

LEBANON THIS WEEK

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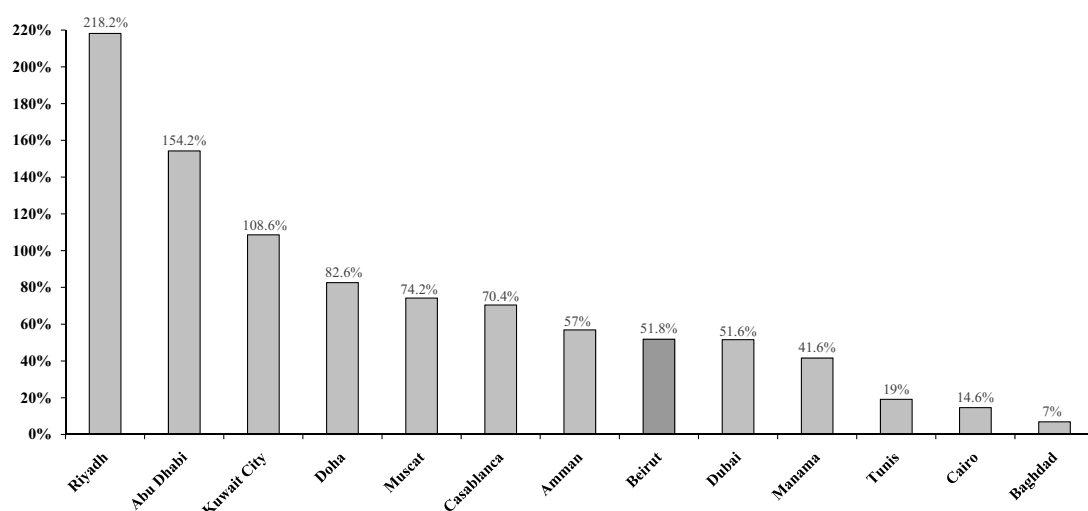
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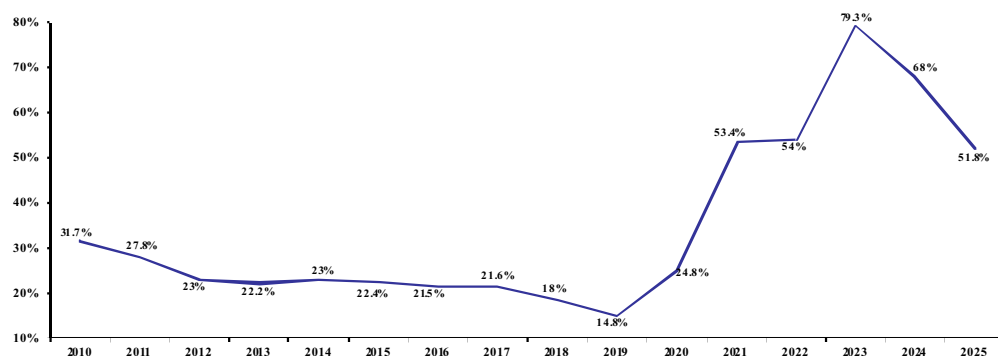
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Charts of the Week

Stock Market Capitalization of Select Arab Markets at end-August 2025 (in % of 2025 GDP)



Stock Market Capitalization of the Beirut Stock Exchange (in % of GDP)*



*at the end of August of each year

Source: Arab Federation of Capital Markets, Institute of International Finance, International Monetary Fund, Byblos Bank

Quote to Note

"The discussions that the IMF staff is having with the Lebanese authorities are about what is the right mix of policies and policy reforms, and about the extent of the external financing that Lebanon will need from the IMF and from the broader international community."

The International Monetary Fund, on the state and objectives of ongoing discussions with the Lebanese authorities

Number of the Week

83%: Value of Banque du Liban's gold reserves at the end of August relative to Lebanon's projected nominal GDP for 2025

Lebanon in the News

\$m (unless otherwise mentioned)	2022	2023	2024	% Change*	Dec-23	Nov-24	Dec-24
Exports	3,492	2,995	2,707	-9.6%	240,037	177,565	212,165
Imports	19,053	17,524	16,902	-3.5%	1,302,640	1,306,294	1,185,226
Trade Balance	(15,562)	(14,529)	(14,195)	-2.3%	(1,062,603)	(1,128,729)	(973,061)
Balance of Payments	(3,197)	2,237	6,437	187.7%	591.3	(984.4)	(792.4)
Checks Cleared in LBP**	27,146	4,396	877	-80.0%	404	43	69
Checks Cleared in FC**	10,288	3,292	1,299	-60.5%	183	93	81
Total Checks Cleared**	37,434	7,688	2,176	-71.7%	587	136	150
Fiscal Deficit/Surplus	-	380.5	297.4	-21.8%	-	-	-
Primary Balance	-	-	-	-	-	-	-
Airport Passengers	6,360,564	7,103,349	5,624,402	-20.8%	481,470	151,073	379,910
Consumer Price Index	171.2	221.3	45.2	-79.6%	192.3	15.4	18.1
\$bn (unless otherwise mentioned)	Dec-23	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	% Change*
BdL FX Reserves	9.64	10.51	10.65	10.22	10.10	10.09	4.6%
In months of Imports	-	-	-	-	-	-	
Public Debt	-	-	-	-	-	-	
Bank Assets	115.25	104.56	103.88	103.40	103.02	102.76	-10.8%
Bank Deposits (Private Sector)	94.75	90.41	89.54	89.21	88.93	88.65	-6.4%
Bank Loans to Private Sector	8.32	6.59	6.04	6.07	5.99	5.65	-32.1%
Money Supply M2	6.72	1.25	1.23	1.22	1.22	1.46	-78.3%
Money Supply M3	77.75	70.69	69.88	69.64	69.39	69.26	-10.9%
LBP Lending Rate (%)	3.97	5.11	3.99	6.78	6.78	5.61	41.3%
LBP Deposit Rate (%)	0.55	0.86	0.93	2.34	1.17	3.58	550.9%
USD Lending Rate (%)	1.95	2.59	1.48	1.97	4.41	3.70	89.7%
USD Deposit Rate (%)	0.03	0.04	0.02	0.03	0.03	0.03	0.0%

*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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Byblos Common	0.86	(2.3)	163,800	2.5%	Nov 2026	6.60	23.00	169.48
Solidere "A"	75.00	(0.1)	59,533	37.9%	Mar 2027	6.85	23.00	124.39
BLOM GDR	7.01	(1.3)	12,000	2.6%	Nov 2028	6.65	23.00	52.91
Solidere "B"	73.95	(1.7)	11,410	24.3%	Feb 2030	6.65	23.00	35.96
Audi Listed	2.90	0.0	5,510	8.6%	Apr 2031	7.00	23.00	28.04
BLOM Listed	7.75	49.9	3,204	8.4%	May 2033	8.20	23.00	20.11
HOLCIM	72.00	0.0	214	7.1%	May 2034	8.25	23.00	17.69
Audi GDR	2.79	0.0	-	1.7%	Jul 2035	12.00	23.00	15.47
Byblos Pref. 08	25.00	0.0	-	0.3%	Nov 2035	7.05	23.00	15.05
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	23.00	13.17

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

Source: Refinitiv

	Sep 8-12	Sep 1-5	% Change	August 2025	August 2024	% Change
Total shares traded	256,071	1,398,415	(81.7)	2,784,318	960,183	190
Total value traded	\$5,499,067	\$5,268,516	4.4	\$22,009,475	\$60,610,835	(63.7)
Market capitalization	\$19.81bn	\$19.36bn	2.3	\$19.64bn	\$19.24bn	2.1

Source: Beirut Stock Exchange (BSE)



Economy to post modest growth in 2025

Banque du Liban's (BdL) macroeconomic review for the first half of 2025 projected Lebanon's economic activity to return to modest growth in 2025, compared to no growth in 2022, a real GDP growth rate of 0.5% in 2023, and a contraction of 6.4% in 2024. It indicated that the Lebanese economy began to show early signs of recovery in the first six months of the year, following the armed conflict that escalated into a full-scale war in mid-September 2024 and concluded with a ceasefire on November 27, 2024. It said that the upturn has been supported by the election of President Joseph Aoun in January, the formation of a government with full authorities in February, and the appointment of a new BdL governor in March. It added that these institutional developments have improved market sentiment, reduced policy uncertainty, and enabled the reactivation of public institutions, which has provided a cautious foundation for the economic recovery. It noted that high-frequency data suggest modest real GDP growth in 2025, driven mainly by the strengthening of private consumption and a gradual rebound in tourism activity, and added that this growth is further reinforced by favorable base effects following the sharp contraction in 2024. It said that the BdL Business Composite Indicator, which consists of current and forward-looking indicators in industry, commerce, construction, and tourism, turned positive in the first half of 2025, reflecting gradual improvements in commerce and tourism.

It said that economic activity is predominantly driven by domestic consumption, which has been supported by short-term liquidity inflows and favorable base effects, rather than by durable improvements in competitiveness or productive capacity. It noted that private and public investments remain constrained, which is restricting growth prospects and the overall economic recovery. It added that the BdL Business Composite Indicator shows that commerce and tourism activity have been the main drivers of economic activity in the first half of this year, while industrial and construction activity have yet to recover.

Further, BdL expected consumption to increase in 2025 after a severe drop in 2024, supported by remittance inflows, deposit withdrawals under BdL circulars 158 and 166, and tourism receipts. It estimated remittance inflows at \$6.8bn in 2024 and expected them to remain high in 2025, providing a stable and consistent source of household liquidity. It said that BdL raised exceptional deposit withdrawal limits in the fourth quarter of 2024, which helped feed consumption in early 2025 as political stability returned, while the follow-up increase of monthly withdrawal ceilings last June is expected to further support consumer spending. It added that tourism receipts declined by 16% to \$4.7bn in 2024, reflecting adverse external shocks, but expected these revenues to recover and to continue supporting household and broader consumption in this year.

Also, it stated that headline inflation fell to 15% year-on-year in June 2025 from 41.8% in June 2024, driven by exchange-rate stability, improved fiscal discipline and monetary tightening. But it noted core inflation remains elevated at 16.4%, indicating that underlying domestic pressures persist despite the easing of imported price pressures.

In parallel, it pointed out that the current account deficit narrowed from \$5.9bn in 2023 to \$5.6bn in 2024, driven largely by a decline in imports, as net remittances inflows of \$5bn eased pressure on foreign currency liquidity but reinforced the economy's reliance on inflows from Lebanese expatriates. It noted that the political changes in Syria last December and the subsequent international lifting of sanctions would allow for a limited reopening of trade routes and would support Lebanon's export capacity to regional markets in case of long-term stability. It added the changes in Syria should pave the way for the gradual return of about 1.5 million displaced Syrians to their country, which would reduce pressure on Lebanon's infrastructure and social services.

In addition, BdL indicated that the Lebanese authorities made progress on financial sector legislation during the first half of 2025, as Parliament amended the Banking Secrecy Law in April, marking a significant step towards greater transparency and accountability. It noted that laws and draft laws on bank restructuring and on the resolution of financial sector losses advanced towards their enactment during the covered period, which would constitute key steps towards the recovery of the financial sector in line with international best practices.

Further, BdL considered that, while Lebanon's political and economic risk indicators remain elevated, recent legislative momentum and institutional progress signal a potential turning point. It added that, if these efforts are sustained and complemented by the timely implementation of additional reforms, they will send a strong signal for laying the foundations for a more durable and inclusive recovery.

Primary surplus equivalent to 11% of expenditures in 2024

Figures released by the Ministry of Finance show that public expenditures reached LBP345,000bn in 2024, or the equivalent of \$3.85bn, while revenues stood at LBP348,233bn or \$3.9bn on a cash basis in 2024. As such, the fiscal balance posted a surplus of LBP3,233bn, or of \$36.1m and was equivalent to 0.9% of total budget and Treasury expenditures in 2024. Also, the primary budget balance posted a surplus of LBP99,751bn (\$1.1bn) in 2024, equivalent to 41.3% of budgetary expenditures, while the overall primary balance registered a surplus of LBP38,327bn (\$428.2m), or 11.1% of public spending last year. In comparison, the draft budget for 2024 projected public expenditures and revenues at LBP299,674bn each, or \$3.35bn each.

On the expenditures side, total budgetary spending, which includes general expenditures and debt servicing, reached LBP241,377bn (\$2.7bn) in 2024, relative to a forecast of LBP295,113bn (\$3.3bn) in the draft budget for 2024. General spending stood at LBP206,283bn (\$2.3bn) in 2024, and included LBP10,078bn (\$112.6m) in outlays from previous years. Further, debt servicing totaled LBP35,094bn (\$392.1m) in 2024, with interest payments on Lebanese pound-denominated debt reaching LBP5,103bn (\$57m) and debt servicing on foreign currency debt at LBP11,842bn (\$132.3m) in 2024. In addition, Treasury expenditures, excluding transfers to EdL, totaled LBP103,623bn (\$1.2bn) in 2024, or 30% of budget and Treasury expenditures.

On the revenues side, budget revenues totaled LBP306,034bn (\$3.42bn) and accounted for 87.9% of public receipts in 2024, and Treasury receipts stood at LBP42,199bn (\$471.5m) and represented the balance of 12.1%. In comparison the draft budget for 2024 forecast budget revenues of LBP295,113bn (\$3.3bn) and Treasury receipts of LBP4,561bn (\$51m) for the corresponding year. Also, tax receipts stood at LBP253,636bn (\$2.8bn) in 2024, with receipts from the value-added tax (VAT) reaching LBP120,187bn (\$1.3bn) or 47% of the total; and from real estate registration fees amounting to LBP9,991bn (\$111.6m). In comparison, the draft budget projected tax receipts at LBP229,767bn (\$2.6bn) for 2024. Also, tax receipts accounted for 82.9% of budgetary revenues and for 72.8% of Treasury and budgetary income in 2024. Further, the distribution of other tax receipts shows that customs receipts reached LBP45,897bn (\$512.8m), or 18.1% of total tax revenues. Further, non-tax budgetary receipts stood at LBP52,398bn (\$585.5m) in 2024 and accounted for 17.1% of budget revenues, relative to a forecast of LBP65,346bn (\$730.1m) in the draft budget for 2024. In addition, receipts from telecommunication services reached LBP19,843bn (\$221.7m) in 2024 and accounted for 37.9% of non-tax budgetary revenues last year.

Fiscal Results for 2024 (% of GDP*)		
	2024 Draft	2024 Results
Budget Revenues	11.7%	12.1%
Tax Revenues	9.1%	10.0%
Non-Tax Revenues	2.6%	2.1%
Budget Expenditures	11.7%	9.5%
Budget Balance	0.0%	2.6%
Primary Balance	-	4.0%
Treasury Receipts	0.2%	1.7%
Treasury Expenditures	-	4.1%
Total Revenues	11.8%	13.8%
Total Expenditures	11.8%	13.6%
Total Fiscal Balance	0.0%	0.1%

Source: Ministry of Finance, International Monetary Fund, Byblos Research

*the ratios are calculated using a nominal GDP of LBP2,532.5 trillion for 2024

Recovery value on Eurobonds contingent on multiple factors

Global investment bank Morgan Stanley considered that, since the formation of the government in February 2025, the Lebanese authorities have made significant progress on reforms, mainly in the banking sector, along with sustained dialogue with the International Monetary Fund (IMF) on the resumption of an Extended Fund Facility. It said that the government, which is composed largely of technocrats and reformists with strong international finance backgrounds, has demonstrated a clear willingness to drive change. But it considered that challenges remain, given that the main obstacle to sustaining the reforms momentum and to access bilateral financial support is the disarmament of non-state armed factions. It added that the refusal of non-state armed groups to disarm is likely to keep the prices Eurobonds on the secondary market under pressure in the near term, especially as local banks sell off bonds to seek liquidity. Further, it noted that the upcoming parliamentary elections in 2026 will play a key role in deciding the power structure in the country and in unlocking further progress on reforms.

First, it considered that Lebanon's most critical objective is to regain full control over its territory and to disarm non-state actors, and that the ceasefire that went into effect on November 27, 2024 following the war between Israel and Hezbollah remains fragile. It indicated that the risks of prolonged instability are delaying the implementation of reforms and of reconstruction efforts, as the key condition for unlocking international financial support and reaching an agreement with the IMF is Lebanon's sovereignty and the disarmament of non-state actors. Second, it pointed out that the second major step is the enactment by Parliament of the Financial Gap Law and the restructuring of Lebanon's banking sector. Third, it expected an IMF follow-up mission in September 2025 to assess the progress on reforms. It said that the IMF's prerequisites for Lebanon to unlock a full financial support program consist of the enactment of the Financial Gap Law and revisions to the Banking Resolution Framework that Parliament voted in July 2025; the adoption of the 2026 Budget and of a medium-term fiscal framework; the strengthening of the anti-money laundering and countering the financing of terrorism legislation; and reforming state-owned enterprises to improve governance and reduce fiscal pressures, among others.

In addition, Morgan Stanley said that its Debt Sustainability Analysis (DSA) seeks to balance the government's revenue generation capacity with its debt servicing needs in order to place the country's debt on a sustainable medium-term path, while frontloading significant adjustments, such as tax adjustments, to free resources for reconstruction. It noted that any potential DSA for Lebanon will require many assumptions, given the data limitations, administrative constraints, and the existence of multiple exchange rates until 2023. It estimated that the size of Lebanon's nominal GDP will reach its pre-crisis level by 2033, in case of a relatively stable foreign-exchange regime; a broadly balanced fiscal position with annual public revenues of \$5bn; and a total public debt of between \$50bn and \$52bn at the start of the adjustment process.

Also, it considered that the economy's real GDP path is contingent on the restoration of security and regional stability, followed by international financial support for reconstruction. It said that a shift to a fixed exchange rate regime could materially alter debt sustainability outcomes. It added that the resolution of the banking sector and the recapitalization of Banque du Liban could negatively impact Eurobond recovery prospects if they are financed in part through sovereign debt issuance.

Further, it expected the negotiations of the Eurobonds' restructuring to take place in mid-2026, following the parliamentary elections and a potential deal with the IMF, with the goal of finalizing the process by 2027. It considered that an earlier restructuring of the Eurobonds is possible but unlikely, given the scale of reforms, IMF negotiations, security considerations, and the potential for delays linked to the Eurobonds' documentation.

In addition, it said that recovery values of the Eurobonds will depend on the timing of restructuring, the exit yields, the macro-fiscal framework, the foreign-exchange policy, banking sector treatment, and restructuring terms. It said that Eurobond prices could recover to between 30 cents on the dollar and 35 cents on the dollar by December 2025. It noted that recoveries could decline materially to between 23 cents on the dollar and 26 cents on the dollar if BdL's recapitalization is added to the debt stock. It said that the IMF is likely to request more drastic upfront measures, followed by fiscal space to gradually increase the public debt level in a controlled way to support reconstruction and BdL's recapitalization in the next five years. It pointed out that Lebanon will likely require large upfront debt restructuring to immediately reduce the public debt and debt servicing costs to manageable levels, which would create room for higher short-term spending to fund reconstruction, followed by a gradual consolidation path in the next 15 years.

Government approves draft law to establish Ministry of Technology and Artificial Intelligence

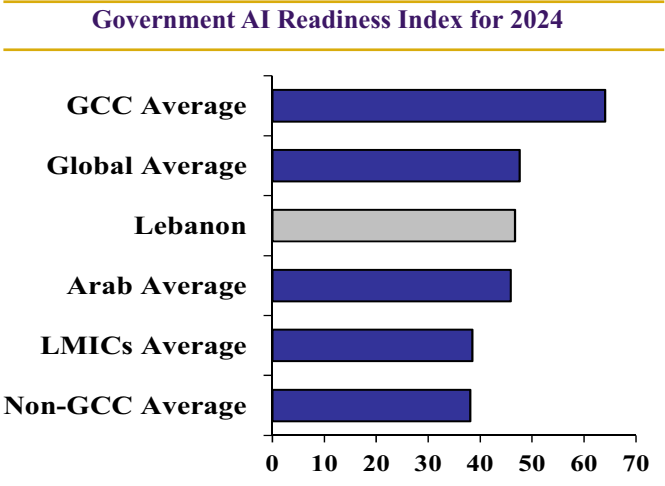
The Council of Ministers approved on September 9, 2025 a draft law to establish a Ministry of Technology and Artificial Intelligence. It said that this ministry constitutes an important step towards the digitalization and modernization of the public administration in Lebanon, as well as for connecting its various parts within an integrated system and for moving Lebanon forward to a higher level of technological development.

Oxford Insights' Government AI Readiness Index for 2024 ranked Lebanon in 82nd place among 188 countries globally and in ninth place among 20 Arab countries. Lebanon also came in eighth place among 52 lower middle-income countries (LMICs) included in the survey. The index measures the readiness of governments to implement Artificial Intelligence in the delivery of public services to their citizens.

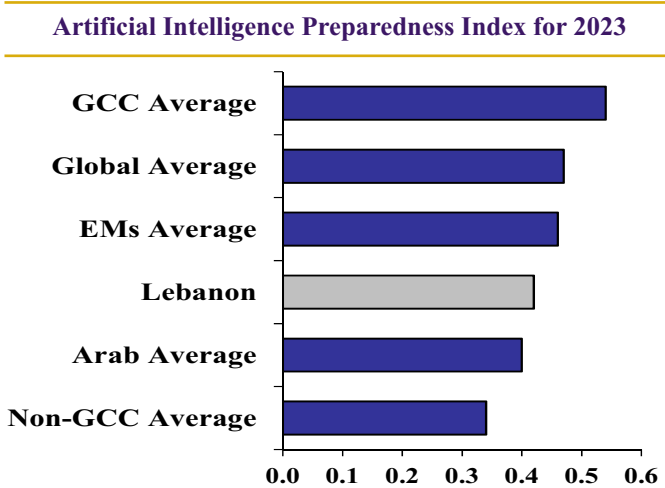
Globally, the survey shows that the Lebanese government is more ready to implement Artificial Intelligence than its counterparts in Senegal, Albania and Sri Lanka, while it is less ready than the governments of Georgia, Bangladesh and Rwanda among economies with a GDP of \$10bn or more. It also preceded Tunisia, Morocco, and Mauritania among Arab countries, and trailed Bangladesh, Uzbekistan, and Egypt among LMICs.

Further, the International Monetary Fund ranked Lebanon in 105th place among 174 countries, in 60th place among 79 emerging markets (EMs), and in 10th place among 19 Arab countries on its Artificial Intelligence (AI) Preparedness Index for 2023. The index assesses the level of AI preparedness across 174 countries, based on a broad set of macro-structural indicators that are grouped into four dimensions that are Digital Infrastructure, Human Capital and Labor Market Policies, Innovation and Economic Integration, and Regulation and Ethics.

Globally, Lebanon is more prepared for AI than Botswana, Paraguay and Macao, and is less prepared than Ghana, Guyana and Namibia among economies with a GDP of \$10bn or more. Also, Lebanon is more prepared for AI than Botswana, Paraguay and Egypt, while it is less prepared that Bosnia and Herzegovina, Guyana and Namibia among EMs.



Source: Oxford Insights, Byblos Research



Source: Inetrnational Monetary Fund, Byblos Research

Ministry of Finance details exemptions from fines on delayed payments of taxes and fees

The Ministry of Finance issued Decision 768/1 dated September 3, 2025 about the settlement of the fines on the verification and collection of taxes imposed under tax laws. The decision granted rebates on tax penalties on tax adjustments until September 30, 2025.

Article 2 reduces the fines on the verification of taxes imposed or that will be imposed under the provisions of the Income Tax Law on amounts paid to non-residents, as well as on salaries and wages, on the value-added tax, or that the Tax Procedures Law and general budget laws, among others, impose, in accordance with the provisions of Articles 4 and 5 of this decision. It said that the fines on the verification of taxes cover proportional fines and lump-sum or fixed fines. It stated that it excluded from the settlements the fines that are less than LBP200,000, or \$5, or €5 for taxes and fees that may be imposed and collected in foreign currency; and the fines that were not paid with the tax or fee within the specified payment period. It mandates the approval of the Council of Ministers for the settlement of any verification fine where the reduction of the fine exceeds LBP5bn or \$55,850.

Article 3 indicates that the settlement covers the verification fines imposed under the tax assessment tables, or tax notifications, or self-assessments specified in Article 2 of this decision, provided that the taxpayer pays the reduced fine with the due tax or fee in accordance with the provisions of this decision and within the specified deadline. Article 4 states that the settlement includes fines resulting from violations that took place in the second quarter of 2025, in accordance with the provisions of Article 5.

Article 5 stipulates that the decision reduces the verification fines specified in Article 4 from the date of issuance of this decision until September 30, 2025 as follows: first, it reduces by 85% the proportional fines resulting from violations that took place in the second quarter of 2025. Second, it lowers by 60% the lump-sum or fixed fines resulting from violations that took place in the second quarter of the year.

Article 6 states that the settlement covers late payment fines, or collection fines, related to the income tax on amounts paid to non-residents as well as on salaries and wages, and on the value-added tax for the second quarter of 2025, or that will become due during the timeframe of this decision. It stated that it excluded from the settlements the fines that are less than LBP200,000, or \$5, or €5 for taxes and fees that may be imposed and collected in foreign currency; and the fines that were not paid with the tax or fee within the specified payment period. Also, it requires the approval of the Council of Ministers for the settlement of violations committed after February 16, 2024, in order to authorize the settlement of any verification fine where the reduction of the fine exceeds LBP5bn or \$55,850.

Article 7 reduces the late payment fines in Article 6 of this decision, provided that the taxes and verification and collection fines are paid by end-September 2025. As such, it lowered by 75% the fines for violations that took place in the second quarter of 2025.

Article 9 stipulates that the taxpayer will forfeit the right to settle the fines subject to this decision if the reduced fine is not paid with the due tax or fee before September 30, 2025. Article 10 noted that fines paid at any time are considered an acquired right of the Treasury and cannot be refunded except for reasons based on a material error, including duplication in the payment of the fine or payment of the fine before the implementation of this decision on the automation systems or as a result of legal objections.

Article 11 says that taxpayers who request to pay the due taxes and fees in installments, in accordance with the provisions of the Tax Procedures Law or the Inheritance Tax Law, do not benefit from a reduction on the fines. Article 12 indicates that the decision remains in effect until September 30, 2025.

Banque du Liban clarifies usage of checks issued by banks

Banque du Liban (BdL) issued Intermediate Circular 742/13749 dated September 10, 2025 addressed to banks and auditors that modifies Basic Circular 159/13353 of August 17, 2021 about exceptional restrictions on some operations of commercial banks.

The circular stipulates that banks must ensure, at their own responsibility, that a client's request to issue bank checks and certified checks denominated in Lebanese pounds has a legitimate personal or commercial purposes, such as the payment of taxes, fees, or collateral, among others, and does not lead to speculation on the national currency. It states that bank checks and certified checks denominated in Lebanese pounds must include the sentence "payable to the first beneficiary only", and must be non-endorsable. Also, it said that the circular goes into effect upon its publication.

In parallel, BdL issued Intermediate Circular 733/13716 dated March 27, 2025 addressed to banks and auditors that put restrictions on some bank operations by modifying Basic Circular 159/13353. First, the circular prohibited commercial banks operating in Lebanon from buying foreign currencies from the parallel market. But it said that banks may purchase foreign currencies only in accordance with the provisions of Basic Circular 157/13324 dated May 10, 2021 or from the financial institutions and money dealers licensed by BdL, according to market supply and demand. It said that the difference between the selling price and the purchasing price, as well as any type of commissions, must remain within standard practices and, in all cases, the commission must not exceed 1% of the purchasing price. Second, it forbid banks operating in Lebanon from selling foreign currencies, other than banknotes, directly or indirectly, to any party other than to BdL. Also, it restricted banks from purchasing or selling any assets denominated in foreign currencies, such as shares listed on the Beirut Stock Exchange, Lebanese Treasury bonds issued in foreign currencies, and other assets, except in foreign currency banknotes or their equivalent in Lebanese pounds based on the exchange rate announced on BdL's electronic exchange platform. Further, it prohibited banks from selling Eurobonds abroad without BdL's approval.

Banque du Liban prohibits dividend distribution and amends requirements for Common Tier One Capital

Banque du Liban (BdL) issued Intermediate Circular 741/13748 dated September 10, 2025 addressed to banks, financial institutions and auditors that modified Basic Circular 44/6939 dated March 25, 1998 about the Capital Adequacy Regulatory Framework of Banks Operating in Lebanon.

First, the circular prohibited banks and financial institutions from distributing dividends for common shares for the financial years 2019, 2020, 2021, 2022, 2023, 2024, and 2025.

Second, it stipulates that banks can include in their Common Equity Tier One capital 75% of the profits resulting from the revaluation of their real estate assets on the conditions that BdL's Central Council verifies and approves the revaluation, which the bank has to conduct at its own expense, and that the bank conducts the revaluation by December 31, 2026 at the latest. It noted that the banks have to revalue their real estate portfolio in "fresh" US dollars and that they have to utilize the exchange rate of the Lebanese pound at LBP1,507.5 per US dollar for the December 31, 2022 to January 31, 2023 period; at LBP15,000 per dollar for the February 1, 2023 to January 31, 2024 timeframe; and at LBP89,500 per dollar for the February 1, 2024 to May 31, 2025 period. Also, the revaluation of real estate assets should be recorded based on the exchange rate that BdL declares on its electronic platform starting on June 1, 2025.

Third, the circular states that banks can include in their Common Tier One capital 75% of the profits generated from the revaluation of fixed assets that they repossessed in settlement of debt in accordance with Article 154 of the Code of Money and Credit, on the conditions that BdL's Central Council verifies, at the bank's expense, the proper revaluation of the assets and approves it, and that the revaluation takes place by the end of December 2026 at the latest. It added that the fixed assets' revaluation should take place in "fresh" US dollars and should be recorded based on the exchange rate of LBP1,507.5 per US dollar for the December 31, 2022 to January 31, 2023 timeframe; at LBP15,000 per dollar for the February 1, 2023 to January 31, 2024 period; and at LBP89,500 per dollar for the February 1, 2024 to May 31, 2025 timeframe. Also, the revaluation of fixed assets should be recorded based on the exchange rate prevailed on BdL's electronic platform starting on June 1, 2025. Fourth, it stipulates that the circular goes into effect upon its publication.

Ministry of Finance amends adjustments of foreign exchange differentials

The Ministry of Finance issued Decision 780/1 dated September 5, 2025 that amended Article 5 of Decision 338/1 about the exceptional adjustment of the negative or positive foreign exchange differentials.

It stipulates that taxpayers who have already declared and paid their due taxes for 2023, whether on a real profit basis or a lump-sum profit basis, must correct their results for that year. It states that taxpayers must submit an amended declaration and pay the tax difference, if any, without incurring penalties, within the deadline for submitting the annual declaration of business results.

However, it said that, if the results of the adjustment of the negative or positive foreign exchange differentials is in favor of taxpayers, they can submit requests for a refund in accordance with the provisions of the Tax Procedures Law. It added that the Tax Administration may consider the excess amount paid as an advance payment in the taxpayer's account. Also, it indicated that the decision goes into effect upon its publication in the Official Gazette and on the Ministry of Finance's website.

Ministry of Finance extends deadlines for tax declarations and payments

The Ministry of Finance issued Decision 760/1 dated September 1, 2025 that extends until September 15, 2025 inclusive, the deadline for submitting and paying the annual declaration for the income tax on wages and salaries, the individual annual statements, and the annual overall disclosure for 2024. It stated that it will communicate the decisions when necessary and that they will be published in the Official Gazette and on the website of the Ministry of Finance.

Also, the ministry issued Decision 547/1 dated June 5, 2025 that extends until August 29, 2025 inclusive, the deadline for submitting and paying the annual declaration for the income tax on wages and salaries, individual annual statements, and the annual overall disclosures for 2024.

Further, the ministry issued Decision 761/1 dated September 1, 2025 that extends until September 15, 2025 inclusive, the deadline for submitting and paying the declaration for fiscal stamp duty due on invoices, receipts, creditors' notices, and debtors' notices for July 2025. It said that it will communicate the decisions when necessary and that they will be published in the Official Gazette and on the Ministry of Finance website.

Currency in circulation up 33.4% in 12 months ending July 2025

Figures released by Banque du Liban (BdL) show that money supply M1, which includes currency in circulation and demand deposits in Lebanese pounds, reached LBP110,723.5bn at the end of July 2025, constituting a decrease of 0.8% from LBP111,666.4bn at end-June-2025, and increases of 7.8% from LBP102,718.3bn at the end of 2024 and of 21.6% from LBP91,069bn at end-July 2024. Currency in circulation stood at LBP67,717bn at the end of July 2025, as it rose by 16.6% from LBP58,077.3bn at end-2024 and by 33.4% from LBP50,762.2bn at end-July 2024. Also, demand deposits in Lebanese pounds amounted to LBP43,006.5bn at the end of July 2025, as they decreased by 3.7% in the first seven months of 2025 and grew by 6.7% from end-July 2024.

In addition, money supply M2, which includes M1 and term deposits in Lebanese pounds, reached LBP148,962.3bn at the end of July 2025, constituting increases of 1% from end-June 2025, of 13.7% from LBP130,986bn at end-2024 and of 29% from LBP115,474.6bn a year earlier. Term deposits in Lebanese pounds totaled LBP38,238.8bn at the end of July 2025 and surged by 35.3% from LBP28,267.6bn at end-2024 and by 56.7% from LBP24,405.6bn at end-July 2024.

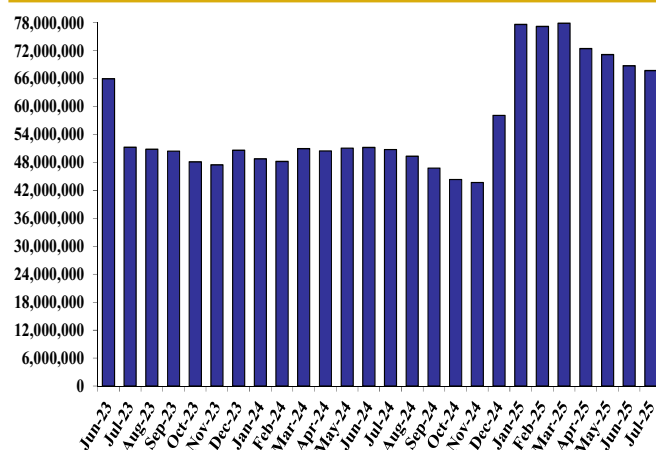
Further, broad money supply M3, which includes M2, deposits in foreign currency and debt securities issued by the banking sector, stood at LBP6,148.9 trillion (tn) at the end of July 2025, with deposits in foreign currency totaling LBP5,969.2tn and debt securities of the banking sector amounting to LBP30,804.3bn at end-July 2025. In parallel, M3 decreased by LBP49,473.1bn in the first seven months of 2025 due to a jump of LBP797,503.6bn in the net foreign assets of deposit-taking institutions, which were offset by a decline of LBP795,489.2bn in claims on the public sector, a contraction of LBP48,337.7bn in claims on the private sector, and a decrease of LBP3.1bn in other items.

BdL indicated that its net foreign assets include monetary gold, the non-resident foreign securities held by BdL, and the foreign currencies and deposits with correspondent banks and international organizations; while they exclude the Lebanese government's sovereign bonds and BdL's loans in foreign currency to resident banks and financial institutions.

In parallel, BdL issued Basic Circular 167/13612 dated February 15, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions.

Also, BdL requested banks and financial institutions, in line with the provisions of International Accounting Standard 21, to convert their foreign currency monetary assets and liabilities and non-monetary assets classified by fair value or by equity method at the exchange rate published on BdL's electronic platform at the date of the preparation of the financial statements. It added that the decision is applicable as of January 31, 2024. BdL had modified on February 1, 2023 the official exchange rate of the Lebanese pound against the US dollar from LBP1,507.5 per dollar to LBP15,000 per dollar, as part of the measures to unify the multiple exchange rates of the dollar that prevail in the Lebanese economy.

Currency in Circulation (LBP millions)



Source: Banque du Liban, Byblos Research

Holcim posts net losses of LBP226bn in 2024

The audited balance sheet and income statement of cement producer Holcim (Liban) sal show that the company posted net losses of LBP225.8bn in 2024 on a standalone basis compared to net income of LBP873.5bn in 2023. The company's sales reached LBP4,719.8bn on a standalone basis in 2024 relative to LBP5,690.1bn in 2023, while its cost of goods sold totaled LBP3,797.3bn last year compared to LBP3,138bn in 2023. This resulted in gross profits of LBP922.5bn in 2024 relative to LBP2,552.1bn in 2023. As such, the firm's gross profits margin was 19.5% in 2024 relative to 44.9% in 2023. In addition, the company's allowance for expected credit losses on dues from related parties amounted to LBP2.1bn in 2024, while it did not post allowances in 2023. Also, Holcim's provision for slow-moving and obsolete inventories stood at LBP19.5bn in 2024 compared to LBP3.6bn in 2023; while net provisions for risk and charges reached LBP85.1bn in 2024 relative to LBP171.3bn in the preceding year.

Further, the firm's assets totaled LBP4,169bn on a standalone basis at the end of 2024 compared to LBP4,060.5bn a year earlier; while its inventory reached LBP2,175bn in 2024 relative to LBP1,656.1bn at end-2023. Also, the company's cash and cash equivalents stood at LBP764.9bn at end-2024 compared to LBP1,456bn at end-2023; while its current ratio, which is a measure of the company's ability to meet its short-term obligations, was 3.1x at the end of 2024 relative to 2.2x a year earlier. In addition, the firm's loans from related parties reached LBP7.5bn at end-2024 relative to LBP255.5bn at end-2023, while its provision for risks and charges totaled LBP342.6bn at end-2024 compared to LBP258.8bn at end-2023. Moreover, Holcim's retained earnings reached LBP783.9bn at end-2024 relative to LBP1,009.7bn at end-2023, while its re-measurement of defined benefit obligations, which refers to the process of updating the value of a company's long-term pension obligations and the assets set aside to meet them, amounted to LBP654.5bn at end-2024 compared to LBP146.8bn at end-2023. The firm's shareholders equity stood at LBP310.1bn at the end of 2024 and LBP1,043.6bn a year earlier.

The firm produces and sells cement and other related products. Holcim's share price increased by 17.8% in 2024 compared to surges of 92% in 2023 and 60.4% in 2022.

In parallel, the firm's external auditors indicated that "the accompanying separate financial statements do not present fairly the financial position of the company as at December 31, 2024, and its financial performance and its cash flows for the year that ended in accordance with International Financial Reporting Standards", since the financial statements do not take into account the impact of hyperinflation on the revenues stream related to International Accounting Standard 29. It added that "the company did not use an appropriate exchange rate for the translation of foreign currency transactions and did not re-translate all monetary assets and liabilities stated in foreign currencies at the appropriate exchange rate at the reporting date".

CLA's assets at LBP8,067.5bn at end-2024

The audited balance sheet of Credit Libanais d'Assurances et de Reassurances (CLA) sal shows that the firm had total assets of LBP8,067.5bn at the end of 2024 compared to LBP2,291bn at the end of 2023. On the assets side, general company investments reached LBP6,884.6bn at end-2024 relative to LBP1,303.1bn a year earlier. They included LBP5,866.1bn in cash & cash equivalent, LBP22.4bn in fixed income instruments, and LBP11.3m in variable securities. Further, the firm blocked LBP988.6bn s in bank deposits with maturities of more than three months that include LBP3.1bn in favor of the Ministry of Economy & Trade as guarantees. Also, the reinsurance's share in technical reserves for the non-life category totaled LBP815.7bn at end-2024 and increased by 5% from LBP776.8bn a year earlier, while reserves for the life segment reached LBP114.7bn and jumped by 402.7% from LBP22.8bn the end of 2023.

On the liabilities side, technical reserves for the non-life segment stood at LBP1,657bn at end-2024 compared to LBP1,183.6bn a year earlier, while technical reserves for the life category reached LBP1,380.5bn at end-2024 relative to LBP282.3bn at the end of 2023. Non-life technical reserves included outstanding claims reserves of LBP595.4bn that decreased by 3.6%, unearned premium reserves of LBP1,014.2bn that surged by 172.6%, and LBP6bn in "reserves incurred but not reported" that jumped by 367% from LBP1.3bn at end-2023. Also, provisions for risks and charges reached LBP37.2bn at end-2024 compared to LBP11.65bn at end-2023. In addition, the firm's shareholders' equity totaled LBP4,624bn at end-2024 relative to LBP398.1bn a year earlier.

In parallel, figures released by the Insurance Control Commission (ICC) indicate that the CLA's gross written premiums stood at LBP248.5bn in 2024, with property & casualty premiums reaching LBP128.8bn and accounting for 51.8% of the total, followed by life premiums with LBP81.2bn (32.7%), motor premiums with LBP26bn (10.5%), and health premiums with LBP12.5bn (5%). Further, the ICC figures show that the insurer ranked in 34th place in terms of gross written premiums in 2024, in 17th place in life premiums, and in 34th place in non-life premiums in 2024. CLA had a 0.2% share of the local insurance market in 2024, with a 0.2% share of the local non-life insurance market and a 1% share of the life insurance market last year.

Balance sheet of investment banks at LBP79.2 trillion at end-June 2025

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP79.2 trillion (tn) at the end of June 2025, or the equivalent of \$885m, constituting a decrease of 2.7% from LBP81.4tn (\$909m) at end-2024 and compared to LBP76.1tn (\$849.8m) at end-June 2024. The figures reflect Banque du Liban's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.

On the assets side, claims on resident customers stood at LBP5.97tn (\$66.7m) at the end of June 2025 and decreased by 18.7% in the first half of the year. Further, claims on resident customers in Lebanese pounds totaled LBP530.7bn at end-June 2025, constituting a decrease of 22.3% from LBP682.5bn at end-2024, while claims on resident customers in foreign currency amounted to LBP5.4tn (\$60.8m) at end-June 2025 and declined by 18.4% from end-2024 and by 23.8% from LBP7.1tn (\$79.7m) at the end of June 2024. Also, claims on non-resident customers stood at LBP857.3bn (\$9.58m) at the end of June 2025, representing an increase of 7.7% from end-2024 and a drop of 30.5% from the end of June 2024.

Further, claims on the resident financial sector reached LBP8.4tn (\$94m) at end-June 2025 and increased by 4.7% from LBP8.04tn (\$89.8m) at the end of 2024. Claims on the resident financial sector in Lebanese pounds amounted to LBP3.3tn at the end of June 2025 and decreased by 32.7% from LBP4.9tn at end-2024, while claims on the resident financial sector in foreign currency totaled LBP5.1tn (\$57.1m) at end-June 2025 and jumped by 63.2% from LBP3.13tn (\$35m) at end-2024.

In addition, claims on the non-resident financial sector reached LBP7.56tn (\$84.5m) at the end of June 2025, constituting increases of 13.6% in the first half of the year and of 81.8% from LBP4.16tn (\$46.5m) at end-June 2024. Also, claims on the public sector stood at LBP36.4bn at end-June 2025 compared to LBP1.47bn at end-2024; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to LBP10.3tn at the end of June 2025 and regressed by 20.4% from LBP12.9tn at the end of 2024. In parallel, currency and deposits with local and foreign central banks reached LBP29.5tn (\$330.2m) at the end of June 2025 compared to LBP31.98tn (\$357.4m) a year earlier.

On the liabilities side, deposits of resident customers stood at LBP27.54tn (\$307.8m) at the end of June 2025, constituting a decrease of 16% from LBP32.8tn (\$366.3m) at the end of 2024. Deposits of resident customers in Lebanese pounds amounted to LBP2,813.5bn at end-June 2025 and dropped by 55.3% during the first half of the year, while deposits of resident customers in foreign currency reached LBP24.7tn (\$276.3m) at the end of June 2025 and decreased by 6.6% from end-2024.

Also, deposits of non-resident customers totaled LBP7.83tn (\$87.5m) at the end of June 2025, as they declined by 3.3% from LBP8.1tn (\$90.5m) at end-2024 and by 8.3% from the end of June 2024. Further, liabilities to the resident financial sector amounted to LBP4.53tn (\$50.6m) at end-June 2025 and decreased by 16.4% from LBP5.4tn (\$60.5m) at end-2024 and by 37.8% from LBP7.28tn (\$81.3m) at end-June 2024. Liabilities to the resident financial sector in Lebanese pounds totaled LBP2,691bn at end-June 2025 and surged by 63.5% from end-2024, while liabilities to the resident financial sector in foreign currency reached LBP1.83tn (\$20.5m) at end-June 2025 and dropped by 51.3% from LBP3.8tn (\$42.1m) at end-2024.

In addition, liabilities to the non-resident financial sector amounted to LBP8.66tn (\$96.8m) at end-June 2025 and increased by 6% from six months earlier. Also, public sector deposits totaled LBP1,314.4bn at the end of June 2025 relative to LBP762.6bn at the end of 2024.

Further, the aggregate capital account of financial institutions stood at LBP20tn (\$222.8m) at the end of June 2025 relative to LBP15tn (\$167.5m) at end-2024 and to LBP11.7tn (\$130.7m) at end-June 2024.

Ratio Highlights

(in % unless specified)	2022e	2023e	2024e	Change*
Nominal GDP (\$bn)	24.9	24.3	32.8	8.5
Public Debt in Foreign Currency / GDP	246.6	177.3	134.5	(42.8)
Public Debt in Local Currency / GDP	13.5	4.3	2.3	(2.0)
Gross Public Debt / GDP	260.1	181.6	136.8	(44.8)
Trade Balance / GDP	(13.6)	(12.7)	(9.5)	3.2
Exports / Imports	24.9	24.3	28	(3.7)
Fiscal Revenues / GDP	5.5	12.9	12.5	(0.4)
Fiscal Expenditures / GDP	11.9	13.3	13.1	(0.2)
Fiscal Balance / GDP	(6.4)	(0.4)	(0.6)	(0.2)
Primary Balance / GDP	(5.4)	0.7	0.4	(0.3)
Gross Foreign Currency Reserves / M2	13.4	138.7	692.5	553.8
M3 / GDP	34.0	56.0	210.6	154.6
Commercial Banks Assets / GDP	37.8	83.0	312.7	229.7
Private Sector Deposits / GDP	28.1	68.3	269.6	201.3
Private Sector Loans / GDP	4.5	6.0	17.2	11.2
Private Sector Deposits Dollarization Rate	76.1	96.3	99.1	2.8
Private Sector Lending Dollarization Rate	50.7	90.9	97.7	6.8

*change in percentage points 24/23;

Source: Banque du Liban, Institute of International Finance, 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

	2022e	2023e	2024e
Nominal GDP (LBP trillion)	675.0	2,082.0	2,943.0
Nominal GDP (US\$ bn)	24.9	24.3	32.8
Real GDP growth, % change	1.3	-1.1	-7.0
Private consumption	2.5	-3.2	-14.9
Public consumption	2.5	2.0	14.6
Private fixed capital	-16.7	6.1	-30.6
Public fixed capital	93.0	27.7	105.1
Exports of goods and services	11.0	3.7	3.8
Imports of goods and services	22.3	20.8	22.0
Consumer prices, %, average	171.2	221.3	45.2
Official exchange rate, average, LBP/US\$	1,507.5	15,000	89,500
Parallel exchange rate, average, LBP/US\$	30,313	86,362	89,500
Weighted average exchange rate LBP/US\$	27,087	85,805	89,700

Source: 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

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings



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