Bank Audi

LEBANON ECONOMIC REPORT

3RD QUARTER 2025

TABLE OF CONTENTS

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REAL SECTOR INDICATORS SUPPORT A REAL ECONOMIC GROWTH OF 5% THIS YEAR WITH A GDP OF US$ 43 BILLION

A 5% real economic growth forecasted for 2025

The numerous macro indicators released this year, following the political breakthrough recorded at the beginning of 2025, suggest that real economic growth could reach around 5% in full-year 2025, after a contraction of 7.5% in the previous year due to the war. In details, real sector indicators that support Bank Audi's 5% real GDP growth forecast for 2025 are imports, exports, the volume of goods unloaded at the Port of Beirut, the number of arriving passengers at Beirut International Airport, electricity production and the construction sector indicators (cement deliveries, construction permits, real estate transactions, etc…).

Nominal GDP should approximate US$ 43 billion this year

The Central Administration for Statistics (CAS) has recently released the official national accounts for 2023. They actually published a US$ 31.6 billion GDP figure for 2023, while the IMF figure was US$ 24 billion for the year. IMF is expected to now adopt the CAS official figures. Based on the nominal GDP growth of the years 2024 and 2025 (real growth+inflation), GDP should now amount to slightly above US$ 43 billion for 2025, a major change from the previous estimate of US$ 32 billion initially thought for the year.

Real imports up by 6.7% amid increasing demand for consumer and investment goods

Nominal imports increased by 12.0% in the first eight months of 2025, amid an imported inflation of 5.3% (based on the weighted average estimated inflation in countries of origin). In turn, this results in a real import growth of 6.7%, driven by increasing demand for consumer and investment goods in the country. Accordingly, annual import volume is expected to approach US$ 20 billion this year, which stands among the highest levels ever recorded, surpassing the 2019 figure of US$ 19.3 billion.

BDL continues bolstering its reserves position, LP maintains technically and fundamentally supported stability

Currency stability remained the main feature characterizing Lebanon's monetary conditions over the first nine months of the year 2025, as the Lebanese pound held steady against the US dollar on the parallel FX market, while the Central Bank of Lebanon's liquid foreign currency reserves recorded a net positive growth over the covered period. In details, the Lebanese Pound maintained a technically and fundamentally supported stability over the first three quarters of this year, amid a quasi-equilibrium in fiscal balance and a real surplus in the balance of payments of US$ 2.7 billion in the first eight months of the year, as per latest figures released by BDL. The Central Bank of Lebanon's liquid foreign reserve assets hit US$ 11,784 million mid-October 2025 compared to US$ 10,135 million at year-end 2024, up by US$ 1,649 million since the beginning of the year.

Lebanese equities take nosedive in first nine months of 2025, bond prices rallied

Following four consecutive years of strong price gains, Lebanon's equity market nosedived over the first nine months of 2025, (20% contraction in the Bourse price index) as some market participants sought to lock in their gains and benefit from a significant year-to-date surge in the "fresh-to-domestic" US dollar ratio, which was fueled by key domestic political breakthroughs at the beginning of this year and growing optimism about reforms and bank restructuring. At the level of Eurobond market, sovereigns registered decent price rally over the first nine months of 2025, hitting over the month of September levels that were unseen since Lebanon's sovereign default on March 9, 2020 (Above 23 cents to the dollar).

The holistic (beyond systemic) nature of Lebanon's crisis

We believe the crisis that has onset in Lebanon 6 years ago is to be described as a holistic crisis (beyond systemic crisis). The reason that it is not contained to one system; it is affecting multiple systems at once, with interconnected consequences. It is first an economic crisis, as real GDP contracted sharply by 40% in the first crisis years, businesses closed, unemployment tripled and poverty rates skyrocketed. It is a Financial/Monetary System crisis, as informal capital controls were applied, the currency lost over 98% of its value and hyperinflation materialized with above 6,000% cumulative inflation since crisis onset in October 2019. It was accompanied by political instability, with repeated government failures, cabinet vacuums, widespread protests and loss of public trust and paralysis of state institutions. It is also a social breakdown, as emigration increased considerably (brain drain), along with growing social tensions and inequalities. It is finally an infrastructure and environmental collapse, with Beirut Port explosion worsening the crisis, and as public services like electricity, water, waste management deteriorated significantly.

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The numerous macro indicators released this year, following the political breakthrough recorded at the beginning of 2025, suggest that real economic growth could reach around 5% in full-year 2025, after a contraction of 7.5% in the previous year due to the war. As such, GDP is estimated to have reached above US$ 43 billion in 2025, compared to a CAS estimate of US$ 31.6 billion in 2023. This is based on the assumption of a nominal growth of 16% this year (after an IMF nominal growth estimate of 19.7% in 2024). The nominal growth for 2025 rests on real growth of 5% amid an average inflation rate of 11% during the year. However, the current GDP level for 2025 remains nominally 20% lower than the GDP recorded in 2019, which stood at US$ 53 billion prior to the deep economic crisis that began in the last quarter of 2019 and extended into the following years.

In details, real sector indicators that support our 5% real GDP growth forecast for 2025 are the following:

- Nominal imports increased by 12.0% in the first eight months of 2025, amid an imported inflation of 5.3% (based on the weighted average estimated inflation in countries of origin). In turn, this results in a real import growth of 6.7%, driven by increasing demand for consumer and investment goods in the country. Accordingly, annual import volume is expected to approach US$ 20 billion this year, which stands among the highest levels ever recorded, surpassing the 2019 figure of US$ 19.3 billion.

- Exports increased by 23.5% in the first eight months of 2025 relative to the 2024 corresponding period. On the basis of an 11% average inflation rate in Lebanon this year, this corresponds to a real export growth of 12.5% year-on-year.

- The volume of goods unloaded at the Port of Beirut reached 4,211 thousand tons in the first eight months of 2025, marking a 15% increase compared to 3,659 thousand tons noted in the same period of 2024. This increase is attributed to a 16% expansion in foreign trade this year.

- The number of arriving passengers through Beirut International Airport reached 2,768 thousand in the first nine months of 2025, reflecting a circa 15% increase compared to 2,415 thousand during the same period last year.

- The construction sector indicators have shown remarkable growth this year. This comes as construction permits covered 4,378 thousand square meters in the first nine months of 2025, recording a 16% increase compared to the first nine months of 2024. Similarly, cement deliveries reached 851 thousand tons in the first four months of 2025, compared to 573 thousand tons during the same period in 2024, highlighting an increase of 39% year-on-year. Concurrently, real estate transactions totaled 120,321 in the first nine months of 2025, compared to 77,099 in the first nine months of 2024, reflecting a 56.1% jump during the period. This surge raised the total value of these property transactions to US$ 4,403 million in the first nine months of this year.

- Electricity production rose to 1,303 million KWH in the first quarter of 2025, marking a 21% increase, up from 1,074 million KWH in the same period of 2024. Meanwhile, imports of petroleum derivatives increased by 36% in the first quarter of 2025 compared to the same period in 2024, reaching 1,719 thousand tons in the former.

As such, these figures indicate that Lebanon's economy has begun to recover, starting from a low base last year amid the war. However, the main challenge remains in maintaining the growth rate recorded this year over the coming years. Maintaining such a level of growth in the medium-term would help regain, by the end of the current presidential era, the economy to the levels recorded in 2019, prior to the outbreak of the economic/financial crisis in Lebanon.

Bank Audi's economic/financial model for the period 2025–2030 shows that achieving an average real GDP growth rate of 5% over the next five years is possible. This is yet conditional upon a favorable political environment, an acceleration in reform momentum and the realization of the hoped for investment levels, which would, in turn, lead to increased demand for goods and services across the country.

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1. ECONOMIC CONDITIONS

1.1. REAL SECTOR

1.1.1. Agriculture and Industry

Lebanon's primary and secondary sectors pursuing recovery growth through strategic deals

The country's primary and secondary sectors increasingly focused on recovery and sustainable growth over the first nine months of 2025 by fostering robust partnerships with domestic and international institutions.

In details, in a strategic move to enhance food security and restore agricultural production in areas affected by Israeli aggression, the Ministry of Agriculture organized an extensive coordination meeting with the authorities concerned with conducting soil tests in Lebanon, in line with the "Contributing to the Food Security of Refugees and Host Communities in Lebanon" project implemented in collaboration with the Food and Agriculture Organization of the United Nations (FAO), the World Food Program (WFP) and Cohesion's Action for Refugees in Europe (CARE), funded by the European Union. The Ministry plans to rehabilitate the agricultural sector and restore production in the affected areas, by integrating efforts and enhancing corporation between universities, laboratories and official organizations, to ensure the reliability of results in a way that contributes to supporting the affected farmers and boosting sustainable agricultural development.

In parallel, the Ministry revealed plans to transfer around US$ 50 million to the Kafalat institution, to provide soft agricultural loans in cooperation with banks in various Lebanese regions, which would help the farmers with crucial agricultural expenses like purchasing machinery, seeds and developing infrastructure, ultimately improving food security and rural livelihoods.

Concurrently, the Ministries of Agriculture of Lebanon and Egypt agreed to develop a strategic framework that constitutes a work program for the coming years, which includes increasing agricultural trade by opening the Egyptian market to Lebanese agricultural products, forming joint scientific committees specialized in exchanging experiences and knowledge between researchers and farmers in the two countries, and establishing a joint work platform in January 2026 that would bring together the Lebanese and Egyptian exporters, importers and investors, thereby promoting agricultural trade and mutual investment.

The Ministry of Agriculture also signed a cooperation agreement with the SEAL Foundation (Social and Economic Action for Lebanon), a US-Lebanese non-governmental and non-profit organization, to develop farmers' skills and provide them with modern tools and techniques. The agreement includes the implementation of a specialized training program targeting Lebanese farmers in the field of pruning fruit trees according to the latest agricultural standards and techniques. Additionally, as a part of the partnership, 3,300 battery-powered scissors and chainsaws would be provided to farmers registered in the Official Agricultural Register, thus enabling the farmers to apply modern technologies efficiently and reduce operational costs.

Concomitantly, the Lebanese Prime Minister, along with the Ministry of Environment launched a US$ 3.5 million initiative aimed at reducing wildfire risks in vulnerable landscapes. The initiative, titled Forest Fire Risk Management in Natural Areas at Risk in Lebanon, is a part of a broader national campaign to combat forest fires. It focuses on early warning systems, local coordination and forest restoration. The project is being implemented in partnership with the United Nations Office for Project Services (UNOPS), with support from the World Bank and local communities, including the Darb Akkar Environmental Protection Association.

On the other hand, Lebanon's industrial sector is seeking to boost growth through strategic collaborations. In details, the Ministry of Industry and the Chinese Ambassador of Lebanon discussed ways to enhance economic cooperation between the two countries, by increasing the export of Lebanese industrial products and facilitating the issuance of travel visas for the Lebanese industrialists and manufacturers to China.

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In parallel, Lebanon's Office of the Minister of State for Technology and Artificial Intelligence (OMSITAI) and the global strategic consultancy Roland Berger signed a Memorandum of Understanding (MoU) to advance the country's AI agenda. The partnership, which includes cooperation with the Ministry of Industry, aims to drive digital transformation through strategy advisory and governance frameworks. Under the MoU, Roland Berger would advise and support OMSITAI in the development of AI-driven initiatives including AI-powered quality assurance, digital platforms for industry licensing and compliance, adoption of smart manufacturing, circular economy practices and export promotion systems.

By integrating these objectives into the National Digital Infrastructure (NDI), a strategic initiative led by the Ministry of State for Technology and Artificial Intelligence, the results would ensure the provision of secure, scalable and integrated services, enabling the industrial sector to thrive in a rapidly changing global market.

Besides, the Ministry of Industry launched Lebanese Industry Exhibition 2025, which includes up to 200 Lebanese companies from 17 industrial sectors, distributed between food and technology industries to light and heavy industries. It showcases the creativity and resilience of Lebanese manufacturers, while providing a platform to connect with international buyers from the Middle East, Gulf and Europe.

Looking forward, to encourage foreign investment and spur growth in Lebanon's agriculture and industrial sectors, a strategic plan must be implemented to develop and upgrade existing industrial zones, address poor infrastructure, expand access to credit and offer compelling tax incentives.

1.1.2 Construction

Realty sector outlook improving albeit threatened by some challenging fundamentals

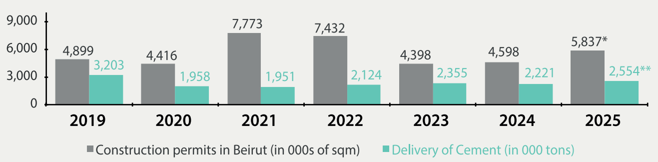
Lebanon's construction and real estate sectors so far in the year have shown considerable ameliorations amid improved security and political conditions as well as returning investment appetite following the end of the war in late 2024. This improvement, backed by all sectoral indicators, is expected to carry on its momentum during the rest of the year and into 2026. This comes as the fundamental outlook for the sector has improved since the beginning of 2025 albeit remaining threatened by high urbanization, political & security uncertainty as well as expected demographic changes.

In details, looking at current construction supply in Lebanon, construction permits in the first nine months (9M) of 2025 increased by 15.7% against figures from the same period of the year prior. Construction permits for 9M-2025 actually increased to 4,378,105 sqm, up from 3,785,486 sqm in 9M-2024. This shows a significant improvement in construction activity during the period, as per figures from the Order of Engineers and Architects of Beirut (OEAB). Construction permits in Lebanon during 9M-2025 have surpassed levels noted in 9M-2019 by 8.2%. This shows a return to pre-crisis levels for this indicator amid a diversification of supply away from major urban centers in the country such as Beirut and North Lebanon where permit issuance decreased by 39.3% and 10.6% respectively during the period. Supply is instead going towards other regions which noted increases ranging from 7.6% to 21.3% between 9M-2019 and

CONSTRUCTION

	2019	2024	9M-24	9M-25	Var 9M/9M
Value of property sales (in millions of US$)	6,839	2,892	1,859	4,403	136.8%
Number of property sales	50,352	36,382	26,430	51,683	95.5%
o.w. Sales to foreigners	993	859	593	1,141	92.4%
Average value per property sale (in US$ 000)	136	79	70	85	21.1%
Property taxes (in millions of US$)	302	123	82	193	134.9%

EVOLUTION OF CONSTRUCTION INDICATORS



*Annualized nine-month figures
**Annualized four-month figures

9M-2025. The biggest increases in permit issuance are noted in Mount Lebanon and South Lebanon. Additionally, cement deliveries, a coincident indicator of construction activity, jumped by a yearly 48.6% in the first four months (4M) of 2025 against the same period of the year prior, as released by the Central Bank of Lebanon.

At the level of demand, during 9M-2025, the number of property sales shot up by 95.5% to register 51,683 operations, up from 26,430 operations in 9M-2024. In parallel, the value of the transactions increased significantly by 136.8% during the period to reach US$ 4,403 million in 9M-2025, up from US$ 1,859 million in the same period of the year prior. Additionally, the number of sales to foreigners have noted a 92.4% jump year-on-year reaching 1,141 sales in 9M-2025, up from 593 in 9M-2024. In a look at the geographical breakdown of the value of property sales, Beirut captured the lion's share in 9M-2025 with 29.3% of total sales value. Baabda followed with 18.2% of the total. Metn and Keserouan were next with shares of 15.8% and 10.7% respectively during the period. South and North One had shares of 9.0% and 5.0% respectively followed by North Two with 4.5%. Bekaa and Nabatieh had a contribution of 3.9% and 3.5% respectively to the total and other regions had a contribution of 0.7% to the total, as per data from the Directorate of Land Registry and Cadastre (DLRC). The number of sales operations and the number of sales to foreigners in 9M-2025 have outperformed levels recorded in 9M-2019, however, the total value of the sales remain below pre-crisis levels leading to the overall average sales value in 9M-2025 being 33.6% below the figure noted in 9M-2019. This potentially points to a shift in realty demand towards lower quality or cheaper offerings.

At the level of prices in the realty market, looking at the average sale value per region in 9M-2025, Beirut recorded the highest average of US$ 362,621/sale. Metn and Keserouan followed with averages of US$ 120,532 and US$ 90,508 respectively per sale. North Lebanon and Baabda followed with averages of US$ 75,947 and US$ 65,413 respectively per sale. South Lebanon recorded an average of US$ 49,640/sale while Nabatieh and Bekaa followed with averages of US$ 37,284 and US$ 27,440 respectively per sale in 9M-2025. Additionally, according to a recent survey from the Real Estate Syndicate of Lebanon for Q1-2025, prices in all studied regions recorded year-on-year increases between Q1-2024 and Q1-2025 ranging between 16.9% and 39.0%. However, while prices are improving, they remain below 2019 levels. Though, some regions such as Beirut, Metn, Keserouan, Jbeil and Baabda are considerably close to pre-crisis levels while Zahle and Nabatieh remain lagging behind.

Currently, while the sector's performance is showing considerable improvements, some fundamental issues dampen this rehabilitation. The lack of loan availability paired with a purchasing power still below 2019 levels makes the purchase of realty extremely difficult for the local populace. This has potentially pushed local preference towards lower-quality, cheaper options in less urbanized areas. Additionally, the issue of remigration of syrians is set to start dampening the demand-side curve in the short-to-medium term leading to a potential glut and subsequently a drop in realty prices.

Looking forward multiple challenges remain, the main ones being maintaining stability at the security and political levels, without which the sector would considerably be affected. Additionally, as mentioned above, remigration of syrians is expected to pose a serious issue to the sector if not tackled proactively. The diversification of offerings must also adapt to the current realities in Lebanon, focusing away from urban centers and mainly on affordable housing. Access to financing must be re-established in a bid to rationalize the local population's purchasing ability towards real estate. Concurrently, Lebanon must re-establish a selling point to its real estate offerings in a bid to attract regional and international buyers. Some ways this could be done is to try imitating the Cyprus model as a haven for tourism & retirement, the French Riviera model as a luxury destination especially in Beirut, Jbeil & Batroun or the Visa for realty schemes adopted recently in the region. The state must also work on providing the necessary infrastructure and incentives for these developments to take place such as through improved road infrastructure and incentives for companies to open outside of major urban centers at large.

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1.1.3. Trade and Services

The tertiary sector performance mirroring overall economic improvement so far in 2025

The tertiary sector has shown so far a noticeably improving performance compared to the year prior. This comes amid an improvement in the security and political environments, an increase in purchasing power and increased governmental action in supporting and developing the economy. However, the sector's main indicators remain below levels recorded in 2019 albeit set to reach the highest levels noted in the last five years barring any changes in the security situation. As such, the buoyant performance in the sector is supporting the 5% real GDP growth forecast for 2025.

In details, activity within the first eight months (8M) of 2025 at the Port of Beirut (PoB) was noticeably positive. The quantity of goods increased by 15.1% year-on-year, reaching 4,211.0 thousand tons in 8M-2025, up from 3,658.5 thousand tons in 8M-2024. However, so far during the year, the tons of goods moving through PoB remain 10.3% below levels noted in the same period of 2019.

In parallel, the import of cars through PoB noted a year-on-year jump of 62.6% between 8M-2024 and 8M-2025. Additionally, the total amount of new cars registered in Lebanon jumped by 41.3% year-on-year between 9M-2024 and 9M-2025. This shows an increase in local demand as well as returned appetite for more pricey purchases such as cars. In turn, we can note a gradual return to normalcy within households' spending habits following sharp drops in unnecessary spending during the crisis. Furthermore, according to FitchSolutions, Lebanese households' total real spending is set to increase by 2.8% year-on-year in 2025 to be followed by an average increase of 3.7% per annum in the medium-term (2026-2029). This comes in parallel to a forecasted increase of 20.0% year-on-year in Lebanese households' disposable income in 2025 and an average increase of 17.4% per annum in the medium term (2026-2029).

Concurrently, looking at the tourism sector, the year-on-year performance of BIA for the total number of passenger arrivals increased markedly by 14.6% in 9M-2025 when compared to 9M-2024, reaching 2,767,561 in the former, up from 2,414,545 in the latter. This improvement comes on the back of the stability noted so far during the year. However, these levels remain well below 2019 levels (20.4%) and even below 2023 levels showing a continued negative effect from the war in late 2024 and the ongoing uncertainty on tourism during the current year.

At the level of developments in other subsectors, the telecommunication sector has noted substantial developments during 9M-2025, most important of which is the introduction of Starlink in the Lebanese market. However, as per the government's decree, Starlink will only be available for use by companies. Additionally, the Ministry of Telecommunication has announced the creation of a new telecom regulatory authority as well as a three-year plan to upgrade Lebanon's telecom network and deploy 5G data nationwide. Concurrently, plans are still being worked on for the opening of new airports, a new low-cost carrier by MEA and the ferry system linking Lebanon to Cyprus. The government has also been working on plans to improve the water & food sector through strengthening the foundations of more sustainable, inclusive and resilient water and agri-food systems.

TRADE AND SERVICES

	2024				2025				Variation	
	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q3/Q3	9M/9M
Number of ships at the port*	383	387	258	1,028	354	330	248	932	-3.9%	-9.3%
Number of containers at the port (in 000s)*	123	139	106	367	137	181	133	451	26.1%	22.7%
Merchandise at the Port (in 000 tons)*	1,299	1,385	975	3,659	1,438	1,628	1,145	4,211	17.5%	15.1%
Planes at the Airport	10,887	13,928	14,933	39,748	10,406	13,543	17,851	41,800	19.5%	5.2%
Number of passengers at the Airport (in 000s)	1,270	1,726	1,905	4,900	1,255	1,745	2,404	5,403	26.2%	10.3%
Cleared checks (in million of US$)*	716	497	348	1,561	427	269	231	927	-33.7%	-40.6%

**Q3 figures are for July and August of each year, 9M figures are for first eight months*

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While these developments are a good start for much needed economic reform in Lebanon, major downside risks remain that threaten the sustainability of the economy and especially the tertiary sector. Looking ahead, security and political stability must be prioritized in a bid to allow the economy to return to normal levels. Additionally, the government must hasten their work on the plans mentioned above as well as effecting a deal with the IMF. Regaining an image of sovereignty over all Lebanese land along with the trust of the IMF, which would act as a watchdog for reforms in Lebanon, is bound to attract investors to the local market. Developing new regional and international partnerships for trade and tourism would also benefit the economy as our current models rely too heavily on the country's diaspora base. Additionally, developing a new selling point for our tourism sector would also benefit its sustainability with possible avenues in cultural, historical, religious or food tourism. In the case that the government as well as sectoral stakeholders remain proactive in dealing with potential threats and modernizing the sector, the return to pre-2019 levels can possibly be achieved in the near term.

1.2. EXTERNAL SECTOR

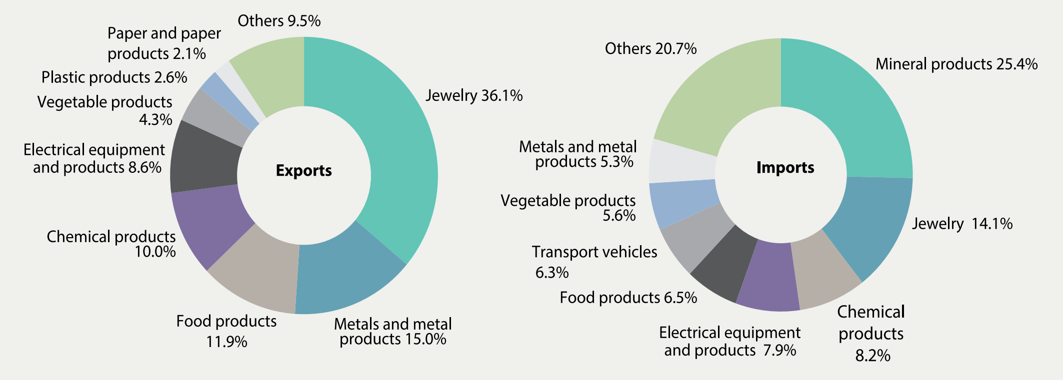
Foreign trade on a noticeable rise

As a reflection of a net improvement in domestic aggregate demand this year in its consumption and investment components, imports have reported a growth of 12.0% over the first eight months of 2025 when compared to the 2024 corresponding period. With imported inflation being estimated at 5.3% (based on the weighted average inflation in countries of origine), real imports accordingly grew by 6.7% in the first eight months of 2025, supporting the 5% real GDP growth assumption for the year. Imports have actually reached US$ 12.9 billion in the first eight months of 2025 (against US$ 11.5 billion in the same period in 2024). In parallel, exports increased by 23.5% between the two periods, moving from US$ 1,912 million to US$ 2,361 million respectively.

Looking at the evolution of the highest weighted exports from Lebanon in 8M-2025, Jewelry (weight of 36.1%) noted a year-on-year jump of 80.1% against the same period of the year prior to reach US$ 852 million. Metals & Metal Products (weight of 15.0%) reached US$ 354 million in 8M-2025, up by 21.2% from US$ 292 million in 8M-2024. Food Products (weight of 11.9%) exports noted a year-on-year increase of 2.9% between 8M-2024 and 8M-2025. In parallel, Chemical Products (weight of 10.0%) increased by 10.2% during the period. On the other hand, Electrical Equipment & Products exports (weight of 8.6%) and Vegetable Products exports (weight of 4.3%) both noted year-on-year decreases of 5.1% and 7.3% respectively during the aforementioned period.

At the level of the evolution of exports from Lebanon by highest weighted recipient country, Switzerland (weight of 22.6%) noted a year-on-year jump of almost five-folds to reach US$ 533 million in 8M-2025, up from US$ 116 million in 8M-2024. Exports to the UAE (weight of 16.2%) noted a year-on-year increase of

BREAKDOWN OF EXPORTS AND IMPORTS BY COMMODITY (8M-2025)



4.4% during the period. Exports to Egypt (weight of 4.2%) noted a year-on-year increase of 14.7% while exports to the USA (weight of 4.5%) decreased by 7.8% during the period to reach US$ 107 million in 8M-2025. In parallel, exports from Lebanon to Syria (weight of 4.4%) noted a year-on-year jump of 110.2% between 8M-2024 and 8M-2025 while exports to Iraq (weight of 4.1%) noted a year-on-year decrease of 8.6% during the period.

Looking at the evolution of exports by port of entry during 8M-2025, exports through PoB recorded a year-on-year increase of 2.6% to reach US$ 953 million, up from US$ 929 million in 8M-2024. Additionally, exports through the Port of Tripoli noted a year-on-year jump of 29.4% during the period to reach US$ 198 million in 8M-2025. Concurrently, exports through the Port of Saida noted a year-on-year increase of 14.8% between 8M-2024 and 8M-2025 to reach US$ 62 million. In turn, overall exports through the sea noted a year-on-year increase of 6.8% between 8M-2024 and 8M-2025. Exports through the air (Beirut International Airport) jumped by 55.0% year-on-year between 8M-2024 and 8M-2025 to reach US$ 986 million in the latter. Total export by land (land crossings from Syria) noted a year-on-year increase of 22.6% during the period reaching US$ 168 million in 8M-2025.

Looking at the evolution of the highest weighted imports into Lebanon in 8M-2025, Mineral Products (weight of 25.4%) imports noted a year-on-year increase of 8.4% against the same period of the year prior to reach US$ 3,281 million. Jewelry (weight of 14.1%) reached US$ 1,820 million in 8M-2025, up by 6.6% from US$ 1,707 million in 8M-2024. Chemical Products (weight of 8.2%) and Electrical Equipment & Products (weight of 7.9%) imports noted year-on-year increases of 12.3% and 11.7% respectively between 8M-2024 and 8M-2025. Additionally, Food Products (weight of 6.5%) and Transport Vehicles (weight of 6.3%) imports both noted year-on-year increases of 3.5% and 50.6% respectively during the aforementioned period.

At the level of the evolution of imports into Lebanon by highest weighted exporting country, China (weight of 11.7%) noted a year-on-year jump of 14.0% to reach US$ 1,516 million in 8M-2025, up from US$ 1,330 million in 8M-2024. Imports from Greece (weight of 8.2%) noted a year-on-year increase of 4.9% while imports from Egypt (weight of 6.7%) and Turkey (weight of 6.6%) noted year-on-year jumps of 52.5% and 28.9% respectively during the period. Additionally, imports from the UAE (weight of 6.1%) noted a year-on-year increase of 64.2% during the period. Imports from Switzerland to Lebanon (weight of 6.1%) increased marginally between 8M-2024 and 8M-2025 to reach US$ 788 million in the latter noting a year-on-year increase of 0.5%.

PUBLIC FINANCES: BUDGETED FIGURES (US$ MILLION)

	Budget Law 2025	Budget Proposal 2026
Public Revenues	**4,974**	**5,974**
o.w Tax Revenues	4,038	4,907
o.w. Income taxes	482	644
o.w. Property taxes	330	402
o.w. Internal Consumption taxes (including VAT)	2,274	2,854
o.w. Taxes on international trade	820	826
o.w. Other tax revenues	132	182
o.w Non Tax Revenues	937	1,067
o.w. Revenues of State-owned enterprizes	612	718
o.w. Other non tax revenues	325	349
Public Expenditures	**4,974**	**5,974**
o.w Current spending	4,401	5,340
o.w. Staff expenses	1,077	1,481
o.w. Debt service	352	290
o.w. Other current spending	2,971	3,569
o.w. Social expenses	1,318	1,651
o.w. Consumption goods	589	645
o.w. Emergency expenses	152	218
o.w. Others	911	1,055
o.w Capital spending	574	635
Public deficit	**0**	**0**
Debt Service	352	290
Primary deficit	352	290
Deficit/Expenditures	0.0%	0.0%
Capital Spending/Expenditures	11.5%	10.6%
Deficit/GDP	0.0%	0.0%
Revenues/GDP	11.6%	12.2%
Expenditures/GDP	11.6%	12.2%
Primary Deficit/ GDP	0.8%	0.6%

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1.3. PUBLIC SECTOR

Government's 2026 budget: a lackluster first step towards public sector sustainability

The Lebanese government has referred its 2026 budget proposal to the Lebanese parliament at the end of August, respecting constitutional deadlines. The aforementioned budget proposal, yet to be approved by parliament, includes another budgetary equilibrium of revenues and expenditures with both recording LP 534.7 trillion (US$ 5,974.5 million) for the year ahead showing a year-on-year increase of 20.1% against the year prior. The proposed budget tackles some improvements lacking in prior budgets such as improvements in public sector employees' benefits, additional emergency expenses, increased social expenses, improved revenue collection and most importantly, increased capital expenditure. However, no major reforms have been announced leading to the budget remaining lackluster, albeit a marked improvement from years prior.

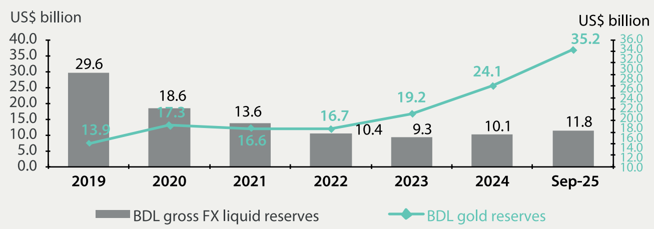
At the level of revenues, the main revenue source remains tax revenue (82.1% of total), increasing in its share by 1.1 percentage points (pps) against 2025 levels. Tax revenues in 2026 were budgeted to increase by 21.5% year-on-year reaching LP 439.2 trillion (US$ 4,907.4 million), up from LP 361.4 trillion (US$ 4,037.8 million) in the 2025 budget. This increase comes on the back of increases in all forms of tax revenues during the year. Income taxes, Property taxes and Taxes on international trade are budgeted to increase by 33.7%, 22.1% and 0.7% respectively during the year, albeit remaining well below 2019 levels. Additionally, Internal consumption taxes (including VAT) are expected to record a year-on-year increase of 25.5% between 2025 and 2026, which would return this revenue source to its pre-2019 levels. Additionally, non-tax revenues are budgeted to reach LP 95.5 trillion (US$ 1,067.1 million) in 2026, showing a year-on-year increase of 13.9%. This increase comes mostly on the back of improved revenue generation by state-owned enterprises during the year. However, the state's budgeted revenue remains much lower than its potential on the back of several missing reforms to public revenue the most important of which being improving tax collection.

At the level of expenditures, the main source of spending remains current expenditures (89.4%) in 2026, up by 0.9 pps in its share from the year prior. The budgeted increase in spending comes on the back of increases in all forms of expenditures except debt financing, which is budgeted to decrease considerably by 17.6% year-on-year. Current spending is budgeted to increase by 21.3% year-on-year reaching LP 477.9 trillion (US$ 5,339.8 million) in 2026. Staff expenses are expected to jump by 37.4% during the year, showing the government's intention to improve public sector benefits. Social expenses and Expenditures on consumption goods are set to increase by 25.2% and 9.4% respectively during the year. Emergency expenses, which include expenses towards reconstruction, are budgeted to increase by 43.9% during 2026, albeit remaining insufficient with the state planning to continue relying on international assistance for the most part. Capital spending is budgeted to reach LP 56.8 trillion (US$ 635 million) in 2026, up by 10.6% from 2025 and only US$ 5 million below 2019 levels. While this increase is noticeable, the goal must be to improve on the fiscal model used before 2019 as it stands as a major contributor to the economic crisis in the country. As such, the share of capital spending to total spending needs to increase over time reaching at a minimum 20-25% of the total in order to ensure the government's long-term sustainability. The budgeted decrease in the share of capital spending poses a higher downside risk on public finances than the increase in total capital spending can offset. Following this logic, the 2026 budget proposal introduces some key reforms needed in the state albeit failing to improve its financial standing.

MONETARY SITUATION

Flows in US$ million	8M-24	8M-25	Progression
	Vol	Vol	Vol
Net foreign assets (excluding gold)	-4,092	2,684	6,776
Net claims on the public sector (excluding valuation adjustments)	7,863	-2,120	-9,983
Claims on the private sector	-1,262	-262	1,000
Uses=Sources	**2,508**	**302**	**-2,206**
Money (M3)	-7,056	-780	6,276
Valuation adjustment and other items	9,564	1,082	-8,482

EXCHANGE MARKET INDICATORS



Having said this, multiple events looking forward can be harnessed to improve the government's finances. However, the lack of proactive and accurate action from the state could heavily jeopardize the sustainability of the public sector. The state must urgently enact a deal with the IMF, harness the current foreign investment momentum in the country as well as work on improving its efficiency and transparency. Currently, no figures are available relating to the actual state performance so far in 2025 leaving question marks surrounding the government's ability to balance its finances as budgeted. These concerns are further fueled by the realities of the Lebanese economy, which weren't reflected in the 2025 budget and are potentially set to be dampened by the lackluster nature of the 2026 budget. The initiative from the state to take a first step in improving fiscal performance is welcomed, though much remains to be done. The slowness of the state in its decision making and its actions must be addressed outside of political bickering. The state must prioritize full-on governmental reform in the composition of its expenditures in order to free-up much needed fiscal space for development and improved public services. These movements are directly reliant on continued stability in the coming period. It is crucial that in the short-term, the rigid and outdated nature of the Lebanese fiscal policy be reformed as the ability of the state to maintain its operations sustainably relies on it.

1.4. FINANCIAL SECTOR

1.4.1 Monetary situation

BDL continues bolstering its FX reserves this year, LP maintains technically and fundamentally supported stability

Currency stability remained the main feature characterizing Lebanon's monetary conditions over the first nine months of the year 2025, as the Lebanese pound held steady against the US dollar on the parallel FX market, while the Central Bank of Lebanon's liquid foreign currency reserves recorded a net positive growth over the covered period and the currency in circulation stayed in an expansionary mode.

In details, the Lebanese Pound maintained a technically and fundamentally supported stability over the first three quarters of this year, amid a quasi-equilibrium in fiscal balance and a real surplus in the balance of payments of US$ 2.7 billion in the first eight months of the year, as per latest figures released by BDL. That being said, the LP/US$ parallel market rate continued to move marginally around 89,600-89,700 over this year. Concurrently, the Central Bank of Lebanon was able to reinforce its liquid foreign reserve assets over the first since the beginning of 2025, thanks to the BDL's continuous intervention as a buyer of the greenback on the foreign exchange market through money transfer companies and due to some conversions from foreign currencies to Lebanese pounds.

In details, the Central Bank of Lebanon's liquid foreign reserve assets hit US$ 11,784 million mid-October 2025 compared to US$ 10,135 million at year-end 2024, up by US$ 1,649 million since the beginning of the year. Concomitantly, BDL gold reserves stood at US$ 38,743 million mid-October 2025 (9.2 million ounces at a price of US$ 4,211 per ounce) against US$ 24,102 million at end-December 2024, which marks a significant expansion of US$ 14,641 million. The remarkable surge in gold reserves is mainly explained by a strong rally in gold prices globally, as investors flew to safe-haven assets on concerns about the impact of the new US tariff policy on global economic growth, and as the US Federal Reserve delivered its first interest rate cut in

BANKING ACTIVITY

in millions of US$	Oct-19	Dec-24	Aug-25	Var 8M-25
Total assets	**262,804**	**102,760**	**102,362**	**-398**
Total shareholders' equity	**20,602**	**4,820**	**4,517**	**-303**
Total deposits	**168,364**	**88,646**	**88,349**	**-297**
o.w. LP deposits	44,727	759	902	143
o.w. FC deposits	123,637	87,888	87,447	-441
Total credits	**54,166**	**5,646**	**5,410**	**-236**
o.w. LP credits	16,029	129	96	-33
o.w. FC credits	38,136	5,517	5,313	-203

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September, while opening the door to further easing in the coming two FOMC policy meetings in October and December. This allowed the gold reserves to GDP ratio to top 100%, which is the highest in the world, compared to a global average of circa 4%.

Concurrently, the currency in circulation outside BDL reached LP 74.6 trillion at end-September 2025, compared to a much lower level of LP 65.6 trillion at end-December 2024, which marks an expansion of LP 8.9 trillion, the equivalent of US$ 100 million. This represents 7.1% of BDL's liquid foreign reserve assets.

As to Treasury bills, the outstanding Tbs' portfolio denominated in Lebanese pound remained in a contractionary mode over this year, noting that Tbs issuance has been suspended since the start of the year 2024 in response to BDL policy refraining from financing the government. That being said, latest figures released by the Association of Banks in Lebanon showed that the outstanding LP Tbs' portfolio reached LP 54,577 billion at end-August 2025, down from LP 67,165 billion at end-December 2024.

Moving forward, Lebanon needs foreign aid to further boost the Central Bank's liquid foreign currency reserves. This international assistance is urgently needed and would be secured directly through an IMF program. The IMF agreement is a prerequisite for donor countries and institutions to financially support Lebanon. Without it, previous pledges of aid would not be materialized because these donors need a credible organization like the IMF to ensure Lebanon follows through on necessary reforms.

1.4.2 Banking activity

Improving sectoral performance year-to-date

According to the just released Lebanon's banking and monetary statistics for the month of August 2025, a number of noticeable year-to-date developments were registered amid this year's politico-economic breakthrough. In fact, we notice the following trends over the first eight months of the year:

Lebanon recorded a real balance of payment surplus of US$ 2.7 billion in the first eight months of 2025, denoting the excess of inflows over outflows. In fact, while the balance of payments reported a nominal surplus of US$ 10.1 billion (rise in net foreign assets of BDL and banks), circa US$ 7.4 billion of the surplus is tied to the rise in international gold prices, leaving US$ 2.7 billion of real BoP surplus.

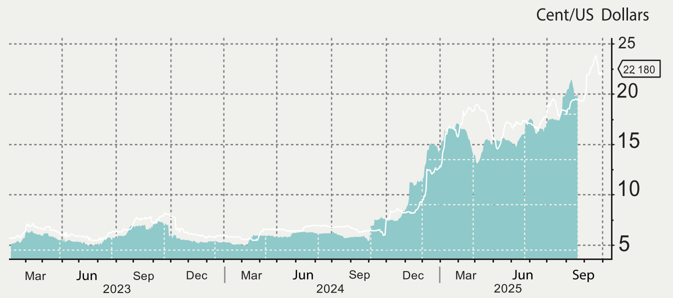
Amid the increase in banks' foreign assets rises the increase in their FX liquidity by US$ 1.1 billion over the first eight months of 2025, driven by the increase of fresh dollar deposits of customers at banks. In fact, Lebanese banks claims on non-resident financial sectors rose from US$ 4.7 billion in December 2024 to US$ 5.1 billion in August 2025, an increase of US$ 0.4 billion. To these non-resident financial claims could be added the US$

FINANCIAL SECTOR (NON BANKS)

	2019	2020	2021	2022	2023	2024	Sep-25
Beirut Stock Exchange							
Market capitalization (In millions of US$)	7,540	7,176	10,625	14,578	20,597	25,693	20,474
Total trading volume (In millions of US$)	197	233	354	440	581	525	221
Annualized trading volume/Market capitalization	2.6%	3.2%	3.3%	3.0%	2.8%	2.0%	1.4%
Price index	69.7	63.5	94.0	129.0	182.3	227.4	181.2
% change in index	-16.9%	-8.9%	48.1%	37.2%	41.3%	24.7%	-20.3%
Lebanese Eurobonds							
Total volume (In millions of US$)	28,314	31,314	31,314	31,314	31,314	31,314	31,314
End-of-period average bond price (cents per US dollar)	50.23	13.44	10.25	5.75	6.00	12.75	22.16

CAPITAL MARKETS PERFORMANCE

Long-term sovereign bond prices



cash in vaults held domestically and that is estimated at US$ 0.8 billion, 28% above the beginning of year level. In parallel, amid the expected drop in global rates, the non-resident securities portfolio of Lebanese banks is estimated to have grown to US$ 1.3 billion in August, against US$ 0.8 billion at the beginning of the year. The aggregation of those FX liquidity items raises total fresh gross FX liquidity to US$ 7.3 billion today, against US$ 6.1 billion at year-end 2024.

A decrease in total FX deposits by US$ 441 million was recorded over the first eight months, despite the significant increase in fresh FX deposits by slightly less than a billion dollar over the period, suggesting continuing settlement of lollar deposits. Total FX deposits are now estimated at US$ 87 billion, of which US$ 83 billion of lollar deposits and US$ 4 billion of fresh deposits.

A noticeable increase in total LL deposits by LL 12.8 trillion was registered year-to-date, moving from LL 67.9 trillion in December 2024 to LL 80.7 trillion in August 2025. This comes amid the considerable LL money creation on behalf of the Central Bank of Lebanon and some US$ to LL deposit conversions.

A decrease in the FX loan portfolio by US$ 203 million was recorded over the first eight months of the year, to move from US$ 5.5 billion at end-2024 to US$ 5.3 billion at end-August 2025. The decrease in loans to the private sector, despite the launch of new waves of fresh US$ loans by some banks in the sector, is tied to the settlement of lollar loans by some beneficiaries. Likewise the LL loan portfolio has contacted by LL 2.9 trillion year-to-date, to move from LL 11.5 trillion in December 2024 to LL 8.6 trillion in August 2025.

With respect to bank interest rates, we notice a decrease in LL average deposit rate along with a quasi-stability in the average US$ deposit rate. The average rate on LL deposit rate fell by 37 basis points, moving from 3.58% in December 2024 to 3.21% in August 2025. The average rate on FX deposits slightly moved from 0.03% to 0.05% between the two dates, an increase of 2 basis point while still close to nil.

A slight decline in bank shareholders' equity was recorded this year following drastic declines over the past few years. Shareholders' equity reported US$ 4.5 billion in August 2025, close to their end-2024 level (6% contraction). Relative stability was supported by (1) provision release impacting earnings and (2) FX translation effects due to US$ depreciation against major currencies. It is yet worth recalling that shareholders' equity had amounted to US$ 20.6 billion at the onset of the crisis in October 2019.

1.4.3. Equity and Bond Markets

Lebanese equities take nosedive in first nine months of 2025, bond prices rallied

Following four consecutive years of strong price gains, Lebanon's equity market nosedived over the first nine months of 2025, as some market participants sought to lock in their gains and benefit from a significant year-to-date surge in the "fresh-to-domestic" US dollar ratio, which was fueled by key domestic political breakthroughs at the beginning of this year and growing optimism about reforms and bank restructuring. At the level of Eurobond market, sovereigns registered decent price rally over the first nine months of 2025, hitting over the month of September levels that were unseen since Lebanon's sovereign default on March 9, 2020.

In details, the Beirut Stock Exchange plunged into the red (-20.3%) in the first nine months of the year 2025, following a strong price rally of 37.8% on average over the 2021-2024 period, mainly as some market players sought to cash in their gains following a remarkable year-to-date climb in the "fresh-to-domestic" US dollar ratio. A closer look at individual stocks shows that heavyweight Solidere "A" and "B" share prices contracted significantly by 29.1% and 28.9% respectively in the first nine months of 2025, reaching US$ 85.05 and US$ 84.95 respectively at end-September. Yet, they remain way above levels observed on October 17, 2019, when they traded at US$ 5.45 and US$ 5.55 respectively, which denotes a price surge of more than 15-fold since the onset of the crisis.

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As to the banking shares, Byblos Bank's "listed" shares topped the losers' list in the first nine months of the year 2025, registering large price contractions of 41% to reach US$ 0.69 at end-September 2025. Bank of Beirut's "listed" shares shed 40% over the covered period to close at US$ 9.00. Concomitantly, BOB preferred shares "H", "J" and "K" recorded price falls of 40% each to close at US$ 15.00 each. BLOM's "listed" share price dropped by 17.4% over the first nine months of the 2025 to reach US$ 5.16. In contrast, BLC preferred shares "D" saw their prices rising more than seven folds since year-end 2024 to reach US$ 22.00 at end-September 2025, followed by BLOM's GDRs with +39.3% to US$ 7.20, BEMO's "listed" shares with +25.0% to US$ 1.50, Bank Audi's GDRs with +23.0% to US$ 2.89 and Bank Audi's "listed" shares with +18.5% to US$ 2.94. As to industrials, Ciments Blancs Nominal's share price plunged by 15.9% to US$ 35.00. Holcim Liban's share price rose by 2.7% to US$ 72.00.

Along with equity price falls, the Beirut Stock Exchange was marked by relatively increased price volatility. In fact, the price volatility, measured by the ratio of the standard deviation of prices to the mean of prices, reached 10.3% in the first nine months of 2025, compared to a lower price volatility of 6.4% in the first nine months of 2024.

As to trading volumes, the BSE total turnover contracted by 42.4% year-on-year during the first nine months of 2025 to reach circa US$ 221 million. Solidere shares remained the major player, capturing 78.8% of total activity, followed by the banking shares with 15.5% and the industrial shares with 5.7%. The market capitalization on Lebanon's equity market contracted by 1.8% over a 12-month period, moving from US$ 20,842 million at end-September 2024 to US$ 20,474 million at end-September 2025. Accordingly, the BSE total turnover ratio, measured by the annualized trading value to market capitalization, reached 1.4% in the first nine months of 2025, down from 2.5% in the first nine months of 2024.

At the level of the Eurobond market, prices of Lebanese sovereigns rallied over the first nine months of 2025, as traders digested promising domestic political breakthroughs at the beginning of the year, continuous efforts to put Lebanon on the road to reform and recovery, the cabinet's historic decision on State monopoly over arms on August 5, and bullish recommendations from two international investment banks early-September regarding Lebanese Eurobonds and recovery rates.

In details, JP Morgan said in a recent report that the bank thinks that current bond valuations are attractive for a trade into the fourth quarter of the year and can see bonds trading around 23-24 by the end of the year as positive catalysts unfold (gap law, IMF meetings, security reforms…). Concomitantly, Morgan Stanley expected in a recent more concrete Eurobond restructuring talks to take place in mid-2026, after elections and a potential IMF deal, with completion targeted for early-2027, and saw that Lebanese bonds could recover 30–35c by December 2026.

In the wake of these bullish recommendations, Lebanese Eurobonds touched 24c towards mid-September (earlier than JP Morgan's year-end forecast of 23-24c), a level unseen since Lebanon defaulted on its foreign currency debt on March 9, 2020. Yet, prices of Lebanese sovereigns softened slightly later on, as some international institutional investors sought to lock in their gains after the IMF expressed at the conclusion of its visit to Lebanon (on September 26) some reservations about the Bank Resolution Law, believing it needed "further refinement", and noted that a "more ambitious approach to the 2026 government budget" has been expected than in the draft approved by the Cabinet. This also followed a new report from Goldman Sachs, which signaled on September 29 that market pricing has gone "too far, too fast, giving too much credit for eventualities which are subject to a high degree of uncertainty".

That being said, Lebanese Eurobond prices reached a current level of 23.00 cents per US dollar, compared to 12.75c at end-December 2024, up by a significant 80%, and they nearly quadrupled over a one-year period, since they were quoted at 6c late-September 2024.

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CONCLUSION: WHY THE LEBANESE CRISIS IS A HOLISTIC (BEYOND SYSTEMIC) CRISIS

In the concluding part of this report, we argue why we believe the Lebanese crisis is a holistic (beyond systemic) crisis. While the Systemic crisis is deep, dangerous, but contained within one sector, the holistic crisis is all-encompassing, with wide-reaching, interconnected impacts that reinforce each other. Let's first examine both crisis types and apply afterwards on the Lebanese case.

A Systemic crisis is a crisis that originates inside one specific system and spreads through that system due to its internal interconnections. It depicts usually technical, structural, or governance failure within one sector. It can cause large-scale disruptions but stays mostly contained to that system (though spillovers exist). It is often triggered by weak points or shocks within the system (regulatory gaps, poor risk management, etc.).

A Holistic crisis is a complex, multi-layered crisis affecting multiple systems at the same time, with impacts that are interconnected and mutually reinforcing. It goes beyond one sector —economy, politics, health, environment, and society are all impacted. The Systems thereby interact — failures in one area make others worse (domino effect). It requires coordinated, cross-sector, often global response. It has long-lasting impacts on institutions, governance and public trust.

The Lebanese crisis is indeed a holistic crisis. Why? It's not contained to one system; it is affecting multiple systems at once, with interconnected consequences. It is first an economic crisis, as real GDP contracted sharply by 40% in the first crisis years, businesses closed, unemployment tripled and poverty rates skyrocketed. It is a Financial/Monetary System crisis, as informal capital controls were applied, the currency lost over 98% of its value and hyperinflation materialized with above 6,000% cumulative inflation since crisis onset in October 2019. It was accompanied by political instability, with repeated government failures, cabinet vacuums, widespread protests and loss of public trust and paralysis of state institutions. It is also a social breakdown, as emigration increased massively (brain drain), along with growing social tensions and inequalities. It is finally an infrastructure and environmental collapse, with Beirut Port explosion worsening the crisis, and as public services like electricity, water, waste management deteriorated significantly.

So the Lebanese crisis is holistic, not just systemic. A systemic crisis might have stayed within banking or governance. But here, the economy, financial system, political structure, public services, and society are all affected together, and each dimension worsens the others. This interconnected chain reaction defines a holistic crisis, requiring broad, coordinated solutions across all sectors, in the meaning that financial reforms alone won't solve it.

Within such context, the financial sector is facing a crisis of broad nature, caused by public policies that the State is mainly responsible for, as actually well outlined by the Forensic Audit report of BDL recently developed by Alvarez and Marsal. Holistic crisis necessitates distinct approaches beyond those used for ordinary crises or individual banks crisis. As such rises the urgency to adopt an overall economic and financial rescue plan based on a holistic approach for the Resolution, apt to re-establish the role of the financial sector as the main financial intermediary in the country, which would reduce the dimension of the precarious cash economy, ensure the creation of the economic value added aimed for and support Lebanon's economic revival. Having said that rises the need for an ambitious government plan apt to help rebuilding confidence in the financial sector, which is a pre-requisite for quickstarting Lebanon's economic recovery at large. It is also important within this context to be tending towards a symmetric approach to deposit treatment rather than an asymmetric approach. A Bank by Bank approach that would differentiate each bank's fresh dollar liabilities to their customers would jeopardize fairness to bank depositors in a country with systemic/hollistic crisis.

Having said that, a haircut on commercial banks' foreign currency deposits at the central bank would be historically unprecedented and systemically dangerous. Lebanese law prohibits haircuts on commercial banks' FX deposits at BDL. Central bank foreign currency deposits by commercial banks are normally treated as tier-one, risk-free assets, similar to cash. They form the backbone of payment systems, liquidity management, and interbank trust. Applying a haircut would break the basic architecture of modern banking, as it undermines the notion that reserves at the central bank are completely safe. Internationally, such a move would violate Basel standards and IMF Articles of Agreement, which emphasize the integrity of the central bank as a monetary authority.

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Such a haircut on FX deposits at BDL is a global red line because of a number of considerations. (1) Systemic risk: It would trigger an immediate collapse of the payments system and eliminate any trust in Lebanese banking. (2) No precedent: Even in the most severe crises (Argentina, Zimbabwe, Cyprus), central bank FX deposits have never been haircut. (3) Legal impossibility: The Shoura Council ruling provides a constitutional barrier, making implementation politically and legally untenable. (4) Alternative pathways exist: International practice shows there are workable models that achieve restructuring goals without crossing this line.

Finally, the bank rebalancing solutions are the tasks of the State authorities, and in particular the executive and legislative authorities (Government and Parliament), in cooperation and coordination with the Central Bank of Lebanon. Banks in turn should be ready to abide and cooperate with the various State suggestions for closing the financial gap, namely the eligibility factor, the recuperation of Illicit funds, the suggested lirafication, the Bail In framework, the clawback of excessive interest, or potential privatization, sovereign funds or use of gold reserves and potential gas output. Banks should be ready to be proactive at all those levels with the State that should itself drive a constructive forward looking restructuring approach at large.