The Role of Financial Information in Assessing the Financial Performance of the Local Development Bank: A Ratio-Based Analysis

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Abstract :

Within the framework of Algeria's economic diversification policy aimed at reducing dependence on the hydrocarbons sector, the banking sector emerges as a key driver of economic growth due to its strong linkage with financial market performance. This study aims to examine the usefulness of financial information disclosed by banks in evaluating financial performance, assessing financial position, and supporting decision-making.

The research employs a descriptive and analytical approach within a case study framework, based on the analysis of the published financial statements of the Local Development Bank and the calculation of financial ratios and indicators over the period 2022–2025. The findings reveal a significant improvement in the bank's financial performance. These results confirm the essential role of financial information in enhancing performance evaluation and supporting decision-making

Mots clés:
Mot clé.1: information financière
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Résumé :

Dans le cadre de la politique de diversification économique adoptée par l'Algérie, visant à réduire sa dépendance au secteur des hydrocarbures, le secteur bancaire apparaît comme un moteur clé de la croissance économique en raison de son lien étroit avec la performance des marchés financiers. Cette étude vise à examiner l'utilité des informations financières divulguées par les banques pour l'évaluation de la performance financière, le diagnostic de la situation financière et le soutien à la prise de décision**.** Elle s'appuie sur une approche descriptive et analytique dans le cadre d'une étude de cas, fondée sur l'analyse des états financiers publiés de la Banque de Développement Local et sur le calcul d'un ensemble de ratios et d'indicateurs financiers sur la période 2022–2025. Les résultats révèlent une amélioration significative de la performance financière de la banque. Ces résultats confirment le rôle essentiel de l'information financière dans l'amélioration de l'évaluation de la performance et le soutien à la prise

de décision.

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1. Introduction

The Algerian economy recorded a positive growth rate of 3.6% in 2024, despite a slight decline compared to 2023, when it stood at 4.1%. In contrast, non-hydrocarbon GDP continued to show strong performance, increasing from 4.2% in 2023 to 4.8% in 2024. This growth was supported by the positive performance of several key sectors, particularly services, agriculture, construction, and energy, reflecting a continued improvement in economic activity outside the hydrocarbons sector (Banque d'Algérie, 2025a). Several studies highlight a reciprocal relationship between financial development and economic growth. While early theoretical contributions by Ronald McKinnon (1973) and Edward Shaw (1973) emphasize the role of financial liberalization in promoting growth, later empirical studies such as César Calderón and Lin Liu (2003) and Chrysost Bangaké and Jude C. Eggoh (2011) confirm the existence of bidirectional causality between the two variables.

This highlights the necessity of developing the financial sector to promote economic growth and enhance its ability to mobilize savings and channel them into productive investment, thereby supporting sustainable economic development. This role becomes particularly relevant in the context of Algeria's strategic orientation toward diversifying its economy beyond hydrocarbons (African Development Bank, 2025).

On the other hand, these challenges have underscored the need to enhance risk governance and reinforce prudential regulation within the banking sector (Tounsi and Bougetaya, 2023), which has experienced numerous failures throughout its history, mainly due to weaknesses in risk control systems and an excessive focus on financial performance (Fariborz

Moshirian & Qiongbing Wu, 2009). This has led to several financial crises affecting many banks worldwide, notably the Illinois Bank crisis at the end of the twentieth century (Heem, 2021).

Given the critical role of banks as financial intermediaries, financial performance and financial information are closely interlinked and play a key role in shaping outcomes for shareholders, depositors, and other stakeholders.

In Algeria, Regulation No. 25-08 issued in 2025, along with a set of other laws and regulatory decrees, defines the financial statements that financial institutions are required to publish on a periodic basis. These statements include the balance sheet, off-balance-sheet items, the income statement, the cash flow statement, the statement of changes in equity, and the accompanying notes (Banque d'Algérie, 2025b).

In this context, this study aims to highlight the importance of the financial information disclosed in the financial reports of the Local Development Bank in assessing its financial position. It also emphasizes the role of financial indicators that can be derived from this information in evaluating the bank's financial performance. Accordingly, the following research question is raised:

How can financial information disclosed in the Local Development Bank's financial statements be used to assess its financial position and financial performance using financial ratios?

These hypotheses have been formulated to answer the main research question and are presented as follows:

- **H1:** Financial information disclosed in the financial statements provides a basis for assessing the financial performance of the Local Development Bank.
- **H2:** The use of financial ratios and indicators enhances the analysis of the Local Development Bank's financial position.

This study adopts a descriptive-analytical approach within a case study framework. The theoretical part is devoted to reviewing and analyzing the relevant literature and key concepts related to the study variables. In the empirical part, the study focuses on the Local Development Bank as a single case over the period from 2022 to June 2025. The analysis is based on financial statements, where financial ratios and indicators are computed and interpreted in order to assess the bank's financial performance. In addition, descriptive content analysis is employed to identify key financial information, while graphical analysis is used to track the evolution of

performance indicators and evaluate the contribution of financial reporting to performance assessment

The study is divided into two main parts. The first part addresses the theoretical framework, presenting previous studies and the key concepts related to the study's variables. The second part is devoted to the empirical study, where the case of the Local Development Bank is analyzed over the period from 2022 to June 2025.

2. Literature review

Many studies have focused on the role played by financial information and performance indicators in measuring and evaluating the financial performance of institutions. Both Anne Beatty and Scott Liao (2014) provided a review of the literature on bank financial accounting, highlighting three main streams. These streams focused on the relationship between financial reporting and firms' performance evaluation, as well as risk management and earnings management. The study presented the key findings reached so far and identified areas that still require further investigation and deeper understanding in future research. It also addressed the methodological difficulties involved in estimating and forecasting the impacts of different accounting frameworks and regulatory capital rules.

A study conducted on a sample of 46 banks operating within the Gulf Cooperation Council (GCC) by Ghecham and Salih (2019) examined the financial performance of both Islamic and conventional banks. Based on published financial statements and disclosed financial information, the authors computed a set of key financial ratios, including return on equity (ROE), liquidity ratio, and efficiency ratio, in order to assess and compare bank performance. The findings highlight the importance of accounting-based financial indicators in evaluating and differentiating the financial performance of banking institutions.

Macha et al. (2025) conducted a study examining the relationship between the qualitative characteristics of financial information and bank performance in Tanzania. The study used a sample of 30 commercial banks and relied on data obtained from questionnaires as well as published financial statements. The findings indicated that high-quality financial information has a positive effect on banks' financial performance.

Some studies have addressed one of the variables of this research. For instance, the study by Beldi and Gaidi (2021) focused on evaluating financial performance using financial ratios, analyzing the financial performance of three active banks in Algeria over an eight-year period. The

study concluded that the National Bank of Algeria recorded weak performance in terms of investing its funds in profitable activities, in contrast to the Gulf Bank of Algeria, which demonstrated greater efficiency in utilizing its financial resources and generating profits.

Thameur Bensaoucha et al. (2025) examined on the use of non-traditional financial indicators in the National Bank of Algeria to evaluate its financial performance. One of the main findings of the study is a weakness in cost management, accompanied by a decline in generated profits. This situation is mainly attributed to several factors, including economic downturns and other structural constraints affecting the banking sector.

The study conducted by Chaabnia, Saadane, and Amari (2022) analyzed the financial condition of the Algerian banking system using traditional financial analysis methods. The research demonstrates that there is a relative instability in the financial performance of the sector. The study also revealed a set of imbalances and weaknesses that need to be addressed in order to improve the performance of this sector and enhance its efficiency.

Although numerous studies have addressed financial performance in the banking sector, research focusing on the relationship between financial information and banks' financial performance in Arab and African contexts remains limited. This study aims to fill this gap by examining the relationship between these two variables and highlighting their combined role in providing a comprehensive analysis of financial information and financial indicators of the Local Development Bank, which has not received sufficient attention in national-level studies.

3. Theoretical Framework

3.1. Financial Information in the Banking Sector

Financial information represents an accounting output produced in accordance with applicable accounting standards (IASB, 2018), and it reflects in a systematic manner the entity's financial position, financial performance, and changes in its financial position. Moreover, its disclosure is considered a key mechanism for enhancing transparency and reducing the level of uncertainty faced by users of financial statements when making economic decision (Barth, Beaver and Landsman, 2001).

The quality of financial reporting constitutes a major concern, as its users evaluate the extent to which it provides decision-relevant information for economic resource allocation (ميمون, بلعوالي, و بلمشري, 2023)."Financial information is useful when it is relevant and faithfully represents what it purports to represent. Moreover, useful financial information is characterized by comparability, verifiability, timeliness, and

understandability".**(**IASB, 2018 - Conceptual Framework for Financial Reporting).

IAS1 - Presentation of Financial Statements - constitutes the conceptual framework governing the preparation and presentation of financial statements, as it defines their essential components, including the statement of financial position, the statement of profit or loss, the statement of cash flows, the statement of changes in equity, and the accompanying notes (IASB, 2018). In this context, financial instruments standards represent one of the most influential regulatory pillars in the banking sector, particularly IFRS 9 - Financial Instruments, which addresses the classification and measurement of financial instruments as well as the recognition of expected credit losses, and IFRS 7 - Financial Instruments*: Disclosures*, which governs the disclosure requirements related to these instruments (IASB, 2014; IASB, 2017).

3.2. Financial Performance

The notion of performance has been the subject of extensive scholarly investigation in management sciences, as evidenced by a wide range of academic contributions (Bourguignon, 1995; Bouquin, 2008; Marion et al., 2012). The most widely accepted definition of "performance," although it remains subject to debate, is rooted in managerial approaches and refers to a quantified comparison between an achieved result and a predefined objective, within a context of accountability and performance reporting (Karim and Komat, 2017).

Financial performance refers to the evaluation of an organization's financial position by identifying its financial strengths and limitations, as well as assessing its overall financial health over a reporting period (Rajendran and Sudha, 2019).

Achieving strong banking performance depends on how effectively management balances growth objectives with acceptable levels of risk while securing adequate returns through risk-sensitive measures. Accordingly, performance assessment requires examining the interactions between costs, profitability, and uncertainty within banking operations (Macha et al., 2025). In the banking sector, performance is generally measured using financial indicators such as net banking income (NBI), return on asset (ROA), return on equity (ROE) as well as net interest margin (NIM) (Rose and Hudgins, 2013). In addition to the CAMELS framework, this approach is used as an analytical tool for assessing the financial condition of banking institutions and is considered one of the leading international methods for

measuring bank performance and financial stability (Benchiha & Hallam, 2026).

Financial performance measurement tools have undergone significant development since the end of the last century. Traditional indicators have been criticized for focusing primarily on profitability, which led to the emergence of more advanced measures (عبدالله وبابكر، 2026) such as Economic Value Added (EVA) and Discounted Cash Flow (DCF)**.** In addition, other indicators have gained prominence, including Risk-Adjusted Return on Capital (RAROC)**,** which links returns to risk exposure, Market Value Added (MVA**)**, which reflects shareholder value creation, and Cash Flow Return on Investment (CFROI)**,** which relies on cash flows to provide a more accurate assessment of performance. This evolution has enabled the adoption of a more comprehensive approach to evaluating financial performance (Saha et al., 2016).

3.3. The interaction between banking financial information and financial performance

A wide range of studies in the field of financial reporting quality rely on the Conceptual Framework issued by the IASB (2018), which emphasizes that the fundamental objective of financial reporting is to provide decision-useful information that supports users' economic decisions (Rose and Hudgins, 2013). Accordingly, this framework is considered a key theoretical basis for explaining the relationship between the level of accounting disclosure and the financial performance of banking institutions. Thus, financial information can be regarded as a tool used in the calculation of financial indicators and ratios, which in turn reflect and translate the financial performance of an organization into quantitative values. These figures help identify strengths and weaknesses, enabling decision-makers to make appropriate decisions, evaluate performance, and guide it in line with organizational objectives**.**

4. Financial Information as a Tool for Evaluating the Financial Performance of the Local Development Bank

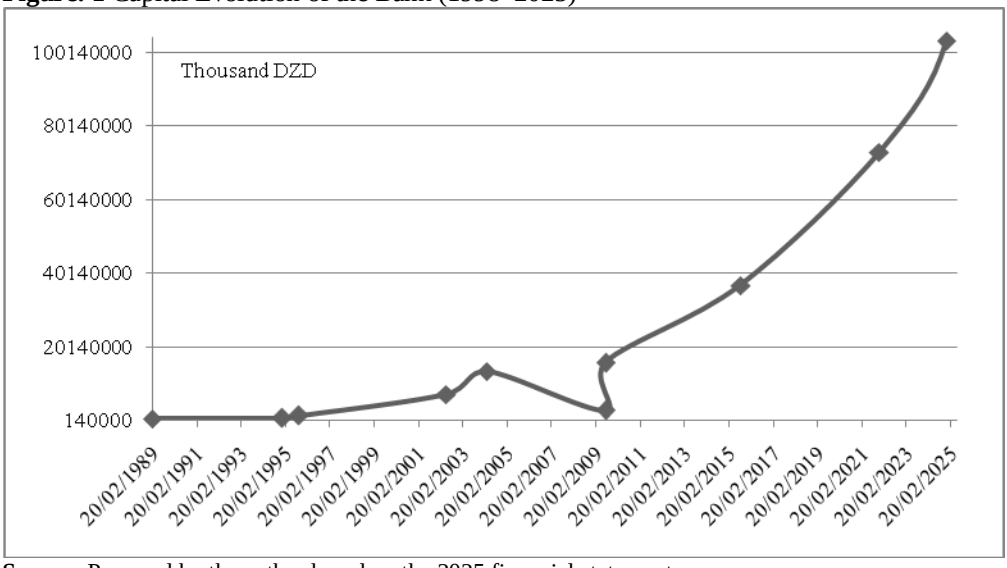
4.1. Overview of the Bank's Capital and Human Resources Structure

4.1.1 Financial structure

The **Local Development Bank** was established following the restructuring of the Popular Credit of Algeria (CPA**)**, pursuant to Decree No. **85/84** dated **30 April 1985**, in the form of a national banking institution, with the aim of managing the portfolio of local public enterprises. In June 2025, the capital of the bank under study reached 147.7 billion dinars (financial statements, June 2025). This increase was driven by the incorporation of reserves and the issuance of new shares, leading to a 102% rise in capital.

According to the Local Development Bank (financial statements, 2024), the bank holds 27 equity participations, in addition to one subsidiary, namely FINALEP SPA. Regarding its main participations, S.C.I.T.I SC, S.C.I.M.O SC, and S.N.L SPA can be mentioned as the most significant holdings within its investment portfolio. The figure 1 illustrates the evolution of its capital over the period 1998–2025.

Figure. 1 Capital Evolution of the Bank (1998–2025)

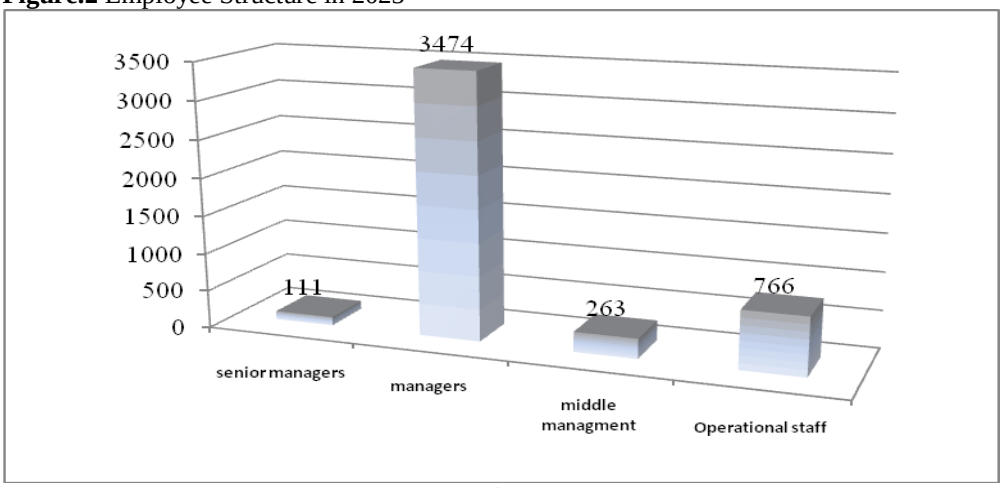


Source: Prepared by the author based on the 2025 financial statements.

4.1.2 Human resources

In June 2025, the number of bank employees reached 4 614 (financial statements,June 2025), recording a slight increase compared to 2024 of approximately 1.07%. This reflects an almost total stability in recruitment and a limited expansion of the operational network. Figure 2 illustrates the workforce composition of the bank in 2025.

Figure.2 Employee Structure in 2025



Source: Prepared by the author based on the 2025 financial statements.

The bank's organizational structure is composed of four categories: managers, senior managers, middle management, and operational staff, as shown in figure. 2. The executive category is the most represented, which reflects the bank's primary reliance on this group in managing its various operational and administrative activities.

4.2. **Financial information in the Local Development Bank**

The bank discloses financial information related to its activities in accordance with Regulation No. 09-04 of July 23, 2009, relating to the chart of accounts for banks and financial institutions in Algeria, as well as Regulation No. 09-05 of October 18, 2009, concerning the preparation and mandatory disclosure of financial statements. In addition, other regulatory frameworks govern valuation principles, accounting recognition rules, the content of financial statements, and presentation methods

The financial statements periodically disclosed by the Local Development Bank include the statement of financial position (balance sheet), off-balance sheet items, the cash flow statement, the statement of changes in equity, and the accompanying notes. The following section presents the evolution of the key financial indicators over the period 2023-June 2025. **As the 2022 figures were not reported, they were not included for comparison purposes.**

4.2.1 Liquidity and Short- and Medium-Term Investments**.**

Cash and balances held with the Central Bank and the Public Treasury are included in liquidity and are used to cover most short-term liabilities. It also includes financial assets held for trading purposes, which are intended to generate short-term profits. Table 1 presents the evolution of these components over the period 2023–June 2025**.**

Table 1: Evolution of Liquidity and Financial Investments at LDB

Data	Unit	2023	2024	June 2025	Growth rate
Cash, Central Bank and Public Treasury	M DZD	101 697	110 202	149 570	47.1%
Financial assets held for trading purposes	M DZD	4 653	25 554	5 142	10.5%
Available-for-sale financial assets	M DZD	267 885	344 015	406 909	51.9%

Source: Prepared by the author based on the financial statements of LDB (2024; 2025)

During the study period (2023–2025), a 47.1% increase in liquidity was recorded, along with a 52% rise in financial investments, reflecting a strong orientation towards medium-term financial instruments. In contrast, short-term investments increased at a relatively modest rate of around 10%, indicating a more limited expansion in trading activities**.**

4.2.2. Evolution of Participations and Investment Properties

Through Table 2, we present financial information related to the bank's equity investments both domestically and abroad, through which the bank aims to diversify its portfolio, reduce risk, and establish new partnerships.

Table 2: Evolution of Equity Investments at LDB

Data	Unit	2023	2024	June 2025	Growth rate
Equity investments (Algeria)	M DZD	9 778	10 188	10 397	+ 6.3%
Equity investments (Abroad)	USD	168	169	162	-3.6%

Source: Prepared by the author based on the financial statements of the LDB (2024; 2025)

This type of investment also aims to generate additional financial returns that contribute to more efficient liquidity management within the bank. In addition, portfolio diversification helps reduce overall risk exposure. Table 2 shows the distribution of equity investments inside and outside the country, where the ratios indicate a relatively stable trend over the study period.

4.2.3. Customer Loans and Advances

BDL classifies its Customer Loans and Advances based on several criteria, particularly customer type and credit risk level, to support effective credit portfolio management and risk monitoring. The bank discloses its receivables from customers, classified into four categories -C0, C1, C2, and C3 - ranked according to the level of potential risk in recovering outstanding amounts. It also provides financial information related to the provisions established, which are determined based on a set of criteria used to assess loan quality and the level of associated risk, Table 3 shows the total amounts.

Table 3. Evolution of Customer Loans and Impairment at LDB

Data	Unit	2023	2024	June2025	Growth rate(23-24)
Total customer commitments	M DZD	1 275 235	1 418 992	1 539 753	+11.27%

Total loans and receivables from customers	M DZD	975 224	894 958	983 391	-8.23%
Impairment on customer loans	M DZD	-117 476	-135 209	-138 908	+15.09%
Financing to private companies	M DZD	675 211	770 867	855 037	+14.17%
Off-balance sheet commitments	M DZD	176 276	219 559	-	+24.55%

Source : Prepared by the author based on the financial statements of the Local Development Bank (2024; 2025).

As shown in Table 3, total loans and receivables from customers decreased from 975 224 million DZD in 2023 to 894 958 million DZD in 2024, before rising again to 983 391 million DZD in 2025. At the same time, impairment on customer loans increased gradually over the study period, rising from 117 476 million DZD to 138 908 million DZD. In addition, Total customer commitments increased by 11.27% in 2024, supported by the growth in financing to private companies +14.17%.

4.2.4. Liabilities structure

As shown in Table 4, the bank has eliminated its debts to the central bank, while liabilities to financial institutions recorded a slight increase of around 3.8%. In contrast, the bank mainly relies on customer deposits to finance its activities. It can be concluded that the debt structure remained relatively stable over the period 2023–2025**.**

Table 4. Debts and customer diposits at LDB

Data	Unit	2023	2024	June 2025	Growth rate
Debts to Central Bank	M DZD	36 489	0	0	-100%
Debts to financial institutions	M DZD	79 967	115 644	83 005	+ 3.8%
Customer deposits	M DZD	1 238 292	1 423 263	1 547 207	+ 24. 9 %

Source: Prepared by the author based on the financial statements of the LDB (2024; 2025).

4.2.5. Income Statement Data of LDB

In addition to the statement of financial position, the bank also discloses other financial statements, including the income statement. Table 5 presents the evolution of net income, interest income, and interest expenses over the study period.

Table 5. Evolution of Net Income and Components of the Interest Margin at LDB

Data	Unit	2023	2024	2025juin	Growth rate(23-24)
Net income	M DZD	17 558	22 921	13 404	+30.5%
Interest income	M DZD	68 664	85 198	39 509	+24.1%
Interest expenses	MDZD	24 041	26 789	13 063	+11.4%

Source : Prepared by the author based on the financial statements of the Local Development Bank (2024; 2025).

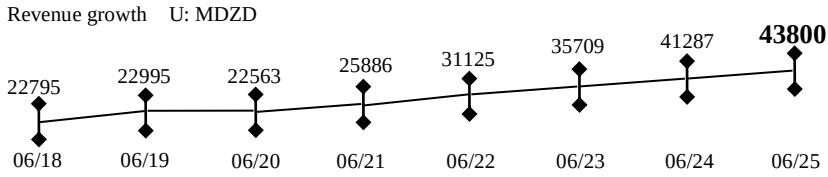
Note: The 2023 data were compared with those of 2024, while 2025 was excluded as it represents semi-annual revenues, expenses, and profits.

As shown in Table 5, the bank recorded a 30.5% increase in net income in 2024 compared with 2023. This improvement was supported by a 24.1% rise in interest income, while interest expenses increased at a lower

rate of 11.4%. These results indicate an improvement in the bank's profitability and operating performance during the period under review.

Figure 3 illustrates the evolution of the bank's revenue from June 2018 to June 2025, reflecting the dynamics of the bank's operational performance and the trend of its income growth over the period under review.

Figure. 3. Revenue Growth (2018-2025)



Source: Prepared by the author based on the financial statements of LDB (2024; 2025).

4.2.6. Evolution of Provisions and Risk funds

As shown in Table 6, an increase was recorded in provisions allocated to cover risks, indicating the bank's orientation toward strengthening its reserves in order to enhance its financial stability**.**

Table 6. Evolution of Provisions and Risk Funds at LDB

Data	Unit	2023	2024	June 2025	Growth rate
Provisions for risks and charges	M DZD	24 504	25 841	29 328	+19.7%
General banking risk funds	M DZD	19 923	20 716	21 931	+10.1%

Source: Prepared by the author based on the financial statements of LDB (2024; 2025).

4.3. **Assessment of the financial position of the Local Development Bank**

4.3.1. Profitability Ratios

Profitability represents a key objective pursued by banks through the efficient allocation and utilization of their available financial resources. It also indicates the institution's capacity to generate earnings and achieve financial returns (Beldi and Gaidi, 2021). It can be measured using several ratios, including return on assets (ROA), return on equity (ROE), and profit margin (PM), as illustrated in Tables 7, 8, and 9.

Table 7. Profit Margin (PM) at LDB Unit: DZD

Indicators & Ratios	2022	2023	2024	June 2025	Growth rate 22-24
Net income	5 880 000 000	17 557 950 000	22 920 697 000	13 403 947 000	+ 290%
Total revenues	42 186 100 000	106 186 122 000	101 858 499 000	50 422 729 000.9	+ 141%
Profit margin	13.93%	16.54%	22.50%	26.58%	+61.5%

Source: Prepared by the author based on the financial statements of LDB (2023; 2024; 2025).

Table 8. Return on Assets (ROA) at LDB Unit: DZD

Indicators & Ratios	2022	2023	2024	Growth rate 22-24
Net income	5 880 000 000	17 557 950 000	22 920 697 000	+290%
Total asset	1 513 013 000 000	1 603 318 537 000	1 834 686 597 000	+ 21%
Return on Assets	0.39%	1.10%	1.25%	220.5% (+0.86 pts)

Source : Prepared by the author based on the financial statements of LDB (2023; 2024).

Table 9. Return on Equity (ROE) at LDB Unit:DZD

Indicators & Ratios	2022	2023	2024	Growth rate 22-24
Net income	5 880 000 000	17 557 950 000	22 920 697 000	+290%
Equity	1 13 761 000 000	124 375 007 000	145 354 639 000	+28%
ROE	5.17%	14.12%	15.77%	+204.9%(+10.60pts)

Source: Prepared by the author based on the financial statements of LDB (2023; 2024).

During the period 2022–2024, the bank's financial indicators recorded a significant positive development, as net income increased substantially from 5.88 billion DZD to 22. 92 billion DZD, while total assets grew at a more moderate pace from 1 513 billion DZD to 1 835 billion DZD. Return on assets (ROA) also improved from 0. 39% to 1. 25%, reflecting a gradual enhancement in profitability performance. This development can be explained by the faster growth of net income compared to total assets, indicating improved efficiency in the use of financial resources and strengthened effectiveness of the bank's financial management over the study period.

4.3.2. Banking Operating Indicators

Banking operating indicators are financial measures that assess a bank's operational performance, efficiency, and core banking activity. Table 10 illustrates the NBI and the GOR.

Table 10. Net Banking Income (NBI) and Gross Operating Result (GOR) at LDB Unit: m DZD

Data	2022	2023	2024	June 2025	Growth rate 22-24
Net Banking Income	40 381	52 462	67 711	30 216	+67, 7%
Gross Operating Result	20 735	33 785	44 844	22 418	+116,3%

Source: Prepared by the author based on the financial statements of LDB (2023; 2024; 2025)

During the period 2022–2024, both Net Banking Income (NBI) and Gross Operating Result (GOR) recorded a significant increase, reflecting an improvement in the bank's operating performance. NBI rose by 67.7%, while GOR showed a stronger growth of 116.3%, indicating an expansion of core banking activities and improved efficiency in transforming income into operating results. In June 2025, a relative decline in values is observed; however, this is explained by the fact that the data correspond to a half-year period and are therefore not directly comparable with full-year figures.

4.3.3. Banking Efficiency Ratios

As shown in Table 11, the interest expense –to- loans ratio remained relatively stable over the period 2022-2024, with a slight increase in 2024. The ratio remained at approximately 2.20% in 2022 and 2023 before rising to 2.25% in 2024, representing an increase of 0.05 percentage points. This slight increase is mainly explained by the faster growth of interest expenses (+18.3%) compared with the growth of total loans (+15.8%).

Table 11. Funding Cost Ratio (2022–2024)

Indicator	Unit	2022	2023	2024	Growth rate
Interest expenses	M DZD	22 652	24 041	26 789	+18.3%
Total loans	M DZD	1 027 588	1 093 130	1 190 051	+15.8%
Funding cost ratio	MDZD	2.20%	2.20%	2.25%	+2.3% (+0.05 pts)

Source : Prepared by the author based on the financial statement of LDB (2024; 2025)

4.3.4. Capital Adequacy Ratios (CAR)

This ratio measures the bank's financial solvency and the adequacy of its capital to cover risks and absorb losses. As shown in Table 12, it remained above the regulatory threshold throughout the entire period, reaching 12.83% in 2022, declining to 11.57% in 2023, and then increasing again to 12.24% in 2024. Due to the lack of available data to calculate it directly, the ratio reported in the bank's official reports was used.

Table 12. Solvency Ratio evolution at LDB

Ratio	Standard	2022	2023	2024	Growth rate
Solvency Ratio	> 9.5% + 2.5%	12.83%	11.57%	12.24	-4.6% (-0.59 pts)

Source: Prepared by the author based on the LDB (2024) Management Report

4.3.5. Liquidity Ratios

As shown in Table 13, during the study period 2022–2024, the liquidity ratio recorded a relative decline from 149% in 2022 to 132% in 2023, before increasing again to 137% in 2024. This reflects fluctuations in the bank's liquidity position. However, despite this decline, the indicator remained significantly above the regulatory threshold of 100%.

Table 13. Liquidity Ration at LDB

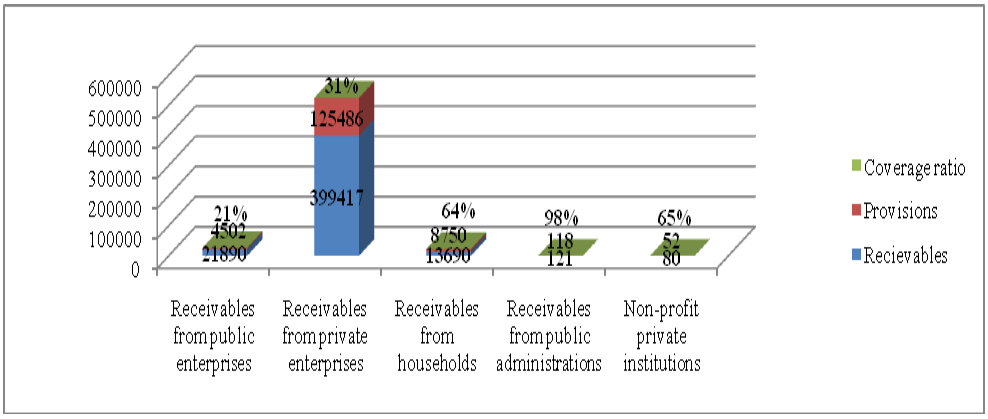
Ratio	Standard	2022	2023	2024	Growth rate
Liquidity Ratio	Norme >- à 100	149%	132%	137%	-8.1% (-12 pts)

Source: Prepared by the author based on the LDB (2024) Management Report

4.3.6. Asset Quality Ratios

The analysis of asset quality involves examining the sectoral structure of receivables and the level of provisions for expected losses, which allows for assessing credit risk exposure, as shown in Figure 4.

Figure. 4. Receivables by Sector and Associated Impairment Provisions



Source: Prepared by the author based on the financial statements of the LDB (2024).

The figure 4, shows that private enterprises hold the largest share of receivables, amounting to approximately 399 417, compared to provisions of 125 486, with a coverage ratio of about 31%. This indicates a high concentration of credit risk in this sector.

5. Analysis and Discussion

The LDB recorded an improvement in its funding structure, as reflected by a nearly 15% increase in customer deposits between 2023 and 2024. This growth highlights the bank's enhanced capacity to mobilize financial resources and its greater reliance on customer deposits as a key source of liquidity. This upward trend continued in 2025, with a cumulative increase of 24.9% compared with 2023, as illustrated in Table 4. The bank's internal documents show that this increase was mainly driven by a 16% growth in demand deposits, which represented 74% of total DZD-denominated deposits.

This highlights the bank's reliance on low-cost funding sources, which may contribute to improving its funding cost structure and strengthening its intermediation margin. However, this funding structure requires effective liquidity management due to the high possibility of rapid withdrawals associated with these deposits.

The public sector played a significant role in the growth of the bank's funding base, as its deposits increased from 506.7 billion DZD to 653.4 billion DZD in 2024, representing a growth rate of 29%. In contrast, deposits from the private sector and individuals recorded a lower growth rate of 4%, which may indicate a greater preference for holding liquidity, although this segment remains an important source of funding for the bank.

The evolution of BDL's loan portfolio in 2024 reflects an expansion of its lending activity, as total customer commitments increased from 1 275.2 billion DZD to 1 419 billion DZD, representing a growth rate of +11.27%. This growth was mainly driven by higher financing provided to private companies +14.2% and public enterprises +26.9%, highlighting the bank's role in supporting investment and economic activity. Furthermore, off-balance sheet commitments increased from 176.3 billion DZD to 219.5 billion DZD representing +24.6%, reflecting the growing use of indirect financing instruments.

However, the increase in impairment provisions from DZD 117.5 billion to DZD 138.9 billion reflects higher credit risk exposure, mainly due to the deterioration in some borrowers' repayment capacity and the reclassification of certain loans into higher-risk categories. The private sector accounted for the largest share of these provisions, highlighting the need to strengthen credit risk monitoring and enhance loan portfolio diversification.

The improvement in the bank's profitability during the period under review reflects BDL's ability to strengthen its intermediation activity and improve the efficiency of its financial resource allocation. The faster growth of interest income compared with interest expenses contributed to enhancing the net interest margin, which supported the 30.5% increase in net income in 2024. The rise in ROA and ROE also indicates the bank's improved capacity to generate returns from its assets and equity, reflecting stronger operational efficiency and financial management.

The treasury and liquidity position experienced a significant improvement during the study period, with an increase of 29% between 2023 and 2024. This improvement reflects the bank's enhanced capacity to meet its short-term obligations. It is mainly attributable to the increase in treasury investments, which rose from 441.9 billion DZD to 586.3 billion DZD, driven by the investment of cash surpluses in financial instruments, particularly Treasury bonds with various maturities. This trend reflects the bank's strategy to achieve a balance between maintaining an adequate level of liquidity and improving the return on available financial resources, rather than keeping idle funds.

The composition of liquid assets also evolved during the period under review, with increases in cash and balances held with the Bank of Algeria and the Treasury, as well as in available-for-sale financial investments. This change reflects the bank's strategy of allocating excess liquidity into financial instruments while maintaining the flexibility required to meet operational needs. However, the significant share of demand deposits requires close monitoring to manage potential liquidity risks.

Regarding capital adequacy, the bank maintained ratios above the regulatory threshold throughout the study period, despite the temporary decline recorded in 2023. This indicates that BDL preserved a sufficient capital cushion to support its lending activities and absorb potential risks, particularly credit and operational risks. The improvement observed in 2024 also reflects the bank's ability to strengthen its capital position in line with the growth of its balance sheet and risk exposure.

Finally, the asset quality analysis, which focuses on measuring credit risk through the structure of the loan portfolio and the level of expected credit loss provisions, indicates that the bank adopts an approach based on credit risk assessment and the recognition of provisions to cover potential losses. Private institutions account for the largest share of these provisions, reflecting a significant concentration of risk within this sector. This approach is consistent with a sound risk management framework aligned with the expected credit loss model.

6. Conclusion

This study examined the importance of financial information disclosed in banks' financial statements and its role in improving financial performance by providing all stakeholders with the necessary information to make sound decisions. It also addressed the legal and regulatory framework governing accounting practices in Algerian banks**.**

In the empirical section, the financial information disclosed in the financial statements of the bank under study was used to calculate profitability and liquidity ratios, as well as to analyze capital adequacy, asset quality, efficiency, and activity ratios, thereby providing a comprehensive assessment of the bank's financial performance.

We reached a detailed diagnosis of the bank's financial position over the period 2022–June 2025, which addresses the main research question and confirms that financial information plays a fundamental role in analyzing the bank's financial performance. It also helps identify strengths and weaknesses, thereby providing a reliable and essential information base to

support decision-making at the bank level, as well as for investors and all relevant stakeholders.

Overall, the results indicate that BDL maintains a relatively stable financial position, combining business growth, improved profitability, and satisfactory levels of liquidity and capital adequacy. However, sustaining this performance requires continued efforts to strengthen risk management, particularly credit and liquidity risk management, while further diversifying funding sources and the loan portfolio.

The findings confirm that H1 is supported, demonstrating that financial information disclosed in the financial statements provides a reliable basis for assessing the financial performance of the Local Development Bank**.** They also show that financial ratios and indicators help improve the analysis of the Local Development Bank's financial position, which confirms that H2 is supported.

One of the main limitations of this study is the inconsistency of some reported figures across different sources, as well as the absence of data for the year 2022 for certain indicators. In addition, the availability of only semi-annual data for 2025 limited the possibility of making direct comparisons with full-year data in some cases, which affected the accuracy of the analysis to some extent. Moreover**,** the specific nature of the banking sector, characterized by the sensitivity and complexity of financial data, made the interpretation of some indicators more challenging and limited the generalizability of certain findings**.**

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