Saudi Arabia Banking Sector Intelligence

FinQuest

Strategic market-intelligence summary for the Saudi banking industry - Full-Year 2025

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Strategic Summary, Full-Year 2025

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Saudi Arabia's banking sector closed 2025 with double-digit balance-sheet and loan growth, record profitability, strong capital, and a non-performing loan ratio near a decade low. The central strategic issue for 2026 is funding: credit has expanded faster than deposits, increasing the importance of diversified liabilities, capital planning, liquidity discipline, and risk-adjusted loan growth.

Sector assets reached approximately SAR 4.96 trillion, deposits SAR 2.93 trillion, and loans and advances SAR 3.04 trillion at year-end 2025. Net profit reached approximately SAR 103.5 billion. Capital adequacy stood near 20.0% and the NPL ratio near 1.1% as of September 2025, demonstrating strong solvency and asset quality.

This brief uses Saudi Central Bank publications and institutional sector analysis as its primary evidence base and translates the indicators into practical implications for funding strategy, capital and liquidity management, credit concentration, digital payments, operating efficiency, and Vision 2030 execution.

NOTABLE FROM THE REPORT

SAR 4.96tn	SAR 2.93tn	20.0%	SAR 103.5bn	1.1%
Sector assets	Sector deposits	Capital adequacy ratio	Full-year net profit	Non-performing loan ratio
Year-end 2025	Year-end 2025	September 2025	2025	September 2025

The sector combines strong solvency and profitability with sustained credit demand. The strategic task for 2026 is to protect that strength by aligning loan growth with stable funding, capital generation, disciplined project and real-estate underwriting, and scalable digital and operating infrastructure.

SCOPE OF THIS EDITION

This Full-Year 2025 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, supervisory assessment, or analysis of any individual institution. Future editions may expand the framework to include detailed peer-group profitability, funding composition, loan concentration, cost of risk, efficiency ratios, and Islamic-finance product mix.

Note: Figures sourced from SAMA and institutional banking-sector publications have been rounded for executive presentation. Cover image: Riyadh skyline, Wikimedia Commons, used under a Creative Commons license.

1. Executive overview

At the end of 2025, aggregate banking-sector assets reached approximately SAR 4.96 trillion, compared with SAR 4.49 trillion at year-end 2024 - an increase of approximately SAR 465 billion, or 10.3%. The expansion continued a multi-year growth cycle driven by private-sector activity, mortgages, corporate and project finance, and the broader Vision 2030 investment agenda.

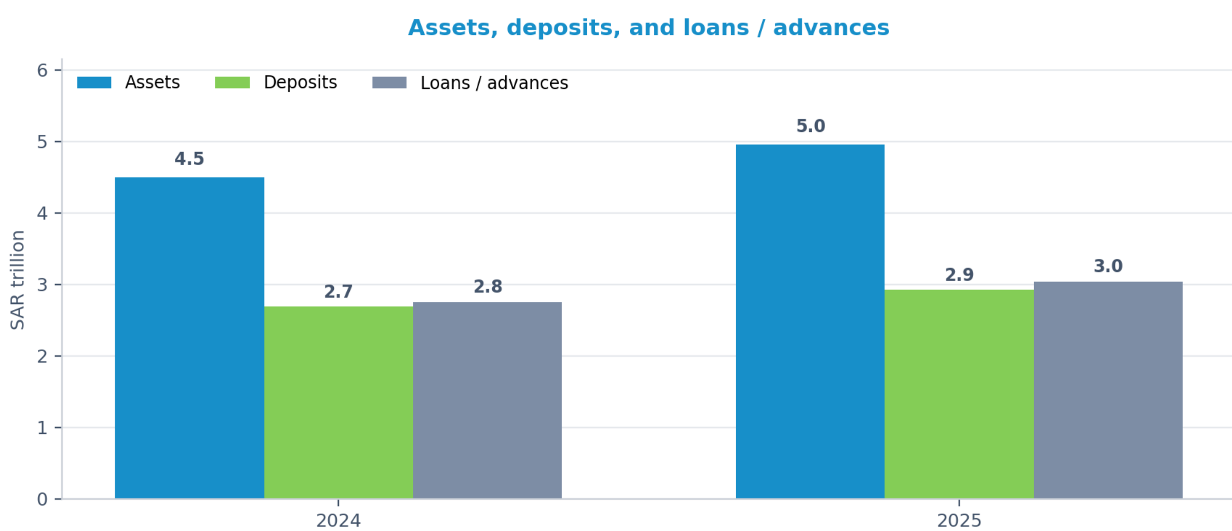
Deposits increased to approximately SAR 2.93 trillion, up 8.7%, while loans and advances reached SAR 3.04 trillion, up 10.4%. Because lending again grew faster than deposits, the loans-to-deposits ratio increased to 112.7% from 109.8%, strengthening the case for diversified wholesale and capital-market funding, disciplined deposit pricing, and selective balance-sheet growth.

Solvency and asset quality remained strong. The capital adequacy ratio stood near 20.0% as of September 2025, compared with 19.2% in 2024, while the non-performing loan ratio declined to approximately 1.1%. Sector return on assets increased to 2.19% and return on equity to 16.7%, supported by strong earnings and continued credit growth.

The domestic market is concentrated among ten listed banks. Saudi National Bank and Al Rajhi Bank together represented nearly half of sector assets, while the five largest institutions represented approximately 76.6%. Scale supports funding, technology, and product breadth, but also increases concentration, execution, and systemic interconnectedness.

Exhibit 1

Assets, deposits, and loans continued to expand



Source: SAMA data and Bank Audi Group Research, 2025 Saudi Banking Sector Report; FinQuest analysis.

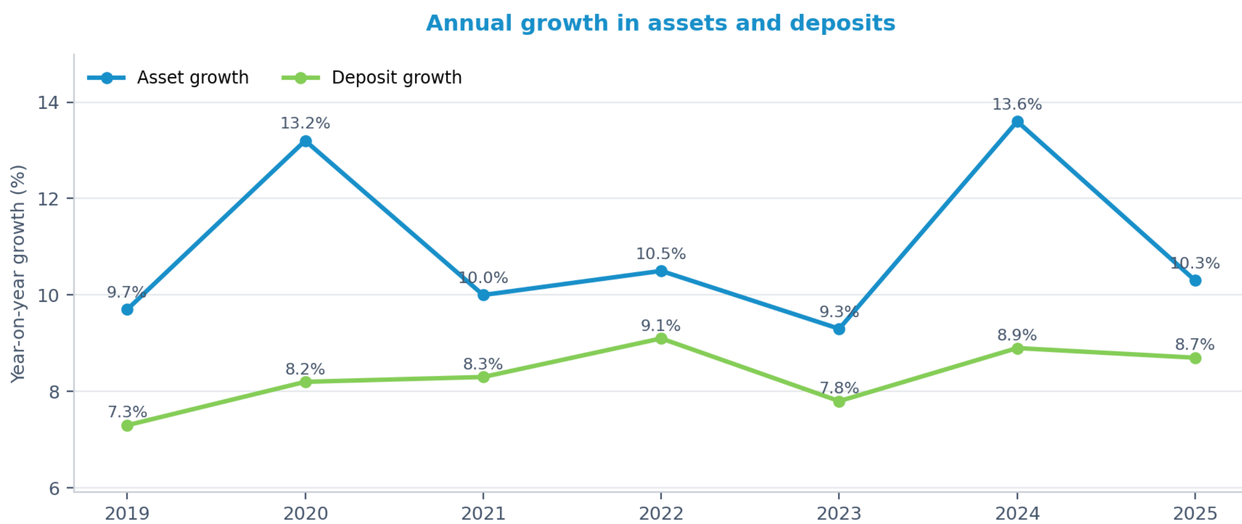
2. Sector scale, funding depth, and liquidity capacity

The clearest 2025 signal is the widening gap between credit and deposit growth. Strong loan demand is commercially attractive and aligned with national investment priorities, but it also raises the marginal cost of funding and increases reliance on wholesale, capital-market, and international sources. Funding strategy should therefore be treated as a core business and risk agenda, not as a treasury-only issue.

- **Funding diversification should be deliberate, not reactive.** Banks should define target mixes for retail, corporate, government, wholesale, sukuk, and international funding; monitor maturity and currency concentration; and price growth using the true marginal cost of funds.
- **Liquidity should be managed jointly with capital and growth.** Primary liquidity declined over the multi-year expansion cycle even though total liquid assets remained substantial. Boards should use integrated capital, funding, and liquidity scenarios to set realistic portfolio growth limits.

Exhibit 2

Asset growth continued to outpace deposit growth



Source: SAMA and Bank Audi Group Research, 2019-2025; FinQuest analysis.

3. Profitability, cost discipline, and reinvestment capacity

Sector net profit reached approximately SAR 103.5 billion in 2025, up 16.0% from approximately SAR 89.3 billion in 2024. Return on assets increased to 2.19% from 2.11%, and return on equity increased to 16.7% from 15.8%, confirming strong earnings momentum across the major listed banks.

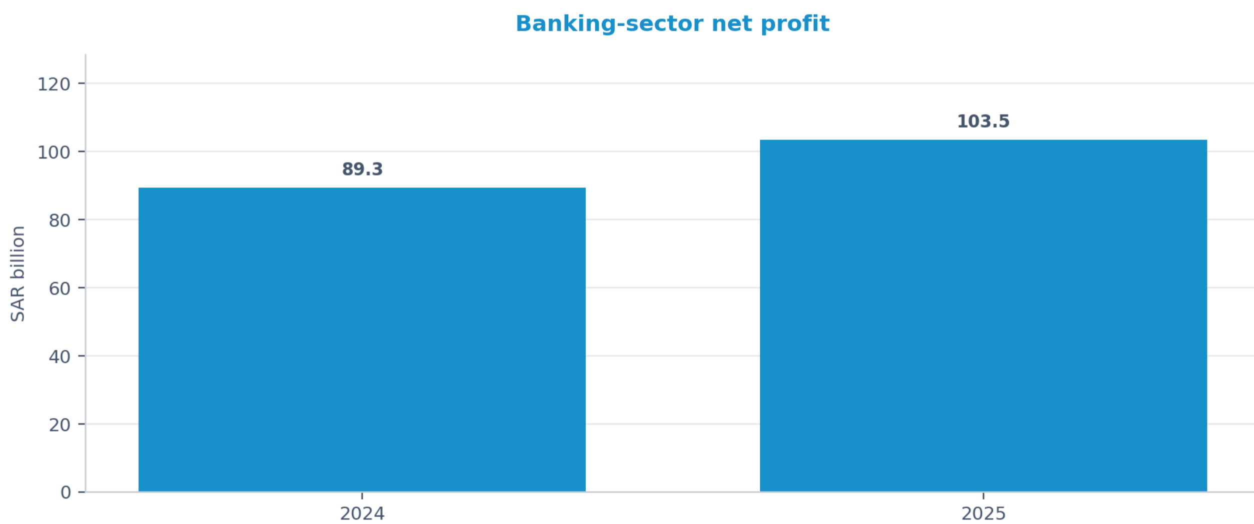
This profitability provides internal capital generation and a substantial modernization budget. Banks can use it to strengthen credit analytics, project-finance capability, digital distribution, cyber resilience, fraud and AML controls, data platforms, and management information. Investment should be sequenced around measurable returns and critical risk dependencies.

The cost and durability of funding will increasingly influence profitability. As banks use more wholesale and international funding, management should track all-in marginal funding cost, currency and maturity gaps, collateral needs, refinancing concentration, and the transfer of funding cost into loan and product pricing.

The operating-model implication is clear: funding is now a strategic constraint and differentiator. Banks should connect product pricing, loan origination, deposit strategy, wholesale funding, capital consumption, and liquidity transfer pricing through one integrated balance-sheet management framework.

Exhibit 3

Sector profit reached a new high in 2025



Source: SAMA data and Bank Audi Group Research, 2024-2025; FinQuest analysis.

4. Credit deployment and asset-quality discipline

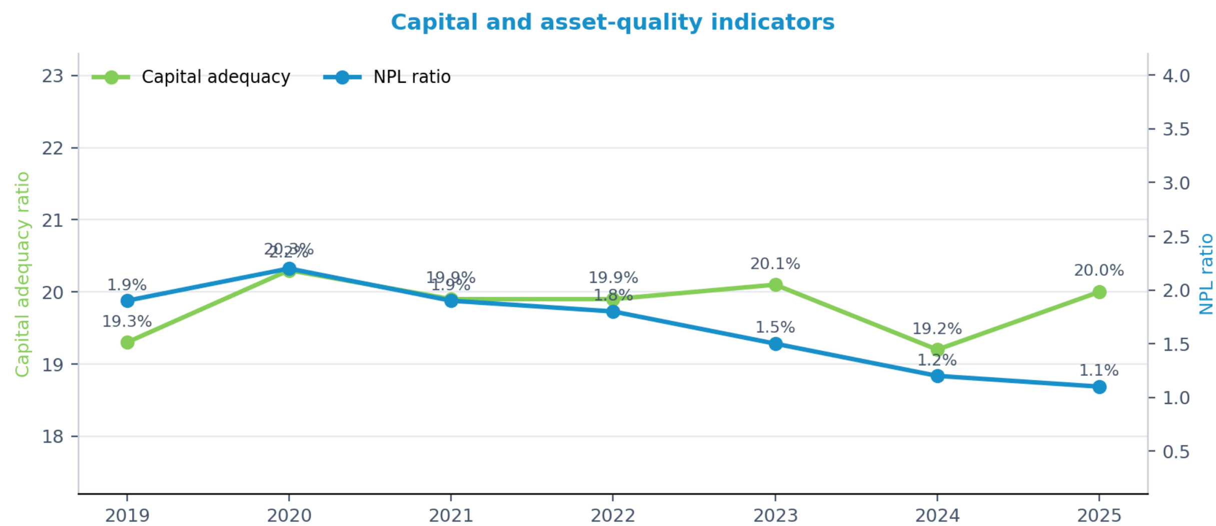
Loans and advances reached approximately SAR 3.04 trillion in 2025, supported by corporate, mortgage, project, and government-linked activity. This growth contributes directly to the Kingdom's economic transformation, but portfolio expansion should remain aligned with stable funding, internal capital generation, and realistic assumptions about project timing and cash-flow conversion.

The NPL ratio declined to approximately 1.1%, near a decade low, while capital adequacy remained around 20.0%. These indicators support continued lending, but the rapid pace of credit expansion requires disciplined project-finance underwriting, real-estate and contractor concentration limits, collateral and covenant monitoring, early-warning indicators, and scenario analysis for delayed or reprioritized projects.

> **The constructive conclusion is that strong capital and low NPLs provide capacity for further financing. The condition is that project, real-estate, and corporate growth remains cash-flow based, concentration aware, milestone monitored, and aligned with realistic funding and capital scenarios.**

Exhibit 4

Capital remained strong as the NPL ratio declined



Source: SAMA financial stability indicators and Bank Audi Group Research, 2019-2025; FinQuest analysis.

5. Market structure, concentration, and competitive scale

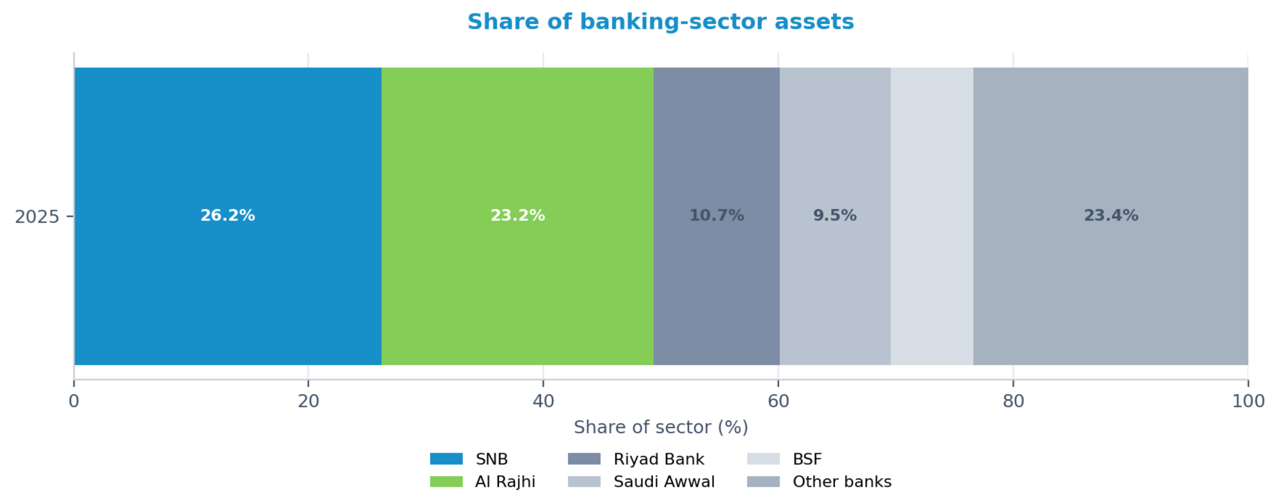
The market is concentrated around a small number of large domestic institutions. Saudi National Bank held approximately 26.2% of sector assets and Al Rajhi Bank 23.2% at year-end 2025. Riyad Bank, Saudi Awwal Bank, and BSF brought the combined share of the five largest institutions to approximately 76.6%.

Scale supports low-cost distribution, technology investment, corporate relationships, and access to domestic and international capital markets. Smaller institutions can still compete through segment specialization, Islamic-finance innovation, digital execution, relationship banking, and faster decision cycles, but they must maintain a funding strategy and cost base consistent with their chosen position.

Scale economics are significant in Saudi banking, but specialization remains viable. Institutions below the top tier should choose clear segments, use digital delivery and partnerships, and avoid carrying a universal-bank cost structure without the funding and revenue scale to support it.

Exhibit 5

The five largest banks held more than three-quarters of sector assets



Source: Bank Audi Group Research, 2025 Saudi Banking Sector Report; FinQuest analysis.

6. FinQuest view: 2026 priorities for banks

- ✓ **Align credit growth with stable funding and capital generation.** Set portfolio growth plans using forward-looking deposit, wholesale funding, capital, liquidity, and profitability scenarios rather than demand forecasts alone.
- ✓ **Strengthen project, real-estate, and concentration governance.** Use cash-flow-based underwriting, sponsor and contractor analysis, milestone monitoring, sector and single-name limits, collateral governance, and downside scenarios for major exposures.
- ✓ **Diversify liabilities while controlling refinancing risk.** Build balanced access to deposits, domestic debt and sukuk, international funding, and secured facilities with clear tenor, currency, cost, and concentration limits.
- ✓ **Convert digital-payments momentum into operating efficiency.** Use open banking, automation, data, and digital channels to reduce unit cost and improve service while strengthening API governance, cyber resilience, fraud controls, and customer consent.
- ✓ **Treat data and management information as growth infrastructure.** Create consistent exposure, profitability, funding, and risk data so boards and executives can evaluate funded returns, concentration, and capital consumption across products and strategic programs.

7. 2026 outlook

Full-year 2025 indicators support a constructive outlook for 2026. The sector enters the year with strong capital, low NPLs, record profitability, and continued demand for financing from private-sector growth and national investment programs. These fundamentals should support further expansion, but the funding environment is becoming more demanding.

The strategic shift should be from credit growth alone toward funded, risk-adjusted growth: aligning lending with deposits and diversified liabilities, protecting capital generation, managing project and real-estate concentrations, and using digital and operating-model investment to reduce unit cost and improve control scalability.

FinQuest perspective: Saudi Arabia's banking sector enters 2026 with strong capital, low asset-quality stress, record profitability, and substantial credit demand. The opportunity is to sustain growth by making funding diversification, project-risk discipline, and capital productivity central to strategy and execution.

8. Country operating context

The sector's growth is closely connected to Saudi Arabia's economic transformation. Vision 2030, infrastructure programs, housing, tourism, logistics, industry, and non-oil private-sector development continue to generate substantial demand for corporate, project, SME, and retail financing.

The riyal peg transmits U.S. monetary conditions into domestic pricing, while government spending, oil-market conditions, and project prioritization influence liquidity and credit demand. Banks should therefore incorporate macro, fiscal, commodity, and project-execution scenarios into capital, funding, and portfolio planning.

Payments and digital finance continued to advance. Electronic payments represented approximately 85% of retail payments in 2025, while open banking, fintech licensing, and digital channels expanded. The next stage is to combine customer growth with API governance, cyber and fraud controls, consent management, data quality, and sustainable product economics.

Vision 2030 continues to create a large banking opportunity. The decisive issue is sequencing: banks must align credit commitments with project cash flows, stable funding, capital capacity, and risk infrastructure so that sector growth remains resilient through changing oil, fiscal, and rate conditions.

9. Sources and use note

This report was prepared by FinQuest using publicly available data and publications issued by the Saudi Central Bank and other institutional sources. Figures are rounded for executive readability and should be reconciled against the original releases before external publication, regulatory submission, or client-specific advisory use.

- Saudi Central Bank, Key Economic Developments Reports, 2025 and Q1 2026.
- Saudi Central Bank, Monthly Statistical Bulletin and Open Data, December 2025.
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- Saudi Central Bank, Annual Report and banking-sector statistical publications.
- Bank Audi Group Research, 2025 Saudi Banking Sector Report, February 2026.
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