

US\$ 1 BILLION RE-OPENING OF 5.45 PERCENT NOTES DUE 2019 IN DEBT REPLACEMENT AGREEMENT WITH BDL

On 20 December 2012 the Republic of Lebanon issued US\$ 1 billion 5.45 percent Notes due November 2019 (series 60 tranche 3) to be consolidated and form a single series with the US\$ 500 million 5.45 percent Notes due 2019 (series 60 tranches 1 and 2) issued on November 28, 2011.

This issue of US\$ 1 billion was undertaken through a “Debt Replacement Agreement” between the Ministry of Finance (MoF) and Banque du Liban (BdL), the second for 2012, with the first settling on 12 June 2012.¹ BdL redeemed to MoF Treasury Notes in Lebanese Pounds from its existing portfolio for an equivalent LL amount of USD 1 billion of Eurobonds. The yield of the Eurobonds issued was 5.40 percent compared with a 5.94 percent weighted average cost of the redeemed Treasury bond portfolio that consisted of 3-year Treasury Bonds maturing in 2013.

The Eurobonds were issued pursuant to Law Number 212 dated 30 March 2012 and specifically to Article 2 of the law which authorizes up to USD 3 billion of Eurobond issuances for the refinancing of foreign currency debt (principal and interest) (including refinancing of domestic currency denominated debt in FX). This Article was tapped earlier in the year with the US\$ 2 billion Debt Replacement Agreement conducted with BDL in June 2012. The December 2012 Debt Replacement Agreement follows a voluntary debt exchange on market-issued Eurobonds due in 2013 conducted by the Ministry of Finance in November 2012 that settled on 29 November 2012.² The US\$ 1 billion Debt Replacement Agreement with BDL aimed to further reduce refinancing risk in 2013 by targeting a reduction of 2013 LBP debt dues.

Terms and Conditions of the Issuance

Series (tranche)	60 (3)
Issue size (in USD)	1,000,000,000
Issue date	20 December, 2012
Maturity	28 November, 2019
Coupon rate	5.45%
Coupon payment	Semi-annual
Principal payment	Bullet payment at maturity
Issue Price	100.00% + 22 days of accrued interest from, and including November 28, 2012 to, but excluding, the Issue Date specified herein.
Re-offer Yield	5.40%
ISIN code	XS0707819727
Lead manager	Republic of Lebanon

Source: BDL, MOF.

¹ For more information about this transaction, kindly refer to the related brief note available here: <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtTransactions.aspx>

² Ibid.



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