



Financial Structure and Performance of Libya's Consolidated Commercial Banking Sector: An Empirical Analysis of the 2023–2024 Aggregate Balance Sheet and Income Statement

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الهيكل المالي وأداء القطاع المصرفي التجاري المجمع في ليبيا: دراسة تطبيقية للميزانية العمومية
وقائمة الدخل الإجمالية للسنتين الماليتين 2023 و2024

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Abstract:

This study provides a structural and comparative accounting analysis of the consolidated balance sheet and aggregate income statement of Libya's commercial banking sector for the financial years 2023 and 2024, using the disaggregated statistical tables published by the Central Bank of Libya (CBL) in its Sixty-Eighth Annual Report. Employing vertical (common-size) and horizontal (trend) analysis together with a set of structural and profitability indicators, the study documents that aggregate sector assets expanded by 18.2 percent to LYD 187.6 billion, driven overwhelmingly by a 25.4 percent increase in banks' deposits held with the Central Bank, which alone represented 60.8 percent of total assets by the end of 2024. Credit extended to the economy grew by 15.1 percent but remained confined to only 17.5 percent of total assets, while income-generating assets as a whole stayed below one-fifth of the balance sheet. On the funding side, customer deposits continued to dominate liabilities (78.3 percent), although the equity share rose sharply from 5.6 to 8.1 percent following a 100.6 percent increase in paid-up capital. Aggregate net profit rose by 82.6 percent to LYD 1.9 billion, propelled largely by foreign-currency related and commission income rather than core interest-type intermediation margins. The findings point to a banking system characterised by high liquidity, low credit intermediation, and profitability that is sensitive to exchange-rate and fee-based revenue rather than lending activity, with implications for prudential accounting, provisioning practice, and financial-sector policy in post-conflict, oil-dependent economies

Keywords: bank financial statements, balance sheet structure, asset quality, profitability; commercial banks, Central Bank of Libya.

الملخص

تقدم هذه الدراسة تحليلاً محاسبياً هيكلياً ومقارناً للميزانية العمومية المجمعة وقائمة الدخل الإجمالية لقطاع المصارف التجارية في ليبيا للسنتين الماليتين 2023 و2024، وذلك استناداً إلى الجداول الإحصائية التفصيلية التي نشرها مصرف ليبيا المركزي في تقريره السنوي الثامن والسبعين. وباستخدام التحليل الرأسي (القوائم المالية ذات الحجم الموحد) والتحليل الأفقي (تحليل الاتجاه)، إلى جانب مجموعة من المؤشرات الهيكلية ومؤشرات الربحية، تثبت الدراسة أن إجمالي أصول القطاع توسع بنسبة 18.2% ليبلغ 187.6 مليار دينار ليبي، مدفوعاً في معظمه بارتفاع ودائع المصارف لدى المصرف المركزي بنسبة 25.4%، والتي مثلت وحدها 60.8% من إجمالي الأصول بنهاية عام 2024. وقد نما الائتمان الممنوح للاقتصاد بنسبة 15.1%، إلا أنه ظل محصوراً في 17.5% فقط من إجمالي الأصول، في حين بقيت الأصول المدرة للدخل في مجملها دون خمس الميزانية العمومية.

وعلى جانب التمويل، استمرت ودائع العملاء في الهيمنة على الخصوم (78.3%)، بينما ارتفعت حصة حقوق الملكية ارتفاعاً حاداً من 5.6% إلى 8.1% إثر زيادة بلغت 100.6% في رأس المال المدفوع. كما ارتفع صافي الربح الإجمالي بنسبة 82.6% ليصل إلى 1.9 مليار دينار ليبي، وقد تحقق ذلك في معظمه بفضل الإيرادات المرتبطة بالعملات الأجنبية وإيرادات العملات، لا بفضل هوامش الوساطة الأساسية ذات الطبيعة الفائدة.

وتشير النتائج إلى نظام مصرفي يتسم بارتفاع السيولة وضعف الوساطة الائتمانية، وربحية تتأثر بسعر الصرف والإيرادات القائمة على الرسوم والعمولات أكثر من تأثرها بنشاط الإقراض، وهو ما تترتب عليه انعكاسات على المحاسبة الاحترازية وممارسات تكوين المخصصات والسياسة المالية للقطاع المالي في الاقتصادات الخارجة من النزاعات والمعتمدة على النفط.

الكلمات المفتاحية: القوائم المالية للمصارف، هيكل الميزانية العمومية، جودة الأصول، الربحية، المصارف التجارية، مصرف ليبيا المركزي.

Introduction

The financial statements of the banking sector occupy a central place in accounting and finance research because banks intermediate savings, allocate credit, and transmit monetary policy through the balance sheet and income statement [1]. In developing and resource-dependent economies, aggregate balance sheets and profit-and-loss accounts serve as primary diagnostic tools to evaluate system-wide liquidity, asset quality, and financial stability [2].

In rentier and post-conflict states like Libya, these financial disclosures become even more vital, revealing how structural macroeconomic forces—such as sovereign oil revenue fluctuations, currency devaluations, institutional governance divisions, and central bank reunification efforts—shape banking behavior. The Libyan banking sector has shown several macroeconomic characteristics, such as concentration of liquidity, peculiar foreign currency arrangements, and central bank policies, due to the policies of the central bank, which are influenced by the current transitional phase [3]. These structural traits are seen in the distribution of commercial banks' assets between 2023 and 2024, with central bank reserves making up a significant percentage of the sector, while lending to the private sector remains limited. Given this background, analysis of the consolidated balance sheets and profit statements helps to better understand how institutions maintain capital, manage credit risk and sustain operational stability in a banking system of an emerging market still undergoing [4,5].

This paper undertakes a detailed accounting analysis of the aggregate (consolidated) balance sheet and income statement of Libya's commercial banks for the financial years 2023 and 2024, as reported by the Central Bank of Libya (CBL) in its Sixty-Eighth Annual Report for the financial year 2024. Rather than analysing an individual institution, the study treats the banking sector as a single reporting entity, following the CBL's own practice of publishing a combined statement of financial position for all licensed commercial banks. This aggregate perspective is well suited to accounting research that seeks to characterise system-wide asset quality, capital adequacy, funding structure, and profitability trends, and to relate these to the wider monetary and fiscal environment described elsewhere in the same report.

The remainder of the paper is organised as follows. Section 2 reviews the relevant literature on bank financial statement analysis, with particular attention to studies of the Libyan banking sector. Section 3 outlines the institutional background of the Libyan banking system. Section 4 describes the data and the analytical methodology. Section 5 presents the empirical findings on assets, liabilities, capital, provisions, and profitability. Section 6 discusses the accounting and policy implications of the findings, and Section 7 concludes.

2. Literature review

The academic literature on bank financial statement analysis has long relied on ratio-based frameworks that decompose the balance sheet and income statement into indicators of capital adequacy, asset quality, management efficiency, earnings, and liquidity. The best known of these is the CAMEL(S) framework, originally developed by United States bank supervisors and subsequently adopted, in modified form, by researchers and regulators worldwide. [6,7] trace the diffusion of CAMEL-based research through a bibliometric review of the Scopus database, showing that the model remains one of the most widely used tools for evaluating commercial bank performance internationally, while [8] apply the framework empirically to demonstrate that capital adequacy and asset-quality indicators remain central determinants of banking-sector stability. A parallel and complementary strand of research, closer in spirit to the present study, relies directly on published balance-sheet and income-statement data rather than composite ratings, decomposing the components of assets, liabilities, and earnings to describe structural change over time [9].

Within Libya specifically, several studies have applied variants of these approaches to the commercial banking sector. [10] applies the CAMEL model to Libyan commercial banks and observes that capital adequacy and liquidity ratios have generally performed better than asset-quality and earnings ratios. The author ascribes this pattern to the structural characteristics of a bank-based, deposit-rich but credit-averse financial system. [11] measures the performance of Libyan commercial banks using profitability ratios based on aggregate financial statements and concludes that the stated profitability is significantly impacted by non-lending income sources.

[12] investigates the determinants of profitability in the largest commercial bank in Libya. The study finds that the bank-specific balance-sheet composition is an important explanatory factor rather than the macroeconomic conditions. This is consistent with the sector-wide evidence below. Also, a balanced-scorecard evaluation of Libyan commercial banks (published in the Journal of the University of Benghazi) has found that liquidity and capital adequacy have been relative strengths of the sector over time, while profitability and asset-quality indicators have been comparatively weaker, and that client satisfaction with banking services remains low despite adequate internal financial soundness [13].

Other studies have examined the relationship between the money supply, deposit stability, and the financial performance of Libyan commercial banks measured through return on assets and return on equity, generally finding a stronger statistical association between deposit-side variables and return on assets than return on equity [14].

This body of work provides a useful frame of reference but is largely based on data from the pre-2020 period, before the substantial monetary and exchange-rate developments that reshaped the Libyan banking sector's balance sheet in subsequent years, including the December 2020 devaluation of the Libyan dinar and the subsequent stabilisation of the exchange-rate regime, and before the sharp post-conflict recovery in oil revenues that has since flowed through the deposit base of the banking system. The present study extends this literature by applying a structural (vertical and horizontal) accounting analysis to the most recent available aggregate financial statements of the Libyan commercial banking sector, for financial years 2023 and 2024, and by explicitly linking the observed balance-sheet and income-statement patterns to accounting and prudential policy questions, including provisioning adequacy and the composition of reported earnings.

3. Institutional background: The Libyan banking system

The Central Bank of Libya (CBL) is the sole issuer of currency and the prudential and monetary authority for a banking system composed of a small number of licensed commercial banks, together with specialised institutions such as the Libyan Foreign Bank, the Development Bank, and several non-bank financial institutions [15,16]. The CBL publishes, as part of its statutory annual report, a combined (aggregated) statement of the financial position of the commercial banking sector, together with a combined income statement, compiled from the individual financial statements submitted by each licensed bank. This aggregation practice, while it does not permit inter-bank comparison, is well suited to system-level accounting analysis of the kind undertaken in this paper, because it captures the structural characteristics of banking-sector intermediation Central Bank of Libya [17].

Since 2011, the Libyan banking sector has operated in an environment shaped by political division, intermittent liquidity crises, and heavy reliance of the state on the banking system to channel oil-generated fiscal revenue into the domestic economy [18]. These conditions are reflected, as shown below, in a balance sheet dominated on the asset side by reserves held with the Central Bank rather than by loans to customers, and on the liability side by deposits originating largely from government entities and state-linked institutions.

4. Data sources and methodology

The data used in this study are drawn entirely from the statistical tables of the Central Bank of Libya's Sixty-Eighth Annual Report, covering the financial year 2024, which presents a combined statement of financial position and a combined income statement for the commercial banking sector for the years ended 31 December 2023 and 31 December 2024, expressed in Libyan dinars (LYD). Throughout the period under review, the Central Bank of Libya maintained a single official exchange rate of LYD 4.48 to one US dollar, a rate that had been in effect since January 2021 and was not revised until April 2025, when it was devalued by 13.3 percent to approximately LYD 5.57 to the dollar; all LYD figures in this paper therefore correspond to a stable official dollar value throughout financial years 2023 and 2024. All figures reported below are therefore secondary, officially compiled accounting data rather than primary survey or market data.

The analytical approach combines three complementary techniques commonly used in bank financial statement analysis. First, horizontal (trend) analysis is used to compute the year-on-year percentage change in each balance-sheet and income-statement line item between 2023 and 2024. Second, vertical (common-size) analysis is used to express each asset and liability category as a percentage of total assets or total liabilities, respectively, allowing structural comparison across the two years independent of the change in the overall size of the balance sheet. Third, a small number of derived accounting ratios are computed from the underlying data, including the ratio of loans and credit facilities to total assets and to deposit liabilities, the ratio of the loan-loss (doubtful-debt) provision to gross loans, the equity-to-funding ratio, and the ratio of net profit to total revenue (net margin), in order to summarise credit intermediation, asset quality, capitalisation, and profitability, respectively. Because the underlying data are already aggregated at the sector level, no additional consolidation or elimination adjustments were required; inter-bank clearing balances, which the CBL reports as a distinct line item, are treated as such and are not netted against other asset categories.

5. Empirical Findings

5.1 Structure and growth of aggregate assets

Total assets of the consolidated commercial banking sector rose from LYD 158,699.5 million at the end of 2023 to LYD 187,620.8 million at the end of 2024, an increase of LYD 28,921.3 million, or 18.2 percent. Including contra (memorandum) accounts, the grand total rose by 19.3 percent, from LYD 204,128.2 million to LYD 243,428.9 million. This growth was not driven by an expansion of credit to the economy but almost entirely by an increase in balances that banks hold with the Central Bank of Libya.

Deposits and balances held with the Central Bank of Libya and with other local and foreign correspondent banks rose by 25.4 percent, from LYD 104,015.5 million to LYD 130,385.8 million, and alone constituted 60.8 percent of total assets at the end of 2024, up from 58.9 percent a year earlier. Within this category, demand deposits with the Central Bank rose by 20.9 percent to LYD 109,110.8 million, while banks also increased their holdings of Central Bank certificates of deposit by 56.3 percent to LYD 5,000.0 million and their deposits with foreign correspondent banks by 69.2 percent to LYD 14,618.8 million.

By contrast, loans and credit facilities extended by the sector rose by only 15.1 percent, from LYD 28,510.4 million to LYD 32,815.0 million, and their share of total assets declined slightly, from 18.0 to 17.5 percent. Within the loan portfolio, individual (murabaha-based) instalment lending grew fastest, by 29.1 percent to LYD 16,398.1 million, while lending to other economic activities grew by only 5.0 percent to LYD 12,372.9 million. By borrower sector, credit extended to the private sector rose by 20.6 percent to LYD 25,339.4 million and represented 77.2 percent of the total loan book, while credit to the public sector fell slightly, by 0.3 percent, to LYD 7,475.6 million.

Investments held by banks — in state-owned enterprises, listed private companies, and other instruments — rose modestly, by 4.6 percent, to LYD 2,990.6 million, remaining at only 1.6 percent of total assets. Taken together, loans and investments — the two principal income-generating asset categories — accounted for only 19.1 percent of total sector assets at the end of 2024, confirming that the overwhelming majority of banking-sector resources remained parked as non-earning or low-earning reserves rather than deployed into productive credit or investment. Cash in bank vaults and inter-bank/inter-branch clearing balances fell sharply, by 45.3 percent, to LYD 5,230.2 million, reflecting both a decline in physical local-currency cash holdings and a reduction in inter-bank clearing balances. Fixed assets rose by 29.4 percent to LYD 3,934.9 million and other assets rose by 14.5 percent to LYD 12,264.2 million.

Table 1. Structure of Aggregate Assets of Libyan Commercial Banks, 2023–2024 (percent of total assets)

Asset category	2023 (%)	2024 (%)
Cash in vaults	1.4	0.9
Clearing accounts	4.6	1.9
Deposits with the Central Bank	58.9	60.8
Deposits with other local banks	0.3	0.3
Deposits with the Libyan Foreign Bank	0.9	0.6
Deposits with banks abroad	5.4	7.8
Investments	1.8	1.6
Loans and credit facilities	18.0	17.5
Fixed assets	1.9	2.1
Other assets	6.8	6.5

5.2 Structure of liabilities and sources of funding

Customer deposits ("deposit liabilities") remained the dominant source of bank funding, rising by 16.7 percent from LYD 125,943.9 million to LYD 146,988.4 million, though their share of total funding declined marginally from 79.4 to 78.3 percent as equity grew faster. Within customer deposits, demand deposits rose by 18.3 percent to LYD 115,755.1 million and cash margins (mainly held against documentary letters of credit) rose by 29.7 percent to LYD 27,259.3 million, together representing more than 97 percent of total deposit liabilities. Time deposits fell by 43.1 percent and payment orders fell by 46.4 percent, while savings deposits — already a marginal category at 0.2 percent of total deposits — declined slightly further.

The sectoral composition of deposits shows a pronounced shift toward the private sector. Private-sector deposits rose by 29.2 percent, from LYD 71,874.1 million to LYD 92,842.8 million, driven by a 50.1 percent increase in corporate deposits to LYD 48,942.7 million and an 11.8 percent increase in individual deposits to LYD 43,900.1 million. Government and public-sector deposits rose only marginally, by 0.1 percent, to LYD 54,145.6 million,

although within this total, deposits explicitly identified as "government deposits" rose sharply, by 43.3 percent, to LYD 16,764.9 million, while deposits of public-sector enterprises fell by 11.8 percent to LYD 37,380.7 million. By the end of 2024, private-sector deposits represented 63.2 percent of total customer deposits, compared with 57.1 percent a year earlier, indicating that the growth in the deposit base was concentrated in privately held funds rather than in official balances.

Borrowing from other banks and correspondent institutions remained negligible (LYD 30.0 million, or effectively zero percent of funding), and overdrawn correspondent-bank accounts fell by 79.9 percent to LYD 6.1 million, continuing a multi-year decline attributed to the settlement of legacy correspondent-banking positions.

Table 2. Structure of Aggregate Liabilities and Funding Sources, 2023–2024 (percent of total funding)

Liability category	2023 (%)	2024 (%)
Customer deposits (deposit liabilities)	79.4	78.3
Borrowing from banks and other institutions	0.0	0.0
Overdrawn correspondent accounts	0.0	0.0
Equity	5.6	8.1
Provisions	6.0	5.3
Miscellaneous and other liabilities	9.0	8.3

5.3 Capital Accounts and Equity

Reported bank equity rose sharply, by 69.9 percent, from LYD 8,928.3 million at the end of 2023 to LYD 15,172.9 million at the end of 2024, raising the equity-to-total-funding ratio from 5.6 to 8.1 percent. This increase was driven principally by a 100.6 percent increase in paid-up capital, from LYD 5,778.7 million to LYD 11,592.7 million, reflecting recapitalisation actions undertaken by a number of banks, together with a 15.5 percent increase in the legal (statutory) reserve, to LYD 1,277.3 million, and a 76.2 percent increase in unallocated reserves, to LYD 220.5 million. Current-year profit, a component of equity prior to appropriation, rose by 82.6 percent to LYD 1,913.8 million, while retained and distributable profits carried forward from prior periods fell by 80.0 percent to LYD 168.7 million, consistent with the distribution or capitalisation of a large share of prior-year retained earnings.

5.4 Loan loss provisions and asset quality

Total provisions held by the sector rose by 4.0 percent, from LYD 9,525.7 million to LYD 9,905.7 million, though their share of total funding fell from 6.0 to 5.3 percent as the overall balance sheet expanded faster than provisioning. The composition of the provision balance shifted markedly. The provision for doubtful debts — the principal loan-loss allowance — rose by 20.9 percent, from LYD 3,912.9 million to LYD 4,731.9 million, broadly in line with the growth in gross lending, and represented 14.4 percent of gross loans and credit facilities at the end of 2024, essentially unchanged from 13.7 percent a year earlier. The provision for depreciation of fixed assets rose by 11.9 percent to LYD 1,291.4 million and general provisions rose by 6.3 percent to LYD 1,584.5 million, while the provision for foreign-exchange valuation fell by 22.6 percent, from LYD 2,968.2 million to LYD 2,297.9 million, a decline that mechanically freed up part of the increase recorded elsewhere in provisions and, as discussed in Section 6, is connected to the exchange-rate-related gains that also appear in the income statement. Net loans and credit facilities, after deduction of the doubtful-debt provision, rose by 14.2 percent, from LYD 24,597.5 million to LYD 28,083.2 million.

Liquidity indicators point to a sector holding very substantial excess liquidity. The actual liquidity surplus of the banking sector — the excess of liquid assets over the 25 percent statutory liquid-asset reserve requirement calculated on deposit liabilities — rose by 24.8 percent, from LYD 62,491.7 million to LYD 77,986.2 million. Similarly, the surplus held by banks with the Central Bank over and above the 20 percent mandatory cash reserve requirement rose by 24.1 percent, from LYD 68,248.4 million to LYD 84,713.1 million. These figures corroborate the balance-sheet evidence, discussed in Section 5.1, that the sector's growth has been concentrated in low-risk, low-yield reserve assets rather than in credit extension.

Table 3. Provisions of the Aggregate Commercial Banking Sector, 2023–2024 (LYD million)

Provision category	2023	2024	Change (%)
Provision for doubtful debts	3,912.9	4,731.9	+20.9
Fixed-asset depreciation provision	1,154.3	1,291.4	+11.9
General provisions	1,490.4	1,584.5	+6.3
Foreign-exchange valuation provision	2,968.2	2,297.9	-22.6
Total provisions	9,525.7	9,905.7	+4.0

5.5 Income statement analysis and profitability

The aggregate income statement of the commercial banking sector shows total revenue rising by 40.1 percent, from LYD 4,041.8 million in 2023 to LYD 5,662.6 million in 2024. Interest and murabaha-related income rose by 39.4 percent to LYD 942.3 million, but remained a relatively minor component, representing only 16.6 percent of total revenue. Commission income rose by 64.5 percent to LYD 2,438.8 million, driven by commissions on letters of credit, remittances, and other fee-generating services, and represented 43.1 percent of total revenue, the single largest component. Other revenue — comprising gains on the sale of foreign currency, foreign-currency revaluation gains, and investment returns — rose by 21.1 percent to LYD 2,281.4 million, or 40.3 percent of total revenue. Within this category, revenue from the sale of foreign currency and currency-exchange differences rose sharply, from LYD 102.6 million to LYD 744.1 million, while revaluation gains on foreign-currency positions fell from LYD 743.2 million to LYD 217.7 million, indicating a shift in the composition, though not the overall scale, of foreign-exchange-related earnings between realised trading gains and unrealised revaluation gains.

Total expenses rose by 36.7 percent, from LYD 2,477.9 million to LYD 3,386.3 million. Interest expense remained negligible, falling from LYD 9.3 million to LYD 0.8 million, reflecting the very low remuneration paid on deposits, most of which are non-interest-bearing demand balances. Administrative and general expenses rose by 37.1 percent, from LYD 2,468.6 million to LYD 3,385.5 million, driven by a 14.5 percent increase in salaries, wages and bonuses (to LYD 1,022.4 million) and, more strikingly, an increase of 75.0 percent in the residual "other expenses" category, from LYD 973.2 million to LYD 1,702.8 million.

As a result, profit before provisions rose by 45.6 percent, from LYD 1,563.9 million to LYD 2,276.3 million, while the charge for provisions fell by 29.7 percent, from LYD 515.8 million to LYD 362.6 million. Net profit for the sector accordingly rose by 82.6 percent, from LYD 1,048.1 million to LYD 1,913.8 million. The net profit margin (net profit divided by total revenue) improved from 25.9 percent in 2023 to 33.8 percent in 2024. However, the underlying composition of earnings — with core interest-type income contributing only 16.6 percent of revenue and foreign-currency and fee-based income together contributing over 83 percent — suggests that reported profitability is only loosely connected to the sector's core function of financial intermediation through lending.

Table 4. Aggregate Income Statement of Libyan Commercial Banks, 2023–2024 (LYD million)

Item	2023	2024	Change (%)
Total revenue	4,041.8	5,662.6	+40.1
Total expenses	2,477.9	3,386.3	+36.7
Profit before provisions	1,563.9	2,276.3	+45.6
Provisions charged to income	515.8	362.6	-29.7
Net profit	1,048.1	1,913.8	+82.6

6. Discussion

Three accounting and policy themes emerge from the analysis above. First, the balance sheet of the Libyan commercial banking sector displays a pronounced liquidity paradox: banks hold liquid-asset surpluses several multiples larger than the regulatory minimum, and reserve balances with the Central Bank alone account for well over half of total assets, yet credit to the private sector, though growing, remains under one-fifth of the balance sheet. This pattern is consistent with earlier CAMEL-based evidence for the Libyan sector, which similarly identifies liquidity and capital adequacy as relative strengths against comparatively weaker credit-related and earnings indicators [10]. From an accounting perspective, this composition understates the productive-asset base against which return-on-assets style profitability ratios are conventionally interpreted, since a large share of the denominator earns little or no income.

Second, the composition of reported earnings raises questions relevant to income-statement transparency and to prudential accounting practice. More than four-fifths of total sector revenue in 2024 originated from commissions and from foreign-currency and other non-lending sources rather than from interest or profit-sharing income on credit extended to customers. This pattern is consistent with evidence that a high ratio of non-interest to total operating income is systematically associated with greater use of discretionary loan-loss provisions and, correspondingly, with lower financial reporting quality in banks [19]. Combined with the simultaneous decline in the foreign-exchange revaluation provision, this suggests that a portion of the improvement in reported net profit reflects exchange-rate-related and provision-release effects rather than a sustainable increase in core intermediation income — a concern reinforced by accounting research showing that disclosure of foreign-exchange-rate volatility risk does not, on its own, guarantee higher earnings quality unless it is accompanied by a clear separation of realised and unrealised components. Accounting standard-setters and supervisors in similar oil-exporting, dollarized economies have often called for enhanced disclosure that separates realised trading income, unrealised revaluation gains, and core interest or financing income within the income statement, a distinction that the aggregate CBL data only partially allow but that would improve the interpretability of bank profitability for both regulators and researchers.

Third, the sharp increase in paid-up capital (100.6 percent) and the resulting rise in the equity share of total funding from 5.6 to 8.1 percent represent a positive development from a capital-adequacy perspective, consistent with the recapitalisation priorities identified in prior studies of the Libyan banking sector [10]. However, the coverage ratio of the doubtful-debt provision relative to gross loans remained essentially unchanged, at approximately 14 percent, even as lending — particularly individual instalment lending — grew by close to 30 percent during the year. The international expected-credit-loss accounting literature warns that provisioning coverage which merely tracks, rather than anticipates, loan-portfolio growth can itself be a source of procyclicality: models of expected-credit-loss provisioning under IFRS 9 show that when coverage ratios are not built up ahead of a credit expansion, banks are subsequently forced into sharper, delayed provisioning increases once the cycle turns, amplifying rather than dampening fluctuations in profitability and capital [21]. Given the historically volatile macroeconomic and political environment in which Libyan banks operate, maintaining, rather than merely stabilising, the provisioning coverage ratio during a period of credit expansion would be consistent with a conservative and forward-looking approach to expected-credit-loss accounting.

Taken together, these findings are broadly consistent with, and extend, the earlier literature on Libyan bank financial performance [10,11,12], while highlighting that the post-2023 period has been characterised by a further intensification, rather than a resolution, of the sector's structural reliance on non-lending, reserve-based, and foreign-currency-sensitive sources of both assets and earnings.

7. Conclusion and policy implications

This paper has presented a structural accounting analysis of the aggregate balance sheet and income statement of Libya's commercial banking sector for the financial years 2023 and 2024, based on the disaggregated statistical tables published in the Central Bank of Libya's Sixty-Eighth Annual Report. The evidence shows a sector experiencing rapid balance-sheet growth (18.2 percent in total assets) and a marked improvement in reported profitability (82.6 percent growth in net profit), but one in which this growth remains concentrated in reserve balances with the Central Bank rather than in credit to the private economy, and in which reported earnings are driven predominantly by commission and foreign-currency-related income rather than by core lending margins.

From a policy and accounting standpoint, three implications follow. First, prudential authorities may wish to examine whether the current statutory liquidity and reserve framework, by permitting or encouraging such large excess liquidity buffers, inadvertently discourages the intermediation of banking-sector resources into productive private-sector credit. Second, enhanced income-statement disclosure that separates core interest or financing income from commission and foreign-currency-related income would improve the transparency and comparability of reported bank profitability, both for supervisors and for the growing body of academic research on the sector. Third, given continued credit growth concentrated in unsecured or lightly collateralised individual lending, supervisors should monitor whether loan-loss provisioning coverage keeps pace with the changing composition, and not only the aggregate size, of the loan portfolio.

8. Limitations and directions for future research

This study relies exclusively on aggregated, sector-level accounting data published by the Central Bank of Libya and does not have access to individual bank financial statements, which precludes any assessment of the dispersion of performance across banks of different size, ownership, or geographic footprint. The analysis is also confined to two financial years; a longer time series, ideally extending back to before the 2020 exchange-rate adjustment, would allow a fuller assessment of structural trends. Future research could usefully combine the aggregate accounting analysis presented here with bank-level CAMEL or panel-regression approaches, of the kind applied in earlier Libyan banking studies, in order to identify which individual institutions are driving the sector-wide

patterns documented in this paper, and could further examine the extent to which reported foreign-exchange and revaluation gains are realised in cash terms rather than representing accounting revaluation effects.

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Compliance with ethical standards

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