Monetary Stability, Regulatory Changes and Financial Restructuring

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During 2025, Banque du Liban (BdL) continued to operate in an environment marked by ongoing effects of Lebanon's financial crisis and the challenges facing the banking sector. Its main priorities remained maintaining monetary stability, managing liquidity, preserving stability of the financial system, and working towards regulatory changes needed for restructuring.

The "*Bank du Liban Annual Report 2025*", highlighted several developments in the central bank's monetary framework and financial position. BdL managed to maintain exchange rate stability and recorded an increase in the value of its foreign assets and gold reserves, the banking sector continued to face significant difficulties; lending remained limited, dollarization was still extremely high and the ongoing financial crisis remained a challenge.

Monetary Policy: Maintaining Stability.

BdL's monetary policy objectives during 2025 focused on maintaining stability of the Lebanese pound against the US dollar, managing liquidity, containing inflation, improving payment systems, and managing public debt.

At the end of 2025, commercial banks' total assets reached LBP 9,156,269 billion, representing a 0.8% decline compared with 2024. Private sector deposits have decreased by 1.6% to stand at LBP 7,786,617 billion. At the same time, private sector lending fell by 12% to reach LBP 466,415 billion, with loans representing only 6% of total deposits.

Dollarization remained particularly high, with foreign currency deposits accounting for 99% of total deposits and foreign currency loans representing 98% of total credit.

These figures show that the banking sector continued to have limited capacity to support private sector activity through lending.

Banque du liban, using conventional mechanisms, implemented its monetary policy, and one of its main priorities during the year was maintaining exchange rate stability. The Lebanese pound remained relatively stable at approximately LBP 89,500 per US dollar throughout 2025. BdL attributed this stability to monetary discipline, particularly controlling money supply and the cessation of government financing (though not announced, it represents 'informally' a quasi-currency board regime).

Interest Rate developments were different between the Lebanese pound and dollar denominated deposits and loans. Lebanese pound lending rates increased by 5.29% standing at 10.9%, while deposit rates increased by only 0.1% landing at 3.68%. Meanwhile, US-dollar lending rates dropped by 0.2% reaching 3.68% while deposit rates stood at 0.09%. As a result, the spread between the Lebanese pound and dollar lending rates widened from 1.91% to 7.22%, this reflects the different borrowing costs between the two currencies.

BdL also continued to focus on controlling the money supply. Currency in circulation has increased by 9.1% during 2025, reaching approximately LBP 71,525 billion.

In addition to these measures, BdL continued working on the modernization of the country's payment systems. During 2025, it completed the upgrades to its Real Time Gross Settlement and Retail Payment and Clearing systems, incorporating the ISO 20022 messaging standard. Other initiatives included developing a government payment system, studying the introduction of an instant payment system and mobile banking services, and working on electronic check processing. These developments aim to improve the efficiency of financial transactions and support the modernization of the country's payment infrastructure.

Public debt and liquidity management also remained a part of BdL's operations, no new treasury bills were issued during 2025, following the decision made by the ministry of finance, (existing maturities and coupon payments remained). BdL also did not issue new long-term certificates of deposit in either Lebanese pounds

or foreign currencies, while the issuance of short-term LBP certificates has been stopped since April 2024.

Another important development during 2025 was the change in BdL's use of unconventional monetary policy tools. In previous years the central bank relied on credit incentives through commercial banks to support different economic sectors. However, BdL reported that no subsidized loans were granted during 2025 due to the exceptional circumstances facing the Lebanese economy. Despite the suspension of new subsidized loans, BdL continued monitoring investments made under Circular No.331, which supported venture capital funds and startups. No new approvals were granted to companies or funds during 2025 as was the case in 2024. This report also recorded proceeds collected from existing investments, including $164,934 in fresh funds from Berytech Fund II, USD 3 million in "lollar" from Azure Fund, $54,803.08 in fresh funds from Leap Investments I and $841,773 in "lollars" from Phoenician Fund I.

Overall, BdL's unconventional monetary policy activity during 2025 was more focused on monitoring and managing existing investments, while subsidized lending and investment remained inactive.

Summary of Policy Measures

Policy #	Policy Name	Main Objective
1	Repayment of Foreign Currency Deposits	Circulars 158 and 166 were extended and amended, increasing annual withdrawal limits to USD 12000 and USD 6000 respectively.
2	Capital and Regulatory Ratios	Banks were allowed to remain below the 2.5% Capital conservation Buffer during 2025 subject to future instructions.
3	Foreign liquidity	3% liquidity requirement extended to June 2026.
4	Exchange Positions	Settlement deadline extended to December 2025.
5	Exceptional Restrictions on certain operations	Restrictions on new USD lending and foreign- currency transactions maintained.
6	Bank Cards	Certain restrictions on domestic LBP POS transactions lifted.
7	Documentary Credits and Bills	Prior approval for certain petroluem import payments removed.
8	Reserve Requirements	LBP cash reserve calculation changed to a five-day average.
9	Public Sector Salaries	Full salary withdrawals allowed without limits or fees.
10	Exceptional Procedures	Interest on certain USD deposits at BdL reduced by 90%.
11	Electronic Operations	E-wallet requirements tightened; new licences suspended.
12	Ensuring Equity in the Repayment of Foreign Currency Deposits	Prior BdL approval required for repayments exceeding regulatory limits.
13	Prohibiting Dealing with Unlicenced Associations and Organizations	Dealings with unlicensed exchange and remittance entities prohibited.
14	Banking Secrecy	BdL and the banking control commision granted supervisory access to banking information.
15	Cash Transactions	KYC requirements reinforced for cash transactions of USD 1,000 or more.
16	Finance Companies	USD lending and dividend restrictions extended to finance companies.
17	Laws	Bank Resolution and Restructuring Law and deposit recovery legislation advanced.

BdL's Financial Position

Statement of Financial Position as at 31 December 2025

(Amounts in millions of Lebanese Pounds)

Assets	2025	2024
Gold	**3,613,516,842**	**2,157,140,545**
Total Foreign Reserve Assets	**1,064,586,790**	**907,058,222**
Cash and Deposits with Banks	683,668,934	893,910,854
Deposits with the Financial Sector	0	0
Deposits with International Institutions	8,986,794	9,059,483
Non-Resident Financial Instruments	371,931,062	4,087,884
Total Securities Portfolio	**587,294,749**	**555,935,309**
Financial Instruments	134,342,710	93,152,203
Lebanese Treasury Bills[25]	452,952,039	462,783,106
Total Loans	**1,526,974,735**	**1,526,846,134**
Loans to the Public Sector[26]	1,486,942,711	1,486,942,711
Loans to the Financial Sector	39,708,409	39,639,633
Loans to the Private Sector	323,615	263,790
Revaluation Differences of Gold and Foreign Currencies - Article 115 of the CMC	**1,268,448,105**	**2,852,490,771**
Exchange Rate Stabilization Fund - Article 75 of the CMC	**167,541,313**	**163,347,899**
Deferred Open Market Operations	**170,557,658**	**141,696,006**
Total Receivables and Transitory Accounts	**8,745,522**	**21,598,048**
Sundry Debtors[27]	370,751	10,866,607
Receivables	4,569,982	7,063,023
Order and Regularization Accounts	3,804,789	3,668,418
Total Tangible Assets	**2,343,543**	**2,284,496**
Inventory Assets	1,626,902	1,744,447
Fixed Assets Acquired in Settlement of Debt	287,129	287,129
Fixed Assets for the Use of the Bank	429,512	252,920
Total Assets	**8,410,009,257**	**8,328,397,429**

Source: BdL, Annual Report 2025

BdL's statement of financial position shows that total assets increased by approximately 1% from LBP 8,328,397 billion in 2024 to LBP 8,410,009 billion in 2025.

The most significant change was driven by the non-resident financial instruments with a 90% increase to LBP 371,931,062 billion, due to a shift from cash and bank deposits towards financial instruments by non-residents.

Gold reserves, which increased by 67.5% to stand at LBP 3,613,517 billion, as a consequence of higher international gold prices rather than an increase in physical gold holdings. Foreign reserve assets also increased by 17.4% to LBP 1,064,587 billion.

However, their composition changed, with cash and bank deposits declining while non-resident financial instruments increased. This distinction is important, as not all foreign assets are immediately available as cash reserves.

Deferred open market operations represent accumulated deferred interest costs arising from previous monetary operations, rather than new financial resources. The securities portfolio increased by 5.6% to LBP 587,295 billion while total loans remained almost unchanged at LBP 1,526,975 billion. Public sector loans accounted for 97.4% of total loans highlighting BdL's continued exposure to the Lebanese State.

Statement of Financial Position as at 31 December 2025 (continued)

(Amounts in millions of Lebanese Pounds)

Liabilities and Shareholder's Equity	2025	2024
Currency in Circulation	**71,524,748**	**65,563,861**
Total Deposits	**8,210,668,231**	**8,181,127,204**
Banks	6,925,242,042	7,101,122,536
Financial Sector	508,732,075	534,994,811
International Institutions	240,933	39,122
Public Sector	772,183,110	540,183,427
Private Sector	4,270,071	4,787,307
Total Payables and Transitory Accounts	**7,991,176**	**4,501,680**
Payables	5,339,756	2,894,506
Sundry Creditors	2,529,099	1,484,953
Order and Regularization Accounts	122,321	122,221
Loans from Abroad	**9,236,904**	**9,595,233**
Provisions Against Various Risks and Expenses	**11,556,632**	**9,743,059**
Revaluation Differences - Article 115 of the CMC	**0**	**0**
Total Liabilities	**8,310,977,691**	**8,270,531,037**
Shareholder's Equity	**99,031,566**	**57,866,391**
Financial Fixed Assets Revaluation	96,381,453	55,190,945
Reserves	2,499,348	2,524,681
Allocated Donations	150,750	150,750
Capital	15	15
Results (Profits)	0	0
Total Liabilities and Shareholder's Equity	**8,410,009,257**	**8,328,397,429**

Source: BdL, Annual Report 2025

On the liabilities side, total liabilities increased slightly by 0.49% to LBP 8,310,978 billion. Although total deposits remained relatively stable, public-sector deposits increased by 42.9% while bank and private sector deposits declined.

Asset revaluation contributed to an increase in the shareholder's equity by 71.1% reaching LBP 99,032 billion. However, BdL recorded zero profits in both 2024 and 2025, meaning the increase reflected asset revaluation rather than profitability.

To conclude, BdL's 2025 annual report reflects continued efforts to maintain monetary stability and manage the consequences of Lebanon's financial crisis. Ultimately, 2025 reflected continued crisis management rather than a complete financial recovery, with structural weaknesses in the banking sector and unresolved deposit recovery remaining major challenges.

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