should check with the Offeror whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus or who is responsible for its contents it should seek legal advice.

In connection with each Tranche of Notes, and provided that the applicable Final Terms specifies an Offer Period (as defined below), the Republic consents to the use of this Base Prospectus in connection with a Non-exempt Offer of such Notes subject to the following conditions:

(i) the consent is only valid during the Offer Period so specified;

(ii) the only Offerors authorized to use this Base Prospectus to make the Non-exempt Offer of the relevant Tranche of Notes are the relevant Dealer and either:

  (a) (1) if the applicable Final Terms names financial intermediaries authorized to offer the Notes, the financial intermediaries so named or (2) if the Republic appoints additional financial intermediaries after the date of the applicable Final Terms and publishes details of them on its website, each financial intermediary whose details are so published; or

  (b) if specified in the applicable Final Terms, any financial intermediary which is authorized to make such offers under the Directive 2004/39/EC (the Markets in Financial Instruments Directive), which states on its website that it is relying on this Base Prospectus to offer the relevant Tranche of Notes during the Offer Period;

(iii) the consent only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Luxembourg (the "**Public Offer Jurisdiction**"); and

(iv) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

Any Offeror falling within sub-paragraph (ii)(b) above who meets all of the other conditions stated above and wishes to use this Base Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website that it is relying on this Base Prospectus for such Non-exempt Offer in accordance with the consent of the Republic and the conditions stated above.

The Republic accepts responsibility in Luxembourg, the jurisdiction to which the consent to use this Base Prospectus extends, for the content of this Base Prospectus in relation to any Investor who acquires any Notes in a Non-exempt Offer made by any person to whom consent has been given to use this Base Prospectus in that connection pursuant to the preceding paragraph, provided that such Non-exempt Offer has been made in accordance with all the conditions attached to that consent.

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A NON-EXEMPT OFFER FROM AN OFFEROR OTHER THAN THE REPUBLIC WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR, INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE REPUBLIC WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE REPUBLIC NOR ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

TABLE OF SELECTED LEBANESE ECONOMIC INDICATORS

Set forth below is an overview of certain information contained elsewhere in this Base Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Base Prospectus.

	For the year ended 31 December					For the six months ended 30 June	
	2010	**2011**	**2012**	**2013**	**2014**	**2014**	**2015**
The Economy[1]							
GDP[2] (*at current market prices in LL billions*)	57,918	60,414	66,481	71,185	74,656	N/A	N/A
GDP[3] (*at current market prices U.S.$ billions*)	38.4	40.1	44.1	47.2	49.5	N/A	N/A
Real Growth Rate (*%*)[2]	8.0	0.9	2.8	3.0	2.0	N/A	N/A
Balance of Payments (*U.S.$ millions*)[1][4]							
Current account	(7,588)	(5,440)	(10,033)	(11,716)	(12,103)	N/A	N/A
Capital and Financial account	943	3,701	6,013	4,917	6,247	N/A	N/A
Net Change in Foreign Assets[5]	3,325	(1,996)	(1,537)	(1,128)	(1,408)	N/A	N/A
Reserves[1]							
Gross Foreign Currency Reserves (*U.S.$ millions*)[6]	28,598	30,815	29,972	31,713	32,403	33,848	34,111
Gold (*U.S.$ millions*)[6][7]	13,010	14,401	15,312	11,104	10,951	12,113	10,821
Gold (*thousands of Troy Ounces*)	9,222	9,222	9,222	9,222	9,222	9,222	9,222
Public Finance (*LL billions*)[1]							
Government Revenues[8]	12,684	14,070	14,164	14,201	16,400	7,897	7,546
Government Expenditures[9]	17,047	17,600	20,081	20,563	21,032	10,274	10,237
Government Overall Deficit	(4,362)	(3,530)	(5,918)	(6,362)	(4,632)	(2,377)	(2,690)
Primary (Deficit)/Surplus[10]	1,855	2,505	(166)	(361)	1,970	874	716
Public Debt[1]							
Net Domestic Public Debt (*LL billions*)	36,836	38,356	37,282	40,817	47,787	43,479	49,479
Public External Debt (*LL billions*)[11]	31,043	31,547	36,761	39,398	38,611	39,346	40,158
Gross Public Debt: GDP (*%*)	137	134	131	134	134	N/A	N/A
Net Public Debt/GDP (%)[3]	117	116	111	113	116	N/A	N/A

Notes:

(1) Certain figures in this table differ from previously published data.

(2) The GDP figures included in this table are taken from the CAS *Lebanese National Accounts 2004-2013* and differ from previously published data. See "*Presentation of Financial Information*", "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*" and "*The Economy—Gross Domestic Product*". The 2014 GDP figure is an estimate and uses the IMF April 2015 World Economic Outlook growth estimate.

(3) Translated at period average exchange rates.

(4) The basis for calculation of balance of payments figures have changed according to the IMF BPM5 manual. Therefore, figures differ from previously published data. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

(5) The figures include proceeds from loans and bonds issued in connection with the Paris II Conference, the Paris III Conference and deposits from Saudi Arabia and Kuwait following the July 2006 War.

(6) As at 31 July 2015, gross foreign currency reserves (excluding gold reserves) were U.S.$33,652 million and gold reserves were U.S.$9,982 million.

(7) Parliament passed Law № 42/86, dated 24 September 1986, forbidding dispositions of gold reserves without parliamentary legislation.

(8) The figure for the six months ended 30 June 2014 includes transfers of LL 941 billion in respect of the telecommunications surplus that were anticipated by the Ministry of Finance but not received during the period. The figure for the six months ended 30 June 2015 includes actual transfers of LL 829 billion in respect of the telecommunications surplus. On a cash basis (which excludes "anticipated but not received transfers"), total Government revenues were LL 7,546 billion for the six months ended 30 June 2015, as compared to LL 6,956 billion in the corresponding period of 2014, due to the receipt of LL 829 billion in respect of actual transfers from the telecommunications surplus in 2015, as compared to nil in the corresponding period of 2014.

(9) Not including expenditures by the Council for Development and Reconstruction ("**CDR**") financed with foreign funds or donor funding for the High Relief Council. See "*Public Finance—Operations of the Government*".

(10) Surplus or deficit, excluding domestic and external debt service.

(11) Calculated at end of period exchange rates.

THE LEBANESE REPUBLIC

General Background

The Republic is situated in the Levant on the eastern most part of the Mediterranean Sea. The Republic's Mediterranean shoreline extends 192 km from north to south; its greatest width from west to east is 85 km. The total area of the Republic is 10,452 km^2.

The Republic is a mountainous country with over half its area lying above 1,000 m. There are two parallel ranges of mountains running north to south: the Mount-Lebanon Range, hugging the Mediterranean coast, reaches an altitude of 3,088 m and the Anti-Lebanon Range, reaching an altitude of 2,814 m, runs along the eastern border. The fertile Bekaa valley lies between these two mountain ranges. The two main rivers, the Asi (Orontes) and the Litani, flow out of this valley. The climate of the Republic is alpine in the mountains and Mediterranean along the coast. The rain in winter can be torrential and snow falls on mountains above 1,000 m. There is high humidity in the coastal regions with hot, rainless summers.

The historic and cultural heritage of Lebanon dates back over 6,000 years to the Phoenicians and the subsequent civilizations that were established in Lebanon or interacted with the Lebanese. Throughout its history Lebanon has been a contact center between various cultures and civilizations, and, as a result, the Republic today is a highly-cosmopolitan country.

According to the *National Survey of Household Living Conditions 2007* published in 2008 and conducted jointly by the CAS, the Ministry of Social Affairs and the United Nations Development Program (the "**UNDP**"), the number of Lebanon's permanent residents in 2007 was 3,759,136, of whom 96.2% were Lebanese. This figure does not include either temporary residents such as migrant workers or residents of Palestinian camps.

The following table sets forth the breakdown of population by age in 2009.

Population by Age

	Total
	(%)
Under 20	35.4
20-59	53.4
60 and over	11.2

Source: CAS.

According to statistics published by the World Bank, there were 4.5 million permanent residents in Lebanon in 2014 (excluding refugees not permanently settled in Lebanon), of whom 24.1% were between the ages of 0-14, 67.8% were between the ages of 15-64 and 8.1% were aged 65 and above.

The population is composed of Christians, Muslims and minorities and is Arabic-speaking, with French and English being widely used. In the period 1975–1993, a decline in population of about 300,000 occurred, as a result of relocations mainly to North and South America, Europe, Africa, Australia and the Arabian Gulf States.

The main cities are Beirut, the capital, Tripoli, Sidon, Jounieh, Zahle and Tyre. *The National Survey of Household Living Conditions 2007* indicated that in 2007 approximately 49% of the population lived in Lebanon's middle regions consisting of the governorates of Beirut and Mount Lebanon (including the Southern Suburbs of Beirut), while the rest of the population is distributed among the remaining three governorates (20.3% in North Lebanon, 13.0% in Bekaa, and 17.6% in South Lebanon, including Nabatiyeh).

History

Overview

From 1516 to 1918, Lebanon was under the administrative rule and political sovereignty of the Ottoman Empire. In 1920, the territory defined by the present-day boundaries became a state called "*Grand Liban*" (Greater Lebanon) by decree of General Gouraud, head of the French troops in the Levant. The state remained under French Mandate until 26 November 1941. A constitution was adopted on 25 May 1926 establishing a democratic republic with a parliamentary system of government. Effective political independence of the Republic occurred on 22 November 1943.

In 1945, Lebanon became a founding member of the League of Arab States, then of the United Nations. Departure of the foreign troops then on the Republic's territory was completed on 31 December 1946.

Over the next 30 years, Lebanon became a melting pot with a diverse cultural heritage. The instability in surrounding countries caused Lebanon to experience large waves of immigration from neighboring countries and attracted thousands of skilled laborers, entrepreneurs and intellectuals. The economic force of the Republic has mainly revolved around its entrepreneurs. In addition, Lebanon's democratic traditions, its attachment to freedom of speech and expression and its educated population enabled the Republic to become the cultural, academic and medical center of the region.

A combination of internal and external factors led to the outbreak of conflict in 1975. The regional instability and conflicting relations between neighboring countries contributed to the destabilization of the domestic political and economic situation. Successive rounds of fighting took place, aggravated by two Israeli military invasions in 1978 and 1982. The period of conflict witnessed a significant reduction of Government authority, large losses in human lives, substantial physical and infrastructure damage and a considerable emigration of skilled Labor from the country. See "*Risk Factors—Risks Relating to the Republic—Political and Economic Considerations*". Military hostilities effectively came to an end in October 1990 following the signing of the Taif Accords in Saudi Arabia in 1989. In the aftermath of the signing of the Taif Accords, military hostilities effectively came to an end in October 1990. President Elias Hrawi assumed office with Dr. Salim Al Hoss as Prime Minister. In 1992, Mr. Rafik Hariri was appointed Prime Minister, and the first parliamentary elections in 20 years were held.

The 1975–1990 Conflict

The 1975-1990 conflict is summarized briefly below. Investors are urged to do further research should they wish to gain a fuller understanding of the conflict. See also "The Economy—Economic History".

The heavily militarized turmoil lasted from April 1975 until October 1990. In 1975, the conflict first appeared to be contained between the Palestinians and the Christian militia but instead it continued to escalate and subsequently included many factions, mostly supported by foreign governments. Many alliances among these factions took place only to be broken. Almost every faction was at war with another. Coalitions were unstable and often short-lived, resulting in widespread fighting between and among all of the factions involved.

In 1982, Israel invaded the southern half of Lebanon up to and including Beirut. The United States, France, Italy and the United Kingdom sent a Multi-National Force to provide security while Israel pulled back and Palestinian forces left for Tunis.

President Amine Gemayel was elected in 1982. There was a return to relative normality until early 1983. However, car bombs at the U.S. Embassy in Beirut and at the U.S. and French barracks led the Multinational Force to pull out. Fighting resumed in late 1983.

In 1988, the crisis intensified when Parliament failed to elect a president. The departing president, Amine Gemayel, appointed General Michel Aoun as the Prime Minister. However, Dr. Salim Al Hoss, Prime Minister of the then existing Government, refused to recognize the appointment and remained in office at the same time. The Lebanese Army, led by General Aoun, and Syrian troops began heavy fighting in Lebanon.

In October 1989, the Taif Accords were signed and, in November of the same year, Elias Hrawi was elected President. A new Government, known as the national reconciliation Government, was formed and began implementation of the Taif Accords.

In January 1990, the Lebanese Army, led by General Aoun and the Lebanese Forces (the successor to the Christian militia) engaged in heavy fighting. In October 1990, Syrian troops attacked the Presidential palace and stormed the area controlled by General Aoun. General Aoun took refuge in the French embassy and in September 1991 left for exile in France. He returned to Lebanon in May 2005.

In October 1990, the fighting came to an end, and, in 1991, most of the militias (with the exception of Hizbollah) were disbanded by the Lebanese Army.

Recent History

In October 1998, General Emile Lahoud was elected President and appointed Dr. Salim Al Hoss as Prime Minister. In October 2000, Mr. Rafik Hariri was appointed Prime Minister by President Lahoud after parliamentary elections in August and September 2000.

On 2 September 2004, the U.N. Security Council adopted Resolution 1559, which was co-sponsored by the United States and France. Among other matters, Resolution 1559 declared support for a free and fair presidential electoral process in the Republic without foreign interference or influence, for the restoration of the territorial integrity, full sovereignty and political independence of the Republic, the withdrawal of foreign troops from the territory of the Republic and the disarming of Lebanese and non-Lebanese militia. The Resolution further provided for the Secretary-General to report to the Security Council within 30 days on its implementation by the parties. On 1 October 2004, the Secretary-General submitted his report to the Security Council, which concluded that the requirements imposed on the various parties pursuant to Resolution 1559 had not been met.

On 3 September 2004, President Lahoud's term of office was extended by Parliament for an additional three-year period, pursuant to a constitutional amendment, amid domestic and international objections. On 26 October 2004, President Lahoud appointed Mr. Omar Karami as Prime Minister.

In October 2004, an assassination attempt against Mr. Marwan Hamade, the then-Minister of Telecommunications, and an ally of former Prime Minister Mr. Rafik Hariri and Mr. Walid Jumblatt, was carried out. This was followed by the assassination of Mr. Rafik Hariri described below, and a series of assassinations or assassination attempts of political figures and journalists, as well as an assassination attempt on Mr. Elias Murr, the then-Deputy Prime Minister and a former Minister of Defense.

On 14 February 2005, the former Prime Minister, Mr. Rafik Hariri, together with a number of his bodyguards and assistants, was assassinated in Beirut. The terrorist act resulted in the death of 20 persons, including Dr. Basil Fuleihan, the former Minister of Economy and Trade and a Member of Parliament, and the injury of numerous others. See "*—The Special Tribunal for Lebanon*". Between 1992 and 2004, Mr. Hariri served as Prime Minister for a total of approximately ten years. He was instrumental in the economic revival and reconstruction of the Republic following the 1975-1990 conflict and was the principal architect of the Paris II Conference. See "*The Economy—Economic History—Fiscal Reform and the Paris II Conference*".

On 28 February 2005, Prime Minister Omar Karami submitted the resignation of the Government headed by him. Following mandatory parliamentary consultations, Mr. Karami was reappointed by the President of the Republic as Prime Minister-designate. Mr. Karami was not successful in forming a new Government and advised the President accordingly. Following further mandatory parliamentary consultations, Mr. Najib Mikati, a former minister and prominent businessman, was appointed Prime Minister on 19 April 2005. The primary objective of the Government headed by Mr. Mikati was to organize and oversee the Parliamentary elections in 2005, which resulted in victory for the political parties that subsequently constituted the March 14 Coalition (as defined below). On 29 June 2005, Mr. Fouad Siniora, a former Minister of Finance in the Hariri Governments, was appointed Prime Minister and headed the Government, which included ministers representing the political parties that subsequently constituted the March 8 Coalition and the March 14 Coalition.

On 8 March 2005, a large demonstration took place in support of Syria's role in Lebanon and rejecting accusations of the Syrian regime's involvement in the assassination of President Hariri. On 14 March 2005, in response to the 8 March demonstration, another very large demonstration took place. Hundreds of thousands of demonstrators demanded the withdrawal of Syrian troops from the territory of the Republic and the identification and prosecution of the persons and parties responsible for the assassination of Mr. Hariri and his companions. See "*—The Special Tribunal for Lebanon*" and "*—Relationship with Syria*". On 26 April 2005, the Syrian government informed the United Nations in a letter that Syrian troops and intelligence operatives had completed their withdrawal from Lebanon.

Following the assassination of Mr. Hariri, the Republic witnessed a series of bombings, assassinations and attempted assassinations of politicians, journalists, members of the military and public figures, including the assassinations, on 12 December 2005, of Mr. Gebrane Tueni, a Member of Parliament and newspaper editor, on 21 November 2006, of Mr. Pierre Gemayel, the Minister of Industry, a Member of Parliament and the son of Amine Gemayel, the former President of the Republic, on 13 June 2007, of Mr. Walid Eido, a Member of Parliament and of the Future Movement, on 19 September 2007, of Mr. Antoine Ghanem, a Member of Parliament and of the Kataeb Party, on 12 December 2007, of Brigadier General Francois el Hajj of the Lebanese Army, on 25 January 2008, of Captain Wissam Eid of the Internal Security Forces and, on 10 September 2008, of Mr. Saleh Aridi, a member of the Lebanese Democratic Party.

On 7 May 2005, General Michel Aoun, a former Prime Minister, returned to Lebanon after 15 years in exile in France and participated in the parliamentary elections that took place in May and June 2005. In July 2005, Dr. Samir Geagea, the former head of the Lebanese Forces, was released from prison after 11 years of incarceration, following the adoption of a special amnesty law.

On 13 July 2006, Israel commenced war on Lebanon. See "*—Conflicts With Israel—The July 2006 War*".

On 11 November 2006, five ministers representing Hizbollah and the Amal party, comprising all of the ministers from the Shiite community, resigned from the Government, followed, a few days later, by a minister from the Orthodox Christian community. The reason for the resignations was the lack of sufficient prior notice given to the ministers to analyze and debate the proposed legal framework and statute for the special tribunal to be established to try those responsible for the bombing that killed former Prime Minister Hariri. The dispute between the then-opposition parties, (led by Hizbollah and the Amal Movement and including General Michel Aoun and his allies), and the majority escalated. Opposition parties requested an expansion of the Council of Ministers so that the opposition would be represented by a minimum of one-third of all the ministers and, subsequently, the holding of early parliamentary elections on the basis of a new electoral law. On 1 December 2006, the opposition commenced a sit-in in downtown Beirut, as well as a number of large demonstrations and a general strike, which the opposition sought to enforce by blocking public roads, which lasted until the conclusion of the Doha Agreement. See "*—The Doha Agreement*".

On 20 May 2007, clashes between members of a militia and the Lebanese Army occurred around the Nahr El-Bared Palestinian refugee camp in Northern Lebanon and surrounding areas, following a raid against suspected members of the militia involved in a bank robbery. These clashes continued until 2 September 2007, when the Lebanese army asserted control over the refugee camp. The clashes resulted in the destruction of the refugee camp and the deaths of over 160 army personnel and more than 220 members of the militia. Approximately 200 members of the militia were arrested.

On 5 May 2008, the Council of Ministers adopted a series of resolutions, including: (i) increasing the minimum wage from LL 300,000 per month to LL 500,000 per month; (ii) reassigning the Chief of Security of the Rafik Hariri International Airport to another position; and (iii) declaring that the telecommunications network operated by Hizbollah on the territory of the Republic was illegal and unconstitutional. The General Labor Confederation called for a national strike and a demonstration to press for further increases in the minimum wage. The strike, which took place on 7 May 2008, degenerated into protests against the Council of Ministers' resolutions by opposition supporters, who blocked a number of roadways, including access to Rafik Hariri International Airport. Armed clashes between supporters of the then-opposition led by Hizbollah, on the one hand, and of the Future Movement, the Lebanese Forces and members of the former Qornet Shahwan Gathering (collectively, the "**March 14 Coalition**") and the Progressive Socialist Party, on the other hand, took place in Beirut, Northern Lebanon, the Bekaa Valley and the Chouf Mountains and resulted in the deaths of 65 persons and 200 injuries. On 14 May 2008, the Council of Ministers rescinded the resolutions relating to the reassigning of the Airport Chief of Security and the declarations regarding Hizbollah's telecommunications network. Tensions eased following the conclusion of the Doha Agreement on 21 May 2008. See "*—Doha Agreement*".

On 25 May 2008, General Michel Sleiman was elected President by an affirmative vote of 118 out of Parliament's 127 members, following a six-month vacancy in the position. This was the first meeting of Parliament following an 18-month inability to convene. Three days later, following mandatory parliamentary consultations, 68 members of Parliament nominated Mr. Siniora as President of the Council of Ministers, and President Sleiman appointed Mr. Siniora to this position.

On 11 July 2008, a new Government was formed reflecting the terms of the Doha Agreement, with 16 ministers representing the March 14 Coalition, as well as the Progressive Socialist Party, 11 ministers representing the March 8 Coalition, as well as the Free Patriotic Movement, and three ministers representing the President. On 8 October 2008, a new electoral law was promulgated (Law № 25, as amended on 27 December 2008 by Law № 59), which governed the parliamentary elections held on 7 June 2009. See "*—The Doha Agreement*".

On 7 June 2009, Parliamentary elections took place in Lebanon, which resulted in the March 14 Coalition and the Progressive Socialist Party headed by Mr. Walid Jumblatt, winning a majority of the seats in Parliament. See "*—Constitutional System—Elections*". Subsequently, on 27 June 2009, following mandatory Parliamentary consultations, 86 Members of Parliament nominated Mr. Saad Hariri, the leader of the Future Movement and the son of Mr. Rafik Hariri, as President of the Council of Ministers, and President Sleiman appointed Mr. Hariri to this position. However, Mr. Hariri did not form a government and, after 10 weeks of negotiations regarding the composition of the Council of Ministers, Mr. Hariri stepped down as Prime Minister-designate on 10 September 2009. Again following mandatory Parliamentary consultations, on 18 September 2009, 73 Members of Parliament nominated Mr. Hariri as President of the Council of Ministers, and President Sleiman re-appointed Mr. Hariri to this position.

On 9 November 2009, after five months of negotiations, a new Government comprised of 30 ministers was formed with 15 ministers representing the March 14 Coalition and the Progressive Socialist Party, ten ministers representing the March 8 Coalition, as well as the Free Patriotic Movement, and five ministers representing the President. On 10 December 2009, the then-Government obtained a vote of confidence from Parliament with a vote of 122 members in favor, out of 124 members present at the session, on the basis of a policy declaration submitted by the Government that aimed to strengthen the Republic's official institutions, continue the reforms agreed at the Paris III Conference and reduce the fiscal deficit and the burden of debt service on the Treasury.

On 12 January 2011, ten ministers representing Hizbollah, the Amal Movement and their allies (collectively, the "**March 8 Coalition**"), as well as one of the five ministers representing the President of the Republic, resigned from the then-Government. Consequently, as more than one third of its ministers had resigned, the Government was considered as resigned pursuant to Article 69 of the Constitution. See "*—Constitutional System*" and "*—Government and Political Parties*". These resignations were preceded by tensions in light of, *inter alia*, the prospective filing of an indictment by the then Prosecutor of the STL in the case of the assassination of former Prime Minister Hariri and his companions, including speculation surrounding the identity of parties who could be charged. See "*—The Special Tribunal for Lebanon*".

On 25 January 2011, following mandatory Parliamentary consultations, 68 Members of Parliament nominated Mr. Najib Mikati as President of the Council of Ministers, and 60 Members of Parliament nominated Mr. Saad Hariri. Accordingly, President Sleiman appointed Mr. Mikati to this position, which he had previously held in a former Government. On 13 June 2011, after nearly five months of negotiations, a new Government, headed by Prime Minister Mikati and comprised of 29 other ministers, was formed. A thirtieth member was subsequently appointed. The then-Government obtained the vote of confidence from Parliament on 7 July 2011 (with a vote of 68 members in favor out of a total number of 128 members of Parliament) on the basis of the policy declaration submitted by the then-Government.

The then-Government did not include representatives of the March 14 Coalition who participated in the debate preceding the vote of confidence but withdrew from the parliamentary session prior to the vote. The opposition of the March 14 Coalition to the then-Government was centered primarily on the then-Government's prospective approach to, and dealings with, the STL, as well as the fate of Hizbollah's weapons.

In January 2012, Decree № 7426 was adopted (i) increasing the monthly minimum wage for private sector employees from LL 500,000 to LL 675,000 and (ii) providing for a cost-of-living increase up to a maximum of LL 299,000 per month, both effective 1 February 2012. Although Decree № 7426 applies to private sector employees, similar increases have been proposed in favor of public sector employees. Such increases in the minimum wage and other salaries could have an inflationary impact on prices. In addition, in September 2012 cost of living payments for public sector employees were increased with retroactive effect from 1 February 2012. The annual expenditure for this cost of living increase is estimated at approximately LL 851 billion (U.S.$564 million). In addition, the Council of Ministers approved the transmittal to Parliament of a new salary scale for public sector employees, which may be retroactive. Ongoing demonstrations and strikes in support of this measure, including by members of labor unions and public sector employees, have been occurring in Beirut, and there have been calls for public sector strikes and further demonstrations if the measure is not referred to Parliament. The Minister of Finance is seeking to identify new revenue sources to cover the new expenditures before this increase is implemented. See "*Risk Factors—Risks Relating to the Republic—Fiscal Deficit*" and "*Risk Factors—Risks Relating to the Republic—Prices and Inflation*".

On 1 February 2012, Prime Minister Mikati suspended meetings of the Council of Ministers on the basis of (i) disagreements with ministers representing the Free Patriotic Movement regarding the decision making process within the Council of Ministers and (ii) the refusal of the then Minister of Labor, Mr. Charbel Nahas (representing the Free Patriotic Movement) to sign a decree relating to the transportation allowance for private sector employees, implementing a resolution of the Council of Ministers. On 22 February 2012, Mr. Nahas resigned from office following his refusal to sign the transportation decree and was replaced by former Judge Selim Jreissati, also representing the Free Patriotic Movement. On 27 February 2012, meetings of the Council of Ministers resumed.

Since May 2012, there have been repeated armed clashes in Tripoli between residents of the Jabal Mohsen neighborhood, who are supportive of the Syrian government, and residents of the Bab Al-Tabbaneh neighborhood, who are opposed to the Syrian government. These clashes have resulted in a number of deaths and injuries. The Lebanese army and internal security forces have largely restored order in Tripoli following such clashes. See "*—Relationship with Syria*".

In May 2012, two Sunni Muslim sheikhs were killed after refusing to stop at a military checkpoint in Akkar. Following the killings, there were a number of protests and roads blocked at various points, as well as armed clashes in Beirut between supporters and opponents of the Syrian government. These clashes were ended following the intervention of the Lebanese Army. A military prosecutor ordered that 22 Lebanese Army soldiers, including three officers, be held for questioning pending an investigation into the incident.

On 9 August 2012, former minister Michel Samaha was arrested and subsequently indicted for preparing to incite sectarian trouble through terrorist attacks in the Republic. In February 2013, a military investigative judge issued an arrest warrant against Mr. Samaha and two Syrian officials charging them with plotting to assassinate political and religious figures in north Lebanon. In May 2015, Mr. Samaha was sentenced by a military court to four and a half years in prison. The judgment generated protests regarding its leniency.

On 19 September 2012, the Council of Ministers approved a draft law authorizing the Government to spend up to LL 2.4 trillion (U.S.$1.6 billion) over the following five years for purposes of equipping the Lebanese Army. The draft law has not been transmitted to Parliament, but the Council of Ministers issued a decree in March 2013 to transfer LL 150 billion from the budget reserve to the Ministry of Defense to be disbursed in 2013. Of the LL 150 billion, LL 3 billion were transferred from the 2013 budget reserve, however the remaining LL 147 billion were not carried over. As such, the Ministry of Defense requested the LL 147 billion be settled from the 2014 budget reserve.

On 19 October 2012, a car bomb exploded in the Ashrafiyeh district of Beirut, killing Brigadier General Wissam al-Hassan, the head of the Intelligence Bureau of the Internal Security Forces, his assistant and another person and wounding over 100 persons. There were protests, sometimes violent, following this assassination by supporters of the March 14 Coalition.

On 23 March 2013, Prime Minister Mikati tendered the resignation of the Cabinet to President Sleiman, citing as reasons for the resignation the failure of the Cabinet to constitute the authority to oversee the upcoming parliamentary elections and to extend the term of the chief of the Internal Security Forces. In his resignation letter, Mr. Mikati called for the formation of a national salvation government that would ensure the participation of all political forces and parliamentary blocs. The then-President accepted Mr. Mikati's resignation and directed the then-government to assume a caretaker role until a new government was formed.

On 6 April 2013, following mandatory Parliamentary consultations, 124 Members of Parliament (out of a total of 128 Members of Parliament) nominated Mr. Tammam Salam to be President of the Council of Ministers. Accordingly, President Sleiman appointed Mr. Salam to this position. In February 2014, a new Government was formed headed by Prime Minister Salam and comprised of 23 other ministers. Eight ministers are from the March 8 Coalition, eight ministers are from the March 14 Coalition, and the remaining eight ministers are from the political center. In accordance with the Constitution, the Government submitted its policy declaration to Parliament in connection with the required vote of confidence. On 20 March 2014, the Government obtained a vote of confidence from Parliament, with 96 members voting in favor, out of 101 members of who were present at the session. See "*—Government and Political Parties*".

Disagreements among political parties regarding the electoral law, the voting system and electoral districts have continued and have not been resolved. On 31 May 2013, Parliament decided to postpone the elections scheduled for 16 June 2013 until 20 November 2014 (with 97 Members of Parliament in favour), extending the term of Parliament by 17 months. On 1 June 2013, President Sleiman submitted a legal challenge to the extension of Parliament's term to the Constitutional Council. On 3 June 2013, Members of Parliament from the Free Patriotic Movement also submitted a legal challenge to the extension to the Constitutional Council. Parliamentary elections have since been further postponed to 20 June 2017. See "*Risk Factors—Risks Relating to the Government—Parliamentary Elections"*.

In May 2013, Hizbollah acknowledged that its fighters were participating alongside Syrian regime troops in a battle for a city near the Lebanese-Syrian border. The March 14 Coalition condemned Hizbollah's military involvement in the Syrian conflict, and the then-President, as well as the then-Prime Minister, called on Lebanese parties to refrain from participating in the clashes in Syria and warned of grave consequences for Lebanon's security and stability. Military intervention by Hizbollah in Syria has further deepened divisions within Lebanon.

On 15 August 2013, a car bomb exploded in a Shi'ite-populated area in the southern suburbs of Beirut, resulting in over 20 deaths and 280 injuries. On 23 August 2013, two bombs exploded outside of mosques attended by Sunni Muslims in Tripoli, resulting in approximately 44 deaths and 80 injuries. Political leaders condemned the bombings. A number of additional suicide bombings have occurred in areas with majority Shi'ite populations, which have resulted in losses of life and injuries. Responsibility for these blasts has been claimed by extremist groups that stated that the bombings were in retaliation for Hizbollah's armed intervention in Syria on the side of the Syrian regime.

On 27 December 2013, Mr. Mohamed Chatah was assassinated in a car bombing that also resulted in seven other deaths and 70 injuries. Mr. Chatah was a former Minister of Finance and Vice-Governor of BDL, as well as a senior advisor to former Prime Minister Mr. Saad Hariri.

There have been a series of attacks by militants in the Beka'a Valley from al-Nusra Front and the so-called "Islamic State" (sometimes referred to as ISIS or ISIL) against the Lebanese army, the Lebanese internal security forces and members of Hizbollah, resulting in death and injury. Successive attacks in Arsal (in the Beka'a Valley on the border with Syria) during 2014, resulted in the kidnapping of 39 Lebanese military personnel, four of whom have been executed and 19 have been released. The Government has stated its willingness to negotiate for the release of the remaining 16 Lebanese military personnel on certain terms and those negotiations are currently being conducted in private.

The impact of the events in Syria continue to spill over and be felt in the Republic, which has led to tensions and armed clashes between supporters of the Syrian government and supporters of the Syrian opposition in the north of the country. On 10 January 2015, nine people were killed and more than 30 were wounded in a cafe in an attack by two suicide bombers in the Jebel Mohsen neighborhood in Tripoli. According to UNHCR estimates, more than 1.1 million Syrian refugees were in Lebanon at the beginning of 2015. The Government is taking steps to limit new refugee arrivals in the Republic. In an effort to improve security in Lebanon in the midst of the tension created by the Syrian crisis, the Government has launched a security plan in the north of the country and in the Beka'a Valley aimed at controlling armed clashes, especially between the districts of Bab Al Tebbeneh and Jebel Mohsen, which has been successful.

In an effort to diffuse tensions between Sunni and Shi'ite communities in Lebanon, to shield Lebanon from the spillover of the conflict in Syria and other regional tensions, representatives of the Future Movement and Hizbollah have initiated a dialogue under the auspices of the Speaker of Parliament. A similar dialogue is being prepared between the two largest Christian parties, the Free Patriotic Movement and the Lebanese Forces, who are currently discussing the agenda items for this dialogue.

Following an attack by Israel in the Golan Heights on a Hizbollah convoy killing six members of Hizbollah and an Iranian General, on 28 January 2015, Hizbollah retaliated with an attack on an Israeli military convoy in the Sheba'a farms area. Two Israeli soldiers were killed and others were injured as a result of this attack. Israel retaliated by conducting artillery strikes on several Lebanese villages, which resulted in the death of a Spanish U.N. peacekeeping soldier. Both sides then shortly ended hostilities and indicated their respective intentions not to further escalate the conflict. On 30 January 2015, the Republic filed a complaint with the U.N. Security Council against Israel in respect of the artillery strikes on Lebanese territory.

Disagreements have developed among political parties and ministers representing them in the Council of Ministers regarding the decision making process for the adoption of resolutions in the absence of a President, as well as the extension of the mandate of the Commander in Chief of the army and other senior military officials. These disagreements have led to a boycott of Council of Ministers meetings by ministers representing the Free Patriotic Movement, Hizbollah, the Marada party and the Tachnag party.

In August and September 2015, anti-government demonstrations occurred in Beirut, precipitated by discontent over uncollected trash following the Government's inability to find a replacement landfill site for the main landfill site previously serving the greater Beirut area and the failure to timely appoint replacement refuse collection companies, following expiration of the refuse collection contract with the previous provider. At least 44 demonstrators and 30 police officers were injured in the demonstrations. Following such events, Bahrain, Kuwait and Saudi Arabia have issued travel warnings for their citizens.

The Speaker of Parliament has called for a dialogue among all political parties to address the current issues. Only the Lebanese Forces has rejected participation in the dialogue and requested that the focus be solely on the election of a President. The first two sessions of the dialogue meetings were held on 9 and 16 September 2015.

The Special Tribunal for Lebanon

Mr. Hariri's assassination generated widespread domestic and international condemnation and calls from the European Union and the United States for the immediate implementation of U.N. Security Council Resolution 1559, including the withdrawal of Syrian troops from Lebanon and the disarming of Lebanese and non-Lebanese militia. On 21 March 2005, the report from a U.N. fact finding mission was published. The report concluded, *inter alia*, that the investigation process into the assassinations conducted in Lebanon suffered from serious flaws, and recommended that an international independent investigation be carried out. As a result, on 7 April 2005, the U.N. Security Council adopted Resolution 1595, which resolved to establish an international independent investigation commission (the "**Commission**") based in Lebanon to assist the Lebanese authorities in their investigation of all aspects of Mr. Hariri's assassination. Resolution 1595 further resolved that the Commission shall enjoy the full cooperation of the Lebanese authorities, including full access to documentary, testimonial and physical information and evidence in the possession of such authorities.

On 30 August 2005, the Commission questioned four senior Lebanese security and military officers, including the former heads of general security and military intelligence and the chief of the presidential guard. Following this questioning, Mr. Detlev Mehlis, the then-head of the Commission, declared that the four officers were suspects in the murder of Mr. Hariri and recommended that the Lebanese authorities arrest them. On 3 September 2005, the prosecutor general of the Republic issued arrest warrants against the four officers, who were released in April 2009, as described below.

On 19 October 2005, the Commission published its first report. In this report, the Commission stated that it had interviewed more than 400 persons and reviewed 60,000 documents and identified several suspects. The report further stated that "there is converging evidence pointing at both Lebanese and Syrian involvement in the terrorist act" and that "given the infiltration of Lebanese institutions and society by the Syrian and Lebanese intelligence services working in tandem, it would be difficult to envisage a scenario whereby such a complex assassination plot would have been carried out without their knowledge".

On 31 October 2005, the U.N. Security Council adopted Resolution 1636, which, among other matters, requires U.N. member states to freeze the assets of individuals designated by the Commission as suspects of the assassination, establishes a committee of the Security Council to undertake designated tasks relating to such individuals and demands full Syrian cooperation with the investigations of the Commission.

On 30 May 2007, the U.N. Security Council, acting under Chapter VII of the U.N. Charter, adopted Resolution 1757, which established the STL to prosecute persons responsible for the attack of 14 February 2005 and adopted the Statutes for the STL. Resolution 1757 further provides that if the STL finds that other attacks that occurred in the Republic between 1 October 2004 and 12 December 2005 (or any later date decided by the United Nations and the Republic with the consent of the Security Council) are connected with, in accordance with the principles of criminal justice, and are of a nature and gravity similar to, the attack of 14 February 2005, the STL shall also have jurisdiction over persons responsible for such attacks.

On 16 November 2007, the Secretary-General of the United Nations appointed Mr. Daniel Bellemare as (i) the head of the Commission, replacing Mr. Serge Brammertz (who was appointed on 11 January 2006) and (ii) the prosecutor for the STL. On 27 March 2008, the Commission published its tenth report, the first while headed by Mr. Daniel Bellemare. In this report, the Commission stated that, on the basis of available evidence, a network of individuals acted in concert to carry out the assassination of former Prime Minister Hariri and that this criminal network or parts thereof are linked to some of the other cases within the Commission's mandate.

On 1 March 2009, the STL commenced its operations. Pursuant to the agreement between the United Nations and the Republic on the establishment of the STL, which is annexed to Resolution 1757, 49% of the STL's expenses must be borne by the Republic.

On 29 April 2009, following a submission by the Prosecutor of the STL considering that the information currently available to him was insufficiently credible to warrant indictment of the persons detained and that, in light of these circumstances and of the principle of presumption of innocence, there was no cause, at the then current stage in the proceedings, to hold them in detention, the Pre-Trial Judge, Judge Daniel Fransen, issued an order releasing the four senior Lebanese security and military officers who were detained in Lebanon.

On 28 June 2011, the Pre-Trial Judge confirmed an indictment filed by the Prosecutor of the STL in the case of the assassination of former Prime Minister Hariri and his companions. The indictment and accompanying arrest warrants for four individuals, alleged by the Prosecutor to be members of Hizbollah, were transmitted to the Lebanese authorities on 30 June 2011. According to STL procedures, the Lebanese authorities must inform the President of the STL within 30 days after the confirmation of the indictment of the measures the Republic has taken to arrest the persons named in the indictment.

On 30 November 2011, the Government transferred U.S.$32 million to cover the Republic's share of the STL's expenses for 2011. The Association of Lebanese Banks subsequently announced that it transferred funds in the same amount to the Government as an act of support for the Government. On 29 February 2012, the U.N. Secretary-General appointed Mr. Norman Farrell as the new Prosecutor of the STL, replacing Mr. Daniel Bellemare on the completion of his term.

On 21 February 2013, the start date of the trial of the four individuals who have been indicted, which was 25 March 2013, was indefinitely postponed in response to a request of the individuals' defense counsel. In granting the postponement, the Pre-Trial Judge found that certain disclosure obligations of the prosecution had not yet been met.

On 16 January 2014, the trial of the four individuals who have been indicted began before the STL in the Netherlands.

In October 2013, the Pre-Trial Judge confirmed a sealed indictment had been submitted by the Prosecutor against a fifth individual on 31 July 2013. On 30 December 2013, the Prosecutor filed an application to join the case against the fifth individual to the case against the other four individuals. This application was granted on 11 February 2014.

On 6 November 2014, the STL announced that it had received €29.3 million from the Government to cover the Republic's share of the STL's expenses for 2014.

In January 2015, U.N. Secretary-General Ban Ki-moon extended the mandate of the STL for a period of three years from 1 March 2015, in accordance with Security Council resolution 1757. In February 2015, Judge Ivana Hrdličková of the Czech Republic was elected President of the STL.

The full text of the Security Council Resolutions and the reports of the International Independent Investigation Commission are available from the websites of the STL (http://www.stl-tsl.org/) and the United Nations (http://www.un.org).

The Doha Agreement

On 5 January 2008, the Council of the League of Arab States met at the level of the foreign ministers and adopted Resolution 113, which launched a mediation effort headed by its general secretary, Mr. Amr Moussa. On 27 January 2008, the Council of the League of Arab States met again at the level of the foreign ministers and adopted a resolution calling for, among other matters, the election of the Commander in Chief of the Army, General Michel Sleiman, as the consensus candidate for President, the undertaking of discussions for the formation of the national unity government and, promptly following formation of the new government, the adoption of a new law regulating parliamentary elections.

From 16-21 May 2008, the Lebanese National Dialogue Conference, which was attended by all the principal political factions in the Republic, was held in Doha, Qatar under the sponsorship of the Emir of Qatar and the League of Arab States and the guidance of the Arab ministerial committee. On 21 May 2008, the parties entered into an agreement (the "**Doha Agreement**") providing for the following:

- the election of the Commander in Chief of the Army, General Michel Sleiman, as President of the Republic;
- the formation of a Government of 30 ministers, including 16 ministers representing the parliamentary majority, 11 ministers representing the opposition and three ministers representing the President;
- the adoption for the 2009 parliamentary elections of new smaller electoral constituencies in conformity with the 1960 electoral law, with certain amendments;
- further to the initial agreement reached in Beirut, (x) the prohibition of the use of weapons or violence in any dispute, in order to ensure respect for the framework of the Lebanese political system and to restrict the security and military authority over Lebanese nationals and residents to the state alone so as to ensure civil peace, and (y) the implementation of the law and the upholding of the sovereignty of the state throughout the territory of the Republic so as not to have regions that serve as safe havens for outlaws and to provide for the referral of all those who commit crimes and contraventions to the Lebanese judiciary; with the related dialogue to be resumed under the authority of the newly-elected President and the newly-formed Government with the participation of the League of Arab States; and
- the reassertion of the commitment of the Lebanese political factions to immediately abstain from resorting to the rhetoric of treason or political or sectarian incitement.

Relationship with Syria

In May 1976, at the request of the then-Government, the League of Arab States agreed to send the Arab Deterrent Force to restore security in the Republic. The Riyadh and Cairo summits arranged for a 30,000-strong Arab Deterrent Force composed mostly of Syrian troops but including Saudis, Yemenis, Libyans and troops from the United Arab Emirates. As the conflict persisted, the Syrian forces stayed while the other Arab forces departed.

The presence of Syrian troops in Lebanese territory was debated among various leaders in Lebanon. Certain leaders requested the withdrawal of Syrian troops from Lebanese territory. The then-Government declared that the presence of Syrian troops was legal, temporary and necessary.

On 8 March 2005, a large demonstration took place in support of Syria's role in Lebanon and rejecting accusations of the Syrian regime's involvement in the assassination of President Hariri.

On 14 March 2005, in response to the 8 March demonstration, another very large demonstration took place. Hundreds of thousands of demonstrators demanded the withdrawal of Syrian troops from the territory of the Republic and the identification and prosecution of the persons and parties responsible for the assassination of Mr. Hariri and his companions.
See "—*The Special Tribunal for Lebanon*". On 26 April 2005, the Syrian government informed the United Nations in a

letter that Syrian troops and intelligence operatives had completed their withdrawal from Lebanon. A U.N. mission was conducted from 1-13 May 2005 to verify the withdrawal. In a report dated 23 May 2005, the mission concluded that, with the possible exception of withdrawal from the Deir Al-Ashayr area on the Syrian-Lebanese border (the status of which was noted to be unclear), Syrian troops had withdrawn from Lebanese territory. However, the report noted that the withdrawal of the Syrian intelligence apparatus has been harder to verify. The Syrian military presence in Lebanon lasted from May 1976 until April 2005.

Relations between Lebanon and Syria remained tense following the withdrawal of Syrian troops in 2005, with the March 14 Coalition accusing Syria of continuing to meddle in Lebanon's internal affairs and Syria's leaders publicly supporting the March 8 Coalition's efforts to topple the Government headed by Prime Minister Saad Hariri. Tensions between both countries subsequently eased following the Doha Agreement, the election of President Michel Sleiman and the formation of the then-Government, and the visit of Prime Minister Saad Hariri to Syria in December 2009. See "*—Doha Agreement*".

In October 2008, Syria and Lebanon established diplomatic ties for the first time since both countries became independent; the exchange of ambassadors took place in March and April 2009.

Since 2011, Syria has been experiencing significant armed conflict. The stated policy of the Government is to maintain neutrality with respect to the events in Syria in an attempt to shield the Republic from any repercussions, although certain ministers have adopted positions in support of the Syrian regime. The events in Syria, however, have had, and are likely to continue to have, an adverse impact on the political and economic situation in the Republic. For example, there have been armed incidents on and near the border with Syria involving Syrian government troops and rebel forces, as well as various factions in Lebanon. In May 2013, Hizbollah acknowledged that its fighters were participating alongside Syrian regime troops in the Syrian conflict. The Syrian government has also accused the Future Party of supporting the Free Syrian Army. See "*Risk Factors—Risks Relating to the Republic—Regional Considerations; Syria*" and "*—International Relations—Middle East"*.

In addition, the Republic is currently experiencing an inflow of Syrian nationals fleeing the conflict in Syria, and this trend is expected to continue as long as clashes between the Syrian army and rebel forces continue. According to statistics published by the UNHCR there were over one 1.1 million displaced persons from the Syrian conflict in Lebanon as at January 2015. The Government has made a number of appeals for international aid and support to help the Government partially defray the direct and indirect costs incurred by it in providing health, education and other basic services to Syrian displaced persons in Lebanon. See "*Risk Factors—Risks Relating to the Republic—Refugees and Displaced Persons*".

In retaliation for the detention of a member of the Lebanese Al-Meqdad family in Syria, reportedly by the Free Syrian Army in August 2012, members of the abducted individuals in Lebanon, including two Turkish and a number of Syrian nationals, who were later released. A number of other unrelated kidnappings for ransom took place in the territory of the Republic. Turkey, Saudi Arabia, Qatar and other Gulf countries had issued travel warnings for their citizens about travel to Lebanon, which have since been lifted (although, in August 2015, Bahrain, Kuwait and Saudi Arabia issued further travel warnings following anti-government demonstrations). The Lebanese Army and internal security forces rescued a number of detainees and other kidnap victims and arrested some of the perpetrators.

Conflicts with Israel

Israeli Occupation

An armistice agreement was signed between the Republic and Israel in 1949. The agreement governs the security issues related to the southern border. However, Israeli attacks on Lebanese territory persisted, culminating in Israeli invasions of the Republic's territory in 1978 and 1982 and in the July 2006 War.

In 1978, Israel invaded the southern part of Lebanon and declared part of the country a security zone for its border. In 1982, Israel invaded Lebanon up to and including Beirut. The United States, France, Italy and the United Kingdom sent a multi-national force to provide security while Israel pulled back and Palestinian forces left for Tunis. The multi-national force left Lebanon in 1984. Israel partially withdrew from central Lebanon in 1984 and 1985 but enlarged its occupation of the southern part of the country up to the area of Jezzine.

On 11 April 1996, following an escalation in intermittent skirmishes, Israel commenced a bombardment of southern Lebanon and certain other targets in Lebanon, including the southern suburbs of Beirut and a UN camp in southern Lebanon, comprised mostly of women and children. On 27 April 1996, a cease-fire came into effect. The cease-fire was based on a written but unsigned agreement drawn up by France and the United States and setting out a position mutually acceptable to Israel, Syria and Lebanon, which expanded and consolidated oral cease-fire understandings

reached in July 1993. These arrangements established an international group composed of representatives of the United States, France, Syria, Lebanon and Israel to monitor the cease-fire. Meetings of the monitoring group took place on a regular basis for the purpose of addressing repeated breaches of the cease-fire.

On 24 May 2000, Israel withdrew its troops from territory in southern Lebanon, which it had been occupying since 1978. The withdrawal followed a notification by Israel to the United Nations that it planned to withdraw its troops in Lebanon to the internationally-recognized borders between Lebanon and Israel, in fulfillment of U.N. Security Council Resolution 425, which was adopted in 1978 following the first Israeli invasion of Lebanese territory. A significant issue relating to the withdrawal remains unsettled. This relates to the status of certain villages and adjacent land on the eastern side of Alsheikh Mountain, known as the "Sheba'a Farms", as well as the Kfarshouba Hills and the Lebanese part of Ghajar, which have been occupied by Israel since 1967. The Government advised the United Nations that it considers the area to be Lebanese territory and that, as such, the withdrawal must encompass it.

The July 2006 War

On 12 July 2006, Israel commenced war on Lebanon, following the kidnapping by Hizbollah of two Israeli soldiers. Attacks were launched against Lebanon and its population by land, sea and air, resulting in loss of human life, large scale displacement and significant damage to private and public property and infrastructure. Israel invaded a portion of territory in southern Lebanon. A cessation of hostilities was reached on 14 August 2006. However, the air and sea blockade on Lebanon continued for a month after the cessation of hostilities. It is estimated that, as a result of the war, Lebanon suffered 1,200 deaths, of whom one-third were children, and approximately 4,400 injuries. Approximately one-quarter of Lebanon's population was displaced during the war and 100,000 housing units were destroyed or damaged. Additional deaths and injuries have resulted, and continue to be caused, by unexploded ordinances as a consequence of the estimated 1.2 million cluster bombs that were fired into Lebanon during the final days of hostilities. The economic impact of the conflict has been substantial. The impact of the war on public finances resulted in a worsening in the fiscal dynamics and the emergence of a primary deficit for the first time in six years. The Ministry of Finance estimates that the war resulted in a net decline of LL 1,270 billion in the primary balance for 2006.

On 7 August 2006, the Council of Ministers adopted a unanimous decision to deploy 15,000 troops from the Lebanese army in Southern Lebanon as the Israeli army withdrew. The deployment took place and represents the first presence of the Lebanese army south of the Litani River in more than 30 years.

On 11 August 2006, the U.N. Security Council adopted Resolution 1701, which instituted a cessation of hostilities between Israel and Lebanon based on full respect of the Blue Line by Israel and Lebanon, the establishment between the Blue Line and the Litani River of an area free of any armed personnel and weapons other than those of the Government and the U.N. Interim Force in Lebanon ("**UNIFIL**"), full implementation of the relevant provisions of the Taif Accords and of U.N. Security Council Resolutions 1559 and 1680, requiring the disarmament of all armed groups in Lebanon, and increased the number of UNIFIL troops to a maximum of 15,000.

UNIFIL, deployed in southern Lebanon with a mandate to help the Lebanese Government restore security after the Israeli withdrawal requested in Resolution 425 by the Security Council, was reinforced in terms of forces and arms following adoption of Resolution 1701. The number of UNIFIL military personnel is currently approximately 12,500.

On 31 August 2006, the Swedish government hosted a Conference for Lebanon's Early Recovery in Stockholm, at which Lebanon received indications of support amounting to over U.S.$900 million for humanitarian assistance needs and early recovery efforts.

See "*The Economy—Economic History*".

Subsequent Events

On 3 August 2010, clashes erupted at the Israeli-Lebanese border between the Lebanese and Israeli armies, which resulted in the death of three Lebanese soldiers, a Lebanese journalist and an Israeli officer. There have also been repeated violations of Lebanese airspace by Israeli aircraft.

The Republic, Cyprus and Israel are also in a dispute in respect of the southern border of the Republic's Exclusive Economic Zone. As a result, a maritime area of approximately 850 km^2 is claimed both by the Republic and Israel. The U.S. Geological Survey has published estimates indicating that significant offshore oil and natural gas resources may be present in the vicinity.

Following an attack by Israel in the Golan Heights on a Hizbollah convoy killing six members of Hizbollah and an Iranian General, on 28 January 2015, Hizbollah retaliated with an attack on an Israeli military convoy in the Sheba'a

farms area. Two Israeli soldiers were killed and others were injured as a result of this attack. Israel retaliated by conducting artillery strikes on several Lebanese villages, which resulted in the death of a Spanish U.N. peacekeeping soldier. Both sides then shortly ended hostilities and indicated their respective intentions not to further escalate the conflict. On 30 January 2015, the Republic filed a complaint with the U.N. Security Council against Israel in respect of the artillery strikes on Lebanese territory.

Constitutional System

Background

Three laws have governed the constitutional system of Lebanese parliamentary democracy. The first was promulgated in 1926, the second in 1943 and the third in 1990, following the Taif Accords.

The Constitution amended the 1926 Constitution and reiterates the principle that the Republic is an independent, united and internationally acknowledged sovereign state. It also confirms the Republic's Arab identity and involvement in both the League of Arab States and the United Nations, as a founding and active member. The Constitution emphasizes the respect for freedom of speech and belief, and the Republic's commitment to human rights, parliamentary democracy, private ownership, free market economics and balanced regional development and emphasizes the firm support for peaceful co-habitation between the various religious communities.

The Republic's political system is based on the separation of executive, legislative and judicial powers and a system of checks and balances. The Government determines overall policy, appoints senior administrators and submits proposed legislation to Parliament. Parliament, which is elected every four years, proposes and adopts laws and supervises Government policy. Judicial power is fully vested in the courts and is autonomous.

The Constitution also specifies that a Supreme Council, constituted of seven members of Parliament elected by Parliament and eight of the highest ranking judges, has jurisdiction to try the Presidents (President of the Republic, Speaker of Parliament and President of the Council of Ministers) and ministers. The members of the Supreme Council that are elected by Parliament are appointed for a period of four years. The first Supreme Council was constituted in 1996.

The Taif Accords provided the framework for a two-stage process of political reform. The first stage resulted in improving the distribution of political power among representatives of the various religious communities: seats in Parliament are equally divided between Christian and Muslim communities and the powers of the Council of Ministers and of Parliament have been reinforced. The second stage calls for the elimination of the sectarian political system.

Pursuant to constitutional custom in effect since the Republic's independence in 1943, the President is a Christian Maronite, the Speaker of Parliament is a Shiite Muslim and the Prime Minister is a Sunni Muslim. The Vice-Speaker and the Vice-Premier traditionally come from the Christian Greek Orthodox community.

The Executive Branch

The Executive Branch consists of the President of the Republic and the Council of Ministers (the Cabinet). The President is the Head of State. The President is elected for a six-year term by a two-thirds majority of Parliament in the first voting round and by a simple majority if a subsequent round is required. The President's functions include: Chairman of the High Defense Council, Commander in Chief of the Army, which is subject to the authority of the Council of Ministers, and chairing the Council of Ministers whenever he attends its meetings, although he has no voting power at these meetings.

The President appoints the Prime Minister following consultations with Parliament. The President must appoint the candidate who has the greatest level of support in Parliament. The President also negotiates treaties in conjunction with the Prime Minister. Treaties become final after the approval of the Council of Ministers and ratification by Parliament. The Council of Ministers is headed by the Prime Minister. The Prime Minister, as the President of the Council of Ministers, supervises and follows up on the work of ministries and administrators and co-ordinates ministerial policies.

The post of President is currently vacant. Pursuant to Article 62 of the Constitution, in the event of a vacancy of the Presidency, executive power is exercised on a temporary basis by the Council of Ministers, which is headed by the Prime Minister (currently, Mr. Tammam Salam). There is, however, currently a dispute in the Council of Ministers in respect of decision making when acting is this capacity. See "*Risk Factors—Risks Relating to the Republic—Presidential Elections*".

The Legislative Branch

The Legislative Branch consists of a single-chamber Parliament of 128 members. Members are elected for four-year terms in regional ballots, with the number of members for each region determined on the basis of the size and population of each region, subject to an overall number of members for each religious community. Parliament may be dissolved by the Council of Ministers, acting by vote of a two-thirds majority of the ministers, upon request of the President of the Republic only on the basis of one of the following grounds: (i) if Parliament fails to meet during one ordinary session or two extraordinary sessions (except in the event of *force majeure*); or (ii) if Parliament fails to pass a budget law for the purpose of paralyzing the Council of Minister's work.

The Judicial Branch

The Judicial Branch consists of one administrative court, the State Council Court (*Conseil d'Etat*) and judicial courts (which include civil courts (comprising commercial chambers) and criminal courts). The Supreme Court is the highest court of appeal for civil, commercial and criminal matters. Constitutional matters and conflicts relating to elections are referred to the Constitutional Council discussed below. The judges of the various courts (excluding certain members of the Constitutional Council) are appointed by the Government after the favorable recommendation of the Supreme Council of Justice.

The Constitution provides for the formation of a Constitutional Council to rule on the constitutionality of laws and on challenges to the validity of presidential and parliamentary elections. The Constitutional Council was formed in 1994. It consists of a maximum of ten members, five of whom are elected by a simple majority of Parliament and five of whom are appointed by the Council of Ministers acting by vote of a two-thirds majority of the Ministers. The Constitutional Council acts by vote of a majority of seven members and has rendered several significant decisions to date, including the invalidation of the 1996 election of four members of Parliament and the invalidation of governmental decrees extending the term of municipal councils.

See "*—Legal System*".

Elections

Parliamentary elections took place in 1992, 1996, 2000, 2005 and 2009 and were scheduled to be held in June 2013, but Parliament adopted laws postponing these elections, first to 20 November 2014 and subsequently to 20 June 2017. The Government justified the successive delays in holding the Parliamentary elections scheduled to have taken place in 2013 by reference to the difficulty of conducting nationwide elections throughout the country in the midst of security concerns and other challenges currently facing the Republic. See "*Risk Factors—Risks Relating to the Republic—Parliamentary Elections*".

The 1992 parliamentary elections were the first such elections in Lebanon since 1972. Certain political groups abstained from participating in the elections, although the 1996, 2000, 2005 and 2009 parliamentary elections were characterized by high voter participation.

In May and June 1998, municipal elections took place for the first time since 1963. All political parties participated. Municipal elections also took place in May 2004 and June 2010. There are 919 municipal councils in Lebanon with a total of 10,818 elected members.

Parliamentary elections for the election of all 128 Members of Parliament took place on 7 June 2009, resulting in a majority of the seats for the March 14 Coalition, together with the Progressive Socialist Party.

Following changes in political alliances (including members of the Progressive Socialist Party headed by Mr. Walid Jumblatt voting with the March 8 Coalition on the designation of Mr. Mikati as President of the Council of Ministers), the majority of Parliamentary seats is no longer held by the March 14 Coalition. The National Struggle Front, which includes the Progressive Socialist Party, maintains a political stance independent of both coalitions. There have been disagreements between Mr. Jumblatt and members of the March 8 Coalition, in particular in respect of the events in Syria, as Mr. Jumblatt has publicly supported the Syrian opposition.

The following table sets forth the composition of Parliament by total number of seats:

Parliament Composition by Political Party

Political Party	Number of Seats
March 14 Coalition and Allies	**60**
Future Movement, Lebanese Forces, Kataeb Party and members of the former Qornet Shahwan Gathering, collectively known as the March 14 Coalition	*51*
Independents	*9*
March 8 Coalition and Allies	**61**
Hizbollah, Amal Movement and allies, collectively known as the March 8 Coalition	*38*
Free Patriotic Movement	*19*
Independents	*4*
National Struggle Front (which includes the Progressive Socialist Party)	**7**
Total	**128**

On 25 June 2009, Mr. Nabih Berri, who has served as Speaker since 1992, was re-elected for a new four-year term by a vote of 90 out of 128 Members. Mr. Berri continues to serve as Speaker and his term has been automatically extended until 2017, along with the extension of the current Parliament. See "*Risk Factors—Risks Relating to the Republic—Parliamentary Elections*".

Presidential elections took place, most recently, in 1989 (President Hrawi), 1998 (President Lahoud) and 2008 (President Sleiman). President Sleiman's term expired on 25 May 2014, and the constitutional deadline for Parliament to elect a new President has passed without a new President being elected. A Parliamentary session was held on 23 April 2014 to elect a new President, however no candidate won the requisite two-thirds majority. Since then, a number of Parliamentary sessions have been called to elect a new President but have not been quorate, reflecting disagreements among the principal political parties. Article 49 of the Constitution provides that, in the event of a vacancy of the Presidency, executive power is exercised on a temporary basis by the Council of Ministers, which is headed by the Prime Minister. The three declared candidates for President to date are Mr. Samir Geagea, of the Lebanese Forces, Mr. Michel Aoun, of the Free Patriotic Movement, and Mr. Henri Helou, of the National Struggle Front. Mr. Geagea is supported by the March 14 Coalition, Mr. Aoun by the March 8 Coalition and Mr. Helou by the National Struggle Front. Parliamentary supporters of Mr. Aoun have indicated that they will not attend Parliamentary sessions or vote on bills before a President is elected. Mr. Aoun is refusing to discuss a compromise candidate for the Presidency on the basis that he should be elected President as he leads the largest bloc of Christian members of Parliament.

Although the Constitution provides that a President may not be re-elected for consecutive terms, there have been constitutional amendments to permit extensions to the terms of President Lahoud and President Hrawi before him, which generated domestic and international controversy.

See "*Risk Factors—Risks Relating to the Republic—Presidential Election*".

Government and Political Parties

The democratic political system in the Republic and the constitutional rights to freedom of speech and belief have nurtured a wide and diversified spectrum of political parties. The classification and categorization of the parties are blurred.

There are more than 30 parties and political groups in Lebanon reflecting many political beliefs and backgrounds; they are broadly divided among the March 14 Coalition, the Progressive Socialist Party and the alliance of the March 8 Coalition and the Free Patriotic Movement.

In February 2013, after over eight months of negotiations, a new Government, headed by Prime Minister Tammam Salam and comprised of 23 other ministers, was formed. In accordance with the Constitution, the Government submitted its policy declaration to Parliament in connection with the required vote of confidence. On 20 March 2014, the Government obtained a vote of confidence from Parliament, with 96 Members voting in favor, out of 101 Members of who were present at the session.

The policy declaration included, among other provisions, the following:

- an acknowledgment that the Government's term is limited (as the Government is deemed resigned upon the election of a new President);

- the Government's commitment to confront terrorist attacks and continue to strengthen the army, including through the financial assistance of U.S.$3 billion pledged by Saudi Arabia;

- a confirmation of the Government's priority of holding the presidential election within the constitutional deadline and, to this effect, submitting to Parliament a draft new electoral law, as well as a draft new decentralization law;

- the Government's intention to foster a climate conducive to the continuation of the National Dialogue among the various political parties;

- using the positive momentum created by the formation of a consensus Government to strengthen the Lebanese economy, including in particular the tourism sector, and to give special priority to the energy sector;

- the Government's commitment to continuing and accelerating the actions necessary to issue licenses for oil and gas exploration;

- an acknowledgement that the number of Syrian displaced persons in Lebanon exceeds the Republic's ability to cope with its security, political, social and economic impact on the Republic and confirmation that it will continue to seek assistance from Arab and international governments and institutions to shoulder the burden;

- the reaffirmation of the commitment of the Republic to international resolutions, including U.N. Security Council Resolution 1701; and

- based on the state's responsibility to preserve Lebanon's sovereignty, independence and territorial integrity and the security of its citizens, a confirmation of the duty of the state to liberate the Sheba'a Farms and Kfar Shouba Hills and the Lebanese part of Ghajar through all legitimate means, and an affirmation the right of Lebanese citizens to resist Israeli occupation and repel aggressions and recover occupied territory.

See "*Risk Factors—Risks Relating to the Republic—Parliamentary Elections*" and "*Risk Factors—Risks Relating to the Republic—Presidential Election*".

Legal System

The Republic's legal framework is based on the Constitution and on a body of well-established laws, dating back to 1930. The Constitution and the laws thereunder guarantee the private ownership of property, the free flow of funds and currencies in and out of the country and the freedom of contract between parties (so long as contracts do not contravene public policy).

Lebanese civil law is mostly based on the Code of Obligations and Contracts (which is based on the French Civil Code and was promulgated in 1932) and the Land Ownership Law. Other major legislation includes the Commercial Code (promulgated in 1942), the Code of Money and Credit (promulgated in 1963) and the complementary legislative decrees (issued in 1967) related to commercial agency representation, stock exchange, limited liability companies and business concerns and the New Code of Civil Procedure (promulgated in 1983).

An active legislative reform movement is taking place both in Parliament and through special committees formed by BDL and the Ministry of Justice to modernize Lebanese law following the end of the period of conflict. Significant laws and regulations have been adopted in various areas, including a law authorizing and regulating fiduciary activities, a law eliminating the different classes of shares for banks, a law regulating the issuance of notes and other debt securities by banks and securitization and fund management laws, a tax procedure code, a law establishing a debt management office within the Ministry of Finance and a law broadening the scope of activities of Lebanese offshore companies. The Government has also submitted a series of draft laws to Parliament, including drafts of a capital market reform law providing for the establishment of an independent regulator and a Treasury single account law.

International Relations

Overview

The Republic has a long tradition of openness to the international community, with close ties to the Arab world, Europe and America. The Government is implementing a comprehensive strategy for trade liberalization. The Republic is committed to democratic principles.

Lebanon is a founding member of the United Nations and the League of Arab States and is a member of all international organizations under the auspices of the United Nations (United Nations Educational, Scientific and Cultural Organization, Food and Agriculture Organization, International Fund for Agricultural Development and others), the International Bank for Reconstruction and Development (the "**World Bank**"), (and its affiliates, the International Finance Corporation and the Multilateral Investment Guaranty Agency), the IMF and the International Development Association.

The Republic maintains diplomatic relations with approximately 150 countries and has 86 diplomatic and general consular missions abroad. It hosts 116 diplomatic missions accredited in Lebanon, of which 68 are located in Lebanon. The Republic also hosts a number of international organizations such as the U.N. Regional Office for Education, Science and Culture in the Arab Countries, the UNHCR, the Food and Agriculture Office of the U.N., the World Health Organization, the U.N. Fund for Childhood, the UNDP and the Arab Center for Legal and Judicial Research, which is affiliated with the League of Arab States. The Economic and Social Commission for Western Asia, an agency of the United Nations, relocated its headquarters to Beirut in October 1997 and the World Bank opened an office in Beirut in January 2000.

Since 1992, the Republic has ratified just over 50 treaties for the promotion and protection of investments, most of which are in effect. The Republic has ratified such treaties with each of Armenia, Austria, Azerbaijan, Bahrain, Belarus, Belgium/Luxembourg, Benin, Bulgaria, Canada, Chad, Chile, China, Cuba, Cyprus, Czech Republic, Egypt, Finland, France, Gabon, Germany, Greece, Guinea, Hungary, Iceland, Iran, Italy, Jordan, South Korea, Kuwait, Malaysia, Mauritania, Morocco, the Netherlands, the Organization of the Islamic Conference, the Organization of the Petroleum Exporting Countries ("**OPEC**") Fund, Pakistan, Romania, Russia, Slovakia, Spain, Sudan, Sultanate of Oman, Sweden, Switzerland, Syria, Tunisia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom and Yemen. The Republic has also signed treaties for the avoidance of double taxation with 32 countries, 29 of which are in effect.

On 16 October 2009, the General Assembly of the United Nations elected Lebanon to serve as a non-permanent member of the Security Council for a two-year term starting on 1 January 2010.

Middle East

The Great Arab Free Trade Agreement governs the Republic's trade relations with most of the Arab countries members of the League of Arab States, pursuant to which, commencing in 1998, tariffs on all agricultural and industrial goods between 17 Arab countries were progressively reduced and subsequently eliminated by January 2005. This Agreement excludes a list of goods that are forbidden to enter some Arab countries for environmental, religious, and sanitary reasons.

Having successfully liberated most of its territory from Israeli occupation in May 2000, Lebanon remains committed to the principles agreed upon at the Madrid Peace Conference in 1991. Lebanon supports United Nations and international efforts towards the achievement of a just, comprehensive and lasting settlement in the region. Such a settlement should involve the total withdrawal of Israeli troops from all Arab occupied territories up to the borders in place on 4 June 1967 and the implementation of the right of Palestinian refugees to return to their homeland in Palestine. See "*—History—Relations with Israel*".

In November 2010, the Republic also entered into a Free Trade Agreement with Turkey. To date, this agreement has not been ratified by Parliament.

The Republic has entered into a number of treaties with Syria relating to cooperation in various areas. These treaties include the Treaty of Fraternity, Cooperation and Coordination, which was entered into on 22 May 1991 and ratified by Parliament on 29 May 1991. This treaty provides for coordination between the two countries in economic, social, foreign and military affairs and establishes a number of high level joint commissions to implement such coordination. While relations between Lebanon and Syria were tense, these tensions had eased following the Doha Agreement in May 2008, the election of President Michel Sleiman, the formation of the then-Government, the establishment of diplomatic relations and the exchange of ambassadors. However, recent events in Syria have resulted in internal divisions in the Republic between supporters of the Syrian government and supporters of the Syrian opposition, and some members of

the March 14 Coalition have called for the abrogation of the Treaty of Fraternity, Cooperation and Coordination. See "*—History—Relations with Syria*".

In December 2013, President Sleiman announced that Saudi Arabia had pledged U.S.$3 billion in grants to the Republic in order to strengthen the Lebanese Army's capabilities.

Europe

On 17 June 2002, the Republic signed an association agreement with the EU, as part of the Euro-Mediterranean Partnership initiative, which Parliament ratified on 12 December 2002. An Interim Agreement on trade and trade-related provisions entered into effect in March 2003. As a result, since that date, Lebanese industrial and most agricultural products (within the limits of tariff quotas) enjoy free access to the EU market, while the progressive elimination of tariffs on EU imports into Lebanon occurred between 2008 and February 2015. The ratification of the EU-Lebanon Association Agreement (the "**Association Agreement**") by the EU Member States was completed in April 2006 and accordingly it has replaced the Interim Agreement. The EU is one of the Republic's major trading partners. The Association Agreement establishes, among other areas of cooperation, the necessary conditions for progressive and reciprocal liberalization of trade in goods with a view to establishing a bilateral free trade area, and includes relevant provisions on customs cooperation, competition, protection of intellectual, industrial and commercial property, and services. Under the Neighborhood Policy Action Plan, adopted in January 2007, a number of specific trade and trade-related actions have been agreed upon between the Republic and the EU with the objective of further liberalization and development of sectoral policies to facilitate the implementation of the Association Agreement.

In June 2004, the Republic entered into a free trade agreement with the European Free Trade Association, which consists of Switzerland, Liechtenstein, Norway and Iceland. The agreement entered into force on 1 January 2007 and covers trade in industrial goods, including fish and other marine products, as well as processed agricultural products.

EU assistance to the Republic is now primarily provided under the European Neighborhood Instrument (the "**ENI**") for 2014-2020. See "*External Sector—Foreign Borrowings and Grants*".

World Trade Organization

The Republic applied for membership in the World Trade Organization (the "**WTO**") and was granted observer status in April 1999. In 2001, the Government submitted to the WTO the Memorandum of Foreign Trade Regime as a second step toward its accession. In October 2002, the Government entered into negotiations with the WTO for full membership and has provided replies to queries presented to-date by member states. To date, seven Working Party meetings have taken place in Geneva, the most recent of which was in October 2009 in which the Working Party reviewed the Republic's responses to the issues raised by member states.

Social and Demographic Development

The following table sets forth selected comparative statistical data for the periods and countries indicated.

Comparative Statistics[1]

	Lebanon	Morocco	Egypt	Tunisia	Jordan	Turkey	Algeria	United Kingdom
Gross national income *per capita* (*U.S.$*)[2]	9,800	2,980	3,050	4,210	5,160	10,840	5,480	42,690
Average annual growth of GDP[3](*%*)	2.0	2.6	2.2	2.5	3.1	2.9	4.1	2.6
Life expectancy: Female (*years*) (2013)	82	73	74	76	76	79	73	83
Life expectancy: Male (*years*) (2013)	78	69	69	72	72	72	69	79
Under 5 mortality (*per 1,000 live births*) (2014)	8.6	28.6	24.8	14.6	18.5	14.3	25.6	4.4

Notes:
(1) Figures published by the World Bank may differ from those published by Lebanese authorities, the IMF and others.
(2) Figures are for the year 2014 (except Tunisia, which are for 2013) and are calculated based on the World Bank *atlas method*.
(3) Figures are for the year 2014 (except Tunisia, which are for 2013).

Source: The World Bank, World Development Indicators.

THE ECONOMY

Economic System

Lebanon has a long tradition of domestic free trade and investment policies, with free market pricing for most goods and services, an unrestricted exchange and trade system and extensive links with the developed world in practically all economic activities. The Government has maintained a generally non-interventionist stance toward private investment, and public ownership has generally been limited to infrastructure and utilities. There are no restrictions on the movement of capital and goods by residents and non-residents of the Republic, including on entry or exit of firms or on access to foreign exchange, which makes Lebanon a supportive system for private sector development.

The Government continues to favor a strong role for the private sector in a liberal policy environment. It welcomes foreign investment in the economy. There are no legal restrictions on setting up and operating private businesses in Lebanon, subject to limited exceptions. See "*External Sector—Foreign Direct Investment*". Investment in infrastructure activities historically has been undertaken by the public sector. The absence of exchange controls in Lebanon allows foreign investors to import and export capital freely in any form they wish.

The Lebanese economy, characterized by freedom of exchange and transfers, is based on private initiative. In 2013, the private sector was estimated by CAS to have contributed approximately 88% to national expenditures. The private sector includes activities such as agriculture, manufacturing, construction, commercial trade and tourism, in addition to services such as financial services, hotels and restaurants, information and communication services, and consulting and professional services. The manufacturing and construction sectors are estimated by CAS to have contributed approximately 12% of Lebanon's GDP in 2013. The manufacturing sector is provided only with a limited level of protection from international competition.

Economic History

Lebanon has a long and established tradition of having an open and free market economy. The state sector traditionally was small, with the Government having a history of minimal intervention in economic activity. As a result, the Republic had developed into a prosperous, lower-middle-income country by the mid-1970s. Economic growth averaged 5% per year during the period 1960–1970 and then accelerated to 7% per year in the period 1970–1975. The main source of growth was the services sector, in particular tourism, banking, insurance and free port activities. The banking sector, aided by a stable and liberal regime, a freely convertible currency, favorable regulations and skilled management, permitted Beirut to serve as a financial center to the Middle East. Although smaller in size than the services sector, the export-oriented agricultural and manufacturing sectors also grew (at annual rates averaging between 4% and 6%), contributing to overall growth of income. Having grown at an average of 3% *per annum* since 1960, *per capita* gross national product ("**GNP**") was estimated at U.S.$1,070 in 1974, prior to the outbreak of the conflict in April 1975.

Estimates put the Republic's GNP *per capita* at about U.S.$820 in 1990, barely one third of its 1975 level in real terms. Damage to infrastructure and physical assets due to the 1975-1990 conflict amounted to U.S.$25 billion according to U.N. estimates, with none of the principal sectors emerging from the conflict unscathed. While limited investment and maintenance expenditure led to the erosion of the capital base, the sizeable emigration of skilled manpower constituted a major loss to Lebanon's economic potential. As a result, from 1975 to 1990, aggregate national output steadily declined. In addition, the confidence in, and credibility of, the Lebanese Pound and economic stability began to erode. The shift in authority from the Government to non-official entities gave rise to a parallel economy that severely hampered the Government's ability to collect revenues, as most trading was conducted through unofficial ports of entry and direct taxes and bills to state-owned utilities were unpaid. This lack of Government revenue and the growing expenditure on public services led to large and rapidly growing Government fiscal deficits. These negative developments, along with the prevailing political uncertainty, plunged the Lebanese economy into a vicious cycle of large fiscal deficits leading to monetary expansion and inflation, which translated into dollarization of the economy and capital outflows. This in turn led to a dramatic depreciation of the value of the Lebanese Pound and further inflation. See "*Monetary System—Prices and Inflation*".

After the conflict, the Government continued the policy of reliance on private sector initiative, which had served the country well in the pre-conflict era, and the economy began to recover. In 1991, according to IMF estimates, GDP rose by almost 40% and inflation moderated over the course of the year. Large capital inflows, along with a partial recovery of exports, resulted in an overall balance of payments surplus of over U.S.$1 billion. However, the fiscal deficit remained high in 1991 (56% of expenditures). By the beginning of 1992, BDL had stopped supporting the Lebanese Pound, the value of which declined to all time lows. The cycle of deficit financing, dollarization and capital outflows led to escalating inflation and exchange rate depreciation, with the value of the Lebanese Pound reaching LL 2,420 per U.S. Dollar in September 1992.

Following the appointment of the first Government led by Mr. Hariri in October 1992, the Government began to assume a larger role than it had historically by making substantial investments in infrastructure needed to create an environment conducive to long-term growth based on private sector activity, as well as to take measures to restore economic stability and renew confidence in the Lebanese Pound. Between 1993 and 1998, the economic program of the successive Hariri Governments rested on the dual, and sometimes conflicting, tasks of economic revival and stabilization. This framework aimed to rehabilitate the country's damaged infrastructure, replenish the depleted capital stock, reinstate traditional public services, implement programs for the return of displaced persons to their villages and provide an attractive environment for the return of the expatriate Lebanese community, while pursuing exchange rate stability and anti-inflationary policies.

This strategy was successful to an extent. As the reconstruction program got underway and with the normalization of the economic environment, real economic growth averaged 5.7% over the period from 1992-1997, and, at the same time, the Lebanese Pound gradually appreciated, reaching LL 1,516 per U.S.$1 at the end of 1998. The inflation rate was reduced from over 120% in 1992 to approximately 3% in 1998. Successive governments subsequently implemented measures to revitalize the economy, improve the overall fiscal condition, implement reconstruction projects, modernize the legal system, maintain monetary stability and encourage lower inflation. These efforts resulted in generally sustained GDP growth and lower inflation levels but contributed to increased fiscal deficits and consequential public borrowings. See "*Public Debt*", "*Risk Factors—Risks Relating to the Republic—Public Debt*" and "*Risk Factors—Risks Relating to the Republic—Fiscal Deficit*".

Fiscal Reform and the Paris II Conference

At the end of 2002, the then-Government implemented a series of measures to address the issue of the sustainability of the public debt. The Paris II Conference, which is described below, was the most prominent of these measures. See "*External Sector—Foreign Borrowings and Grants*". In order to reduce public debt service, BDL issued decision № 8312, pursuant to which all banks operating in Lebanon were required to subscribe for Treasury bills or Eurobonds issued by the Republic in cash or through the delivery of Treasury bills or Eurobonds previously issued by the Republic and held by them. Total subscriptions by Lebanese banks amounted to approximately U.S.$3.6 billion, most of which was subscribed in cash.

As a result of the inflow of the funds collected to date from participants in the Paris II Conference and other measures, the Republic was able to re-profile approximately 32% of its total debt outstanding at the time of the Paris II Conference by extending its maturity and reducing its cost. The application of Paris II Conference funds, which constitute non-market debt, to repay market debt (*i.e.,* gross public debt excluding the portfolios of BDL, public institutions, bilateral and multilateral loans and debt issued to the Paris II Conference lender countries and agencies) has also lowered the ratio of market to non-market debt from 79% prior to the Paris II Conference to 59% in December 2004. Interest payments declined sharply from approximately 16% of GDP in 2002 to approximately 11% in 2005. In 2004, real growth reached 7.5%, the overall deficit declined to less than 10% of GDP (as compared to 23% in 2000) and the primary surplus improved to 3% of GDP. See "*External Sector—Foreign Borrowings and Grants*".

The implementation of a significant portion of the economic and fiscal reforms described above, which were included in the fiscal reform program submitted by the then-Government during the Paris II Conference, such as privatization and securitization, have not taken place because of differences in views between political leaders. See "*Risk Factors—Risks Relating to the Republic—Failure to Implement Economic Reforms and Privatization Program*".

Strong economic performance in 2004 was cut short by political tensions that began in late 2004 with the extension of the Presidential mandate and the assassination of Prime Minister Hariri. See "*The Lebanese Republic—History—Recent Developments—The Special Tribunal for Lebanon*". The period following the assassination of Mr. Hariri in February 2005 witnessed an economic slowdown and significant conversions from Lebanese Pound deposits to foreign currency deposits followed by a decline of foreign currency reserves due to the intervention of BDL on the foreign exchange markets.

Successive Governments have been successful in reducing the public debt to GDP ratios, principally due to GDP growth and better tax collections, although fiscal deficits have continued to rise. The Government is facing a number of economic challenges, including:

- high energy prices and the corresponding impact on the Treasury (see "*—Role of Government in the Economy—Privatization—Electricity Sector*"), which has also increased the trade deficit (see "*External Sector*");

- the events in Syria and their impact on the economy of the Republic and the impact of recently implemented measures requiring additional expenditures, including Law № 181 (see "*—Role of the Government in the Economy and Privatization—Electricity Sector*");

- the cost-of-living increases for public sector employees and the increases in public sector wages currently under discussion (see "*The Lebanese Republic—History—Recent Developments*"); and

- disagreements among political parties, which have led to an inability of the Council of Ministers to adopt resolutions and a stalemate on a number of material issues (see "*The Lebanese Republic—History—Recent Developments*").

Despite these challenges, the Government remains committed to improving the Government's fiscal position and the debt-to-GDP ratio. See "*Public Debt*" and "*Risk Factors—Risks Relating to the Republic—Regional and International Considerations; Events in Syria and their impact on Lebanon*", "*Risk Factors—Risks Relating to the Republic—Refugees and Displaced Persons*" and "*Risk Factors—Risks Relating to the Republic—Prices and Inflation*".

Role of Government in the Economy and Privatization

In May 2000, Parliament adopted a privatization law, which sets the framework for the privatization of state-owned enterprises. The privatization law established the HCP and provides that the proceeds from privatization will be applied towards debt repayment. The state sector in Lebanon includes several enterprises and types of assets which have been successfully privatized in emerging markets. EDL (which supplies virtually all electricity in the Republic), *Société des Eaux de Beyrouth* and other water companies, the airport and port companies, the fixed-line and mobile telephone networks and other assets, many of which may be eligible for privatization, are directly or indirectly state-owned. BDL also owns significant commercial assets, including substantially all of the shares of the national air carrier, Middle East Airlines.

In 2002, Parliament enacted additional laws for the privatization of the telecommunications, electricity and civil aviation sectors. Due to disagreements within the Government, the Republic's privatization program has not been implemented to date. In 2007, the Government submitted a draft public-private partnership ("**PPP**") law to Parliament and another draft has since been proposed directly in Parliament, which is being discussed in committee. The HCP has promoted the adoption of a PPP law. See "*Risk Factors—Risks Relating to the Republic—Failure to Implement Economic Reforms and Privatization Program*".

Telecommunications Sector

The telecommunications law ("**Law № 431**") was adopted by Parliament in July 2002. Law № 431 organizes and regulates the telecommunications sector in the Republic. It provides for the formation of a joint stock company, Liban Telecom, to which the fixed line operations and assets of the Ministry of Telecommunications would be transferred, and grants it a 20-year license for the provision of telecom services. A decree for the formation of Liban Telecom was adopted by the Council of Ministers in December 2004. Law № 431 provides for the sale of up to 40% of Liban Telecom's shares to a strategic partner within two years of the establishment of the company, however the company has not yet been established.

Law № 431 further provides for the establishment of the Telecommunications Regulatory Authority (the "**TRA**") whose functions include tariff monitoring and encouraging competition and transparency. The members of the TRA were appointed by the Government in February 2007, and the TRA has been operational since April 2007. The mandate of the TRA's Board of Directors expired on 29 February 2012, and it is acting in a temporary capacity pending the appointment of a new board.

On 2 November 2007, the Republic, acting through the HCP and the TRA, launched a tender process for the acquisition of the related assets, liabilities and contracts of each of the two existing state-owned mobile telecommunications operators, together, in each case, with the award of a 20-year license to build, own and operate a mobile telecommunications network and provide mobile telecommunications services in Lebanon. The tender process was suspended due, in large part, to the global financial crisis. The Minister of Telecommunications launched a tender process for the award of two management contracts for a one-year period commencing on 1 February 2009 (renewable for one additional year), as the management contracts then in effect were about to expire.

On 13 January 2009, Zain and Orascom Telecom Holding S.A.E. were declared the winners of the tender process for the award of the two management contracts. On 29 January 2010, and in light of the then-forthcoming expiry of the two management contracts, the Council of Ministers adopted a resolution extending the contracts' term for six months (renewable for two consecutive periods of three months each). Such contracts have since been extended a number of

times, most recently until 31 December 2015, on the same conditions that were approved by the Council of Ministers in January 2010.

In October 2011, both Lebanese mobile telephone operators rolled out third generation (3G) service. This has led to increased data speeds and, combined with significant price decreases in 2009, further increases in the mobile telephone penetration rate, which reached over 85% of the population in 2012, according to figures published by the Ministry of Telecommunications.

The Ministry of Telecommunications is also undertaking a number of major projects to upgrade the Republic's fixed line and internet network and infrastructure.

According to figures published by the Ministry of Telecommunications, there were approximately 3,588,000 mobile telephone users (of which 722,000 have 3G-capable handsets), 854,000 fixed lines and 390,000 DSL users as at May 2012.

In June 2015, the Ministry of Telecommunications launched an international public tender for the management of two existing mobile networks in Lebanon. A number of international phone operators are participating and the tender, which was initially expected to be completed in September 2015, but has since been postponed.

In July 2015, the Ministry of Telecommunications announced a five-year plan aimed at improving telecommunications infrastructure and providing fiber-optic connectivity across Lebanon by 2020. The Ministry of Telecommunications estimates the total cost of the project to be more than U.S.$600 million, which will be funded from the Ministry's budget.

Electricity Sector

In September 2002, Parliament passed a law ("**Law № 462**") regulating the electricity sector which, among other matters, provides for the establishment of an independent regulator, the separation of production, transmission and distribution activities, the privatization of production and distribution activities through the granting of concessions and the formation of new entities whose shares will be initially owned by the Government and up to 40% subsequently transferred to strategic and other private investors. Law № 462 provides that the transmission assets must remain the property of the Republic, but that management contracts for the operation of the transmission networks may be appointed to private parties. In addition, a grant was awarded by *Agence Française de Développement* ("**AFD**") to finance the preparation of a Generation and Transmission Master Plan for the Electricity Sector by *Electricité de France* ("**EdF**"). EdF started work in September 2007 and submitted several drafts of the plan to the Ministry of Energy and Water. The Ministry of Energy and Water, the CDR and the HCP are working with a consultancy firm to develop a framework for the medium-term to integrate independent power producers in the Lebanese electricity sector.

Other than relatively modest hydroelectric resources and the import of electricity from Syria and natural gas (both of which are currently interrupted), all energy needs are met with imports of petroleum products; gas oil imports were approximately 1.2 million metric tons in 2011, 1.2 million metric tons in 2012, 1.1 million metric tons in 2013 and 1.2 million metric tons in 2014, and fuel oil imports were approximately 1.1 million metric tons in 2011, 0.9 million metric tons in 2012, 1.1 million metric tons in 2013 and 1.4 million metric tons in 2014. The Government is seeking to reduce the significant cost to the Treasury of fuel imports, which has been increasing in recent years. Among other measures, the Government signed an agreement on 30 May 2009 with the Egyptian General Petroleum Corporation ("**EGPC**") and the Egyptian Natural Gas Holding Company ("**EGAS**") regarding the supply of natural gas via the Arab Gas Pipeline. As a result, in September 2009 delivery of natural gas to the Deir Amar power plant in North Lebanon commenced. This agreement was ratified by Parliament pursuant in June 2010. However, the supply of gas was irregular and was discontinued in December 2010. In order to secure a new source of natural gas, the Ministry of Energy and Water issued a request for proposals in 2012 to build, own and operate a liquefied natural gas floating storage and regasification unit, although the process is on hold.

The Ministry of Energy and Water has been investigating options to diversify its energy sources and reduce its reliance on imported energy products. In 2012, the Ministry of Energy and Water launched a feasibility study to assess hydropower resources in Lebanon and has prepared the terms of reference for the assessment of the potential production of biogas from waste-water treatment and the general assessment of bioenergy potential in Lebanon. Other energy diversification studies are underway with the assistance of the UNDP, including, *inter alia*, with respect to Lebanon's wind and solar power generation capacity.

In November 2010, the Minister of Energy and Water announced plans to increase Lebanon's oil storage capacity from 0.35 million m^3 to 1.5 million m^3 through the reconstruction and upgrade of the relevant portions of two state-owned refineries (one in Tripoli and one in Zahrani), which are currently non-operational, and are used only as import

terminals and storage facilities for refined oil products. In 2012, LL 37.5 billion was allocated to increase storage capacities at the Tripoli and Zahrani refineries. EDL accounts for approximately 40% of the Republic's fuel oil and gas oil imports.

See "*—Principal Sectors of the Economy—Energy and Electricity*".

Electricity Sector Reform

The initial plan for the reform of the energy sector was developed by the first Siniora Government (2005-2008) and presented in January 2007. In June 2010, the then-Hariri Government adopted a new sector reform plan, which was proposed by the Minister of Energy and Water. The plan includes the following ten objectives:

- *Production:* increasing production capacity to 4,000 MW by 2014 and to 5,000 MW thereafter, although, as at 31 December 2014 the production capacity of EDL was 2,163 MW;

- *Transmission:* removing bottlenecks, reducing transmission losses and implementing a control facility to ensure adequate connection between power plants and load centers;

- *Distribution:* implementing a transitional program with the participation of the private sector and encouraging investment in the planning, constructing, operation and maintenance of the distribution sector, including developing modern metering, billing and collection systems;

- *Fuel Sourcing:* implementing a new policy based on diversity and security, pursuant to which two-thirds of the fuel mix would be based on natural gas with multiple sources of supply, more than 12% would be based on renewable energies and the remainder would be based on other sources of fuel, while encouraging the use of technologies that work with both natural gas and fuel oil;

- *Renewable Energy:* encouraging the adoption of renewable energy technologies in order to reach the aforementioned 12% goal;

- *Energy Efficiency:* encouraging greater awareness of proper electricity use and the adoption of national programs focused on demand-side management as the basis for effective energy use, peak shaving, load shifting and demand growth control, with the aim of saving a minimum of 5% of total demand;

- *Tariffs:* restructuring and increasing existing tariffs to gradually eliminate the financial deficit in the electricity sector, balancing EDL's budget and reducing the financial burden on users of costly private generators;

- *Norms and Standards:* establishing norms and standards for the provision of electricity services that ensure safety and fair access with the aim of providing a high quality service at a low cost;

- *Corporatization of EDL:* revitalizing EDL through the establishment of the financial, administrative and human resources flexibility needed to cope with the aforementioned reforms; and

- *Legal Status:* amending the current legal and organizational framework of the electricity sector, including revising Law № 462 and the adopting a law in connection with the new power plants.

In October 2011, Parliament adopted Law № 181, which provided, *inter alia*, for an increase in electricity production of 700 MW, the upgrading of existing power plants, the establishment of the Electricity Regulatory Authority and the appointment of a new board of directors for EDL. Law № 181 authorizes total expenditures of LL 1,772 billion (approximately U.S.$1.2 billion), of which LL 414 billion (approximately U.S.$275 million) was authorized to be spent in 2011 but was not disbursed during that year, LL 460 billion (approximately U.S.$305 million) was authorized to be spent in 2012 but was not disbursed during that year and LL 518 billion (approximately U.S.$344 million) was authorized to be spent in 2013 but was also not disbursed during that year. The Ministry of Finance accounted for the 2011, 2012 and 2013 expenditures under Law № 181 in its spending plans for each respective year and for the 2014 expenditures in the draft 2014 budget submitted to the Council of Ministers.

Law № 181 provides that these expenditures will be financed through extraordinary revenues, as well as borrowings in the form of Lebanese Pound- or foreign currency-denominated bonds and concessional loans. When implemented, Law № 181 and the electricity reform plan approved by the Council of Ministers are expected to enhance electricity generation in order to meet demand and diversify sources of energy.

For the past several years, the Ministry of Finance has made large contributions to EDL to fund significant continuing losses, with transfers amounting to U.S.$1.7 billion in 2011, increasing to U.S.$2.3 billion in 2012, U.S.$2.0 billion in 2013 and U.S.$2.1 billion in 2014. It is expected that Law № 181 would result in a reduction of Government transfers to EDL over time. The Government has also recently revived efforts to restructure EDL. In addition, contracts were awarded to three private companies in 2012 in an effort to reduce operational costs, technical and non-technical losses and improve bill collection.

In July 2012, the Government entered into a U.S.$360 million three-year contract with Turkish firm *Karkey Karadeniz Elektrik Uretim* to lease two electricity-generating barges. These barges are expected to generate up to an aggregate of 270 MW of electricity. It is expected that this leasing arrangement will permit EDL to reduce certain power rationing measures. The first barge arrived in February 2013 and the second barge arrived in August 2013.

In February 2013, the Ministry of Energy and Water signed a €269.23 million contract with a Danish-German consortium to expand generation capacity by 272 MW by building new production units in Jiyyeh and Zouk, the sites of the largest existing power plants in Lebanon. In November 2013, the Republic entered into a facility agreement with HSBC and EKF, the Danish export credit agency, to fund the project. Construction of the Jiyyeh production unit is expected to be completed by the end of October 2015, and construction of the Zouk production unit is expected to be completed by the end of June 2016.

In April 2013, the Ministry of Energy and Water signed a €360 million contract with a Greek-Cypriot firm. J&P-AVAX for the construction of a new 538 MW power plant in Deir Ammar, although the project is currently on hold.

In January 2014, the Ministry of Energy and Water signed a U.S.$108 million contract with a Lebanese firm, Matelec, for the installation of three new GIS substations in Beirut, Mount Lebanon and North Lebanon. The new substations are expected to reduce technical losses and improve the electricity supply across the grid to certain designated areas. The Ministry of Energy and Water has also entered into a second U.S.$37 million contract with the firm for the upgrading and strengthening of 11 installed transmission substations across Lebanon. Upgrading works on the substations is expected to be completed by December 2016.

Water and Wastewater Sectors

A reform of the water sector was commenced by the last Rafik Hariri Government. Law № 221 was enacted, which provides for the consolidation of the 21 water authorities into four water and wastewater public establishments responsible for water supply, wastewater and irrigation management. The implementation decrees for Law № 221 were published in June and July 2005 and the four public establishments commenced their work in October 2005, and have received technical assistance from international organizations including the United States Agency for International Development ("**USAID**"), AFD, the EU, *Deutsche Gesellschaft für Internationale Zusammenarbeit* and the World Bank.

In 2012, the Council of Ministers approved a water sector strategy (Decision № 2 dated 9 March 2012) and a wastewater strategy (Decision № 35 dated 16 November 2012). A program for upgrading the sector is underway and is estimated to cost approximately U.S.$923 million. This program is designed to comply with the Convention on Protecting the Mediterranean from Pollution and to protect inland water resources from pollution and comprises: (i) the upgrading, development and extension of the water and wastewater infrastructure, including increasing the available water resources, extending the distribution and transmission networks, and constructing sewer networks and wastewater treatment plants to protect water sources, groundwater and coastal areas; and (ii) the provision of technical assistance to the Ministry of Energy and Water and to the regional water establishments.

A number of projects are currently in the planning stage and are estimated to cost approximately U.S.$995 million. Such projects include the construction of a dam at Bisri (and associated facilities), regional reservoirs, water supply transmission and distribution networks, reservoirs, water treatment plants and sewer networks, as well as the construction of waste water treatment facilities, which are intended to serve all regions of Lebanon.

Securitization

In June 2002, Parliament adopted a law authorizing the Government to engage in securitization transactions and mandating that the Government deposit the proceeds of any securitization transaction, as well as the revenues derived by the Government from specific sectors, such as telecommunications, tobacco, *Casino du Liban* and others, in a special account at BDL dedicated to the payment, management and reduction of public debt. The Government has not engaged in any such transactions to date. However, prospective holders of Notes should be aware that, to the extent the Government undertakes securitization transactions, future revenues from the assets or flows being transferred pursuant to any such transactions may no longer be available for the payment of interest and principal in respect of Notes.

Reconstruction

The Council for Development and Reconstruction and the Reconstruction Program

The CDR is a government agency entrusted with a key role in the process of reconstruction and economic recovery. It was established in 1977 in response to the needs of reconstruction as a successor to the Ministry of Planning and was reorganized in 1991. The CDR is an executive agency for the Council of Ministers. It is responsible for formulating and monitoring the implementation of public investment projects, as well as seeking foreign funding. In 1992, a three-year (1993–1995) U.S.$2.25 billion National Emergency Reconstruction Program (the "**NERP**") was established by the CDR. The initial program covered a series of rehabilitation investments in the fields of power, water and wastewater, solid waste, education, housing and development. Financing for the NERP was provided, in part, by a World Bank loan of U.S.$225 million.

Proposals for projects forming part of the reconstruction program are submitted for parliamentary approval on a project-by-project basis. Approximately 4,724 contracts with a total value of approximately U.S.$12.5 billion were awarded by the CDR for the period since reconstruction efforts started in 1992 to the end of 2014, projects with a total value of U.S.$8.0 billion have been completed.

The CDR is directly responsible for implementing a large part of the reconstruction program. It acts in this capacity in coordination with the various institutions (consisting principally of the relevant ministries), which will ultimately use or operate the investments. The other parts of the reconstruction program have been implemented by various ministries and other governmental agencies, such as the *Conseil Exécutif des Grands Projets* and the *Conseil Exécutif des Grands Projets de la Ville de Beyrouth*. In March 2001, Parliament adopted a law merging these two agencies into the CDR, thereby expanding the range of reconstruction and development projects for which the CDR is responsible. The rationale for this merger is the desire of the Government to create a single executive agency to implement infrastructure and development projects.

CDR expenditures on reconstruction and development programs are financed partly by grants and borrowings from international development agencies and other overseas entities and partly by appropriations from the budget. These appropriations are included as capital expenditures in the public accounts, but expenditures financed by borrowings as described above are not included in the public accounts (but are included in foreign debt figures). However, interest in respect of these borrowings is included in the national budget for the year in which it is scheduled to be paid. The Government's strategy is to finance the reconstruction and development program principally through the use of external financing, preferably concessionary financing (in the form of grants and soft loans). Other sources of financing include commercial loans with export credit guarantees and the issuance by the Government of Eurobonds and other international debt securities.

Infrastructure and Transportation

As a major regional financial center, the Republic had a well-developed infrastructure prior to the 1975-1990 conflict. The country's ports (Beirut, Tripoli, Sidon and Jounieh) and Beirut International Airport (now Rafik Hariri International Airport) were especially productive assets of the economy operating under a free exchange system. Catering to the large number of residents, businesses and international visitors, the housing and telecommunications sectors had been built up to high standards. The development of the road network had not, however, kept pace with the growth of the economy. The years of conflict exacted a heavy toll on the infrastructure. Since 1992, significant progress has been made in restoring and upgrading the infrastructure; telecommunications systems have been significantly upgraded and are functioning better; emergency water supply repairs have been undertaken; road networks are being upgraded; and solid waste collection has markedly improved.

Contracts totaling U.S.$1.7 billion in value were completed during the period 1991-2014, out of total contracts awarded worth U.S.$2.7 billion. Completed contracts include, *inter alia*, the rehabilitation of Beirut's road network, the completion of extensions of the coastal highway system north to Tripoli and south to Quasmie and the upgrading of a number of intersections in the Greater Beirut area. The extension of the Northern coastal highway to the Syrian borders and the Southern coastal highway to Tyre City entrance, as well as the upgrade of the Beirut-Damascus Road (from Sayad to Masnaa), are all underway. The remaining intersections in the Greater Beirut area and main roads in different regions (Kesrouan, Jbeil, Batroun, Akkar, Dannie, Zahle, Baalbeck and Hermel) in connection with the road improvement program are also in progress. The cost of the ongoing contracts is approximately U.S.$1,060 million.

The extension and redevelopment of Beirut's international airport, with targeted passenger movement of six million people *per annum*, amounted to U.S.$539 million. Two major contracts totaling U.S.$490 million in aggregate were awarded under a multi-year project approved by Parliament. Financing of U.S.$179 million was secured from the EIB, the Kuwait Fund for Arab Economic Development and the French Government, and a number of the airport's facilities

were financed through BOT contracts reducing the portion of the costs to be funded by public expenditure. A new passenger terminal was put in service at the beginning of 1998 and the project was completed in 2000.

Beirut Central District

Following the end of the period of conflict in 1990, the Government was confronted with the issue of how to redevelop areas in Lebanon that had suffered damage during the hostilities. Redevelopment was particularly critical for the Beirut Central District (the "**BCD**"), which had been the historical center of government and commercial activity and which had also been the subject of extensive damage during the hostilities. The BCD is considered to be the heart of Beirut. The area contains a number of important government buildings and Parliament and has traditionally been considered the center of banking and commerce in Lebanon.

In 1991, the Government created a legal framework that would allow for the establishment of private real estate companies to carry out the redevelopment of damaged areas in accordance with a master plan approved by the Government. Such companies would be capitalized partly by cash subscriptions by investors and partly by the issuance of shares in exchange for the compulsory contribution of property rights by the original owners and lessees (subject to an option in favor of such owners to regain ownership of certain properties). Parliament established the foundation for this legal framework in 1991.

SOLIDERE is the sole company with responsibility for the development and reconstruction of the BCD. The entire area is approximately 1.8 million m^2, consisting of the traditional BCD and the reclaimed land. Under the master plan for the project, the aggregate permitted built-up floor space in the entire BCD (including certain exempted lots which are government and religious buildings) and the lands reclaimed from the Mediterranean Sea is limited to 4.69 million m^2. SOLIDERE has completed infrastructure works in the traditional BCD, the restoration of the majority of preserved buildings, and the Western Marina and is currently focusing on providing infrastructure and road network to the Waterfront District (the reclaimed land).

Gross Domestic Product

In 2012, responsibility for preparing Lebanon's national accounts, which since 1997 had been assigned under an interim arrangement to the National Accounts Committee, were transferred back to CAS. In 2013, CAS published GDP estimates for the period 2004-2011 in *Lebanese National Accounts 2004-2011*. The methodology for producing the national accounts, particularly the calculation of GDP and nominal and real growth rates, has been revised and improved using additional economic data and indicators (including VAT returns provided by the Ministry of Finance, the CAS Household Budget Survey for 2011-12 and the results of the CAS surveys of enterprises over the period 2004-2008) and is consistent with the System of National Accounts 2008 (2008 SNA), the latest version of the international statistical standard for the national accounts adopted by the U.N. Statistical Commission. In December 2014, CAS published revised GDP figures for the period 2004 to 2013 in the *Lebanese National Accounts 2004-2013* based upon the same standards. Accordingly, the GDP figures, the ratios that include GDP figures and the statements regarding the evolution of GDP presented in this Base Prospectus differ from previously published data prepared by the National Accounts Committee and CAS. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

The following table sets forth GDP figures for the years 2010-2013.

GDP[(1)]

	2010	2011	2012	2013
GDP (*at market prices in LL billions*)	57,918	60,414	66,481	71,185
GDP (*at market prices in U.S.$ billions*)	38.4	40.1	44.1	47.2
Growth of Real GDP (*%*)	8.0	0.9	2.8	3.0
Growth of Nominal GDP (*%*)	8.3	4.3	10.0	7.1
Implied GDP Deflator	100	103	111	115

Note:
(1) The figures in this table have been revised and differ from previously published data.

Source: CAS, Lebanese National Accounts 2004-2013.

The end of the 1975-1990 conflict marked the re-unification of the internal market and an upsurge in output in most sectors of the economy and saw an increase in investment and a gradual return of skilled workers to the country. Although the economy suffered a slow-down in the period 1998-2000, it recovered in 2001 and 2002 and growth continued in 2003 and 2004. In 2005 and 2006, GDP growth witnessed a slowdown from 2004 levels following the

aftermath of Prime Minister Hariri's assassination and due to the negative impact of the July 2006 War on the economy, as well as the political tensions that followed. See "*The Lebanese Republic—History—Conflicts With Israel—The July 2006 War*" and "*—Economic History*". Once the consequences of war began to dissipate and the effects of the favorable economic climate of regional expansion began to be felt in the Republic, the Lebanese economy recovered and resumed its growth pattern with real GDP growth estimated at 9.3% in 2007, 9.2% in 2008 and 10.1% in 2009. Real GDP continued to grow in 2010, although at a slower rate of 8.0%, due mainly to the impact of the falling growth rate of demand for the volume of imports and local production. As estimated by CAS, real GDP growth slowed further in 2011, 2012 and 2013 to 0.9%, 2.8% and 3.0%, respectively, mainly as a result of political instability in the region. The IMF has estimated real GDP growth in 2014 at 2.0% and has projected real GDP growth in both 2015 2016 to be 2.5%.

The following table sets forth GDP figures by sector for the years 2009-2013.

GDP by Sector[(1)(2)]

	2009	2010	2011	2012	2013
			(LL billions)		
GDP (*at market prices in LL billions*)	**53,482**	**57,918**	**60,414**	**66,481**	**71,185**
Taxes on products	7,405	7,716	7,533	7,605	7,476
less subsidies on products	(1,310)	(1,850)	(2,628)	(2,721)	(2,567)
Gross value added at basic prices	**47,387**	**52,052**	**55,509**	**61,596**	**66,275**
Agriculture, forestry and fishing	2,101	2,228	2,290	2,470	2,793
Mining, manufacturing and utilities	5,710	5,918	6,262	7,158	7,991
Construction	2,677	2,233	2,690	3,434	4,437
Commercial trade and motor vehicle repairs	7,862	8,894	9,538	9,871	10,156
Transport, catering, information and communication	4,788	5,269	5,151	5,380	6,049
Financial services	3,532	4,212	4,418	4,802	5,136
Real estate and business services	9,698	11,291	12,413	14,020	14,541
Public administration	4,967	5,032	5,544	6,669	6,639
Education, health and other services	6,051	6,973	7,203	7,792	8,535

Notes:
(1) The figures in this table have been revised and differ from previously published data. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) Figures for 2014 are unavailable.

Source: CAS, Lebanese National Accounts 2004-2013.

The following table sets forth the composition of the Republic's GDP for the years 2009-2013.

Composition of GDP for 2009-2013[(1)(2)]

	2009	2010	2011	2012	2013
			(% of GDP)		
Taxes on products	14	13	12	11	11
less subsidies on products	(2)	(3)	(4)	(4)	(4)
Gross value added at basic prices	**89**	**90**	**92**	**93**	**93**
Agriculture, forestry and fishing	4	4	4	4	4
Mining, manufacturing and utilities	11	10	10	11	11
Construction	5	4	4	5	6
Commercial trade and motor vehicle repairs	15	15	16	15	14
Transport, catering, information and communication	9	9	9	8	8
Financial services	7	7	7	7	7
Real estate and business services	18	19	21	21	20
Public administration	9	9	9	10	9
Education, health and other services	11	12	12	12	12

Notes:
(1) The figures in this table have been revised and differ from previously published data. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) Figures for 2014 are unavailable.

Source: CAS, Lebanese National Accounts 2004-2013.

The following table sets forth real GDP growth estimates for 2014 computed using the IMF April 2015 *World Economic Outlook* real growth and deflator estimates and based on the 2013 GDP figures published by CAS.

GDP Projections for 2014[(1)(2)]

	2014
GDP (*at market prices in LL billions*)	74,656
GDP (*at market prices in U.S.$ billions*)	49.5
Growth of Real GDP (*%*)	2.0
Growth of Nominal GDP (*%*)	4.9

Notes:
(1) See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) The 2014 GDP figure is an estimate and uses the IMF April 2015 World Economic Outlook growth estimate.

Sources: IMF and CAS.

Principal Sectors of the Economy

The following table sets forth selected indicators of economic activity in significant sectors for the years indicated.

Selected Indicators of Economic Activity[1]

	2010	2011	2012	2013	2014
Industry					
Recorded Exports (*U.S.$ millions*)	4,253	4,265	4,483	3,936	3,313
Electricity Production (*millions of KWh*)	12,458	12,397	10,966	12,096	12,522
Cement Deliveries (*thousands of tons*)	5,227	5,550	5,309	5,831	5,517
Construction					
Construction Permits[2]	15,641	16,147	16,052	14,753	14,880
Area (*'000 m^2*)	17,608	16,465	14,681	12,925	13,549
Commerce					
Port of Beirut (n*umber of ships*)	2,285	2,167	2,125	2,026	2,110
Beirut Airport (*'000s of passengers*)[3]	5,512	5,596	5,903	6,247	6,555
Documentary Credits for Imports					
(*U.S.$ millions*)	4,940	5,294	6,051	6,568	6,208

Notes:
(1) Certain figures in this table have been revised and differ from previously published data. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) Figures are based on data provided by the Order of Engineers of Beirut and cover Beirut, Mount Lebanon, North Lebanon, the Bekaa, South Lebanon and Nabatiyeh.
(3) Excludes transit passengers.

Sources: Ministry of Finance, Directorate General of Finance, Customs, BDL, Port of Beirut, Order of Engineers of Beirut and Tripoli.

Services

The Lebanese economy is based primarily on the services sector with the following major subsectors: commerce, tourism and financial services. Other components include health care and higher education. In the 1970s, services accounted for approximately 70% of GDP. In 2013, services also accounted for approximately 70% of GDP. The services sector includes market services, such as maintenance and repairs, hotels and restaurants, various personal services (such as leisure and domestic care services), health care, education, financial services, non-market services (provided by the Government), transport and communications and trade.

Commerce

The Port of Beirut plays an important role in Lebanon's commercial activities. After World War II, Beirut became the most important Arab port on the Eastern Mediterranean serving the Arab world. A free-port area for re-exports added to Beirut's success. During the conflict, the Port of Beirut virtually closed down and related commerce ground to a halt.

The Port of Beirut completed the construction of a new container terminal, equipped with advanced container handling equipment and operating systems software. The management of this container terminal has been subcontracted through an international bid to a consortium formed by private international companies. The container terminal started its operations in the beginning of 2005. The terminal succeeded in attracting international carriers wishing to use the terminal as their main trans-shipment hub for the East Mediterranean region. Since 2012, there has been a significant increase in activity at the Port of Beirut, primarily due to increased security concerns regarding road transportation, as a result of the events in Syria.

The following table sets forth data concerning trade activity at Beirut Port for the periods indicated.

Trade Activity at Beirut Port

	2010	2011	2012	2013	2014
Number of ships	2,285	2,167	2,125	2,026	2,110
Goods imported and exported[(1)]	6,469	6,677	7,225	8,268	8,281
Number of containers	599,433	585,220	634,969	758,338	764,451
Number of passengers	7,123	9,148	5,762	6,369	6,835

Note:
(1) In thousands of metric tons.

Source: Port of Beirut.

Tourism

The strategic position of Lebanon, its mild climate and natural beauty, consisting of snow-capped mountains, valleys and the Mediterranean Sea, make it a natural tourist attraction. Apart from its privileged geographical situation, Lebanon benefits from qualified and experienced human resources in the tourism industry.

Prior to the outbreak of the conflict in 1975, tourism (including hotels and restaurants) contributed approximately 20% to Lebanon's GDP. This is notable given that, at that time, the international tourism industry was not as developed as it is today.

Significant private investment is being made in the modernization and expansion of this sector and international hotel companies have returned to Lebanon. In parallel, the ecotourism sector is growing as several areas of outstanding natural beauty have been declared protected areas. *Casino du Liban*, which historically constituted a major tourist destination, reopened in 1996. Lebanon is the only country in the Arab world that offers skiing on natural snow and related winter sports activities. The Government believes that tourism has the potential to contribute significantly to Lebanon's economy again. In the period from 1 January 1997 to 30 June 2015, the Government provided 2,952 in LL-denominated subsidized loans, administered by BDL, to companies in the tourism sector for a total value of LL 2,869 billion (or approximately U.S.$1.9 billion). The interest subsidies on these loans amounted to LL 483 billion (or approximately U.S.$320 million) as at 31 March 2015.

Since 2001, and especially after the events of 11 September 2001, Lebanon regained its attraction for tourists from the Gulf region. Lebanon's tourism industry also relies on the large number of Lebanese living abroad, who return regularly to the country during holiday periods and notably the summer months. However, since 2011, the inflow of tourists has been adversely affected by regional turmoil, in particular, the events in Syria. In June 2012, the GCC countries issued a travel advisory on their citizens traveling to Lebanon, which has subsequently been lifted. In August 2015, Bahrain, Kuwait and Saudi Arabia issued further travel warnings for their citizens following the protests and demonstrations in Beirut. Visitors from GCC countries represent a significant percentage of total visitors to Lebanon.

The following table sets forth data concerning tourist arrivals in Lebanon for the periods indicated.

Tourist Arrivals

	2010	2011	2012	2013	2014
Tourist arrivals	2,167,989	1,655,051	1,365,845	1,274,362	1,354,647
Change from previous year *(%)*	18	(24)	(17)	(7)	6

Source: Ministry of Tourism.

The relatively stable political and security environment following the Doha Agreement resulted in a growth in tourism activities in subsequent years, with a total of 2,167,989 tourists arrivals in 2010, an 18% increase, as compared to 2009. In 2011, 1,655,051 tourists arrived in Lebanon, representing a 24% decrease, as compared to 2010. In 2012, 1,365,845 tourists arrived in Lebanon, representing a 17% decrease, as compared to 2011. In 2013, 1,274,362 tourists arrived in Lebanon, a 7% decrease, as compared to 2012. The 2011, 2012 and 2013 decreases were primarily due to the political instability in the surrounding region, in particular, in Syria. In January 2013, as a measure to encourage increased tourist numbers, the Minister for Tourism launched a campaign during which discounts of up to 50% were applied to airline tickets, hotels, restaurants and purchases at shopping centers.

In 2014, there were 1,354,647 tourist arrivals in Lebanon, representing a 6% increase, as compared to 2013. This increase was principally due to an increase in the number of tourists from Arab countries following the lifting of certain travel advisories in May 2014.

In the six months ended 30 June 2015, tourist arrivals in Lebanon increased by 15%, as compared to the corresponding period of 2014, primarily due to a 14% increase in European tourists and a 10% increase in Arab tourists.

Financial Services

From the 1950s to the start of the conflict in 1975, Beirut was the region's financial services center. At the onset of the oil boom starting in the 1960s, Lebanon-based banks were the main recipients of the region's surplus cash flows.

The main financial services offered are commercial banking, investment banking, private banking and insurance. Despite the conflict and a crisis in the late 1980s involving a small number of banks, the commercial banking sector remains a centerpiece of the Republic's service-oriented economy. The Lebanese banking sector has witnessed unprecedented growth during the period from 1992 to the present. Resident and non-resident private sector deposits with commercial banks increased from U.S.$6.6 billion at the end of 1992 to U.S.$136.2 billion at the end of December 2013. In addition, since 1996, Lebanese banks have been successfully accessing the international capital markets. The banking system is seen as having a key role by being the entry point for capital inflows for the region's development. At the same time the authorities are aiming at widening and deepening the financial sector by facilitating the establishment and evolution of, and providing a regulatory framework to, a more diversified financial sector. New laws relating to collective investment schemes, asset securitization, and Islamic banking were enacted in 2004 and 2005. In August 2011, Laws № 160 and № 161 prohibiting insider trading and instituting a framework for the regulation of capital markets in the Republic, respectively, were also enacted by Parliament. Several investment banks, with capital raised offshore, have been established in Beirut and offer a variety of traditional investment banking services, including debt and equity raising and corporate finance advisory services. Several commercial banks have established investment banking subsidiaries offering similar services.

As part of the Government's strategy of re-establishing Beirut as a regional financial services center, in 1994, BDL established a central depositary, settlement and clearing agency, MIDCLEAR, which is a joint stock company organized under the laws of the Republic.

The Government reopened the Beirut Stock Exchange in 1996. See "*Monetary System—Securities Markets*".

Construction

Prior to the 1975-1990 conflict, the property sector had always been important, with a substantial portion of the activity concentrated in Beirut, where the housing needs of the city's rapidly increasing urban population had to be met. Beirut saw an almost uninterrupted boom from the late 1950s to the early 1970s, when it expanded dramatically, eventually housing half of the country's population. Mountain towns and villages close to Beirut favored by tourists, such as Aley and Bhamdoun, also experienced a boom.

The post-conflict era has witnessed a significant construction boom. Real estate prices have risen steeply, especially for prime property, but have recently stabilized as the flow of foreign investors, in particular from the Gulf, has diminished following the events in Syria and the related tensions in Lebanon. With respect to residential property, it has been concentrated mostly at the upper end of the housing market. Construction projects are financed mainly by equity investments. The share of construction to the economy, as a percentage of GDP, increased from 4.2% in 2008 to 6.0% in 2013.

Manufacturing

In 2008, the manufacturing sector (mainly production of food and beverages, metal, machinery, equipment, timber, rubber, chemical, non-metallic ores, textiles and furniture) accounted for 8.1% of GDP declining to 7.6% in 2013.

Exchange rate and price stability coupled with the gradual decline in Lebanese Pound interest rates have contributed to a better environment for investment and growth in industry. Infrastructure bottlenecks resulting from the conflict are being addressed as improvements in roads, telephones and electricity supply are realized. The Government provides various monetary and fiscal incentives for the establishment of industrial facilities in Lebanon, including tax exemptions and low interest financing. As export promotion is considered a priority by the Government, other export-financing incentives are under consideration.

In the period from 1 January 1997 to 30 June 2015, the Government provided 9,276 in LL-denominated subsidized loans, administered by BDL, to the industrial sector for a total value of LL 5,609 billion (U.S.$3.7 billion). The interest subsidies on these loans amounted to LL 956 billion (U.S.$634 million) as at 31 March 2015.

Following the Paris III Conference, loans totaling U.S.$2.2 billion were made to private sector entities by Paris III Conference participants, including the European Investment Bank ("**EIB**"), the World Bank, the United States, the Arab Fund for Economic & Social Development, France and the Arab Monetary Fund.

Energy and Electricity

EDL is a vertically-integrated utility company that is involved in power generation, transmission and distribution with approximately 1.2 million customers and is the dominant producer, distributer and supplier of electricity in the Republic. Its total installed thermal capacity is 1,963 MW and its functional capacity was approximately 1,650 MW in 2011. In addition, Lebanon has approximately 210 MW of installed hydro plants with seasonal production depending on rainfall. The Republic's energy production facilities include two thermal power stations (900 MW combined installed capacity) and gas turbine stations (35 MW installed capacity in each). The transmission system measures approximately 1,000 km and the transformer capacity is approximately 3,485 MVA. EDL's distribution network covers most of Lebanon. EDL is also the majority shareholder in the previously privately-owned Kadisha company, a thermal-and hydro-power producer and distributor to approximately 124,800 customers in North Lebanon.

Preliminary studies conducted on behalf of the Government have shown that the Republic's territorial waters and maritime exclusive economic zone may contain significant hydrocarbon resources. Exploration activities are ongoing in neighboring countries. See "*The Lebanese Republic—History—Conflicts With Israel*". In August 2010, Parliament adopted Law № 132 regulating hydrocarbon exploration and extraction activities in the Republic's territorial waters and Exclusive Economic Zone. Law № 132 provides for the establishment of a regulatory authority, the Petroleum Administration Authority. The Council of Ministers issued a decree in March 2012, which established the framework for the organization of the Petroleum Administration Authority. The members of the Petroleum Administration Authority were appointed by the Council of Ministers in November 2012, and the Council of Ministers approved the first offshore oil and gas licensing round in December 2012. In February 2013, the Ministry of Energy and Water announced the launch of the prequalification round for companies wishing to bid for drilling licenses, the results of which were announced in April 2013 with 46 companies qualifying for the first round of bidding for offshore gas exploration licenses and 12 companies qualifying to bid as operators. The bidding process has been postponed.

See "*—Role of the Government in the Economy and Privatization—Electricity Sector*".

Agriculture

Approximately one third of the Republic is arable. The most fertile areas are located along the coastal strip and in the Bekaa valley. The diversity of the Republic's topography and climate enables cultivation of a wide variety of vegetables, fruits, industrial crops and cereals. In 1997, agriculture contributed approximately 6.5% to GDP, as compared to approximately 9.9% in 1972. In recent years, the contribution of agriculture to GDP has continued to decline, contributing 4.5% in 2008 and 3.9% in 2013, due to higher prices of agricultural and other primary products. The Government's policy is to further increase the contribution of agriculture to the economy. In the period from 1 January 1997 to 30 June 2015, the Government provided 4,929 in LL-denominated subsidized loans, administered by BDL, to the agricultural sector for a total value of LL 1,058 billion (U.S.$702 million). The interest subsidies on these loans amounted to LL 158 billion (U.S.$105 million) as at 31 March 2015.

Labor Force

Lebanon's human resources have traditionally been the backbone of its economy. The Republic's human resources had been developed to levels comparable to, or higher than, those of lower middle-income countries. Prior to the 1975-1990 conflict, Lebanon was endowed with a well-trained population and labor force with adequate health facilities. The conflict resulted in setbacks for the human resources of the Republic. A significant emigration of skilled labor took place with large numbers of professionals, traders, industrial workers and construction workers leaving the country. The education system also suffered. See "*—Educational System*".

CAS estimated the unemployment rate in Lebanon at 6% in 2009. The highest unemployment rates were recorded among young people (below 30) and women. According to the Multiple-Indicator Cluster Survey 2009 conducted by CAS, the composition of workers in the Republic (pursuant to the categorization adopted by the International Labor Organization) was:

- skilled workers: 18.6%;
- unskilled workers: 9.8%;
- general and corporate managers: 14.1%;

- service sector workers and salespersons: 12.7%;
- specialists: 12.1%;
- plant machine operators and assemblers: 8.4%:
- office employees: 6.4%;
- intermediate professions: 6.3%;
- skilled agricultural and fishery workers: 5.3%; and
- military personnel: 6.2%.

According to the Multiple-Indicator Cluster Survey 2009, the sector breakdown of workers in the Republic was:

- services sector: 36.9%;
- trade sector: 27.0%;
- industry sector: 12.1%;
- construction sector: 8.9%;
- transportation, post and telecommunications sector: 6.8%;
- agriculture sector: 6.3%; and
- financial intermediation and insurance sector: 2.0%.
- In February 2013, the World Bank extended a U.S.$30 million 17-year loan to the Government to support innovation in small and medium sized enterprises through the establishment of a public/private equity fund, which will provide grants and equity investments to SMEs, as well as program management and training facilities to the business community. The project aims to encourage the supply of early-stage investment finance for innovative, new and existing financially-viable firms.

Health System

The Government's program for the health sector is to provide adequate health services to people in all regions of Lebanon. The Government's focus has been on conducting studies that support and strengthen the administrative capacity of the Ministry of Public Health, with a special emphasis on primary health care and rationalization of increasing health related expenses. To date, 28 new health care centers covering all regions of Lebanon and 12 new public hospitals have been completed since 1991. Work is underway on the construction, expansion and renovation of six hospitals and the construction of four new public hospitals is also planned.

Educational System

The variety of Lebanese educational institutions (schools as well as universities) is a reflection of the openness of the Republic to the international community. Private schools have a long and strong tradition in Lebanon. Aside from private schools established by western clerics (French, Americans, Germans and Italians, among others), there are many and diverse local and foreign religious and secular schools.

The Government's emphasis on education is evidenced by the existence of three ministries with responsibilities relating to educational matters. They are the Ministry of Education and Higher Education, the Ministry of Youth and Sport and the Ministry of Culture.

The Republic traditionally had an advanced education structure, and well-trained technicians and engineers. Prior to the conflict, Beirut served as an education center for the region. However, a substantial part of this human capital was lost during the 1975-1990 conflict, and the educational system and infrastructure suffered damage and lack of investment. In spite of the turmoil, however, the educational system has survived and still retains high standards.

Lebanon's educational system is composed of: (i) General Education ("**GE**"); (ii) Vocational and Technical Education ("**VTE**"); and (iii) Higher Education ("**HE**"). In the academic year 2013-2014, the GE system was comprised of 1,273 public, 1,097 private, 351 subsidized and 68 U.N. Relief and Works Agency ("**UNRWA**") schools, for a total of 2,789 schools. In the same period, there were 123 public and 314 private institutions in the VTE system, and the HE had one public university, the Lebanese University, and 43 private institutions, which include universities, university institutes, technological institutes and institutes for religious studies.

The variety of Lebanese educational institutions (schools as well as universities) is a reflection of the openness of the Republic to the international community. Private schools have a long and strong tradition in Lebanon.

The following table sets forth an overview of the GE school system during the academic year 2013–2014.

GE School System

Total number of GE schools	2,789
Total number of students in GE schools	1,005,044
Public schools (*as a percentage of total*)	45.6
Private schools (*as a percentage of total*)	39.3
Private subsidized schools (*as a percentage of total*)	12.6
UNRWA private schools (*as a percentage of total*)	2.4

Sources: Ministry of Education and Higher Education, Center for Educational Research and Development, Statistical Bulletin 2013-2014.

The table below sets forth the percentage of the population attending schools for the 2013–2014 academic year.

Population Attending School

Age	**Males**		**Females**		**Total**	
	(*number*)	(*%*)	(*number*)	(*%*)	(*number*)	(*%*)
Pre-school	108,123	21.5	100,627	20.1	208,750	20.8
Elementary	248,491	49.4	232,432	46.3	480,923	47.9
Intermediate	96,227	19.1	103,585	20.6	199,812	19.9
Secondary	50,358	10.0	65,201	13.0	115,559	11.5
Total	**503,199**	**100.0**	**501,845**	**100.0**	**1,005,044**	**100.0**

Sources: Ministry of Education and Higher Education, Center for Educational Research and Development, Statistical Bulletin 2013-2014.

The total number of VTE students was 90,228 during the academic year 2012-2013, of which 38,020 were public sector students. Lebanon's universities had a total of 191,788 students during the academic year 2012-2013, of which 54% were females and 46% were males. Approximately 88% were Lebanese and 12% of university students were foreigners.

The National Survey of Household Living Conditions 2007 estimated the adult literacy rate was approximately 90% in 2007, as compared to a 1997 estimate of 88% and a 1970 estimate of 68%.

EXTERNAL SECTOR

Balance of Payments and Foreign Trade

Lebanon is a predominantly importing country characterized by large trade deficits; these deficits have generally been offset by capital account inflows, as well as by inflows from remittances, income earnings, tourism and other services. The trade balance recorded deficits of approximately U.S.$13.9 billion in 2011, U.S.$14.7 billion in 2012, U.S.$15.3 billion in 2013 and U.S.$15.0 billion in 2014. In the six months ended 30 June 2015, the trade balance recorded a deficit of U.S.$6.2 billion.

Historically, Lebanon has generally had a surplus in the balance of payments, although deficits have been recorded in recent years. In 2010, the balance of payments surplus decreased to U.S. $3.3 billion from U.S. $7.9 billion in 2009, primarily as a result of a slower rate of increase in both foreign assets and liabilities. In 2011, the balance of payments registered a deficit of U.S. $2.0 billion, despite an increase in net services receipts and a reduction in the income deficit. The increased balance of payments deficit was principally due to a significant increase in the current account deficit due to sustained internal demand for goods, principally driven by displaced persons from Syria, which was partially offset by increases in miscellaneous business services and increased remittances from abroad. In 2012, the deficit in the balance of payments decreased by 23.0%, as compared to 2011, to U.S.$1.5 billion. In 2013, the deficit in the balance of payments further improved by 26.6% to U.S.$1.1 billion, principally due to a U.S.$1.9 billion increase in the net position of BDL. In 2014, the balance of payments registered a deficit of U.S. $1.4 billion in 2014, representing an increase of 24.8% principally due to a 38.5% decline in net services. In the six months ended 30 June 2015, the balance of payments recorded a deficit of U.S.$1.3 billion, as compared to a surplus of U.S.$0.2 billion in the corresponding period of 2014. The deficit in 2015 was primarily due to a slowdown in BDL's acquisition of foreign assets, from U.S.$3.1 billion in the six months ended 30 June 2014, to U.S.$1.8 billion in the corresponding period of 2015.

The following table sets forth information relating to the Republic's foreign trade for the periods indicated.

Balance of Payments Overview[1]

	2010	2011	2012	2013	2014[2]
			(*U.S.$ millions)*		
Current Account	(7,587.5)	(5,439.6)	(10,032.7)	(11,716.0)	(12,102.9)
Goods	(12,257.7)	(13,927.1)	(14,712.8)	(15,328.3)	(15,023.2)
Credit	5,466.5	5,426.4	5,627.0	5,181.6	4,556.8
Debit	(17,724.2)	(19,353.5)	(20,339.7)	(20,510.0)	(19,580.0)
General merchandise	(12,652.5)	(13,640.5)	(15,247.1)	(15,131.5)	(14,986.7)
Exports FOB[3]	3,733.7	3,421.9	3,406.2	3,688.9	3,518.5
Imports FOB[3]	(16,386.1)	(17,062.4)	(18,653.3)	(18,820.4)	(18,505.2)
Goods for processing	243.2	30.1	119.5	(154.8)	39.2
Repairs on goods	(1.8)	(8.3)	(1.2)	(0.0)	0.9
Goods procured in ports by carriers	125.2	208.2	206.7	251.4	215.5
Non-monetary gold	28.2	(516.7)	209.4	(293.4)	(292.2)
Services	2,578.5	6,297.3	3,052.7	2,158.2	1,327.3
Credit	16,020.3	18,387.5	14,489.3	15,089.2	14,351.2
Debit	(13,441.8)	(12,090.3)	(11,436.7)	(12,931.0)	(13,024.0)
Transportation	(1,184.1)	(918.7)	(1,091.2)	(1,160.4)	(991.1)
Travel	3,138.1	3,126.7	2,128.0	1,484.6	1,275.7
Communication services	77.8	139.3	232.1	218.5	344.4
Insurance services	(197.2)	(218.7)	(254.4)	(414.7)	(239.5)
Financial services	1,065.8	2,281.4	993.4	927.5	775.6
Misc. business, professional services	(356.9)	919.8	769.3	533.9	349.1
Government services, n.i.e.	44.6	76.3	112.4	24.7	24.6
Income	(508.9)	(155.7)	(176.9)	(266.9)	321.5
Credit	1,448.1	1,718.4	1,702.4	1,995.9	2,232.7
Debit	(1,957.0)	(1,874.0)	(1,879.3)	(2,262.8)	(1,911.2)
Compensation of employees	1.3	37.4	(90.3)	295.1	93.0
Investment income	(510.2)	(193.1)	(86.6)	(562.0)	228.5
Direct investment	(12.8)	260.8	198.0	(-17.0)	(95.8)
Portfolio investment	(309.8)	(271.8)	(124.6)	(273.3)	(75.1)
Other investment	(187.7)	(182.2)	(159.9)	(271.7)	399.4
Current transfers	2,600.7	2,346.0	1,804.2	1,721.0	1,271.6
Credit	8,427.0	7,831.2	8,154.8	8,817.4	9,922.1
Debit	(5,826.3)	(5,485.2)	(6,350.6)	(7,096.4)	(8,650.4)
General government	(12.2)	(18.1)	117.8	(39.9)	17.3
Other sectors	2,612.9	2,364.1	1,686.5	1,761.0	1,254.3
Workers' remittances	2,673.3	2,463.1	2,063.1	2,438.2	1,700.5
Other transfers	(60.3)	(99.0)	(376.6)	(677.3)	(446.2)
Capital and financial account	943.4	3,701.3	6,013.3	4,917.2	6,247.3
Capital account	267.9	164.4	179.2	1,592.8	1,402.2
Credit	672.8	445.6	387.8	1,931.8	1,770.1
Debit	(404.9)	(281.1)	(208.6)	(339.0)	(367.9)
Capital transfers	209.7	145.4	126.9	1,290.0	1,426.5
Financial account	675.4	3,536.8	5,834.1	3,324.4	4,845.0
Direct investment	3,793.2	2,455.6	2,160.5	917.7	1,193.7
Abroad	(486.7)	(934.2)	(1,009.2)	(1,962.1)	(1,755.0)
In reporting economy	4,279.9	3,389.8	3,169.7	2,879.8	2,948.7
Portfolio investment	(2,448.9)	(750.1)	1,416.5	1,484.3	1,711.6
Assets	(1,755.3)	(444.6)	594.5	640.3	(201.2)
Equity securities	351.6	(1,069.5)	789.4	(114.5)	(270.8)
Debt securities	(2,107.0)	624.8	(194.9)	754.8	69.6
Liabilities	(693.5)	(305.5)	822.0	844.0	1,912.8
Equity securities	147.0	(145.4)	(239.1)	515.7	497.7
Debt securities	(840.6)	(160.1)	1,061.1	328.4	1,415.1

Balance of Payments Overview[1]

	2010	2011	2012	2013	2014[2]
			(*U.S.$ millions)*		
Other investments	2,371.0	4,085.5	2,835.4	2,958.4	5,247.6
Assets	2,025.7	72.3	221.6	95.5	1,388.9
Trade credits	N/A	(84.2)	(139.3)	109.7	96.2
Other sectors	N/A	(84.2)	(139.3)	109.7	96.2
Short-term	N/A	(84.2)	(139.3)	109.7	96.2
Loans	4,729.2	(416.3)	(426.1)	(441.2)	370.7
Currency and deposits	(2,703.5)	572.9	(279.5)	(162.6)	752.6
Liabilities	345.3	4,013.2	2,613.8	2,862.9	3,858.7
Trade credits	(144.2)	(3.2)	178.4	(50.4)	(89.1)
Other sectors	N/A	(3.2)	178.4	(50.4)	(89.1)
Short-term	N/A	(3.2)	178.4	(50.4)	(89.1)
Loans	N/A	76.6	(132.8)	(609.2)	1,219.2
Currency and deposits	489.5	3,939.8	2,568.2	3,522.6	2,728.6
Reserve Assets	(3,039.9)	(2,254.2)	(578.3)	(2,036.1)	(3,307.9)
Unrecorded Transactions	6,644.1	1,738.3	4,019.4	6,798.8	5,855.6

Notes:
(1) Certain figures differ from previously published data due to ongoing revisions. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) Preliminary.
(3) Customs data.

Sources: Higher Council of Customs and BDL.

The following table sets forth the principal destinations of exports for the periods indicated.

Destination of Exports[1]

	For the year ended 31 December					For the six months ended 30 June	
	2010	2011	2012	2013	2014	2014	2015
	(% of total exports)						
Industrialized countries	**25.2**	**25.1**	**23.6**	**15.2**	**15.2**	**15.2**	**16.4**
EU 15	11.1	11.8	9.9	9.0	11.1	11.0	12.2
Italy	0.8	0.9	0.8	1.0	1.2	0.9	1.4
France	1.3	1.3	1.3	1.3	1.9	2.2	1.5
Germany	1.2	1.1	0.8	1.2	1.6	1.5	2.2
United States	1.6	1.5	1.4	1.6	1.8	1.9	2.0
Japan	0.3	0.5	0.6	0.8	0.4	0.5	0.1
United Kingdom	1.3	1.5	1.0	1.0	1.2	1.2	1.5
Switzerland	12.8	12.1	12.2	4.4	2.6	2.4	2.6
Belgium-Luxembourg	2.6	3.1	2.5	1.2	0.9	1.1	0.7
Other	14.2	13.3	13.7	6.2	4.2	4.2	4.2
Developing countries	**74.8**	**74.9**	**76.4**	**84.8**	**84.8**	**84.8**	**83.6**
Middle East and North Africa	45.1	35.4	39.3	51.5	52.7	50.9	53.1
of which: GAFTA	*43.7*	*35.0*	*38.5*	*50.9*	*51.8*	*50.1*	52.2
Middle East	43.8	34.3	37.6	49.5	50.6	48.9	51.1
Saudi Arabia	6.3	7.2	8.0	8.8	11.4	11.2	12.8
Syria	5.6	5.0	6.6	13.3	7.3	7.2	6.6
Jordan	2.6	3.0	3.2	3.6	3.9	3.9	3.5
Kuwait	1.8	1.8	1.5	1.9	2.2	2.1	2.1
U.A.E.	10.7	7.6	7.9	8.4	9.7	9.2	10.3
Egypt	5.1	1.6	2.0	1.9	2.5	2.0	2.9
Iraq	6.8	4.6	4.7	6.9	7.7	7.6	7.3
Other	1.3	1.0	1.6	2.1	2.1	2.0	1.9
Africa	17.6	24.9	27.5	20.8	20.4	22.6	18.1
Other Europe	7.1	8.1	4.7	5.9	6.0	6.1	4.8
Other developing countries and emerging markets	5.0	6.5	4.9	6.6	5.7	5.1	7.6

Note:
(1) Certain line items and figures differ from previously published data due to ongoing revisions. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

Source: BDL based on Higher Council of Customs.

The following table sets forth the composition of exports for the periods indicated.

Composition of Exports

	For the year ended 31 December					For the six months ended 30 June	
	2010	**2011**	**2012**	**2013**	**2014**	**2014**	**2015**
	(% of total exports)						
Live animals; animal products	0.4	0.4	0.4	0.6	0.8	0.7	1.1
Vegetable products	3.9	3.8	3.8	5.5	6.3	4.9	5.0
Animal or vegetable fats and oils	0.6	0.5	0.7	0.9	1.0	1.0	1.0
Prepared foodstuffs; beverages, tobacco	8.3	8.9	8.7	11.5	15.6	16.0	16.3
Mineral products	1.4	0.8	2.9	9.1	1.3	1.2	1.3
of which: mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	*0.1*	*0.0*	*2.0*	*8.5*	*1.0*	*0.8*	0.6
Products of the chemical or allied industries	7.9	9.0	7.6	8.4	11.5	10.4	14.0
Plastics and articles thereof; rubber	3.0	3.1	3.3	3.7	4.1	4.3	4.1
Raw hides and skins, leather, fur skins	0.3	0.3	0.3	0.5	0.6	0.6	0.5
Wood and articles of wood; wood charcoal; cork	0.6	0.4	0.5	0.5	0.4	0.4	0.4
Pulp of wood; paper and paperboard	6.0	5.1	4.1	4.5	6.3	6.2	5.0
Textiles and textile articles	2.7	3.0	2.6	3.1	3.7	3.4	3.5
Footwear, umbrellas, artificial flowers	0.6	0.5	0.5	0.5	0.8	0.7	0.7
Articles of stone, plaster, cement, glass	1.1	0.9	1.0	1.1	1.1	1.1	1.0
Pearls, precious stones and metals	28.3	35.0	38.5	19.6	16.4	18.3	15.3
of which: gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form.	*21.2*	*27.4*	*31.1*	*14.2*	*11.0*	*13.2*	2.6
Base metals and articles of base metal	11.7	12.3	10.5	13.4	11.3	11.6	10.8
Machinery; electrical instruments	18.9	12.2	10.7	12.9	13.4	13.6	14.7
Vehicles, aircraft, vessels, transport equipment	0.7	0.9	0.9	0.9	1.0	1.0	0.9
Optical, photographic, medical, musical instruments	0.6	0.5	0.4	0.5	0.6	0.7	0.6
Arms and ammunition; parts and accessories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous manufactured articles	2.6	2.2	2.4	2.9	3.5	3.4	3.6
Works of art, collectors' pieces and antiques	0.2	0.1	0.1	0.2	0.2	0.2	0.2

Source: BDL based on Higher Council of Customs.

The following table sets forth the major sources of imports for the periods indicated.

Origin of Imports[1]

	For the year ended 31 December					For the six months ended 30 June	
	2010	**2011**	**2012**	**2013**	**2014**	**2014**	**2015**
Industrialized countries	50.1	50.6	51.5	47.3	48.0	48.3	47.1
EU 15	36.1	36.3	39.2	39.4	42.7	41.6	41.6
Italy	7.8	9.3	8.6	8.4	8.0	9.1	7.2
France	6.7	7.5	7.2	7.2	6.2	6.7	6.8
Germany	7.0	5.7	5.6	5.9	6.1	6.1	6.6
United States	10.6	9.9	11.2	7.1	6.0	6.9	5.7
Japan	3.5	2.0	1.7	1.8	1.8	1.7	2.2
United Kingdom	3.3	2.9	2.9	3.5	3.2	2.8	3.6
Switzerland	3.1	4.9	2.4	3.0	2.6	2.6	2.5
Belgium-Luxembourg	1.4	1.3	1.3	1.5	3.0	2.5	1.7
Other	14.1	14.2	12.4	8.0	5.3	6.7	5.6
Developing countries	49.9	49.4	48.5	52.7	52.0	51.7	52.9
Middle East and North Africa	13.2	16.4	14.7	11.9	10.9	10.9	10.6
of which: GAFTA	*13.1*	*16.3*	*14.6*	*11.9*	*10.8*	*10.9*	10.5
Middle East	12.3	15.6	13.8	11.1	9.6	9.9	9.4
Saudi Arabia	2.3	2.6	2.0	2.1	2.0	2.0	2.0
Syria	1.9	1.5	1.3	0.9	0.6	0.6	0.8
Jordan	1.3	1.8	1.3	0.7	0.7	0.7	0.7
Kuwait	2.0	1.5	3.0	2.1	1.2	1.8	0.1
U.A.E.	2.1	2.9	2.0	1.8	1.8	1.6	2.2
Egypt	2.4	4.7	4.0	3.0	2.6	2.6	2.9
Iraq	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.8	0.8	0.9	0.8	1.3	1.0	1.2
Africa	2.3	1.7	2.3	2.1	2.1	2.5	2.0
Other Europe	12.9	12.2	12.3	16.8	14.8	13.5	16.6
Other developing countries and emerging markets	21.5	19.1	19.1	21.8	24.2	24.8	23.7

Note:

(1) Certain line items and figures differ from previously published data due to ongoing revisions. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

Source: BDL based on Higher Council of Customs.

The following table sets forth the composition of imports for the periods indicated.

Composition of Imports

	For the year ended 31 December					For the six months ended 30 June	
	2010	**2011**	**2012**	**2013**	**2014**	**2014**	**2015**
=	*(% of total imports)*						
Live animals; animal products	4.8	4.3	3.9	4.2	5.1	5.0	4.8
Vegetable products	4.0	4.2	4.1	4.3	4.7	5.2	5.7
Animal or vegetable fats and oils	0.7	0.9	0.9	0.9	0.9	1.0	1.0
Prepared foodstuffs; beverages, tobacco	6.4	6.4	6.6	6.6	6.9	6.8	7.6
Mineral products	21.1	22.9	28.4	24.1	23.8	23.3	16.8
of which: mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	*19.7*	*21.5*	*27.0*	*23.0*	*22.7*	22.2	5.4
Products of the chemical or allied industries	8.6	8.6	8.2	9.1	9.8	10.1	11.3
Plastics and articles thereof; rubber	3.6	3.5	3.6	3.9	4.0	4.0	4.3
Raw hides and skins, leather, fur skins	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Wood and articles of wood; wood charcoal; cork	1.3	1.2	1.2	1.1	1.3	1.2	1.3
Pulp of wood; paper and paperboard	2.4	2.1	1.7	1.8	1.8	1.9	1.8
Textiles and textile articles	3.9	3.5	3.5	3.7	4.0	3.7	4.5
Footwear, umbrellas, artificial flowers	0.7	0.7	0.7	0.7	0.8	0.8	0.9
Articles of stone, plaster, cement, glass	2.1	2.0	1.9	2.1	2.3	2.2	2.4
Pearls, precious stones and metals	6.5	10.6	7.4	5.3	4.8	4.9	4.6
of which: gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	*4.5*	*8.4*	*5.6*	*4.0*	*3.2*	3.5	0.8
Base metals and articles of base metal	7.1	7.6	7.2	7.4	7.3	7.8	6.5
Machinery; electrical instruments	12.1	10.6	9.7	12.2	10.7	11.0	11.5
Vehicles, aircraft, vessels, transport equipment	10.8	7.3	7.1	8.2	7.4	7.0	10.1
Optical, photographic, medical, musical instruments	1.7	1.5	1.5	1.6	1.7	1.7	1.9
Arms and ammunition; parts and accessories	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Miscellaneous manufactured articles	1.7	1.5	1.8	1.9	2.0	1.9	2.3
Works of art, collectors' pieces and antiques	0.1	0.1	0.2	0.1	0.1	0.1	0.2

_____

Source: BDL based on Higher Council of Customs.

Foreign Direct Investment

Prior to 1975, foreign direct investment was substantial. It was concentrated in property, services, banking and tourism. Predictably, foreign direct investment was weak during the period of the 1975-1990 conflict. The onset of peace marked a reversal of this trend. Since 1990, considerable amounts of private Arab capital have been invested in real estate. Two principal sources for foreign direct investment have been the substantial funds held by Lebanese abroad and the large pool of private Arab wealth. See "*The Lebanese Republic—History*" and "*The Economy—Economic History*".

The Government continues to favor a strong role for the private sector in a liberal policy environment and welcomes foreign direct investment in the economy. The legal framework is sound and conducive to foreign investment. There are no special financial provisions for, or constraints on, foreign investors in the Republic, except that certain restrictions exist on foreign ownership of companies involved in media activity, land ownership (both directly and when holding shares in companies owning real property) and the employment of foreign labor. A government agency, the Investment Development Authority of Lebanon ("**IDAL**"), which was established in 1994, assists foreign investors in setting up their businesses in Lebanon. According to statistics compiled by the BDL, foreign direct investment stock in Lebanon has increased from approximately 90% of GDP in 2001 to 120% in 2014, and foreign direct investment inflows accounted for 6.3% of GDP in 2014.

Lebanon's membership in the Multilateral Investment Guarantee Agency was ratified by Parliament as a means of reinforcing the confidence of foreign investors wishing to invest in Lebanon. In addition, the National Institute for the Guarantee of Investment makes insurance coverage available to investors, in the form of compensation, for losses resulting from non-commercial risks.

Foreign Borrowings and Grants

At the end of 2014, the Republic's outstanding principal amounts under foreign financing facilities in the form of contracted loans (excluding outstanding Eurobonds, Paris II and Paris III loans) were approximately U.S.$1.7 billion. In 2014, disbursements from foreign financing loans were approximately U.S.$0.4 billion. These facilities have been provided principally by the following countries and institutions: the Abu-Dhabi Fund for Development, the Arab Fund for Economic and Social Development, Belgium, the EIB, the EU, France, Germany, the International Fund for Agricultural Development, the Islamic Development Bank, Italy, Japan, Kuwait, the OPEC Fund for International Development, Saudi Arabia and the World Bank.

The Government's strategy has been to maximize the use of external financing, preferably concessional financing (in the form of grants or soft loans). Other sources of financing include commercial loans with export credit guarantees and the issuance by the Government of Eurobonds and other international debt securities.

On 23 November 2002, a conference (the "**Paris II Conference**"), was convened by the President of France. See "*The Economy—Economic History—Fiscal Reform and the Paris II Conference*". The meeting was attended by representatives of a number of countries, including the President of Malaysia, the prime ministers of Belgium, Canada, Germany, Italy and Spain and senior officials from Bahrain, Denmark, Japan, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates and the United Kingdom. Also in attendance were senior representatives of the European Commission, the World Bank, the IMF, the EIB and various Arab multilateral agencies. The participants at the conference expressed support for the economic reform measures of the Government and pledged to contribute approximately U.S.$3.1 billion in long-term, low interest financing to the Treasury and approximately U.S.$1.3 billion in long-term, low-interest financing for projects. As at 31 December 2004, the Government had collected proceeds totaling approximately U.S.$2.4 billion, representing approximately 77% of the U.S.$3.1 billion pledged at the Paris II Conference. In exchange for these contributions, the Republic issued Eurobonds and entered into a loan agreement with the AFD, bearing interest at the rate of 5% and having a final maturity of 15 years with a grace period of up to five years. The Government has used these funds to redeem and cancel higher-interest bearing maturing debt.

The following table sets forth the amounts received from countries and institutions as a result of the Paris II Conference.

Paris II Conference Funds Received

Creditor	Amount Received
Arab Monetary Fund	U.S.$55 million
EU	€12.25 million
France (French Treasury & AFD)	€500 million
Kuwait	U.S.$300 million
Malaysia	U.S.$300 million
Oman	U.S.$50 million
Qatar	U.S.$200 million
Saudi Arabia	U.S.$700 million
United Arab Emirates	U.S.$300 million

Source: Ministry of Finance

In addition to the U.S.$2.4 billion received from the lender countries mentioned above, the Republic also received contributions from two multilateral institutions in the form of a U.S.$15 million medium-term loan for structural adjustment from the Arab Monetary Fund and a U.S.$40 million facility to be used to finance fuel imports by EDL. The European Union contributed €12.25 million as a grant to be used for structural adjustments and fiscal reforms.

On 19 September 2005, a high-level meeting was held at the U.N. headquarters in New York, which was attended by, among other parties, the Prime Minister, the Finance Minister and other members of the then-Government, as well as donors' representatives. The participants expressed their support for the reform program of the then-Government and agreed to convene a donors' conference in Beirut (the "**Beirut Conference**"). At that time, the then-Government decided to first seek broad national consensus on this program before holding the Beirut Conference. The process was reaching its final stages when the July 2006 War began.

The international community reacted quickly and generously to support Lebanon during the July 2006 War and after the cessation of hostilities. Immediately after the outbreak of the war, Saudi Arabia and Kuwait provided commitments of U.S.$500 million and U.S.$300 million, respectively, as grants for reconstruction. In addition, Saudi Arabia and Kuwait deposited U.S.$1 billion and U.S.$500 million, respectively, with BDL to help maintain confidence and monetary stability.

On 31 August 2006, the Swedish government hosted a Conference for Lebanon's Early Recovery in Stockholm. At that Conference, Lebanon received indications of support amounting to approximately U.S.$901 million (of which U.S.$781 million were grants and U.S.$120 million were loans) for humanitarian assistance needs and early recovery efforts, in the form of financial assistance, in kind contributions to specific reconstruction activities and others. Many funds were given directly to villages to be used in the construction of bridges and the rebuilding of schools; funds were also given to humanitarian organizations, for technical assistance or for supplies to the Lebanese government. This financial support allowed for the return of the quarter of the population that was displaced, and restored minimum capacity in terms of infrastructure, access to basic social services and income generating activities, pending full reconstruction. The Ministry of Finance estimates that, as at 31 December 2010, a total of U.S.$909 million had been committed, of which U.S.$760 million had been disbursed or otherwise fulfilled.

In addition to Saudi Arabia, Kuwait and countries that contributed during the Stockholm Conference, many countries pledged their support to Lebanon. In total, and since the beginning of the July 2006 War, a total of U.S.$2.1 billion has been pledged in grants (in addition to in-kind relief contributions that were sent during the July 2006 War), of which U.S.$1.3 billion had been disbursed as at 31 December 2012.

On 25 January 2007, the Paris III Conference, was held in Paris at the invitation of the President of France. It was attended by representatives of 36 countries and 14 multilateral and supranational institutions, including the United Nations, the EU, the World Bank, the IMF and the League of Arab States, and resulted in pledges of financial assistance to Lebanon of approximately U.S.$7.6 billion, of which approximately U.S.$4.3 billion had been received as at 31 December 2012.

On 14 November 2008, the Executive Board of the IMF approved the provision of financial assistance to the Republic in the amount of approximately U.S.$37 million in the form of Emergency Post-Conflict Assistance ("**EPCA**"). This amount was additional to the U.S.$77 million in Emergency Post-Conflict Assistance provided to Lebanon in April 2007 (which had already been disbursed). The EPCA financial assistance was part of a package of assistance to the Republic resulting from the Paris III Conference. The Memorandum of Understanding between the IMF and the Republic relating to the EPCA financial assistance specified certain indicative fiscal and privatization targets, as well as certain reporting requirements.

The Republic received the following concessional loans and grants, which were pledged in the context of the Paris III Conference. Between January 2007 and 31 December 2011, approximately U.S.$1.3 billion in concessional loans were disbursed to the Republic as follows:

- a U.S.$100,000,000 Reform Implementation Development Policy Loan from the International Bank for Reconstruction and Development for budgetary support, which carries a variable interest rate and has a 15-year maturity;
- an SDR 50,750,000 loan under the IMF's policy for EPCA I (April 2007), the proceeds of which are required to be used for balance of payment purposes;
- a U.S.$300,000,000 loan from the United Arab Emirates for budgetary support, which carries an effective interest rate of 3.00% per annum and a 15-year maturity with an amortized repayment structure beginning after a five-year grace period;
- Eurobonds in a principal amount of U.S.$500,000,000 subscribed by the Central Bank of Malaysia in connection with a rollover and extension of Eurobonds then outstanding;
- a €150,000,000 loan representing the first tranche of a concessional loan from AFD and a €30,000,000 loan representing part of the second tranche of a concessional loan from AFD;
- a €25,000,000 loan representing the loan portion of the first tranche of the Macro-Financial Assistance from the European Commission;
- a U.S.$32,000,000 structural adjustment loan with the Arab Monetary Fund, the proceeds of which were used for debt servicing payment in foreign currency;
- an SDR 25,375,000 under the IMF's policy for EPCA II (November 2008), the proceeds of which are required to be used for balance of payment purposes; and
- as at 31 December 2011, budgetary support grants totaling U.S.$306 million had been disbursed to the Republic as follows: (i) a U.S.$100,000,000 grant from the Kingdom of Saudi Arabia; (ii) a U.S.$125,000,000 grant from USAID, the proceeds of which are required to be used for debt repayment; (iii) a U.S.$50,000,000 grant from USAID, the proceeds of which are required to be used for debt repayment; (iv) a U.S.$1,270,000 grant from Greece; a U.S.$130,000 grant from Slovenia; (v) a U.S.$10,000,000 grant from the Sultanate of Oman; and (vi) a €15,000,000 grant from the European Commission.

See "*Public Debt—External Debt*".

In 2013, the Republic entered into agreements in respect of grants to be provided to the Republic in an aggregate amount of U.S.$53 million, of which U.S.$13 million has been disbursed. In addition, in December 2013, then-President Sleiman announced that Saudi Arabia had pledged U.S.$3 billion in grants to the Republic in order to strengthen the Lebanese Army's capabilities.

EU assistance to Lebanon is primarily provided under the European Neighborhood Instrument ("**ENI**") for 2014-2020. Under the Single Support Framework for EU support to Lebanon for 2014-2016, established under the ENI, between €130 million and €159 million in financial assistance has been allocated to Lebanon to support: (i) justice and social security system reform; (ii) the reinforcement of social cohesion, the promotion of sustainable economic development and the protection of vulnerable groups; (iii) the promotion of the sustainable and transparent management of energy and natural resources; and (iv) complementary support for capacity development and civil society. The total preliminary allocation of financial assistance under the ENI for 2014-2020 is between €315 million and €385 million.

Between 2011 and 2013, EU assistance to Lebanon was primarily provided under the European Neighborhood and Partnership Instrument (the "**ENPI**", the predecessor to the ENI). Under the National Indicative Program for 2011-2013, established under the ENPI, €150 million in grants were allocated to Lebanon to: (i) support political reforms (€25 million); (ii) support socio-economic reforms (€91 million); and (iii) support economic reinvigoration and recovery (€34 million). See "*The Lebanese Republic—International Relations—Europe*".

In January 2013, Kuwait hosted the First International Pledging Conference for Syria, which was attended by member states of the UN and a number of regional organizations. The conference aimed to attract international support for the UN Refugee Response Plan to support refugees who have fled Syria to neighboring countries, including Lebanon, Egypt, Iraq, Jordan and Turkey, as well as the UN Syrian Humanitarian Assistance Response Plan to support people

inside Syria. New pledges amounting to U.S.$1.5 billion were made at the conference. In January 2014, Kuwait hosted the Second International Pledging Conference for Syria, which resulted in further pledges amounting to U.S.$2.4 billion, of which Lebanon received U.S.$900 million. In March 2015, Kuwait hosted the Third International Pledging Conference for Syria to support the UN 2015 Syrian Response Plan and the Regional Refugee and Resilience Plan 2015-2016. The Third International Pledging Conference resulted in U.S.$3.8 billion in pledges, of which Lebanon received U.S.$624 million. An additional amount of U.S.$300 million is expected to be allocated to Lebanon by the end of 2015. According to statistics published by the World Bank, the cumulative total cost of the Syrian refugee crisis to Lebanon is estimated to have reached U.S.$7.5 billion as at the end of 2014. See "*Risk Factors—Risks Relating to the Republic-Refugees and Displaced Persons*".

MONETARY SYSTEM

Role of BDL

Banque du Liban is the sole custodian of public funds, supervises and regulates the banking system and is vested by law with the exclusive authority of issuing the national currency. BDL's primary role is to safeguard the currency and promote monetary stability, thereby creating a favorable environment for economic and social progress.

BDL also advises the Government on various economic and financial matters. In conducting its monetary management function, BDL utilizes a wide range of instruments, including reserve requirements on Lebanese Pound deposits with commercial banks, required placements on U.S. Dollar deposits with banks, Treasury bill repurchase and swap agreements with banks, as well as Lebanese Pound-denominated certificates of deposits issued by BDL.

The following table sets forth the balance sheet of BDL as at the dates indicated:

BDL Balance Sheet[1]

	As at 31 December					As at 30
	2010	2011	2012	2013	2014	June 2015
			(LL billions)			
Assets						
Gold	19,613	21,709	23,083	16,739	16,509	16,313
Foreign currencies	43,111	46,453	45,184	47,808	48,847	51,423
Other foreign assets	0	0	0	0	0	0
Claims on private sector	350	380	380	401	449	457
Loans to banks and financial corporations	1,136	2,099	2,438	3,466	6361	6,994
Claims on public sector	218	140	55	0	0	0
Securities portfolio	17,681	19,847	24,990	23,846	29,314	31,580
Fixed assets	404	358	387	379	342	347
Unclassified assets[2]	11,868	14,986	19,096	23,462	27371	29,590
Total assets	**94,381**	**105,972**	**115,613**	**116,100**	**129,194**	**136,705**
Liabilities						
Currency in circulation outside BDL	3,088	3,283	3,639	3,983	4254	4,278
Deposits of commercial banks	57,366	68,788	76,018	80,638	96,610	105,300
Deposits of financial corporations[3]	2,193	964	1,092	1,395	1,368	1,371
Private sector deposits	45	42	49	50	68	75
Public sector accounts	9,312	7,985	8,908	11,032	9,123	9,579
Valuation adjustment	11,170	13,285	14,708	8,426	8,146	7,670
Securities other than shares[4]	3,015	3,015	3,015	2,605	1,867	0
Foreign liabilities	353	329	326	328	325	323
Special long-term liabilities	2,503	2,503	2,202	1,900	1,598	1,448
Capital accounts	4,279	4,556	5,080	5,134	5,173	5,112
Unclassified liabilities[5]	1,056	1,223	576	608	661	1,550
Total liabilities	**94,381**	**105,972**	**115,613**	**116,100**	**129,194**	**136,705**

Notes:
(1) Certain line items and figures differ from previously published data due to ongoing revisions. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) Includes the following items: other debtor accounts, counterpart securities, accounts receivable, a regularization account, and inventory.
(3) Includes investment banks and financial institutions.
(4) Certificates of Deposit issued by BDL in April 2005 for an amount of U.S.$2 billion with a maturity of 10 years.
(5) Includes the following items: other creditor accounts and a regularization account.

Source: BDL.

Banking Sector

There are 55 active commercial banks and 16 specialized medium-and long-term credit banks, 55 financial institutions, 12 brokerage institutions and 10 representative offices in the Republic. Foreign banks have traditionally established themselves in Lebanon by receiving a banking license, operating through a representative office or acquiring participations in the capital of Lebanese banks.

The banking sector in Lebanon is generally characterized by its openness evidenced by the levels of interaction with correspondent banks and Lebanese abroad. The Lebanese banking sector, with an asset-to-GDP ratio of approximately 355% in December 2014, is well capitalized, and has proven resilient to shocks caused by the global financial crisis, which commenced in 2007. In addition, the banking sector plays many critical roles in the economy as a whole, including financial intermediation, payments, guarantor, investment adviser, agency and policy roles. Lebanese banks are the principal subscribers to the Eurobonds issued by the Republic.

The banking sector currently offers a diversity of services worldwide, including specialized saving plans, retail payment services, consumer credit, corporate credit and trade finance and investment, private and consulting services. It recruits qualified personnel and invests heavily in the professional training of employees and in the latest information and communication technology.

Banks in Lebanon are well-regulated and supervised in conformity with international best practices and standards and cooperate fully with the regulatory and supervisory authorities believing that such cooperation is essential for maintaining their credibility both domestically and internationally. In April 2006, BDL required banks in Lebanon to gradually implement the Basel II Accord starting from 1 January 2008. The Banking Control Commission of Lebanon monitored a "Parallel Run Period" during 2008 and 2009. In order to increase the capital resources of the Lebanese banking sector and to respond to potential and unexpected losses, in December 2011, the BDL issued Intermediary Circular № 282, in December 2011, requiring banks to gradually raise their capital adequacy ratios by the end of 2015. Pursuant to the circular, banks are required to have raised their Common Equity Tier 1 ratio to 8% (defined as the ratio of common equity Tier 1 capital to total weighted assets), their Tier 1 ratio to 10% (defined as the ratio of Tier 1 capital to total risk-weighted assets) and their total capital ratio to 12% (defined as the ratio of the sum of Tier 1 and Tier 2 capital to total risk-weighted assets) by the end of 2015. On 31 December 2014, the total capital adequacy ratio of the banking system was 14.9%, which is above the levels required by the Basel III Accord.

Believing in the benefits of modernization and restructuring in a changing operating environment, regulators, supervisors and banks were heavily engaged over the past few years in proposing banking reforms. Parliament also passed laws relating to the listing of bank shares on stock exchanges and the acquisition of bank shares without any discrimination between Lebanese and non-Lebanese and between residents and non-residents. Several banks currently list their eligible shares on the Beirut Stock Exchange. In February 2004, Parliament passed a new law regulating Islamic banking in Lebanon. This law enables the enhancement of Islamic banking activities in Lebanon while assuring a modern regulation and good supervision for such activities.

Efforts undertaken by the regulatory and supervisory authorities, the Association of Banks in Lebanon, BDL and the Ministry of Finance resulted in the promulgation of a law on money laundering by the Lebanese Parliament in 2001, incriminating money laundering activities and permitting the efficient combating of such activities and the cooperation with the international community on such an issue.

Lebanese banks entered new markets and have received licenses to operate in a number of Arab and North African countries, including Egypt, Saudi Arabia, Syria, Jordan, Sudan, Algeria, the United Arab Emirates, Bahrain, Qatar, Oman and Iraq.

The following table sets forth the combined balance sheet of the commercial banks as at the dates indicated:

Balance Sheet of Commercial Banks in Lebanon[(1)]

	As at 31 December					As at 30
	2010	**2011**	**2012**	**2013**	**2014**	**June 2015**
			(LL billions)			
Assets						
Reserves	61,154	71,535	79,604	82,533	96,314	101,868
Currency	*375*	*392*	*425*	*576*	*607*	*668*
Deposits with BDL	*60,778*	*71,143*	*79,179*	*81,957*	*95,707*	*101,200*
Claims on Private Sector	45,702	51,594	57,052	62,565	68,391	69,786
Lebanese Pounds	*10,382*	*12,820*	*14,653*	*16,757*	*18,749*	*19,655*
Foreign Currency	*35,320*	*38,774*	*42,399*	*45,808*	*49,642*	*50,131*
Claims on Public Sector	44,192	44,055	46,930	56,786	56,308	57,204
Foreign Assets	38,784	38,436	39,447	40,137	36,470	34,744
Fixed Assets	4,188	5,131	5,566	5,921	6,574	6,982
Unclassified Assets	335	1,166	363	526	806	894
Total assets	**194,355**	**211,918**	**228,963**	**248,468**	**264,863**	**271,477**
Liabilities						
Residential Private Sector Deposits	133,743	142,385	152,124	162,396	172,041	176,232
Foreign currency	*78,707*	*86,997*	*90,825*	*97,924*	*103,199*	*104,440*
Lebanese Pounds	*55,037*	*55,389*	*61,299*	*64,472*	*68,842*	*71,792*
Sight	*2,951*	*3,201*	*3,808*	*4,144*	*4,564*	*4,831*
Term	*52,086*	*52,188*	*57,491*	*60,328*	*64,278*	*66,961*
Public Sector Deposits	2,107	2,999	4,008	4,463	4,842	4,837
Non-Resident Private Sector Deposits	27,866	32,054	36,311	42,934	45,680	47,753
Bonds	412	661	396	398	352	350
Deposits of Non Resident Financial Sector	6,785	8,764	8,897	7,555	8,795	9,549
Capital accounts	13,901	16,162	19,058	21,410	23,719	24,855
Unclassified liabilities	9,540	8,893	8,169	9,313	9,434	7,902
Total liabilities	**194,355**	**211,918**	**228,963**	**248,468**	**264,863**	**271,477**

Note:

(1) Certain figures differ from previously published data due to ongoing revisions. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

Source: BDL.

On 10 February 2011, the U.S. Department of the Treasury designated Lebanese Canadian Bank S.A.L. ("**LCB**") as "a financial institution of primary money laundering concern" under Section 311 of the USA PATRIOT Act. In its finding, the U.S. Department of the Treasury noted that the Lebanese banking sector faces certain vulnerabilities. BDL is taking measures to address the concerns raised by the U.S. Department of the Treasury and has arranged for the sale of assets of LCB. In April 2011, the U.S. Ambassador to Lebanon stated that the U.S. government is not targeting the Lebanese banking sector in general and views LCB as an isolated case. The U.S. government has since filed a claim in New York against LCB and other parties seeking to attach certain assets. On 20 August 2012, the U.S. Attorney for the Southern District of New York and the Administrator of the U.S. Drug Enforcement Administration announced the seizure of U.S.$150 million in connection with this claim. The U.S. Attorney stated that the seized funds are substitutes for funds held in an escrow account for LCB shareholders maintained at the Lebanese bank and further stated that there were no allegations of wrongdoing against the affected Lebanese bank or the correspondent U.S. bank. In November 2012, the New York state court ruled that claims for negligence and breach of duty could be brought against LCB in the New York courts. In June 2013, the U.S. Attorney announced a settlement of the case that required LCB to forfeit U.S.$102 million to the United States. See "*Risk Factors—Risks Relating to the Republic—Lebanese Banking Sector*".

Interest Rates

Prior to 1993, interest rates on Treasury bills were fixed by the Ministry of Finance in consultation with BDL. In May 1993, BDL began selling three-month Treasury bills in a multiple price auction. The authorities subsequently extended this system to six- and 12-month Treasury bills in June and September 1993, respectively. In October 1994, the auction system was extended to 24-month Treasury notes. In March and April 2005, 48-month and 60-month notes were introduced for a limited purpose. The issuance of these longer-dated Notes has been discontinued. In March 2005, the Ministry of Finance established the LL-Denominated MTN Program, in accordance with international capital markets standards, for the issuance of Lebanese Pound-denominated bonds, directly or through managers and issued a five-year benchmark bond. The bond lengthened maturities for Lebanese Pound-denominated instruments, widened distribution and set a new benchmark. In December 2010, the Ministry of Finance introduced a seven-year benchmark bond under the LL-Denominated MTN Program. See "*Public Debt—Internal Debt—LL-Denominated MTN Program*".

BDL also affects interest rates through its Treasury bill discount and repurchase operations on the secondary market. In November 2003, 36-month Treasury notes were introduced to the Treasury bill auctions. In July 2009, 60-month Treasury notes were introduced to the Treasury bill auctions.

The spread between deposit and lending rates in Lebanese Pounds and in U.S. Dollars has generally declined in recent years, and the deposit rate spread was 3.89% in December 2008 and 3.70% in December 2009. The spread between lending rates was 2.48% in December 2008. In 2009, as a result of the incentives provided by BDL in order to stimulate lending to certain economic sectors, the Lebanese Pound lending rate declined, and the spread between the Lebanese Pound lending rate and the U.S. Dollar lending rate declined to 1.76% in December 2009 and 1.17% in December 2010. In 2011, the Lebanese Pound lending rate declined further as lending incentives and exemptions from reserves requirements were offered by BDL, resulting in a further narrowing of the spread between the Lebanese Pound and the U.S. Dollar lending rates to 0.20% in December 2012, before increasing to 0.41% in December 2013 and 0.52% in December 2014. The spread between the Lebanese Pound and the U.S. Dollar lending rates decreased to 0.09% in June 2015.

The following table sets forth the Treasury bill yields at primary auction at the end of the periods indicated.

Treasury Bill Yields

Calendar Quarter	3 months	6 months	12 months	2 years[1]	3 years[1]	5 years[1][2]
			(%)			
2010 I[3]	—	—	—	—	—	—
2010 II	3.94	4.43	4.88	5.36	5.88	6.16
2010 III	3.93	4.52	4.81	5.34	5.94	6.18
2010 IV	3.93	4.52	4.81	5.34	5.94	6.18
2011 I[4]	3.93	4.50	4.79	5.34	5.94	6.18
2011 II[4]	3.93	4.50	4.81	5.34	5.94	6.18
2011 III[4]	3.93	4.50	4.81	5.34	5.94	6.18
2011 IV	3.93	4.50	4.81	5.34	5.94	6.18
2012 I	4.43	4.99	5.33	5.82	6.48	6.74
2012 II[5]	4.44	4.99	5.35	5.84	6.50	6.74
2012 III[5]	4.44	4.99	5.35	5.84	6.50	6.74
2012 IV[5]	4.43	4.99	5.35	5.84	6.50	6.74
2013 I	4.44	4.99	5.35	5.84	6.50	6.74
2013 II[6]	4.44	4.99	5.35	5.84	6.50	6.74
2013 III[6]	4.44	4.99	5.35	5.84	6.50	6.74
2013 IV[6]	4.44	4.99	5.35	5.84	6.50	6.74
2014 I[7]	4.44	4.99	5.35	5.84	6.50	6.74
2014 II[7]	4.44	4.99	5.35	5.84	6.50	6.74
2014 III[7]	4.44	4.99	5.35	5.84	6.50	6.74
2014 IV[7]	4.44	4.99	5.35	5.84	6.50	6.74
2015 I[8]	4.44	4.99	5.35	5.84	6.50	6.74
2015 II[8]	4.44	4.99	5.35	5.84	6.50	6.74

Notes:
(1) The figures represent the associated coupon rates.
(2) The Ministry of Finance launched five-year Treasury bonds as part of the market auction process in July 2009.
(3) The Ministry of Finance suspended the issuance of Treasury Bills in March 2010.
(4) The following Treasury bonds were issued at auction in 2011: (i) seven-year 7.9% Treasury bonds in March 2011; (ii) seven-year 7.9% Treasury bonds in April 2011; and (iii) seven-year 7.6% Treasury bonds in September 2011.
(5) The following Treasury bonds were issued at auction in 2012: (i) ten-year 8.24% Treasury bonds in September 2012; (ii) eight-year 7.8% Treasury bonds in October 2012; and (iii) seven-year 7.5% Treasury bonds in November 2012.
(6) The following Treasury bonds were issued at auction in 2013: (i) two series of ten-year 8.24% Treasury bonds in June 2013; (ii) two series of eight-year 7.8% Treasury bonds in June 2013; (iii) seven-year 7.5% Treasury bonds in June 2013; (iv) twelve-year 8.74% Treasury bonds in September 2013; (v) ten-year 8.24% Treasury bonds in September 2013; and (vi) twelve-year 8.74% Treasury bonds in November 2013.
(7) The following Treasury bonds were issued at auction in 2014: (i) ten-year 7.98% Treasury bonds in June 2014; and (ii) seven-year 7.98% Treasury bonds in November 2014.
(8) The following Treasury bonds were issued at auction in 2015: (i) ten-year 7.98% Treasury bonds in January 2015; (ii) seven-year 7.08% Treasury bonds in February 2015; (iii) ten-year 7.46% Treasury bonds in March 2015; (iv) seven-year 7.08% Treasury bonds in April 2015; (v) ten-year 7.46% Treasury bonds in May 2015; and (vi) seven-year 7.08% Treasury bonds in June 2015.

Sources: BDL and Ministry of Finance.

See "*Public Debt—Internal Debt*" and "*Public Debt—Internal Debt—LL-Denominated MTN Program*".

The following tables set forth commercial bank deposits and lending rates at the average Lebanese Pounds and U.S. Dollar rates across the banking system for the stated type of account for the quarters shown. Time deposits range from one month to longer maturities and savings accounts are current accounts without payment facilities by check.

Lebanese Pound Weighted Average Lending and Deposit Rates of Commercial Banks

Calendar Quarter	Discount and Loans[(1)]	Deposits[(1)]	Checking and Current Accounts	Savings at Call	Term Savings and Deposits
			(%)		
2010 I	8.69	6.11	1.28	3.37	6.36
2010 II	8.37	5.83	1.24	3.03	6.10
2010 III	8.11	5.7	1.07	3.00	5.96
2010 IV	7.91	5.68	1.04	2.78	5.97
2011 I	7.73	5.63	1.09	2.98	5.92
2011 II	7.59	5.62	1.12	2.92	5.94
2011 III	7.37	5.58	0.96	2.72	5.85
2011 IV	7.38	5.63	1.05	2.73	5.91
2012 I	7.16	5.46	0.91	2.59	5.77
2012 II	7.44	5.45	1.06	2.50	5.75
2012 III	7.30	5.43	1.11	2.50	5.73
2012 IV	7.07	5.41	1.16	2.93	5.78
2013 I	7.28	5.44	0.89	2.31	5.79
2013 II	7.87	5.39	0.68	2.00	5.79
2013 III	7.36	5.37	0.69	2.18	5.78
2013 IV	7.29	5.44	0.75	2.14	5.83
2014 I	7.26	5.48	0.69	2.22	5.86
2014 II	7.45	5.49	0.67	2.14	5.86
2014 III	7.08	5.51	0.68	2.19	5.9
2014 IV	7.49	5.56	0.80	2.12	5.93
2015 I	6.94	5.57	0.71	2.09	5.96
2015 II	7.12	5.51	0.70	2.04	5.92

Note:
(1) Weighted average.

Source: BDL.

U.S. Dollar Lending and Deposit Rates of Commercial Banks

Calendar Quarter	Discount and Loans[1]	Average Rate on Deposits[1]	Checking and Current Accounts	Savings at Call	Term Savings and Deposits
			(%)		
2010 I	7.15	2.86	0.35	1.02	3.29
2010 II	7.03	2.75	0.41	0.98	3.21
2010 III	7.24	2.78	0.37	0.95	3.21
2010 IV	6.74	2.80	0.45	0.93	3.26
2011 I	7.24	2.82	0.41	1.00	3.24
2011 II	6.98	2.81	0.34	0.92	3.29
2011 III	6.92	2.84	0.35	0.91	3.26
2011 IV	7.02	2.83	0.44	0.93	3.31
2012 I	7.06	2.83	0.47	0.88	3.27
2012 II	7.15	2.78	0.31	0.85	3.25
2012 III	7.16	2.83	0.31	0.83	3.30
2012 IV	6.87	2.86	0.26	0.88	3.35
2013 I	6.95	2.97	0.22	0.84	3.41
2013 II	6.97	2.86	0.18	0.81	3.35
2013 III	6.95	2.91	0.20	0.82	3.41
2013 IV	6.88	2.95	0.17	0.80	3.44
2014 I	6.87	2.96	0.17	0.84	3.44
2014 II	6.97	2.98	0.13	0.84	3.47
2014 III	6.94	3.04	0.19	0.86	3.52
2014 IV	6.97	3.07	0.24	0.85	3.54
2015 I	7.16	3.12	0.20	0.89	3.56
2015 II	7.03	3.16	0.22	0.89	3.63

Note:
(1) Weighted average.

Source: BDL.

Foreign Exchange Rates and International Reserves

The currency of the Republic is the Lebanese Pound. The Lebanese Pound is convertible and its exchange rate is generally determined on the basis of demand and supply conditions in the exchange market. Bankers are allowed to engage in spot transactions in any currency. However, they are prohibited from engaging in forward transactions in Lebanese Pounds for speculative purposes. BDL intervenes when necessary in order to maintain orderly conditions in the foreign exchange market. There are no taxes or subsidies on purchases or sales of foreign exchange.

Foreign exchange rate stability is a primary policy objective of the Government and of BDL. BDL's exchange rate policy since October 1992 has been to anchor the Lebanese Pound nominal exchange rate to the U.S. Dollar. This appreciation was limited to 0.03% in 1999 and the Lebanese Pound exchange rate has remained unchanged since 2000. Although several external factors can influence the exchange rate, including general investor confidence in the economy, the authorities expect to continue to gear their monetary policy towards maintaining strength and stability in the exchange rate. Direct intervention in the currency markets supplements this policy when necessary to smooth excessive volatility of the exchange rate.

The following table sets forth the gold and gross foreign currency reserves of BDL in millions of U.S. Dollars for the years indicated.

Gold and Gross Foreign Currency Reserves

	Gold	Foreign Currency[1]
	(*U.S.$ millions*)	
2010	13,010	28,598
2011	14,401	30,815
2012	15,312	29,972
2013	11,104	31,713
2014	10,951	32,403

Note:
(1) Excluding gold reserves.

Source: BDL.

Foreign currency reserves are generally placed by BDL outside the Republic with other central banks or with highly-rated international banks.

As at 30 June 2015, foreign currency reserves (excluding gold reserves) were U.S.$34.1 billion and gold reserves were U.S.$10.8 billion.

Lebanese Pound/U.S. Dollar Exchange Rate and Dollarization

Since September 1999, BDL has maintained its policy of pegging the value of the Lebanese Pound to the U.S. Dollar at a fixed average closing rate of LL 1,507.5 per U.S.$1.00.

As a result of high inflation prior to 1992, the Lebanese economy became substantially dollarized. Since October 1992, monetary policy has been targeted at stabilizing the Lebanese Pound exchange rate and controlling the inflation rate and money growth. The return of confidence in monetary stability and the high returns on investment in Lebanese Pound-denominated financial securities led to a significant decline of the dollarization of deposits in the economy and to a build-up in foreign exchange reserves until the end of 1996. Thus, the proportion of foreign currency deposits decreased from 73.6% in December 1990 to 56.3% in June 1997. Since 1997, the dollarization rate has fluctuated and was 69.6% at the end of 2008 and 64.5% at the end of 2009. The June 2010 rate of 62.5% was the lowest dollarization rate in nine years. The dollarization rate increased from the June 2010 low to 63.2% at the end of 2010 and 65.9% at the end of 2011 but subsequently declined to 64.8% at the end of 2012 before increasing to 66.1% at the end of 2013 and 65.7% at the end of 2014. As at 30 June 2015, the dollarization rate was 65.1%.

Prices and Inflation

In the mid-1980s, Lebanon suffered from rapid increases in prices, peaking at 500% *per annum* in Lebanese Pound terms in 1987. High rates of inflation persisted until the 1990s when relative pricing stability began to return. Since 2001, estimated inflation has fluctuated slightly, increasing to 1.8% in 2002 and decreasing to 1.3% in 2003, before increasing back to 3% in 2004 and decreasing to (0.7)% in 2005. The level of inflation during the period was attributable principally to the implementation by BDL of a tight monetary policy, including the maintenance of a stable exchange rate (by using a nominal anchor policy with the U.S. Dollar) and high interest rates on Lebanese Pound assets. See "*The Economy—Economic History*".

CAS estimated inflation in 2009 at 3.4% on an end-of-period basis and 1.2% on a period average basis. Inflation increased in 2010, with CAS estimating inflation at 4.6% on an end-of-period basis and 4.0% on a period average basis. Inflation in 2011 was estimated by CAS at 3.1% on an end-of-period basis and 5.0% on a period average basis. The increases in both 2010 and 2011 were principally due to the worldwide increase in energy, food and other commodity prices. Inflation in 2012 was estimated by CAS 10.1% on an end-of-period basis, however, housing costs, as a component of inflation, were subject to a one-time adjustment in July 2012, and, accordingly, the inflation figure was not indicative of year-on-year inflation. On a period average basis, inflation in 2012 increased with CAS estimating inflation at 6.4%. The increase in 2012 was principally due to increases in the pricing of housing, alcoholic beverages and tobacco and education. Inflation in 2013 was estimated by CAS at 1.1% on an end-of-period basis and 4.8% on a period average basis. The increase in 2013 was principally due to increases in the pricing of housing, education, food and non-alcoholic beverages and alcoholic beverages and tobacco. The CPI inflation figure published by CAS for December 2014, as compared to December 2013, showed a 0.7% decrease, primarily due to decreases in international oil prices, which resulted in reduced utility prices (*i.e.,* water, electricity, gas and other fuels) and decreases in transportation costs. A decrease in communication prices as a result of cost reduction measures introduced by the Ministry of Telecommunications also contributed to the decrease in inflation. The average yearly inflation for 2014, as compared to 2013, was 1.9%, primarily due to increases in food and non-alcoholic beverages, education, alcoholic beverages and tobacco prices, partially offset by decreases in communication and transportation prices. As at June 2015, CAS estimated twelve-month average inflation at (0.9%).

The IMF's preliminary inflation projection is 1.1% for 2015, on a period-average basis.

See "*The Lebanese Republic—History—Recent Developments*" and "*Risk Factors—Risks Relating to the Republic—Prices and Inflation*".

Securities Markets

The Beirut Stock Exchange was created in 1920 by the French mandate authorities in order to privatize public utilities, railways, telecommunications and the post office. Companies from the industrial, banking and tourism sectors were gradually added. The Beirut Stock Exchange flourished from 1954 to 1975. It ceased trading in 1983.

In August 1994, the Government set up the Beirut Stock Exchange Committee to supervise and manage the reopening of the Beirut Stock Exchange. Trading on the Beirut Stock Exchange commenced on 22 January 1996, when the shares of three previously listed Lebanese companies were re-admitted to trading. On 30 September 1996, the shares of SOLIDERE, previously listed on the Beirut Secondary Market, were listed and began trading on the Beirut Stock Exchange. Since 2004, the majority of Eurobonds issued by the Republic have been listed on the Beirut Stock Exchange.

The market capitalization of the equity securities listed on the Beirut Stock Exchange, rose from approximately U.S.$386 million in January 1996 to U.S.$10.8 billion in January 2014. The Beirut Stock Exchange's capitalization, which includes the value of the securities listed on the Beirut Stock Exchange (excluding Lebanese Republic Eurobonds), was U.S.$10,983 million as at 16 October 2015.

The number of authorized brokers rose from five to 16 and the number of listed companies rose from three to eleven (including one mutual fund) in January 2014.

In addition, since 1996, several Lebanese companies have raised funds (both equity and debt) in the international capital markets.

The Government regards the re-establishment and development of organized capital markets, including markets for the issue and secondary trading of equity and debt securities, as being of significant importance for the financing of Lebanon's continued reconstruction and economic expansion.

PUBLIC FINANCE

The Budget Process

The budget preparation and adoption process is governed by relevant provisions of the Constitution and the Law on Public Accounting, implemented by Decree № 14969 dated 30 December 1963, as amended.

The laws governing budget preparation provide that the proposed budget for each year is to be prepared by the Ministry of Finance (after review of the estimates prepared by the various ministries) and submitted to the Council of Ministers by September 1 of the preceding year. The proposed budget, after review by the Council of Ministers, must then be forwarded to Parliament by 15 October for review and approval.

The budget is then approved by Parliament, through specific voting for each article in the budget, after review and debate during a general session to be held between 15 October and 31 December.

If Parliament fails to approve a budget, the President, with the approval of the Prime Minister, must convene a special session of Parliament to be held no later than 31 January of the relevant year. If no budget is approved during the special session, the President has the power, after approval of the Council of Ministers, to adopt the budget submitted to Parliament by the Council of Ministers (Article 86 of the Constitution and Article 120 of Parliament's internal regulations).

Once the budget law is enacted, the Ministry of Finance becomes responsible for its execution.

Analysis of Government Finances

Prior to the 1975-1990 conflict, Lebanon seldom ran fiscal deficits. The conflict, especially from the early 1980s, led to widespread tax evasion and non-payment of public utility bills. See "*The Lebanese Republic—History—1975-1990 Conflict*" and "*The Economy—Economic History*". Revenues dropped to very low levels and at one time were not sufficient to cover interest payments on the Republic's internal debt. The Republic resorted to increasing its borrowings from BDL, leading to monetary expansion.

Analysis of Government finances must take account of the following:

- The CDR is a public institution, which is independent from any ministry within the Government. Its financial situation is not fully consolidated in the public accounts, but, starting with the draft budget law for 2007, CDR foreign-financed expenditures were included as an annexed table before being included as a budget line item within budget expenditures in the 2010 budget proposal. However, foreign-financed expenditures are still subject to the CDR's regulations (in addition to donor requirements) and do not follow budget procedures. CDR expenditures on reconstruction programs are financed partly by grants and borrowings from international development agencies and other overseas entities and partly by appropriations from the budget. These appropriations are included as capital expenditures in the public accounts, but expenditures financed by borrowings as described above are not included in the public accounts (but are included in foreign debt figures). However, interest in respect of these borrowings is included in the national budget for the year in which it is scheduled to be repaid. Principal repayment of these borrowings is no longer included in the budget following the inclusion of the CDR foreign-financed expenditures as a budget item in the 2010 budget proposal. The borrowings are obligations of the Republic. Foreign indebtedness incurred by the CDR is approved by the Government and by Parliament.

- The Higher Relief Committee (the "**HRC**") is responsible for post-disaster relief, whether as a result of a natural disaster, war or a need for general humanitarian assistance. After the July 2006 War, the HRC began funding the re-settlement of residents whose houses were completely or partially destroyed during the war, by paying housing compensations to rebuild or rehabilitate housing units. The HRC was mainly funded through donors' contributions and Treasury advances to speed-up the process of resettlement. From the 2010 budget proposal, the HRC is mainly funded from allocations included in the budget or treasury advances to be regularized from the allocations included in the budget.

- The budget consists of the general budget and of three annex budgets, relating to Post and Telecommunications, National Lottery and the Grain & Sugar Beet Office. Information included in this Base Prospectus relates only to the general budget, unless otherwise stated. Projected deficits or surpluses in the annex budgets are accounted for in the general budget. Actual results for each year also reflect the deficit or surplus of each annex budget.

- Beginning with the 1997 Budget, a new classification, which is substantially in accordance with the guidelines and definitions set forth in the IMF's manual of "Government Finance Statistics 1986", was adopted. The Government believes that this classification makes it easier to conduct a proper analysis of the policy, administration and monitoring phases of the budget. The classification used for prior years did not provide a sufficient basis for proper revenue and expenditure management and did not appropriately identify line item expenditures. Further, the reporting for budget execution is currently being done according to "Government Finance Statistics 2001" classifications.

- In 1998, the Ministry of Finance developed an updated reporting system for public finance data, principally in the form of a monthly Fiscal Performance Report, which presents revenues and expenditures on a transaction basis, distinguishing between budget transactions and Treasury transactions. On the revenue side, budget transactions include all tax and non-tax revenues; on the expenditure side, budget transactions account for all debt-related expenses and expenditures pertaining to the execution of the Budget Law for the year under consideration and for expenditures on account of previous years' budgets, noting that such expenditures used to appear in treasury expenditures; however, they have been reclassified under budget expenditures. Revenues classified as Treasury transactions include municipalities' revenues and other inflows in Treasury accounts under guarantees, deposits and grants. Expenditures classified as Treasury transactions include (i) payments not related to Budget Law articles, such as transfers to municipalities' and to EDL, (ii) expenditures paid through withdrawals from guarantees or deposits accounts, and (iii) treasury advances to cover emerging expenditures, which were not accounted for, such as the diesel oil subsidy and wheat subsidy.

- Beginning in 2002, the Ministry of Finance further refined the presentation of the expenditures data and introduced an economic classification of expenditures which analyses expenditures by type rather than by transactional nature. Under this method, expenditures are classified according to their economic type regardless of the budget year attributable to them. There are three principal expenditures classifications: current expenditures, capital expenditures, and other Treasury expenditures.

There have been no approved budgets since 2005 due to a variety of factors, including political polarization in Parliament and the dispute regarding extra-budgetary expenditures discussed below. As provided in Article 86 of the Constitution and public accounting law decree № 14969/1963, in the absence of approved Budgets for the years 2006-2014, Government expenditures have been incurred and are currently incurred on the basis of the "one-twelfth rule", pursuant to which the Government is authorized to spend monthly one-twelfth of the last approved Budget (*i.e.,* the 2005 Budget) and other enabling legislation. Expenditures in excess of the limits set out in the last approved Budget have been incurred as treasury advances or under special approvals from Parliament.

During the period 2006-2014, successive Governments have incurred extra-budgetary expenditures. There was a controversy regarding the extra-budgetary expenditures incurred during the period 2006-2010 with certain members of the March 8 Coalition having requested a review of these expenditures by the Audit Court. The Minister of Finance and other members of Parliament have proposed draft laws seeking to approve the extra-budgetary expenditures that have not yet been approved. This controversy has contributed to the non-approval of the Budgets for the years 2006-2014 by Parliament, which in turn limits the Government's ability to have a Budgets for subsequent years approved. See "*Risk Factors—Risks Relating to the Republic—No Approved Budgets; Extra-Budgetary Expenditures*".

In March 2012, Parliament adopted a law that was published in the *Official Gazette* on 31 March 2012, authorizing the Government to incur new borrowings of up to U.S.$2 billion to finance foreign currency treasury needs and for debt refinancing of up to U.S.$3 billion, in each case with maturities of up to 30 years.

In November 2014, Parliament adopted a law that was published in the *Official Gazette* on 11 November 2014, authorizing the Government to incur new borrowings for debt refinancing of up to U.S.$2.5 billion with maturities of up to 30 years.

See "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*", "*Risk Factors—Risks Relating to the Republic—Refinancing Risk*" and "*Risk Factors—Risks Relating to the Republic—Legal Authorization to Borrow*".

In 2012, the Ministry of Finance initiated a process to review and finalize the Government's accounts since 1993. A deadline for completion of this project has not been set.

Overview of Government Operations

The following table sets forth an overview of Government operations for the years indicated.

Overview of Government Operations

	2010	2011	2012	2013	2014
			(LL billions)		
Revenues					
I. Tax revenues	9,976	9,885	10,187	10,116	10,388
II. Non-tax revenues[(1)]	2,043	3,468	3,286	3,269	4,354
III. Budget revenues (I+II)	12,018	13,353	13,473	13,385	14,742
IV. Treasury revenues	666	718	691	816	1,658
V. Total revenues (III+IV)	12,684	14,070	14,164	14,201	16,400
Expenditures					
I. Current expenditures	14,932	16,043	17,969	18,199	18,787
Personnel cost[(2)]	5,066	5,533	6,723	6,473	6,727
Debt service[(3)]	6,218	6,034	5,752	6,000	6,603
Other current[(4)]	3,648	4,476	5,495	5,726	5,458
II. Capital expenditures[(5)]	701	676	760	987	883
III. Other Treasury expenditures	1,363	845	1,304	1,331	1,313
IV. Customs administration and unclassified[(6)]	50	37	48	46	49
V. Total expenditures (I+II+III+IV)[(4)]	17,047	17,600	20,081	20,563	21,032
Total Deficit (V-V)	**(4,362)**	**(3,530)**	**(5,918)**	**(6,362)**	**(4,632)**
Budget and Treasury transactions					
Budget balance	**(3,168)**	**(2,670)**	**(1,833)**	**(2,763)**	**(3,748)**
Budgetary revenues	12,018	13,353	13,473	13,385	14,742
Budgetary expenditures[(4)]	15,187	16,022	15,306	16,058	18,521
Net Treasury operations	**(1,194)**	**(860)**	**(4,085)**	**(3,689)**	**(885)**
Treasury receipts	666	718	691	816	1,658
Treasury outlays	1,860	1,578	4,776	4,505	2,542
GDP[(7)]	57,918	60,414	66,481	71,185	74,656

Notes:

(1) The non-tax revenue figure for 2011 includes LL 2,261,250 million accrued to the benefit of the Ministry of Finance in respect of telecommunications revenue for 2011 and transferred to it from the account of the Ministry of Telecommunications maintained at BDL of which LL 1,959,750 million was transferred in 2011 and the balance of LL 301,500 million in January 2012. The non-tax revenue figure for 2012 includes LL 2,155,725 million accrued to the benefit of the Ministry of Finance in respect of telecommunications revenue for 2012 and transferred to it from the account of the Ministry of Telecommunications maintained at BDL. The non-tax revenue figure for 2013 includes LL 2,155,725 million accrued to the benefit of the Ministry of Finance in respect of telecommunications revenue for 2013 and transferred to it from the account of the Ministry of Telecommunications maintained at BDL. The non-tax revenue figure for 2014 includes LL 3,033,625 million accrued to the benefit of the Ministry of Finance in respect of telecommunications revenue for 2014, as well as arrears for the years 2010-2013, and transferred to it from the account of the Ministry of Telecommunications maintained at BDL.

(2) Including wage and salary related payments, *e.g.*, pensions to civil servants and end of service indemnities to Government employees.

(3) Includes principal repayment on foreign loans earmarked for project financing and interest payments on both foreign currency debt and domestic currency debt.

(4) Includes payments to EDL starting in 2010. EDL payments incurred before 2010 had been classified under other Treasury expenditures. Also includes budget advances.

(5) Expenditure does not include capital expenditures of CDR financed with foreign funds, consisting of LL 279 billion in 2009, LL 304 billion in 2010, LL 420 billion in 2011, LL 401 billion in 2012, LL 267 billion in 2013 and LL 229 billion in 2014.

(6) Customs administration and unclassified expenditures were previously included in total expenditures in 2009 and other current expenditures in 2010 and 2011. Such expenditures have been included in a new line item for consistency of presentation.

(7) GDP at current market prices. The GDP figures in this table have been revised and differ from previously published data. The GDP figures included in this table are taken from the CAS *Lebanese National Accounts 2004-2013* and CAS preliminary estimates. See "*The Economy—Gross Domestic Product*", "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*". The 2014 GDP figure is an estimate and uses the IMF April 2015 World Economic Outlook growth estimate.

Revenues

The main sources of budget revenues are taxes on income, profits, capital gains and dividends, and interest income, taxes on property, domestic taxes on goods and services (including, from February 2002, VAT revenues), taxes on international trade and other transaction taxes (fiscal stamps). Non-tax revenues consist principally of entrepreneurial and property income, such as surplus transfers from the Post and Telecommunications and other annex budgets and distributions and remittances, on account of profits or otherwise, from BDL and in respect of the Republic's ownership of various assets. Additionally, non-tax revenues include administrative fees and charges, fines and confiscated assets.

Total revenues were LL 16,400 billion in 2014, as compared to LL 14,201 billion in 2013, representing an increase of 15.5%. This increase was primarily due to the collection of arrears from the telecommunications surplus and the collection of telecommunications revenues on behalf of municipalities, as well as, to a lesser extent, the efforts of the tax administration to improve revenue collections (in particular, income tax and administrative fees collections). Tax revenues increased by 2.7% from LL 10,116 billion in 2013 to LL 10,388 billion in 2014, primarily due to increased revenues from taxes on income, profits and capital gains (LL 293 billion) and taxes on property (LL 44 billion), which were partially offset by lower revenues from taxes on international trade (LL 116 billion). Non-tax revenues were LL 4,354 billion in 2014, as compared to LL 3,269 billion in 2013, representing an increase of 33.2%. This increase was primarily due to a LL 878 billion increase in transfers from the telecommunications surplus to LL 3,034 billion as at 31 December 2014, which was, in turn, primarily a result of the collection of arrears. Treasury receipts increased by LL 842 billion in 2014, primarily due to the collection of telecommunications revenues on behalf of municipalities (in an amount of LL 739 billion), which, as at 30 September 2015, have not been redistributed). The Ministry of Finance may in the future, however, be required to distribute the funds held on behalf of municipalities.

Total revenues were LL 14,201 billion in 2013, as compared to LL 14,164 billion in 2012, representing an increase of 0.3%. Tax revenues decreased by 0.7% from LL 10,187 billion in 2012 to LL 10,116 in 2013, due to lower collections of excise taxes, which was, in turn, principally due to lower tobacco taxes and taxes on income, profits and capital gains. This decrease was partially offset by higher collections of domestic taxes on goods and services as a result of increased VAT collections.

Total revenues were LL 14,164 billion in 2012, as compared to LL 14,070 billion in 2011, representing an increase of 0.7%, which was primarily attributable to a 3.1% increase in tax revenues, which increased from LL 9,885 billion in 2011 to LL 10,187 billion in 2012. Tax revenues increased due to higher collections of: (i) taxes on income, profits and capital gains, due, in part, to the increase of the private sector minimum wage in February 2012 and the public sector cost of living payments increase in September 2012; (ii) domestic taxes on goods and services, principally due to higher automobile registration fees, passenger departure taxes and transfers from the surplus of the *Regie Libanais des Tabacs et Tombacs* (the state-owned importer and distributor of tobacco products), which were partially offset by a 1% decrease in VAT revenues attributable to the lifting of the VAT on *mazout* in March 2012; and (iii) excise taxes, principally due to higher tobacco taxes.

The increase in tax revenues was partially offset by a 5.2% decrease in non-tax revenues, which declined from LL 3,468 billion in 2011 to LL 3,286 billion in 2012, principally due to lower transfers from the Ministry of Telecommunications, which were LL 2,156 billion in 2012, as compared to LL 2,261 billion in 2011.

Total revenues were LL 14,070 billion in 2011, as compared to LL 12,684 billion in 2010, representing an increase of 11%, which was primarily attributable to an increase in non-tax revenues, partially offset by a 1% decline of tax revenues, principally due to a decrease in excise tax receipts following a decision of the Higher Council of Customs to reduce the excise tax on gasoline by LL 5,000 per 20 liters and the decline in excise tax receipts on cars, reflecting a decline in car imports. Non-tax revenues increased by 69.8% to LL 3,468 billion in 2011 from LL 2,043 billion in 2010, principally due to higher transfers from the Ministry of Telecommunications, which were LL 2,261 billion in 2011, as compared to LL 957 billion in 2010. Of this amount, LL 1,959,750 million was transferred in 2011 and the remaining balance of LL 301,500 million was transferred in January 2012.

Expenditures

Budget expenditures are divided into current expenditures and capital expenditures. The bulk of current expenditures consists primarily of debt service and personnel costs, including salaries, wages and end of service indemnities and other retirement benefits.

Total expenditures in 2014 were LL 21,032 billion, as compared to LL 20,563 billion in 2013, representing an increase of 2.3%, primarily due to: (i) a 10.5% increase in interest payments from LL 5,714 billion in 2013 to LL 6,314 billion in 2014; and (ii) a 3.9% increase in personnel costs from LL 6,473 billion in 2013 to LL 6,727 billion in 2014. The increases in expenditures was partially offset by: (i) a 60% decrease in transfers to the national social security fund from

LL 250 billion in 2013 to LL 100 billion in 2014; and (ii) a 10.5% decrease in capital expenditures from LL 987 billion in 2013 to LL 883 billion in 2014, which was, in turn, primarily a result of lower spending on maintenance.

Total expenditures in 2013 were LL 20,563 billion, as compared to LL 20,081 billion in 2012, representing an increase of 2.4%. This increase was principally due to: (i) a 29.9% increase in capital expenditure from LL 760 billion in 2012 to LL 987 billion in 2013, due to higher spending on maintenance and construction in progress; (ii) a 49.5% increase in materials and supplies from LL 305 billion in 2012 to LL 455 billion in 2013, due to increased expenses for medicines; and (iii) a 24.3% increase in other current expenditure from LL 404 billion in 2012 to LL 502 billion in 2013, principally a result of increased transfers to hospitals. The increases in expenditures were partially offset by (i) a 3.7% decrease in personnel cost from LL 6,723 billion in 2012 to LL 6,473 billion in 2013, due to lower payments on salaries and wages and end of service compensations; and (ii) a 2.0% decrease in various transfers from LL 4,256 billion in 2012 to LL 4,173 billion in 2013, principally due to decreased payments to EDL as a result of lower oil prices.

Total expenditures in 2012 were LL 20,081 billion, as compared to LL 17,600 billion in 2011, representing an increase of 14.1%. This increase was principally due to: (i) a 21.5% growth in personnel costs, due to higher retirement and end-of-service payments and the public sector cost of living payment increase; and (ii) a 29.8% increase in payments to EDL in order to fund (x) increased fuel oil and gas oil costs, (y) the rental costs for two electricity-generating barges and (z) EDL's VAT payments. The increases in expenditures were partially offset by lower interest payment costs, which decreased by 3.5% in 2012 as compared to 2011 levels.

Total expenditures in 2011 were LL 17,600 billion, as compared to LL 17,047 billion in 2010, representing an increase of 3.2%. This increase was principally due to (i) increased personnel costs in 2011, which were LL 5,533 billion in 2011, as compared to LL 5,066 billion in 2010 and (ii) higher transfers to EDL, which were LL 2,626 billion in 2011, as compared to LL 1,797 billion in 2010, principally due to an LL 816 billion increase in payments for fuel and gas oil and a LL 55 billion payment for natural gas to Egyptian Natural Gas Holding Company. The increase in expenditures was partially offset by (i) a decrease in capital expenditures from LL 701 billion in 2010 to LL 676 billion in 2011, (ii) a reduction of payments to municipalities from LL 735 billion in 2010 to LL 368 billion in 2011 and (iii) a decline in VAT refunds from LL 384 billion in 2010 to LL 195 billion in 2011.

Interest payments in 2014 were LL 6,314 billion, as compared to LL 5,714 billion in 2013, representing an increase of LL 600 billion, or 10.5%. This increase was primarily due to an 18% (LL 593 billion) increase in domestic interest payments and a 0.3% (LL 7 billion) increase in foreign interest payments, which was, in turn, due to increases in public debt.

Interim Results

The following table sets forth an overview of Government operations for the periods indicated.

Interim Results

	For the six months ended 30 June	
	2014	**2015**[1]
	(LL billions)	
Revenues		
I. Tax revenues	5,736	5,654
II. Non-tax revenues[2]	1,652	1,561
III. Budget revenues (I+II)[2]	7,388	7,215
IV. Treasury revenues	509	332
V. Total revenues (III+IV)[2]	7,897	7,546
Expenditures		
I. Current expenditures	8,936	8,866
Personnel cost[3]	3,027	3,472
Debt service[4]	3,251	3,406
Other current[5]	2,657	1,987
II. Capital expenditures[6]	516	404
III. Other Treasury expenditures	800	927
IV. Customs administration and unclassified	22	40
V. Total expenditures (I+II+III+IV)[4]	10,274	10,237
Total Deficit (V-V)	**(2,377)**	**(2,690)**
Budget and Treasury transactions		
Budget balance	**(1,257)**	**(1,733)**
Budgetary revenues	7,388	7,215
Budgetary expenditures[4]	8,645	8,948
Net Treasury operations	**(1,120)**	**(957)**
Treasury receipts	509	332
Treasury outlays	1,629	1,288

	For the six months ended 30 June	
	2014	2015[1]
	(LL billions)	
On a "*cash basis*"		
Revenues		
I. Tax revenues	5,736	5,654
II. Non-tax revenues[7]	712	1,561
III. Budget revenues (I+II)[7]	6,447	7,215
IV. Treasury revenues	509	332
V. Total revenues (III+IV) [7]	6,956	7,546
Expenditures		
I. Current expenditures	8,936	8,866
Personnel cost[3]	3,027	3,472
Debt service[4]	3,251	3,406
Other current[5]	2,657	1,987
II. Capital expenditures[5]		
III. Other Treasury expenditures	800	927
IV. Customs administration and unclassified	22	40
V. Total expenditures (I+II+III+IV)[4]	10,274	10,237
Total Deficit (V-V)	**(3,318)**	**(2,690)**
Budget and Treasury transactions		
Budget balance	**(2,198)**	**(1,733)**
Budgetary revenues	6,447	7,215
Budgetary expenditures[4]	8,645	8,948
Net Treasury operations	**(1,120)**	**(957)**
Treasury receipts	509	332
Treasury outlays	1,629	1,288

Notes:
(1) The results for the six months ended 30 June 2015 are not necessarily indicative of the actual results for the full year.
(2) The 2014 figure includes transfers of LL 941 billion in respect of the telecommunications surplus that were anticipated by the Ministry of Finance but not received during the period. The 2015 figure includes actual transfers of LL 829 billion in respect of the telecommunications surplus. From January 2015, transfers from the telecommunications surplus are being recorded on a cash basis, whereas for previous years, these were estimated by the Ministry of telecommunication and the Ministry of Finance.
(3) Including wage and salary related payments, *e.g.*, pensions to civil servants and end of service indemnities to Government employees.
(4) Includes principal repayment on foreign loans earmarked for project financing and interest payments on both foreign currency debt and domestic currency debt.
(5) Includes payments to EDL and budget advances.
(6) Expenditure does not include capital expenditures of CDR financed with foreign funds, consisting of LL 77 billion in the six months ended 30 June 2015, as compared to LL 112 billion in the corresponding period of 2014.
(7) Excluding "anticipated but not received transfers". The 2014 figure excludes the "anticipated but not received transfers" from the telecommunications surplus as described in Note 2. The 2015 figure includes actual transfers of LL 829 billion in respect of the telecommunications surplus.

Revenues

Total revenues were LL 7,546 billion in the six months ended 30 June 2015, as compared to LL 7,897 billion in the corresponding period of 2014, representing a decrease of 4.4%. On a cash basis, total revenues increased by 8.5%, primarily due to the receipt of actual transfers of LL 829 billion in respect of the telecommunications surplus.

Tax revenues decreased by LL 81 billion, or 1.4%, in the six months ended 30 June 2015, as compared to the corresponding period of 2014, primarily due to a LL 80 billion, or 4.9%, decrease in VAT revenues, which was, in turn, a result of a decrease in VAT from gasoline products due to lower international oil prices over the period. Non-tax revenues decreased by LL 92 billion, or 5.6%, in the six months ended 30 June 2015, primarily due to a LL 112 billion decrease in transfers from the telecommunications surplus, which was partially offset by an LL 85 billion increase in administrative fees. On a cash basis, non-tax revenues increased by LL 849 billion in the six months ended 30 June 2015, as compared to the corresponding period of 2014, which represented the receipt of LL 829 billion in actual transfers received from the telecommunication surplus. Treasury receipts decreased by LL 177 billion in the six months ended 30 June 2015, primarily due to transitory receipts that were collected on a one-off basis in the six months ended 30 June 2014.

Expenditures

Total expenditures in the six months ended 30 June 20015 were LL 10,237 billion, as compared to LL 10,274 billion in the corresponding period of 2014, representing a decrease of 0.4%. This decrease was primarily due to: (i) a 39.6% decrease in transfers to EDL from LL 1,565 billion in the six months ended 30 June 2014 to LL 946 billion in the corresponding period of 2015, which was, in turn, primarily a result of the decrease in international oil prices; (ii) a 21.7% decrease in capital expenditures from LL 516 billion in the six months ended 30 June 2014 to LL 405 billion in the corresponding period of 2015, which was, in turn, primarily a result of a 31% decrease in construction in progress; and (iii) a 100.0% decrease in transfers to the national social security fund from LL 100 billion in the six months ended 30 June 2014, as compared to LL 0 in the corresponding period of 2015.

In the six months ended 30 June 2015, interest payments were LL 3,235 billion, as compared to LL 3,129 billion in the corresponding period of 2014, representing an increase of 3.4%. Domestic interest payments were LL 2,100 billion in the six months ended 30 June 2015, representing an increase of LL 190 billion, or 9.9%, as compared to the corresponding period of 2014, whereas foreign currency interest payments were LL 1,136 billion in the six months ended 30 June 2015, representing a decrease of LL 84 billion, or 6.9%, as compared to the corresponding period of 2014.

The Anticorruption Drive

The Ministry of Finance, led by the Minister of Finance, launched several anti-corruption reform initiatives in 2014 and 2015. These initiatives include measures to reduce corruptive behavior at the Customs, Real Estate and Land Registry, the national tobacco company (Regie) and the Tax Administration. Further initiatives have been launched to automate many of the Ministry of Finance's operations and services, which are expected to improve the Treasury's collection of receipts and reduce instances of perceived or actual corruption over the next three years.

The Fiscal Deficit

Since 1992, a focus of the Government has been on regaining public confidence in the economic future of Lebanon through macroeconomic stability and a significant reduction of inflation, while embarking on a major rehabilitation and reconstruction program. However, the Government has had to contend with the effects of the prolonged period of conflict on the Government's expenditures and ability to collect revenues. Public debt began to accumulate in the mid-1970s, as a result of the decline in the Government's control over revenue sources and the expansion of the public deficit. The growth in the public debt resulted from the Government's inability to cover its expenditures from ordinary revenues (the primary budget balance) and growing debt service obligations. As a result, the Government has been running fiscal deficits financed mainly through domestic borrowing. See "*Public Debt*" and "*The Economy—Economic History*" and "*Risk Factors—Risks Relating to the Republic—Fiscal Deficit*".

The table below shows the fiscal deficit (including the fiscal deficit and the results of Treasury operations) and the ratios of deficit to GDP and net public debt to GDP for the years indicated.

Fiscal Deficit

	2010	2011	2012	2013	2014
Total Deficit[1] (*LL billions*)	(4,363)	(3,530)	(5,918)	(6,362)	(4,632)
GDP (*LL billions*)[2]	57,518	60,414	66,481	71,185	74.656
Total Revenues/GDP *(%)*	21.9	23.3	21.3	19.9	22.0
Total Expenditures/GDP (*%*)	29.4	29.1	30.2	28.9	28.2
Total Deficit/GDP (*%*)[2]	(7.5)	(5.8)	(8.9)	(8.9)	(6.2)
Net Public Debt/GDP (%)[3]	117	116	111	113	116

Notes:
(1) Excluding foreign financed CDR expenditure and HRC spending, not funded by budgetary allocations and treasury advances.
(2) GDP at current market prices. The GDP figures in this table have been revised and differ from previously published data. The GDP figures included in this table are taken from the CAS *Lebanese National Accounts 2004-2013* and CAS preliminary estimates. See "*The Economy—Gross Domestic Product*", "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*". The 2014 GDP figure is an estimate and uses the IMF April 2015 World Economic Outlook growth estimate.
(3) See "*Public Debt*".

Sources: Ministry of Finance and CAS.

The fiscal balance registered a deficit of LL 2,690 billion in the six months ended 30 June 2015, as compared to a deficit of LL 2,377 billion in the corresponding period of 2014, representing an increase of 13.2%. The primary balance registered a surplus of LL 716 billion in the six months ended 30 June 2015, as compared to a surplus of LL 874 billion in the corresponding period of 2014, representing an 18.1% decrease.

The fiscal balance registered a deficit of LL 4,632 billion in 2014, as compared to a deficit of LL 6,362 billion in 2013, representing a decrease of 27.2%. The primary balance registered a surplus of LL 1,970 billion in 2014, as compared to a deficit of LL 361 billion in 2013.

The fiscal balance registered a deficit of LL 5,918 billion in 2012, as compared to a deficit of LL 3,530 billion in 2011, representing an increase of 67.6%. The primary balance registered a deficit of LL 166 billion in 2012, as compared to a surplus of LL 2,505 billion in 2011.

The fiscal balance registered a deficit of LL 3,530 billion in 2011, as compared to a deficit of LL 4,362 billion in 2010, representing a decrease of 19.1%. The primary balance registered a surplus of LL 2,505 billion in 2011, as compared to a surplus of LL 1,855 billion in 2010, representing a 35.0% increase.

The fiscal balance registered a deficit of LL 4,362 billion in 2010, as compared to a deficit of LL 4,462 billion in 2009, representing a decrease of 2.2%. The primary balance registered a surplus of LL 1,855 billion in 2010 as compared to a surplus of LL 1,625 billion in 2009, representing a 14.2% increase.

The Primary Balance

The primary balance represents total revenues less primary expenditures (*i.e.,* total expenditures excluding debt service). The primary balance improved from 3.1% of GDP in 2009 to 3.3% of GDP in 2010, principally due to an improvement of 2% in primary expenditures despite flat revenues. The primary balance continued to improve in 2011 to 4.1% of GDP, principally due to an increase in total revenue as a result of higher transfers from the telecommunications surplus compared to 2010. Due to flat revenues and increases in expenditures, the primary balance turned negative in 2012 at (0.3)% of GDP. The negative trend in the primary balance continued in 2013 at (0.5)% of GDP due to further increases in expenditures and flat revenues. In 2014, this trend was reversed and the primary balance represented 2.6% of GDP, primarily as a result of an increase in total revenues, in turn, due to higher transfers from the telecommunications surplus.

The table below shows the evolution of primary balance for the years indicated.

Primary Balance

	For the year ended 31 December					For the six months ended 30 June	
	2010	**2011**	**2012**	**2013**	**2014**	**2014**	**2015**
	(LL billions, except where indicated)						
Total Revenues	12,684	14,070	14,164	14,201	16,400	7,897	7,546
Total Expenditures	17,047	17,600	20,081	20,563	21,032	10,274	10,237
Debt Service [(1)]	6,218	6,034	5,752	6,000	6,603	3,251	3,406
Primary Balance	1,855	2,505	(166)	(361)	1,970	874	716
Primary Balance/GDP (*%*)[(2)(3)]	3.3	4.1	(0.3)	(0.5)	2.6	—	—

Notes:
(1) Including principal repayment on foreign loans earmarked for project financing and interest payments on both foreign currency debt and domestic currency debt.
(2) See "*The Economy—Gross Domestic Product*".
(3) At current market prices. The GDP figures in this table have been revised and differ from previously published data. The GDP figures included in this table are taken from the CAS *Lebanese National Accounts 2004-2013* and CAS preliminary estimates. See "*The Economy—Gross Domestic Product*". The 2014 GDP figure is an estimate and uses the IMF April 2015 World Economic Outlook growth estimate.

Source: Ministry of Finance.

The 2009 Budget

The 2009 budget proposal was approved by the Council of Ministers on 12 June 2009, pursuant to Decree № 2364, and sent to Parliament on 20 June 2009. The 2009 budget was not adopted by Parliament as the budgets for 2006, 2007 and 2008 must be approved first.

The 2010 Budget

The 2010 budget proposal was approved by the Council of Ministers on 18 June 2010 and sent to Parliament on 9 July 2010 pursuant to Decree № 4600.

The 2011 Budget

The Minister of Finance sent the 2011 budget proposal to the Presidency of the Council of Ministers on 7 September 2010 requesting its submission to the Council of Ministers for review, approval and transmission to Parliament. Following the formation of the new Government pursuant to Decree № 5818 dated 13 June 2011 and pursuant to Letter № 573 MS of the Presidency of the Council of Ministers dated 30 June 2011, the 2011 budget proposal was returned to the Ministry of Finance to allow the then-incoming Ministers to review their respective budgets and amend them, if necessary. A revised version of the 2011 budget proposal reflecting the priorities of the new Government is expected to be submitted by the Minister of Finance to the Council of Ministers. Pursuant to Decision № 18, dated 18 January 2012, the Government capped total spending for 2011 at LL 18,900 billion, representing an additional LL 8,900 billion, as compared to the LL 10,000 billion set by the 2005 Budget Law. This additional spending is to be regularized by a special law.

The 2012 Budget

The Minister of Finance sent the 2012 budget proposal to the Presidency of the Council of Ministers on 30 September 2011 requesting its submission to the Council of Ministers for review, approval and transmission to Parliament.

However, a request to withdraw the draft 2012 budget proposal was subsequently sent by the Minister of Finance to the President of the Council of Ministers on 19 October 2011 in order to review the proposed expenditures in light of the then proposed increases in public sector wages and to introduce, among other things, revenue-enhancing measures to cover these additional expenditures. On 20 March 2012, the draft 2012 budget proposal was returned to the Ministry of Finance. On 22 May 2012, the Minister of Finance sent the revised 2012 budget proposal to the Presidency of the Council of Ministers for its review and approval. On 11 July 2012, the Council of Ministers approved the 2012 budget proposal, which was transmitted to Parliament on 8 August 2012. The draft 2012 budget proposal was discussed in Parliament, but further discussions are on hold.

In 2012, Parliament approved expenditures of approximately LL 8,315 billion in excess of the limit of LL 10,000 billion set by the 2005 Budget, which is the last approved Budget. Accordingly, the legally authorized budgetary expenditure limit has become approximately LL 18,315 billion.

The 2013 Budget

The Minister of Finance sent the 2013 budget proposal to the Presidency of the Council of Ministers on 31 August 2012 requesting its submission to the Council of Ministers for review, approval and transmission to Parliament but was subsequently withdrawn due to the agreement of the Council of Ministers to requests submitted by various government entities for adjustments to their budgets. A revised draft budget for 2013 was sent by the Minister of Finance to the Council of Ministers on 9 March 2013.

Total spending in 2013 was approximately LL 20,563 billion, which was LL 2,248 billion in excess of the legal limit, including the 20% cost of living increase retroactively applied to wages and salaries as at February 2012, representing an annual cost of approximately LL 851 billion. The excess spending over the legal limit of LL 18,315 billion was approved on an exceptional basis by the the-President of the Republic and the Prime Minister in September 2013 while the Council of Ministers was acting in a caretaker capacity.

The 2014 Budget

The then-Minister of Finance sent the 2014 budget proposal to the Presidency of the Council of Ministers on 5 September 2013 requesting its submission to the Council of Ministers for review, approval and transmission to Parliament. The Minister of Finance requested it to be withdrawn on 17 December 2013, as it had not yet been discussed by the then-caretaker government. The budget proposal was returned by the Council of Ministers to the Ministry of Finance on 23 December 2013, and a new proposal was prepared and resent to the Council of Ministers by the current Minister of Finance in May 2014. No further action has been taken in respect of the budget proposal. During 2014, two laws were passed (dated 30 October 2014 and 11 November 2014), which permitted additional spending of LL 966 billion over the legal limit of LL 18,315 billion.

The 2015 Budget

The Minister of Finance sent the 2015 budget proposal to the Presidency of the Council of Ministers on 29 August 2014, within the legal deadline, requesting its submission to the Council of Ministers for review, approval and transmission to Parliament. Discussions of, and several adjustments to, the 2015 budget proposal were conducted by the Council of Ministers between April 2015 and June 2015, but have since been suspended. These adjustments included the addition of the cost of a new salary scale and related revenue measures. The budget proposal has not yet been transmitted to Parliament.

The 2016 Budget

The Minister of Finance sent the 2016 budget proposal to the Presidency of the Council of Ministers on 27 August 2015, within the legal deadline, requesting its submission to the Council of Ministers for review, approval and transmission to Parliament.

Tax System and Taxation Reform

The tax system in the Republic has been subject to sweeping reforms. During the period of conflict, the record of revenue collection was extremely poor, with widespread tax evasion and weak administration. See "*The Economy—Economic History*". A new Income Tax Law was promulgated on 30 December 1993 (Law № 282 published in the *Official Gazette № 1* dated 6 January 1994), and became effective as of the beginning of fiscal year 1994. This law amended the old income tax law and introduced new provisions aimed at reducing tax rates, improving tax implementation and receipts and stimulating private investment. The Income Tax Law was modified in certain respects in the 1999 Budget, which increased income tax rates and dividend tax rates.

Currently, the maximum income tax rate is 21% for individuals (excluding certain categories of professionals) and 15% for corporations (other than holding companies and off-shore companies incorporated in the Republic, which are not subject to income tax). The 2000 Budget reduced tax on dividends to 5% (from 10%) for companies listed on the Beirut Stock Exchange. Capital gains on disposal of shares for individuals and for marketable securities are currently generally exempt from tax.

In December 2001, Parliament adopted the VAT law, which became effective on 1 February 2002. VAT is levied at a single rate of 10% on all goods and services, subject to certain exemptions, such as medical and educational services. Effective 5 March 2012, pursuant to Law № 207, diesel (*mazout*) is also exempted from VAT.

In January 2003, Parliament adopted the 2003 Budget Law, pursuant to which interest paid in respect of bonds issued by the Lebanese Republic after 31 January 2003, and by private entities, as well as interest paid in respect of bank deposits and other interest bearing assets, is subject to withholding tax at the rate of 5%. See "*Taxation—Lebanese Taxation*".

The Government is engaged in a series of ongoing reforms to strengthen and modernize tax administration. These reforms include, among others:

- the creation of a specialized unit to manage the withholding tax on wages and salaries (in 2003);
- a Tax Roll Department to update and manage the taxpayers identification database (in 2003);
- the establishment of a Large Taxpayers' Office (in 2005),
- the reorganization of the regional tax offices along function-based operations and the establishment of departments in the regional tax offices (in 2005-2006);
- a new Tax Procedure Code that unifies procedures for taxes and fees was adopted by Parliament and implementing regulations were issued (in 2009);
- a new audit and compliance strategy based on risk selection criteria, new audit techniques and procedures and the enforcement of voluntary taxpayer compliance (in 2010);
- the completion of logistics arrangements to establish taxpayer services in two satellite offices (in 2009) and the appointment of Department heads in all offices (in 2010);
- the transfer of the collection function to the regional tax offices (in 2011);
- the launch of e-registration (in 2012);
- the launch of the STR-3 project to modernize the administrative and operational capacity of the Tax Administration (in 2013);
- the finalization of a draft law to redefine the Tax Administration's organizational structure and related functions (in 2013);
- the re-engineering of certain VAT procedures (in 2013);
- the introduction of e-declarations for VAT and built property tax (in 2013);
- the launch of e-payment and e-inquiry functions for built property tax (in 2013);
- the development and implementation of new procedures and functionalities to strengthen the overall operational effectiveness of the VAT collection department (in 2014);
- the initiation of a VAT accounts reconciliation program, which is intended to increase transparency (in 2014);
- the launch of VAT e-payment services (and the automatic transfer of payment data from e-services to the tax system and, subsequently, to the treasury system) (in 2015);
- the launch of the cease of activity e-declaration (in 2015); and

- the establishment of a direct link between the tax system and the built property tax system (in 2015).

As part of these reforms, the Government is reviewing the VAT law and the related regulations and work is ongoing for the introduction of a new Individual and Corporate Income Tax Law. In addition, the Government is currently working on a merger of the Directorate of Revenues and the Directorate of VAT following the nomination of a single tax administration director in July 2011. The Ministry of Finance is also in various stages of implementing further electronic filing and payment procedures.

Social Policies

After the July 2006 War, the Government included a social action plan as part of the fiscal and economic reform program it presented to the Paris III Conference. The main objectives of the social action plan are to: (i) alleviate poverty and improve the quality of education and health indicators; (ii) improve the efficiency of public social spending and keep it at an appropriate and sustainable level; (iii) reduce regional disparities in development indicators through a proper distribution of investment and other resources and encourage investment and other job-creating activities in the more deprived areas; and (iv) improve the social protection system by reforming the National Social Security Fund, including the end-of-service indemnity and the health branch.

The National Social Security Fund devised and commenced the implementation of a reform program, financed primarily from its own resources. The medium-term reform program is comprehensive and includes: (i) the transformation of the End-of-Service-Indemnity Program into a fully-funded defined-contribution pension system; (ii) reforms of the health insurance branch to restore its financial balance while introducing incentives to better control utilization, quality and costs; (iii) changes in the Family Allowance Branch to provide affordable and better targeted transfers; and (iv) changes in business process and information technology infrastructure to improve efficiency in the management of, and support for, the wider program reforms. The Ministry of Social Affairs, in collaboration with the Presidency of the Council of Ministers, is also pursuing the reform efforts that began after the Paris III Conference, including a poverty targeting mechanism. In 2011, the Ministry of Social Affairs published the National Social Development Strategy of Lebanon 2011, which has the following general objectives to: (i) achieve better health; (ii) strengthen social protection; (iii) provide quality education; (iv) improve opportunities for equitable and safe employment; and (v) revitalize communities and develop the social capital.

PUBLIC DEBT

General

In December 2014, the Ministry of Finance published its *Debt Management Strategy 2014-2016*, which was discussed and approved by the High Debt Committee in May 2014. This strategy is based on an analysis of, *inter alia*, the Republic's macro-economic framework, the levels of outstanding debt stock and alternative debt management strategies and takes into consideration the Republic's annual foreign currency requirements and the absorptive capacity of the domestic market. The strategy has the following principal aims:

- an increased reliance on borrowing in foreign currency during the period 2014-2016, principally to fund maturities and debt service on external debt; and
- the gradual extension of maturities (in particular of domestic debt), with the aim of lengthening the average time to maturity of the Republic's debt portfoilio beyond the level of 4.3 years as at the date of the strategy.

The Ministry of Finance noted in the strategy that: (i) the first aim will require an increase of the foreign currency borrowing ceiling and (ii) while the second aim will result in higher debt service costs, this is mitigated by the protection that longer maturities provide against increasing future interest rates.

As at 30 June 2015, the Republic's gross public debt was LL 104,053 billion (U.S.$69.0 billion) consisting of LL 63,895 billion (U.S.$42.4 billion) of gross domestic debt and LL 40,158 billion (U.S.$26.6 billion) of public debt denominated in foreign currencies. Net outstanding public debt of the Republic was LL 89,637 billion (U.S.$59.5 billion) as at 30 June 2015. As at 31 December 2014, the Republic's gross public debt was LL 100,363 billion (U.S.$66.6 billion) consisting of LL 61,752 billion (U.S.$41.0 billion) of gross domestic debt and LL 38,611 billion (U.S.$25.6 billion) of public debt denominated in foreign currencies. Net outstanding public debt of the Republic was LL 86,389 billion (U.S.$57.3 billion) as at 31 December 2014. See "*Risk Factors—Risks Relating to the Republic—Public Debt*".

The following table sets forth the Republic's gross and net public sector debt as at the dates indicated.

Public Sector Debt[1]

	As at 31 December					As at 30 June
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
			(LL billions)			
I. Gross Domestic Debt.....	48,255	49,340	50,198	56,312	61,752	63,895
II. Public External Debt[2]	31,043	31,547	36,761	39,398	38,611	40,158
III. Gross Public Debt (I + II) ...	**79,298**	**80,887**	**86,959**	**95,710**	**100,363**	**104,053**
IV. Public Sector Deposits[3]	11,419	10,984	12,916	15,495	13,965	14,416
V. Net Domestic Debt (I – IV).....	36,836	38,356	37,282	40,817	47,787	49,479
VI. Net Public Debt (III – IV) ...	**67,879**	**69,903**	**74,043**	**80,215**	**86,398**	**89,637**

Notes:
(1) Debt figures differ from previously published figures due to continuing implementation of the Debt Management and Financial Analysis System.
(2) Amounts translated into Lebanese Pounds at end of period rates; includes accrued interest.
(3) Represent public sector deposits at BDL and commercial banks.

Sources: Ministry of Finance and BDL.

The following table sets forth the Republic's gross and net public debt as a percentage of GDP as at the dates indicated.

Public Debt as a Percentage of GDP[1]

	As at 31 December				
	2010[2]	**2011**[2]	**2012**[2]	**2013**[2]	**2014**[3]
			(%)		
Gross Public Debt/GDP	137	134	131	134	134
Net Public Debt/GDP	117	116	111	113	116

Notes:
(1) The figures in this table have been revised and differ from previously published data.
(2) See "*The Economy—Gross Domestic Product*", "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(3) The 2014 GDP figure is an estimate and uses the IMF April 2015 World Economic Outlook growth estimate.

Sources: Ministry of Finance, BDL and CAS.

Net public debt as a percentage of GDP increased from 46% in 1992 to 170% in 2006. It declined to 125% in 2009, 117% in 2010, 116% in 2011 and 111% in 2012, before increasing to 113% in 2013 and 116% in 2014. See "*Risk Factors—Risks Relating to the Republic—Public Debt*".

Internal Debt

The Government has elected to finance the fiscal deficit principally through the issuance of Lebanese Pound denominated Treasury bills (with maturities of three months, six months and twelve months), and Treasury bonds (with maturities of between two and twelve years). Following the Paris II Conference, yields on Treasury bills have generally declined and market auctions were halted for a period of approximately nine months (between mid-February 2003 and the end of October 2003) on account of the inflow of Paris II Conference funds and commercial bank and BDL debt service reduction measures. The issuance of Treasury bills and bonds resumed in November 2003, and Treasury bonds in Lebanese Pounds with maturities of three years were introduced for the first time. In July 2009, the Ministry of Finance launched five-year Treasury notes as part of the market auction process.

In March and April 2011, the Republic issued two stand-alone seven year LL-denominated Treasury bonds with annual yields of 7.90%. In September 2011, the Republic issued an additional stand-alone LL-denominated seven-year bond with an annual yield of 7.60%. On 28 November 2011, pursuant to Law № 69, the Republic issued LL 40,604 million in aggregate principal amount of notes to settle increases in construction costs due to contractors. The notes mature on 28 November 2016 and carry interest at a rate of 6%.

On 3 May 2012, pursuant to Law № 69, the Republic issued LL 59,307 million in aggregate principal amount of notes to settle increases in construction costs due to contractors. The notes mature on 3 May 2017 and carry interest at a rate of 6%. On 2 August 2012, pursuant to Law № 69 dated 23 April 2009 and Council of Ministers Resolution № 96 dated 18 June 2009, the Republic issued LL 33,649 million in aggregate principal amount of notes to settle increases in construction costs. The notes mature in 2017 and carry interest at a rate of 6%. See "*Public Debt—External Debt—Issuance of U.S. Dollar-Denominated Notes in Satisfaction of Certain Claims*".

On 20 September 2012, the Republic issued LL 1,151,351 million in aggregate principal amount of ten-year treasury bonds at auction. The treasury bonds mature in 2022 and carry interest at a rate of 8.24%. On 18 October 2012, the Republic issued LL 1,915,613 million in aggregate principal amount of eight-year treasury bonds at auction. The treasury bonds mature in 2020 and carry interest at a rate of 7.80%. On 15 November 2012, the Republic issued LL 1,092,562 million in aggregate principal amount of seven-year treasury bonds at auction. The Treasury bonds mature in 2019 and carry interest at a rate of 7.50%.

On 6 June 2013, the Republic issued (i) LL 379,352 million in aggregate principal amount of ten-year treasury bonds at auction, which mature in 2023 and carry an interest rate of 8.24% and (ii) LL 61,240 million in aggregate principal amount of eight-year treasury bonds at auction, which mature in 2021 and carry interest at a rate of 7.8%. On 13 June 2013, the Republic issued LL 1,240,406 million in aggregate principal amount of seven-year treasury bonds at auction as part of an exchange transaction with the BDL. The treasury bonds mature in 2020 and carry interest at a rate of 7.5%. On 27 June 2013, the Republic issued (i) LL 744,229 million in aggregate principal amount of ten-year treasury bonds at auction, which mature in 2023 and carry interest at a rate of 8.24% and (ii) LL 5,683 million in aggregate principal amount of eight-year treasury bonds, which mature in 2021 and carry interest at a rate of 7.8%.

On 26 September 2013, the Republic issued (i) LL 1,904,189 million in aggregate principal amount of twelve-year treasury bonds at auction, which mature in 2025 and carry interest at a rate of 8.74% and (ii) LL 569,047 million in aggregate principal amount of ten-year treasury bonds at auction, which mature in 2023 and carry interest rate at a rate

of 8.24%. On 14 November 2013, the Republic issued LL 1,468,804 million in aggregate principal amount of twelve-year treasury bonds at auction. The treasury bonds mature in 2025 and carry interest rate at a rate of 8.74%.

On 9 January 2014, the Republic issued LL 33,175 million in aggregate principal amount of notes to settle increases in construction costs due to contractors. The notes mature on 9 January 2019 and carry interest at a rate of 5.25%.

On 26 June 2014, the Republic issued LL 967,876 million in aggregate principal amount of ten-year treasury bonds at auction, which mature in 2024 and carry interest at a rate of 7.98%. On 6 November 2014, the Republic issued LL 978,034 million in aggregate principal amount of ten-year treasury bonds at auction, which mature in 2024 and carry interest at a rate of 7.98%.

Since 2015, the Republic has included the issuance of long-term treasury bonds in the auction calendar and issuances of such instruments are made on a regular basis. See "*Monetary System—Interest Rates*".

LL-Denominated MTN Program

In March 2006, the Ministry of Finance established a medium-term note program (the "**LL-Denominated MTN Program**"), in accordance with international capital markets standards, for the issuance of Lebanese Pound-denominated bonds, directly or through managers. The first series, issued in March 2006, matured and was repaid in 2011. On 17 December 2010, the Republic issued LL 1,500,000,000,000 7.9% Notes due 2017 (Series 2) under the LL-Denominated MTN Program.

The following table sets forth the Republic's composition of domestic debt as at the dates indicated.

Composition of Domestic Debt

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	(LL billions)	*(U.S.$ millions)*	*(LL billions)*	*(U.S.$ millions)*	*(LL billions)*	*(U.S.$ millions)*	*(LL billions)*	*(U.S.$ millions)*
Long-term bonds	**47,448**	**31,475**	**54,075**	**35,871**	**59,736**	**39,626**	**62,250**	**41,294**
12 years	—	—	3,373	2,237	3,373	2,237	3,373	2,237
10 years	1,151	764	2,844	1,887	4,790	3,177	6,617	4,389
8 years	1,916	1,271	1,982	1,315	1,982	1,315	1,982	1,315
7 years	8,978	5,956	10,219	6,779	10,219	6,779	11,286	7,487
5 years[(1)]	12,162	8,068	11,747	7,792	12,233	8,115	12,071	8,007
3 years	18,292	12,134	20,942	13,892	24,005	15,924	22,910	15,197
2 years	4,208	2,791	2,131	1,414	2,153	1,428	3,018	2,002
Coupon interest	*741*	*492*	*837*	*555*	981	*651*	*993*	*659*
Short term bills	**2,591**	**1,719**	**2,109**	**1,399**	**1,860**	**1,234**	**1,516**	**1,006**
12 months	965	640	1,009	669	1,195	793	833	553
6 months	1,312	870	935	620	564	374	574	381
3 months	314	208	165	109	101	67	109	72
Accrued interest	*48*	*32*	*40*	*27*	*48*	*32*	*32*	*21*
Other Domestic Debt	**159**	**105**	**128**	**85**	**156**	**103**	**129**	**86**
Total Domestic Debt	**50,198**	**33,299**	**56,312**	**37,355**	**61,752**	**40,963**	**63,895**	**42,385**

Note:

(1) Includes LL 180 billion of contractor bonds as at 31 December 2014 and 30 June 2015 and LL 134 billion of contractor bonds as at 31 December 2012 and 2013.

Sources: Ministry of Finance and BDL.

External Debt

The outstanding public external debt as of the end of 1992, a year after the end of the 1975-1990 conflict, was approximately U.S.$362 million. Commencing in 1994, the Republic became a frequent issuer on the international capital markets as it sought to finance its fiscal deficit and to convert its high interest domestic debt into lower interest external debt. As at 31 December 2013, outstanding public external debt of the Republic was approximately U.S$26.1 billion.

The following table below sets forth the composition of the Republic's foreign debt as at the dates indicated:

Composition of Foreign Debt[1]

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	(LL billions)	*(U.S.$ millions)*	*(LL billions)*	*(U.S.$ millions)*	*(LL billions)*	*(U.S.$ millions)*	*(LL billions)*	*(U.S.$ millions)*
Eurobonds	**32,789**	**21,751**	**35,533**	**23,571**	**34,850**	**23,118**	**36,744**	**24,374**
Of which:								
Paris II Conference Eurobonds[2]	1,236	820	1,002	665	769	510	652	433-
Paris III Conference Eurobonds[3]	317	210	271	180	226	150	204	135
Loans	**3,860**	**2,561**	**3,729**	**2,474**	**3,640**	**2,415**	**3,324**	**2,205**
Of which:								
Paris II Conference concessional loans[4]	279	185	208	138	128	85	101	67
Paris III Conference concessional loans[5]	997	661	915	607	760	504	684	454
Bilateral and multilateral loans	2,570	1705	2,512	1666	2,698	1790	2,503	1,660
Foreign private sector loans	14	9	94	62	54	36	36	24
Special Treasury bills in foreign currency[6]	**112**	**74**	**136**	**90**	**121**	**80**	**90**	**60**
Total Foreign Debt[7]	**36,761**	**24,385**	**39,398**	**26,135**	**38,611**	**25,613**	**40,158**	**26,639**

Notes:

(1) Debt figures differ from previously published figures due to the continuing implementation of the Debt Management and Financial Analysis System. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

(2) Does not include an amortizing U.S.$1.87 billion in original principal amount Eurobonds issued to BDL, of which U.S.$468 million was outstanding, as at 30 June 2015.

(3) Includes originally issued U.S.$300 million debt rescheduling with Malaysia in the context of the Paris III Conference. A U.S.$200 million note was fully repaid in accordance with its terms in July 2012. U.S.$135 million was outstanding as at 30 June 2015.

(4) Contribution of France to the Paris II Conference (AFD Loan).

(5) Includes the balance of a U.S.$100 million Development policy loan (World Bank), U.S.$300 million UAE Loan, €150 million French loan (tranche 1) and €30 million French loan (part of tranche 2). SDR 50.75 million (the EPCA I loan) and SDR 25.375 million (the EPCA II loan) was repaid to the IMF, an AAD 6.825 million loan was repaid to the AMF (disbursed in 2009) and the €25 million first tranche was repaid to EC/EU.

(6) U.S. Dollar-denominated bonds issued in satisfaction of expropriation and contractor claims.

(7) Includes accrued interest.

Sources: Ministry of Finance and BDL.

The following table sets forth the Republic's outstanding Eurobonds as at the date hereof, excluding Eurobonds issued in connection with the Paris II and Paris III Conference and Eurobonds issued as part of commercial bank debt service reduction measures.

Outstanding Eurobonds

Year of Issue	Maturity	Original Principal Amount	Outstanding Principal Amount	Coupon
2001	2016	U.S.$400 million	U.S.$400 million	11.625%
2002[1]	2017	U.S.$138 million	U.S.$34 million	4.000%
2005	2016	U.S.$750 million	U.S.$750 million	8.500%
2006[2]	2021	U.S.$1,661 million	U.S.$1,661 million	8.250%
2007[3]	2021	U.S.$431 million	U.S.$431 million	8.250%
2009[4]	2017	U.S.$1,500 million	U.S.$1,500 million	9.000%
2009	2024	U.S.$250 million	U.S.$250 million	7.000%
2010	2020	U.S.$1,200 million	U.S.$1,200 million	6.375%
2010	2018	U.S.$500 million	U.S.$500 million	5.150%
2010	2022	U.S.$225 million	U.S.$225 million	6.100%
2011[5]	2022	U.S.$265 million	U.S.$265 million	6.100%
2011	2022	U.S.$350 million	U.S.$350 million	6.100%
2011	2019	U.S.$650 million	U.S.$650 million	6.000%
2011	2022	U.S.$700 million	U.S.$700 million	6.100%
2011	2016	U.S.$500 million	U.S.$500 million	4.750%
2011[6]	2019	U.S.$500 million	U.S.$500 million	5.450%
2011[7]	2026	U.S.$375 million	U.S.$375 million	6.600%
2011[8]	2018	€445 million	€445 million	5.350%
2012	2026	U.S.$350 million	U.S.$350 million	6.600%
2012	2017	U.S.$600 million	U.S.$600 million	5.000%
2012[5]	2018	U.S.$700 million	U.S.$700 million	5.150%
2012[5]	2025	U.S.$800 million	U.S.$800 million	6.250%
2012[9]	2018	U.S.$525 million	U.S.$525 million	5.150%
2012[10]	2023	U.S.$500 million	U.S.$500 million	6.000%
2012[11]	2027	U.S.$500 million	U.S.$500 million	6.750%
2012[5]	2019	U.S.$1,000 million	U.S.$1,000 million	5.450%
2013	2023	U.S.$600 million	U.S.$600 million	6.000%
2013	2027	U.S.$500 million	U.S.$500 million	6.750%
2013[5]	2016	U.S.$600 million	U.S.$600 million	4.500%
2013[5]	2019	U.S.$500 million	U.S.$500 million	5.500%
2013	2020	U.S.$600 million	U.S.$600 million	6.150%
2013[5]	2017	U.S.$175 million	U.S.$175 million	5.500%
2014[12]	2020	U.S.$600 million	U.S.$600 million	5.800%
2014[13]	2026	U.S.$800 million	U.S.$800 million	6.600%
2014	2020	U.S.$100 million	U.S.$100 million	5.800%
2014	2026	U.S.$75 million	U.S.$75 million	6.600%
2015	2025	U.S.$800 million	U.S.$800 million	6.200%
2015	2030	U.S.$1,400 million	U.S.$1,400 million	6.650%

Notes:

(1) A first tranche was issued on 31 December 2002, as a special scheme with BDL in the context of the Paris II Conference. On 6 July 2007, the series was reopened for an additional amount of U.S.$137.511 million as a direct subscription with BDL.

(2) Issued as part of an exchange transaction, in which bonds maturing in 2006 were offered for exchange into three new bonds maturing in 2012, 2014 and 2021. Includes U.S.$750 million and €175 million of new cash subscriptions.

(3) Subscribed for cash by BDL.

(4) Issued as part of an exchange transaction, in which bonds maturing in 2009 were offered for exchange into new bonds maturing in 2017. Includes U.S.$268.9 million of new cash subscriptions.

(5) Issued as part of a debt replacement transaction entered into with BDL.

(6) Issued as part of an exchange transaction, in which bonds maturing in 2012 were offered for exchange into new bonds maturing in 2019. Includes U.S.$66.8 million of new cash subscriptions.

(7) Issued as part of an exchange transaction, in which bonds maturing in 2012 were offered for exchange into new bonds maturing in 2026. Includes U.S.$139.5 million of new cash subscriptions.

(8) Issued as part of an exchange transaction, in which bonds maturing in 2012 were offered for exchange into new bonds maturing in 2018. Includes €24.058 million of new cash subscriptions.

(9) Issued as part of an exchange transaction, in which bonds maturing in 2013 were offered for exchange into new bonds maturing in 2028. Includes U.S.$339.7 million of new cash subscriptions.

(10) Issued as part of an exchange transaction, in which bonds maturing in 2013 were offered for exchange into new bonds maturing in 2023. Includes U.S.$115.1 million of new cash subscriptions.

(11) Issued as part of an exchange transaction, in which bonds maturing in 2013 were offered for exchange into new bonds maturing in 2027. Includes U.S.$368.8 million of new cash subscriptions.

(12) Issued as part of an exchange transaction, in which bonds maturing in 2014 were offered for exchange into new bonds maturing in 2020. Includes U.S.$341.4 million of new cash subscriptions.

(13) Issued as part of an exchange transaction, in which bonds maturing in 2014 were offered for exchange into new bonds maturing in 2026. Includes U.S.$354.7 million of new cash subscriptions.

Source: Ministry of Finance.

The following table sets forth the Republic's outstanding Eurobonds issued in connection with the Paris II Conference and the Paris III Conference as at 30 June 2015.

Outstanding Paris II and Paris III Conference Eurobonds

Year of Issue	Maturity	Original Principal Amount	Outstanding Principal Amount	Coupon
Paris II Conference				
2002	2017	U.S.$950 million	U.S.$163 million	5.00%
2002	2017	U.S.$1,870 million	U.S.$468 million	4.00%
2003	2018	U.S.$700 million	U.S.$210 million	5.00%
2003	2018	U.S.$200 million	U.S.$60 million	5.00%
Paris III Conference				
2007	2017	U.S.$300 million	U.S.$135 million	3.75%

Source: Ministry of Finance.

The following table sets forth the Republic's public external debt by type of creditor as at the dates indicated.

Public Sector External Debt By Type of Creditor[1][2]

	As at 31 December					As at 30 June
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
			(U.S.$ millions)			*(U.S.$ millions)*
Bilateral	**1,284**	**1,229**	**1,244**	**1,170**	**1,305**	**1,183**
Abu Dhabi Fund for Development	305	309	281	252	222	207
AFD	538	472	481	454	360	304
Artigancassa	8	10	21	25	32	29
Austria	9	5	2	0	0	0
Belgium	1	1	1	1	0	0
China	8	8	8	8	8	8
Dexia	2	1	1	1	0	0
EKF-ELO	—	—	—	—	283	254
Italy	3	0	0	0	0	0
Kerditanstalt Fur Wiederaufbau	0	1	1	4	7	8
Kuwaiti Fund for Arab Economic Development	151	161	179	180	181	179
Mediocredito Centrale	7	6	5	3	2	2
Natixis	97	90	86	84	70	62
Overseas Economic Cooperation Fund	68	71	77	56	44	40
The Saudi Fund for Development	88	95	101	102	95	90
Multilateral	**1,505**	**1,385**	**1,307**	**1,243**	**1,074**	**998**
Arab Fund for Economic and Social Development	366	368	377	377	362	344
AMF	31	19	6	0	0	0
EIB	5	5	5	4	4	3
EC	352	306	271	249	211	191
EPCA/IMF	33	32	33	34	0	0
EU	97	58	20	0	0	0
IBRD	321	303	251	209	176	160
International Fund for Agricultural Development	4	3	2	2	1	1
Islamic Development Bank	283	277	325	348	302	281
The OPEC Fund for International Development	13	14	18	18	18	18
Commercial Banks	**16**	**12**	**9**	**62**	**36**	**24**
HSBC Bank PLC[3]	—	—	—	56	33	23
Eurobonds	**17,416**	**17,965**	**21,485**	**23,276**	**22,836**	**24,050**
Special T-bills in foreign currency (expropriations)	**49**	**54**	**73**	**90**	**80**	**60**
Total[4]	**20,271**	**20,645**	**24,118**	**25,841**	**25,330**	**26,315**

Notes:
(1) Certain figures in this table differ from previously published data due to the continuous implementation of the new debt management system; excluding accrued interest. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".
(2) Amounts translated into U.S. Dollars at end of period rates.
(3) See "*The Economy—Role of Government in the Economy and Privatization—Electricity Sector—Electricity Sector Reform*".
(4) This figure does not include accrued interest.

Source: Ministry of Finance.

In 2010, the Republic issued the following Eurobonds under the Program:

- U.S.$1,200,000,000 6.375% Notes due 2020 (Series 55) were issued on 9 March 2010.
- U.S.$500,000,000 5.15% Notes due 2018 (Series 56, Tranche 1) were issued on 12 November 2010.
- U.S.$225,000,000 6.10% Notes due 2022 (Series 57, Tranche 1) were issued on 12 November 2010.

In 2011, the Republic issued the following Eurobonds under the Program:

- U.S.$265,000,000 6.10% Notes due 2022 (Series 57, Tranche 2) were issued on 18 January 2011, which were consolidated and form a single series with the U.S.$225,000,000 6.10% Notes due 2022 (Series 57, Tranche 1) issued by the Republic on 12 November 2010.

- U.S.$350,000,000 6.10% Notes due 2022 (Series 57, Tranche 3) were issued on 20 May 2011, which were consolidated and form a single series with the U.S.$225,000,000 6.10% Notes due 2022 (Series 57, Tranche 1) issued by the Republic on 12 November 2010 and the U.S.$265,000,000 6.10% Notes due 2022 (Series 57, Tranche 2) issued by the Republic on 18 January 2011.

- U.S.$650,000,000 6.00% Notes due 2019 (Series 58) were issued on 20 May 2011.

- U.S.$700,000,000 6.10% Notes due 2022 (Series 57, Tranche 4) were issued on 2 August 2011, which were consolidated and form a single series with the U.S.$225,000,000 6.10% Notes due 2022 (Series 57, Tranche 1) issued by the Republic on 12 November 2010 and the U.S.$265,000,000 6.10% Notes due 2022 (Series 57, Tranche 2) issued by the Republic on 18 January 2011 and the U.S.$350,000,000 6.10% Notes due 2022 (Series 57, Tranche 3) issued by the Republic on 20 May 2011.

- U.S.$500,000,000 4.75% Notes due 2016 (Series 59) were issued on 2 August 2011.

- U.S.$433,183,000 5.45% Notes due 2019 (Series 60), U.S.$235,537,000 6.60% Notes due 2026 (Series 61), and €420,942,000 5.35% Notes due 2018 (Series 62) were issued on 28 November 2011 as part of a voluntary exchange offer pursuant to which the Republic offered to exchange any and all of its outstanding U.S.$600,000,000 7.75% Notes due 2012, U.S.$600,000,000 7.50% Notes due 2012 and €535,639,000 5.875% Notes due 2012 for new Notes.

- U.S.$66,817,000 5.45% Notes due 2019 (Series 60, Tranche 2) were issued on 28 November 2011 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$433,183,000 5.45% Notes due 2019 (Series 60) issued by the Republic on the same day.

- U.S.$139,463,000 6.60% Notes due 2026 (Series 61, Tranche 2) were issued on 28 November 2011 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$235,537,000 6.60% Notes due 2026 (Series 61) issued by the Republic on the same day.

- €24,058,000 5.35% Notes due 2018 (Series 62, Tranche 2) were issued on 28 November 2011 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the €420,942,000 5.35% Notes due 2018 (Series 62) issued by the Republic on the same day.

In 2012, the Republic issued the following Eurobonds under the Program:

- U.S.$350,000,000 6.60% Notes due 2026 (Series 61, Tranche 3) were issued on 12 April 2012 and were consolidated and form a single series with the U.S.$235,537,000 6.60% Notes due 2026 (Series 61, Tranche 1) issued by the Lebanese Republic on 28 November 2011 and the U.S.$139,463,000 6.60% Notes due 2026 (Series 61, Tranche 2) issued by the Lebanese Republic on 28 November 2011.

- U.S.$600,000,000 5.00% Notes due 2017 (Series 63) were issued on 12 April 2012.

- U.S.$500,000,000 4.10% Notes due 2015 (Series 64) were issued on 12 June 2012 to BDL as part of a debt replacement transaction.

- U.S.$700,000,000 5.15% Notes due 2018 (Series 65) were issued on 12 June 2012 to BDL as part of a debt replacement transaction.

- U.S.$800,000,000 6.25% Notes due 2025 (Series 66) were issued on 12 June 2012 to BDL as part of a debt replacement transaction.

- U.S.$185,318,000 5.15% Notes due 2018 (Series 56, Tranche 2) (which were consolidated with the U.S.$500,000,000 5.15% Notes due 2018 (Series 56, Tranche 1) issued by the Republic on 12 November 2010), U.S.$384,862,000 6.00% Notes due 2023 (Series 67, Tranche 1) and U.S.$131,212,000 6.75% Notes due 2027 (Series 68, Tranche 1) were issued on 29 November 2012, as part of a voluntary exchange offer pursuant to which the Republic offered to exchange any and all of its outstanding U.S.$875,000,000 9.125% Notes due 2013 and U.S.$650,000,000 8.625% Notes due 2013 for new Notes.

- U.S.$339,682,000 5.15% Notes due 2018 (Series 56, Tranche 3) (which were consolidated with the U.S.$500,000,000 5.15% Notes due 2018 (Series 56, Tranche 1) issued by the Republic on 12 November 2010 and the U.S.$185,318,000 5.15% Notes due 2018 (Series 56, Tranche 2) issued by the Republic on the same day) were issued on 29 November 2012 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$500,000,000 5.15% Notes due 2018 issued by the Lebanese Republic on 12 November 2010 and the U.S.$185,318,000 5.15% Notes due 2018 issued by the Republic on 29 November 2012.

- U.S.$115,138,000 6.00% Notes due 2023 (Series 67, Tranche 2) were issued on 29 November 2012 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$384,862,000 6.00% Notes due 2023(Series 68, Tranche 1) issued by the Republic on the same day.

- U.S.$368,788,000 6.75% Notes due 2027 (Series 68, Tranche 2) were issued on 29 November 2012 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$131,212,000 6.75% Notes due 2027 (Series 68, Tranche 1 Notes) issued by the Republic on the same day.

- U.S.$1,000,000,000 5.45% Notes due 2019 (Series 60, Tranche 3) (which were consolidated with the U.S.$433,183,000 5.45% Notes due 2019 and the U.S.$66,817,000 5.45% Notes due 2019 issued by the Lebanese Republic on 28 November 2011) were issued on 20 December 2012 to BDL as part of a debt replacement transaction.

In 2013, the Republic issued the following Eurobonds under the Program:

- U.S.$600,000,000 6.00% Notes due 2023 (Series 67, Tranche 3) were issued on 17 April 2013 and were consolidated and form a single series with the U.S.$384,862,000 6.00% Notes due 2023 issued by the Lebanese Republic on 29 November 2012 and the U.S.$115,138,000 6.00% Notes due 2023 issued by the Lebanese Republic on 29 November 2012.

- U.S.$500,000,000 6.75% Notes due 2027 (Series 68, Tranche 3) were issued on 17 April 2013 and were consolidated and form a single series with the U.S.$131,212,000 6.75% Notes due 2027 issued by the Lebanese Republic on 29 November 2012 and the U.S.$368,788,000 6.75% Notes due 2027 issued by the Lebanese Republic on 29 November 2012.

- U.S.$600,000,000 4.50% Notes due 2016 (Series 69 Notes) were issued on 23 April 2013 to BDL as part of a debt replacement transaction.

- U.S.$500,000,000 5.50% Notes due 2019 (Series 70 Notes) were issued on 23 April 2013 to BDL as part of a debt replacement transaction.

- U.S.$600,000,000 6.15% Notes due 2020 (Series 71 Notes) were issued on 20 June 2013 to BDL for cash.

- U.S.$175,000,000 5.00% Notes due 2017 (Series 63, Tranche 2 Notes) (which were consolidated with the U.S.$600,000,000 5.00% Notes due 2017 (Series 63 Notes) issued on 12 April 2012) were issued on 4 September 2013 to BDL as part of a debt replacement transaction.

In 2014, the Republic issued the following Eurobonds under the Program:

- U.S.$258,569,000 5.80% Notes due 2020 (Series 72) and U.S.$445,289,000 6.60% Notes due 2026 (Series 61, Tranche 4), which were consolidated and form a single series with the U.S.$235,537,000 6.60% Notes due 2026 issued by the Republic on 28 November 2011 (Series 61, Tranche 1), the U.S.$139,463,000 6.60% Notes due 2026 issued by the Republic on 28 November 2011 (Series 61, Tranche 2) and the U.S.$350,000,000 6.60% Notes due 2026 issued by the Republic on 12 April 2012 (Series 61, Tranche 3) were issued on 14 April

2014 as part of a voluntary exchange offer pursuant to which the Republic offered to exchange any and all of its outstanding U.S.$881,612,000 9.00% Notes due 2014 for new Notes.

- U.S.$341,431,000 5.80% Notes due 2020 (Series 72, Tranche 2) were issued on 14 April 2014 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$258,569,000 5.80% Notes due 2020 issued by the Republic on the same day (Series 72, Tranche 1).

- U.S.$354,711,000 6.60% Notes due 2026 (Series 61, Tranche 5) were issued on 14 April 2014 for cash in a separate tranche contemporaneously with the completion of the aforementioned exchange offer and were consolidated and form a single series with the U.S.$235,537,000 6.60% Notes due 2026 issued by the Republic on 28 November 2011 (Series 61, Tranche 1), the U.S.$139,463,000 6.60% Notes due 2026 issued by the Republic on 28 November 2011 (Series 61, Tranche 2), the U.S.$350,000,000 6.60% Notes due 2026 issued by the Republic on 12 April 2012 (Series 61, Trance 3) and the U.S.$445,289,000 6.60% Notes due 2026 issued by the Republic on 14 April 2014 (Series 61, Tranche 4).

- U.S.$100,000,000 5.80% Notes due 2020 (Series 72, Tranche 3) were issued on 2 May 2014 and were consolidated and form a single series with the U.S.$258,569,000 5.80% Notes due 2020 (Series 72, Tranche 1) issued by the Republic on 14 April 2014 and the U.S.$341,431,000 5.80% Notes due 2020 (Series 72, Tranche 2) issued by the Republic on 14 April 2014.

- U.S.$75,000,000 6.60% Notes due 2026 (Series 61, Tranche 6) were issued on 2 May 2014 and were consolidated and form a single series with the U.S.$235,537,000 6.60% Notes due 2026 issued by the Republic on 28 November 2011 (Series 61, Tranche 1), the U.S.$139,463,000 6.60% Notes due 2026 issued by the Republic on 28 November 2011 (Series 61, Tranche 2), the U.S.$350,000,000 6.60% Notes due 2026 issued by the Republic on 12 April 2012 (Series 61, Trance 3), the U.S.$445,289,000 6.60% Notes due 2026 issued by the Republic on 14 April 2014 (Series 61, Tranche 4) and the U.S.$354,711,000 6.60% Notes due 2026 issued by the Republic on 14 April 2014 (Series 61, Tranche 5).

In 2015, the Republic issued the following Eurobonds under this program:

- U.S.$800,000,000 6.20% Notes due 2025 (Series 73) were issued on 26 February 2015.

- U.S.$1,400,000,000 6.65% Notes due 2030 (Series 74) were issued on 26 February 2015.

In addition, on 25 April 2005, BDL issued Euro deposit certificates in foreign currencies (the "**Certificates**") in an aggregate principal amount of U.S.$2 billion. The Certificates had a maturity of 10 years, an interest rate of 10% and were issued at a price of 96.95% Holders of the Certificates were granted a put option to request redemption of all or part of the Certificates held by them, exercisable seven years after the issue date. The Certificates were not listed and this represented the first issuance by BDL of securities on the international capital markets. In April 2015, the Certificates matured and were repaid in accordance with their terms.

The following table sets forth the Republic's public external debt by currency as at the dates indicated.

Public Sector External Debt by Type of Currency[(1)(2)]

	As at 31 December										As at 30 June	
	2010		2011		2012		2013		2014		2015	
	(U.S.$ millions)	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*	*(U.S.$ millions)*	*(%)*
Swiss Francs	6	0.03	3	0.01	2	0.01	1	0.01	0	0.00	0	0.00
China Yuan Renminbi	8	0.04	8	0.04	8	0.03	8	0.03	8	0.03	8	0.03
Euros[(3)]	1,581	7.80	1,490	7.22	1,359	5.63	1,416	5.48	1,448	5.72	1,284	4.88
Islamic Dinars	175	0.86	149	0.72	174	0.72	266	1.03	222	0.88	198	0.75
Japanese Yen	71	0.35	70	0.34	77	0.32	56	0.22	44	0.17	40	0.15
Kuwaiti Dinars	516	2.55	528	2.56	555	2.30	557	2.16	543	2.14	523	1.99
Saudi Arabian Riyals	88	0.43	95	0.46	101	0.42	102	0.39	95	0.37	90	0.34
SDRs	133	0.66	80	0.39	28	0.12	2	0.01	1	0.01	1	0.00
U.A.E. Dirhams	5	0.03	8	0.04	11	0.05	12	0.05	12	0.05	12	0.05
U.S. Dollars	17,688	87.26	18,212	88.21	21,804	90.40	23,418	90.63	22,957	90.63	24,159	91.81
Total	**20,271**	**100.0**	**20,643**	**100.0**	**24,119**	**100.0**	**25,839**	**100.0**	**25,330**	**100.0**	**26,315**	**100.0**

Notes:

(1) Certain figures in this table differ from previously published figures due to the continuing implementation of a new debt management system; excluding accrued interest. See "*Presentation of Financial Information*" and "*Risk Factors—Risks Relating to the Republic—Accuracy of Financial and Statistical Information*".

(2) Amounts translated into U.S. Dollars at end of period rates.

(3) This category includes external debt incurred in European currency units prior to the introduction of the Euro on 1 January 1999 at the start of the third stage of the European Economic and Monetary Union.

The following table sets forth the Republic's public external debt projections and estimated future disbursements of contracted amounts for the periods indicated as at 30 June 2015.

Public Sector External Debt Service[1]

	2015	2016	2017	2018	2019	2020
			(U.S.$ millions)			
Total Foreign Currency Debt Service	**1,693.8**	**4,431.9**	**4,331.6**	**3,709.1**	**3,915.1**	**3,501.1**
Principal Payments	***866.4***	***2,934.3***	***3,018.8***	***2,545.9***	***2,890.2***	***2,675.1***
Principal Repayment–Loans	*158.5*	*294.3*	*278.4*	*261.4*	*237.1*	*173.7*
Principal Repayment–Expropriation Bonds	*15.0*	*4.3*	*19.6*	*16.8*	*3.1*	*1.4*
Principal Repayment–Eurobonds	*692.9*	*2,635.8*	*2,720.8*	*2,267.7*	*2,650.0*	*2,500.0*
Eurobond (U.S.$) 2015[2]	500.0	—	—	—	—	—
Eurobond (U.S.$) 2016	—	400.0	—	—	—	—
Eurobond (U.S.$) 2016	—	750.0	—	—	—	—
Eurobond (U.S.$) 2016	—	500.0	—	—	—	—
Eurobond (U.S.$) 2016	—	600.0	—	—	—	—
Eurobond (U.S.$) 2017	32.5	65.0	65.0	—	—	—
Eurobond (U.S.$) 2017	—	—	600.0	—	—	—
Eurobond (U.S.$) 2017	—	—	1231.1	—	—	—
Eurobond (U.S.$) 2017	—	—	268.9	—	—	—
Eurobond (U.S.$) 2017	100.4	187.0	187.0	—	—	—
Eurobond (U.S.$) 2017	—	13.8	13.8	—	—	—
Eurobond (U.S.$) 2017	15.0	30.0	90.0	—	—	—
Eurobond (U.S.$) 2017	—	—	175.0	—	—	—
Eurobond (U.S.$) 2018	35.0	70.0	70.0	35.0	—	—
Eurobond (U.S.$) 2018	—	—	—	700.0	—	—
Eurobond (U.S.$) 2018	—	—	—	500.0	—	—
Eurobond (U.S.$) 2018	—	—	—	185.3	—	—
Eurobond (U.S.$) 2018	—	—	—	339.7	—	—
Eurobond (€) 2018	—	—	—	497.7	—	—
Eurobond (U.S.$) 2018	10.0	20.0	20.0	10.0	—	—
Eurobond (U.S.$) 2019	—	—	—	—	650.0	—
Eurobond (U.S.$) 2019	—	—	—	—	500.0	—
Eurobond (U.S.$) 2019	—	—	—	—	1000.0	—
Eurobond (U.S.$) 2019	—	—	—	—	500.0	—
Eurobond (U.S.$) 2020	—	—	—	—	—	1200.0
Eurobond (U.S.$) 2020	—	—	—	—	—	600.0
Eurobond (U.S.$) 2020	—	—	—	—	—	258.6
Eurobond (U.S.$) 2020	—	—	—	—	—	341.4
Eurobond (U.S.$) 2020	—	—	—	—	—	100.0
Interest and Commissions	***827.4***	***1,497.6***	***1,312.8***	***1,163.2***	***1,024.9***	***826.0***
Loans	*33.8*	*61.8*	*54.0*	*45.9*	*39.9*	*33.2*
Expropriation & contractors bonds	*1.5*	*2.1*	*1.4*	*0.6*	*0.1*	*0.0*
Coupon Payment	*792.1*	*1,433.7*	*1,257.4*	*1,116.7*	*984.9*	*792.8*
Eurobond (U.S.$) 2015[2]	21.3	—	—	—	—	—
Eurobond (U.S.$) 2016	23.3	23.3	—	—	—	—
Eurobond (U.S.$) 2016	31.9	31.9	—	—	—	—
Eurobond (U.S.$) 2016	11.9	23.8	—	—	—	—
Eurobond (U.S.$) 2016	13.5	13.4	—	—	—	—
Eurobond (U.S.$) 2017	15.0	30.0	30.0	—	—	—
Eurobond (U.S.$) 2017	55.4	110.8	55.7	—	—	—
Eurobond (U.S.$) 2017	4.1	5.7	2.4	—	—	—
Eurobond (U.S.$) 2017	12.1	24.2	12.2	—	—	—
Eurobond (U.S.$) 2017	9.4	13.1	5.6	—	—	—
Eurobond (U.S.$) 2017	0.7	1.0	0.4	—	—	—
Eurobond (U.S.$) 2017	2.5	4.2	3.1	—	—	—
Eurobond (U.S.$) 2017	4.4	8.8	8.8	—	—	—
Eurobond (U.S.$) 2018	5.3	7.9	4.4	0.9	—	—
Eurobond (U.S.$) 2018	18.0	36.1	36.1	18.0	—	—
Eurobond (U.S.$) 2018	12.9	25.8	25.8	25.8	—	—
Eurobond (U.S.$) 2018	4.8	9.5	9.5	9.5	—	—
Eurobond (U.S.$) 2018	8.7	17.5	17.5	17.5	—	—
Eurobond (U.S.$) 2018	1.5	2.3	1.3	0.3	—	—
Eurobond (€) 2018	26.6	26.6	26.6	26.6	—	—
Eurobond (U.S.$) 2019	19.5	39.0	39.0	39.0	19.5	—
Eurobond (U.S.$) 2019	13.6	27.3	27.3	27.3	27.3	—

Public Sector External Debt Service[1]

	2015	2016	2017	2018	2019	2020
			(U.S.$ millions)			
Eurobond (U.S.$) 2019	27.3	54.5	54.5	54.5	54.5	—
Eurobond (U.S.$) 2019	13.8	27.5	27.5	27.5	13.8	—
Eurobond (U.S.$) 2020	38.3	76.5	76.5	76.5	76.5	38.3
Eurobond (U.S.$) 2020	18.5	36.9	36.9	36.9	36.9	18.3
Eurobond (U.S.$) 2020	7.5	15.0	15.0	15.0	15.0	7.5
Eurobond (U.S.$) 2020	9.9	19.8	19.8	19.8	19.8	9.9
Eurobond (U.S.$) 2020	2.9	5.8	5.8	5.8	5.8	2.9
Eurobond (U.S.$) 2021	37.6	75.2	75.2	75.2	75.2	75.2
Eurobond (U.S.$) 2021	30.9	61.9	61.9	61.9	61.9	61.9
Eurobond (U.S.$) 2021	17.8	35.6	35.6	35.6	35.6	35.6
Eurobond (U.S.$) 2022	6.9	13.7	13.7	13.7	13.7	13.7
Eurobond (U.S.$) 2022	8.1	16.2	16.2	16.2	16.2	16.2
Eurobond (U.S.$) 2022	10.7	21.4	21.4	21.4	21.4	21.4
Eurobond (U.S.$) 2022	21.4	42.7	42.7	42.7	42.7	42.7
Eurobond (U.S.$) 2023	11.5	23.1	23.1	23.1	23.1	23.1
Eurobond (U.S.$) 2023	3.5	6.9	6.9	6.9	6.9	6.9
Eurobond (U.S.$) 2023	18.0	36.0	36.0	36.0	36.0	36.0
Eurobond (U.S.$) 2024	8.8	17.5	17.5	17.5	17.5	17.5
Eurobond (U.S.$) 2025	25.0	50.0	50.0	50.0	50.0	50.0
Eurobond (U.S.$) 2025	24.8	49.6	49.6	49.6	49.6	49.6
Eurobond (U.S.$) 2026	12.4	24.8	24.8	24.8	24.8	24.8
Eurobond (U.S.$) 2026	11.6	23.1	23.1	23.1	23.1	23.1
Eurobond (U.S.$) 2026	14.7	29.4	29.4	29.4	29.4	29.4
Eurobond (U.S.$) 2026	11.7	23.4	23.4	23.4	23.4	23.4
Eurobond (U.S.$) 2026	2.5	5.0	5.0	5.0	5.0	5.0
Eurobond (U.S.$) 2027	12.4	24.9	24.9	24.9	24.9	24.9
Eurobond (U.S.$) 2027	4.4	8.9	8.9	8.9	8.9	8.9
Eurobond (U.S.$) 2027	16.9	33.8	33.8	33.8	33.8	33.8
Eurobond (U.S.$) 2030	46.6	93.1	93.1	93.1	93.1	93.1

Notes:
(1) The amortization schedule is as at 30 June 2015 based on outstanding amounts. The applicable exchange rate used to calculate amounts denominated in Euros is U.S.$1.118= €1.00.
(2) Repaid in accordance with its terms in August 2015.

Source: Ministry of Finance

Issuance of U.S. Dollar-Denominated Notes in Satisfaction of Certain Claims

On 22 April 2010, pursuant to Law № 69, the Republic issued U.S.$15.984 million in aggregate principal amount of notes to settle increases in construction costs. The notes matured in April 2015 and carried interest at a rate of 6%. On 15 July 2010, pursuant to Law № 69, the Republic issued U.S.$6.930 million in aggregate principal amount of notes to settle increases in construction costs. The notes matured in July 2015 and carried interest at a rate of 6%. On 30 November 2010, pursuant to Law № 69, the Republic issued U.S.$8.1 million in aggregate principal amount of notes to settle increases in construction costs. The notes mature in November 2015 and carry interest at a rate of 6%.

On 19 September 2011, pursuant to Law № 69, the Republic issued U.S.$4.3 million in aggregate principal amount of notes to settle increases in construction costs. The notes mature in September 2016 and carry interest at a rate of 6%.

On 23 January 2012, pursuant to Law № 450, the Republic issued U.S.$16.5 million in aggregate principal amount of notes to settle expropriation claims. The notes mature in January 2017 and carry interest at a rate of 4.70%. On 6 December 2012, pursuant to Law № 450, the Republic issued U.S.$3.2 million in aggregate principal amount of notes to settle expropriation claims. The notes mature in December 2017 and carry interest at a rate of 4.90%.

On 7 February 2013, pursuant to Law № 69, the Republic issued U.S.$16.9 million in aggregate principal amount of notes to settle increases in construction costs. The notes mature in February 2018 and carry interest at a rate of 4.04%.

On 31 January 2014, pursuant to Law № 450, the Republic issued U.S.$3.1 million in aggregate principal amount of notes to settle expropriation claims. The notes mature in January 2019 and carry interest at a rate of 4.90%.

On 16 April 2015, pursuant to Law № 450, the Republic issued U.S.$1.4 million in aggregate principal amount of notes to settle expropriation claims. The notes mature in April 2020 and carry interest at a rate of 4.90%.

Debt Record

The Republic had little public external debt prior to 1975 and, with one minor exception, has been current on its debt service, including during the 1975–1990 period of conflict. The Republic made payment on its Eurobonds during the July 2006 War. The only instance of arrears during the 1975-1990 conflict was in respect of a debt to the United States Commodity Credit Corporation, which financed a sale on concessional terms in 1970. The loan fell into arrears in April 1986 as the Ministry of Finance, which coordinates external debt service, was then unaware of its existence due to loss of records during the conflict period. The loan was not accelerated. The Ministry of Finance assumed responsibility for the debt and the arrears (amounting to U.S.$5.5 million in principal and accrued interest and U.S.$713,000 in late interest) were cleared in 1995.

The Republic has never conducted a Paris Club or London Club rescheduling of its external debt.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Republic which will be incorporated by reference into each Global Note and each Definitive Note, in the case of Definitive Notes only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Republic and the relevant Dealer at the time of issue. If not so permitted and agreed, such Terms and Conditions will be endorsed on or attached to such Definitive Note. The applicable Final Terms in relation to any Tranche of Notes (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note, Regulation S Global Note, Restricted Global Note and Definitive Note (each as defined in "Forms of the Notes" below). Capitalized terms used in these Terms and Conditions and not otherwise defined herein have the meanings ascribed thereto in the Fiscal Agency Agreement or the applicable Final Terms. References to a specific "Condition" shall be deemed to refer to the relevant Condition set forth in the Terms and Conditions of the Notes.

This Note is one of a Series (as defined below) of Notes issued by the Lebanese Republic (the "**Republic**") pursuant to a Third Amended and Restated Fiscal Agency Agreement (such Fiscal Agency Agreement, as modified and/or supplemented and/or restated from time to time, the "**Fiscal Agency Agreement**") dated 1 March 2010 and made between the Republic, Deutsche Bank Trust Company Americas (acting through its principal corporate office in New York), as fiscal agent (the "**Fiscal Agent**," which expression shall include any successor fiscal agent), as registrar (the "**Registrar**," which expression shall include any successor registrar), as calculation agent (the "**Calculation Agent**," which expression shall include any successor calculation agent), and as exchange agent (the "**Exchange Agent**," which expression shall include any successor exchange agent) and Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A., as paying agents and transfer agents (respectively, the "**Paying Agents**" and "**Transfer Agents**", which expressions shall, unless the context otherwise requires, include any successors in their capacity as such and any substitute or any additional paying agents or transfer agents, respectively, which are appointed in accordance with the Fiscal Agency Agreement). References herein to the "**Notes**" shall be references to the Notes of this Series and shall include (i) any Global Note, (ii) interests in any Global Note representing units of the lowest Specified Denomination (as indicated in the applicable Final Terms) in the Specified Currency (as indicated in the applicable Final Terms) and (iii) any Definitive Notes issued in exchange (or part exchange) for a Global Note.

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to "Coupons" or "coupons" shall, unless the context otherwise requires, be deemed to include a reference to "Talons" or "talons". Definitive Bearer Notes repayable in installments have receipts ("**Receipts**") for the payment of the installments of principal (other than the final installment) attached on issue. Definitive Registered Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and complete these Terms and Conditions and, in the case of a Note that is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, may specify other terms and conditions, which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) except that a Tranche of Notes may comprise Notes of more than one Specified Denomination. As used herein, "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are expressed to be consolidated and form a single series and are identical in all respects (including as to listing) except that a Series of Notes may comprise Notes of more than one Specified Denomination and the Issue Price, Issue Date, Interest Commencement Date (if any) and/or the amount of the first payment of interest (if any) may be different in respect of different Tranches.

Copies of the Fiscal Agency Agreement and the Final Terms applicable to this Note are available during normal business hours at the specified office of each of the Paying Agents, the Registrar, the Transfer Agents and the Fiscal Agent save that the applicable Final Terms in relation to an unlisted Note will only be available for inspection by a Holder holding one or more Notes of the same Series, subject to such Holder producing evidence satisfactory to the Fiscal Agent, the Registrar or the relevant Paying Agent or Transfer Agent, as the case may be, as to its holding of such Notes and as to its identity. The Holders of Notes, Receipts and Coupons are deemed to have notice of, and are entitled to the benefit of, all the provisions of these Terms and Conditions and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Fiscal Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise

stated and provided that, in the event of inconsistency between these Terms and Conditions and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes may be Bearer Notes or Registered Notes and issued in global form or definitive form. Notes, to the extent applicable, will be numbered serially and issued in the Specified Currency and the Specified Denomination(s). Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Notes in registered form sold pursuant to Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), shall be issued in denominations of U.S.$100,000 (or its equivalent in any other currency) and higher integral multiples of U.S.$1,000 (or its equivalent as aforesaid) or the higher denomination or denominations specified in the applicable Final Terms.

Subject as set forth below, title to Bearer Notes, Receipts and Coupons will pass by delivery and references herein to "**Holders**" of Bearer Notes, Receipts and Coupons are to the bearers of such Bearer Notes, Receipts and Coupons, subject as provided below. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in London. References herein to the "**Holders**" of Registered Notes are to the persons in whose names such Registered Notes are so registered in such books, subject as provided below. The Republic, the Fiscal Agent, any Paying Agent, the Registrar and any Transfer Agent may deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set forth in the next succeeding paragraph.

For so long as any of the Bearer Notes are represented by a bearer Global Note held by a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg or for so long as Euroclear, Clearstream, Luxembourg or DTC, as the case may be, or its nominee is the registered holder of a Registered Global Note, each person (other than Euroclear, Clearstream, Luxembourg or, as the case may be, DTC) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or, as the case may be, DTC as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or, as the case may be, DTC as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Republic, the Fiscal Agent, any Paying Agent, the Registrar and any Transfer Agent as the Holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer or registered owner of the relevant Global Note shall be treated by the Republic, the Fiscal Agent, any Paying Agent, the Registrar and any Transfer Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expression "**Holder**" and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and, if applicable, DTC, as the case may be.

References to Euroclear, Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Republic, the relevant Dealer and the Fiscal Agent and specified in the applicable Final Terms.

Notes shall be issued and denominated in, and amounts shall be due and payable in, the Specified Currency specified in the applicable Final Terms, save that the minimum denomination of each Note will be the equivalent in Specified Currency of U.S.$1,000 or such higher minimum as may be required from time to time by any laws or regulations applicable to the relevant Specified Currency.

2. Exchange and Transfers of Notes

(a) Exchange of Registered Notes and Bearer Notes

Registered Notes may not be exchanged for Bearer Notes and vice versa.

(b) Exchange of Interests in Global Notes for Definitive Notes

Interests in any Global Note will be exchangeable for Definitive Notes, in whole, but not in part, if (i) Euroclear or Clearstream, Luxembourg or, if applicable, DTC notifies the Republic that it is unwilling or

unable to continue as depositary for such Registered Global Note, (ii) if applicable, DTC ceases to be a "Clearing Agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or either Euroclear or Clearstream, Luxembourg or, if applicable, DTC is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business, and a successor depositary or alternative clearing system satisfactory to the Republic and the Fiscal Agent is not available or (iii) an Event of Default (as defined in Condition 10(a)) has occurred and is continuing with respect to such Notes. Upon the occurrence of any of the events described in this Condition 2(b), the Republic will cause the appropriate Definitive Notes to be delivered.

(c) Transfers of Global Notes

Transfers of any Global Note shall be limited to transfers of such Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or, if applicable, DTC or to a successor of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, or such successor's nominee.

Transfers of beneficial interests in Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg, or, if applicable, DTC, as the case may be.

(d) Exchanges and Transfers of Definitive Registered Notes

Upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, a Definitive Registered Note may be transferred in whole or in part by the Holder or Holders surrendering the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorized in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Republic and the Registrar, or, as the case may be, the relevant Transfer Agent may, with the prior approval of the Fiscal Agent, prescribe, including any restrictions imposed by the Republic on transfers of Definitive Registered Notes originally sold to a U.S. person.

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate principal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(e) Closed Periods

No Holder may require the transfer of a Registered Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal or interest or any other amount on that Note or as otherwise provided in Condition 7(c).

(f) Costs of Exchange or Registration

Registration of transfers will be effected without charge by or on behalf of the Republic, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it.

3. Status of the Notes

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Republic which rank *pari passu* in priority of payment, without any preference among themselves and at least *pari passu* with all other present and future unsecured (subject to Condition 4) and unsubordinated External Indebtedness (as defined below) of the Republic, other than any External Indebtedness preferred by Lebanese law and *provided, however*, that the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. The full faith and credit of the Republic will be pledged for the due and punctual payment of the Notes and for all obligations of the Republic in respect thereof.

"**External Indebtedness**" means any notes, debentures, bonds, or other similar securities with a stated maturity of more than one year from their date of issue which by their terms are payable, or confer a right to receive payment, in any currency other than the lawful currency of the Republic ("**Lebanese Currency**").

4. Negative Pledge

The Republic undertakes that, so long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Republic will not create or permit to subsist on any of its present or future assets or revenues any mortgage, pledge or other encumbrance ("**Lien**") to secure any Public External Indebtedness of the Republic or any other person or any guarantees given by the Republic after 2 July 1997 of Public External Indebtedness of any third party unless either (i) at the same time or prior thereto, the Republic's obligations under the Notes are secured by the Lien equally and ratably with such Public External Indebtedness or guarantee so secured at the cost of the Republic, and the instrument or the enactment creating such Lien shall expressly so provide, or (ii) such Lien shall have been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Holders of Notes.

For the purpose of these Conditions, "**Public External Indebtedness**" means any External Indebtedness which is for the time being or is intended to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other notes market outside the Republic."

5. Interest

Notes in a Series may be interest bearing or non-interest bearing, as specified in the relevant Final Terms. The Final Terms in relation to interest-bearing Notes in a Series shall specify whether the Notes bear interest on a fixed rate or floating rate basis and shall specify any other interest-related terms.

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its principal amount from (and including) the Interest Commencement Date specified in the applicable Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest, where accrued interest shall be payable in arrears on the Fixed Interest Date(s) in each year and on the Maturity Date so specified if that does not fall on a Fixed Interest Date. The first payment of interest will be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount specified in the applicable Final Terms. If the Maturity Date is not a Fixed Interest Date, interest from (and including) the preceding Fixed Interest Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount specified in the applicable Final Terms.

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

If interest is required to be calculated for a period ending other than on a Fixed Interest Date or if no Fixed Coupon Amount is specified, such interest shall be calculated by applying the Fixed Rate of Interest to the outstanding amount of the Fixed Rate Note, multiplying such sum by the applicable Fixed Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Fixed Day Count Fraction**" means*:*

(i) if "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the relevant period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by the product of the actual number of days in the period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the next scheduled Fixed Interest Date and the number of Fixed Interest Dates that would occur in one year assuming interest was to be payable in respect of the whole of that year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the period is the 31st day of a month but the first day of the period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its principal amount from (and including) the Interest Commencement Date specified in the applicable Final Terms at the Rate of Interest applicable, as provided in (ii) below, with such accrued interest being payable in arrear on either:

(A) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "**Interest Payment Date**") that corresponds to the date which falls the number of months or other period specified in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (the "**Specified Period**").

Such interest will be payable in respect of each period from (and including) an Interest Payment Date (or, in the case of the first such period, the Interest Commencement Date) to (but excluding) the next (or the first) Interest Payment Date (each, an "**Interest Period**").

If a business day convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day that is not a Business Day (as defined below) then, if the business day convention specified is:

(1) the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below in this subparagraph (1) shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the relevant Specified Period after the preceding applicable Interest Payment Date occurred, in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In addition, if (i) the Floating Rate Convention is specified in the applicable Final Terms, (ii) Specified Periods are specified in accordance with Condition 5(b)(i)(B) above and (iii) any Interest Payment Date falls on the last Business Day in any month, then each subsequent Interest Payment Date shall be the last Business Day in the relevant Specified Period after the preceding applicable Interest Payment Date occurred.

In this Condition, "**Business Day**" means a day which is both:

(X) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Business Center specified in the applicable Final Terms; and

(Y) either (1) in relation to interest payable in a Specified Currency other than Euro, a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial center of the country of the relevant Specified Currency (if other than London and any Additional Business Center) or (2) in relation to interest payable in Euro, a day on which the TARGET2 system is open.

In these Conditions, "**TARGET2 system**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system that was launched on 19 November 2007 or any successor system.

(ii) Rate of Interest

The Rate of Interest applicable for each Interest Period in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

If ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "*ISDA Rate*" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("*EURIBOR*"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions; and "**ISDA Definitions**" means the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series (as specified in the applicable Final Terms), as published by the International Swaps and Derivatives Association, Inc.

In these Conditions, "**Euro-zone**" means the region comprised of member states of the European Union ("**Member States**") that have adopted the Euro as their sole legal tender.

(B) Screen Rate Determination for Floating Rate Notes

If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest applicable to the Notes for each Interest Period is to be determined by the Calculation Agent, the Rate of Interest for each Interest Period shall be calculated on the following basis:

(1) if the Reference Rate (as specified in the applicable Final Terms) is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page (as specified in the applicable Final Terms) as of the Relevant Time (as specified in the applicable Final Terms) on the relevant Interest Determination Date (as specified in the applicable Final Terms); or

(2) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates that appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date; or

(3) if the Relevant Screen Page is not available or, if in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than two such Reference Rates appear, in each case as at the Relevant Time on the relevant Interest Determination Date, the Rate of Interest for the relevant Interest Period shall be determined as provided in the preceding paragraph by reference to such other page (the "**Alternative Screen Page**") on such other information vendor service as is then displaying in the case of (A) above, information comparable to that appearing on the Relevant Screen Page when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, information comparable to that appearing on the Relevant Screen Page when no fewer than two such offered quotations appeared; or

(4) if no Alternative Screen Page is available, the Calculation Agent will:

(x) request the office of each Reference Bank in the Business Center (as specified in the applicable Final Terms) to provide a quotation of the Reference Rate quoted by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Business Center interbank market for an amount that is representative for a single transaction in that market at that time; and

(y) determine the arithmetic mean of such quotations; or

(5) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Business Center of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Business Center of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum, the rate or (as the case may be) the arithmetic mean so determined and the applicable Margin; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum, the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes for respect of a preceding Interest Period and the applicable Margin.

(iii) Minimum and Maximum Interest Rates

If the applicable Final Terms specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate. If the applicable Final Terms specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Floating Rate Note, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(A) if "**Actual/365**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(D) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened or lengthened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(E) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Republic, the Fiscal Agent, each Paying Agent, any stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Holders, in accordance with Condition 14 as soon as

possible after their determination but (in the case of Notes listed on the Luxembourg Stock Exchange) in no event later than the fourth Luxembourg Business Day (as defined below) thereafter or as otherwise required by the rules of any relevant stock exchange. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Republic, the Fiscal Agent, each Paying Agent, each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Holders in accordance with Condition 14 and the provisions of this paragraph (v) above.

"**Luxembourg Business Day**" means a day (other than a Saturday or a Sunday) or which banks and foreign exchange markets settle payments in Luxembourg.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b) by the Calculation Agent shall (in the absence of willful default, bad faith or manifest error) be binding on the Republic, the Fiscal Agent, the Registrar, the Calculation Agent, the Paying Agents and all Holders of Notes, Receipts and Coupons and (in the absence as aforesaid) no liability to the Republic or any Holder of Notes, Receipts or Coupons shall attach to the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date fixed for its final redemption unless, upon due presentation thereof, payment of the full redemption amount is improperly withheld or refused. In such event, each Note will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder and (ii) the day that is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of such Note up to such seventh day (except to the extent that there is any subsequent default in payment).

6. Payments

(a) Method of Payment

Subject as provided below:

(i) payments in a Specified Currency other than Euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency; and

(ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee in a city in which banks have access to the TARGET2 system or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. References to "**Specified Currency**" will include any successor currency under applicable law.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of Definitive Bearer Notes and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case, at the specified office of any Paying Agent outside the United

States (which expression, as used herein, means the United States of America (including the States of the United States and the District of Columbia, its territories and possessions)).

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of any Bearer Notes is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of the Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Republic has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Republic, adverse tax consequences to the Republic.

In respect of Definitive Bearer Notes, payments of installments of principal (if any), other than the final installment, will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of the relevant Receipt. Payment of the final installment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Definitive Bearer Note. Each Receipt must be presented for payment of the relevant installment together with the Definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Republic. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons failing to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Payments of principal and interest (if any) in respect of Bearer Notes represented by any bearer Global Note will (subject as provided below) be made in the manner provided in paragraph (a) above and otherwise in the manner specified in the relevant bearer Global Note against presentation or surrender, as the case may be, of such bearer Global Note at the specified office of any Paying Agent. A record of each payment made against presentation or surrender of such bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

Payments of principal (other than installments of principal (if any) prior to the final installment) in respect of Registered Notes (whether in definitive or global form) will be made in the manner specified in paragraph (a) to the persons in whose name such Registered Notes are registered at the close of business on the business day

(being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender (or, in the case of part payment only of any sum due, endorsement) of such Registered Notes at the specified office of the Registrar, or the Paying Agents.

Payments of interest due on a Registered Note (whether in definitive or global form) and payments of installments of principal (if any) due on a Registered Note (other than the final installment) will be made in the manner specified in paragraph (a) to the person in whose name such Note is registered at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) prior to such due date (the "*Record Date*")). In the case of payments by cheque, cheques will be mailed to the Holder (or the first named of joint Holders) at such Holder's registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Notes is required by credit or transfer as referred to in paragraph (a) above, application for such payment must be made by the Holder to the Registrar not later than the relevant Record Date.

All amounts payable to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, or its nominee for payment in such Specified Currency or conversion into U.S. Dollars in accordance with the provisions of the Fiscal Agency Agreement.

The Holder of a Global Note (or, as provided in the Fiscal Agency Agreement, the Fiscal Agent) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Republic will be discharged by payment to, or to the order of, the Holder of such Global Note (or the Fiscal Agent, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment so made by the Republic to, or to the order of, the Holder of such Global Note (or, as provided in the Fiscal Agency Agreement, the Fiscal Agent). No person other than the Holder of such Global Note (or the Fiscal Agent, as the case may be) shall have any claim against the Republic in respect of any payments due on that Global Note.

(c) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "*Payment Day*" means any day which is:

(i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation;

(ii) a Business Day (as defined in Condition 5(b)(i));

(iii) in relation to Notes denominated or payable in Euro, a day on which the TARGET2 system is open; and

(iv) in the case of any payment in respect of a Restricted Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, or its nominee and, in respect of which an accountholder of Euroclear, Clearstream, Luxembourg or DTC (with an interest in such Restricted Global Note), as the case may be, has elected to receive any part of such payment in U.S. Dollars, not a day on which banking institutions are authorized or required by law or regulation to be closed in New York City.

(d) Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal of such Notes under Condition 8;

(ii) the Amortization Amounts of such Notes;

(iii) the Final Redemption Amount of such Notes;

(iv) the Early Redemption Amount of such Notes;

(v) the Optional Redemption Amount(s) (if any) of such Notes; and

(vi) any premium and any other amounts which may be payable by the Republic under or in respect of such Notes.

Any reference in these Conditions to interest in respect of Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. Amortization, Redemption and Purchase

(a) Amortization

If specified in the applicable Final Terms, the Notes will be redeemed in the amounts ("**Amortization Amounts**") and on the dates ("**Amortization Dates**") set forth in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) below.

(b) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Republic at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(c) Redemption at the Option of the Republic (Call Option)

If the Call Option is specified in the applicable Final Terms as being applicable, the Republic may, having given:

(i) not less than 30 nor more than 60 days' irrevocable notice to the Holders in accordance with Condition 14; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Fiscal Agent;

(which notices shall be irrevocable) redeem all or part of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such redemption must be of a principal amount equal to the Minimum Redemption Amount or a higher redemption amount. In the case of a partial redemption of Notes (or, as the case may be, parts of Registered Notes), the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or, as the case may be, DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by Definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate principal amount of Redeemed Notes represented by Definitive Notes shall bear the same proportion to the aggregate principal amount of all Redeemed Notes as

the aggregate principal amount of Definitive Notes outstanding bears to the aggregate principal amount of all Notes outstanding, in each case on the Selection Date, provided that such first mentioned principal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate principal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Republic to the Holders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) Redemption at the Option of the Holders (Put Option)

If the Put Option is specified in the applicable Final Terms as being applicable, upon the Holder of any Note giving to the Republic, in accordance with Condition 14, not less than 30 nor more than 60 days' irrevocable notice or such other period of notice as is specified in the applicable Final Terms, the Republic will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. If the Put Option is not specified in the applicable Final Terms as being applicable then Holders of Notes shall not have any option to cause the Republic to redeem their Notes as described in this subparagraph (d).

To exercise the right to require redemption of a Note, the Holder of such Note must deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a "**Put Notice**") accompanied by, if the Note is in definitive form, the Definitive Note, to the specified office of any Paying Agent, in the case of Bearer Notes, or of any Transfer Agent or the Registrar, in the case of Registered Notes, at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or the Registrar. In the Put Notice, the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(e) Early Redemption Amounts

For the purpose of Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(ii) in the case of Notes with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their principal amount.

(f) Purchases

(i) *Purchase of Notes by the Republic*. The Republic may at any time purchase Notes in any manner and at any price (provided that, in the case of Bearer Notes in definitive form, these are purchased together with all unmatured Receipts and Coupons appertaining thereto), subject to all applicable laws. If purchases are made by tender, tenders must be available to all Holders alike.

(ii) *Treatment of Notes purchased by or for the Republic*. All Notes which are purchased by or on behalf of the Republic may, if the Republic so elects, be cancelled. Any Notes so cancelled may not be reissued or resold. The Notes so purchased, while held by or for the account of the Republic, shall not entitle their Holder to vote at any meeting of the Holders of Notes of any Series and shall not be deemed outstanding for the purpose of calculating the quorum at a meeting of the Holders of Notes of any Series or for the purposes of Conditions 10 and 15.

(g) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (f) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Fiscal Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and cannot be reissued or resold.

(h) Obligation to Redeem

Upon the expiry of any notice as is referred to in paragraph (c) or (d) above, the Republic shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Republic shall be made without withholding or deduction for, or on account of, any present or future taxes, duties assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Republic, or any political subdivision of, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments of other governmental charges is required by law. In such event, the Republic will pay such additional amounts as may be necessary in order that the net amounts received by the Holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

(i) by, or to a third party on behalf of, a Holder of a Note, Receipt or Coupon who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic other than the mere holding of such Note, Receipt or Coupon; or

(ii) more than 30 days after the Relevant Date except to the extent that the Holder of a Note, Receipt or Coupon would have been entitled to receipt of additional amounts pursuant to this Condition on duly presenting the same for payment on such thirtieth day; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount payable has not been duly received by the Fiscal Agent or, as the case may be, the Registrar, on or prior to such due date, it means the date on which notice is given to the Holders, in accordance with Condition 14, that the full amount has been received.

9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default

(a) Declaration of Acceleration

If any of the following events (each, an "**Event of Default**") occurs and is continuing:

(i) the Republic defaults in the payment of any principal due and payable on or in respect of the Notes in the relevant Series for more than seven days; or

(ii) the Republic defaults in the payment of any interest due and payable on or in respect of the Notes in the relevant Series for more than 30 days; or

(iii) the Republic defaults in the due performance and observance of any other provision contained in the Notes in the relevant Series and such default (if capable of remedy) is not remedied for 30 days after written notice thereof shall have been given to the Republic at the specified office of the Fiscal Agent; or

(iv) there occurs any default by the Republic in the due and punctual payment of the principal of, or premium or prepayment charge, if any, or interest on, any Public External Indebtedness of or assumed or guaranteed by the Republic having an aggregate principal amount in excess of U.S.$20,000,000 (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, and such default shall continue for more than the original period of grace, if any, applicable thereto, unless such payment is being contested in good faith by the Republic (the term "*original period of grace*" as used herein meaning that grace period fixed by the terms of the agreement or instrument under which such indebtedness was created, but specifically not including any extension in the time permitted for such payment or any waiver or delay in the requirement for such payment which has been separately agreed to between the obligor and obligee); or

(v) there occurs any default giving the creditor the right to demand repayment (other than a default in payment) in respect of any Public External Indebtedness of or assumed or guaranteed by the Republic having an aggregate principal amount in excess of U.S.$20,000,000 (or its equivalent in any other currency or currencies) and repayment is demanded, provided that such default continues for more than the original period of grace, if any, applicable thereto and that such repayment is not being contested in good faith by the Republic; or

(vi) the Republic enters into any arrangement with its creditors generally for the rescheduling or postponement of, or declares or imposes a moratorium on, the payment of any Public External Indebtedness of or assumed or guaranteed by the Republic having an aggregate principal amount in excess of U.S.$20,000,000 (or its equivalent in any other currency or currencies);

then the Holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Republic, with a copy to the Fiscal Agent, declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with, if appropriate, accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Holders by the Republic.

No delay or omission of any Holder or any party to the Fiscal Agency Agreement to exercise any right or remedy accruing upon any Event of Default or otherwise shall impair any such right or remedy or constitute a waiver of any such Event of Default or any other breach of obligations under the Fiscal Agency Agreement or any acquiescence therein.

(b) Withdrawal of Declaration of Acceleration

If the Republic receives notice in writing from Holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such Holders wish the relevant declaration to be withdrawn, the Republic shall give notice thereof to the Holders, with a copy to the Fiscal Agent, whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations that may have arisen before the Republic gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Holder in relation thereto.

11. Replacement of Notes, Receipts and Coupons

Should any Note, Receipt or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts and Coupons) or of the Registrar (in the case of Registered Notes), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, indemnity and security as the Republic may reasonably require. Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

12. Fiscal Agent, Registrar, Exchange Agent, Paying and Transfer Agents

The names of the initial Fiscal Agent, the initial Paying Agents, the initial Exchange Agent, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set forth in the Fiscal Agency Agreement. The Republic is, upon prior notice to the Fiscal Agent, entitled to vary or terminate the appointment of any Paying Agent, the Exchange Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Exchange Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Exchange Agent, Registrar or Transfer Agent acts, provided that:

(i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and, if appropriate, a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

(ii) there will at all times be a Paying Agent and a Transfer Agent with a specified office in a city in continental Europe (which shall be Luxembourg, so long as the Notes are listed on the Luxembourg Stock Exchange);

(iii) there will at all times be a Registrar and a Transfer Agent with a specified office in New York City;

(iv) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. Dollars are held through Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and

(v) there will at all times be a Fiscal Agent.

The Republic shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 6(b). In addition, the Republic agrees to appoint and maintain a Paying Agent in a Member State of the European Union that will not be obligated to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 14.

In acting under the Fiscal Agency Agreement, the Fiscal Agent, the Exchange Agent, the Registrar, the Paying Agents and the Transfer Agents act solely as agents of the Republic and, in certain limited circumstances, of the Fiscal Agent and do not assume any obligation or trust for or with any Holders.

13. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

14. Notices

(a) Notices to Holders while Notes are held in Global Form

So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of DTC, Euroclear or Clearstream, Luxembourg, notices to Holders may be given by delivery of such notice to the relevant clearing systems for communication by them to entitled account holders; provided that, so long as the Notes are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange. In respect of Notes listed on the Official List of the Luxembourg Stock Exchange, notice will be published on the website of the Luxembourg Stock Exchange, being www.bourse.lu.

(b) Notices to Holders of Registered Definitive Notes

Notices to Holders of Definitive Notes in registered form will be deemed to be validly given if sent by first class mail (or the equivalent) or (if posted to an overseas address) by airmail to the Holders of those Notes at their respective addresses as recorded in the Register for those Notes, and will be deemed to have been validly given on the fourth day after the date of mailing as provided above or, if posted from a country other than that of the addressee, on the fifth day after the date of such mailing. In respect of Definitive Notes in registered form listed on the Official List of the Luxembourg Stock Exchange, notice will be published on the website of the Luxembourg Stock Exchange, being www.bourse.lu.

(c) Notices to Holders of Bearer Definitive Notes

Notices to Holders of Bearer Definitive Notes shall be given by publication in a leading English-language daily newspaper published in London, which is expected to be *The Financial Times*, provided that, so long as the Notes are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange. In respect of Bearer Definitive Notes listed on the Official List of the Luxembourg Stock Exchange, notice will be published on the website of the Luxembourg Stock Exchange, being www.bourse.lu.

Holders of Receipts and Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Definitive Notes in bearer form in accordance with this Condition.

(d) Effect of Certain Notices

Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with reference to other Holders.

(e) Notices to the Republic and Any Agent

Except as otherwise expressly provided herein, any request, demand, authorization, direction, notice, consent, election, waiver or other act of Holders of Notes or any delivery of other documents provided or permitted by the Fiscal Agency Agreement to be made upon, given or furnished to, or filed by any Holder of Notes with:

(i) the Fiscal Agent shall be sufficient for every purpose hereunder and under the Fiscal Agency Agreement if made, given, furnished or filed in writing to the Fiscal Agent at its office specified herein or pursuant to the Fiscal Agency Agreement to the attention of the Corporate Trust Agency Group; or

(ii) the Republic shall be sufficient for every purpose hereunder and under the Fiscal Agency Agreement (unless otherwise herein or therein expressly provided) if made, given, furnished or filed in writing to or with the Republic at the address specified on the signature pages of the Fiscal Agency Agreement, or at any other address previously furnished in writing to the Fiscal Agent by the Republic.

Any such notice by a Holder of Notes may be furnished or filed by any standard form of telecommunications, so long as such notice is confirmed in writing by the Holder of Notes or its agent and delivered promptly by airmail to the Fiscal Agent or the Republic, as the case may be or, so long as the Notes are represented by Global Notes, through the relevant Clearing Agent's internal communication system utilized for communication with its respective member organizations to the Principal Paying Agent *via* DTC, Euroclear or Clearstream, Luxembourg, in such manner as the Principal Paying Agent and DTC, Euroclear or Clearstream,

Luxembourg, as the case may be, may approve for this purpose. The Republic or the Fiscal Agent, as the case may be, may require any Holder of Notes giving notice to furnish proof of its holding of Notes.

15. Meetings of Holders, Modification and Waiver

(a) The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Notes of any Series to consider any matter affecting their interests, including the modification of these Conditions or the provisions of the Fiscal Agency Agreement, provided that no modification of the Conditions or the Fiscal Agency Agreement may be made without the consent or affirmative vote (by person or by proxy) of persons holding or representing no less than 75% in aggregate principal amount of Notes then represented at the relevant meeting of Holders of Notes of such Series which would (i) change the due date for any amount payable by the Republic under the Notes of such Series; (ii) reduce or cancel any portion of the principal amount of the Notes or the amount of interest or any other amount payable under the Notes or modify the rate of interest on the Notes of such Series; (iii) modify the currency of payment under the Notes of such Series; (iv) change the identity of any person obligated under the Notes of such Series or the release, in whole or in part, of any such person; or (v) modify the provisions of the Conditions or the Fiscal Agency Agreement relating to the quorum required at any meeting of Holders of Notes of such Series or the percentage of Holders of Notes of such Series required to pass any resolution or otherwise modify the provisions summarized in this paragraph. A resolution duly passed in accordance with the provisions of the Fiscal Agency Agreement at any meeting of Holders of Notes of such Series will be binding on all Holders of Notes of such Series, whether or not they are present at the meeting and whether or not they vote in favor.

(b) The Republic, without the consent of the Holders of Notes of any Series, may make any modification to any of these Conditions or any of the provisions of the Fiscal Agency Agreement which in its opinion is for any of the following purposes:

(i) to add to the covenants of the Republic for the benefit of the Holders of the Notes of such Series or surrender any right or power conferred upon the Republic in the Fiscal Agency Agreement; or

(ii) to add any additional Events of Default; or

(iii) to evidence and provide for the acceptance of appointment under the Fiscal Agency Agreement by a successor Fiscal Agent or other Agent and to add to or change any of the provisions of the Fiscal Agency Agreement as shall be necessary to provide for, or facilitate the administration of, the Fiscal Agency Agreement; or

(iv) to cure any ambiguity or to correct or supplement any provision herein or in the Fiscal Agency Agreement that may be inconsistent with any other provision herein or therein or that is otherwise defective or to make any other provision with respect to matters or questions arising under the Fiscal Agency Agreement as the Republic may deem necessary or desirable, *provided that* such action pursuant to this clause (iv) shall not adversely affect the interest of the Holder of Notes of such Series in any material respect; or

(v) to correct a manifest error; or

(vi) to make any other change that does not adversely affect the rights of any Holder of such Series.

(c) Any such modification shall be binding on the Holders of Notes of such Series and shall be notified to the Holders of Notes of such Series by the Republic in accordance with Condition 14 as soon as practicable.

(d) The Fiscal Agency Agreement also provides that Holders may adopt resolutions in writing in lieu of meetings for all of the foregoing purposes and that certain modifications to the Fiscal Agency Agreement may not be made without the consent of the Agents.

16. Further Issues

The Republic shall be at liberty from time to time without the consent of the Holders of Notes, Receipts or Coupons to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue date, the issue price and the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Enforcement

So long as the Notes in a Series are represented by one or more Registered Global Notes, if an Event of Default shall have occurred and be continuing, each Holder of an interest in a Registered Global Note (as evidenced by the records of accounts with Euroclear, Clearstream, Luxembourg or, if applicable, DTC) may, after notice to the registered owner of the relevant Registered Global Note, but without the consent of that registered owner, and without joining that registered owner, file any claim, take any action or institute any proceedings to enforce directly against the Republic, or otherwise in respect of the Republic's obligations in respect of the Notes relating to that Holder's interest in the relevant Registered Global Note, as it appears on the date the proceedings are commenced in the book-entry settlement system of the relevant Clearing System, without need to produce such Registered Global Note, provided that the registered owner thereof has not theretofore filed a claim, taken action or instituted proceedings to enforce those obligations. Subject to the foregoing, if any Event of Default occurs and is continuing in respect of any Notes owned by a particular Holder (irrespective of the form thereof), such Holder may in its own name institute judicial proceedings for the collection of the sums due to such Holder and unpaid in respect of the Notes owned by it, may prosecute such proceedings to judgment or final decree and may enforce the same against the Republic or any other obligor upon such Notes and collect the property adjudged or decreed to be payable in the manner provided by law. In any event, the aggregate principal amount of a Global Note shall be reduced by the principal amount of each Note represented thereby in respect of which the Republic's obligations have been discharged as a result of any such claim, action or proceedings brought by the Holder of such an interest, or final settlement in respect thereof, and any Definitive Note so discharged shall be cancelled.

18. Indemnification of the Fiscal Agent and Other Agents

The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent and the other Agents and for their relief from responsibility, including provisions relieving them from taking action unless indemnified to their satisfaction. The Fiscal Agent and each other Agent is entitled to enter into business transactions with the Republic without accounting for any profit. The Fiscal Agent and the other Agents are agents of the Republic and none of them is a trustee or fiduciary for any of the Holders of the Notes.

19. Governing Law and Submission to Jurisdiction

The Fiscal Agency Agreement and the Notes shall be construed and interpreted in accordance with the law of the State of New York, which shall govern them and any controversy or claim arising out of or relating to any of them, without reference to conflicts of laws principles. The Republic irrevocably agrees for the benefit of each Holder of Notes that the courts of the State of New York and of the United States sitting in The City of New York, Borough of Manhattan, shall have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Fiscal Agency Agreement or the Notes and that, accordingly, any suit, action or proceedings arising out of or in connection therewith (together referred to as "*Related Proceedings*") may be brought in any such courts. Related Proceedings may also be brought in the courts of the Republic. The Republic irrevocably submits to the jurisdiction of the courts referred to in this Condition for purposes of any Related Proceedings.

To the extent that the Republic may in any jurisdiction claim or acquire for itself or its assets immunity (sovereign or otherwise) from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process (whether through service or notice or otherwise), the Republic irrevocably agrees for the benefit of the Holders of Notes not to claim, and irrevocably waives, such immunity, to the fullest extent permitted by the laws of such jurisdiction. The waiver of immunity in this paragraph shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States and is intended to be irrevocable for purposes of such Act but shall otherwise constitute a limited and specific waiver for the purpose of the Fiscal Agency Agreement and the Notes and under no circumstances shall it be interpreted as a general waiver by the Republic or a waiver of immunity in respect of property that is used solely or principally for official purposes (such as ambassadorial and consular real property and buildings and the contents thereof, or any bank accounts of embassies or consulates to the extent of monies maintained therein for ambassadorial, consular or other official purposes, but not commercial purposes, in each case necessary for the proper official, ambassadorial or consular functioning of the Republic).

The Republic irrevocably appoints the person who from time to time is the Consul of the Republic in The City of New York as it agent in the United States to receive service of process in any Related Proceedings in The City of New York based on or in connection with the Fiscal Agency Agreement or any of the Notes.

USE OF PROCEEDS

The Republic will use the net proceeds from the sale of Notes in a Tranche or Series offered pursuant to the Program in such manner and for such purposes, in accordance with Lebanese law, as specified in the applicable Final Terms for such Tranche or Series.

FORMS OF THE NOTES

The Notes of each Series will be in bearer or in registered form.

Unless otherwise provided with respect to a particular Series of Registered Notes, Registered Notes of each Tranche of such Series sold outside the United States in reliance on Regulation S will be represented by a permanent global note in registered form, without interest coupons (a "**Regulation S Global Note**"), deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or with a custodian for, and registered in the name of, a nominee of DTC.

Registered Notes of each Tranche sold in private transactions to QIBs pursuant to Rule 144A will be represented by a restricted permanent global note in registered form, without interest coupons (a "**Restricted Global Note**" and, together with a Regulation S Global Note, "**Registered Global Notes**"), deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or with a custodian for, and registered in the name of, a nominee of DTC.

Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions: (i) to QIBs or (ii) in transactions not subject to the registration requirements of the Securities Act. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described in Condition 2, to receive physical delivery of Definitive Registered Notes.

Each Tranche of Bearer Notes will initially be represented either by a temporary global Note (a "**Temporary Global Note**") or a permanent global note (a "**Permanent Global Note**"), which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or definitive Bearer Notes upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations as specified in the applicable Final Terms. Each Permanent Global Note may be exchanged for definitive Bearer Notes (save to the extent otherwise indicated in the applicable Final Terms) only in the limited circumstances described in the Permanent Global Note and herein, in each case in accordance with the procedure described in "*Terms and Conditions of the Notes*". For further details of clearing and settlement of the Notes issued under the Program, see "*Book-Entry Clearance Systems*". Bearer Notes issued in compliance with U.S. Treasury regulation §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended, must be initially issued in the form of a Temporary Global Note.

While any Bearer Note is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as set out in the Temporary Global Note) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owner of such Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or any other such depositary, as applicable and such clearing agent or depositary, as the case may be, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

After the Exchange Date, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Global Note without receipts, interest coupons or talons or for definitive Bearer Notes with, where applicable, receipts or interest coupons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date.

Pursuant to the Fiscal Agency Agreement, Bearer Notes will be assigned a Common Code and ISIN (as applicable). If a further Series is issued in the case of a Temporary Global Note, the Fiscal Agent shall arrange that the Notes of such Series shall be assigned a Common Code and ISIN (as applicable) that are different from the Common Code and ISIN assigned to Notes of any other Series, until Temporary Global Notes may be exchanged for Permanent Global Notes. At the end of such period, the Common Code and ISIN thereafter applicable to the Notes of the relevant Series will be notified by the Fiscal Agent to the relevant Dealers.

Registered Notes in a Series will be assigned a single Common Code, ISIN, CINS number and CUSIP number (as applicable).

The Issuer may issue additional Tranches of Notes from time to time, which will be consolidated, form a single series and be interchangeable for trading purposes with the existing Tranche(s) of the Series on either (i) the issue date of the additional Tranche of Notes or (ii) on exchange of the Temporary Global Note representing the additional Tranche of

Notes for interests in the Permanent Global Note. Upon the issuance of additional Tranches of Notes (if any) prior to the Exchange Date for a particular Tranche of Notes, such Exchange Date will be extended (or further extended), without the consent of the Noteholders, until the fortieth day after the completion of the distribution of such additional Tranche of Notes.

Each Temporary Global Note will be exchangeable, free of charge to the Holder, on or after its Exchange Date: (i) if the relevant Final Terms indicates that such Temporary Global Note in a transaction to which TEFRA is not applicable (as to which, see "*Subscription and Sale*"), in whole, but not in part, for the Definitive Bearer Notes described below; and (ii) in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Fiscal Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Bearer Notes.

Each Permanent Global Note will be exchangeable, free of charge to the Holder, on or after its Exchange Date in whole but not in part for Definitive Bearer Notes, and each Registered Global Note will be exchangeable, free of charge to the Holder, in whole but not in part for Definitive Registered Notes, if:

(a) Euroclear or Clearstream, Luxembourg or, if applicable, DTC notifies the Republic that it is unwilling or unable to continue as depositary for such Permanent Global Note or Registered Global Note, as the case may be;

(b) if applicable, DTC ceases to be a "Clearing Agency" registered under the Exchange Act, or either Euroclear or Clearstream, Luxembourg or, if applicable, DTC is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business, and a successor depositary or alternative clearing system satisfactory to the Republic and the Fiscal Agent is not available;

(c) an Event of Default has occurred and is continuing with respect to such Notes; or

(d) otherwise provided in the applicable Final Terms.

In the event that a Bearer Global Note is exchanged for Definitive Bearer Notes, such Definitive Bearer Notes shall be issued in Specified Denomination(s) only. A Holder of Notes with a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

All Notes will be issued pursuant to the Fiscal Agency Agreement.

No beneficial owner of an interest in a Bearer Global Note or a Registered Global Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg, DTC and/or MIDCLEAR, in each case, to the extent applicable.

The following legend will appear on all Bearer Notes issued in accordance with U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**D Rules**"), and all Receipts, Coupons and Talons (or in the book or record where the Bearer Notes are held in book-entry form) with respect thereto:

> "ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTION 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended, provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, Receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

The Final Terms applicable to each Tranche of Notes will contain such of the following information as is applicable in respect of such Notes set out in "*Form of the Applicable Final Terms*".

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream, Luxembourg and MIDCLEAR (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Republic, the Fiscal Agent or any agent party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The relevant Final Terms will specify the Clearing System(s) applicable to each Series.

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities among its participants and to facilitate the clearance and settlement of securities transactions among participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of security certificates. Participants include securities brokers and dealers, banks, trust companies and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant either directly or indirectly.

DTC will take any action permitted to be taken by the holder of a beneficial interest in a Registered Global Note (including, without limitation, the presentation of a Registered Global Note for exchange as described above) only at the direction of one or more participants to whose account with DTC interests in such Registered Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes in respect of which such participant or participants has or have given such direction. If an Event of Default under the Notes occurs, DTC will exchange the Registered Global Notes for Definitive Registered Notes, legended as appropriate, which it will distribute to the relevant participants.

Euroclear and Clearstream, Luxembourg

Each of Euroclear and Clearstream, Luxembourg holds securities for their account holders and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective account holders to settle trades with each other.

Account holders in Euroclear and Clearstream, Luxembourg are financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective holders.

MIDCLEAR

MIDCLEAR is a joint stock company organized under the laws of Lebanon. MIDCLEAR is 99% owned by BDL. MIDCLEAR acts as the central depositary and clearing house in Lebanon. MIDCLEAR was created to hold securities for its participants ("**MIDCLEAR Participants**") and to facilitate clearance and settlement of securities transactions between MIDCLEAR Participants. The clearing bank for MIDCLEAR is BDL, which operates a multi-currency payment system.

MIDCLEAR Participants may trade Notes as follows:

Secondary market trading between MIDCLEAR Participants will be settled using MIDCLEAR's standard procedures.

MIDCLEAR Participants may effect secondary market purchases of Notes from participants in Euroclear or Clearstream, Luxembourg by using the Euroclear and Clearstream, Luxembourg procedures applicable to conventional Eurobonds and specifying that the Notes being purchased must be credited, free of payment, or (provided the MIDCLEAR Participant has made sufficient funds available to MIDCLEAR prior to the relevant settlement date) against payment, to MIDCLEAR's Clearstream, Luxembourg account number 80285. Credit of the relevant Notes to the relevant MIDCLEAR Participants will take place no later than one Business Day in Lebanon and the place of each relevant Clearing System after confirmation to MIDCLEAR that its Clearstream, Luxembourg account has been credited with those Notes.

Book-Entry Ownership of Registered Global Notes

The Republic will make application to Euroclear and/or Clearstream, Luxembourg and/or, if applicable, DTC in their respective book-entry settlement systems of each Tranche of Notes represented by a Regulation S Global Note and/or a Restricted Global Note.

In the case of Notes held through DTC, the custodian with whom the Registered Global Notes are deposited (the "**Custodian**") and DTC will electronically record the principal amount of the Notes represented by the Registered Global Note held within the DTC system. Investors also may hold such interests directly through DTC if they are participants in such system, or indirectly through organizations which are participants in DTC. Investors may hold their interests in Registered Global Notes through Clearstream, Luxembourg and Euroclear, each of which is a participant of DTC.

Payments of principal and interest in respect of Registered Global Notes registered in the name of DTC's nominee will be to or to the order of its nominee as the registered holder of such Registered Global Note. The Republic expects that the nominee will, upon receipt of any such payment, immediately credit DTC participants' accounts with any such payments denominated in U.S. Dollars in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Registered Global Note as shown on the records of DTC or its nominee. In the case of any such payments which are denominated otherwise than in U.S. Dollars payment of such amounts will be made to the Exchange Agent on behalf of the nominee who will make payment of all or part of the amount to the beneficial holders of interests in such Registered Global Note directly, in the currency in which such payment was made, and/or cause all or part of such payment to be converted into U.S. Dollars and credited to, the relevant participant's DTC account as aforesaid, in accordance with instructions received from DTC. The Republic also expects that payments by DTC participants to owners of beneficial interests in such Registered Global Note held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Republic nor any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

Transfers of Notes represented by Registered Global Notes

Transfers of interests in Registered Global Notes within DTC, Euroclear and Clearstream, Luxembourg (as applicable) will be in accordance with the usual rules and operating procedures of the relevant system. The laws in some states in the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer a beneficial interest in a Registered Global Note to such persons may require that such interests be exchanged for Notes in definitive form. Because DTC can only act on behalf of participants in DTC, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Registered Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest may require that such interests be exchanged for Definitive Registered Notes. To the extent a Registered Global Note is held through DTC, the ability of the holder of a beneficial interest in any Registered Note represented by such Registered Global Note to resell, pledge or otherwise transfer such interest may also be impaired if the proposed transferee of such interest is not eligible to hold the same through a participant or indirect participant in DTC. Beneficial interests in a Registered Global Note may be held through Clearstream, Luxembourg and Euroclear. Clearstream, Luxembourg and Euroclear will operate with respect to the Notes in accordance with customary Euromarket practices.

Bearer Notes

Bearer Notes held outside the United States may be held in book-entry form through Clearstream, Luxembourg or Euroclear. Clearstream, Luxembourg and Euroclear will operate with respect to Temporary Global Notes or Permanent Global Notes in accordance with customary Euromarket practice. In respect of Bearer Notes, as may be specified in the applicable Final Terms, a Temporary Global Note and/or a Permanent Global Note in bearer form without Coupons will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg.

Secondary Trading, Same-Day Settlement and Payment

All payments made by the Republic with respect to Registered Notes registered in the name of a nominee for DTC will be passed through to DTC in same-day funds. In relation to secondary market trading, since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Within Same Clearing System

The following describes the transfer mechanisms between DTC, Euroclear and Clearstream, Luxembourg. Holders should note that transfers of beneficial interests in a Global Note is subject to limitations as set forth in "Notice to Investors".

Trading within DTC

If neither the seller nor the purchaser of Registered Notes represented by any Registered Global Note holds or will receive (as the case may be) such Notes through a participant in DTC acting on behalf of Euroclear or Clearstream, Luxembourg, the trade will settle in same-day funds and in accordance with DTC rules, regulations and procedures.

Trading within Euroclear or Clearstream, Luxembourg

Transfers between account holders in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Trading Between Clearing Systems

Trading between Euroclear or Clearstream, Luxembourg seller and DTC purchaser involving only Registered Global Notes

Due to time zone differences in their favor, Euroclear and Clearstream, Luxembourg account holders may employ their customary procedures for transactions in which interests in a Registered Global Note are to be transferred by Euroclear or Clearstream, Luxembourg (as the case may be) to a participant in DTC. The seller will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear or Clearstream, Luxembourg account holder (as the case may be) at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct its respective depositary to deliver the interests in the Registered Global Note to the participant's account against payment. Payment will include interest (if any) accrued on such interests in the Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. The payment will then be reflected in the account of the Euroclear or Clearstream, Luxembourg account holder the following day, and receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg account holders' account would be back-valued to the value date (which would be the preceding day when settlement occurred in New York). Should the Euroclear or Clearstream, Luxembourg account holder have a line of credit in its respective Clearing System and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.,* the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg account holder's account would be valued instead as of the actual settlement date.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser involving only Registered Global Notes

When interests in a Registered Global Note are to be transferred from the account of a participant to the account of a Euroclear or Clearstream, Luxembourg account holder, the purchaser will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear or Clearstream, Luxembourg account holder, as the case may be, at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its respective depositary to receive such interests against payment. Payment will include interest (if any) accrued on such interest in

the Registered Global Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Payment will then be made by the depositary to the participant's account against delivery of the interests in the Note. After settlement has been completed, the interests will be credited to the respective Clearing System, and by the Clearing System, in accordance with its usual procedures, to the Euroclear or Clearstream, Luxembourg account holder's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and any interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.,* the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Day traders that use Euroclear or Clearstream, Luxembourg to purchase interests in a Registered Global Note from participants for delivery to Euroclear or Clearstream, Luxembourg account holders should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

(i) borrowing through Euroclear or Clearstream, Luxembourg for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream, Luxembourg accounts) in accordance with the Clearing System's customary procedures;

(ii) borrowing the interests in the United States from a participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Euroclear or Clearstream, Luxembourg account in order to settle the sale side of the trade; or

(iii) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream, Luxembourg account holder.

Euroclear or Clearstream, Luxembourg account holders will need to make available to the respective Clearing System the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit, as such participants would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, such participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the interests in the Note are credited to their accounts one day later.

Alternatively, if Euroclear or Clearstream, Luxembourg has extended a line of credit to a Euroclear or Clearstream, Luxembourg account holder, as the case may be, such account holder may elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear or Clearstream, Luxembourg account holders purchasing interests in the Note held in DTC would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the Note were credited to their accounts. However, any interest on the Note would accrue from the value date. Therefore, in many cases the investment income on the interests in the Note held in DTC earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each account holder's particular cost of funds.

Since the settlement is taking place during New York business hours, participants can employ their usual procedures for transferring interests in Global Notes to the respective depositories of Euroclear or Clearstream, Luxembourg for the benefit of Euroclear or Clearstream, Luxembourg account holders. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participants, a cross-market transaction will settle no differently from a trade between participants.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearinghouse or next-day funds. In contrast, Registered Notes held through participants or indirect participants will trade in DTC's Same-Day Funds Settlement System until the earliest of maturity or redemption, and secondary market trading activity in such Registered Notes will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activity in such Registered Notes.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Registered Global Notes among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Republic, any Agent or any Dealer will have the responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations.

While a Registered Global Note is lodged with DTC or its custodian, Notes represented by individual Definitive Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

NOTICE TO PURCHASERS AND HOLDERS OF RESTRICTED NOTES AND TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each prospective purchaser of Notes bearing legends, by accepting delivery of this Base Prospectus, will be deemed to have represented and agreed that this Base Prospectus is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Republic, is prohibited.

Each purchaser of Notes within the United States, pursuant to Rule 144A, by accepting this Base Prospectus, will be deemed to have represented and agreed as follows (terms used in this paragraph that are not defined herein will have the meaning given to them in Rule 144A or in Regulation S as the case may be):

(a) The purchaser (i) is a QIB, (ii) is aware, and each beneficial owner has been advised, that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring Notes for its own account or for the account of a QIB;

(b) The purchaser understands that such Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Notes have not been and will not be registered under the Securities Act or any other applicable state securities laws and may not be offered, sold or otherwise transferred unless registered pursuant to or exempt from registration under the Securities Act and any other applicable state securities laws; and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (A) to a person who the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), and in each of such cases in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and that (ii) the purchaser will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of such Restricted Notes from it of the resale restrictions referred to in (i) above and that (iii) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of such Restricted Notes;

(c) Each Restricted Note will bear a legend to the following effect, in addition to such other legends as may be necessary or appropriate, unless the Republic determines otherwise in compliance with applicable law:

"THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "**SECURITIES ACT**"), AND UNDER THE APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE REPUBLIC AND THE DEALERS THAT (A), THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE".

(d) It understands that the Republic, the Registrar, the Arranger, the Dealers, and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(e) It understands that the Notes offered in reliance on Rule 144A will be represented by Restricted Global Notes.

TAXATION

The following is an overview of certain Lebanese, Luxembourg and U.S. federal income tax consequences resulting from the purchase, ownership and disposition of the Notes. This overview does not purport to consider all of the possible U.S. federal income, Luxembourg or Lebanese tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. This overview is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (perhaps with retroactive effect in the U.S.). It deals only with Notes held as capital assets by initial purchasers (unless otherwise specified) and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, tax exempt organizations, regulated investment companies, real estate investment trusts, grantor trusts, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, pass-through entities, individual retirement and other tax-deferred accounts, dealers or traders in securities or currencies, persons that mark their securities to market, persons holding Notes as a hedge against currency risks, as a position in a "straddle" or as part of a conversion, integrated or constructive sale transaction for tax purposes, persons subject to U.S. federal alternative minimum tax, certain expatriates or former long-term residents of the United States, U.S. Holders (defined below) whose functional currency (as defined in the U.S. Internal Revenue Code of 1986, as amended (the "Code")) is not the U.S. Dollar, or U.S. Holders subject to the tax on "net investment income" imposed under Section 1411 of the Code. Moreover, this overview does not address the gift, estate and alternative minimum tax consequences of the acquisition, ownership, disposition, and retirement of the Notes. The overview does not include any description of the tax laws of any state, local or foreign governments (other than Lebanon and Luxembourg) that may be applicable to the Notes or the Holders thereof. The legal authorities on which this overview is based are subject to various interpretations, and no rulings have been or will be sought from any tax agency with respect to the matters described herein.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of U.S. federal income and Lebanese tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Lebanese Taxation

Withholding Tax on Interest

Under Law № 497 of the Lebanese Republic dated 30 January 2003 (the 2003 Budget Law), published in the *Official Gazette* on 31 January 2003, interest paid in respect of bonds issued by the Lebanese Republic after 31 January 2003 is subject to withholding tax at the rate of 5%. The Republic is obligated, subject to certain standard exceptions, to take such necessary action (including the payment of additional amounts) so that the net amount received by the holders of Notes is equal to the amount that would have been received had no withholding on account of Lebanese taxes been made. See "*Terms and Conditions of the Notes—8. Taxation*".

Capital Gains Tax

No Lebanese tax will be payable in respect of any gain, whether realized or unrealized, made by a non-resident of Lebanon from any sale or other disposition of any Notes.

Inheritance Taxes

No Lebanese inheritance or similar tax will be payable by the holder of any Note who is a non-resident of Lebanon.

Stamp Duties

No stamp, registration or similar duties or taxes will be payable in the Republic by any non-resident of Lebanon in connection with its purchase of any of the Notes upon issue.

Grand Duchy of Luxembourg Taxation

Withholding Tax

All payments of interest and principal by the Luxembourg paying agent under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the general Luxembourg tax laws currently in force, subject, however, to the Relibi Law (as defined below).

On 25 November 2014, the Luxembourg law of 21 June 2005 implementing the EU Savings Directive in national legislation in Luxembourg, as amended, was amended to end as from 1 January 2015 the transitional period foreseen in the EU Savings Directive where account holders could opt between the exchange of information and the withholding tax to introduce automatic exchange of information on interest payments made by a paying agent established in Luxembourg. According to article 8 of the EU Savings Directive, the paying agent will report to the Luxembourg tax authorities the following information regarding the beneficial owner of the payment:

- identity and residence of the beneficial owner;
- name and address of the paying agent;
- account number of the beneficial owner or where there is none, identification of the debt claim giving rise to the interest; and
- the total amount of interest or similar income or sales price or repurchase price or repayment price.

The Luxembourg tax authorities shall automatically transmit this information to the competent authority of the EU Member State where the recipient is established. The communication of information shall be automatic and shall take place at least once a year within six months following the end of the tax year of the EU Member State of the paying agent, for all interest payments made during that year. The first exchange of information will take place in 2016 regarding payments made in 2015.

The Luxembourg law of 23 December 2005, as amended, (the "**Relibi Law**") has introduced a 10% withholding tax on payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the Luxembourg laws of 21 June 2005, as amended, implementing the EU Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependant or associated territories of EU Member States (the "**Territories**")) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner.

Furthermore, pursuant to the Relibi law, Luxembourg resident individuals can opt to self declare and pay a 10% tax on interest payments made or ascribed by paying agents located in an EU Member State other than Luxembourg, a Member State of the European Economic Area (other than a EU Member State) or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The withholding tax of 10% as described above or the 10% tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the Relibi Law is assumed by the Luxembourg paying agent within the meaning of these laws.

Registration

It is not compulsory that the Notes be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes, in accordance therewith, except that, in case of use of the Notes, either directly or by way of reference, (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constitutée*), registration may be ordered which implies the application of a fixed or an ad valorem registration duty of 0.24% calculated on the amounts mentioned in the Notes. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money.

U.S. Federal Income Taxation

The following is an overview of material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This overview does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Program, and additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note may be provided, as appropriate. This overview only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts,

tax exempt organisations, dealers or traders in securities or currencies, persons that mark their securities to market, holders that will hold Notes through a partnership or other pass through entity, holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, controlled foreign corporations, passive foreign investment companies, U.S. Holders (as defined below) that have a functional currency other than the U.S. Dollar, or certain expatriates and long-term residents of the United States, or U.S. Holders subject to the tax on "net investment income" imposed under Section 1411 of the Code. Moreover, this summary does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not include any description of the tax laws of any U.S. State or local governments. This overview only addresses the U.S. federal income tax treatment of holders that acquire Notes as part of the initial distribution at their initial issue price.

This overview is based on the Code, existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in a supplement to this Base Prospectus.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) it is subject to the primary supervision of a court within the United States and (b) one or more "United States persons" as defined in the Code (each a "**U.S. Person**") have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor concerning the U.S. federal income tax consequences of the acquisition, ownership or disposition of Notes by the partnership.

A Non-U.S. Holder is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

This discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event that the Republic issues contingent payment note instruments, the material U.S. federal income tax consequences thereof will be described in a supplement to this Base Prospectus.

THE OVERVIEW OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Tax Consequences to U.S. Holders

Payments of Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. Dollars or a currency, composite currency or basket of currencies other than U.S. Dollars (a "**foreign currency**"), and including any additional amounts paid pursuant to Condition 8 in order that the net amount received by holders is equal to the amount that would have been received had no withholding on account of Lebanese taxes been made, will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is received or accrued, in accordance with the U.S. Holder's usual method of tax accounting.

Interest income on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes. For purposes of calculating the U.S. Holder's foreign tax credit limitation, interest on the Notes should generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income". Income taxes

withheld from interest income may be eligible for credit against the U.S. Holder's U.S. federal income tax liability or, at the election of the U.S. Holder, for deduction in computing the U.S. Holder's taxable income. The U.S. federal income tax rules relating to foreign tax credits and limitations thereof are complex and may vary depending on the facts and circumstances of each U.S. Holder. Accordingly, U.S. Holders should consult their own tax advisers regarding the availability of a foreign tax credit for Lebanese tax withheld under such U.S. Holder's particular situation.

Foreign Currency Denominated Qualified Stated Interest

Except as set forth below, if any qualified stated interest payment (as defined below), including any additional amounts, is denominated in, or determined by reference to, a foreign currency (a "**Foreign Currency Note**"), the amount of income realized by a U.S. Holder will be the U.S. Dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting and that receives a payment of qualified stated interest will determine such U.S. Dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. Dollar value of accrued interest income using the average rate of exchange for the accrual period (or, in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within the applicable taxable year) or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within the applicable taxable year) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the U.S. Internal Revenue Service ("**IRS**"). A U.S. Holder that uses the accrual method of accounting for tax purposes will recognise U.S. source foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest, regardless of whether the payment is converted to U.S. dollars at such time. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the debt security.

Original Issue Discount

General

U.S. Holders of Notes issued with original issue discount ("**OID** "), including Zero Coupon Notes, with a term of over one year (each an **"Original Issue Discount Note**"), will be subject to special tax accounting rules, as described in greater detail below. Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. Dollar are described below under "*Foreign Currency Discount Notes*."

For U.S. federal income tax purposes, a Note (including a Zero Coupon Note) will be treated as issued with OID if the excess of the Note's stated redemption price at maturity over its issue price equals or exceeds a specified *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, placement agent or wholesaler). The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, at a variable rate (including a rate based on one or more interest indices). Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Final Terms if it is determined that a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with *de minimis* OID, a U.S. Holder of such Note will recognise capital gain with respect to any *de miminis* OID as stated principal payments on the Note are made. The amount of such gain with respect to each principal payment will equal the product of the total amount of the Note's *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note.

U.S. Holders of Original Issue Discount Notes must, in general, include OID as ordinary income, calculated on the constant yield method, as described in this paragraph, in advance of the receipt of some or all of the related cash payments, regardless of their method of accounting. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("**accrued OID** "). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled

payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "stated redemption price at maturity" of a Note is the sum of all amounts payable on the Note after the purchase date that are not payments of qualified stated interest. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. The "yield to maturity" of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

Certain of the Notes may be redeemed prior to their maturity at the Issuer's option and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID, as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant supplemental prospectus and should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of such Notes.

Acquisition Premium

A U.S. Holder that purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Original Issue Discount Note at an "acquisition premium". If the U.S. Holder does not make the election described above under "*Election to Treat all Interest as Original Issue Discount*," under the acquisition premium rules, the daily portions of original issue discount which the U.S. Holder must include in its gross income with respect to such Original Issue Discount Note will be reduced by an amount equal to the daily portion of the original issue discount for such day multiplied by the acquisition premium fraction. The numerator of the "acquisition premium fraction" is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the adjusted issue price of the Note, and the denominator is the sum of the daily portions of OID for such Note for all days after the date of purchase and ending on the stated maturity date (i.e., the total original issue discount remaining on the Note).

Notes Subject to Redemption or other Contingencies

Certain of the Notes may be redeemed prior to their maturity at our option and/or at the option of the holder. Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisors with respect to such features since the tax consequences will depend, in part, on the particular terms and features of the Notes.

Fungible Issue

The Republic may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with original issue discount even if the original Notes had no original issue discount, or the additional Notes may have a greater amount of original issue discount than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "*Foreign Currency Denominated Qualified Stated Interest.*" Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Short-Term Notes

In the case of Notes having a term of one year or less ("**Short-term Notes**"), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of any stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. Under the OID regulations, in general, individuals and certain other cash method U.S. Holders of a Short term Note are not required to include accrued discount in their income currently unless the U.S. Holder elects to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short-term Note will generally be ordinary income to the extent of the discount accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or retirement. In addition, a U.S. Holder that is not required and does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

As described above in "Notes Subject to Redemption or other Contingencies," certain of the Notes may be subject to special redemption features. These features may affect the determination of whether a Note has a maturity of one year or less and thus is a Short-Term Note.

Acquisition Premium

A U.S. Holder that purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Original Issue Discount Note at an "acquisition premium". If the U.S. Holder does not make the election described above under "*Election to Treat all Interest as Original Issue Discount*," under the acquisition premium rules, the daily portions of original issue discount which the U.S. Holder must include in its gross income with respect to such Original Issue Discount Note will be reduced by an amount equal to the daily portion of the original issue discount for such day multiplied by the acquisition premium fraction. The numerator of the "acquisition premium fraction" is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the adjusted issue price of the Note, and the denominator is the sum of the daily portions of OID for such Note for all days after the date of purchase and ending on the stated maturity date (i.e., the total original issue discount remaining on the Note).

Market Discount

If a U.S. Holder purchases a Note (other than a Short-term Note) for an amount that is less than its stated redemption price at maturity (or, in the case of a Note issued with OID, its adjusted issue price), the amount of the difference will be treated as market discount, unless this difference is less than a specified *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). A U.S. Holder must treat any gain it recognizes on the maturity or disposition of a market discount Note as ordinary income to the extent of the accrued market discount on such Note while held by such U.S. Holder. Alternatively, such U.S. Holder may elect to include market discount in income currently over the life of such Note. If a U.S. Holder makes this election, it will apply to all debt instruments with market discount that a U.S. Holder acquires on or after the first day of the first taxable year to which the election applies. A U.S. Holder may not revoke this election without the consent of the IRS. If a U.S. Holder owns a market discount Note and does not make this election, it will generally be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note.

Under current law, a U.S. Holder will accrue market discount on a market discount Note on a straight-line basis unless it elects to accrue market discount using a constant yield to maturity method. If such U.S. Holder makes this election, it will apply only to the Note with respect to which it is made and is irrevocable without the consent of the IRS.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note with "amortisable bond premium" equal to such excess. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method. If a U.S. Holder makes this election, it will reduce the amount required to be included in income each year with respect to interest on the Note by an amount of the amortisable bond premium allocable to that year, and the U.S. Holder must reduce its tax basis in the Note by the amount of the premium used to offset qualified stated interest. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency, and amortisable bond premium will reduce interest income in units of the foreign currency. On the date amortised bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) will be recognized to the extent of the difference between the spot rate of exchange on that date and on the date of the acquisition of the Notes. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules limit the amortisation of premium in the case of debt that is redeemable at a premium. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the capital gain or increase the capital loss otherwise recognised on disposition of the Note.

Variable Rate Debt Instruments

Generally, a Floating Rate Note will qualify as a "variable rate debt instrument" if: (a) its issue price does not exceed the total noncontingent principal payments due under the Floating Rate Note by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (ii) 15 percent of the total noncontingent principal payments; (b) it does not provide for stated interest other than stated interest that pays or compounds at least annually at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) each qualified floating rate or objective rate in effect at any time during the term of the Note is set at a current value of that rate (i.e., the value of the rate on any day that is no earlier than three months prior to the first day on which the value is in effect and no later than one year following that first day).

A "qualified floating rate" is any variable rate where: (a) variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated; or (b) the rate is equal to a rate specified in (a) multiplied by either a fixed multiple that is greater than 0.65 but not more than 1.35; or (c) the rate is equal to a rate specified in (a) or (b), increased or decreased by a fixed rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes together will constitute a single qualified floating rate. Two or more qualified floating rates will be presumed to meet the requirements of the previous sentence if the values of all rates on the issue date are within 25 basis points of each other. Notwithstanding the foregoing, a variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps, floors, governors or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

An "objective rate" is a rate that: (a) is not a qualified floating rate; and (b) is determined using a single fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party. Despite the foregoing, a variable rate of interest on Floating Rate Notes will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Floating Rate Notes' term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Notes' term. A "qualified inverse floating rate," is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, and the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated.

Generally, if a Floating Rate Note provides for stated interest (payable unconditionally at least annually) at a fixed rate for an initial period of one (1) year or less followed by a variable rate that is either a single qualified floating rate or a single objective rate, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. If the Notes pay interest at a single objective rate or a single qualified floating rate,

the amount of original issue discount allocated to an accrual period, if any, is determined by using the constant yield method with a fixed rate equal to, in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for such Floating Rate Note.

If a Floating Rate Note that is a variable rate debt instrument does not provide for stated interest at a single qualified floating rate or single objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period), the amount of qualified stated interest and the amount and accrual of original issue discount on the Note are generally determined by: (a) determining a fixed rate substitute for each variable rate provided under the Floating Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the yield that is reasonably expected for the Note); (b) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above); (c) determining the amount of qualified stated interest and original issue discount with respect to the equivalent fixed rate debt instrument (by applying the general original issue discount rules as described above in "*Original Issue Discount*"); and (d) making the appropriate adjustment for actual variable rates during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than a single fixed rate for an initial period), a U.S. Holder generally must determine the amount of interest and original issue discount accruals by using the method described in the preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate, if the Note provides for a qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for a qualified floating rate (or qualified inverse floating rate) rather than a fixed rate.

A Floating Rate Note that does not qualify as a variable rate debt instrument will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of such a Note will be more fully described in the relevant supplemental prospectus.

Election to Treat all Interest as Original Issue Discount

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisors about this election.

Sale, Exchange or Retirement of a Note

A U.S. Holder's tax basis in a Note generally will be its U.S. Dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. Dollar cost of a Note (including a Note purchased with a foreign currency) generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognise gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale, exchange or retirement for an amount in foreign currency will be the U.S. Dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such settlement date election (described in this and the preceding paragraph) by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Gain or loss recognised on the sale, exchange or retirement of a Note (other than gain or loss that is attributable to OID, market discount or to changes in exchange rates) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year at the time of such sale. The deductibility of capital losses is subject to

limitation. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note that is attributable to changes in the exchange rates will be treated as U.S. source ordinary income or loss; however, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss. Prospective investors should consult their tax advisors as to the foreign tax credit implications of such sale, exchange or retirement of Notes.

Sale, Exchange or Retirement of Foreign Currency

A U.S. Holder will have a tax basis in any foreign currency received as interest on a Note or on the sale, exchange or retirement of a Note equal to its U.S. Dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss realised by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. Dollars or its use to purchase Notes) generally will be U.S source ordinary income or loss.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amount for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty of up to U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Notes.\

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under "*—Information Reporting and Backup Withholding*", payments of interest (including OID) on a Note by the Republic or any paying agent to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under "*—Information Reporting and Backup Withholding*", gain realized by a Non-U.S. Holder on the sale, exchange, retirement or other disposition of a Note generally is not subject to United States federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the U.S. for 183 days or more during in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding

For non-corporate U.S. Holders, information reporting requirements will apply to payments of principal and interest on the Notes, in each case, if such payments are made within the United States or paid by or through a custodian, nominee or other agent that is a United States Controlled Person, as defined below. Backup withholding will apply to such payments for a non-corporate U.S. holder that (i) fails to provide an accurate taxpayer identification number, (ii) in the case of interest payments, fails to certify that such holder is not subject to backup withholding, or (iii) is notified by the IRS that such holder has failed to report all interest and dividends required to be shown on United States federal income tax returns.

For Non-U.S. Holders, information reporting and backup withholding generally will not apply to payments of principal and interest on the Notes (assuming that the gain or income is otherwise exempt from U.S. federal income tax), but such holders may be required to comply with certification and identification procedures or otherwise establish an exemption. If Non-U.S. Holders are paid proceeds from a sale or redemption of Notes effected at the United States office of a broker, such holders generally will be subject to the information reporting and backup withholding rules described in the preceding sentence. In addition, the information reporting rules will apply to payments of proceeds of a sale effected at a foreign office of a broker that is a United States Controlled Person, unless the broker has documentary evidence that such holder is not a United States person (and has no actual knowledge or reason to know to the contrary) or the holder otherwise establishes an exemption.

A "United States Controlled Person" is: (i) a U.S. Person; (ii) a controlled foreign corporation for United States federal income tax purposes; (iii) a foreign person 50% or more of whose gross income is derived for United States federal income tax purposes from a United States trade or business for a specified three-year period; or (iv) a foreign partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in a United States trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of Notes generally will be allowed as a refund or a credit against such holder's United States federal income tax liability as long as such holder provides the required information to the IRS.

The above overview is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of Notes are advised to consult their own tax advisers as to the consequences of a purchase, ownership and disposition of Notes, including, without limitation: (i) the applicability and effect of any state, local or non-U.S. tax laws to which they may be subject and of any legislative or administrative changes in law; (ii) the U.S. federal income tax consequences of the Republic withholding any foreign withholding taxes; and (iii) the availability of a credit or deduction for any foreign withholding taxes.

EU Directive on the Taxation of Savings Income

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the EU has the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in a Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Republic, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to such Directive. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax

pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the EU Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

The following is subject to change in the applicable Final Terms. In addition, the Dealer(s) who have agreed to purchase Notes in a Series or Tranche from the Republic will be specified in the applicable Final Terms.

Overview of Program Agreement

The Dealers have, in the Second Amended and Restated Program Agreement, dated 1 March 2010, as it may be supplemented from time to time (the "**Program Agreement**"), agreed with the Republic a basis upon which they may from time to time agree to subscribe or procure subscribers for Notes. Any such agreement will extend to those matters stated under the captions "*Forms of the Notes*" and "*Terms and Conditions of the Notes*". The Program Agreement makes provision for the resignation of existing Dealers and the appointment of additional Dealers. In the Program Agreement, the Republic has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program.

Selling Restrictions

The Notes have not been and will not be registered under the laws of any jurisdiction, nor has any other action been taken, nor will any action be taken, by the Republic, the Dealers or any other person that would permit a public offering of the Notes or the possession, circulation or distribution of this Base Prospectus or any supplement hereto or thereto, or any other offering material relating to the Republic or the Notes, in any country or jurisdiction where action for any such purpose may be required. The offer and sale of Notes, and the delivery of this Base Prospectus, are restricted by law in certain jurisdictions and Notes may not be offered or sold, and this Base Prospectus may not be distributed, in any jurisdiction under circumstances where such offer, sale or distribution would be prohibited or restricted by law.

Without limiting the foregoing, prospective purchasers of Notes should be aware of the following restrictions:

United States of America

The Notes have not been and will not be registered under the Securities Act or any applicable state securities laws and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act and the applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Subject to certain exceptions, Notes in bearer form having a maturity (at issue) of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Notes are being offered and sold outside the United States in reliance on Regulation S. The Program Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Each Dealer has agreed or will agree that, except as permitted by the Program Agreement, it has not offered and sold, and will not offer or sell, Notes of any Tranche as part of their distribution at any time within the United States to, or for the account or benefit of, U.S. persons.

Notwithstanding the foregoing, Dealers nominated by the Republic may arrange for the offer and sale of Registered Notes in the United States pursuant to Rule 144A under the Securities Act. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

In addition, certain Series of Notes in respect of which any payment is determined by reference to a formula, or to changes in prices of securities or commodities, or certain other Notes will be subject to such additional U.S. selling restrictions as the Republic and the relevant Dealers may agree, as indicated in a supplement to this Base Prospectus. Each Dealer has agreed that it will offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Bearer Notes having a maturity (at issue) of more than one year that are not treated as being in "registered form" for U.S. federal income tax purposes will be issued in accordance with the provisions of U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of

Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "D Rules"). In respect of Bearer Notes issued in accordance with the D Rules, each Dealer represents and agrees that:

(A) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, such Notes to a person who is within the United States or its possessions or to a United States person and (ii) it has not delivered and will not deliver within the United States or its possessions Definitive Bearer Notes that are sold during the restricted period,

(B) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules,

(C) if such Dealer is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and, if such Dealer retains Bearer Notes for its own account, it will only do so in accordance with the requirements of the D Rules,

(D) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purpose of offering or selling such Notes during the restricted period, such Dealer either (A) hereby represents and agrees on behalf of such affiliate to the effect set forth in sub-paragraphs (A), (B) and (C) of this paragraph or (B) agrees that it will obtain from such affiliate, for the benefit of the Republic, the representations and agreements contained in sub-paragraphs (A), (B) and (C) of this paragraph, and

(E) it will obtain for the benefit of the Issuer the representations and agreements contained in clauses (A), (B), (C) and (D) above from any person other than its affiliate with whom it enters into a written contract, as defined in rules in substantially the same form as U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(4), purposes of Section 4701 of the Code for the offer and sale during the restricted period of Bearer Notes.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes, which are the subject of the offering contemplated by this Base Prospectus, as completed by the Final Terms in relation thereto, to the public in that Relevant Member State other than:

(a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Dealers; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms

of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed that, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year from the date of issue, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Lebanon

The marketing, offering, distribution and sale of the Notes in Lebanon shall comply with all applicable laws and regulations in Lebanon, in particular, Law No. 234 dated 10 June 2000 and Central Bank Basic Decision № 6213 dated 28 June 1996, as amended.

General

Each Dealer has agreed or will agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Republic nor any other Dealer shall have any responsibility therefor.

Neither the Republic nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the Republic and the relevant Dealer(s) shall agree and as shall be set forth in the applicable Final Terms.

Purchasers of Notes sold by the Dealers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price and accrued interest, if any.

Although application has been made to list the Notes to be issued under the Program on the Official List of the Luxembourg Stock Exchange, each Series or Tranche of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes, but are not obliged to do so and may discontinue any market-marking, if commenced, at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Notes.

Stabilization

In connection with the offering of Notes in any Series or Tranche under the Program, the Dealer or Dealers (if any) designated for this purpose as the Stabilizing Manager (each, a "Stabilizing Manager") (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes in such a Series at a level higher than that which might otherwise prevail, but in doing so such Stabilizing Manager shall act as principal and not as agent of the Republic. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of any Stabilizing Manager(s)) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any stabilization will be conducted in accordance with all applicable regulations. Any loss resulting from over-allotment and stabilization shall be borne, and any net profit arising therefrom shall be retained, by any Stabilizing Manager for its own account.

GENERAL INFORMATION

Contact Information

The Republic can be contacted at the Ministry of Finance of the Republic, Ministry of Finance, Riad El-Solh Sector, Beirut, Lebanon, telephone number +961 1 987 057.

Listing of Notes and Admission to Trading

Application has been made to the Luxembourg Stock Exchange for Notes issued under this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange. However, Notes may be issued under the Program which will not be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange, and the Final Terms applicable to each Tranche of Notes will specify whether or not the Notes will be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange.

Except as specified in the relevant Final terms, Notes previously issued under the Program are admitted to trading on the Luxembourg Stock Exchange's Regulated Market and, with respect to Notes issued in or after 2004, the Beirut Stock Exchange.

Authorizations

The establishment of the Program was duly authorized pursuant to a Resolution of the Council of Ministers dated 24 February 1999. Any issuance of Notes under the Program is subject to, and conditional upon, (i) the existence or adoption of a law by the Lebanese Parliament authorizing the issuance of such notes (or the underlying borrowing) and (ii) obtaining any other necessary consents, approvals and authorizations in connection with the issuance of any such notes. The first increase of the Program amount from U.S.$550,000,000 to U.S.$2,500,000,000 was duly authorized by a Council of Ministers' Resolution dated 29 September 1999. The second increase of the Program amount from U.S.$2,500,000,000 to U.S.$3,500,000,000 was authorized by a Council of Ministers' Resolution dated 10 October 2000. The third increase of the Program amount from U.S.$3,500,000,000 to U.S.$6,000,000,000 was authorized by a Council of Ministers' Resolution dated 19 April 2001. The fourth increase of the Program amount from U.S.$6,000,000,000 to U.S.$7,000,000,000 was authorized by a Council of Ministers' Resolutions dated 6 September 2001. The fifth increase of the Program amount from U.S.$7,000,000,000 to U.S.$8,500,000,000 was authorized by a Council of Ministers' Resolution dated 28 February 2002. The sixth increase of the Program amount from U.S.$8,500,000,000 to U.S.$9,500,000,000 was authorized by a Council of Ministers' Resolution dated 29 August 2002. The seventh increase of the Program amount from U.S.$9,500,000,000 to U.S.$13,500,000,000 was authorized by a Council of Ministers' Resolution dated 18 December 2002. The eighth increase of the Program amount from U.S.$13,500,000,000 to U.S.$17,000,000,000 was authorized by a Council of Ministers' Resolution dated 8 November 2004. The ninth increase of the Program amount from U.S.$17,000,000,000 to U.S.$22,000,000,000 was authorized by a Council of Ministers' Resolution dated 20 February 2007. The tenth increase of the Program amount from U.S.$22,000,000,000 to U.S.$25,000,000,000 was authorized by a Council of Ministers' Resolution dated 21 March 2013.

Documents on Display

So long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available and can be obtained from the specified office of the Paying Agent for the time being in Luxembourg:

(i) the Program Agreement, the Fiscal Agency Agreement and the Procedures Memorandum;

(ii) a copy of this Base Prospectus;

(iii) any future offering memoranda, prospectuses, information memoranda, supplements, Final Terms to this Base Prospectus (save that a Final Terms relating to an unlisted Note will only be available for inspection by a Holder of such Note and such Holder must produce evidence satisfactory to the Paying Agent as to the identity of such Holder) and any other documents incorporated herein or therein by reference; and

(iv) the documents incorporated herein by reference. See "*Documents Incorporated by Reference*".

In addition, a copy of the documents set out in (ii), (iii) and (iv) above can be obtained free of charge from the specified office of the relevant Paying Agent where so required by the rules of the relevant stock exchange on which any Series or Tranche of Notes is to be listed.

This Base Prospectus and Final Terms for Notes listed on the Official List of the Luxembourg Stock Exchange are published on the website of the Luxembourg Stock Exchange, being www.bourse.lu.

Financial reports for the Republic covering the last two fiscal years and the 2005 Budget (*i.e.,* the last approved Budget adopted by Parliament), as adopted by Parliament, together with an English language document summarizing its principal contents, the balance of payments and GDP data and the 2005 CAS Survey will be available, and may be inspected, during normal business hours at the Ministry of Finance of the Republic, Ministry of Finance, Riad El-Solh Sector, Beirut, Lebanon, telephone no. +961 1 987 057.

Clearing Systems

The appropriate common code and ISIN for each Tranche of Bearer Notes and Registered Notes allocated by Euroclear and Clearstream, Luxembourg, upon acceptance into their respective clearing systems, will be specified in the applicable Final Terms. The Republic may (but is not obligated to) make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS and/or Common Code and/or the ISIN (as applicable) for each Series or Tranche of Registered Notes will be specified in the applicable Final Terms. The Republic may also apply from time to time for Notes to be accepted for clearance through MIDCLEAR. If the Notes are to clear through MIDCLEAR or any other additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, 1855 Luxembourg, Luxembourg; the address of DTC is 55 Water Street, 1st Floor, South New York, NY 10041-0099;and the address of MIDCLEAR is ARESCO Center -15th Floor, Justinien Street, Sanayeh, P.O.B: 11-7971, Beirut, Lebanon.

Determination and Publication of Rates of Interest and Interest Amounts

If the Notes are listed on a stock exchange (including the Luxembourg Stock Exchange) and the rules of such exchange or other relevant authority so require, the Republic will require that the Calculation Agent cause the Rate of Interest and Interest Amount for each Interest Period and the relevant Interest Payment Date (as each such term is defined in "Terms and Conditions of the Notes") to be notified to the Republic, the Fiscal Agent, each Paying Agent, any such stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed and to the Holders, in accordance with Condition 14, as soon as possible after the determination of the relevant Rate of Interest and Interest Amount for each Interest Period and the relevant Interest Payment Date but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such stock exchange or other relevant authority of a Rate of Interest and Interest Amount or (ii) in all other cases, the fourth Business Day after such determination.

Litigation

The Republic is not nor has it been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Republic is aware) which may have, or have had in the 12 months preceding the date of this Base Prospectus, significant effects on the Republic's financial position or profitability.

Significant Change

There has been no significant change in the information set out in the Base Prospectus under "*The Economy*" (pages 52-67 of this Base Prospectus), "*External Sector*" (pages 68-77 of this Base Prospectus), "*Public Debt*" (pages 100-113 of this Base Prospectus), "*Monetary System*" (pages 78-86 of this Base Prospectus), and "*Public Finance*" since 31 December 2014. There have been no recent events relevant to the evaluation of the Republic's solvency.

Yield

The yield of each Tranche of Notes will be calculated at the relevant issue date on the basis of the relevant issue price. It is not an indication of future yield.

ISDA Definitions

Investors should contact the Fiscal Agent if they require a copy of the 2006 ISDA Definitions.

Redemption Basis

Subject to any purchase and cancellation or early redemption, Notes to be issued under the Program will be redeemed on the relevant maturity date at 100% of their nominal amount.

FORM OF APPLICABLE FINAL TERMS

Final Terms dated [•]

The Lebanese Republic

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]
under the

U.S.$25,000,000,000 Global Medium-Term Note Program

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 22 October 2015 [and the Base Prospectus Supplement dated [•] 2015], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and any amendments thereto, including Directive 2010/73/EU (the "**Prospectus Directive**")). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the issue of the Notes (which comprises the summary in the Base Prospectus, as completed to reflect the provisions of the Final Terms) is annexed to the Final Terms.

The Base Prospectus and the Final Terms are published on the website of the Luxembourg Stock Exchange (www.bourse.lu). [The Base Prospectus [and the Base Prospectus Supplement] [is] [are] available for viewing at the Ministry of Finance, Riad El-Solh Sector, Beirut, Lebanon and copies may be obtained from the Paying Agent, Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date:

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [2 April 2014 [(as supplemented by the Base Prospectus Supplement dated 17 February 2015)] / 23 March 2012 / 26 February 2009 / 17 April 2008 / 4 April 2007 / 17 October 2005 / 23 December 2002] (the "**Original Base Prospectus**"), which are incorporated by reference in the Base Prospectus dated 22 October 2015 (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and the Base Prospectus Supplement dated [•] 2015], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Original Base Prospectus and the Base Prospectus [and the Base Prospectus Supplement[s] dated [•] 2015 and [•] 2015]. A summary of the issue of the Notes (which comprises the summary in the Base Prospectus, as completed to reflect the provisions of the Final Terms) is annexed to the Final Terms.

The Original Base Prospectus, the Base Prospectus and the Final Terms are published on the website of the Luxembourg Stock Exchange (www.bourse.lu). [The Original Base Prospectus, the Base Prospectus [and the Base Prospectus Supplement] are available for viewing at the Ministry of Finance, Riad El-Solh Sector, Beirut, Lebanon and copies may be obtained from the Paying Agent, Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.]

1.	[(i)] Series Number:	[ ]
	[(ii)] Tranche Number:	[ ]

	[(iii)] Date on which the Notes become fungible	[Not Applicable/The Notes will be consolidated and form a single Series with the existing tranche(s) of the Series on [the Issue Date] / [*Date*].
2.	Specified Currency or Currencies:	[ ]
3.	Aggregate Principal Amount:	[ ]
	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
4.	Issue Price:	[ ]% of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(i) Specified Denominations:	[ ] [ ]
	(ii) Calculation Amount	
6.	[(i)] Issue Date:	[ ]
	[(ii)] Interest Commencement Date	[[ ] /Issue Date/Not Applicable]
7.	Maturity Date:	[ ]
8.	Interest Basis:	[[ ]% Fixed Rate] [LIBOR/EURIBOR] +/– [ ]% Floating Rate] [Not Applicable]
9.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100% of their nominal amount
10.	Amortization of Principal:	[Amortization Date:] [Amortization Amounts:] [Not Applicable]
11.	Put/Call Options:	[Investor Put / Issuer Call / Not Applicable]
12.	Date of Council of Ministers approval for issuance of Notes obtained:	[ ]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[ ]% per annum [payable [annually/semi-annually/quarterly/monthly)] in arrear] on each Fixed Interest Date
	(ii) Fixed Interest Date(s):	[ ] in each year, commencing [ ] [adjusted in accordance with the [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / not adjusted]

	(iii) Fixed Coupon Amount[(s]):	[ ] per Calculation Amount
	(iv) [Initial][Final] Broken Amount(s):	[[ ] per Calculation Amount payable on [ ] / Not Applicable]
	(v) Fixed Day Count Fraction:	[30/360 / Actual/Actual]
	(vi) Determination Dates:	[[ ] in each year / Not Applicable]
14.	**Floating Rate Note Provisions**	[Applicable/Not Applicable]
	(i) Interest Period(s)	[ ]
	(ii) Specified Interest Payment Dates:	[ ] in each year, commencing [ ] [adjusted in accordance with the [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] / not adjusted]
	(iii) First Interest Payment Date:	[ ]
	(iv) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(v) Business Centre(s):	[ ]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination / ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
	(viii) Screen Rate Determination:	[Applicable/Not Applicable]
	– Reference Rate:	[ ] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
	(ix) ISDA Determination:	[Applicable/Not Applicable]
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
	(x) Margin(s):	[+/-] [ ]% per annum
	(xi) Minimum Rate of Interest:	[[ ]% per annum / Not Applicable]
	(xii) Maximum Rate of Interest:	[[ ]% per annum / Not Applicable]

(xiii)	Day Count Fraction:	[30/360 / Actual/Actual]
15.	**Non-interest bearing Note Provisions**	[Applicable/Not Applicable]
(i)	[Amortization/Accrual] Yield:	[ ]% per annum
(ii)	Reference Price:	[ ]
(iii)	Day Count Fraction:	[30/360 / Actual/Actual]

PROVISIONS RELATING TO REDEMPTION

16.	**Call Option**	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note	[ ] per Calculation Amount
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[[ ] per Calculation Amount / Not Applicable]
	(b) Maximum Redemption Amount:	[[ ] per Calculation Amount / Not Applicable]
(iv)	Notice period	[[ ] / Not Applicable]
17.	**Put Option**	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note :	[ ] per Calculation Amount
(iii)	Notice period	[[ ] / Not Applicable]
18.	**Final Redemption Amount of each Note**	Par
19.	**Early Redemption Amount**	
	Early Redemption Amount(s) of each Note payable on redemption on event of default or other early redemption :	[[ ] per Calculation Amount / Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20.	Form of Notes:	[Registered Notes][Bearer Notes] [Definitive Registered Notes] [Regulation S Global Notes] [Restricted Global Note] [Not Applicable/ *give details*] [Definitive Bearer Note] [Global Bearer Note] [Registered Global Notes, which are exchangeable for Definitive Registered Notes in the limited circumstances specified in the Registered Global Notes.] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited

	circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
21. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No]

[THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced inaccurate or misleading.]]

Signed on behalf of the Issuer:

By: .....

Duly authorized

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing:	[Official List of the Luxembourg Stock Exchange/ [ ] / [None]] [Beirut Stock Exchange]
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to trading on the [Regulated Market of the Luxembourg Stock Exchange] [and the Official Market of the Beirut Stock Exchange] / [ ] with effect from [ ].] [Not Applicable.]
(iii)	Estimate of total expenses related to the admission to trading:	[ ]

2. RATINGS

Ratings:	[Not Applicable] / [The Notes to be issued have been rated: S&P: [ ] Moody's: [ ] Fitch: [ ]]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

The Issuer is not aware of any interest[s] material to the issue of the Notes, other than any fees payable to the Dealer[s] acting as underwriter[s] [and the Stabilizing Manager[s]] of the issue of the Notes. / [ ].

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i)	Reasons for the offer	[ ]
(ii)	Estimated net proceeds:	[ ]
(iii)	Estimated total expenses:	[ ]

5. FIXED RATE NOTES ONLY – YIELD

Indication of yield:	[[ ] / Not Applicable]

6. FLOATING RATE NOTES ONLY - HISTORIC INTEREST RATES AND VOLATILITY OF THE UNDERLYING

[Details of historic [LIBOR/EURIBOR] rates [and volatility of the underlying] can be obtained from [Reuters].] / [Not Applicable]

7. OPERATIONAL INFORMATION

ISIN Code:	[ ]

Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *Société Anonyme* and the relevant identification number(s):	[Not Applicable/[ ]/ [DTC - CUSIP: [ ] [MIDCLEAR]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]
Name and address of Calculation Agent (if any), if different from Paying Agent:	[ ]

8. DISTRIBUTION

(i)	Method of distribution:		[Syndicated/Non-syndicated]
(ii)	If syndicated:		
	(A)	Names and addresses of Managers and underwriting commitments:	[Not Applicable/[ ]]
	(B)	Date of Subscription Agreement:	[Not Applicable/[ ]]
	(C)	Stabilizing Manager(s) (if any):	[Not Applicable/[ ]]
(iii)	If non-syndicated, name and address of Dealer:		[Not Applicable/[ ]]
(iv)	Total commission and concession:		[Not Applicable / [ ]% of the Aggregate Principal Amount]
(vi)	Non-exempt Offer		[Not Applicable] [An offer of the Notes may be made by the Dealer[(s)] and the following financial intermediaries/placers: [*insert name and addresses of financial intermediaries/placers*] [and if the Issuer appoints additional financial intermediaries/placers after the date of these Final Terms and publishes details of them on its website, each financial intermediary/placer whose details are so published.] / [An offer of the Notes may be made by the Dealer[(s)] and any financial intermediary, which is authorized to make such offers under Directive 2004/39/EU (the Market in Financial Instruments Directive), which states on its website that it has been duly appointed as a financial intermediary to offer the notes and states that it is relying on the Base prospectus to offer the relevant tranche of Notes during the Offer Period (as defined below)] (collectively with the Dealer[(s)], the "**Financial Intermediaries**") other than pursuant to Article 3(2) of the Prospectus Directive in Luxembourg (the "**Public Offer Jurisdiction**") during the period from [ ] until [ ]/[*the issue date*]/[*the date which falls* [ ] *Business Days thereafter*] (the "**Offer Period**"). The above consent is subject to the following other conditions: [ ]] See further section 9 of Part B below.

9. INFORMATION IN RESPECT OF CERTAIN OFFERS OF NOTES

(i) Conditions to which the offer is subject:	[Not Applicable/[ ]]
(ii) Arrangements and time for publication of definitive size of issue/offer:	[Not Applicable/[ ]]
(iii) The time period, including any possible amendments, during which the offer will remain open	[Not Applicable/[ ]]
(iv) Description of the application process:	[Not Applicable/[ ]]
(v) Description of the possibility to reduce subscriptions and the manner for refunding excess amounts paid by applicants:	[Not Applicable/[ ]]
(vi) Details of the minimum/maximum amount of application (whether in numbers of securities or aggregate amount to invest):	[Not Applicable/[ ]]
(vii) Method and time limits for paying up the securities and for delivery of the securities:	[Not Applicable/[ ]]
(viii) Full description of the manner and date on which results of the offer are to be made to the public:	[Not Applicable/[ ]]
(ix) Indication of the expected price at which the securities will be offered:	[Not Applicable/[ ]]
(x) Process for notification to applicants of the amount of Notes allotted and indication whether dealing may begin before notification is made:	[Not Applicable/[ ]]
(xi) Details of any Tranche(s) reserved for a specific country:	[Not Applicable/[ ]]
(xii) The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised:	[Not Applicable/[ ]]
(xiii) Amounts of any expenses or taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[ ]]

ANNEX
ISSUE SPECIFIC SUMMARY

[Insert completed summary for the Notes]

THE ISSUER

The Lebanese Republic
Ministry of Finance
Riad El-Solh
Beirut
Lebanon

FISCAL AGENT, TRANSFER AGENT, REGISTRAR and EXCHANGE AGENT

Deutsche Bank Trust Company Americas
60 Wall Street
New York, NY 10005

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

PAYING AGENT, TRANSFER AGENT AND LISTING AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

DEALERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt Am Main
Federal Republic of Germany

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

Nomura International plc
1 Angel Lane
London EC4R 3AB

Standard Chartered Bank
P.O. Box 999
Dubai
United Arab Emirates

LEGAL ADVISERS
to the Republic

as to U.S. Law:

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

as to Lebanese Law:

Ministry of Justice
Beirut
Lebanon

El Khoury & Partners
52 Charles Helou Street
Horch Tabet
Beirut
Lebanon

LEGAL ADVISERS
to the Dealers

as to U.S. Law:

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

as to Lebanese Law:

Abousleiman & Partners
11 Place de l'Etoile
Riad El-Solh Sector
Beirut
Lebanon