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## ***Introduction***

The Lebanese economic and financial situation remained fragile in 2025 despite the election of a new President after more than two years of presidential vacancy. The election was followed by the appointment of Mr. Nawwaf Salam as a new Prime Minister who formed a new government from experts in their fields. This included the appointment of Mr. Karim Souaid as a new Governor for the Central Bank.

Mr. Souaid, in turn, started reforms in the Central Bank where he prepared a comprehensive report backed by evidences and documentations revealing all loans, advances, transfers and payments to previous governments till end 2023. As per the Governor, these exceeded \$16.5 billion and might surpass \$40 billion. In addition, Central Bank officials took a courageous and unprecedented decision to take legal actions in Lebanon and abroad against any legal or natural person who misused BDL funds or committed fraud in violation of their legal or professional duties.

As for the new government, it finally prepared and approved the needed laws related to financial reforms and transferred them to the Lebanese Parliament. Some laws were enacted by the Parliament, namely the Banking Secrecy Law and Bank Restructuring Law (although currently being restudied by the Money and Budget Committee) and the third law, Deposit Recovery Law is on the to-do list of the Money and Budget Committee.

In this spotlight, we will discuss the main banking indicators and developments: commercial banks’ balance sheets, balance of payments (BoP), financial reform laws, in addition to main circulars issued by the Central Bank in 2025.

***Main Banking Indicators***

*Numbers and Reach:*

**Table 1: Number of Banks’ Branches and Employees**

	Dec-19	Dec-24	Jun-25
Number of Branches	1,058	636	633
Number of Employees	24,704	13,084	12,972

Source: BDL

In terms of reach, number of branches in Lebanon decreased by 40% from 1,058 in December 2019 to 633 as of June 2025. So did the number of employees that dropped from 24,704 in December 2019 to around half.

As for geographic distribution, Beirut & suburbs leads the governorates in banks’ branches followed by Mount Lebanon. Below graph shows comparison of branches’ distribution between December 2019 and June 2025.

**Figure 1: Evolution of banks’ branches across governorates**

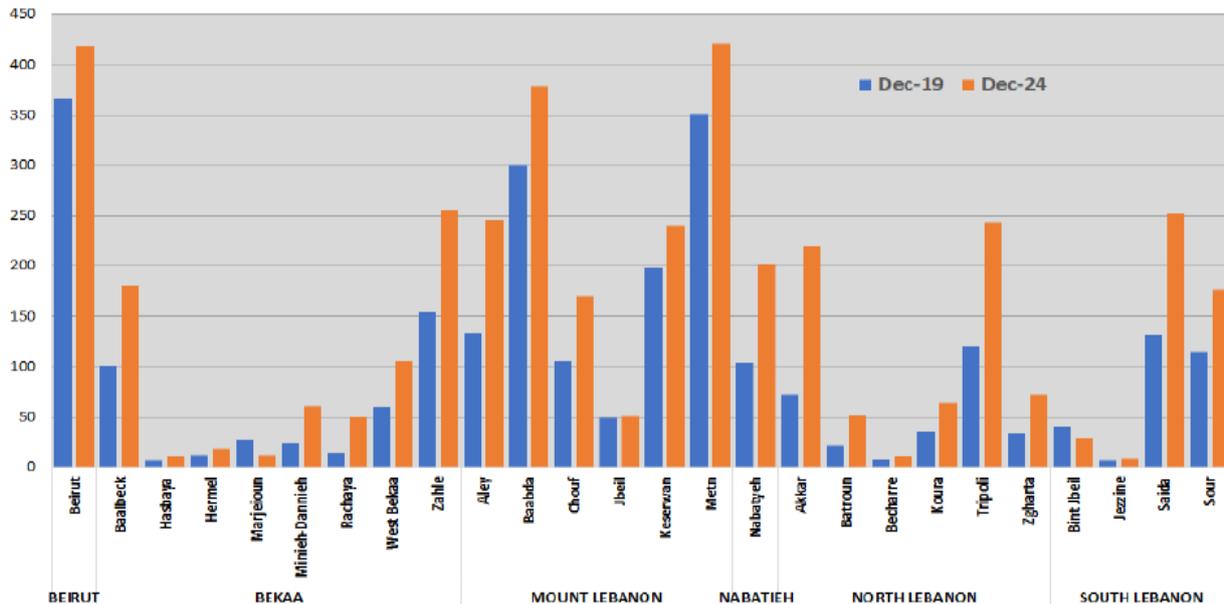


Source: Bdl

Point of Sales (POS):

In contrast to number of banks’ branches and employees, number of point of sales (POS) including ATMs and cash kiosks witnessed a notable rise between 2019 and 2024, which increased from 2,595 in 2019 to 3,955 in 2024. Geographically, almost half of these Electronic Operations were in Beirut and Mount Lebanon as of end of 2024, along, with remarkable increase in cash access points in rural areas.

**Figure 2: Distribution of POS Across Governorates**



Source: Bdl

Balance Sheet:

**Table2: Commercial Banks’ Balance Sheet**

<i>In USD Millions</i>	Dec-24	Dec-25	% Change
<b>Deposits</b>	<b>88,646</b>	<b>87,191</b>	<b>-1.64%</b>
<i>Resident Customers</i>	67,032	65,162	-2.79%
<i>Non-resident Customers</i>	20,911	21,412	2.39%
<i>Resident Financial Sector</i>	702	618	-12.05%
<i>Dollarization Rate (%)</i>	99.14%	98.91%	
<b>Non Resident Financial Sector Liabilities</b>	<b>2,506</b>	<b>2,227</b>	<b>-11.12%</b>
<b>Loans</b>	<b>5,646</b>	<b>5,201</b>	<b>-7.88%</b>
<i>Resident Customers</i>	4,656	4,190	-10.01%
<i>Non-resident Customers</i>	871	926	6.25%
<i>Resident Financial Sector</i>	119	86	-27.75%
<i>Dollarization Rate (%)</i>	97.71%	97.76%	
<b>Claims Non Resident Financial Sector</b>	<b>4,693</b>	<b>5,393</b>	<b>14.91%</b>
<b>Total Assets</b>	<b>102,760</b>	<b>102,305</b>	<b>-0.44%</b>
<b>Shareholder Equity</b>	<b>4,820</b>	<b>4,722</b>	<b>-2.04%</b>

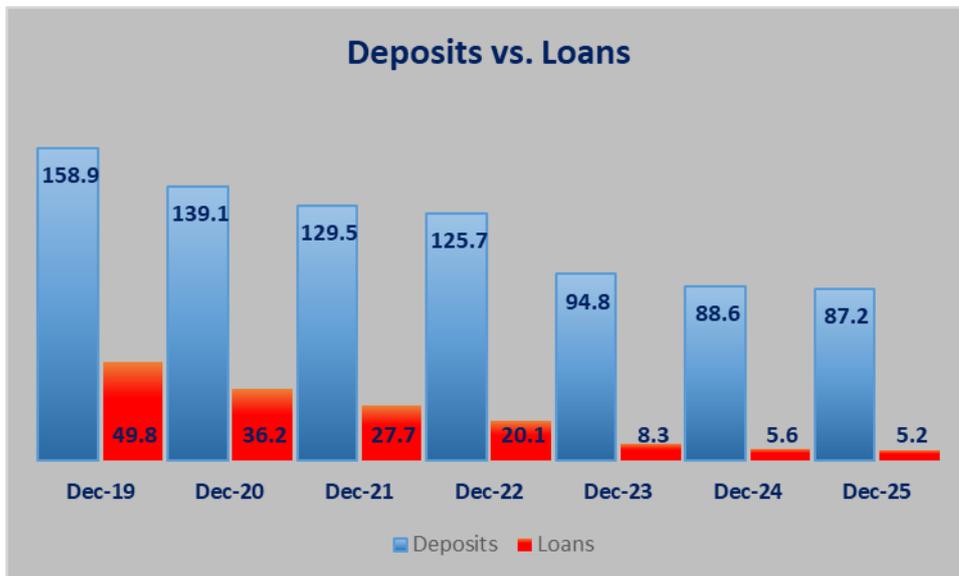
Source: BDL, BLOM Invest Bank

As is shown in table 2 above, total deposits (in LBP and foreign currencies) decreased by 1.64% in 2025 to reach \$87.19 billion in December 2025, compared to \$170 billion in September 2019. Similarly, loans decreased by 7.88% in 2025 to record \$5.2 billion in December 2025, compared to \$54.5 billion in September 2019. Interesting to note, the dollarization rate of deposits and loans recorded close to 98% in 2025.

It is to be noted that non-resident financial sector deposits recorded \$2.23 billion in December 2025, while non-resident financial sector liabilities recorded \$5.39 billion of December 2025.

Additionally, the commercial banks' balance sheet revealed that total assets decreased by 0.44%, from \$102.76 billion in December 2024 to \$102.31 billion in December 2025. Similarly, shareholders' account fell by 5.33% to reach \$4.82 billion in December 2024.

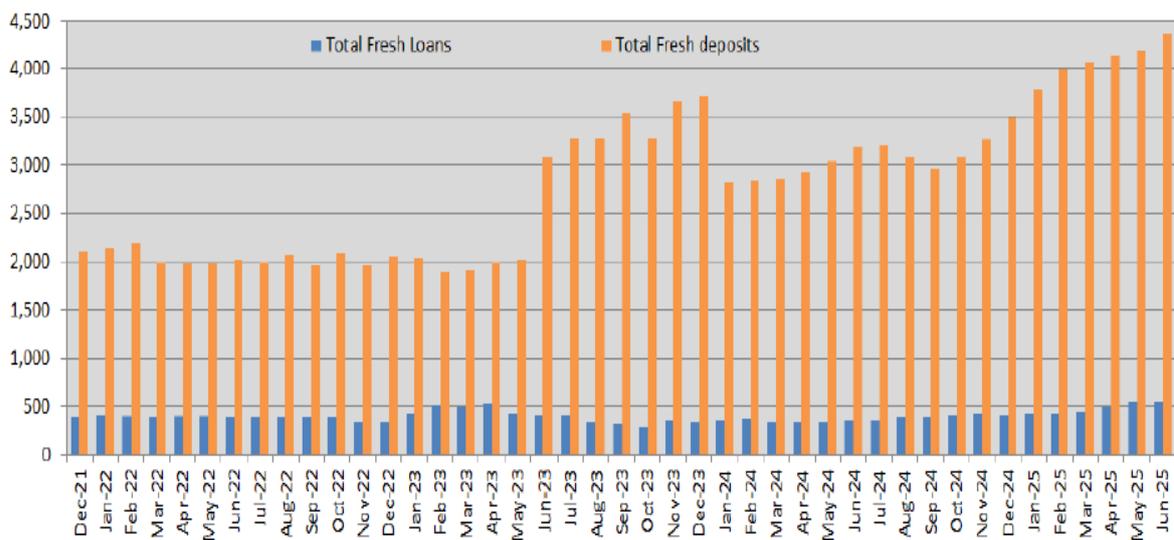
**Figure 2: Evolution of deposits and loans since 2019 (in USD Billions)**



In the graph above, we notice that deposits decreased from 2024 to 2025 mainly due to the withdrawal from local USD accounts through circulars 158 and 166. Deposits recorded \$87.2 billion in December 2025 out of which more than \$4 billion of the deposits are in fresh USD and are increasing year-on-year. It recorded \$4.36 billion in June 2025. Interesting to note, almost half of these fresh deposits (\$2.2 billion) are the outstanding balances resulted from exceptional withdrawals under circular 158.

On the loans side, it fell in 2025. However, some banks started granting retail loans in “fresh dollars” to clients according to specific criteria, such as having a steady income in fresh USD at the same bank. In details, during 2025, fresh loans increased, though remained highly restricted, and recorded \$553 million in June 2025. Below graph shows the evolution of fresh USD deposits and loans (in USD millions) over time.

**Figure 3: Total Fresh Deposits vs. Total Fresh Loans**



Source: Bdl

BoP:

**Table 3: Balance of Payments (BoP)**

in millions of USD	2024			2025		
	BDL*	Banks & Financial Institutions	TOTAL	BDL*	Banks & Financial Institutions	TOTAL
	5,713.96	723.03	6,436.99	18,025.69	1,535.26	19,560.84

Note that, according to BDL Central Council's Decision Number 37/20/24, BDL NFAs include the Monetary Gold, the Non-Monetary Resident Foreign Securities held by BDL, and the Foreign Currencies & Deposits with Correspondent Banks & International Organizations; while excluding the Lebanese Government's Sovereign Bonds and the BDL Loans in FX to Resident Banks and Financial Institutions.

As such, the balance of payments (BoP) in table 3 reveals that it increased to \$19.56 billion in 2025 as the Central Bank changed the calculation method as detailed above. The change in net foreign assets of BDL surged by \$18.03 billion whereas that of Banks & Financial institutions increased by \$1.54 billion in 2025.

### ***Financial Reform Laws***

It was the first time since the blow up of the financial crisis that a government had the courage to finalize and approve the needed laws (requested by IMF) and were passed to the parliament for ratification. It is now the responsibility of the parliament to approve the laws and especially Bank Restructuring Law and Deposit Recovery Law.

#### **1. Bank Secrecy Law:**

It was the first law, prepared by the COM and has retroactive effect for ten years. It was issued by the Lebanese Parliament on April 24th, 2025. Few amendments were done on the previous version issued on 28/10/2022. Mainly, the amendments expanded the authority of regulatory and judicial bodies to access bank accounts information for financial audits, bank restructuring, tax enforcement and corruption investigations. Some of these authorities relate to the Central Bank, Bank Control Commission of Lebanon (BCCL), and the National Deposit Guarantee Institute. The information includes debtor and creditor accounts, on balance sheet and off balance sheet, in addition to any information, documents or records related to real or legal person.

#### **2. Bank Restructuring Law:**

This law is part of broader reforms needed to stabilize and to restore trust in sector. The law presented a legal action plan to be followed in assessing which banks can be restructured, merged, or liquidated based on each bank' s circumstances. The main objective of this law was to restore stability and credibility of banking sector, while protecting depositors as much as possible. However, the law might be amended as per IMF remarks on the law that are expected to be sent to the Parliament shortly.

### 3. Deposit Recovery Law (Known as Financial Gap Law):

This law was the latest law approved by the COM in December 2025. Its main purpose is to put a deposit repayment schedule based on depositors' categories and needed liquidity, restoring balance and solvency to the banking system, including the Central Bank. It protects small depositors but involves large haircuts on very large depositors. The law basically declares that all depositors will be able to withdraw the first \$100,000 within four years. Those who have deposits that exceeds \$100,000, will be given Asset Backed Securities (ABS) for 10, 15 or 20 years depending on the deposit amount and these ABS are backed by the revenues and sale proceeds of Central Bank' s assets (but without violating the law 42/86 that prevents sale of gold reserves).

#### ***Regulations:***

The Central Bank (CB) issued several basic and intermediate circulars in 2025. The below are the main circulars issued:

#### **Basic Circulars:**

1. CB issued Circular 169 in July 1<sup>ST</sup>, 2025, requesting from banks to stop withdrawing or transferring any amount from Lollars accounts accumulated in the bank or was transferred after November 17th, 2019 that exceeds the limits set by Central Bank' s circulars without getting BDL' s prior written approval. The goal of this circular was to ensure fairness in withdrawals from local USD Deposits.
2. CB issued Circular 170 in July 14<sup>th</sup>, 2025 to prevent banks, financial companies, financial intermediary companies, collected investment funds, and any company licensed by BDL to deal with unlicensed institutions, funds, exchange offices and money transfer companies, and associations that are subject to external sanctions. Non-compliant parties will be subject to penalties such as freeze or withdrawal of license, freezing accounts, or transferring to special investigation committee.

3. CB issued Circular 3 on November 14<sup>th</sup>, 2025 related to currency transactions and exchange operations. The aim of this circular is to combat money laundering and terrorist financing. It urges all non-bank financial institutions to be supervised by BDL (foreign exchange offices, credit institutions, internal and external transfer companies, and electronic wallets), and to collect, verify, record and store information data related to their clients and their transactions, for any transaction that exceeds or equals to \$1,000 or its equivalent in other currencies. The information to be filled are related to the non-bank financial institution, client, and cash transaction.

#### Intermediate Circulars:

1. On March 27<sup>th</sup>, 2025, the CB issued the circular 733 regarding exceptional restrictions on the below operations performed by banks in Lebanon:
  - ❖ Banks' purchase of foreign currencies from the parallel market or from financial institutions and certified exchange offices
  - ❖ Banks are allowed to sell non-cash foreign currencies either directly or indirectly to the Central Bank only
  - ❖ Banks should only trade stock listed on BSE, Eurobonds and other securities in foreign currencies on fresh basis or its equivalent in Lebanese pounds at the exchange rate specified by the Central bank' s platform
  - ❖ Banks should obtain a prior approval from the Central Bank before selling Lebanese Eurobonds abroad
2. On August 14<sup>th</sup>, 2025, the CB issued circular 739 related to exceptional measures to reactivate banks' operations. It requires banks to accumulate, before June 30<sup>th</sup>, 2026, an account abroad free from any liability at a correspondent bank, with a minimum outstanding balance at any time, not less than 3% of total foreign currency deposits as of June 30<sup>th</sup>, 2025.

3. On October 27<sup>th</sup>, 2025, the CB issued circular 744 concerning exceptional exemptions from required reserves. This circular states that banks cannot include in the 100% cash coverage ratio their portfolio of Eurobonds; and prevents banks that breach the requirements of this circular to sell these Eurobonds. Additionally, it stipulates that the sales proceeds of its Eurobonds to either obtain the liquidity needed to meet the requirements of basic circular 158 for a period of one year or to finance its commercial and investments activities and not its operational expenses.
4. On November 28<sup>th</sup>, 2025, the CB issued circulars 746 and 747 regarding exceptional measures for the gradual withdrawal of deposits in foreign currencies. They amended basic circulars 158 and 166 stated that institutions and licensed organizations can benefit from these circulars. In addition, circular 746 increased monthly withdrawal limit of basic circular 158 by \$200 to reach \$1,000 and circular 747 increased monthly withdrawal limit by \$100 to reach \$500. However, these additions can only be used through Point of Sale (POS) Payments.

On a different note, CB announced an agreement with “K2 Integrity” , a US company specialized in risk management, compliance, and financial investigations. The purpose of this agreement is to fight the cash economy in addition to combatting all forms of illegal and fraudulent activities. The CB will be provided with the needed consultation and technical support to execute the procedures to improve anti-money laundering and combatting terrorism financing.

***Conclusion:***

The Lebanese banking sector in 2025 remained functioning but shadowed by the financial crisis since its inception in late 2019. Nevertheless, 2025 could be regarded as a significant year in the gradual evolution from crisis containment toward structural reform but not yet toward recovery and resurrection. Looking forward, the trajectory of the Lebanese banking system will depend mainly on the successful execution of institutional/legal reforms in the Central Bank and commercial banks with the aim to restore confidence in the financial system.

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