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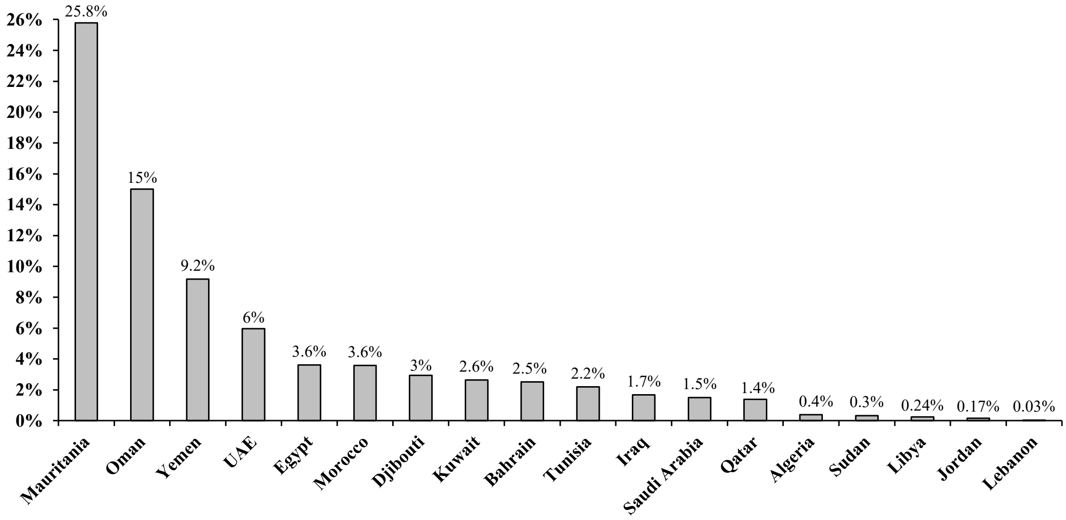
BYBLOS BANK
Economic Research & Analysis Department

LEBANON THIS WEEK

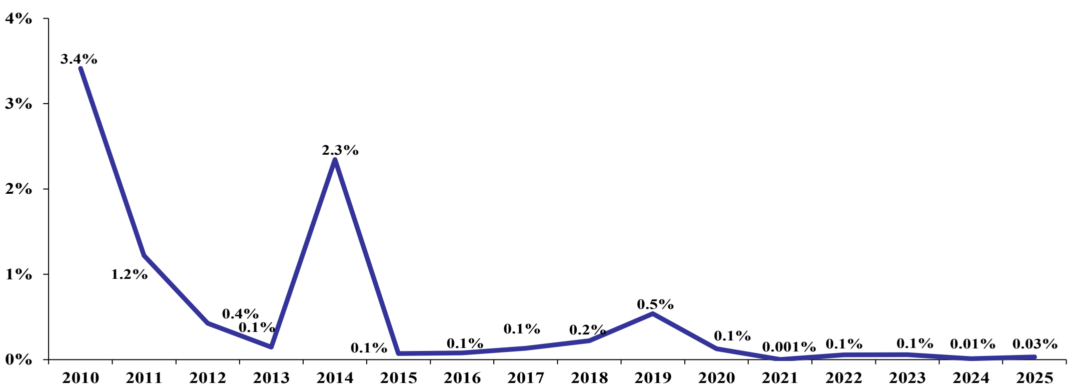
In This Issue

Chart of the Week

Greenfield Foreign Direct Investments in Arab Countries in 2025 (% of GDP)



Greenfield Foreign Direct Investments in Lebanon (% of GDP)



Source: UNCTAD, International Monetary Fund, Institute of International Finance, Byblos Bank

Quote to Note

"There are strong foundations to expand bilateral commercial and investment cooperation between Lebanon and the UAE."

Dr. Thani bin Ahmed Al Zeyoudi, the UAE's Minister of State for Foreign Trade, on the existing opportunities to develop economic relations between the two countries

Number of the Week

LBP920,140bn: The public sector's aggregate deposits at Banque du Liban as at August 15, 2026

Lebanon in the News

$m *(unless otherwise mentioned)*	2024*	2025*	2026*	%Change**	Mar-25	Feb-26	Mar-26
Exports	731	935	631	(32.5)	309	220	205
Imports	3,972	4,378	5,380	22.9	1,544	1,861	1,623
Trade Balance	(3,241)	(3,443)	(4,749)	37.9	(1,235)	(1,641)	(1,418)
Balance of Payments	1,608	5,368	1,666	(69.0)	2,241	1,961	(6,039)
Checks Cleared in LBP***	200	172	185	8.0	65	69	61
Checks Cleared in FC***	516	255	78	(69.4)	84	18	23
Total Checks Cleared***	716	427	263	(38.3)	149	87	84
Fiscal Deficit/Surplus	448	313	470	50.0	98	-	(47)
Primary Balance	545	352	497	41.2	111	-	(32)
Airport Passengers	1,271,456	1,254,673	1,095,390	(12.7)	403,128	410,019	139,194
Consumer Price Index	114.5	15.3	13.5	(11.8)	14.2	12.3	17.3

$m *(unless otherwise mentioned)*	Mar-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	%Change**
BdL FX Reserves	10.68	9.34	7.74	8.13	6.80	6.10	(42.9)
In months of Imports	-	-	-	-	-	-	-
Public Debt	-	-	-	-	-	-	-
Bank Assets	102.66	101.82	102.30	102.01	101.90	100.68	(1.9)
Bank Deposits (Private Sector)	88.72	87.67	87.19	86.94	86.68	86.23	(2.8)
Bank Loans to Private Sector	5.65	5.42	5.20	5.21	5.24	5.24	(7.4)
Money Supply M2	1.76	1.64	1.68	1.68	1.63	1.62	(8.3)
Money Supply M3	69.41	67.72	67.29	67.03	66.80	66.39	(4.4)
LBP Lending Rate (%)	6.41	11.42	10.90	11.76	9.74	9.80	339
LBP Deposit Rate (%)	2.00	3.25	3.68	3.66	5.13	3.66	166
USD Lending Rate (%)	4.11	5.32	3.68	4.20	3.84	4.78	67
USD Deposit Rate (%)	0.10	0.12	0.09	0.17	0.08	0.10	0

**in the first quarter of each year; **year-on-year*
****checks figures do not include compensated checks in fresh currencies*
Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE*	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "B"	70.50	(2.1)	48,682	25.7%
Solidere "A"	70.15	(3.4)	7,346	39.3%
Byblos Common	0.65	0.0	5,000	2.1%
Audi GDR	1.83	0.0	3,250	1.2%
Audi Listed	1.97	0.0	-	6.5%
BLOM GDR	7.02	0.0	-	2.9%
BLOM Listed	7.48	0.0	-	9.0%
Ciments Libanais	51.00	0.0	-	5.6%
Byblos Pref. 09	29.99	0.0	-	0.3%
Byblos Pref. 08	25.00	0.0	-	0.3%

*Source: Beirut Stock Exchange (BSE); *week-on-week*

Sovereign Eurobonds	Coupon %	Mid Price in US$	Mid Yield %
Nov 2026	6.60	27.88	1,083.12
Mar 2027	6.85	27.88	424.30
Nov 2028	6.65	28.25	67.54
Feb 2030	6.65	28.30	39.69
Apr 2031	7.00	28.43	29.02
May 2033	8.20	29.93	18.81
May 2034	8.25	29.93	16.27
Jul 2035	12.00	29.38	14.24
Nov 2035	7.05	29.38	13.82
Mar 2037	7.25	29.38	11.94

Source: LSEG Workspace

	August 24-28	August 17-21	% Change	July 2026	July 2025	% Change
Total shares traded	65,278	106,029	(38.4)	363,261	1,065,838	(65.9)
Total value traded	$4,036,730	$3,397,793	18.8	18,571,189	29,918,310	(37.9)
Market capitalization	17.84	18.19	(1.9)	18.02	20.71	(13.0)

Source: Beirut Stock Exchange (BSE)

Banque du Liban tightens measures against illicit financial flows

Banque du Liban's (BdL) Governor Karim Souaid indicated that BdL launched in 2025 the "Three Rings of Fire" initiative, which consists of three integrated measures that aim to close the gaps in the transfer of funds that illicit activities could exploit. He considered that the strength of the financial system depends on addressing its weakest points, as illicit funds seek to exploit the system's vulnerabilities.

First, he stated that the first ring aims to strengthen controls at the entry points to the financial system by determining who can access it and who can own or manage a financial institution. He said that BdL has tightened licensing, solvency, governance, and Know Your Customer (KYC) requirements, particularly for money exchange companies and payment service providers, in order to prevent illicit entities from entering the formal financial sector. He added that any cash transfer or receipt that exceeds $1,000 has become subject to strict regulatory requirements.

Second, he indicated that the second ring focuses on the relationship between banks and their clients, as identifying customers and beneficial owners only when opening an account does not sufficiently address risks that can evolve over time. As such, he said that BdL has strengthened the requirements for the continuous monitoring of the flow of funds between banks and their clients in order to assess each transaction within its broader context. He added that any cash transfer or receipt that exceeds $10,000 is subject to strict requirements related to oversight, transparency, and accountability.

Third, he pointed out that the third ring aims to protect the relationships of Lebanese banks with foreign correspondent banks. He said that BdL is working to protect Lebanese banks from non-compliance risks related to funds originating from suspicious or sanctioned entities, and to strengthen their ability to identify the sources of funds and their economic purpose. He noted that correspondent banks assess the quality of the overall regulatory environment rather than the soundness of individual transactions, and that maintaining correspondent banking relationships constitutes a practical test of the credibility of Lebanon's regulatory framework. He cautioned that weaknesses in the first or second rings would weaken the ability to supervise the financial system, while a weakness in the third ring could risk excluding the Lebanese banking sector from the global financial system.

In parallel, he indicated that some foreign correspondent banks, most local banks, and some international regulatory authorities have focused their efforts during the past decades primarily on money laundering and terrorism financing (ML/TF) schemes, particularly in the Middle East and Lebanon. But he noted that billions of dollars related to corruption and transfers by politically exposed persons (PEPs) have not received the same level of scrutiny. He considered that the embezzlement and transfer of public and private funds through business-related or political corruption pose the same degree of risk and should face equally stringent measures as ML/TF at the local and international levels. Further, he stated that the rapid development of financial technology, digital assets, and cryptocurrencies continues to generate new challenges in combating illicit financial flows, terrorism financing, corruption, and bribery. He noted that illicit funds tend to migrate towards newer and less regulated channels, as well as to emerging sectors and technologies that were not traditionally part of the financial system. As such, he indicated that BdL has imposed on payment and transfer institutions, digital wallets, and non-bank financial institutions updated regulatory frameworks based on the principle that similar financial activities should face regulatory requirements proportionate to the risks they generate.

In this context, he indicated that Lebanon currently does not have a legislative framework that regulates digital assets and cryptocurrencies. He announced that BdL is working with Banque de France to prepare a set of new circulars and regulatory frameworks that aim to regulate these activities and to subject them to effective supervision, rather than prohibiting or restricting them. He added that this approach focuses on strengthening requirements for reporting suspicious transactions in order to integrate these activities into the regulatory framework in line with international standards.

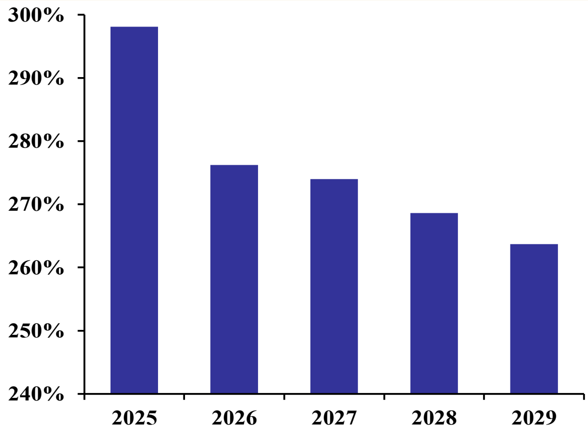
Also, he stressed that financial institutions that fail to implement effective compliance programs due to human or organizational shortcomings will face strict regulatory consequences without exception. He indicated that BdL is working with the relevant Lebanese authorities, including the ministries of Finance, Justice and Interior, and in coordination with the Presidency of the Council of Ministers, to implement the action plan that the Lebanese authorities and the Financial Action Task Force (FATF) mutually approved, following FATF's placement of Lebanon on its list of "jurisdictions under increased monitoring" in October 2024. He considered that the action plan is not just an external requirement, but constitutes an opportunity to address deficiencies in the regulatory framework and to demonstrate its effectiveness through measurable and verifiable results. He added that BdL is working to ensure that the compliance programs at financial institutions reflect the results of the national assessment of ML/TF risks priorities.

Finally, the Governor considered that the effectiveness of the framework should not be measured by the number of reports submitted, but by concrete outcomes, including investigations that reach the judiciary, prosecutions that result in convictions, and the effective confiscation of illicit funds.

Economic outlook contingent on security conditions and reforms

S&P Global Ratings projected Lebanon's real GDP to shift from a growth rate of 4% in 2025 to a contraction of 8.6% in 2026, due to the impact of renewed fighting between Hezbollah and Israel that erupted on March 2, 2026. It added that increased Israeli attacks, including in the capital Beirut, have severely disrupted economic activity, with a decline in construction and tourism activity and in investor confidence. Also, it forecast Lebanon's real GDP to average of 2.7% in the 2027-29 period and anticipated economic activity in the covered period to be driven by reconstruction efforts, the recovery of the services sector, and stronger private consumption, supported by the strong inflow of expatriates' remittances and improved liquidity conditions from the increase of deposit withdrawal limits from "fresh" dollar bank accounts. Also, it expected the reconstruction of war-affected areas to be jointly funded by the private sector, multilateral organizations, bilateral partners, and the government in the next few years. In addition, it forecast the size of the Lebanese economy, or nominal GDP, at $39.3bn in 2026, $45.6bn in 2027, and $50.1bn in 2028.

Lebanon's Gross External Financing Needs (in % of Current Account Receipts and Usable Reserves)



Source: S&P Global Ratings

Further, it did not expect any significant progress on the long-delayed restructuring of the public debt in the near term, as it considered that progress on the restructuring of the Eurobonds in default depends largely on the implementation of policy reforms under a program with the International Monetary Fund (IMF), as well as on donor support and stable security conditions. It indicated that Parliament enacted and amended the Banking Restructuring Law in order to form a legal and institutional framework and to establish a new oversight authority to deal with the restructuring of the banking sector; the authorities drafted the Financial Stabilization and Deposits Repayment Act (FSDR) that aims to quantify financial sector losses, as well as to define burden sharing and a deposit recovery strategy; and the Parliament amended the Banking Secrecy Law in April 2025 that grants access to banking sector records with a retroactive effect of 10 years. It expected progress on the implementation of reforms to be gradual, reflecting the drastic shift in economic conditions amid continued hostilities, despite broad domestic political agreement on the need to implement reforms and secure an IMF program. It added that external donor funding is also largely conditional on these reforms.

Further, it said that the government recorded budget surpluses on a cash basis of 0.8% of GDP in 2024 and 4% of GDP in 2025, supported by the collection of arrears on the value-added tax and the income tax, and by improving tax compliance and digitalization, despite spending pressures from the elevated public sector wage bill, the increase in expenditures on security, and support to the population affected by the conflict. It considered that the reforms momentum will unlock the disbursement of concessional loans and donor funding, which would ease some of the government's funding constraints. As a result, it forecast the fiscal balance to post a surplus of 3% of GDP in 2026 and 1.5% of GDP in 2027, and to shift to deficits of 1% of GDP in 2028 and 2% of GDP in 2029. It noted that the improved headline fiscal performance in the past two years, along with the stabilization of the exchange rate and the substantial rise in nominal GDP, led to a decline in the net public debt level from 264.7% of GDP at the end of 2022 to 132% of GDP at end-2025, and projected it to regress to 96.2% of GDP at end-2029. However, it considered that the addition to the public debt stock of any government liabilities resulting from the allocation of banking sector losses under the FSDR could reverse the declining debt trend. It added that such liabilities should be addressed within a debt-sustainability framework in agreement with the IMF.

In addition, it projected the current account deficit to narrow from an average of 22% of GDP in the 2023-25 period to an average of 16.8% of GDP in the 2026-29 period, and expected the deficit to be financed by unrecorded remittance flows and accumulated resident foreign currency savings. It added that administrative constraints in the public sector and the multiple exchange rates have resulted in limited and infrequent data disclosure. As such, it said that its historical data and forecasts are subject to unusually high uncertainties and that this trend will persist in the near future, but it noted that the authorities are working with the IMF to improve the accuracy of fiscal data.

Macroeconomic Indicators for the Lebanese Economy

	2025e	2026f	2027f	2028f	2029f
Real GDP growth (%)	4.0	-8.6	3.5	2.0	2.5
Inflation Rate (Average, %)	14.6	22.0	14.0	10.0	8.0
Fiscal Balance (% of GDP)	4.0	3.0	1.5	-1.0	-2.0
Primary Balance (% of GDP)	4.9	3.8	2.1	-0.4	-1.4
Public Debt (% of GDP)	131.9	121.7	108.2	101.4	96.2
Current Account Balance (% of GDP)	-25.7	-17.7	-16.3	-16.9	-16.3

Source: S&P Global Ratings

Tourism and private consumption losses projected at $3.6bn in 2026

The World Bank expected the eruption of military hostilities in Lebanon on March 2 of this year, which has deterred visitors, as well as broader regional instability and the ensuing flight disruptions across the Middle East, to severely affect the tourism sector in the country. It indicated that tourism activity has been severely hit since the onset of the current conflict, as the conflict in 2024 led to a 42.3% decline in travel receipts, with the bulk of the decline occurring in the fourth quarter of 2024. It said that Lebanon subsequently experienced a strong tourism rebound in 2025, with tourist arrivals rising by about 44% during the year despite sporadic military operations.

Also, it anticipated hostilities to persist at a lower intensity level and to remain concentrated in the south of the country, as it did not expect the protagonists to reach a comprehensive ceasefire this year. It said that this scenario implies a sharp decline in summer tourism receipts and a significant shock to consumption, driven by weaker economic activity, heightened uncertainties, and the prolonged displacement of tens of thousands of households. As such, it projected the aggregate losses to tourism receipts at $3bn in 2026, with travel receipts declining by $1.8bn and spending by Lebanese expatriates decreasing by $1.2bn in 2026.

In addition, it considered that the massive internal population displacement that the conflict has caused, along with deteriorating economic conditions amid the conflict, will result in a contraction in private consumption of about 6% in real terms. It said that the decline in consumption reflects the combined impact of mass displacement disrupting household livelihoods, supply chain interruptions that limit the availability of goods, and a general collapse in consumer confidence dynamics in line with the contraction in consumption during the 2024 conflict. Also, it estimated the losses from a decline in private consumption at $569.6m, with consumption losses in the Southern Suburbs of Beirut amounting to $243m, losses in the Nabatieh governorate standing at $186.4m, and losses in South Lebanon reaching $140.2m this year.

As such, it projected the total losses to consumption and tourism spending to reach US$3.57bn in 2026. As a result, it considered that the negative contribution to most of the sectors, mainly the tourism sector and private consumption, will lower real GDP growth by 10.4 percentage points in 2026, which would transform a pre-conflict projection of a real GDP growth rate of 4% into a contraction of 6.4%.

EU extends €45m grant to support social assistance system

The European Union (EU) and the Ministry of Social Affairs (MoSA) signed a grant agreement for up to €45m to strengthen Lebanon's social assistance system through the implementation of the project "EU support to the strengthening of an inclusive, predictable, and nationally owned social-assistance system for Lebanon". The agreement indicated that the MoSA will be the agency responsible for implementing the project.

First, the agreement stipulates that the project will extend for 18 months, and that the execution period of the agreement will end when the EU pays the balance of the grant or, at the latest, on the end date stipulated in the agreement.

Second, it indicated that the EU will provide up to €40m to cover the eligible costs of the project, in order to cover up to 100% of the costs. It added that it will provide up to €5m for the part of the project that is not linked to costs, bringing the EU's maximum contribution to the project to €45m.

Third, the agreement stated that the EU will disburse an initial pre-financing payment of €24m and further pre-financing payments totaling €20.5m, while the balance of the final amount of the grant will stand at €0.5m. It added that the MoSA will record the project's results and corresponding indicators, including baselines and targets, as well as the current values of the indicators, in the relevant electronic system in line with the approved interim and final reports.

Also, the agreement indicated that the EU will transfer the payments to the Ministry of Finance's Grants and Donations Account at Banque du Liban (BdL). It said that the ministry of Finance will subsequently allocate the funds, based on a ministerial decree, to a separate specific bank account that the MoSA will hold at BdL to receive the EU funds under the agreement. It added that the transfer of the payments through the Ministry of Finance's Treasury account constitutes a compulsory transit mechanism and does not grant the ministry the status of beneficiary under the agreement.

Further, it noted that the actual costs will qualify as eligible if they comply with the rules and procedures of the AMAN social assistance program, including those related to workflows and approvals, authorization levels, procurement procedures and thresholds, budgetary and financial controls, conflict-of-interest safeguards, documentation, and audit-trail requirements. It added that the MoSA must submit a declaration of compliance with the applicable rules and procedures of the AMAN program with each payment request. Finally, the agreement stated that the MoSA is the only side that is responsible for implementing the project and for using the EU contribution, and that it will notify the EU of any payments made under the agreement.

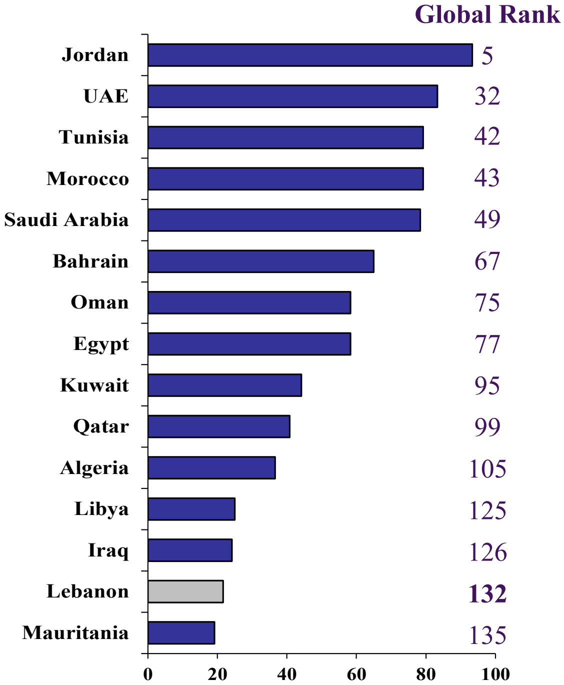
Lebanon ranks 132nd globally, 14th in Arab region in cybersecurity preparedness

The e-Governance Academy Foundation, an think tank and research organization specializing in digital governance and cybersecurity, ranked Lebanon in 132nd place among 155 countries and territories worldwide, in 32nd place among 38 lower-middle income countries (LMICs), and in 14th place among 15 Arab countries on its National Cybersecurity Index (NCSI) for 2026.

Lebanon ranked in the 15th percentile worldwide on the 2026 index, which means that Lebanon has a lower level of preparedness to prevent cyber threats and manage cyber incidents than 85% of countries worldwide, while it came in the seventh percentile in the Arab world, which means that Lebanon has a weaker cybersecurity readiness than 93% of Arab countries.

The NCSI measures the preparedness of countries to prevent cyber threats and manage cyber incidents. The index measures the performance of countries across 49 indicators in 12 cybersecurity capacity areas that are grouped in three pillars that consist of strategic cybersecurity indicators, preventive cybersecurity indicators, and responsive cybersecurity indicators. The index's scores per country is calculated as a percentage of the maximum possible points across 49 measurable indicators, and range from zero to 100%, with a higher score reflecting the highest level of preparedness to prevent cyber threats and manage cyber incidents.

National Cybersecurity Index for 2026
Scores & Rankings of Arab Countries



Source: e-Governance Academy Foundation

Globally, Lebanon has a higher level of preparedness to prevent cyber threats and manage cyber incidents than Nicaragua, Mauritania and Guatemala, and a lower readiness level than the Democratic Republic of the Congo, Honduras, and Cambodia among economies with a GDP of $10bn or more. Also, Lebanon has a higher level of cybersecurity preparedness than Nicaragua, Mauritania and Tajikistan, and a lower cybersecurity preparedness level than Honduras, Cambodia and Venezuela among LMICs. Lebanon received a score of 21.67% on the 2026 index, which is lower than the global average score of 54.5%, the LMICs' average score of 40.7%, and the Arab average score of 53.8%. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 61.7% and the average score of non-GCC Arab countries that stood at 48.5%.

Further, Lebanon received a score of 12 points out of 35 points on the strategic cybersecurity indicators, a score of 5 points out of 40 points on the preventive cybersecurity indicators, and a score of nine points out of 45 points on the responsive cybersecurity indicators.

In addition to the NCSI Score, the index provides the Digital Development Level (DDL), which is the average score of the EGovernment Development Index and the Networked Readiness Index. Lebanon received a score of 54.5% on the DDL for 2026, which resulted in a negative value of 32.8% between the NSCI score and the DDL score, indicating that the country's digital society is more advanced than its level of national cyber security.

Banque du Liban upgrades regulations for money dealers and exchange institutions

Banque du Liban (BdL) issued Basic Circular 6/13837 dated August 8, 2026 addressed to money dealers and exchange institutions (MD&EI) about the conditions for the establishment and functioning of MD&EI.

Article 2 prohibits any natural or legal person, excluding banks, financial institutions and financial intermediaries, from practicing, advertising, or offering money exchange services to the public, directly or indirectly by any means, without obtaining a prior license from BdL according to the categories specified in Article 3. It stipulates that violators will face criminal prosecution. Article 3 states that applicants must obtain a license in one or more of the following categories. Category A covers the purchase and sale of foreign currencies in exchange of any foreign currency or Lebanese pounds banknotes or coins; trading in precious metal pieces and bullions; acting as an agent for electronic payment service providers; and the marketing of prepaid cards for clients. It added that Category A1 allows the transport of banknotes and precious metals across the border, while Category A2 authorizes the operation of an Informal Money Transfer Service (IMTS). Also, Category B authorizes an MD&EI to purchase and sell foreign currencies in exchange for any foreign currency or Lebanese pounds; to trade metal pieces and precious metals below 1,000 grams; and to act as an agent for electronic payment service providers. Article 6 stipulates that MD&EIs must allocate a minimum capital of LBP25bn for Category A, LBP100bn for Category A1, LBP25bn for Category A2, and LBP10bn for Category B. It added that the capital requirements are cumulative based on the selected categories.

Article 8 prohibits an MD&EI from starting to operate prior to receiving the required licenses and before completing the capital subscription. It bars MD&EIs from engaging in activities unrelated to exchange operations such as extending credit, providing financing, conducting asset management, granting loans, issuing or trading virtual assets without authorization, or developing or operating electronic applications. It further prohibits MD&EIs from depositing cash directly into a client's bank accounts, receiving deposits or opening deposit accounts, accepting powers of attorney from clients, and distributing damaged banknotes. In addition, it bars them from dealing with bearer-share companies or investment funds, with unapproved foreign correspondents, and with foreign branches or exchange entities owned by relatives up to the second degree. Also, it stipulates that all business operations must take place exclusively through bank accounts, prohibits the use of the personal accounts of partners, disallows local currency credit facilities from banks, and caps foreign currency borrowing at 50% of the capital.

Article 12 stipulates that MD&EIs must appoint a compliance officer or establish a compliance unit proportionate to the scale of its operations, for the purpose of monitoring and ensuring full adherence to the procedures, regulations, and instructions that BdL and the Special Investigation Commission for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) issues, particularly the system for monitoring financial and banking operations for AML/CFT as applicable. It states that Category A institutions cannot outsource the compliance function, but authorizes Category B institutions to outsource the monitoring of daily operational compliance. Also, it requires MD&EIs to draft or update AML/CFT policy manuals, apply a risk-based approach, and submit periodic internal reports to BdL. Article 15 requires MD&EIs to pay to BdL an annual fee of LBP250m for Category A, LBP500m for Category A1, LBP250m for Category A2, and LBP50m for Category B licenses. Article 16 requires MD&EIs to preserve transaction records and client identification data for a minimum of 10 years.

Article 17 stipulates that MD&EIs must clearly display the exchange rates of foreign currencies on electronic boards at their premises and on websites. It prohibits executing operations at rates differing from the published rates, except when these rates benefit the client. Article 19 states that MD&EIs must appoint an independent auditor that meets the qualifications of Decree No. 1983 of September 25, 1971. Article 20 requires any MD&EIs seeking to open a new branch to obtain prior approval from BdL for both the establishment of the branch and for an increase in its capital by at least the minimum amount required for the category to which it belongs. It states that if an MD&EI provides services under Category A1 or A2, it must additionally increase its capital by LBP25bn for each new branch. Article 24 authorizes Category A institutions to market co-branded prepaid bank cards that licensed banks or financial institutions issue, provided that cardholders successfully complete the bank's Know Your Customer procedures and that the monthly non-revolving card limit does not exceed $10,000.

Article 26 requires MD&EIs engaged in IMTS to obtain a specific license from BdL and to conclude formal agreements with foreign correspondent institutions, based on submitting the documentation showing the proper regulatory approval, as well as on AML/CFT compliance and ownership disclosure. It requires all payments to be made in cash, with monthly transaction limits set at $20,000 per client for personal transfers and $200,000 per client for commercial transfers. It stipulates that if transfers remain unclaimed after 30 days, the institution must notify the client and that, once the statutory prescription period for claiming funds expires, 50% of the funds revert to the Lebanese State while the remaining 50% are allocated to the institution's non-distributable reserves. Article 29 empowers BdL's Central Council to impose financial penalties of at least LBP500m for each violation, while Articles 30 stipulates that violators may be referred to the Higher Banking Authority for sanctions under Law No. 347 of August 6, 2001. Article 31 indicates that MD&EIs must be deregistered if they are liquidated, declared bankrupt, remain inactive for six consecutive months, or fail to restore the minimum capital required. Article 32 states that violations constitute criminal offenses under Article 770 of the Penal Code.

Energy Ministry launches forensic audit of power ships and related fuel deals

The Ministry of Energy and Water announced the launch of a forensic audit into the agreements involving the leasing of power-generation ships from Türkiye during the 2012-17 period and into the related fuel oil deals, in implementation of the Ministerial Statement of the current government that expressed a "commitment to forensic and accounting audits in ministries, administrations, and public institutions." It said that the decision comes in light of the suspicions and questions raised about the leasing of power-generation ships, which have operated in Lebanon since 2012 for several years and whose contracts were extended multiple times amid allegations of deals, commissions paid, and a lack of transparency in the tendering process.

Further, the ministry outlined the timeline of the forensic audit process. It said that it sent on February 18, 2026 the draft tender specifications to the Public Procurement Authority (PPA) for its review. It stated that the PPA provided its comments on March 2 and that the ministry submitted a revised version on March 10. It said that the PPA acknowledged on March 16 the specifications and requested that the scope of the audit covers the power ship and fuel deals that took place during the 2012-17 period. It noted that the Council of Ministers approved on April 23 the allocation of appropriations to enable the Ministry of Energy to conduct the tender through the Ministry of Finance, in compliance with the Public Procurement Law. It added that the Council of Ministers issued a decree on July 27 to transfer funds from the budget reserve to secure financing for the audit contract, and approved on August 13 the inclusion of an international arbitration clause. Further, it said that the government announced on August 21, 2026 the launch of the tender process and the publication of the specifications on the PPA's platform. The tender, which is classified as consulting services and will be conducted through a request for proposals, requires a bid guarantee of $20,000 and stipulates that bids remain valid for 120 days. The estimated value of the contract remains confidential. It added that the bid-opening session is scheduled for October 15, 2026.

The ministry stressed that the forensic audit will be followed by addition audits, as the tender specifications for a forensic audit of the Jannah Dam and Lake Project on the Ibrahim River, which the Beirut and Mount Lebanon Water Establishment submitted, had been published on the PPA's platform.

In parallel, Alvarez & Marsal's preliminary forensic audit report of Banque du Liban dated August 7, 2023 shows that the latter used a total of $24.53bn from its foreign currency reserves between 2010 and 2021 for the electricity sector that consist of $18.93bn in credits and direct transfers to the state-owned Electricité du Liban (EdL) and $5.6bn to the Energy Ministry.

Further, as part of its Diagnostic of Governance and Corruption in Lebanon, the International Monetary Fund (IMF) considered that the lack of reliable and continuous electricity supply constitutes a major problem in Lebanon, and that the opaque contracting process, weak oversight of politically-exposed persons, strong patronage networks, and the absence of accountability have exacerbated corruption risks in the electricity sector. In addition, it pointed out that the electricity sector has long been at the center of Lebanon's fiscal and economic challenges. Also, it indicated that weak operational capacities and governance structures in Lebanon allowed political and economic elites to seize control of EdL, and to further undermine its performance. It said that the authorities mismanaged for decades investments that were intended to expand and diversify power generation capacity, which has perpetuated the reliance on imported fuel oil to produce electricity and has favored politically connected cartels.

Moreover, the IMF urged the Council of Ministers to adopt a comprehensive proactive transparency policy for the electricity sector. It said that the policy should require the authorities to publish the complete text of all current and future contracts and concessions authorizing private sector entities to generate electricity for EdL; as well as the contracts and agreements with distribution service providers along with the payment formulas and amounts; fuel purchase contracts tendered by the Directorate General of Oil or any other governmental agency or body since 2015; active fuel import licenses; and semi-annual reports on financial flows between the government and EdL.

Banque du Liban establishes central registry for depositors

Banque du Liban (BdL) issued Basic Circular 174/13836 dated August 17, 2026 addressed to banks about establishing a central registry for depositors.

BdL based its circular on the need to verify the actual number of depositors and the aggregate volume of their deposits across all currencies at commercial banks, and to provide this information, when required, to the Banking Control Commission of Lebanon (BCCL) and to the National Institute for the Guarantee of Deposits (NIGD). It also attributed its decision to the need to determine the amount required for the gradual disbursement of funds to depositors under the draft of the Financial Stabilization and Deposits Repayment (FSDR) Act.

Article 1 stipulates the establishment of the central registry within the Directorate of Banks at BdL, which should manage the central database for depositors and deposits and assign a unique identification number (UIN) to each depositor that should be adopted across all operating banks in Lebanon.

Article 3 requires banks to submit to the central registry the required information, data, and documentation within the designated deadlines and in accordance with the procedures established in the regulations and the operational instructions that BdL issues.

Article 5 stipulates that any violation of the provisions of this circular and its attached regulations subjects the violator to the administrative sanctions provided for in Article 208 of the Code of Money and Credit, as well as to penalties related to statutory delays under applicable laws and regulations. It added that non-compliance constitutes an offense under Article 770 of the Penal Code, and that BdL preserves the right to prosecute non-compliant institutions before the relevant judicial authority. Article 7 states that the circular goes into effect upon the issuance of its operational framework.

In parallel, BdL disclosed the operational framework related to the central registry for depositors. Article 2 mandates all banks operating in Lebanon to register with the central registry. Article 3 requires each bank to verify, through the central registry, whether a depositor already has an existing UIN within the Central Credit Risks Bureau or the Special Accounts Bureau under Basic Circular 158/13335 of June 8, 2021 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019 and Basic Circular 166/13611 of February 2, 2024 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to June 30, 2023.

Article 4 requires every bank to submit an electronic file to the central registry, within 10 days from the end of each month, that includes a statement of “non-fresh” foreign currency deposit balances and a statement of “fresh” foreign currency deposit balances and Lebanese pound deposit balances as at the end of the previous month, along with the UIN, without mentioning the depositor's name.

Article 5 stipulates that data that banks submit to the central registry should remain strictly confidential under the Banking Secrecy Law and Law No. 81/2018 on Electronic Transactions and Personal Data Protection. It added that such data may be used solely to inform depositors directly of their deposit status or to provide information to the entities specified in Article 7 of the Banking Secrecy Law, subject to prior approval from the Governor of BdL.

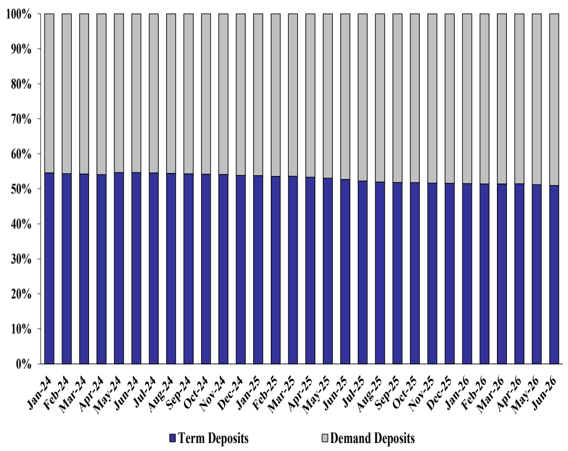
Article 11 requires banks to include each depositor’s UIN in their reports without disclosing the depositor’s name, and to account for all balances in individual and joint credit accounts by currency. Article 13 stipulates that depositors or their legal representative may submit an official inquiry request to review their recorded deposits.

Term deposits account for 51% of customer deposits at end-June 2026

Figures issued by Banque du Liban (BdL) about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP7,936.7 trillion (tn) at the end of June 2026, or the equivalent of $88.7bn, compared to LBP8,071.1tn ($90.2bn) at end-2025 and to LBP8,230tn ($92bn) at end-June 2025.

Total deposits include private sector deposits that reached LBP7,673.1tn, deposits of non-resident financial institutions that amounted to LBP202.3tn, and public sector deposits that stood at LBP61.3tn at the end of June 2026. The figures reflect BdL's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currency to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban, Byblos Research

Term deposits in all currencies reached LBP4,044.8tn and accounted for 51% of total deposits in Lebanese pounds and in foreign currency at the end of June 2026, relative to 52.7% at end-June 2025. Further, the term deposits in Lebanese pounds of the public sector dropped by 71% from end-2025, followed by a decrease of 10.8% in foreign currency-denominated term deposits of the public sector, a decline of 4.2% in term deposits of the non-resident financial sector, a decrease of 3.1% in the foreign currency-denominated term deposits of the resident private sector, and a contraction of 1.8% in the term deposits of non-residents. In contrast, the term deposits in Lebanese pounds of the resident private sector increased by 7% from end-2025.

In addition, the foreign currency-denominated term deposits of the resident private sector reached $31.6bn and accounted for 35.6% of aggregate deposits at the end of June 2026 relative to 37.3% a year earlier. Term deposits of non-residents followed with $11.9bn or 13.4% of the total, then the term deposits of the non-resident financial sector with $1.13bn (1.3%), term deposits in Lebanese pounds of the resident private sector with LBP38.7tn (0.5%), term deposits of the public sector in foreign currency with $133.8m (0.2%), and term deposits of the public sector in Lebanese pounds with LBP3.6tn (0.04%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP3,891.82tn at the end of June 2026 compared to LBP3,891.77tn a year earlier, and accounted for 49% of aggregate deposits at end-June 2026 relative to 47.3% at end-June 2025. Demand deposits of the non-resident financial sector surged by $81m in the first half of 2026, followed by an increase of $54.4m in the public sector's demand deposits in foreign currency, and an uptick of $51.9m in demand deposits of non-residents. In contrast, foreign currency-denominated demand deposits of the resident private sector declined by $300.7m, followed by a decrease of LBP1,572bn in demand deposits in Lebanese pounds of the public sector and a contraction of LBP1,476.5bn in demand deposits in Lebanese pounds of the resident private sector in the covered period.

In comparison, demand deposits of non-residents jumped by $229.5m in the 12 months ending June 2026, followed by a rise of LBP3,896.2bn in demand deposits in Lebanese pounds of the resident private sector, an increase of LBP2,200.7bn in demand deposits in Lebanese pounds of the public sector, and an uptick of $33.4m in the public sector's demand deposits in foreign currency. In contrast, foreign currency-denominated demand deposits of the resident private sector dropped by $274m from end-June 2025, followed by a decline of $56.5m in demand deposits of the non-resident financial sector.

Also, demand deposits in foreign currency of the resident private sector totaled $31.6bn and accounted for 35.6% of aggregate deposits at end-June 2026, relative to 37.3% a year earlier. Demand deposits of non-residents followed with $9.355bn (10.5%), then demand deposits of the non-resident financial sector with $1.13bn (1.3%), demand deposits in Lebanese pounds of the resident private sector with LBP44.1tn (0.6%), demand deposits in foreign currency of the public sector with $372.5m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP12.5tn (0.2%).

Corporate Highlights

Saradar Bank posts net losses of LBP3,235bn in 2025

Saradar Bank sal announced audited consolidated net losses of LBP3,235bn in 2025 compared to net losses of LBP2,446.2bn in 2024. The bank's net interest income amounted to LBP614bn in 2024 relative to LBP1,663.7bn in the previous year; while its revenues from net fees & commissions reached LBP467.1bn last year compared to LBP489bn in 2024. Further, the bank's net provisions for credit losses stood at -LBP740bn in 2025 relative to -LBP470bn in 2024; while the direct write-off of subsidized loans reached LBP149.1bn in 2025 compared to LBP622.6bn in the preceding year. As such, the bank's net operating losses totaled LBP2,422.2bn in 2025 relative to losses of LBP1,476.3bn in the preceding year. In parallel, the bank's operating expenditures stood at LBP1,140.8bn in 2025 compared to LBP983bn in 2024, with staff expenses accounting for 27% of the total.

Further, the bank's total assets reached LBP100,886.2bn at the end of 2025 relative to LBP103,376.8bn at the end of 2024. Loans & advances to customers totaled LBP1,326bn at end-2025 compared to LBP3,350bn a year earlier, with loans & advances to related parties stood at LBP1.1bn at end-2025 relative to LBP3.7bn at end-2024.

Also, the assets acquired in settlement of debts totaled LBP1,565.1bn at end-2025 compared to LBP1,626.1bn at end-2024. Further, the bank's tangible fixed assets reached LBP1,254.3bn at end-2025 compared to LBP1,357.4bn at end-2024. In addition, the bank's deposits with banks and financial institutions stood at LBP6,804.2bn at end-2025 relative to LBP3,422.4bn a year earlier, while the bank's other assets reached LBP783bn at end-2025 compared to LBP806.4bn at end-2024.

Also, customer deposits stood at LBP88,567bn at end-2025 relative to LBP92,545.2bn a year earlier, with deposits from related parties totaling LBP4,392.5bn at end-2025 compared to LBP4,726.8bn at end-2024. In addition, provisions for risks and charges amounted to LBP274bn at end-2025 compared to LBP226.3bn at end-2024. Further, the bank's equity reached LBP3,265.3bn at the end of 2025 compared to LBP2,908.3bn at end-2024.

Cumberland's assets at LBP3,739bn at end-2025

The audited balance sheet of Cumberland Insurance & Reinsurance Co. sal shows that the firm had total assets of LBP3,738.8bn at the end of 2025 compared to LBP3,456.1bn at the end of 2024. On the assets side, general company investments reached LBP2,053.3bn at end-2025 relative to LBP1,969.8bn a year earlier, and included LBP1,266bn in land and properties and LBP347.55bn in cash & cash equivalent. Further, the firm blocked LBP427.8bn in bank deposits with maturities of more than three months that include LBP11.5bn in favor of the Ministry of Economy & Trade as guarantees. Also, the reinsurance's share in technical reserves for the non-life category reached LBP739.3bn at end-2025 and increased by 6.8% from LBP692bn a year earlier. Further, the deferred cost of policies totaled LBP262.5bn at end-2025 relative to LBP216.1bn at end-2024.

On the liabilities side, technical reserves for the non-life segment stood at LBP1,767bn at end-2025 compared to LBP1,498bn a year earlier. Non-life technical reserves include outstanding claims reserves of LBP451.6bn that increased by 16.6%, unearned premium reserves of LBP1,227.4bn that rose by 16.5%, and LBP9.6bn in "reserves incurred but not reported" that dropped by 52.2% from LBP20bn at end-2024. Also, provisions for risks and charges reached LBP49.5bn at end-2025 compared to LBP30.6bn at end-2024.

In addition, the firm's shareholders' equity totaled LBP811.2bn at the end of 2025 relative to LBP879.2bn a year earlier. Also, paid-in capital stood at LBP492.3bn at end-2025 compared to LBP1,089.2bn at end-2024, which is equivalent to the subscribed capital. Further, the insurer declared audited net losses of LBP68bn in 2025 compared to net profits of LBP37.6bn in 2024, with retained earnings of LBP191.6bn at end-2025 relative to retained losses of LBP201bn at end-2024.

In parallel, figures released by the Insurance Control Commission (ICC) indicate that the firm's gross written premiums stood at LBP2,595bn in 2025, with health premiums reaching LBP1,809bn and accounting for 69.7% of the total, followed by motor premiums with LBP555.2bn (21.4%), and property & casualty premiums with LBP230.6bn (9%). Further, the ICC figures show that the insurer had a 2.2% share of the local insurance market in 2025, with a 2.4% share of the local non-life insurance market. As such, the company ranked in 14th place in terms of gross written premiums as well as in 14th place in non-life premiums last year.

Ratio Highlights

(in % unless specified)	2023	2024	2025	Change*
Nominal GDP ($bn)	25.9	30.5	36.1	5.6
Gross Public Debt / GDP	246.2	215.0	191.9	(23.1)
Trade Balance / GDP	-56.01	-46.55	-48.30	(1.8)
Exports / Imports	17.1	16.0	17.3	1.3
Fiscal Revenues / GDP	12.0	12.8	17.9	5.1
Fiscal Expenditures / GDP	13.6	12.6	14.8	2.2
Fiscal Balance / GDP	(1.6)	0.1	3.1	3.0
Primary Balance / GDP	(1.0)	1.4	3.7	2.3
Gross Foreign Currency Reserves / M2	143.5	689.4	461.7	(227.7)
M3 / GDP	51.7	227.2	185.8	(41.4)
Commercial Banks Assets / GDP	76.6	338.4	282.5	(55.8)
Private Sector Deposits / GDP	62.9	290.8	240.8	(50.0)
Private Sector Loans / GDP	5.5	19.5	14.4	(5.1)
Private Sector Deposits Dollarization	96.3	99.1	98.9	(0.2)
Private Sector Lending Dollarization	90.9	97.8	97.8	0.0

**change in percentage points 25/24;*
Source: National Accounts, Banque du Liban, Ministry of Finance, Institute of International Finance, International Monetary Fund, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2023	2024	2025e
Nominal GDP (LBP trillion)	2,257.8	2,728.4	3,241.0
Nominal GDP (US$ bn)	25.9	30.5	36.1
Real GDP growth, % change	-0.5	-5.2	3.7
Private consumption	3.50	0.30	2.4
Public consumption	-1.00	4.10	11.4
Private fixed capital	-18.60	-10.20	-4.0
Public fixed capital	81.0	35.4	23.1
Exports of goods and services	-4.2	-14.5	-3.6
Imports of goods and services	3.1	0.0	6.4
Consumer prices, %, average	221.3	45.2	14.6
Official exchange rate, average, LBP/US$	15,000	89,500	89,500
Parallel exchange rate, average, LBP/US$	86,362	89,700	89,700
Weighted average exchange rate LBP/US$	87,043	89,474	89,700

Source: National Accounts, Institute of International Finance

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Ratings	C	NP	Stable	C	-	Stable
Fitch Ratings*	RD	C	-	RD	RD	-
S&P Global Ratings	SD	SD	-	CCC+	C	Stable

**Fitch withdrew the ratings on July 23, 2024*

Banking Sector Ratings	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings

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