Impact of IMF Recommendations on BDL's Balance Sheet

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February 17, 2026

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Note: *At the time of writing, the Central Bank of Lebanon (BDL) had not yet published its balance sheet (BS) for 15 February 2026.*

The International Monetary Fund's (IMF) visit to Lebanon last week came with several **off the record** proposed changes to the latest draft of the Financial Regularization & Deposit Recovery Law (commonly known as the Financial Gap Law) approved by the cabinet (see: *IMF on Lebanon: Respect for International Principles in Bank Restructuring; and Need to Implement a Medium-Term Fiscal Framework*). As part of its recommendations, the IMF requested a fresh assessment of BDL's assets and liabilities. **In this note, we examine how these proposed changes would affect BDL's balance sheet, along with additional adjustments we believe are necessary.**

For context, you can find below a screenshot of the BDL’s balance sheet on 31 January 2026:

مصرف لبنان
BANQUE DU LIBAN

Central Bank of Lebanon
Interim Balance Sheet
1/31/2026
(In thousands of Lebanese Pounds)

	1/31/2026	1/15/2026
Assets		
Gold *	4,104,802,929,081	3,811,992,426,157
Foreign Reserve Assets * *	1,069,230,605,177	1,077,727,561,359
Securities Portfolio * * *	586,532,519,797	587,367,614,546
Loans to Public Sector * * * *	1,486,971,357,587	1,486,956,572,301
Loans to Local Financial Sector	39,492,377,014	39,416,008,164
Re-Valuation Adjustment (Articles 75 & 115 of C.M.C.) * * * * *	930,557,357,188	1,232,854,525,855
Deferred Open-Market Operations * * * * * *	173,332,747,264	172,243,155,118
Other Assets	11,814,632,418	7,628,931,169
Fixed Assets	723,443,698	716,730,698
Total Assets	**8,403,457,969,224**	**8,416,903,525,367**
Liabilities		
Currency in Circulation Outside BDL	68,522,715,849	70,684,933,055
Financial Sector Deposits	7,395,351,061,190	7,424,018,452,367
Public Sector Deposits	805,710,704,506	793,337,152,854
Re-Valuation Adjustment (Articles 75 & 115 of C.M.C.)	0	0
Other Liabilities	30,389,548,664	25,379,048,076
Capital Accounts	103,483,939,015	103,483,939,015
Total Liabilities	**8,403,457,969,224**	**8,416,903,525,367**

Based on the Central Council's decision number 48/4/24 dated 15/02/2024, BDL relied on the USD/LBP Electronic Platform rate as of 31/01/2026 equivalent to LBP 89,500.

* Gold is evaluated at the market price of the Ounce .

* * Foreign reserve assets represent non-resident and liquid foreign assets equivalent to **USD11.947** Billion.

* * * Securities portfolio includes Lebanese Government Eurobonds (market value of **USD1,531.6** Million).

* * * * Loans to public sector includes an overdraft of **USD16.518** Billion.

* * * * * Revaluation Adjustment includes the provisions of articles 75 and 115 of C.M.C. :

1- The balance of the "Revaluation Adjustment - Article 115" account up to 31/01/2026 equals **LBP762.73** Trillion.

2- The balance of the "Exchange Stabilisation Fund - Article 75" as at 31/01/2026 equals **LBP167.82** Trillion.

* * * * * * Represents deferred costs from open market operations.

Re-Evaluating Gold

Firstly, according to multiple sources, the IMF requested that gold be valued at its **average price over the past two years**. While some reports suggest it may instead rely on a one-year average, we use the two-year average here for simplicity.

- BDL holds **286.83 tons of gold** (9.18 million ounces), currently valued at **$45.86 billion**.
- Valuing gold at the **2025 average** reduces this figure to **$33.86 billion**.

Now, why did the IMF request this?

Firstly, the Financial Gap Law likely won't pass parliament any time soon, and a new version of the draft will probably replace the current one. Gold prices could change significantly by then. With the possibility of speculative bubbles in gold today, the value of BDL's assets could drop if gold prices correct downward.

Secondly, even though BDL is an independent institution, it is ultimately owned by the state—meaning its assets, including gold, belong to the state. Since BDL is expected to sell a portion of its gold (along or without using other measures such as leasing gold), using a lower valuation on the balance sheet effectively places a cap on the **maximum number of ounces** that can be sold. If prices don't fall from current levels, BDL will end up selling fewer ounces to reach the same dollar target, allowing more of Lebanon's gold to remain untouched.

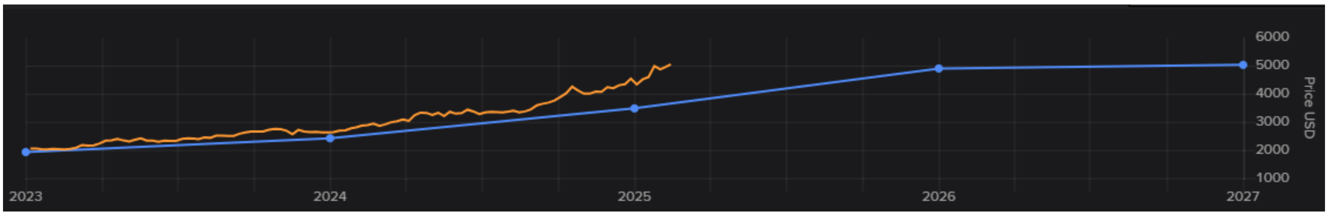
Besides, **gold still provides a form of credibility for the Lebanese economy.** Selling only a small portion of it (following the scenario that prices didn't fall below the two-year average) could further undermine trust—especially after depositors lost access to their funds since the crisis began and following the Eurobond default in March 2020. In detail:

- A lower valuation limits the **maximum number of ounces** that can be sold.
- If market prices stay high, BDL will need to sell **fewer ounces** to reach the same dollar amount.
- This helps preserve **more of Lebanon's gold reserves**.

What do market expectations say?

Gold's future path remains uncertain, but according to the latest Reuters poll (February 4, 2026), we observe the following:

Chart 1: Spot Gold Prices (Orange) vs. Reuters Poll Mean (Blue)



Source: LSEG

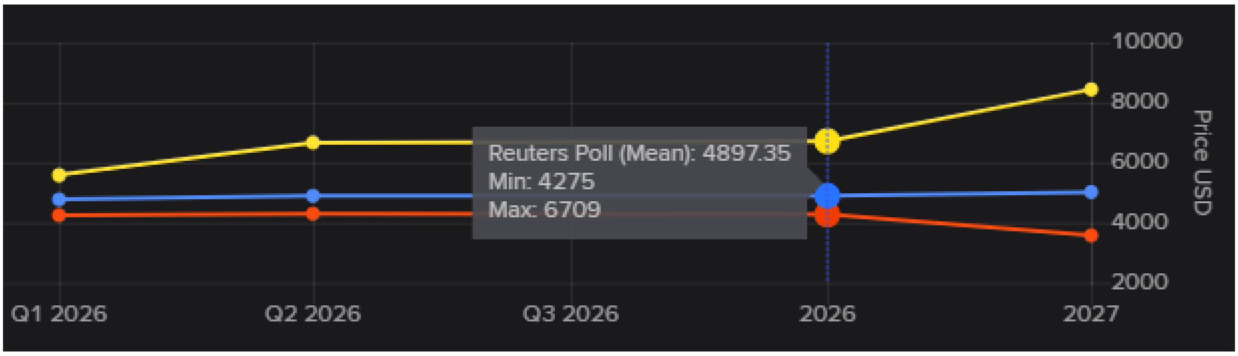
The current spot gold price, at the time of writing, is slightly above **$5,000 per ounce**. It is projected to ease and average about **$4,897 per ounce** this year, then rise to an average of **$5,025 per ounce** in 2027—roughly in line with current levels.

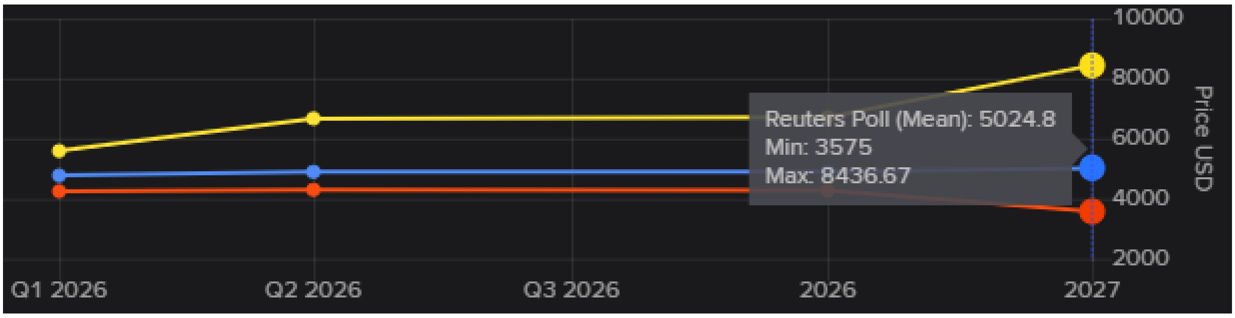
However, as the chart shows, gold prices (orange) have consistently **outperformed** Reuters poll expectations (blue) since 2023. Whether this is because analysts underestimate the market or because prices are inflated by a developing bubble remains uncertain.

There is also a wide gap between the minimum and maximum forecasts—particularly for 2027—which highlights the high level of uncertainty. Notably, the highest forecast in both years came from **GoldCore**, a precious-metals dealer. Such companies naturally benefit from higher gold prices because bullish forecasts can increase investor interest and demand for physical gold.

If GoldCore's estimates were excluded, the **highest forecast for 2027 would have been $6,428 per ounce**, and the mean would have been slightly lower.

Charts 2 & 3: Reuters Poll – Mean (Blue), Maximum (Yellow), Minimum (Red)





Source: LSEG

If the Reuters mean ultimately proves accurate, gold prices would stay broadly stable around current levels for the next two years, making it more reasonable to value gold using an average over the past **6–12 months**. However, if BDL adopts the IMF's recommendation and uses the **two-year average**, the gold valuation on the balance sheet would remain significantly below the actual market price.

Re-evaluating Securities Portfolio

While revaluing the securities portfolio is not an explicit IMF requirement, it raises a logical question: if gold is being reassessed using a **two-year average price**, shouldn't the securities portfolio be re-evaluated as well—and based on what pricing methodology? BDL's securities holdings include **Lebanese Government Eurobonds** (currently marked at a market value of USD 1,531.6 million), in addition to **treasury bills**, which are lira-denominated loans to the government.

At present, Lebanese Eurobonds are trading **above 29 cents on the dollar**. However, applying a two-year average would cut that valuation by more than half. For instance, the Lebanese Eurobond maturing on **23 March 2032** has a two-year average price of **14.8 cents**, compared to a current market price of **29.6 cents**.

Moreover, several analysts warn that Lebanon's Eurobond rally has outpaced economic fundamentals. **Goldman Sachs**, for example, valued them this year at just **12–25 cents** (see: *GS: Lebanon's Eurobond Rally Has Run Too Far, Too Fast*). Supporting this, credit rating agency S&P noted last week that no material progress should be expected anytime soon on the long-delayed debt-restructuring process.

Given this context, relying on **current market prices** may be risky, especially if they reflect speculative behavior. Using inflated Eurobond prices would artificially strengthen BDL's balance sheet at a time when the IMF is pushing for more conservative and realistic valuations.

Of course, the exact numbers would depend on **which specific Eurobonds BDL holds** and **the quantities of each**, but based on a basic approximate calculation, BDL's Eurobond holdings would decline to around **$764.54 million** under a two-year average valuation. As a result, the **securities portfolio** would fall to approximately **$5,786 million**.

Re-evaluating Loans to Public Sector

The IMF requires a clear resolution of the government–BDL debt but provides no explicit guidance on how much of that debt should ultimately be repaid. While BDL's balance sheet lists government obligations at **$16.6 billion**, including an overdraft of **$16.518 billion**, widespread anecdotal evidence suggests the true figure could be closer to **$40–50 billion** once accumulated interest is included.

However, BDL has indicated it will not seek full repayment in order to avoid placing additional pressure on the state, as per sources to LBCI.

Even before these higher estimates emerged, there had already been substantial debate between the Ministry of Finance, BDL, and the IMF over whether the government should repay even the audited **$16.518 billion**. The IMF now "recommends" a government contribution, provided it is consistent with debt-sustainability considerations. *It is important to highlight that a lower public-debt burden reduces Lebanon's risk of falling back into distress and, in turn, lowers the IMF's own financial risk exposure.*

Exactly how much of the debt will ultimately be written off remains unclear. It is also uncertain whether the state and BDL will resort to alternative mechanisms—such as converting the debt into a very long-term bond, which would significantly reduce its present value, or writing off the amount in exchange for the government recapitalizing the central bank. For simplification, we will assume that the state and BDL will stick to the **$16.6 billion** figure for loans to the public sector.

Re-evaluating Public Sector Deposits

While revaluing public-sector deposits is not an IMF requirement, it may still be necessary to ensure the balance sheet reflects a more accurate valuation—especially since the "local dollars" classification used in financial-statement calculations does not align with international standards and is expected to be phased out in the near to medium term.

According to *Annahar*, the deposits are distributed as follows:

- **2.7 billion** in local dollars
- **1.2 billion** in fresh dollars
- **455 trillion LBP**

While typical calculations would convert local dollars at **LBP 15,000**, BDL used **LBP 89,500**, meaning the deposits should be **$6.7 billion**, not **$9 billion** as stated in BDL's balance sheet.

Re-evaluating Financial Sector Deposits

The IMF demanded a new assessment of **illicit funds related to corruption and financial misconduct**, including:

- Profits from excessive interest rates
- Gains from paying debts at the old fixed rate of LBP 1,507.5 per USD

This step would directly affect the financial-sector deposits recorded on BDL's balance sheet. Anecdotal evidence suggests that such a revaluation could lead to a reduction of around **$23 billion** in these deposits.

Re-evaluating the Re-Valuation Adjustment

As gold prices are adjusted downward, the revaluation-adjustment line will also decline by the same amount, since it represents the change in the value of the Bank's gold and foreign currency holdings compared to their historical purchase price.

The new BDL Balance sheet (in Million USD)

BANQUE DU LIBAN مصرف لبنان

Central Bank of Lebanon
Interim Balance Sheet
31/01/2026
(In Million USD)

	Official BDL Balance Sheet 31/01/2026	Balance Sheet Estimates After the IMF Adjustments 31/01/2026
Assets		
Gold	45,863.72	28,324.01
Foreign Reserve Assets	11,946.71	11,946.71
Securities Portfolio	6,553.44	5,786.38
Loans to Public Sector	16,614.21	16,614.21
Loans to Local Financial Sector	441.26	441.26
Re-Valuation Adjustment (Articles 75 & 115 of C.M.C.)	10,397.29	-
Deferred Open-Market Operations * * * * * *	1,936.68	1,936.68
Other Assets	132.01	132.01
Fixed Assets	8.08	8.08
Total Assets	**93,893.39**	65,189.33
Liabilities		
Currency in Circulation Outside BDL	765.62	765.62
Financial Sector Deposits	82,629.62	59,629.62
Public Sector Deposits	9,002.35	6,736.31
Re-Valuation Adjustment (Articles 75 & 115 of C.M.C.)	-	7,142.42
Other Liabilities	339.55	339.55
Capital Accounts	1,156.25	1,156.25
Total Liabilities	**93,893.39**	75,769.76

To sum up, the IMF's recommendations have **weakened BDL's balance sheet** by reducing the value of its assets below its liabilities by more than $10 billion, making it more difficult for the central bank to contribute its share under the financial gap law. However, had the *one-year average* been used instead of the *two-year average* for gold prices and Lebanese Eurobonds (as showed in the table below), the asset side of the balance sheet would have been **stronger**, though still only a billion dollars stronger than the liabilities side overall (see table in the next page). Given the **significant shift in market fundamentals**, *we recommend applying* last year's average *for gold and Eurobond prices rather than the* two-year average. This adjustment would **support BDL's balance sheet** and improve its ability to absorb its portion of losses under the financial gap law.

Revised BDL Balance Sheet Using 1-Year Averages for Gold and Eurobonds (Million USD)

Central Bank of Lebanon
Interim Balance Sheet
31/01/2026
(In Million USD)

	Official BDL Balance Sheet 31/01/2026	Balance Sheet Estimates Under the IMF Adjustments (Using 1-Year Averages for Gold and Eurobonds) 31/01/2026
Assets		
Gold	45,863.72	33,859.00
Foreign Reserve Assets	11,946.71	11,946.71
Securities Portfolio	6,553.44	6,102.14
Loans to Public Sector	16,614.21	16,614.21
Loans to Local Financial Sector	441.26	441.26
Re-Valuation Adjustment (Articles 75 & 115 of C.M.C.)	10,397.29	-
Deferred Open-Market Operations * * * * * *	1,936.68	1,936.68
Other Assets	132.01	132.01
Fixed Assets	8.08	8.08
Total Assets	**93,893.39**	71,040.09
Liabilities		
Currency in Circulation Outside BDL	765.62	765.62
Financial Sector Deposits	82,629.62	59,629.62
Public Sector Deposits	9,002.35	6,736.31
Re-Valuation Adjustment (Articles 75 & 115 of C.M.C.)	-	1,607.43
Other Liabilities	339.55	339.55
Capital Accounts	1,156.25	1,156.25
Total Liabilities	**93,893.39**	70,234.77

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