FinQuest

Libya Banking Sector Intelligence

Executive Summary | Q1 2026

July 2026

Produced by **FinQuest** | New York, U.S.A.

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Libya's banking sector entered 2026 with expanded scale, strong liquidity, improving earnings momentum, and a larger capital base. The near-term opportunity is to translate this balance-sheet strength into disciplined growth, stronger governance, digital modernization, and broader market confidence.

The Q1 2026 indicators point to a resilient banking system with significant capacity for modernization. This performance has developed alongside a more active reform and supervisory agenda led by the Central Bank of Libya over the past year, including tighter controls over documentary-credit applications, stronger emphasis on commercial-bank compliance and governance, enhanced risk-based supervision, and more regular publication of banking-sector financial indicators. The CBL has also accelerated the expansion of electronic and instant-payment services, promoted financial inclusion, strengthened coordination between banks and payment-service providers, and placed greater emphasis on cybersecurity, operational continuity, and the regulatory oversight of digital financial services.

Against this backdrop, aggregate assets, customer deposits, and equity all increased compared with year-end 2025, while Q1 profitability improved materially relative to the same period of 2025. This brief uses Central Bank of Libya data as its primary evidence base and translates both the sector's financial indicators and the evolving regulatory direction into practical implications for liquidity deployment, credit discipline, rating readiness, AML/CFT maturity, governance, and digital banking transformation.

Notable from the report

LYD 263.6bn	**LYD 201.0bn**	**30.8%**	**LYD 1.5bn**	**720**
Sector assets	Customer deposits	Capital adequacy	Net profit	Branches and agencies
ex-contra/Q1 2026	Q1 2026	Q1 2026	Q1 2026	Q1 2026

Liquidity provides capacity, capital provides resilience, profitability provides reinvestment room, and the branch network provides reach. The strategic task for 2026 is to convert these advantages into disciplined balance-sheet deployment and stronger institutional operating models.

Scope of this edition

This Q1 2026 Executive Report is designed as a concise market-intelligence summary for executives, boards, investors, and institutional stakeholders. It is not intended to replace a full banking-sector diagnostic or bank-by-bank supervisory assessment. Future editions may expand the analytical framework to include additional indicators such as credit-to-GDP, loan-to-deposit ratio, ROA, ROE, cost-to-income ratio, revenue composition, portfolio quality by economic sector, credit concentration, liquidity-risk measures, and broader monetary indicators such as money velocity.

Note: Figures sourced from CBL reports have been rounded for executive presentation. Off-balance-sheet / memorandum accounts are excluded unless otherwise stated.

1. Executive overview

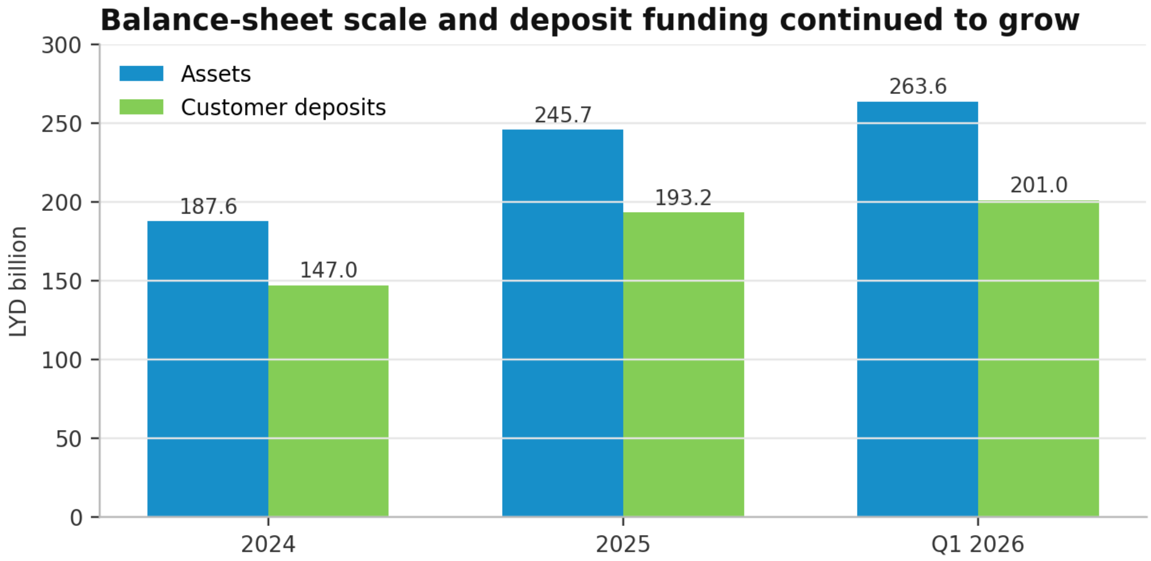
At the end of Q1 2026, aggregate assets of commercial banks, excluding contra accounts, reached approximately LYD 263.6 billion, compared with LYD 245.7 billion at the end of 2025. Including contra accounts, the aggregate balance sheet reached approximately LYD 332.0 billion.

The sector's funding profile remains anchored by customer deposits. Aggregate customer deposits increased from approximately LYD 193.2 billion at year-end 2025 to approximately LYD 201.0 billion at the end of Q1 2026. This confirms the strength of the domestic deposit base and provides capacity for future credit intermediation and product innovation.

Capitalization also remains supportive. Equity increased from approximately LYD 19.9 billion at year-end 2025 to approximately LYD 20.8 billion at the end of Q1 2026. The capital position provides a platform for governance enhancement, risk infrastructure, technology investment, and controlled balance-sheet optimization.

Exhibit 1

Sector scale continued to expand through Q1 2026.



Source: CBL annual 2025 banking indicators and CBL Q1 2026 banking indicators; FinQuest analysis.

2. Sector scale, funding depth, and liquidity capacity

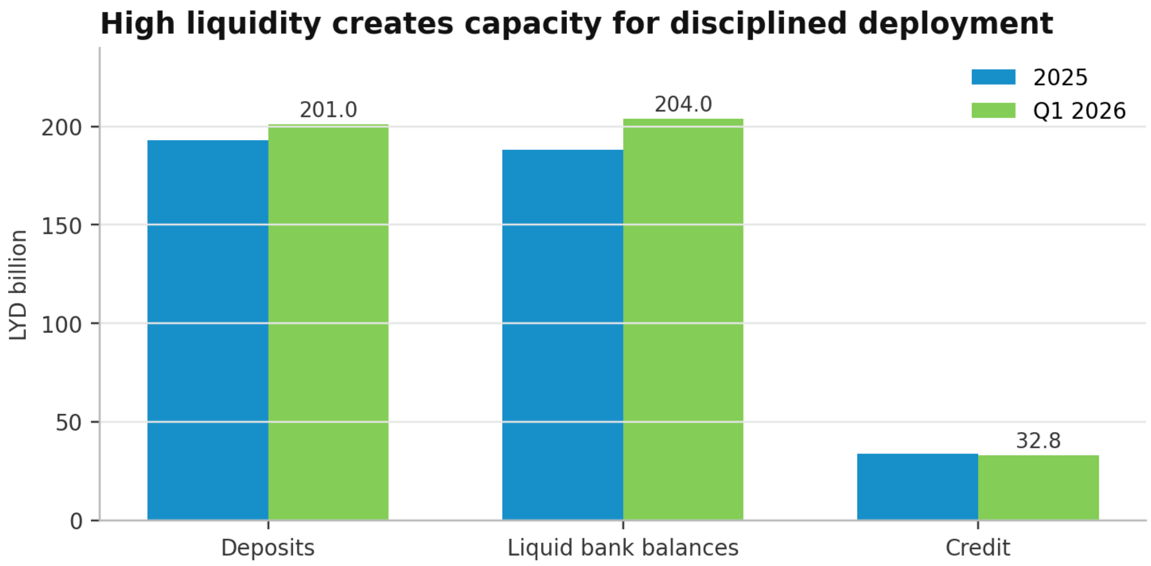
The strongest Q1 signal is the combination of balance-sheet growth and deposit funding depth. The sector added approximately LYD 17.9 billion in assets during the quarter, while customer deposits increased by approximately LYD 7.8 billion. This is not only a size story; it is an operating-capacity story. Banks have a larger funding base, more institutional liquidity, and broader room to modernize treasury and credit deployment frameworks.

- The high level of balances with the Central Bank and other banks should be interpreted constructively but not passively. It gives the sector a material liquidity buffer and a platform for more disciplined asset-liability management. The next step is to convert part of this liquidity advantage **into controlled, risk-adjusted assets through better credit policies, stronger borrower segmentation, and more formal treasury governance.**

- **A useful management implicati**on is that commercial banks should not treat liquidity as only a prudential buffer. It should become a strategic resource governed through ALCO discipline, liquidity stress testing, deposit behavior analytics, product-level profitability, and clear investment policies. This would allow banks to preserve resilience while improving income diversification and customer relevance.

Exhibit 2

Liquidity strength creates scope for disciplined deployment.



Source: CBL annual 2025 banking indicators and CBL Q1 2026 banking indicators; FinQuest analysis.

3. Profitability, cost discipline, and reinvestment capacity

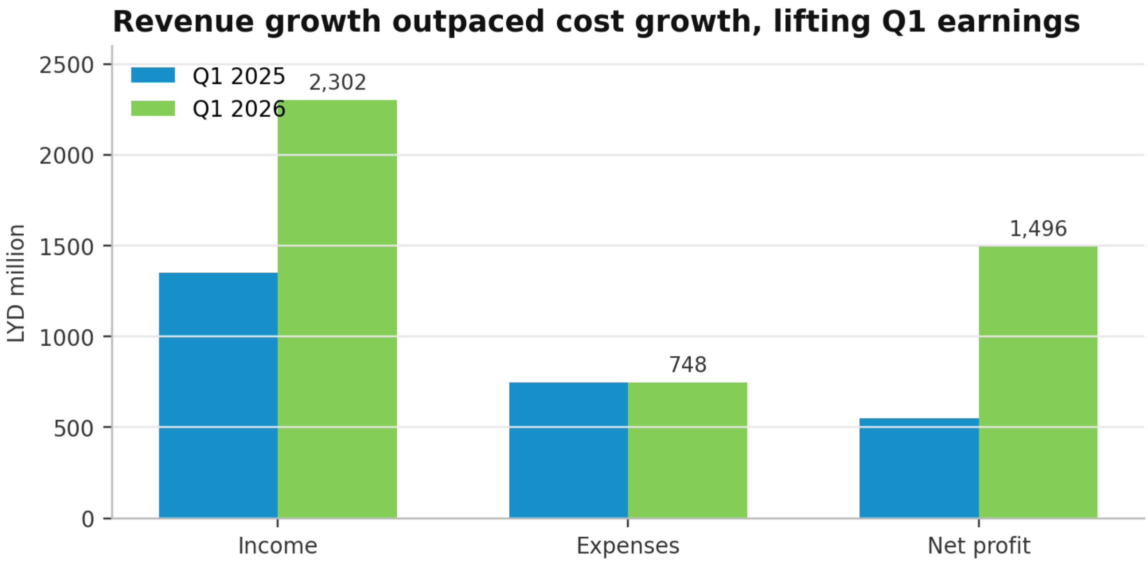
Q1 2026 profitability is a strong positive signal. Aggregate net profit reached approximately LYD 1.5 billion, compared with approximately LYD 549 million in Q1 2025. Total income increased to approximately LYD 2.3 billion, while expenses remained broadly stable at approximately LYD 748 million. This points to operating leverage: revenue expanded faster than the cost base.

This earnings momentum matters because it creates internal funding capacity for institutional reinvestment. Banks can use this profitability window to strengthen core systems, customer onboarding, digital channels, cybersecurity, AML/CFT monitoring, reconciliation automation, credit analytics, and management information. The sector should treat profitability as a modernization enabler rather than only a short-term financial outcome.

The operating model implication is clear: banks with stronger cost discipline and better revenue visibility can move faster on transformation. However, transformation should be sequenced. The highest-value first wave should focus on control infrastructure, data quality, reconciliation, credit workflow discipline, regulatory reporting, and digital service stability before broader product expansion.

Exhibit 3

Revenue growth outpaced cost growth in Q1 2026.



Source: CBL Q1 2026 banking indicators; FinQuest analysis.

4. Credit deployment and asset-quality discipline

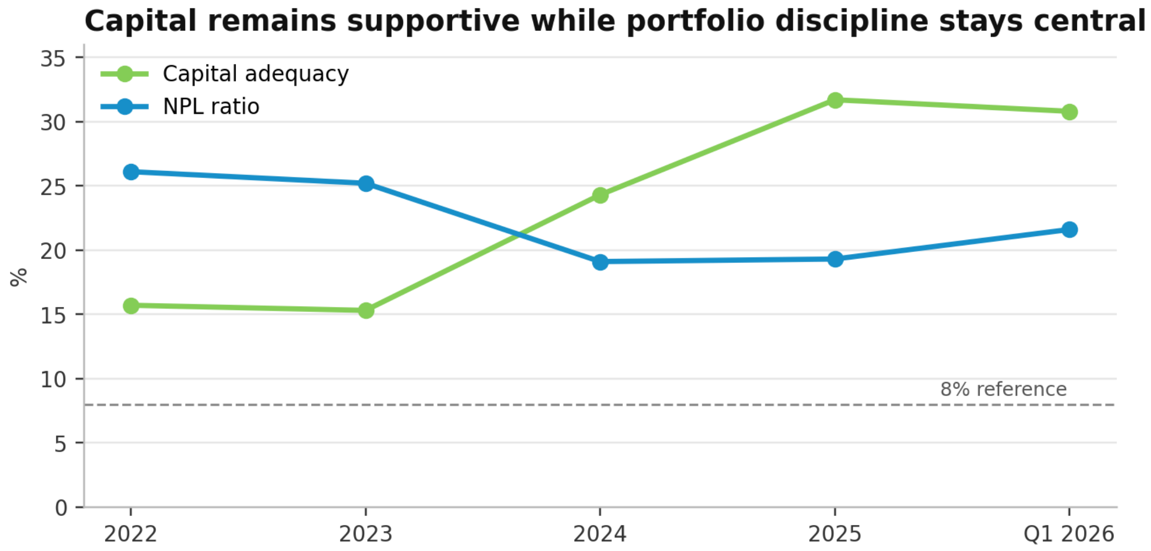
Credit remains the largest strategic growth opportunity. Gross loans and credit facilities stood at approximately LYD 32.8 billion at the end of Q1 2026, compared with customer deposits of approximately LYD 201.0 billion and total assets of approximately LYD 263.6 billion. This indicates substantial capacity for selective expansion, provided the sector strengthens underwriting, collateral governance, borrower monitoring, and early-warning indicators.

The constructive interpretation is not that banks should accelerate lending without guardrails. It is that the sector can expand productive credit where the operating model supports risk selection, pricing discipline, portfolio monitoring, and recovery capability. Priority areas may include trade finance, SME banking, payroll-linked retail products, merchant finance, supply-chain finance, and carefully structured Islamic finance products.

Asset-quality indicators reinforce the need for disciplined execution. The CBL Q1 2026 report shows non-performing loans of approximately LYD 7.1 billion, equivalent to 21.6% of total loans and credit facilities. This should be treated as a portfolio-management agenda rather than a negative headline. Banks can create value by segmenting legacy exposures, strengthening collections, improving collateral documentation, cleaning up dormant accounts, and embedding portfolio dashboards into executive decision forums.

Exhibit 4

Capital remains supportive while portfolio discipline stays central.



Source: CBL financial soundness indicators, 2022–Q1 2026; FinQuest analysis.

5. Market structure, transparency, and rating-readiness

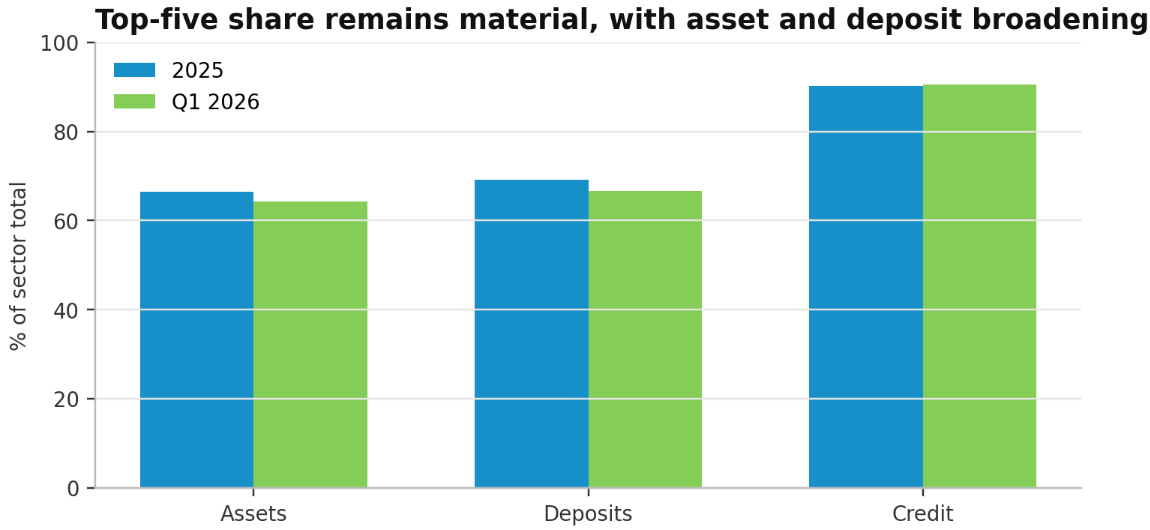
The Libyan banking sector remains concentrated, but Q1 2026 shows gradual broadening in asset and deposit distribution. The five largest banks accounted for approximately 64.3% of total sector assets and 66.6% of customer deposits at the end of Q1 2026, both lower than at year-end 2025. Credit concentration remains high among the largest institutions, reflecting established borrower relationships, underwriting capacity, and historical balance-sheet structures.

The emergence of public credit ratings introduces a new reference point for market visibility and institutional comparability. Banks should treat rating activity as a market-readiness agenda, not a one-time external assessment. Rating-readiness requires stronger audited financial reporting, capital planning, risk appetite articulation, AML/CFT documentation, governance evidence, management reporting, and disclosure discipline.

This is a direct board and executive agenda. Stronger transparency supports correspondent banking discussions, investor confidence, shareholder communication, trade-finance relationships, and future capital-market development. Commercial banks that prepare early will be better positioned as market scrutiny increases.

Exhibit 5

Top-five concentration remains material, with asset and deposit broadening.



Source: CBL annual 2025 banking indicators and CBL Q1 2026 banking indicators; FinQuest analysis.

6. FinQuest view: 2026 priorities for banks

- **Convert liquidity into productive, controlled growth**

Banks should develop practical frameworks for credit growth, treasury investment, product profitability, and balance-sheet optimization. This requires stronger ALCO governance, credit committee discipline, portfolio dashboards, and risk-adjusted return metrics.

- **Strengthen credit operating models**

Credit expansion should be supported by robust underwriting, collateral governance, borrower monitoring, sector limits, early-warning indicators, collections discipline, restructuring protocols, and recovery governance.

- **Build rating-readiness and disclosure discipline**

Banks should prepare structured rating files, board-approved risk appetite statements, capital plans, audited financial packs, AML/CFT documentation, and higher-quality management reporting dashboards.

- **Accelerate digital banking and payments modernization**

The next phase should include digital onboarding, secure payments, wallet integration, merchant services, reconciliation automation, fraud monitoring, and customer analytics.

- **Institutionalize AML/CFT and operational controls**

Compliance should be treated as a commercial enabler. Stronger AML/CFT, sanctions screening, transaction monitoring, documentary credit controls, and KYC/CDD processes will support market confidence and external relationships.

7. Q2–Q4 2026 outlook

The Q1 2026 indicators support a constructive outlook for the remainder of 2026. The sector has four important strengths: liquidity, capital, profitability, and deposit scale. These strengths create a strong foundation for institutional modernization and controlled expansion.

The most important strategic shift for the remainder of 2026 should be from balance-sheet accumulation toward balance-sheet optimization. Banks can focus on turning liquidity into productive assets, turning profitability into reinvestment capacity, and turning regulatory compliance into stronger external confidence.

FinQuest perspective: Libya's banking sector has the liquidity, capital, profitability, and institutional momentum to support a stronger and more transparent financial system. The opportunity now is to translate that strength into disciplined growth, better governance, and sustainable banking modernization.

8. Country operating context

The sector's strong liquidity, deposit growth, and capital position should be assessed within Libya's broader political, fiscal, and economic operating environment. During the Q1 2026 reporting period, the country remained de facto divided between competing governing authorities in the east and west, while the absence of a unified national budget and reliance on fragmented and ad hoc public-expenditure arrangements reduced fiscal predictability and complicated coordination between fiscal and monetary policy.

These conditions should be considered alongside the substantial role of public-sector expenditure in economic activity, the still-developing contribution of private-sector credit demand, limited depth in domestic capital markets, evolving monetary-policy transmission channels, and the continued importance of cash transactions outside the formal banking system. Collectively, these factors can affect the timing and distribution of public-sector payments, foreign-exchange demand, banking-sector liquidity flows, credit conditions, and the ability of financial institutions to undertake consistent medium-term planning.

Following the end of the reporting period, the adoption of Libya's first unified budget in more than thirteen years on April 11, 2026, represented an important step toward reducing financial fragmentation and improving fiscal coordination. Nevertheless, the continued existence of rival eastern and western power structures means that implementation discipline, expenditure transparency, and sustained institutional coordination will remain important considerations for the banking sector.

These market conditions do not diminish the significance of the sector's positive financial indicators. Rather, they reinforce the importance of disciplined liquidity deployment, selective credit expansion, stronger asset-liability management, digital-payment adoption, improved risk governance, and deeper financial intermediation as central priorities for banking-sector modernization.

9. Sources and use note

This executive report was prepared by FinQuest Advisory using publicly available and user-provided market reference materials. Figures are rounded for executive readability and should be reconciled against the original CBL reports before external publication, regulatory submission, or client-specific advisory use.

- Central Bank of Libya, Key Banking Data and Financial Indicators for Banks, Q1 2026.
- Central Bank of Libya, Key Banking Data and Financial Indicators for Banks, 2025.
- Central Bank of Libya, Consolidated Commercial Banks Balance Sheet, 2004–April 2026.
- Central Bank of Libya, Required Reserves for Commercial Banks, 2004–April 2026.
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- SANAD/SCRA public ratings register as a market reference point for rating visibility and transparency.

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